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The vacancy rate for multi-family properties in the CBD rose to 19.6 percent in Q4 2016 as there was a 314 unit negative absorption with 82 new units delivered to the market. There is an additional 2,259 units under construction and an additional 1,039 units proposed. It would appear from these numbers that the absorption is in negative territory and could (and most probably will) get worse before it gets better. You can see by the charts on page 6 of this report there has been a definite continued increase in vacancies and a decrease in effective rents.

There were 20 transactions in Q4 2016 of multi-family sales, about the same as Q1 and Q2. Q3 saw 50 transactions. Total volume for the Q4 sales was $59,241,673.00 which is about the average for the first three quarters sales of 2016.

The most notable sales transaction for Q4 2016 was the sale of Garden Gate at 4023 Fontana Drive in Oklahoma City, which sold for $12,552,000.00, which was $125,520.00 per unit.

We would expect to see a slowing of multi-family construction until the oil and gas industry rebounds substantially or the local and national economy begin expansion. With 3,100 units vacant including those coming on line and rental rates beginning a decline it would make sense that the production of additional multifamily units would come to a halt.

Bob Sullivan
CEO
Kiplinger reports that United States has ended the year 2016 with a GDP rate of 1.60 percent, down from 2.60 percent in 2015. Growth during the fourth quarter is 2 percent, putting second-half 2016 growth comfortably above the first half’s modest 1 percent pace. Oil price and energy stock has surged since OPEC reached an agreement to cut production by 1.2 million barrels per day. It still takes time to see whether OPEC members are able to carry out the agreement they have reached.

Trump’s surprise victory in the November presidential elections has significantly changed the outlook for United States economy. Trump’s policies include a major fiscal stimulus-tax cutting. The pro-business policy will increase spending, but the effects may crowd out as the Fed has increased the interest rate in December, and more interest rate hikes are expected in year 2017.

As OPEC has reached the agreement to cut its daily production, oil prices have been increasing. Signs of recovery can also be seen in Oklahoma. Oklahoma ended the year with a rig count of 86, which is up by 32 from 54 in February when the oil price was below $30 per barrel. Oil and gas revenue tax collections was up in October 2016 for the first time in nearly two years. Continental Resources and Devon Energy has increased their drilling budget for year 2017. We are still seeing layoffs in the energy sector but the number was much smaller.

According to Bureau of Labor Statistics, Oklahoma City Ranks No. 8 in “Fastest Growing Median Wage Growth.” Moody’s Analytics also reports Oklahoma City ranks in the top five in the lowest Cost of Doing Business, Energy Cost, and State & Local Tax categories. Oklahoma continue to attract investment from in state and out of state. Oklahoma City multi-family sector remains a hot investment spot. If OPEC can carry out their agreement as planned, we are going to see more projects which was putting on hold coming to the market in year 2017.
The overall vacancy rate for multi-family properties in the Oklahoma City market at the end of the fourth quarter was 10.9 percent with an average asking rental rate per SF of 0.82. The overall asking rent per SF has been increasing for the past five years, but started declining since the mid of 2016 due to rising vacancy rate. Studio asking rent averaged $575 per unit, one-bedroom asking rent averaged $620 per unit, two-bedroom asking rent averaged $753 per unit, and three-or-more bedroom asking rent averaged $819 per unit.
CONSTRUCTION, DELIVERIES, ABSORPTION AND VACANCY RATE

Vacancy Rate by Unit Mix

Effective Rent per Unit by Bedroom
There were 2,259 units totaling 2,527,740 SF of multi-family properties under construction at the end of the fourth quarter. We saw only 82 units delivered to the market and the net absorption was a negative 314 units. The two largest multi-family properties under construction were the 250-unit The Steelyard at Bricktown Apartments at 505 E Sheridan Avenue, which is scheduled to be delivered in April 2017, and the 388-unit Callaway House at 555 E. Brooks St., Norman, which is scheduled to be delivered in August 2017.

Top Under Construction multi-family projects can be seen in the above table.
There were 20 transactions totaling $59,241,673 recorded during Q4 2016. The largest transaction based on dollar volume was the sale of the 100-unit Garden Gate Apartment Complex at 4023 Fontana Dr. in Oklahoma City. Haley Real Estate Group acquired Garden Gate Apartment Complex from Sec Garden Gate LLC for $12,552,000, or $125,520 per unit and $69.71 per square foot, on November 28th, 2016.

Despite the climbing interest rate, Oklahoma City multi-family market remains hot spot for investment and continue to draw interest from in state and out of state. Ferguson Property Group of Memphis has started working on a $27 million project to renovate the 12-story Tiffany Apartments at NW Expressway and May Avenue. Four three-story townhouses will be built at 435 NW 12th Street.
OKC MARKET SIGNIFICANT MULTI-FAMILY SALE TRANSACTIONS DURING Q4 2016

Property Name: Cambridge Apartments
Address: 2400 NW 39th Terr., OKC
Sale Price: $4,736,000
Sale Price per SF: $51.76
Sale Price per Unit: $29,974
Sale Date: 10/07/2016

Property Name: Seminole Ridge Apartments
Address: 125 SW 74th St., OKC
Sale Price: $8,200,000
Sale Price per SF: $47.63
Sale Price per Unit: $36,771
Sale Date: 10/06/2016

Property Name: Garden Gate Private Homes
Address: 4023 Fontana Dr., OKC
Sale Price: $12,552,000
Sale Price per SF: $69.71
Sale Price per Unit: $125,520
Sale Date: 11/28/2016
Property Name: Versailles Apartments
Address: 1119 NW 82nd St., OKC
Sale Price: $1,200,000
Sale Price per SF: $44.18
Sale Price per Unit: $80,000
Sale Date: 10/14/2016

Property Name: College View Apartments
Address: 1708 NW 12th St., OKC
Sale Price: $700,000
Sale Price per SF: $32.51
Sale Price per Unit: $25,000
Sale Date: 10/27/2016

Property Name: Peartree Apartments
Address: 2404 N Reeves Ave., OKC
Sale Price: $526,000
Sale Price per SF: $67.53
Sale Price per Unit: $43,833
Sale Date: 10/28/2016
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