FIRST QUARTER
OFFICE MARKET REPORT
2019

OKLAHOMA CITY, OKLAHOMA
The Q4 2018 Oklahoma City office market absorption was the strongest we have seen since Q1, 2017, almost 2 years. The exception was BOK moving into the BOK tower in Q1 2018. Total absorption was 150,129 square feet for Q4. The biggest absorption was in Class B office properties with 105,874 sf positive absorption and Class A office properties with 57,704 square feet.

Rental rates continue to remain steady with Class A rates at $22.32 per sf annually and Class B rates at $16.53 per sf annually. We expect these rates to remain steady throughout 2019 with little speculative construction anticipated.

The sale of office buildings remains strong with 59 sale of office properties recorded during Q4 2018 totaling $40MM and an average price of $121.19 per square foot.

We expect all investment sales to remain strong as there is little product available for sale and cap rates continue to receive pressure holding them down as demand continues to rise.

Respectfully,

Bob Sullivan
CEO
NATIONAL ECONOMY

The partial government shutdown in January dragged down the GDP growth in the first quarter, but we believe this is temporarily. The weakening global growth and also the trade war with China contribute to the pause of interest rate increase by the Federal Reserve. While Kiplinger still believes a strong rebound in the second quarter, and growth should average at least 2.5 percent for the entire year. Unemployment rate remained unchanged at 3.8 percent in March and is expected to go down to 3.60 percent by the end of 2019. Oil prices continue to rise due to the drop in global production, and the decrease in U.S. crude oil storage. Oil prices will be increasing steadily if OPEC and other oil countries to meet their pledged output cuts.

LOCAL ECONOMY

As oil and gas prices continue to climb despite the number of drilling rigs being down, the Oklahoma City market continues to revive. The commercial real estate market is active and strong, especially in the CBD and midtown area. The Central Oklahoma Transportation and Parking Authority has approved the 1,100-space garage which is key to the new convention center and Omni Hotel. The Oklahoma City council has approved a loan of $26 million for renovation and construction at First National Center. The Oklahoma City downtown Boulevard is well under construction and is set to be completed later this year. The Amazon distribution center is expected to open by the end of 2019, and the first Costco is expected to open during the summer 2019. The Scissortail Park and Omni Hotel are on their way. There is great activity in the Oklahoma City market. The low living cost and business cost continues to attract investors from across the country.

OKLAHOMA CITY OFFICE MARKET LEASING

The largest office lease signings based on square feet during Q1 2019 include the 21,885 SF lease signed by Mach Resources at 14101-14201 Wireless Way in Oklahoma City, the 13,113 SF lease signed by Lopez Foods at 3817 NW Expressway in Oklahoma City, and the 10,212 SF lease signed by Longo Construction Inc. at 1133 N Robinson Ave. in Oklahoma City.
The total net absorption was a positive 154,040 SF at the end of Q1 2019. The total net absorption decreased compared to the positive absorption of 194,210 SF. The total office inventory was 63,070,047 SF at the end of Q1 2019. The total office inventory increased from 62,886,055 SF at the end of Q4 2019.

The Class-A property absorption was 99,180 SF, which decreased from the net absorption of a positive 156,522 SF at the end of Q4 2018. The Class-B property absorption was 53,998 SF, which decreased from the net absorption of a positive 114,390 SF at the end of Q4 2018. The Class-C property absorption was 862 SF, which increased from the net absorption of a negative 76,702 SF at the end of Q4 2018.
The overall office market rental rate averaged $17.18/SF/YR at the end of Q1 2019. The overall office market rental rate increased from $16.74/SF/YR at the end of Q4 2018. The overall office vacancy rate was 7.60% at the end of Q1 2019. The overall office vacancy rate remained the same compared to the rate at the end of Q4 2018.

Class-A property rental rate averaged $22.19/SF/YR at the end of Q1 2019. Class-A property rental rate decreased from the rate of $22.77/SF/YR at the end of Q4 2018. Class-A vacancy was 9.30% at the end of Q1 2019. Class-A vacancy rate increased compared to the rate of 8.80% at the end of Q4 2018.

Class-B property rental rate was $16.99/SF/YR at the end of Q1 2019. Class-B property rental rate increased from the rate of $16.53/SF/YR at the end of Q4 2018. Class-B property vacancy rate was 8.40% at the end of Q1 2019. Class-B property vacancy rate remained the same compared to the rate at the end of Q4 2018.
Class-C property rental rate averaged $14.46/SF/YR at the end of Q1 2019.
- Class-C property rental rate increased from the $14.46/SF/YR rate at the end of Q4 2018.
- Class-C property vacancy rate was 4.90% at the end of Q1 2019.
- Class-C property vacancy rate decreased from the 5.10% rate at the end of Q4 2018.
There was 517,914 SF of office space under construction at the end of Q1 2019. The asking rental rate of under construction rentable office space averaged $21.77/SF/YR. The two properties with the largest building area under construction area the 100,000 SF Heartland Payment Systems building at 606 N Broadway Avenue, which is scheduled to be delivered in May 2020, and the Dolese Headquarters at 9000 N Broadway Ext., which is scheduled to be delivered in February 2020.

### NOTABLE OFFICE PROPERTIES 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>Heartland Payment Systems</td>
<td>606 N Broadway Ave</td>
<td>OKC</td>
<td>100,000 SF</td>
<td>May 2020</td>
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<tr>
<td>Dolese Headquarters</td>
<td>9000 N Broadway Ext</td>
<td>OKC</td>
<td>60,000 SF</td>
<td>Feb 2020</td>
</tr>
<tr>
<td>Monarch</td>
<td>1133 N Robinson Ave</td>
<td>OKC</td>
<td>53,347 SF</td>
<td>Jan 2020</td>
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<tr>
<td>Broadway Park</td>
<td>1122 N Broadway Ave</td>
<td>OKC</td>
<td>47,000 SF</td>
<td>May 2019</td>
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<tr>
<td>-</td>
<td>3000 S Telephone Rd</td>
<td>Moore</td>
<td>44,000 SF</td>
<td>Apr 2019</td>
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<tr>
<td>-</td>
<td>1001 NE 122nd St</td>
<td>OKC</td>
<td>44,000 SF</td>
<td>Sep 2019</td>
</tr>
<tr>
<td>-</td>
<td>900 N Villa Ave</td>
<td>OKC</td>
<td>44,000 SF</td>
<td>Sep 2019</td>
</tr>
</tbody>
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### OKLAHOMA CITY OFFICE MARKET SALES

There were 43 office transactions recorded during Q1 2019 totaling $30,337,502. The largest individual office sale based on dollar volume was the sale of office property at 1144 SW 104th St. in Oklahoma City. Hosseinzadeh Living Trust from Los Angeles, CA purchased the 4,640 SF property from Broadstone Md Oklahoma LLC for $2,600,000, or $560.34/SF, on February 12th, 2019. The office building at 3301 NW 50th St., and 3327 NW 50th St. was sold together for $8,900,000, or $241.93/SF. Mercy Health Oklahoma Communities, Inc. purchased the two offices from Mercy Clinic Orthopedic Associates on January 1st, 2019.
OKC MARKET SIGNIFICANT OFFICE SALE TRANSACTIONS DURING Q1 2019

Property Name: 3301 NW 50th St.
Property Address: 3301 NW 50th St., OKC
Sale Price: $7,526,305-Allocated
Price per SF: $241.93
Sale Date: 01/01/2019

Property Name: 1144 SW 10th St.
Property Address: 1144 SW 10th, OKC
Sale Price: $2,600,000
Price per SF: $560.34
Sale Date: 02/12/2019
Cap Rate: 6.65%

Property Name: 3327 NW 50th St.
Property Address: 3327 NW 50th St., OKC
Sale Price: $1,373,695-Allocated
Price per SF: $245.65
Sale Date: 01/01/2019

Property Name: 3701 N Shartel Ave.
Property Address: 3701 N Shartel Ave., OKC
Sale Price: $1,300,000
Price per SF: $178.94
Sale Date: 02/14/2019

Property Name: 2795 Broce Dr.
Property Address: 2795 Broce Dr., Norman
Sale Price: $1,250,000
Price per SF: $112.61
Sale Date: 01/25/2019

Property Name: 390 NE 36th St.
Property Address: 390 NE 36th St., OKC
Sale Price: $1,200,000
Price per SF: $33.33
Sale Date: 01/16/2019
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