

First Quarter Industrial Market Report 2014



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Leasing Activities Highlights:	
• Total Net Absorption	288,886 SF
• Total Inventory	107,654,999 SF
• Overall Rental Rate	\$4.55/SF/YR
• Total Vacancy Rate	6.20%
• Under Construction	261,901 SF
Sale Activities Highlights:	
• Number of Transactions	39
• Total Sales Volume	\$29,710,104
• Average Price per Bldg. SF	\$38.12

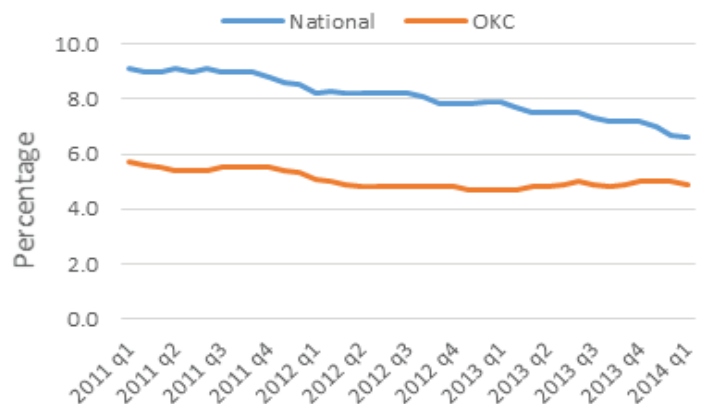
National Economy

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



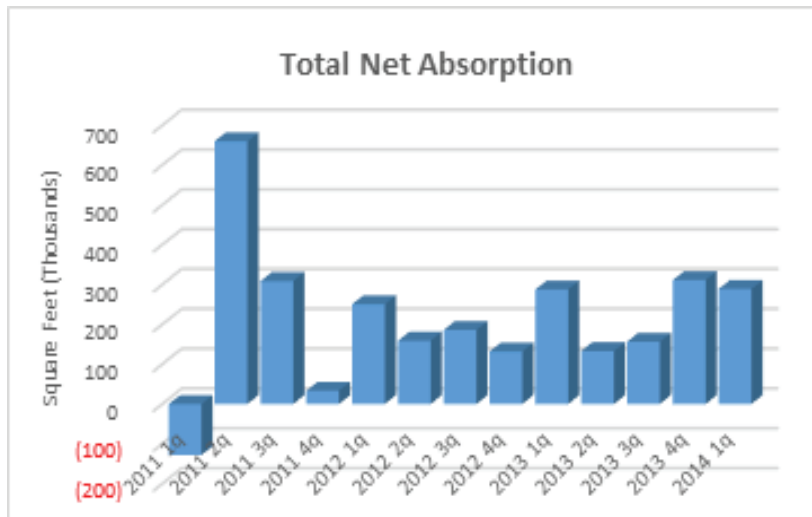
media as one of the best places to do business. One of the city's latest accolades includes being the 8th "Best Metro for Economic Momentum". Also, recruitment and expansion reached a five year high during 2013. It is expected in 2014 that companies will more likely commit and announce long term investment 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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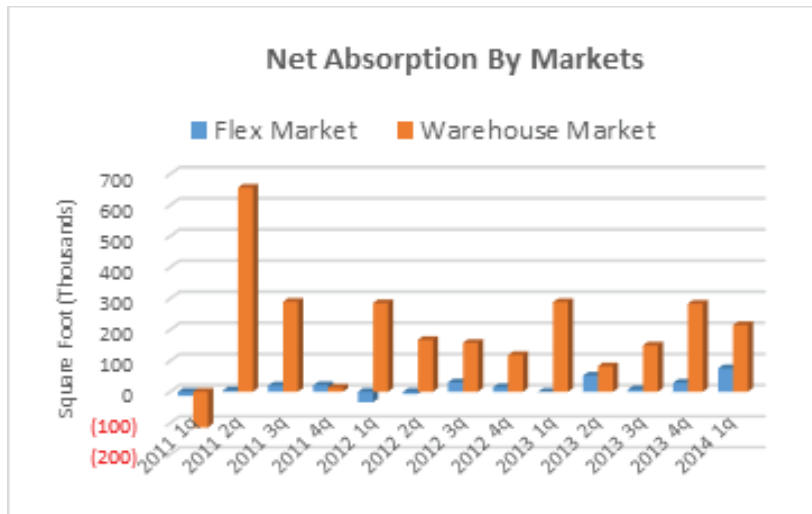
Oklahoma City Market Office Leasing

The largest lease signings occurring in the first quarter of 2014 included: the 322,129 square foot lease at 3333 South Council Road and the 93,100 square foot lease at 3341 South Council Road signed by Alliance Steel in the Oklahoma County market; and the 116,507 square foot deal signed by Pratt & Whitney in the Mid America Business Park in the Southeast market.

Net Absorption



- The total net absorption was 288,886 SF.
- The total net absorption **decreased** compared with the 311,536 SF net absorption at the end of the fourth quarter 2013.
- The total inventory was 107,654,999 SF.
- The total inventory **increased** compare with the 102,050,164 SF at the end of the fourth quarter 2013.

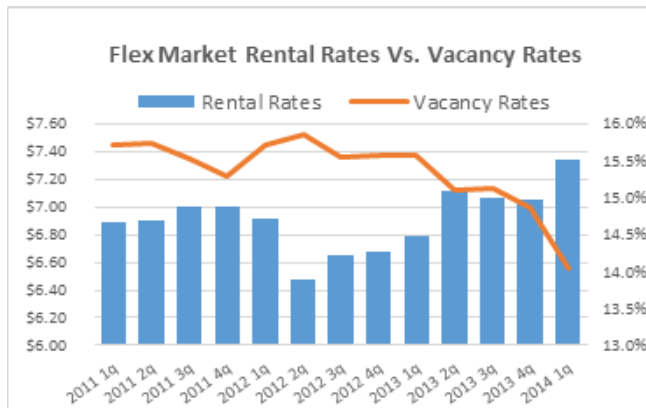
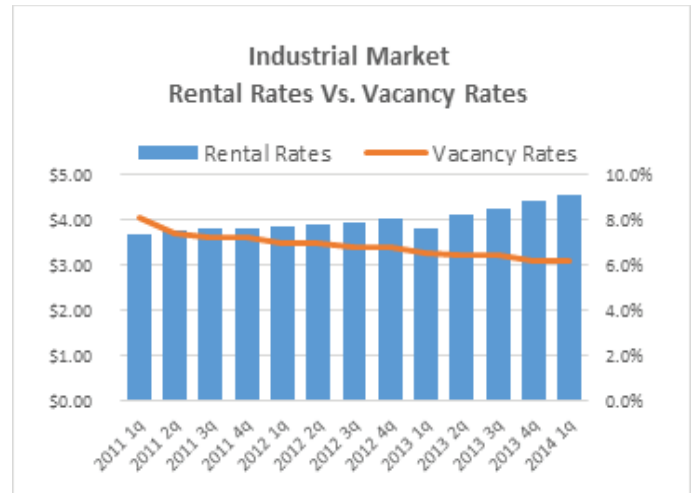


- The net absorption for Flex Market was 75,064 SF.
- Flex Market net absorption **increased** compared with the 28,767 SF net absorption at the end of the fourth quarter 2013.
- The net absorption for Warehouse is 213,840 SF.
- Warehouse net absorption **decreased** compared with the 282,769 SF net absorption at the end of the fourth quarter 2013.

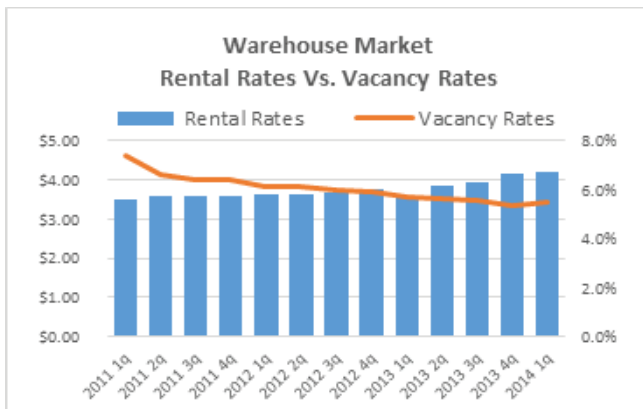
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Rental Rates and Vacancy Rates

- The industrial rental rate was **\$4.55/SF/YR**.
- The industrial rental rates **increased** compared with the rental rate at \$4.43/SF/YR at the end of the fourth quarter 2013.
- The industrial vacancy rate was **6.2%**.
- The industrial vacancy rates **slightly increased** compared with the vacancy rate of 6.1% at the end of the fourth quarter 2013.



- Flex market rental rate was **\$7.34/SF/YR**.
- Flex market rental rate **increased** compared with its rate of \$7.05/SF/YR at the end of the fourth quarter 2013.
- Flex market vacancy rate was **14%**.
- Flex market vacancy rate **decreased** compared with its rate of 14.9% at the end of the fourth quarter 2013.



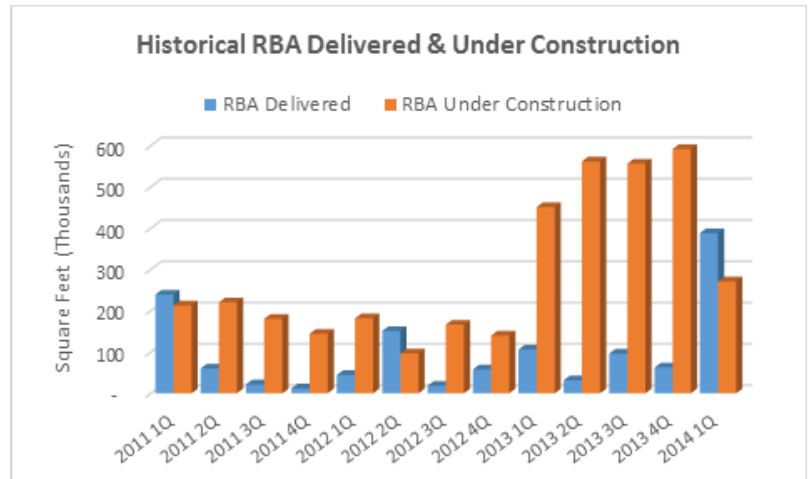
- Warehouse rental rate was **\$4.22/SF/YR**.
- Warehouse rental rates **increased** compared with its rate of \$4.14/SF/YR at the end of the fourth quarter 2013.
- Warehouse vacancy rate was **5.5%**.
- Warehouse vacancy rates **slightly increased** compared with its rate of 5.3% at the end of the fourth quarter 2013.

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Delivery and Under Construction

There were 261,901 square feet of industrial space under construction at the end of the first quarter of 2014. The two projects with the most RBA is a 60,800 square foot property located at 6200 S.W. 29th Street, which is 25 percent pre-leased and a 60,000 square foot project located at 1300 S.E. 89th Street, which is 0 percent pre-leased. The majority of the industrial properties under construction are Class-B facilities. It is expected that 131,658 square feet of inventory will be delivered to the market during the second quarter, including a 19,000 square foot project located at 3101 South Ann Arbor Avenue, which is 0 percent pre-leased.

The notable deliveries in the first quarter of 2014 include: a 280,000 square foot property located at 8301 East I-35 Service Road, which is 100 percent pre-leased and a 22,404 square foot facility located at 220 North Sara Road, which is 0 pre-percent leased.



Oklahoma City Market Industrial Sales

During the first quarter of 2014, there were 39 industrial sale transactions totaling \$29,710,104 were recorded. More than half of the sales volume came from the combined sale of two industrial buildings located at 3333 and 3341 South Council Road in Oklahoma City, totaling 415,229 square feet. The two buildings were sold January 17, 2014 for \$16.6 million dollars. The transaction by Alliance Steel was a sale leaseback with a lease term of 30 years.

Number of Transactions	39
Total Sales (Dollar) Volume	\$29,710,104
Total Bldg. SF	868,280
Total Land in SF	4,452,268
Average Number of SF	22,264
Average Price	\$1,024,486
Average Price Per Bldg. SF	\$38.12
Median Price Per SF	\$29.45

Despite the slight increase in vacancy in the industrial market, the rental rate increased. This shows a strong development in Oklahoma City's industrial market. GE announced last December their choice to build the first sector-specific global research center in Oklahoma City, which will be dedicated to developing and accelerating innovative oil and gas technologies. They also announced in February to renew their commitment to clean energy with a \$10 billion dollar investment that likely will include the company's planned Oklahoma City Global research center. Plus, the Oklahoma Energy Index increased this March due to larger number of state residents working in the oil and natural gas industry. All these factors indicate a strong development of the industrial market in the Greater Oklahoma City area and the increasing national awareness of Oklahoma City as a great place to invest.

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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 Industrial Sale Transactions during the First Quarter 2014



Name: Team Alliance
Address: 3333 S Council Rd., OKC
Sale Price: \$13,857,890
Price/SF: \$43.02
Sale Date: 1/17/2014



Name: Building III
Address: 8120 Mid America Blvd., OKC
Sale Price: \$4,665,500
Price/SF: \$35.48
Sale Date: 1/6/2014



Name: Team Alliance Steel Building Systems
Address: 3341 S Council Rd., OKC
Sale Price: \$2,742,110
Price/SF: \$29.45
Sale Date: 1/17/2014



Name: Greenleaf Wholesale Florists Inc.
Address: 32-34 N Broadway Cir, OKC
Sale Price: \$850,000
Price/SF: \$42.50
Sale Date: 2/27/2014



Name: Moyers Storage Warehouse
Address: 12 NW 6th St., OKC
Sale Price: \$1,300,000
Price/SF: \$72.22
Sale Date: 1/31/2014

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NAI Sullivan Group

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

