

THE JOURNAL RECORD

Opinion

Retail sales remain elusive

January 8, 2010

Last year was a year that most Oklahoma City retail investment brokers would like to forget, as no shopping centers over 25,000 square feet in size changed hands. In fact, there were only two shopping centers over 10,000 square feet in size sold all year and one of those was an antiquated property with some low-quality tenants.

In its 2009 Year-End Retail Market Summary released this past week, Price Edwards & Co. explained that the primary reason there was such dearth of sales was due to financing. Continued weakness both nationally and locally, according to the report, caused retail properties to be the second-least-preferred product for banks to fund in 2009. Only hotels edged out shopping centers as the least-preferred commercial property type.

With it so hard for buyers to obtain financing, most potential retail sellers have been forced back onto the sidelines. They tend to feel it would be a waste of time to list their properties for sale when it is likely that they will not be able to land a successful buyer. As a result, listing inventories remain incredibly low, especially for quality retail assets with high occupancy and stabilized rental rates.

Price Edwards' retail advisers also noted that most owners of quality assets really do not have any major motivation to sell since they are enjoying steady net operating incomes. As long as they can meet their debt service requirements in the coming months, then they should be content to hold onto their investments until market conditions improve.

The good news is that the report indicated that the Oklahoma City market should see a handful of sales in 2010. These sales will be fueled by two factors. The first will be properties that have loans maturing, both securitized and bank loans, which cannot be refinanced due to the credit crunch. As a result, these owners will be forced to sell or risk foreclosure. Price Edwards does not foresee many of these types of deals in the market since the local banking market is strong, but there could be a couple of deals resulting from debt service issues.

The second factor, according to the report, is that there is a slight thaw expected in the capital markets in 2010, which will be primarily led by local banks. Price Edwards said not to expect a flood of sales or a healthy market, but there will be at least some light at the end of tunnel.

In addition to slow investment activity, the other primary concern in the local retail market is escalating vacancy. The report showed that overall retail vacancy grew from 13 percent at the end of 2008 to 14.8 percent at the end of 2009. Much of this significant increase came from several national retailers who went bankrupt early in the year such as Circuit City. With several hopeful signs emerging, the report indicated that the market might stabilize, especially if consumer confidence sees improvement, which is vital to improved retail market conditions.

Darren Currin is an independent research analyst and consultant who specializes in Oklahoma City and Tulsa commercial real estate. He may be reached at (405) 476-0164 or dcurrin@cox.net.

Copyright © 2010 The Journal Record All Rights Reserved
101 N. Robinson Ave., Ste. 101, Oklahoma City, OK, 73102 |
P.O. Box 26370, Oklahoma City, OK, 73126-0370 | (405) 235-3100
415 S. Boston Ave., Ste. 101, Tulsa, OK 74103 | (918) 295-0098