

MARKETBEAT

Omaha

Industrial Q2 2018



CUSHMAN & WAKEFIELD

LUND COMPANY

OMAHA INDUSTRIAL

Economic Indicators

	Q2 17	Q2 18	12-Month Forecast
Local Employment	500k	505k	▲
Local Unemployment	3.0%	2.9%	▼
U.S. Unemployment	4.3%	3.8%	▼

Numbers above are quarterly averages; May data used to represent Q2 2018 for Omaha

Market Indicators (Overall, All Property Types)

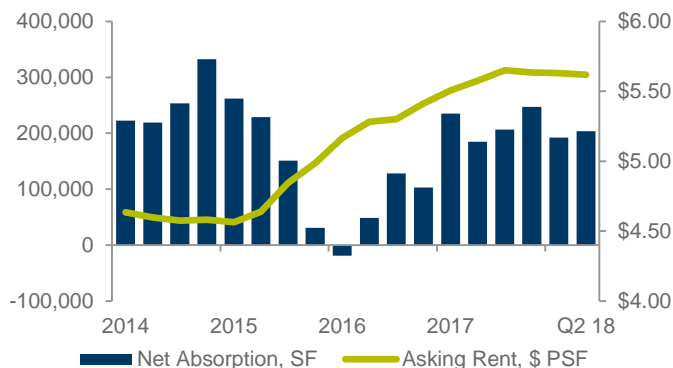
	Q2 17	Q2 18	12-Month Forecast
Vacancy	2.6%	2.9%	▲
Net Absorption (sf)	50k	88k	▲
Under Construction (sf)	569k	881k	▲
Average Asking Rent*	\$5.63	\$5.58	▲

*Historical data differences due to change in data provider from Xceligent to Costar

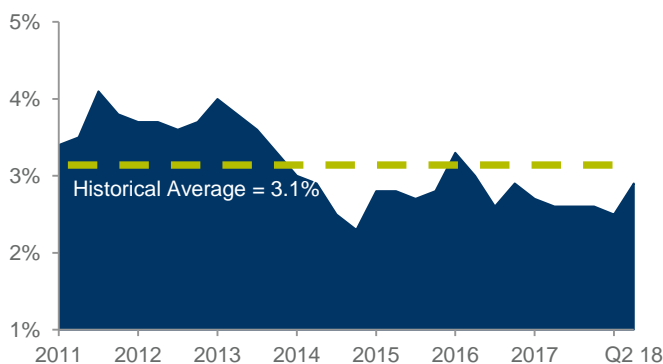
**Rental rates reflect net asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

The Omaha MSA unemployment rate dropped to 2.9% in the second quarter of 2018, adding 5,100 jobs year-over-year. The low unemployment rate continues to signal a tight labor market, which brings some concern. Employers face the challenge of filling open positions with a much smaller talent pool to choose from. In attempt to attract qualified job candidates, they may have to offer more money than in the past. Property owners have started hiring developers to add amenities to their industrial parks. Some of the amenities include walking parks, fitness rooms, daycares and restaurants. These amenities help create the work environment that people are attracted to but have not typically been available in the industrial workplace. Businesses located in modernized industrial parks, will likely see more success in hiring and retaining employees.

Market Overview

The Omaha industrial market concluded Q2 2018 with nearly 90,000 square feet (sf) of positive net absorption. After recording 70,000 sf of negative absorption in Q1 2018, due to minimal construction deliveries, second quarter activity was more in line with the positive absorption trends seen in recent quarters. Despite recording positive activity, overall vacancy increased by 40 basis points (bps), and currently sits at 2.9%. The vacancy rate increase can be attributed to the delivery of 185,000 sf of speculative space in the Sarpy West submarket. Historically, nearly all industrial developments were either build-to-suit, or single-tenant, owner-user properties. In response to low vacancy rates and limited supply, developers and investors are constructing more speculative buildings to meet industry demands. Approximately 880,000 sf of industrial space is under construction, with 695,000 sf slated for completion by year-end. The Sarpy West submarket recorded the largest amount of absorption for the quarter, at 64,603 sf. Occupants leasing the largest blocks of space in the submarket include Facebook with 58,000 sf, Midland Scientific leasing 30,600 sf, and Hugo VPM with 30,068 sf.

Outlook

Tenants taking occupancy in new construction will generate positive absorption through the remainder of the year, but we may see a teeter-totter effect in the vacancy rate, as speculative projects are completed. This increase is not a reflection of declining market health or instability. The additional inventory is a positive change, providing much needed room for growth, and may potentially attract new businesses.

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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)	OVERALL WEIGHTED AVG. NET RENT (MF)	OVERALL WEIGHTED AVG. NET RENT (OS)	OVERALL WEIGHTED AVG. NET RENT (W/D)	OVERALL WEIGHTED AVG. NET RENT (ALL USES)
Sarpy East	37	1,775,439	0	1.3%	4,898	0	\$3.25	\$0.00	\$0.00	\$3.25
Sarpy West	339	14,427,613	66,300	5.0%	70,253	713,275	\$0.00	\$7.70	\$5.69	\$5.76
South Central	495	20,048,095	13,027	3.6%	-77,985	16,436	\$4.94	\$7.22	\$5.23	\$5.39
Southeast	191	8,255,854	0	1.4%	13,800	0	\$3.95	\$0.00	\$6.62	\$5.26
Southwest	199	8,654,626	81,412	3.7%	-63,327	0	\$8.00	\$9.56	\$4.17	\$5.89
Council Bluffs	41	2,617,585	0	0.0%	0	151,000	\$0.00	\$0.00	\$0.00	\$0.00
Downtown Council Bluffs	64	2,851,923	0	0.0%	34,090	0	\$0.00	\$0.00	\$4.50	\$4.50
Northeast	216	10,381,585	49,916	0.6%	40,156	0	\$0.00	\$4.75	\$8.20	\$6.34
Northwest	145	6,029,332	6,785	3.8%	-4,683	0	\$0.00	\$7.08	\$6.31	\$6.45
OMAHA TOTALS	1,727	75,042,052	217,440	2.9%	17,202	880,711	\$4.59	\$7.39	\$5.43	\$5.58

*Rental rates reflect asking \$psf/year

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

**The Council Bluffs inventory has now been divided, and is classified as two separate submarkets, to track downtown activity individually

	TOTAL BLDGS	INVENTORY (SF)	YTD USER SALES ACTIVITY (SF)	OVERALL VACANCY RATE	YTD OVERALL NET ABSORPTION (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	UNDER CNSTR (SF)	YTD LEASING ACTIVITY (SF)	OVERALL WEIGHTED AVG. NET RENT
Warehouse/Distribution	1,124	45,942,612	177,993	3.4%	26,310	24,000	1,536,443	645,142	595,889	\$5.43
Manufacturing	240	20,484,893	0	1.3%	-16,788	0	268,153	0	166,438	\$4.59
Office Service/Flex	363	8,614,547	39,447	4.2%	7,680	4,037	361,613	235,569	123,525	\$7.39

Key Lease Transactions Q2 2018

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
6363 John J Pershing Dr	79,600	CHEP	Renewal	Northeast
11652 S 154 th St	57,600	Facebook	New Lease	Sarpy West
10651 Chandler Rd	30,600	Midland Scientific	New Lease	Sarpy West
13306 Portal Dr	30,068	Hugo VPM	New Lease	Sarpy West

Key Sales Transactions Q2 2018

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
Val Vista Industrial Bldg	66,300	George W Venteicher/Midland Scientific	\$4,615,000 / \$70	Sarpy West
Campbell Valley	74,715	Lsref4 Bison LLC/Lochawe LLC	\$3,920,800 / \$52	South Central
3626 Martha St	56,000	Team Technologies Inc/LV Commercial Property Investments LLC	\$2,550,000 / \$46	Southeast
1006 N 20 th St	34,340	3E Building LLC/Creighton University	\$2,237,500 / \$65	Northeast

The Lund Company
450 Regency Parkway,
Suite 200
Omaha, NE 68114
cushmanwakefield.com

For more information, contact:
Denny Scisroe, Director of
Industrial Services
Tel: +1 402 548 4051
dscisroe@lundco.com

About Cushman & Wakefield

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