

First Quarter Retail Market Report 2016



First Quarter Retail Market Report

NAI Sullivan Group

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EXECUTIVE SUMMARY

The retail market continued to show strong improvement in Q1 2016 with an additional 400,000 SF of retail space being delivered, increasing total retail space to over 87M SF. Notable deliveries include the Sam's Club at NW 39th and May Avenue with 134,000 SF and the opening of the Uptown Grocery at 9515 N May with 55,000 SF.

Vacancy rates continued to decline to 6.1% as average rental rates continued to climb to \$11.39 per SF NNN. New retail rental rates along the Memorial corridor in northwest Oklahoma City will be built with lease rates at over \$28.00 per sf.

Currently, there is over 1.1M SF of retail space under construction including two Wal Marts and construction in Norman, Moore and north OKC.

There were 86 sale transactions in Q1 totaling 636,308 SF, reaching \$44,542,952 or \$85.87 per square foot. The demand for retail as an investment property is very strong with cap rates continuing to decline to the 6 to 7 percent range depending on the credit of the tenant and tenant mix.

We continue to view the retail market as very strong and should continue to be strong over the next year.



A handwritten signature in black ink that reads "Bob Sullivan".

Bob Sullivan
CEO

Leasing Activities

Total Inventory	87,688,221 SF
Overall Rental Rate	\$11.39/SF/YR NNN
Total Vacancy Rate	6.1%
Under Construction	1,149,620 SF

Sales Activities

Number of Transactions	86
Total Sales Volume	\$44,542,952
Average Price per Bldg. SF	\$85.87



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NA NATIONAL ECONOMY

The global economy is slowing down, and in turn, the United States is also affected. A strong dollar value continues to discourage U.S. exports and increase imports. The slowing economy in China particularly has a negative impact on U.S. exports. Last December, the Fed predicted that in 2016 the economy would grow 2.4 percent and it would raise the interest rate four times. While under the current global economy, which adds more volatility to the US economy, the Fed is not going to raise its key interest rate as expected, and only plans two rate hikes in 2016, predicting the growth rate at 2.2 percent for 2016, 0.2 percent down from the previous forecast. The world oil inventory is still at a historical high, and the 2016 average crude oil price is estimated to stay between \$40 and \$50 a barrel. International Energy Agency indicates that it will take at least another year to reach a new balance between crude oil supply and demand. In addition, the unemployment rate is predicted to reach 4.6 percent at the end of 2016, down from the current five percent.

NA LOCAL ECONOMY

As a state abundant with oil and gas resources, the pain continues while crude oil prices stay low. Massive layoffs in the oil and gas industry has led to the increasing vacancy rate in both office and industrial properties. Devon Energy has laid off 1,000 people in the first quarter of 2016. The pain won't fade away soon as the inventory of crude oil is still at historical highs, and we are going to see more layoffs, mergers and acquisitions or bankruptcies in the coming quarter.

Despite the oil and gas downturn, we are still seeing a lot of interest from across the nation and internationally, among many other exciting developments and opportunities. Continued expansion at Chisholm Creek is well under construction with the additions of new shops and housing. Wheeler District site construction has begun which will include a Ferris wheel, public art and a food truck plaza, expected to open this summer. Developers are continuing to seek opportunities to build hotels in the downtown area. The new convention center is expected to start its construction in 2018 with a 2020 completion date.

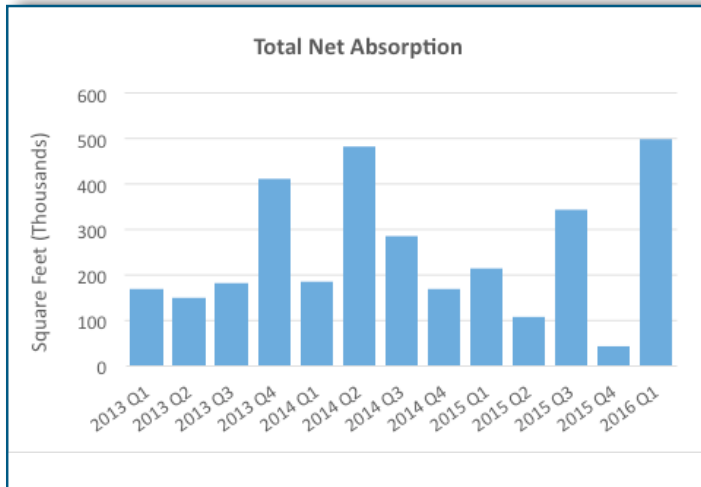
NA OKLAHOMA CITY RETAIL MARKET LEASING

The largest lease signings that occurred in Q1 2016 included the 7,000 SF lease signed by Five Below at 2300 S I-35 Frontage Rd, the 5,840 SF lease signed by Slim Chickens at 1101 SW 19th St and the 5,000 SF lease signed by Save-A-Lot at Del Crest Shopping Center.

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NET ABSORPTION AND INVENTORY



- The total retail net absorption was 499,101 SF.
- The total retail net absorption increased from 43,662 SF at the end of Q4 2015.
- The total inventory was 87,688,221 SF.
- The total inventory increased from 86,918,916 SF at the end of Q4 2015

RENTAL RATES AND VACANCY RATES



- The retail market rental rate averaged \$11.39/ SF/YR NNN.
- The retail rental rate increased from the \$11.24/ SF/YR NNN rate at the end of Q4 2015.
- The retail market vacancy rate was 6.1%.
- The retail market vacancy rate decreased from 6.3% at the end of Q4 2015.

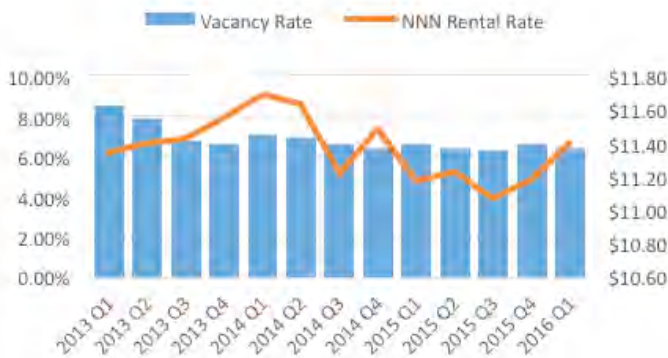


- The outlet shoppes rental rate averaged \$13.36/SF/YR NNN.
- The outlet shoppes rental rate decreased from \$15/SF/YR NNN at the end of Q4 2015.
- The outlet shoppes vacancy rate was 0.2%.
- The outlet shoppes vacancy rate decreased from 0.3% at the end of Q4 2015.

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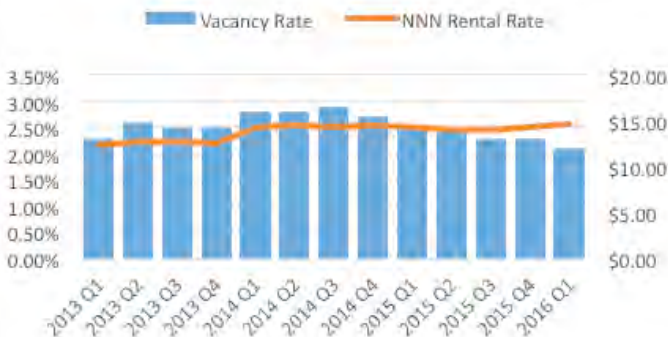
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Strip Center Vacancy Rate Vs. Rental Rate



- The strip center rental rate averaged \$11.40/SF/YR NNN.
- The strip center rental rate increased from \$11.18/SF/YR NNN at the end of Q4 2015.
- The strip center vacancy rate was 6.4%.
- The strip center vacancy rate decreased from 6.6% at the end of Q4 2015.

Power Center Vacancy Rate Vs. Rental Rate



- The power center rental rate averaged \$14.74/SF/YR NNN.
- The power center rental rate increased from \$14.36/SF/YR NNN at the end of Q4 2015.
- The power center vacancy rate was 2.1%.
- The power center vacancy rate decreased from 2.3% at the end of Q4 2015.

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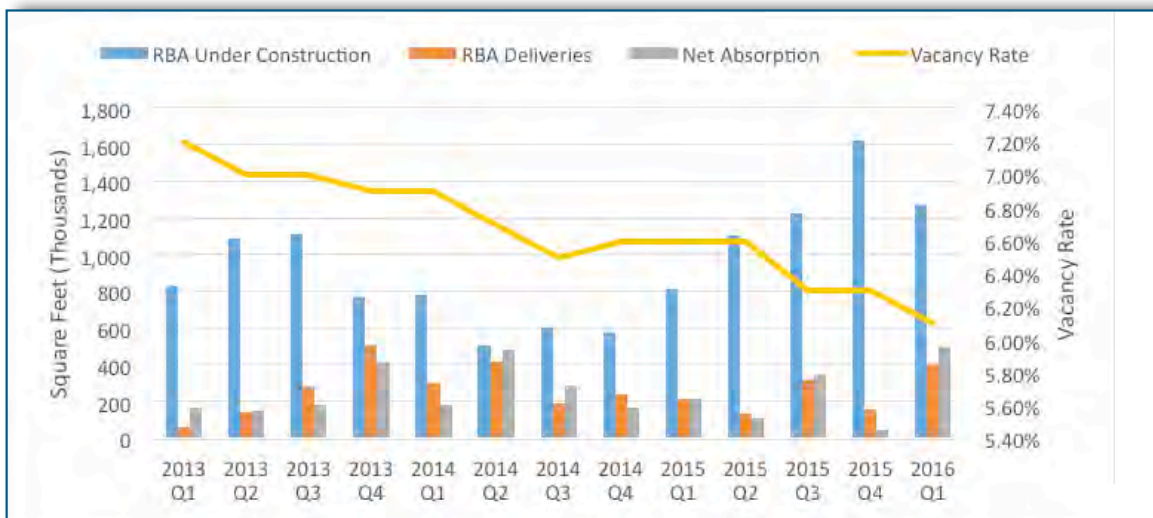


OKC INDUSTRIAL MARKET INFORMATION BY SUBMARKETS

	Northwest	Edmond	Moore/Norman
NNN Rental Rate per SF	\$10.38	\$14.98	\$15.38
Vacancy Rate	5.4%	5.4%	2.5%
Existing Buildings	1,237	686	1,184
Existing SF	15,419,267 SF	8,204,790 SF	12,692,398 SF
Cap Rate	6.5%	6.6%	6.4%



CONSTRUCTION, DELIVERY, NET ABSORPTION AND VACANCY RATE



Looking at the end of the first quarter of 2016, there were 1,149,620 SF of retail space under construction. The two largest properties under construction were the 180,000 SF Walmart at 3301 SW 104th Street in Oklahoma City, which is scheduled for delivery in May 2016 and the 109,900 SF property located at 1401 SW 74th Street in Oklahoma City, which is scheduled for delivery in July 2016.

Some notable deliveries in Q1 2016 included the 136,000 SF Sam's Club at 4101 N May Avenue, which is now 100 percent occupied and the 55,000 SF property at 9515 N May Avenue, which is also 100 percent occupied. We saw that the average asking rental rate for under construction retail properties in the Oklahoma City market is at \$21.47. The asking rental rate for under construction Shoppes at McAuley Plaza at 4210 W Memorial Rd is as high as \$28/SF/YR NNN.

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Under Construction

Building Name	Building Address	City	RBA	Delivery Time
Walmart	3301 SW 104th St	OKC	180,000 SF	May 2016
Phase 2	1401 SW 74th St	OKC	109,900 SF	Jul 2016
Walmart Supercenter	E Cedar Lane Rd	Norman	100,000 SF	Apr 2016
Shoppes at Quail Springs	13601 N May Ave	OKC	91,027 SF	Jul 2016
-	13230 Pawnee Dr	OKC	76,360 SF	Jul 2016
Village North	3400 W Memorial Service Rd	OKC	70,500 SF	Jul 2016
Oak Grove with Sprouts Market	12208 N Macarthur Blvd	OKC	53,417 SF	Jun 2016
-	2801 NW 36th Ave	Norman	41,087 SF	Apr 2016
Senior Health & Wellness Center	11501 N Rockwell Ave	OKC	40,272 SF	Sep 2016
-	835 SW 19th St	Moore	34,000 SF	Aug 2016
Fenton Nissan Used Auto Sales	8800 NW Expressway	OKC	30,000 SF	Jul 2016

OKLAHOMA CITY RETAIL MARKET SALES

In Q1 2016, there were 86 transactions with a total sales volume of \$44,542,952. The largest individual property sale based on sales volume was the sale of the property located at 7300 SE 29th Street in Oklahoma City. Duncan Mwc LLC purchased this 12,702 SF freestanding building for \$4,870,000 on February 17, 2016.

Despite the oil and gas downturn, the Oklahoma City retail market remains very active. We have seen many retail shops added to Chisholm Creek that are well under construction including Republic Gastropub, Fuzzy's, Yokozuna, Jerky.com, a nail salon, day spa and Sidecar Barley and Wine Bar. We are seeing more activities brought to the center of midtown as developers are trying to create a retail mix in the center of midtown. Walmart is expanding fast in order to maintain a strong market share while facing the competition from national grocery stores like Sprouts and Natural Grocers. The retail market will see a slower growth pace this year as layoffs continue due to the low oil and gas prices.

Summary

Number of Transactions	86
Total Sales Volume	\$44,542,952
Total Bldg. SF	636,308 SF
Total Land in Acres	96.60 Acres
Average Price per Bldg. SF	\$85.87
Median Price per SF	\$80.09

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OKC MARKET SIGNIFICANT RETAIL SALE TRANSACTIONS DURING Q1 2016



Property Name: Town Center Plaza
Property Address: 7300 SE 29th, OKC
Sale Price: \$4,870,000
Building SF: 12,702 SF
Price per SF: \$383.40
Sale Date: 02/17/2016



Property Name: Hideway Pizza
Property Address: 1701 Shedeck Pky, Yukon
Sale Price: \$3,095,000
Building SF: 6,654 SF
Price per SF: \$465.13
Sale Date: 02/25/2016



Property Name: 13125 Colony Pointe Blvd
Property Address: 13125 Colony Pointe Blvd, Yukon
Sale Price: \$3,047,000
Building SF: 6,980 SF
Price per SF: \$436.53
Sale Date: 01/14/2016

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Property Name: 5503-5577 NW Expressway-East Building
Property Address: 5503-5577 NW Expressway, OKC
Sale Price: \$2,916,500
Building SF: 109,230 SF
Price per SF: \$26.70
Sale Date: 01/29/2016



Property Name: Quail Pointe Shopping Center
Property Address: 12301 N May Ave, OKC
Sale Price: \$2,295,000
Building SF: 11,302 SF
Price per SF: \$203.06
Sale Date: 02/03/2016



Property Name: 1501-1509 S Broadway Ext.
Property Address: 1501-1509 S Broadway Ext., Edmond
Sale Price: \$2,275,000
Building SF: 3,867 SF
Price per SF: \$588.31
Sale Date: 02/29/2016

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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.

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NAI Sullivan Group has launched a new application for the iPad and iPhone. This app is free of charge and is available for download in the Apple App Store under NAI Sullivan Group. Clients can use the app to review all our company listings, find agent contact information, perform calculations, review our current market reports and much more. This app allows a client to simply take a photo of the property they are interested in and their request will instantly be submitted to the sales associate of the client's choice and the associate will contract the client with details of the property in question.

CoStar Group is the primary provider for commercial real estate information, analytics and marketing services. CoStar conducts extensive on going local market research to produce and maintain the largest and most comprehensive database of Commercial Real Estate information. Their online services enables the sales associate to analyze, interpret and gain unmatched insight on commercial property values, market conditions, and current availability.

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