

# MARKETBEAT

## Omaha

Office Q3 2016



### OMAHA OFFICE

#### Economic Indicators

	Q3 15	Q3 16	12-Month Forecast
Omaha Employment	429k	499k	▲
Omaha Unemployment	3.2%	3.3%	▼
U.S. Unemployment	5.2%	4.9%	▼

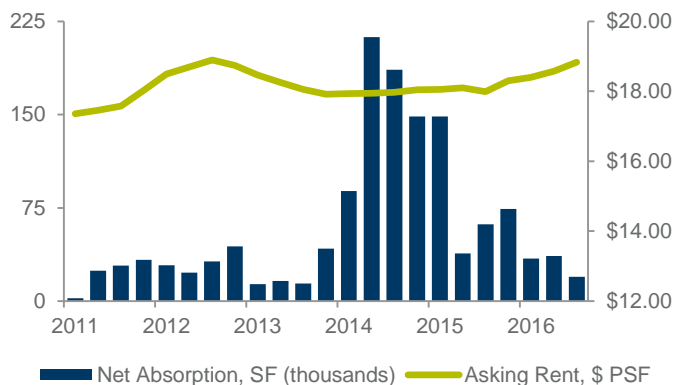
#### Market Indicators (Overall, All Classes)

	Q3 15	Q3 16	12-Month Forecast
Vacancy	12.4%	12.0%	▼
Net Absorption (sf)	23k	-44k	▲
Under Construction (sf)	329k	330k	▲
Average Asking Rent*	\$17.59	\$18.63	■

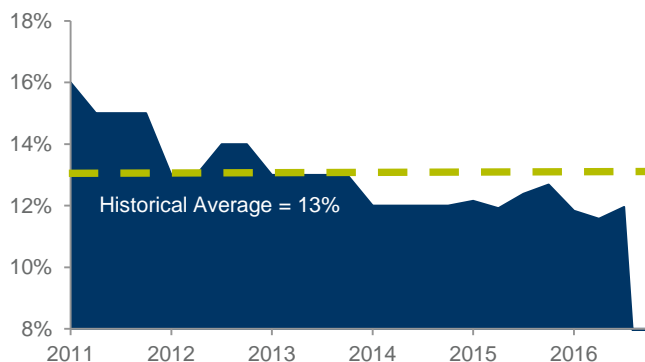
\*Rental rates reflect gross asking \$psf/year

#### Overall Net Absorption/Overall Asking Rent

##### 4-QTR TRAILING AVERAGE



#### Overall Vacancy



### Economy

The Omaha unemployment rate fell one percentage point over last quarter to 3.3%. Construction and service related fields continue to grow to keep pace with new developments and rehabilitation projects announced throughout the metro area. Overall the Omaha economy is healthy and the need for talented employees continues to rise. Attracting talent to Omaha is the focus of all major corporations throughout the metro area. As a result, companies are more confident making capital expenditures targeted on employment growth.

### Market Activity

Third quarter 2016 market activity ended with an overall negative absorption yet year-to-date absorption remains positive. The primary contributor is the result of food producer ConAgra vacating buildings 1 and 5 totaling 253,748 square feet (SF) and the downsizing of another Omaha-based company, Gavilon by 51,382 SF. Both firms are located in the Downtown submarket. The Northwest market continued to report the strongest office market fundamentals in Q3 2016 as the result of three major transactions: Wisconsin Insurance moved into 67,148 SF of new office space, Centene Management Company absorbed 33,574 SF and Ellie Mae occupied 20,083 SF. Due to the overall negative absorption for the quarter, the overall vacancy rate increased for the quarter.

### Outlook

Leasing activity continues to remain strong as mid- to large-size companies are looking to expand call center operations. The overall lack of available 20,000+ SF opportunities with 6:1+ parking ratios are limited. Class B properties are struggling to retain existing tenants who are expanding and becoming more dense within current leased premises resulting in parking issues. The demand for new Class B properties with higher parking ratios is at an all-time high. As a result, owners of Class B properties are struggling to retain larger tenants looking to expand and developers are actively working on build-to-suit opportunities.

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## Omaha Office Q3 2016



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SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	OVERALL AVERAGE ASKING RENT (ALL CLASSES)*	OVERALL AVERAGE ASKING RENT (CLASS A)*
Central West Dodge	2,407,907	N/A	170,429	7.1%	6,622	-5,628	29,046	N/A	\$19.79	N/A
Downtown	4,655,445	51,382	665,779	15.4%	-321,486	-278,434	88,642	N/A	\$18.54	\$19.99
Midtown	2,043,648	939	120,168	5.9%	10,066	25,324	102,661	72,000	\$14.34	N/A
Miracle Hills	766,450	N/A	35,429	4.6%	584	-8,345	14,171	N/A	\$20.52	\$20.52
Northeast	179,116	N/A	19,348	10.8%	2,600	0	11,860	63,000	N/A	N/A
Northwest	1,541,692	20,252	83,948	6.8%	132,160	147,772	133,649	N/A	\$17.50	N/A
Old Mill	1,194,487	N/A	193,149	16.2%	-10,542	72,332	40,384	N/A	\$19.13	N/A
Regency	1,023,144	N/A	76,797	7.5%	-1,961	-6,069	20,412	N/A	\$20.37	\$20.37
South Central	2,413,470	6,866	571,536	24.0%	18,608	-66,923	183,138	N/A	\$18.28	N/A
Southeast	876,676	N/A	293,871	33.5%	6,590	-22,952	176,883	40,000	\$15.38	N/A
Southwest	1,437,719	N/A	110,885	7.7%	47,246	73,574	54,159	34,945	\$14.32	N/A
Suburban West Dodge	2,448,164	4,336	84,266	3.6%	65,328	110,288	124,766	120,000	\$14.31	N/A
<b>OMAHA TOTALS</b>	<b>20,987,918</b>	<b>83,775</b>	<b>2,425,605</b>	<b>12.0%</b>	<b>-44,185</b>	<b>40,939</b>	<b>979,771</b>	<b>329,945</b>	<b>\$18.63</b>	<b>\$20.14</b>

\*Rental rates reflect gross asking \$psf/year

	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	DIRECT AVERAGE ASKING RENT*	OVERALL AVERAGE ASKING RENT*
Class A	6,744,461		382,472	6.5%	-11,041	51,851	270,164	192,000	\$20.14	\$20.14
Class B	10,765,506		1,484,886	14.1%	-23,368	-12,462	546,029	137,945	\$18.96	\$18.96
Class C	3,477,951		558,247	16.1%	-9,776	1,550	163,578	N/A	\$14.40	\$14.40

### Key Lease Transactions Q3 2016

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
Northpark 6	67,148	Wisconsin Physician Insurance	New Lease	Northwest
Northpark 6	33,574	Centene Management Company	New Lease	Northwest
Northpark 4	20,083	Ellie Mae Inc.	New Lease	Northwest

### Key Sales Transactions Q3 2016

PROPERTY	SF	SELLER / BUYER	PRICE / \$PSF	SUBMARKET
3801 Harney Street	23,484	Women's Center for Adv / 3805 Harney	\$1,980,000 / \$84	Midtown
West Dodge Park #2	10,000	Sedora Holdings / Country Life Ins. Co	\$1,150,000 / \$115	Suburban West Dodge

The Lund Company  
450 Regency Parkway,  
Suite 200  
Omaha, NE 68114  
[cushmanwakefield.com](http://cushmanwakefield.com)

For more information, contact:  
Martin J. Patzner, CPM, RPA  
Vice President – Office Specialist  
Tel: +1 402 548 4033  
[mpatzner@lundco.com](mailto:mpatzner@lundco.com)

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