

Feast or famine

by Kirby Lee Davis

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Greg Wright, president of Capital Assets, gives his presentation on the multifamily market during the NAIOP Tulsa Trends conference Thursday. (Rip Stell)

TULSA – Tulsa’s commercial real estate sectors present an interesting variation of the “feast or famine” scale.

Greg Roberson opened the National Association of Industrial and Office Properties Tulsa Chapter’s “Tulsa Market Update” Thursday by warning he had only boring numbers to share. The partner in Tulsa’s Roberson Francis Co. then brought up a PowerPoint slide with a lone “75.8%” on the screen. That, he said, represented both the overall office vacancy in both Tulsa’s suburban market and its central business district.

Later he presented a slide labeled “Office Building Sales of 25,000 SF” – and nothing else.

“I kid you not,” Roberson said as audience members at the Southern Hills Marriott realized Roberson had no major sales to report. “I couldn’t find one. There’s not a lot of trends in sales.”

That set the pace for the “famine” side of the NAIOP’s Tulsa Trends conference.

GBR Properties’ Bob Parker added a bit of levity to Roberson’s downplayed tone, noting Tulsa’s retail sector had some points of activity and stability. But he also expressed subtle irritation that his market has not recovered faster. At one point Parker brought forward a list of retail construction projects under development for the Tulsa area – many of which had appeared on the same slide half a year ago, when he discussed Tulsa’s 2011 market outlook.

“While a lot of these may not be done in 2012, I think a lot of them will be done eventually,” he said.

As for reported sales, Parker’s cupboard remained almost as dry as Roberson’s.

“Sellers aren’t ready to sell at what values are,” said Parker, GBR’s vice president of retail. “They want to bring values back up. And buyers are looking for deals.”

As Paul Wilson profiled Tulsa’s industrial sector, the overall tone seemed brighter. Where Parker could point to segments of healthy activity, such as the expanding Tulsa Hills Shopping Center or S. Memorial Drive’s retail corridor, Wilson touted Tulsa’s vibrant manufacturing sector, much of it driven by oil and gas activity.

But the overall profiles shared similar trends. Where Parker could point to a 12.11-percent retail vacancy rate in the city’s 22 million-plus square feet, down slightly from 12.41 percent at mid-2010 but up from 11.69 at Dec. 31, Wilson reported 10.3-percent vacancies in Tulsa’s 74 million square feet of industrial and warehouse space, down from 11 percent at the end of 2010.

“I didn’t feel real good about the 10.3-percent vacancy until I saw that 75.8,” said Wilson, president of Twenty First Properties.

As for sales, Wilson said Tulsa’s three major deals demonstrated significantly different values, one selling for \$7 a square foot, the second for \$23, and the third for \$43.

"Appraisers continue to have a difficult time determining what those prices are," he said of industrial property values. "But then, so do we all."

Wilson noted a curious irony, that this oil and gas activity seemed to defy economic rules. Normally when natural gas prices drop, Wilson said related manufacturing activity follows. But Tulsa's manufacturing sector seems to be defying that.

He then warned that some industrial brokers reported declining inquiry levels, which could signal a leasing slowdown by the second quarter of 2012.

"Not all felt that way," he added.

Roberson brought forward another set of ironies. As Tulsa's office market posted high vacancies, as it has for years, Roberson raised a slide showing much of that came from a handful of buildings with large amounts of empty space – in particular CityPlex Towers, the Eastgate Metroplex, and several downtown buildings owned by Kanbar Properties. Throwing their numbers aside, Roberson said Tulsa's office occupancy rate wouldn't be that bad.

"And I don't know if this slide's anything new," he said, since those cited properties have struggled with high vacancies for several years.

The two largest culprits, CityPlex and Eastgate, actually charted some large new or expanding leases over the last year, though not enough to turn the tables on their overall vacancy.

Those buildings provide lingering hope for Tulsa's office sector, since they're among the only buildings with large amounts of contiguous office space. From the BOK Tower at 95-percent occupancies to Mapco Plaza and Oneok Tower at 100 percent, Warren Place at 92 percent, Richmond Plaza at 95 percent, Southern Hills Tower at 96 percent, Meridian Tower at 97 percent and Utica Place at 100 percent, Roberson said the majority of Tulsa's Class A and B-plus structures remain largely full.

This happened even as operators enjoyed upward trending lease rates, he said, although most renewals covered just three to five years. The only large office buildings under construction that could siphon that activity, in downtown's OnePlace development, are already 100-percent preleased.

Roberson referred to it as a funny dynamic.

"The more I visit with people, there is more of a balance in the market," he said.

Greg Wright had the pleasure of outlining the one sector demonstrating all-around health. Tulsa apartment vacancies fell to 7.8 percent this year from 8.8 percent in 2010, fueled by continued low home sales and Tulsa's rising employment. Wright said Tulsa's apartment operators also managed 1.2-percent rent growth this year, up from 1 percent a year ago, even with three new projects hitting the ground and others under way.

"The Tulsa metro area should be able to absorb the new construction," said Wright, president of Tulsa apartment operator Capital Assets. "That's not out of line."

That activity spurred active property sales, another trend Wright expects to continue into 2012 in one of the few sectors boasting available financing and low interest rates.

"The price gap between buyers and sellers has really come together," he said.