



Commercial Real Estate Council predicts rough 2010 and 2011 at Forecast Conference

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During Oklahoma City's Commercial Real Estate Council's 13th annual Forecast Conference, industry professionals discussed financing and capital markets affecting the U.S. economy and developmental trends in the commercial real estate industry.

Dean Schwanke, senior vice president of publications for Urban Land Institute, presented "Emerging Trends in Real Estate," a forecast report in the real estate industry.

Schwanke claims commercial real estate has hit bottom in credit-damaged markets across the nation as defaults continue to increase and property owners decide to walk away.

The industry's development pipeline "is the smallest in history," and Schwanke declares development as "dead" while vacancy rates in the retail and office sector continue to increase and rental rates decrease across markets. As a result, only the fittest in the industry, he said, will survive in 2010.

Looking forward, Schwanke said patient investors with expendable cash will have the best opportunities in 2010 and 2011 to take advantage of highly attractive bargains on premium properties in top markets.

The forecast also included a panel for "Forecast 2010: The New Normal," comprised of three industry experts: Matthew Bristow, managing director for ClearRidge Capital; Jim Huntzinger, CIO for BOK Financial Corporation; and Rick Dowell, president of Dowell Properties Inc. and developer of OKC Mid-Town. Each provided insight as to the future of Oklahoma's commercial real estate market.

Dowell discussed Downtown housing, office vacancy rates in Downtown OKC, as well as Devon Energy's headquarter building being constructed and what would happen to the 800,000 square feet the energy company currently occupies. Dowell opted for an optimistic point of view.

"If you look at the entire metropolitan area, there's about 15 million square feet of office space. So if you look at that 800,000 square feet, it's only 5 percent of the total market," he said. "Furthermore, if you take the average growth rate of the (U.S.) economy – that's about 2.5 percent – so if you compound 2.5 percent for three years, which is how long it's going to take Devon to finish their building, that gets you up to an 8-percent increase in economic activity. That takes care of the 800,000 square feet.

"Natural gas is going to be the energy of the future, and to the extent that Oklahoma and Texas are in the center of that in the country, there's growth there that you've got to factor in to the demand for office space."

Dowell said another positive is that there should be a demand for housing Downtown as approximately 57,000 people work in the Downtown area, translating to more than 10 percent of the city's workforce.

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