

MARKETBEAT

Oklahoma City

Office Q3 2016



OKLAHOMA CITY OFFICE

Economic Indicators

	Q3 15	Q3 16	12-Month Forecast
Oklahoma City Employment	631k	633k	▲
Oklahoma City Unemployment	3.7%	4.3%	▲
U.S. Unemployment	5.2%	4.9%	▼

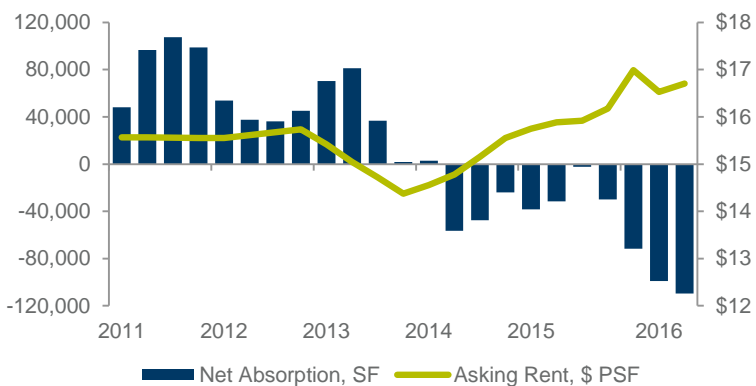
Market Indicators (Overall, All Classes)

	Q3 15	Q3 16	12-Month Forecast
Vacancy	17.9%	16.8%	▼
Net Absorption (sf)	780k	2.1M	▲
Under Construction (sf)	150k	150k	■
Average Asking Rent*	\$21.21	\$22.27	▲

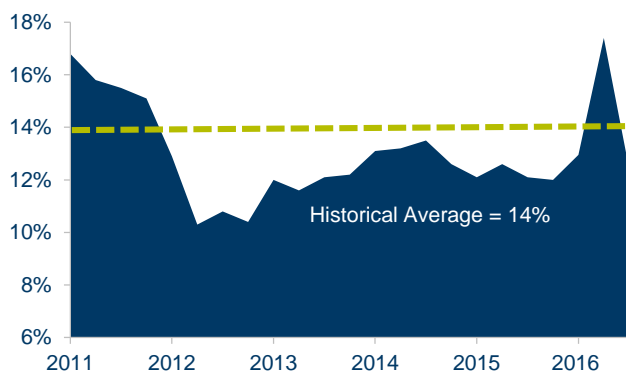
*Rental rates reflect gross asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

In Oklahoma, the unemployment rate recorded 5.1% in August, and total payroll employment declined 0.4 percentage point compared to the previous year. Employment growth was mixed across industries, with the strongest gains in the private educational services and construction sectors. Oklahoma nominal personal income grew 0.8 % in the second quarter of 2016 compared to the previous year, with workplace earnings down 0.3 %. Home prices increased 2.5 % in the second quarter of 2016 compared to a year ago, while single-family and multifamily permits recorded a -5.5 % and 148.6 % change, respectively, so far this year. In June 2016, crude oil production was down 2.8% over last year, and rig counts were well below year-ago levels. Oklahoma exports were 8.3% lower in the second quarter of 2016 compared to the same period in 2015.

Market Overview

After a very challenging first two quarters, the general sentiment in the Oklahoma City office real estate market is a bit more positive. With crude currently in a \$46 to \$50 trading range activity is beginning to rise and calls for space are moderately increasing. Momentum continues to keep pace with the opening of the GE Oil & Gas Technology Center, the announcement of Omni Hotels planning to build a convention center hotel and Walmart continuing to show interest in opening a downtown grocery store. Rental rates are expected to continue to hold and vacancy will tick up a bit as the lag of the oil sector continues to drag a bit.

Outlook

As the price of oil and gas continues to stabilize, leasing transactions will continue to increase. Since investment sale transactions have not reported a significant dip in pricing, many believe that Oklahoma City will experience significant new growth in the coming months. Companies that are new to the market and existing large tenants who commit to new leases will drive this growth.

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SUBMARKET	TOTAL BLDGS	INVENTORY	SUBLET VACANT	DIRECT VACANT	OVERALL VACANCY RATE	CURRENT OVERALL NET ABSORPTION	YTD OVERALL NET ABSORPTION	UNDER CNSTR	AVERAGE OVERALL ASKING RENT (ALL CLASSES)*	AVERAGE DIRECT ASKING RENT (CLASS A)*
CBD	63	6,812,441	18,863	679,401	10.2%	4,970	-29,456	0	\$17.40	\$23.10
Edmond	8	196,270	3,860	31,166	17.8%	0	26,414	0	\$17.10	\$21.50
Memorial Corridor	24	1,816,387	114,929	223,366	18.6%	-105,851	-154,496	22,000	\$21.64	\$22.27
Midtown	32	2,520,898	0	628,660	24.9%	-5,785	-195,721	0	\$16.50	N/A
Moore	2	40,795	0	2,770	6.8%	0	0	0	\$23.50	N/A
Norman	14	511,423	0	28,137	5.5%	29,476	25,214	0	\$17.76	\$27.50
North	40	2,681,504	0	108,085	4.0%	-16,212	-21,816	0	\$17.35	\$21.75
Northeast	4	152,981	2,430	4,139	4.3%	0	5,772	0	\$18.04	N/A
Northwest	64	4,939,206	63,512	534,642	12.1%	-5,458	-32,208	0	\$17.03	\$21.82
Southeast	12	470,603	0	35,846	7.6%	0	-4,378	0	\$14.89	N/A
Southwest	30	1,427,534	0	304,980	21.4%	1,285	50,832	0	\$17.56	\$18.50
OKLAHOMA CITY TOTALS	293	21,570,042	203,594	2,581,192	12.9%	-97,575	-329,843	22,000	\$17.57	\$20.93

	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	DIRECT AVERAGE ASKING RENT*
Class A	4,516,968	101,692	503,546	13.4%	-108,097	-132,866	22,000	\$20.93
Class B	10,696,436	101,902	1,079,817	11.0%	7,606	-174,832	0	\$16.95
Class C	6,356,638	0	997,829	15.7%	2,916	-22,145	0	\$13.97

Key Lease Transactions Q3 2016

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
2000 N Classen Blvd	73,391	Oklahoma Department of Mental Health	Direct Lease	North
One Benham Place	16,975	Oklahoma Fidelity	Direct Lease	North
Oil Center	10,354	SEF Energy	Direct Lease	North

Key Sales Transactions Q3 2016

PROPERTY	SF	SELLER / BUYER	PRICE / \$PSF	SUBMARKET
Hertz Call Center on Penn	157,268	Hertz / Love's Travel Stops	\$8,500,000 / \$54	North
1140 N Hudson Ave	37,000	1140 N Hudson / Midtown-11th Park Place	\$2,015,000 / \$54	Midtown
4301 NW 63rd St	33,900	IDC, LLC / Downtown Properties, LLC	\$1,687,000 / \$50	North

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