

# OKC, Tulsa chart double-digit price increases with performing apartment complexes

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An affiliate of Long Beach, Calif.-based Tahiti Partners Properties Corp. paid \$3.1 million for the 136-unit Bradford Creek Apartments in Tulsa. (Rip Stell)

TULSA – Performing apartment complexes sold in both Oklahoma City and Tulsa charted double-digit price increases this year, according to new reports by Sperry Van Ness.

Amazingly enough, so did Oklahoma City distressed properties – and at a faster pace than performing ones.

Since the 2008 recession settled into the Sooner State, both real estate brokers and economists have stressed how Oklahoma properties resisted the rapidly declining values seen in other parts of the nation. But that proved difficult to substantiate as a rising number of distressed properties hit auction blocks, their lower sales prices overrunning traditional transactions slowed by heightened financing restrictions.

The Sperry Van Ness reports stand among the first to separate out those diluting deals.

“I feel that is more reflective of what the market is evaluating,” said Andy Burnett, the SVN broker who authored the Oklahoma City year-end 2010 report.

Although the number of Tulsa performing properties with 50 or more units that sold this year more than doubled, to seven compared to three in 2009, the number of units sold plunged 27 percent this year to 990 from 1,362.

The \$39 million total dollar volume from those sales lifted average unit prices 12 percent this year to \$35,500, said SVN broker David Burnett, author of the Tulsa report.

Five distressed properties with 50 or more units sold in Tulsa, up from three in 2009. But David Burnett found the number of distressed units sold fell 25 percent to 766 from 1,027.

With a total dollar volume of \$10.2 million, their average unit price fell 29 percent to \$12,851.

In Oklahoma City, 11 properties with 30 or more units sold this year, down from 14 in 2009. But their \$59.69 million total dollar volume fueled a 15-percent rise in price per unit to \$48,413.

The capitol city charted 12 distressed property sales this year, up two from 2009. At \$17 million total dollar volume, their average price per unit rose 20 percent to \$11,380.

“I think there’s more demand for distressed assets,” said real estate analyst Darren Currin, who aided the Burnetts in preparing these reports. “That’s something I read every day. Investors want something on the cheap.”

Currin added that some of the 2009 properties proved more distressed than many sold this year.

“Some of those sold in 2009 were in horrible, horrible shape,” he said. “Some of those sold this year still had some tenants living in them and could be brought back up.”

Andy Burnett pointed to several factors supporting rising property values.

“Oklahoma City is clearly outperforming the rest of the country in terms of employment, income growth, absorption rates, rental and occupancy trends,” he said in his report. “We expect continued strength in the demand for performing Class A assets.”

David Burnett echoed some of those concerning Tulsa.

“Tulsa’s rental rate growth ranked ninth in the Southwest region of the United States out of all major metropolitan markets studied by REIS,” he said, noting third quarter results.

Andy Burnett defined a performing property as one having an in-place cap rate at the time of sale.

“They are stabilized properties generally in above-average locations in above-average condition,” he said.

Distressed assets reflected lender sales.

“They have significant amounts of vacancy that will be very difficult to cure due to the location of the asset and the condition of the property,” he said.