

# Third Quarter Industrial Market Report 2015



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 Rates and Vacancy Rates
- 08 Oklahoma City Industrial Market Information by Submarkets, Classes and Sizes
- 09 Construction, Delivery, Net Absorption, and Vacancy Rate
- 10 Oklahoma City Industrial Market Sales
- 11 Oklahoma City Market Significant Industrial Sale Transactions during Q3 2015
- 13 About NAI Sullivan Group





# Third Quarter Industrial Market Report

# 2015

NAI Sullivan Group

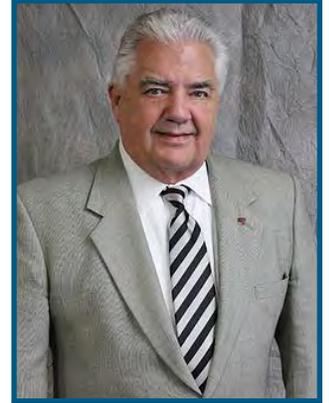
## EXECUTIVE SUMMARY

The industrial market is no exception to our strong growth in all of our market types in Oklahoma City. Q3 saw a positive absorption of 461,182 SF of industrial space in a market of 112,064,429 SF.

Class-A space had a positive absorption of 489,200 SF with average rates at \$5.72/SF NNN. Class-B space had a positive absorption of 101,099 SF with an average rate of \$4.47/SF NNN, and Class-C space was a negative 129,117 SF with an average lease rate of \$4.13/SF NNN.

Industrial vacancy continues to be at the 3.4 percent mark overall, which is mostly unchanged since the first quarter of the year. The new industrial properties coming onto the market in Q4 are owner-occupied, so we expect to see this market continue to be very tight for the foreseeable future.

The sale of industrial properties continues to be bright as pricing continues to increase. Q3 saw 31 industrial sales totaling \$8,828,521 with a median price of \$46.40/SF. The demand for ownership of industrial property continues to be very strong and we believe there will be new announcements of significant industrial parks in the coming quarters.



*Bob Sullivan*  
Bob Sullivan  
CEO

### Leasing Activities

Total Inventory	112,064,429 SF
Overall Rental Rate	\$4.82/SF/YR
Total Vacancy Rate	3.40%
Under Construction	2,461,100 SF

### Sales Activities

Number of Transactions	31
Total Sales Volume	\$8,828,521
Average Price per Bldg. SF	\$44.10



# Third Quarter Industrial Market Report

# 2015

NAI Sullivan Group

## NAI NATIONAL ECONOMY

**The** United States stock market made headlines quite a few times during the third quarter due to its volatility, mainly caused by the crushed Chinese stock market and China's slowing economy. Devaluation of the Chinese RMB along with China's declining economy and the recession of Canada, the United States' largest trading partner, will further decrease national exports. According to Kiplinger, the GDP annual growth rate is expected to be 2.7 percent in the second half of the year. Monthly job reports from the government show that national monthly job growth averaged 167,000 jobs in the third quarter of 2015, down from 231,000 in the second quarter of 2015. This ended the third quarter with an unemployment rate of 5.1 percent. Employment continues to decline in the mining industry, which is highly correlated with the oil and gas industry. Despite the hard work of energy companies lobbying to lift the ban on exporting crude oil, it is highly unlikely that this will be passed. Energy companies will continue to feel the pain of low oil prices for the rest of the year, and we expect to see more layoffs and reshuffles in the oil and gas industry. With the concerns mentioned above, the long-awaited and expected interest rate increase in September has been delayed. The current expectation is that the federal government will raise the interest rate at least once before the end of 2015, but the increase might be delayed further if the global economy continues to slow down.

## NAI LOCAL ECONOMY

**According** to the latest report from the Oklahoma Employment Security Commission, Oklahoma City's unemployment rate remained unchanged at 3.9 percent in August, and Oklahoma had a statewide unemployment rate of 4.6 percent in August. The Oklahoma City metropolitan area added 9,600 jobs during the past year. The mining industry in Oklahoma, which is mostly driven by the oil and gas industry, lost at least 2,400 jobs in-state after Chesapeake announced 740 layoffs. Things will continue to be tough during the fourth quarter for energy companies in Oklahoma, especially for those with higher finance leverage. Despite tumbling prices in the oil and gas industry, the more diversified Oklahoma economy continues to see new jobs brought in or created, from out of state as well as in-state. Boeing Company will bring 800 to 900 new jobs to Oklahoma City after completing construction of its new Aircraft Modernization and Sustainment Division headquarters. Local company Paycom plans to create 1,090 jobs in the Oklahoma City area over the next five years. The ongoing clearance for the 27-story BOK Park Plaza tower at 499 West Sheridan Avenue which will provide space mainly for Bank of Oklahoma and Devon Energy. The ongoing negotiation between Chicago developer Clayco and the city for the 26-story OGE Energy Corp headquarters and the adjoining apartment tower, show the confidence that national investors have in the Oklahoma City metropolitan area. Competition among several groups to purchase the First National Center also indicates investment demand and confidence from investors. Oklahoma City's new convention center is going to be built to the south of Chesapeake Arena, which is adjoined with the Lumberyard just sold to Champion Hotel & Development and Mazaheri Properties for future development. As the MAPS3 project moves forward, more business will be brought to the core-to-shore area.

## NAI OKLAHOMA CITY INDUSTRIAL MARKET LEASING

**The** top industrial lease signings which occurred during Q3 2015 include the 29,000 square-foot lease signed by Exiss-Sooner Traditions in the A & D Business Park at 807 S Agnew Avenue, the 19,695 square-foot lease signed by Results Computers at 420 North Pennsylvania Avenue and the 13,780 square-foot lease signed by Cargo Tank Services LLC at 2640 West Reno Avenue.

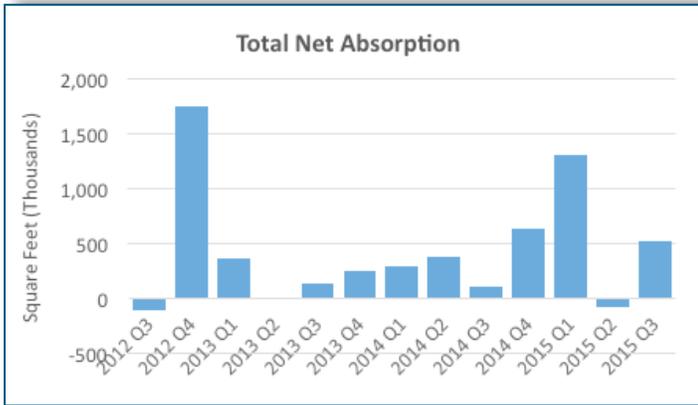


# Third Quarter Industrial Market Report

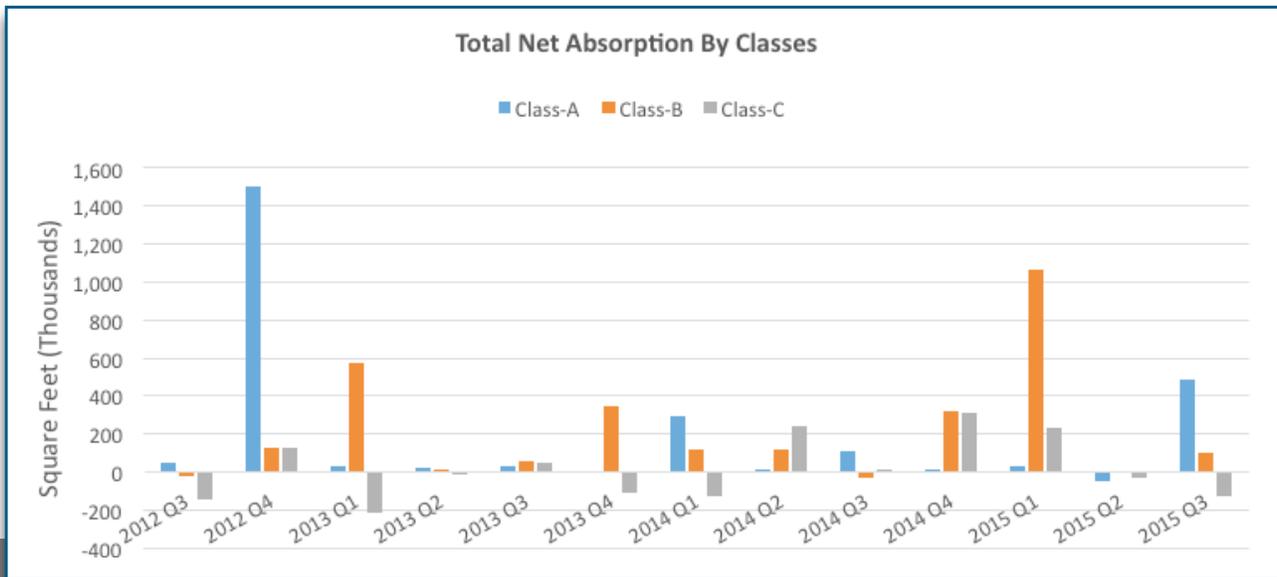
# 2015

NAI Sullivan Group

## NET ABSORPTION AND INVENTORY



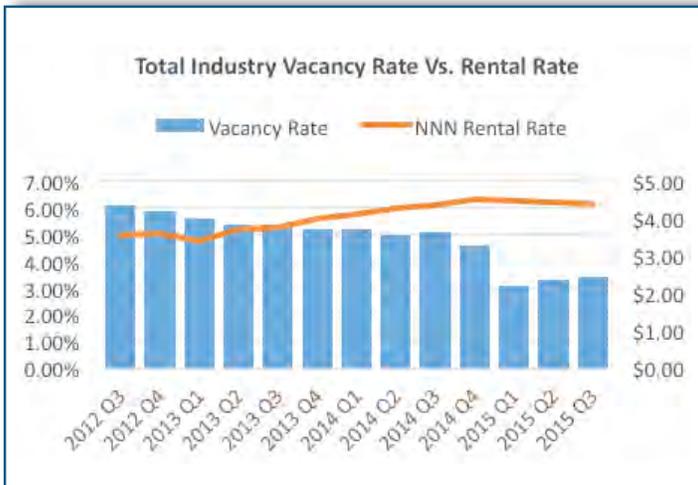
- The total net absorption was a positive 461,182 SF.
- The total net absorption increased from negative 84,100 SF at the end of Q2 2015.
- The total inventory was 112,064,429 SF.
- The total inventory increased from 110,621,214 SF at the end of the Q2 2015.



- Class-A property net absorption yielded a positive 489,200 SF, which increased from the net absorption of a negative 48,300 SF at the end of Q2 2015.
- Class-B property net absorption yielded a positive 101,099 SF, which increased from the net absorption of a negative 7,305 SF at the end of Q2 2015.
- Class-C property net absorption yielded a negative 129,117 SF, which decreased from the net absorption of a negative 28,495 SF at the end of Q2 2015.

# Third Quarter Industrial Market Report

## RENTAL RATES AND VACANCY RATES



- The overall industrial rental rates averaged \$4.82/SF/YR NNN.
- The overall industrial rental rate increased from \$4.78/SF/YR NNN at the end of Q2 2015.
- The overall industrial vacancy rate was 3.4%.
- The overall industrial vacancy rate slightly increased from 3.3% at the end of Q2 2015.



- Class-A industrial property rental rate averaged \$5.72/SF/YR NNN.
- Class-A industrial property rental rate slightly decreased from \$5.77/SF/YR NNN at the end of Q2 2015.
- Class-A industrial property vacancy rate was 2.8%.
- Class-A industrial property vacancy rate decreased from 3.2% at the end of Q2 2015.



- Class-B industrial property rental rate averaged \$4.47/SF/YR NNN.
- Class-B industrial property rental rate slightly decreased from \$4.50/SF/YR NNN at the end of Q2 2015.
- Class-B industrial property vacancy rate was 3.5%.
- Class-B industrial property vacancy rate increased from 3.4% at the end of Q2 2015.



# Third Quarter Industrial Market Report

# 2015

NAI Sullivan Group



- Class-C industrial property rental rate averaged \$4.13/SF/YR NNN.
- Class-C industrial property rental rate slightly decreased from \$4.17/SF/YR NNN at the end of Q2 2015.
- Class-C industrial property vacancy rate was 3.5%.
- Class-C industrial property increased from 3.2% at the end of Q2 2015.

The industrial market saw an increase in overall vacancy. Tumbling oil and gas prices impacted Class-C industrial properties more as shown by the vacancy rate which rose 0.3 percent from the end of the Q2 2015, which translates to approximately negative 130,000 SF net absorption for Class-C industrial properties during Q3 2015. Despite the low oil and gas prices, Class-A industrial properties saw a 0.4 percent decrease from the end of Q2 2015 in vacancy rate, which translates to approximately 489,200 SF net absorption during Q3 2015. The rental rate for industrial properties seemed to stay flat during the first three quarters of 2015, but we are seeing the average asking rental rate for newly built industrial properties remain around \$5.50/SF/YR NNN in the Oklahoma City market.

# Third Quarter Industrial Market Report

## OKC INDUSTRIAL MARKET INFORMATION BY SUBMARKETS

	CBD	Midtown	West/ Central	OKC South	Edmond	Moore/ Norman
Vacancy Rate	15.50%	3.20%	3.20%	2.00%	2.10%	2.40%
Rent per SF	\$4.47	\$3.26	\$4.45	\$4.30	\$7.23	\$5.17
Existing Buildings	143	406	1,460	1,158	238	460
Existing SF	1,549,082 SF	5,727,607 SF	35,780,776 SF	17,573,277 SF	4,710,775 SF	6,312,138 SF
Sale Price per SF	\$65.00	\$29.00	\$47.00	\$82.00	\$20.00	\$48.00
Cap Rate	7.50%	11.00%	7.00%	8.30%	10.00%	9.10%

## OKC INDUSTRIAL MARKET INFORMATION BY CLASSES

	Class-A	Class-B	Class-C
Vacancy Rate	2.80%	3.50%	3.50%
Rent per SF	\$5.72	\$4.47	\$4.13
Existing Buildings	44	1,516	4,119
Existing SF	7,429,716 SF	46,942,581 SF	51,587,785 SF
Sale Price per SF	\$71.00	\$37.00	\$48.00
Cap Rate	9.00%	7.00%	7.80%

## OKC INDUSTRIAL MARKET INFORMATION BY SIZES

	Up to 30,000 SF	From 30,000 SF
Vacancy Rate	2.90%	3.80%
Rent per SF	\$5.88	\$3.68
Existing Buildings	5,151	627
Existing SF	43,420,661 SF	64,094,242 SF
Sale Price per SF	\$64.00	\$37.00
Cap Rate	8.60%	7.00%



# Third Quarter Industrial Market Report

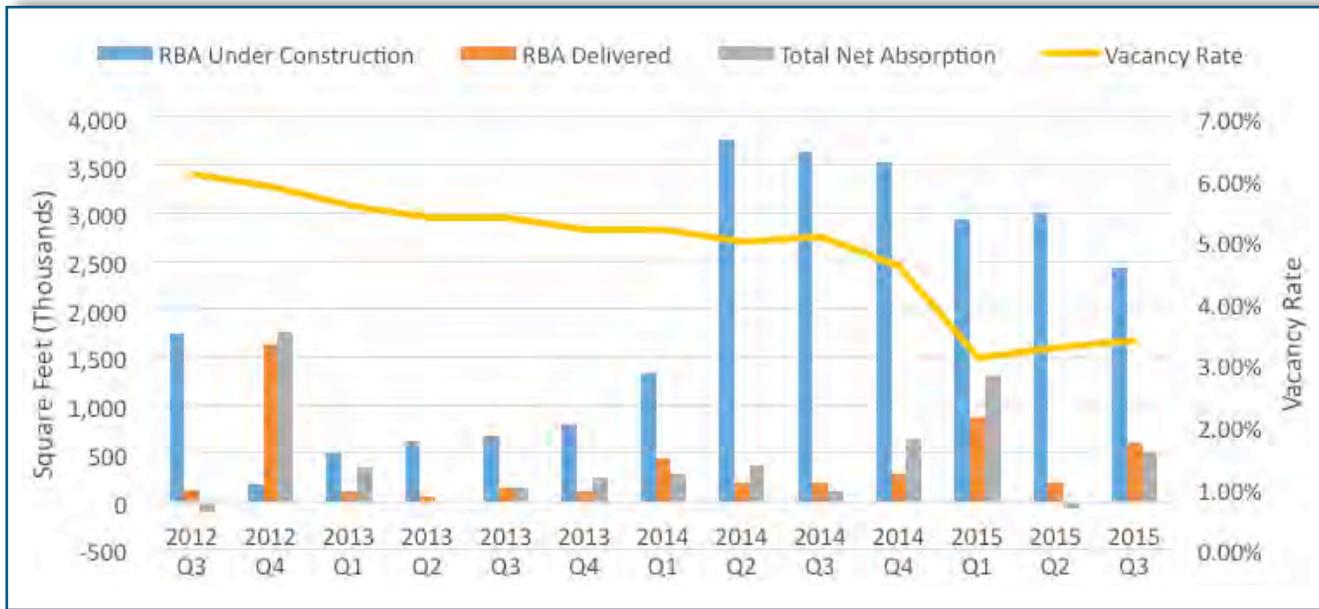
# 2015

NAI Sullivan Group

## CONSTRUCTION, DELIVERY, NET ABSORPTION, AND VACANCY RATE

### Top Under Construction Projects

Building Name	Building Address	City	Rentable Building Area	Delivery Time
Hobby Lobby Building 6	6900 SW 29th St.	OKC	1,900,000 SF	Dec 2015
Baker Hughes Manufacturing Center	12701 N Santa Fe Ave.	OKC	230,000 SF	May 2016
Baker Hughes Workshop	12701 N Santa Fe Ave.	OKC	150,000 SF	May 2016
United Manufacturing	9900 NW 2nd St.	Yukon	63,044 SF	Dec 2015



Looking at the end of the third quarter, there are 2,461,100 SF of industrial space under construction. We can see from the table of the top under construction projects that much space under construction is owner occupied. In the near future, we will see more industrial space delivered to the market.

Some notable deliveries that occurred in the third quarter include the 365,000 SF Class-A Mathis Brothers Furniture Industrial Distribution Building located at 413 South Portland Avenue in Oklahoma City, delivered in September 2015, the 112,500 SF Class-A Pathfinder Schlumberger industrial manufacturing building located at 1000 North Sara Road in Yukon, delivered in September 2015, the 43,546 SF Class-B Haliburton industrial warehouse building located at 6100 East US Highway 66 in El Reno, also delivered in September 2015.



# Third Quarter Industrial Market Report

# 2015

NAI Sullivan Group

## OKLAHOMA CITY INDUSTRIAL MARKET SALES

**During** the third quarter of 2015, 31 transactions totaling \$8,828,521 were recorded. The largest transaction based on dollar volume was the sale of the 13,101 square foot industrial building located at 5301 West Indian Hills Road in Norman. Aria Development LLC purchased this property from Simpson Land LTD for one million dollars on August 10, 2015. Light Tower Rentals was the tenant at the time of sale.

As one of the main energy states in the U.S., Oklahoma cannot help but feel the pain brought by low oil and gas prices. We are seeing layoffs and will continue to see downsizing as prices continue to stay low. According to the Greater Oklahoma City Economic Forecast released by the Oklahoma City Chamber of Commerce earlier this year, the energy sector accounts for approximately three percent of the Oklahoma City metro's total employment. Over the years, the Oklahoma City economy has shown more diversification. While energy companies are undergoing financial and operational changes, we are seeing growth in other Oklahoma City industries. Boeing started construction on its 290,000 square feet research facility in Oklahoma City that will add 800 to 900 new employees to Boeing's campus near Tinker Air Force Base and is expected to open in summer 2015. Oklahoma City's biotech industry attracts both national and international investors' attention as seen with Chinese company Hepalink USA Inc. recently acquiring Cytovance Biologics Inc. for \$206 million in August 2015, foreshadowing future growth for Oklahoma's industrial market.

Summary	
Number of Transactions	31
Total Sales Volume	\$8,828,521
Total Bldg. SF	250,773 SF
Total Land in Acres	151.37 Acres
Average Price per Bldg. SF	\$44.10
Median Price per SF	\$46.40



# Third Quarter Industrial Market Report

# 2015

NAI Sullivan Group

## NAI OKC MARKET SIGNIFICANT INDUSTRIAL SALE TRANSACTIONS DURING Q3 2015



Property Name: Light Tower Rentals  
Address: 5301 W Indian Hills Rd., Norman  
Sale Price: \$1,000,000  
Building SF: 13,101 SF  
Price per SF: \$76.33  
Sale Date: 8/10/2015



Property Name: 13401 N Santa Fe Avenue  
Address: 13401 N Santa Fe Ave., OKC  
Sale Price: \$600,000  
Building SF: 6,400 SF  
Price per SF: \$93.75  
Sale Date: 7/7/2015



Property Name: Estes Inc. Unit A  
Address: 1817 NW 5th St., OKC  
Sale Price: \$575,000  
Building SF: 21,667 SF  
Price per SF: \$26.54  
Sale Date: 9/14/2015



# Third Quarter Industrial Market Report

# 2015

NAI Sullivan Group



Property Name: Phoenix Testing LLC.  
Address: 1200 W Interstate Dr., OKC  
Sale Price: \$550,000  
Building SF: 6,580 SF  
Price per SF: \$83.59  
Sale Date: 8/25/2015



Property Name: Ready Cable Inc.  
Address: 2020 SE 67th St., OKC  
Sale Price: \$500,000  
Building SF: 12,125 SF  
Price per SF: \$41.24  
Sale Date: 9/1/2015



Property Name: Portland Paint & Body Shop  
Address: 1105 S Portland Ave., OKC  
Sale Price: \$500,000  
Building SF: 6,688 SF  
Price per SF: \$74.76  
Sale Date: 7/28/2015

# Third Quarter Industrial Market Report

2015  
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 globally 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 and the associate will contract the client with details of the property in question.

CoStar Group is the primary provider for commercial real estate information, analytics and marketing services. CoStar conducts extensive ongoing local market research to produce and maintain the largest and most comprehensive database of commercial real estate information. Their online services enables 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 time line 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 [naisullivangroup.com](http://naisullivangroup.com).



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





4045 NW 64th Street, Suite 340 | Oklahoma City, OK 73116  
Office: 405.840.0600 | Fax: 405.840.0610  
[www.naisullivangroup.com](http://www.naisullivangroup.com)