

# MARKETBEAT

## Omaha

Industrial Q4 2017



### OMAHA INDUSTRIAL

#### Economic Indicators

	Q4 16	Q4 17	12-Month Forecast
Omaha Employment	500k	510k	▲
Omaha Unemployment	3.4%	2.7%	▼
U.S. Unemployment	4.7%	4.1%	▼

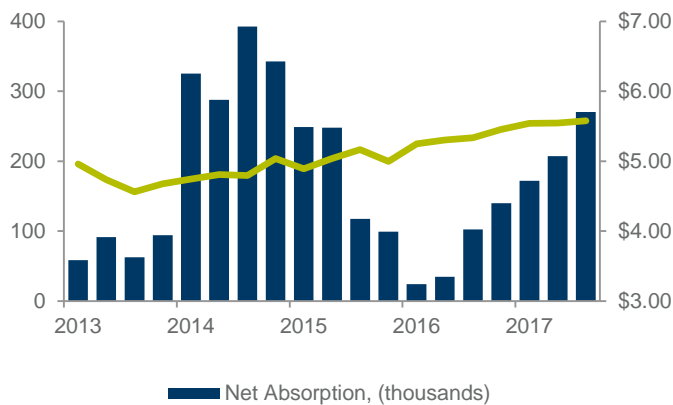
#### Market Indicators (Overall, All Property Types)

	Q4 16	Q4 17	12-Month Forecast
Vacancy	3.2%	3.4%	▲
Net Absorption (SF)	205k	456k	▲
Under Construction (SF)	913k	977k	▲
Average Asking Rent*	\$5.41	\$5.55	▲

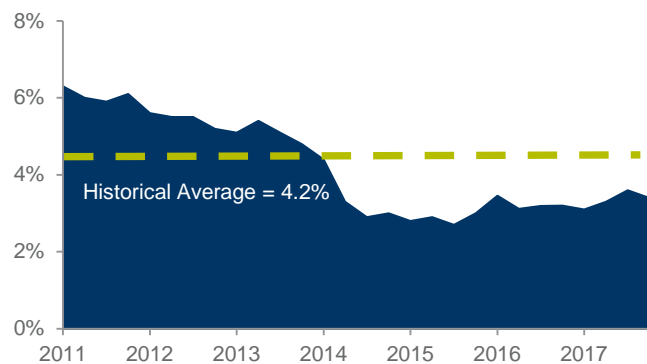
\*Rental rates reflect net asking \$psf/year

#### Overall Net Absorption/Overall Asking Rent

##### 4-QTR TRAILING AVERAGE



#### Overall Vacancy



### Economy

Economic conditions remain solid in the Omaha MSA, with year-over-year unemployment rates improving by 70 basis points (bps) through the end of 2017. The unemployment rate was reported at 2.7% for fourth quarter 2017, which is a vast improvement in comparison to the 3.4% unemployment rate recorded for fourth quarter 2016. The strengthening of the labor market is a major factor in the economic growth, with local job creations totaling 9,100 from fourth quarter 2016. The overall performance of the U.S. economy remained positive, demonstrating a surprisingly strong annual growth rate. In December, the Federal Reserve raised its benchmark interest rate for the third time in 2017. It is anticipated that interest rates will increase at least four times in 2018.

### Market Overview

The Omaha industrial market recorded its seventh consecutive quarter of positive net absorption in fourth quarter 2017, totaling just under 456,000 square feet (sf), while year-over-year absorption hit record highs, totaling nearly 1.1 million square feet (msf). Build-to-suit and owner-user construction deliveries are driving the positive absorption surge. More than 1.4 msf of industrial space was delivered in 2017. While demand remains positive, the inventory increase has caused the vacancy rate to rise by 9.7% since fourth quarter 2016. Despite the slight uptick, the vacancy rate is still hovering around the 3 percent mark.

The Sarpy West market led the way in fourth quarter 2017 with almost 267,000 sf of positive net absorption and more than 1.0 msf absorbed year-to-date. A considerable amount of absorption recorded for the year stemmed from local tenants expanding into new construction. Baltazar Stone, Thrasher, Blue Buffalo Pet Food, Oxbow Animal Health and Freightliner are some of the larger companies to expand into new construction in 2017. Average triple net rental rates for all property types increased by 2% year-over-year, averaging \$5.55 per square foot (psf) NNN at year-end. The office/flex space type experienced the greatest rental increase, up by \$0.24 since fourth quarter 2016.

### Outlook

As we move into 2018, we will continue to see construction growth, as just under 1.0 msf of industrial space was under construction at year-end. The increased inventory will likely cause the vacancy rate to rise slightly, but tight supply and high demand will lead to industrial rent improvements. New construction will continue to be absorbed while older, obsolete buildings will be repurposed.

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SUBMARKET	TOTAL BLDGS	INVENTORY (SF)	YTD USER SALES ACTIVITY (SF)	OVERALL VACANCY RATE	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	YTD CNSTR COMPLETIONS	OVERALL WEIGHTED AVG. NET RENT (TOTAL MARKET)	OVERALL WEIGHTED AVG. NET RENT (OS)	OVERALL WEIGHTED AVG. NET RENT (W/D)
Northeast	254	9,579,336	157,182	6.7%	-129,881	N/A	N/A	\$4.53	\$4.40	N/A
Northwest	189	4,177,544	180,057	1.6%	117,340	N/A	N/A	\$6.01	\$5.20	N/A
Sarpy East	58	2,010,255	12,000	3.8%	170,108	N/A	160,000	\$5.34	\$5.29	N/A
Sarpy West	396	14,387,296	146,468	2.8%	1,037,938	816,262	898,829	\$5.72	\$6.53	\$5.03
South Central	559	18,524,827	218,329	3.7%	-155,308	9,600	8,000	\$5.42	\$5.61	\$4.86
Southeast	227	6,947,741	22,250	2.2%	3,963	N/A	N/A	\$5.07	\$6.06	N/A
Southwest	257	8,032,499	25,091	2.3%	-57,663	N/A	15,000	\$6.21	\$6.20	N/A
Council Bluffs	142	5,424,291	7,212	2.3%	117,671	151,000	326,000	\$6.19	\$5.41	N/A
<b>OMAHA TOTALS</b>	<b>2,082</b>	<b>69,083,789</b>	<b>768,589</b>	<b>3.4%</b>	<b>1,104,168</b>	<b>976,862</b>	<b>1,407,8296</b>	<b>\$5.55</b>	<b>\$5.59</b>	<b>\$4.91</b>

\*Rental rates reflect asking \$psf/year

MF = Manufacturing OS = Office Service/Flex W/D = Warehouse/Distribution

### Key Lease Transactions 2017

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
11902 S. 150 <sup>th</sup> St	247,000	Oxbow Animal Health	NNN Lease	Sarpy West
11651 S. 154 <sup>th</sup> St	115,560	Hy-Vee	NNN Lease	Sarpy West
13205 Lynam Dr	90,000	Ferguson	NNN Lease	Sarpy West

### Key Sales Transactions 2017

PROPERTY	SF	SELLER / BUYER	PRICE / \$PSF	SUBMARKET
10601 S. 15 <sup>th</sup> St	370,000	Ablah Enterprises/AIC Ventures	\$19.2M / \$52	Sarpy East
1209 N. 31 <sup>st</sup> Ave	89,500	1209 Partners/STAG Industrial	\$6.6M / \$74	Council Bluffs
13333 Lynam Dr	78,204	Bell Avenue/Haleda	\$6.5M / \$83	Sarpy West

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