Tulsa, Oklahoma

Office Q3 2018

CUSHMAN & WAKEFIELD

TULSA OFFICE

Economic Indicators

	Q3 17	Q3 18	12-Month Forecast
Tulsa Employment	446k	459k	▲
Tulsa Unemployment	4.2%	3.7%	▼
U.S. Unemployment	4.4%	3.9%	▼

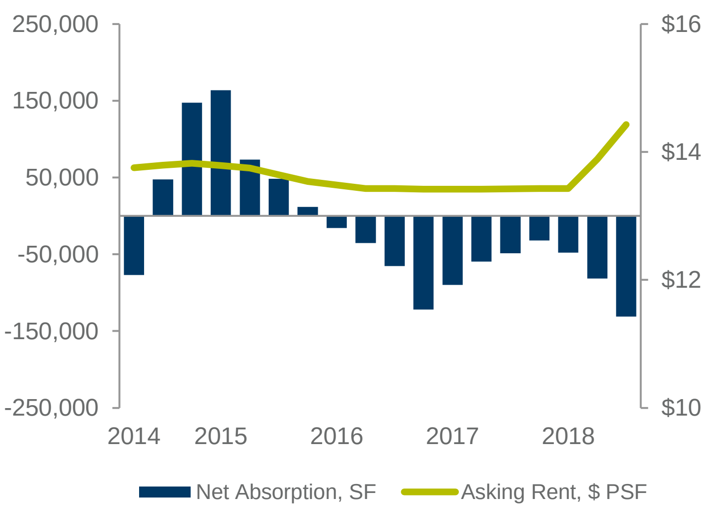
Market Indicators (Overall, All Classes)

	Q3 17	Q3 18	12-Month Forecast
Vacancy	22.0%	18.6%	▼
Net Absorption (sf)	26K	172k	▲
Under Construction (sf)	158k	264k	▬
Average Asking Rent*	$13.43	$15.58	▲

*Rental rates reflect gross asking $psf/year

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Economy

As oil prices continued to tick upward, the Tulsa metro area unemployment rate dropped to 3.7% in August 2018, while total employment increased to 459,000 according to the Oklahoma Employment Security Commission. Over a 12-month period of time, the number of jobs increased by 13,000 and the unemployment rate fell 50 basis points. While the economy is performing better than this time last year, the performance of the oil and gas industry and its impact on the overall economy continues to be a concern. The Tulsa unemployment rate is second highest among the state's four major metropolitan areas.

Market Overview

Office activity remains slow, with overall vacancy decreasing this quarter to 18.6% and net absorption coming in at 172,000 square feet (sf). Class A vacancy remains at a 10-year high of 13%, which is directly related to oil and gas companies minimizing their footprint or closing offices. The Class A market reported net absorption of 35,000 (sf) and weighted average asking rents of $19.84 per square foot (psf). Construction on the new six-story Valley National building began during the second quarter and is scheduled for delivery in early 2020. The 100,000-sf building will be located next to ONEOK Field in the downtown submarket. It is worth noting that asking rents have been on the rise and the amount of new space under construction has increased from a year earlier.

Outlook

Activity is expected to be slow once again heading into the fourth quarter with more subleases, consolidations, and closings. If the energy sector continues to rebound then so will the office market, but this is shaping out to be a very slow and lengthy process. If the energy sector remains stagnant, the expected impact on the commercial office market is for more tenants to downsize and an increase in activity for the subleases.

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