

Office Snapshot Q3 2015

Omaha



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OMAHA OFFICE

Economic Indicators

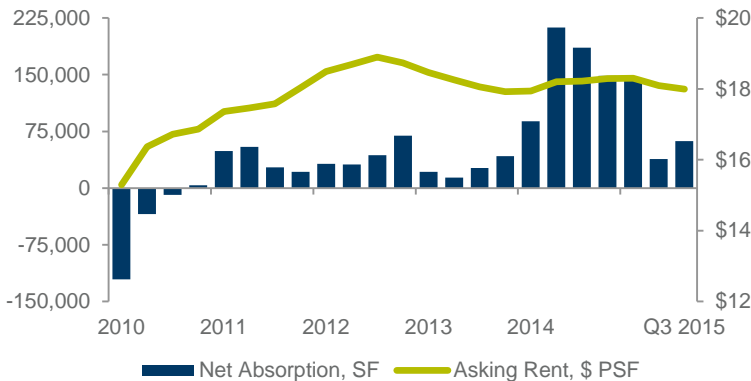
	Q3 14	Q3 15	12-Month Forecast
Omaha Employment	486k	493k	▼
Omaha Unemployment	3.6%	2.8%	▲
U.S. Unemployment	6.1%	5.1%	▼

Market Indicators

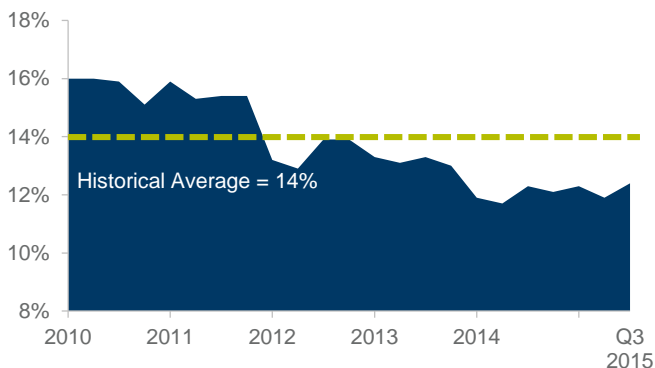
	Q3 14	Q3 15	12-Month Forecast
Overall Vacancy	12.3%	12.4%	▼
Net Absorption	-70k	23k	▲
Under Construction	100k	331k	■
Overall Average Asking Rent	\$18.00	\$17.59	▲

Net Absorption/Asking Rent

4Q TRAILING AVERAGE



Overall Vacancy



Economy

There was a great deal of volatility in securities markets during the third quarter. Many economists believe this volatility led to the Fed's decision not to increase rates in September. The Consumer Confidence Index steadily increased through September after a sharp decline from June to July. Despite the U.S. economy's ups and downs, indicators in Nebraska have remained positive. Nebraska still has the lowest unemployment rate in the country, and Omaha ranks among the lowest for U.S. cities at 2.8% compared to 5.1% nationally. Of note locally is the announcement that ConAgra has decided to relocate their headquarters to Illinois after calling Omaha home for over 90 years.

Market Overview

ConAgra's departure will create significant vacancy in the downtown submarket. The headquarters is comprised of five large buildings in a campus-like setting just to the west of the Missouri River. While it is still unclear how much space will come available and in which buildings, the move will have ripple effects on the downtown submarket and beyond.

Omaha's office market vacancy rate remained relatively flat since second quarter increasing from 11.9% to 12.4%. Quarterly absorption was positive 23,383 square feet (sf) bringing the year-to-date total to 215,751 sf. Most significant among the list of transactions was National Indemnity leasing nearly 70,000 sf in downtown's Omaha World Herald building.

Construction has begun on many Omaha development projects including the Capital District on 10th and Capital which will include up to 150,000 sf of class A office space. The much-anticipated project will also include a full-service hotel, retail and multi-family housing. Tetrad's Aksarben Village project is also well under way consisting of nearly 60,000 sf of leasable, class A office space slated for completion in June 2016.

Outlook

As construction costs continue to climb, developers and tenants will be faced with difficult choices. Developers may have to lower their yield expectations, tenants may have to pay even higher rent or development will become stagnant. There is an important axiom in the commodities and securities markets that seems to apply; "The best cure for high prices is...high prices".

MARKETBEAT

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SUBMARKET	TOTAL BLDGS	INVENTORY	SUBLET VACANT	DIRECT VACANT	OVERALL VACANCY RATE	CURRENT NET ABSORPTION	YTD NET ABSORPTION	UNDER CNSTR	AVERAGE ASKING RENT (ALL CLASSES)*	AVERAGE ASKING RENT (CLASS A)*
Downtown	33	4,745,167	0	411,151	8.7%	73,346	119,210	0	\$20.07	\$19.89
South Central	79	2,307,424	0	578,750	25.1%	(101,576)	(85,901)	32,462	\$16.33	\$25.00
Central West Dodge	47	2,474,711	6,183	143,410	6.0%	38,471	25,148	N/A	\$20.15	\$26.08
Suburban West Dodge	41	2,257,832	13,009	56,445	3.1%	14,474	55,674	121,016	\$22.15	\$29.42
Midtown	23	1,933,148	0	146,416	7.6%	2,376	1,885	177,650	\$19.86	\$28.99
Southwest	50	1,445,244	35,881	135,014	13.4%	(848)	8,830	0	\$19.15	\$26.18
Regency	16	958,134	0	78,488	8.2%	(179)	1,655	0	\$21.86	\$33.25
Northwest	50	1,662,219	0	309,261	18.6%	1,687	48,369	0	\$20.24	N/A
Old Mill	42	1,206,672	2,092	138,464	11.6%	6,213	24,799	0	\$17.89	N/A
Miracle Hills	23	773,728	2,930	24,837	3.6%	(7,075)	21,253	0	\$21.14	\$20.50
Southeast	15	1,027,883	0	492,752	47.9%	(4,056)	(4,056)	0	\$13.33	N/A
Northeast	3	179,116	0	21,612	12.1%	550	(1,115)	0	\$13.64	N/A
OMAHA TOTALS	422	20,971,278	60,095	2,536,600	12.4%	23,383	215,751	331,128	\$17.59	\$22.30

*Rental rates reflect gross asking \$psf/year

SUMMARY BY CLASS	TOTAL BLDGS	INVENTORY	SUBLET VACANT	DIRECT VACANT	VACANCY RATE	CURRENT NET ABSORPTION	YTD NET ABSORPTION	UNDER CNSTR	AVERAGE ASKING RENT OVERALL*	AVERAGE ASKING RENT DIRECT*
Class A	57	6,502,025	45,619	261,856	4.7%	11,670	(6,857)	331,128	\$22.30	\$22.30
Class B	255	10,826,409	8,293	1,473,610	13.7%	6,186	188,552	0	\$19.01	\$19.01
Class C	110	3,642,844	6,183	801,134	22.2%	5,527	34,056	0	\$11.64	\$11.64

Key Lease Transactions Q3 2015

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
Omaha World-Herald Building	69,054	National Indemnity	Lease	Downtown
Exec Centre II	28,021	LinkedIn	Lease	Central West Dodge
West Dodge Office Park	16,000	Physicians Office	Lease	Suburban West Dodge
Aksarben Village Bldg 4	12,456	Regus	Lease	Midtown

Key Sales Transactions Q3 2015

PROPERTY	SF	SELLER/BUYER	PRICE	SUBMARKET
PayFlex Plaza	61,120	IRET Properties /LSREF4 Bison	\$5,400,000	Old Mill
Bellevue Professional Center	54,846	JasperStone Bellevue/Longo Drive, LLC	\$7,050,000	Southeast

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T.J. Twit, Jr.

Vice President – Office Specialist
Cushman & Wakefield | The Lund Company
450 Regency Parkway, Suite 220
Omaha, NE 68114-3764
Tel: +1 402 548 4062
Fax: +1 402 393 2402
ttwit@lundco.com