

Second Quarter Office Market Report 2014



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Leasing Activities	
Total Net Absorption	181,747 SF
Total Inventory	54,710,423 SF
Overall Rental Rate	\$14.44/SF/YR
Total Vacancy Rate	8.20%
Under Construction	546,010 SF
Sale Activities	
Number of Transactions	51
Total Sales Volume	\$118,187,370
Average Price per Bldg. SF	\$238.84

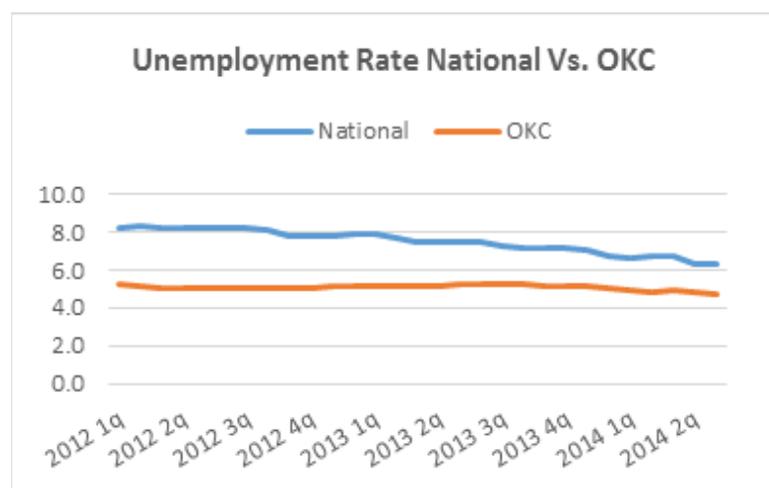
National Economy

The cold outbreaks started a poorly performed first quarter, but gave way to a solid bounce back for the second quarter this spring. A surprisingly robust job market is energizing the 5 year-old US recovery from the financial crisis, and driving the economy almost too full health. According to the Bureau of Labor Statistics, employers added 809,000 jobs in total during the second quarter, which reduces the national unemployment rate to 6.1% at the end of the second quarter. The second quarter's GDP is an annualized 3%. Consumer spending and confidence still remain below what would be considered normal levels, but with more people getting back to work and less housing inventory, the national economy is accelerating its steps to a full recovery, and we will see the growth of the economy through increasing personal consumption and investment. The economy is expected to pick up speed in the second half of 2014 and exceed the expected 3% growth rate.

Local Economy

At the end of the second quarter, Oklahoma's unemployment rate is down to 4.5%. Oklahoma Employment Security Commission stated that 3,600 jobs were added to the market in the Oklahoma City area this May. The largest employment gains came from leisure and hospitality, but construction had the largest decline in Oklahoma City. According to Bureau of Economic Analysis, Oklahoma is fourth best in real GDP growth from 2012 to 2013 with a

rate of 4.2%, and it ranks the first in the southwest region. A survey released by Thumbtack.com in June indicated that Oklahoma is the seventh friendliest state for small business and fourth friendliest for starting an enterprise. Besides, the career website Glassdoor put Oklahoma City in the top 10 cities with the happiest employees. All these rankings will definitely help the Oklahoma City area create a good business environment and culture to attract more investors nationwide and throughout the world.

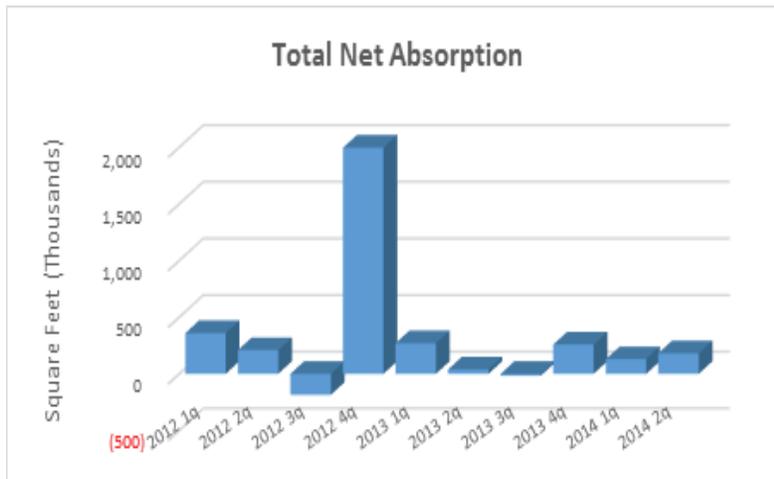


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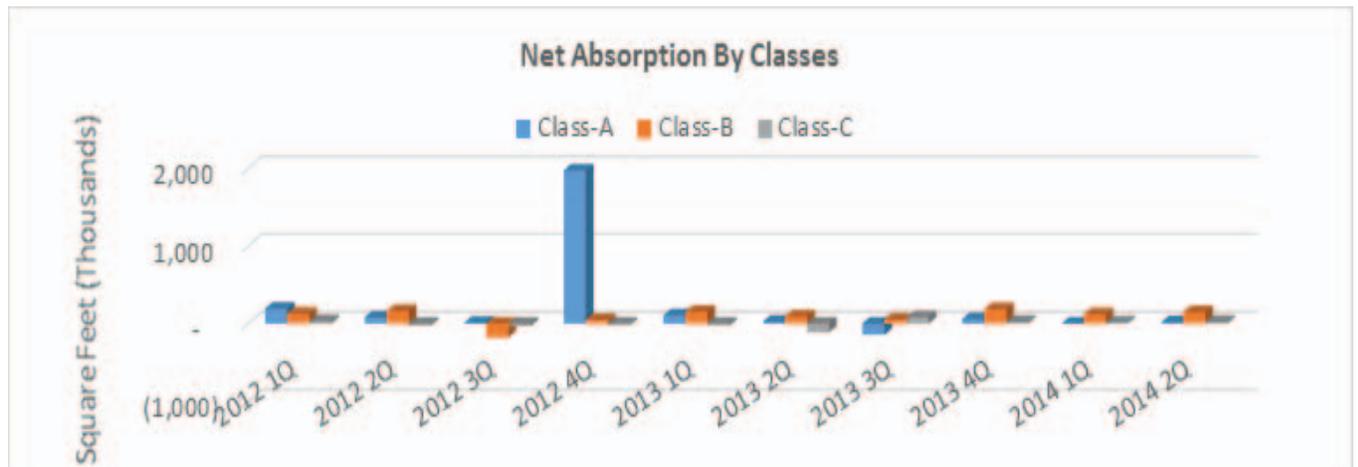
Oklahoma City Market Office Leasing

The largest lease signings occurring in the first half year of 2014 included: the 89,951 square foot lease signed by Sprint Spectrum at Sprint Customer Care Center (8525 Silver Crossing) in the Oklahoma County market; the 74,632 square foot lease signed by Crowe & Dunlevy at the Braniff Building (324 N Robinson Avenue) in Oklahoma County Market; and the 67,000 square foot lease signed by Oklahoma Publishing Company at Century Center (100 W Main Street) in the Oklahoma County market.

Net Absorption



- **The total net absorption was 181,747 SF.**
- **The total net absorption increased** compared with its net absorption of 129,581 SF at the end of the first quarter 2014.
- **The total inventory was 54,710,423 SF.**
- **The total inventory increased** compared with its inventory of 54,437,334 SF at the end of the first quarter 2014.

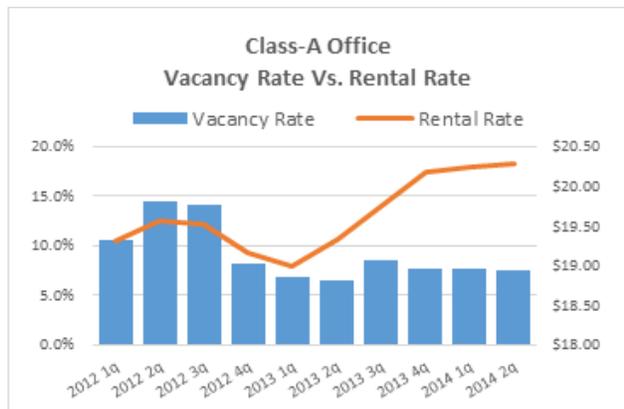
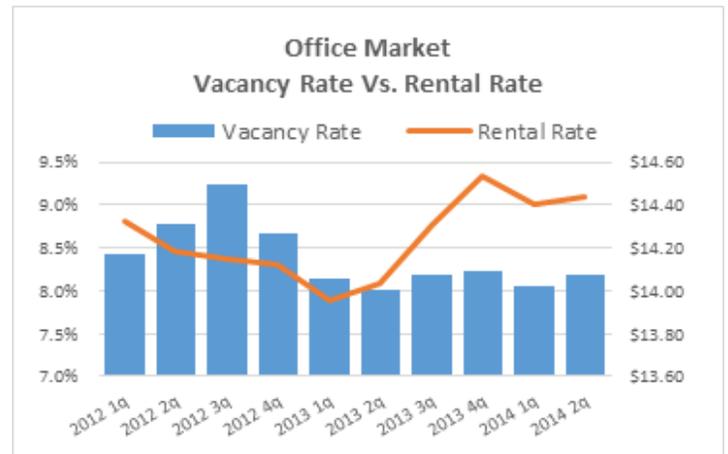


- **Class-A property net absorption was a positive 14,211 SF, it increased** compared with its net absorption of a negative 1,674 SF at the end of the first quarter 2014.
- **Class-B property net absorption was a positive 145,696 SF, it increased** compared with its net absorption of a positive 118,537 SF at the end of the first quarter 2014.
- **Class-C property net absorption was a positive 21,840 SF, it increased** compared with its net absorption of a positive 12,718 SF at the end of the first quarter 2014.

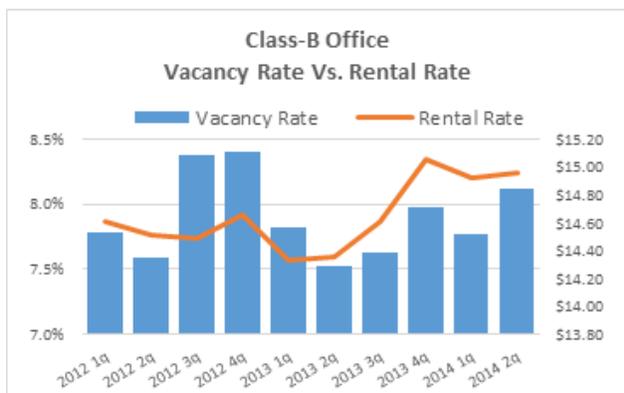
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Rental Rates and Vacancy Rates

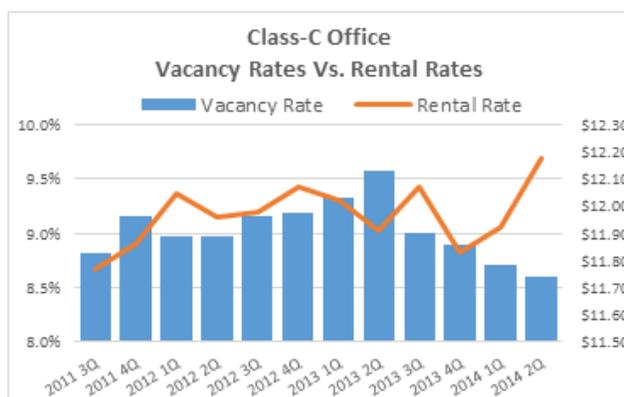
- The office market rental rate was **\$14.44/SF/YR.**
- The office market rental rate **increased** compared with its rate of \$14.40/SF/YR at the end of the first quarter 2014.
- The office market vacancy rate **was 8.2%.**
- The office market vacancy rate **slightly increased** compared with its rate of 8.1% at the end of first quarter



- **Class-A property rental rate increased** compared with its rate of \$20.23/SF/YR at the end of the first quarter 2014.
- **Class-A property vacancy rate was 7.5%.**
- **Class-A property vacancy rate decreased** compared with its rate of 7.7% at the end of the first quarter 2014.



- **Class-B property rental rate was \$14.95.**
- **Class-B property rental rate increased** compared with its rate of \$14.92/SF/YR.
- **Class-B property vacancy rate was 8.1%.**
- **Class-B property vacancy rate increased** compared with its rate of 7.8% at the end of the first quarter 2014.



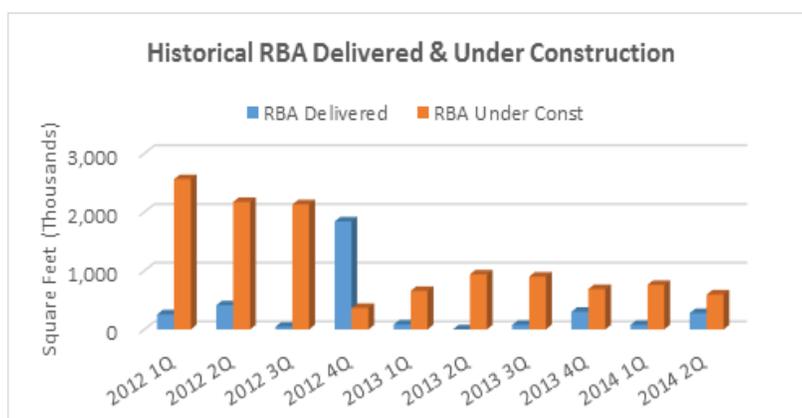
- **Class-C property rental rate was \$12.18/SF/YR.**
- **Class-C property rental rate increased** compare with its rate of \$11.92 at the end of the first quarter 2014.
- **Class-C property vacancy rate was 8.6%.**
- **Class-C property vacancy rate decreased** compared its rate of 8.7% at the end of the first quarter 2014.

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Delivery and Under Construction

There were 546,010 square feet of office space under construction at the end of the second quarter 2014. The two projects with the most rentable building area is the 150,000 square foot Hobby Lobby expansion located at Southwest 44th Street and Council Road with 100% preleased, and the 95,000 square foot GE Oil & Gas Technology Center located at 1 Northeast 10th Street with 100% preleased. It is expected that 41,891 square feet of inventory will be delivered to the market during the third quarter, including a 6,481 square foot Class-B property located at 7013 W Hefner in Oklahoma City, which is 100% pre-leased.

Some notable deliveries during the first half year of 2014 included: 2017 W I-35 Frontage Road, a 206,000 square foot facility delivered in the second quarter 2014 which is a 100% occupied, and Monterey (307-309 NW 13th Street), a 22,000 square foot building that delivered in the second quarter 2014 which is 85% occupied.



Oklahoma City Market Office Sales

There were 51 transactions recorded for the second quarter 2014. The total sales volume of the second quarter for the Oklahoma City market was \$118,187,370, almost four times more compared with the sales volume of \$24,436,791 in the first quarter 2014. The large sale volume is due to the sale of a 206,000 square foot Medical Office Building located at 2017 W I-35 Frontage Road in Edmond. Healthcare Realty Trust Incorporated purchased this medical office building from United Trust Fund for \$85,405,000. This building is 100% occupied by Mercy Health systems, it was constructed in May 2014. Pricing for medical buildings is usually more expensive than a standard office building. This large volume medical building transaction increased the overall average price, and the average price per building square feet. By excluding this transaction it will give us a better view of the general office market in the Oklahoma City area. After we exclude this medical office transaction, the overall average sale price was \$936,639.14, and the average price per building square feet was \$104.93.

Number of Transactions	51
Total Sales (Dollar) Volume	\$118,187,370
Total Bldg. SF	557,168
Total Land in SF	3,540,121
Average Price	\$3,282,982
Average Price Per Bldg. SF	\$238.84
Median Price Per SF	\$91.13

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NAI Sullivan Group Top Leasing and Sale Activities

Associate	Property Address	Date Finalized	Property Type	Trans. Type	Sale Price
Sullivan	327 S. Scott Street	5/15/2014	Industrial	Lease	-
Hartnack	1427 S Fretz	5/06/2014	Industrial	Lease	-
Hartnack	13746 N. Lincoln	5/06/2014	Industrial	Lease	-
Hartnack	13718 & 13720 N. Lincoln	5/06/2014	Industrial	Lease	-
Hartnack	13776 - 13778 N. Lincoln	5/06/2014	Land	Lease	-
Hartnack	13782 & 13722 N Lincoln	5/06/2014	Industrial	Lease	-
Bollinger	10443 N. May Ave.	4/01/2014	Retail	Lease	-
Gray	911 NW 79th Street	4/24/2014	Industrial	Lease	-
Baker	924 NW 150th Street	5/12/2014	Retail	Lease	-
				Total	\$ 690,400.92
Sullivan	501 N. Ann Arbor Ave.	4/14/2014	Industrial	Sale	\$ 1,350,000.00
Sullivan/Baker	1301 SE 59th Street	5/07/2014	Office	Sale	\$ 950,000.00
Elychar	1120 North Tela Drive	5/28/2014	Special Purpose	Sale	\$ 400,000.00
Elychar	1109 S May, 1121 S May, 2911 SW 11th, 2916 SW 10th	6/23/2014	Industrial	Sale	\$ 340,000.00
Baker/Hrdlicka	2908 Epperly Drive	5/05/2014	Special Purpose	Sale	\$ 275,000.00
Gray	2916 NW 30th St.	5/29/2014	Retail	Sale	\$ 180,000.00
Mayes	1040 NW Hefner Road	4/03/2014	Office	Sale	\$ 125,000.00
				Total	\$ 3,620,000.00

NAI Sullivan Group ended the second quarter with a total sales volume of \$4.95 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 Second Quarter 2014



Name: Mercy Edmond I-35
Address: 2017 W I-35 Frontage Road, Edmond
Sale Price: \$85,405,000
Price/SF: \$414.59
Sale Date: 5/22/2014



Name: Covergy's Call Center
Address: 1705 S Broadway, Moore
Sale Price: \$7,400,000
Price/SF: \$83.80
Sale Date: 5/30/2014



Name: Deaconess Family Care LLC
Address: 16400 N May Ave, Edmond
Sale Price: \$3,925,000
Price/SF: \$356.82
Sale Date: 5/15/2014



Name: Paramount Pictures Building
Address: 701 W Sheridan Ave., OKC
Sale Price: \$3,273,607
Price/SF: \$95.71
Sale Date: 5/27/2014



Name: Human Performance Center
Address: 9070 Harmony Dr. Midwest City
Sale Price: \$2,075,000
Price/SF: \$187.14
Sale Date: 5/21/2014



Name: Department of Health; Integrated Systems Analyst LLC;
Unified Strategies & Associates
Address: 3017 N Stiles Ave., OKC
Sale Price: \$1,825,000
Price/SF: \$44.02
Sale Date: 5/19/2014



Name: Advanced Therapy
Address: 9212 N Kelly Ave., Edmond
Sale Price: \$1,578,000
Price/SF: \$157.80
Sale Date: 5/5/2014

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NAI Sullivan Group

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



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