

Second Quarter Retail Market Report 2016



CONTENTS

NAI Sullivan Group

- 03 Executive Summary
- 04 National Economy
- 04 Local Economy
- 04 Oklahoma City Retail Market Leasing
- 05 Net Absorption and Inventory
- 05 Rental and Vacancy Rates
- 07 OKC Retail Market Information by Submarket
- 07 Construction, Delivery, Net Absorption and Vacancy Rate
- 08 Oklahoma City Retail Market Sales
- 09 OKC Market Significant Retail Sale Transactions during Q2 2016
- 11 About NAI Sullivan Group



Second Quarter Retail Market Report

2016

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EXECUTIVE SUMMARY

The retail market continues to get better and better. The second quarter of 2016 continues to show positive absorption in the retail market with overall vacancy at 5.5 percent and a net absorption of 655,839 SF.

We track just under 90,000,000 SF of retail space, which saw an overall lease rate of \$11.41/SF annually, remaining steady from Q1 2016. Strip shopping center rates averaged \$11.22/SF. Power Center rates averaged \$14.56/SF annually, down slightly from Q1 and it is also worth noting that deliveries are down, with approximately 1,152,805 SF under construction, consistent with the past five quarters.

There continues to be a large appetite for retail investment real estate in our market, which tends to shy away from secondary markets because it is not as liquid as the larger primary markets. Q2 saw 88 retail transactions totaling \$39,690,501.00 averaging \$81.16/SF.

The outlook for the next two quarters should continue to show demand for retail investment properties and a sideways movement on lease rates and occupancy.



Bob Sullivan
CEO

Leasing Activities

| | |
|---------------------|---------------|
| Total Inventory | 87,919,838 SF |
| Overall Rental Rate | \$11.41 NNN |
| Total Vacancy Rate | 5.50% |
| Under Construction | 1,152,805 SF |

Sales Activities

| | |
|----------------------------|--------------|
| Number of Transactions | 88 |
| Total Sales Volume | \$39,690,501 |
| Average Price per Bldg. SF | \$81.16 |



Second Quarter Retail Market Report

2016
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NAI NATIONAL ECONOMY

Britain's vote to leave the European Union sent waves of investors to United States stock market during the second quarter. Investors are pulling out of United Kingdom and European Union markets due to the uncertainty caused by Brexit and pouring their money into safer assets such as United States Treasury bills (U.S. T-bill). More investment in U.S. T-bills will lead to a lower yield, which will lower the mortgage rate tied to T-bill yield. Thus, creating more demand for housing. Brexit also drives up dollar value and will further weaken U.S. exports and adds volatility to the U.S. economy. In addition, uncertainty over the Japanese economy and a slowing economy in China make it unlikely that the Federal Reserve will raise interest rates this year. According to Kiplinger, the U.S. Gross Domestic Product (GDP) growth rate was 1.8 percent in the first two quarters of 2016, down from 2.4 percent in 2015, but is expected to rebound for the second half of the year and maintain growth somewhere between 2 and 2.5 percent. Despite the addition of 287,000 jobs in June, slower job growth in the months ahead is expected. The unemployment rate has reached 4.9 percent at the end of the second quarter, and is expected to stay below 5 percent for the rest of the year.

NAI LOCAL ECONOMY

Oil prices have stayed consistently low for the last two years. Though we continue to see layoffs, and small oil and gas business close their doors, we saw some recovery in the oil and gas industry during the second quarter. The price of crude oil has increased almost 100 percent since February when it saw a 12-year low price of \$26.05 per barrel. The number of drilling rigs has begun to increase; Continental Resources and Devon Energy are among the local oil companies who have increased their drilling budget and expected production levels. Oil prices have hovered between \$45 and \$50 per barrel during the second quarter and are expected to stay in this range for the foreseeable future.

Though we are still feeling the pain of low oil and gas prices, there are still many exciting developments going on in the Oklahoma City market: Chisholm Creek continues its expansion with the construction of more shops and houses; the Ferris wheel has been set up in the Wheeler District and is expected to energize Oklahoma City's south side economy; the demolition application process is underway to make room for the new convention center; developers continue to seek opportunities to build hotels in the downtown area and construction is well underway at Bank of Oklahoma Park Plaza.

NAI OKLAHOMA CITY RETAIL MARKET LEASING

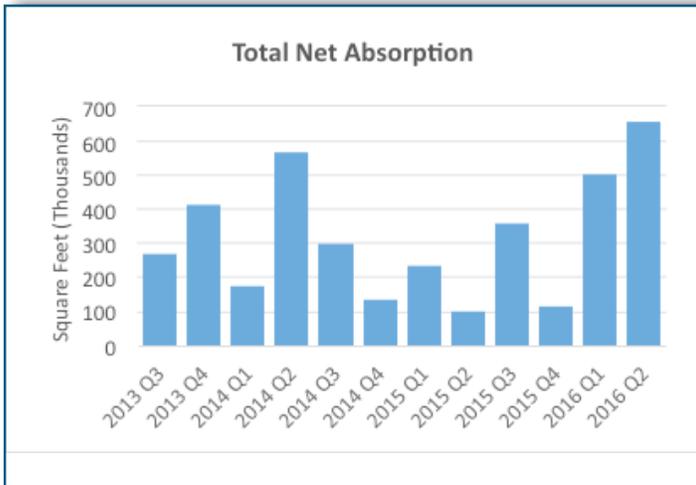
The largest lease signings of the first half of 2016 include the 56,109 SF lease signed by Gatti Town at 5833 NW Expressway, the 43,000 SF lease signed by Conn's at 1615 Penn Park Blvd; and the 40,000 SF lease signed by Conn's at 4721-4729 SE 15th St. in the Del Crest Shops.

Second Quarter Retail Market Report

2016

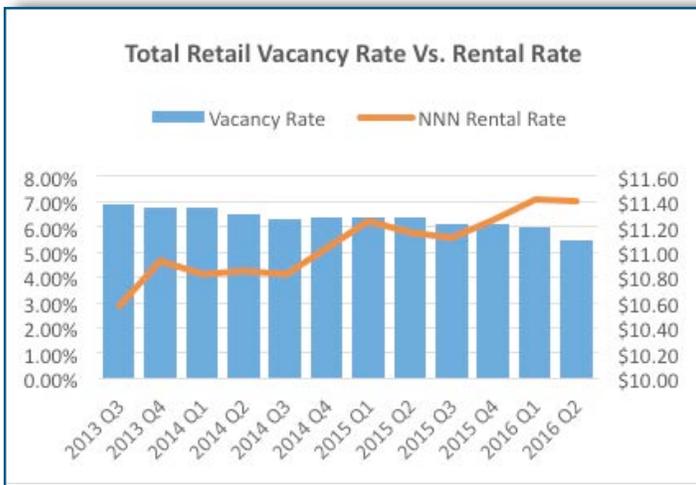
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NET ABSORPTION AND INVENTORY

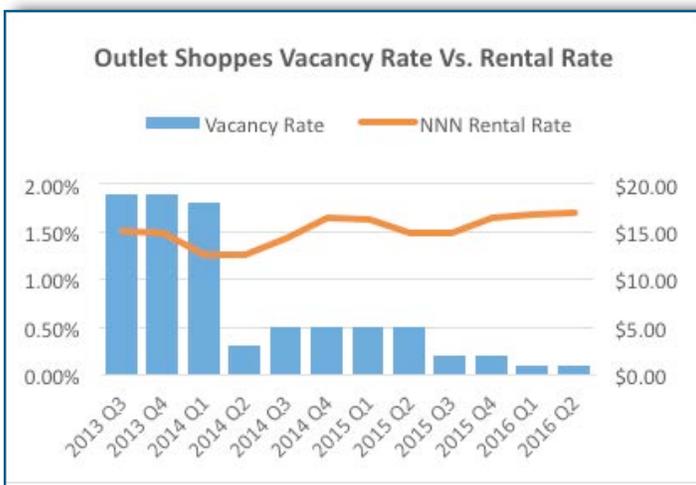


- The total retail net absorption was 655,839 SF.
- The total retail net absorption increased from 502,830 SF at the end of Q1 2016.
- The total inventory was 87,919,838 SF.
- The total inventory increased from 87,688,221 SF at the end of Q1 2016.

RENTAL AND VACANCY RATES



- The retail market rental rate averaged \$11.41/SF/YR NNN.
- The retail rental rate decreased from the \$11.42/SF/YR NNN rate at the end of Q1 2016.
- The retail market vacancy rate was 5.50%.
- The retail market vacancy rate decreased from 6.00% at the end of Q1 2016.



- The Outlet Shoppes rental rates averaged at rental rate averaged \$16.95/SF/YR NNN.
- The Outlet Shoppes rental rate increased from the \$16.84/SF/YR NNN rate at the end of Q1 2016.
- The Outlet Shoppes vacancy rate was 0.10%.
- The Outlet Shoppes vacancy rate remained the same compare to the rate at the end of Q1 2016.

Second Quarter Retail Market Report

2016

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Strip Center Vacancy Rate Vs. Rental Rate



- The Strip Center rental rate averaged at \$11.22/SF/YR NNN.
- The Strip Center rental rate decreased from \$11.39/SF/YR NNN at the end of Q1 2016.
- The Strip Center vacancy rate was 5.10%.
- The Strip Center vacancy rate decreased from the 6.40% rate at the end of Q1 2016.

Power Center Vacancy Rate Vs. Rental Rate



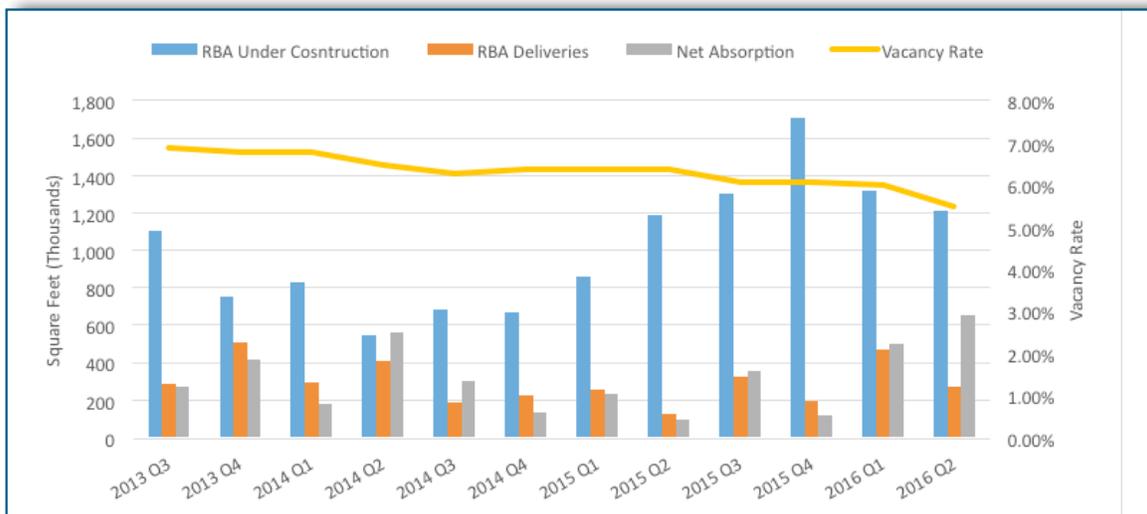
- The Power Center rental rate was \$14.56/SF/YR NNN.
- The Power Center rental rate decreased from the \$14.74/SF/YR rate at the end of Q1 2016.
- The Power Center vacancy rate was 2.10%.
- The Power Center vacancy rate remained the same compared to the rate at the end of Q1 2016.

Second Quarter Retail Market Report

OKC RETAIL MARKET INFORMATION BY SUBMARKET

| | Northwest | Edmond | Moore/Norman |
|------------------------|---------------|--------------|---------------|
| NNN Rental Rate per SF | \$10.27 | \$15.86 | \$14.56 |
| Vacancy Rate | 5.00% | 4.00% | 2.60% |
| Existing Buildings | 1,240 | 688 | 1,192 |
| Existing SF | 15,517,833 SF | 8,213,261 SF | 12,811,454 SF |
| Cap Rate | 6.60% | 7.00% | 7.10% |

CONSTRUCTION, DELIVERY, NET ABSORPTION AND VACANCY RATE



By the end of the second quarter of 2016, there was 1,152,805 SF of retail space under construction. The two largest properties under construction were the 180,000 SF Walmart at 3301 SW 104th St. in Oklahoma City, which is scheduled to be delivered in October 2016 and the 110,000 SF At Home Retail Store at 627 SW 19th St. in Moore, which is not scheduled to be delivered until March 2017.

Notable deliveries during the first half of 2016 include the 136,000 SF Sam's Club at 4101 N May Ave. that was delivered in the first quarter and is now 100 percent occupied and the 119,792 SF retail building at 1901 W Vandament Ave., that was also delivered in the first quarter and is now 100 percent occupied.

The average asking rental rate for under construction retail properties in the Oklahoma City market is at \$19.86/SF/YR NNN. The asking rental rate for Choctaw market place at the northeast corner of Market Blvd. & Dale St Dr. in Choctaw is ranging between \$34 and \$40 per square foot per year.

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Under Construction

| Building Name | Building Address | City | RBA | Delivery Time |
|--|----------------------------|-------|------------|---------------|
| Walmart | 3301 SW 104th St | OKC | 180,000 SF | Oct 2016 |
| At Home Retail Store | 627 SW 19th St | Moore | 110,000 SF | Mar 2017 |
| Phase 2 | 1401 SW 74th St | OKC | 109,900 SF | Jul 2016 |
| Shoppes at Quail | 13601 N May Ave | OKC | 91,027 SF | Jul 2016 |
| - | 13230 Pawnee Dr | OKC | 76,360 SF | Jul 2016 |
| Village North | 3400 W Memorial Service Rd | OKC | 70,500 SF | Jul 2016 |
| - | 1615 Penn Park Blvd | OKC | 70,500 SF | Jul 2016 |
| Senior Health & Wellness Center | 11501 N Rockwell Ave | OKC | 40,272 SF | Sep 2016 |
| - | 835 SW 19th St | Moore | 34,000 SF | Aug 2016 |
| Fenton Nissan Used Auto Sales | 8800 NW Expressway | OKC | 30,000 SF | Jul 2016 |

OKLAHOMA CITY RETAIL MARKET SALES

The second quarter of 2016 saw 88 transactions totaling \$39,690,501. The largest individual property sale based on dollar volume was the sale of the 10,900 SF CVS Retail Drug store at 900 SW 44th St. L2 Partners from Miami, Florida purchased this property from Retail Properties of America, Inc. for \$4,676,000, or \$428.99 per square foot, on April 20, 2016.

Despite the downturn of oil and gas prices, the retail market remains active in Oklahoma City. Chisholm Creek is well under construction with many new shops added. Boise, Idaho based Winco Foods has applied for building permits for locations in Moore and NW Oklahoma City, with the intent to open early in 2017. Sprouts has opened its new 28,000 SF store near 122nd St. and MacArthur Blvd. All the while, developers are seeking opportunities in the Plaza and Paseo districts for restaurants, coffee shops and more.

Summary

| | |
|----------------------------|--------------|
| Number of Transactions | 88 |
| Total Sales Volume | \$39,690,501 |
| Total Bldg. SF | 1,161,369 SF |
| Total Land in Acres | 133.56 |
| Average Price per Bldg. SF | \$81.16 |
| Median Price per SF | \$70.20 |

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OKC MARKET SIGNIFICANT RETAIL SALE TRANSACTIONS DURING Q2 2016



Property Name: CVS Pharmacy
Address: 900 SW 44th St., OKC
Sale Price: \$4,676,000
Building SF: 10,900 SF
Sale Price per SF: \$428.99
Sale Date: 04/20/2016



Property Name: KIA
Address: 418 N Interstate Dr. Norman
Sale Price: \$2,850,001
Building SF: 15,672 SF
Sale Price per SF: \$181.85
Sale Date: 04/15/2016



Property Name: The Shoppes of Del City
Address: 5501 Main St., Del City
Sale Price: \$2,750,000
Building SF: 17,220 SF
Sale Price per SF: \$159.70
Sale Date: 05/19/2016

Second Quarter Retail Market Report

2016

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Property Name: Holiday Square
Address: 1110 S Air Depot Blvd., Midwest City
Sale Price: \$2,550,000
Building SF: 46,200 SF
Sale Price per SF: \$55.19
Sale Date: 04/12/2016



Property Name: Taco Bell/KFC
Address: 909 NW 32nd St., Newcastle
Sale Price: \$1,603,000
Building SF: 3,177 SF
Sale Price per SF: \$504.56
Sale Date: 04/11/2016



Property Name: 630-650 W Edmond Rd.
Address: 630-650 W Edmond Rd.,
Sale Price: \$1,400,000
Building SF: 10,200 SF
Sale Price per SF: \$137.25
Sale Date: 04/25/2016

Second Quarter Retail Market Report

2016

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