

# MARKETBEAT

## Oklahoma City

Office Q4 2016



### OKLAHOMA CITY OFFICE

#### Economic Indicators

	Q4 15	Q4 16	12-Month Forecast
Oklahoma City Employment	632k	630k	▲
Oklahoma City Unemployment	3.5%	4.6%	▼
U.S. Unemployment	5.0%	4.8%	▲

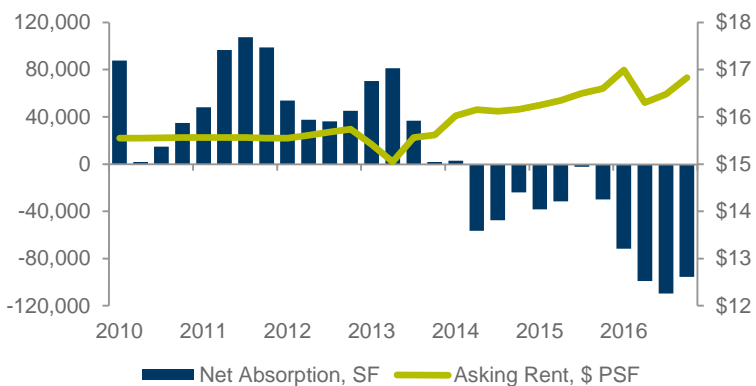
#### Market Indicators (Overall, All Classes)

	Q4 15	Q4 16	12-Month Forecast
Vacancy	11.3%	13.4%	▼
YTD Net Absorption (sf)	-55k	-382k	▲
Under Construction (sf)	486k	878k	▲
Average Asking Rent*	\$21.15	\$17.55	▲

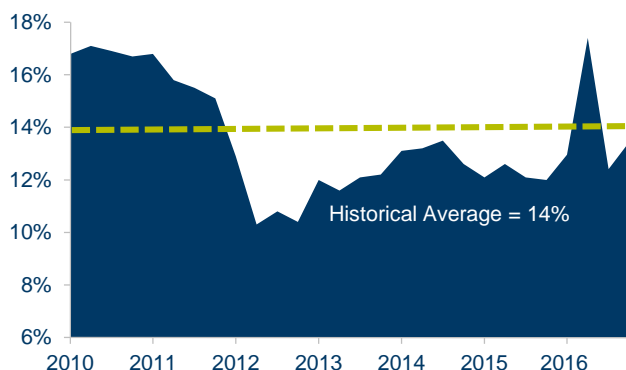
\*Rental rates reflect gross asking \$psf/year

#### Overall Net Absorption/Overall Asking Rent

##### 4-QTR TRAILING AVERAGE



#### Overall Vacancy



### Economy

The unemployment rate for Oklahoma came in at 5.1% in November and growth was mixed across industries with education as the best performing sector. Statewide permits for overall residential construction dropped in November to the lowest level since May 2015 indicating a hopeful bottom in the residential construction market however, as a bright spot, permits for single-family homes rose to a nine-year high. Oklahoma's leading index, a six-month forecast of the state's coincident index, dropped a bit in November but remained in positive territory. Slowly but surely we are seeing improvement and expect continued slow to moderate growth through 2017.

### Market Overview

"Regional oil and gas firms said they returned to profitability in the fourth quarter for the first time in over two years. Companies began hiring again and increased their drilling programs further."  
 –Federal Reserve Bank of Kansas City

The market is becoming cautiously more optimistic from both a real estate and general economic perspective. The one caveat to the aforementioned, will be policy changes as directed by the new administration. That being said, however, Oklahoma City looks to see increased positive absorption over the short to moderate term. As many companies, over the last 18 months, renewed-in-place for the short-term, they will now engage and re-evaluate the market for possible longer-term lease and purchase transactions in an effort to lock in space options to better accommodate their anticipated growth.

### Outlook

As the price of oil and gas continues to stabilize and hopefully improves, leasing transactions are expected to increase. While there is still some shadow space remaining in the market, that slack should be reasonably absorbed by mid-year 2017. The vacancy rate is expected to decrease yet rents are forecasted to remain in line for the moderate term.

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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	65	6,827,441	34,863	726,642	11.1%	-34,504	-97,584	690,000	\$17.52	\$22.91
Edmond	8	196,270	3,860	16,590	8.5%	12,400	-5,352	25,000	\$18.42	\$21.00
Memorial Corridor	24	1,816,387	177,918	223,366	18.6%	-41,514	-109,656	28,250	\$19.93	\$21.50
Midtown	32	2,520,898	0	515,029	21.8%	78,352	-5,560	0	\$15.43	N/A
Moore	2	40,795	0	4,300	6.8%	-2,300	-3,580	0	\$15.50	N/A
Norman	14	511,423	0	28137	5.5%	29,476	-39,421	0	\$16.28	\$23.50
North	40	2,681,504	0	105,000	11.8%	6,500	-13,836	0	\$22.20	\$23.50
Northeast	4	152,981	2,430	4,200	4.2%	0	-6,895	0	\$18.04	N/A
Northwest	64	4,939,206	163,512	550,000	12.5%	-57,000	-98,560	0	\$16.49	\$20.50
Southeast	12	470,603	0	35846	7.3%	0	2,650	0	\$14.92	N/A
Southwest	30	1,427,534	0	308,980	22.1%	1,285	-3,982	0	\$17.56	\$18.50
<b>OKLAHOMA CITY TOTALS</b>	<b>295</b>	<b>21,570,042</b>	<b>382,583</b>	<b>2,518,090</b>	<b>13.4%</b>	<b>-2,958</b>	<b>-381,776</b>	<b>878,000</b>	<b>\$17.55</b>	<b>\$21.97</b>

	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	143,709	516,000	10.3%	-29,806	-68,721	690,000	\$22.08
Class B	10,696,436	101,902	1,079,817	11.0%	18,562	-174,832	188,000	\$16.95
Class C	6,356,638	0	922,273	15.7%	8,286	-138,223	0	\$13.97

### Key Sales Transactions Q4 2016

PROPERTY	SF	SELLER / BUYER	PRICE / \$PSF	SUBMARKET
Parkway Commons	40,729	Groendyke Oil & Gas / MHP, LLC	\$7,500,000 / \$184	Northwest
Nichols Hills Executive Building	13,216	Blue Ribbon / NHEB Realty LLC	\$3,250,000 / \$225	North
4545 N Lincoln	268,000	IDC, LLC / Downtown Properties, LLC	\$3,097,500 / \$11	Northeast

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