

# First Quarter Industrial Market Report 2015



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<b>Leasing Activities</b>	
Total Inventory	110,430,166 SF
Overall Rental Rate	\$4.80/SF/YR
Total Vacancy Rate	3.80%
Under Construction	2,524,790 SF
<b>Sale Activities</b>	
Number of Transactions	46
Total Sales Volume	\$37,109,500
Average Price per Bldg. SF	\$43.63

## National Economy

The harsh weather this winter, especially in the eastern U.S., has slowed the housing starts and decreased consumer spending; the rise in the value of the dollar during the first quarter has increased U.S. imports. Based on these factors, according to Kiplinger, the annual growth rate of GDP for the first quarter is only 1 percent. The continuing job gains and growth will increase consumer spending and Kiplinger predicted 2015 will end with an annual GDP growth rate of 3 percent. Oil prices have been staying low since last summer. Analysts from big oil service companies have predicted that oil prices will stay between \$40 and \$50 per barrel until the end of 2015, and oil prices could fall further since we are seeing increasing oil supply. Big oil service companies such as Schlumberger, Halliburton, and Baker Hughes have already started their first round of layoffs. Many small companies who cannot maintain their profits under such low prices have had to close their offices. We will definitely see more layoffs in the oil and gas industry in the coming quarters. Low oil and gas prices also save consumers money and we will see growing consumer spending on gasoline, cars and other products and services, which will increase employment in other industries. According to the Department of Labor, unemployment rates stayed at 5.5 percent in March, and we are looking for an unemployment rate of 5.3 percent at the end of 2015. As the job market continues its growth, economists predict that the Federal Reserve will increase interest rates this September.

## Local Economy

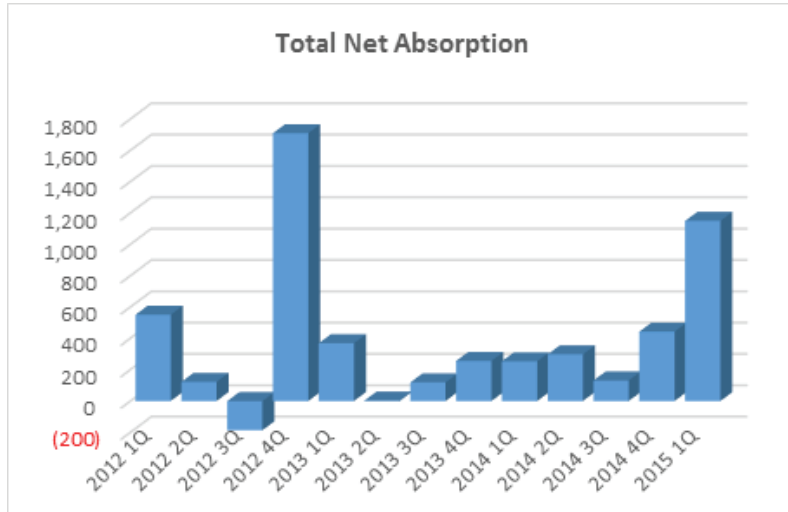
Seven months have passed since the decline of the oil and gas prices. As a state with abundant oil and gas resources, Oklahoma could not avoid seeing layoffs in the oil and gas industry; it's reported that 2,400 energy jobs have been lost just this February. Despite the layoffs in the energy industry, Oklahoma still sees job growth and has one of the lowest unemployment rate in the nation. The unemployment rate decreased to 3.9 percent this February, and stayed unchanged in March. Oklahoma's economy is more diversified and less dependent on the oil and gas industry than in prior years and the decline in the energy industry has been countered by gains in construction, trade, transportation and utilities and government jobs. A new maintenance plant for the KC-46 A Tanker is going to be constructed at Tinker AFB, which will create more than 1,300 jobs; the massive Baker Hughes campus is well under construction at the Southwest Corner of the Kilpatrick Turnpike and Santa Fe and will bring 475 new jobs to Oklahoma City. Grocery and utility costs in the Oklahoma City area are 10.1 percent below the national average; Forbes ranked Oklahoma City as the number 4 most affordable city in the United States on its recent news release.

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## Oklahoma City Market Industrial Leasing

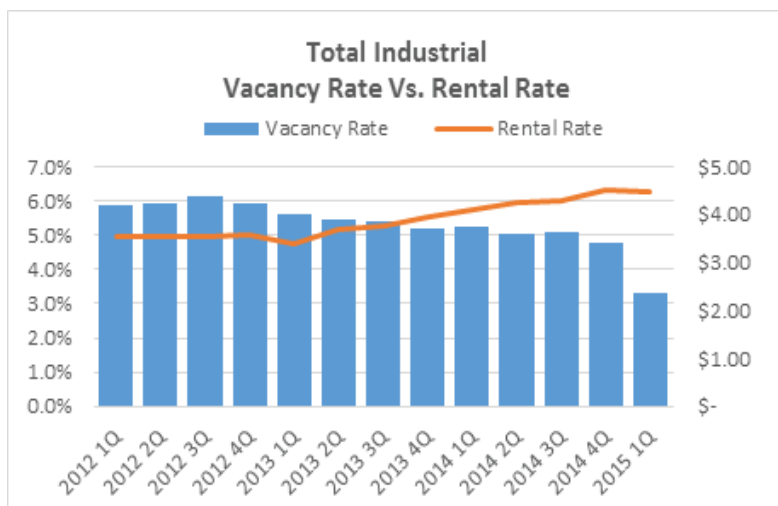
The top leases occurring in the first quarter 2015 included: the 60,400 square foot new lease signed by MidCon Data at 3301 North Santa Fe Avenue in Oklahoma City; the 44,100 new lease signed by Iron Mountain Information Management at 4681 Northwest 1st Street in Oklahoma City; and the 19,825 square foot renewal signed by Industrial Controls Solutions LLC at 1005 Metropolitan Avenue in Oklahoma City.

## Net Absorption



- **The total industrial net absorption was 1,229,445 SF.**
- **The total net absorption significantly increased** compared to the net absorption of 493,408 SF in the fourth quarter 2014.
- **The total inventory was 110,430,166 SF.**
- **The total inventory decreased** compared to the inventory of 110,485,601 SF at the end of the fourth quarter 2014.

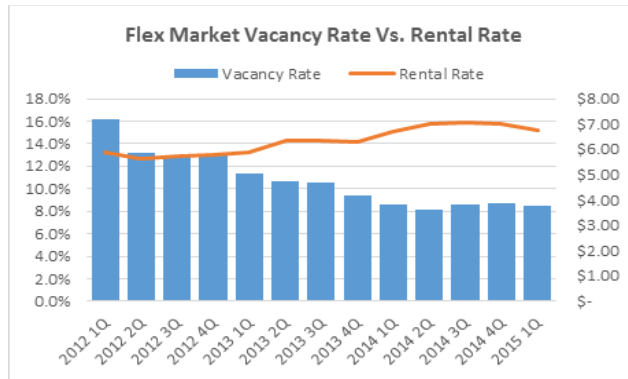
## Rental Rates and Vacancy Rates



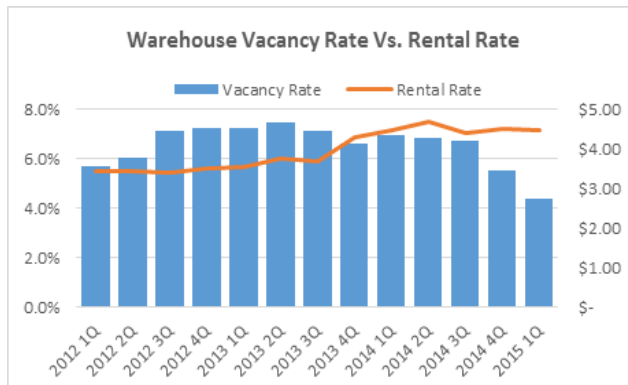
- **The industrial rental rates averaged \$4.80/SF/YR.**
- **The industrial rental rate slightly decreased** compared to the rental rate of \$4.86/SF/YR.
- **The industrial vacancy rate was 3.80%**
- **The industrial vacancy rate decreased** compared to the rate of 5.20% at the end of the fourth quarter 2014.

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## Rental Rates and Vacancy Rates



- Flex market rental rate averaged **\$8.26/SF/YR.**
- Flex market rental rate stayed the same compared to the rental rate of \$8.26/SF/YR at the end of the fourth quarter 2014.
- Flex market vacancy rate was **8.80%.**
- Flex market vacancy rate decreased compared to the vacancy rate of 8.90% at the



- Warehouse rental rate averaged **\$4.39/SF/YR.**
- Warehouse rental rate slightly decreased compared to the rental rate of \$4.43/SF/YR at the end of the fourth quarter 2014.
- Warehouse vacancy rate was **3.40%.**
- Warehouse vacancy rate decreased compared to the vacancy rate of 4.90% at the end of fourth quarter 2014.

## OKC Industrial Market Information by Submarkets

	CBD	Midtown	West/Central	OKC South	Edmond	Moore/Norman
Vacancy Rate	10.90%	3.20%	3.60%	2.00%	1.10%	2.50%
Rent per SF	\$4.35	\$3.42	\$4.61	\$4.29	\$7.16	\$5.85
Existing Buildings	146	406	1,447	1,158	230	450
Existing SF	1,770,149	5,758,691	34,774,798	17,536,229	4,630,140	6,229,655
Sale Price per SF	91	33	42	45	-	-
Cap Rate	-	-	7.20%	8.50%	-	8.60%

## OKC Industrial Market Information by Classes

	Class-A	Class-B	Class-C
Vacancy Rate	1.30%	3.50%	3.40%
Rent per SF	\$4.99	\$4.51	\$4.18
Existing Buildings	41	1,465	4,118
Existing SF	7,120,043	45,797,596	51,595,652
Sale Price per SF	\$61	\$39	\$41
Cap Rate	9.00%	7.90%	7.80%

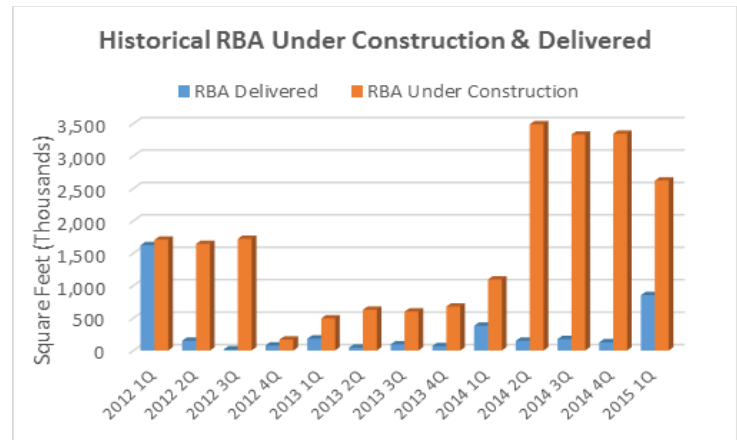
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## OKC Industrial Market Information by Sizes

	Up to 30,000 SF	From 30,000 SF
Vacancy Rate	2.50%	3.90%
Rent per SF	\$5.84	\$3.83
Existing Buildings	5,103	618
Existing SF	42,955,186	63,059,556
Sale Price per SF	\$65	\$36
Cap Rate	8.50%	7.50%

## Delivery and Under Construction

There were 2,524,790 square feet of industrial space under construction at the end of the first quarter 2015. The two projects with the most rentable building area are the 1,900,000 square foot Hobby Lobby Warehouse located at 6900 Southwest 29th Street, which is 100 percent pre-leased and is scheduled to be delivered in December 2015; and a 365,000 square foot property located at 413 South Portland Avenue, which is now 100 percent pre-leased and is scheduled to be delivered in June 2015.



It is expected that 555,704 square feet of industrial space will be delivered to the market during the second quarter of 2015.

Some of the notable deliveries during the first quarter include: Hobby Lobby Building A (165,000 SF) and Building B (250,000 SF). These are industrial warehouses located at 7600 Southwest 44th Street, delivered in January, which are now 100 percent occupied. Also, a 225,000 square foot property located at 5101 South Council Road which is now 56 percent occupied.

## Oklahoma City Market Industrial Sales

During the first quarter 2015, there were 46 industrial transactions totaling \$37,109,500 recorded. The total sale volume decreased compared to the sales volume of \$71,213,833 during the fourth quarter 2014. The largest transaction based on sales volume was the sale of the Crest Food building located at 4800 Partnership Dr. in Oklahoma City. Crest Discount Food Inc. purchased this 220,000 SF industrial property from JCG LLC for \$9,000,000 on January 30th, 2015.

Number of Transactions	46
Total Sales Volume	\$37,109,500
Total Bldg. SF	1,581,461 SF
Total Land in SF	10,174,745 SF
Average Price per Bldg. SF	\$43.63
Median Price per SF	\$46.14

The low vacancy rates will continue to put upward pressure on rental rates. The high level of new construction of industrial space is somewhat misleading as most is owner occupied. We will continue to see new construction starts in the industrial sector.

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## OKC Market Significant Industrial Sale Transactions during the First Quarter 2015



Property Name: Crest Food  
Address: 4800 Partnership Dr.  
Sale Price: \$9,000,000  
Building SF: 220,000 SF  
Price per SF: \$40.91  
Sale Date: 1/30/2015



Property Name: 11300 Partnership Dr.  
Address: 11300 Partnership Dr., OKC  
Sale Price: \$8,150,000  
Building SF: 145,600  
Price per SF: \$55.98  
Sale Date: 1/30/2015



Property Name: 3949 NW 36th Street  
Address: 3949 NW 36th Street, OKC  
Sale Price: \$2,200,000  
Building SF: 83,189 SF  
Price per SF: \$26.45  
Sale Date: 1/15/2015



Property Name: 722 S Walker Avenue  
Address: 722 S Walker Avenue, OKC  
Sale Price: \$1,978,000  
Building SF: 10,950 SF  
Price per SF: \$32.41  
Sale Date: 2/10/2015



Property Name: Silverado Reconditioning Service, Inc.  
Address: 6700 S Eastern Avenue, OKC  
Sale Price: \$1,400,000  
Building SF: 8,550 SF  
Price per SF: \$163.74  
Sale Date: 1/13/2015



Property Name: 7180 NW Expressway  
Address: 7180 NW Expressway, Okarche  
Sale Price: \$1,025,000  
Building SF: 16,456 SF  
Price per SF: \$62.29  
Sale Date: 4/27/2015

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