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The net absorption in the overall office market was a positive 63,229 SF with a total inventory of 56,831,287 SF.

We are seeing a significant increase in overall office rental rates, with the overall rate near $15.50 per SF annually. Class-A space averages $20.13/SF up from $19.51 at the end of Q2 with a vacancy rate of only 4.6 percent, Class-B rate was $16.13/SF with vacancy at 7.6 percent, and Class-C space holding at an average of $12.70/SF full service. It is typical in good economic times that we see the Class-A buildings with the lowest vacancy because companies are able to “move up.” We should see this trend continue as there continues to be a shortage of Class-A and B choices.

There are 1,700,911 SF of office space currently under construction, most of which is owner-occupied or pre-leased. Most notable are BOK Park Plaza, Westgate One, Linn Energy and GE Technology Center.

Office sales also continue to be strong seeing as though there were 42 transactions totaling $25,020,694. We are seeing newer office properties consistently above $175/SF to $220/SF.

There is also great demand for the purchase of office buildings since our economy continues to be strong. We expect this demand to continue and strengthen.

Bob Sullivan  
CEO

**Leasing Activities**

<table>
<thead>
<tr>
<th>Metric</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Inventory</td>
<td>56,831,287 SF</td>
</tr>
<tr>
<td>Overall Rental Rate</td>
<td>$15.46/SF/YR</td>
</tr>
<tr>
<td>Total Vacancy Rate</td>
<td>7.40%</td>
</tr>
<tr>
<td>Under Construction</td>
<td>1,700,911 SF</td>
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</table>

**Sales Activities**

<table>
<thead>
<tr>
<th>Metric</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Transactions</td>
<td>42</td>
</tr>
<tr>
<td>Total Sales Volume</td>
<td>$25,020,694</td>
</tr>
<tr>
<td>Average Price per Bldg. SF</td>
<td>$115.70</td>
</tr>
</tbody>
</table>
NATIONAL ECONOMY

The United States stock market made headlines quite a few times during the third quarter due to its volatility, mainly caused by the crushed Chinese stock market and China’s slowing economy. Devaluation of the Chinese RMB along with China’s declining economy and the recession of Canada, the United States’ largest trading partner, will further decrease national exports. According to Kiplinger, the GDP annual growth rate is expected to be 2.7 percent in the second half of the year. Monthly job reports from the government show that national monthly job growth averaged 167,000 jobs in the third quarter of 2015, down from 231,000 in the second quarter of 2015. This ended the third quarter with an unemployment rate of 5.1 percent. Employment continues to decline in the mining industry, which is highly correlated with the oil and gas industry. Despite the hard work of energy companies lobbying to lift the ban on exporting crude oil, it is highly unlikely that this will be passed. Energy companies will continue to feel the pain of low oil prices for the rest of the year, and we expect to see more layoffs and reshuffles in the oil and gas industry. With the concerns mentioned above, the long-awaited and expected interest rate increase in September has been delayed. The current expectation is that the federal government will raise the interest rate at least once before the end of 2015, but the increase might be delayed further if the global economy continues to slow down.

LOCAL ECONOMY

According to the latest report from the Oklahoma Employment Security Commission, Oklahoma City’s unemployment rate remained unchanged at 3.9 percent in August, and Oklahoma had a statewide unemployment rate of 4.6 percent in August. The Oklahoma City metropolitan area added 9,600 jobs during the past year. The mining industry in Oklahoma, which is mostly driven by the oil and gas industry, lost at least 2,400 jobs in-state after Chesapeake announced 740 layoffs. Things will continue to be tough during the fourth quarter for energy companies in Oklahoma, especially for those with higher finance leverage. Despite tumbling prices in the oil and gas industry, the more diversified Oklahoma economy continues to see new jobs brought in or created, from out of state as well as in-state. Boeing Company will bring 800 to 900 new jobs to Oklahoma City after completing construction of its new Aircraft Modernization and Sustainment Division headquarters. Local company Paycom plans to create 1,090 jobs in the Oklahoma City area over the next five years. The ongoing clearance for the 27-story BOK Park Plaza tower at 499 West Sheridan Avenue which will provide space mainly for Bank of Oklahoma and Devon Energy. The ongoing negotiation between Chicago developer Clayco and the city for the 26-story OGE Energy Corp headquarters and the adjoining apartment tower, show the confidence that national investors have in the Oklahoma City metropolitan area. Competition among several groups to purchase the First National Center also indicates investment demand and confidence from investors. Oklahoma City’s new convention center is going to be built to the south of Chesapeake Arena, which is adjoined with the Lumberyard just sold to Champion Hotel & Development and Mazaheri Properties for future development. As the MAPS3 project moves forward, more business will be brought to the core-to-shore area.

OKLAHOMA CITY OFFICE MARKET LEASING

The top office lease signings that occurred during the third quarter of 2015 include the 6,308 square-foot ease signed by Kirkpatrick Bank in the Paragon Building located at 5801 N Broadway Extension, the 5,987 square-foot lease signed by Fusion Industries in the Two Broadway Executive Park located at 205 NW 63rd Street and the 5,501 square-foot lease signed by OK Primary Care Physicians in the Three Broadway Executive Park located at 6501 N Broadway Extension.
NET ABSORPTION AND INVENTORY

- The total office net absorption was a positive 63,229 SF.
- The total net absorption decreased from its net absorption of 86,882 SF at the end of Q2 2015.
- The total office inventory was 56,831,287 SF.
- The total office inventory increased from its inventory of 55,467,506 SF at the end of Q2 2015.

Class-A property net absorption yielded a positive 121,097 SF, which significantly increased from the net absorption of negative 544 SF at the end of Q2 2015.

Class-B property net absorption yielded a positive 101,134 SF, which decreased from the net absorption of positive 138,562 SF at the end of Q2 2015.

Class-C property net absorption yielded a negative 159,002 SF, which decreased from the net absorption of negative 51,136 SF at the end of Q2 2015.
The overall office market gross rental rate averaged at $15.46/SF/YR.
- The overall office market rental rate increased from the $14.99 rate at the end of Q2 2015.
- The overall office market vacancy rate was 7.4%.
- The overall office market vacancy rate increased from the 7.1% rate at the end of Q2 2015.

Class-A property gross rental rate averaged $20.13/SF/YR.
- Class-A property gross rental rate increased from the $19.51 rate at the end of Q2 2015.
- Class-A property vacancy rate was 4.6%.
- Class-A property vacancy rate remained the same compared to the rate at the end of Q2 2015.

Class-B property gross rental rate averaged $16.13/SF/YR.
- Class-B property gross rental rate increased from the $15.68 rate at the end of Q2 2015.
- Class-B property vacancy rate was 7.6%.
- Class-B property vacancy rate increased from the 7.3% rate at the end of Q2 2015.
Class-C property gross rental rate averaged $12.70/SF/YR.
- Class-C property gross rental rate increased from the $12.60 rate at the end of Q2 2015.
- Class-C property vacancy rate was 8.4%.
- Class-C property vacancy rate increased from the 7.8% rate at the end of Q2 2015.

Many offices in the Central Business District (CBD) were built quite some time ago, thus are either currently under renovation or awaiting redevelopment. Many tenants were forced to move out of the First National Center due to continued uncertainty and dispute over its ownership. The downsizing of SandRidge and other companies also contributed to the increased vacancy rate in the CBD area. However, since it’s the center and prime location of the Greater Oklahoma City area, it continues to stay strong and attract both developers and investors.

We saw 1,700,911 square feet of rentable office space under construction at the end of Q2 2015 with an average asking rental rate of $21.51/SF/YR full service. The largest two projects with the most rentable building area were the 200,000 square foot Westgate One located at 10401 West Reno Avenue in Yukon that is 90 percent pre-leased and is scheduled to be delivered in November 2015 and the 109,000 square foot Linn Energy building located at 14501 Quail Springs Parkway that is now 100 percent pre-leased, and is scheduled to be delivered in November 2015. Some oil and gas companies are downsizing their administrative staff, contributing to the decrease of the overall office market absorption during the second quarter.
### Under Construction

<table>
<thead>
<tr>
<th>Building Name</th>
<th>Building Address</th>
<th>City</th>
<th>RBA</th>
<th>Delivery Time</th>
</tr>
</thead>
<tbody>
<tr>
<td>BOK Park Plaza</td>
<td>499 W Sheridan</td>
<td>OKC</td>
<td>692,716 SF</td>
<td>Dec 2017</td>
</tr>
<tr>
<td>Westgate One</td>
<td>10401 W Reno Ave</td>
<td>OKC</td>
<td>200,000 SF</td>
<td>Feb 2016</td>
</tr>
<tr>
<td>Linn Energy</td>
<td>14501 Quail Springs Pky</td>
<td>OKC</td>
<td>109,000 SF</td>
<td>Dec 2015</td>
</tr>
<tr>
<td>Gulfport Energy Corp HQ</td>
<td>3001 Quail Springs Pky</td>
<td>OKC</td>
<td>95,160 SF</td>
<td>Oct 2016</td>
</tr>
<tr>
<td>GE Oil &amp; Gas Technology Center</td>
<td>300 NE 10th</td>
<td>OKC</td>
<td>95,000 SF</td>
<td>Apr 2016</td>
</tr>
<tr>
<td>Baker Hughes</td>
<td>12701 N Santa Fe Ave</td>
<td>OKC</td>
<td>90,000 SF</td>
<td>May 2016</td>
</tr>
<tr>
<td>HPI Broadway Mediplex</td>
<td>9800 Broadway Extension</td>
<td>OKC</td>
<td>74,998 SF</td>
<td>Oct 2015</td>
</tr>
<tr>
<td>Offices at Market Center</td>
<td>901 NE 122nd St</td>
<td>OKC</td>
<td>41,5000 SF</td>
<td>Oct 2015</td>
</tr>
<tr>
<td>Cardiovascular Health Clinic</td>
<td>3200 Quail Springs Pky</td>
<td>OKC</td>
<td>37,871 SF</td>
<td>Oct 2015</td>
</tr>
</tbody>
</table>

Some notable deliveries during Q3 include the 70,000 square foot Class-A Parkside Building located at 120 Robert S Kerr Avenue in the CBD area, delivered in September 2015, the 50,000 square foot Class-A Computer Rx building located at 750 SW 24th Street in Oklahoma City, delivered in August 2015, and the 48,000 SF Rock Island Plow Building located at 29 East Reno Avenue in the CBD area, delivered in September 2015. We are seeing some newly delivered Class-B office buildings outside the CBD area with asking rental rates around $20/SF/YR NNN and some newly delivered Class-A office medical buildings with asking rental rates around $25/SF/YR, full-service in the Norman area.
The largest individual office property sale based on dollar value was the sale of a 14,324 square foot Class-A office building located at 5800 NW 135th Street, built in 2015. Charging Bear LLC in Oklahoma City purchased this office property in Macarthur Crossing Office Park for $3,137,500 ($219.04 per square foot) on August 14, 2015.

The uncertainty and dispute over the ownership of the historic First National Center still kept the nearly one million square feet of pending sale up in the air, but developers nationwide are competing to buy and redevelop the center with the goal of converting the building into a mixed-use property for lodging, housing and retail.

The office market in Oklahoma City continues to stay strong as rental rates trend upward. Class-A office properties in downtown and close to the downtown area still show high demand as vacancy rates stay low. The Union Bus Station, the old Hotel Black, the motor hotel near Sheridan and Hudson along with six other buildings, have been torn down to make way for the 27-story office building named BOK Park Plaza, scheduled for delivery in December 2017. Negotiations are still ongoing between Clayco and the city regarding financial incentive requests. We are excited to see the new development happening in the Oklahoma City market.
OKC MARKET SIGNIFICANT OFFICE SALE TRANSACTIONS DURING Q3 2015

Property Name: Macarthur Crossing Office Park
Property Address: 5800 NW 135th St., OKC
Sale Price: $3,137,500
Building SF: 14,324 SF
Price per SF: $219.04
Sale Date: 8/14/2015

Property Name: 3130 SW 89th Street
Property Address: 3130 SW 89th St., OKC
Sale Price: $2,100,000
Building SF: 10,644 SF
Price per SF: $197.29
Sale Date: 7/21/2015

Property Name: Norwich Petroleum
Property Address: 1017 NW Grand Blvd., OKC
Sale Price: $2,025,000
Building SF: 8,580 SF
Price per SF: $236.01
Sale Date: 9/10/2015
Property Name: 416-418 NW 8th Street  
Property Address: 416-418 NW 8th St., OKC  
Sale Price: $1,900,000  
Building SF: 12,012 SF  
Price per SF: $158.18  
Sale Date: 8/20/2015

Property Name: Heritage Park Medical Center  
Property Address: 6912 E Reno Ave., OKC  
Sale Price: $1,200,000  
Building SF: 15,104 SF  
Price per SF: $79.45  
Sale Date: 7/31/2015

Property Name: Building 500, Cooper Center  
Property Address: 7100 N Classen Blvd., OKC  
Sale Price: $804,320  
Building SF: 7,312 SF  
Price per SF: $110  
Sale Date: 8/20/2015
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