

SECOND QUARTER
INDUSTRIAL MARKET REPORT
2020

OKLAHOMA CITY, OKLAHOMA



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Second Quarter Industrial Market Report

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EXECUTIVE SUMMARY

The Oklahoma City industrial market continues to see the effects of COVID-19 and the struggling oil and gas market. The Q2 2020 net absorption (-749,906) surpassed the lowest point that was seen during the Great Recession (2008 Q1 -702,891 sf). This negative net absorption is largely weighed down by Class A industrial buildings which accounted for nearly 92% of this number. Class C industrial buildings performed the best with a positive net absorption of 52,125 sf. The vacancy rate did continue to rise to an overall rate of 5.40% from 4.80% in Q1 2020. The West/Central submarkets which are heavily influenced by oil and gas struggled with a 7.80% vacancy rate. As the data trickles in from the economic fallout of COVID-19 these vacancy rates may continue to increase creating a future tenant friendly market as landlords become increasingly desperate to fill their vacant spaces.



The average lease rate across the industrial market was \$6.29/SF/Yr NNN a slight increase from last quarter. This has been a fairly constant figure in the Oklahoma City market for a few years. There were a few substantial leases including two large distribution space transactions each over 100,000 sq ft to Amazon and Encore Fulfillment LLC. Continuing to show the growing demand for distribution as e-commerce continues to fair well in this economic environment. There were 27 recorded sale transactions in Q2 2020 for a gross volume of \$38,384,331. The median price per square foot was \$76.48 with an average capitalization rate of 8.85%. The largest recorded sale was a \$9,000,000 sale at 11300 Partnership Dr.

As our economy continues to inch forward during this unprecedented time of economic uncertainty, we will have to see how it will react in the coming months. Please see the following report for more details on Q2 2020.

Zac McQueen-Industrial Specialist

Leasing Activities

Total Inventory	137,991,294 SF
Total Net Absorption	-753,006 SF
Overall Rental Rate	\$6.29/SF/YR/NNN
Total Vacancy Rate	5.40%
Under Construction	234,786 SF

Sales Activities

Number of Transactions	27
Total Sales Volume	\$38,834,331
Average Price per Bldg. SF	\$83.47

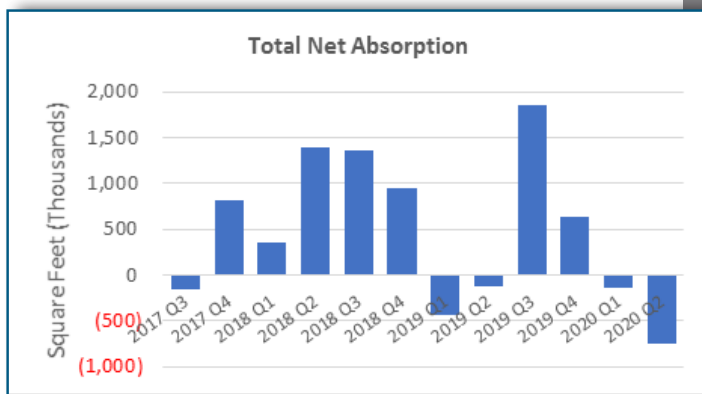
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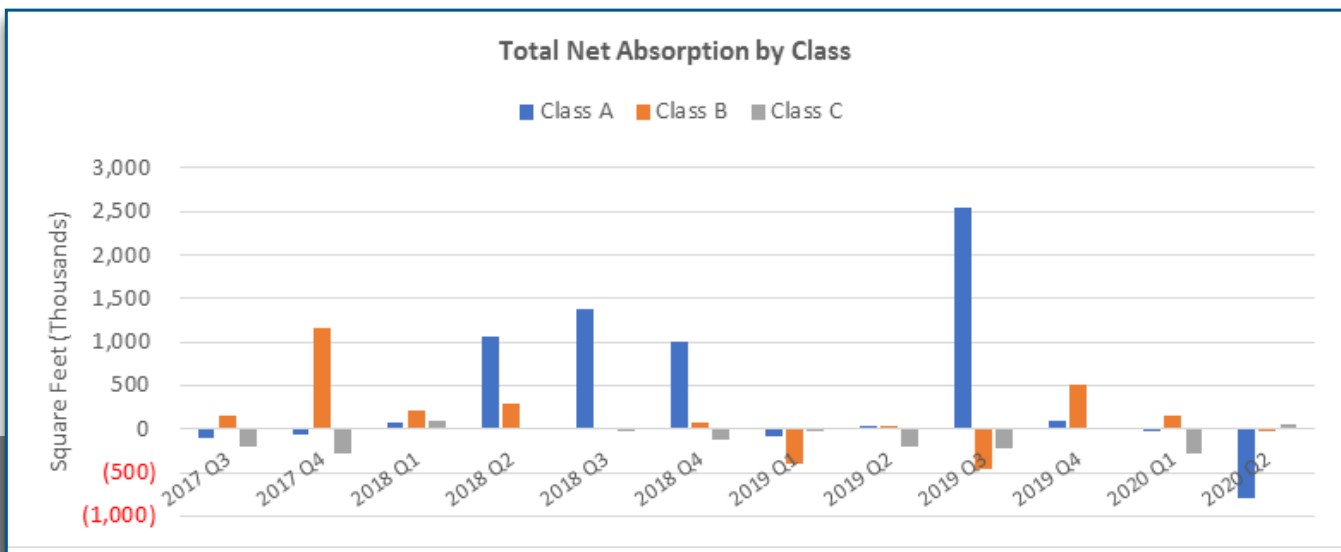
OKLAHOMA CITY INDUSTRIAL MARKET LEASING

The largest industrial lease signings during Q2 2020 include the 121,715 SF industrial warehouse lease signed by Amazon at 6101 SW 44th St. in Oklahoma City, the 121,000 SF industrial building lease signed by Encore Fulfillment LLC at 605-701 N. Tulsa Ave. in Oklahoma City, and the 101,000 SF industrial lease signed by Coil Chem LLC at 605-701 N. Tulsa Ave. in Oklahoma City.

NET ABSORPTION AND INVENTORY



- The total net absorption was a negative 749,906 SF at the end of Q2 2020
- The total net absorption decreased from the negative absorption of 296,930 SF at the end of Q1 2020
- The total inventory was 137,991,294 SF at the end of Q2 2020
- The total inventory increased from the 135,032,433 SF at the end of Q1 2020



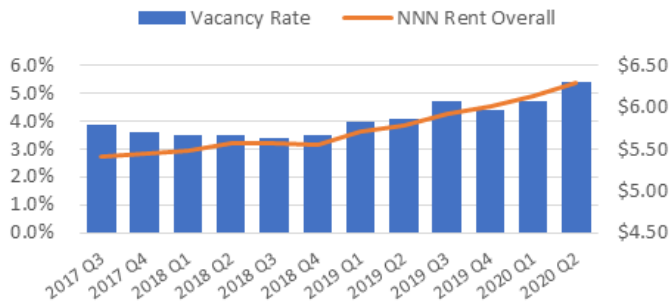
- Class-A net absorption was a negative 785,415 SF, which increased from the negative net absorption of 44,046 SF at the end of Q2 2020
- Class-B net absorption was a negative 19,716 SF, which decreased from the positive net absorption of 63,413 SF at the end of Q1 2020
- Class-C net absorption was a positive 52,125 SF, which increased from the negative 316,297 SF at the end of Q1 2020

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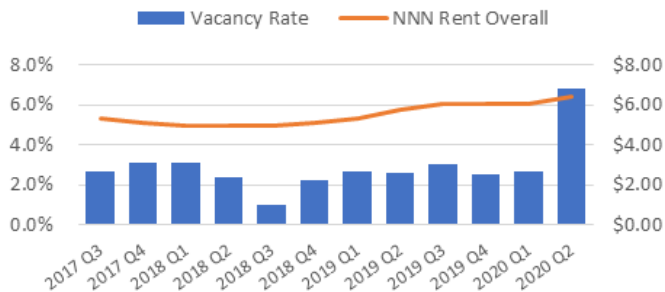
RENTAL AND VACANCY RATES

**Overall Industrial Market
Vacancy Rate vs. Rental Rate**



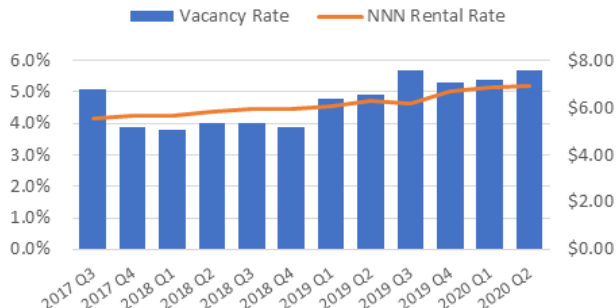
- The overall industrial rental rate was \$6.29/SF/YR/NNN at the end of Q2 2020
- The overall industrial rental rate increased from the \$6.24/SF/YR/NNN at the end of Q1 2020
- The overall industrial vacancy rate was 5.40% at the end of Q2 2020
- The overall industrial vacancy rate increased from the 4.80% at the end of Q1 2020

**Class-A Industrial Property
Vacancy Rate vs. Rental Rate**



- Class-A property rental rate averaged \$6.43/SF/YR/NNN at the end of Q2 2020
- Class-A property rental rate increased from the \$6.21/SF/YR/NNN at the end of Q1 2020
- Class-A property vacancy rate was 6.80% at the end of Q2 2020
- Class-A property vacancy rate increased from the 5.50% at the end of Q1 2020

**Class-B Industrial Property
Vacancy Rate vs. Rental Rate**

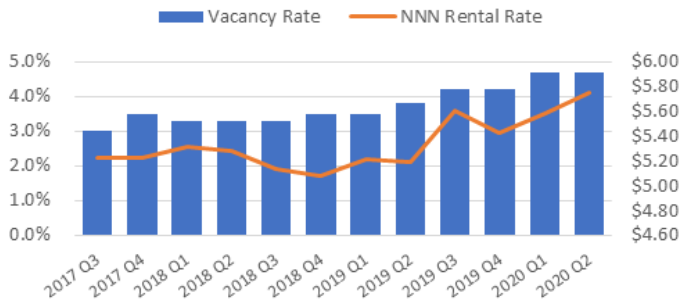


- Class-B property rental rate averaged \$6.92/SF/YR/NNN at the end of Q2 2020
- Class-B property rental rate decreased from the \$7.01/SF/YR/NNN at the end of Q1 2020
- Class-B property vacancy rate was 5.70% at the end of Q2 2020
- Class-B property vacancy rate increased from the 5.50% at the end of Q1 2020

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**Class-C Industrial Property
Vacancy Rate vs. Rental Rate**



- Class-C property rental rate averaged \$5.75/SF/YR/NNN at the end of Q2 2020
- Class-C property rental rate increased from the \$5.60/SF/YR/NNN at the end of Q1 2020
- Class-C property vacancy rate was 4.70% at the end of Q2 2020
- Class-C property vacancy rate decreased from the 4.90% at the end of Q1 2020



OKC INDUSTRIAL MARKET INFORMATION BY SUBMARKET

	CBD	Midtown	West/Central	OKC South	Moore/Norman
Rent per SF	\$6.81	\$5.62	\$6.07	\$6.06	\$6.98
Vacancy Rate	9.20%	4.40%	7.80%	4.80%	2.70%
Existing Buildings	129	416	1,671	1,262	597
12 Months Net Absorption SF	29.1 K	-57.7 K	-1.1 M	-19.6 K	2.5 M

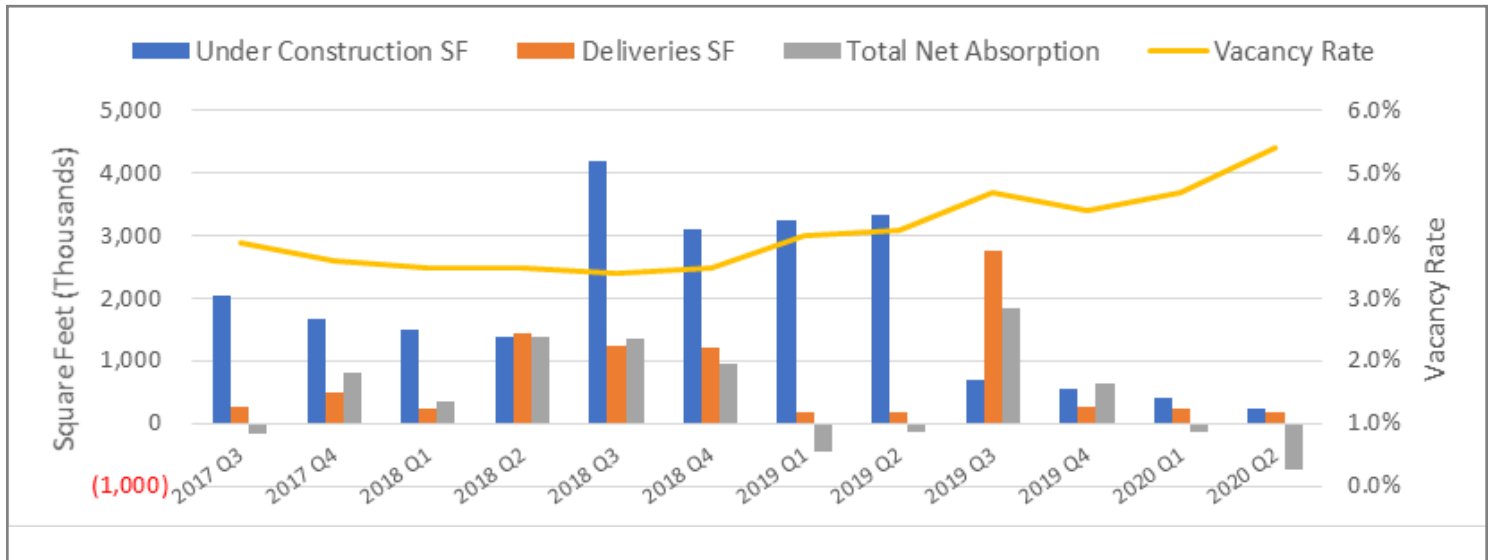
	Class-A	Class-B	Class-C
Rent per SF	\$5.70	\$6.69	\$6.34
Vacancy Rate	6.80%	5.80%	4.60%
Existing Buildings	66	2,023	4,532
12 Months Net Absorption SF	1.8 M	133 K	-415 K

	Up to 30,000 SF	From 30,000 SF
Rent per SF	\$7.07	\$6.01
Vacancy Rate	4.60%	5.90%
Existing Buildings	5,948	794
12 Months Net Absorption SF	-307 K	1.8 M

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CONSTRUCTION, DELIVERY, NET ABSORPTION & VACANCY RATE



There was 234,786 SF of industrial space under construction at the end of Q2 2020. The largest industrial property under construction are the 60,000 SF at 9201 Polaris Dr. in Oklahoma City, which is scheduled to be delivered in September 2020. We are seeing asking rental rates for under construction industrial properties average \$10.13/SF/YR in the Oklahoma City market at the end of Q2 2020.

NOTABLE PROPERTIES ANNOUNCED FOR CONSTRUCTION

Property Address	City	RBA	Delivery Time
4700 SW 25th Cir	OKC	30,000 SF	October 2020
4042 SW 25th St	OKC	30,000 SF	2020
12020 SE 74th St	OKC	20,791 SF	December 2020
1129 E Hefner Rd	OKC	15,000 SF	August 2020
225 Garage Dr	OKC	14,065 SF	2020

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OKLAHOMA CITY INDUSTRIAL MARKET SALES

There were 27 transactions totaling \$38,834,331 recorded during the second quarter of 2020. The largest individual sale based on dollar volume was the sale of the industrial manufacturing building at 11300 Partnership Dr. in Oklahoma City. Blue Fin Associates LLC from Kansas City, MO purchased the 145,600 SF from Iron Mountain Inc. from Boston, MA for \$9,000,000 or \$61.81/SF, on April 13th, 2020.

Summary

Number of Transactions	27
Total Sales Volume	\$38,834,331
Total Bldg. SF	593,010 SF
Total Land in Acres	68.75 Acres
Average Price per Bldg. SF	\$83.47
Median Price per Bldg. SF	\$76.48
Average Cap Rate	8.85%

OKC MARKET SIGNIFICANT INDUSTRIAL SALE TRANSACTIONS DURING Q2 2020



Property Name: 11300 Partnership Dr
Property Address: 11300 Partnership Dr., OKC
Sale Price: \$9,000,000
Price per SF: \$61.81/SF
Sale Date: 04/13/2020



Property Name: 3600 S Macarthur Blvd
Property Address: 3600 S Macarthur Blvd., OKC
Sale Price: \$7,736,851
Price per SF: \$182.10/SF
Sale Date: 04/28/2020



Property Name: 3500 S Macarthur Blvd
Property Address: 3500 S Macarthur Blvd., OKC
Sale Price: \$5,329,322
Price per SF: \$68.29/SF
Sale Date: 04/28/2020



Property Name: 4015 S Purdue
Property Address: 4015 S Purdue St., OKC
Sale Price: \$4,139,303
Price per SF: \$118.27/SF
Sale Date: 04/28/2020



Property Name: Airport Commerce Center
Property Address: 5700 SW 36th St., OKC
Sale Price: \$2,972,765
Price per SF: \$132.12/SF
Sale Date: 04/28/2020



Property Name: 3908 Willow Springs Dr.
Property Address: 3908 Willow Springs Dr., OKC
Sale Price: \$1,410,000
Price per SF: \$94.00/SF
Sale Date: 04/22/2020

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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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