

AREA 57 OFFICE SPACE: Opportunities & Risks

December, 2024 v1.2

AN OPPORTUNITY ?

At the *September 14th Area 57 Assembly* the Area Chair made the fellowship aware that the Area had been approached by our OKC office landlord, Atlas Building, regarding the availability of a larger office down the hall if we would have an interest. This office was about 483 sqft or 60% larger at 1,248 total sqft; consisting of 4 connected rooms, a small toilet room (with sink), kitchenette (with sink), and some other closet / storage. The asking price is \$936 / month. A rough / basic office layout from the landlord is attached in the appendix.

Current office is 765 sqft @ \$605.63 / month = \$ **7,267 / yr.** = \$9.50 / sqft / yr.

Offered office is 1,248 sqft @ 936.00 / month = **\$11,232 / yr.** = \$9.00 / sqft / yr.

Increase = \$ 3,964 / yr.

The Area Meeting Agenda included the presentation and final approval of the **Annual Area Budget** by the GSRs. Subsequently a motion was made to consider increasing the office budget for the next fiscal year. The abrupt introduction of this opportunity with no other available, comparable information made for a challenging situation in terms of an *effective informed group conscience consideration*. While the timing was awkward, doing so did alert the fellowship of the opportunity and open the topic for discussion. Lots of questions and opinions were expressed on multiple fronts. Ultimately a floor vote failed to achieve substantial unanimity (2/3rds) to increase the budget for the coming year.

However, it remains a valid business question as to whether or not the renting of this larger office space is a current and longer-term opportunity that needs further consideration based on more information, analysis, and discussion by the Fellowship.

⇒ **Therefore; the purpose of this document** *is to provide Area 57 Trusted Servants and the Fellowship at large additional information relevant to the questions posed at the 9/14/24 Area Assembly which may aid any future informed group conscience effort and decisions.*

Information is provided in these areas:

- 1) Background - Current Area Office Situation
- 2) OKC Office Space Market & Various Economic Perspectives & Comparisons
- 3) Observations & Comments

1) Background - Current Area Office Situation:

Presently, Area 57 rents a small office located at 4509 N. Classen Blvd, Suite 101, Oklahoma City, OK. The 765 sq ft office is on the first floor on the front - north side; first office on the right of the main hallway. We pay \$605.63 / month-to-month rent (no contract). Financial records show that the Area began renting this space on Sept 1st, 2010 for the same \$605.63.

There are 3 other tenants on the first floor. Two others on our hallway and another that takes up the entire south side of the 1st floor. The entire upstairs is occupied by the building landlord, Atlas Building. We believe they own / operate other commercial buildings in the OKC area.

Our office serves both the Area Secretary operations (which includes a desk, office equipment, file storage, etc.), and as Area Archives repository / storage. Some space is allocated to file storage for some AA Southwest Region documents. Our Archives include many original, physical documents, pictures, and memorabilia. Area 57 is recognized as having a very robust and appreciated set of AA archives. They are often put on display at AA events.

At present, the archives take up about 60-70% of the total office space (depending on how one might allocate the small “common” area that has some tables – usually covered with items that have not been stored or are being readied for other purposes). Projects are ongoing to reduce un-needed physical documents and to best utilize / organize all the space. However, due to the physical nature of archivals, space needs continue to expand. There is / will be only so much that can be digitized. There is always potential for improved space utilization. Saying the office is “cramped” today might be an understatement.

- See the appendix section for floor plan and pictures of the subject spaces.

2) OKC Office Space Market & Various Economic Perspectives & Comparisons

Oklahoma City is a steadily growing metroplex. From a general multi-year perspective, commercial office space supply and demand is fairly well balanced. Economic rent rates are reasonably steady and largely reflect both local growth / construction and national macro trends.

Our current office would be classed somewhere in between Class C and Class B office space based on location and amenities (very good location, acceptable office quality).

Office space is grouped into 3 general classes: A, B, and C. “A” space offers the newest, highest quality, most prestigious, best located properties with the highest level of available amenities. It typically represents about 15-25% of available office space in an average market. “B” is lower levels of the same – usually about 50-65% of the market. “C” properties are typically in less desirable locations, usually older buildings, older offices, with basic functional amenities, representing about 15-25% of a market. These are generalizations. When you drill down to various local areas groupings and numbers can swing widely.

Our current office is in a very desirable, central-north OKC location off a major arterial street (Classen Blvd). It is mixed-use area with residential and light commercial businesses. Easy access to freeways, post office, banks, shopping, restaurants, other businesses, etc. It is considered a generally safe and well-maintained area. Penn Street Mall is ½ mile to the north.

The building is in an older two-story office building. It is in good shape / repair and operational shape but is not up-to-date in terms of office aesthetics / amenities. Offices have not been refurbished for probably 20 years or longer. There is adequate parking in front and back. It is a clean, safe area. Classen is a very busy street.

2) Economic Comparisons vs. Inflation, and the OKC market info.

The 2024 – '25 Area Budget totals \$67,761. The Area office rent is \$7,267.56 or about 11% of the total budget. There are of course other expenses associated with its' operation.

OFFICE RENT VS GENERAL INFLATION:

The following provides a relative perspective on our rent vs. **general US inflation**.

The first chart below, shows that from 2010 (when we started renting this office) to 2024 the total general rate of inflation is 44.6% based on US CPI data.

The U.S. Inflation Calculator measures the dollar's buying power over time.

Inflation Calculator

If in (enter year)

I purchased an item for \$

then in (enter year)

that same item would cost: **\$1.45**

Cumulative rate of inflation: **44.6%**

[Calculate](#)

How this calculator works: The US Inflation Calculator uses the latest US government CPI data published on O

The second chart below, shows what our office rent would be today if it had tracked general inflation for the same period. Our rent would be 44.6% higher than it is presently at the same \$605.63 as originally paid in 2010.

The U.S. Inflation Calculator measures the dollar's buying power over time.

Inflation Calculator

If in (enter year)

I purchased an item for \$

then in (enter year)

that same item would cost: **\$875.72**

Cumulative rate of inflation: **44.6%**

[Calculate](#)

The third chart, below, simply extends the calculation to an annual rental cost comparison. It shows that the inflation adjusted rent would today be \$10,508.63 / year vs. the \$7,267.56 we are paying today (a \$3,241.07 total per year increase).

The U.S. Inflation Calculator measures the dollar's buying power over time.

Inflation Calculator

If in (enter year)

I purchased an item for \$

then in (enter year)

that same item would cost: **\$10,508.63**

Cumulative rate of inflation: **44.6%**

Learn how this calculator works. The US Inflation Calculator uses the latest US government CPI data published on October 1, 2024, to adjust and calculate for inflation through September (See recent [inflation rates](#).) The U.S. Labor Department's Bureau of Economic Analysis will release inflation data for October on November 13, 2024.

At an annual cost of \$10,509 we would be paying \$13.74 / sqft / yr. Again, we are presently paying \$9.50 / sqft / yr. That is a big difference.

➤ THE OKC METROPLEX OFFICE SPACE MARKET:

- OKC is experiencing solid, steady, business & residential growth.
- OKC has the highest avg office rental rates in the state.
- While there was a 2-3% positive annual bounce post covid, new construction coming online in late 2022 combined with existing class A saturation caused an overall price decline of 2.34% across the broader market in 2023.
- In 2023 the average “asking” office rent price in OKC was between \$19 - \$21 / sqft annually
- The OKC market averages are skewed by very large Class A rental transactions. This is expected to be the ongoing case near term. Class B and C rents have been less volatile.
- 2024 – 2025 outlook is for market price growth in the 3-5% range for Class B & C space.

Here is general pricing by office Class in the OKC area^{1*} reflected in cost per square foot / per year (example: \$15 sqft per year for a 1,000 sqft office = \$15,000 / year or \$1,250 / month rent).

Class A	\$19-25 per sqft / yr
Class B	\$16 -19 per sqft / yr
Class C	\$ 9 -15 per sqft / yr

At the current rate of \$9.50 / sqft / year we are paying well below the market comps / averages. We would likely have difficulty replacing what we have today with comparable location or quality at the same price. The offered rate of \$9.00 / sqft / year for the larger office is of course even lower on the sqft basis.

➤ ATLAS BUILDING –

We believe that all the current tenants of the property have been paying similar rates. Based on casual discussions with the Atlas Building personnel we believe that the building is wholly

¹ Per Newmark / Robinson Park Co. Tulsa, OK - A Global Commercial Real Estate Services. OFFICE MARKET OVERVIEW, OKLAHOMA CITY - 2023. CBRE 2023 Market Review. Commercial Café.com OKC Market News. Plus other internet research and a couple phone calls.

owned by one or two individuals. We believe Atlas owns and leases other commercial properties. They have owned this building for a long time. They might be classified as a “mom-&-pop” (small) commercial operator or maybe a bit larger. It is not unlikely that the building is debt-free, therefore generating a good cash flow for the owners. They are clearly not overly motivated to push rental rates. They could command significantly higher rates with a modernizing office renovation but have chosen not to do this. They appear to have a very high value for stable, reliable tenants. All the current tenants have been there for some time.

➤ CONCERNS & RISKS:

It appears we have a “birds’ nest on the ground” situation – a very good one. *A big concern we need to have / be aware of is of anything happening to change the owner’s current status of business thinking – and any desire to obtain market comp rents.* Another risk would be sale of the building. A new owner / investment purchase would absolutely result in higher rent / lease requirements as soon as possible.

Our rent status today could change at any time, with 30 days-notice. It is difficult to imagine this not happening at some point. Simple economics say so. We just don’t know when.

During the discussion at the Area Meeting on Sept 14th a member speculated at the mic that “this is probably a golden opportunity or once in a lifetime opportunity that we will never see again”. *All the data gathered so far suggest this to be directionally correct.*

➤ OTHER OPTIONS & CONSIDERATIONS:

Renting separate spaces is certainly possible but such has little to no apparent economic advantage. In all scenarios the *total cost to the Area is higher would most likely be higher.*

An exception might be if the Area Secretary fully officed from home and all the current office space was devoted entirely to Archives. However; there are multiple problems and downsides with this option including: willingness of personnel, available space – including proximity to OKC (?), room for necessary office equipment and file storage, meeting space, and periodic changes in staff and transition challenges. At the moment, this has not appeared to be a very feasible / desirable option – but it is not impossible.

Self-Storage for the Archives has been examined on several occasions and has been found to be undesirable mainly due to easy access and cost. There are a great many climate-controlled mini-storage operators in the greater OKC area. A quick survey of advertised prices online (Oct. 2024) suggest average prices for a single 10x30 (300 sqft) space is about \$180 / month. Double this to \$360/mo. for 600 sq ft. (or about \$4,320 / yr.). Due to the nature of the business larger spaces usually cost more per sq ft than smaller spaces. For our needs you would have to rent multiple units.

It is noted that there is a huge range of relative desirability / suitability associated with obtaining quality climate controlled, secure, space located in decent locations. This of course is reflected in the pricing at each location, so the average prices as noted above may not be quite representative, nor do they truly reflect actual availability (which also varies a lot at any point in time).

It is noted that a bit earlier in 2024 our Archives service chairs conducted their own phone survey to check on operationally suitable space from multiple self-storage vendors in the OKC area. Their findings suggested even higher prices: ~\$280 – 350 / mo. for 300 sq ft; or \$560 – 700 / mo. for 600 sq ft.

The consensus view of Area trusted servants continues to be that there is good operational / fellowship service synergy having the office and archive functions together. The economics as discussed above continue to support this conclusion as well.

➤ **SOUTHWEST REGION COMPARISONS / INFO:**

What do our regional counterpart Areas do regarding archives?

Based on information gained recently from direct contact with other Area's archive chairs / personnel; our service committee members have found the following:

- All 11 areas making up the SWR have some level of archives
- OK / Area 57 might have most extensive in terms of quality
- Some may have more quantity (*questionable old records of unknown value?*)
- Most rent storage just for archives or share office space
- All are in climate controlled with up to fire code facilities
- The allocated range of expense for such is \$3,000 - \$8,000 / year
- One area has over 2,000 sq ft of dedicated archive storage

3) Observations & Comments

No definitive recommendation was requested of this information and analysis effort, nor will one be provided. However; some observations and suggestions may be offered.

It is assumed that we will continue to have a high value for an Area 57 office and that we will certainly continue to maintain our robust, high quality heirloom archives.

We have been offered an opportunity around which our decision/s to do something or nothing will have future impact that could be quite meaningful. Therefore, we owe it to ourselves to continue to explore, consider, and debate the situation. If nothing else we will be more knowledgeable and informed going forward.

The attraction of larger and more functional office space in the same location is operationally clear; and presently the opportunity as offered is at a very low relative (competitive) rental rate. The office is very cramped; it is difficult to hold a simple meeting there of more than a couple people, and archives continues to grow despite optimization.

Having more room provides new and possibly different opportunities and operating flexibility. What might we do with more office space? How much more use and utility could we find if we had a small meeting room and ability better display our heritage & legacy? Could the office be more of a learning center?

At present we are not forced to do anything.

We have the ability to maintain what we are doing with our current office. Is it an optimal situation? Most would probably conclude it is not. But; it is manageable, and there are probably additional archive storage optimization opportunities to be found.

Generally unrecognized is our current rent risk. Our current rent is month-to-month and could change at any time (fundamental economic realities), and it will be very difficult to replace what we have today at anywhere near the same price. What we don't know nor can we forecast what the future cost of doing nothing may be either.

With our current office we have little negotiating leverage to obtain a long-term lease at the present monthly rate. With the larger office it is possible we could negotiate some form of a *long-term lease*, which would provide us some monetary security / value. Such would give us multiple operational opportunities with a level of economic certainty and security.

At present, Area 57 finds itself with a historically robust business bank account balance. This is due to the combined monies received from SWARSSA, the 2024 State Conference (Tulsa), and several recent very sizeable one-time individual gratitude contributions / Estates bequeaths.

However; it is also a fact that for the last several years the rate of overall regular contributions has not kept up with the rate of overall inflation and related Area Budget increases. This multi-year trend in the two rates means we will continue to pull down our bank balances because our expenses are greater than our income. Unless the rate of regular contributions goes up, we eventually have to tap into the prudent reserve savings to fund ongoing operations. In fact, it is noted that the Area Treasurer reported to the fellowship at the same September Area Meeting that *in July of 2024 Area 57 came within 1 day of having to take money out of the prudent reserve to pay our bills*. This was averted only by receipt of money from the Tulsa held State Conference.

Regarding any increase in rent, Area 57 will always be able to afford whatever we as a fellowship are collectively willing to fund with regular contributions. Note the emphasis on "*regular*". An annual budget cost increase of \$4,000 / year and corresponding lease commitment should be done with the full knowledge and dedicated support of fellowship.

We must continue to use a purposeful "Informed Group Conscience" process to consider and deal with these questions. Of necessity, we must carefully weigh our desires, practical needs, and economic realities prudently in all forms of decision making.

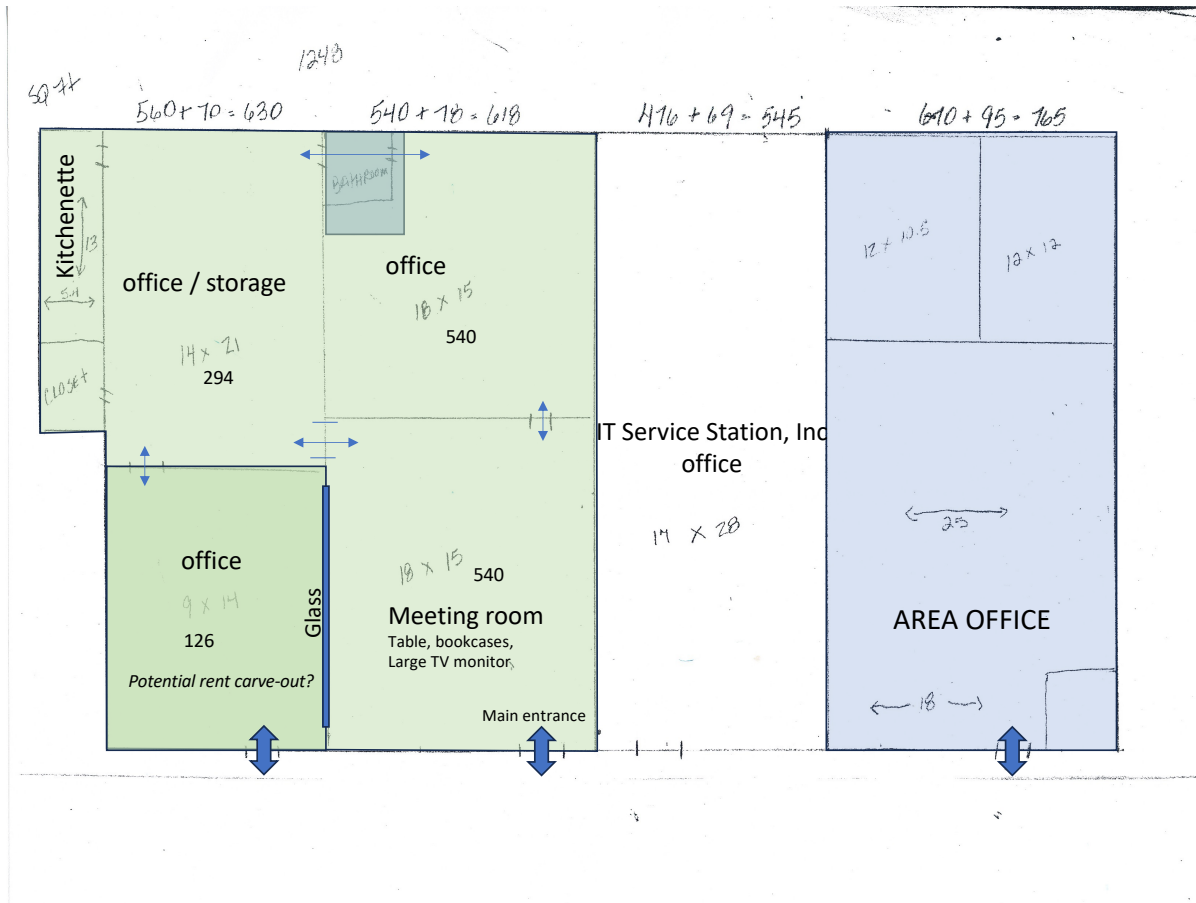
Prepared by:

Curt L. - Former Area 57 Treasurer

APPENDIX / NOTES

BASIC 1ST FLOOR NORTH HALL FLOORPLAN

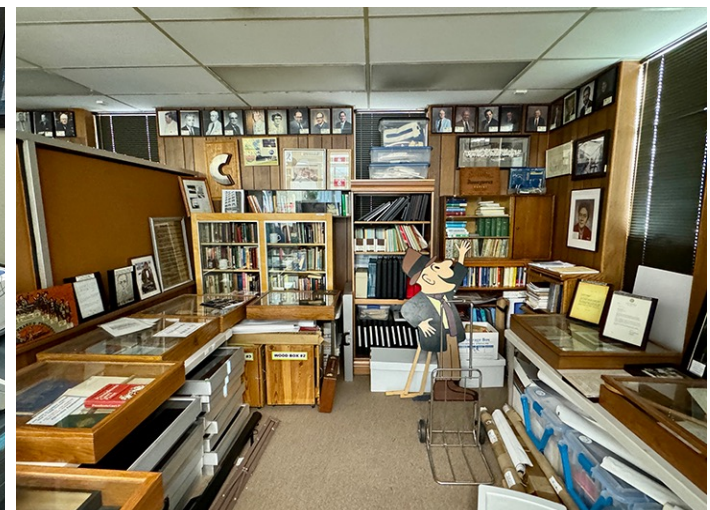
Note: the dimensions don't seem to quite add up... landlord puts office @ 1,248 sq ft



Some PICTURES Below / next pages:



Office Building Front on Classen Blvd



Area 57 Office

Potential Office for Rent –
4 rooms + Bathroom + Kitchenette



