First Quarter Multi-Family Market Report 2017
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The outlook for Multi Family leasing remains very soft, and will continue through 2017 and beyond as we continue to deliver units that have been in planning and under construction for the past 2 to 3 years. In Q1 2017 there was a negative absorption of 527 units and 1,854 units under construction.

There will be fierce competition for tenants as new units continue to come on line creating lower housing costs and concessions.

This negative absorption and continued delivery will take its toll on sales as well as occupancy should drop and performance of multi-family properties are affected.

Q1 2017 saw 16 transactions of multi-family properties with the average price per door of $37,564.65. This is down $11,000.00 per door from Q1 2016, mainly because of sales of mostly Class B and Class C properties.

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.
The Fed has raised the interest rate for the second time in three months, and the third time since the financial crisis to a range between 0.75 percent and 1 percent. The Fed will increase the interest rate gradually, probably two additional hikes, since the economy is not notably strengthened despite the national unemployment rate that has decreased to 4.7 percent during the first quarter 2017.

President Trump has signed executive orders and granted permits for Keystone XL and Dakota Access. We have yet to see more concrete economic policies to be carried out by the new administration. Trump’s pro-business policy will lower hurdles for businesses but it takes time to eliminate regulations. Oil prices have been increasing for several months and recently we saw the number of drilling rigs in the United States soar and, which in turn increased inventories, which sent oil prices lower in March.

Oklahoma’s drilling rig count has been increasing despite the decrease in oil prices. Energy companies are catching up with production to cover their cost while the price is still profitable. Chesapeake, Continental Resources, Deveon Energy, and SandRidge are among those companies planning to increase drilling activity. According to Baker Hughes report, Oklahoma’s rig count increased to 118 by the end of Q1 2017, the highest level since April 2015 and up 55 from one year ago.

As everything is picking up from the downturn, we have seen a more active quarter than the Q4 2016. Wilshire Point is scheduled to start its construction soon, the 10-story, 182-room Renaissance Hotel construction will begin in May, and Wheeler district along the Oklahoma River is set to start its construction in June; Oklahoma City Council has approved the zoning change which allows an additional retail building to be added to Penn Square Mall; Midwest City has given approval to build a 14-screen Warren Theater; and the Bank of Oklahoma Park Plaza is well under construction. According to the Greater Oklahoma City Chamber’s 2017 economic forecast report, the Oklahoma City market is expected to see 0.7 percent job growth by the end of 2017, which is due to the recovery of the energy downturn, and it is going to be a year of recovery and improvements.
First Quarter Multi-Family Market Report

OKC MULTI-FAMILY MARKET LEASING INFORMATION

<table>
<thead>
<tr>
<th></th>
<th>Units</th>
<th>Vacancy Rate</th>
<th>Asking Rent</th>
<th>Effective Rent</th>
<th>Net Absorption</th>
<th>Net Deliveries</th>
<th>Under Construction</th>
</tr>
</thead>
<tbody>
<tr>
<td>4 &amp; 5 Star</td>
<td>16,555</td>
<td>11.90%</td>
<td>$935</td>
<td>$898</td>
<td>123</td>
<td>81</td>
<td>1,472</td>
</tr>
<tr>
<td>3 Star</td>
<td>35,517</td>
<td>11.60%</td>
<td>$688</td>
<td>$659</td>
<td>-223</td>
<td>17</td>
<td>382</td>
</tr>
<tr>
<td>1 &amp; 2 Star</td>
<td>33,517</td>
<td>14.60%</td>
<td>$613</td>
<td>$593</td>
<td>-163</td>
<td>--</td>
<td>0</td>
</tr>
<tr>
<td>Overall</td>
<td>85,643</td>
<td>12.80%</td>
<td>$709</td>
<td>$682</td>
<td>-264</td>
<td>98</td>
<td>1,854</td>
</tr>
</tbody>
</table>

Rental rate growth has slowed significantly and was negative during 2016 and is going to be negative as well in 2017 according to CoStar. Vacancy rate continue to rise. The overall Vacancy rates by the end of Q1 2017 for Oklahoma City Multi-family market was 12.80 percent. Supply of multi-family projects has peaked in the last couple of years. Construction is not the only factor behind the vacancy increase—absorption was negative in 2016. Supply does not appear to be slowing down as more than 1,200 units are scheduled to deliver in 2017.

RECENTLY DELIVERED MULTI-FAMILY PROPERTIES

<table>
<thead>
<tr>
<th>Property Name</th>
<th>Submarket</th>
<th>Units</th>
<th>Start Year</th>
<th>Deliver Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Greens at Lake Overholser</td>
<td>Canadian County</td>
<td>336</td>
<td>2014</td>
<td>2016</td>
</tr>
<tr>
<td>Lift</td>
<td>Central OKC</td>
<td>329</td>
<td>2014</td>
<td>2016</td>
</tr>
<tr>
<td>Metropolitan Apartments</td>
<td>Central OKC</td>
<td>329</td>
<td>2014</td>
<td>2016</td>
</tr>
<tr>
<td>Anatole at Norman</td>
<td>Norman</td>
<td>230</td>
<td>2014</td>
<td>2016</td>
</tr>
<tr>
<td>Boulevard at Lakeside</td>
<td>Midwest City</td>
<td>216</td>
<td>2015</td>
<td>2016</td>
</tr>
<tr>
<td>Legacy Trails Apartments</td>
<td>Norman</td>
<td>136</td>
<td>2015</td>
<td>2016</td>
</tr>
<tr>
<td>Brookside Villas</td>
<td>Northwest OKC</td>
<td>20</td>
<td>2014</td>
<td>2016</td>
</tr>
</tbody>
</table>
There are 1,854 units of multi-family properties under construction at the end of Q1 2017. We saw the net deliveries were 98 units and the net absorption was a negative 264 units in Q1 2017. The largest two multi-family properties under construction were the 304-unit Terra at University in Norman and the 277-unit Agron Apartments in Northwest Oklahoma City. Developers are adding more supply, especially in and around downtown even when we are still in the process of recovering from low oil & gas prices. Around 4,000 units delivered in the last two years combined. The recent delivered 4 star 329-unit Lift Apartments started moving in tenants at the end of Q2 2016 and completed in Q1 2017. As of March 2017, the Lift Apartments was 40% occupied. Another major project that delivered recently is the $45 million, 324-unit Metropolitan Apartments. Metropolitan Apartments was 82% occupied by the end of Q1 2017.
There were 16 transactions totaling $34,417,000 recorded in Q1 2017. The largest transaction based on dollar volume was the sale of the 100-unit Boulder Creek Apartments at 3621 Wynn Dr. in Edmond. DW Wynn LLC acquired Boulder Creek Apartments, which comprised of 16 apartment walk-up buildings on February 16th, 2017 from BMG Edmond Investors LLC for $5,600,000 ($56,000 per unit, or $58.42 per SF).
OKC Market Significant Multi-Family Sale Transactions During Q1 2017

Property Name: Woodland Hills Apartments
Property Address: 4641 Woodland Blvd., OKC
Sale Price: $4,600,000
Sale Price per SF: $53.50
Sale Date: 02/28/2017

Property Name: Crosswinds Apartments & Townhomes
Property Address: 6101 N May Ave., OKC
Sale Price: $5,430,000
Sale Price per SF: $60.20
Sale Date: 01/13/2017

Property Name: Boulder Creek Apartments
Property Address: 3621 Wynn Dr. Edmond, OK 73013
Sale Price: $5,600,000
Sale Price per SF: $58.42
Sale Date: 02/16/2017
Property Name: Jasper Gardens Apartments  
Property Address: 2530 N Rockwell Ave., Bethany  
Sale Price: $3,865,000  
Sale Price per SF: $39.23  
Sale Date: 01/05/2017

Property Name: French Quarter Apartments  
Property Address: 240 E 15th St., Edmond  
Sale Price: $2,240,000  
Sale Price per SF: $55.72  
Sale Date: 02/08/2017

Property Name: Summit Crest Apartments  
Property Address: 701 Culbertson Dr., OKC  
Sale Price: $1,250,000  
Sale Price per SF: $49.50  
Sale Date: 01/05/2017
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Resources mainly come from CoStar, Xceligent, The Oklahoman, and The POINT.

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STARS™ is an acronym which stands for Strategic Transaction Administration and Reporting System. STARS™ is NAI’s proprietary system for providing a timeline of events to clients in transactions.

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