CONTENTS

03Executive Summary
04National Economy
04Local Economy
04Oklahoma City Industrial Market Leasing
05Net Absorption and Inventory
06Rental and Vacancy Rates
07OKC Industrial Market Information by Submarket, Class and Size
08Construction, Delivery, Net Absorption and Vacancy Rate
09Oklahoma City Industrial Market Sales
10OKC Market Significant Industrial Sale Transactions during Q3 2018
11About NAI Sullivan Group
The Industrial market in Oklahoma City comprises some 127,000,000 SF of industrial warehouses, manufacturing facilities, and office-warehouse flex space.

The total absorption of Q3 2018 improved slightly, showing a slight positive absorption of 93,907 SF. The total absorption of 2018 to date is 1,800,000 square feet with 1MM SF of that being Hobby Lobby. The current available warehouse space available in the Oklahoma City Market is 3.7% of the total, 4.7MM square feet. With the passage of the medical marijuana bill we will definitely see the industrial picture continue with positive absorption. The demand for production and processing continue to be very strong.

The combination of the oil and gas industry ramping up and the need for growing facilities will make a great impact on the industrial market in a very short period of time. We have experienced a great increase in demand for industrial space since passage of the new law.

Q3 2018 saw 58 sales transactions totaling $31,429,499.00 in sales with total square feet of 1,278,662 resulting in an average price of $41.81 per square foot sales price.

Respectfully,

Bob Sullivan
CEO

**EXECUTIVE SUMMARY**

<table>
<thead>
<tr>
<th>Total Inventory</th>
<th>127,811,958 SF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Net Absorption</td>
<td>93,907 SF</td>
</tr>
<tr>
<td>Overall Rental Rate</td>
<td>$5.46/SF/YR NNN</td>
</tr>
<tr>
<td>Total Vacancy Rate</td>
<td>3.70%</td>
</tr>
<tr>
<td>Under Construction</td>
<td>256,357 SF</td>
</tr>
<tr>
<td>Number of Transactions</td>
<td>58</td>
</tr>
<tr>
<td>Total Sales Volumes</td>
<td>$31,429,499</td>
</tr>
<tr>
<td>Average Price per Bldg. SF</td>
<td>$41.81</td>
</tr>
</tbody>
</table>
NATIONAL ECONOMY

The Federal Reserve raised its target federal fund rate by a quarter point to a range of 2 percent to 2.25 percent in the third quarter 2018. It is expected that the Fed will continue to increase the rate gradually and there will be three more rate hikes in 2019. The rate hikes are supported by strong domestic demand as U.S. retail sales rose more than expected and manufacturing output has been rising steadily. It is reported that the U.S economy is growing at a 4.3 percent annualized rate in the third quarter.

United States, Canada and Mexico has reached a new agreement for NAFTA. The trade war between United States and China has escalated as the two countries have already imposed import taxes on $50 billion worth of each other’s goods, and President Trump threatens to add more if China retaliates. It will weaken the world’s largest two economies, and companies will encounter higher costs which will reduce jobs and consumers are going to pay higher prices for products.

LOCAL ECONOMY

According to the report from the Oklahoma Employment Security Commission, the Oklahoma State unemployment rate dropped to 3.7 percent in August. We saw continued recovery from the oil and gas companies. As the United States becomes the world’s largest oil producer and oil prices continue to surge, it will benefit local oil and gas companies.

The Oklahoma commercial real estate industry has been more active as oil and gas prices continue to rise, and as the new law for medical marijuana takes effect. The Oklahoma City Council has approved $1,000,000.00 in job creation payments and another $2.3 million in tax increment financing for Heartland Payment System’s headquarter in downtown; Rural Sourcing is set to open an office employing 150 people at the Rock Island Plow building in Bricktown; the $288 million new convention center is well under construction and is expected to open by 2020; the $27 million Oklahoma City Boulevard is set to open by late 2019, and the Scissortail Park is set to open by the summary 2019.

OKLAHOMA CITY INDUSTRIAL MARKET LEASING

The largest industrial lease signings during Q3 2018 include the 153,130 SF industrial lease signed by Dex Heavy Duty Parts LLC at 4200 SE 59th St. in Oklahoma City, the 39,233 SF industrial warehouse leased by Massco Maintenance Supply at 2401 S Council Rd. in Oklahoma City with a rental rate of $4.85/SF/YR modified gross, and the 37,620 SF industrial distribution building leased by Sigma Supply Inc. at 11301 Partnership Dr. in Oklahoma City with an asking rental rate of $5.00/SF/YR NNN.
The total net absorption was a positive 93,907 SF at the end of Q3 2018. The total net absorption decreased compared to the positive net absorption of 1,242,867 SF at the end of Q2 2018. The total industrial inventory was 127,811,958 SF at the end of Q3 2018. The total industrial inventory increased from 127,802,466 SF at the end of Q2 2018.

Class-A net absorption yield was a positive 163,180 SF, which decreased from the positive net absorption of 1,093,950 SF at the end of Q2 2018. Class-B net absorption was a negative 17,145 SF, which deceased from the positive net absorption of 173,400 SF at the end of Q2 2018. Class-C net absorption was a negative 52,128 SF, which remains negative compared to the negative absorption of 37,179 SF at the end of Q2 2018.
The overall industrial rental rate was $5.46/SF/YR NNN at the end of Q3 2018.

The overall industrial rental rate slightly increased from the $5.43/SF/YR at the end of Q2 2018.

The overall industrial vacancy rate was 3.70% at the end of Q3 2018.

The overall industrial vacancy rate slightly decreased from the 3.80% rate at the end of Q2 2018.

Class-A property rental rate averaged $5.71/SF/YR at the end of Q3 2018.

Class-A property rental rate decreased from the $5.83/SF/YR rate at the end of Q2 2018.

Class-A property vacancy rate was 1.60% at the end of Q3 2018.

Class-A property vacancy rate decreased from the 1.80% rate at the end of Q2 2018.

Class-B property rental rate averaged $5.64/SF/YR at the end of Q3 2018.

Class-B property rental rate increased from the $5.51/SF/YR rate at the end of Q2 2018.

Class-B property vacancy rate was 4.20% at the end of Q3 2018.

Class-B property vacancy rate remained the same compare to the rate at the end of Q2 2018.
Class-C property rental rate averaged $5.20/SF/YR at the end of Q3 2018.
- Class-C property rental rate decreased from the $5.32/SF/YR rate at the end of Q2 2018.
- Class-C property vacancy rate was 3.70% at the end of Q3 2018.
- Class-C property vacancy rate slightly increased from the 3.60% rate at the end of Q2 2018.

### 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>$7.00</td>
<td>$3.71</td>
<td>$5.03</td>
<td>$5.81</td>
<td>$7.48</td>
</tr>
<tr>
<td>Vacancy Rate</td>
<td>12.00%</td>
<td>6.00%</td>
<td>4.20%</td>
<td>2.30%</td>
<td>3.10%</td>
</tr>
<tr>
<td>Existing Buildings</td>
<td>131</td>
<td>415</td>
<td>1,614</td>
<td>1,257</td>
<td>576</td>
</tr>
<tr>
<td>Existing SF</td>
<td>1,403,325 SF</td>
<td>6,027,033 SF</td>
<td>44,678,754 SF</td>
<td>20,042,024 SF</td>
<td>7,803,506 SF</td>
</tr>
</tbody>
</table>

### Class-A vs. Class-B vs. Class-C

<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>$5.71</td>
<td>$5.64</td>
<td>$5.20</td>
</tr>
<tr>
<td>Vacancy Rate</td>
<td>1.60%</td>
<td>4.20%</td>
<td>3.70%</td>
</tr>
<tr>
<td>Existing Buildings</td>
<td>60</td>
<td>1,924</td>
<td>4,522</td>
</tr>
<tr>
<td>Existing SF</td>
<td>11,858,135 SF</td>
<td>58,304,103 SF</td>
<td>56,887,913 SF</td>
</tr>
</tbody>
</table>

### Up to 30,000 SF vs. From 30,000 SF

<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>$7.26</td>
<td>$4.83</td>
</tr>
<tr>
<td>Vacancy Rate</td>
<td>3.60%</td>
<td>3.90%</td>
</tr>
<tr>
<td>Existing Buildings</td>
<td>5,845</td>
<td>771</td>
</tr>
<tr>
<td>Existing SF</td>
<td>49,599,503 SF</td>
<td>78,782,455 SF</td>
</tr>
</tbody>
</table>
There was 256,357 SF of industrial space under construction by the end of Q3 2018. The largest two industrial properties under construction are the 121,715 SF industrial warehouse at 6101 SW 44th St. in Oklahoma City with an asking rental rate of $6.75/SF/YR NNN, which is scheduled to be delivered in January 2019, and the 42,000 SF industrial warehouse at 6201 SW 44th St. in Oklahoma City with an asking rental rate of $6.95/SF/YR NNN, which is scheduled to be delivered in January 2019. We are seeing asking rental rates for under construction industrial properties averaged at $7.66/SF/YR in the Oklahoma City market at the end of Q3 2018.
There were 58 transactions totaling $31,429,499 recorded during Q3 2018. The largest individual sale based on dollar volume was the sale of the industrial food processing building located at 14343 N Kelly Ave. in Oklahoma City. The 57,733 SF industrial building was sold for $5,500,000, or $95.27/SF, on September 24, 2018. The building was fully leased at the time of sale.

Oklahoma’s newest industry has attracted companies throughout the country, and we are seeing high demand for medical-marijuana license application since it’s been made available. Denver-based Grow Generation Corp announced to have a warehouse and product showroom in Oklahoma City to support the medical-marijuana market. The industrial market will see an increase demand for facilities of cultivating, processing and distributing medical marijuana.
Property Name: 111 W Indian Hills Rd.  
Property Address: 111 W Indian Hills Rd., Norman  
Sale Price: $2,200,000  
Price per SF: $209.52  
Sale Date: 07/18/2018

Property Name: 7915 SW 34th St.  
Property Address: 7915 SW 34th., OKC  
Sale Price: $1,300,000  
Price per SF: $53.50  
Sale Date: 07/20/2018

Property Name: 1801 W Sheridan Ave.  
Property Address: 1801 W Sheridan Ave., OKC  
Sale Price: $1,899,809  
Price per SF: $40.04  
Sale Date: 07/02/2018

Property Name: Mid-west Industrial Park-Building Two  
Property Address: 3916-3996 E I-240 Service Rd-OKC  
Sale Price: $1,653,709  
Price per SF: $34.45  
Sale Date: 08/01/2018
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

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