

OMAHA OFFICE

Economic Indicators

|                    | Q3 17 | Q3 18 | 12-Month Forecast |
|--------------------|-------|-------|-------------------|
| Omaha Employment   | 498k  | 506k  | ▲                 |
| Omaha Unemployment | 3.0%  | 2.9%  | ▼                 |
| U.S. Unemployment  | 4.4%  | 3.9%  | ▼                 |

Numbers above are quarterly averages; August data used to represent Q3 2018 for Omaha

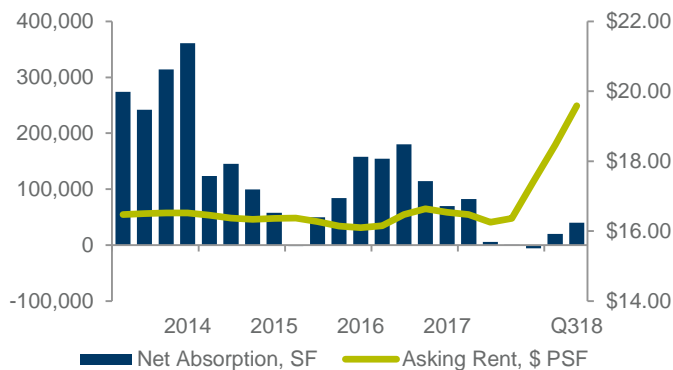
Market Indicators (Overall, All Classes)

|                         | Q3 17   | Q3 18   | 12-Month Forecast |
|-------------------------|---------|---------|-------------------|
| Vacancy                 | 10.6%   | 6.8%    | ▼                 |
| Net Absorption (sf)     | 68,122  | 76,144  | ▲                 |
| Under Construction (sf) | 551,448 | 982,574 | ■                 |
| Average Asking Rent**   | \$19.09 | \$20.76 | ▲                 |

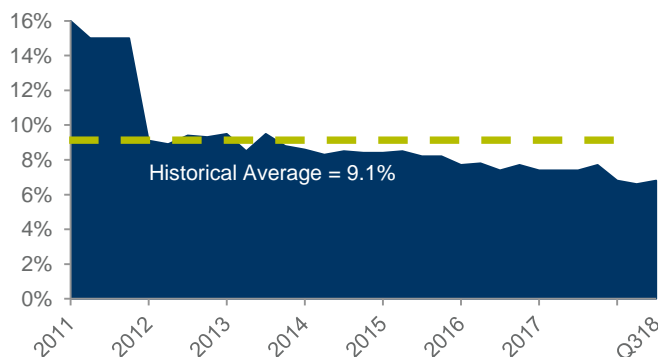
\*Historical data differences due to change of data provider from Xceligent to Costar  
\*\*Rental rates reflect gross asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

Economic conditions in the Omaha MSA remained solid in Q3 2018, with many key factors contributing to long-term growth. The local unemployment rate is 2.9%, while the national rate sits at 3.9%. Nonfarm payroll employment rose by 8,700, year-over-year. The information technology sector is one of the fastest growing industries in America and plays a vital role in the overall market health. The considerable number of tech jobs in the area earned the region the nickname “Silicon Prairie” and continues to attract new talent to the market. In 2017, Time magazine ranked Omaha the #3 most up-and-coming city in America, and Harvard Business School calls it the “best city for economic opportunity”. CNBC ranked it the #7 “top city in the U.S. for young people” and #2 in “cities where renters can afford to live alone”. The cost of living is more affordable, as it is 8% lower than the national average. The Omaha Chamber is currently working on a \$32-million development campaign named “Prosper Omaha 2.0”, that was designed to boost economic growth. Campaign goals include creating 10,000 new jobs and \$500 million in new payroll over the next five years.

Market Overview

Omaha’s office market recorded 76,144 square feet (sf) of positive absorption in Q3, primarily generated by occupancy in new construction. Building completions, increased the office inventory by 235,000 sf, but also caused the vacancy rate to increase by 20 basis points (bps) quarter-over-quarter. This is a meager increase considering office vacancy declined by 36% year-over-year. West Dodge Hills Bldg 1, was the largest project, adding 115,000 sf of Class A office space to the Suburban West Dodge submarket. More than 80% of the building was leased before completion to Sojern and Lindsay Manufacturing. Nearly 1.0 million square feet (msf) of office space is in the construction pipeline. 95% of it is in suburban submarkets, but there certainly is not a shortage of downtown activity. The downtown submarket was the strongest performer of the quarter, bringing 50,135 sf of positive absorption to the table. In addition to MetLife’s plan to add more than 150 people to the downtown workforce, there is a \$290-million plan to revitalize the Riverfront, aimed to attract new activity and business. Office gross asking rents reached \$20.76 per square foot (psf) during the quarter, an increase of \$1.67 psf since Q3 2017.

Outlook

Omaha’s office market fundamentals will remain positive into 2019. New construction and ongoing citywide revitalization projects continue to modernize the Omaha landscape, spawning current and future growth.

# MARKETBEAT

## Omaha

Office Q3 2018



| 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             | 5,274,080         | 0                  | 156,658            | 3.0%                 | -7,786                                  | 33,484                          | 95,663                      | 367,987          | \$22.09                                    | \$27.04                                |
| Southwest           | 3,786,485         | 12,131             | 288,567            | 7.9%                 | 18,786                                  | 94,559                          | 152,869                     | 110,000          | \$21.27                                    | \$30.69                                |
| Downtown            | 9,195,925         | 4,343              | 350,147            | 3.9%                 | 50,135                                  | 233,461                         | 168,067                     | 47,000           | \$18.39                                    | \$23.71                                |
| Northwest           | 2,219,926         | 1,796              | 352,077            | 15.9%                | -28,922                                 | -113,691                        | 52,687                      | 65,469           | \$20.21                                    | \$0.00                                 |
| Central West Dodge  | 2,569,178         | 23,915             | 146,734            | 6.6%                 | 27,093                                  | 61,420                          | 106,818                     | 48,580           | \$24.06                                    | \$29.00                                |
| Old Mill            | 2,369,050         | 16,907             | 270,634            | 12.1%                | -50,886                                 | -101,036                        | 16,874                      | 0                | \$21.04                                    | \$0.00                                 |
| Regency             | 1,238,273         | 0                  | 74,202             | 6.0%                 | 15,711                                  | -14,704                         | 44,712                      | 0                | \$22.82                                    | \$31.43                                |
| Northeast           | 458,571           | 0                  | 9,512              | 2.1%                 | 700                                     | -9,512                          | 3,614                       | 0                | \$18.26                                    | \$0.00                                 |
| South Central       | 2,353,794         | 0                  | 217,807            | 9.3%                 | -5,435                                  | -8,949                          | 156,954                     | 142,038          | \$17.17                                    | \$0.00                                 |
| Southeast           | 1,928,740         | 0                  | 257,831            | 13.4%                | -1,655                                  | 28,362                          | 22,612                      | 0                | \$17.45                                    | \$16.00                                |
| Suburban West Dodge | 3,393,557         | 16,577             | 158,023            | 5.1%                 | 64,045                                  | 77,274                          | 111,615                     | 201,500          | \$27.14                                    | \$29.19                                |
| Miracle Hills       | 1,027,243         | 5,840              | 59,654             | 6.4%                 | -5,642                                  | -12,899                         | 43,711                      | 0                | \$20.38                                    | \$21.50                                |
| <b>OMAHA TOTALS</b> | <b>35,814,822</b> | <b>81,509</b>      | <b>2,341,846</b>   | <b>6.8%</b>          | <b>76,144</b>                           | <b>267,769</b>                  | <b>976,196</b>              | <b>982,574</b>   | <b>\$20.76</b>                             | <b>\$26.61</b>                         |

\*Renewals are not included in YTD Leasing Activity (SF) \*\*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 | 9,024,767      | 19,384             | 325,730            | 3.8%                 | 81,593                                  | 236,032                         | 315,216                    | 563,969          | \$26.61                      | \$26.61                       |
| Class B | 22,872,678     | 43,682             | 1,559,303          | 7.0%                 | 21,872                                  | 71,587                          | 327,833                    | 418,605          | \$20.16                      | \$20.16                       |
| Class C | 3,917,377      | 18,443             | 456,813            | 12.1%                | -27,321                                 | -39,850                         | 333,147                    | 0                | \$15.75                      | \$15.75                       |

### Key Lease Transactions Q3 2018

| PROPERTY                       | SF     | TENANT                             | TRANSACTION TYPE  | SUBMARKET          |
|--------------------------------|--------|------------------------------------|-------------------|--------------------|
| 1299 Farnam Street             | 27,947 | Mutual of Omaha                    | New Lease         | Downtown           |
| 1000 N 90 <sup>th</sup> Street | 16,194 | LinkedIn Corporation               | Expansion         | Central West Dodge |
| 10303 Crown Point Avenue       | 15,856 | General Service Bureau             | Renewal/Expansion | Northwest          |
| 10250 Regency Circle           | 16,647 | Pansing Hogan Ernst & Bachman, LLP | Renewal           | Regency            |

### Key Sales Transactions Q3 2018

| PROPERTY                             | SF     | SELLER/BUYER                                 | PRICE / \$PSF     | SUBMARKET |
|--------------------------------------|--------|--|-------------------|-----------|
| 14703 Wright Street                  | 24,710 | JK Properties, LLC/CF Wright Street, LLC     | \$3,200,000/\$129 | Southwest |
| 107 S 15 <sup>th</sup> Street        | 14,381 | Studio 15 Building, LLC/Herman + Miller, LLC | \$2,047,000/\$142 | Downtown  |
| 2503-2509 S 140 <sup>th</sup> Circle | 10,224 | P.C. Investments, LLC/M2 Investments, LLC    | \$1,420,000/\$138 | Southwest |
| 10846 Old Mill Road                  | 10,000 | GRP Realty, LLC/Old Mill Properties, LLC     | \$950,000/\$95    | Old Mill  |

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