

# Second Quarter Industrial Market Report 2018





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NAI Sullivan Group

2018

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## **NAI** EXECUTIVE SUMMARY

The Industrial market in Oklahoma City comprises some 126,000,000 square feet of industrial warehouses, manufacturing facilities, and office-warehouse flex space.

The total absorption of Q2 18 was flat, showing a slight negative absorption not improving on Q1 2018 positive absorption of 289,452 square feet. The total absorption of 2017 was only slightly positive. The current available warehouse space available in the Oklahoma City Market is 3.9 percent of the total. Much of the vacant space is older, obsolete space. With the passage of the medical marijuana bill we will definitely see the industrial picture change. The demand for production and processing facilities will be great.



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.

Q2 18 saw 62 sales transactions totaling \$46,127,491 in sales with buildings totaling 1,496,991 square feet, giving an average price of \$53.18 per square foot sales price.

Respectfully,

A handwritten signature in blue ink that reads "Bob Sullivan". The signature is fluid and cursive.

Bob Sullivan  
CEO

### Leasing Activities

Total Inventory	125,819,582 SF
Total Net Absorption	-25,670 SF
Overall Rental Rate	\$5.69/SF/YR NNN
Total Vacancy Rate	3.90%
Under Construction	1,262,488 SF

### Sales Activities

Number of Transactions	62
Total Sales Volumes	\$46,127,491
Average Price per Bldg. SF	\$53.18



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## 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.

## LOCAL ECONOMY

According 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, 2,2000 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.

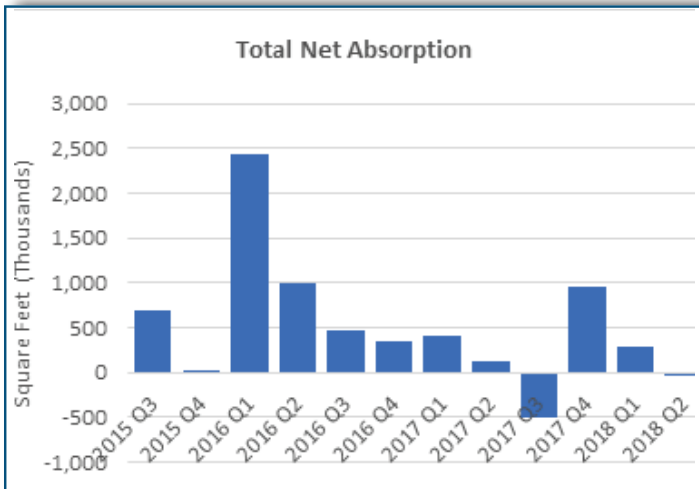
## OKLAHOMA CITY INDUSTRIAL MARKET LEASING

The largest industrial lease signings during Q2 2018 include the 103,000 SF industrial lease signed at 853 Robert S Kerr Ave. in Oklahoma City by Oklahoma County with an asking rate of \$3.50/SF/YR NNN, the 75,250 SF industrial lease signed at 9901 NW 2nd St. by UE Manufacturing LLC with an asking rate of \$4.50/SF/YR NNN, and the 60,000 SF industrial lease signed at 4401 E Hefner Rd. by Amazon Fulfillment.

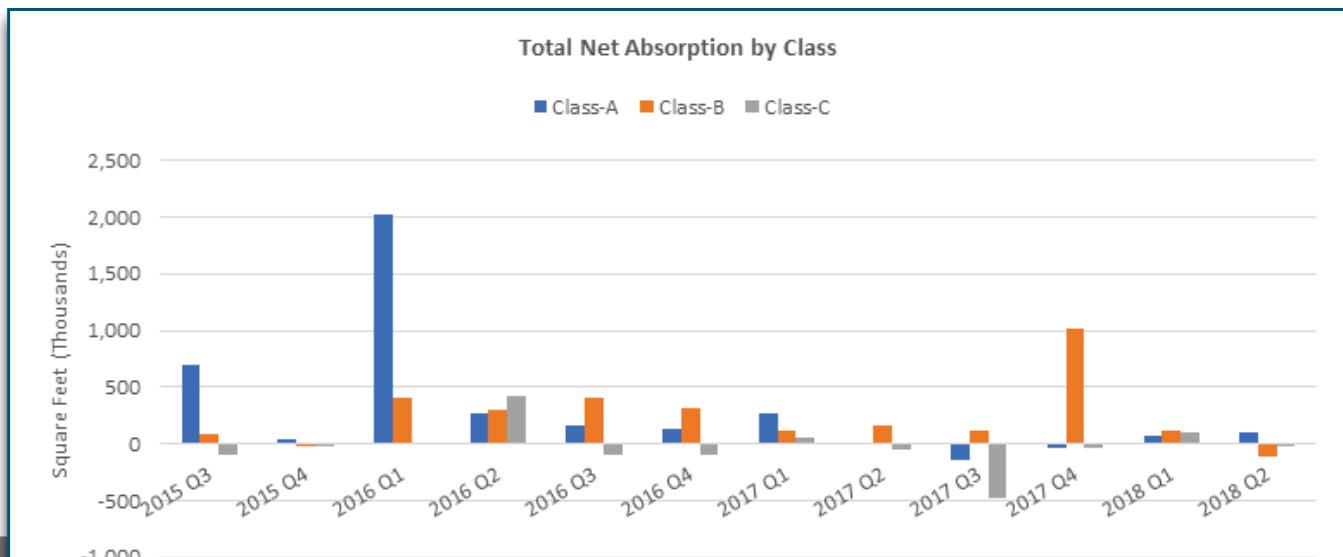
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## NET ABSORPTION AND INVENTORY



- The total net absorption was a negative 25,670 SF at the end of Q2 2018
- The total net absorption decreased compare to the positive net absorption of 289,452 SF at the end of Q1 2018
- The total industrial inventory was 125,819,582 SF at the end of Q2 2018
- The total industrial inventory increased from 125,412,863 SF at the end of Q1 2018

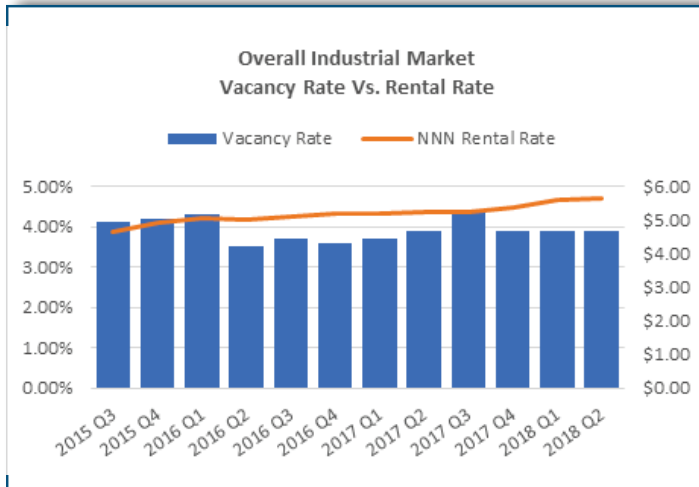


- Class-A net absorption yield was a positive 93,950 SF, which increased from the positive absorption of 74,450 SF at the end of Q1 2018
- Class-B net absorption was a negative 111,749 SF, which decreased from the positive net absorption of 117,204 SF at the end of Q1 2018
- Class-C net absorption was a negative 7,871 SF, which decreased from the positive 101,314 SF at the end of Q1 2018

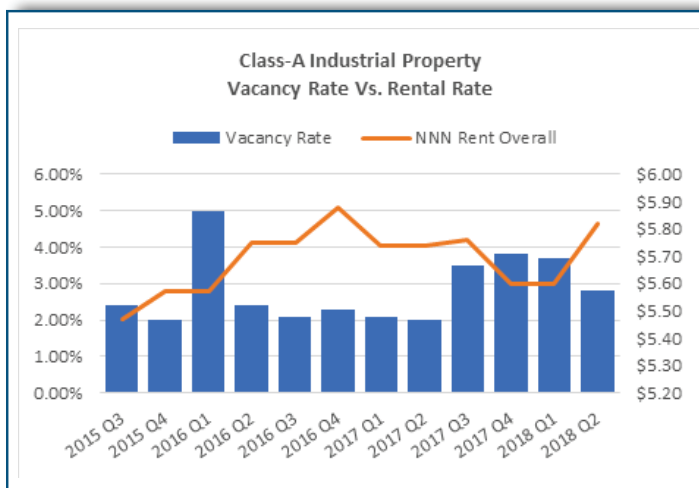
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## RENTAL AND VACANCY RATES



- The overall industrial rental rate was \$5.69/SF/YR NNN at the end of Q2 2017
- The overall industrial rental rate increased from the \$5.59/SF/YR NNN rate at the end of Q1 2018
- The overall industrial vacancy rate was 3.90% at the end of Q2 2018
- The overall industrial vacancy rate remained the same compared to Q1 2018



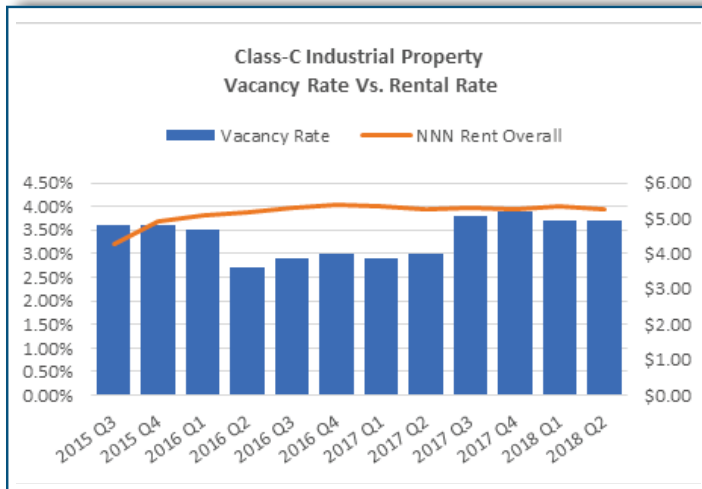
- Class-A property rental rate averaged \$5.82/SF/YR NNN at the end of Q2 2018
- Class-A property rental rate increased from the \$5.60/SF/YR NNN rate at the end of Q1 2018
- Class-A vacancy rate was 2.80% at the end of Q2 2018
- Class-A vacancy rate decreased from the 3.70% rate at the end of Q1 2018



- Class-B property rental rate averaged \$5.40/SF/YR NNN at the end of Q2 2018
- Class-B property rental rate remained about the same compare to the \$5.41/SF/YR NNN rate at the end of Q1 2018
- Class-B property vacancy rate was 4.30% at the end of Q2 2018
- Class-B property vacancy rate increased from the 4.00% rate at the end of Q1 2018.

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- Class-C property rental rate averaged \$5.27/SF/YR NNN at the end of Q2 2018
- Class-C property rental rate decreased from the \$5.32/SF/YR NNN rate at the end of Q1 2018
- Class-C property vacancy rate was 3.70% at the end of Q2 2018
- Class-C property vacancy rate remained the same compare to the rate at the end of Q1 2018

## OKC INDUSTRIAL MARKET INFORMATION BY SUBMARKET

	<b>CBD</b>	<b>Midtown</b>	<b>West/Central</b>	<b>OKC South</b>	<b>Moore/Norman</b>
<b>Rent per SF</b>	\$6.62	\$4.20	\$5.02	\$6.27	\$7.53
<b>Vacancy Rate</b>	11.50%	3.40%	4.40%	2.60%	3.10%
<b>Existing Buildings</b>	132	415	1,609	1,259	573
<b>Existing SF</b>	1,425,403 SF	6,024,551 SF	43,613,411 SF	19,822,956 SF	7,743,937 SF

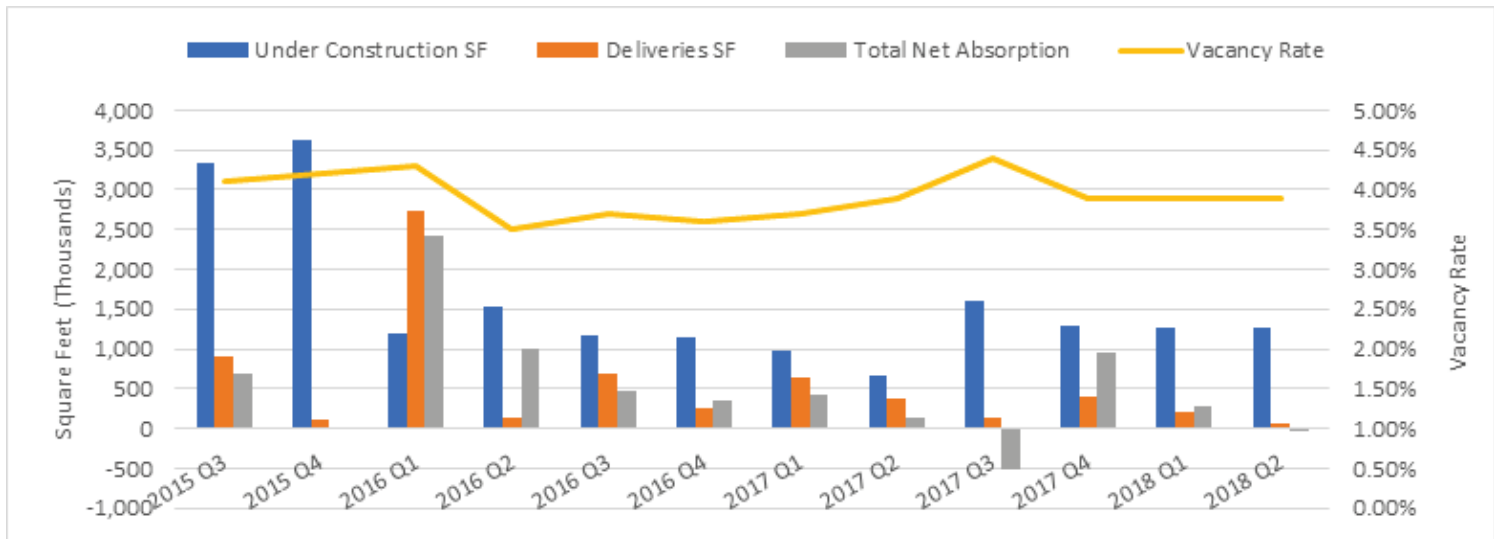
	<b>Class-A</b>	<b>Class-B</b>	<b>Class-C</b>
<b>Rent per SF</b>	\$5.82	\$5.40	\$5.27
<b>Vacancy Rate</b>	2.80%	4.30%	3.70%
<b>Existing Buildings</b>	59	1,909	4,524

	<b>Up to 30,000 SF</b>	<b>From 30,000 SF</b>
<b>Rent per SF</b>	\$6.76	\$4.32
<b>Vacancy Rate</b>	2.70%	4.70%
<b>Existing Buildings</b>	4,187	346
<b>Existing SF</b>	33,361,378 SF	23,980,025 SF

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## CONSTRUCTION, DELIVERY, NET ABSORPTION & VACANCY RATE



There was 1,262,488 SF of industrial space under construction by the end of Q2 2018. The largest two industrial properties under construction are the 1 million SF Hobby Lobby distribution center at 6701 SW 29th St., which is scheduled to be delivered in August 2018, and the 121,175 SF industrial warehouse at 6101 SW 44th St., which is scheduled to be delivered in November 2018. We are seeing asking rental rates for under construction industrial properties average at \$6.95/SF/YR NNN in the Oklahoma City market at the end of Q2 2018.

### NOTABLE PROPERTIES UNDER CONSTRUCTION

Building Address	City	Rentable Building Area	Delivery Time
6900 SW 29th St	Oklahoma City	1,000,000 SF	Aug 2018
6101 SW 44th St	Oklahoma City	121,715 SF	Nov 2018
6201 SW 44th St	Oklahoma City	42,00 SF	Jan 2019
2382 Thomas Dr	Edmond	20,000 SF	Sep 2018
NE 144th Pl	Edmond	17,090 SF	Aug 2018



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## **NA** OKLAHOMA CITY INDUSTRIAL MARKET SALES

There were 62 transactions totaling \$46,127,491 recorded during Q2 2018. The largest sale based on dollar volume was a portfolio sale including two fully leased industrial buildings totaling 43,750 SF at 524 N Sara Rd, and 600 N Sara Rd. in Yukon. Sealy & Company from Dallas, TX purchased these two buildings from local owner Gardner Tanenbaum Holdings for \$26.85 million, or \$62.19/SF, on May 24th, 2018. The largest individual sale based on dollar volume was the sale of the 118,946 SF industrial distribution building at 4249 SW 29th St. in Oklahoma City. The building was fully leased at the time of sale and was sold for \$2,750,000, or \$23.12/SF, on May 22nd, 2018.

### Summary

<b>Number of Transactions</b>	62
<b>Total Sales Volume</b>	\$46,127,491
<b>Total Bldg. SF</b>	1,496,991 SF
<b>Total Land in Acres</b>	190.72 Acres
<b>Average Price per Bldg. SF</b>	\$53.18
<b>Median Price per Bldg. SF</b>	\$54.29
<b>Average Cap Rate</b>	7.10%

## **NA** OKC MARKET SIGNIFICANT INDUSTRIAL SALE TRANSACTIONS DURING Q2 2018



Property Name: Sara Road 300  
Property Address: 524 Sara Rd., Yukon  
Sale Price: \$19,278,518-Allocated  
Price per SF: \$62.19/SF  
Sale Date: 05/24/2018



Property Name: Westgate  
Property Address: 600 N Sara Rd., Yukon  
Sale Price: \$7,571,482  
Price per SF: \$62.19/SF  
Sale Date: 05/24/2018



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Property Name: 4249 SW 29th St.  
Property Address: 4249 SW 29th St., OKC  
Sale Price: \$2,750,000  
Price per SF: \$23.12/SF  
Sale Date: 05/22/2018



Property Name: 117 NW 14th St.  
Property Address: 117 NW 14th St., OKC  
Sale Price: \$1,714,491-Allocated  
Price per SF: \$59.58/SF  
Sale Date: 04/26/018



Property Name: 408 NE 145th Pl.  
Property Address: 408 NE 145th Pl., Edmond  
Sale Price: \$1,175,000  
Price per SF: \$153.41/SF  
Sale Date: 04/27/2018



Property Name: 301 Enterprise Dr.  
Property Address: 301 Enterprise Dr., Edmond  
Sale Price: \$1,075,000  
Price per SF: \$126.47/SF  
Sale Date: 05/01/2018



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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](http://www.naisullivangroup.com)

## INDUSTRIAL TEAM



**Bob Sullivan, CCIM**

(405) 641-9798  
[rsullivan@ccim.net](mailto:rsullivan@ccim.net)



**Darryl Meason**

(405) 205-9440  
[darryl@naisullivangroup.com](mailto:darryl@naisullivangroup.com)



**Brad Baker**

(405) 412-4432  
[brad@naisullivangroup.com](mailto:brad@naisullivangroup.com)



**Amber Ambrose**

(405) 819-9191  
[amber@naisullivangroup.com](mailto:amber@naisullivangroup.com)



**Irmon Gray**

(405) 474-7286  
[irmon@naisullivangroup.com](mailto:irmon@naisullivangroup.com)



**Amir Shams**

(405) 313-0333  
[amir@naisullivangroup.com](mailto:amir@naisullivangroup.com)



**Zac McQueen**

(405) 476-9199  
[zac@naisullivangroup.com](mailto:zac@naisullivangroup.com)

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



4045 N.W. 64th Street, Suite 340 | Oklahoma City, OK 73116  
Office: 405.840.0600 | Fax: 405.840.0610  
[www.naisullivangroup.com](http://www.naisullivangroup.com)