

TULSA VITALITY REPORT

FALL 2017



Newmark Grubb
Levy Strange Beffort

OVERVIEW

The Tulsa Vitality report gauges the metro's economic progress and its impact on the commercial real estate market. Newmark Grubb Levy Strange Beffort compared Tulsa to five metros: Oklahoma City, Little Rock, Tucson, Albuquerque, and Wichita. These metros are similar in terms of population and location. Due to the time lag in data availability, this report highlights the most recent data available.

IMPROVE OUR TULSA

In 2016, voters across Tulsa County approved propositions to improve their cities. The vote extended the Vision 2025 program that expired at the end of the year. In Tulsa, the \$884.1 million tax renewal package contained 3 major parts: public safety, transportation, and economic development. In Bixby and Jenks, the funds will go towards developing the Arkansas River infrastructure. In Owasso, the money will be used for street repair. Broken Arrow's money will be primarily devoted to public safety and street improvement.



Police Department
\$202M



Arkansas River Dev.
\$140M



Fire Department
\$70M



Gilcrease Museum Expansion
\$65M



Street Maintenance
\$45M



Tulsa Fairgrounds
\$30M



Airport Infrastructure
\$27M

BASIC STATS

| | |
|---------------------------|-----------------|
| Tulsa | |
| Type of City Government | Mayor-Council |
| Land Area | 6,269 sq. miles |
| Metro Area | |
| 2017 Population | 989,856 |
| 2017 Median HH Income | \$52,302 |
| Avg. Drive Time | 21 mins. |
| Unemployment Rate May '17 | 4.90% |

Source: BLS

OPPORTUNITIES

- Significant economic impact as a result of the Arkansas River development
- Favorable business climate
- Strong philanthropic community

CHALLENGES

- Low oil prices and the impact on energy-related industries
- Partnerships of communities that make up Tulsa metro
- Large amount of office vacancy in CBD

ANALYSIS | IMPACT TO CRE

Tulsa felt the decline of low oil prices and the negative impact on oil-and-gas related industries in 2016. Despite the slower growth due to low oil prices, Tulsa's economic diversification was able to offset some of the job losses from the energy sector. Tulsa's low cost of doing business and strong philanthropic community, Tulsa remains a prime location for companies looking to relocate or expand, as evidenced by expansions from QuikTrip and Google. A study prepared for the Tulsa Chamber, estimates that the plans of Vision Tulsa to add low-water dams and improve the Arkansas River corridor have a \$122 million annual economic impact. As part of that \$122 million annual impact, the study estimates that river development could help attract 1,850 jobs and \$85 million in income each year.

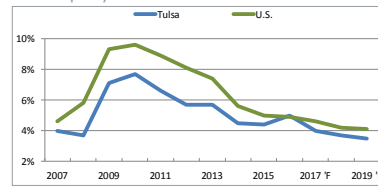
Grow Metro Tulsa, a division of the Tulsa Chamber of Commerce, forecasts the Tulsa's GDP should grow 3.5% in 2017 and over 3% annually for the next 5 years. The unemployment rate is also forecasted to remain below the U.S. rate in 2017 and beyond. There has been an increase in vacancy, particularly in sublease and shadow space. NGLSB anticipates vacancy levels to improve slowly if oil prices stabilize or rise. The current environment may cause tenants to take a "wait and see" attitude while requesting shorter lease terms and concessions.

ECONOMY

Tulsa Employment

Tulsa's unemployment rate has been significantly lower than the national average for years until the downturn in the oil and gas industry in late 2015 and 2016. Low oil prices naturally led to a reduction in the energy sector which trickled down into other related sectors, particularly energy-related manufacturing.

Unemployment Rate



Source: Bureau of Labor Statistics, Tulsa 2017 Economic Profile by Grow Metro Tulsa

Measuring Economic Performance

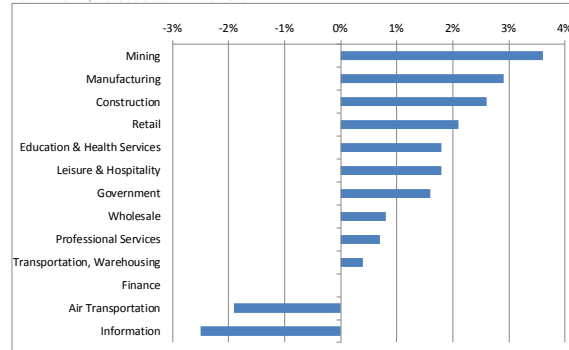
Shorthand way to gauge how the cities are performing relative to one another and to the nation as a whole. Because of the time lag in data availability, this report captures the most recent data available.

Population

The Tulsa MSA population grew 0.6% percent in 2016 to 987,201. Tulsa will likely hit the million-population mark between 2018 and 2019. Tulsa metro's population is expected to remain flat in 2017 and then grow at the same pace as the U.S. over the next 5 years.

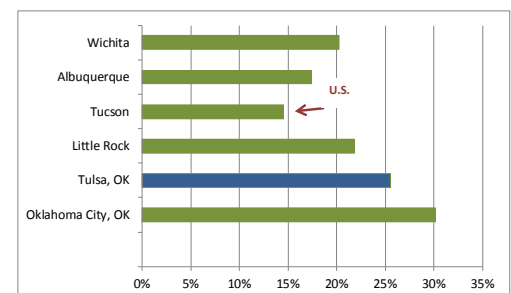
Tulsa MSA Industry Employment

2017-2021, Forecasted Annual Growth



Source: Tulsa Chamber 2017 Economic Profile

GDP Growth 2009-2015



Source: Bureau of Economic Analysis

OUTLOOK

Energy prices are expected to increase slightly over the next few years according to the recent Kansas City Federal Energy Survey Special Questions. WTI oil prices of \$51/barrel is considered a profitable price. According to the recent findings, the price of oil is expected to increase slightly to \$54 in 1 year, and rise to \$60 in 2 years. While positive, the modest increases may not drastically increase the employment within the energy-related industries.

Over the next 5 years, Grow Metro Tulsa, a division of the Tulsa Chamber of Commerce, anticipates that the mining and manufacturing industries will grow an average of 3% annually, coinciding with increased oil prices. Tulsa's economy is growing in 2017 and is forecasted to be below the U.S. unemployment rate for the year.

RECENT ANNOUNCEMENTS | NEW DEVELOPMENT

A Gathering Place \$350M Project
100-acres along the Arkansas River to include: skate park, playground, gardens, jogging/cycling path, two land bridges, boathouse, lodge, and cultural museum.

Google Data Center Expansion
4-story data center in Pryor, OK will bring Google's total OK investment to \$2B

River Spirit Resort & Casino \$329M
Expansion includes a 27-story hotel, Margaritaville casino & restaurant and a 2,500-seat theater.

Santa Fe Square \$160M
600,000 sf mixed-use development

including office, retail, 105-room hotel, 291 apartments & parking garage.

St. Francis Expansion \$62M
Renovating surgery department & adding 7 more operating rooms.

Cosmopolitan Apts. \$32M
264 units on Riverside Dr. & Denver Ave.

The Edge at East Village \$25M
161 units on east side of downtown

QuikTrip HQ Expansion 250,000 SF
43rd St. North & Garnett Rd.

FedEx Distribution Center 250,000 SF
Broken Arrow

HUMAN CAPITAL

Percentage of
High School
Graduates
Highest Educational
Attainment

| | |
|--------------------|------------|
| TULSA | 30% |
| LITTLE ROCK | 28% |
| U.S. | 28% |
| OKC | 27% |
| WICHITA | 27% |
| ALBUQUERQUE | 25% |
| TUCSON | 23% |

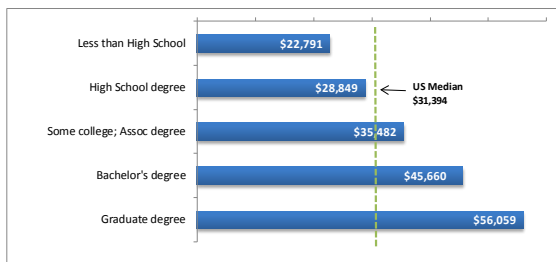
Source: U.S. Census Bureau, ACS 2015

Percentage of
College
Graduates
Bachelor's Degree
or Higher

| | |
|--------------------|------------|
| U.S. | 31% |
| ALBUQUERQUE | 30% |
| TUCSON | 30% |
| OKC | 29% |
| WICHITA | 29% |
| LITTLE ROCK | 29% |
| TULSA | 26% |

Source: U.S. Census Bureau, ACS 2015

Tulsa Median
Annual Earnings
2015 by
Educational
Attainment



Source: U.S. Census Bureau, ACS

OUTLOOK

Many of the public schools in the Tulsa metro need improvement, according to the A-F grading system. School officials and city administrators are actively working to improve the school system, but admit that it will take time to reverse the course. A new school accountability calculation will likely soon replace the A-F system that has been in effect since 2012.

A nonprofit group created to improve educational outcomes for students has partnered with Tulsa Public Schools to operate part of an elementary school in North Tulsa which will open for the 2017-2018 school year.

A GATHERING PLACE

A Gathering Place for Tulsa, is funded by a mix of corporate and philanthropic organizations, with the primary donor as the George Kaiser Family Foundation. The project will transform nearly 100 acres of Tulsa's waterfront along the Arkansas River into a dynamic and active space. A Gathering Place for Tulsa will blend nature with an urban setting providing Tulsans and visitors more space to play, relax and gather together along the river. The park will include features such as a lodge, boathouse, nature walks, and two land bridges connecting the two sides of the river. At \$350 million, it is the largest private gift to a public park in U.S. history and is estimated to attract 1 million visitors annually. The first phase (a 66.5 acre park) is scheduled to be completed by the summer of 2018. The second phase of the project will be a cultural museum that is expected to be completed in 2019.

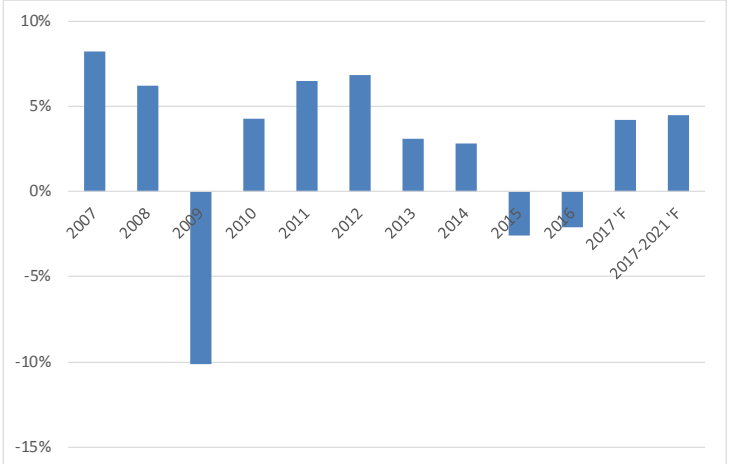


Source: <http://agatheringplacefortulsa.com/get-the-facts/>

TULSA MSA RETAIL SALES

Tulsa's retail industry felt the sting with the decline of oil prices in 2015 into 2016. Grow Metro Tulsa forecasts that annual retail growth will pick up in 2017 and grow by more than 4% year over year. In contrast, U.S. retail sales are projected to only grow 3% annually for 2017. New retail development throughout the metro includes the expansion at River Spirit Resort and Casino and Santa Fe Square, a mixed-use development which includes 80,000 SF of retail.

Tulsa Metro Retail Sales Annual Growth Rate



Source: Tulsa 2017 Economic Profile, Chamber of Commerce

ABOUT NEWMARK GRUBB LEVY STRANGE BEFFORT

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- Serving the state of Oklahoma with offices in Oklahoma City and Tulsa
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