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Opinion

Lot Lines: Another year of stability for industrial market

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The industrial market was one of the shining lights in Oklahoma City's commercial real estate market in 2009. While most commercial property types experienced significant declines in the number of properties sold, the industrial market experienced only a small decline and saw more properties change hands than any other property type.

The stability in industrial property sales was largely the result of the stable conditions that were evident in the market. As most other property types experienced more volatility, investors became more focused on acquiring industrial assets due to their stability. As a result, the number of investment sales outpaced owner-user deals, marking a rare trend.

Looking ahead to 2010, Oklahoma City's industrial market remains poised to outpace all other commercial property types once again in terms of sales; however, it appears the number of sales could be lower next year. The credit crunch that has caused sales to decline throughout the commercial real estate industry may finally be catching up with the local industrial market.

Over the past three months, the market has seen a noticeable slowing in sales activity, which has been largely attributed to the inability of buyers to secure financing. Even businesses looking to buy buildings for their own use are having some difficulty in securing financing.

Furthermore, the credit issues in the market have forced some owners back on the sidelines in terms of placing their properties on the market for sale. This has resulted in a reduction in listing inventories over the past few weeks and will play a role in slowing sales in 2010.

The stability in local industrial market conditions should remain in 2010. The market did experience an increase in vacancy in 2009, but most of that vacancy was due to repositioning by tenants and the opening of the Will Rogers Business Park in southwest Oklahoma City. Next year will largely be characterized once again by repositioning tenants, especially with a number of tenants looking to relocate to the Will Rogers Business Park to take advantage of their lower rents.

Landlords will remain focused on keeping existing tenants and luring some of those repositioning tenants in 2010. Consequently, many of those landlords will be offering attractive rates that will result in

continued softening in rates market wide. It is difficult to predict how much softening will occur because it will be on a property-by-property basis. In fact, some properties may see no softening in rents at all.

With a majority of the big companies that make up a bulk of Oklahoma City's industrial base in stable condition, the market should not see any significant increases in vacancy in 2010; however, there will probably not be any large spaces absorbed either as a struggling national economy has very few large national industrial seeking space in Oklahoma City or any other market at this time. New construction will also remain limited because of credit, which will force tenants to lease existing space and keep occupancy at current levels.

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