Arkansas Oklahoma Kansas

2020

Apartment Report
Oklahoma City
Tulsa

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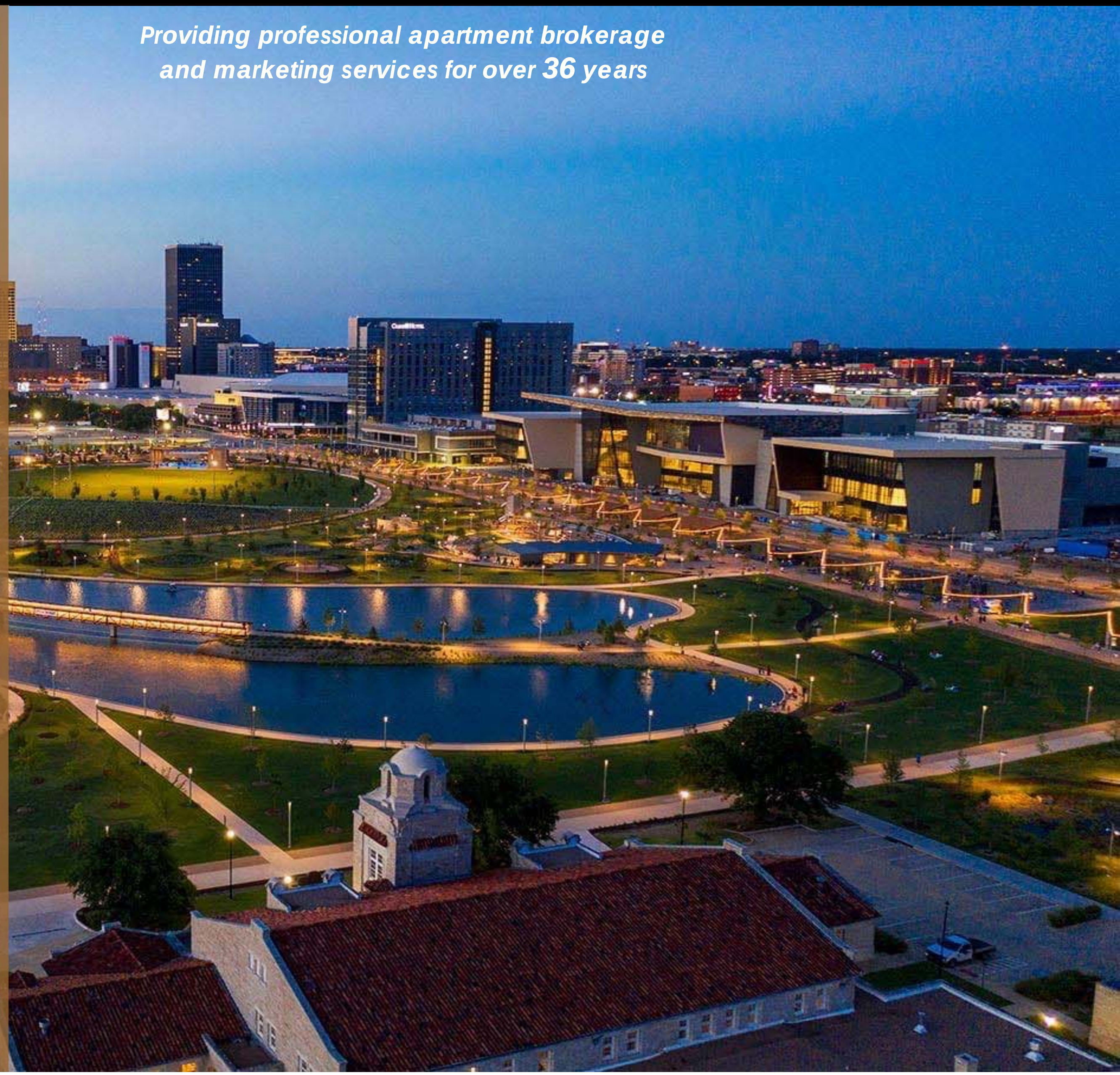

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COMMERCIAL REALTY RESOURCES CO
MULTIFAMILY INVESTMENT SERVICES

2020
Multifamily Apartment Report

While 2020 has been a difficult and unpredictable year, the rollercoaster ride may have been more emotional than financial. Meaning, the effects of COVID-19 on the multifamily sector have so far proven to be more of an interruption than a trend. The reason? I think the simple answer is that renters have prioritized rent payments. There were just no measurable downsides to the sector, which is shown in the data. Sales volume in Oklahoma City for 2020 was $404.6 million as compared to $541.3 at year-end 2019. For a second that seems down, but that's only because 2020 is being compared to such a record high year in 2019. By historical standards, over $400 million in transactions is a solid year. Tulsa fared a bit worse with $208.6 million in 2020 versus $362.7 in 2019.

Despite that outward pullback, pricing held up well largely because of lower interest rates that kept investor interest strong. And the forces behind that were Fannie Mae and Freddie Mac that have proven to be consistently willing to make loans to qualified properties and at historically low interest rates. Notably, if you have a property with proven performance, these record-low borrowing rates have made it a really good time to sell. Consequently, there is a definite sense of urgency from both sides of the table to take advantage of the current rate environment.

Not surprisingly, the markets did have some stress, but for the most part with good collections and strong occupancy. While there is general uncertainty, we have seen a pretty strong bounce back from the beginning days of COVID-19 with an overall positive sentiment around the sector. Notwithstanding, there are still those investors trying to identify the owners that are going to be distressed enough to sell at a discount. What we have seen though is that owners are not upside down and there has been no mass repricing of assets or price erosion. Even those owners that might be experiencing some levels of distress are more motivated to hang on to their properties than to offer discounted pricing. COVID aside, the sentiment is that you must pay the price if you want to participate in the market. That is not great news for those opportunistic buyers.

The one exception may be the value-add model. Even before the COVID-19 pandemic arrived, we were somewhat reserved on the value-add model believing that not every tenant can pay higher rent and not every sale can have a value-add component. There have been a lot of deals done that assumed a pace of rent growth that is now out of reach. That perspective is further reinforced as value-add investing may have met its first measurable sign of adversity with higher unemployment and wages that will probably not be rising. A lot of job losses were among people who were lower paid workers making it difficult to raise rents for an even larger demographic of tenants. Buyers have had a long-standing confidence in the value-add model and its ability to deliver higher rental rents for even the modest of property upgrades. But that business model may be on hold as it could take twelve to eighteen months, if not longer, to get back to pre-COVID unemployment levels near three percent *(2.9% for Oklahoma in March 2020 according to the Oklahoma Employment Security Commission).*

While the unemployment rate has improved from its high of 14.7 percent in April, it could be a "sideways" recovery according to an assessment offered by the Oklahoma City Branch office of the Kansas City Federal Reserve. Jobs in Oklahoma's energy industry likely will continue to be lost through the beginning of 2021 and overall employment numbers may not rebound to pre-pandemic levels for the foreseeable future, if at all. That is according to Chad Wilkerson, the Fed's regional economist for Oklahoma. "Even with overall stabilization in activity among energy firms in our region, they continued to cut jobs in the third quarter, and they expect to continue to cut jobs over the next couple of quarters," Wilkerson said, noting that Oklahoma was shedding jobs in energy even before the pandemic's arrival. -1

Even so, there are signs for optimism. Investor confidence has not diminished, and I think that is because the pandemic was not created by something bad in the economy. This is not like the financial crises when people had a lot of bad debt and the structure of the economy was problematic. We don't have that now. The uncertainty for owners and investors alike is the number of people unemployed and when they will come back to work. Not everyone will come back at the same time. Both sides are trying to figure out what that looks like and how long it will take. I think what we have learned is that each property is impacted differently by COVID-19. Every property has its own history, story, tenants and outlook. So, investor confidence can be granular and case-by-case. It can be a mistake to generalize and misleading to look at the entire sector through a single lens.

Sales Volume

Transactional volume in Oklahoma City was down from a record $541.3 million in 2019. But all things considered, still a good year at $404.6 million in transactions. The total number of units sold in Oklahoma City in 2020 was 5,114. Tulsa also recorded fewer transactions in 2020 at $208.6 million versus $362.7 million in 2019. The total number of units sold in Tulsa was also off by 35 percent year-over-year at 4,178.

Oklahoma City Metro

For the twelve months of 2020, there were 35 sales on properties that exceed 25 units in size, for a total of 5,114 units. This was down thirty-one percent from 7,403 units sold in 2019. Total sales volume was $404.6 million in 2020, as compared to $541.3 million in 2019, a twenty-five percent decline. Given our expectations back in April, the numbers for the year held up well, even increasing on a per unit basis. For 2020, the overall average price per unit on apartment communities with 25 units or more is $79,134, an eight percent increase from $73,130 at year end 2019.

For Pre-1980's properties, there were 22 transactions involving 3,026 units for an average per unit price of $46,783. Total volume for the year ended at $141.5 million. Of the total units sold, fifty-nine percent of the 5,114 were in this Pre-1980's vintage. Last year this percentage was forty-four percent. Despite there being less opportunity to raise rents because of COVID-19, buyers still view this workforce housing segment as having the most potential for value-add. Apart from all the bad things that could have happened, the category did remarkably well with sales volume down only marginally from $147.5 million in 2019 on 28 transactions involving 3,250 units sold. Even amid a pandemic, the average price per unit increased three percent in 2020 from $45,403 in 2019.

There were several sales for the category that exceeded the benchmark pricing of $50,000 per unit. Among them, City Heights North, which was renamed The Restoration at Candlewood following the sale in February 2020, sold for $16,500,000, representing $50,305 per unit for the 328 units that were built in 1971. The property at 8501 Candlewood Drive previously sold for $12,000,000 in February 2018. The debt structure involved a mortgage of $18,950,000 provided by three separate life insurance companies that matures in August 2022, giving the next value-add reposition a somewhat short fuse. And yes, that new mortgage represents $57,774 per unit.

Quail Plaza Apartments at 11008 N. May sold for $5,100,000 in July 2020, representing $55,425 per unit. The 92 units were built in 1969 and the seller had owned the property since 1991. The debt structure involved a seller financed mortgage of $4,080,000.

Quail Creek Apartments that were renamed North Shore sold in September 2020 for $7,200,000, or $57,142 per unit. The 126 units located at 11141 Springhollow Road were built in 1974. The property previously sold for $6,500,000 in April 2018. The new owner received a mortgage from First Oklahoma Bank of Jenks for $7,000,000 that matures in September 2023.

Pheasant Run and Villas of Pheasant Run at 6100 and 6101 N. Meridian sold for a combined $16,500,000, representing $61,111 per unit for the 270 units. The properties were built in 1973 and 1972 respectively and the sale was recorded in September 2020. The local buyer paid cash for the properties and then later refinanced with a $13,200,000 mortgage to Bank of America that matures in October 2023. The properties previously sold for $10,350,000 in December 2018.

The Regency Apartments at 333 NW 5th in downtown also changed ownership in 2020 although no documentary stamps were filed on the Deed to calculate pricing. The high-rise apartments with 24-stories were built in 1967 with 274 units. A new Fannie Mae mortgage was filed on the property on September 28, 2020 in the amount of $18,037,000. So, assuming a 75 to 80% loan-to-value, the calculated price would be somewhere in the $24,000,000 to $22,500,000 range, or $87,591 to $82,116 per unit, if one were to guess. The previous sale occurred in June 2010 for $17,200,000.

The two lowest sales were the Parklane Townhomes at 8100 N. MacArthur that sold for $11,667 per unit and the Timberwood Park Apartments at 6600 NW 16th Street that sold for $5,000 per unit. The 60-unit Parklane and the 160-unit Timberwood were built in the early 1970's and were both vacant at the time of sale.

The 1980's category recorded three sales for a total of $17.1 million on 244 units. The average price per unit was $70,143. By comparison, there were eight transactions in 2019 for $121.2 million in sales representing 1,577 units sold. The average price per unit in 2019 was $76,908. The most notable sale was The Bryant Apartments at 3101 NW 150th that sold for $13,250,000 for the 176 units that were built in 1984.

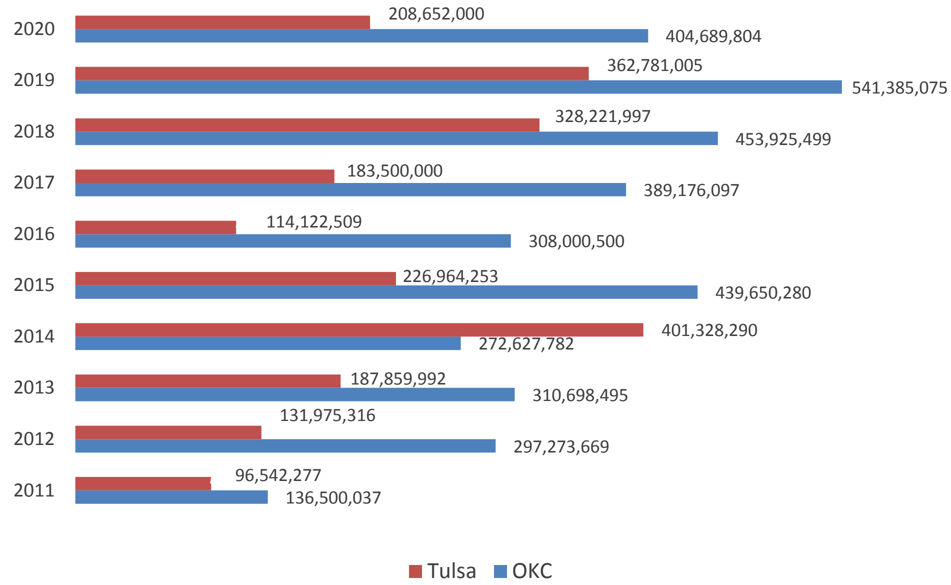
Post-1990's properties had nine sales in 2020 for a total of $239.5 million on 1,760 units. The average price per unit was $136,085. This compares to eight sales in 2019 for a total of $260 million on 2,220 units sold. The average price per unit was up sixteen percent in 2020 from $117,159 in 2019. The largest sale in terms of pricing was the Avana Arts District at 301 N. Walker that sold for $58.8 million, or $194,389 per unit and included the 108,852 square foot parking structure.

The Parker Apartments at 14140 Broadway in Edmond changed ownership in November 2020 to Allmark Parker LLC, although no documentary stamps were filed on the Deed to calculate pricing. The 220-units were built in 1996 and last sold in December 2015 for $17,400,000, or $79,091 per unit.

2020
Multifamily Apartment Report

Property Name	Address	Price	No. of Units	Year Built	Price Per Unit
Sale Highlights Oklahoma City					
Arbor Glen / Vista	4616-38 NW 19th St	$4,750,000	158	1968-70	$30,063
Quail Plaza	11008 N. May	$5,100,000	92	1969	$55,435
Victoria Park	801 N. Kelly - Edmond	$2,400,000	40	1984	$60,000
Muntage	3041 NW 41st St	$7,000,000	165	1964	$42,424
Summit Crest	701 Culbertson	$2,625,000	37	1948	$70,946
Hammond Manor	6205 NW 36th St	$3,150,000	98	1970	$32,143
Springs at Memorial	13331 N. MacArthur	$24,225,000	228	2015	$106,250
Citadel Suites	5113 N. Brookline	$5,650,000	114	1969	$49,561
Sterling Park	1616 Alameda - Norman	$6,585,000	141	1966	$46,702
The Chantelle	300 Hal Muldrow - Norman	$3,213,500	71	1969	$45,260
Northmoore	124 NE 23rd - Moore	$1,811,000	44	1965	$41,159
Parklane Townhomes	8100 N. MacArthur	$700,000	60	1972	$11,667
Timberwood Park	6600 NW 16th St	$800,000	160	1974	$5,000
North Shore	11141 Springhollow	$7,200,000	126	1974	$57,143
Springs of Moore	804 NW 12th Ave	$3,625,000	103	1973	$35,194
Pheasant Run	6100-01 N. Meridian	$16,500,000	270	1973	$61,111
Pine Lake	6801 NW 12th St	$1,850,000	60	1950	$30,833

Table 1
Historical Sales Volume
Year-End $ Totals



Oklahoma City

Total Sales Volume

25%
Compared to 2019

Total Units Sold

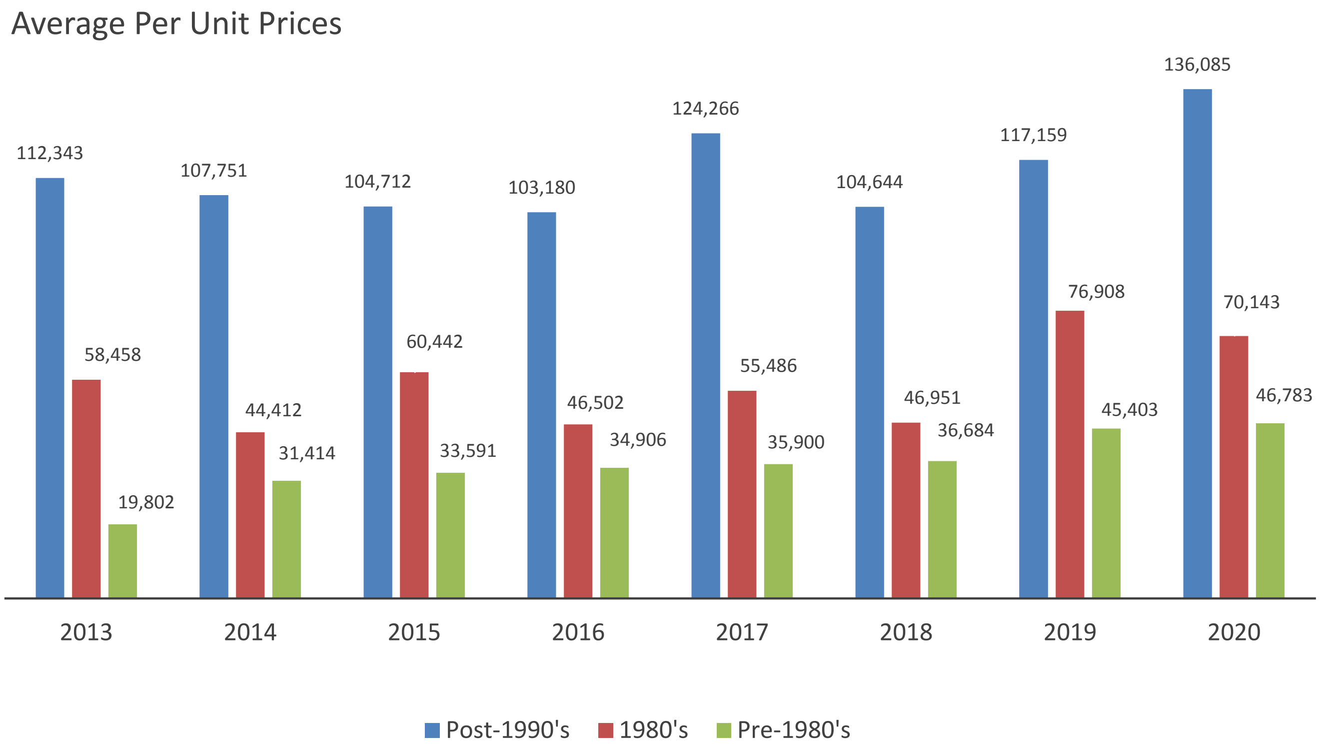
31%
Compared to 2019

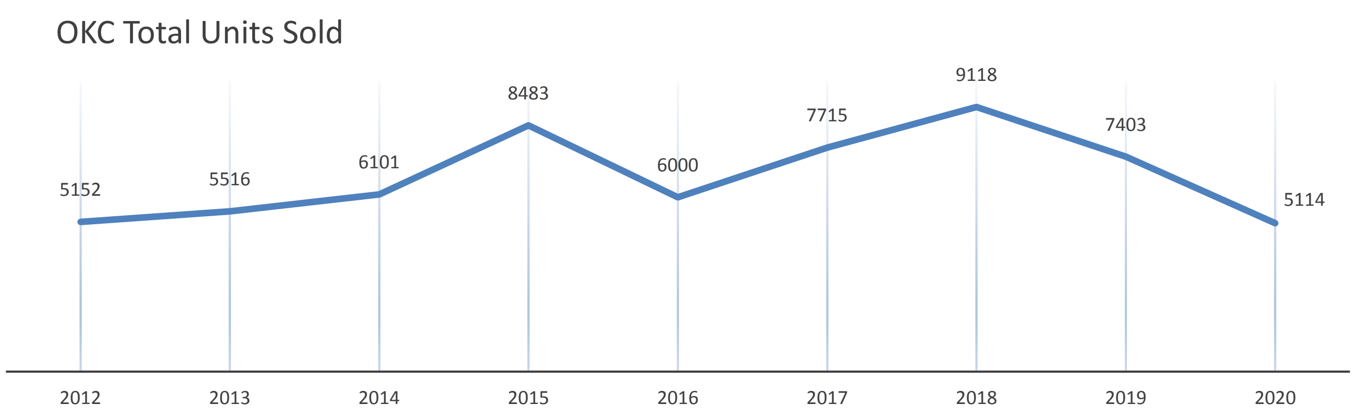
Average Price Per Unit

8%
Compared to 2019

No. of Transactions

24%
Compared to 2019





Tulsa

There were 29 sales in 2020 on properties that exceeded 25 units in size, for a total of 4,178 units sold. This was about thirty-five percent less than 2019 when there were 36 sales for a total of 6,469 units sold.

Total transaction volume in Tulsa was $208.6 million in 2020, which was down forty-two percent from $362.7 million in 2019. The overall average price per unit in Tulsa was $49,941 versus $56,080 in 2019, an eleven percent decline.

For Pre-1980's properties, there were eighteen transactions involving 2,214 units for an average per unit price of $39,924. This compares to twenty-four transactions on 3,463 units sold in 2019 for an average price per unit of $41,605. Total volume in 2020 was $88.3 million, versus $144 million in 2019. The largest sale in terms of pricing was the Eastgate Apartments at 14041 E. 24th that sold for $12,360,000. The lowest per unit sale was the Colonial Park Apartments at 7625 E. 21st that sold for $26,442 per unit for the 208-units that were built in 1968.

Post 1980's recorded five transactions for 1,044 units sold in 2020. Combined sales accounted for $53.5 million for an average price per unit of only $51,311. This compares to 2019 which had eight sales for $103.1 million involving 1,908 units for an average price per unit of $54,069. The highest price and price per unit in this category was the Waterford Apartments at 5181 S. Harvard that sold for $23,564,000, or $68,500 per unit. The 344 units were built in 1984.

Post-1990's vintage had four transactions for 620 units sold in 2020. Combined sales accounted for $57.8 million for an average price per unit of $93,267. This compares to 2019 with four sales for $115.5 million involving 1,098 units and an average price per unit of $105,228. The largest sale was the Encore Memorial Apartments in Bixby that sold for $25,588,000, or $103,177 per unit for the 248 units that were built in 2011.

Tulsa	Post 1990's	1980's	Pre-1980's
Number of Transactions	4	5	18
Total Number of Units	620	1,044	2,214
Total Number of Sales Tulsa	2	5	14
Total Number of Sales Other	1		3
Total Number of Sales Broken Arrow	1		1
Price High per unit Price Low per unit	$112,500 $80,368	$68,500 $38,851	$73,706 $23,650

Oklahoma City	Post 1990's	1980's	Pre-1980's
Number of Transactions	9	3	22
Total Number of Units	1,760	244	3,026
Total Number of Sales OKC	5	2	17
Total Number of Sales Edmond		1	
Total Number of Sales Norman	2		2
Total Number of Sales Other	2		3
Price High per unit Price Low per unit	$194,389 $109,375	$75,284 $52,321	$82,285 $5,000

Sale Highlights Oklahoma City

Property Name	Address	Price	No. of Units	Year Built	Price Per Unit
Tuscany Village	6900 London Way	$14,400,000	300	1973	$48,000
Autumn Chase	3509 N. Nesbitt	$1,465,000	28	1980	$52,321
Senior Cottages of Norman	2901 Oak Tree Ave	$6,500,000	84	1998	$77,381
Avia at the Lake	9900 S. May	$40,625,000	304	2015	$133,635
The Lofts at North Penn	15501 N. Pennsylvania	$23,050,000	192	2018	$120,052
Spring Hill	4708 SE 44th St	$2,250,000	104	1984	$21,634
The Bryant	3101 NW 150th	$13,250,000	176	1984	$75,284

Tulsa

Total Sales Volume

42%
Compared to 2019

Total Units Sold

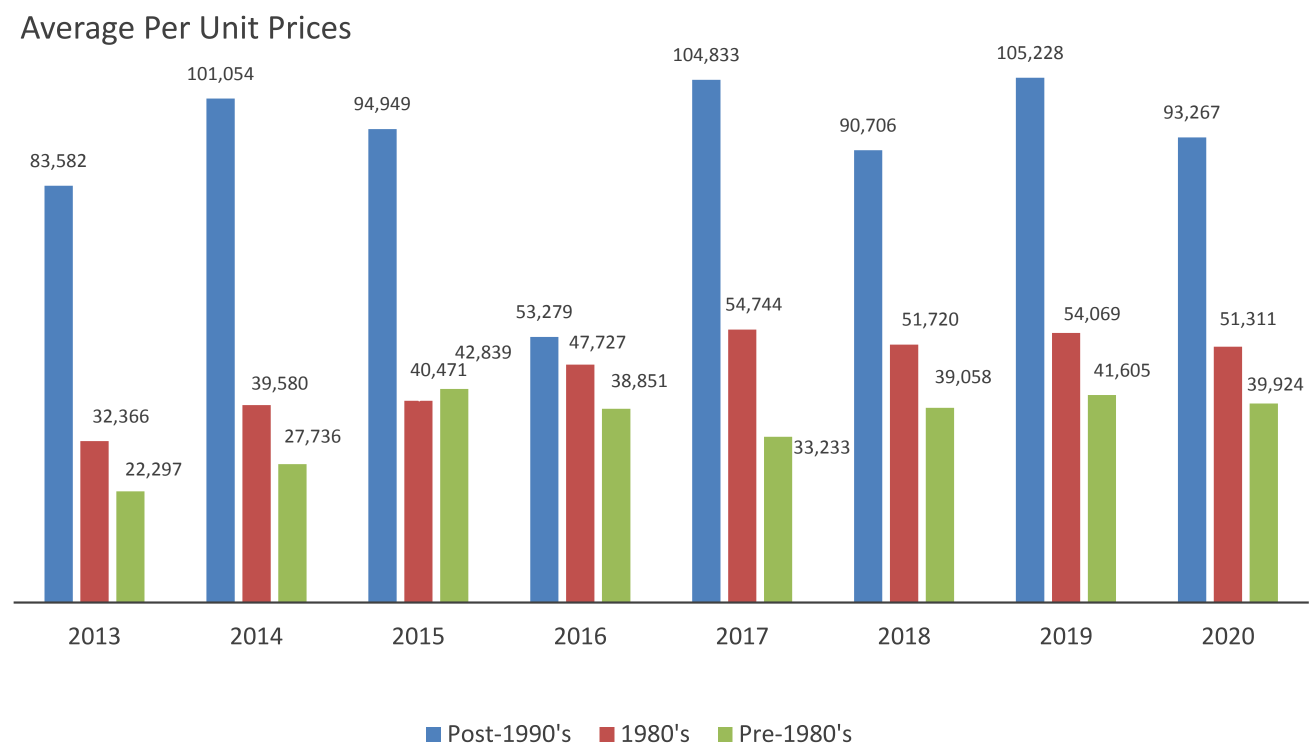
35%
Compared to 2019

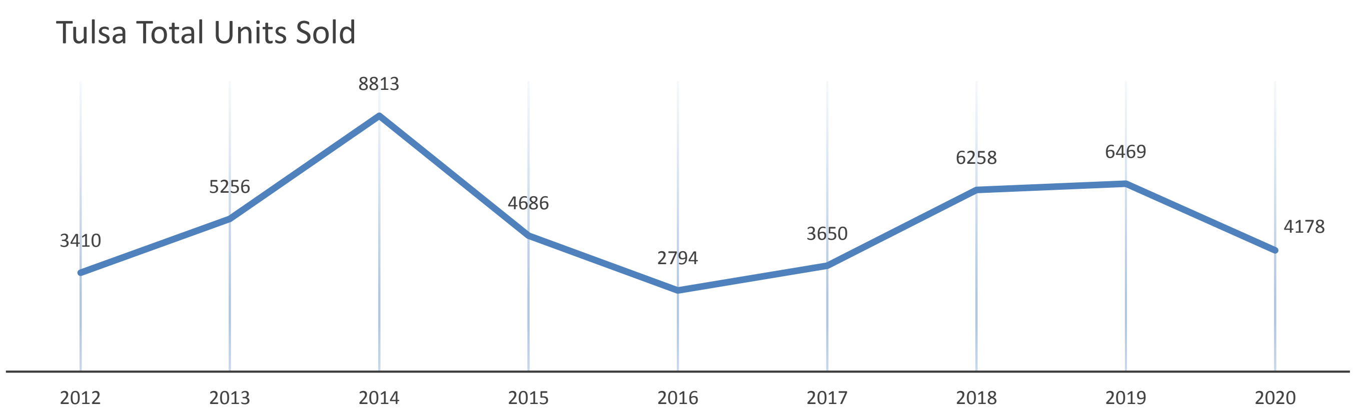
Average Price Per Unit

11%
Compared to 2019

No. of Transactions

19%
Compared to 2019





Arkansas Oklahoma Kansas

Outlook

There is no roadmap for navigating a full recovery or when we return to normal. But any downside to the market has been measured by stress and not distress. The probability of market-wide distress in the multifamily sector is highly unlikely. There is a great deal of pent-up demand ready to emerge for acquisitions. The money that would have been spent before the pandemic is still out there. In fact, the current buyer pool is the broadest in size and scope than at any point in the last decade, if not longer. There has been a new wave of investors seeking multifamily investments and seeking to take advantage of the low interest rate environment. These low rates and high buyer demand should help keep cap rates near record lows, which is a strong positive moving into 2021. To put that another way, we just don't see the market changing dramatically. Despite what many would agree is a late stage in the cycle, there hasn't been any softening in pricing or property fundamentals.

Looking ahead, the most important thing to know about how COVID-19 will impact the market is that we have no good way of knowing. And there's no shortage of predictions either. While the multifamily sector performed very well following the first quarter of 2020, remember that no one anticipated that to happen either. We are still amid a pandemic and a second wave could prolong the recovery. Even so, the biggest positive for the sector is that multifamily is viewed as being more resilient than other property sectors and that is playing out in the data. Despite some of the near-term uncertainty, I think everyone is trying to look beyond COVID-19 to the longer-term drivers of the sector.

1-Fed: Energy jobs face grim forecast / The Journal Record, Tuesday, October 27, 2020

Property Name	Address	Price	No. of Units	Year Built	Price Per Unit
Sale Highlights Tulsa					
The Carlyle	101 Carlyle - BA	$8,550,000	116	1973	$73,707
Creekside	3901 S. Garnett	$7,125,000	154	1976	$46,266
Maplewood	6221 E. 38th St	$7,950,000	208	1962	$38,221
Colonial Park	7625 E. 21st St	$5,500,000	208	1968	$26,442
Brightwaters	2202 S. Phoenix Ave	$6,500,000	200	1990	$32,500
Parkwood Townhomes	8026 E. 4th Place	$1,200,000	33	1965	$36,363
Woodhollow	5962 E. 33rd	$1,465,000	44	1972	$33,295
Stonecrest	4020 S. 130th Ave	$11,500,000	296	1983	$38,851
Woodhaven	919 S. Mission - Sapulpa	$1,350,000	40	1970	$33,750
Heston Pointe	4646 S. Fulton	$3,300,000	64	1980	$51,562
Legacy at 64th	1329 E. 64th St	$1,500,000	58	1970	$25,862
Atlanta Terrace	2442 E. 51st St	$4,300,000	102	1970	$42,156
Waterford	5181 S. Harvard	$23,564,000	344	1984	$68,500
The Palazzo	13777 E. 51st St	$12,537,500	156	2000	$80,368

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