

Second Quarter Retail Market Report 2018



Second Quarter Retail Market Report

NAI Sullivan Group

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EXECUTIVE SUMMARY

The Q2 2018 retail absorption continues to be slow as our report shows a net negative absorption for all retail space at -121,000 SF. The overall retail market has a total retail inventory of 95,795,338 SF with a vacancy rate of 6.9%, up from 4.6% one year ago. We continue to see retail activity at every level. I believe the growth of Oklahoma City will continue to keep pace with the new construction we continue to see.

New construction of 692,000 SF includes the new Life Time Fitness facility, (with 181,000 SF) at Quail Springs Mall which should be open in Q3 18.

The sale of retail centers remains strong showing 66 retail sales transactions totaling \$42,785,000.00 showing an average sales price of \$137.13 per square foot.

The Oklahoma City market continues to thrive as unemployment remains low at 3.9% in June. This low unemployment and the spending gap at 107% of the national average will continue to fill retail spaces and continue to increase our population growth.

Respectfully,



Bob Sullivan
CEO



Leasing Activities

Total Inventory	95,795,338 SF
Total Net Absorption	-121,401 SF
Overall Rental Rate	\$13.28/SF/YR NNN
Total Vacancy Rate	6.90%
Under Construction	692,428 SF

Sales Activities

Number of Transactions	66
Total Sales Volume	\$42,785,998
Average Price per Bldg. SF	\$137.13/SF



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NAI NATIONAL ECONOMY

The Federal Reserve raised its target federal fund rate to a still low range of 1.75 percent to 2 percent during the second quarter 2018. It is now expected there will be four rate hikes this year which is up from three in the previous forecast. The acceleration of rate hikes indicates growth and strength of the economy which partly results from increasing consumer and business spending due to the tax cut. Kiplinger estimated the GDP during the second quarter at nearly 4 percent. Unemployment dropped to 3.8 percent, and now there are more job openings than the number of people who are looking for jobs which becomes harder for employers to find suitable candidates.

The United States stock market has been volatile during the past three months partly from the negotiations between United States and its trading partners including China, Europe, Canada and Mexico. If the trade war is going to be full blown, it will weaken the world's largest two economies. Companies will encounter higher costs which will reduce jobs and consumers are going to pay higher prices for products.

NAI LOCAL ECONOMY

According to the report from the Oklahoma Employment Security Commission, the Oklahoma state unemployment rate was 4 percent in May, the third consecutive month at the same rate. We saw continuing recovery from the oil and gas industry as the crude oil prices surged to a more than three-year high. Stock prices for local energy companies also increased and some recorded double-digit gains in the second quarter.

The Oklahoma commercial real estate industry remains active during the second quarter 2018 and continues to attract investors and developers due to low living and business costs. Amazon plans to build a massive fulfillment center near Will Rogers World Airport which will employ 1,750 people when completed, and the City Council has approved a \$1.7 million incentive to help Amazon open the fulfillment center. Global Payments plans a seven-story office building along Automobile Alley as its new North American headquarters, which will bring more than 600 jobs to downtown OKC. The proposed eight-story Boulevard Place will include 241 apartments, 2,200 SF of retail space, a daycare center and rooftop terrace. The \$288 million new convention center started its construction in the second quarter and is expected to open by 2020; the \$27 million Oklahoma City Boulevard is well under construction and is set to open by late 2019, and the Scissortail Park is set to open by the summer 2019.

NAI OKLAHOMA CITY RETAIL MARKET LEASING

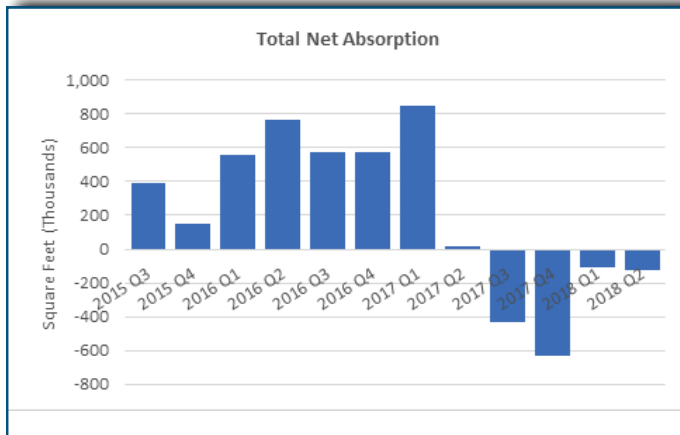
Some notable retail leases based on asking rental rate during Q2 2018 include the 3,169 SF lease signed at 1440-1472 S Bryant Ave. in Edmond with an asking rental rate of \$32/SF/YR NNN, the 636 SF lease signed at 2807 N Walker Ave. in Oklahoma City with an asking rental rate of \$28.30/SF/YR modified gross, and the 1,420 SF lease signed at 825 SW 19th St. in Moore with an asking rental rate of \$24.00/SF/YR NNN.

The largest lease signings based on SF in Q1 include the 75,115 SF lease at 6100 SW 5th St., in Oklahoma City signed by Floor & Décor, the 55,012 SF lease signed at 1300-1401 Gateway Plaza in Midwest City, and the 26,250 SF lease at 2121-2209 SW 74th St. signed by DD's Discount.

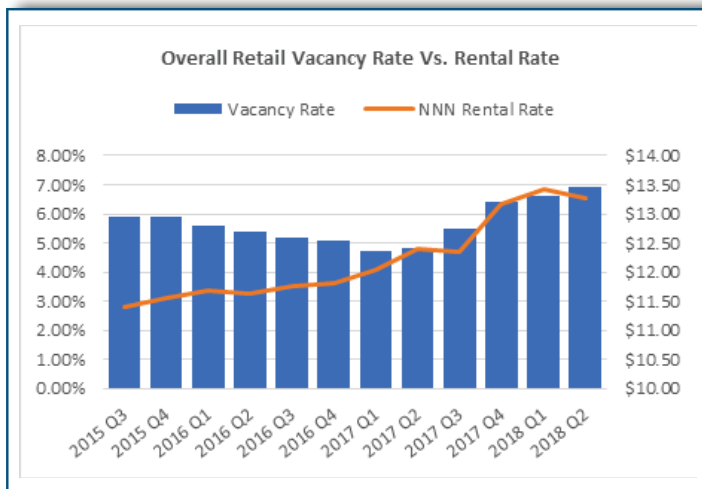
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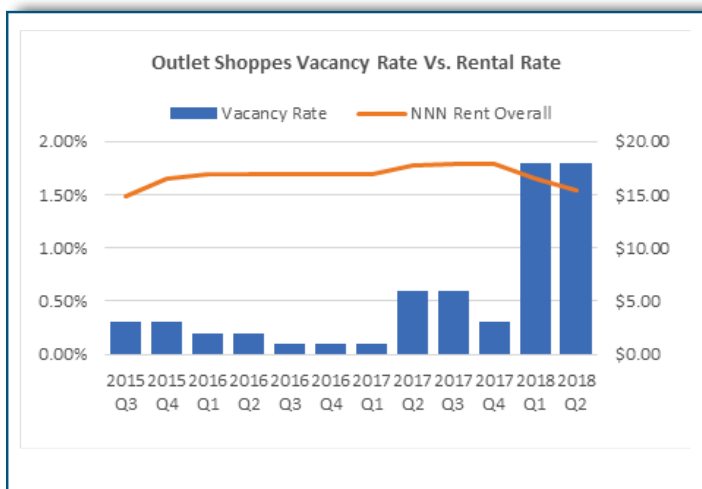
RENTAL AND VACANCY RATES



- The total retail net absorption was a negative 121,401 SF at the end of Q2 2018
- The total retail net absorption remained negative compare to the negative net absorption of 107,196 SF at the end of Q1 2018
- The total retail inventory was 95,795,338 SF at the end of Q2 2018
- The total retail inventory increased from 94,624,091 SF at the end of Q1 2018



- The overall retail market rental rate averaged \$13.28/SF/YR NNN at the end of Q2 2018
- The overall retail market rental rate decreased from the \$13.42/SF/YR NNN rate at the end of Q1 2018
- The overall retail market vacancy rate was 6.90% at the end of Q2 2018
- The overall retail market vacancy rate slightly increased from the 6.60% rate at the end of Q1 2018



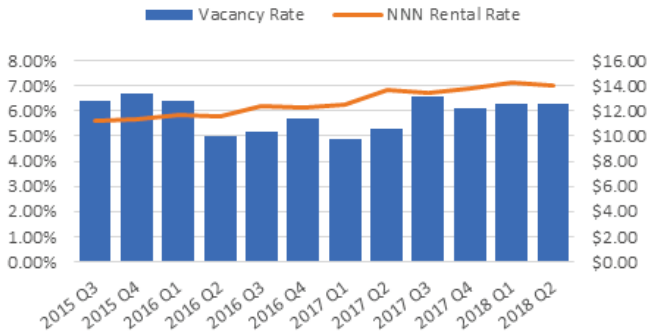
- The outlet shoppes rental rate averaged \$15.34/SF/YR NNN at the end of Q2 2018
- The outlet shoppes rental rate decreased from the \$16.44/SF/YR NNN rate at the end of Q1 2018
- The outlet shoppes vacancy rate was 1.80% at the end of Q2 2018
- The outlet shoppes vacancy rate remained the same compare to the rate at the end of Q1 2018

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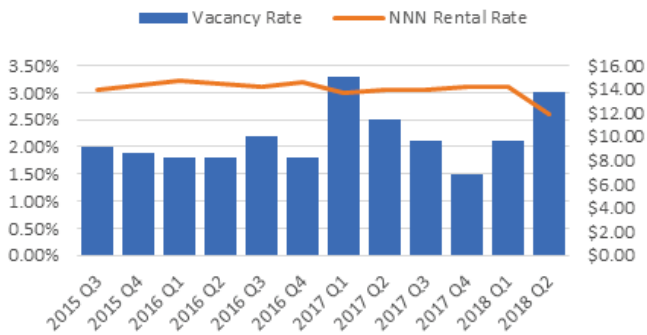
RENTAL AND VACANCY RATES

Strip Center Vacancy Rate Vs. Rental Rate



- The strip center rental rate averaged \$14.07/SF/YR NNN at the end of Q2 2018
- The strip center rental rate decreased from the \$14.22/SF/YR NNN rate at the end of Q1 2018
- The strip center vacancy rate was 6.30% at the end of Q2 2018
- The strip center vacancy rate remained the same compare to the rate at the end of Q1 2018

Power Center Vacancy Rate Vs. Rental Rate

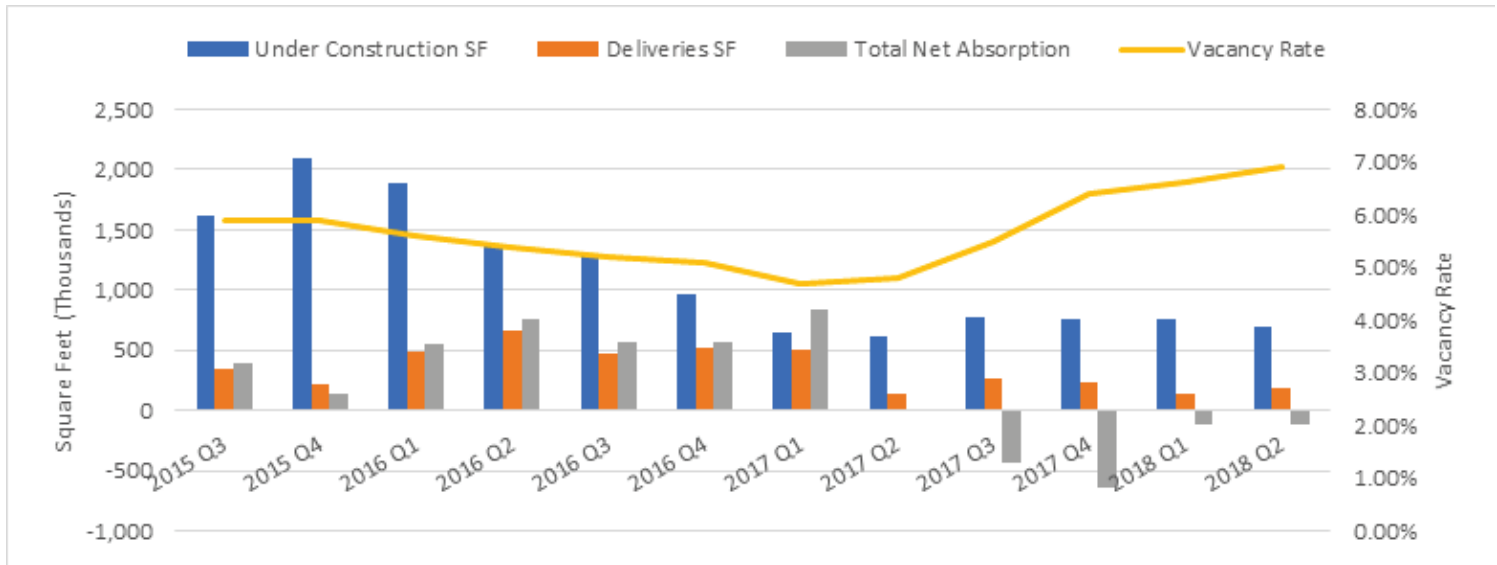


- The power center rental rate was \$11.94/SF/YR NNN at the end of Q2 2018
- The power center rental rate decreased from the \$14.15/SF/YR NNN rate at the end of Q1 2018
- The power center vacancy rate was 3.00% at the end of Q2 2018
- The power center vacancy rate increased from the 2.10% rate at the end of Q1 2018

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CONSTRUCTION, DELIVERY, NET ABSORPTION & VACANCY RATE



There was 692,428 SF of retail space under construction at the end of Q2 2018. The top two retail properties by size under construction are the 181,048 SF Life Time Fitness at 2501 W Memorial Rd., which is scheduled to be delivered in September 2018, and the 80,340 SF Route 66 Plaza Phase I at 4000 N Sara Rd., in Yukon, which is scheduled to be delivered in January 2019. We are seeing average asking rental rate for under construction retail properties at \$21.84/SF/YR NNN. The Paseo Studios at 2807 N Walker Ave. has an asking rental rate range from \$28-\$32/SF/YR modified gross, and the asking rental rate for Broadway Park ranges from \$28-\$30/SF/YR NNN.

Some notable deliveries in Q2 2018 include Floor & Decor-a 75,115 SF retail freestanding building at 6100 SW 5th St. which was delivered in June 2018, and the Mercedes Benz Auto Park -a 46,334 SF auto dealership building which was delivered in April 2018.

NOTABLE RETAIL PROPERTIES UNDER CONSTRUCTION

Building Name	Building Address	City	RBA	Delivery Time
Life Time Fitness	2501 W Memorial Rd	OKC	181,048 SF	Sep 2018
Route 66 Plaza Phase I	4000 N Sara Rd	Yukon	80,340 SF	Jan 2019
The Shops at Memorial Crossing	NE Corner of Memorial Road & Ave	OKC	70,000 SF	Aug 2018
Broadway Park	1122 N Broadway Ave	OKC	47,000 SF	Mar 2019
-	106 S Macarthur Blvd	OKC	30,000 SF	Dec 2018
-	3250 NW 36th Ave	Norman	20,572 SF	Aug 2018
Shops at Tecumseh	2596 W Tecumseh Rd	Norman	18,379 SF	Aug 2018
New Edmond Shopping Center	2202 E 2nd St	Edmond	15,600 SF	Aug 2018

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OKLAHOMA CITY RETAIL MARKET SALES

The second quarter of 2018 saw 66 sale transactions totaling \$42,785,998. The largest sale based on sale dollar volume was the sale of the Plaza at Deer Creek at 19401-19417 N Portland Avenue in Edmond. Ams Food & Beverage LLC purchased the 10,710 SF retail building from Bisi Properties LLC for \$4,225,000, or \$394.49 per SF, on May 10th, 2018.

Summary

Number of Transactions	66
Total Sales Volumes	\$42,785,998
Total Bldg. SF	416,403 SF
Total Land Acres	48.91 Acres
Average Price per Bldg. SF	\$137.13/SF
Median Price per Bldg. SF	\$134.60/SF
Average Cap Rate	7.21%

Toys R Us and Babies R Us have closed their stores in Oklahoma City and left the space empty. Sears also announced to close its last store in Oklahoma City in September. Department stores throughout the nation are having difficult time due to the competition from Amazon, and other online retailers. Despite the closure of some big department stores, we are seeing other types of retail development in the Oklahoma City market-the former Swanson's Tire Shop has been redeveloped into a mix of restaurants, shops, and offices; the Paseo Studios is well under construction and most space has already been leased out; Oklahoma's first Uncle Julio's opened in Chisholm Creek; Iowa-based Casey's General store is set to coming to Oklahoma City market; and more. The Oklahoma City retail market will continue to be active.

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NAI OKC MARKET SIGNIFICANT RETAIL SALE TRANSACTIONS DURING Q2 2018



Property Name: Plaza at Deer Creek
Property Address: 19404-19417 N Portland, Edmond
Sale Price: \$4,225,000
Price per SF: \$394.49/SF
Sale Date: 05/10/2018



Property Name: CVS
Property Address: 17850 N Pennsylvania., Edmond
Sale Price: \$3,352,000
Price per SF: \$294.16/SF
Sale Date: 05/04/2018



Property Name: Edmond University Plaza III
Property Address: 1340-1350 E 2nd St., Edmond
Sale Price: \$2,790,000
Price per SF: \$212.98/SF
Sale Date: 04/24/2018

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Property Name: Black Bear Diner
Property Address: 5661 Tinker Diagonal, Midwest City
Sale Price: \$2,573,000
Price per SF: \$466.88/SF
Sale Date: 05/01/2018



Property Name: Fuze Buffet & Bar
Property Address: 2001 NW 142nd St., OKC
Sale Price: \$2,500,000
Price per SF: \$178.57/SF
Sale Date: 06/15/2018



Property Name: Starbucks
Property Address: 13060 N Pennsylvania Ave., OKC
Sale Price: \$2,115,000
Price per SF: \$1,079.08/SF
Sale Date: 04/26/2018

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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

RETAIL TEAM



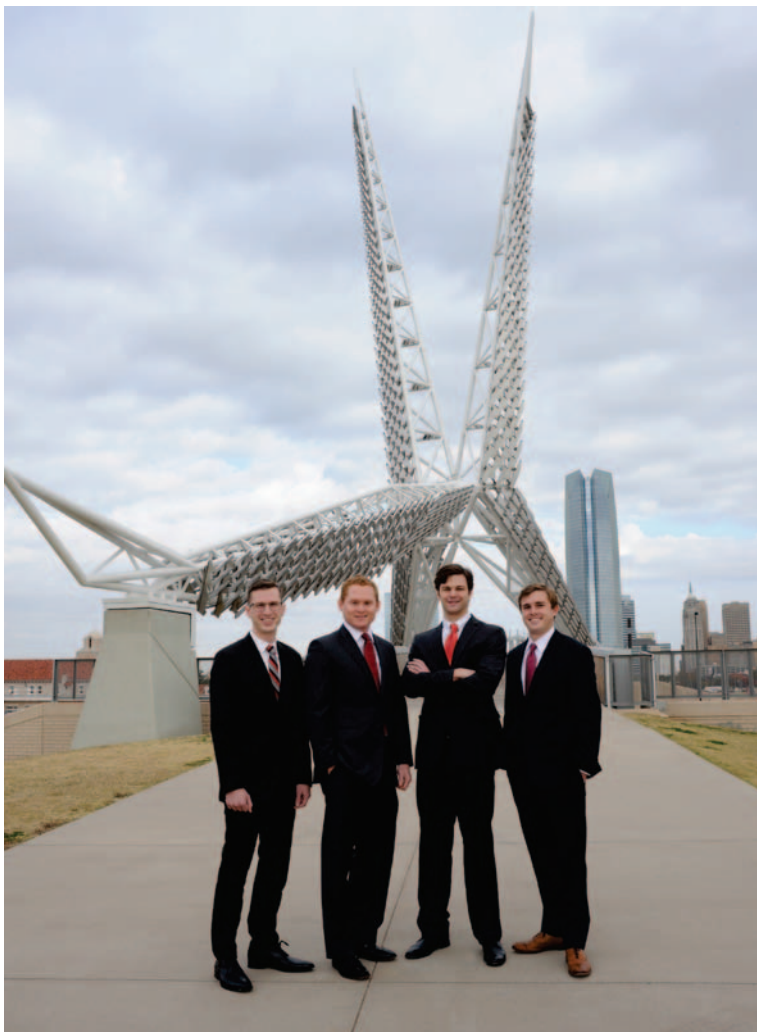
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