

OKC office vacancy rate falls to three-year low

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Devon Energy's tower in the Oklahoma City skyline. (Maïke Sabolich)

TULSA – Oklahoma City's office market finished 2011 at a three-year-low vacancy rate of 19.18 percent, according to a new year-end report by CB Richard Ellis of Oklahoma.

But office broker and report author Tom Lange remained cautious in his outlook for 2012.

"We predict that the market will remain relatively flat, with continued slight improvements for the balance of 2012," he wrote.

Four buildings dropped off the CBRE survey this year, their occupancy going from multitenant to owner-occupied. Oklahoma City-based Chesapeake Energy

played a strong role in that, spending \$67.2 million to increase its Oklahoma City office portfolio. The natural gas giant's acquisitions of Caliber Center and Central Park I and II helped bring Oklahoma City to six major office sales in the second half of 2011, their 760,784 square feet selling for \$89 million, or \$117.05 per square foot.

Chesapeake's moves left Oklahoma City with 153 office buildings in the CBRE multitenant survey, charting 2.9 million square feet vacant out of 15.2 million on the market. That 19.18-percent vacancy proved the lowest on the three-year chart included on CBRE's year-end report, besting the 19.55-percent vacancy reported for midyear 2011 and the 19.36-percent mark at year-end 2010.

Lange could not be reached for comment.

With 97,879 square feet of positive absorption in the second half of 2011, bringing the total year to 120,374, average lease rates rose to \$14.94 per square foot at Dec. 31 from \$14.91 at midyear 2011 and \$14.82 at year-end 2010.

The 5.4-million-square-foot downtown Oklahoma City market enjoyed its third consecutive year of declining vacancy rates, the 23 buildings finishing 2011 with a 23.48-percent vacancy rate. While that could change in 2012, with Devon Energy expected to start moving office personnel to the company's glass tower, analysts have said this also opens doors for other firms seeking that downtown office space.

Vacancy rates dropped to 9.96 percent for Oklahoma City's 24 suburban Class A buildings. That 2.4-million-square-foot submarket had posted 13.89-percent vacancies at mid-2011.

"Large blocks of contiguous Class A space are fairly limited," Lange wrote.

With 290,542 square feet pulled off the market under a Chesapeake acquisition, the 24 buildings in Oklahoma City's North submarket ended 2011 with a 12.16-percent vacancy rate, down from 14.67 percent at mid-2011. Lange noted that average asking rates rose 3 cents from June 30 to \$16.43 in the 1.18-million-square-foot sector, with Class A at \$20.25 and Class B at \$15.10.

"The lower vacancy rate and limited supply of office space is largely attributable to the increase in rates," Lange wrote.

The 68 buildings in Oklahoma City's largest submarket, the Northwest, finished 2011 at 13.3-percent vacant, down from 14.49 at midyear 2011. Average asking rates for that 5.8-million square-foot subsector rose 7 cents to \$15.60 per square foot, with Class A at \$20.71 and Class B at \$13.90.

"Additional space will be reduced from the inventory as a result of Chesapeake acquisitions in the Northwest submarket," Lange wrote.

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