

MARKETBEAT

Omaha Office Q2 2019



OMAHA OFFICE

Economic Indicators

	Q2 18	Q2 19	12-Month Forecast
Omaha employment	503k	509k	▲
Omaha unemployment rate	2.9%	2.9%	▼
U.S. unemployment rate	3.9%	3.6%	▼

*Q2 19 data based on latest available data.
Source: BLS, Moody's Analytics, Cushman & Wakefield Research

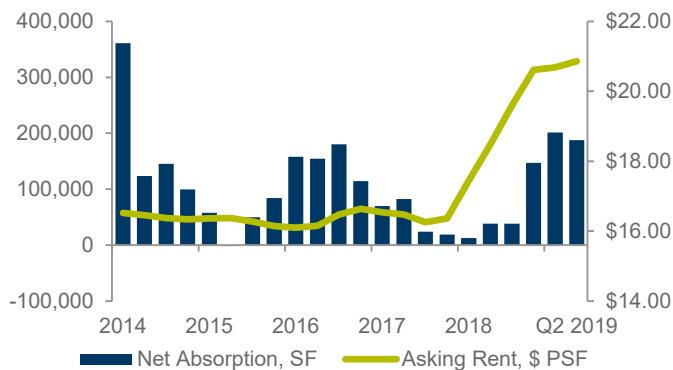
Market Indicators (Overall, All Classes)

	Q2 18	Q2 19	12-Month Forecast
Vacancy	5.7%	5.7%	■
Net Absorption (sf)	94,072	39,470	▲
Under Construction (sf)	1.0M	1.5M	▲
Average Asking Rent**	\$20.29	\$20.99	▲

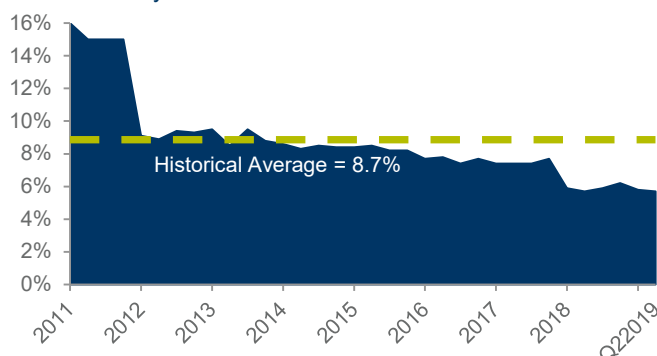
**Historical rental rate differences due to change of data set.

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

Job creation in the Omaha MSA increased by 120 basis points (bps) year-over-year (YOY) in the second quarter of 2019. More than 5,800 jobs were added to the local economy during the same timeframe, and the unemployment rate remained unchanged at 2.9%. Area job growth trends are expected to remain positive, increasing 30.8% by 2029. The Services sector lead the way in employment growth, adding 3,100 jobs since May of 2018 and 12,000 jobs over the last ten years. Job creation in this sector will continue to trend up as the economy shifts from manufacturing to service delivery. The Omaha market showed remarkable resilience in the first half of 2019 despite economic losses and disruption caused by historic flooding in March.

Market Overview

Omaha's office market recorded its sixth consecutive quarter of positive activity, posting nearly 35,000 square feet (sf) of absorption in the second quarter of 2019. A total of 350,000 sf of office space has been absorbed year-to-date (ytd), and nearly 1.9 million square feet (msf), has been absorbed over the past five years. Full-service office rents for all classes continued to rise, averaging \$20.99 per square foot (psf), an increase of 344 bps YOY. Class A asking rents increased by \$1.65 psf during the same timeframe, and currently sit at \$27.82 psf. The office vacancy rate remains unchanged since the second quarter of 2018, at 5.7%. Occupancy in new construction plays a large part in the rent growth, vacancy rate and positive absorption trends that the market is experiencing. Of the 242,000 sf of office space delivered in the first half of 2019, more than 75% was occupied upon completion.

Outlook

Despite the national slowdown, Omaha's office market will continue to experience growth. Just over 1.5 msf of new office space is currently under construction, with speculative development projects accounting for nearly 45% of the space. Though vacancy is expected to remain steady, slight upticks may occur as new supply comes online. Tenants are striving to keep up with the changing times, which often means relocating to a more modern space. Construction costs continue to rise, increasing by approximately 25% since 2017. The days of landlord's providing turnkey deals is coming to an end. They're holding firm on tenant improvement allowances and expect tenants to secure their own financing for improvement costs above the set allowance. As a result, activity in Class B buildings has slowed. As new inventory comes online, competition between tenants will increase, creating market conditions in favor of landlords.

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Omaha Office Q2 2019



CUSHMAN &
WAKEFIELD

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COMPANY

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)*
Central Dodge	3,229,863	0	198,161	6.1%	36,806	42,927	152,585	49,480	\$22.38	\$22.41
Council Bluffs	1,101,955	0	74,554	6.8%	339	19,555	269	0	\$19.57	N/A
Downtown Omaha	9,283,071	0	479,073	5.2%	16,670	-6,696	57,513	212,000	\$17.91	N/A
Downtown Council Bluffs	385,312	0	54,756	14.2%	0	10,168	0	0	\$30.61	\$31.00
E Cass County	67,326	0	0	0.0%	0	0	0	0	N/A	N/A
E Mills County	12,583	0	0	0.0%	0	0	0	0	N/A	N/A
E Pottawattamie County	30,967	0	0	0.0%	0	0	0	0	N/A	N/A
Harrison County	7,278	0	0	0.0%	0	0	0	0	N/A	N/A
Midtown	6,304,246	0	208,704	3.3%	-4,596	196,949	48,244	117,987	\$23.44	\$28.32
Miracle Hills	1,054,167	0	37,152	3.5%	9,630	13,475	11,370	0	\$20.66	\$22.00
Northeast	677,958	0	5,900	0.9%	0	-1,388	0	14,000	\$19.40	N/A
Northwest	2,588,382	0	271,979	10.5%	27,507	31,126	27,015	65,469	\$19.87	N/A
Old Mill	2,375,537	50,424	183,060	9.8%	-880	-24,982	16,535	0	\$20.23	N/A
Regency	1,315,021	0	78,738	6.0%	-12,995	1,204	22,319	0	\$24.19	\$29.10
Saunders County	47,938	0	0	0.0%	2,000	0	0	0	N/A	N/A
South Central	3,236,602	0	220,376	6.8%	-3,759	8,412	14,410	344,818	\$17.89	N/A
Southeast	2,715,111	0	185,468	6.8%	-11,746	-23,399	5,091	0	\$18.41	\$17.63
Southwest	5,134,655	40,162	249,963	5.7%	-7,629	41,364	141,639	259,746	\$21.52	\$31.27
Suburban West Dodge	4,258,336	10,292	151,899	3.8%	-12,427	44,686	38,550	473,204	\$27.06	\$29.94
W Cass County	11,473	0	0	0.0%	0	0	0	0	N/A	N/A
W Mills County	77,914	0	2,501	3.2%	0	0	0	0	N/A	N/A
W Pottawattamie County	19,072	0	0	0.0%	0	0	0	0	N/A	N/A
Washington County	306,197	0	35,234	11.5%	550	550	0	0	\$15.30	N/A
OMAHA Totals	44,240,964	100,878	2,437,518	5.7%	39,470	353,951	535,540	1,536,704	\$20.99	\$27.82

*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	10,170,895	2,377	369,014	3.7%	17,412	343,869	103,046	1,143,969	\$27.82	\$27.82
Class B	26,765,223	96,001	1,464,902	5.8%	42,532	57,542	341,421	392,735	\$20.49	\$20.49
Class C	7,304,846	2,500	603,602	8.3%	-20,474	-47,460	91,073	0	\$17.25	\$17.25

Key Lease Transactions Q2 2019

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
902 N 91st Plz	55,500	Union Pacific Railroad	Renewal	Central Dodge
9110 W Dodge Rd	45,498	Signature Performance	Renewal/Expansion	Central Dodge
1115-1121 N 102nd St	34,146	Zachry Construction Corporation	Renewal	Central Dodge
12120 Shamrock Plz	24,838	URS Corporation	Renewal	Suburban West Dodge

Key Sales Transactions Q2 2019

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
7350 World Communications Dr	91,557	4 SUNS-680, LLC/Metropolitan Utilities District of Omaha	\$7,900,000/\$86	Northwest
4211 S 102nd St	73,680	LSREF4 Bison, LLC/Passageway, LLC	\$4,300,000/\$58	South Central
17330 Wright St	24,048	Legacy View, LLC/HFH2, LLC	\$4,206,000/\$175	Southwest
4885 S 118th St	17,786	Leaguers, Lawyers & Collectors, LLC/Farm Credit Services of America	\$2,150,000/\$121	Southwest

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