Steady improvements signal a stabilizing Oklahoma City office market

▼ 19.5%
Vacancy Rate

▲ 78,644
SF Net Absorption

▲ 329,659
SF Construction

▲ $18.44
PSF/Asking Rate, Avg. Annual

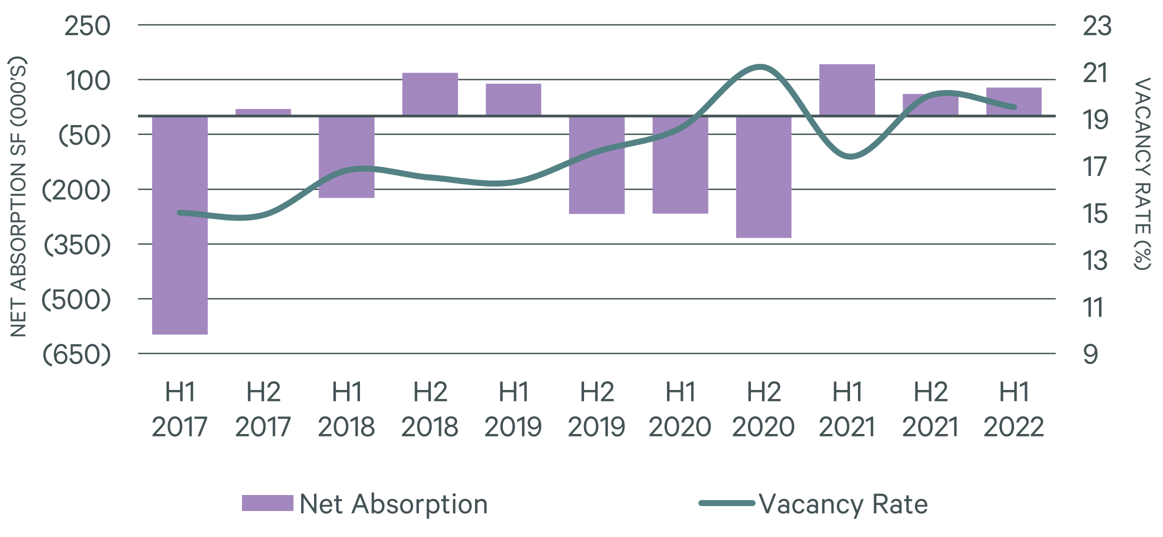
Note: Arrows indicate change from previous half.

Oklahoma City made small, but steady gains across the board during the first half of 2022. Vacancy decreased while absorption, construction and asking rates all increased.

Vacancy compressed by fifty basis points, falling to 19.5% in the first half of 2022. Net absorption also made a steady recovery over the previous half, increasing over 15,000 sq. ft. Construction starts saw a significant increase due in large part to the 100,000-sq.-ft. of office space coming to the Innovation District mid-2023. Medical office remains popular amongst new development in the metro with strong preleasing activity in these projects. Asking rates saw a $0.32 increase from $18.12 in H2 2021 to $18.44 during the first half of 2022. In fact, rates made slight gains across all but one submarket, with the North submarket decreasing only slightly.

Small but mighty – these steady improvements across the market could signal that Oklahoma City's office market is finally reaching its post-pandemic equilibrium.

FIGURE 1: Historical Net Absorption and Vacancy Rate

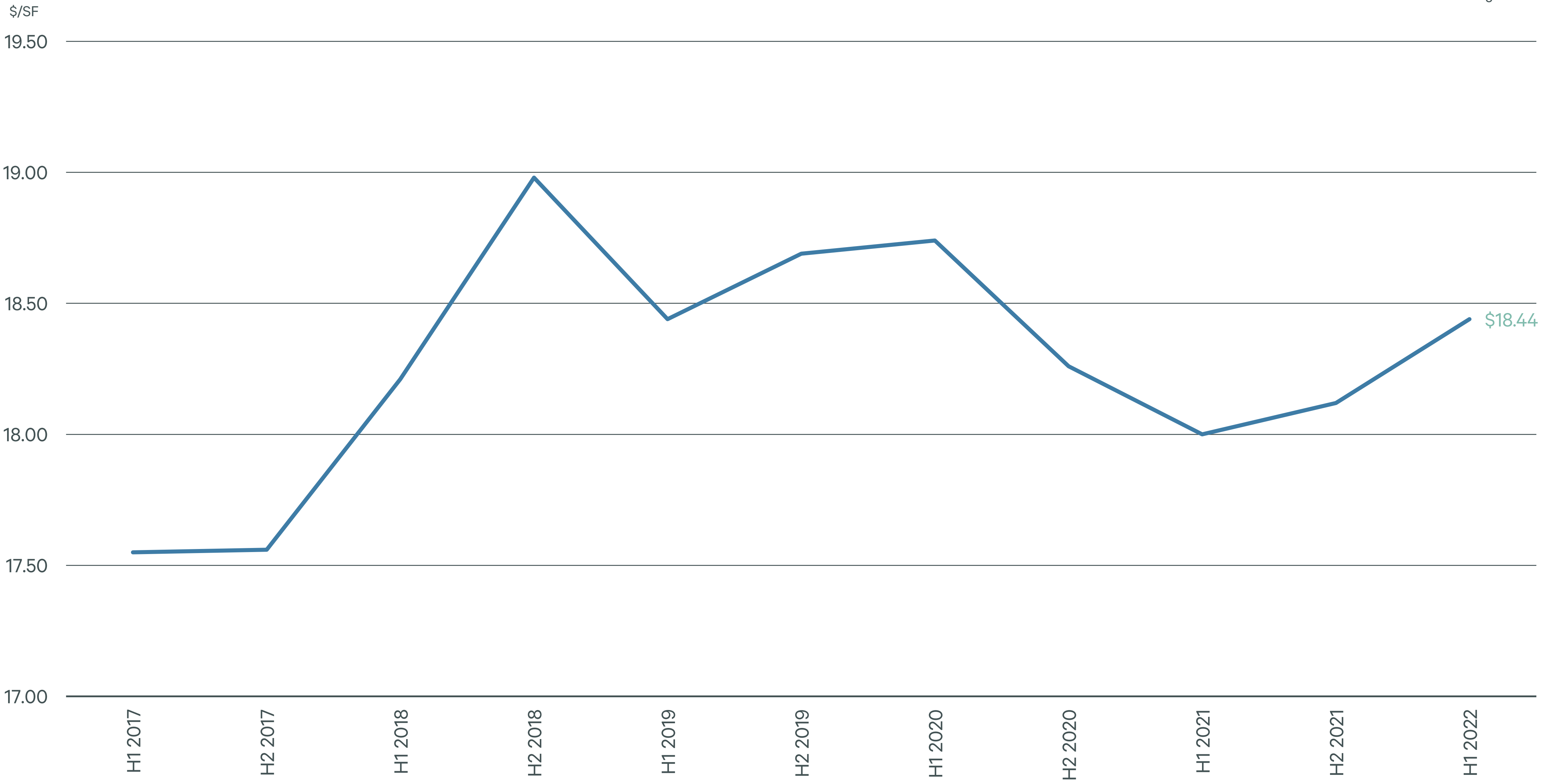


Source: CBRE Research, H1 2022.

FIGURE 2: Market Snapshot

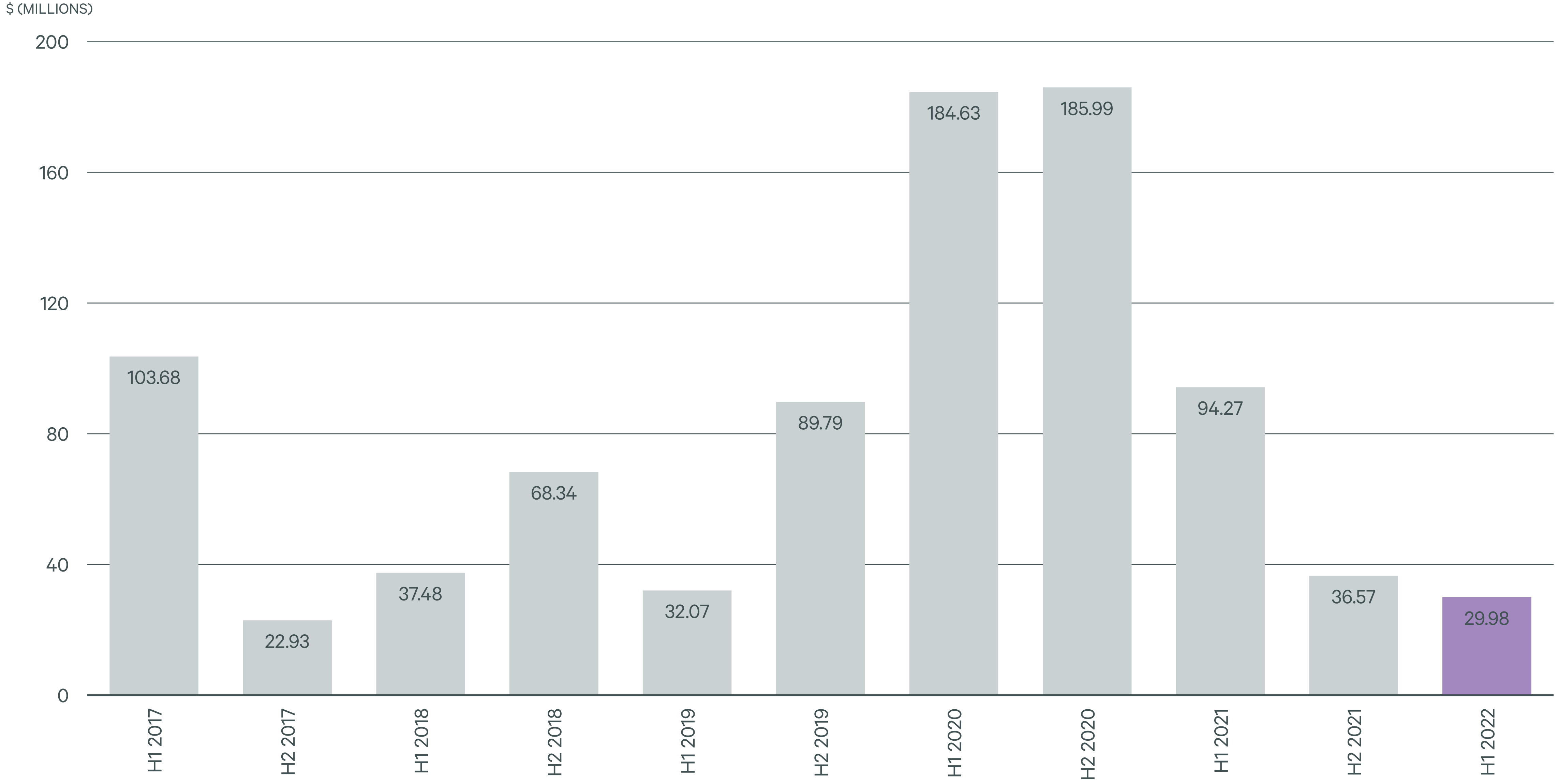
SUBMARKET	Number of Buildings	Net Rentable Area (SF)	Vacancy	Asking Rate, Avg. Annual (PSF)	Under Construction (SF)	Deliveries (SF)	Net Absorption (SF)
CBD	36	6,085,332	23.7%	$20.44	100,000	-	14,487
Midtown	43	2,623,744	18.3%	$15.18	-	-	(18,908)
North	86	5,214,112	16.3%	$19.47	86,592	15,026	90,753
Northwest	95	6,635,504	20.5%	$17.98	94,694	22,972	2,176
Southeast	20	772,279	14.6%	$19.56	-	-	(8,030)
Southwest	43	2,684,837	16.8%	$15.89	48,373	11,000	(1,834)
Oklahoma City Total	**323**	**24,015,808**	**19.5%**	**$18.44**	**329,659**	**48,998**	**78,644**

FIGURE 3: Historical Asking Rates



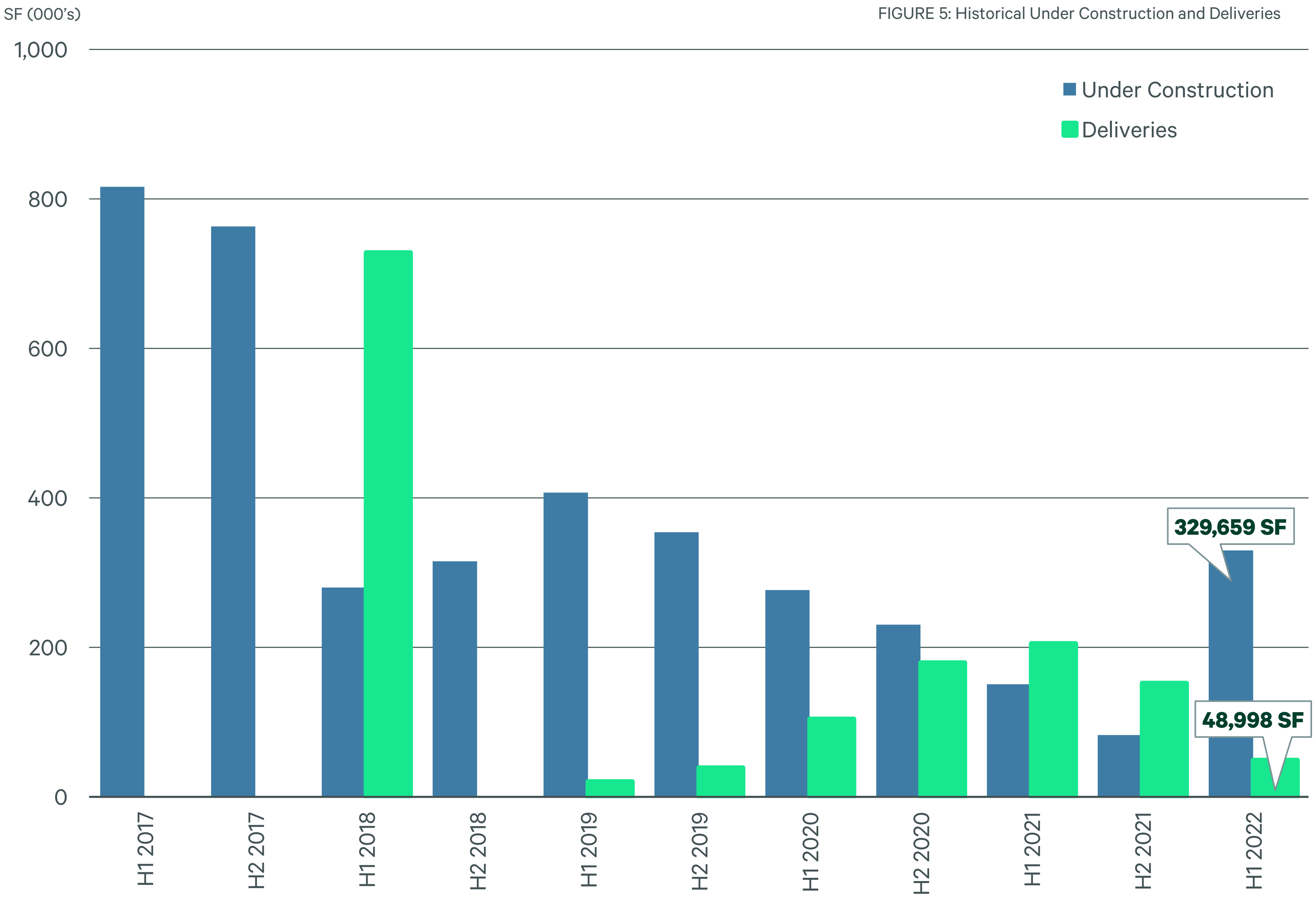
Source: CBRE Research, H1 2022.

FIGURE 4: Historical Sales Volume



Source: Real Capital Analytics, H1 2022.

FIGURE 5: Historical Under Construction and Deliveries

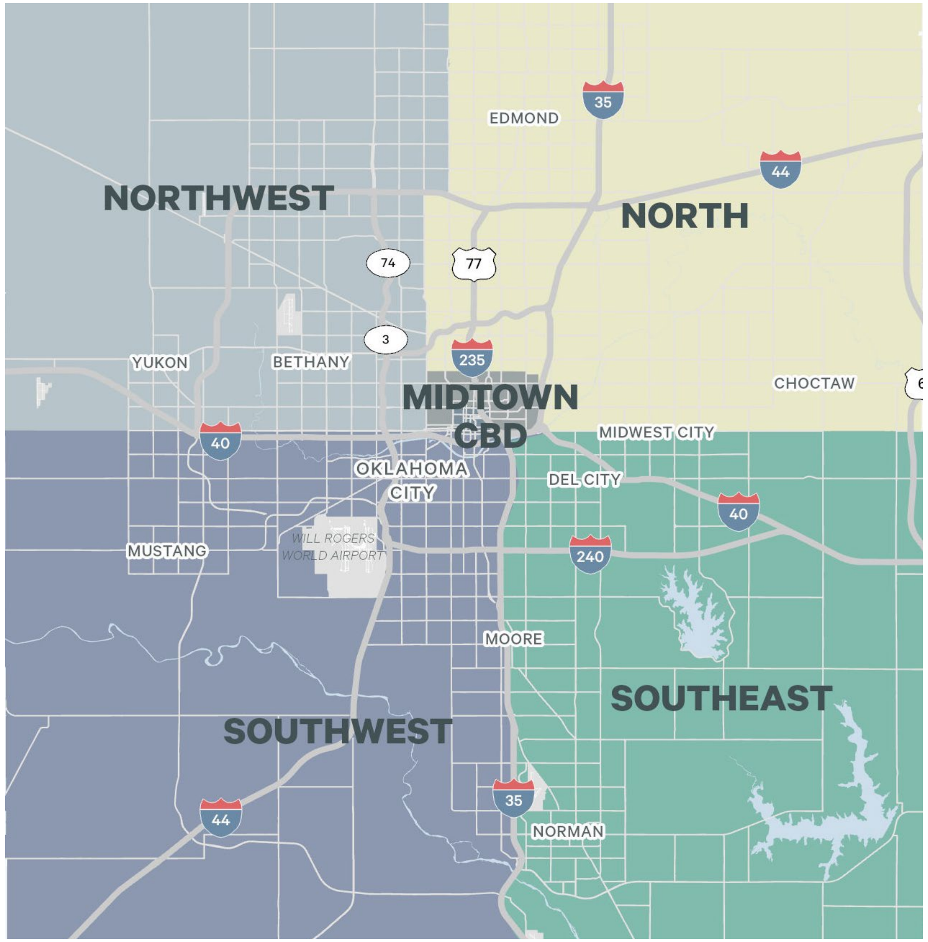


Source: CBRE Research, H1 2022.

The Northwest submarket performed exceptionally well in both deliveries and construction during H1 2022. Yukon's Route 66 Landing delivered 22,972 sq. ft. of new office space to the submarket while the Memorial Park Healthplex along with two new office developments in Edmond contributed over 90,000 combined sq. ft. to the submarket's under construction total.

A new development in the city's Innovation District drove a major spike in construction. The development is expected to bring an estimated 100,000 sq. ft. of office space to the CBD mid-2023.

Market Area Overview



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Definitions

Average Asking Lease Rate: A calculated average that includes net and gross lease rate, weighted by their corresponding available square footage. Building Area: The total floor area sq. ft. of the building, typically taken at the "drip line" of the building. Net Absorption: The change in Occupied Sq. Ft. from one period to the next. Net Lease Rate: Rent excludes one or more of the "net" costs (real property taxes, building insurance, and major maintenance) typically included in a Gross Lease Rate. Vacancy Rate: Total Vacant Sq. Ft. divided by the total Building Area.

Survey Criteria

Includes all office buildings 10,000 sq. ft. and greater in size in the Oklahoma City metropolitan area. Buildings excluded from the survey are non-competitive or functional obsolete properties. New construction must be available for tenant build-out within 12 months.

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