

First Quarter Industrial Market Report 2018





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2018
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EXECUTIVE SUMMARY

INDUSTRIAL MARKET STRENGTHENS

The Industrial market in Oklahoma City comprises some 125,000,000 square feet of industrial warehouses, manufacturing facilities, and office-warehouse flex space.

The total absorption of Q1 2018 was a modest 203,211 SF. The total absorption of 2017 was only slightly positive. The current available warehouse space available in the Oklahoma City Market is 4% of the total, 5,000,000 SF. Much of the vacant space is older, obsolete space, but there is a great deal of space available to accommodate bulk storage, manufacturing, and a variety of smaller properties for sale and lease.



We seem to be in a time of change, not a lot of speculative construction, but seeing good demand especially in sales as companies are trying to get ahead of the interest rates hikes everyone believes are coming.

Q1 2018 saw 35 sales transactions totaling \$25,177,526.00 with buildings totaling 567,940 SF, giving an average price of \$56.28 per square foot sales price.

Respectfully,

Bob Sullivan
CEO

Leasing Activities

Total Inventory	125,412,863 SF
Total Net Absorption	203,211 SF
Overall Rental Rate	\$5.37/SF/YR
Total Vacancy Rate	4.10%
Under Construction	1,348,590 SF

Sales Activities

Number of Transactions	35
Total Sales Volumes	\$25,177,526
Average Price per Bldg. SF	\$56.28



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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.

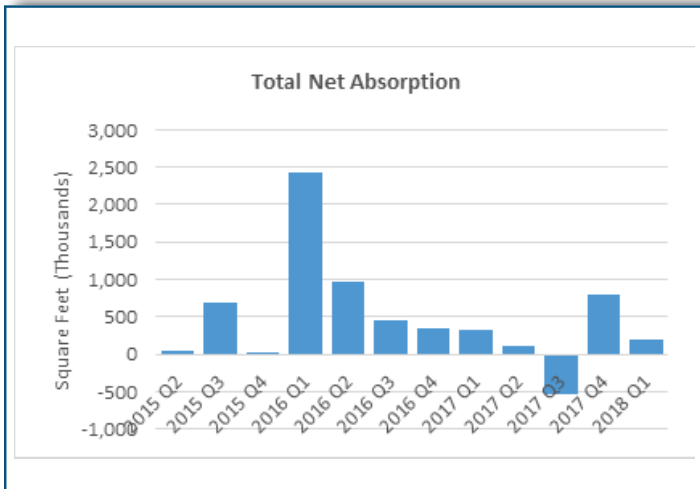
OKLAHOMA CITY INDUSTRIAL MARKET LEASING

The largest industrial lease signings during Q1 2018 include the 40,300 SF industrial lease at 5201 W Reno Ave. in Oklahoma City by Pipeline and Supply and Service LLC with an asking rental rate of \$3.50/SF/YR NNN, the 24,200 SF lease at 330 N Macarthur Blvd. in Oklahoma City with an asking gross rental rate of \$4.50/SF/YR, and the 23,580 SF lease at 9940 W Reno in Yukon with an asking rental rate at \$5.85/SF/YR NNN.

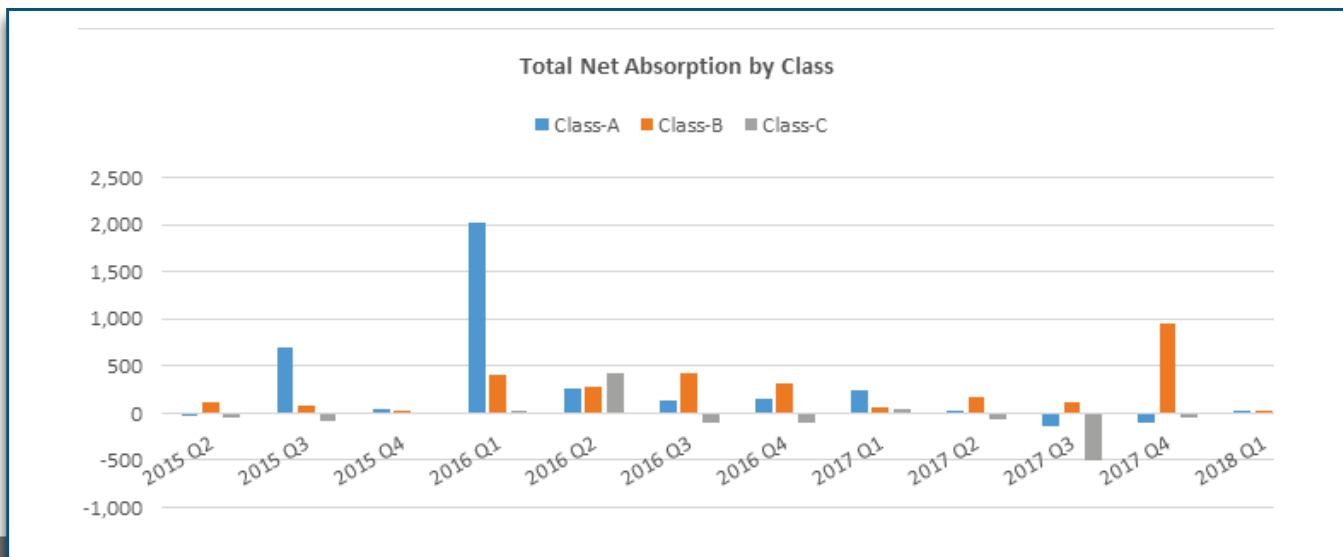
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NET ABSORPTION AND INVENTORY



- The total net absorption was a positive 203,211 SF at the end of Q1 2018.
- The total net absorption decreased compared to the positive net absorption of 793,751 SF at the end of Q4 2017.
- The total industrial inventory was 125,412,863 SF at the end of Q1 2018.
- The total industrial inventory increased from 120,615,584 SF at the end of Q4 2017.

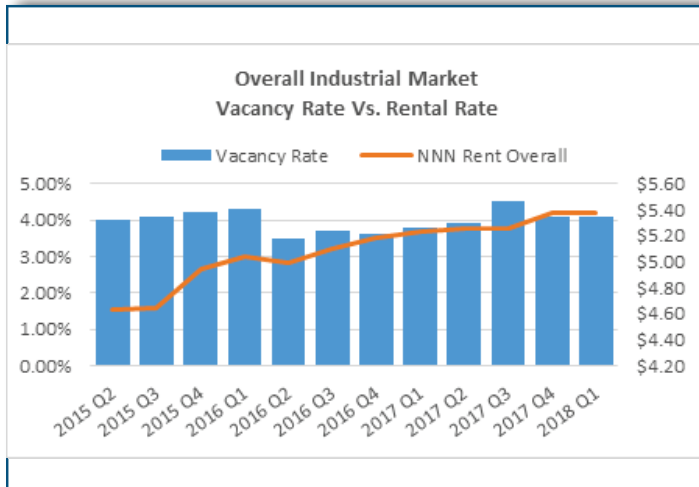


- Class-A net absorption yield was a positive 5,450 SF, which increased from the negative absorption of 105,910 SF at the end of Q4 2017.
- Class-B net absorption was a positive 29,988 SF, which decreased from the positive absorption of 952,029 SF at the end of Q4 2017.
- Class-C net absorption was a positive 167,773 SF, which increased from the negative absorption of 52,368 SF at the end of Q4 2017.

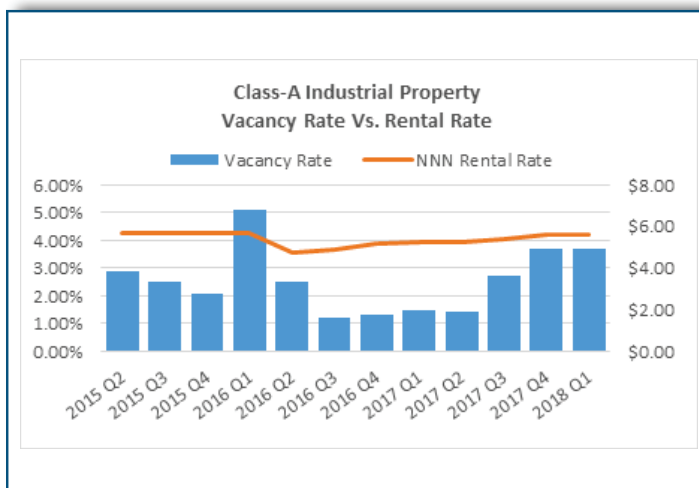
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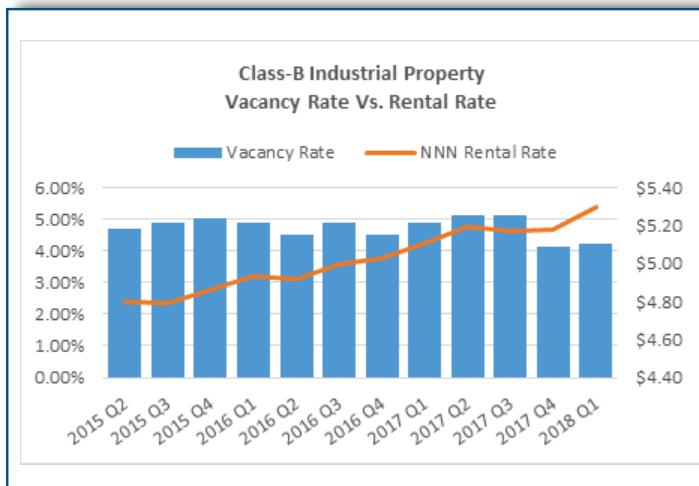
RENTAL AND VACANCY RATES



- The overall industrial rental rate was \$5.37/SF/YR NNN at the end of Q1 2018.
- The overall industrial rental rate remained the same compared to previous quarter.
- The overall industrial vacancy rate was 4.10% at the end of Q1 2018.
- The overall industrial vacancy rate remained the same compared to Q4 2017.



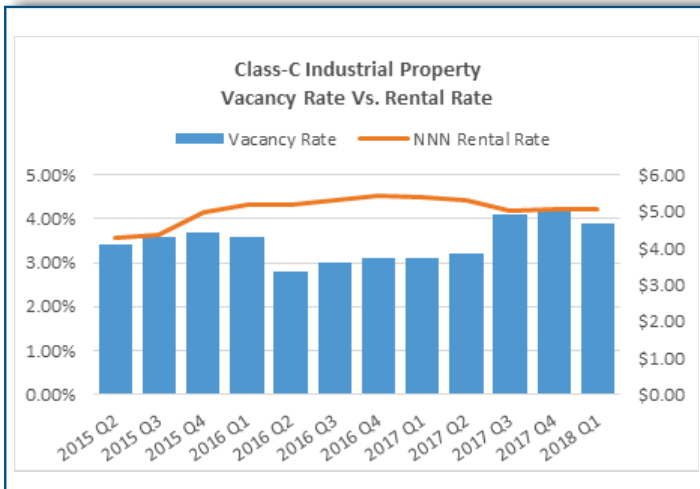
- Class-A property rental rate averaged \$5.60/SF/YR NNN at the end of Q1 2018.
- Class-A property rental rate remained the same compared to previous quarter.
- Class-A property vacancy rate was 3.70% at the end of Q1 2018.
- Class-A property vacancy rate remained the same compared to Q4 2017.



- Class-B property rental rate averaged \$5.30/SF/YR NNN at the end of Q1 2018.
- Class-B property rental rate increased from the \$5.18/SF/YR NNN rate at the end of Q4 2017.
- Class-B property vacancy rate was 4.20% at the end of Q1 2018.
- Class-B property vacancy rate increased from the 4.10% rate at the end of Q4 2017.

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- Class-C property rental rate was \$5.07/SF/YR NNN at the end of Q1 2018.
- Class-C property rental rate remained about the same compared to the \$5.06/SF/YR NNN rate at the end of Q4 2017.
- Class-C property vacancy rate was 3.90% at the end of Q 2018.
- Class-C property vacancy rate decreased from the 4.20% rate at the end of Q4 2017.

OKC INDUSTRIAL MARKET INFORMATION BY SUBMARKET

	CBD	Midtown	West/Central	OKC South	Moore/Norman
Rent per SF	\$6.93	\$4.27	\$5.12	\$6.32	\$6.75
Vacancy Rate	17%	3.50%	4.60%	2.10%	3.0%
Existing Buildings	133	418	1,607	1,256	570
Existing SF	1,448,183 SF	6,017,831 SF	43,574,407 SF	19,789,175 SF	7,622,373 SF

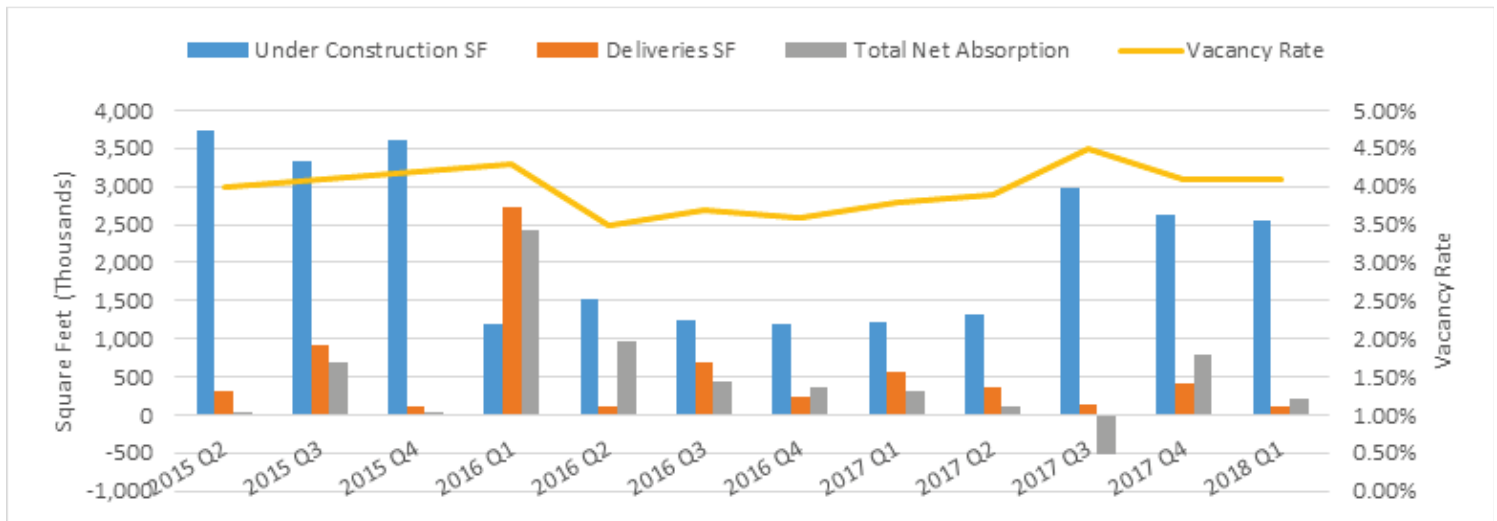
	Class-A	Class-B	Class-C
Rent per SF	\$5.60	\$5.30	\$5.07
Vacancy Rate	3.70%	4.20%	3.90%
Existing Buildings	55	1,889	4,525

	Up to 30,000 SF	From 30,000 SF
Rent per SF	\$6.58	\$4.35
Vacancy Rate	2.70%	5.30%
Existing Buildings	4,187	347
Existing SF	33,351,389 SF	24,024,053 SF

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CONSTRUCTION, DELIVERY, NET ABSORPTION & VACANCY RATE



There was 1,348,590 SF of industrial space under construction by the end of Q1 2018. The largest two industrial properties under construction are the 1 million square foot Hobby Lobby distribution center at 6701 SW 44th St., which is scheduled to be delivered in August 2018, and the 120,000 SF industrial warehouse at 6101 SW 44th St., which is scheduled to be delivered in November 2018. We are seeing asking rental rates for industrial properties under construction average at \$6.90/SF/YR in the Oklahoma City Market.

Some notable deliveries in Q1 2018 include a 30,338 SF industrial warehouse at 10220 W Reno Ave. in Oklahoma City, which was delivered in March 2018 and is fully leased now, and the 18,000 SF industrial warehouse with 12,600 SF available for lease at \$7.47/SF/YR modified gross, which also delivered in Q1 2018.

NOTABLE PROPERTIES UNDER CONSTRUCTION

Building Name	Building Address	City	Rentable Building Area	Delivery Time
Hobby Lobby	6701 SW 44th St	OKC	1,000,000 SF	Aug 2018
Class "A" Warehouse	6101 SW 44th St	OKC	120,000 SF	Nov 2018
Building 2	6707 N Interstate Dr	Norman	55,000 SF	Apr 2018
Class "A" Warehouse	6201 SW 44th St	OKC	42,000 SF	Aug 2018
Building 1	6707 N Interstate Dr	Norman	35,000 SF	Apr 2018
-	5740 Huettner Dr	Norman	30,000 SF	Apr 2018

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OKLAHOMA CITY INDUSTRIAL MARKET SALES

There were 35 transactions totaling \$25,177,526 recorded during Q1 2018. The largest individual sale based on dollar volume was the sale of the 115,488 SF industrial distribution building located at 4701 W Point Blvd. in Oklahoma City. Sealy & Company from Dallas, TX purchased this property from Matsushita International Corp from San Clemente, CA for \$7,800,000, or \$67.54 per SF, on March 1st, 2018. The building was 100% occupied by a single tenant with 5 years remaining on their lease and was reported a cap rate of 6.42% at the time of sale.

Summary

Number of Transactions	35
Total Sales Volume	\$25,177,526
Total Bldg. SF	567,940 SF
Total Land in Acres	92.36 Acres
Average Price per Bldg. SF	\$56.28
Median Price per Bldg. SF	\$51.14
Average Cap Rate	7.60%

OKC MARKET SIGNIFICANT INDUSTRIAL SALE TRANSACTIONS DURING Q1 2018



Property Name: 4701 W Point Blvd.
Property Address: 4701 W Point Blvd., OKC
Sale Price: \$7,800,000
Sale Price per SF: \$67.54/SF
Sale Date: 03/01/2018
Cap Rate: 6.42%



Property Name: Dealers Auto Auction
Property Address: Interstate 40 & S May Ave
Sale Price: \$4,888,019-Allocated
Price per SF: \$ 67.14/SF
Sale Date: 01/03/2018



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Property Name: DS Services of America
Property Address: 4601 SW 36th St., OKC
Sale Price: \$2,212,500
Price per SF: \$53.96/SF
Sale Date: 03/01/2018
Cap Rate: 8.10%



Property Name: 130 NE 38th St.
Property Address: 130 NE 38th St., OKC
Sale Price: \$1,100,000
Price per SF: \$44/SF
Sale Date: 03/05/2018



Property Name: 6700 S Sooner Rd.
Property Address: 6700 S Sooner Rd., OKC
Sale Price: \$945,000
Price per SF: \$51.14/SF
Sale Date: 03/27/2018



Property Name: 1448 Darlington Rd NW
Property Address: 1448 Darlington Rd NW, El Reno
Sale Price: \$875,000
Price per SF: \$78.13/SF
Sale Date: 02/20/2018



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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

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