CONTENTS

03 Executive Summary
04 National Economy
04 Local Economy
04 Oklahoma City Industrial Market Leasing
05 Net Absorption and Inventory
06 Rental and Vacancy Rates
07 OKC Industrial Market Information by Submarket, Class and Size
08 Construction, Delivery, Net Absorption and Vacancy Rate
09 Oklahoma City Industrial Market Sales
10 OKC Market Significant Industrial Sale Transactions during Q4 2017
11 About NAI Sullivan Group
INDUSTRIAL MARKET STRENGTHENS

Q4 2017 showed a very positive 1,165,079 net absorption after the negative absorption of 685,000 SF in Q3, bringing the net positive absorption to 850,000 SF for all of 2017. This brings the overall vacancy rate to 3.9%, a 0.6% improvement from Q4 2016.

The lower vacancy rate translated to increased lease rates which edged up to $5.37/SF/YR NNN. Class A building rates increased to an average of $5.60/SF/YR NNN. With the lower vacancy and increased demand and leasing rate increases, we would expect to see continued speculative construction for bulk warehouse space.

There is also continued demand for industrial properties with yard space. The sweet spot is 10,000 to 20,000 SF manufacturing type space with 3 to 5 acres of yard. This is especially true in west Oklahoma City to El Reno, as we have great demand and little product.

The sales of industrial real estate also picked up in Q4 showing 30 transactions at a median price of $47.35/SF. That number is skewed by the sale of the Amazon Building for $100.00/SF.

We will continue to see strong growth in the industrial market in terms of increased demand, increased leasing rates and continued increases in value of existing industrial properties.

Respectfully,

Bob Sullivan
CEO
The Trump Administration’s plan to significantly cut business and personal taxes has been signed into law as of December 2017. Everybody should benefit under this new policy. Improving profits for business and increasing savings for consumers will definitely boost the economy in the coming years. The Federal Reserve raised interest rates to a range of 1.25 percent to 1.5 percent in December, the third time in 2017, and foresees three more hikes in 2018. According to Kiplinger, 2017 finished with a GDP rate at 2.3 percent, and the rising household wealth and income, job gains will solidly bump up the GDP to 2.9 percent in 2018. We saw the fourth quarter ended with an unemployment rate at 4.1 percent and Kiplinger predicted the unemployment rate drop to 3.8 percent at the end of 2018. During the fourth quarter 2017, OPEC agreed to extend the production cut by about 1.8 million barrels a day throughout 2018. Oil and gas prices has been recovering and West Texas Intermediate crude oil price reached over $60 per barrel by the end of 2017.

According to the report from the Oklahoma Employment Security Commission, the state unemployment rate was down to 4.2 percent in November 2017, 0.2 percent down from the previous month, and 0.7 percent down from a year ago. We saw continuing recovery from the oil and gas industry. Energy companies have been focusing on techniques in recent years and trying to be profitable at the current price level. OPEC’s decision to continue to cut production plus the Trump Administration’s plan to open nearly all federal waters to offshore drilling will definitely benefit local energy companies.

Oklahoma City commercial real estate was active during the fourth quarter of 2017-American Fidelity Assurance Co. filed plans for the first phase of an 100-acre mixed use development south of its campus on Broadway Extension and Britton Road, which includes both hotel and office as well as a 30,000 SF as potential restaurant space. The Downtown Boulevard construction is well underway. More details have been revealed regarding the new convention center and the Omni Hotel. Both are moving forward; Wheeler District is ready to start its construction in spring 2018 which will benefit the Capitol Hill Redevelopment efforts as well.

The largest lease signings during Q4 2017 included the 98,500 SF lease signed at 7501 SW 29th St. in Oklahoma City with an asking rental rate at $3.45/SF/YR; the 80,800 SF lease signed at 5510 SW 29th St. in Oklahoma City with an asking rental rate at $5.95/SF/YR NNN; and the 25,841 SF lease signed by Noble Supply at 8001 Mid America Blvd. in Oklahoma City with an asking rental rate at $4.25/SF/YR NNN.
NET ABSORPTION AND INVENTORY

- The total net absorption was a positive 1,165,079 SF at the end of Q4 2017.
- The total net absorption increased compared to the negative absorption of 669,928 SF at the end of Q3 2017.
- The total industrial inventory was 120,615,584 SF at the end of Q4 2017.
- The total industrial inventory increased from 119,844,137 SF at the end of Q3 2017.

- Class-A net absorption yield was a negative 110,750 SF, which remains negative but better compared to the absorption of a negative 142,430 SF at the end of Q3 2017.
- Class-B net absorption yield was a positive 1,304,797 SF, which increased significantly compared to the negative 25,517 absorption at the end of Q3 2017.
- Class-C net absorption yield was a negative 28,968 SF, which remains negative but much better compared to Q3 2017.
The overall industrial rental rate was $5.37/SF/YR NNN at the end of Q4 2017.

- The overall industrial rental rate increased from the $5.26/SF/YR rate at the end of Q3 2017.
- The overall industrial vacancy rate was 3.90% at the end of Q4 2017.
- The overall industrial vacancy rate decreased from the 4.70% rate at the end of Q3 2017.

Class-A property rental rate averaged at $5.60/SF/YR NNN at the end of Q4 2017.

- Class-A property rental rate increased from the $5.40/SF/YR NNN rate at the end of Q3 2017.
- Class-A property vacancy rate was 3.60% at the end of Q4 2017.
- Class-A property vacancy rate increased from the 2.60% rate at the end of Q3 2017.

Class-B property rental rate averaged $5.18/SF/YR NNN at the end of Q4 2017.

- Class-B property rental rate remains about the same compare to the rate of $5.17/SF/YR NNN at the end of Q3 2017.
- Class-B property vacancy rate was 4.10% at the end of Q4 2017.
- Class-B property vacancy rate decreased from the 5.70% rate at the end of Q3 2017.
2017
Fourth Quarter Industrial Market Report

Class-C property rental rate averaged $5.06/SF/ YR NNN at the end of Q4 2017.
Class-C property rental rate increased from the $5.01/SF/YR rate at the end of Q3 2017.
Class-C property vacancy rate was 4.10% at the end of Q4 2017.
Class-C property vacancy rate remained the same compare to the rate at the end of Q3 2017.

OKC INDUSTRIAL MARKET INFORMATION BY SUBMARKET

<table>
<thead>
<tr>
<th></th>
<th>CBD</th>
<th>Midtown</th>
<th>West/Central</th>
<th>OKC South</th>
<th>Moore/Norman</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rent per SF</td>
<td>$5.87</td>
<td>$4.03</td>
<td>$4.91</td>
<td>$6.25</td>
<td>$6.65</td>
</tr>
<tr>
<td>Vacancy Rate</td>
<td>14.90%</td>
<td>3.50%</td>
<td>2.60%</td>
<td>2.20%</td>
<td>2.10%</td>
</tr>
<tr>
<td>Existing Buildings</td>
<td>129</td>
<td>409</td>
<td>1499</td>
<td>1189</td>
<td>474</td>
</tr>
<tr>
<td>Existing SF</td>
<td>1,391,305 SF</td>
<td>5,941,566 SF</td>
<td>39,602,699 SF</td>
<td>18,645,162 SF</td>
<td>6,527,858 SF</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Class-A</th>
<th>Class-B</th>
<th>Class-C</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rent per SF</td>
<td>$5.60</td>
<td>$5.18</td>
<td>$5.06</td>
</tr>
<tr>
<td>Vacancy Rate</td>
<td>3.60%</td>
<td>4.10%</td>
<td>4.10%</td>
</tr>
<tr>
<td>Existing Buildings</td>
<td>52</td>
<td>1665</td>
<td>4165</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Up to 30,000 SF</th>
<th>From 30,000 SF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rent per SF</td>
<td>$6.56</td>
<td>$4.55</td>
</tr>
<tr>
<td>Vacancy Rate</td>
<td>3.30%</td>
<td>3.50%</td>
</tr>
<tr>
<td>Existing Buildings</td>
<td>5299</td>
<td>683</td>
</tr>
<tr>
<td>Existing SF</td>
<td>44,654,570 SF</td>
<td>71,438,006 SF</td>
</tr>
</tbody>
</table>
As there was 1,836,075 SF of industrial space under construction by the end of Q4 2017. The largest two industrial properties under construction are the 1,000,000 SF Hobby Lobby distribution center at 6701 SW 44th St. in Oklahoma City, which is scheduled to be delivered in August 2018, and the 469,086 SF industrial building at 10401 W Reno Ave. in Oklahoma City, which is scheduled to be delivered in March 2018. We are seeing asking rental rates for properties under construction average at $6.37/SF/YR in the Oklahoma City market.

Some notable deliveries throughout 2017 include a 300,000 SF industrial building at 1414 S Council Rd. in Oklahoma City which is now 100 percent occupied by Amazon, and the 265,000 SF industrial building at 2000 S Council Rd. in Oklahoma City which is now 75 percent occupied.
There were 30 transactions totaling $46,273,000 recorded during Q4 2017. The largest sale based on dollar volume is the sale of the 300,000 SF industrial warehouse at 1414 S Council Rd. in Oklahoma City. Monmouth Real Estate Investment Corporation from Freehold, New Jersey purchased this property from Industrial Developers of Oklahoma for $30,250,000, or $100.83/SF, on November 30th, 2017. The building will be occupied by Amazon Fulfillment Services on a 10-year triple net lease.

The Oklahoma City industrial market is seen great net absorption during the fourth quarter 2017-Amazon Fulfillment Services moved into the 300,000 SF facility at 1414 S Council Rd in November 2017. The former home of Producers Cooperative Mill south of Bricktown is almost gone. We are expecting to know more about the master plan in 2018. Oil and gas prices has been steadily increasing since Q3 2017. We will see more developments in the Oklahoma City industrial market if oil and gas prices continue to increase.

<table>
<thead>
<tr>
<th>Property Name</th>
<th>1414 S Council Rd.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property Address</td>
<td>1414 S Council Rd., OKC</td>
</tr>
<tr>
<td>Sale Price</td>
<td>$30,250,000</td>
</tr>
<tr>
<td>Sale Price per SF</td>
<td>$100.83/SF</td>
</tr>
<tr>
<td>Sale Date</td>
<td>11/30/2017</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Property Name</th>
<th>800 S Broadway</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property Address</td>
<td>800 S Broadway, OKC</td>
</tr>
<tr>
<td>Sale Price</td>
<td>$8,250,000</td>
</tr>
<tr>
<td>Sale Price per SF</td>
<td>$107.6/ Land SF</td>
</tr>
<tr>
<td>Sale Date</td>
<td>11/30/2017</td>
</tr>
</tbody>
</table>

### Summary

<table>
<thead>
<tr>
<th>Number of Transactions</th>
<th>30</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Sales Volume</td>
<td>$46,273,000</td>
</tr>
<tr>
<td>Total Bldg. SF</td>
<td>1,074,955 SF</td>
</tr>
<tr>
<td>Total Land in Acres</td>
<td>260.55 Acres</td>
</tr>
<tr>
<td>Average Price per Bldg. SF</td>
<td>$52.15</td>
</tr>
<tr>
<td>Median Price per Bldg. SF</td>
<td>$47.35</td>
</tr>
<tr>
<td>Average Cap Rate</td>
<td>7.35%</td>
</tr>
</tbody>
</table>
Property Name: 15305 W I-40  
Property Address: 15305 W I-40, Yukon  
Sale Price: $2,700,000  
Sale Price per SF: $18/SF  
Sale Date: 10/02/2017

Property Name: 4101 SW 113th St.  
Property Address: 4101 SW 113th St., OKC  
Sale Price: $1,000,000  
Sale Price per SF: $33.82  
Sale Date: 11/03/2017

Property Name: 5600 NW 4th St.  
Property Address: 5600 NW 4th St., OKC  
Sale Price: $1,450,000  
Sale Price per SF: $65.38/SF  
Sale Date: 10/02/2017

Property Name: 518 Indiana Ave.  
Property Address: 518 Indiana Ave., OKC  
Sale Price: $1,200,000  
Sale Price per SF: $18.58  
Sale Date: 10/17/2017

Property Name: 4101 SW 113th St.  
Property Address: 4101 SW 113th St., OKC  
Sale Price: $1,000,000  
Sale Price per SF: $33.82  
Sale Date: 11/03/2017
NAI SULLIVAN GROUP

NAI Sullivan Group is a leading global service provider offering a full range of premier services, customized to fit your need and exceed your expectations. Our talented and experienced professionals provide benefits to large institutions and small business owners alike. We are your single point of contact for customized real estate services.

NAI Sullivan Group strives for excellence in all facets of real estate services in order to maintain our position as an industry leader. Our team transforms forward-thinking ideas into cutting-edge applications, to achieve maximum results for our clients, company and community.

For more information, please visit our website: www.naisullivangroup.com

INDUSTRIAL TEAM

Bob Sullivan, CCIM
(405) 641-9798
rsullivan@ccim.net

Irmon Gray
(405) 474-7286
irmon@naisullivangroup.com

Darryl Meason
(405) 205-9440
darryl@naisullivangroup.com

Amir Shams
(405) 313-0333
amir@naisullivangroup.com

Brad Baker
(405) 412-4432
brad@naisullivangroup.com

Amber Ambrose
(405) 819-9191
amber@naisullivangroup.com

Resources mainly come from CoStar, The Oklahoman, and The POINT. Research & Information Compiled by Research Analyst Lu Wen.