



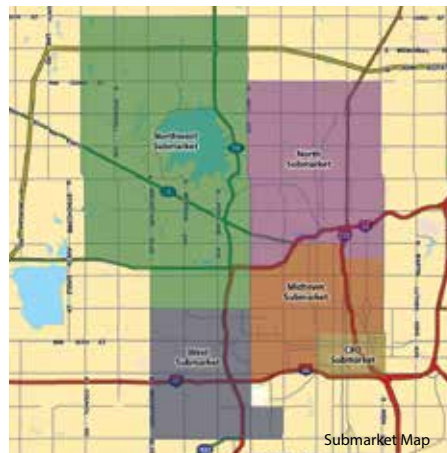
# Oklahoma City

2016 Mid-Year  
Office Market Summary



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# Oklahoma City

## 2016 Mid-Year Office Market Summary



2015 proved to be quite eventful for the local office market. Major projects were announced, but some were delayed as the city faces the continuing downturn in the oil and gas industry, a major demand driver in our market. As a major center for the petroleum industry, Oklahoma City dealt with the slump in oil prices, but managed to remain fairly strong heading into what appears to be another challenging year. Accounting for some necessary reconciliations to a handful of buildings in our report, the overall market experienced negative absorption of nearly 60,000 square feet despite seeing its overall vacancy rate plummet from 15.2% to 12.3%. We realize that's a bit of a head-scratcher to see the vacancy rate drop despite experiencing negative absorption. The primary reason for that dichotomy is the mostly vacant First National Center was removed from the market. The First National Center is a story in and of itself, but the net result is approximately 1 million square feet of space was removed because the building ceased to be available for occupancy and plans have just been announced for the property to be redeveloped into a combination of residential, hospitality and retail space. Through the sales process it also became apparent that the building's occupancy levels had been inflated in previous reports.

The First National Center has been owned for years by various out of town groups who felt the low acquisition price was too good to pass up, but each of those previous owners failed to provide the necessary capital or a comprehensive plan for redevelopment. After months of haggling among various parties claiming ownership, the building was placed in the hands of a receiver, Jim Parrack of Price Edwards & Company. Under his purview several buyers were identified and the judge eventually approved a contract with a well-qualified redevelopment team led by local developer Gary Brooks. The removal of the building dramatically dropped the vacancy rate for the Central Business District from 20.7% at the beginning of 2015 to 10.8% at year-end. Cities and their office markets tend to be judged by their downtown vacancy rates and although locals have known for years that the downtown market for quality space is actually very tight, the adjustments attributable to the removal of First National finally bear that out. Because nearly 1 million square feet of Class C space was deleted, the average downtown rental rate

climbed significantly from \$18.15 to \$20.15 per square foot. Obsolete space is finally being flushed through the system and we are getting a truer reading on the health of the CBD.

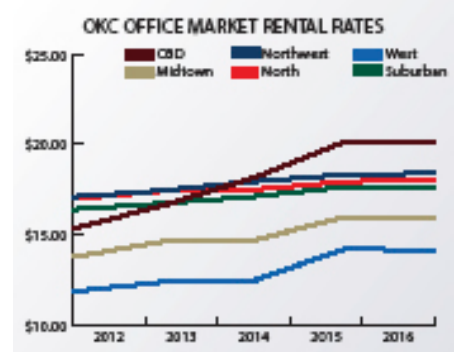
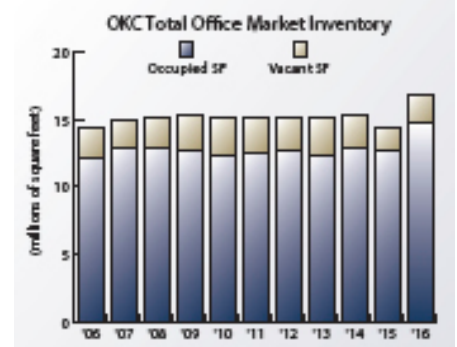
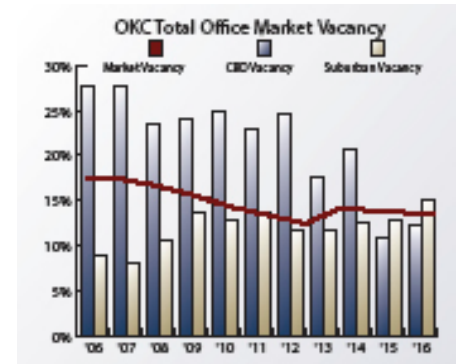
Another bright spot for downtown was the commencement of construction on 499 W. Sheridan. Devon Energy will occupy approximately half of the 690,000 SF building and in October Bank of Oklahoma announced it would relocate its Oklahoma City headquarters to the building and occupy approximately 100,000 square feet and the building would be branded as BOK Park Plaza. The building is set for a late 2017 completion date.

Unfortunately, one of the casualties of depressed oil prices is the OG&E Energy Center just across the street from the BOK Park Plaza location. OG&E recently announced that it is shelving the project indefinitely. The planned 500,000 SF building was intended to provide space for OG&E and others, but the developers determined there was insufficient demand for additional downtown space. That is especially true when you consider the space offered would demand rental rates significantly higher than what Class A space is currently commanding in the CBD. That demand is further weakened as many oil and gas companies deal with the travails of their market and the lowest commodity pricing since 2008.

The story in the suburbs is very similar, particularly in the Northwest submarket which has a preponderance of oil and gas tenants. Vacancy rates rose from 8.5% to 10% during the year and increased vacancy is anticipated for 2016 as over 300,000 square feet of Class A space will be vacated by existing users. Consequently, several new projects that were in the planning stages will likely be delayed. The bright side is that nearly all of those projects had not yet come out of the ground, so we do not expect there to be an overabundance of supply as demand remains strong from other industries. In the aggregate, the suburban submarkets ended the year about where they started. Vacancy rates rose modestly from 12.5% to 12.9% and average rental rates rose from \$17.46 to \$17.65 per square foot.

The coming year will certainly test the diversification efforts of the last 30 years that were undertaken after the 1980's oil bust. So far the signs for a lessened impact are strong, but we

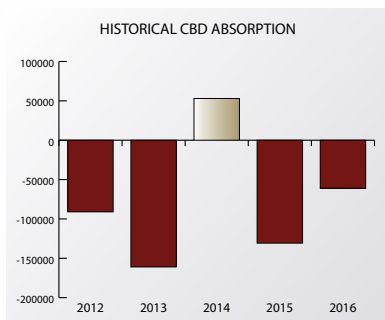
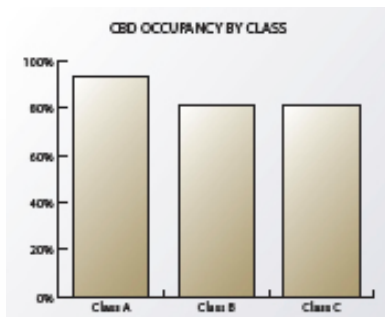
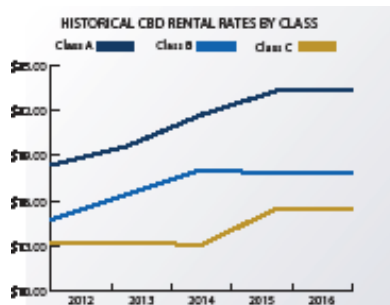
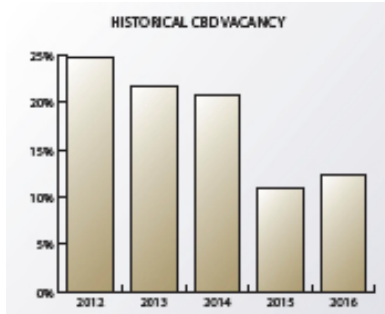
expect to see a very competitive landscape with landlords increasing concessions such as free rent for larger financially sound tenants. It's hard to say no to large oil and gas companies when times are good, but recent events have been a wake-up call to landlords to seek diversity in their tenant mix.



2016 Mid-Year OKC Office Market Totals	RSF	Vacant SF	Vacant %	Rate
	14,654,472	2,165,449	14.8%	\$18.47

# 2016 Mid-Year Oklahoma City Office Market Summary

## CENTRAL BUSINESS DISTRICT SUBMARKET

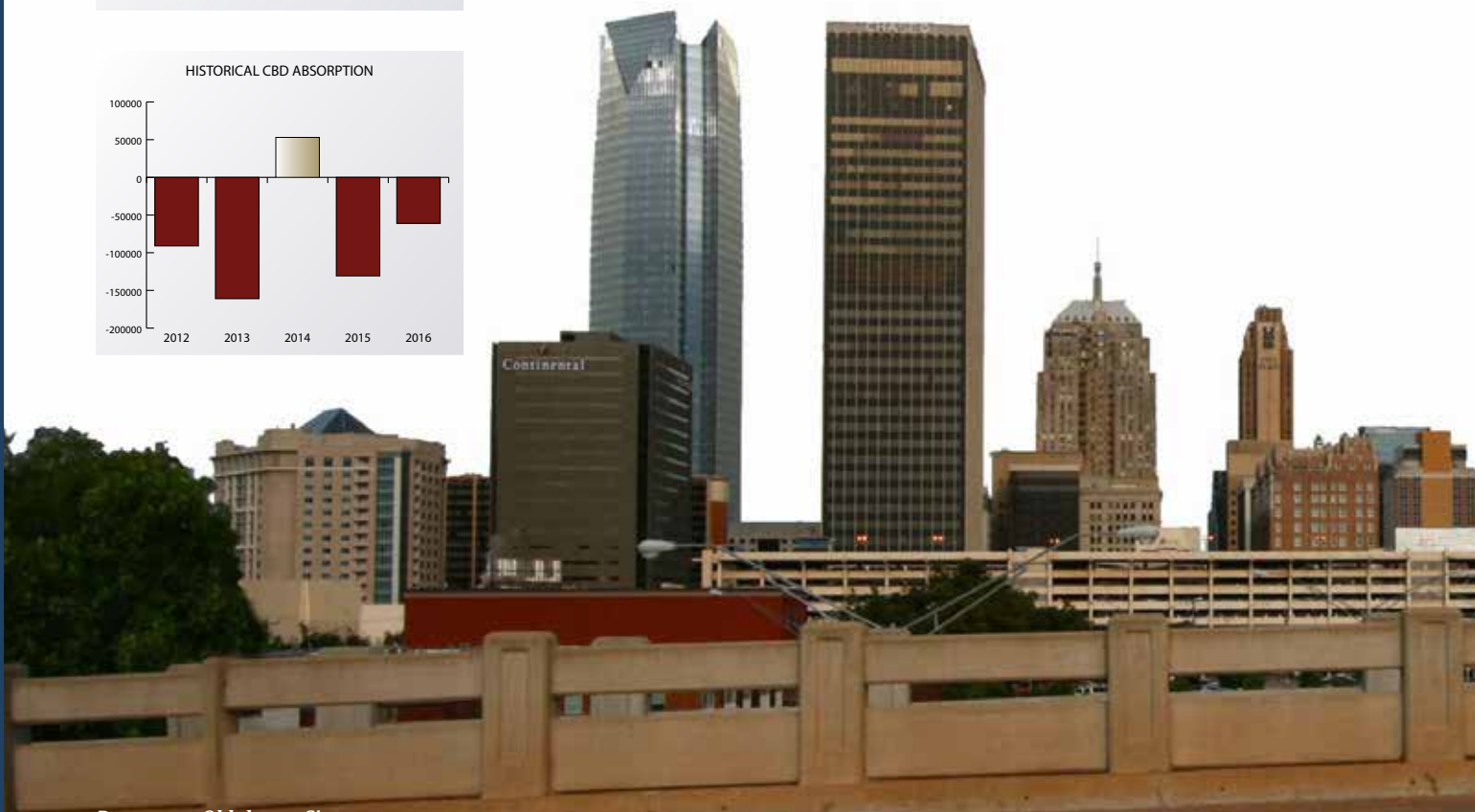


### 2016 MID-YEAR CENTRAL BUSINESS DISTRICT REVIEW

- Aggregate vacancy rates increased from 10.8% to 12.3%
  - Class A vacancy increased from 2.7% to 4.4%
  - Class B vacancy increased from 17.6% to 18.6%
  - Class C vacancy increased from 12.5% to 18.8%
- Aggregate rental rates remained level at \$20.15 per SF
  - Class A rates were level at \$23.35 per SF
  - Class B rates were level at \$17.81 per SF
  - Class C rates were level at \$15.47 per SF
- The CBD experienced negative absorption of 61,000 SF

### 2016 CENTRAL BUSINESS DISTRICT FORECAST

- Vacancy rates will remain near current levels until new buildings hit the market. Rental rates will plateau.



2016 Mid-Year Oklahoma City Office Market Summary  
**CENTRAL BUSINESS DISTRICT SUBMARKET**

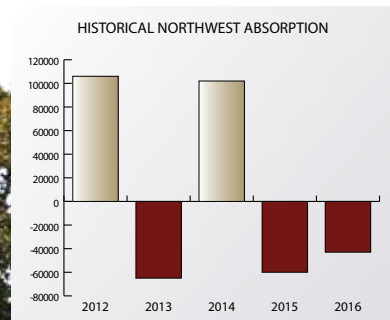
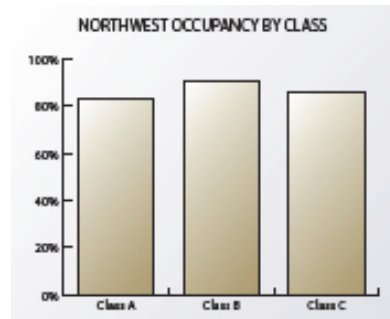
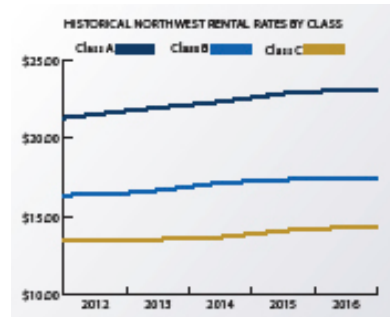
CBD	Year Built	Floors	RSF	Vacant SF	Vacant %	Rate	CAF
100 Park Ave Building 100 Park Ave	1923/64	12	99,752	17,644	17%	\$14.50	12%
101 Park Avenue Building 101 Park Ave.	1936	14	197,042	74,435	37%	\$14.50	16.34%
20 N. Broadway 20 N Broadway	1981	19	307,388	0	0%	\$20.00	20%
Bank of Oklahoma Plaza 201 Robert S. Kerr	1972	16	212,816	8,001	3%	\$17.50	20%
Braniff Building 324 N. Robinson	2013	10	90,000	819	0%	\$24.00	20%
Century Center Building 100 W Main	2014	2	98,000	6,750	7%	\$22.00	20%
City Place 204 N. Robinson	1931/85	33	251,449	19,883	8%	\$18.00	14%
Corporate Tower 101 N. Robinson	1980	14	277,849	21,063	7%	\$20.00	17.59%
Cotter Ranch Tower 100 N. Broadway	1971	36	514,317	190,446	37%	\$18.00	15%
Court Plaza 228 Robert S. Kerr	1923/79	10	78,381	21,779	27%	\$12.00	14%
Hightower Building 105 N. Hudson	1929	10	107,152	13,013	12%	\$18.00	15%
Leadership Square 211 N. Robinson	1984	21	735,514	40,399	5%	\$24.00	20%
Oklahoma Tower 210 Park Ave.	1982	31	568,960	38,593	7%	\$24.00	20%
Robinson Plaza 55 N. Robinson	1992	10	195,702	0	0%	\$17.00	17.80%
Robinson Renaissance 119 N. Robinson	1927/88	12	174,840	50,875	29%	\$18.00	25%
Sonic Building 300 Johnny Bench Drive	2003	4	100,654	0	0%	\$24.50	8%
The Reserve 226 Dean A. McGee Avenue	1922/97	4	71,616	0	0%	\$18.00	20%
<b>Totals</b>			<b>4,081,432</b>	<b>503,700</b>	<b>12.3%</b>	<b>\$20.15</b>	

CBD Construction	Year Built	Floors	RSF	Vacant SF	Vacant %	Rate	CAF
BOK Park Plaza 499 W. Sheridan	2017	27	690,000	125,000	18%	\$38.50	0%
The Heritage 621 N. Robinson	1923/2017	6	101,875	62,893	62%	\$25.00	20%
			<b>791,875</b>	<b>187,893</b>	<b>23.7%</b>	<b>\$36.76</b>	



# 2016 Mid-Year Oklahoma City Office Market Summary

## NORTHWEST SUBMARKET



### 2016 YEAR-END NORTHWEST SUBMARKET REVIEW

- Aggregate vacancy rates increased from 10.0% to 12.5%
- Class A vacancy increased from 7.5% to 17.2%
- Class B vacancy decreased from 10.2% to 9.8%
- Class C vacancy increased from 13.4% to 14.1%
- Aggregate rental rates increased from \$18.33 per SF to \$18.41 per SF
- Class A rental rates increased from \$23.03 per SF to \$23.10 per SF
- Class B rental rates remained level at \$17.40 per SF
- Class C rental rates increased from \$14.16 per SF to \$14.35 per SF
- The Northwest Oklahoma City submarket experienced negative absorption of 43,000 SF during the first half of 2016.

### 2016 NORTHWEST SUBMARKET FORECAST

- Vacancy rates will continue to increase amid lower oil and gas prices. At least another 150,000 SF of Class A space will hit this submarket in the next 12 months.
- After years of rising rates, quoted rates will plateau as landlords deal with cutbacks in the energy industry, which is heavily weighted toward this submarket.



IBC Center



*Quail Springs Parkway Plaza*

NORTHWEST

Northwest	Year Built	Floors	RSF	Vacant SF	Vacant %	Rate	CAF
14101-14201 Wireless Way	2001	3	147,852	0	0%	\$22.50	16%
14101-14201 Wireless Way							
2525 Expressway	1974	6	72,960	12,094	16%	\$14.50	15%
2525 Northwest Expressway							
3250 Parkway Center	2015	2	37,871	0	0%	\$27.50	15%
3250 Quail Springs Parkway							
4100 Perimeter Center	1982	3	47,317	8,685	18%	\$13.00	15%
4100 Perimeter Center Dr.							
4101 Perimeter Center	1982	3	47,317	0	0%	\$13.00	15%
4101 Perimeter Center Dr.							
4141 Northwest Expressway	1982	3	46,464	0	0%	\$16.00	16%
4141 Northwest Expressway							
4200 Perimeter Center	1982	2	61,327	0	0%	\$13.00	15%
4200 Perimeter Center Dr.							
4700 Gaillardia	2007	2	42,970	0	0%	\$25.00	15%
4700 Gaillardia Parkway							
4727 Gaillardia	2009	2	37,624	0	0%	\$25.00	18%
4727 Gaillardia Parkway							
4747 Gaillardia	2009	2	26,016	0	0%	\$25.00	18%
4747 Gaillardia Parkway							
4801 Gaillardia	2000	3	74,432	0	0%	\$25.00	18.4%
4801 Gaillardia Parkway							
4811 Gaillardia	2008	3	41,450	0	0%	\$24.00	15%
4811 Gaillardia Parkway							
5100 Brookline	1974	10	107,496	8,002	7%	\$17.00	15%
5100 Brookline							

## 2016 Mid-Year Oklahoma City Office Market Summary

### NORTHWEST SUBMARKET

Northwest	Year Built	Floors	RSF	Vacant SF	Vacant %	Rate	CAF
5909 NW 5909 Northwest Expressway	1982	7	101,146	21,005	20%	\$15.00	15%
AAA Operations Center 3100 Quail Springs Parkway	2009	3	145,635	0	0%	\$20.00	0%
American Cancer Society 8400 Silver Crossing	2001	1	45,000	0	0%	\$17.50	0%
Atrium Towers 3501-3503 N.W. 63rd	1980	6	156,106	0	0%	\$19.50	15%
Avaya Building 14400 Hertz Quail Springs Parkway	1998	1	57,000	12,740	22%	\$19.50	0%
Bradley Square 2932 N.W. 122nd	1984	1	30,000	1,000	3%	\$16.50	0%
Brookline Offices 6051 N. Brookline	1972	1	40,009	1,397	3%	\$16.00	12.10%
Caliber Park One & Two 14201-14301 Caliber Drive	2007	6	83,208	6,864	8%	\$23.00	17.20%
Center 3000 3000 United Founders Blvd.	1972	2	115,800	7,524	6%	\$13.00	12%
Chase Bank Building 6303 N Portland Ave	1976	4	54,793	829	1%	\$17.50	15%
Chase Park 4323 NW 63rd St	1981	2	30,281	6,769	22%	\$14.00	16.50%
Commerce Center South 9520 N. May	1982	3	65,857	0	0%	\$16.00	11%
Cross Rock Place 3595 W Memorial Rd	1992	2	60,049	0	0%	\$22.00	12%
Cross Rock Plaza I 13801 Wireless Way	1984	3	61,289	0	0%	\$22.00	15%
Enterprise Plaza 5600 N. May	1981	3	92,180	0	0%	\$17.00	15%
FBI Building 3301 W. Memorial	1999	1	110,000	0	0%	\$24.00	0%
Fifty-Six Expressway Place 5601 N.W. 72nd	1982	3	58,340	17,587	30%	\$12.50	11%
Five Corporate Plaza 3625 N.W. 56th	1980	3	49,486	0	0%	\$17.50	15%
Grand Centre 5400 N.W. Grand Blvd.	1979	5	101,217	0	0%	\$18.00	15%
Hartford Insurance 7800 N.W. 85th Terrace	1999	1	100,000	0	0%	\$18.00	0%
HealthSmart Building 3121 Quail Springs Parkway	1999	2	40,000	0	0%	\$20.00	12%
IBC Center 3817 Northwest Expressway	1983	10	278,843	31,563	11%	\$23.00	15%
Jamestown Office Park 3037 N.W. 63rd	1972/79	2	74,000	5,211	7%	\$13.00	10%
Lake Park Tower 6525 N. Meridian	1983	6	105,036	69,587	66%	\$15.00	15%
Lakepointe Towers 4005-4013 Northwest Expressway	1981	6	183,600	66,535	36%	\$16.00	15%
Lakepointe West 4045 N.W. 64th	1982	6	85,246	14,129	16%	\$16.00	15%
Lakeshore Tower 4301 N.W. 63rd	1982	3	33,900	0	0%	\$14.00	15%
Landmark Towers 3535-3545-3555 NW 58th	1969/72	10	306,960	60,871	19%	\$16.00	12%
Mercury Insurance Building 7301 Northwest Expressway	1986	2	100,103	0	0%	\$15.00	12.50%
North Shore Office Plaza 10900 Hefner Drive	2001	5	56,418	3,585	6%	\$25.00	16%
Northwest Office Center 4334 Northwest Expressway	1973	2	85,833	17,203	20%	\$14.00	15%
Oil Center 2601 Northwest Expressway	1973/1994	12	249,657	51,124	20%	\$17.00	13%
One Corporate Plaza 3525 NW. 56th	1979	1	63,011	0	0%	\$17.50	15%



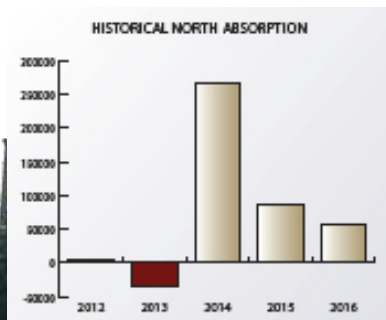
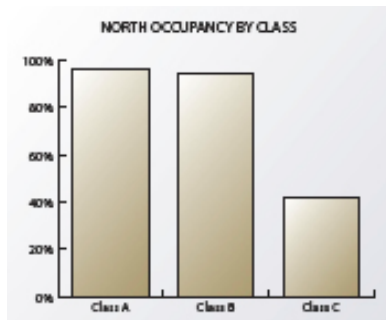
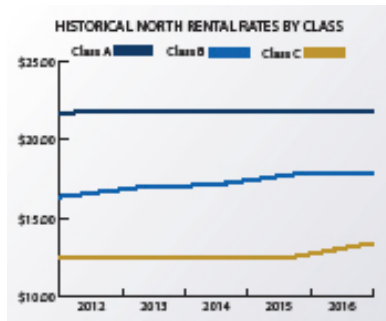
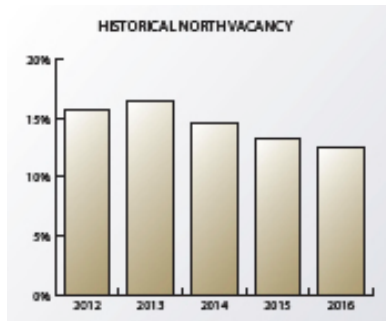
2016 Mid-Year Oklahoma City Office Market Summary  
**NORTHWEST SUBMARKET**

Northwest	Year Built	Floors	RSF	Vacant SF	Vacant %	Rate	CAF
Parkway Commons 13900 N. Portland	2003	2	40,729	0	0%	\$20.00	15%
Portland Plaza 5700 N. Portland	1969	3	35,425	0	0%	\$13.00	14%
Quail Commerce Center 3201 Hertz Quail Springs Parkway	1998	1	128,500	0	0%	\$18.50	0%
Quail Creek North 11032 Quail Creek Rd.	1973	2	36,124	1,193	3%	\$12.50	15%
Quail Ridge Tower 11212 N. May	1975	4	49,600	13,411	27%	\$12.50	16.50%
Quail Springs Parkway Plaza I & II 14000 Quail Springs Parkway	1986	6	298,610	70,882	23%	\$23.00	14%
Rees Plaza at East Wharf 9211 Lake Hefner Parkway	2002	3	40,998	0	0%	\$28.00	16.80%
Sprint PCS Building 8525 Silver Crossing	1999	1	89,132	0	0%	\$15.00	0%
St. Martins Building 9020 N. May	1990	2	59,712	0	0%	\$18.00	13%
The Parkway Building 3401 NW 63rd Street	1977	6	71,619	11,108	15%	\$18.50	15%
The Summit Building 5929 N. May	1975	5	50,000	3,363	6%	\$12.50	13%
Three Corporate Plaza 3613 NW. 56th	1980	3	49,920	8,556	17%	\$17.50	15%
Two Corporate Plaza 5555 NW. Grand Blvd.	1982	3	85,551	0	0%	\$15.00	14%
Union Plaza 3030 Northwest Expressway	1982	18	246,001	16,362	7%	\$21.00	14%
Williams Sonoma 7720 NW 84th St	1998	1	35,862	0	0%	\$17.50	0%
<b>Totals</b>			<b>5,436,522</b>	<b>680,594</b>	<b>12.5%</b>	<b>\$18.47</b>	



# 2016 Mid-Year Oklahoma City Office Market Summary

## NORTH SUBMARKET

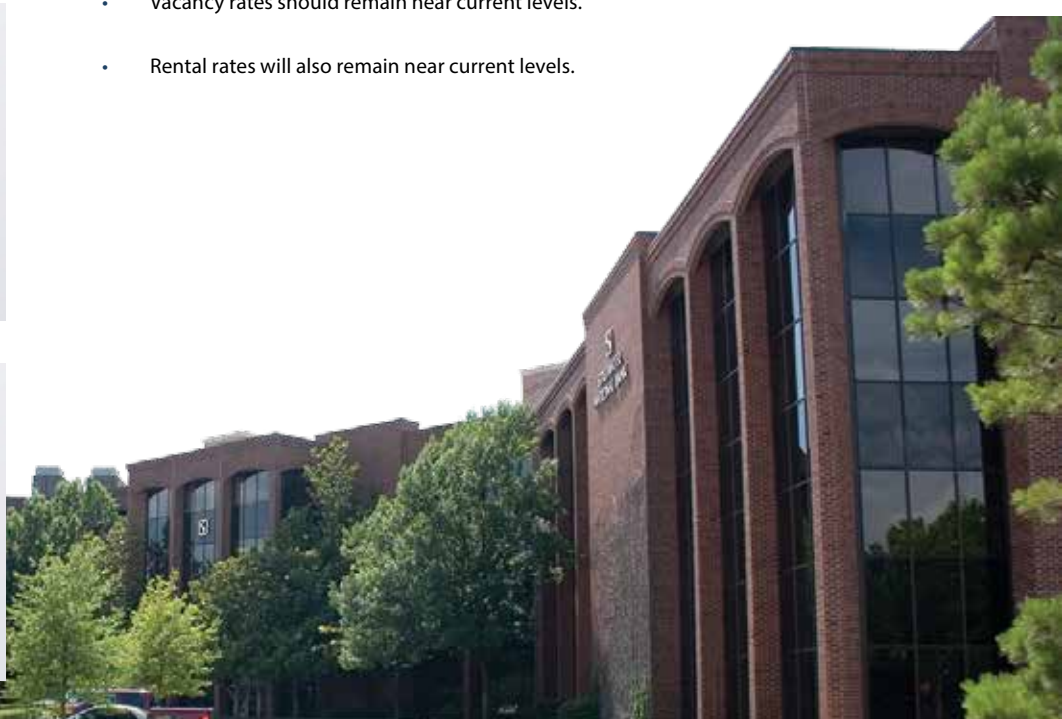


### 2016 MID-YEAR NORTH SUBMARKET REVIEW

- Aggregate vacancy rates decreased from 13.2% to 12.5%
  - Class A vacancy increased from 6.3% to 4.2%
  - Class B vacancy increased from 5.1% to 5.6%
  - Class C vacancy decreased from 61.9% to 58.3%
- Aggregate rental rates increased from \$17.93 per SF to \$18.10 per SF
  - Class A rental rates remained level at \$21.85 per SF
  - Class B rental rates increased from \$17.80 per SF to \$17.89 per SF
  - Class C rental rates increased from \$12.52 per SF to \$13.38 per SF
- The Oklahoma City North submarket experienced positive absorption of 58,000 SF

### 2016 NORTH SUBMARKET FORECAST

- Vacancy rates should remain near current levels.
- Rental rates will also remain near current levels.



North	Year Built	Floors	RSF	Vacant SF	Vacant %	Rate	CAF
1001 Wilshire	2003	4	43,316	0	0%	\$20.00	13%
1001 W Wilshire Ave							
4345 N. Lincoln	2014	3	160,000	0	0%	\$15.00	0%
4335 N. Lincoln							
50 Penn Place	1973	16	178,315	12,609	7%	\$17.50	12%
5100 N. Pennsylvania							
5100 Circle Building	1981	6	74,799	0	0%	\$17.50	14%
5100 N. Classen Blvd.							
5701 N. Shartel	1982	4	97,102	0	0%	\$18.00	13%
5701 N. Shartel							
7 & 9 Broadway Executive Park	1979	1	30,505	2,030	7%	\$18.00	0%
200 NW 66th							
Broadway North	1974	2	25,703	1,496	6%	\$17.00	13%
7301 N. Broadway							
Broadway Plaza	1982	3	50,726	0	0%	\$12.00	13%
16 NW 63rd							

2016 Mid-Year Oklahoma City Office Market Summary  
**NORTH SUBMARKET**

North	Year Built	Floors	RSF	Vacant SF	Vacant %	Rate	CAF
Broadway Sixty-Eight 6801 N. Broadway	1979	3	40,000	1,229	3%	\$14.50	14%
Central Park One 525 Central Park Dr.	1982	6	113,134	0	0%	\$18.00	14%
Central Park Two 515 Central Park Dr.	1984	6	124,463	0	0%	\$18.00	14%
Chase Bank Building 1200 NW 63rd St	1981	4	34,701	0	0%	\$20.00	15%
Columbus Square 1001 NW 63rd	1982	3	36,559	3,281	9%	\$17.00	15%
Five North Broadway 6601 N. Broadway	1972	3	44,805	11,433	25%	\$16.25	15%
Harvey Parkway 301 NW 63rd	1982	6	97,912	0	0%	\$20.00	17%
Kemper Insurance Building 601 E. Britton	2009	3	48,830	0	0%	\$27.50	0%
Lincoln Plaza Office Park 4545 Lincoln Blvd.	1968	2	243,423	226,093	93%	\$13.50	12%
Market Center I 701 Market Dr	2008	2	46,368	0	0%	\$22.75	0%
Market Center II 713 Market Dr	2009	2	50,000	0	0%	\$22.75	12%
Market Center IV 901 NE 122nd Street	2015	2	40,000	0	0%	\$24.00	0%
Nichols Hills Executive Center 1000 W. Wilshire	1979	2	52,426	0	0%	\$18.00	0%
Nichols Hills Tower 6410 Avondale Dr	1975	4	29,101	0	0%	\$17.00	11%
One Benham Place 9400 N. Broadway	1984	8	152,959	14,681	10%	\$19.00	15%
One Broadway Center 100 NW 63rd	1980	3	34,984	0	0%	\$14.00	9%
One Broadway Executive Park 201 NW 63rd	1979	3	58,832	0	0%	\$17.00	12%
One Western Plaza 5500 N. Western	1989	2	50,948	0	0%	\$14.00	16.50%
Paragon Building 5801 N. Broadway	1981	5	110,791	1,100	1%	\$18.00	15%
Pavilion Building 6701 N. Broadway	1974	3	39,895	0	0%	\$15.00	12%
Penn Park 5001-5005-5009-5015 N. Penn	1974	3	78,643	21,073	27%	\$13.50	13%
Registry 2200 NW 50th	1980	2	93,167	15,883	17%	\$14.00	15%
Richmond Square 4900 Richmond Square	1982	2	27,606	5,879	21%	\$16.00	12%
Santa Fe North 6 NE. 63rd	1981	4	44,000	4,200	10%	\$15.00	14%
The Commons on Broadway 11600 Broadway Extension	2009	3	50,188	3,525	7%	\$23.00	18%
Three Broadway Executive Park 6501 N. Broadway	1977	3	45,256	23,161	51%	\$17.00	10%
Two Broadway Executive Park 205 NW 63rd	1980	3	52,205	15,696	30%	\$17.00	11%
Valliance Tower 1601 Northwest Expressway	1983	22	299,137	0	0%	\$22.00	17.80%
Waterford A 6301 Waterford Blvd.	1983	4	150,048	6,268	4%	\$21.50	16%
Waterford B 6303 Waterford Blvd.	1983	2	35,468	7,889	22%	\$21.50	16%
Waterford C 6305 Waterford Blvd.	1983	4	81,575	7,606	9%	\$21.50	16%
Waterford D 6307 Waterford Blvd.	1983	2	34,087	2,042	6%	\$21.50	16%
<b>Totals</b>			<b>3,101,977</b>	<b>387,174</b>	<b>12.5%</b>	<b>\$18.10</b>	

North Construction	Year Built	Floors	RSF	Vacant SF	Vacant %	Rate	CAF
Market Center V 715 NE 122nd	2016	2	65,000	65,000	100%	\$23.00	0%
			<b>65,000</b>	<b>65,000</b>	<b>100%</b>	<b>\$23.00</b>	

## 2016 Mid-Year Oklahoma City Office Market Summary

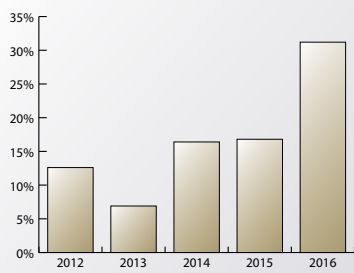
### MEDICAL OFFICE SUBMARKET

Medical	Year Built	Floors	RSF	Vacant SF	Vacant %	Rate	CAF
Coppertree Centre 3727 N.W. 63rd	1982	3	26,928	9,900	37%	\$18.50	10%
Deaconess Medical North 5701 N Portland Ave	1996	3	55,209	7,719	14%	\$21.50	0%
Deaconess Medical South 5401 N Portland Ave	1991	6	119,726	12,877	11%	\$21.50	0%
Edgewater Medical Center 3705 NW 63rd Street	2006	2	42,187	6,286	15%	\$22.00	15%
McAuley Physician Offices 4205 McAuley Blvd	1986	4	42,246	0	0%	\$17.00	0%
Meridian Tower 13321 N. Meridian Ave.	1984	4	47,920	6,712	14%	\$17.04	10%
NeuroScience Institute 4120 W Memorial Rd	1998	3	54,558	1,153	2%	\$19.00	0%
Northwest Medical Center 3330 NW 56th St	1981	6	82,664	0	0%	\$18.00	13.4%
Parkway Commons Medical Center 14100 Parkway Commons Dr	2008	2	27,000	0	0%	\$22.00	15%
Parkway Medical Center 3500 NW 56th St	1980	2	44,983	0	0%	\$19.00	10%
Pasteur Medical Building 1111 N. Lee Ave.	1959	5	83,858	12,574	15%	\$16.50	15%
Physicians & Surgeons Bldg 1211 N Shartel Ave	1962	11	75,000	11,848	16%	\$15.00	0%
Physicians Bldg - A 3435 NW 56th St	1970	9	68,349	6,170	9%	\$16.50	14%
Physicians Bldg - B 3433 NW 56th St	1986	9	128,030	1,783	1%	\$20.00	14%
Physicians Bldg - C 3400 NW Expressway	1975	8	75,158	0	0%	\$16.50	14%
Physicians Bldg - D 3366 NW Expressway	1994	8	120,813	1,280	1%	\$18.50	14%
Plaza Physician Offices 4140 W Memorial Rd	1992	7	70,050	3,368	5%	\$18.00	0%
Presbyterian Professional Bldg 711 Stanton L Young	1995	4	91,122	0	0%	\$14.00	15%
Quail Brook Medical 13901 McAuley Blvd	2008	3	34,222	0	0%	\$21.50	15%
Saints Medical Plaza NW 9th St & N Walker Ave	2008	5	82,010	0	0%	\$24.36	16.9%
SMC Medical Office Bldg 4200 S Douglas Ave	1967	3	29,054	2,925	10%	\$14.00	0%
SMC Medical Plaza 4221 S Western Ave	1994	5	58,648	0	0%	\$17.00	0%
St. Anthony ASC 6205 N Santa Fe Ave	1998	2	36,551	0	0%	\$18.00	14%
St. Anthony Healthplex East 3400 S. Douglas Blvd.	2012	3	52,675	2,941	6%	\$26.00	12%
St. Anthony Healthplex North 13401 N. Western	2015	4	96,422	2,525	2%	\$26.00	0%
St. Anthony Healthplex South 13500 S. Tulsa Ave	2011	3	52,675	9,093	17%	\$26.00	12%
St. Anthony North POB 6201 N Santa Fe Ave	1990	2	28,281	2,197	8%	\$18.00	19.4%
St. Anthony Prof. Bldg 608 NW 9th St	1987	6	83,858	7,398	9%	\$18.00	11%
Tower Physicians Offices 4200 W Memorial Rd	1986	11	93,639	14,401	15%	\$16.00	0%
			<b>1,903,876</b>	<b>123,150</b>	<b>6.5%</b>	<b>\$19.15</b>	

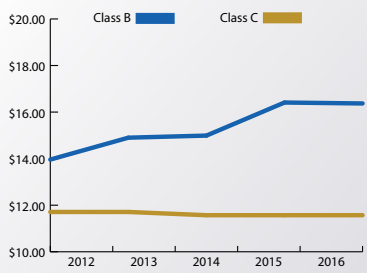
Medical Construction	Year Built	Floors	RSF	Vacant SF	Vacant %	Rate	CAF
Memorial Springs Medical Building 13100 N. Western	2017	3	60,000	60,000	100%	\$25.00	0%
<b>Totals</b>			<b>60,000</b>	<b>60,000</b>	<b>100%</b>	<b>\$25.00</b>	



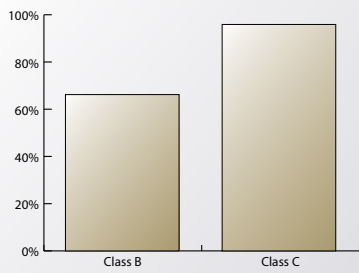
HISTORICAL MIDTOWN VACANCY



HISTORICAL MIDTOWN RENTAL RATES



MIDTOWN OCCUPANCY



HISTORICAL MIDTOWN ABSORPTION



**2015 YEAR-END MIDTOWN SUBMARKET REVIEW**

- Aggregate vacancy rates increased from 16.8% to 31.2% due to American Fidelity's relocation from 2000 Classen Center to their new headquarters building on Broadway Extension.
  - Class B vacancy rates increased from 17.8% to 33.8%
  - Class C vacancy rates decreased from 6.0% to 4.1%
- Aggregate rental rates decreased from \$15.98 per SF to \$15.95 per SF
  - Class B rental rates decreased from \$16.41 per SF to \$16.37 per SF
  - Class C rental rates remained level at \$11.57 per SF
- The Midtown's Submarket experienced negative absorption of 181,000 SF due to the large loss at 2000 Classen.

**2016 MIDTOWN SUBMARKET FORECAST**

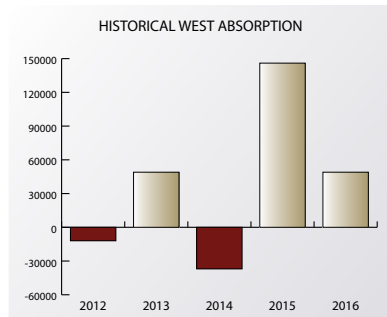
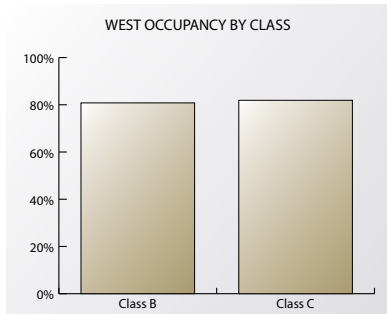
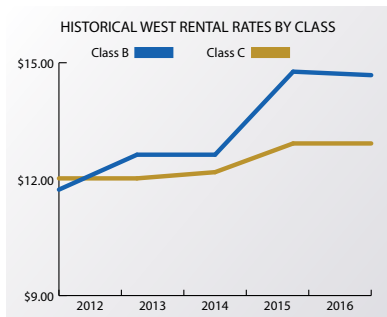
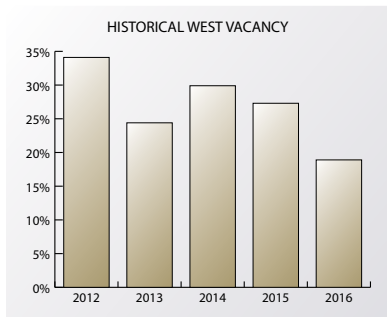
- Vacancy rates should improve as 2000 Classen begins to backfill.
- Rental rates will remain at or near current levels.



Midtown	Year Built	Floors	RSF	Vacant SF	Vacant %	Rate	CAF
2000 Classen Center	1965	10	318,605	200,000	62%	\$17.50	13%
2000 N Classen Blvd							
4801 Classen Building	1974	2	33,151	4,662	14%	\$10.50	0%
4801 N Classen Blvd							
Cameron Building	1955/57	5	81,493	0	0%	\$12.00	10%
2901 Classen Blvd							
Classen Park I	1980	2	52,800	0	0%	\$12.00	13%
3700 N Classen Blvd							
Classen Park II	1982	3	52,800	0	0%	\$12.00	13%
3800 N Classen Blvd							
Santa Fe Building	1954/82/16	4	64,239	4,281	6%	\$11.00	10%
3814 N. Santa Fe Ave.							
Shepherd Mall Office Complex	1964/95	2	709,000	199,981	28%	\$17.00	0%
2401 NW 23rd Street							
<b>Totals</b>			<b>1,312,088</b>	<b>408,924</b>	<b>31.2%</b>	<b>\$15.95</b>	

# 2016 Mid-Year Oklahoma City Office Market Summary

## WEST SUBMARKET

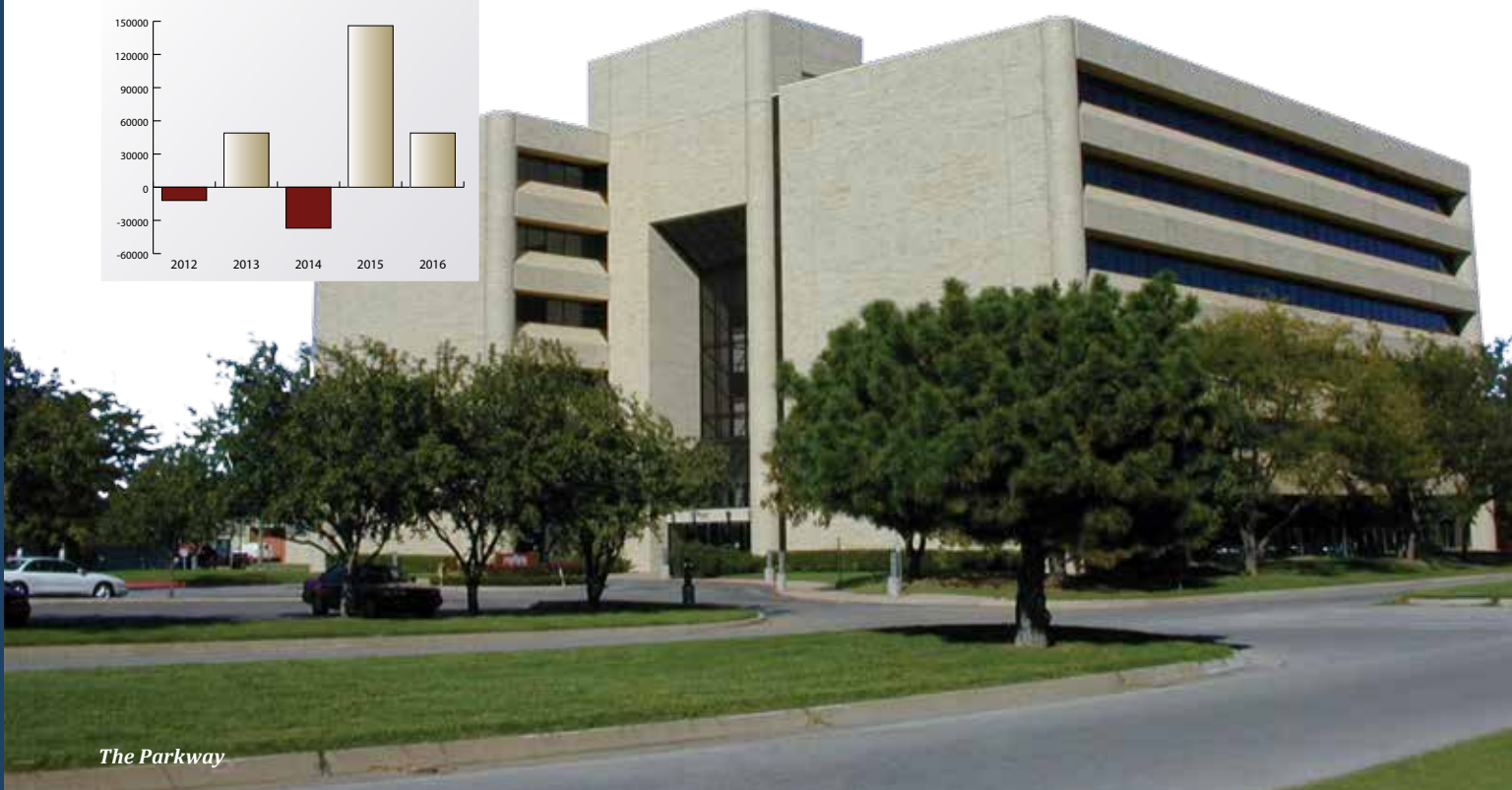


### 2016 MID-YEAR WEST SUBMARKET REVIEW

- Aggregate vacancy rates decreased from 27.3% to 18.9%
- Class B vacancy totals decreased from 30.4% to 19.2%
- Class C vacancy totals decreased from 20.3% to 18.1%
- Aggregate rental rates decreased from \$14.21 per SF to \$14.14 per SF
- Class B rental rates decreased from \$14.77 per SF to \$14.68 per SF
- Class C rental rates remained level at \$12.92 per SF
- The West Oklahoma City Office Market experienced positive absorption of 49,000 SF.

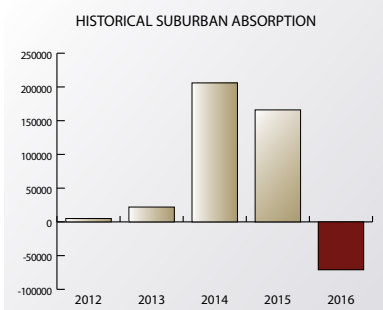
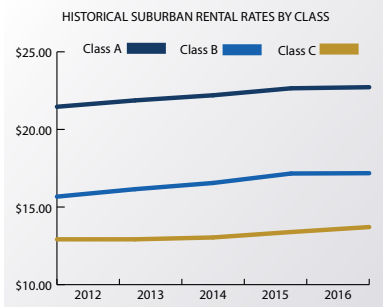
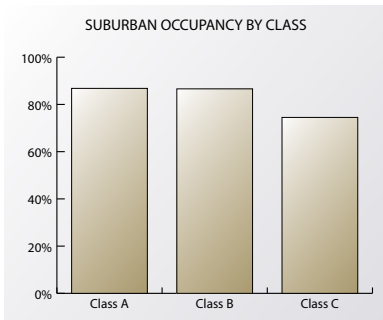
### 2016 WEST SUBMARKET FORECAST

- Vacancy rates should improve slightly
- Rental rates in the submarket should remain flat for the rest of the year



2016 Mid-Year Oklahoma City Office Market Summary  
**WEST SUBMARKET**

West	Year Built	Floors	RSF	Vacant SF	Vacant %	Rate	CAF
300 Meridian Place 300 N Meridian Ave	1982	2	78,650	23,113	29%	\$12.00	11%
Bank 2 Tower 909 S. Meridian	1975	7	65,520	4,555	7%	\$13.50	12%
Metro Office Park 4300 Highline Blvd.	1981	3	60,750	9,514	15%	\$13.50	0%
OKCWorks - OKC20 7725 W. Reno Avenue	1963	4	160,000	40,000	25%	\$18.50	15%
Sovereign Office Park 1300 Sovereign Row	1983	1	42,260	17,600	41%	\$12.00	0%
The Parkway 1300 S. Meridian	1982	6	96,960	30,275	31%	\$14.00	15%
West Park Office Center 715 Metropolitan	1986	1	58,786	0	0%	\$12.75	0%
Will Rogers Office Park 1 4400 Will Rogers Parkway	1984	1	52,779	0	0%	\$11.50	16%
Will Rogers Office Park 2 4350 Will Rogers Parkway	1985	1	46,748	0	0%	\$11.50	10%
<b>Totals</b>			<b>662,453</b>	<b>125,057</b>	<b>18.9%</b>	<b>\$14.14</b>	



2016 Mid-Year Oklahoma City Office Market Summary  
**SUBURBAN SUBMARKET**

**2016 MID-YEAR SUBURBAN SUBMARKET REVIEW**

- Aggregate vacancy rates increased from 12.5% to 15.2%
  - Class A vacancy increased from 7.1% to 13.2%
  - Class B vacancy increased from 11.4% to 13.4%
  - Class C vacancy decreased from 26.5% to 25.5%
- Aggregate rental rates increased from \$17.65 per SF to \$17.81 per SF
  - Class A rental rates increased from \$22.65 per SF to \$22.72 per SF
  - Class B rental rates increased from \$17.16 per SF to \$17.18 per SF
  - Class C rental increased from \$13.39 per SF to \$13.71 per SF
- Suburban Oklahoma City experienced positive absorption of 71,000 SF during 2015.

**2016 SUBURBAN SUBMARKET FORECAST**

- Suburban rental rates should remain near current levels
- Suburban vacancy rates should increase until oil prices stabilize and improve

<b>Suburban Submarket Totals</b>	<b>10,513,041</b>	<b>1,601,749</b>	<b>15%</b>
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## 2015 Office Building Sales

Oklahoma City experienced a respectable year on the office building sales front, but well below activity of the last several years. For general office properties containing a minimum of 25,000 square feet, 10 transactions closed in 2015 having an aggregate value of just under \$74 million and involving roughly 880,000 square feet. This compares to 2014 which saw 17 transactions, \$100 million in total sales and 1 million square feet. However, it is worth noting that 2014 saw the sale of 5 office assets owned by Chesapeake Energy, while there were none in 2015. One similarity is that neither year saw the sale of a Class A office property.

As is typically the case, the suburban market experienced almost all the activity, generating 9 of the 10 transactions. The largest buildings to sell were 2000 Classen Center containing just over 300,000 square feet and Grand Centre containing roughly 100,000 square feet. At closing in the spring, 2000 Classen was still partially occupied by American Fidelity, which leased 100% of the facility, but will ultimately need to be completely re-tenanted by its new owner Rick Dowell. Grand Centre was purchased on the last day of the year by the Oklahoma Public Employees Retirement System as part of an effort to diversify its investment portfolio. While most of the transactions involved investors, Teleflora purchased the facility it occupies on 34th street and the purchaser of Penn Park may ultimately raze the facility for a retail development if market conditions warrant.

Downtown saw a single transaction, the sale of the Braniff office building, which is part of the Sandridge Energy campus and largely occupied by the law firm Crowe & Dunlevy under a long term lease.

In addition to the larger general office building sales, Price Edwards & Company tracks the smaller sales as well. This year there were 81 office sales having between 3,000 square and 25,000 square feet comprising 600,000 square feet ranging in price from \$37 per square foot to over \$300 per square foot depending on age, location and quality. Additionally, there were 15 medical office building sales.

Given the dramatic decrease in oil prices, it will be interesting to see how investors perceive the Oklahoma City office market. The oil & gas industry only makes up roughly 3% of the city's employment, and there is no question that employment opportunities at other companies like Boeing, General Electric, Paycom, and Tinker are a testament to

Oklahoma City's efforts to diversify its economy. Nevertheless, the oil & gas industry provides some of the highest paying jobs in the community, and therefore the ripple effects are not to be dismissed.

One very positive note is the January announcement of First National Center being placed under contract by local developer Gary Brooks. The complexity of redeveloping this roughly 1 million square foot office building into a mixed use property containing a hotel, residential units, retail space and on-site parking is mind boggling. It is an excellent example of an investor with solid local knowledge who understands the cyclical nature of the oil & gas industry who can look beyond today's headlines. It is also worth reiterating that Oklahoma's banking industry is in very good shape compared to past economic downturns. While there will certainly be some loan write-off activity, nothing indicates an environment of banks failing and assets being sold at fire sale prices.

In the end, office investors who truly understand a property's specific physical plant characteristics, properly underwrite tenant revenue streams and operating costs, are able to provide the necessary capital for individual lease transaction costs, and don't have too much financial leverage, should be able to weather this downturn and ultimately generate reasonable risk adjusted investment returns.



*Grand Centre*