

# MARKETBEAT

## Oklahoma City

Office Q2 2017



### OKLAHOMA CITY OFFICE

#### Economic Indicators

|                            | Q2 16 | Q2 17 | 12-Month Forecast |
|----------------------------|-------|-------|-------------------|
| Oklahoma City Employment   | 628k  | 633k  | ▲                 |
| Oklahoma City Unemployment | 4.3%  | 3.8%  | ▲                 |
| U.S. Unemployment          | 4.9%  | 4.4%  | ■                 |

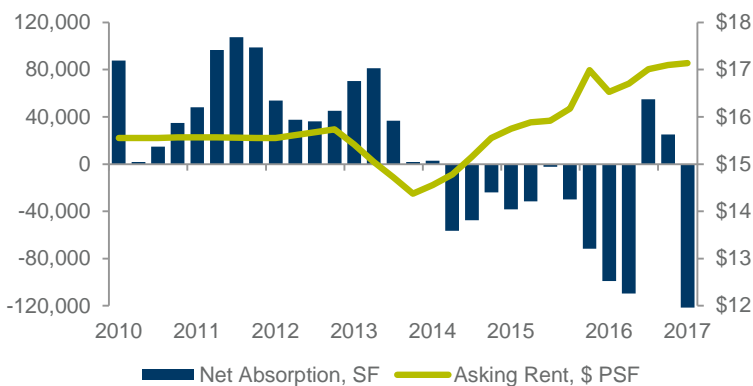
#### Market Indicators (Overall, All Classes)

|                         | Q2 16   | Q2 17   | 12-Month Forecast |
|-------------------------|---------|---------|-------------------|
| Vacancy                 | 16.8%   | 16.2%   | ▼                 |
| Net Absorption (sf)     | 155k    | -307k   | ▲                 |
| Under Construction (sf) | 644k    | 840k    | ▲                 |
| Average Asking Rent*    | \$21.21 | \$18.17 | ▲                 |

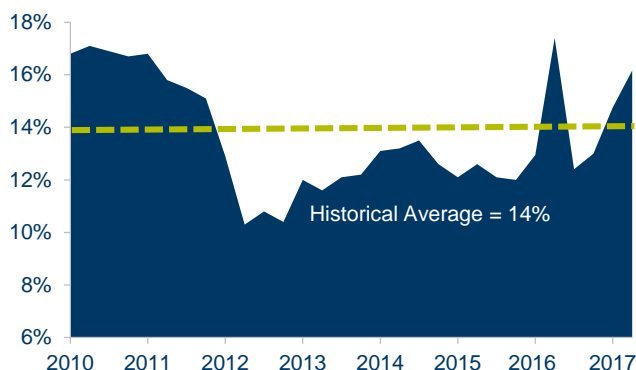
\*Rental rates reflect gross asking \$psf/year

#### Overall Net Absorption/Overall Asking Rent

##### 4-QTR TRAILING AVERAGE



#### Overall Vacancy



### Economy

In Oklahoma, the unemployment rate for second quarter was 3.8%, and total payroll employment expanded 0.5% compared to the previous year. Employment growth was mixed across industries, with the strongest gains in the mining and logging and financial activities sectors. Oklahoma nominal personal income grew 1.2% in the first quarter of 2017 compared to the previous year, with workplace earnings up 0.3%. Home prices increased 3.9% in the first quarter of 2017 compared to a year ago, while single-family and multifamily permits recorded a 8.0% and -33.1% change, respectively, year-to-date through May 2017. In April 2017, crude oil production was up 1.7% over last year, and rig counts were well above year-ago levels. Oklahoma exports were 10.5% higher in the first quarter of 2017 compared to the same period last year.

### Market Overview

After a somewhat challenging first quarter, 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 recent City Council approval of Omni Hotels to build a convention center hotel and Amazon building a 300,000-square-foot distribution facility. 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 remain in a similar trading range, 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 RENT (ALL CLASSES)* | AVERAGE DIRECT ASKING RENT (CLASS A)* |
|-----------------------------|-------------|-------------------|------------------|------------------|----------------------|--------------------------------|----------------------------|----------------|-----------------------------|---------------------------------------|
| CBD                         | 63          | 6,812,441         | 18,863           | 680,528          | 11%                  | 14,097                         | -26,550                    | 690,000        | \$16.22                     | \$24.15                               |
| Edmond                      | 8           | 196,270           | 3,860            | 35,026           | 18.8%                | 3,414                          | 26,414                     | 0              | \$17.10                     | \$21.50                               |
| Memorial Corridor           | 24          | 1,816,387         | 402,464          | 232,444          | 13.8%                | 1,044                          | -48,645                    | 23,550         | \$20.72                     | \$22.24                               |
| Midtown                     | 33          | 2,739,947         | 462,032          | 629,596          | 28.8%                | -175,833                       | -200,669                   | 0              | \$12.81                     | N/A                                   |
| Moore                       | 2           | 40,795            | 0                | 2,770            | 7.8%                 | 0                              | 0                          | 0              | \$25.50                     | N/A                                   |
| Norman                      | 14          | 635,120           | 0                | 66,617           | 14.0%                | -16,088                        | -4,262                     | 0              | \$20.77                     | \$27.50                               |
| North                       | 40          | 2,681,504         | 0                | 106,439          | 5.0%                 | -5,987                         | -5,604                     | 0              | \$17.94                     | \$22.95                               |
| Northeast                   | 4           | 152,981           | 2,438            | 6,847            | 5.5%                 | 1,762                          | 5,772                      | 0              | \$13.99                     | N/A                                   |
| Northwest                   | 64          | 4,960,166         | 351,047          | 406,478          | 15.1%                | 37,730                         | -22,182                    | 50,000         | \$13.83                     | \$21.39                               |
| Southeast                   | 12          | 470,603           | 0                | 35,846           | 9.6%                 | -2,347                         | -4,378                     | 0              | \$14.89                     | N/A                                   |
| Southwest                   | 30          | 1,364,853         | 0                | 306,265          | 25.5%                | 774                            | 49,547                     | 50,000         | \$17.73                     | \$18.50                               |
| <b>OKLAHOMA CITY TOTALS</b> | <b>294</b>  | <b>21,871,067</b> | <b>1,240,704</b> | <b>2,508,856</b> | <b>21.8%</b>         | <b>-141,434</b>                | <b>-230,557</b>            | <b>813,550</b> | <b>\$18.17</b>              | <b>\$22.69</b>                        |

|         | INVENTORY (SF) | SUBLET VACANT (SF) | DIRECT VACANT (SF) | OVERALL VACANCY RATE | CURRENT QTR OVERALL NET ABSORPTION (SF) | YTD OVERALL NET ABSORPTION (SF) | YTD LEASING ACTIVITY (SF) | UNDER CNSTR (SF) | DIRECT AVERAGE ASKING RENT* | OVERALL AVERAGE ASKING RENT* |
|---------|----------------|--------------------|--------------------|----------------------|---|---------------------------------|---------------------------|------------------|-----------------------------|------------------------------|
| Class A | 4,716,968      | 20,500             | 340,848            | 8%                   | -65,860                                 | -98,000                         | -55,000                   | 813,500          | \$21.92                     | \$18.17                      |
| Class B | 10,673,764     | 935,000            | 1,245,454          | 20%                  | -48,000                                 | -110,000                        | -73,823                   | 0                | \$17.50                     | \$17.25                      |
| Class C | 6,480,335      | 285,204            | 922,554            | 19%                  | -27,574                                 | -22,557                         | -101,734                  | 0                | \$16.50                     | N/A                          |

### Key Lease Transactions Q2 2017

| PROPERTY                    | SF      | TENANT      | TRANSACTION TYPE | SUBMARKET |
|-----------------------------|---------|-------------|------------------|-----------|
| Westgate One                | 150,000 | Undisclosed | Direct Lease     | Southwest |
| Quail Springs Parkway Plaza | 19,755  | Allstate    | Direct Lease     | Northwest |
| 100 N Broadway              | 14,941  | Globe Life  | Direct Lease     | CBD       |

### Key Sales Transactions Q2 2017

| PROPERTY          | SF     | SELLER / BUYER           | PRICE / \$PSF       | SUBMARKET |
|-------------------|--------|--------------------------|---------------------|-----------|
| The Registry      | 93,176 | Registry LLC / CCSE      | \$5,600,000 / \$60  | North     |
| Fisher hall       | 60,441 | SPFH / Charter Oak       | \$9,800,000 / \$162 | Edmond    |
| 5 Corporate Plaza | 52,905 | 5CP LLC / KG AL Holdings | \$4,300,000 / \$82  | North     |

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