

MARKETBEAT OFFICE SNAPSHOT



OMAHA, NE

A Cushman & Wakefield Research Publication

Q1 2015



ECONOMIC OVERVIEW

Unemployment in Nebraska remains low and declined from 3.7% at the end of 2014 to 3.1% at the end of Q1 2015. The national economy is bolstered by high consumer confidence based

largely on the strength of the dollar, positive labor markets and low interest rates. There are two sides to the story however.

With the Dow Jones hovering around 18,000, many analysts agree that the market is overvalued and we are headed toward a correction. And even while the largest banks experienced an increase in value, interest rates remain low and fees are limited. Therefore, banks would like to see rates increase. With interest rates having an adverse relationship with capitalization rates and therefore commercial property values, the effects would be felt within the commercial real estate industry.

STEADY....STEADY....

The Omaha office market has been moving steadily ahead and continues to consistently absorb previously vacant space. We are off to a good start in 2015 with positive absorption of 96,208 square feet (sf). Even more positive is the fact that the absorption occurred within the class B market. Two significant transactions led the way: NEI Global Relocation leased 49,000 sf in the North Park 7 building and E&A Engineering leased 25,000 sf in the Executive Tower property in Old Mill.

The story for class A office space remains the same with a direct vacancy rate of 3.5%. Tenants in this market are facing the same issues they have for the past several quarters. With limited options, landlords are benefiting when it comes to concessions and the negotiation of deal points. That said, there is likely change on the horizon. There are a handful of projects that are either currently under construction or soon to be started. Of significance among them, Tetrad is building a 55,000-sf, class A property in Aksarben Village. There is in excess of 36,000 sf for lease that is currently being marketed. Noddle Companies rolled out plans to add nearly 140,000 sf of class A product in Aksarben as well. The hope with these properties is that, like other partially-speculative projects completed as of late, the space will be absorbed prior to the completion of construction.

OUTLOOK

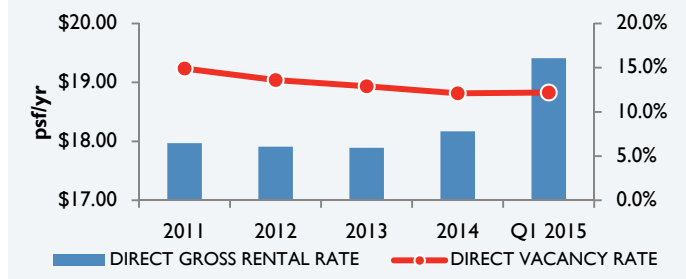
Continuing along the same trajectory would be welcomed by the commercial real estate community in Omaha. Build-to-suit activity will likely continue. The most marked change in the market will be the addition of new, speculative class A office space.

There is change coming to the downtown market as well. Pacific Life will be vacating over 85,000 sf in the Landmark Building when construction is completed on their new building in Aksarben Village. It is anticipated that at least one major Omaha-based employer will be moving a significant portion of their workforce downtown within the next 12 months. The two events will likely result in a net positive absorption for the CBD. It will be interesting to see how the much talked about parking shortage will be remedied to accommodate the remaining vacancy downtown.

STATS ON THE GO

	Q1 2014	Q1 2015	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	11.9%	12.2%	0.3 pp	◀▶
Direct Asking Rents (psf/yr)	\$18.12	\$19.41	7.1%	▲
YTD Leasing Activity (sf)	228,175	196,558	-13.9%	▲

RENTAL VS DIRECT VACANCY RATES



LEASING ACTIVITY

