

MARKETBEAT

Omaha Office Q1 2017



OMAHA OFFICE

Economic Indicators

	Q1 16	Q1 17	12-Month Forecast
Omaha Employment	495k	499k	▲
Omaha Unemployment	3.2%	3.3%	▼
U.S. Unemployment	4.9%	4.8%	■

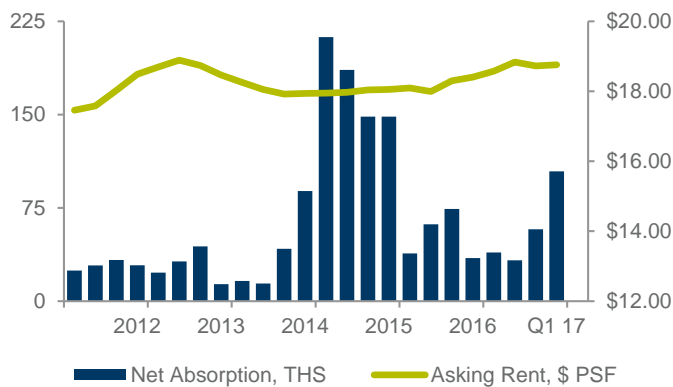
Market Indicators (Overall, All Classes)

	Q1 16	Q1 17	12-Month Forecast
Vacancy	11.8%	11.2%	▼
Net Absorption (SF)	-62k	124k	▼
Under Construction (SF)	359k	192k	▲
Average Asking Rent*	\$18.79	\$18.71	▲

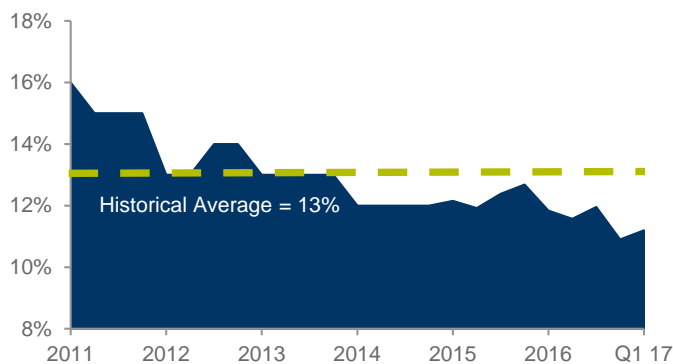
*Rental rates reflect gross asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

The federal interest rate is anticipated to increase by 0.75% to 1.00% after the Federal Open Market Committee voted to increase at its March meeting. The U.S. unemployment rate remain steady at 4.8%. An increase in discretionary spending is anticipated due to continued rising of NYSE since year-end elections. A recent CCN Money report anticipated the largest reported earnings for companies in the S&P 500 since late in 2011.

Market Overview

The Omaha office market started 2017 with positive absorption of 124,213 square feet (SF). All of the absorption occurred in the Class B market. As a result, Class B vacancy rate fell from 12.1% at year-end 2016 to 11.2% at the end of Q1 2017. Four significant transactions led the way: Kiewit Corporation moved into its new 63,000-SF Training Center located Downtown, Triage Staffing leased 20,000 SF at 7200 World Communications Drive, Safe Haven Home Security leased 20,252 SF in the North Park 8 building, and Food Safety Net Services purchased a 16,378-SF building located at 5303 F St.

Class A vacancy increased from 8.2% in Q4 2016 to 9.1% as of Q1 2017 primarily due to new construction coming online during the first quarter. Tenants in this market now have multiple options to consider. There are two significant speculative office projects being planned. Lockwood Realty is building a 60,000-SF building at Sterling Ridge and Cizek Construction is building a 120,000-SF building at West Dodge Hills. In addition, the much anticipated 2.3 million-square-foot (MSF) Boys Town mixed-use project will include an estimated 1.4 MSF of office space.

Outlook

Due to the development announcements above, build-to-suit activity will remain active along the suburban West Dodge corridor for the foreseeable future. Leasing activity, within the Class B market, will continue to grow throughout Q2 2017, as several small- to mid-size companies are looking to expand. There is also a renewed interest in the CBD along the Farnam Street corridor due to the recent announcement of a potential modern streetcar. The streetcar would connect UNMC Medical Center, Blackstone District, Midtown Crossing, and The Old Market. The city is presenting studies of the economic development impact if the proposed trolley were to move forward.

MARKETBEAT

Omaha Office Q1 2017



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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)*
Midtown	2,114,022	1,369	81,397	3.9%	-1,608	-1,608	6,135	72,000	\$14.06	N/A
Southwest	1,681,353	0	207,488	12.3%	3,970	3,970	9,691	N/A	\$17.03	N/A
South Central	2,306,002	18,968	441,145	20.0%	19,168	19,168	25,448	N/A	\$18.52	N/A
Northwest	1,577,885	0	59,376	3.8%	43,936	43,936	33,136	N/A	\$14.94	N/A
Central West Dodge	2,418,782	0	196,313	8.1%	-3,973	-3,973	9,747	N/A	\$18.72	N/A
Old Mill	1,194,487	16,907	186,946	16.9%	-15,887	-15,887	3,350	N/A	\$18.21	N/A
Regency	1,023,338	0	92,741	9.1%	1,047	1,047	20,041	N/A	\$20.22	N/A
Northeast	179,116	0	21,977	12.3%	0	0	4,191	N/A	N/A	N/A
Downtown	4,575,145	51,382	586,537	13.9%	53,788	53,788	0	N/A	\$19.20	\$21.01
Southeast	876,676	0	254,654	29.0%	27,426	27,426	10,384	N/A	\$15.11	N/A
Suburban West Dodge	2,373,330	2,775	90,903	3.9%	3,446	3,446	4,517	120,000	\$14.31	N/A
Miracle Hills	766,450	0	51,552	6.7%	-7,100	-7,100	5,739	N/A	\$20.64	\$21.50
OMAHA TOTALS	21,086,586	91,401	2,271,029	11.2%	124,213	124,213	132,379	192,000	\$18.71	\$21.04

*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	7,367,460	54,157	619,846	9.1%	-16,401	-16,401	9,317	192,000	\$21.04	\$21.04
Class B	10,243,539	20,337	1,126,953	11.2%	144,247	144,247	111,780	N/A	\$18.45	\$18.45
Class C	3,475,587	16,907	524,230	15.5%	-3,633	-3,633	11,282	N/A	\$13.42	\$13.42

Key Lease Transactions Q1 2017

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
1450 Mike Fahey Street	63,000	Kiewit Corporation	Build-to-suit	Downtown
7200 World Communications Drive	20,684	Triage Staffing	Lease	Northwest
Northpark 8	20,252	Safe Haven Home	Lease	Northwest

Key Sales Transactions Q1 2017

PROPERTY	SF	SELLER / BUYER	PRICE / \$PSF
Nicholas Plaza	24,443	N/A/LSAS Properties Management, LLC	\$4.4M/\$180
5303 F Street	16,387	LSRE4 Bison, LLC/Food Safety Net Svc	\$800,000/\$48.82

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