

**FIRST QUARTER
INDUSTRIAL MARKET REPORT**

2024

OKLAHOMA CITY, OKLAHOMA



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EXECUTIVE SUMMARY

The Oklahoma City Industrial market is working to stabilize a bit after a tumultuous 2023. The positive net absorption seen in Q1 of 24' is the highest total in the last five years boasting a promising positive net absorption of 2,227,096 SF. In the last year approximately 6.2MM SF has been delivered to Oklahoma City, leading to it being one of the largest secondary industrial markets in the county in terms of total inventory. As the nearby Dallas Ft Worth industrial market continues to grow, I believe we can expect Oklahoma City to directly benefit from this growth in the region.



The rental rate continues to slowly come down as vacancy rates look to hold steady in the 4.5 – 5.0% range. The overall rental rate was \$8.08/SF/Yr in Q1 24' a drop from \$8.25/SF/YR from a year ago (\$8.25/SF/YR Q1 23'). Vacancy also came down to 4.8% in Q1 24' from 5.0% in Q1 23'. We have seen this value hold fairly steady over the last year.

The construction boom that the OKC Industrial market has seen over the last couple years has begun to slow down a bit. Just last year there was over 6MM SF under construction compared to 530K SF in Q1 24'. A lot of this was speculative class A distribution buildings. For the longest time OKC had a constrained supply of this product which really prevented larger industrial users to enter our market, luckily local and national developers noticed and have since filled this lack of supply and now these are beginning to be leased out. I would expect with inflationary cost of construction and the developments now nearly all completed for this construction number to slow to more standard figures that we saw prior to 2021, that is until what we now have is occupied.

One of the biggest stories in the last year has been interest rates. This has the intended and direct effect of the sales of commercial real estate. Many projects are difficult to get the numbers to work with the higher debt cost but as the market begins to become more accustomed to the 6.5% - 7.5% cost of debt, there has been an uptick in transactions. This time last year there was 45 transactions for a total sales volume of \$26.6MM in Q1 24' this increased to \$32MM. The largest increase can be seen in the Cap Rate (the annualized return of an investment). As the cost of debt rises Cap Rates must rise with them to allow investors to make deals make sense. The average Cap Rate in the OKC market was a 10%, this is pretty substantial rise from 7.9% in Q1 23'. To many outside investors the higher returns they can find in OKC is what makes our market attractive, I do expect this trend to continue as in my opinion higher interest rates are here to stay.

Zac McQueen
Partner / Vice-President Industrial

Leasing Activities

		YOY Change
Total Inventory	139,058,759 SF	Increase (132,786,282 SF)
Total Net Absorption	2,227,096 SF	Increase (-3,568 SF)
Overall Rental Rate	\$8.08/SF/YR/NNN	Decrease (\$8.25/SF/YR/NNN)
Total Vacancy Rate	4.8 %	Decrease (4.2%)
Under Construction	530,277 SF	Decrease (6,310,689 SF)

Sales Activities

		YOY Change
Number of Transactions	50	Increase (45)
Total Sales Volume	\$32,093,500	Increase (\$39,623,889)
Average Price per Bldg. SF	\$72.72	Decrease (\$78.55)



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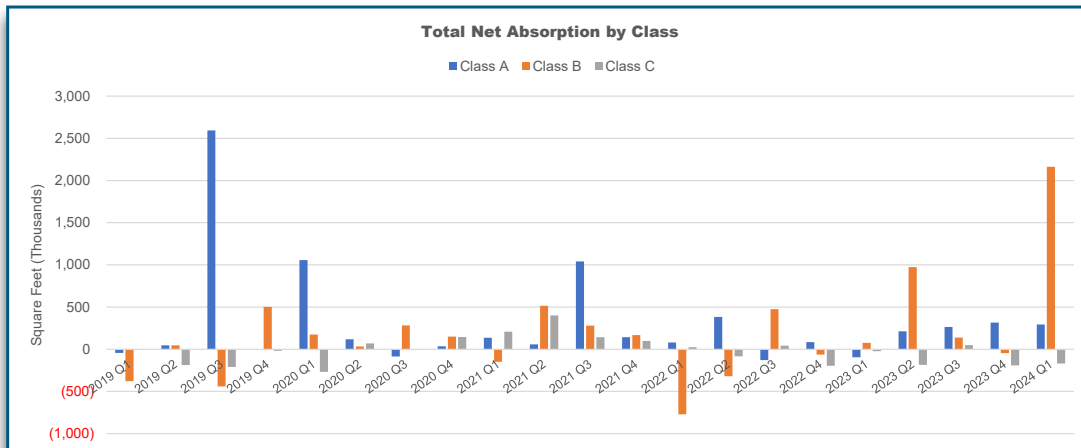
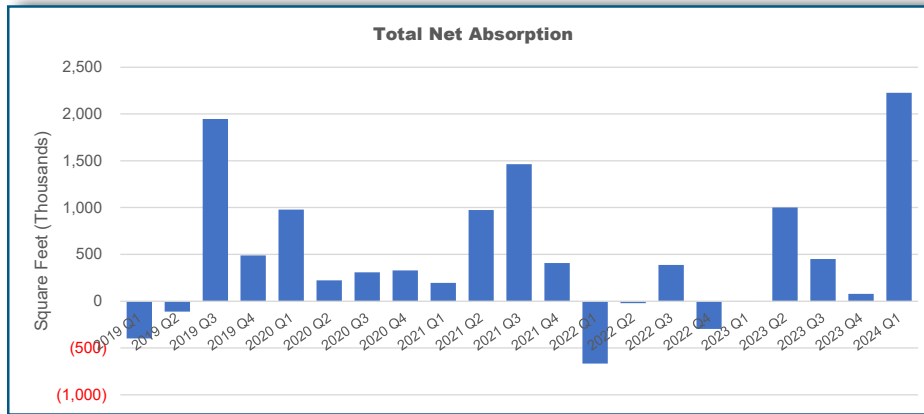
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OKLAHOMA CITY INDUSTRIAL MARKET LEASING

Some of the largest industrial lease signings during Q1 2024 include the 65,015 SF industrial warehouse lease at 3421 N. Lincoln Boulevard in Oklahoma City. The second largest lease was the 60,411 SF industrial lease located at 3400 Melcat Drive in Oklahoma City.

NET ABSORPTION AND INVENTORY

- The total net absorption was a positive 2,227,096 SF at the end of Q1 2024
- The total net absorption increased from the positive 78,369 SF at the end of Q4 2023
- The total inventory was 139,058,759 SF at the end of Q1 2024
- The total inventory increased from the 136,547,730 SF at the end of Q4 2023



- Class-A net absorption was a positive 292,719 SF, which decreased from the positive net absorption of 316,082 SF at the end of Q1 2024
- Class-B net absorption was a positive 2,164,080 SF, which increased from the negative net absorption of 46,916 SF at the end of Q1 2024
- Class-C net absorption was a negative 169,703 SF, which decreased from the negative net absorption of 190,797 at the end of Q1 2024

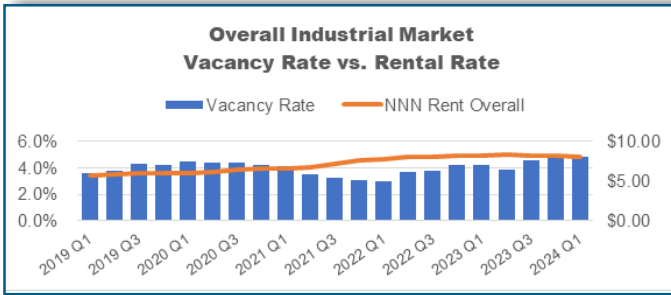


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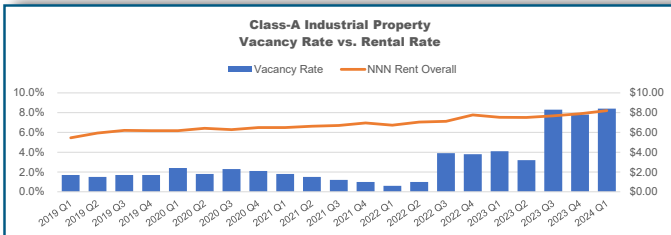
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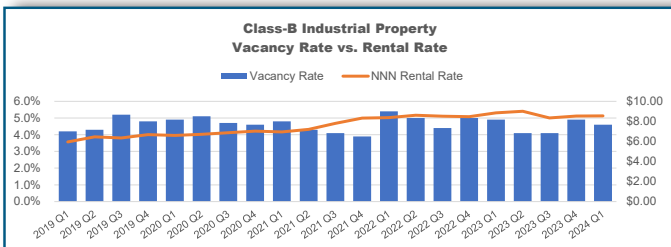
RENTAL AND VACANCY RATES



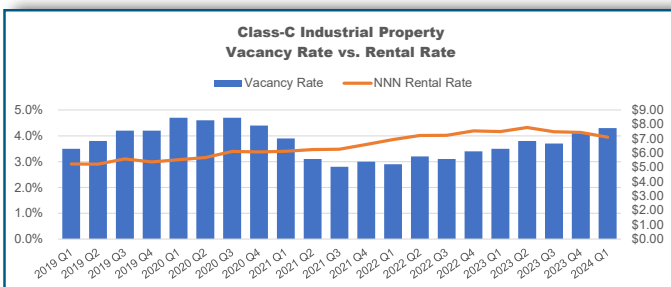
- The overall industrial rental rate was \$8.08/SF/YR/NNN at the end of Q1 2024, down from \$8.16 SF/YR/NNN in Q4 2023, representing a 0.99% decrease in rental rates
- The overall industrial vacancy rate was 4.8% at the end of Q1 2024
- The overall industrial vacancy rate decreased from the 5.0% at the end of Q4 2023



- Class-A property rental rate averaged \$8.20/SF/YR/NNN at the close of Q1 2024, showing an increase from the \$7.89/SF/YR/NNN in Q4 2023, reflecting a 3.85% rise in rental rates
- Class-A property vacancy rate was 8.4% at the end of Q1 2024
- Class-A property vacancy rate increased from the 8.7% at the end of Q4 2023



- Class-B property rental rate averaged \$8.55/SF/YR/NNN at the conclusion of Q1 2024, marking an increase from the \$8.53/SF/YR/NNN observed in Q4 2023, indicating a 0.23% rise in rental rates
- Class-B property vacancy rate was 4.6% at the end of Q1 2024
- Class-B property vacancy rate decreased from the 4.9% at the end of Q4 2023



- Class-C property rental rate averaged \$7.11/SF/YR/NNN at the conclusion of Q1 2024, registering a decrease from the \$7.44/SF/YR/NNN observed in Q4 2023, indicating a 4.54% decrease in rental rates
- Class-C property vacancy rate was 4.3% at the end of Q1 2024
- Class-C property vacancy rate increased from the 4.1% from Q4 2023



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OKC INDUSTRIAL MARKET INFORMATION BY SUBMARKET

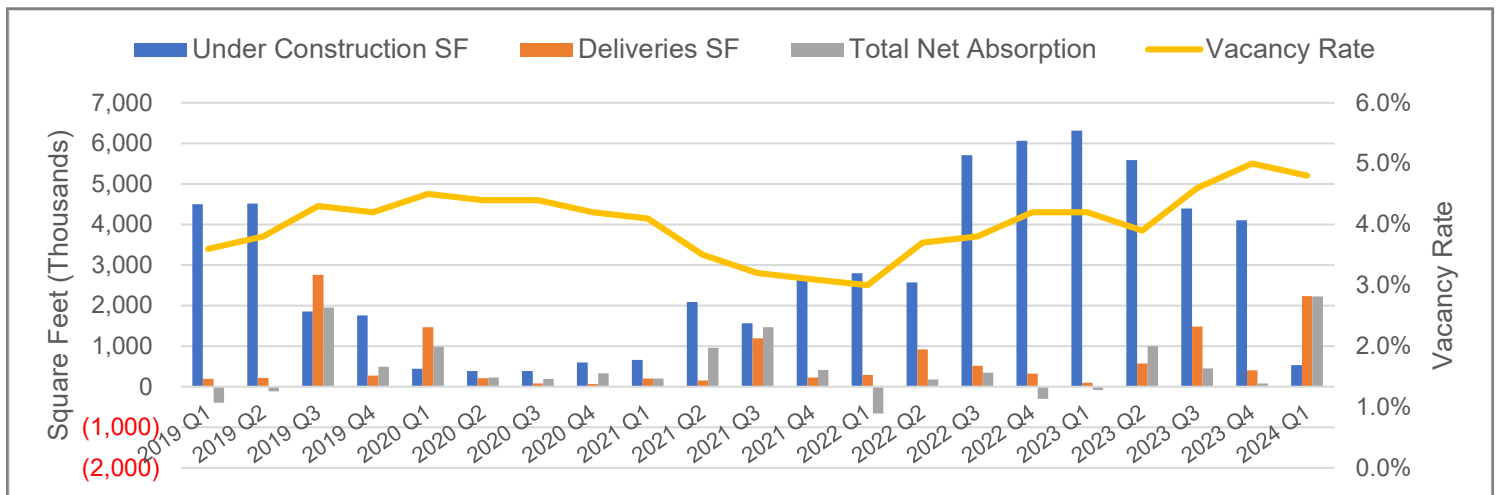
	OKC East	OKC Central	OKC West	OKC South	Edmond	Moore/Norman
Rent per SF	\$7.20	\$7.02	\$7.14	\$7.11	\$9.28	\$9.38
Vacancy Rate	5.6%	7.4%	4.1%	4.0%	1.5%	4.9%
Existing Buildings	406	632	696	907	301	553
12 Months Net Absorption SF	-160K	-210K	145K	-95.6K	27.1K	-48.8K

	Class-A	Class-B	Class-C
Rent per SF	\$8.20	\$8.55	\$7.11
Vacancy Rate	8.4%	4.6%	4.3%
Existing Buildings	89	2,082	4,307
12 Months Net Absorption SF	292K	2.1M	-169 K

	Up to 30,000 SF	From 30,000 SF
Rent per SF	\$8.77	\$7.66
Vacancy Rate	5.2%	5.0%
Existing Buildings	5,897	796
12 Months Net Absorption SF	377K	2.7M



CONSTRUCTION, DELIVERY, NET ABSORPTION & VACANCY RATE



There was 530,277 SF of industrial space under construction at the end of Q1 2024. The largest industrial property under construction is the 80,000 SF distribution building at 8601 N. I-35 Service Road-Building 3 in Oklahoma City, which is scheduled to be delivered in November 2024. We are seeing asking rental rates for under construction industrial properties average \$11.01/SF/YR in the Oklahoma City market at the end of Q1 2024.

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NOTABLE PROPERTIES UNDER CONSTRUCTION

Property Address	City	RBA	Delivery Time
8601 N. I-35 Service Road-Building 3	Oklahoma City	80,000 SF	November 2024
2500 N. Shields	Oklahoma City	66,000 SF	July 2024
NW 112th Street	Oklahoma City	47,000 SF	May 2024
4260 N. Boulevard	Edmond	33,500 SF	July 2024
11541 Blacksand Drive	Edmond	32,000 SF	May 2024

OKLAHOMA CITY INDUSTRIAL MARKET SALES

Summary

		YOY Change
Number of Transactions	50	Increase (45)
Total Sales Volume	\$32,093,500	Increase (\$26,639,552)
Total Bldg. SF	1,074,974 SF	Increase (628,398 SF)
Total Land in Acres	363.8 Acres	Increase (106.9 Acres)
Average Price per Bldg. SF	\$72.72	Decrease (\$78.55)
Median Price per Bldg. SF	\$63.24	Decrease (\$78.50)
Average Cap Rate	10.02%	Increase (7.9%)

There were 50 transactions totaling \$32,093,500 recorded during the 1st quarter of 2024. The largest individual sale based on dollar volume was the sale of the warehouse at 220 N. Sara Road in Yukon. Warren Real Estate Holdings, Inc. purchased the 34,574 SF building from Sara Squared Matcap, L.L.C. for \$8,150,000 or \$235.73/SF, on January 16, 2024.



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OKC MARKET SIGNIFICANT INDUSTRIAL SALE TRANSACTIONS DURING Q1 2024



Property Address: 220 N. Sara Road-YUKON
Sale Price: \$8,150,000
Price per SF: \$235.73/SF
Sale Date: 1/16/2024



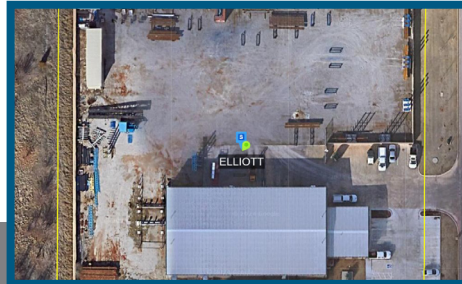
Property Address: 4300 Charter Avenue-OKC
Sale Price: \$1,905,500
Price per SF: \$45.67/SF
Sale Date: 3/18/2024



Property Address: 5200 N. Hattie Avenue-OKC
Sale Price: \$1,800,000
Price per SF: \$118.85/SF
Sale Date: 1/25/2024



Property Name: 2100 E. Ladd Road-WASHINGTON
Sale Price: \$1,500,000
Price per SF: \$80.21/SF
Sale Date: 2/13/2024



Property Name: 14701 Santa Fe Crossing Drive-EDMOND
Sale Price: \$1,485,000
Price per SF: \$122.61/SF
Sale Date: 1/3/2024



Property Name: 4820 S.W. 20th Street-OKC
Sale Price: \$1,475,270
Price per SF: \$619.86/SF
Sale Date: 1/2/2024

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NAI Sullivan Group is a leading global service provider offering a full range of premier services customized to fit your need and exceed your expectations. Our talented and experienced professionals provide benefits to large institutions and small business owners alike. We are your single point of contact for customized real estate services.

NAI Sullivan Group strives for excellence in all facets of real estate services in order to maintain our position as an industry leader. Our team transforms forward-thinking ideas into cutting-edge applications to achieve maximum results for our clients, company, and community.

For more information, please visit our website: www.naisullivangroup.com

INDUSTRIAL TEAM



Bob Sullivan, CCIM
(405) 641-9798
bob@naisullivangroup.com



Amir Shams
(405) 313-0333
amir@naisullivangroup.com



Zac McQueen
(405) 476-9199
zac@naisullivangroup.com



RJ Jimenez
(940) 597-9341
rj@naisullivangroup.com



Clark Everett
(405) 985-8424
clark@naisullivangroup.com



Darryl Meason
(405) 205-9440
darryl@naisullivangroup.com

Resources mainly come from CoStar, The Oklahoman, and The POINT.
Research & Information Compiled by NAI Sullivan Group

4045 N.W. 64th Street, Suite 340 | Oklahoma City, OK 73116
Office: 405 840 0600 | Fax: 405 840 0610
www.naisullivangroup.com