

MARKETBEAT

Omaha Office Q4 2016



OMAHA OFFICE

Economic Indicators

	Q4 15	Q4 16	12-Month Forecast
Omaha Employment	495k	500k	▲
Omaha Unemployment	3.2%	3.5%	▼
U.S. Unemployment	5.0%	4.8%	▼

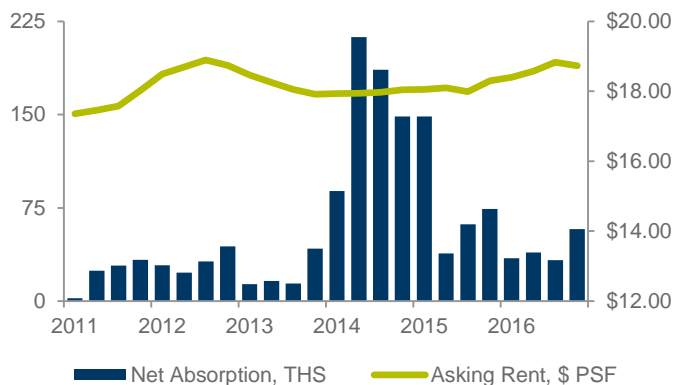
Market Indicators (Overall, All Classes)

	Q4 15	Q4 16	12-Month Forecast
Vacancy	12.7%	10.9%	▼
Net Absorption (sf)	81k	181k	▲
Under Construction (sf)	359k	255k	▲
Average Asking Rent*	\$19.40	\$18.97	▲

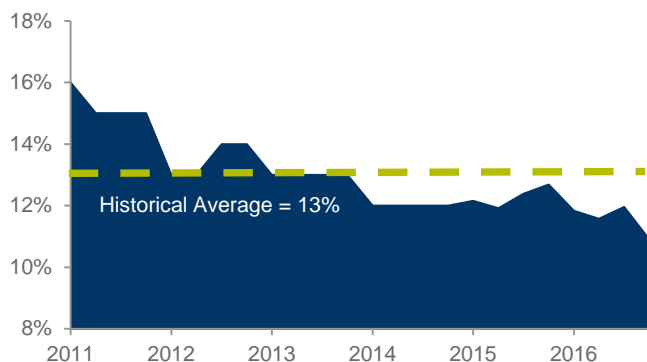
*Rental rates reflect gross asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

The federal interest rate increased from 0.5% in December 2015 to 0.75% in December 2016. The Federal Reserve is expected to raise rates three more times in 2017 to 1.5%. According to monthly data released by the Bureau of Labor Statistics, the unemployment rate dropped to its lowest level in more than nine years to 4.6%. Janet Yellen, the Federal Reserve Chair, stated “the overall economy is operating at full employment; however, the overall pace of Productivity Growth since the financial crisis has been exceptionally slow.” The Omaha unemployment rate increased to 3.5% in December 2016 compared to 3.2% at year-end 2015.

Big Stories, Big Moves in 2016

Of all the real estate-related stories in Omaha in 2016, none were bigger than HDR’s announcement to change its plans to build their new global headquarters from Downton to Midtown’s Aksarben Village. The new headquarters will be ten stories consisting of approximately 245,000 square feet (SF), including approximately 18,000 SF of retail on the first floor and an adjacent 1,150-stall parking garage. Construction is scheduled to begin in the spring of 2017 with plans to complete in 2019. In addition, Green Plains, Inc. relocated from Regency to Aksarben Village into a new building totaling approximately 50,000 SF.

Due to the overall increased absorption in Northpark, the Northwest submarket vacancy decreased from 16.9% to 4.2% at year-end. Fourth quarter transactions in Northpark included Medefis & Avantas (41,202 SF) and Fusion Medical (10,514 SF).

Despite ConAgra and Gavilon vacating approximately 300,000 SF Downtown, the overall office market absorbed approximately 230,000 SF in 2016.

Outlook

Leasing activity will continue to remain strong in 2017 as mid- to large-size companies are looking to expand. The overall lack of available 20,000+ SF opportunities with large parking ratios are limited. 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 will struggle to retain larger tenants looking to expand and developers will be actively pursuing build-to-suit opportunities.

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COMPANY

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	2,418,782	N/A	192,340	8.0%	-29,987	-37,351	123,026	N/A	\$19.56	N/A
Downtown	4,512,145	51,382	577,325	13.9%	-4,568	-250,490	108,725	63,000	\$19.50	\$20.02
Midtown	2,114,022	939	80,219	3.8%	85,070	108,994	364,425	72,000	\$14.26	N/A
Miracle Hills	766,450	N/A	38,713	5.1%	-3,284	-11,029	18,643	N/A	\$20.42	\$21.50
Northeast	179,116	N/A	21,977	12.3%	-2,629	-2,629	18,952	N/A	N/A	N/A
Northwest	1,554,413	20,252	44,384	4.2%	39,564	191,749	190,365	N/A	\$16.60	N/A
Old Mill	1,194,487	N/A	187,966	15.7%	5,663	-20,174	44,969	N/A	\$18.18	N/A
Regency	1,023,338	N/A	93,788	9.2%	-18,332	-24,401	44,043	N/A	\$19.87	N/A
South Central	2,398,720	6,866	472,415	20.0%	101,886	132,432	209,012	N/A	\$18.32	N/A
Southeast	876,676	N/A	282,080	32.2%	11,791	-11,161	196,085	N/A	\$15.38	N/A
Southwest	1,488,488	N/A	117,858	7.9%	4,243	65,324	70,015	N/A	\$17.32	N/A
Suburban West Dodge	2,373,330	4,336	92,788	4.1%	-8,522	89,967	124,766	120,000	\$14.71	N/A
OMAHA TOTALS	20,899,967	83,775	2,201,853	10.9%	180,895	231,231	1,513,026	255,000	\$18.97	\$20.18

*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	6,816,622	55,718	404,308	8.2%	50,325	72,349	293,685	192,000	\$20.18	\$20.18
Class B	10,605,394	28,057	1,257,881	12.1%	130,842	157,604	1,008,955	63,000	\$19.57	\$19.57
Class C	3,477,951	0	539,664	15.5%	-272	1,278	210,386	N/A	\$13.68	\$13.68

Key Lease Transactions Q4 2016

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
NorthPark 3	41,202	Medefis & Avantas	New Lease	Northwest
Aksarben Village #4	16,846	Buffet Early Childhood Development	New Lease	Midtown
Aksarben Village #8	12,269	Ervin & Smith Advertising	New Lease	Midtown
Northpark B	10,514	Fusion Medical	New Lease	Northwest

Key Sales Transactions Q4 2016

PROPERTY	SF	SELLER / BUYER	PRICE / \$PSF	SUBMARKET
11818 I Street	107,718	11818 I Street, LLC / Builder Trend	\$8,625,000 / \$80	South Central
World Building	60,984	18 th St. Omaha, LLC / Vianova Dev.	\$1,750,000 / \$29	Downtown
4819 S 107 th Ave.	12,252	Wells Fargo Bank / Luke Van Camp	\$1,300,000 / \$106	South Central

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