

## Oklahoma real estate experts comment on local market

By Pamela Grady - 9/29/2008

Local commercial real estate experts say the healthiest of Oklahoma City's submarkets in terms of retail occupancy remains to the north, which includes the Memorial Avenue corridor, Quail Springs and Penn Square areas.

The northern sector of the metro boasts an occupancy rate of 92.23 percent – slightly lower than the rate of 93.47 percent for the last reporting period. But, the area remains stable, thanks to “solid and established” neighborhoods. Lease rates for the area average \$13.73 per square foot.

“I think the thing that causes that occupancy to be stronger is they were earlier in the construction wave,” said Stuart Graham, vice president of retail services at CB Richard Ellis/Oklahoma. “All that was built there ... preceded Midwest City construction, Norman construction, Moore construction, so it had a little more time to absorb the space ... it's had more time to receive tenants and establish occupancy.”

Plans for additional medical facilities toward the northwest, including the Procure Treatment Center, will only further help the surrounding area grow, said Mark Inman, senior vice president and principal of CB Richard Ellis/Oklahoma.

### Heading east

Oklahoma's eastern submarket, which includes Midwest City and Del City, continues to be affected by older properties that historically have maintained higher vacancy factors. For example, Heritage Park Mall still struggles, but continues to hold on to its anchor tenant, Sears.

“Customers have been driven to the edge of I-40, and that's creating some choppy occupancy in the older parts of Oklahoma City,” Graham said.

However, Town Center Plaza at SE 29 Street and Air Depot Boulevard remains the jewel of Midwest City with an occupancy rate at 98 percent. Retailers continue to circle for space around that area, Inman said.

“The older parts are going to hurt, which means brokers are going to have to come up with creative new uses for those properties,” said James Durocher, retail broker for NAI Sullivan Group. “Town Center Plaza brought the right tenant mix for that demographic, and Sooner (Investments) did a good job building an attractive center. And, it's not just Midwest City it's pulling from, it's everything east of that area, as well.”

### Del City's development issues

According to Durocher, Del City has been experiencing some of the same problems with the area near 15th Street and Sooner Road, where a Wal-Mart Supercenter has been built, and just west of the area.

"Del City would really be hurting if they had not gotten that Wal-Mart Supercenter," he said. "That's been a huge shot in the arm, whatever development that may happen for that area is going to be a major boost."

To Del City's south, along the I-40 corridor, new hotel and restaurant developments have broken ground.

"It will be a different type of retail mix than what you see in Midwest City," Durocher said. "You'll be able to have it all in that area."

He also said the mom-and-pop retailers in the older areas will need to find their niche. The good news, he said, is most of those retailers are located in older centers that are paid for.

### **More is more in Moore**

Deidre Ebrey, director of economic development for the city of Moore says area retailers are capturing more consumers than ever before, and vacancy rates remain low.

"We're relatively new to all of this," Ebrey said, adding that Moore hasn't experienced an over build-out of retail construction in the past.

"Now ... with the way the economy is going, any investor is going to want to see pre-leasing to the fullest extent," Ebrey explained. "There's no more speculative developments anymore. If they're an investor, they want to see letters of intent and signed leases prior to starting construction. More now than ever, it's imperative that those properties get filled."

And those leases are being signed in Moore.

A new 30,000-square-foot Best Buy will enter The Shops at Moore in November, and within the next calendar year, a 64,000-square-foot Toys "R" Us/Babies "R" Us, a 20,000-square-foot PetSmart and a 23,000-square-foot Bed Bath & Beyond are scheduled to open.

Other retailers, too, are circling the area.

"We think we're a good risk right now," Ebrey said. "But then everybody thinks their baby is pretty."

### **NBA to bring OKC to next level?**

According to a mid-year retail report by NAI Sullivan Group, a five-year economic forecast prepared for the city of Oklahoma City indicates that the per capita income for Oklahoma City is 107 percent of the national average, and the cost of living is only 93 percent of the national average.

Team that with a National Basketball Association franchise entering the market, and the playing field just got better when it comes to attracting new tenants to the Central Oklahoma market.

"To actually be able to land that NBA franchise and then to say that we have Chesapeake Energy, Devon Energy and the biotech companies in our court, which are growing at incredible rates, it just adds to the synergy of our area," Durocher said. "You'll see those retailers crunching the numbers."

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