

# Fourth Quarter Industrial Market Report 2018





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NAI Sullivan Group

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## EXECUTIVE SUMMARY

The industrial market turned in a mostly negative performance in Q4 2018 showing a total negative absorption of 151,519 square feet following Q3 2018 of negative absorption. Average leasing rates also remain flat with an overall average of \$4.45 per square feet NNN. Class A industrial space has a leasing average near \$5.70 per square feet NNN.

We also see limited new construction with the largest project at 6101 SW 44th containing 121,715 square feet and 6201 SW 44th containing 42,000 square feet.

Oklahoma City industrial sales remained strong with 69 transactions totaling \$74,027,510 and just under 2MM square feet. The average for all sales was \$60.35 per square foot. See our attached report with details of these sales.



Respectfully,

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

Bob Sullivan  
CEO

### Leasing Activities

Total Inventory	129,041,388 SF
Total Net Absorption	-151,519 SF
Overall Rental Rate	5.47/SF/YR
Total Vacancy Rate	3.80%
Under Construction	279,437 SF

### Sales Activities

Number of Transactions	69
Total Sales Volume	\$74,027,510
Average Price per Bldg. SF	\$60.35



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## NATIONAL ECONOMY

The Federal Reserve raised its target federal fund rate by a quarter point to a range of 2.25 percent to 2.5 percent in the fourth quarter 2018 despite the pressure from President Donald Trump to keep it unchanged. The Fed lowered its forecast to two hikes in 2019 amid the recent stock market sell-off and uncertain growth prospects. According to Kiplinger, national economy is growing at a 2.8 percent annualized rate in the fourth quarter, leaving a yearly average of 2.9 percent. Kiplinger predicts the yearly GDP growth in 2019 down to 2.5 percent. Unemployment rose to 3.9 percent in December as more people start looking for jobs, and Kiplinger expects the rate to go down to 3.4% by the end of 2019.

## LOCAL ECONOMY

Despite the falling oil and gas prices in December 2018 after the most expensive November at the pump in four years, Oklahoma City commercial real estate industry remains active and strong. Dolese Bros. is out of room at its downtown corporate headquarters and plans to build a new facility in north Oklahoma City. Industrial market is improving thanks to the e-commerce growth, interstate system and also the new marijuana law. The Amazon distribution center in Oklahoma City is expected to open by the end of 2019. First Costco is well under construction and is expected to open during the summer 2019. Cranes are up throughout the Core to Shore area with the construction of the new convention center and the 17-story Omni hotel as well as the Scissortail Park.

## OKLAHOMA CITY INDUSTRIAL MARKET LEASING

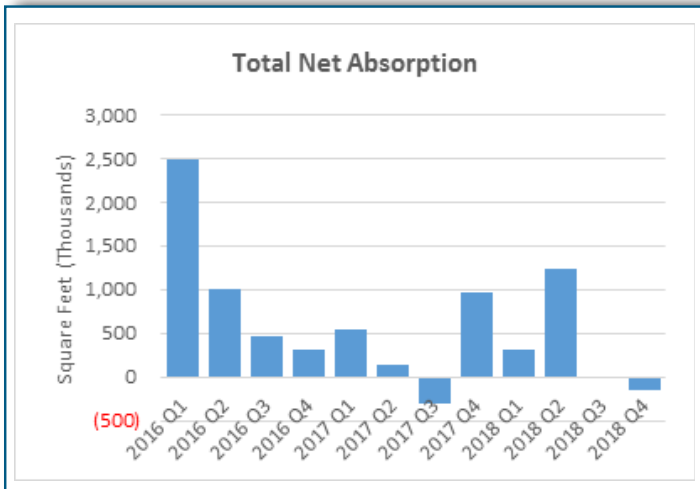
The largest industrial lease signings during Q4 2018 include the 121,000 SF industrial lease signed by Pratt Whitney at 8121 Mid America Blvd., with an asking rental rate of \$4.25/SF/YR NNN, the 87,228 SF industrial lease signed at 1400-1432 NW 5th St., with an asking rental rate of \$4/SF/YR modified gross, and the 38,000 SF industrial lease signed at 6120 SW 29th St., with an asking rental rate of \$6.50/SF/YR NNN.



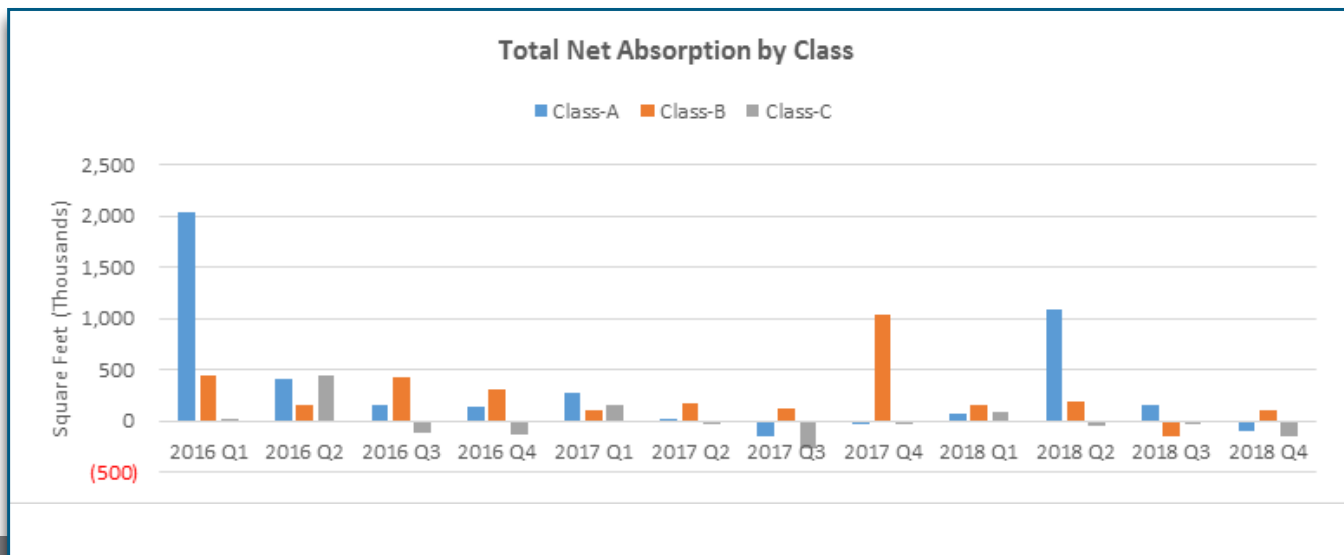
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## NET ABSORPTION AND INVENTORY



- The total net absorption was a negative 151,519 SF at the end of Q4 2018
- The total net absorption decreased compare to the negative absorption of 20,405 SF at the end of Q3 2018
- The total inventory was 129,041,388 SF at the end of Q4 2018
- The total inventory remained about the same compare to the inventory at the end of Q3 2018



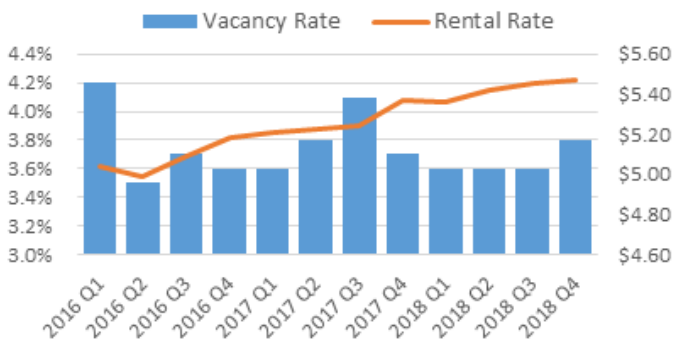
- Class-A net absorption yield was a negative 103,300 SF, which decreased from the positive net absorption of 163,180 SF at the end of Q3 2018
- Class-B net absorption yield was a positive 107,199 SF, which increased from the negative absorption of 152,845 SF at the end of Q3 2018
- Class-C net absorption yield was a negative 155,418 SF, which remains negative compare to the net absorption of negative 36,190 SF at the end of Q3 2018

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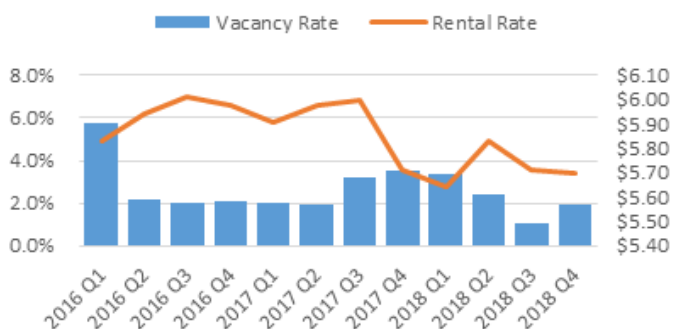
## RENTAL AND VACANCY RATES

**Overall Industrial Market  
Vacancy Rate Vs. Rental Rate**



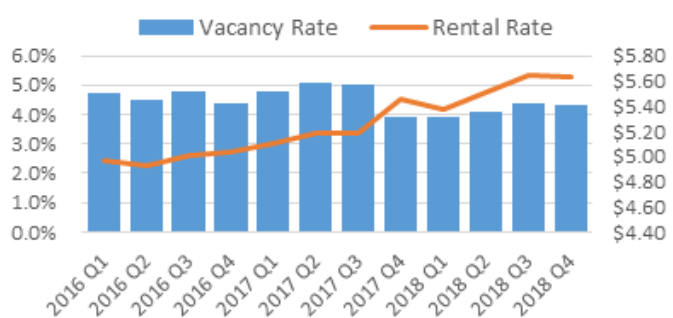
- The overall industrial rental rate was \$5.47/SF/YR at the end of Q4 2018
- The overall industrial rental rate slightly increased from the \$5.45/SF/YR at the end of Q3 2018
- The overall industrial vacancy rate was 3.80% at the end of Q4 2018
- The overall industrial vacancy rate increased from the 3.60% rate at the end of Q3 2018

**Class-A Industrial Property  
Vacancy Rate Vs. Rental Rate**



- Class-A property rental rate averaged \$5.70/SF/YR at the end of Q4 2018
- Class-A property rental rate remained about the same compare to the \$5.71/SF/YR rate at the end of Q3 2018
- Class-A property vacancy rate was 1.90% at the end of Q4 2018
- Class-A property vacancy rate increased from the 1.10% rate at the end of Q3 2018

**Class-B Industrial Property  
Vacancy Rate Vs. Rental Rate**



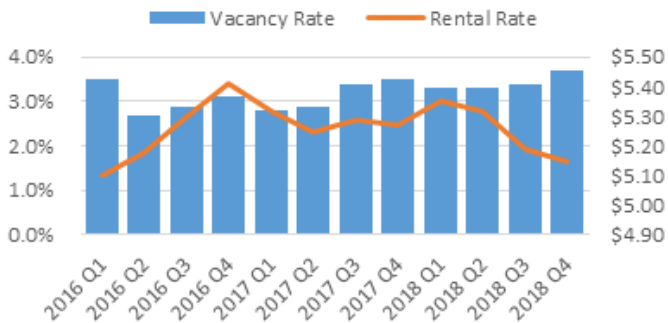
- Class-B property rental rate was \$5.63/SF/YR at the end of Q4 2018
- Class-B property rental rate remained about the same compare to the \$5.64/SF/YR rate at the end of Q3 2018
- Class-B property vacancy rate was 4.30% at the end of Q4 2018
- Class-B property vacancy rate remained about the same compare to the 4.40% rate at the end of Q3 2018



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**Class-C Industrial Property  
Vacancy Rate Vs. Rental Rate**



- Class-C property rental rate averaged \$5.15/SF/YR at the end of Q4 2018
- Class-C property rental rate slightly decreased from the \$5.19/SF/YR rate at the end of Q3 2018
- Class-C property vacancy rate was 3.70% at the end of Q4 2018
- Class-C property vacancy rate increased from the 3.40% rate at the end of Q3 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>	\$6.20	\$5.33	\$5.75	\$5.76	\$7.05
<b>Vacancy Rate</b>	10.20%	5.90%	4.70%	3.30%	2.30%
<b>Existing Buildings</b>	129	414	1,625	1,260	576
<b>12 Month Net Absorption SF</b>	106 K	-189 K	485 K	-175 K	187 K

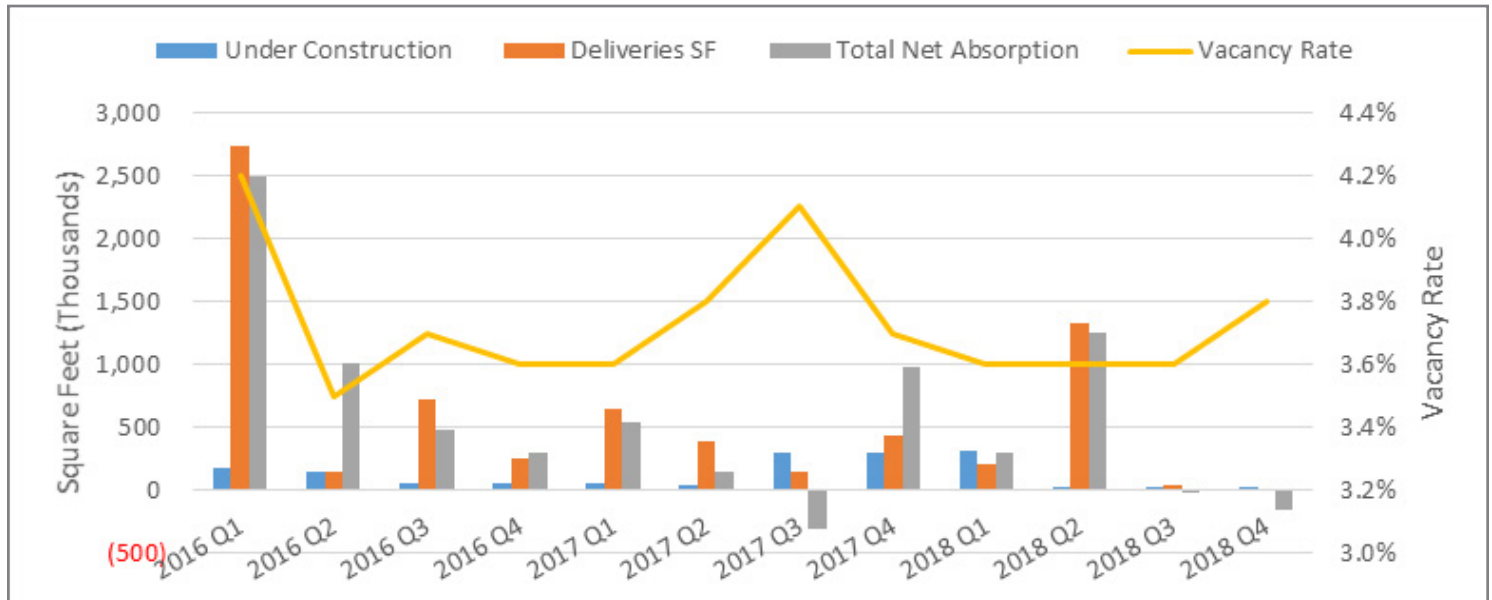
	<b>Class-A</b>	<b>Class-B</b>	<b>Class-C</b>
<b>Rent per SF</b>	\$5.70	\$5.63	\$5.15
<b>Vacancy Rate</b>	1.90%	4.30%	3.70%
<b>Existing Buildings</b>	57	1,912	4,481
<b>12 Month Net Absorption SF</b>	1.2 M	86.6 K	-213 K

	<b>Up to 30,000 SF</b>	<b>From 30,000 SF</b>
<b>Rent per SF</b>	\$6.73	\$5.66
<b>Vacancy Rate</b>	3.10%	4.50%
<b>Existing Buildings</b>	5,801	759
<b>12 Month Net Absorption SF</b>	307 K	801 K

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## CONSTRUCTION, DELIVERY, NET ABSORPTION & VACANCY RATE



There was 279,437 SF of industrial space under construction by the end of Q4 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 as well. We are seeing asking rental rates for under construction industrial properties averaged at \$7.13/SF/YR in the Oklahoma City market at the end of Q4 2018.

## NOTABLE PROPERTIES UNDER CONSTRUCTION

Building Address	City	RBA	Delivery Time
6101 SW 44th St	OKC	121,715 SF	Jan 2019
6201 SW 44th St	OKC	42,000 SF	Jan 2019
4042 SW 25th St	OKC	30,000 SF	Jun 2019
11301 N Western Ave	OKC	19,000 SF	Mar 2019
NE 144th Pl	Edmond	17,090 SF	Jan 2019
3908 Willow Springs Dr	OKC	15,000 SF	May 2019
225 Garage Dr	Edmond	14,932 SF	Jan 2019



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

There were 69 transactions totaling \$74,027,510 recorded during Q4 2018. The largest individual sale based on dollar volume was the sale of the industrial warehouse at 11400 N I-35 Service Rd. Northgate 3 Industrial, LLC purchased the 125,000 SF industrial warehouse from Gardner Tanenbaum Holdings for \$8,125,000, or \$65 per square feet, on December 18th, 2018.

Two industrial properties located at 605 N Tulsa Avenue were sold as a portfolio for \$18,200,000, or \$65 per square feet on October 11th, 2018. Republic National Distributing Company from Houston, TX purchased the two properties of 280,000 SF from Naifc Realty Co. from Oklahoma City.

### Summary

<b>Number of Transactions</b>	69
<b>Total Sales Volume</b>	\$74,027,510
<b>Total Bldg. SF</b>	1,922,031 SF
<b>Total Land in Acres</b>	375.55 Acres
<b>Average Price per Bldg. SF</b>	\$60.35
<b>Median Price per Bldg. SF</b>	\$58.62
<b>Average Cap Rate</b>	10.02%

## **NA** OKC MARKET SIGNIFICANT INDUSTRIAL SALE TRANSACTIONS DURING Q4 2018



Property Name: 605 N Tulsa Ave.  
Property Address: 605 N Tulsa Ave., OKC  
Sale Price: \$13,220,882-Allocated  
Price per SF: \$66.10  
Sale Date: 10/11/2018



Property Name: 11400 N I-35 Service Rd.  
Property Address: 11400 N I-35 Service Rd., OKC  
Sale Price: \$8,125,000  
Sale Price per SF: \$65  
Sale Date: 12/18/2018



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Property Name: 2951 S Council  
Property Address: 2951 S Council, OKC  
Sale Price: \$5,768.986-Allocated  
Price per SF: \$172.72  
Sale Date: 10/22/2018



Property Name: 605 N Tulsa Ave-4  
Property Address: 605 N Tulsa Ave., OKC  
Sale Price: \$4,979,118-Allocated  
Price per SF: \$62.24  
Sale Date: 10/11/2018



Property Name: 2132 SE 15th St.  
Property Address: 2132 SE 15th St., OKC  
Sale Price: \$3,800,000  
Price per SF: \$94.67  
Sale Date: 11/29/2018  
Cap Rate: 7.26%



Property Name: Aero Meridian Industrial Park  
Property Address: 4529 Enterprise Pl., OKC  
Sale Price: \$3,500,000  
Price per SF: \$40.30  
Sale Date: 11/19/2018



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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)

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