



Arkansas

Oklahoma

Kansas

2018

# Apartment Report Oklahoma City Tulsa

Mike Buhl

CRRC - OKC  
405.360.5966  
[buhl@crcc.us](mailto:buhl@crcc.us)

Darla Knight  
CRRC - Tulsa  
918-557-5966  
[darla@crcc.us](mailto:darla@crcc.us)

[www.crcc.us](http://www.crcc.us)



COMMERCIAL REALTY RESOURCES CO  
MULTIFAMILY INVESTMENT SERVICES

*Providing professional apartment brokerage  
and marketing services for over 34 years*





## 2018 Multifamily Apartment Report

Despite higher valuations, investors continue to buy at stubbornly low cap rates and supply remains overwhelmed by demand. The looming question was whether the next set of buyers in 2018 would be willing to pay that next level of pricing to sustain the upward trajectory of the market. They did step up and in a big way. Transactional volume in Oklahoma City not only exceeded 2017 but marked its second-best year on record with \$437.1 million, falling only narrowly short of the peak year of 2015 with \$439.6 million in total volume. The total number of units sold in Oklahoma City in 2018 was at its highest level in a decade at 8,926 marking its fourth best year on record. Tulsa recorded its second-best year on record with \$328.2 in total volume and its fourth best year on record with 6,258 units sold.

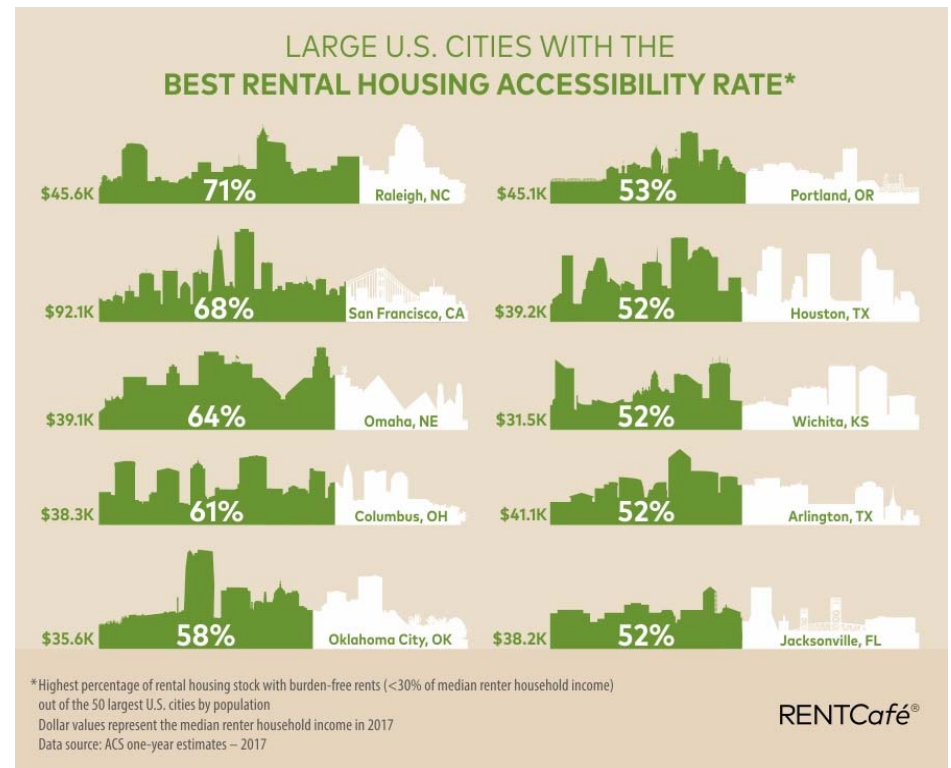
Investors look at the fundamentals and get comfortable with the high prices based on anticipated rent growth thinking that will make up for the low yields. In fact, discussion about inflated pricing has been repeated so frequently that it has become to be a bit of a cliché. Eventually, higher interest rates are expected to get in the way of transactions, though that did not happen in 2018. Despite seven rate hikes, we still have historically low interest rates. Borrowers can still expect interest rates in the high four to lower five percent range on 10-year loans from agency lenders, which is about 50 basis points higher from twelve months ago for similar loans. In the prior peak of the market in 2006 and 2007, the average 10-year Treasury was 4.40 as compared to a 10-year rate that is still sub three percent today. So, by that comparison, there may still be room for interest rates to rise without causing a disruption to transactions. Notwithstanding, the assets likely to be most negatively affected by higher interest rates are those with the lowest cap rates.

Is there really a correlation between interest rates and valuations and do rising interest rates really matter that much. Or does anyone really care? Higher interest rates do cut into the income that an apartment property can provide. Rents may still be rising but not enough to keep up with the high prices that investors are paying for apartment assets. This will begin to limit the size of loans that borrowers can get to purchase or refinance apartment properties. Up to this point, it has been relatively easy to get a permanent loan from an agency lender (mostly Freddie Mac) at or near 80 percent of the value of the property. But it will become harder to achieve this same level if interest rates start trending higher and using today's pricing. It will become harder for investors purchasing apartments today to deliver the same kind of returns that they saw in earlier deals. With the unprecedented number of buyers seeking acquisitions, it is more important today to get the deal done than to miss an opportunity by worrying over higher interest rates. Perhaps a flawed theory, but everyone is betting big today which is keeping cap rates stubbornly low.

I do think the market has benefited from higher interest rates in one respect. Higher interest rates have slowed the pipeline of new construction projects. If new construction has been driven more by historic low interest rates than a fundamental demand for the product, as I believe it has, than higher interest rates, combined with rising construction costs, will make it more difficult to support the property values needed to justify the costs. Higher rates could be the final straw in the viability of new developments making them not worth the risk. If this theory is correct, then it will slow the inventory of new product to the market and the pipeline of speculative developments for 2019 and 2020. This will help absorption and increase occupancy levels going forward. You cannot have rental rate increases without first having occupancy. So, from this perspective, a slowing inventory of new product caused by higher interest rates will be viewed as a positive.

Meanwhile, multifamily investors continue to be eager to purchase value-add assets. That part is obvious if you have been following the market. In fact, most every property being offered for sale is labeled "value-add". What is not so obvious is that it just can't be accurate. Not every property sold or being offered for sale is a value-add opportunity, unless it were true that every property could absorb higher rental rates. But that cannot be accurate either as rent growth is never guaranteed. If every owner and investor is doing the same thing, then what was once a niche investment strategy (*value-add investing*) is no more. If on a broad level everyone is raising rents, there is concern weighing on the sector of an erosion of affordable housing at affordable rent levels.

One definition is that a good sub-market for a value-add play will have a growing base of renters who are paying less than 30 percent of their incomes for rent. That means they could probably pay more to live in renovated apartments without having to give up other necessities. Despite both Oklahoma City and Tulsa being cities with a best rental housing accessibility rate, as ranked by RENTCafe.com, the combination of cash strapped renters and owners determined to drive up rents may not be a great match. The demographics may not broadly support that all value-add deals can succeed. Going forward, investors may find that the deal basically needs to work at the rents achievable in the market right now. Value-add may become more about navigating current market conditions and less on anticipated rent growth.



| City              | Rental Stock (2017) | Median Renter Household Income (2011) | Median Renter Household Income (2017) | Income Change | Median Gross Rent (2011) | Median Gross Rent (2017) | Rent Change |
|-------------------|---------------------|---------------------------------------|---------------------------------------|---------------|--------------------------|--------------------------|-------------|
| National          | 41,233,966          | \$30,934                              | \$38,944                              | 26%           | \$871                    | \$1,012                  | 16%         |
| Oklahoma City, OK | 91,901              | \$27,073                              | \$35,616                              | 32%           | \$733                    | \$841                    | 15%         |
| Tulsa, OK         | 76,458              | \$25,997                              | \$31,482                              | 21%           | \$692                    | \$811                    | 17%         |

[RENTCafe.com](http://RENTCafe.com)

### The Economy

According to data released from the Oklahoma Employment Security Commission, every Oklahoma county and the state's largest metro areas showed improvement in unemployment rates compared to last year. The jobless rate in October 2018 was 2.8 percent in the Oklahoma City metro area and 3.1 percent in the Tulsa metro area. Other state metropolitan area unemployment rates include Lawton at 3.6 percent and Enid at 2.7 percent. In December, the statewide jobless rate was 3.2 percent. In December last year, Oklahoma's jobless rate was 4.1 percent. Over the past year, Oklahoma has added 25,500 new jobs, an increase of 1.5 percent. According to Chamber Executive Vice President Jeff Seymour, nearly 7,000 new jobs are anticipated to be added in Oklahoma City in coming years, with an average salary of \$46,610. New and existing businesses are projected to spend \$431.2 million on capital investments.

Major economic development projects announced in 2018 for Tulsa include Amazon's \$130 million fulfillment center near the Tulsa International Airport, with 1,500 jobs; Whirlpool's \$55 million expansion, which will add 150 jobs; Spirit Aero Systems planned \$80 million expansion, which will create 250 new jobs; and phase two of Greenheck Group's \$100 million Tulsa manufacturing campus, which will add more than 600 new jobs.

### Oklahoma City Metro

For the twelve months of 2018, there were 59 sales on properties that exceed 25 units in size, for a total of 8,926 units. This was up sixteen percent from 7,715 units sold in 2017. Total sales volume was \$437.1 million in 2018, as compared to \$389.1 million in 2017, a twelve percent increase. For 2018, the overall average price per unit on apartment communities with 25 units or more is \$48,974, down only marginally from \$50,444 at the end of 2017.

For Pre-1980's properties, there were 46 transactions involving 5,909 units for an average per unit price of \$36,684. Of the overall \$437.1 million in sales, \$216.7 million, or fifty percent, was in this Pre-1980's vintage. Why the high percentage? Continued interest in workforce housing has kept the earlier vintage properties in high demand. The category was near par with 2017 with \$210.8 million in sales on 47 transactions, involving 5,836 units and an average price per unit of \$36,127.

### Oklahoma City continued

The 1980's category recorded six sales for a total of \$78.5 million on 1,673 units. The average price per unit was \$46,951. The largest sale in terms of size was the Highlands Apartments at 12601 and 12701 N. Pennsylvania that sold for \$39.5 million, or \$44,084 per unit. This 896-unit community was built in 1985. The second largest sale in terms of size was the Woodland Trails Apartments with 544 units. This property sold for \$28.8 million, or \$52,985 per unit. By comparison, there were three transactions in 2017 for \$44.4 million in sales representing 802 units sold for an average price per unit of \$55,486.

Post-1990's properties had six sales in 2018 for a total of \$140.5 million on 1,312 units. The average price per unit was \$107,162. The largest sale in terms of size was the Avana Apartments in Midwest City that sold for \$35.9 million, or \$120,706 per unit. This 298-unit community was built in 2004.

### Norman Student Housing

Student housing is perceived as being immune to economic forces and less risky than properties in core sectors. But the robust development created over the past few years in Norman has put a dent in leasing momentum. As new student housing projects moved closer to campus it created supply and demand imbalances. It also created the need to charge higher rents, while it seemed the number of parents willing to shell out these higher amounts for their kid's living quarters was limited. That's now leading student housing developments to lower rents instead. In fact, low occupancy at new housing facilities on the campus of the University of Oklahoma is causing the university to lose money and consider rent subsidies. This is according to statements that University President James Gallogly told the Tulsa World on September 25, 2018. "The university's two residential colleges have a combined occupancy rate of 63 percent, which will cost the university \$2.3 million this year". The colleges would still cost the institution \$1 million if they were fully occupied, he said. The colleges had \$80.5 million in bond debt. "With that much bonding, it's like asking a student to pay rent on a first-class house; they simply can't afford it", said Gallogly.

Looking back, the Reserve on Stinson Apartments in Norman sold for \$17,639,904, or \$86,470 per unit in May of 2017. The Reserve was built in 2005 with 204-units containing 612 bedrooms serving students at the University of Oklahoma. At \$76.42 per square foot, the property sold for far less than its replacement value. The history for this property is that it was originally sold by the developer for \$30,500,000 in December of 2006 and then later sold for \$22,948,000 in January of 2012. What was unclear in May of 2017 was if this was a sign of things to come for Norman.

The sale of the Millennium Apartments that occurred in August of 2018 may offer that clarity. The Millennium was built in 2015 with 196-units offering 698-beds. The property was built with exceptional amenities along with an attached multi-level parking structure. Millennium sold for \$25,191,000, representing \$128,525 per unit and \$99.31 per square foot. Student Quarters of Atlanta, Georgia, who acquired the property took out a new loan of \$18,480,000. The original mortgage prior to its recent sale was \$35,360,000 originated in December 2015.

# 2018 Multifamily Apartment Report

While Millennium and The Reserve (*now State on Campus*) were considered value-add opportunities, both will be adjusting to absorb oversupply in a market that could experience declining rental rates.

Including on-campus housing developed by the University of Oklahoma, there have been 5,626 student bedrooms added to the market since 2013.

### Student Population Trends

According to data prepared by Institutional Research & Reporting, the total Norman campus unduplicated enrollment for Fall-2018 was 28,582, versus 28,541 in Fall-2017, an increase of 41. The enrollment in Fall-2009 was 26,540, an increase of 2,042 students over the ten-year period between 2009 and 2018, which is less than one-percent annual enrollment growth over the past decade, while supply has swelled to over 5,600 beds.

Where is the market for student housing headed? Proximity to campus will define the winners. There is only one source for demand and that is the university itself. So, walkability may be the single best amenity a property can offer.

|   | Fall 2017     | Fall 2018     | % Change    |
|---|---------------|---------------|-------------|
| <b>Norman Campus</b>                              |               |               |             |
| Norman On-Campus                                  | 25,668        | 26,165        | 1.9%        |
| OU-Tulsa - Norman Campus Programs                 | 728           | 695           | -4.5%       |
| Extended Campus*                                  | 3,464         | 3,398         | -1.9%       |
| <b>Total Norman Campus Unduplicated Headcount</b> | <b>28,541</b> | <b>28,582</b> | <b>0.1%</b> |

|                            | Fall 2008 | Fall 2009 | Fall 2010 | Fall 2011 | Fall 2012 | Fall 2013 | Fall 2014 | Fall 2015 | Fall 2016 | Fall 2017 | Fall 2018 |
|----------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| <b>Total Norman Campus</b> | 26,201    | 26,540    | 26,490    | 27,149    | 27,518    | 27,303    | 27,278    | 27,445    | 27,937    | 28,541    | 28,582    |

<http://www.ou.edu/content/irr/data-center/enrollment-statistics.html>

### Tulsa

There were 37 sales in 2018 on properties that exceeded 25 units in size, for a total of 6,258 units sold. This was significantly above the 3,650 units sold in 2017.

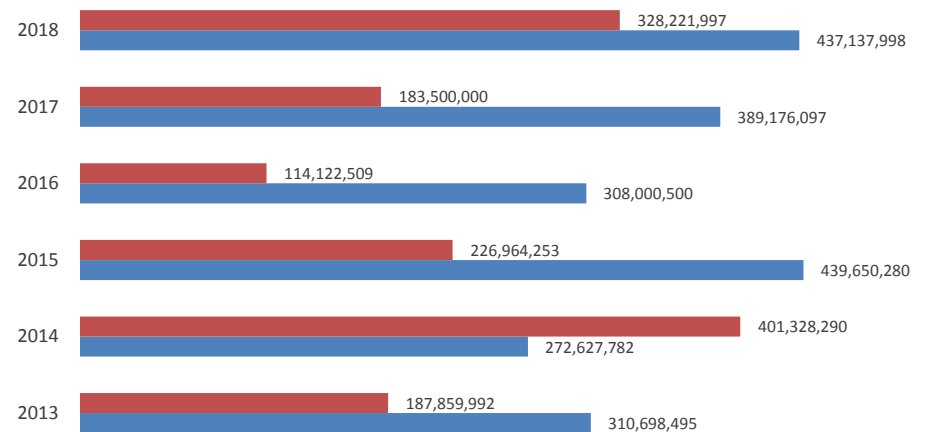
Total transaction volume in Tulsa was \$328.2 million in 2018, which was up from \$183.5 million in 2017, a seventy-nine percent increase. The overall average price per unit in Tulsa was \$52,448 versus \$50,274 in 2017.

For Pre-1980's properties, there were twenty-five transactions involving 3,565 units for an average per unit price of \$39,058. This compares to twelve transactions on 1,457 units sold in 2017 for an average price per unit of \$33,233. Total volume in 2018 was \$139.2 million, versus \$48.4 million in 2017. The largest sale in terms of size was the Shoreline Apartments at 9601 E. 21<sup>st</sup> Place with 464-units. The property sold for \$18.8 million, or \$40,517 per unit. The highest price per unit belonged to Bandon Trails Apartments at \$56,250. Bandon Trails is 340-units at 2505 East 88<sup>th</sup> Street that sold for \$19.1 million.

Post 1980's recorded five transactions for 1,296 units sold in 2018. Combined sales accounted for \$67 million for an average price per unit of \$51,720. This compares to 2017 which also had five sales for \$103.6 million involving 1,893 units. The highest price per unit in this category for 2018 was \$60,289 for the Place at 101 Sheridan Apartments (*formerly named Galleria*). The 256 units were built in 1985 and located at 10011 S. Sheridan.

Post-1990's vintage had six transactions for 1,321 units sold in 2018. Combined sales accounted for \$119.8 million for an average price per unit of \$90,706. This compares to 2017 with two sales for \$31.4 million involving 300 units. The largest sale in 2018 in terms of size was the 361-unit Vintage on Yale Apartments at 5202 E. 81<sup>st</sup> Street. The property sold for \$35 million, or \$96,952 per unit. The highest price per unit was the Stonehaven Villas Apartments at \$101,351. Stonehaven Villas is 296-units at 8110 S. 107<sup>th</sup> Avenue that was built in 1999.

Table 1  
Historical Sales Volume  
Year-End \$ Totals



■ Tulsa ■ OKC

# Oklahoma City

**Total Sales Volume**



**12%**  
Compared to 2017

**Total Units Sold**




**16%**  
Compared to 2017

**Average Price Per Unit**



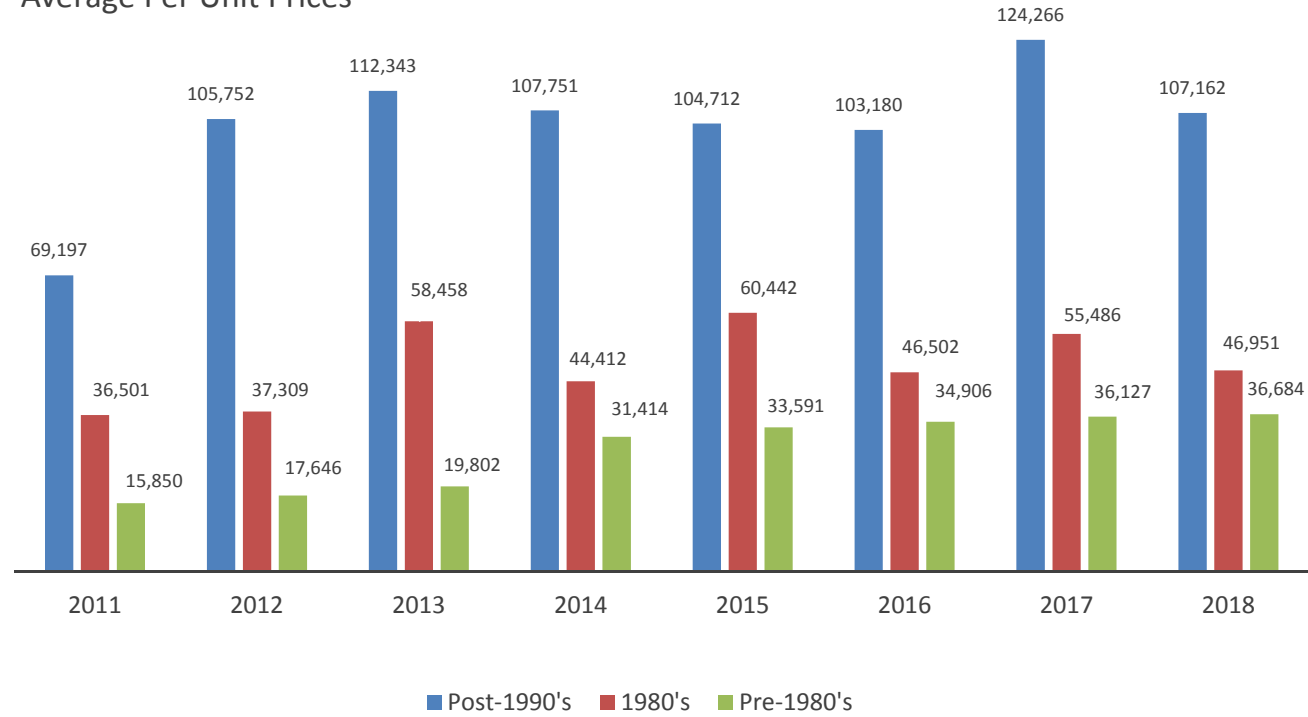
**3%**  
Compared to 2017

**No. of Transactions**

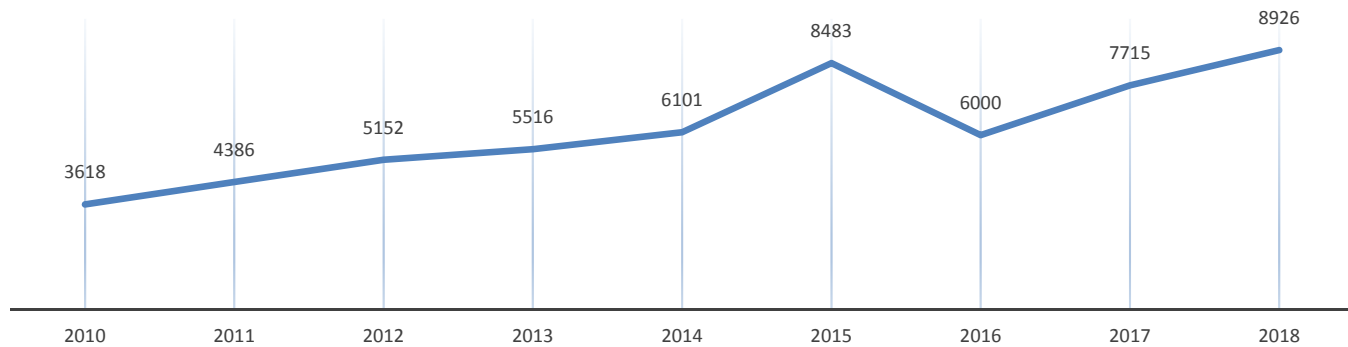


**9%**  
Compared to 2017

Average Per Unit Prices



OKC Total Units Sold



| <u>Tulsa</u>                              | Post 1990's           | 1980's               | Pre-1980's           |
|---|-----------------------|----------------------|----------------------|
| Number of Transactions                    | 6                     | 5                    | 25                   |
| Total Number of Units                     | 1,321                 | 1,296                | 3,565                |
| Total Number of Sales Tulsa               | 2                     | 5                    | 25                   |
| Total Number of Sales Other               | 2                     |                      |                      |
| Total Number of Sales Broken Arrow        | 2                     |                      |                      |
| Price High per unit<br>Price Low per unit | \$101,351<br>\$56,224 | \$60,289<br>\$46,094 | \$56,250<br>\$15,483 |

| <u>Oklahoma City</u>                      | Post 1990's           | 1980's               | Pre-1980's          |
|---|-----------------------|----------------------|---------------------|
| Number of Transactions                    | 6                     | 6                    | 46                  |
| Total Number of Units                     | 1,312                 | 1,673                | 5,909               |
| Total Number of Sales OKC                 | 3                     | 4                    | 39                  |
| Total Number of Sales Edmond              |                       | 1                    | 1                   |
| Total Number of Sales Norman              | 2                     | 1                    | 2                   |
| Total Number of Sales Other               | 1                     |                      | 4                   |
| Price High per unit<br>Price Low per unit | \$120,706<br>\$68,333 | \$52,985<br>\$40,833 | \$63,413<br>\$4,828 |

| Property Name | Address | Price | No. Unit | Year Built | Price Per Unit |
|---------------|---------|-------|----------|------------|----------------|
|---------------|---------|-------|----------|------------|----------------|

### Sale Highlights Oklahoma City – 2<sup>nd</sup> Half

|               |                      |              |     |      |           |
|---------------|----------------------|--------------|-----|------|-----------|
| Castle Tower  | 5516 NW 23rd         | \$3,630,000  | 122 | 1969 | \$29,754  |
| Cross Timbers | 10700 S. May         | \$16,125,000 | 150 | 2015 | \$107,500 |
| Aspen Walk    | 5537 S. Sunnyslane   | \$6,665,000  | 145 | 1974 | \$45,965  |
| Cedar Hills   | 4625 Tinker Diagonal | \$6,000,000  | 124 | 1972 | \$48,387  |

| Property Name | Address | Price | No. of Units | Year Built | Price Per Unit |
|---------------|---------|-------|--------------|------------|----------------|
|---------------|---------|-------|--------------|------------|----------------|

### Sale Highlights Tulsa – 2<sup>nd</sup> Half

|                         |                                 |              |     |      |           |
|-------------------------|---------------------------------|--------------|-----|------|-----------|
| Bandon Trails           | 2505 E. 88th                    | \$19,125,000 | 340 | 1974 | \$56,250  |
| Metroplex               | 2302 S. 137th                   | \$9,881,500  | 218 | 1975 | \$45,328  |
| Meadowbrook             | 444 S. Mingo                    | \$4,100,000  | 117 | 1968 | \$35,042  |
| Woodland Hills          | 8502 E. 66 <sup>th</sup> Place  | \$9,824,000  | 280 | 1978 | \$35,085  |
| Ashwood                 | 2929 S. 129 <sup>th</sup> Place | \$6,650,000  | 144 | 1984 | \$46,180  |
| Heights at Battle Creek | 1800 W. Granger                 | \$19,975,000 | 276 | 2006 | \$72,373  |
| Village Creek           | 6630 S. Zunis                   | \$10,417,500 | 226 | 1972 | \$46,095  |
| Urban Oaks              | 2102 E. 51 <sup>st</sup>        | \$17,700,500 | 360 | 1980 | \$49,168  |
| Stonehaven Villas       | 8110 S. 107th                   | \$30,000,000 | 296 | 1999 | \$101,351 |
| Madison Park            | 9743 E. 12th                    | \$4,250,000  | 128 | 1973 | \$33,203  |
| The View at Riverside   | 910 E. 61st                     | \$15,119,000 | 328 | 1982 | \$46,094  |
| Midtown Flats           | 4638 S. Darlington              | \$5,446,500  | 138 | 1973 | \$39,467  |
| Darlington Oaks         | 4801 S. Braden                  | \$11,997,000 | 312 | 1973 | \$38,452  |
| Harper's Lodge          | 4739 S. Fulton                  | \$2,308,000  | 88  | 1978 | \$26,227  |
| Pecan Creek             | 6111 S. Yorktown                | \$1,480,000  | 47  | 1974 | \$31,489  |
| Heston Pointe           | 4646 S. Fulton                  | \$1,480,000  | 64  | 1980 | \$23,125  |
| The Lodge               | 7901 S. Yale                    | \$12,125,000 | 208 | 1980 | \$58,293  |
| Place at 101 Sheridan   | 10011 S. Sheridan               | \$15,434,000 | 256 | 1985 | \$60,289  |
| Leisure Manor           | 6951 E. 15 <sup>th</sup> Place  | \$2,511,500  | 90  | 1962 | \$27,905  |
| Vintage on Yale         | 5202 E. 81 <sup>st</sup> Street | \$35,000,000 | 360 | 2000 | \$96,952  |
| Open World              | 2413 E. 55 <sup>th</sup> Place  | \$2,596,500  | 74  | 1974 | \$35,087  |
| Hadley Square           | 4655 S. Darlington              | \$2,220,000  | 96  | 1970 | \$23,125  |
| Stoneridge at 36th      | 3625 Maplewood                  | \$10,325,500 | 224 | 1973 | \$46,095  |
| Shoreline               | 9601 E. 21 <sup>st</sup> Place  | \$18,800,000 | 464 | 1974 | \$40,517  |
| Quaker                  | 1408 S. Quaker                  | \$1,280,000  | 26  | 1974 | \$49,230  |

# Tulsa

## Total Sales Volume



**79%**

Compared to 2017

## Total Units Sold



**71%**

Compared to 2017

## Average Price Per Unit



**4%**

Compared to 2017

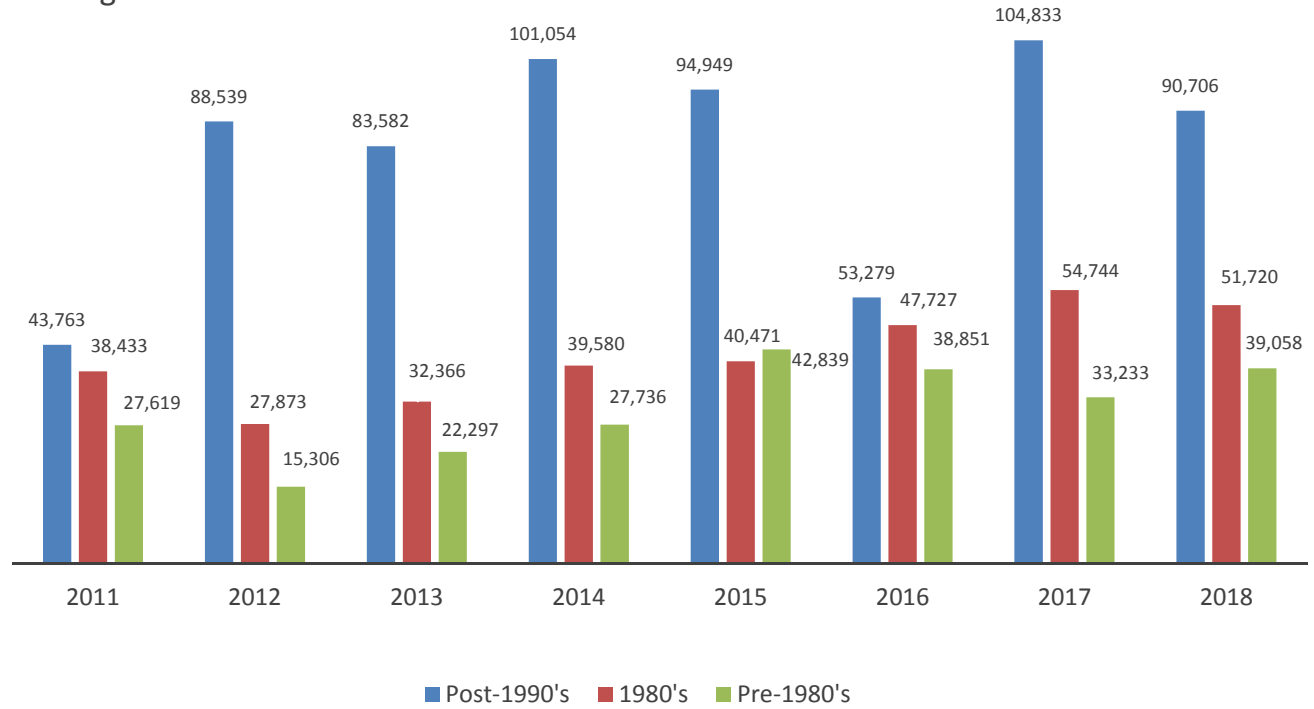
## No. of Transactions



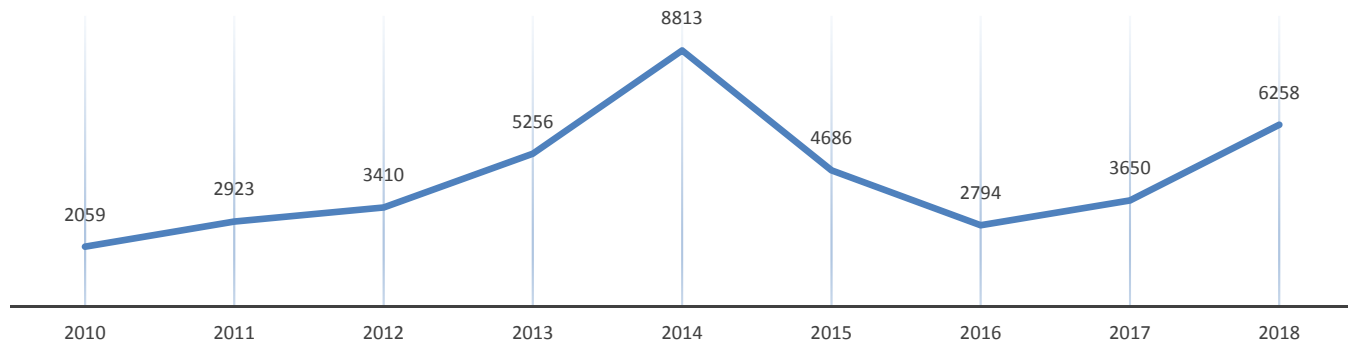
**95%**

Compared to 2017

## Average Per Unit Prices



## Tulsa Total Units Sold







Arkansas

Oklahoma

Kansas

### Outlook

Our outlook is that rents will be flat to marginally higher in 2019 and average metro area occupancy will trend up only slightly from current levels of 90 to 91%. This will be achieved mostly because of a slowdown in new construction deliveries that have added inventory and created some market softness over the past several years. Our market sentiment and outlook are not negative, just not as positive for 2019. It seems less and less likely prices will rise as quickly in the future as they have in the recent past. I think we will see more pricing pressure due to interest rate increases, which might prompt a broader reassessment of values and cause investors to show a higher degree of caution.

With that said, we have been predicting for a while now that there would be some pull back in activity caused by higher valuations and it still has not happened. We believe the market will get more challenging though in 2019. The challenge could be due to a combination of factors, including views that the market is at its peak, rising interest rates and a competitive investment market. Nonetheless, there are still good reasons to be excited about the multifamily sector in 2019.



CRRC has sold over 34,000 apartment units. We deliver value to our clients by providing exceptional service that increases their bottom line. **CRRC** has one of the best success rates in the business for achieving the highest sale to list price at 94%\*.

\*Based on \$190.5 million in sales on 5,246 units between March 2013 and March 2018.



| Property Name  | Address            | Price        | No. of Units | Year Built  | Price Per Unit |
|--|--------------------|--------------|--------------|-------------|----------------|
| <b>Sale Highlights Oklahoma City – 2<sup>nd</sup> Half continued</b> |                    |              |              |             |                |
| Sienna Ridge   | 1428 NW 27th       | \$2,262,000  | 36           | 1970        | \$62,833       |
| Copper Ridge   | 1433 NW 24th       | \$2,173,000  | 36           | 1968        | \$60,361       |
| Eden Cove  | 3834 N. Oak Grove  | \$9,000,000  | 278          | 1972        | \$32,374       |
| Central Plaza  | 930 E. 2nd         | \$6,800,000  | 151          | 1984        | \$45,033       |
| Mt Vernon  | 4020 N. Meridian   | \$3,247,500  | 92           | 1968        | \$35,299       |
| Garland Square   | 201 Woodcrest Dr   | \$3,385,000  | 110          | 1970        | \$30,772       |
| Council Crossing   | 7902 NW 21st       | \$19,100,000 | 336          | 1975        | \$56,845       |
| Foxcroft   | 6810 NW 16th       | \$6,680,000  | 188          | 1971        | \$35,532       |
| Northwood  | 900 E. Wayne       | \$1,650,000  | 27           | 1969        | \$61,111       |
| Renaissance  | 1600 Ann Branden   | \$24,160,500 | 228          | 1998        | \$105,967      |
| Commons on Oak Tree  | 1111 Oak Tree      | \$17,000,000 | 254          | 1994        | \$66,929       |
| Oak Place  | 12500 S. Western   | \$16,400,000 | 240          | 2003        | \$68,333       |
| Lone Pine  | 816 NW 24th        | \$1,100,000  | 32           | 1973        | \$34,375       |
| Avana Midwest  | 777 N. Air Depot   | \$35,970,496 | 298          | 2004        | \$120,706      |
| The Brighton   | 700 NW 29th        | \$5,834,000  | 92           | 1929        | \$63,413       |
| Raleigh Square   | 4500 Cherry Hill   | \$3,200,000  | 104          | 1984        | \$30,769       |
| Woodland Trails  | 12401 N. MacArthur | \$28,824,000 | 544          | 1984        | \$52,985       |
| The Capitol on 28  | 215 NE 28th        | \$19,700,000 | 223          | 1967 / 2013 | \$88,340       |
| Millennium   | 900 E. Lindsey     | \$25,191,000 | 196          | 2015        | \$128,525      |
| Country Village  | 301 Hal Muldrow    | \$4,500,000  | 100          | 1972        | \$45,000       |