

OKC retail vacancy returns to pre-recession levels

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OKLAHOMA CITY – Oklahoma City’s retail market ended 2011 with a vacancy rate of just under 10 percent, the lowest level since before the recession.

According to data compiled by Grubb & Ellis/Levy Beffort, vacancy has steadily declined at an average rate of about 1.5 percent per year for the past three years. Local retail vacancy peaked prior to 2009 at about 87 percent and has steadily decreased.

“We are trending upwards in terms of retail occupancy and we believe that trend will continue in 2012 and beyond,” said Louis Almaraz, vice president of retail for Grubb & Ellis/Levy Beffort.

Speaking at the Grubb & Ellis/Levy Beffort Forecast breakfast Tuesday at the Oklahoma City Museum of Art, Almaraz said the driving force behind the city’s improvement in retail occupancy was the rising number of junior anchor spaces that have been backfilled, some of which have been vacant for several years. He pointed to such examples as Best Buy’s leasing of the former Circuit City space at the 240 Penn Plaza power center at Interstate 240 and S. Pennsylvania Avenue, and a Gold’s Gym opening at the northeast corner of Northwest Expressway and N. Portland Avenue in another former Circuit City space.

Almaraz also praised Vatterott College’s decision to occupy the former Service Merchandise space at 5537 Northwest Expressway. The site had remained vacant since Service Merchandise closed in 2002 as a result of its bankruptcy.

The uptick in retail leasing activity has also proved positive for retail investment sales, which improved in 2011.

“In 2009 we reported that not one property sold that was over 25,000 square feet,” Almaraz said. “Last year we had eight, and of those eight, two were over 100,000 square feet in size and three were over 200,000 square feet in size.”

Almaraz said improving market dynamics have caught the eye of institutional investors, who have invested millions in purchasing local shopping centers over the past few years. These investors have paid record prices for local retail assets in the range of \$175 to \$190 per square foot.

“That’s a pretty high threshold in order to maintain the rents you need to sustain profitability,” he said. “However, many of these centers are at or near 100-percent occupancy.”