

Office Snapshot Q1 2016

Omaha



OMAHA OFFICE

Economic Indicators

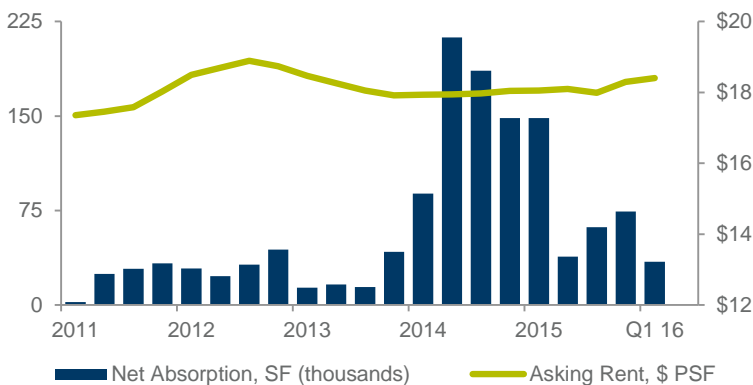
	Q1 15	Q1 16	12-Month Forecast
Omaha Employment	489k	497k	▼
Omaha Unemployment	3.2%	3.0%	▲
U.S. Unemployment	5.6%	4.9%	▼

Market Indicators (Overall, All Classes)

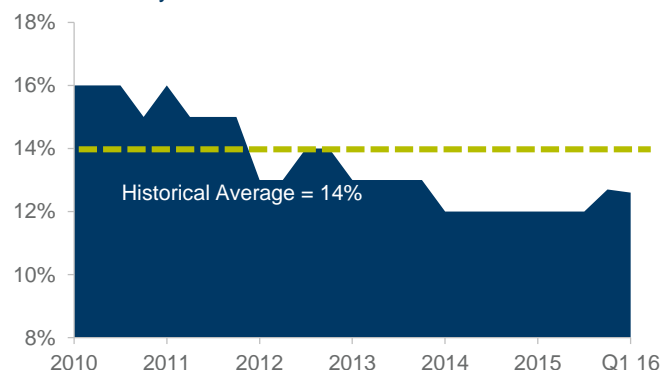
	Q1 15	Q1 16	12-Month Forecast
Vacancy	12.2%	12.7%	▼
Net Absorption (sf)	96k	(63k)	▲
Under Construction (sf)	206k	359k	■
Average Asking Rent*	\$18.71	\$18.59	▲

*Rental rates reflect gross asking \$psf/year

Overall Net Absorption/Asking Rent 4Q TRAILING AVERAGE



Overall Vacancy



Economy

With American consumers flexing their muscles again, the U.S. economy is experiencing moderate growth. But given an uncertain growth picture abroad and fluctuating energy prices, expect greater volatility. A recent Wall Street Journal survey of the global economy shows odds of recession in next 12 months at 21%— twice that of a year ago and the highest since 2012.

On a national level, many economist are monitoring Union Pacific Railroad and BNSF Railway, as a barometer of the overall health of the economy. Both companies report overall freight shipments down 6% from the prior year and each also has over 8,000 employees on furlough since the fall of 2015. The number of employees on furlough is more than any time for both companies since 2008. Future recession rumors are gaining traction among some of the world's top investors based on declining corporate profits, slow investment by private sector and low consumer spending.

Market Activity

The Omaha office market ended first quarter with overall absorption posting negative for the first time in six quarters. The main contributor was Ameritrade relocating its last business unit consisting of 97,569 square feet (sf) from 10825 Farnam to their campus located across the street. The largest transaction that contributed positively was Berkshire Hathaway leasing a 57,000-sf build-to-suit at Village Pointe Plaza. Additionally, Nebraska Orthopedic Hospital relocated their back-office and support staff into approximately 11,000 sf at 2424 S. 114th (the former Tagge Rutherford Building). The overall vacancy rate for all classes remained consistent from fourth quarter 2015 at 12.7% with class A overall vacancy at 5.9%.

Outlook

A slow start to 2016 shows promise as overall leasing activity picked up at the end of Q1. There are more big users looking for 40,000 – 50,000+ sf opportunities in the market today and less small to mid-size users. Upgrades at class B properties are becoming more common as landlords attempt to compete with class A properties due to limited supply within the market. Many of the upgrades to common areas within the buildings feature traditionally class A finishes or amenities that the buildings did not previously offer.

MARKETBEAT

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Omaha



CUSHMAN & WAKEFIELD

LUND COMPANY

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT 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)*
Southwest	1,355,564	N/A	120,477	8.9%	3,982	3,982	4,996	63,967	\$17.72	N/A
South Central	2,423,434	N/A	604,203	24.9%	22,036	22,036	32,978	N/A	\$18.07	N/A
Northwest	1,619,038	N/A	258,712	16.0%	(8,796)	(8,796)	6,983	N/A	\$16.65	N/A
Central West Dodge	2,407,907	N/A	178,467	7.4%	(16,599)	(16,599)	4,913	N/A	\$19.97	N/A
Old Mill	1,197,393	N/A	259,539	21.7%	(92,227)	(92,227)	5,342	N/A	\$18.04	N/A
Regency	1,023,144	1,184	74,909	7.4%	(1,668)	(1,668)	N/A	N/A	\$20.69	N/A
Midtown	2,103,648	1,439	135,189	6.5%	9,803	9,803	19,340	151,350	\$15.90	N/A
Downtown	4,844,330	N/A	424,780	8.8%	62,882	62,882	16,398	22,600	\$18.65	\$19.93
Southeast	1,038,174	N/A	483,678	46.6%	(2,526)	(2,526)	399	N/A	\$15.39	N/A
Northeast	179,116	N/A	23,868	13.3%	(2,094)	(2,094)	1,234	N/A	N/A	N/A
Suburban West Dodge	2,334,847	6,723	97,064	4.4%	(28,683)	(28,683)	10,003	121,016	\$18.70	N/A
Miracle Hills	766,450	2,930	31,816	4.5%	(9,479)	(9,479)	600	N/A	\$20.17	\$20.50
OMAHA TOTALS	21,293,045	12,276	2,692,702	12.7%	(63,369)	(63,369)	103,186	358,933	\$18.59	\$20.40

*Rental rates reflect gross asking \$psf/year

SUMMARY BY CLASS	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	AVERAGE ASKING RENT OVERALL*	AVERAGE ASKING RENT DIRECT*
Class A	6,761,592	9,653	388,304	5.9%	(40,431)	(40,431)	18,514	358,933	\$20.40	\$20.40
Class B	10,887,619	2,623	1,525,498	14.0%	(27,923)	(27,923)	63,575	N/A	\$18.87	\$18.87
Class C	3,643,834	N/A	778,900	21.4%	4,985	4,985	21,097	N/A	\$14.53	\$14.53

Key Lease Transactions Q1 2016

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
331 Village Point Plaza	57,000	Berkshire Hathaway	Lease	Suburban West Dodge
950 S. 10 th Street	28,028	Undisclosed	Lease	Downtown
2425 S. 144 th Street	11,000	Nebraska Orthopedic Hospital	Lease	Southwest

Key Sales Transactions Q1 2016

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
Papillion Professional Park	8,200	PPP LOT 4, LLC/10791, LLC	\$1,300,684 / \$159	South Central
Overland Wolf/6910 Pacific Street	46,065	Overland Wolf Building Partnership/6910 Pacific, LLC	\$4,000,000 / \$87	Midtown

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