

MARKETBEAT

Omaha

Industrial Q4 2018



CUSHMAN & WAKEFIELD

LUND COMPANY

OMAHA INDUSTRIAL

Economic Indicators

	Q4 17	Q4 18	12-Month Forecast
Omaha Employment	501k	510k	▲
Omaha Unemployment	3.0%	2.8%	▼
U.S. Unemployment	4.1%	3.7%	▼

Numbers above are quarterly averages.

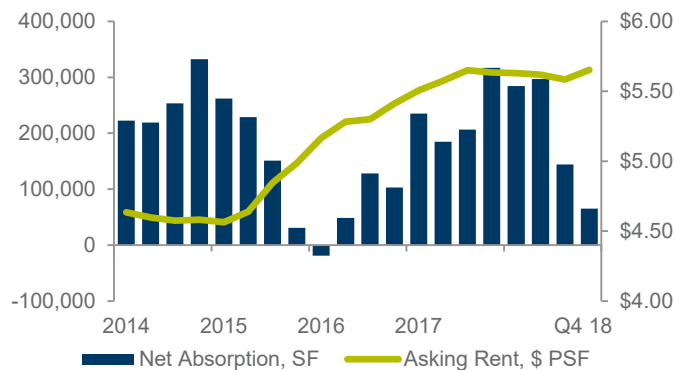
Market Indicators (Overall, All Property Types)

	Q4 17	Q4 18	12-Month Forecast
Vacancy	2.6%	3.2%	■
Net Absorption (sf)	456k	142k	▲
Under Construction (sf)	977k	972k	▲
Average Asking Rent*	\$5.52	\$5.79	▲

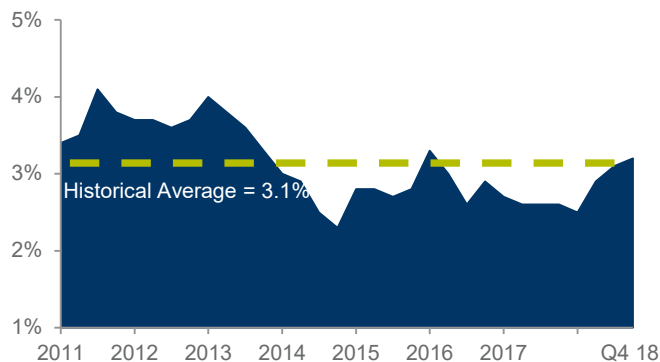
*Historical data differences due to change in data provider from Xceligent to Costar
 **Rental rates reflect net asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

The Omaha MSA unemployment rate decreased by 10 basis points (bps) quarter-over-quarter, and by 20 bps year-over-year (YOY). A total of 8,800 nonfarm positions have been created since fourth quarter of 2017. Manufacturing, construction and service industries are leading the way in adding jobs and boosting the state's economy, with the manufacturing sector having the largest footprint. According to the Nebraska Department of Economic Development, 4,384 manufacturing jobs were created between October 2017 and October 2018, reaching a total of 102,754 manufacturing employees in the state of Nebraska. Another 2,800 manufacturing positions are expected to be created over the next three years, with the new Costco Poultry Plant in Fremont supporting that growth.

Market Overview

Demand for industrial space was up during the fourth quarter of 2018, amounting to 141,772 square feet (sf) of positive absorption, compared to 53,388 sf of negative absorption that was recorded in the prior quarter. Absorption decreased by 68% YOY, resting at 262,129 sf of positive absorption at year close. The total vacancy rate saw a modest change of 3.2%, increasing by 10 bps qoq and by 60 bps since fourth quarter 2017. Though numerous large blocks of space were occupied throughout 2018, multiple factors contributed to a decline in absorption from the previous year and an increase in the overall vacancy rate. Several large vacancies came online due to business closings, consolidations, and tenants relocating to new construction. Ten speculative developments were delivered throughout the year, adding 606,862 sf of industrial supply to the inventory. Nearly 70% of the new speculative space was vacant at year-end. Net asking rents continue to trend upward, averaging \$5.79 per square foot (psf) at the end of year. The warehouse product type saw the largest rent increase at \$5.62 psf, up \$0.16 psf, since third quarter. American Fence was the largest single occupant for the quarter, taking 78,883 sf in the Sarpy West submarket.

Outlook

The industrial sector is expected to remain strong, boosting the overall market economy. There is 971,591 sf of construction currently underway, with approximately 80% already inked for future occupancy. New development will continue to drive positive absorption and rent growth throughout 2019.

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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	1,810,109	0	1.2%	4,898	N/A	\$3.25	N/A	N/A	\$3.25
Sarpy West	348	15,054,490	131,592	5.7%	252,290	335,155	\$6.50	\$6.65	\$6.31	\$6.33
South Central	493	20,019,389	268,130	3.1%	59,738	366,436	\$4.94	\$6.62	\$4.92	\$5.03
Southeast	191	8,419,067	194,242	3.3%	-4,080	N/A	\$3.95	\$12.00	\$6.62	\$6.16
Southwest	200	8,675,146	97,412	3.4%	868	N/A	\$8.95	\$8.51	\$4.64	\$5.96
Council Bluffs	41	2,721,132	0	0.6%	-8,000	N/A	N/A	N/A	\$6.95	\$6.95
Downtown Council Bluffs	64	2,851,923	10,322	N/A	41,110	211,000	N/A	N/A	N/A	N/A
Northeast	216	10,663,703	252,313	1.1%	-63,647	N/A	N/A	N/A	\$8.23	\$8.23
Northwest	147	6,139,778	31,179	4.4%	-21,048	59,000	N/A	\$8.09	\$8.25	\$8.17
OMAHA TOTALS	1,737	76,354,737	985,190	3.2%	262,129	971,591	\$4.64	\$8.02	\$5.62	\$5.79

*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	1,130	46,504,869	847,385	3.3%	385,129	12,230	1,540,184	215,200	915,697	\$5.62
Manufacturing	238	21,013,101	38,079	2.4%	-157,165	N/A	513,625	546,000	166,438	\$4.64
Office Service/Flex	369	8,836,767	99,726	4.7%	34,165	N/A	413,347	210,391	257,428	\$8.02

Key Lease Transactions Q4 2018

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
12330 Cary Cir	78,883	American Fence	New Lease	Sarpy West
2755 River Road Dr	24,000	Valley Marine	New Lease	Northwest
13205 Centennial Rd	18,750	JW Logistics	New Lease	Sarpy West
12520 F Plaza	15,258	TR Construction	New Lease	Southwest

Key Sales Transactions Q4 2018

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
3514 S 25 th St	216,802	Hood Packaging Corporation/Westchester Capital, LLC	\$7,244,999/\$33	Southeast
Izard & Nicholas St Portfolio sale	135,919	Pierson Enterprises, LLC/Smith Block, LLC	\$1,974,400/\$15	Northeast
9610 J St	48,048	Circo Enterprises, LLC/JBI-96J, LLC	\$3,782,000/\$79	South Central
10919 Sapp Brothers Dr	30,548	ONEDMS, LLC/JLS Investments, LLC	\$2,100,000/\$69	Sarpy West

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