

M Office Tulsa MARKET

Fall • 2007



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MARKET CONDITIONS IN TULSA, OCTOBER 2007

Tulsa's office market continues its trend of steady improvement, with the fourth full year of positive absorption, and the largest six-month absorption in six years. The overall gain in occupancy was 285,000, and the bulk of that occurred downtown, where the City purchased the One Technology Center building, to consolidate its scattered offices.

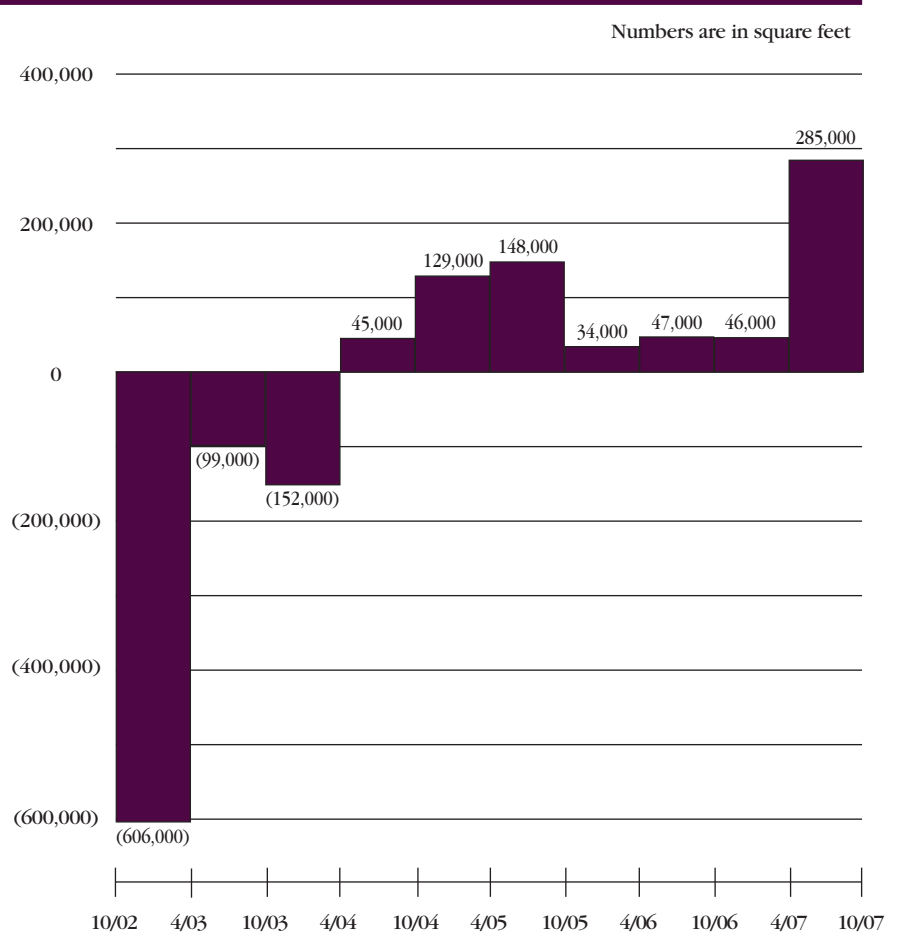
Downtown absorption weighed in with a total absorption of 315,000 square feet. Other submarkets saw much more modest changes, with the Yale corridor gaining 23,000 square feet, and the Broken Arrow corridor losing 55,000 square feet. Memorial, Lewis, and the Mid-suburban submarkets were essentially unchanged.

Vacancy rates are lowest in the Yale corridor at 11.7%, down from 12.5% six months earlier, and in the Lewis and Mid-suburban submarkets, at 13.1% and 13.7% respectively. Overall, suburban vacancies stand at 14.1%.

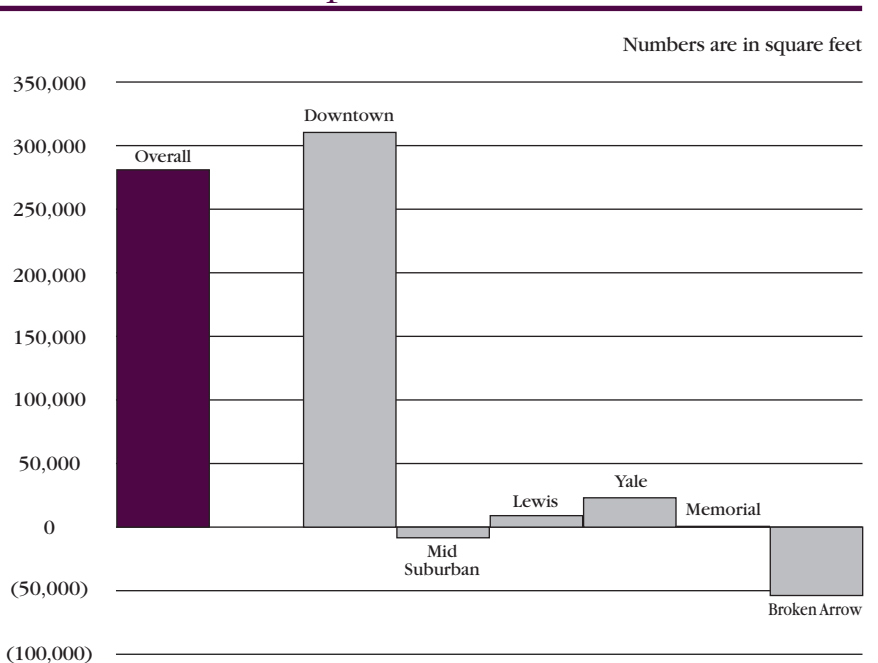
In the Downtown submarket, vacancies in class A space are down to 14.1% and vacancies in class B space are now at 22.2%. Distorting the overall numbers, are nearly a million square feet of vacant class C space, in old, poorly maintained buildings, which will require major code upgrades if renovated. Adding in the class C vacancies brings the overall downtown vacancy rate to 24.8%, down from 28.9% six months earlier. Plans are afoot to convert some of the vacant space to alternative uses – for residential or hotel occupancy, as the new BOK Arena nears completion.

Rent rates are increasing modestly, in response to the generally increasing occupancy rates. Class A rates downtown range generally from \$14 to \$18 per square foot, and in the suburbs from \$15 to \$21 per square foot. Class B rates downtown range generally from \$10 to \$12.50 per square foot, and in the suburbs from \$12 to \$15 per square

Overall Absorption Six Month Periods



Submarket Absorption Current Period



Occupancy & Rent Rate Trends by Submarket

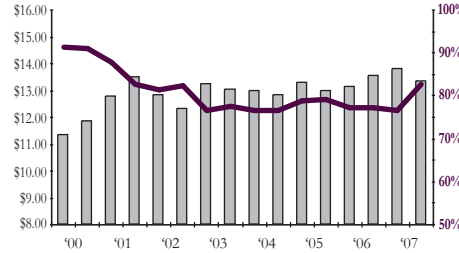
foot. Rates for a given space in a given building will vary based on the condition, location, build-out requirements and other terms of the lease. The averages shown for each submarket, in the chart, reflect different mixes of space from survey to survey, and the differences in mix account for some of the movement up or down. The trend, however, is consistently up, as the psychology of the market is favoring landlords.

The investment sales market for office buildings has been heated, with prices reaching levels unknown in Tulsa, but still modest on a per square foot basis when compared with other cities. Uncertainty created by the lull in the securitized debt market has not, so far, put a dent in the volume of transactions. Expectations of an improving rental market are likely to cause sellers who do not receive satisfactory offers, to take their buildings off the market rather than compromise on their sale price expectations.

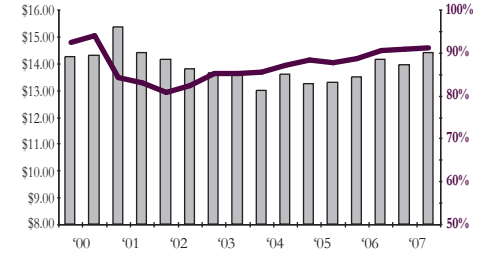
Tulsa's economy continues to benefit from a booming energy sector and high energy prices. Although the voters rejected a tax referendum that would have funded an ambitious development plan for the Arkansas River, there are many other privately funded development proposals in discussion, particularly in the downtown area. Street improvements, paid for with Vision 2025 funds, are underway all over downtown, with the goal of finishing the work before the opening of the new arena. With strong fundamentals and a healthy economy, we anticipate continued improvement in Tulsa's office market.

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

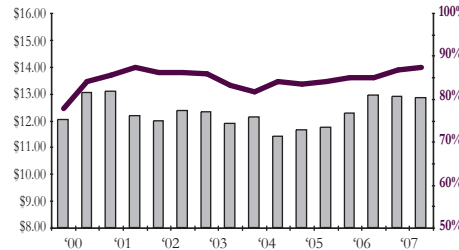
Downtown



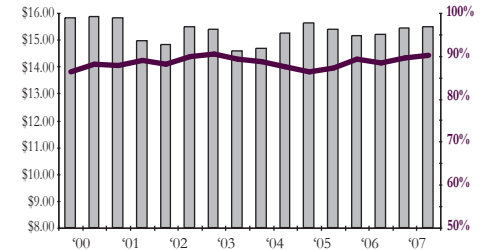
Mid-Suburban



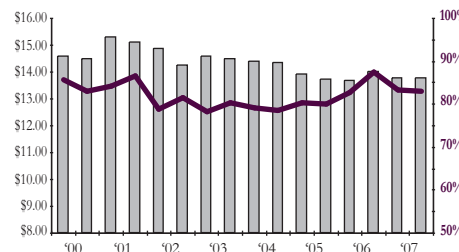
Lewis



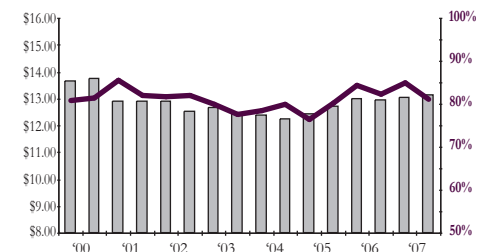
Yale



Memorial

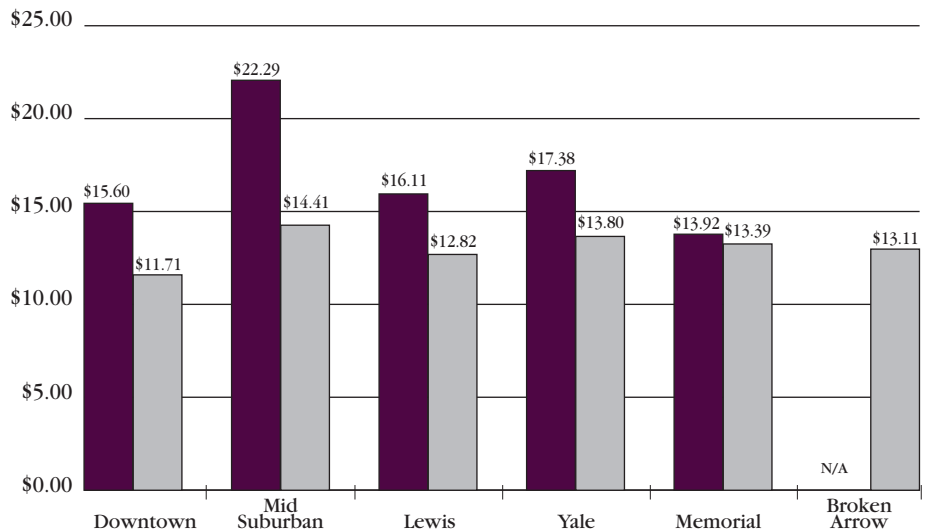


Broken Arrow



Weighted Average Asking Rent Rates by Submarket

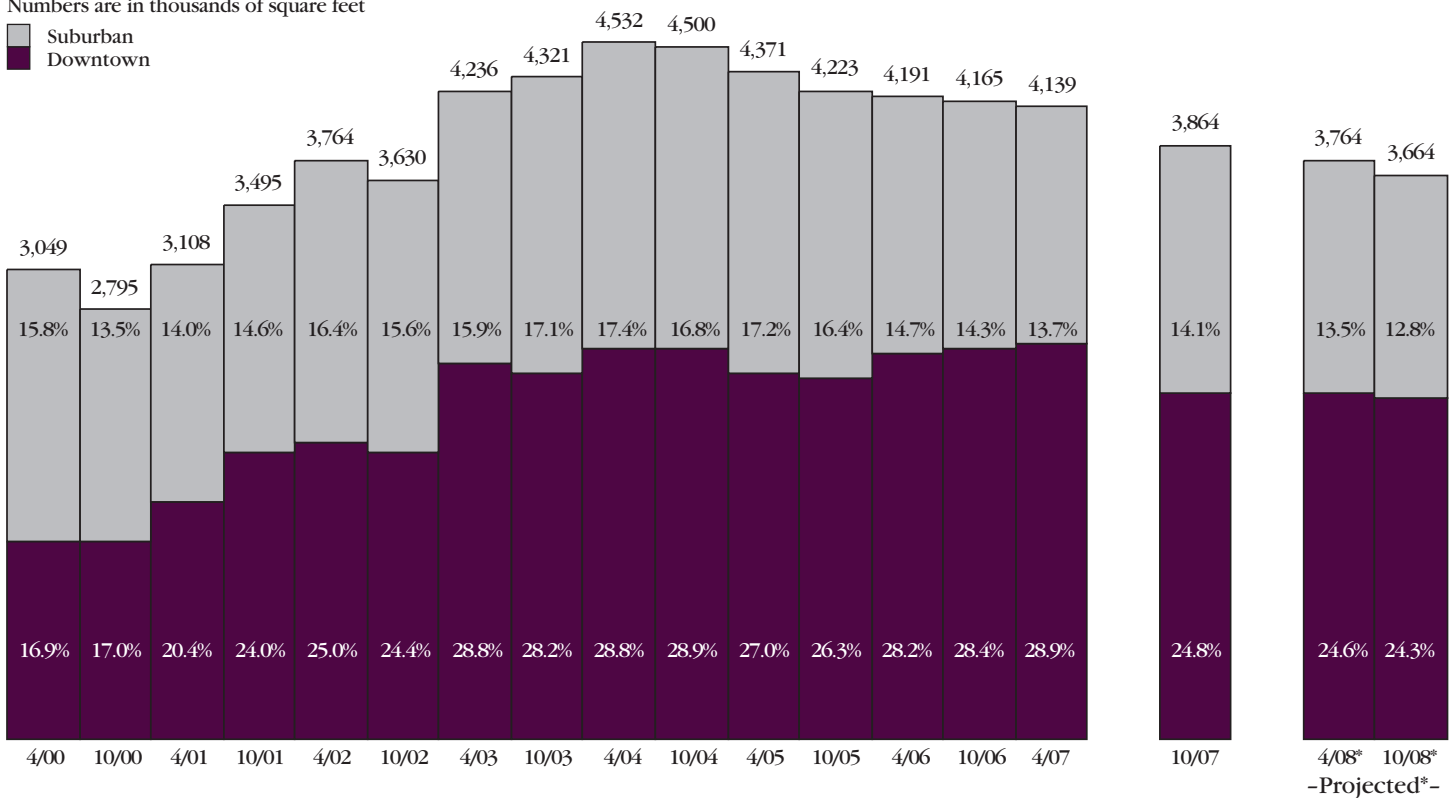
■ Class A
 ■ Class B



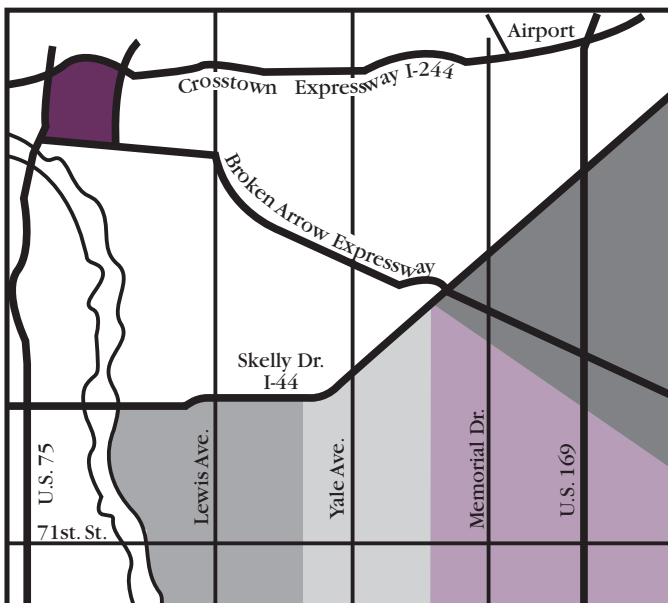
Available Space Trend Six Month Periods

Numbers are in thousands of square feet

Suburban
Downtown



Available Space by Submarket October 2007



Key	Submarket	Total Area (sf)	Available (sf)	% Vacancy
■	Downtown	9,149,131	2,272,476	24.8%
Suburban				
□	Mid Suburban	2,605,063	358,173	13.7%
■	Lewis	3,013,856	393,992	13.1%
■	Yale	3,016,759	353,679	11.7%
■	Memorial	820,021	146,916	17.9%
■	Broken Arrow	1,799,123	338,603	18.8%
	Total Suburban	11,254,822	1,591,363	14.1%
	Total Existing	20,403,953	3,863,839	18.9%
	Total Construction	0	0	0.0%
	Total Office Space	20,403,953	3,863,839	18.9%



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