

Second Quarter Industrial Market Report 2017



CONTENTS

NAI Sullivan Group

- 03 Executive Summary
- 04 National Economy
- 04 Local Economy
- 04 Oklahoma City Industrial Market Leasing
- 05 Net Absorption and Inventory
- 06 Rental and Vacancy Rates
- 08 OKC Industrial Market Information by Submarket, Class and Size
- 09 Construction, Delivery, Net Absorption and Vacancy Rate
- 10 Oklahoma City Industrial Market Sales
- 11 OKC Market Significant Industrial Sale Transactions during Q2 2017
- 13 About NAI Sullivan Group





Second Quarter Industrial Market Report

2017

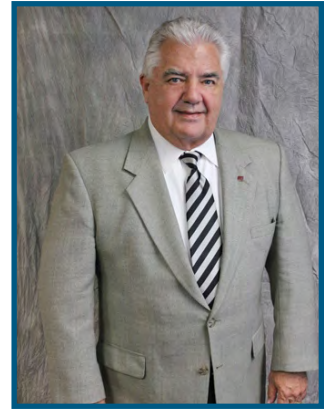
NAI Sullivan Group

EXECUTIVE SUMMARY

The industrial market continues to be very sluggish. With a 3.90% overall vacancy rate, an industrial user has little to choose from.

The industrial properties vacancy rate overall increased in Q2 as net absorption was flat and deliveries were negligible. New industrial warehouse space is priced between \$6.25 and \$6.75 per rentable square foot NNN. The bulk of new construction is in the southwest quadrant. We personally have seen several expansions with oil and gas properties as companies are expecting that segment to expand.

We continue to see a big appetite for industrial buildings to purchase with limited inventory available for sale. Q2 2017 saw 60 transactions totaling \$115,691,553 with an average price per sf of \$56.14 and an average capitalization rate of 9.86%, also gives support to the attraction and appetite for industrial properties in the Oklahoma City area.



I believe 2017 will see vacancy rates flat to lower depending, of course, on the energy sector and Washington.

Bob Sullivan
CEO

Leasing Activities

| | |
|----------------------|----------------|
| Total Inventory | 119,326,151 SF |
| Overall Rental Rate | \$5.25 |
| Total Net Absorption | -10,203 SF |
| Total Vacancy Rate | 3.90% |
| Under Construction | 468,364 SF |

Sales Activities

| | |
|----------------------------|---------------|
| Number of Transactions | 60 |
| Total Sale Volume | \$115,691,553 |
| Average Price per Bldg. SF | \$56.14 |



Second Quarter Industrial Market Report

2017
NAI Sullivan Group

NAI NATIONAL ECONOMY

The Federal Reserve has raised the interest rate by a quarter-point for the third time in six months to a still low range of 1 percent to 1.25 percent based on the current economy. The increase in Fed's short-term interest rate could lead to higher borrowing costs for consumers and businesses, but better returns for savers. It is expected that the Fed will raise the interest rate for another time this year but the exact time is not known yet. Energy stocks slumped after OPEC extended its production cut to another nine months, which indicates that investors believe in a longer process of recovery for oil and gas prices. In the meantime, the United States have seen increasing numbers of drilling rigs during the second quarter, and pulling out of the Paris Climate Agreement might trigger more production even though the number of drilling rigs is expected to scale back if the oil and gas prices remain low. According to Kiplinger, GDP growth should pick up to an annual pace of 2.5 percent or so in the final three quarters of 2017, leaving growth for the full year at about 2.1 percent, and the national unemployment rate has ticked up to 4.4 percent during the Q2 2017.

NAI LOCAL ECONOMY

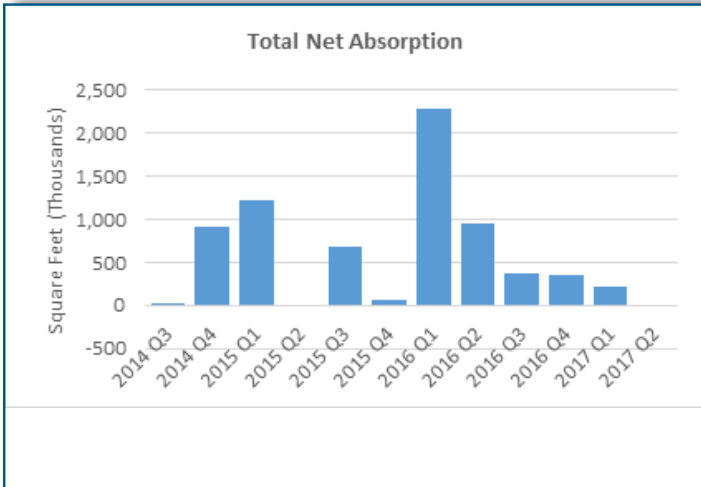
Oklahoma City remains attractive for investors due to its lower rent expense, utility bills, and employment costs, despite the low oil and gas prices. The Commercial Real Estate industry has seen a more active quarter compare to the Q1 2017-Oklahoma City Outlet Shoppes has a new owner and are adding more landscaping to bring in more retailers; BOK Park Plaza is well under construction and First National Center will start its conversion this coming September, and more. Manufacturing activity in Oklahoma increased during the second quarter and is expected to continue to grow, including the energy industry. Haliburton, among other local companies are hiring. State employment continues to grow and unemployment rates remain low at 4.3 percent at the end of Q2 2017.

NAI OKLAHOMA CITY INDUSTRIAL MARKET LEASING

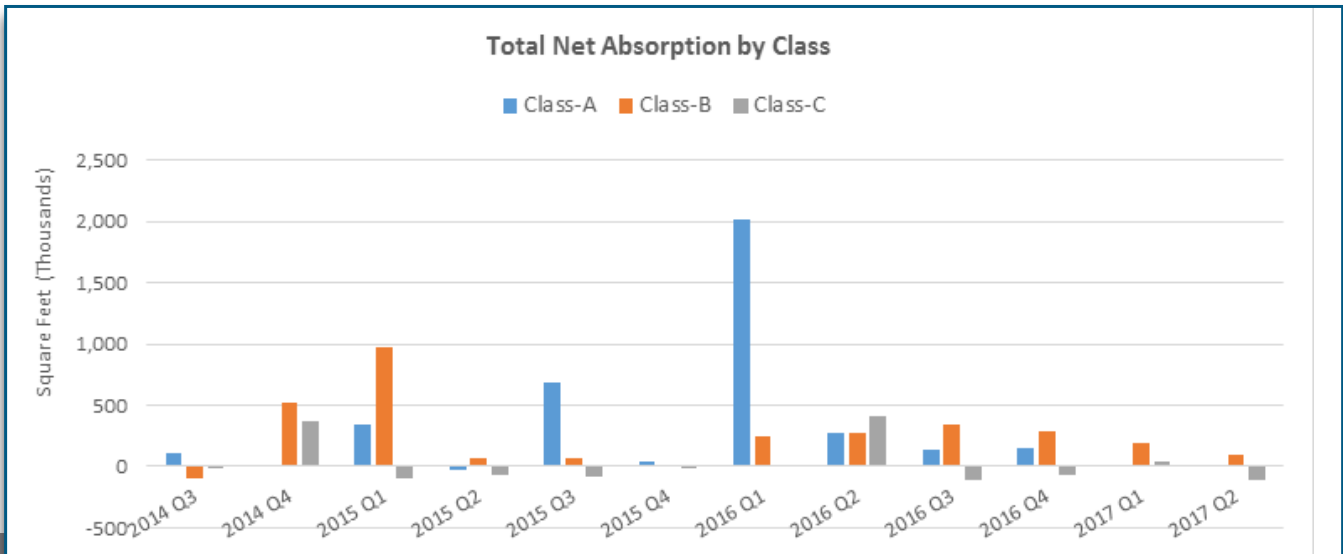
The largest industrial lease signings occurred in Q2 2017 included the 107,100 SF lease signed by Pratt Corrugated Holdings, Inc. at 4680 NW 3rd St in Oklahoma City, the 105,292 SF lease signed at 4000 NW 39th Street in Oklahoma City, and the 43,194 SF lease signed by LKQ Corporation at 600 N Sara Rd in Yukon.

Second Quarter Industrial Market Report

NET ABSORPTION AND INVENTORY



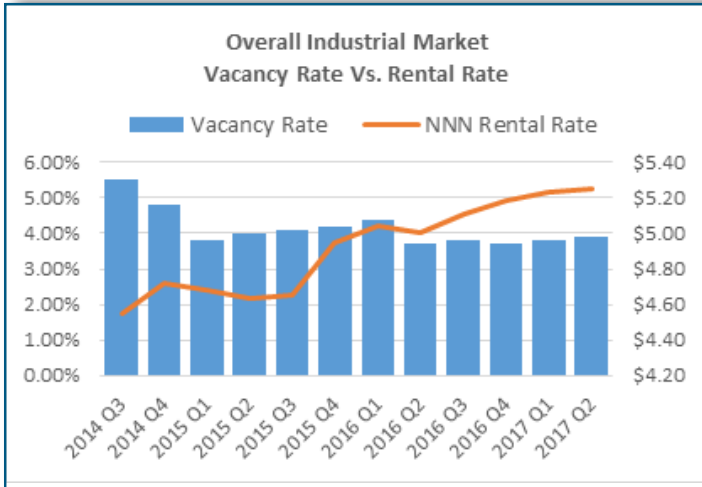
- The total net absorption was a negative 10,203 SF.
- The total net absorption decreased from 216,750 SF at the end of Q1 2017.
- The total inventory was 119,326,151 SF.
- The total inventory increased from 118,675,472 SF at the end of Q1 2017.



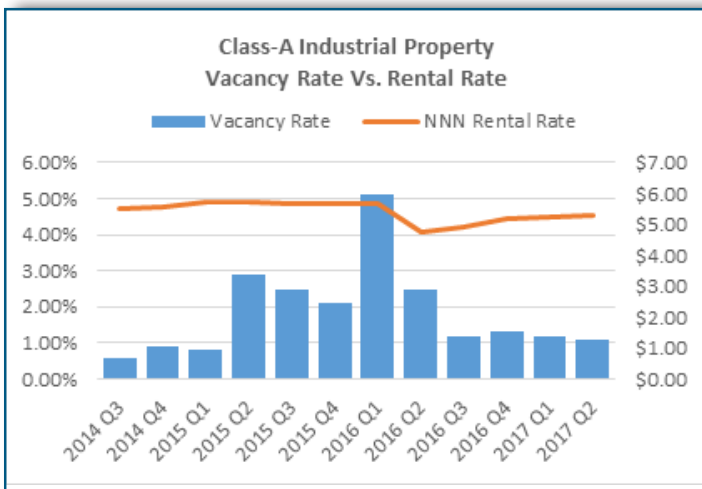
- Class-A property net absorption yield was a positive 3,900 SF, decreased from a positive net absorption of 18,450 SF at the end of Q1 2017.
- Class-B property net absorption yield was a positive 89,311 SF, decreased from a positive net absorption of 185,804 SF at the end of Q1 2017.
- Class-C property net absorption yield was a negative 103,414 SF, decreased from a positive net absorption of 34,996 SF at the end of Q1 2017.

Second Quarter Industrial Market Report

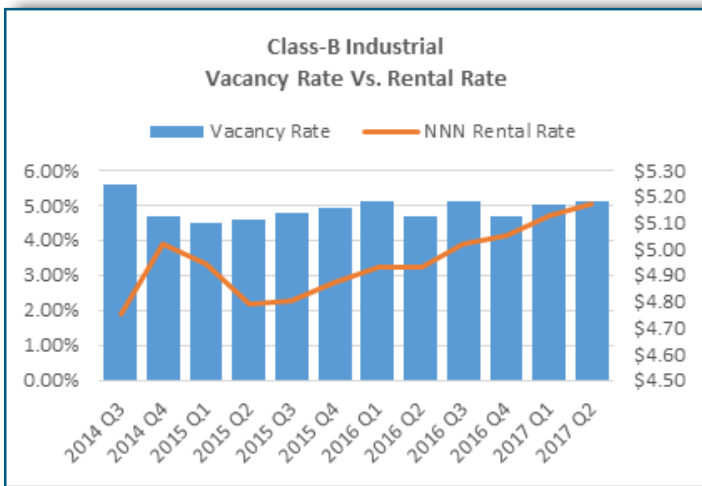
RENTAL AND VACANCY RATES



- The overall industrial rental rate was \$5.25/SF/YR NNN.
- The overall industrial rental rate increased from the \$5.23/SF/YR NNN at the end of Q1 2017.
- The overall industrial vacancy rate was 3.90%.
- The overall industrial vacancy rate increased from the 3.80% rate at the end of Q1 2017.

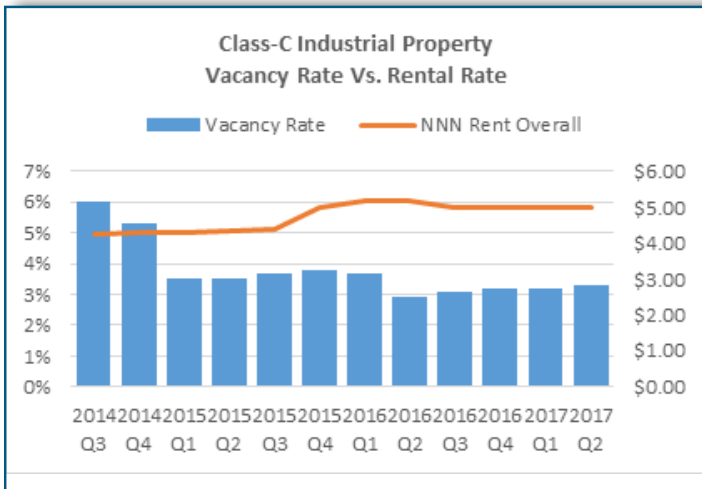


- Class-A property rental rate averaged at \$5.29/SF/YR NNN.
- Class-A property rental rate increased from the \$5.25/SF/YR NNN rate at the end of Q1 2017.
- Class-A property vacancy rate was 1.10%.
- Class-A property vacancy rate decreased from 1.20% at the end of Q1 2017.



- Class-B property rental rate averaged \$5.17/SF/YR NNN.
- Class-B property rental rate slightly increased from the \$5.13/SF/YR NNN at the end of Q1 2017.
- Class-B vacancy rate was 5.10%.
- Class-B vacancy rate slightly increased from 5.00% at the end of Q1 2017.

Second Quarter Industrial Market Report



- Class-C property rental rate was \$5.01/SF/YR NNN.
- Class-C property rental rate decreased from the \$5.37/SF/YR NNN at the end of Q1 2017.
- Class-C property vacancy rate was 3.30%.
- Class-C property vacancy rate slightly increased from 3.20% at the end of Q1 2017.

OKC INDUSTRIAL MARKET INFORMATION BY SUBMARKET

| | CBD | Midtown | West/Central | OKC South | Moore/Norman |
|--------------------|--------------|--------------|---------------|---------------|--------------|
| Vacancy Rate | 16.00% | 2.50% | 4.70% | 1.10% | 4.70% |
| Rent per SF | \$7.39 | \$5.04 | \$5.03 | \$5.81 | \$6.76 |
| Existing Buildings | 139 | 416 | 1,599 | 1,252 | 561 |
| Existing SF | 1,523,565 SF | 6,019,562 SF | 42,700,235 SF | 19,707,878 SF | 7,585,330 SF |
| Sale Price per SF | \$65 | \$25 | \$46 | \$36 | \$111 |
| Cap Rate | 9.00% | 8.70% | 9.40% | 8.70% | 9.00% |

OKC INDUSTRIAL MARKET INFORMATION BY CLASS

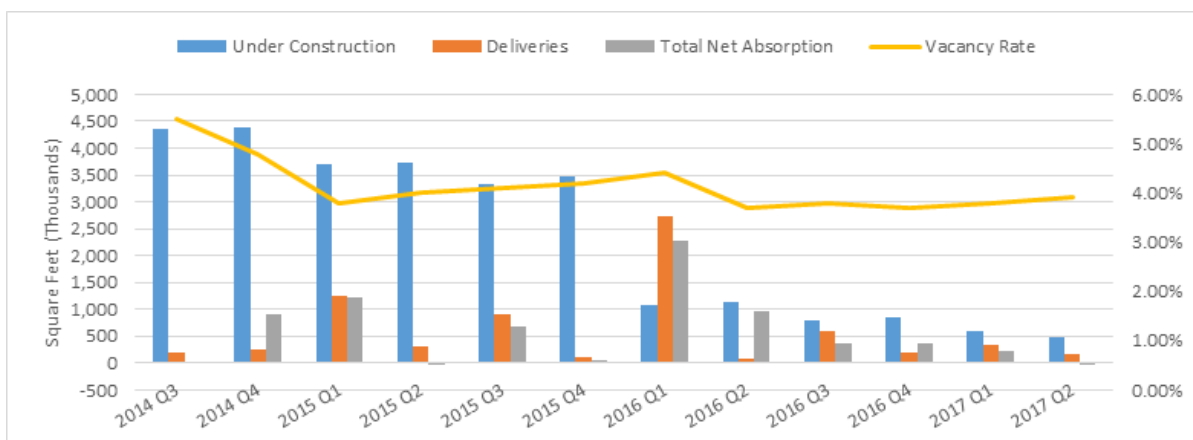
| | Class-A | Class-B | Class-C |
|--------------------|---------------|---------------|---------------|
| Vacancy Rate | 1.10% | 5.10% | 3.30% |
| Rent per SF | \$5.29 | \$5.17 | \$5.01 |
| Existing Buildings | 53 | 1,813 | 4,550 |
| Existing SF | 10,498,433 SF | 55,143,602 SF | 57,858,438 SF |
| Sale Price per SF | - | \$61 | \$41 |
| Cap Rate | - | - | 9.20% |

Second Quarter Industrial Market Report

OKC INDUSTRIAL MARKET INFORMATION BY SIZE

| | Up to 30,000 SF | From 30,000 SF |
|--------------------|-----------------|----------------|
| Vacancy Rate | 3.10% | 4.50% |
| Rent per SF | \$6.71 | \$4.58 |
| Existing Buildings | 5,771 | 744 |
| Existing SF | 48,829,993 | 75,930,778 SF |
| Sale Price per SF | \$56 | \$40 |
| Cap Rate | 9.20% | 9.20% |

UNDER CONSTRUCTION, DELIVERY AND NET ABSORPTION



Top under construction industrial properties can be seen in the following table. There were 468,364 SF of industrial space under construction by the end of Q2 2017. The two largest industrial properties under construction are the 80,000 SF Scott Rice Warehouse at 6910 N Bryant Ave. in Oklahoma City, which is scheduled to be delivered in August 2017, and the 55,000 SF industrial warehouse at 6707 N Interstate Dr. in Norman. The asking rental rate for under construction industrial properties averaged at \$7.17/SF/YR. We are seeing asking rental rate as high as \$9.31/SF/YR at 7913 Northside Dr. in Oklahoma City.

The asking rental rate for newly built industrial properties averaged at \$6.50/SF/YR. Some notable deliveries during Q2 2017 included the 40,300 SF industrial warehouse at 2409 S Council Rd., which was delivered in May 2017, and the 30,000 SF Ditch Witch industrial showroom building at 9000 S I 35 Service Rd. in Oklahoma City, which was delivered in May as well.

We have seen many warehouses either under construction or delivered to the market in the past a couple of years, but most of them are owner occupied. As Oklahoma City industrial market slowly recovers from the low oil and gas industry, vacancy rate will remain low, and the industrial market will stay tight as more oil and gas companies need space to meet their demand.

Second Quarter Industrial Market Report

NAI Sullivan Group

| Building Address | City | RBA | Delivery Time |
|----------------------|--------|-----------|---------------|
| 6910 N Bryant Ave | OKC | 80,000 SF | Aug 2017 |
| 6707 N Interstate Dr | Norman | 55,000 SF | Dec 2017 |
| 2101 S Council Rd | OKC | 50,000 SF | Jun 2017 |
| 14350 N Lincoln Blvd | Edmond | 48,000 SF | Jul 2017 |
| 2401 S Council Rd | OKC | 38,100 SF | Jun 2017 |
| 6707 N Interstate Dr | Norman | 35,000 SF | Dec 2017 |
| 4225 Classen Cir | Norman | 20,000 SF | Sep 2017 |

OKLAHOMA CITY INDUSTRIAL MARKET SALES

There were 60 transactions totaling \$115,691,553 recorded during the second quarter of 2017. The largest sale based on dollar volume was a portfolio sale including 17 industrial and flex properties in Oklahoma City. Sealy Strategic Equity Partners, LP from Dallas, TX purchased the 17 properties for \$76,433,000, or \$59.55/SF from Greenfield Partners LLC from Westport, CT on June 28th, 2017. The cap rate for the overall portfolio at the time of sale is reported as 6.17 percent.

The largest individual property sale based on dollar volume was the sale of the 143,750 SF flex showroom building at 400 S Vermont Ave. in Oklahoma City. Michael Schau from Sherman Oaks, California purchased the property from H & H Shooting Sports Complex for \$7,050,000, or \$49.04 per SF, on April 13, 2017. The property was sold with a cap rate of 9.86 percent.

Summary

| | |
|---------------------------|---------------|
| Number of Transactions | 60 |
| Total Sales Volume | \$115,691,593 |
| Average Price | \$2,515,034 |
| Average Price Per Bldg SF | \$56.14 |
| Median Price per Bldg. SF | \$59.55 |
| Average Cap Rate | 9.86% |



Second Quarter Industrial Market Report

2017

NAI Sullivan Group

OKC MARKET SIGNIFICANT INDUSTRIAL SALE TRANSACTIONS DURING Q2 2017



Property Name: Plaza 3 Warehouse
 Address: 400 S Vermont Ave., OKC
 Sale Price: \$7,050,000
 Building Size: 143,750 SF
 Sale Price per SF: \$49.04
 Sale Date: 04/13/2017
 Cap Rate: 9.86%



Property Name: 4000 NW 39th St.
 Address: 4000 NW 39th St., OKC
 Sale Price: \$3,700,000
 Building Size: 152,092 SF
 Sale Price per SF: \$24.33
 Sale Date: 05/31/201



Property Name: 3500 E I-240 Service Rd.
 Address: 3500 E I-240 Service Rd., OKC
 Sale Price: \$2,500,000
 Building Size: 14,975 SF
 Sale Price per SF: \$166.94
 Sale Date: 04/25/2017



Second Quarter Industrial Market Report

2017

NAI Sullivan Group



Property Name: 11501 S Interstate 44 Service Rd
Address: 11501 S Interstate 44 Service Rd., OKC
Sale Price: \$2,300,000
Building Size: 26,040 SF
Sale Price per SF: \$88.33/SF
Sale Date: 05/31/2017



Property Name: 3730-3750 N I 44 Service Rd.
Address: 3730-3750 N I 44 Service Rd., OKC
Sale Price: \$1,316,000
Building Size: 15,504 SF
Sale Price per SF: \$84.88/SF
Sale Date: 06/03/2017



Property Name: 6401 SE 74th St.
Address: 6401 SE 74th St., OKC
Sale Price: \$1,050,000
Building Size: 20,800 SF
Sale Price per SF: \$50.48/SF
Sale Date: 04/21/2017

Second Quarter Industrial Market Report

2017
NAI Sullivan Group

NAI SULLIVAN GROUP

NAI Sullivan Group is a leading global service provider offering a full range of premier services, customized to fit your need and exceed your expectations. Our talented and experienced professionals provide benefits to large institutions and small business owners alike. We are your single point of contact for customized real estate services.

NAI Sullivan Group strives for excellence in all facets of real estate services in order to maintain our position as an industry leader. Our team transforms forward-thinking ideas into cutting-edge applications, to achieve maximum results for our clients, company and community.

Whether around the corner or around the world, NAI Sullivan Group is a dynamic member of NAI Global, the world's leading managed network of commercial real estate firms. With over 6,700 professionals, more than 375 offices and over 380 million square feet of properties managed, we bring together people and resources to deliver results for our clients wherever needed. Our clients come to us for our extensive knowledge. They build their businesses on the power of our global managed network.

NAI Sullivan Group provides a complete inventory of office, industrial and retail properties, including those that are fully occupied. It contains thousands of details on every facet of every building tracked. Also, NAI Sullivan Group provides detailed information on all contacts and companies in various markets.

NAI Sullivan Group is a leader in the adoption of new technologies to improve business operations as a means of speeding communications, optimizing performance, delivering the highest quality services to clients and facilitating the sharing of best practices among our brokers.

NAI Sullivan Group has launched a new application for the iPad and iPhone. This app is free of charge and is available for download in the Apple App Store under NAI Sullivan Group. Clients can use the app to review all our company listings, find agent contact information, perform calculations, review our current market reports and much more. This app allows a client to simply take a photo of the property they are interested in and their request will instantly be submitted to the sales associate of the client's choice. The associate will then contact the client with details of the property in question.

CoStar Group is the primary provider for commercial real estate

Resources mainly come from CoStar, Xceligent, The Oklahoman, and The POINT.

information, analytics and marketing services. CoStar conducts extensive local market research to produce and maintain the largest and most comprehensive database of Commercial Real Estate information. Their online services enable the sales associate to analyze, interpret and gain unmatched insight on commercial property values, market conditions and current availability.

REALTrac™ Online is NAI Global's web-based transaction management software, which helps to coordinate projects and facilitate the transaction cycle. REALTrac™ enables the Buyer, the Seller, the Lessee and the Lessor to view online the progress of their transaction.

STARST™ is an acronym which stands for Strategic Transaction Administration and Reporting System. STARST™ is NAI's proprietary system for providing a timeline of events to clients in transactions.

LoopNet Inc. is one of the leading information service providers to the commercial real estate industry; it delivers a comprehensive suite of products and services to meet the national and local needs of commercial real estate firms, organizations and professionals. LoopNet members can list, search, market, research and finance commercial real estate properties over the Internet.

For more information, please visit our website:
www.naisullivangroup.com



Download the NAI Sullivan Mobile App
FREE from the App Store!





4045 N.W. 64th Street, Suite 340 | Oklahoma City, OK 73116
Office: 405.840.0600 | Fax: 405.840.0610
www.naisullivangroup.com