

# M Office Tulsa MARKET

Spring • 2005



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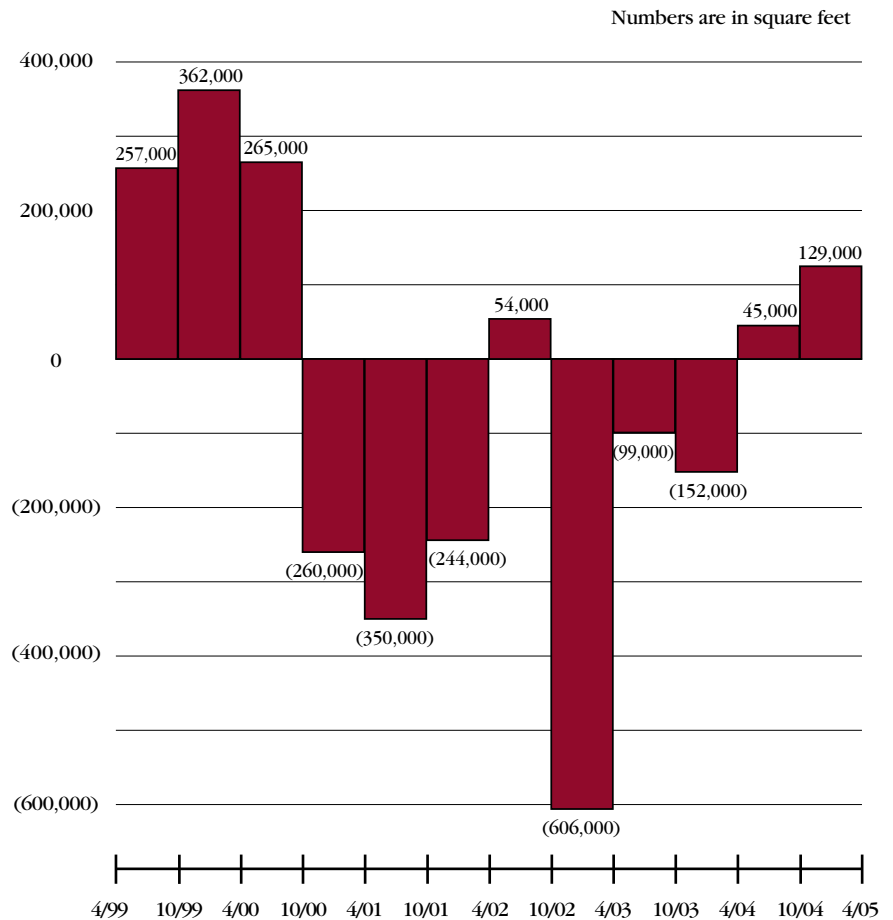
# MARKET CONDITIONS IN TULSA, APRIL 2005

The patient is recovering. After several years of weakness, the Tulsa office market is showing signs of better health. During the six months ended in April, 2005, overall net absorption totaled 129,000 square feet, and for the twelve month period, overall net absorption totaled 174,000 square feet. These numbers show up in the face of another 50,000 square feet of space surrendered by Citgo, an indication that the expansion is stronger than the figures first suggest.

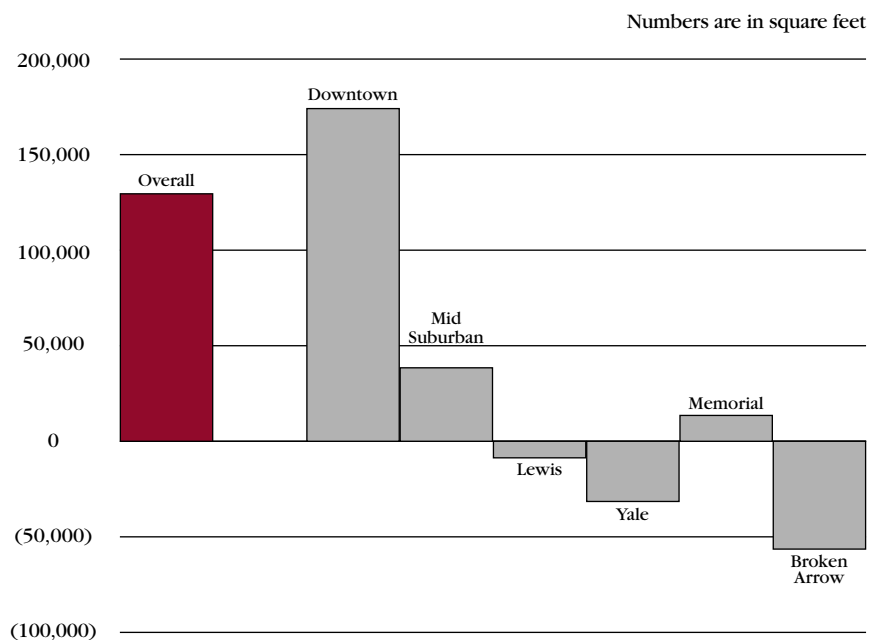
The Downtown submarket has been the largest beneficiary in the most recent round of lease activity. Expansion by a number of oil and gas related firms, law firms, and government offices have combined with the removal of 34,000 square feet of the Philtower Building for residential use, to produce a total of 174,000 square feet of net absorption in the Downtown submarket in the past six months. Other submarkets have not seen the same pace of activity. While the Midsuburban submarket was positive by 38,000 square feet, the Yale submarket was negative by 31,000 square feet (on account of Citgo), and the Broken Arrow submarket was negative by 56,000 square feet. Other submarkets saw relatively minor changes, as the accompanying chart indicates.

Suburban vacancy rates now average 17.2%, and range from a low of 14.7% in the Yale corridor, to a high of 23.4% in the Broken Arrow submarket. Downtown, vacancies now average 27.0%, down from 28.9% six months earlier, but these figures are somewhat distorted by the large quantity of class C offerings. Class A vacancies in the Downtown submarket average

## Overall Absorption Six Month Periods



## Submarket Absorption Current Period



## Occupancy & Rent Rate Trends by Submarket

20.7%, and class B vacancies, Downtown, average 22.5%.

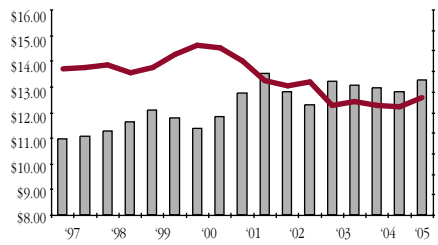
Weighted average asking rent rates have generally been flat, in the class B category, but landlords have begun to ask for higher rents in class A buildings. While these changes have not been uniform in all submarkets, it appears that the overall direction in rent rates may be headed upward, after several years of softness. Signed lease deals, as always, vary significantly from the averages, reflecting differences in buildings, tenant finishes, term, and other variables. Our expectation is that the trend of higher rent rates, both in quoted rates and in actual deal terms, will continue.

Meanwhile, the level of investment activity is high, as Tulsa's relatively low cost structure attracts investors from larger markets where yields have been driven to historically low levels by the flood of new capital moving into real estate. Debt continues to be plentiful at very attractive variable and fixed rates. Accordingly, transaction activity, with both sales and refinancing is vigorous.

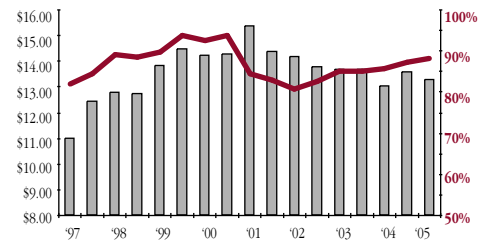
Continued job growth and an improving national economy point to trends of higher occupancy rates and increasing rents. In the short term, space is relatively abundant, but we expect the intermediate term to bring a significantly more landlord-friendly balance of supply and demand. This is an opportune time for tenants to be making long term lease commitments.

— Submarket Occupancy Class A & B Buildings  
 █ Weighted Average Asking Rent Rate Class A & B Buildings

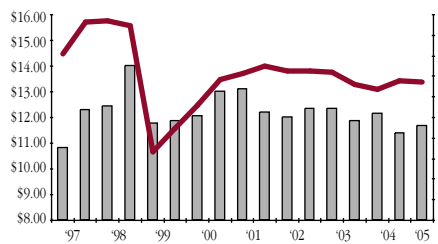
Downtown



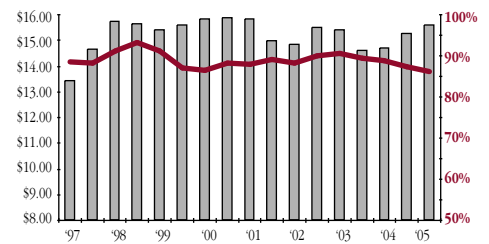
Mid-Suburban



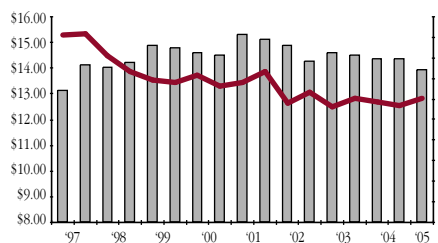
Lewis



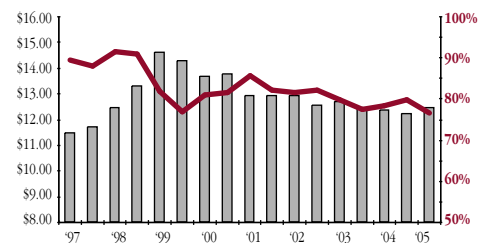
Yale



Memorial

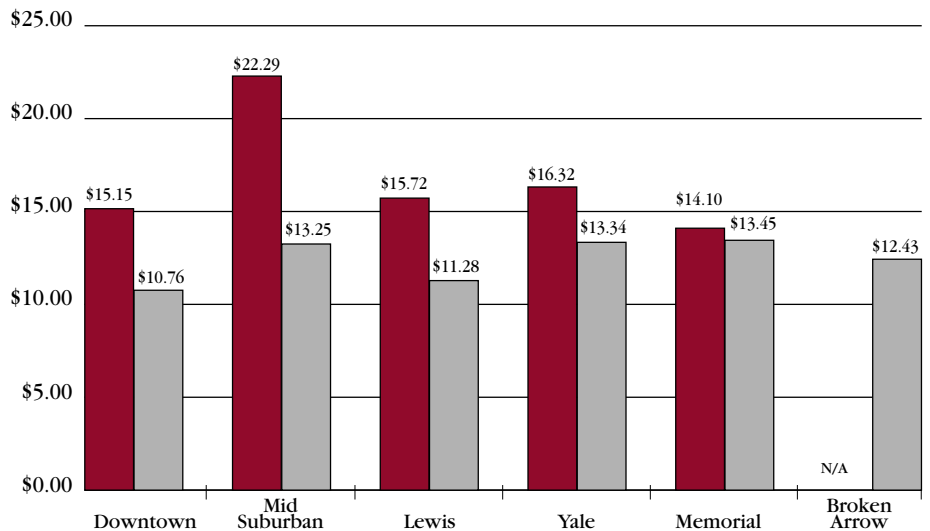


Broken Arrow



## Weighted Average Asking Rent Rates by Submarket

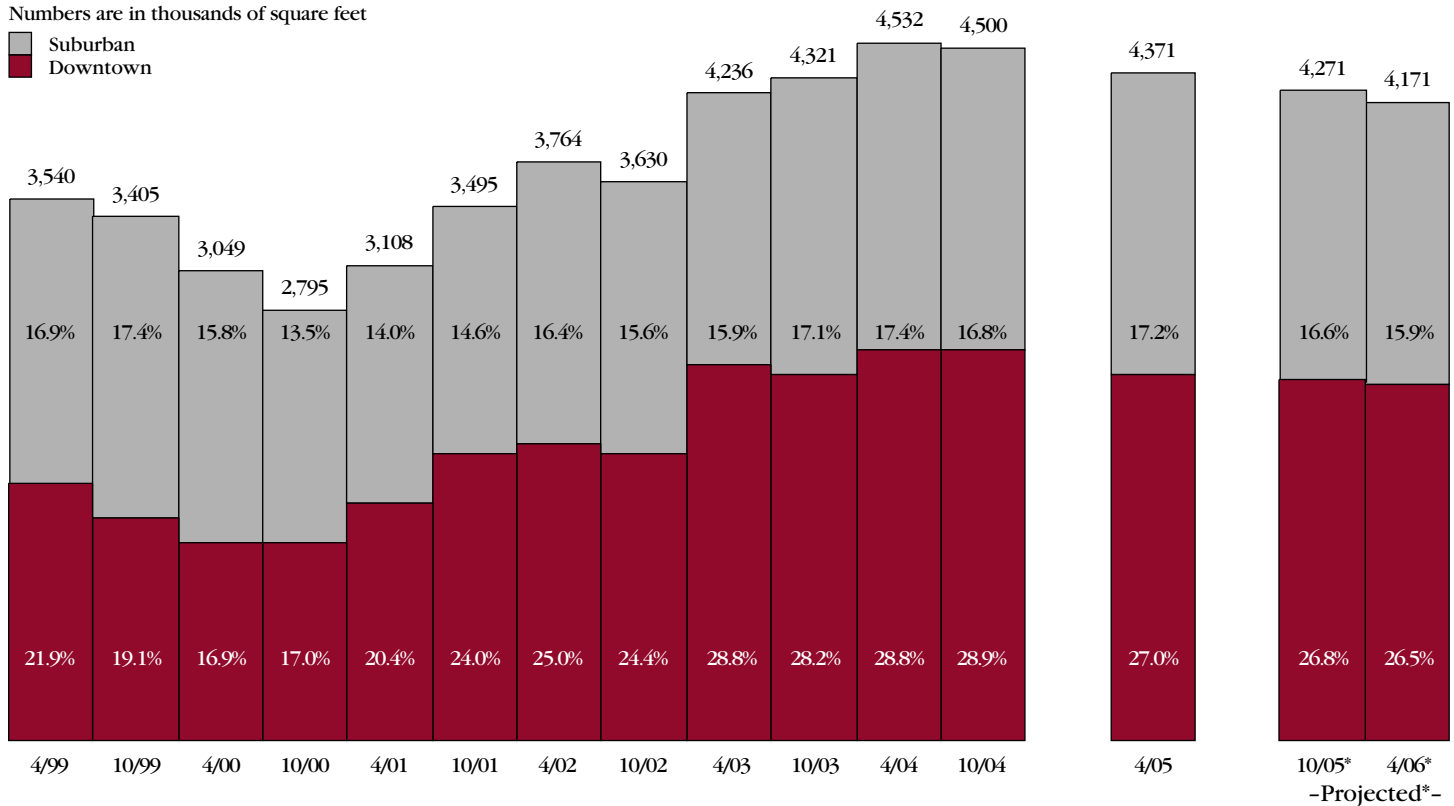
█ Class A  
 █ Class B



# Available Space Trend Six Month Periods

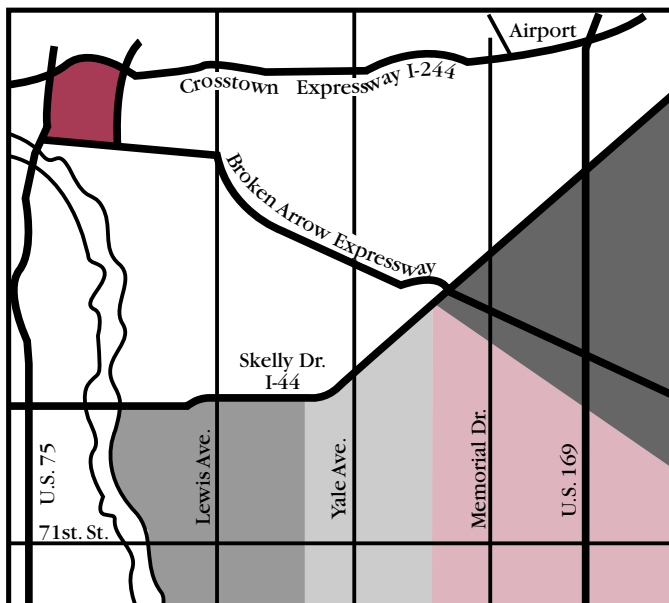
Numbers are in thousands of square feet

Suburban  
Downtown



\*Assuming no new buildings begin construction prior to April 2005 and that 200,000 sf is leased net of additional vacancies during the next 12 months.

## Available Space by Submarket April 2005



Key	Submarket	Total Area (sf)	Available (sf)	% Vacancy
<span style="color: darkred;">■</span>	Downtown	8,816,782	2,384,025	27.0%
Suburban				
<span style="color: white;">□</span>	Mid Suburban	2,835,667	445,455	15.7%
<span style="color: darkgray;">■</span>	Lewis	3,013,856	488,078	16.2%
<span style="color: lightgray;">■</span>	Yale	3,016,759	442,043	14.7%
<span style="color: pink;">■</span>	Memorial	884,240	190,362	21.5%
<span style="color: mediumgray;">■</span>	Broken Arrow	1,799,123	420,894	23.4%
	<b>Total Suburban</b>	<b>11,549,645</b>	<b>1,986,832</b>	<b>17.2%</b>
	<b>Total Existing</b>	<b>20,366,427</b>	<b>4,370,857</b>	<b>21.5%</b>
	<b>Total Construction</b>	<b>0</b>	<b>0</b>	<b>0.0%</b>
	<b>Total Office Space</b>	<b>20,366,427</b>	<b>4,370,857</b>	<b>21.5%</b>



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