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Tulsa multifamily sector poised for new construction

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TULSA – Apartment construction projects in Owasso, Bixby and south Tulsa could start a new growth phase in that metro's multifamily sector.



This rendering shows Marquis on Memorial, an \$8 million, 132-unit apartment complex planned for Bixby. (Courtesy rendering)

These also will end Tulsa's one-year drought for apartment builders.

"All the fundamentals line up quite well for new construction," said David Z. Forrest, the Tulsa-area multifamily specialist for CB Richard Ellis of Oklahoma. In eastern Owasso, Case & Associates has started moving earth for the 11-acre, 260-unit Villas at Preston Lakes. It has already secured all of its building permits.

In Bixby, a partnership between John Rupe Jr., Cliff Nutt and Dave Yonce hopes to start construction in January for the Marquis on Memorial, an \$8 million, 132-unit complex on 7 acres beside Bentley Park at S. 146th and Memorial Drive.

In south Tulsa, Flournoy Development Co. is reportedly closing on land to raise a 336-unit luxury complex tentatively called Sonoma Grande. At S. 81st Street and Mingo Road, the property falls very close to the Estancia Apartments, a 294-unit luxury complex Flournoy completed last year.

Estancia was one of three area complexes finished in 2006, marking Tulsa's first multifamily construction in several years.

Forrest projects Tulsa could see around 3,000 new units come online over the next three to five years, roughly half what hit the market during the last construction wave, from 1996 to 2001. "I don't think you'll see a burst that's going to put us out of whack as supply and demand goes," he said. "It's still hard to find good sites to put a property on in Tulsa. Construction costs are still up; they're still high relative to where they've been in a 10-year period."

Although it goes against his normal "investor mentality" strategies, Forrest said several factors now favor investor returns on new construction over buying existing properties. The advantages start at the financing level, where construction loans are receiving more favorable terms than for property acquisition.

"On top of that, rent fundamentals are leaning towards newer construction," he said, supported by a slowdown in single-family home sales.

"Our market's not overbuilt," said Forrest, whose midyear Tulsa market survey found an average occupancy of 92.5 percent, with average one-bedroom rents at \$431 a month. "The new properties are doing quite well. Most have occupancies in the mid-90s or even higher."

With occupancy rates and rents rising for over a year, and concessions dropping, Aaron Hargrove said the question now goes to what level of apartment luxury the Tulsa market will support. The Tulsa specialist with the multifamily brokerage Commercial Realty Resources Co. said recent Tulsa apartment projects, like last year's the Heights at Battle Creek, reflected construction costs of 80 to 90 cents per square foot.

For both Oklahoma City and Tulsa, Hargrove said CRRC has drawn inquiries from large builders seeking to raise the bar on Sooner State luxury apartment standards, with possible construction costs of \$1.25 a foot.

"In Dallas, Austin, Arizona, Kansas City, their luxury Class A apartments are much nicer than anything that's being built in Oklahoma right now," he said. "Estancia might be on the level to that, but little else. But we have developers who say they want to come in and spend \$120,000 a unit. They want nice granite countertops, high-end amenities, things like that."

That, said Hargrove, was when investors started asking whether rents could support such construction. Outside of riverfront properties, some question that viability. But Hargrove found the discussion itself encouraging.

"We haven't really seen that in several years. It's good news for Tulsa," he said. "Whether it happens, I don't know, but the fact that they're looking, that we're on the radar screen, is good."

Inside the Marquis on Memorial

General contractor: Rupe Building Co.

Architect: Jim Parker & Associates

Projected cost: \$8 million

Unit mix: 48 one-bedroom units, 740 square feet; 72 two-bedroom units, 950 square feet; 12 three-bedroom units, 1,150 square feet.

Details: Project will contain five three-story buildings plus a clubhouse with pool.