

SECOND QUARTER
INDUSTRIAL MARKET REPORT

2024

OKLAHOMA CITY, OKLAHOMA



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Q2 Industrial Market Report

2024



EXECUTIVE SUMMARY

The Oklahoma City industrial market experienced some notable changes and has shown some signs of weakening. The market recorded a total net absorption of negative 885,862 SF which is the lowest in the last four years dating back to before Q1 20'. Vacancy has also climbed to it's highest level in four years to 5.5%. This however is still below the national average in Q2 24' of 6.4% which is now up 194 basis points year-over-year. Oklahoma City's industrial market has historically preformed quite well compared to the national averages.



The overall rental rate has dropped below \$8.00 for the first time since Q1 22'. Given that the vacancy rate has climbed over 5% and net-absorption at its lowest level in quite some time, I would expect rental rates to fall as landlords concede to fill their empty spaces. There were some fairly large leases that were signed in Q2 24' including a 482,103 square foot warehouse lease by Hubbell and a 108,852 square foot lease by Nestle Purina PetCare. Class-A rental rates increased to \$8.88 per square foot per year, though vacancy remained steady at 7.58%. Class-B properties saw a decrease in rental rates to \$8.15 per square foot, with an increased vacancy rate of 5.4%. Class-C properties experienced a slight increase in rental rates to \$7.18 per square foot, with a vacancy rate rising to 4.92%. The Edmond submarket continues to be the outlier with extremely tight inventory (1.5% vacancy) and the highest rental rates in the metro. Class C industrial has continued to struggle, this is now the third negative absorption quarter in a row. As more new builds come available, users have shown a preference for a nicer cleaner building. I would expect Class C to continue to struggle until Class A & B figures begin to tighten.

As buyer's dealt with historically high interest rates sales activity showed a decline, with the number of transactions dropping to 48 from 66 (Q1 24') and the total sales volume decreased to \$50.8 MM. Despite this, the average price per building square foot increased to \$65.00, up from \$60.73. This was in part to some large transactions that were sold as investments with higher than market price per foot figures. This included an \$11MM (\$239.13/SF) transaction for a flex building at 3700 S. MacArthur Blvd and a \$7.2MM (\$96.34) sale for a property at 13201 N Santa Fe.

Overall, the OKC industrial market is reflecting a period of transition, with increased inventory and higher vacancy rates we will have to see how the market reacts. At the time of writing the Fed has begun to show some hints that core inflation is getting closer to targeted levels, while it is impossible to predict when the Fed will decide to lower rates many signs are pointing to at least one rate cut in 2024. This will help the banking sector and free up some capital for real estate investment.

Zac McQueen
Partner / Vice-President Industrial

Leasing Activities

		YOY Change
Total Inventory	139,058,759 SF	Increase (132,747,266 SF)
Total Net Absorption	2,227,096 SF	Increase (1,001,522 SF)
Overall Rental Rate	\$8.08/SF/YR/NNN	Decrease (\$8.41/SF/YR/NNN)
Total Vacancy Rate	4.8 %	Increase (3.9%)
Under Construction	530,277 SF	Decrease (5,585,451)

Sales Activities

		YOY Change
Number of Transactions	48	Decrease (66)
Total Sales Volume	\$50,819,406	Decrease (\$72,886,685)
Average Price per Bldg. SF	\$65.00	Decrease (\$60.73)

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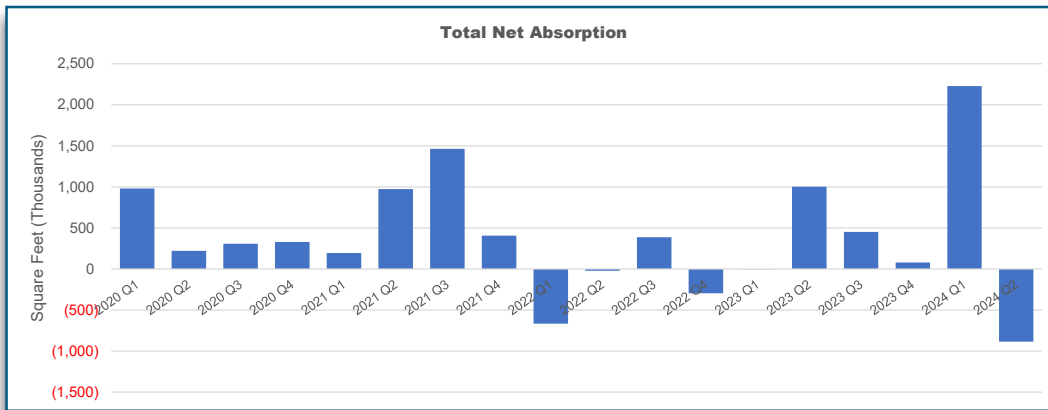
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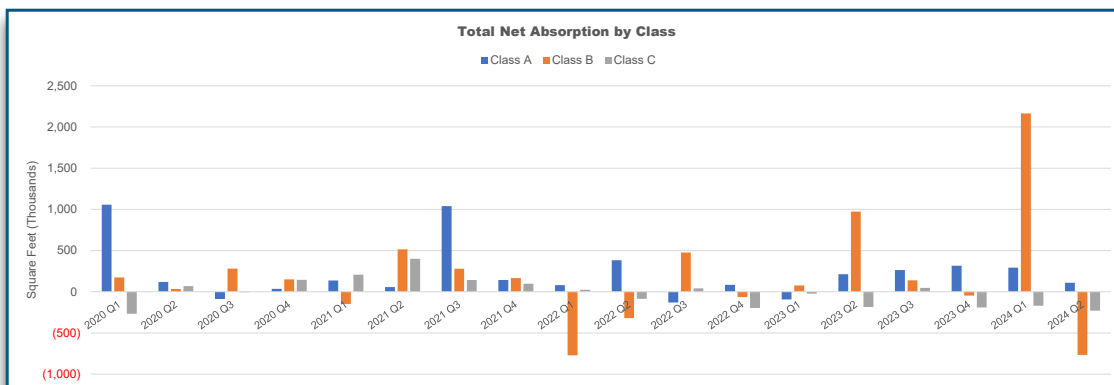
OKLAHOMA CITY INDUSTRIAL MARKET LEASING

Some of the largest industrial lease signings during Q2 2024 include the 482,103 SF industrial warehouse lease at 6801 S. Sunnyslane Road in Oklahoma City signed by Hubbell an electronics company out of Connecticut. Another large lease was the 108,852 SF industrial lease located at 311 N.W. 122nd Street in Oklahoma City signed by Nestle Purina PetCare.

NET ABSORPTION AND INVENTORY



- The total net absorption was a negative 885,862 SF at the end of Q2 2024
- The total net absorption decreased from the positive 2,227,096 SF at the end of Q1 2024
- The total inventory was 139,579,059 SF at the end of Q2 2024
- The total inventory increased from the 139,058,759 at the end of Q1 2024



- Class-A net absorption was a positive 110,408 SF, which decreased from the positive net absorption of 292,719 SF at the end of Q2 2024
- Class-B net absorption was a negative 766,757 SF, which decreased from the positive net absorption of 2,164,080 SF at the end of Q2 2024
- Class-C net absorption was a negative 229,513 SF, which increased from the negative net absorption of 169,703 at the end of Q2 2024

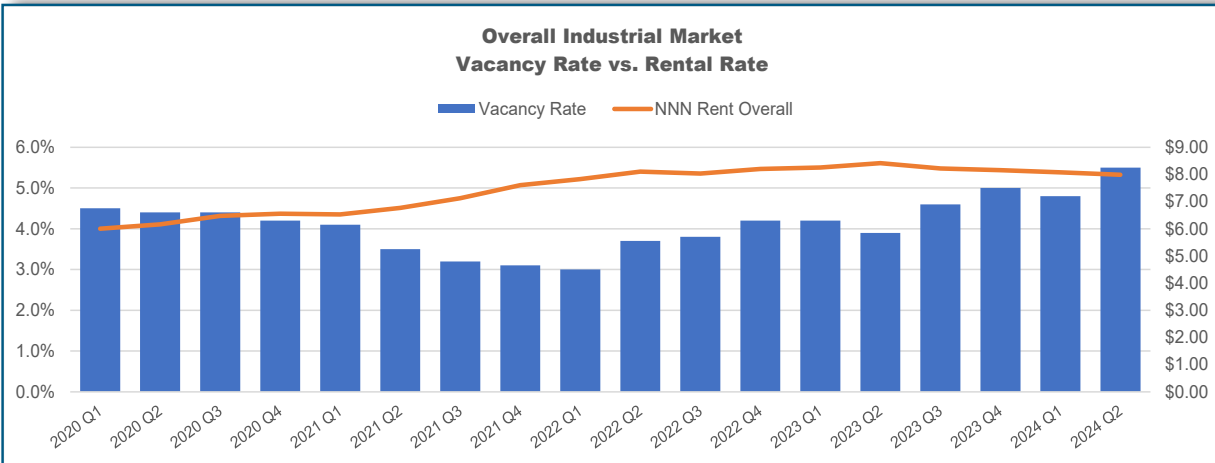


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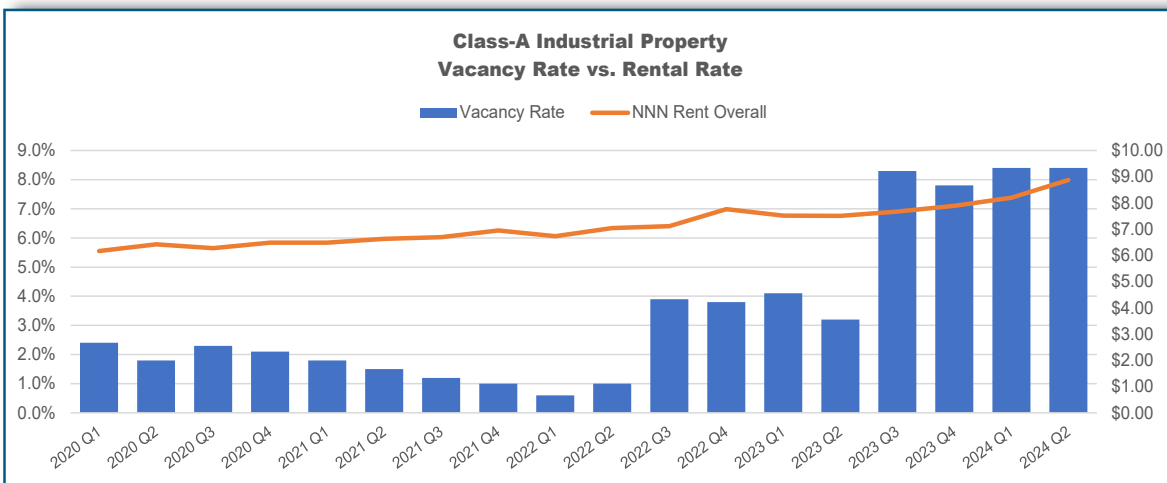
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RENTAL AND VACANCY RATES



- The overall industrial rental rate was \$7.99/SF/YR/NNN at the end of Q2 2024, down from \$8.08 SF/YR/NNN in Q1 2024, representing a 1.12% decrease in rental rates
- The overall industrial vacancy rate was 5.5% at the end of Q2 2024
- The overall industrial vacancy rate increased from the 4.8% at the end of Q1 2024



- Class-A property rental rate averaged \$8.88/SF/YR/ NNN at the close of Q2 2024, showing an increase from the \$8.20/SF/YR/NNN in Q1 2024, reflecting a 7.96% rise in rental rates
- Class-A property vacancy rate was 7.58% at the end of Q2 2024
- Class-A property vacancy rate remained the same from the 8.4% at the end of Q1 2024

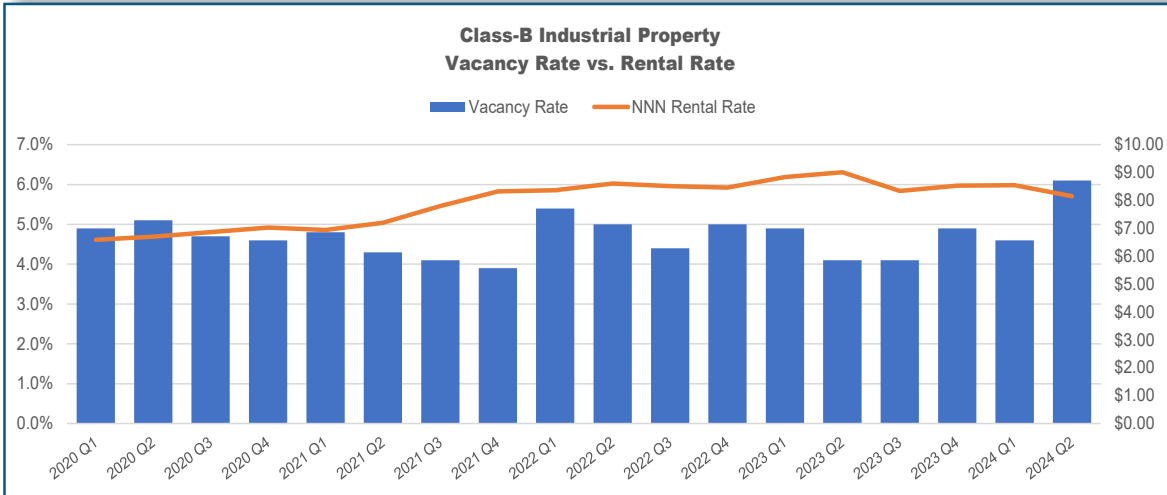


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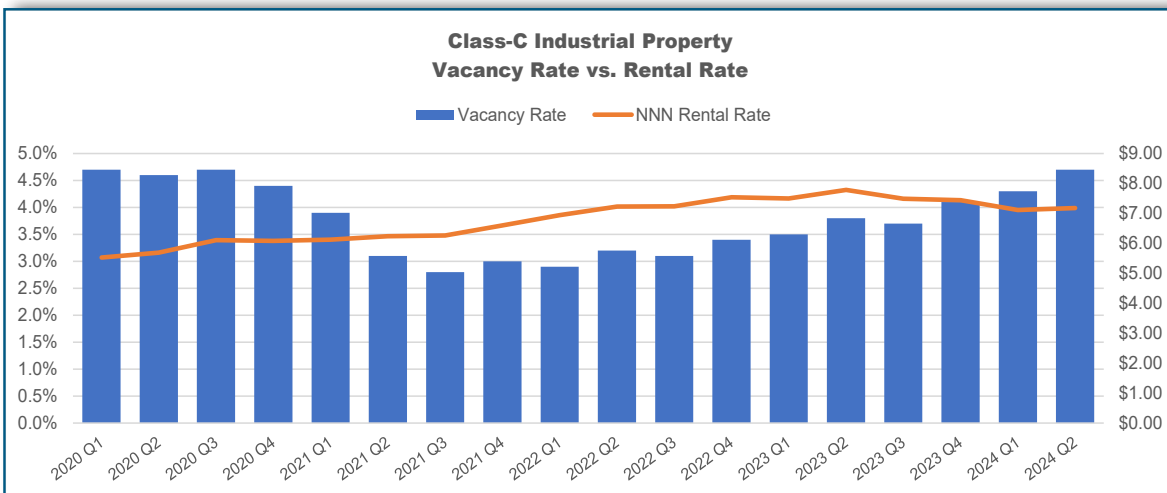
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RENTAL AND VACANCY RATES



- Class-B property rental rate averaged \$8.15/SF/YR/ NNN at the conclusion of Q2 2024, marking a decrease from the \$8.55/SF/YR/ NNN observed in Q1 2024, indicating a 4.79% decrease in rental rates
- Class-B property vacancy rate was 5.4% at the end of Q2 2024
- Class-B property vacancy rate increased from the 4.6% at the end of Q1 2024



- Class-C property rental rate averaged \$7.18/SF/YR/ NNN at the conclusion of Q2 2024, registering an increase from the \$7.11/SF/YR/ NNN observed in Q1 2024, indicating a 0.97% increase in rental rates
- Class-C property vacancy rate was 4.92% at the end of Q2 2024
- Class-C property vacancy rate increased from the 4.3% from Q1 2024



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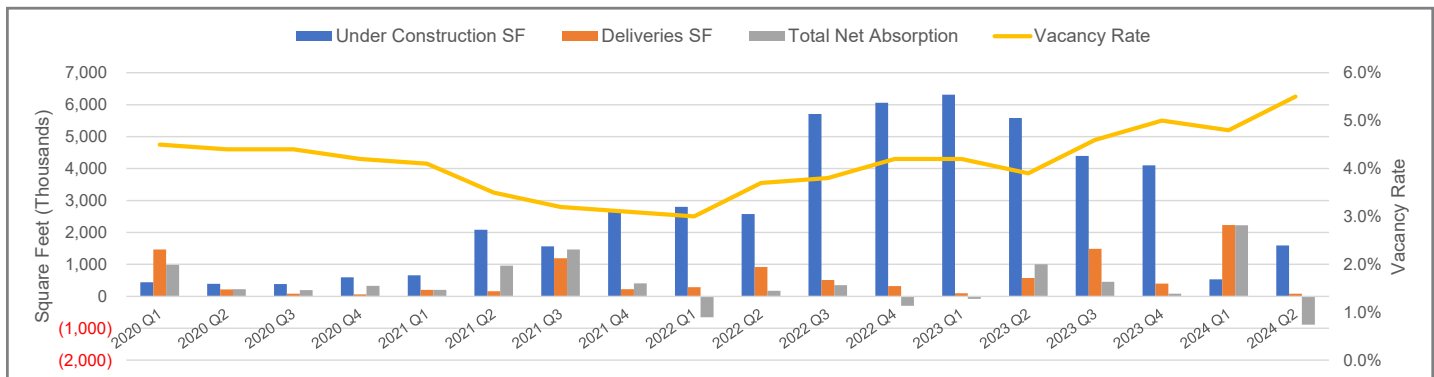
OKC INDUSTRIAL MARKET INFORMATION BY SUBMARKET

	OKC East	OKC Central	OKC West	OKC South	Edmond	Moore/Norman
Rent per SF	\$7.19	\$7.09	\$7.08	\$7.13	\$9.25	\$9.40
Vacancy Rate	5.24%	7.8%	5.4%	4.3%	1.6%	5.1%
Existing Buildings	420	679	711	1,012	307	567
12 Months Net Absorption SF	48K	-125K	-129K	-101K	91K	-95K

	Class-A	Class-B	Class-C
Rent per SF	\$7.74	\$8.27	\$7.97
Vacancy Rate	7.58%	6.1%	4.7%
Existing Buildings	102	2,100	4,270
12 Months Net Absorption SF	892K	1.9M	-501K

	Up to 30,000 SF	From 30,000 SF
Rent per SF	\$8.83	\$7.64
Vacancy Rate	5.2%	5.8%
Existing Buildings	5,920	814
12 Months Net Absorption SF	353K	2M

CONSTRUCTION, DELIVERY, NET ABSORPTION & VACANCY RATE



There was 1,592,484 SF of industrial space under construction at the end of Q2 2024. The largest industrial property under construction is the 820,167 SF distribution building at 8000 S. Air Depot Boulevard in Oklahoma City, which is scheduled to be delivered in July 2024. We are seeing asking rental rates for under construction industrial properties average \$9.01/SF/YR in the Oklahoma City market at the end of Q2 2024.

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NOTABLE PROPERTIES UNDER CONSTRUCTION

Property Address	City	RBA	Delivery Time
8000 S. Air Depot Blvd	Oklahoma City	820,167 SF	July 2024
2500 E. I-240 Service Road	Oklahoma City	120,000 SF	October 2024
2200 E. I-240 Service Road	Oklahoma City	80,000 SF	October 2024
2300 E. I-240 Service Road	Oklahoma City	80,000 SF	October 2024
8601 N. I-035 Service Road	Oklahoma City	80,000 SF	November 2024

OKLAHOMA CITY INDUSTRIAL MARKET SALES

Summary

		YOY Change
Number of Transactions	48	Decrease (66)
Total Sales Volume	\$50,819,406	Decrease (\$72,886,658)
Total Bldg. SF	904,777 SF	Decrease (1,390,397 SF)
Total Land in Acres	197.7 Acres	Decrease (257.2 Acres)
Average Price per Bldg. SF	\$65.00	Increase (\$60.73)
Median Price per Bldg. SF	\$65.03	Decrease (\$65.57)
Average Cap Rate	7.80%	Increase (7.60%)

There were 48 transactions totaling \$50,819,406 recorded during the second quarter of 2024. The largest individual sale based on dollar volume was the sale of the warehouse at 3700 S. MacArthur Boulevard in Oklahoma City. Michael Baker International purchased the 46,000 SF Industrial-Flex building from Precor Ruffin Properties for \$11,000,000.00 on May 17th, 2024.





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OKC MARKET SIGNIFICANT INDUSTRIAL SALE TRANSACTIONS DURING Q2 2024



Property Address: 3700 S. MacArthur Boulevard-OKC
Sale Price: \$11,000,000
Price per SF: \$239.13/SF
Sale Date: 5/17/2024



Property Address: 13201 N. Santa Fe Avenue-OKC
Sale Price: \$7,200,000
Price per SF: \$96.34/SF
Sale Date: 4/23/2024



Property Address: 13131 Broadway Extension-OKC
Sale Price: \$5,800,000
Price per SF: \$40.81/SF
Sale Date: 4/19/2024



Property Address: 10700 N.W. 4th Street-OKC
Sale Price: \$5,627,500
Price per SF: \$287.01/SF
Sale Date: 5/31/2024



Property Name: 10300 W. Reno Avenue-OKC
Sale Price: \$3,325,000
Price per SF: \$148.19/SF
Sale Date: 5/13/2024



Property Name: KP Supply 5 & 7 Pennsylvania Avenue-OKC
Sale Price: \$2,625,000
Price per SF: \$70.38/SF
Sale Date: 5/2/2024

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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

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