

## What's Happening in... Oklahoma City?



Situated in the heart of the state, Oklahoma City (OKC for short), is a city that wears a lot of different hats.

Originally known as an oil capital, modern OKC boasts a diverse economy rooted in wide-ranging industries – from aviation and aerospace to biosciences and logistics. Meanwhile, energy still makes up a large part of the city's economy, with a burgeoning wind and solar sector now adding to OKC's oil and natural gas offerings.

Oklahoma City is also known for its rich cultural heritage and history, showcased in institutions like the National Cowboy & Western Heritage Museum and the First Americans Museum which shares the history of 39 First American Nations.

OKC boasts a metro population of 1.4 million (and growing), and a tourism industry that seems to be on a firm upwards trajectory. With all that in mind, let's take a look at the commercial real estate (CRE) outlook for this bustling city in 2023.

### Industrial Slowing

In recent years, ongoing growth in OKC has made it a major hub for industrial development. NAI Sullivan in Oklahoma City reports that the market has grown at a rapid rate, with a large proportion of Class A warehousing inventory being added to the market over the last year.

That said, the large degree of speculative development in the sector has led to a higher vacancy level in 2023 (4.2%) than the 2% typically seen in recent years.

Zac McQueen, NAI Sullivan's Industrial Specialist, adds that rental rates may also flatten later in the year, saying: "The overall average rental rate continued to climb to \$8.25/[Square Foot]/Year. We can expect the rental rates to stall out and potentially fall in the coming months as vacancy continues to stay above 4%."

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Worth remembering is that the OKC industrial market has been resilient in recent years, and the city's location places it in a strong position to take advantage of logistics trends in the future.

### All Stable in Office

Meanwhile, Oklahoma City's office sector is showing steady performance in 2023 according to NAI Sullivan's First Quarter Office Market Report. NAI Sullivan's Office Specialist, Matthew Pierce, notes: "Oklahoma City continues to show growth and improvement, with office market rents positive over the trailing 12-month period and the vacancy rate settling in at 9.7%."

Office construction is also noted as 'stable' for the quarter, while net absorption was negative at -15,716 square feet.

### Rosy in Retail

A relatively bright spot for Oklahoma City CRE has been the retail sector, where rental rates and leasing activity are increasing. In NAI Sullivan's Q1 Report, Retail Specialist Samuel Dunham notes that: "The average rental rate in 2022 Q4 was \$15.37. We have seen this increase to \$15.85 for 2023 Q1."

Dunham adds that retail vacancies remain around the 5% mark (the same as Q4 2022), but adds that absorption went from -103,019 square feet in Q4 2022 to +37,957 square feet in Q1 2023, meaning more space has been leased than what was vacated over the period.

### Strength and Stability

As these figures show, the OKC market is largely 'holding steady' as we head towards the second half of 2023. And while steady isn't growth, it's a strong position to be in given the current economic climate.

That fact, combined with some big developments in the cards for the city in coming years, means OKC is certainly worth keeping an eye on for any savvy investor looking for a new opportunity.

*Interested in CRE opportunities in Oklahoma City? Contact our local office, NAI Sullivan Group.*

