

MARKETBEAT

Omaha

Industrial Q1 2019



CUSHMAN & WAKEFIELD

LUND COMPANY

OMAHA INDUSTRIAL

Economic Indicators

	Q1 18	Q1 19	12-Month Forecast
Omaha Employment	501k	508k	▲
Omaha Unemployment	2.9%	2.8%	▼
U.S. Unemployment	4.1%	3.8%	▼

Numbers above are quarterly averages.

Market Indicators (Overall, All Property Types)

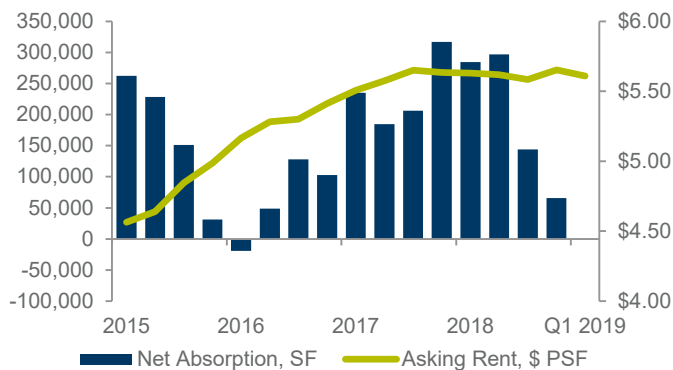
	Q1 18	Q1 19	12-Month Forecast
Vacancy	2.3%	2.7%	■
Net Absorption (sf)	81k	-178k	■
Under Construction (sf)	1.7M	1.3M	▲
Average Asking Rent*	\$5.62	\$5.45	▲

*Historical data differences due to change in data set

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

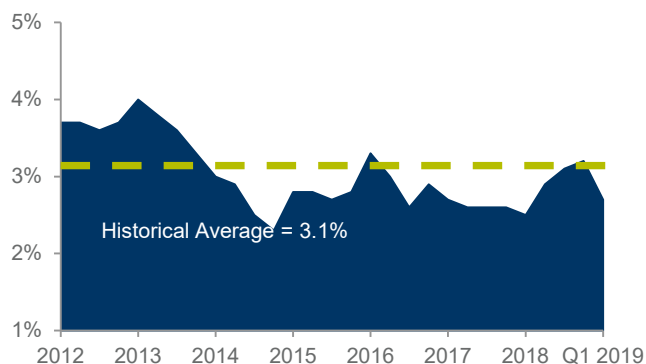
Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



*4-quarter average absorption was 635 sf

Overall Vacancy



Economy

Job growth in the Omaha MSA was up 1.4% in the first quarter of 2019, adding 7,000 jobs in a 12-month period. The year-over-year (YOY) area jobless rate decreased by 10 basis points (bps) to 2.8% and remains one of the lowest in the nation. Nearly 95% of Nebraska's population was affected by record-breaking flooding within the first quarter of the year, causing billions of dollars in economic damage. The floods caused many highway and rail line closures, disrupting the flow of domestic and international freight. It's estimated that the damage to Nebraska highways and local roads reached more than \$100-million. Many tracks were washed out, and intermodal shipments had to be converted to truckload shipments to avoid further cargo delays. Shippers have been warned that they may see freight costs accelerate. Nebraska's economy is expected to see growth, but at a slower pace.

Market Overview

The Omaha industrial market experienced 178,332 square feet (sf) of negative absorption in the first quarter of the year. This is a result of several sizable spaces being vacated. The Southwest submarket had the largest single move-out of the quarter, as American Fence Company vacated 40,840 sf, relocating to their new building. The overall vacancy rate rose by 40 bps YOY, reaching 2.7% at the end of the first quarter. The rate increase can be attributed to vacant space in speculative development coming online, from first quarter of 2018 to present. The Sarpy West submarket recorded the greatest amount of activity, with 88,188 sf of positive absorption for the quarter. Merck Animal Health is the largest contributor, expanding into 77,000 sf upon construction completion. Other significant occupancies during the quarter include Tahoe eCommerce taking 30,000 sf in the South Central submarket, and Decker Sports with 12,000 sf in the Sarpy West submarket.

Outlook

Rent growth will be driven by new building deliveries and rising construction costs, but vacancy and absorption trends could go either way throughout the year. More than 1.4 million square feet (msf) of industrial space has been pre-leased, or will be owner-occupied within the year, generating positive absorption. However, there are no tenant commitments for nearly 40% of the space slated for completion in 2019. Another large block of vacancy will come online, as Shopko Distribution closes its doors, vacating 535,000 sf.

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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	130	2,242,183	0	1.4%	-5,127	0	\$3.25	N/A	\$5.83	\$4.00
Sarpy West	514	16,107,860	20,100	5.7%	88,188	675,437	N/A	\$7.23	\$5.34	\$5.40
South Central	705	21,278,573	104,256	2.8%	-38,042	351,436	N/A	\$6.67	\$5.07	\$5.26
Saunders County	26	374,737	0	13.6%	0	0	N/A	N/A	\$3.50	\$3.50
Southeast	370	9,417,067	0	1.0%	9,039	0	\$3.95	N/A	\$5.05	\$4.58
Southwest	298	9,271,990	0	4.3%	-89,224	0	N/A	\$8.95	\$4.38	N/A
Council Bluffs	79	2,952,395	0	2.1%	-43,200	211,000	N/A	N/A	\$6.44	\$6.44
Downtown Council Bluffs	178	3,414,011	12,880	0.2%	0	0	N/A	N/A	N/A	N/A
E Cass County	47	373,457	0	6.0%	0	0	N/A	N/A	N/A	N/A
E Mills County	7	46,199	0	0.0%	0	0	N/A	N/A	N/A	N/A
W Cass County	14	114,113	0	32.7%	0	20,000	N/A	N/A	\$5.50	\$5.50
W Mills County	15	220,382	0	0.0%	0	0	N/A	N/A	N/A	N/A
Northeast	390	11,363,626	0	1.8%	-91,808	0	N/A	N/A	\$5.56	\$5.56
Northwest	318	6,542,255	0	4.7%	-8,158	65,000	\$4.95	\$8.82	\$6.78	\$6.93
E Pottawattamie County	10	1,170,132	0	1.0%	0	0	N/A	N/A	N/A	N/A
Harrison County	7	53,712	0	0.0%	0	0	N/A	N/A	N/A	N/A
W Pottawattamie County	13	3,433,292	0	0.5%	0	0	N/A	N/A	N/A	N/A
Washington County	101	1,551,668	0	0.0%	0	0	N/A	N/A	\$4.25	\$4.25
OMAHA TOTALS	3,222	89,927,652	137,236	2.7%	-178,332	1,322,873	\$4.24	\$8.00	\$5.21	\$5.45

*Rental rates reflect asking \$psf/year

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

	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	2,579	64,413,448	34,951	2.7%	-206,101	17,630	2,063,712	497,938	191,703	\$5.21
Manufacturing	266	17,645,210	91,845	1.5%	0	0	263,743	546,000	0	\$4.24
Office Service/Flex	377	7,868,994	10,440	4.9%	27,769	9,069	413,909	278,935	109,664	\$8.00

Key Lease Transactions Q1 2019

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
13202 I St	79,150	Carrier Enterprise	Renewal	Southwest
5894 S 77 th St	30,000	Tahoe Ecommerce	New Lease	South Central
13406 Industrial Rd	17,556	Husker Winlectric	New Lease	Southwest
14609 Prairie Corners Rd	12,000	Decker Sports	New Lease	Sarpy West

Key Sales Transactions Q1 2019

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
10488 S 136 th St	240,514	MFEIBV, LLC/STAG Industrial Holdings, LLC	\$19,929,875 / \$83	Sarpy West
301 S 74 th St	91,845	Silver Offices, LLC/McGregor Interests, Inc	\$3,700,000 / \$40	South Central
13232 C St, 13335 C St & 3616 S 132 nd St	72,240	Rencor Ltd/BMP II, LLC	\$1,250,000 / \$17	Southwest
6210 Abbott Dr	31,757	Howard Hahn/149 th Street Investments, LLC	\$1,550,000 / \$49	Northeast

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