

First Quarter Office Market Report 2014



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Leasing Activities:	
Total Net Absorption	168,214 SF
Total Inventory	54,478,490 SF
Overall Rental Rate	\$14.44/SF/YR
Total Vacancy Rate	8.20%
Under Construction	174,368 SF
Sale Activities:	
Number of Transactions	32
Total Sales Volume	\$24,436,791
Average Price per Bldg. SF	\$96.01

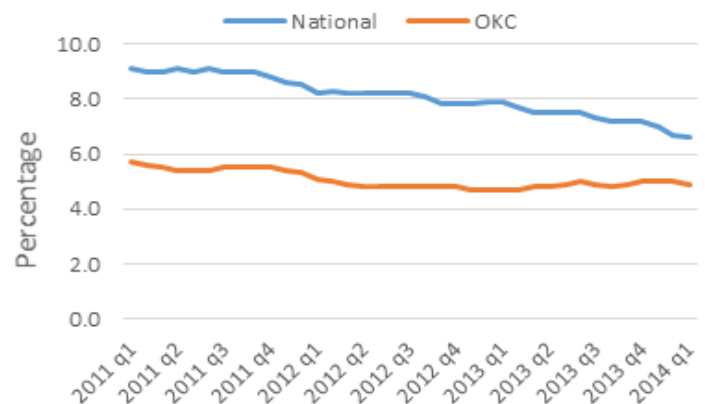
National Economy

Early this quarter, one of the coldest Arctic outbreaks in two decades plunged into the United States. The bitterly cold temperature depressed construction and consumer spending slowing down the economic development. Goldman Sachs states that the harsh weather cut a bit more than 0.5 percentage points off the first quarter GDP growth, ending the first quarter with a GDP growth rate at 2.0 percent. Analysts pointed out that the slowdown during the first quarter would not influence the originally expected economic growth for the year 2014 at a rate of 3.1 percent, this will make 2014 the strongest year since the economy, as measured by GDP, expanded 3.4 percent in 2005. The slowdown can pave the way for a solid bounce back in the second quarter of 2014. Though the weather greatly influenced the economic growth, it didn't deep freeze the job market, 480,000 jobs were added throughout the United States for the first three months, ending the first quarter with an unemployment rate of 6.7 percent.

Local Economy

Oklahoma added 20,200 jobs last year, the majority from the energy industry. During the first quarter of 2014, the unemployment rate fell by 0.2 percent to 5 percent in February, which is the lowest unemployment rate since December 2008. Oklahoma City's three attributing factors include a low unemployment rate, a median real household income growth and job growth. These are great advantages for Oklahoma City, and we continue to be recognized by national

Unemployment Rate National Vs. OKC



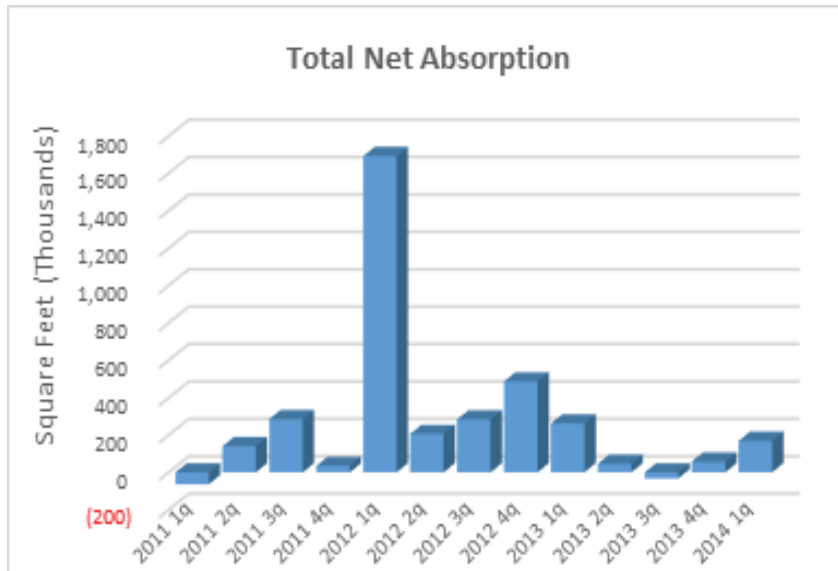
media as one of the best places to do business. One of the city's latest accolades includes being the 8th "Best Metro for Economic Momentum". Also, recruitment and expansion reached a five year high during 2013. It is expected in 2014 that companies will more likely commit and announce long term investment projects. The Oklahoma City Chamber of Commerce continues to work hard on the state's incentive programs which include the Aerospace Industry Engineer Tax Credit Program, the Oklahoma Film Enhancement Rebate Program, the Small Employer Quality Jobs Incentive Act and the Oklahoma Quality Events Incentive Act in order to recruit companies to Greater Oklahoma City, enhance opportunities for existing companies and encourage development.

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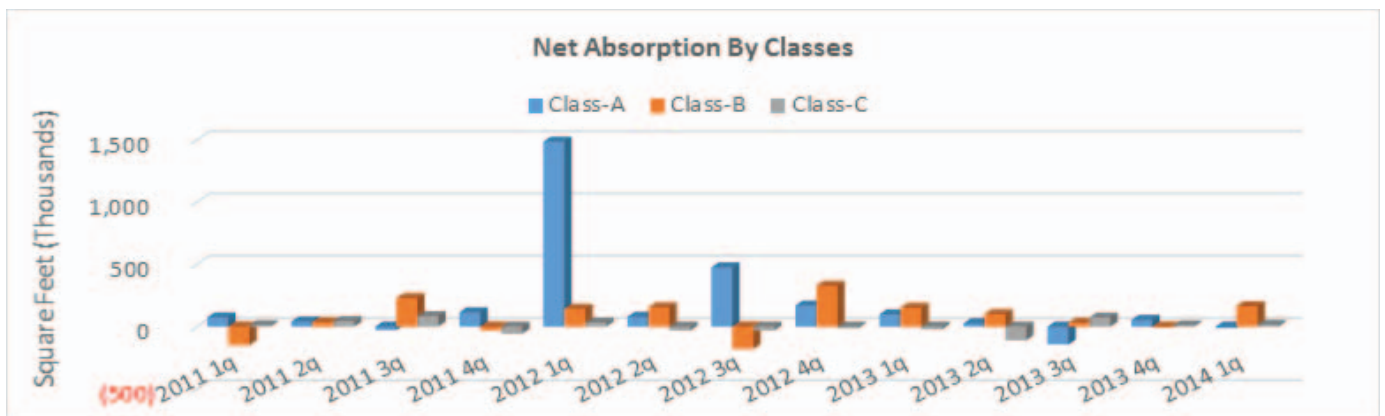
Oklahoma City Market Office Leasing

The largest lease signings occurring in the first quarter of 2014 included: the 89,951 square foot lease by Sprint Spectrum at Sprint Customer Care Center; the 17,421 square-foot lease by Frates Insurance & Risk Management at 13439 Broadway Extension and the 15,516 square-foot deal signed by TriZetto, Corporation at Lake Park Tower.

Net Absorption



- The total net absorption was 168,214 SF.
- The total net absorption increased compared with its net absorption of 57,498 SF at the end of the fourth quarter 2013.
- The total inventory was 54,478,490 SF.
- The total inventory decreased compared with its inventory of 54,838,014 SF at the end of the fourth quarter.

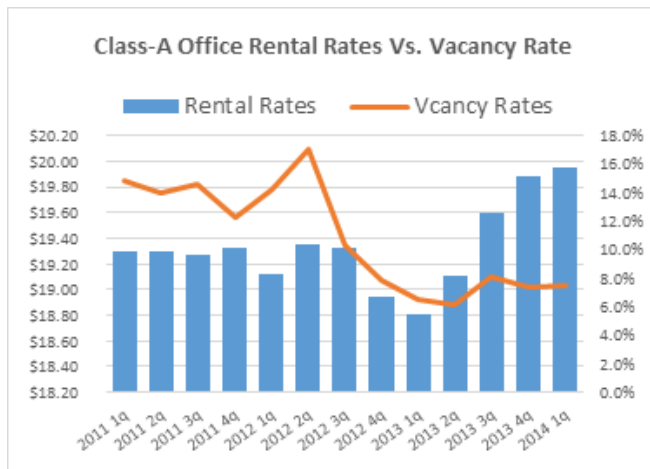
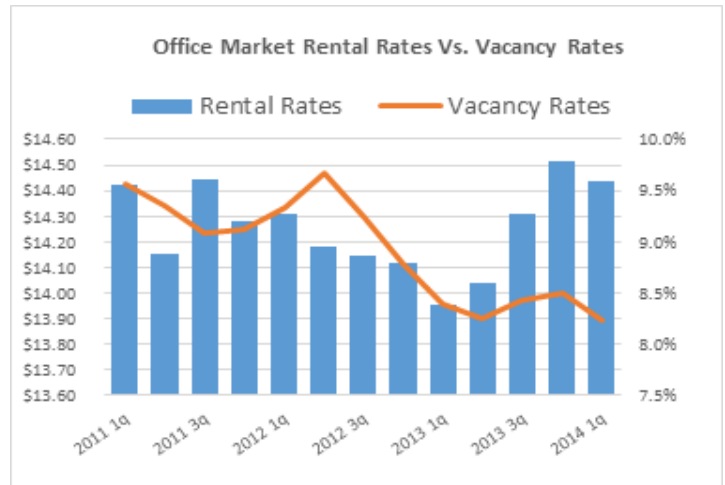


- **Class-A net absorption was a negative 12,103 SF, it decreased** compared with its net absorption of a positive 54,128 SF at the end of the fourth quarter 2013.
- **Class-B net absorption was a positive 165,142 SF, it increased** compared with its net absorption of a negative 6,140 SF at the end of the fourth quarter 2013.
- **Class-C net absorption was a positive 15,175 SF, it increased** compared with its net absorption of a positive 9,510 SF at the end of the fourth quarter 2013.

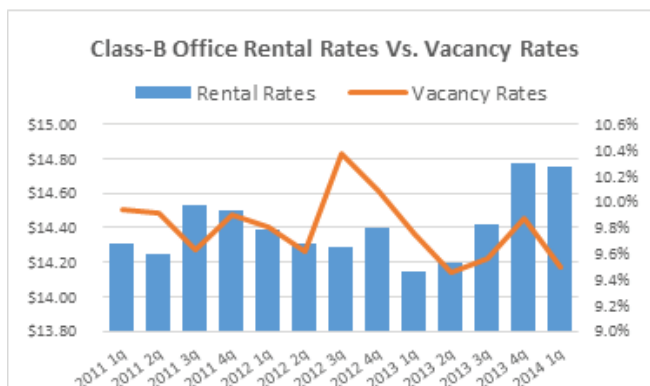
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Rental Rates and Vacancy Rates

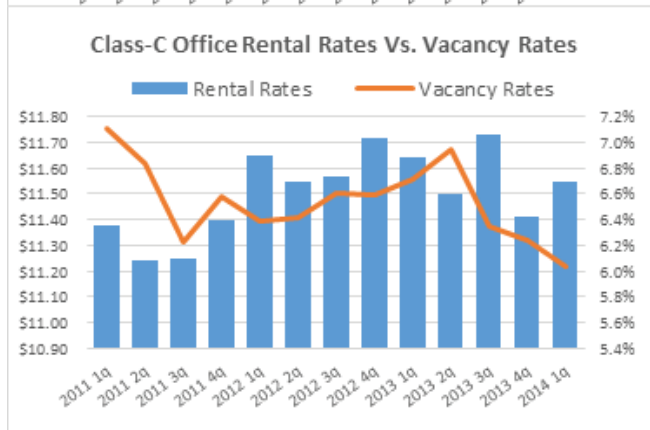
- The Office market rental rate was **\$14.44/SF/YR**
- The Office market rental rates **decreased** 0.6% compared with its rate of \$14.52/SF/YR at the end of the fourth quarter 2013.
- The Office market vacancy rate was **8.2%**.
- The Office market vacancy rates **decreased** compared with its rate at the end of the fourth quarter.



- Class-A property rental rate was **\$19.94/SF/YR**
- Class-A property rental rates slightly **increased** compared with its rate of \$19.88/SF/YR at the end of the fourth quarter.
- Class-A property vacancy rate was **7.5%**.
- Class-A property vacancy rates slightly **increased** compared with its rate of 7.4% at the end of the fourth quarter 2013.



- Class-B property rental rate was **\$14.76/SF/YR**.
- Class-B property rental rates slightly **decreased** compared with its rate of \$14.77/SF/YR at the end of the fourth quarter 2013.
- Class-B property vacancy rate was **9.5%**.
- Class-B property vacancy rates **decreased** compared with its rate of 9.9% at the end of the fourth quarter 2013.



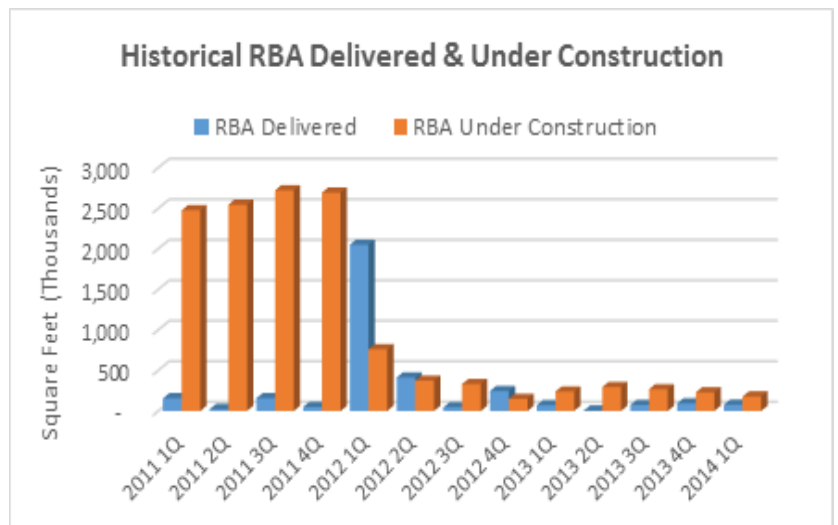
- Class-C property rental rate was **\$11.45/SF/YR**.
- Class-C property rental rates **decreased** compare with its rate of \$11.87/SF/YR at the end of the fourth quarter 2013.
- Class-C property vacancy rate was **6.1%**.
- Class-C property vacancy rates **decreased** compared with its rate of 6.3% at the end of the fourth quarter 2013.

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Delivery and Under Construction

There were 174,368 square feet of office space under construction at the end of the first quarter of 2014. The project with the most RBA is a 41,000 square-foot property located at 1141 North Classen Blvd., which is 100 percent pre-leased, and a 23,721 square-foot project located at 4251 West Memorial which is 100 percent pre-leased. A 20,249 square-foot project located at 3151 West Tecumseh Road is the only Class-A project, the remaining properties are Class-B. A 62,952 square-foot space is expected to be delivered to the market during the second quarter including a 22,000 square-foot project located at 307-309 N.W. 13th Street.

The notable deliveries in the first quarter of 2014 include: a 7,645 square-foot property located at 3030 N.W. 149th Street which is 100 percent leased and a 6,000 square-foot facility located at 401 South Green that is 33 percent leased.



Oklahoma City Market Office Sales

Despite the almost \$6 million dollar sale for Express Personal Service building located at 8561 N.W. Expressway and Chesapeake Energy's \$4 million dollars sale of the Chase Building located at 1200 N.W. 63rd Street, the total sales volume consisting of 32 properties only reached \$24,436,791. This is less than half of the sales volume which occurred during the fourth quarter 2013. Although the sales volume was lower than last quarter, this March, WalletHub

has cited Oklahoma City as one of the country's best corporate incubators due to the city's hard-working population, the states low corporate tax rates and the ease with which local businesses are able to obtain financing. In addition to these advantages, the Chamber of Commerce hard work and the sustained growth of the local economy will continue to attract companies throughout the nation to the Oklahoma City Market, in turn stimulating the sales and leasing activities in the office market.

Number of Transactions	32
Total Sales (Dollar) Volume	\$24,436,791
Total Bldg. SF	305,453
Total Land in SF	1,577,308
Average Number of SF	9,545
Average Price	\$1,062,469
Average Price Per Bldg. SF	\$96.01
Median Price Per SF	\$118.31

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NAI Sullivan Group Top Leasing and Sale Activities

Property Address	Property Type	Sales Associate	Sales Price	Date Finalized	Trans. Type
4001 NW Expressway	Retail	Hartnack	\$1,768,000.00	3/12/2014	Sale
1540 SE 40th St.	Land	Sullivan/Gray	\$560,000.00	3/15/2014	Sale
2448 W. Memorial	Land	Hartnack/Swanson	\$408,000.00	3/27/2014	Sale
6300 SW 44th St.	Land	Hrdlicka	\$366,000.00	3/18/2014	Sale
839 SW 19th St.	Land	Gray	\$295,000.00	2/13/2014	Sale
2323 Industrial Blvd	Land	Gray	\$255,000.00	3/12/2014	Sale
15316 NW 153, Lot 9	Land	Sullivan	\$177,000.00	3/13/2014	Sale
		Total	\$3,829,000.00		
357 North Harvard Avenue	Industrial	Sullivan	-	2/12/2014	Lease
3617 NW Expressway	Retail	Hartnack/Swanson	-	3/11/2013	Lease
6 S. Vermont	Industrial	Swanson	-	1/14/2014	Lease
1241 Metropolitan Ave.	Industrial	Baker	-	1/14/2014	Lease
1300 W. Vandament	Retail	Swanson	-	1/07/2014	Lease
3801 S. Eastern	Industrial	Sullivan	-	1/21/2014	Lease
		Total	\$1,777,965.39		

Despite the weather related influence earlier this quarter, NAI Sullivan Group ended the first quarter with a total sales volume of \$7.4 million. CoStar named NAI Sullivan Group as one of the Top Sales and Top Leasing firms in the Greater Oklahoma City area for 2013.



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OKC Market Significant Office Sale Transactions during the First Quarter 2014



Name: Express Personnel Service
Address: 8561 NW Expressway, OKC
Sale Price: \$5,974,500
Price/SF: \$98.30
Sale Date: 3/13/2014



Name: Chase Building
Address: 1200 NW 63rd St., OKC
Sale Price: \$3,950,000
Price/SF: \$100.46
Sale Date: 1/31/2014



Name: State Farm Insurance
Address: 609 W Memorial Rd
Sale Price: \$1,370,000
Price/SF: \$92.54
Sale Date: 3/4/2014



Name: Frates Building
Address: 5005 N Lincoln Blvd., OKC
Sale Price: \$3,000,000
Price/SF: \$81.08
Sale Date: 1/23/2014



Name: Computerize Business Solutions
Address: 624 W Sheridan Ave., OKC
Sale Price: \$680,000
Price/SF: \$123.48
Sale Date: 1/29/2014



Name: Yukon Executive Suites
Address: 1605-1607 Professional Cir., Yukon
Sale Price: \$600,000
Price/SF: \$120
Sale Date: 1/9/2014

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NAI Sullivan Group

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Resources mainly come from CoStar, The Oklahoman, and The POINT.

