

Tulsa IQ 2023 Multifamily Market Report

Welcome to the Tulsa Multifamily Market Report. This comprehensive analysis provides valuable insights into the multifamily sector's performance and emerging trends. Our data-driven approach equips investors and stakeholders with the knowledge to make informed decisions and maintain a competitive edge. We invite you to explore this resource and leverage its findings to refine your investment strategy.

Supply and Demand

Completions in 1Q 2023

In the first quarter of 2023, 138 units were delivered to the Tulsa multifamily market. All of which were delivered in the West Tulsa submarket.

Annual Supply Trends

582 units were delivered in four quarters leading up to 1Q 2023, expanding the local inventory base by 0.8%, with the strongest concentration in South Tulsa / Broken Arrow submarket with 309 units delivered.

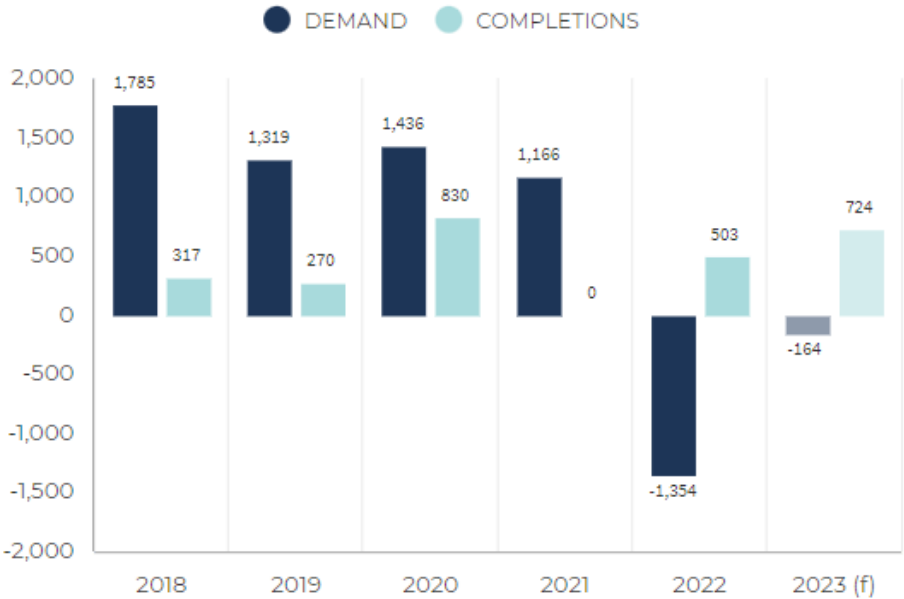
Units Under Construction

At the conclusion of 1Q 2023, there were approximately 1,153 units under construction with 724 units scheduled to complete in 2023. Deliveries in the coming year are expected to be concentrated in the Central Tulsa and West Tulsa submarkets.

Annual Absorption Trends

Annual absorption has remained mostly positive in the last five years , but recently turned negative in the third quarter of 2022 mirroring most other apartment markets. Overall annual demand remained negative into the first quarter of 2023. However, on a quarterly basis, West Tulsa was the lone submarket to post positive absorption of 131 units in the first quarter.

ANNUAL DEMAND VS COMPLETIONS



Occupancy and Rent Trends

▼ Occupancy Trends

Over the past five years, occupancy rates in the Tulsa apartment market have fluctuated between 91.1% and 97.7%, with an average of 94.9% during this time. In the last year, there has been a decrease of 2.9 percentage points in the occupancy rate, bringing it to 94.5% as of the first quarter of 2023. Examining the product classes, Class A units had the lowest average occupancy rate at 93.2% in the first quarter of 2023, while Class B units averaged 95.0% and Class C units averaged 94.2%. Class B units have typically maintained the highest occupancy rates over the past five years.

Among submarkets, North Tulsa had the highest occupancy rate at 97.1%, likely due to limited new supply in recent years. In contrast, Central Tulsa had the lowest rate at 93.0%. However, this is consistent with Central Tulsa's average vacancy rate over the past five years, which has generally ranged from 93% to 94%.

▼ Rental Trends

As of Q1 2023, the average rental rate in Tulsa was \$942 per month. Although effective rents increased by 4.7% YoY in Q1, this was a deceleration from the peak rate of 14% achieved in Q2 2022. Nonetheless, it was still well above the pre-pandemic five-year average of 1.5%. While Class A units had previously led in rent performance over the past five years, annual effective rent growth for these units registered at 3.7% in the most recent quarter, whereas Class B units posted annual growth of 4.1%, and Class C units posted an impressive 7.3% annual rate of change. This indicates that some Tulsa residents may be searching for more cost-effective units in the current environment.

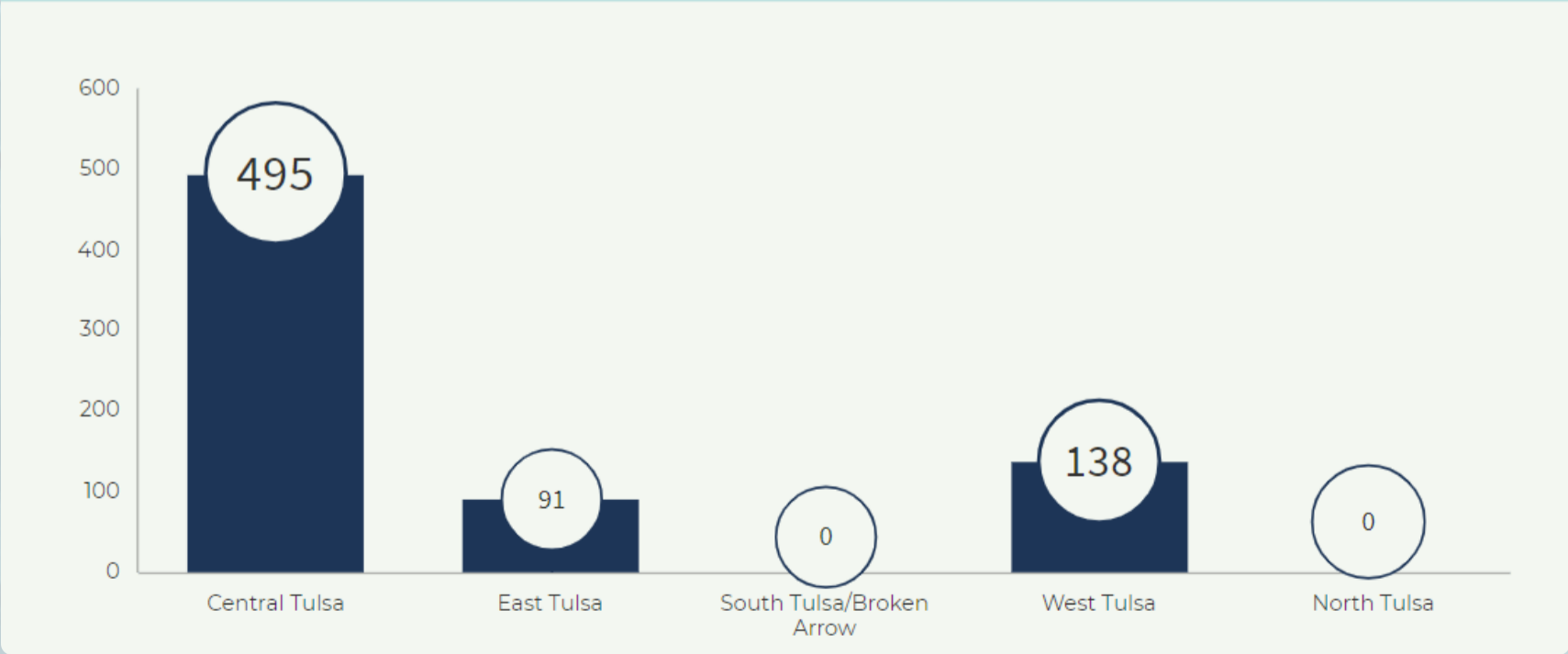
Looking at submarkets, East Tulsa recorded the strongest annual rent change performance in the past year at 11.0%, while Central Tulsa had the weakest performance at 2.5%. Over the past five years, the South Tulsa/Broken Arrow submarket experienced the strongest rent growth performance, registering a 6.0% annual growth rate.

Submarket Analysis

Over the past five years, the demand for apartments in the South Tulsa / Broken Arrow submarket has increased significantly, especially after the onset of the pandemic when renters' preferences shifted towards suburban properties offering more open spaces. Wagoner County has also experienced a surge in construction activity, primarily in the suburban and rural communities southeast along SH 351 and adjacent highways. In the past year, the majority of new supply has been concentrated in the South Tulsa / Broken Arrow, West Tulsa, and Central Tulsa submarkets.

Submarket Name	1Q23 Occupancy Rate	Annual Change	1Q23 Effective Rent	Annual Change
Central Tulsa	93.0%	-3.9%	\$866	2.5%
East Tulsa	94.8%	-2.4%	\$798	11.0%
South Tulsa / Broken Arrow	94.8%	-3.3%	\$1,041	3.4%
West Tulsa	94.6%	-3.5%	\$1,036	5.7%
North Tulsa	97.1%	1.3%	\$990	6.3%

UNITS BY SUBMARKET DELIVERING IN 2023



Sales Activity

Thanks to a shifting demographic patterns in the wake of the pandemic, demand exploded in markets like Tulsa that were the beneficiaries of newly untether remote workers seeking more affordable markets. As a result, markets like Tulsa have experienced significant rent growth in recent years, attracting investors who see these areas as more accessible compared to larger, fast-growing markets in the Sunbelt.

Investors have subsequently prioritized Tulsa as a prime target for new market opportunities, resulting in record-breaking transaction volume in 2021 and 2022. Despite tighter financial conditions in the latter half of last year, 2022 saw outstanding apartment transaction activity, totaling over \$639 million for individual property deals. Although deal volume began to decline in the third quarter of 2022, it remained strong compared to previous years. The South Tulsa / Broken Arrow and Central Tulsa submarkets were the main drivers of sales volume in 2022.

As for this year, the first quarter of 2023 has started on a slower note, with only two individual property sales, totaling \$9.5 million, being completed. It is likely that transaction activity will not reach the levels of the prior two years, but Tulsa will continue to be a focus for investors due to the market's relative affordability and solid economic foundations.

Transaction Trends

Transaction Volume

\$546.6M

1Q 2023 Transaction Volume
(trailing 4Q total)

Pricing

\$141.5k

1Q 2023 Price Per Unit
(trailing 4Q average)

+42.8%

Annual Volume Change

+68%

Annual Price Change

Top Buyers (Prev. 12 Mos)

- 1. Vesta Capital
- 2. Venterra Properties
- 3. Juniper Investment Group
- 4. Tribune Capital
- 5. Weidner Apt Homes

Top Sellers (Prev. 12 Mos)

- 1. Blackridge Companies
- 2. Case & Associates
- 3. Black Gold Group
- 4. Capital Assets Inc.
- 5. Eaton Vance RE

Economy

In March 2023, the Tulsa metro area witnessed moderate growth in job opportunities, with a 1.7% increase in total nonfarm jobs over the past 12 months, raising the total number of jobs to 455,200. Meanwhile, the unemployment rate remained relatively low at 3.0%. The mining and logging sector saw the highest growth rate at 5.6% over the past year. The construction sector also experienced substantial growth, with a 4.9% increase in job positions. The professional and business services sector expanded by 4.2%, while the leisure and hospitality sector saw a 5.3% increase in jobs.

Tulsa's diverse local economy, which spans across sectors such as manufacturing, energy, and aviation, has contributed to its strong job growth in recent years. Furthermore, the metro area benefits from its strategic location roughly in the center of the country, making it an attractive hub for businesses. Affordable living costs further enhance the appeal of the region.

Moving into 2023, the Tulsa metro area is expected to maintain its steady job growth. The diverse economy, strategic location, and affordable living costs are likely to continue attracting businesses and workers to the region in the years to come.

Major Economic Developments



36 Degrees North

Largest

Hub for tech entrepreneurs in Tulsa

\$572.5M

Economic impact over the last 5 years

2,180

Jobs created or retained

50K SF

Expansion in 2022

Downtown

Location



American Airlines \$550M Investment

\$550M

Invested to improve its maintenance facility

193K SF

New maintenance facility

2025

project completion date

5.5K

Total employees at the facility



Santa Fe Square Mixed-Use Project

Blue Dome District

Downtown Tulsa

\$120M

Project development cost

12

Story office tower

25K SF

retail space

Late 2023

Completion

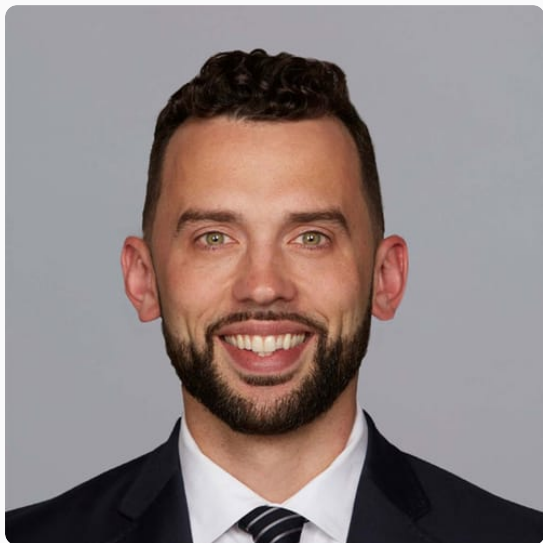
Market Outlook

In the latter half of 2022, Tulsa's multifamily market experienced a modest decline in demand; however, the overall market remains resilient. Owners and operators successfully maintained pricing power. As a result, rents rose by an average of 4.7% in Q1 2023, significantly exceeding the long-term average in Tulsa.

The stability of Tulsa's apartment market can be attributed to a measured pace of construction, leading to a modest 0.8% increase in local apartment inventory over the past 12 months, as of Q1 2023. Moreover, the Tulsa market's continued growth has been positively influenced by a 1.7% uptick in employment gains in the region during the same period. The most recent unemployment rate in Tulsa stands at 3.0%, well below the national average.

Looking ahead, the outlook for Tulsa's multifamily market remains optimistic, with the area's stable economy, controlled construction growth, and favorable employment trends expected to continue driving demand and fostering resilience in the face of potential challenges.

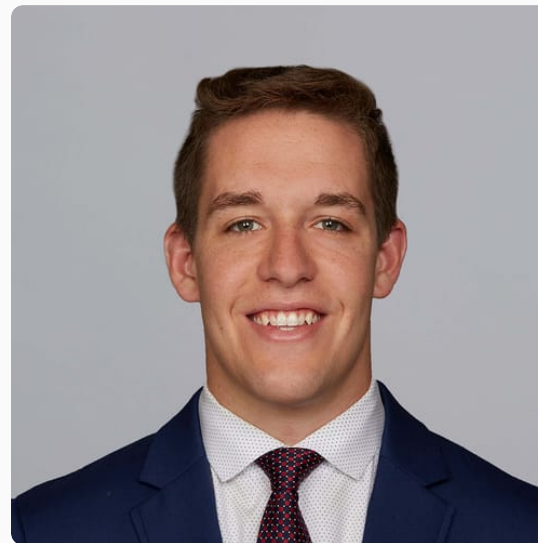




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