



# Oklahoma City

2015 Year-End  
Office Market Summary



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# Oklahoma City

## 2015 Year-End 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.

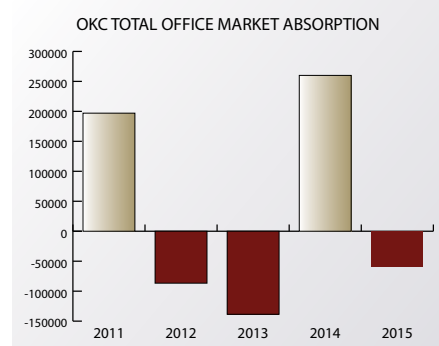
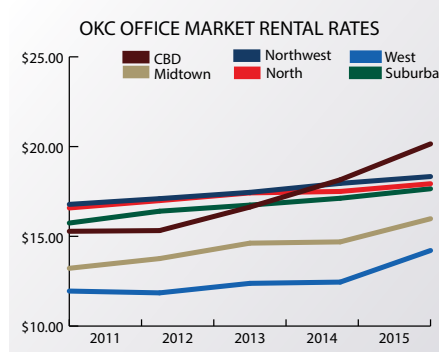
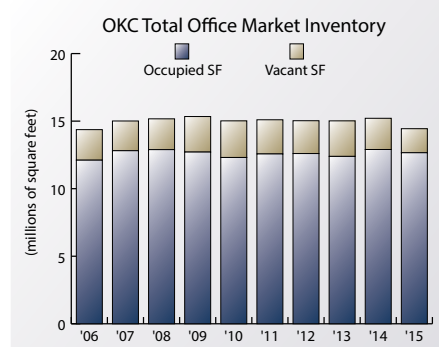
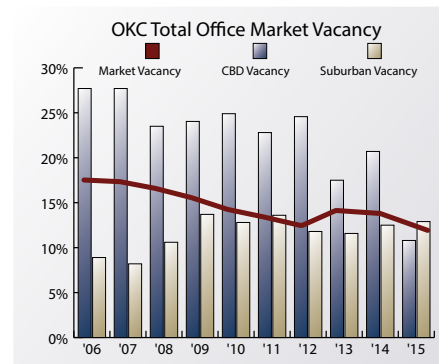
Another bright spot for downtown was the commencement of construction on 499 W. Sheridan. Devon Energy will occupy approximately half of the 690,000 SF building and in October Bank of Oklahoma announced it would relocate its Oklahoma City headquarters to the building and occupy approximately 100,000 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

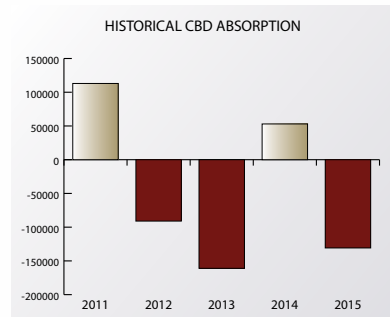
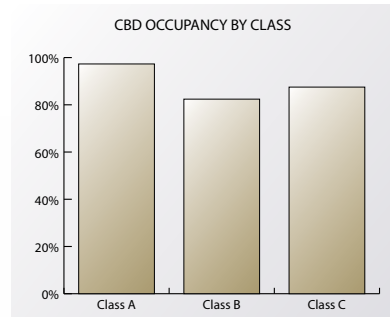
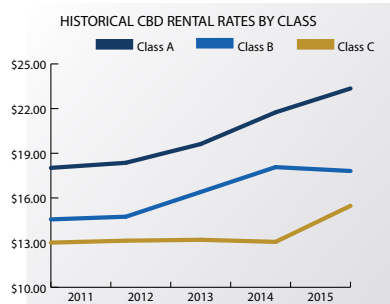
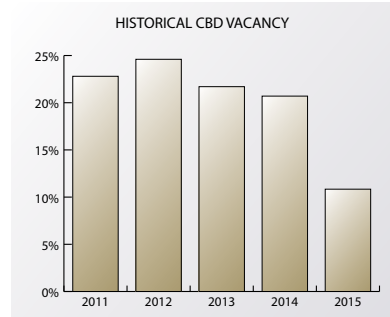
expect to see a very competitive landscape with landlords increasing concessions such as free rent for larger financially sound tenants. It's hard to say no to large oil and gas companies when times are good, but recent events have been a wake-up call to landlords to seek diversity in their tenant mix.



2015 Year-End OKC Office Market Totals	RSF	Vacant SF	Vacant %	Rate
	14,450,762	1,782,923	12.3%	\$18.36

# 2015 Year-End Oklahoma City Office Market Summary

## CENTRAL BUSINESS DISTRICT SUBMARKET

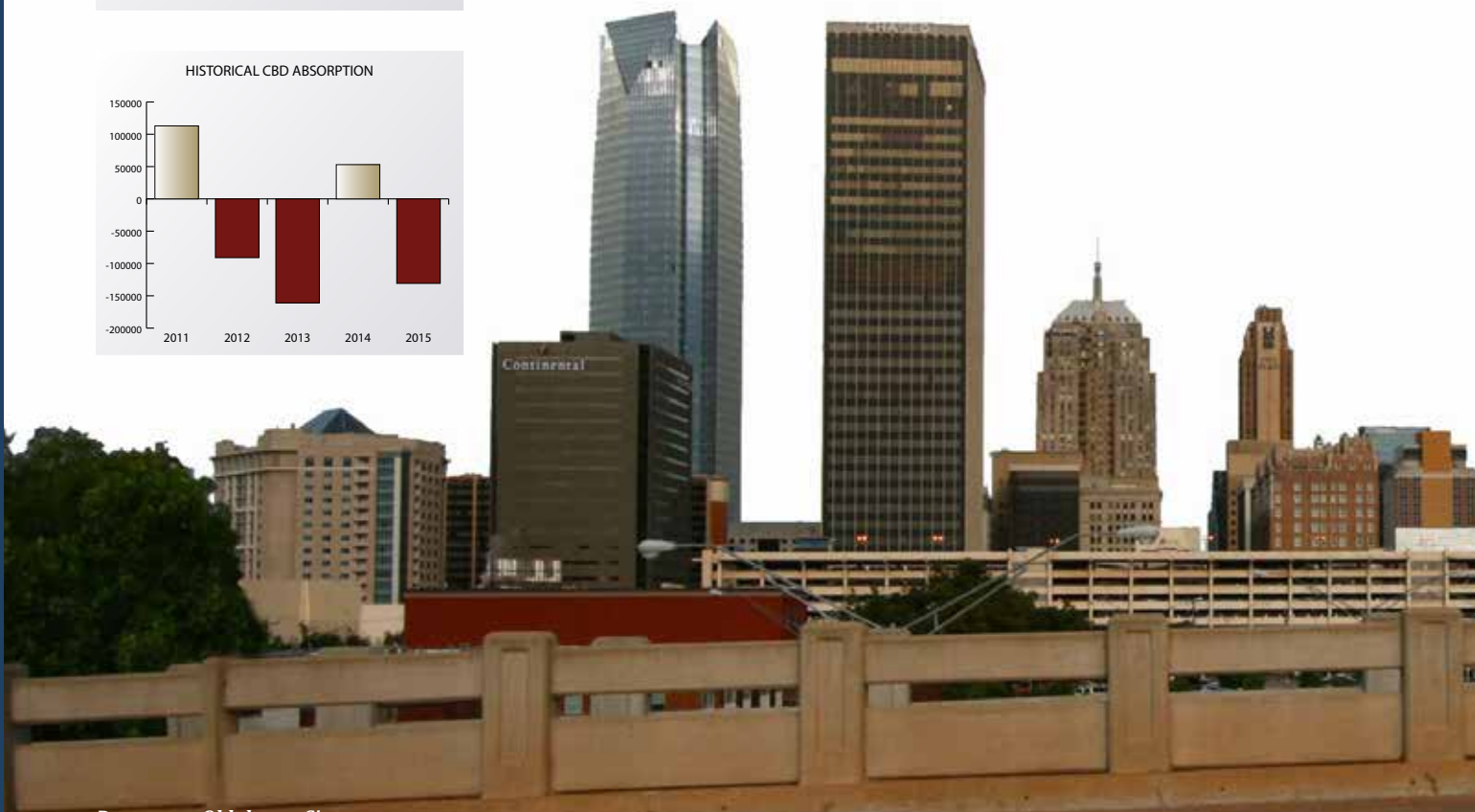


### 2015 YEAR-END CENTRAL BUSINESS DISTRICT REVIEW

- Aggregate vacancy rates decreased from 20.7% to 10.8%
  - Class A vacancy increased from 0.7% to 2.7%
  - Class B vacancy increased from 17.3% to 17.6%
  - Class C vacancy decreased from 55.5% to 12.5% due to the removal of First National Center.
- Aggregate rental rates increased from \$18.15 per SF to \$20.15 per SF
  - Class A rates increased from \$21.75 per SF to \$23.35
  - Class B rates decreased from \$18.07 per SF to \$17.81 per SF
  - Class C rates increased from \$13.19 per SF to \$15.47 per SF
- The CBD experienced negative absorption of 131,000 SF largely due to accounting adjustments related to First National Center, not a true reduction in occupancy.

### 2016 CENTRAL BUSINESS DISTRICT FORECAST

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



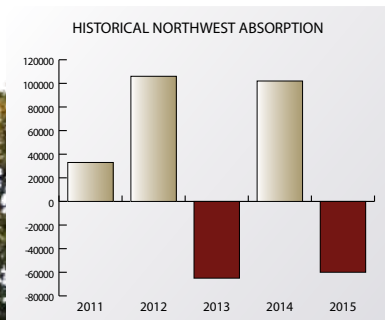
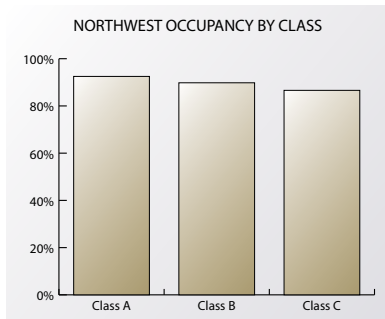
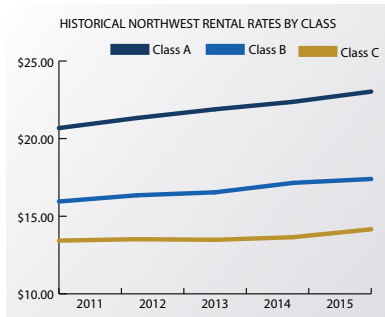
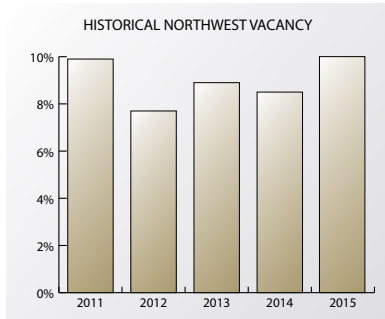
2015 Year-End Oklahoma City Office Market Summary  
**CENTRAL BUSINESS DISTRICT SUBMARKET**

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	51,718	26%	\$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	7,809	3%	\$17.50	20%
Braniff Building 324 N. Robinson	2013	10	90,000	0	0%	\$24.00	20%
Century Center Building 100 W Main	2014	2	98,000	6,750	6%	\$22.00	20%
City Place 204 N. Robinson	1931/85	33	251,449	27,257	10%	\$18.00	14%
Corporate Tower 101 N. Robinson	1980	14	277,849	3,897	1%	\$20.00	17.59%
Cotter Ranch Tower 100 N. Broadway	1971	36	514,317	209,818	40%	\$18.00	15%
Court Plaza 228 Robert S. Kerr	1923/79	10	78,381	18,757	23%	\$12.00	14%
Hightower Building 105 N. Hudson	1929	10	107,152	4,581	4%	\$18.00	15%
Leadership Square 211 N. Robinson	1984	21	735,514	38,691	5%	\$24.00	20%
Oklahoma Tower 210 Park Ave.	1982	31	568,960	10,200	1%	\$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	45,240	25%	\$18.00	25%
The Reserve 226 Dean A. McGee Avenue	1922/97	4	71,616	0	0%	\$18.00	20%
Sonic Building 300 Johnny Bench Drive	2003	4	100,654	0	0%	\$24.50	8%
<b>Totals</b>			<b>4,081,432</b>	<b>442,362</b>	<b>10.8%</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%	\$40.00	DND
The Heritage 621 N. Robinson	1923/2017	6	101,875	71,229	70%	\$25.00	20%
			<b>791,875</b>	<b>71,229</b>	<b>14.8%</b>	<b>\$38.07</b>	

# 2015 Year-End Oklahoma City Office Market Summary

## NORTHWEST SUBMARKET



### 2015 YEAR-END NORTHWEST SUBMARKET REVIEW

- Aggregate vacancy rates increased from 8.5% to 10.0%
- Class A vacancy increased from 3.1% to 7.5%
- Class B vacancy increased from 9.2% to 10.2%
- Class C vacancy decreased from 14.7% to 13.4%
- Aggregate rental rates increased from \$17.95 per SF to \$18.33 per SF
- Class A rental rates increased from \$22.37 per SF to \$23.03 per SF
- Class B rental rates increased from \$17.15 per SF to \$17.40 per SF
- Class C rental rates increased from \$13.65 per SF to \$14.16 per SF
- The Northwest Oklahoma City submarket experienced negative absorption of 60,000 SF during 2015.

### 2016 NORTHWEST SUBMARKET FORECAST

- Vacancy rates will continue to increase amid lower oil and gas prices. Over 300,000 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 brace for potential cutbacks in the energy industry, which is heavily weighted toward this submarket.



IBC Center

2015 Year-End Oklahoma City Office Market Summary  
**NORTHWEST SUBMARKET**



*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							

## 2015 Year-End 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	25,259	25%	\$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	2,900	9%	\$16.50	0%
Brookline Offices 6051 N. Brookline	1972	1	40,009	1,397	3%	\$12.00	12.1%
Caliber Park One & Two 14201-14301 Caliber Drive	2007	6	83,208	6,864	8%	\$23.00	17.2%
Center 3000 3000 United Founders Blvd.	1972	2	115,800	14,478	12%	\$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	3,277	10%	\$13.50	16.5%
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	18,237	31%	\$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	12,336	12%	\$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	11,741	4%	\$23.00	15%
Jamestown Office Park 3037 N.W. 63rd	1972/79	2	74,000	4,848	6%	\$13.00	10%
Lake Park Tower 6525 N. Meridian	1983	6	105,036	71,828	68%	\$15.00	15%
Lakepointe Towers 4005-4013 Northwest Expressway	1981	6	183,600	57,896	31%	\$16.00	15%
Lakepointe West 4045 N.W. 64th	1982	6	85,246	10,398	12%	\$16.00	15%
Lakeshore Tower 4301 N.W. 63rd	1982	3	33,900	4,380	12%	\$14.00	15%
Landmark Towers 3535-3545-3555 NW 58th	1969/72	10	306,960	57,805	18%	\$16.00	12%
Mercury Insurance Building 7301 Northwest Expressway	1986	2	100,103	0	0%	\$15.00	12.5%
North Shore Office Plaza 10900 Hefner Drive	2001	5	56,418	0	0%	\$23.00	16%
Northwest Office Center 4334 Northwest Expressway	1973	2	85,833	8,872	10%	\$14.00	15%
Oil Center 2601 Northwest Expressway	1973/1994	12	249,657	46,714	18%	\$17.00	13%
One Corporate Plaza 3525 NW. 56th	1979	1	63,011	4,305	6%	\$17.50	15%



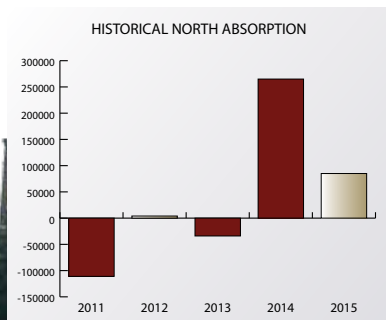
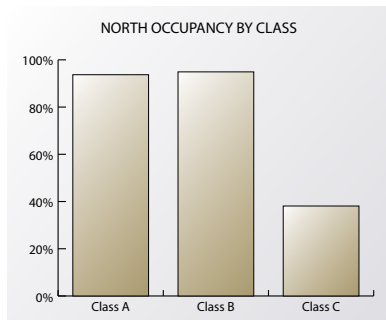
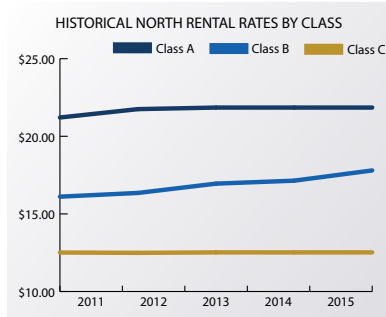
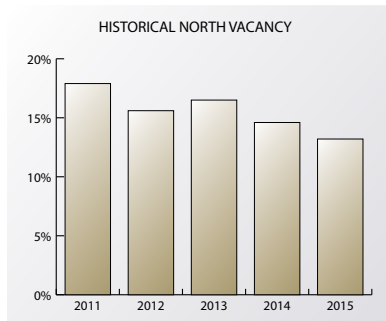
2015 Year-End Oklahoma City Office Market Summary  
**NORTHWEST SUBMARKET**

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	12,072	24%	\$12.50	16.5 %
Quail Springs Parkway Plaza I & II 14000 Quail Springs Parkway	1986	6	298,610	66,357	22%	\$23.00	14%
Rees Plaza at East Wharf 9211 Lake Hefner Parkway	2002	3	40,998	0	0%	\$28.00	16.8%
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	15,157	21%	\$18.50	15%
The Summit Building 5929 N. May	1975	5	50,000	3,363	6.6%	\$12.50	13%
Three Corporate Plaza 3613 NW. 56th	1980	3	49,920	11,216	22%	\$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	248,802	17,992	7%	\$21.00	14%
Williams Sonoma 7720 NW 84th St	1998	1	35,862	0	0%	\$17.50	0%
<b>Totals</b>			<b>5,331,683</b>	<b>533,235</b>	<b>10%</b>	<b>\$18.33</b>	



# 2015 Year-End Oklahoma City Office Market Summary

## NORTH SUBMARKET



### 2015 YEAR-END NORTH SUBMARKET REVIEW

- Aggregate vacancy rates decreased from 14.6% to 13.2%
  - Class A vacancy decreased from 7.5% to 6.3%
  - Class B vacancy decreased from 6.9% to 5.1%
  - Class C vacancy increased from 61.3% to 61.9%
- Aggregate rental rates increased from \$17.50 per SF to \$17.93 per SF
  - Class A rental rates remained \$21.85 per SF
  - Class B rental rates increased from \$17.14 per SF to \$17.80 per SF
  - Class C rental rates held steady at \$12.52 per SF
- The Oklahoma City North submarket experienced positive absorption of 85,000 SF

### 2016 NORTH SUBMARKET FORECAST

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

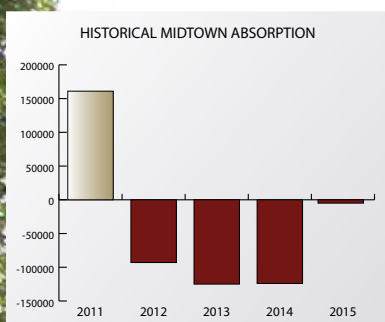
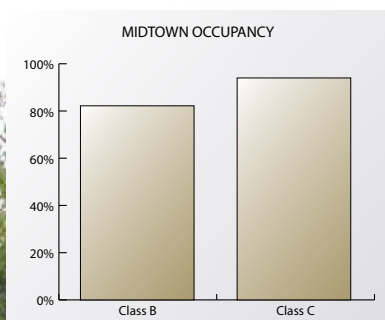
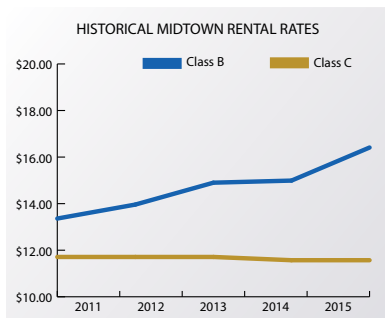
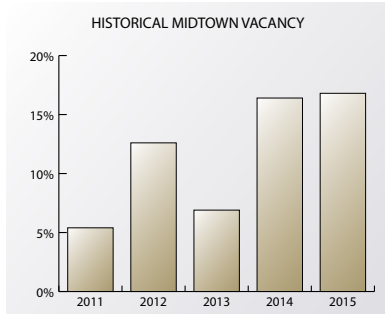
North	Year Built	Floors	RSF	Vacant SF	Vacant %	Rate	CAF
1001 Wilshire	2003	4	43,316	0	0%	\$20.00	13%
1001 W Wilshire Ave							
4345 N. Lincoln	2014	3	160,000	0	0%	\$15.00	0%
4335 N. Lincoln							
50 Penn Place	1973	16	178,315	12,689	7%	\$17.50	12%
5100 N. Pennsylvania							
5100 Circle Building	1981	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	6%	\$18.00	0%
200 NW 66th							

2015 Year-End Oklahoma City Office Market Summary  
**NORTH SUBMARKET**

North	Year Built	Floors	RSF	Vacant SF	Vacant %	Rate	CAF
Broadway North 7301 N. Broadway	1974	2	25,703	1,103	4%	\$17.00	13%
Broadway Plaza 16 NW 63rd	2003	3	50,726	0	0%	\$12.00	13%
Broadway Sixty-Eight 6801 N. Broadway	1979	3	40,000	0	0%	\$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	5,102	13%	\$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	92%	\$12.00	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%
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	9%	\$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	14,546	28%	\$14.00	16.5%
Paragon Building 5801 N. Broadway	1981	5	110,791	8,907	8%	\$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	21,617	27%	\$13.50	13%
Registry 2200 NW 50th	1980	2	93,167	23,018	24%	\$14.00	15%
Richmond Square 4900 Richmond Square	1982	2	27,606	5,195	18%	\$15.50	12%
Santa Fe North 6 NE. 63rd	1981	4	44,000	0	0%	\$17.00	14%
The Commons on Broadway 11600 Broadway Extension	2009	3	50,188	3,486	6%	\$23.00	18%
Three Broadway Executive Park 6501 N. Broadway	1977	3	45,256	7,964	17%	\$17.00	10%
Two Broadway Executive Park 205 NW 63rd	1980	3	52,205	9,047	17%	\$17.00	11%
Valliance Tower 1601 Northwest Expressway	1983	22	299,137	0	0%	\$22.00	17.8%
Waterford A 6301 Waterford Blvd.	1983	4	150,048	9,788	6%	\$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	20,100	24%	\$21.50	16%
Waterford D 6307 Waterford Blvd.	1983	2	34,087	0	0%	\$21.50	16%
<b>Totals</b>			<b>3,061,977</b>	<b>404,688</b>	<b>13.2%</b>	<b>\$17.93</b>	

North Construction	Year Built	Floors	RSF	Vacant SF	Vacant %	Rate	CAF
Market Center III 715 NE 122nd	2016	2	65,000	65,000	100%	\$26.00	0%
<b>Totals</b>			<b>65,000</b>	<b>65,000</b>	<b>100%</b>	<b>\$26.00</b>	



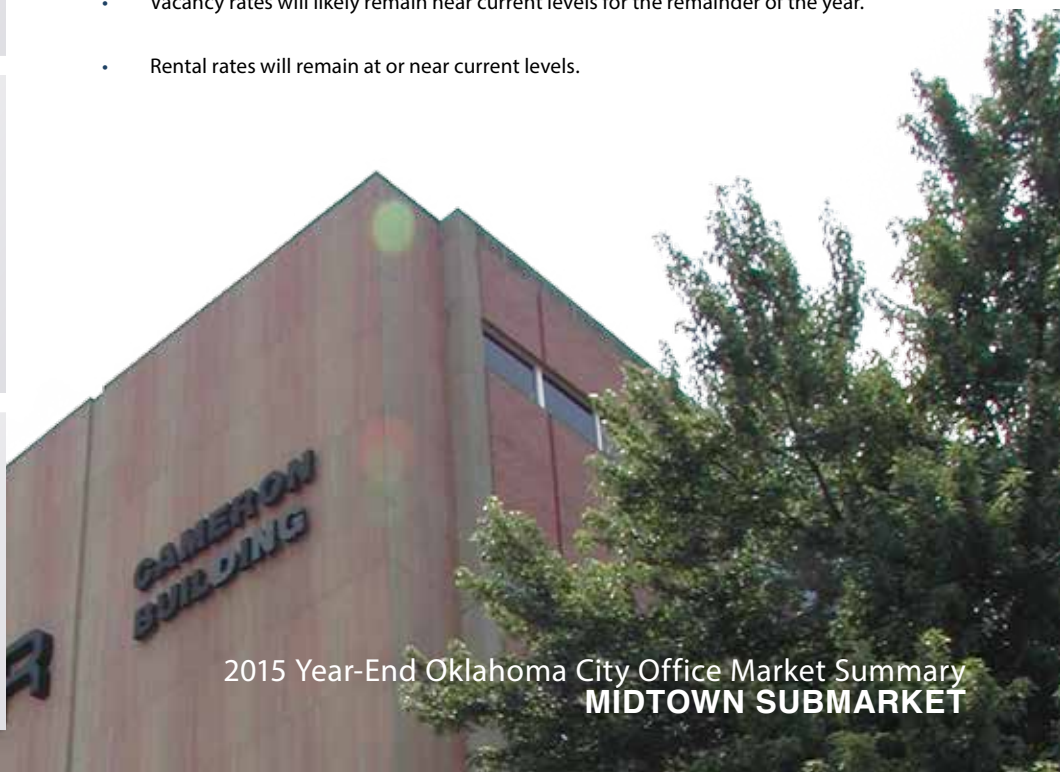


**2015 YEAR-END MIDTOWN SUBMARKET REVIEW**

- Aggregate vacancy rates increased from 16.4% to 16.8%
  - Class B vacancy rates increased from 17.3% to 17.8%
  - Class C vacancy rates decreased from 7.2% to 6.0%
- Aggregate rental rates increased from \$14.69 per SF to \$15.98 per SF
  - Class B rental rates increased from \$14.99 per SF to \$16.41 per SF
  - Class C rental rates remained level at \$11.57 per SF
- The Midtown Submarket experienced negative absorption of 5,000 SF

**2016 MIDTOWN SUBMARKET FORECAST**

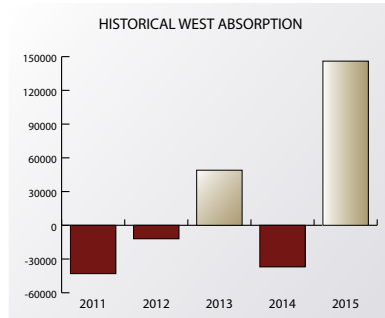
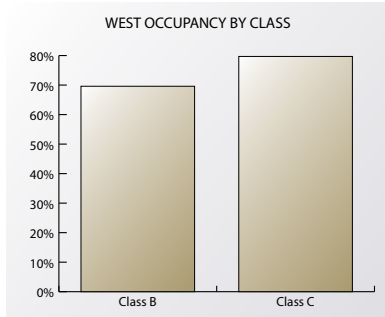
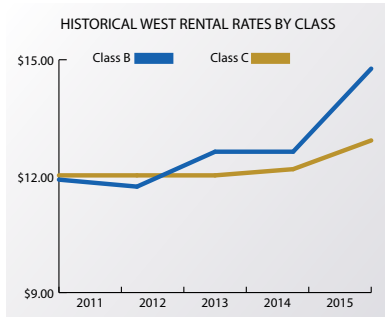
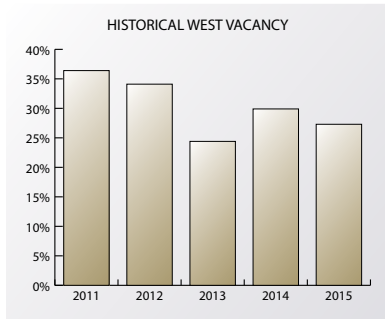
- Vacancy rates will likely remain near current levels for the remainder of the year.
- Rental rates will remain at or near current levels.



Midtown	Year Built	Floors	RSF	Vacant SF	Vacant %	Rate	CAF
2000 Classen Center	1965	10	318,605	0	0%	\$17.50	13%
2000 N Classen Blvd							
4801 Classen Building	1974	2	33,151	5,971	18%	\$10.50	0%
4801 N Classen Blvd							
Cameron Building	1955/57	5	81,493	940	1%	\$12.00	10%
2901 Classen Blvd							
Classen Park I	1980	2	52,800	4,350	8%	\$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	4	55,203	7,491	13%	\$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>1,303,052</b>	<b>218,733</b>	<b>16.8%</b>	<b>\$15.98</b>	

# 2015 Year-End Oklahoma City Office Market Summary

## WEST SUBMARKET

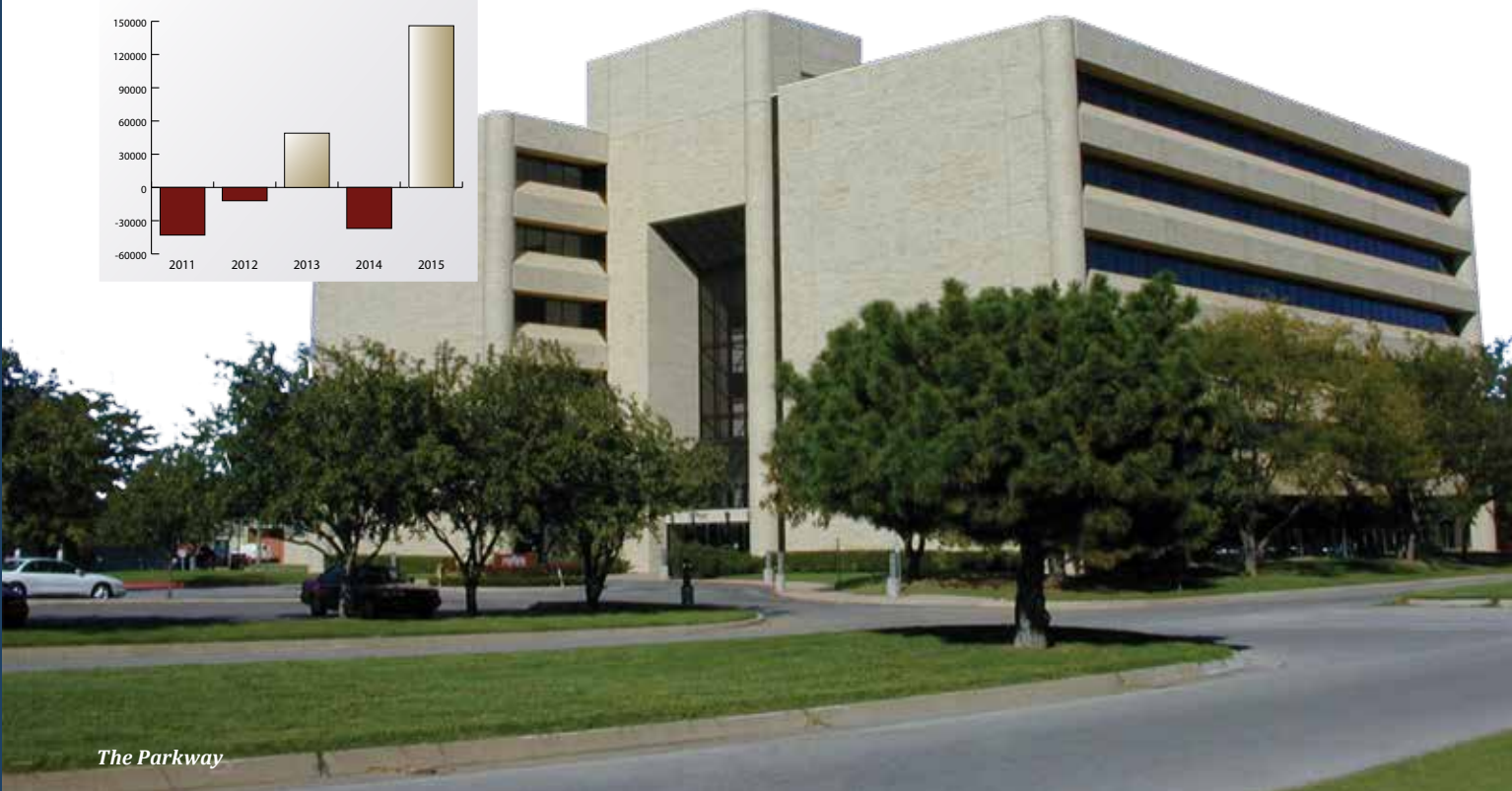


### 2015 YEAR-END WEST SUBMARKET REVIEW

- Aggregate vacancy rates decreased from 31.8% to 27.3%
- Class B vacancy totals increased from 30.3% to 30.4%
- Class C vacancy totals decreased from 34.1% to 20.3%
- Aggregate rental rates increased from \$12.45 per SF to \$14.21 per SF
- Class B rental rates increased from \$12.63 per SF to \$14.77 per SF
- Class C rental rates increased from \$12.18 per SF to \$12.92 per SF
- The West Oklahoma City Office Market experienced positive absorption of 146,000 SF due to the inclusion of the OKC Works Building 20 into our market report during 2015.

### 2016 WEST SUBMARKET FORECAST

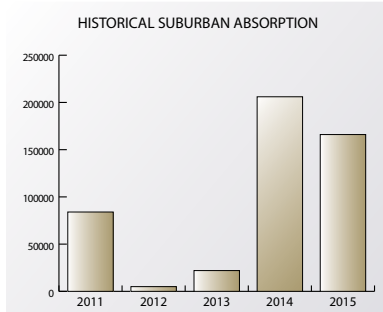
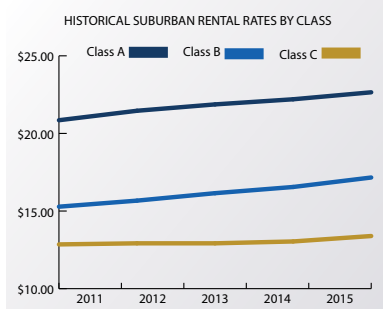
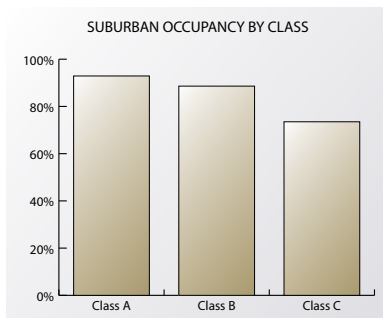
- Vacancy rates should improve slightly
- Rental rates in the submarket should remain flat for the rest of the year



## 2015 Year-End 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	6,305	9%	\$13.50	12%
Metro Office Park 4300 Highline Blvd.	1981	3	60,750	12,157	20%	\$13.50	0%
OKCWorks - OKC20 7725 W. Reno Avenue	1963	4	170,165	75,000	44%	\$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	49,730	51%	\$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>672,618</b>	<b>183,905</b>	<b>27.3%</b>	<b>\$14.21</b>	

West Construction	Year Built	Floors	RSF	Vacant SF	Vacant %	Rate	CAF
Westgate One 10401 West Reno	2015	5	200,000	200,000	100%	\$18.50	15%
<b>Totals</b>			<b>200,000</b>	<b>200,000</b>	<b>100%</b>	<b>\$18.50</b>	



## 2015 Year-End Oklahoma City Office Market Summary SUBURBAN SUBMARKET

### 2016 MID-YEAR SUBURBAN SUBMARKET REVIEW

- Aggregate vacancy rates increased from 12.5% to 12.9%
  - Class A vacancy increased from 4.5% to 7.1%
  - Class B vacancy increased from 11.0% to 11.4%
  - Class C vacancy decreased from 29.0% to 26.5%
- Aggregate rental rates increased from \$17.46 per SF to \$17.65 per SF
  - Class A rental rates increased from \$22.20 per SF to \$22.65 per SF
  - Class B rental rates increased from \$16.55 per SF to \$17.16 per SF
  - Class C rental increased from \$13.04 per SF to \$13.39 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>10,369,330</b>	<b>1,340,561</b>	<b>12.9%</b>	<b>\$17.65</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*