

Fourth Quarter Retail Market Report 2018



Fourth Quarter Retail Market Report

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EXECUTIVE SUMMARY

In the fourth quarter we saw the 3rd lowest sales volume on the year but had an 8 percent increase in the number transactions since September. As we kick off a new year we expect to see volume increase into the upcoming quarter.

Vacancy rates have fallen which is indicative of the large cut back in construction. This is a 61 percent down swing since the end of September and the lowest since the first quarter of 2017. We expect vacancy will continue to go down and rental rates slowly creep upward as demand outweighs supply.

Even with the local economy taking a hit from low oil and gas prices we see a lot of activity in the market place such as the much awaited scissor Tail Park and Omni Hotel projects. New retailers and restaurants have also taken an interest in our market like REI who will be taking over the former Baby's "R" Us space at Belle Isle, and Bubba's 33- a Louisville bar concept that will locate at Westgate Market Place.

Respectfully,
Nathan Wilson
Retail Team Member



Leasing Activities

Total Inventory	96,630,523 SF
Total Net Absorption	326,281 SF
Overall Rental Rate	\$13.33/SF/YR
Total Vacancy Rate	6.50%
Under Construction	298,915 SF

Sales Activities

Number of Transactions	111
Total Sales Volume	\$63,786,600
Average Price per Bldg. SF	\$164.17



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NAI 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.

NAI 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.

NAI OKLAHOMA CITY RETAIL MARKET LEASING

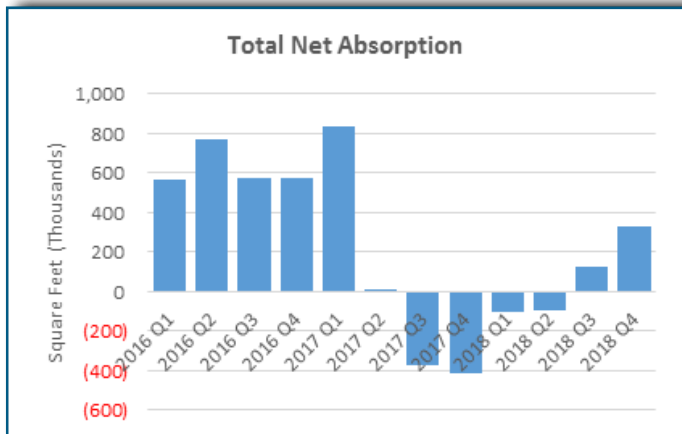
Some notable retail leases based on asking rental rates during Q4 2018 include the retail lease signed by Chick-Fil-A at 535 NW 9th St. with an asking rental rent of \$30/SF/YR, the retail lease signed at 1325 N Walker Avenue with an asking rental rate of \$25/SF/YR, and the retail lease signed at 2901-2903 NW 63rd St. with an asking rate of \$25/SF/YR as well.

The largest leases based on SF in Q4 2018 include the 34,197 SF retail lease signed by Flix Brewhouse along N Broadway Ext. in Oklahoma City, the 23,000 SF retail lease signed by REI at Belle Isle Blvd. Oklahoma City, and the 19,500 SF retail lease signed by Amish Heirloom Furniture in Norman.

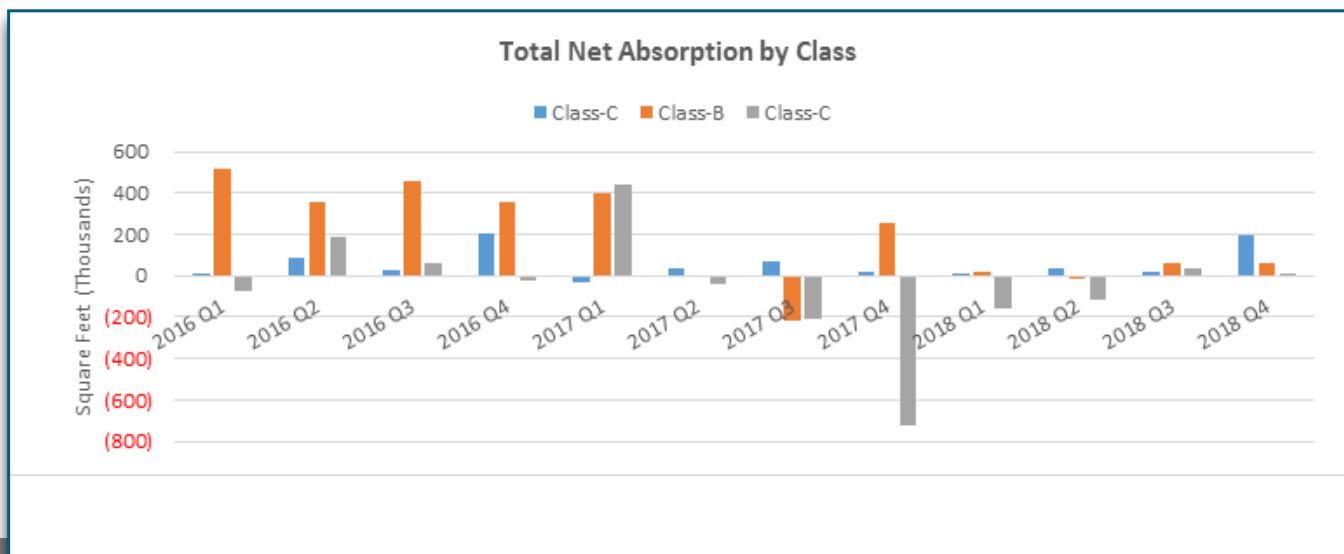
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NET ABSORPTION AND INVENTORY



- The total retail net absorption was a positive 326,281 SF at the end of Q4 2018
- The total retail net absorption increased from the positive absorption of 127,684 SF at the end of Q3 2018
- The total retail inventory was 96,630,523 SF at the end of Q4 2018
- The total retail inventory increased from 96,291,414 SF at the end of Q3 2018



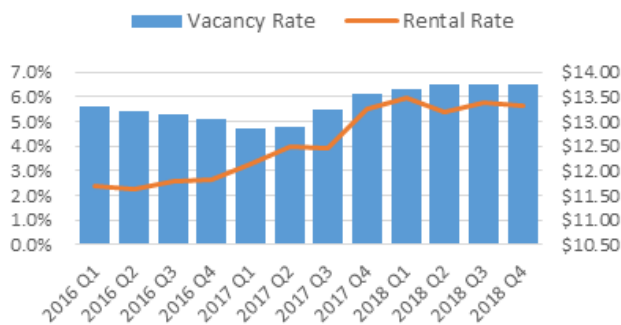
- Class-A retail property net absorption was a positive 198,186 SF, which increased from the positive net absorption of 15,438 SF at the end of Q3 2018
- Class-B retail property net absorption was a positive 67,379 SF, which slightly increased from the positive net absorption of 57,637 SF at the end of Q3 2018
- Class-C retail property net absorption was a positive 60,716 SF, which increased from the positive net absorption of 34,987 SF at the end of Q3 2018

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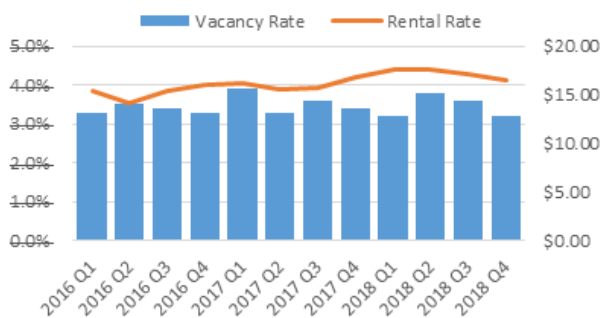
RENTAL AND VACANCY RATES

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



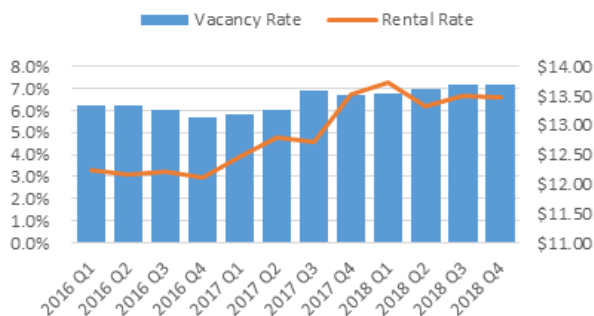
- The overall retail market rental rate averaged \$13.33/SF/YR at the end of Q4 2018
- The overall retail market rental rate slightly decreased from the \$13.39/SF/YR rate at the end of Q3 2018
- The overall retail market vacancy rate was 6.50% at the end of Q4 2018
- The overall retail market vacancy rate remained about the same compare to the vacancy rate at the end of Q3 2018

**Class-A Retail Market
Vacancy Rate & Rental Rate**



- Class-A retail property rental rate averaged \$16.45/SF/YR at the end of Q4 2018
- Class-A retail property rental rate decreased from the \$17.12/SF/YR at the end of Q3 2018
- Class-A retail property vacancy rate was 3.20% at the end of Q4 2018
- Class-A retail property vacancy rate decreased from the 3.60% rate at the end of Q3 2018

**Class-B Retail Market
Vacancy Rate Vs. Rental Rate**

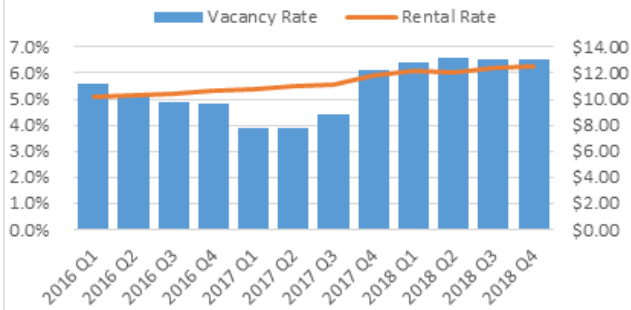


- Class-B retail property rental rate averaged \$13.48/SF/YR at the end of Q4 2018
- Class-B retail property rental rate remained about the same compare to the \$13.51/SF/YR rate at the end of Q3 2018
- Class-B retail property vacancy rate was 7.20% at the end of Q4 2018
- Class-B retail property vacancy rate remained the same compare to the rate at the end of Q3 2018

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**Class-C Retail Market
Vacancy Rate Vs. Rental Rate**

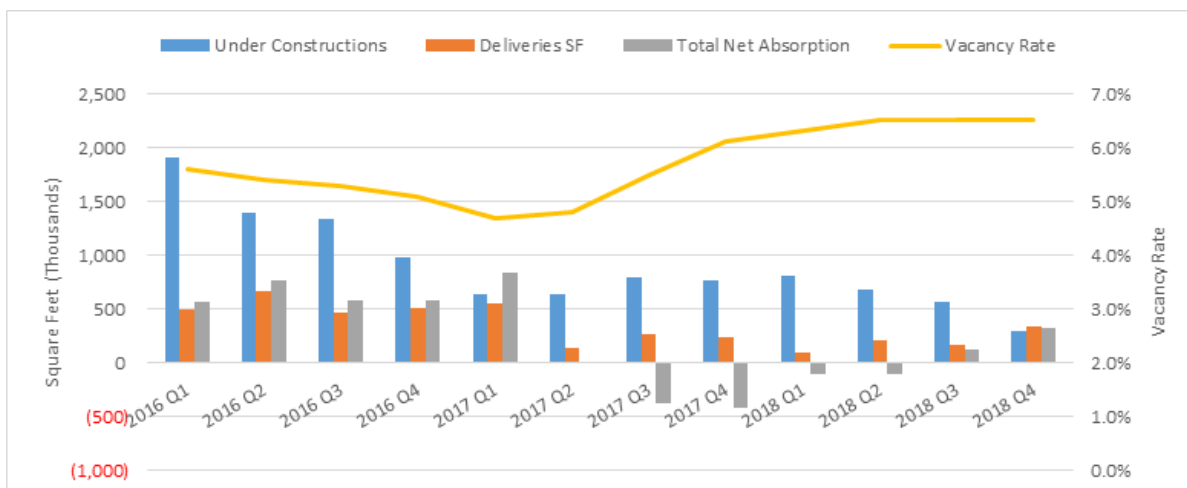


- Class-C retail property rental rate averaged \$12.55/SF/YR at the end of Q4 2018
- Class-C retail property rental rate increased compare to the \$12.41/SF/YR rate at the end of Q3 2018
- Class-C retail property vacancy rate was 6.50% at the end of Q4 2018
- Class-C retail property vacancy rate remained the same compare to the rate at the end of Q3 2018

OKC RETAIL INFORMATION BY SUBMARKET

	Northwest	Edmond	Moore/Norman
NNN Rental Rate per SF	\$14.07	\$16.72	\$16.75
Vacancy Rate	5.40%	6.30%	4.50%
Existing Buildings	1,269	726	1,250
12 Month Net Absorption SF	132 K	77.4 K	-52.6 K

CONSTRUCTION, DELIVERY, NET ABSORPTION AND VACANCY RATE



There was 298,915 SF of retail space under construction at the end of Q4 2018. The top two retail properties by size under construction are the 70,000 SF The Shops at Memorial Crossing at the Northeast Corner of Memorial Rd and N Western Ave, which is scheduled to be delivered in September 2019, and the 34,197 SF Flix Brewhouse along N Broadway Ext., which is scheduled to be delivered in September 2019. We are seeing average asking rental rate for under construction retail properties at \$18.99/SF/YR. The Paseo Studios at 2807 N Walker has an asking rental rate about \$30/SF/YR, and the asking rental rate for the New Zain Plaza at 2125 NW 178th St is \$24.15/SF/YR.

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NOTABLE RETAIL PROPERTIES UNDER CONSTRUCTION

Building Name	Building Address	City	RBA	Delivery Time
The Shops at Memorial Crossing	NE Corner of Memorial Road & N Western Ave	OKC	70,000 SF	Sep 2019
Flix Brewhouse	N Broadway Ext	OKC	34,197 SF	Sep 2019
First National Center	120 N Robinson Ave	OKC	22,000 SF	Oct 2020
The New Zain Plaza	2125 NW 178TH St	Edmond	12,500 SF	Feb 2019
Paycom	7501 W Memorial Rd	OKC	11,500 SF	Feb 2019
-	12309 N Council Rd	OKC	11,240 SF	May 2019
-	13200 N Pennsylvania Ave	OKC	10,500 SF	Jan 2019
Yukon Crossing	1001 E Main St	Yukon	10,345 SF	Jan 2019

OKLAHOMA CITY RETAIL MARKET SALES

The fourth quarter of 2018 saw 111 transactions totaling \$63,786,600. The largest sale based on dollar volume was the sale of Floor & Decor at 6100 SW 5th St., in Oklahoma City. WEREIT Real Estate L.P. from Phoenix, AZ purchased the 75,115 SF property from Zerby Interest from Oklahoma City for \$11,000,000, or \$146.44 per square foot, on October 25th, 2018. The average cap rate for Q4 was 7.04%.

Summary

Number of Transactions	111
Total Sales Volume	\$63,786,600
Total Bldg. SF	1,148,248 SF
Total Land Acres	145.43
Average Price per Bldg. SF	\$ 164.17
Median Price per Bldg. SF	\$ 130.94
Average Cap Rate	7.04%

We have seen a strong retail market during the fourth quarter 2018. REI has announced their first store in Oklahoma to occupy the former 23,000 SF Babies R Us located at Belle Isle Station and is expected to open in fall 2019. Oncue Express continues its acquisition and expansion in the Oklahoma City area. Chisholm Creek is well under construction and Razzoo's, Slapfish and more are coming to Chisholm Creek. The retail market continue stay strong in 2019.

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OKC MARKET SIGNIFICANT RETAIL SALE TRANSACTIONS DURING Q4 2018



Property Name: Floor & Décor
Property Address: 6100 SW 5th St., OKC
Sale Price: \$11,000,000
Price per SF: \$146.44
Sale Date: 10/25/2018
Cap Rate: 7.37%



Property Name: Fenton Nissan Used Auto Sales
Property Address: 8800 NW Expressway, OKC
Sale Price: \$10,000,000
Price per SF: \$333.33
Sale Date: 10/29/2018



Property Name: 1380 W Covell.
Property Address: 1380 W Covell Rd., Edmond
Sale Price: \$6,000,000
Price per SF: \$365.99
Sale Date: 12/20/2018
Cap Rate: 6.80%



Property Name: 825 SW 19th St.
Property Address: 825 SW 19th St., Moore
Sale Price: \$4,800,000
Price per SF: \$264.68
Sale Date: 12/21/2018
Cap Rate: 8.44%



Property Name: Verizon Wireless
Property Address: 318 E State Highway 152., Mustang
Sale Price: \$1,650,000
Price per SF: \$687.50
Sale Date: 12/11/2018
Cap Rate: 6.90%



Property Name: Arby's
Property Address: 2300 S Country Club Rd., El Reno
Sale Price: \$1,479,500
Price per SF: \$541.94
Sale Date: 12/05/2018

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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



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