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Retail Recovery Underway in OKC

According to a new year-end report by [Price Edwards & Co.](#), Oklahoma City's retail market is recovering quite nicely.

The firm, which leases just over 7 million sq. ft. of retail space in Oklahoma, saw a 50% increase in deal volume in 2010. And, perhaps even more telling, the overall value of the deals doubled. "Not only are more leases getting done, but they are longer term deals with better rents," notes the report.

Retail vacancies in Oklahoma City are also improving, with the market tallying a 13.3% overall vacancy at yearend. Newer centers, in particular, are full, and there are a handful of older obsolete properties that have sizable vacancy, including Crossroads Mall, which is 82% vacant and accounts for 25% of the overall market vacancy.

The survey data also shows that the group of retailers currently facing the most risk is locals. National tenant fallout is all but over; there have been more closures of local stores as some of these tenants have not been able to hang on through the downturn. For example, the west-central and northwest submarkets, which are dominated by local tenants, have seen an uptick in vacancy.

As national retailers continue to rack up higher sales, they also are targeting the Oklahoma City market for expansion opportunities. According to Price Edwards, there are a number of retailers not currently in Oklahoma City that want to be here and are actively looking for sites, including LA Fitness, Dick's Sporting Goods, Anthropology, the Container Store, California Pizza Kitchen and others.

Even the local grocery scene is set to undergo a renaissance of sorts over the next few years. Walmart, which has dominated the market with nearly 60% market share, will face new challenges. The upscale Crest Foods that opened on south May and the Whole Foods on Classen are the first entries. Hot on their heels may be Sprouts, Fresh Market and a Tulsa-based grocer that will also enter Oklahoma City.

"The nation sees our market with different eyes than it has in the past," notes the survey. "As a result, we see the dealmaking pendulum beginning to swing back toward landlords from tenants."

The Price Edwards survey is extensive, as it evaluates the occupancy of 230 retail centers in excess of 25,000 sq. ft. containing approximately 28.2 million sq. ft. It also reviews the overall market, including freestanding properties that are not part of a shopping center. Price Edwards surveyed 236 freestanding buildings containing in excess of 12.4 million sq. ft.; at mid-year, approximately 3.5% of this space was vacant. With these two types of properties combined, we have about 40.6 million sq. ft. of space available for retail use, excluding strip centers with less than 25,000 sq. ft.

Development Pipeline

Certainly there is plenty of new development occurring in various parts of the city:

The **Horizon Outlet Mall** at I-40 and Council is under construction and expected to open in 2011. Horizon has added CBL as their development partner. This 350,000 sq. ft. outlet center will bring a number of retailers to our market that are not currently here. The project is reportedly the largest ongoing retail development project in the country.

Whole Foods is under construction on their 42,000 sq. ft. store on Classen and Grand. There is the possibility of one or two additional retailers going alongside Whole Foods.

Target is under construction on their Fritts Farm store along 149th street; once complete, it is anticipated that some small shop space and outparcels will be added. This will be one of only 10 new Target stores opened in the country this year.

A number of existing projects are adding small shop space or completing small additions to existing centers, including Shoppes at Moore, University North Park, Pallagio, and the Home Depot in Moore.

Investment Sales

Both locally and nationally, there is a continued thawing in retail investment sales; with a number of notable local transactions in 2010:

- Four Retail Sales of over 25,000 sq. ft.
- Square feet sold = 410,386 sq. ft.
- Square foot range = 31,108-185,651
- Deal size: \$1,200,000-\$2,650,000
- Average sq. ft. price: \$32.98
- Average price of retail centers sold: \$1,950,000
- Total Sales Volume: \$7,800,000
- Location of sales: Two in south OKC, one in Edmond and one in north OKC

The most active sales have been triple net investments as investors continue to look for less risky investments. Sales of centers over 25,000 sq. ft. are still not sufficient to generate market cap rate information or do any type of reliable analysis.

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