

# Fourth Quarter Retail Market Report 2017



## CONTENTS

NAI Sullivan Group

- 03 Executive Summary
- 04 National Economy
- 04 Local Economy
- 04 Oklahoma City Retail Market Leasing
- 04 Net Absorption and Inventory
- 05 Rental and Vacancy Rates
- 06 Construction, Delivery, Net Absorption and Vacancy Rate
- 07 Oklahoma City Retail Market Sales
- 08 OKC Market Significant Retail Sale Transactions during Q4 2017
- 10 About NAI Sullivan Group





# Fourth Quarter Retail Market Report

NAI Sullivan Group

## EXECUTIVE SUMMARY

The Q4 2017 retail market finished the year relatively strong with a positive absorption of 416,000 SF leaving the market at an overall vacancy of 5.6% from an inventory of over 90MM SF. This vacancy rate has remained stable throughout 2017.

The retail market has just over 900,000 SF under construction including the Westgate Retail Center at Chisolm Creek at Memorial and Western (222,352 SF) and the Life Time Fitness (181,048 SF) being constructed in the north parking lot of Quail Springs Mall.

Lease rates for retail continue to climb as the overall lease rate increase of \$.80 per SF, increasing to \$12.36/SF/YR NNN at the end of Q3 to \$13.17/SF/YR NNN at the end of Q4. That overall rate is well under some of the new centers coming on line in the \$30 plus per SF range.

Sales of retail properties remained strong in Q4 as there were 56 transactions totaling over \$43MM. One of the most notable sale transaction was the CVS site at 3651 W Robinson in Norman selling for over \$8MM.

The continuation of the CBD and Scissortail Park, the convention center and Omni Hotel will continue the brisk development of retail all across the metro.

Respectfully,



Bob Sullivan  
CEO



### Leasing Activities

Total Inventory	90,942,421 SF
Total Net Absorption	416,171 SF
Overall Rental Rate	\$13.17/SF/YR
Total Vacancy Rate	5.60%
Under Construction	922,235 SF

### Sales Activities

Number of Transactions	56
Total Sales Volume	\$43,610,144
Average Price per Bldg. SF	\$131.06

# Fourth Quarter Retail Market Report

## 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

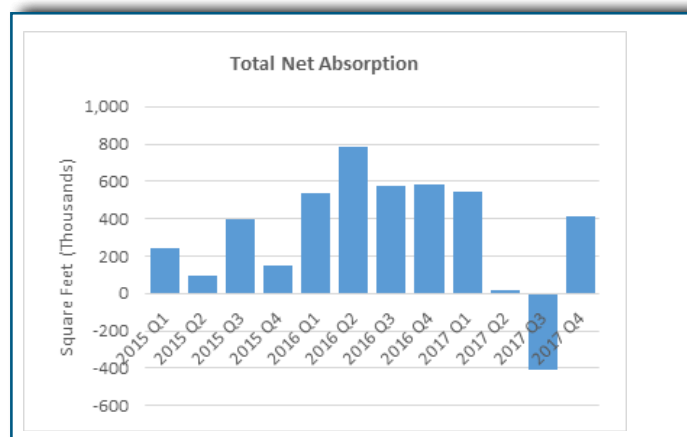
According to the report from the Oklahoma Employment Security Commission, the state unemployment rate was down to 4.2 percent in November 2017, 0.2 percent down from the previous month, and 0.7 percent down from a year ago. We saw continuing recovery from the oil and gas industry. Energy companies have 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 RETAIL MARKET LEASING

The largest lease signings in Q4 2017 include the 55,012 SF lease signed at 1300-1401 Gateway Plaza in Midwest City with an asking rental rate at \$8.00/SF/YR NNN; the 14,000 SF lease signed at 110-124 S Crawford Avenue in Norman with an asking rental rate at \$5.50/SF/YR; and the 12,996 SF lease signed at 800 NW 4th St. in Oklahoma City with an asking rental rate at \$6.00/SF/YR NNN.

## NET ABSORPTION AND INVENTORY



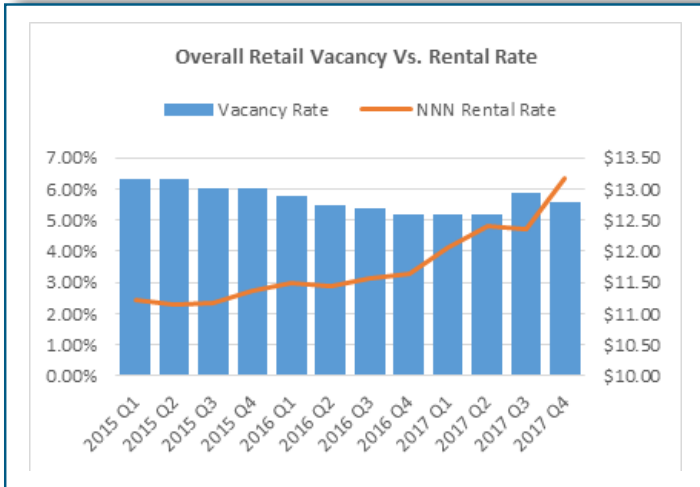
- The total retail net absorption was a positive 416,171 SF at the end of Q4 2017.
- The total retail net absorption increased from a negative absorption of 410,827 SF at the end of Q3 2017.
- The total retail inventory was 90,942,421 SF
- The total retail inventory increased from 90,525,570 SF at the end of Q3 2017.

# Fourth Quarter Retail Market Report

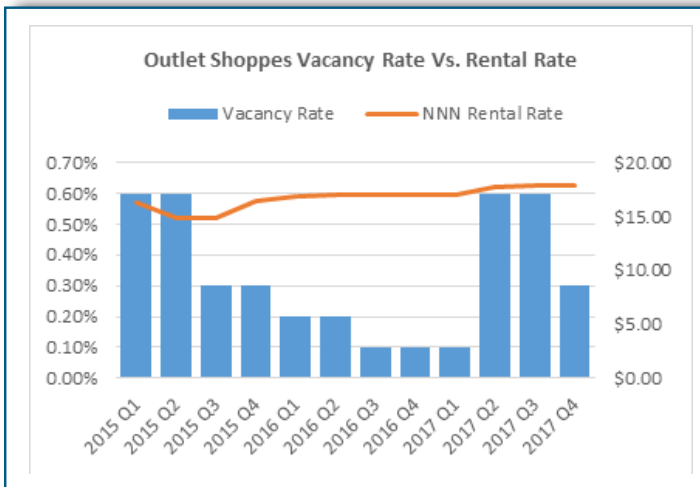
# 2017

**NAI Sullivan Group**

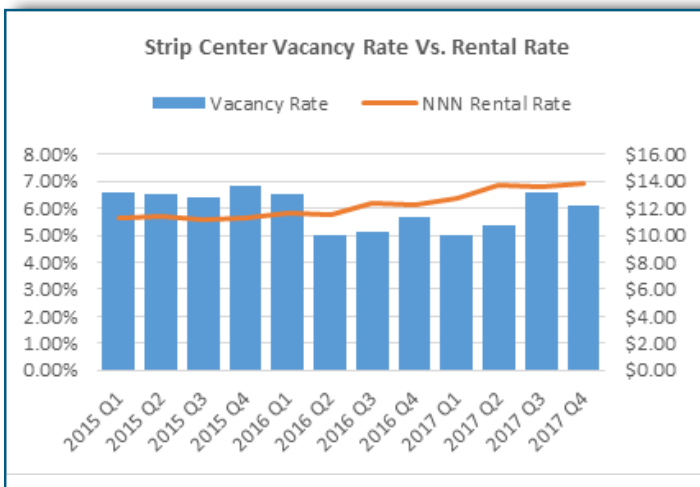
## RENTAL AND VACANCY RATES



- The overall retail market rental rate averaged \$13.17/SF/YR NNN at the end of Q4 2017.
- The overall retail market rental rate increased from the \$12.36/SF/YR NNN rate at the end of Q3 2017.
- The overall retail market vacancy rate was 5.60% at the end of Q4 2017.
- The overall retail market vacancy rate decreased from the 5.90% rate at the end of Q3 2017.

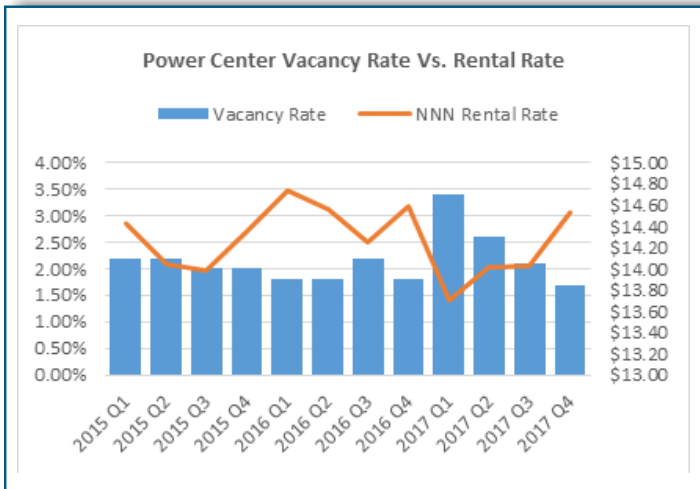


- The outlet shoppes rental rate averaged \$17.92/SF/YR NNN at the end of Q4 2017.
- The outlet shoppes rental rate remained the same compare to the rate at the end of Q3 2017.
- The outlet shoppes vacancy rate was 0.30% at the end of Q4 2017.
- The outlet shoppes vacancy rate decreased from the 0.60% rate at the end of Q3 2017.



- The strip center rental rate averaged \$13.86/SF/YR NNN at the end of Q4 2017.
- The strip center rental rate increased from the \$13.55/SF/YR NNN rate at the end of Q3 2017.
- The strip center vacancy rate was 6.10% at the end of Q4 2017.
- The strip center vacancy rate decreased from the 6.60% rate at the end of Q3 2017.

# Fourth Quarter Retail Market Report

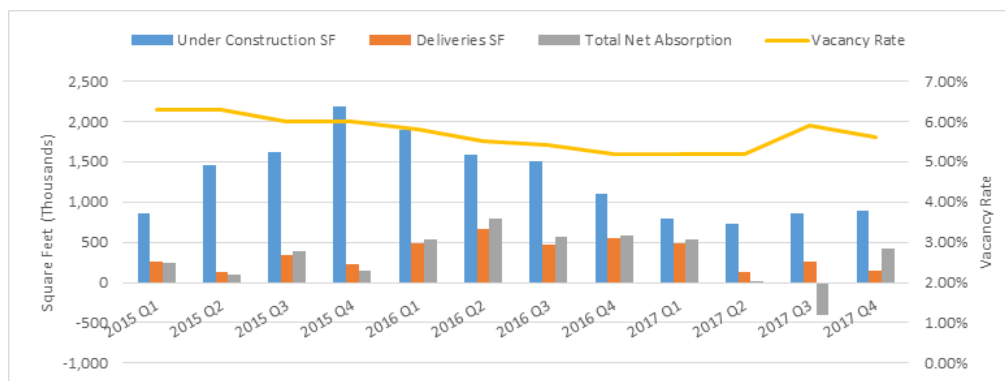


- The power center rental rate was \$14.53/SF/YR NNN at the end of Q4 2017.
- The power center rental rate increased from the \$14.03/SF/YR NNN rate at the end of Q3 2017.
- The power center vacancy rate was 1.70% at the end of Q4 2017.
- The power center vacancy rate decreased from the 2.10% rate at the end of Q3 2017.

## OKC RETAIL MARKET INFORMATION BY SUBMARKET

	Northwest	Edmond	Moore/Norman
<b>NNN Rental Rate per SF</b>	\$12.66	\$17.04	\$16.79
<b>Vacancy Rate</b>	6.00%	5.80%	2.90%
<b>Existing Buildings</b>	1257	706	1232
<b>Existing SF</b>	16,234,970 SF	8,391,145 SF	13,893,223 SF

## CONSTRUCTION, DELIVERY, NET ABSORPTION & VACANCY RATE



There were 922,235 SF of retail space under construction by the end of Q4 2017. The top two retail properties by size under construction are the 222,352 SF Westgate Retail Center at 2000 W Memorial Rd., which is scheduled to be delivered in March 2018, and the 181,048 SF Life Time Fitness at 2501 W Memorial Rd., which is scheduled to be delivered in July 2018. We are seeing average asking rental rate for under construction retail properties at \$22.19/SF/YR NNN. The asking rental rate for a restaurant building at 119 E Reno Avenue is about \$38/SF/YR full service, and asking rental rate for the Westgate Retail Center at Chisholm Creek ranges in high thirties.

# Fourth Quarter Retail Market Report

# 2017

**NAI Sullivan Group**

## Top Under Construction Retail Properties

Building Name	Building Address	City	RBA	Delivery Time
Westgate Retail Center at Chisholm Creek	2000 W Memorial Rd	OKC	222,352 SF	Mar 2018
Life Time Fitness	2501 W Memorial Rd	OKC	181,048 SF	Jul 2018
Route 66 Plaza Phase I	4000 N Sara Rd	Yukon	80,340 SF	Jan 2018
Floor & Decor	S Macarthur Blvd	OKC	75,115 SF	May 2018
The Shops at Memorial Crossing	NE Corner of Memorial & Western	OKC	70,000 SF	Mar 2018
Route 66 Plaza Outparcel	4000 N Sara Rd	Yukon	65,340 SF	Jun 2018
-	14220 Broadway Ext	Edmond	46,334 SF	Mar 2018
-	4711-5044 N May Ave	OKC	32,347 SF	May 2018
-	1333 W Memorial Rd	OKC	30,000 SF	Jan 2018
-	6001 S Sooner Rd	OKC	9,375 SF	Oct 2017

## OKLAHOMA CITY RETAIL MARKET SALES

The fourth quarter of 2017 saw 56 transactions totaling \$43,610,144. The largest sale based on dollar volume was the sale of the retail building at 3651 W Robinson St. in Norman, with CVS occupying the building for a 20-year NNN lease. PVP Bluffton LLC and PVP Silver Lake LLC purchased this property from Alexander Fund XIII LLC for \$8,071,645 on October 5th, 2017.

### Summary

<b>Number of Transactions</b>	56
<b>Total Sales Volume</b>	\$43,610,144
<b>Total Bldg. SF</b>	608,189 SF
<b>Total Land in Acres</b>	70.38 Acres
<b>Average Price per Bldg. SF</b>	\$131.06
<b>Median Price per Bldg. SF</b>	\$113.19
<b>Average Cap Rate</b>	7.35%

The Oklahoma City retail market has fared well for Q4 2017. Vacancies fell and average rental rate has increased by 6.6 percent compare to the previous quarter. Despite the closing of several department stores, Oklahoma City retail market remains active and strong. We have seen quite a few additions and renovations going on in the market: Hideway Pizza planned a new restaurant at NW 50th and Western in Oklahoma City, a \$1.5 million project which is scheduled to be open in April 2018; Westgate Retail Center is well under construction at Chisholm Creek; more retailers such as Firebird and Austin-based Hopdoddy Burger Bar move to Chisholm Creek; Champ Patel reveals plan to buy and redevelop the Marriot Hotel on NW Expressway, an Avid Hotel at Quail Springs and upcoming construction of hotels in Bricktown, and more. Oklahoma City market will continue to be strong and attract developers and investors.



# Fourth Quarter Retail Market Report

# 2017

NAI Sullivan Group

## OKC MARKET SIGNIFICANT RETAIL SALE TRANSACTIONS DURING Q4 2017



Property Name: CVS  
Property Address: 3651 W Robinson St., Norman  
Sale Price: \$8,071,645  
Building Size: 14,800 SF  
Price per SF: \$545.38/SF  
Sale Date: 10/05/2017



Property Name: 7700-7800 S Walker Ave.  
Property Address: 7700-7800 S Walker Ave., OKC  
Sale Price: \$6,900,000  
Building Size: 106,080 SF  
Price per SF: \$65.05/SF  
Sale Date: 10/20/2017



Property Name: Walgreens  
Property Address: 1201 NW 12th St., OKC  
Sale Price: \$3,347,000  
Building Size: 12,298 SF  
Price per SF: \$272.16/SF  
Sale Date: 10/02/2017



# Fourth Quarter Retail Market Report

# 2017

**NAI Sullivan Group**



Property Name: Chikasha Plaza  
Property Address: 1700-1716 S 1st St., Chikasha  
Sale Price: \$3,000,000  
Building Size: 19,082 SF  
Price per SF: \$3,000,000  
Sale Date: 10/02/2017  
Cap Rate: 8.52%



Property Name: University Town Center  
Property Address: 2162-6166 24th Ave NW, Norman  
Sale Price: \$2,660,000  
Building Size: 6,744 SF  
Price per SF: \$394.42/SF  
Sale Date: 10/05/2017



Property Name: Taco Bueno  
Property Address: 1021 E State Highway 152, Mustang  
Sale Price: \$2,415,000  
Building Size: 2,370 SF  
Price per SF: \$1,018.99/SF  
Sale Date: 10/04/2017  
Cap Rate: 5.50%



# Fourth Quarter Retail 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.

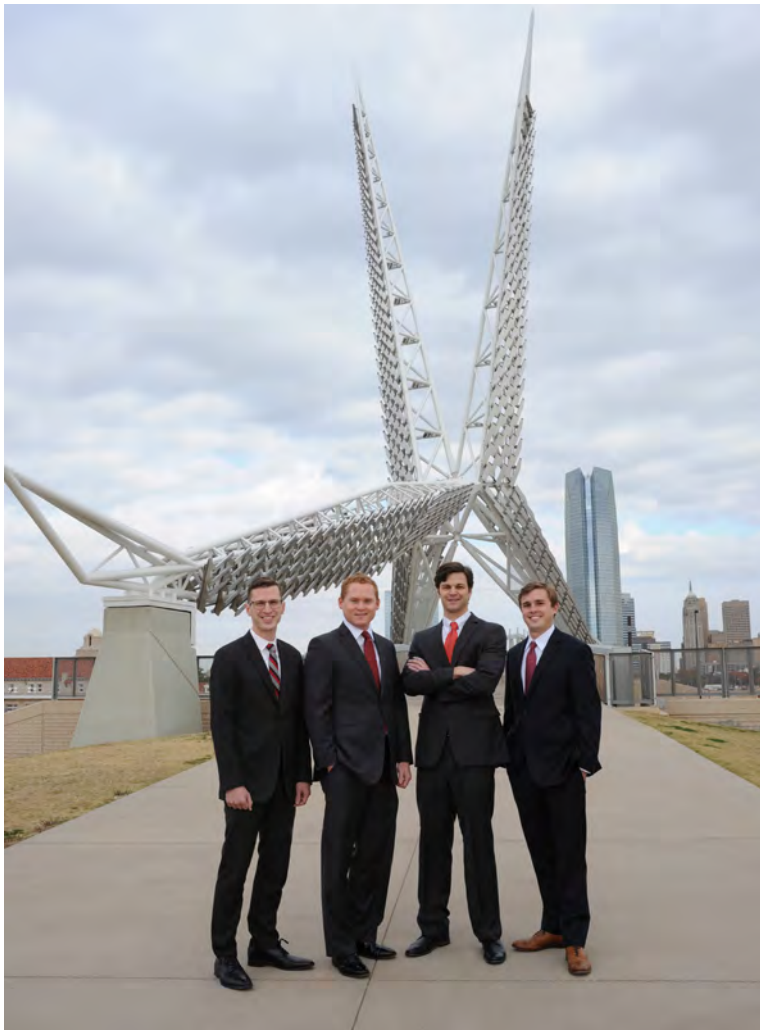
NAI Sullivan Group strives for excellence in all facets of real estate services in order to maintain our position as an industry leader. Our team transforms forward-thinking ideas into cutting-edge applications, to achieve maximum results for our clients, company and community.

For more information, please visit our website: [www.naisullivangroup.com](http://www.naisullivangroup.com)

## **RETAIL TEAM**



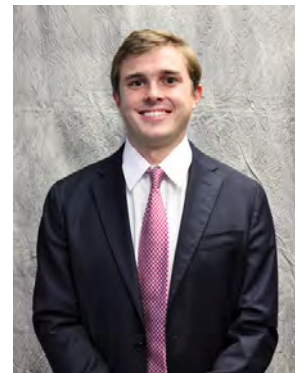
**David Hartnack**  
(405) 761-8955  
davidh@naisullivangroup.com



**Sam Swanson**  
(405) 208-2046  
sam@naisullivangroup.com



**Nathan Wilson**  
(405) 760-5327  
nathan@naisullivangroup.com



**Zac McQueen**  
(405) 476-9199  
zac@naisullivangroup.com



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