

OKC apartment sales increase

by Kirby Lee Davis

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TULSA – Apartment units sold rose 62 percent in Oklahoma City through the first half of 2011, according to a new report by the Norman-based multifamily brokerage Commercial Realty Resources Co.

Tulsa endured a 41-percent plunge in sales of apartment units.

Charting sales of complexes with more than 25 units, Oklahoma City saw 12 properties with 2,028 units change hands in the first half of 2011, up from 1,250 units at the same point of last year. Total sales volume rose 75 percent to \$57.7 million from \$32.9 million, with the average price per unit up 8 percent to \$28,487 from \$26,395.

Properties built before 1980 accounted for two-thirds of properties sold over the last six months, the 1,098 units drawing an average price of \$6,592.

CRRC owner Mike Buhl doubted that average would improve through the rest of 2011.

“Sales of distressed assets accounted for 88 percent of these transactions, which is really weighing down the average,” he wrote in the report. “Several of these highly distressed properties were sold at pricing below \$5,000 a unit.”

Oklahoma City’s two sold properties built after 1980 drew \$44,547 per unit, up 25.1 percent from \$35,583 a year ago from one recorded sale.

The two post-1990s properties sold over the last six months had no counterparts last year. The 216-unit Quail Landing Apartments at 14200 N. May Ave. earned \$73,100 per unit, while the foreclosed 228-unit Renaissance in Norman Apartments drew \$57,432 a unit.

Tulsa saw four apartment complex sales in the first half of 2011, an identical count to the prior year, but the units sold fell to 449 from 764 a year ago.

Three of Tulsa’s transactions involved pre-1980s properties, their average unit price rising 8 percent to \$21,411 from \$19,827 at mid-2010.

“This stands in stark contrast to the \$6,592-per-unit number recorded in Oklahoma City for this same vintage property,” Buhl wrote. “It really goes to show that properties in Tulsa are not seeing the same level of distress as Oklahoma City and not selling for prices of \$3,000 to \$4,000 per unit.”

One 1980s-decade property sold in Tulsa, earning \$40,823 per unit for its 224 units.

That left the sales volume down 8 percent to \$13.9 million from \$15.1 million. But the average unit price rose 57 percent to \$31,096 from \$19,827.

For the rest of 2011, Buhl expects sales activity to track along 2010 annual results, but with higher values.

“Investor interest by all accounts will remain strong for both quality and distressed multifamily product in Tulsa and Oklahoma City,” he wrote. “I think we will see more buyers in 2011 and 2012 with a willingness to underwrite some rent growth into their acquisitions. There is just no discount being offered to investors who are acquiring the best assets in the market. Capitalization rates have been coming down because of increased competition and historically low interest rates.”

Buhl foresees apartment operators giving fewer rent concessions through the rest of 2011, allowing improved rent growth going into 2012.

“The only caveat to consider is the effect of inflation on the Class A properties,” he said. “If you look at the rising cost of food and gasoline and combine that with higher rents, the B

Class assets may actually be more resilient to rent growth in 2011 and 2012 than the Class A market."

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