

CAPSTONE

Edmond, OK Multi-Family Submarket Overview

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Class A: Q4 2020	
Occupancy	Avg. Rent
94.2%	\$1,245

Class B: Q4 2020	
Occupancy	Avg. Rent
94.4%	\$1,097

Class C: Q4 2020	
Occupancy	Avg. Rent
91.9%	\$670



The Oklahoma City multi-family market is proving resilient in the wake of the pandemic: demand for new units held firm through the end of 2020, vacancy rates remain near their 5-year low, and rents continue to appreciate. Overall job growth in the metro has fueled multi-family demand especially in primary employment nodes such as the Northwest submarket. Since 2018, absorption has outpaced deliveries over 80% of the time, pushing vacancy rates to their lowest levels in five years, near 10%. Lower levels of competition paired with healthy demand have enabled asking rents to continue their significant improvement over the past two years.

Developers have been most active in Northwest, as more than 1,200 units have completed since 2017, growing its inventory by about 6%. Meanwhile, Downtown Oklahoma City's inventory is growing at a quick pace, increasing its stock by more than 15% in the past three years.



Executive Summary

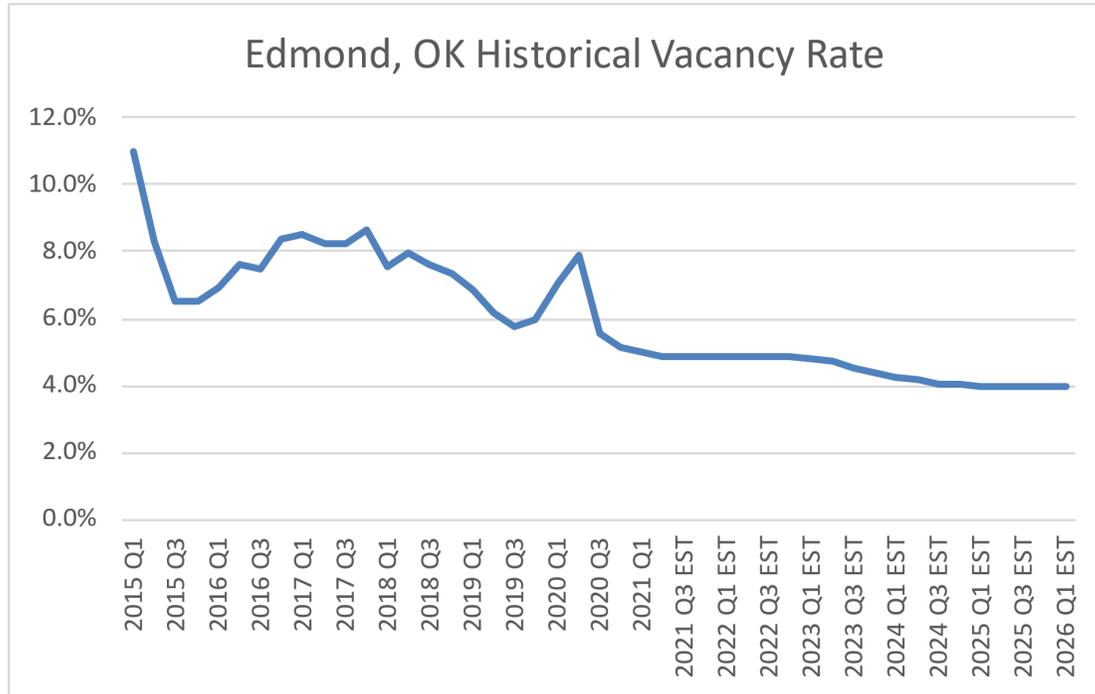
- Minimal construction in the past five years has allowed the Edmond vacancy rate to trend below the metro norm for several years. The area was marked by a string of move-outs in mid-2020, likely an impact from the immediate effects of the pandemic-driven recession. Since then, however, demand has stabilized. With little in the development pipeline, vacancy rates are expected to remain tight. And as vacancies remain one of the lowest throughout the metro, apartment owners and operators have found opportunities to push rents in recent quarters.
- Homeownership remains a direct competitor of the multifamily market in Edmond. With top-flight schools and safe neighborhoods, many households continue to choose to own rather than renting. However, downtown Edmond has started to see further retail development and a true live/work/play lifestyle may be possible soon.
- From an investment standpoint, far less volume has entered the submarket in the past two years, perhaps related to consecutive years of negative demand. The story shifted in 2019, as volume has increased due to the increased presence of out-of-state buyers.



CoStar Quick Stats: Edmond, OK	
Inventory Units	6,243
Under Construction Units	-
12 Month Absorption Units	127
Vacancy Rate	5.00%
Marketing Asking Rent Per Unit	\$848.00
Rent Growth	1.6
2020 Deliveries	-



Multi-Family Vacancy Rates



Multifamily in Edmond has benefited from very little new construction and an evolving and dynamic downtown area.

While vacancy rates softened in the first half of 2020, robust leasing in the second half of the year compressed vacancy rates to their lowest point since 2013.

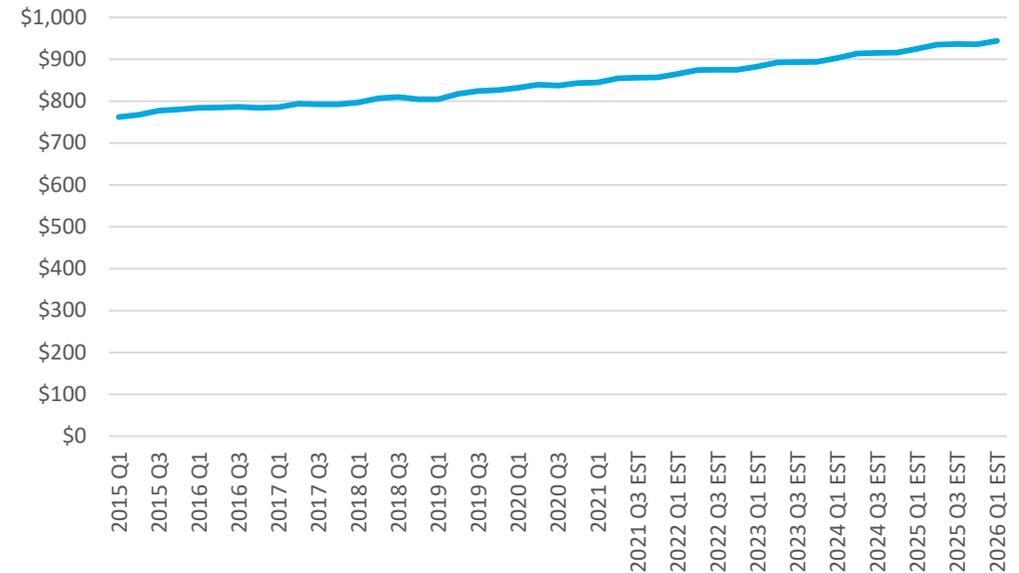


Historical Market Asking Rent/Unit

Prior to the recession, Edmond ranked at the top of the pack in terms of annual rent growth. Due to the lack of development in the last five years, demand has allowed vacancies to remain low. As a result, landlords have been able to push rents in recent quarters. While rents in 2018 were relatively flat, year-over-year growth remains positive at 2.0%. Rent growth softened in mid-2020 due to the immediate economic shock from the recession. Robust leasing through the second half of 2020 enabled rent growth to accelerate, continuing through 21Q1.

With median incomes near the top of most sections of Oklahoma City, it should be no surprise asking rents in the Edmond also come at a premium. In fact, they are more than a 10% premium to the Oklahoma City average. At about \$850/month, rents only trail the Downtown, which holds asking rents of about \$1,250/month. Mid-tier inventory performs particularly well, and 3 Star rents in Edmond exceed metro-wide levels by about 15%. Edmond's 4- & 5-Star asking rents are about 70% below Downtown Oklahoma City's and are among the lowest among any submarket.

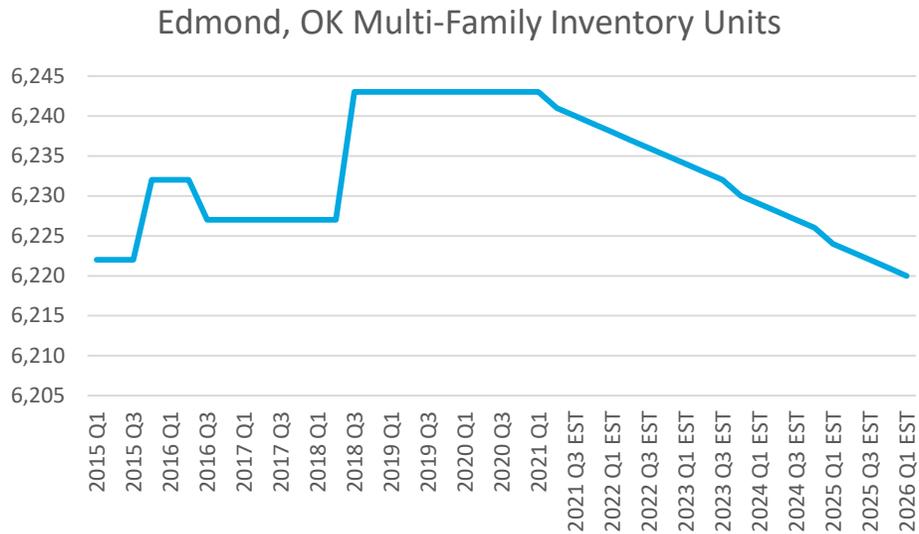
Edmond, OK Historical Market Asking Rent/Unit



Multi-Family Construction

Construction typically moves at a slower pace in Edmond. A healthy for-sale market with few options for renters has kept multifamily developers from pursuing more projects. Some communities delivered in the past decade, but no large projects have opened since early 2015. But that doesn't mean there isn't an appetite for high-end inventory, as vacancies are tighter in 4- & 5-Star units compared with lower-end units.

The revitalization of the urban core in Edmond could generate further multifamily development in the near term. While development has been at a standstill in recent years, many investors are keen on the area. New businesses have started to flock to Edmond's downtown and have begun to attract a larger crowd. With this inflow of households and potential renters, there have been several proposals for new multifamily development near the downtown scene. While the attraction has spurred interest, the ability to take advantage of Edmond's opportunity zone has engaged investors as well.



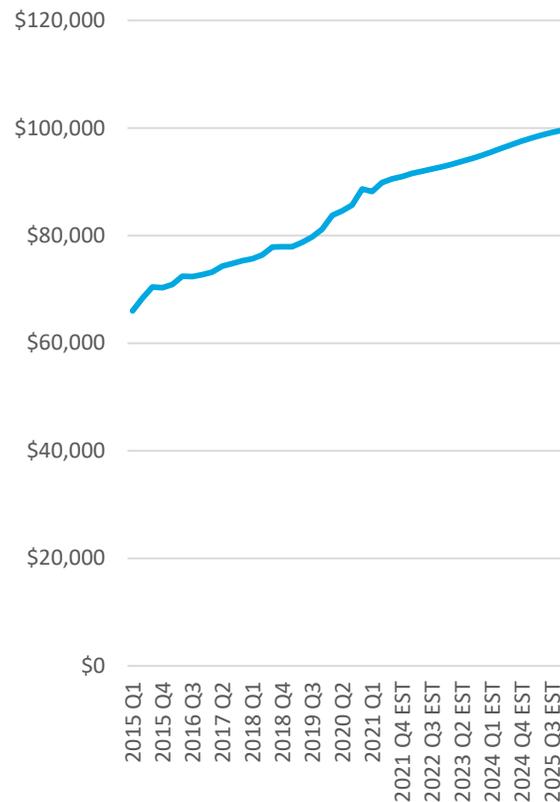
Multi-Family Sales

Sales volume in Edmond is usually eclipsed by larger, more active submarkets to the Northwest and Central. Even so, investment hit a historical peak in 2019, as more sales volume has entered the submarket than ever before. This has been anchored by two large trades from out-of-state buyers. Investment is typically done by local investors, but non-Oklahoman buyers have made an impact in recent years. Due to the recession and pandemic, sales in Edmond have stalled. A total of 4 assets traded in 2020, a stark slowdown from what was an active 2019.

Among trades in 2020, The Parker was purchased by Hallmark Parker from FPA5 Gateway for \$23.2 million (\$105,454/unit) in December of 2020. The 220-unit, 3-Star property delivered in 1998 and was last traded in 2015 for \$17.4 million (\$79,090/unit).

California-based SB Pacific Group acquired the 327-unit, City Heights on Second, for \$37.4 million (\$115,000/unit) in October of 2019. Also, Houston-based Juniper Investment Group purchased the 200-unit, Legend V Apartments for \$19 million (\$95,000/unit) from Oklahoma City-based Cornerstone Development. These two transactions represent a consistent trend throughout the metro of further out-of-state investment. As the local economy has continued to add jobs in recent years, and the increased enhancement of city projects like MAPS, more investors have started to target Oklahoma City as a landing spot.

Edmond, OK Multi-Family Market Sale Price/Unit



Edmond, OK Multi-Family Market Cap Rate

