

# MARKETBEAT

## Retail Snapshot Q4 2017

Omaha



### ECONOMIC INDICATORS

#### National

|                          | Q4 2016 | Q4 2017 | 12-Month Forecast |
|--------------------------|---------|---------|-------------------|
| GDP Growth               | 1.8%    | 2.3%*   | ▲                 |
| CPI Growth               | 1.8%    | 2.0%*   | ▲                 |
| Consumer Spending Growth | 2.8%    | 2.6%*   | ▼                 |
| Retail Sales Growth      | 3.7%    | 4.3%*   | ▲                 |

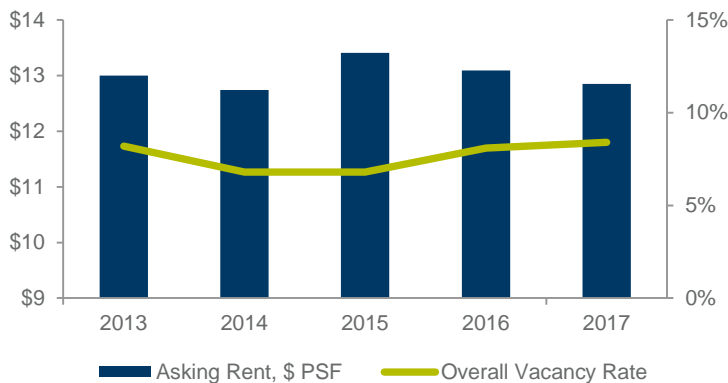
\*Q3 values. \*\* Forecast by Cushman & Wakefield. Values represent year-over-year % change.

#### Regional

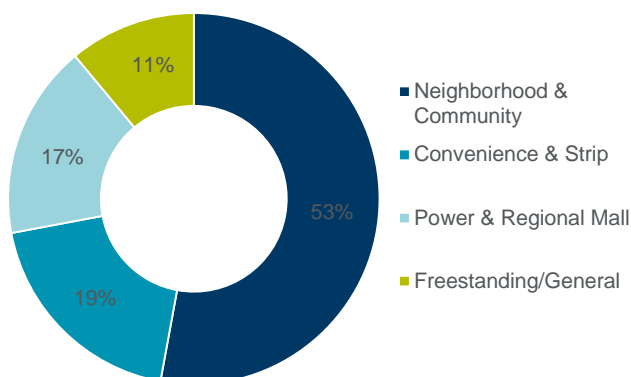
|                   | Q4 2016  | Q4 2017  | 12-Month Forecast |
|-------------------|----------|----------|-------------------|
| Household Income  | \$62,999 | \$63,382 | ▲                 |
| Population Growth | 1.04%    | 0.9%     | ▲                 |
| Unemployment      | 3.4%     | 2.7%     | ▼                 |

Source: Moody's Analytics

### Rental Rate vs. Overall Vacancy



### Availability by Type



### Economy

Economic conditions remain solid in the Omaha MSA, with year-over-year (YOY) unemployment rates improving by 70 basis points (bps) through the end of 2017. The strengthening of the labor market is a major factor in the economic growth, with local job creation 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 retail market recorded 67,199 square feet (sf) of positive net absorption in fourth quarter 2017 and 213,513 sf year-to-date. The vacancy rate held steady at 8.4% from third quarter 2017 to present. However, the YOY vacancy rose by 30 bps, up from 8.1% in fourth quarter 2016. Over the past 12 months, asking rents fell by 1.8%, averaging \$12.85 per square foot (psf) NNN at quarter close. Trends suggest that retail market health is on the decline, but what we're seeing is a digital transformation driven by a shift in consumer shopping behaviors. We live in the digital era where online shopping is estimated to be the fastest growing area of internet usage. According to the U.S. Census Bureau's third quarter 2017 report, eCommerce sales increased by 15.5% year-over-year, while overall retail sales improved by 4%. This eCommerce boom led many retailers to reduce their physical presence by closing underperforming store locations to fund digital footprint expansions. The hike in store closures has opened the door to a new age in retail, where rules and boundaries are becoming non-existent. As retailers evacuate space, landlords have gotten creative to fill the empty vacancies, resulting in diverse tenant mixes of traditional and non-traditional occupants. The two largest retail spaces leased in fourth quarter 2017 were to non-traditional occupants; Prime Time Health Care and Maserati accounted for 73% of the total net absorption.

### Outlook

Consumer confidence reached a 17-year high in fourth quarter 2017 and is expected to lead the economy to a 3% growth in 2018. The U.S. unemployment rate decreased by 60 basis points YOY to 4.1% and is predicted to fall to under 4% in 2018. Though we will continue to see store closures and bankruptcy announcements in the new year, the overall retail market will see growth in 2018.

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| SUBMARKET           | TOTAL BLDGS | INVENTORY (SF)    | OVERALL VACANCY RATE | OVERALL CURRENT NET ABSORPTION (SF) | OVERALL YTD NET ABSORPTION (SF) | UNDER CNSTR (SF) | OVERALL AVERAGE ASKING RENT (NNN) |
|---------------------|-------------|-------------------|----------------------|-------------------------------------|---------------------------------|------------------|-----------------------------------|
| Sarpy West          | 70          | 3,184,646         | 8.5%                 | -4,993                              | -15,406                         | N/A              | \$15.83                           |
| Sarpy East/Bellevue | 62          | 2,189,629         | 5.5%                 | 9,358                               | -8,817                          | N/A              | \$11.53                           |
| Southwest           | 183         | 8,638,143         | 7.8%                 | 36,081                              | 238,515                         | 14,675           | \$13.20                           |
| South Central       | 106         | 6,002,562         | 6.3%                 | 10,612                              | 65,071                          | 35,614           | \$13.48                           |
| West Dodge Corridor | 32          | 2,158,788         | 7.4%                 | 25,277                              | -4,851                          | 12,000           | \$12.12                           |
| East                | 85          | 2,563,703         | 9.1%                 | 1,459                               | -3,018                          | 68,905           | \$13.43                           |
| Northwest           | 87          | 3,154,560         | 7.2%                 | 5,977                               | 28,810                          | N/A              | \$14.67                           |
| Council Bluffs      | 56          | 3,661,869         | 9.5%                 | -2,250                              | 32,003                          | N/A              | \$11.95                           |
| North Central       | 43          | 2,380,193         | 18.6%                | -14,322                             | -118,794                        | N/A              | \$8.53                            |
| <b>OMAHA TOTALS</b> | <b>724</b>  | <b>33,934,093</b> | <b>8.4%</b>          | <b>67,199</b>                       | <b>213,513</b>                  | <b>131,194</b>   | <b>\$12.85</b>                    |

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

| MARKET SEGMENT                   | TOTAL BLDGS | INVENTORY (SF) | OVERALL VACANCY RATE | OVERALL CURRENT NET ABSORPTION (SF) | OVERALL YTD NET ABSORPTION (SF) | UNDER CNSTR (SF) | OVERALL AVERAGE ASKING RENT (NNN) |
|----------------------------------|-------------|----------------|----------------------|-------------------------------------|---------------------------------|------------------|-----------------------------------|
| Conv/Strip Center                | 355         | 5,382,166      | 9.9%                 | 37,586                              | 159,197                         | 12,000           | \$15.53                           |
| Neighborhood/Community Center    | 157         | 13,631,032     | 11.5%                | 45,209                              | 52,051                          | 26,675           | \$12.57                           |
| Freestanding/General (Specialty) | 190         | 9,056,158      | 2.6%                 | 24,156                              | 29,404                          | 92,519           | \$7.37                            |
| Regional/Power Center            | 22          | 5,864,737      | 8.9%                 | -39,752                             | -27,139                         | N/A              | \$15.56                           |

### Key Lease Transactions Q4 2017

| PROPERTY                         | SF     | TENANT                              | TRANSACTION TYPE | SUBMARKET           |
|----------------------------------|--------|-------------------------------------|------------------|---------------------|
| Walnut Grove Plaza-15370 Weir St | 27,810 | Prime Time Healthcare               | Relocation       | Southwest           |
| 17101-17305 Davenport St         | 21,156 | Maserati                            | New              | West Dodge Corridor |
| 3601-3677 N 129 <sup>th</sup> St | 5,512  | Family Ties Child Enrichment Center | Relocation       | Northwest           |
| 3125-3129 Oak View Dr            | 4,886  | Trademark Uniforms                  | Relocation       | Southwest           |

### Key Sales Transactions Q4 2017

| PROPERTY                                       | SF     | SELLER / BUYER                               | PRICE / \$PSF     | SUBMARKET     |
|--|--------|--|-------------------|---------------|
| Starwood Shopping Center-9931-9959 Redick Cir  | 23,383 | Palmer & Company/Midwest Retail Properties   | \$2,411,500/\$103 | North Central |
| Lakeview Plaza-5170-5182 S 72 <sup>nd</sup> St | 9,610  | Prairie Home Builders, Inc/Anjaneyulu Katam  | \$2,400,000/\$250 | South Central |
| 119 N 72 <sup>nd</sup> St                      | 31,590 | Furniture Row COLO, LLC/R.S. Holdings I, LLC | \$1,550,000/\$49  | South Central |

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