

MARKETBEAT

Tulsa, Oklahoma

Office Q3 2016



TULSA OFFICE

Economic Indicators

	Q3 15	Q3 16	12-Month Forecast
Tulsa Employment	446k	445k	▼
Tulsa Unemployment	4.3%	5.2%	▲
U.S. Unemployment	5.2%	4.9%	▼

Market Indicators (Overall, All Classes)

	Q3 15	Q3 16	12-Month Forecast
Vacancy	16.3%	19.7%	▼
Net Absorption (sf)	104k	-17k	▲
Under Construction (sf)	401k	248k	■
Average Asking Rent*	\$13.41	\$13.41	▲

*Rental rates reflect gross asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Economy

The metro area unemployment rate for Tulsa was recorded at 5.4% in August according to the Oklahoma Employment Security Commission. The Tulsa metro area added 900 jobs over the month but lost a total of 1,400 over the past year. So far in 2016 the unemployment rate has progressively increased each month from January through August mainly due to lost jobs in the oil and gas industry. Since July, the Oklahoma unemployment rate has climbed above the 4.9% national average. Over the last three quarters, the state's two major industries, manufacturing and mining, have lost almost 20,000 jobs total.

Market Overview

Things remains quiet in the office sector with little activity to report besides additional sublease space coming available and only a handful of firms out in the market for space. While the majority of office tenants wait for the dust to clear in the oil and gas industry, some are taking advantage of the current market conditions as landlords are starting to feel some pain and pressure. Given current conditions in the market, it remains a great time for tenants to negotiate short-term lease extensions or lock in long-term.

As for real estate investors, the current economic environment provides great opportunities to pursue the purchase of below market priced assets. There are a lot of opportunities to take advantage of and plenty of deals to be made for those with the capital to do so.

Outlook

Most expect the remainder of the year to remain hazy while large energy companies and related businesses continue to affect the economy with additional layoffs, company restructures, and more consolidating. As a result, more office space will be available on the sublease market throughout the remainder of the year. Tenants and owner occupiers will continue to exert caution with more layoffs expected to be announced as energy companies look for a way to reduce spending.

Cushman & Wakefield
4111 S. Darlington Ave.
Tulsa, Oklahoma 74135
cushmanwakefield.com

For more information, contact:
Director Brett Beaver
Tel: +1 918 488 8418
bbeaver@commercialoklahoma.com

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