

OKLAHOMA CITY VITALITY REPORT

FALL 2017

OVERVIEW

The Oklahoma City Vitality report, published semi-annually, gauges our metro's economic progress and its impact on the commercial real estate market. Newmark Grubb Levy Strange Beffort compared Oklahoma City to four metros: Jacksonville, Kansas City, Richmond, and Nashville. These metros are all secondary markets with similar populations, however the industries that drive the economies differ dramatically. Due to the time lag in data availability, this report highlights the most recent data available.

OKC DEVELOPMENT

There have been numerous development and redevelopment projects occurring or completed throughout the city. The most significant ventures include:



Maps 3
\$777M



Tinker Air Force Base Expansion
158 Acres



Life Time Fitness
181,000 SF



GE Oil & Gas Technology Center
\$110M



Boeing Campus Expansion
\$80M



Hobby Lobby Warehouse
\$88M



Chisolm Creek Mixed-use Development
190 Acres



Wheeler District
158 Acres



BOK Park Plaza
690,000 SF

BASIC STATS

Oklahoma City	
Type of City Government	Council-Manager
Land Area	606 sq. miles
Metro Area	
2017 Population	1.4M
2017 Median HH Income	\$53,289
Avg. Drive Time	22 mins.
Unemployment Rate May '17	4.10%

Source: BLS

OUTLOOK

While mining and manufacturing industries are shown to have positive growth between 2014 and 2024, 2017 will likely be a year of contraction. The 2017 Economic Forecast produced by the Oklahoma City Chamber of Commerce forecasts that the mining industry will contract by more than 2 percent in 2017 and have slight gains in 2018. The local manufacturing sector, which is heavily tied to the energy industry, is forecasted to be relatively flat in 2017 with a slight increase in 2018. The largest industry gains in 2017 will take place within the Financial industry and the Federal Government.

Long term, the construction, professional services, education and health, and leisure and hospitality will post double digit gains over the next 7 years. Mining and manufacturing sectors will be positive but at much slower paced gains than we have seen in the recent past.

OPPORTUNITIES

- Location among the I-35 megaopolis corridor with very high population growth
- Stable employment despite energy downturn, pointing to a much more diversified economic base
- Homebuilding slowed once oil prices fell, keeping markets from being oversupplied

CHALLENGES

- Recent decline of the energy sector
- Expected increases to the interest rate
- Workforce skills gap

ANALYSIS | IMPACT TO CRE

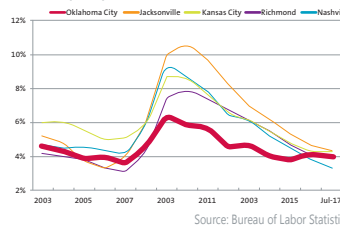
In June 2017, Business Insider ranked Oklahoma City 8th on its list of most popular cities to live due to factors such as low cost of living, population growth rate and economy. While employment is forecasted to remain flat, many companies are hesitant to make long term commitments. While the amount of shadow and sublease office space has increased due to the contraction of the energy industry, Class A office rents have not dipped. We expect office rents to remain flat through 2017.

Oklahoma City's aviation and aerospace industries will propel growth in Oklahoma City in 2017. Tinker AFB is one of the most important bases in the Air Force, housing the largest air logistics center in the country. Construction is underway on a depot maintenance facility that will service the KC-46A Pegasus, the military's next generation aerial refueling aircraft. Tinker and Boeing's growth in Oklahoma City will provide even more opportunities for public-private partnerships with other aerospace companies. Prices continue to climb for industrial land and BTS properties, particularly those within the energy and aerospace industries.

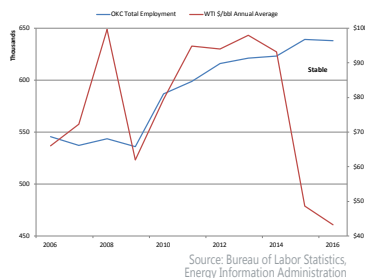
ECONOMY

Since the 2009-2010 recession, the Oklahoma City MSA has had one of the lowest unemployment rates in the country. Recently, the economy has been hurt by low oil prices and its impact to the energy sector and other energy-related industries. However, Oklahoma City's diversified economy has helped to absorb losses from the energy industry and posted a flat total employment rate in 2016.

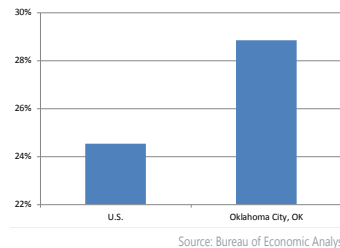
Unemployment Rate



OKC Total Employment vs. Price of Oil 2006 - 2016



GDP Growth 2009-2015



Measuring Economic Performance

Shorthand way to gauge how the cities are performing relative to one another and to the nation as a whole. Because of the time lag in data availability, this report captures the most recent data available.

Oklahoma City Employment

In 2016, unemployment rates in Oklahoma City ticked upward as compared to the rest of the country, however it remains very competitive with other large metros. The OKC MSA has been among the 25 lowest large metros for 6 years. While total employment remained flat in 2016, this was viewed as a positive given the downturn in the oil and gas industry. The flat employment rate points to the increased diversification in the economy.

Diversified Employment Base

Historically known for its oil and gas industry, Oklahoma City's economy has become much more diversified. Major industries such as aerospace, biotech, government, energy, healthcare and professional services make up the economy. Only two of the largest twenty employers are oil and gas firms. Oklahoma City is also home to Love's Travel Stops, Hobby Lobby, Paycom, Sonic, and Tinker Air Force Base (the single largest employer in the state).

OUTLOOK

Metro job growth in 2017 is expected to grow by 0.7% or 4,200 jobs with much of that growth coming by the end of the year according to the Greater Oklahoma City Chamber economic forecast. With the exception of the energy and manufacturing industries, most industry jobs are above 2016 levels but there is still a lag in local government and consumer spending. The Greater Oklahoma City 2017 economic forecast predicts that the unemployment rate in 2017 will be 4.2% and 4.0% in 2018.

CONSUMER SPENDING | MAJOR EMPLOYERS

2017 Cost of Living Index
 In Oklahoma City, costs such as housing, transportation, utilities, and groceries are consistently below the national average. Oklahoma City is often ranked at the very top of cities with the most affordable housing markets, with housing costs more than 25% below the national average. In May 2017, Kiplinger ranked Oklahoma City 10th on its list of the cheapest U.S. cities to live. Oklahoma City's low cost of living, population growth rate and growing economy continue to attract more people to the metro.

Major Private Employers
 Oklahoma City MSA

Name	Employees
OU - Norman Campus	12,700
Integrus Health	6,000
Hobby Lobby	5,100
OU Health Sciences Center	5,000
Mercy Health Center	4,500
OG&E Energy Corp	3,400
University of Central Oklahoma	3,000
AT&T	2,700
Devon Energy	2,500
Boeing	2,600
Chesapeake Energy	2,500
Sonic	2,460

Source: Greater Oklahoma City Chamber of Commerce, April 2017

Cost of Living Index
 % of U.S. Average

	Oklahoma City	Tulsa	Pittsburgh	Denver	Houston
Overall	86%	91%	100%	112%	97%
Grocery	89%	93%	107%	100%	85%
Housing	72%	63%	93%	133%	105%
Utilities	97%	116%	113%	95%	99%
Transportation	87%	98%	108%	108%	93%
Health Care	92%	89%	95%	105%	91%

Source: C2ER Cost of Living Index, 2017 Q1

THE INNOVATION DISTRICT

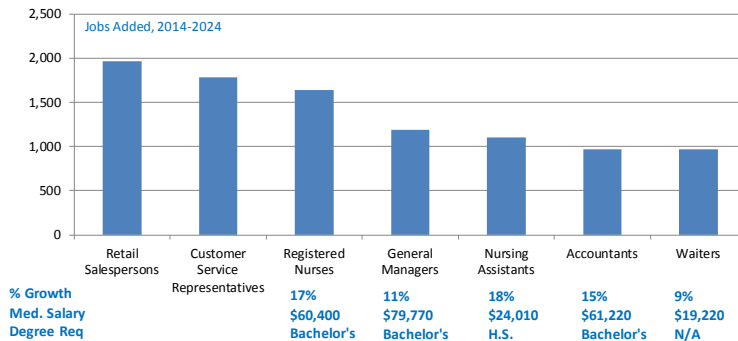
In late 2015, Oklahoma City was selected as one of the only two cities in the U.S. to participate in the Brookings Institution and Project for Public Spaces have recently completed an 18-month study of Oklahoma City's emerging innovation district, an area encompassing the Oklahoma Health Center and Automobile Alley. The Innovation District has a special focus on strong entrepreneurship to create mixed-use spaces that encourage collaboration and sharing ideas that can lead to more development, access to capital and commercialization. According to the recently completed study by the Brookings Institute, OKC's innovation district could become one of the most globally significant energy and health care districts in the world. The study recommended four multifaceted strategies to develop the area into its full potential including establishing a center for energy and health collaboration.

Project Area



PROJECTED EMPLOYMENT CHANGES: 2010-2020

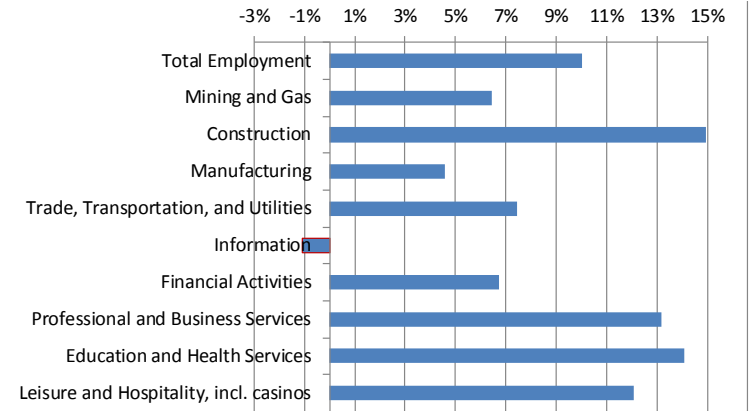
Fastest Growing Occupations 2010-2020, Central Oklahoma



*Median Annual wage is based on state data

Source: Oklahoma Employment Security Commission, Long-term Employment Projections 2014-2024

Industry Projections 2014-2024, Oklahoma City Metro



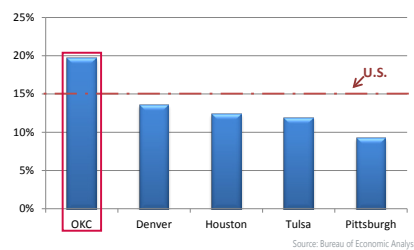
Source: Oklahoma Employment Security Commission, Long-term Industry Employment Projections Oklahoma City MSA

GOVERNMENT

Government Employees

Tinker AFB is the largest single-site employer in the state and has an annual economic impact of \$3.4 billion. The Government sector is the largest source of employment in the metro. Nearly 1 in 5 non-farming jobs in Oklahoma City are government positions. This is higher than the U.S. average and a much higher percentage than the other comparable metros. While unemployment rates are low in OKC, a significant percentage of employees in the metro work for the government. The Chamber of Commerce predicts that government employment will remain relatively flat in 2018.

% of Government Employees



Source: Bureau of Economic Analysis

OKC Major Gov't Agency Employment

State of Oklahoma	45,600
Tinker Air Force Base	24,000
Federal Aviation Administration	7,000
City of Oklahoma City	4,700

Source: Chamber of Commerce, Agency websites

OUTLOOK

The Chamber of Commerce forecasts that government employment will increase slightly by 0.6% in 2017. While state and local government will be flat, the federal government employment will grow by more than 3% in 2017. The Oklahoma City aviation and aerospace industry continues to expand, both within the federal government and the private companies. Construction is underway on the \$500M depot maintenance facility that will service the KC-46A Pegasus, which is expected to create 1,300 new, high-paying jobs.

ABOUT NEWMARK GRUBB LEVY STRANGE BEFFORT

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