

First Quarter Retail Market Report 2018



First Quarter Retail Market Report

NAI Sullivan Group

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EXECUTIVE SUMMARY

Q1 2018 retail absorption continued to slow down as our report shows a net negative absorption for all retail space at -267,129 SF. That is a marked difference from the 450,000 SF of positive absorption in Q4 2017.

New Construction at Chisolm Creek continues to be very strong, both with Costco and a number of restaurants coming in around the Chisolm Creek Lake. Largest retail lease signings in Q1 is the 64,879 SF signed by World Fresh International Market at 10700 S Pennsylvania Avenue in OKC, Sam Swanson and David Hartnack from NAI Sullivan Group handled this transaction.

The appetite to purchase retail centers remains strong showing 73 retail sales transactions totaling \$72,751,319.00. The most notable being Quail Springs Marketplace at Memorial and Pennsylvania selling for \$36,140,320.00, \$147.65 per square foot.

We will continue to see new retail coming to Oklahoma City over the next few years as the City continues to grow and expand and as the CBD continues to develop.

Respectfully,



Bob Sullivan
CEO



Leasing Activities

Total Inventory	94,624,091 SF
Total Net Absorption	-267,129 SF
Overall Rental Rate	\$13.43/SF/YR NNN
Total Vacancy Rate	5.80%
Under Construction	702,357 SF

Sales Activities

Number of Transactions	73
Total Sales Volume	\$72,751,319
Average Price per Bldg. SF	\$144.86



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NATIONAL ECONOMY

The Federal Reserve raised its target federal funds rate to a range of 1.50 percent to 1.75 percent during first quarter 2018. We are expected to see three or more rate hikes this year and another two or three in year 2019, which could end year 2018 at 2.5 percent and 3 percent at the end of 2019. Kiplinger predicted a solid GDP growth rate of 3 percent, but Goldman Sachs, Barclays, and other firms have trimmed their growth forecast below 2 percent despite of the \$1.5 billion tax cut which is supposed to increase consumer spending and business investment. The growth uncertainty mainly comes from the world trade triggered by protectionist policies. The Trump administration announced during Q1 the tariffs on steel and aluminum and directed action against Chinese imports. If the trade war is going to happen, we expect to see product prices go up and the increasing tariffs will hurt consumers.

OPEC and its allies started the output cuts since January 2017, and plan to continue the output cut through the end of 2018. Oil prices have been on the rise since Q4 2017 and has stayed in the \$60-\$65 range during Q1 2018. While OPEC is cutting its output, United States is pumping more oil than ever. For the first time, OPEC forecasted that new oil supplies will exceed demand growth this year.

LOCAL ECONOMY

According to the report from the Oklahoma Employment Security Commission, The Oklahoma State unemployment rate has held steady and is unchanged at 4.1 percent in February compared to January and was 0.5 percent down from a year ago. We saw continuing recovery from the oil and gas industry, and continued cutting of oil production by OPEC and its allies will benefit Oklahoma energy companies.

Oklahoma City is named as one of the top-10 travel destinations in the United States for 2018. Money Magazine said, that it gives travelers the most value for their dollar. Low cost of living and business cost continue to attract developers and investors to Oklahoma City. The City Council has approved a \$3 million economic development incentive to bring Costco to the southeast corner of Western Avenue and the John Kilpatrick Turnpike; CACI International announced it will open a Shared Services Center in Oklahoma City in July which will bring 550 jobs. Oklahoma City new convention center's design gained City Council's approval and moved one step closer to its grand opening in mid-2020. The Streetcar system is under test drive and is expected to be ready at the end of this year. BOK Park Plaza has been completed and Bank of Oklahoma is occupying 100,000 SF. Oklahoma City's commercial real estate industry remains active during Q1 2018.

OKLAHOMA CITY RETAIL MARKET LEASING

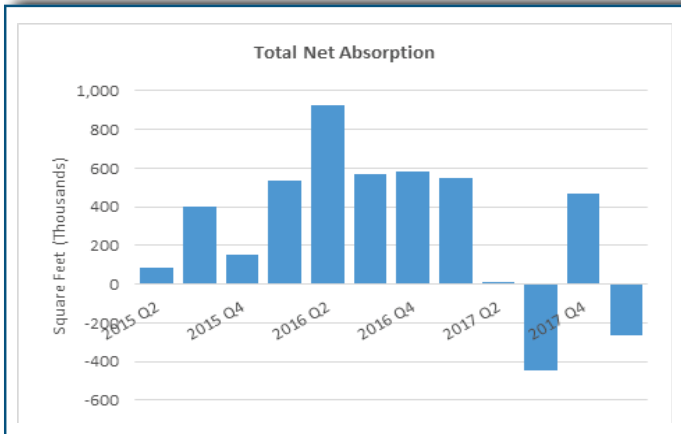
Some notable retail lease based on asking rental rate during Q1 2018 include the 3,813 SF lease signed at 13230 Pawnee Dr. in Oklahoma City with an asking rental rate of \$32/SF/YR NNN, the 2,442 SF lease signed at 1380 W Covell Rd. in Edmond with an asking rental rate of \$28/SF/YR NNN, and the 1,045 SF lease signed at 1006 N Hudson Ave. with an asking rental rate of \$23.50/SF/YR NNN.

The largest lease signings based on SF in Q1 include the 64,879 SF signed by World Fresh International Market at 10700 S Pennsylvania Ave. in Oklahoma City, the 19,500 SF lease signed by AMC at 1300 N Interstate Dr. in Norman with an asking rental rate of \$6.00/SF/YR NNN, and the 11,731 SF lease signed at 10625 S Western in Oklahoma City with an asking rental rate of \$9.00/SF/YR NNN.

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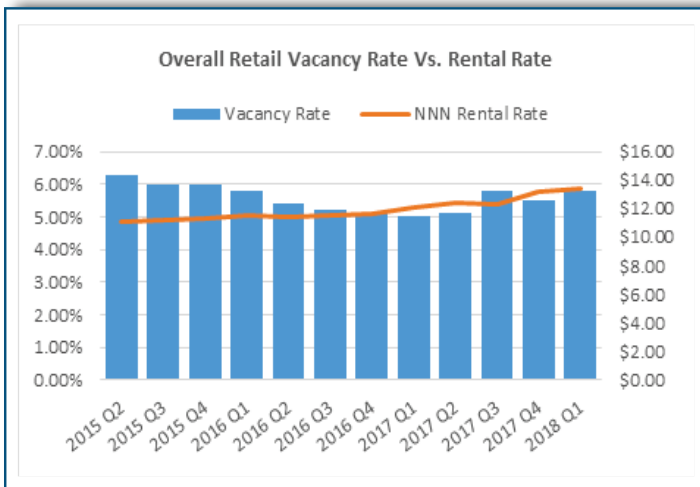
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NET ABSORPTION AND INVENTORY

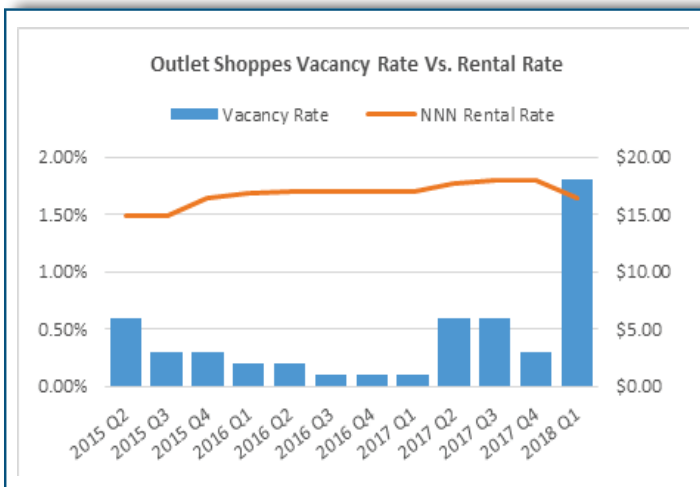


- The total retail net absorption was a negative 267,129 SF at the end of Q1 2018.
- The total retail net absorption decreased from a positive net absorption of 467,579 SF at the end of Q4 2017.
- The total retail inventory was 94,624,091 SF.
- The total retail inventory increased from 90,942,421 SF at the end of Q4 2017.

RENTAL AND VACANCY RATES



- The overall retail market rental rate averaged \$13.43/SF/YR NNN at the end of Q1 2018.
- The overall retail market rental rate increased from the \$13.17/SF/YR NNN rate at the end of Q4 2017.
- The overall retail market vacancy rate was 5.80% at the end of Q1 2018.
- The overall retail market vacancy rate increased from the 5.50% rate at the end of Q4 2017.



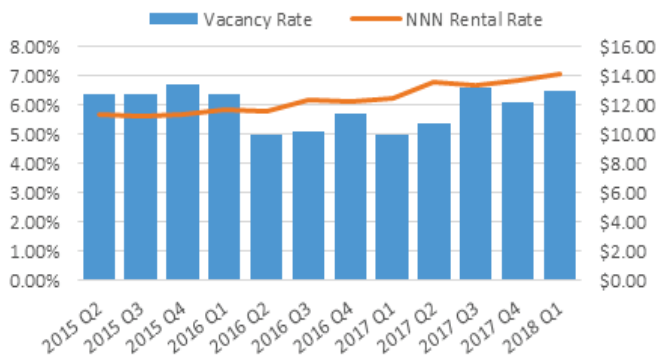
- The outlet shoppes rental rate averaged \$16.44/SF/YR NNN at the end of Q1 2018.
- The outlet shoppes rental rate decreased from the \$17.92/SF/YR NNN at the end of Q4 2017.
- The outlet shoppes vacancy rate was 1.80% at the end of Q1 2018.
- The outlet shoppes vacancy rate increased from the 0.30% rate at the end of Q4 2017.

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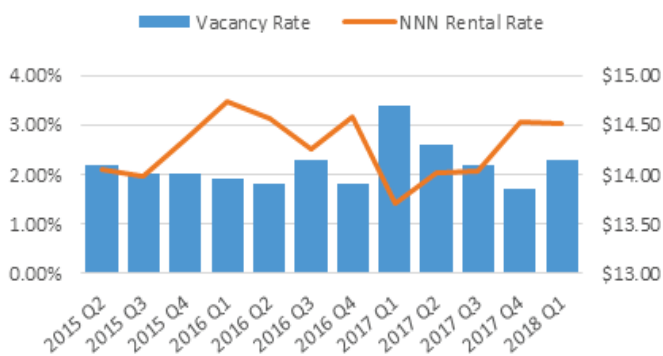
RENTAL AND VACANCY RATES

Strip Center Vacancy Rate Vs. Rental Rate



- The strip center rental rate averaged at \$14.10/SF/YR NNN at the end of Q1 2018.
- The strip center rental rate increased from the \$13.67/SF/YR NNN rate at the end of Q4 2017.
- The strip center vacancy rate was 6.50% at the end of Q1 2018.
- The strip center vacancy rate increased from the 6.10% at the end of Q4 2017.

Power Center Vacancy Rate Vs. Rental Rate

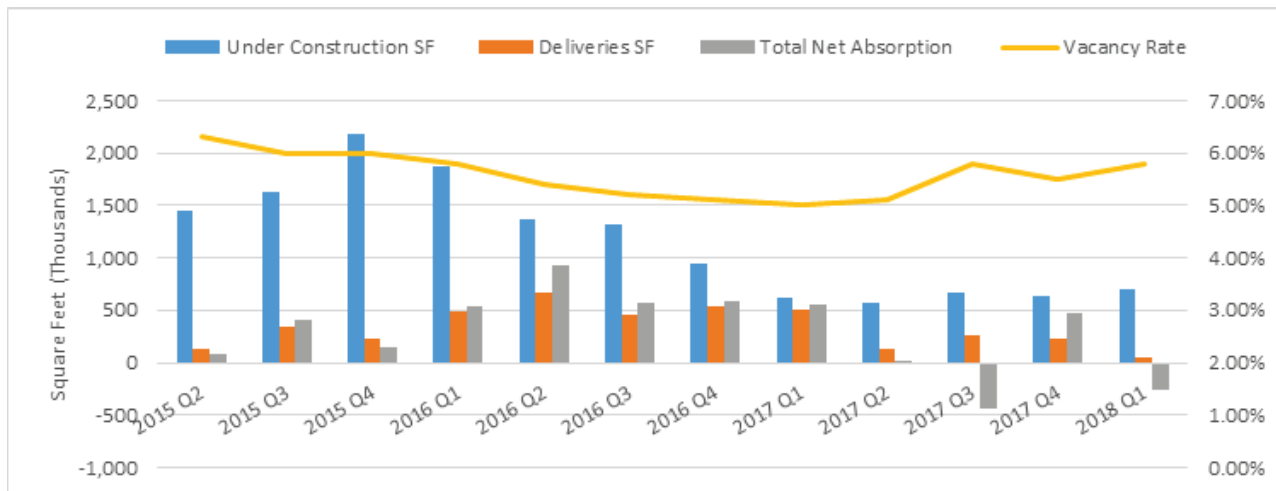


- The power center rental rate was \$14.52/SF/YR NNN at the end of Q1 2018.
- The power center rental rate remained about the same compare to previous quarter rate at \$14.53/SF/YR NNN.
- The power center vacancy rate was 2.30% at the end of Q1 2018.
- The power center vacancy rate increased from the 1.70% rate at the end of Q4 2017.

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CONSTRUCTION, DELIVERY, NET ABSORPTION & VACANCY RATE



There was 702,357 SF of retail space under construction at the end of Q1 2018. The top two retail properties by size under construction are the 181,048 SF Life Time Fitness at 2501 W Memorial Rd., which is scheduled to be delivered in July 2018, and the 80,340 SF Route 66 Plaza at 4000 N Sara Rd. in Yukon, which is scheduled to be delivered in April 2018. We are seeing average asking rental rates for under construction retail properties at \$19.55/SF/YR NNN. The asking rental rate for The Shops at Memorial Crossing is about \$30/SF/YR NNN and asking rental rate for Royal Rock Retail Development at 721 SW 19th St. around \$25/SF/YR NNN.

Some notable deliveries in Q1 2018 include the 36 North Shopping Center-a 29,097 SF facility which is 0% occupied now, and the 19,398 SF building at 14170 N Santa Fe Ave, which is now 42% occupied by Freedom Financial.

NOTABLE RETAIL PROPERTIES UNDER CONSTRUCTION

Building Name	Building Address	City	RBA	Delivery Time
Life Time Fitness	2501 W Memorial Rd	OKC	181,048 SF	Jul 2018
Route 66 Plaza Phase I	4000 N Sara Rd	Yukon	80,340 SF	Apr 2018
Floor & Decor	S Macarthur Blvd	OKC	75,115 SF	May 2018
The Shops at Memorial Crossing	NE Corner of Memorial Road & Western	OKC	70,000 SF	May 2018
-	14220 Broadway Ext	Edmond	46,334 SF	Jul 2018
-	4711-5044 N May Ave	OKC	32,347 SF	Jul 2018
-	106 S Macarthur Blvd	OKC	30,000 SF	May 2018
-	3250 NW 36th Ave	Norman	20,572 SF	Dec 2018

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NAI OKLAHOMA CITY RETAIL MARKET SALES

The first quarter of 2018 saw 73 transactions totaling \$72,751,319. The largest sale based on dollar volume was a portfolio sale of the entire shopping center containing 6 retail properties at 2116-2370 W Memorial Rd. Oklahoma City. Local company Amcon Resources purchased the portfolio from JPMorgan Chase & Co. based in New York, NY for \$43,500,000, or \$147.65 per SF, on Jan 26th, 2018. The largest individual sale based on dollar volume was the sale of the 15,625 SF retail freestanding building at 501 S Division St. in Guthrie. Kevin T Jennings from Burlington, IA purchased this property from Tapp Companies, Inc. from Edmond, OK for \$3,550,000, or \$227.20 per SF.

Summary

Number of Transactions	73
Total Sales Volumes	\$72,751,319
Total Bldg. SF	1,262,256 SF
Total Land Acres	450.07 Acres
Average Price per Bldg. SF	\$144.86
Median Price per Bldg. SF	\$147.65
Average Cap Rate	7.05%

Oklahoma City's retail market remains strong during Q1 2018 despite the announcing of closure from some big box retailers throughout the nation. An eight-story Towne-Place Suites by Marriott with between 130 and 160 rooms is planned for Automobile Alley; the founders of Bleu Garten are set to open a two-screen cinema pub later this year in the area of Film Row, Midtown, and the SoSA neighborhood; Alamo Drafthouse Cinema is planning a location at the Chisholm Creek development near Memorial and Western; a 7,500 SF high-end restaurant and sports bar also plans to locate along the lake in Chisholm Creek. We are seeing a strong and active retail market, and Oklahoma City will continue to attract local and national retailers to come and invest.

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NAI OKC MARKET SIGNIFICANT RETAIL SALE TRANSACTIONS DURING Q1 2018



Property Name: Quail Springs Marketplace
Property Address: 2116-2370 W Memorial Rd., OKC
Sale Price: \$36,140,320-Allocated
Price per SF: \$147.65/SF
Sale Date: 01/26/2018



Property Name: 501 S Division St.
Property Address: 501 S Division St., Guthrie
Sale Price: \$3,550,000
Price per SF: \$227.20/SF
Sale Date: 01/25/2017



Property Name: 6629 NW Expressway St.
Property Address: 6629 NW Expressway St., OKC
Sale Price: \$1,900,000
Price per SF: \$175.49/SF
Sale Date: 01/12/2018

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Property Name: Tuscan Village
Property Address: 6512 NW Expressway, OKC
Sale Price: \$2,600,500
Price per SF: \$173.60/SF
Sale Date: 01/02/2018



Property Name: Quail Springs Marketplace
Property Address: 2300 W Memorial Ave., OKC
Sale Price: \$2,487,630-Allocated
Price per SF: 147.65/SF
Sale Date: 01/26/2018



Property Name: Staples Office Super Store
Property Address: 2318 S 4th St., Chickasha
Sale Price: \$1,750,000
Price per SF: \$74.49/SF
Sale Date: 01/31/2018

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NAI Sullivan Group is a leading global service provider offering a full range of premier services, customized to fit your need and exceed your expectations. Our talented and experienced professionals provide benefits to large institutions and small business owners alike. We are your single point of contact for customized real estate services.

NAI Sullivan Group strives for excellence in all facets of real estate services in order to maintain our position as an industry leader. Our team transforms forward-thinking ideas into cutting-edge applications, to achieve maximum results for our clients, company and community.

For more information, please visit our website: www.naisullivangroup.com

RETAIL TEAM



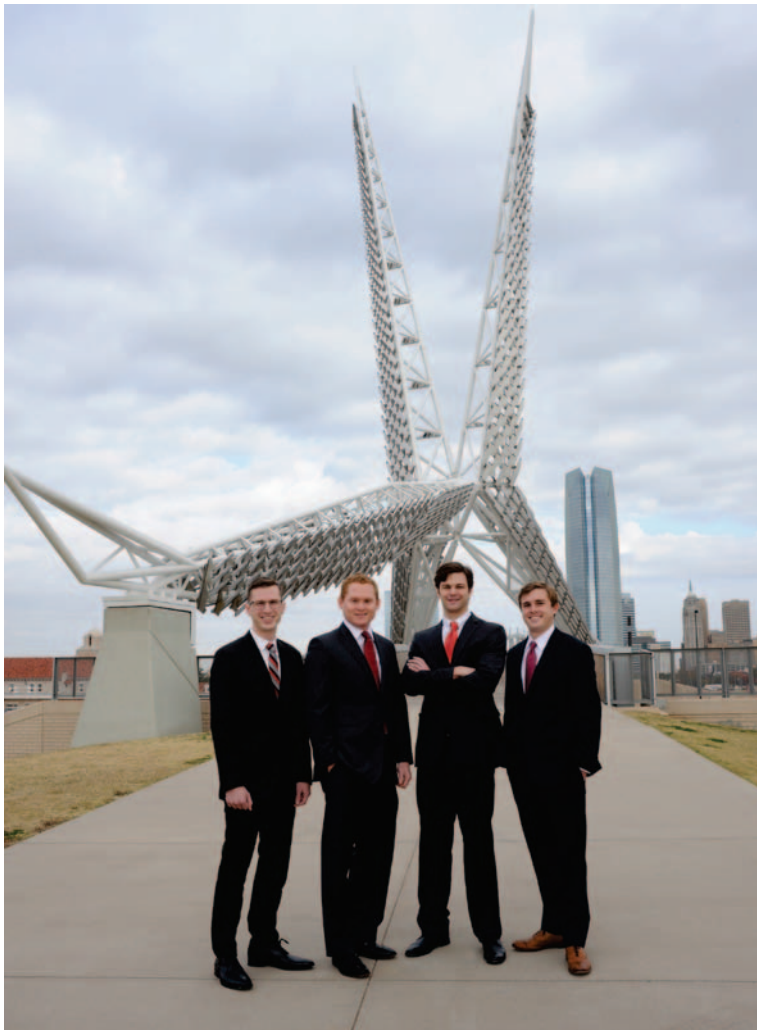
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