

Fourth Quarter Industrial Market Report 2017



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NAI Sullivan Group

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
- 07 OKC Industrial Market Information by Submarket, Class and Size
- 08 Construction, Delivery, Net Absorption and Vacancy Rate
- 09 Oklahoma City Industrial Market Sales
- 10 OKC Market Significant Industrial Sale Transactions during Q4 2017
- 11 About NAI Sullivan Group



Fourth Quarter Industrial Market Report

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EXECUTIVE SUMMARY

INDUSTRIAL MARKET STRENGTHENS

Q4 2017 showed a very positive 1,165,079 net absorption after the negative absorption of 685,000 SF in Q3, bring the net positive absorption to 850,000 SF for all of 2017. This brings the overall vacancy rate to 3.9%, a 0.6% improvement from Q4 2016.

The lower vacancy rate translated to increased lease rates which edged up to \$5.37 /SF/YR NNN. Class A building rates increased to an average of \$5.60/SF/YR NNN. With the lower vacancy and increased demand and leasing rate increases, we would expect to see continued speculative construction for bulk warehouse space.

There is also continued demand for industrial properties with yard space. The sweet spot is 10,000 to 20,000 SF manufacturing type space with 3 to 5 acres of yard. This is especially true in west Oklahoma City to El Reno, as we have great demand and little product.

The sales of industrial real estate also picked up in Q4 showing 30 transactions at a median price of \$47.35/SF. That number is skewed by the sale of the Amazon Building for \$100.00/SF.

We will continue to see strong growth in the industrial market in terms of increased demand, increased leasing rates and continued increases in value of existing industrial properties.

Respectfully,



Bob Sullivan
CEO



Leasing Activities

Total Inventory	120,615,584 SF
Total Net Absorption	1,165,079SF
Overall Rental Rate	\$5.37/SF/YR
Total Vacancy Rate	3.90%
Under Construction	1,836,075 SF

Sales Activities

Number of Transactions	30
Total Sales Volume	\$46,273,000
Average Price per Bldg. SF	\$52.15



Fourth Quarter Industrial Market Report

2017
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NATIONAL ECONOMY

The Trump Administration's plan to significantly cut business and personal taxes has been signed into law as of December 2017. Everybody should benefit under this new policy. Improving profits for business and increasing savings for consumers will definitely boost the economy in the coming years. The Federal Reserve raised interest rates to a range of 1.25 percent to 1.5 percent in December, the third time in 2017, and foresees three more hikes in 2018. According to Kiplinger, 2017 finished with a GDP rate at 2.3 percent, and the rising household wealth and income, job gains will solidly bump up the GDP to 2.9 percent in 2018. We saw the fourth quarter ended with an unemployment rate at 4.1 percent and Kiplinger predicted the unemployment rate drop to 3.8 percent at the end of 2018. During the fourth quarter 2017, OPEC agreed to extend the production cut by about 1.8 million barrels a day throughout 2018. Oil and gas prices has been recovering and West Texas Intermediate crude oil price reached over \$60 per barrel by the end of 2017.

LOCAL ECONOMY

According to the report from the Oklahoma Employment Security Commission, the state unemployment rate was down to 4.2 percent in November 2017, 0.2 percent down from the previous month, and 0.7 percent down from a year ago. We saw continuing recovery from the oil and gas industry. Energy companies have been focusing on techniques in recent years and trying to be profitable at the current price level. OPEC's decision to continue to cut production plus the Trump Administration's plan to open nearly all federal waters to offshore drilling will definitely benefit local energy companies.

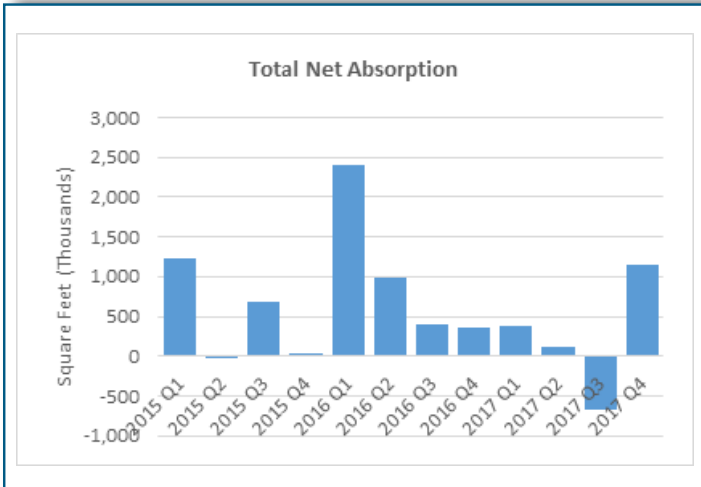
Oklahoma City commercial real estate was active during the fourth quarter of 2017-American Fidelity Assurance Co. filed plans for the first phase of an 100-acre mixed use development south of its campus on Broadway Extension and Britton Road, which includes both hotel and office as well as a 30,000 SF as potential restaurant space. The Downtown Boulevard construction is well underway. More details have been revealed regarding the new convention center and the Omni Hotel. Both are moving forward; Wheeler District is ready to start its construction in spring 2018 which will benefit the Capitol Hill Redevelopment efforts as well.

OKLAHOMA CITY INDUSTRIAL MARKET LEASING

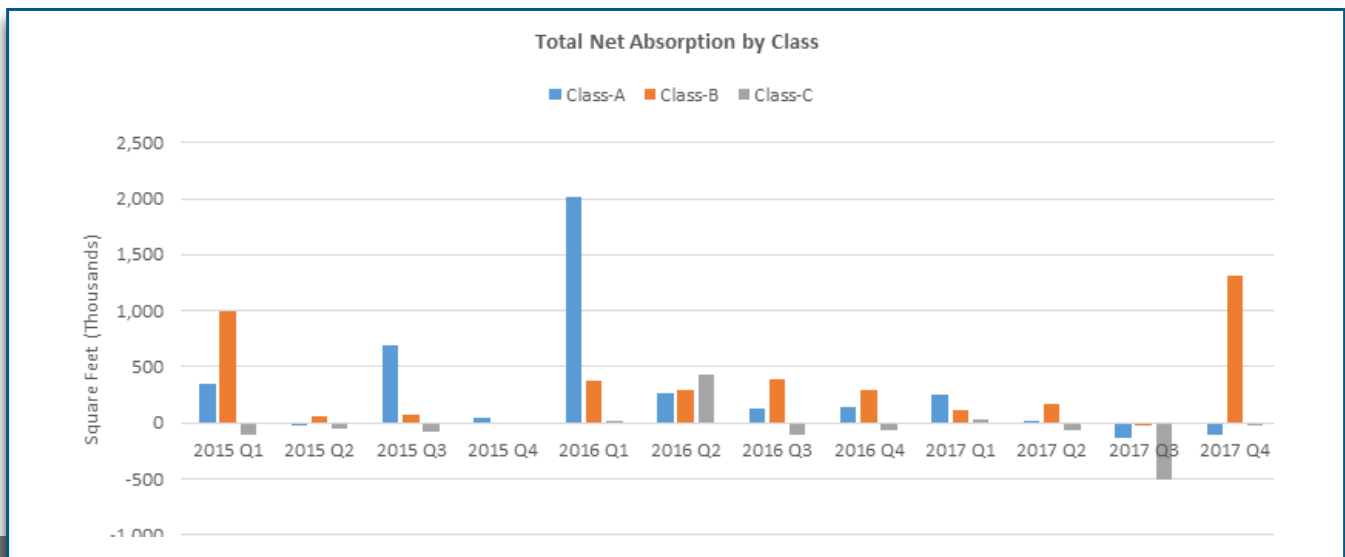
The largest lease signings during Q4 2017 included the 98,500 SF lease signed at 7501 SW 29th St. in Oklahoma City with an asking rental rate at \$3.45/SF/YR; the 80,800 SF lease signed at 5510 SW 29th St. in Oklahoma City with an asking rental rate at \$5.95/SF/YR NNN; and the 25,841 SF lease signed by Noble Supply at 8001 Mid America Blvd. in Oklahoma City with an asking rental rate at \$4.25/SF/YR NNN.

Fourth Quarter Industrial Market Report

NET ABSORPTION AND INVENTORY



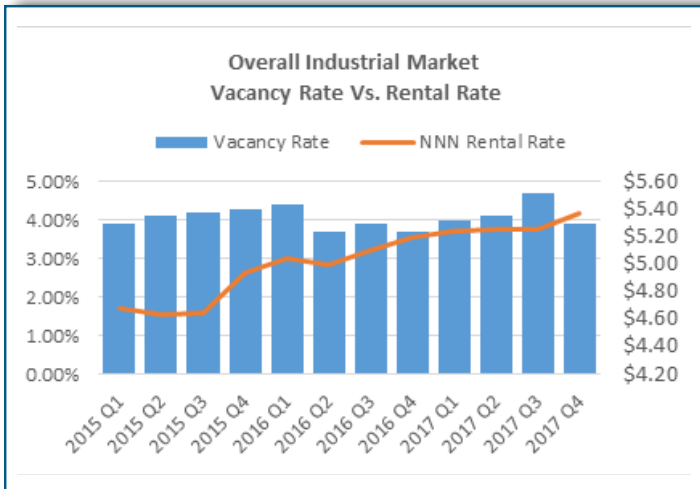
- The total net absorption was a positive 1,165,079 SF at the end of Q4 2017.
- The total net absorption increased compare to the negative absorption of 669,928 SF at the end of Q3 2017.
- The total industrial inventory was 120,615,584 SF at the end of Q4 2017.
- The total industrial inventory increased from 119,844,137 SF at the end of Q3 2017.



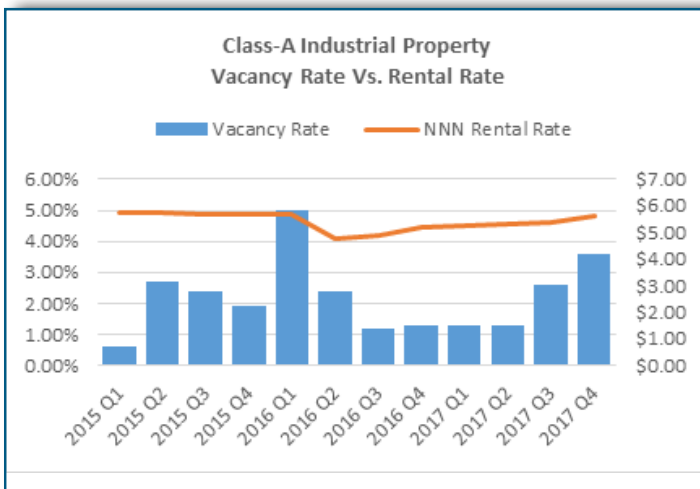
- Class-A net absorption yield was a negative 110,750 SF, which remains negative but better compared to the absorption of a negative 142,430 SF at the end of Q3 2017.
- Class-B net absorption yield was a positive 1,304,797 SF, which increased significantly compared to the negative 25,517 absorption at the end of Q3 2017.
- Class-C net absorption yield was a negative 28,968 SF, which remains negative but much better compared to Q3 2017.

Fourth Quarter Industrial Market Report

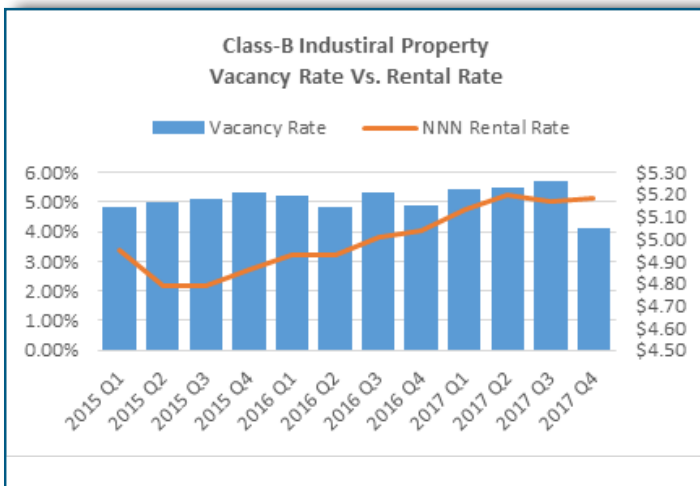
RENTAL AND VACANCY RATES



- The overall industrial rental rate was \$5.37/SF/YR NNN at the end of Q4 2017.
- The overall industrial rental rate increased from the \$5.26/SF/YR rate at the end of Q3 2017.
- The overall industrial vacancy rate was 3.90% at the end of Q4 2017.
- The overall industrial vacancy rate decreased from the 4.70% rate at the end of Q3 2017.

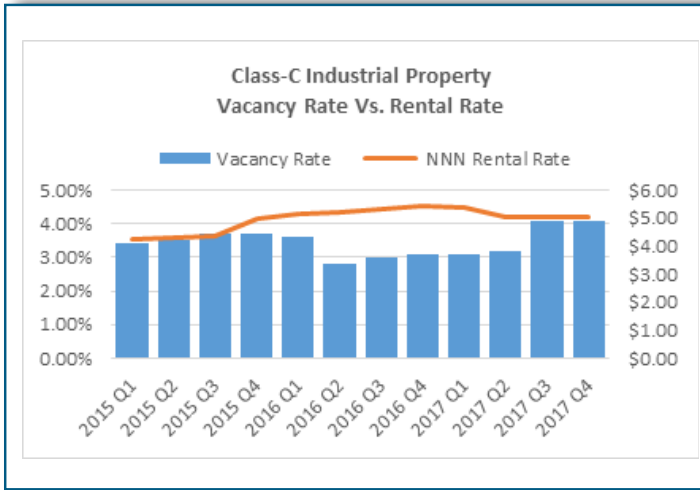


- Class-A property rental rate averaged at \$ 5.60/ SF/YR NNN at the end of Q4 2017.
- Class-A property rental rate increased from the \$5.40/SF/YR NNN rate at the end of Q3 2017.
- Class-A property vacancy rate was 3.60% at the end of Q4 2017.
- Class-A property vacancy rate increased from the 2.60% rate at the end of Q3 2017.



- Class-B property rental rate averaged \$5.18/SF/YR NNN at the end of Q4 2017.
- Class-B property rental rate remains about the same compare to the rate of \$5.17/SF/YR NNN at the end of Q3 2017.
- Class-B property vacancy rate was 4.10% at the end of Q4 2017.
- Class-B property vacancy rate decreased from the 5.70% rate at the end of Q3 2017.

Fourth Quarter Industrial Market Report



- Class-C property rental rate averaged \$5.06/SF/YR NNN at the end of Q4 2017.
- Class-C property rental rate increased from the \$5.01/SF/YR rate at the end of Q3 2017.
- Class-C property vacancy rate was 4.10% at the end of Q4 2017.
- Class-C property vacancy rate remained the same compare to the rate at the end of Q3 2017.

OKC INDUSTRIAL MARKET INFORMATION BY SUBMARKET

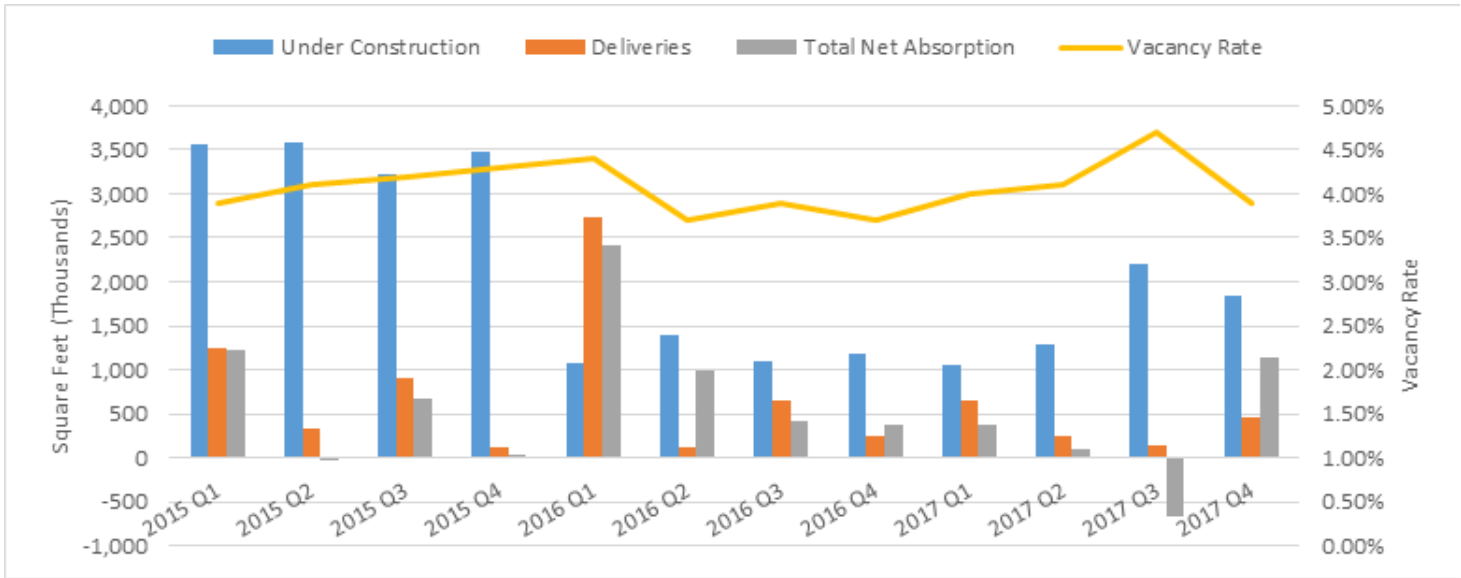
	CBD	Midtown	West/Central	OKC South	Moore/Norman
Rent per SF	\$5.87	\$4.03	\$4.91	\$6.25	\$6.65
Vacancy Rate	14.90%	3.50%	2.60%	2.20%	2.10%
Existing Buildings	129	409	1499	1189	474
Existing SF	1,391,305 SF	5,941,566 SF	39,602,699 SF	18,645,162 SF	6,527,858 SF

	Class-A	Class-B	Class-C
Rent per SF	\$5.60	\$5.18	\$5.06
Vacancy Rate	3.60%	4.10%	4.10%
Existing Buildings	52	1665	4165

	Up to 30,000 SF	From 30,000 SF
Rent per SF	\$6.56	\$4.55
Vacancy Rate	3.30%	3.50%
Existing Buildings	5299	683
Existing SF	44,654,570 SF	71,438,006 SF

Fourth Quarter Industrial Market Report

CONSTRUCTION, DELIVERY, NET ABSORPTION & VACANCY RATE



As There was 1,836,075 SF of industrial space under construction by the end of Q4 2017. The largest two industrial properties under construction are the 1,000,000 SF Hobby Lobby distribution center at 6701 SW 44th St. in Oklahoma City, which is scheduled to be delivered in August 2018, and the 469,086 SF industrial building at 10401 W Reno Ave. in Oklahoma City, which is scheduled to be delivered in March 2018. We are seeing asking rental rates for properties under construction average at \$6.37/SF/YR in the Oklahoma City Market.

Some notable deliveries throughout 2017 include a 300,000 SF industrial building at 1414 S Council Rd. in Oklahoma City which is now 100 percent occupied by Amazon, and the 265,000 SF industrial building at 2000 S Council Rd. in Oklahoma City which is now 75 percent occupied.

Top Under Construction Properties

Building Name	Building Address	City	Rentable Building Area	Delivery Time
Hobby Lobby	6701 SW 44th St	OKC	1,000,000 SF	Aug 2018
-	10401 W Reno Ave	OKC	469,086 SF	Mar 2018
Class "A" Warehouse	6101 SW 44th St	OKC	120,000 SF	Nov 2018
Building 2	6707 N Interstate Dr	Norman	55,000 SF	Feb 2018
-	2101 S Council Rd	OKC	50,000 SF	Mar 2018
Building 1	6707 N Interstate Dr	Norman	35,000 SF	Feb 2018
-	10220 W Reno Ave	OKC	30,338 SF	Feb 2018

Fourth Quarter Industrial Market Report

OKLAHOMA CITY INDUSTRIAL MARKET SALES

There were 30 transactions totaling \$46,273,000 recorded during Q4 2017. The largest sale based on dollar volume is the sale of the 300,000 SF industrial warehouse at 1414 S Council Rd. in Oklahoma City. Monmouth Real Estate Investment Corporation from Freehold, New Jersey purchased this property from Industrial Developers of Oklahoma for \$30,250,000, or \$100.83/SF, on November 30th, 2017. The building will be occupied by Amazon Fulfillment Services on a 10-year triple net lease.

Summary

Number of Transactions	30
Total Sales Volume	\$46,273,000
Total Bldg. SF	1,074,955 SF
Total Land in Acres	260.55 Acres
Average Price per Bldg. SF	\$52.15
Median Price per Bldg. SF	\$47.35
Average Cap Rate	7.35%

The Oklahoma City industrial market is seen great net absorption during the fourth quarter 2017-Amazon Fulfillment Services moved into the 300,000 SF facility at 1414 S Council Rd in November 2017. The former home of Producers Cooperative Mill south of Bricktown is almost gone. We are expecting to know more about the master plan in 2018. Oil and gas prices has been steadily increasing since Q3 2017. We will see more developments in the Oklahoma City industrial market if oil and gas prices continue to increase.

OKC MARKET SIGNIFICANT INDUSTRIAL SALE TRANSACTIONS DURING Q4 2017



Property Name: 1414 S Council Rd.
 Property Address: 1414 S Council Rd., OKC
 Sale Price: \$30,250,000
 Sale Price per SF: \$100.83/SF
 Sale Date: 11/30/2017



Property Name: 800 S Broadway
 Property Address: 800 S Broadway, OKC
 Sale Price: \$8,250,000
 Sale Price per SF: \$107.6/ Land SF
 Sale Date: 11/30/2017



Fourth Quarter Industrial Market Report

2017

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Property Name: 15305 W I-40
Property Address: 15305 W I-40, Yukon
Sale Price: \$2,700,000
Sale Price per SF: \$18/SF
Sale Date: 10/02/2017



Property Name: 5600 NW 4th St.
Property Address: 5600 NW 4th St., OKC
Sale Price: \$1,450,000
Sale Price per SF: \$65.38/SF
Sale Date: 10/02/2017



Property Name: 518 Indiana Ave.
Property Address: 518 Indiana Ave., OKC
Sale Price: \$1,200,000
Sale Price per SF: \$18.58
Sale Date: 10/17/2017



Property Name: 4101 SW 113th St.
Property Address: 4101 SW 113th St., OKC
Sale Price: \$1,000,000
Sale Price per SF: \$33.82
Sale Date: 11/03/2017



Fourth Quarter Industrial Market Report

2017

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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.

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

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