

## MARKETBEAT

# Oklahoma City

Industrial Q3 2016



### OKLAHOMA CITY INDUSTRIAL

#### Economic Indicators

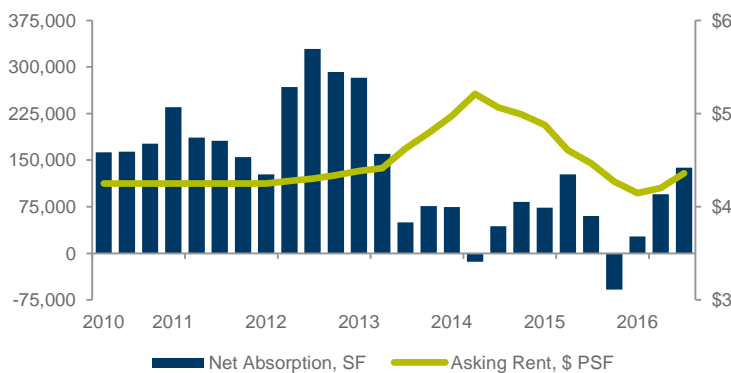
	Q3 15	Q3 16	12-Month Forecast
Oklahoma City Employment	631k	633k	▲
Oklahoma City Unemployment	3.7%	4.3%	▲
U.S. Unemployment	5.2%	4.9%	▼

#### Market Indicators (Overall, All Property Types)

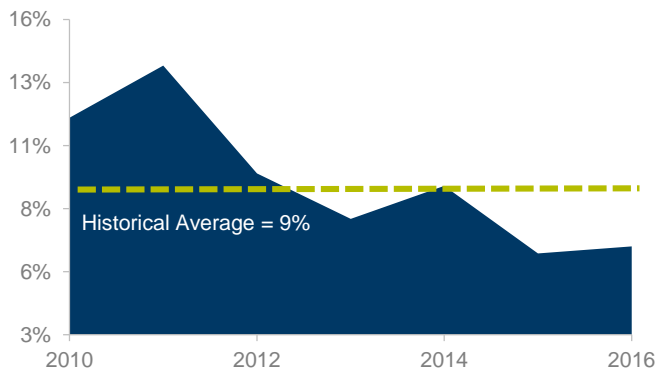
	Q3 15	Q3 16	12-Month Forecast
Vacancy	6.2%	6.7%	▲
Net Absorption (sf)	-92k	79k	▲
Under Construction (sf)	1.7M	59k	▼
Average Asking Rent*	\$4.03	\$4.65	▲

\*Rental rates reflect net 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 first 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 is that the Oklahoma City Industrial market is beginning to pick up again. Certain product types like warehousing have started to report an increase in demand while manufacturing and light industrial on the east side of the city remains dormant.

## The STACK Play

The Sooner Trend Anadarko Basin Canadian and Kingfisher Counties (STACK) Play, one of the best performing oil and gas assets in North America, is within 50 miles of Oklahoma City. Even with low oil prices, the oilfield service companies are flocking to the western Oklahoma City submarket. With limited availability and increasing demand, rental rates on light industrial buildings are expected to continue to rise and vacancy to decline as this area continues to grow.

## 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	OVERALL VACANCY RATE	CURRENT QTR. OVERALL NET ABSORPTION	DIRECT WEIGHTED AVG. NET RENT (MF)	DIRECT WEIGHTED AVG. NET RENT (OS)	DIRECT WEIGHTED AVG. NET RENT (WD)
CBD	204	5,380,159	6.8%	-38,458	N/A	\$3.37	N/A
Northeast	203	8,461,385	6.6%	16,296	N/A	N/A	\$3.99
Northwest	416	20,414,977	5.8%	53,964	N/A	\$6.29	\$3.86
Southeast	296	16,834,356	3.8%	-7,295	\$2.50	\$4.14	\$3.99
Southwest	402	17,449,324	7.5%	54,534	N/A	\$6.06	\$3.57
<b>OKLAHOMA CITY TOTALS</b>	<b>1,521</b>	<b>68,540,201</b>	<b>6.7%</b>	<b>79,041</b>	<b>\$2.50</b>	<b>\$5.27</b>	<b>\$3.88</b>

\*Rental rates reflect asking \$psf/year

MF = Manufacturing OS = Office Service/Flex W/D = Warehouse/Distribution

## Key Lease Transactions Q3 2016

PROPERTY	SF	TENANT	PROPERTY TYPE	SUBMARKET
5201 SW 26 <sup>th</sup> St	75,800	ATC Drivetrain LLC	Manufacturing	Southwest

## Key Sales Transactions Q3 2016

PROPERTY	SF	SELLER/BUYER	PROPERTY TYPE	PRICE/\$ PSF	SUBMARKET
3824 W Reno Avenue	35,040	Bruckner Truck Sales / Waste Management Inc.	Trucking Facility	\$3,750,000 / \$78	Southwest
5701 W 5 <sup>th</sup> Street	29,310	Seventy Seven Energy Inc. / Freymiller Inc.	Trucking Facility	\$2,950,000 / \$100	Southwest

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