

MARKETBEAT

Omaha

Industrial Q3 2019



OMAHA INDUSTRIAL

Economic Indicators

	Q3 18	Q3 19	12-Month Forecast
Omaha employment	502k	513k	▲
Omaha unemployment rate	2.8%	3.0%	▼
U.S. unemployment rate	3.8%	3.7%	▲

*Q3 19 data based on the latest available data.
Source: BLS, Moody's Analytics, Cushman & Wakefield Research

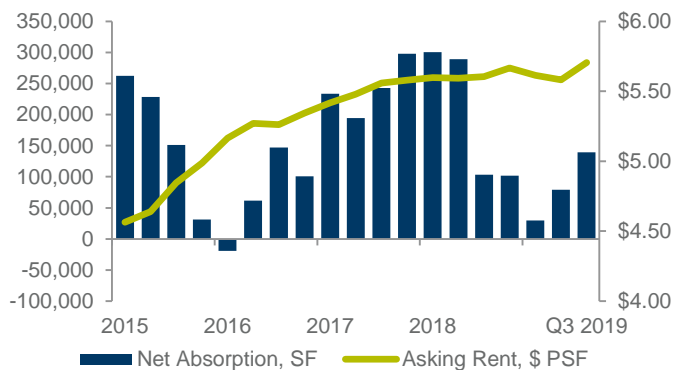
Market Indicators (Overall, All Property Types)

	Q3 18	Q3 19	12-Month Forecast
Vacancy	2.8%	2.6%	▲
Net Absorption (sf)	-53k	187k	▲
Under Construction (sf)	974k	1.0M	■
Average Asking Rent*	\$5.72	\$6.21	▲

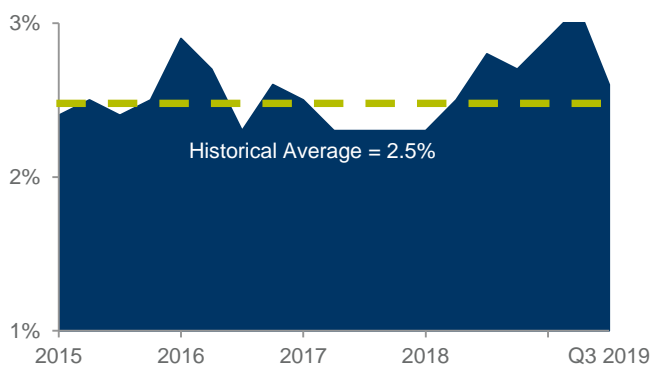
*Historical data differences due to change in data set
**Rental rates reflect net asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

At the close of third quarter 2019, job creation in the Omaha MSA increased by 11,000 positions year-over-year (YOY). Despite recording positive job growth, the local unemployment rate increased by 20 basis points (bps) during the same timeframe, hitting the 3.0% mark by quarter-end. This is a result of the labor force growing slightly faster than the number of individuals employed. According to the Bureau of Labor Statistics, the mining, logging and construction subsector saw the most growth, adding more than 4,300 positions, while manufacturing continued to decelerate, losing 800 jobs YOY.

Market Overview

Omaha's industrial market gave a strong performance, recording 187,000 square feet (sf) of positive absorption in the third quarter of 2019 and nearly 415,000 sf of positive absorption year-to-date (ytd). The vacancy rate has declined by 20 bps since the third quarter of 2018, inching down to 2.6% at quarter close. During the same timeframe asking rents rose by \$0.89, climbing to \$6.21 per square foot (psf). The Southwest submarket had the highest average asking rents at \$9.02 psf. Rents in this submarket were driven by the flex property type, which averaged \$10.83 psf. Five speculative buildings (169,000 sf) and three build-to-suit buildings (243,000 sf) were delivered within the quarter, totaling just over 412,000 sf. All but 85,000 sf of the new development was spoken for prior to delivery. Warren Distribution's expansion was the largest project completed for the quarter, adding 211,000 sf to the Council Bluffs submarket inventory. The largest occupant for the quarter was the United States Postal Service, moving into a new 85,000-sf warehouse building at 11850 Portal Rd. The demand for smaller spaces was evident in the third quarter, as 50% of the new leases signed were for spaces under 3,000 sf. Many of those leases were non-traditional industrial tenants leasing flex space.

Outlook

Though the overall health of the industrial economy remains stable, we may continue to see shifts in absorption and vacancy rates. Between new leases and tenants scheduled to move into new construction deliveries, 740,000 sf of industrial space has already been claimed for occupancy in the fourth quarter of 2019. However, an additional 400,000 sf of new speculative development remains unclaimed, and if delivered vacant, could cause the vacancy rate to increase and impact overall net absorption for the quarter.

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CUSHMAN & WAKEFIELD

LUND COMPANY

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	2,241,541	0	1.0%	3,000	0	\$3.25	N/A	N/A	\$3.25
Sarpy West	516	16,290,610	129,763	6.1%	356,078	953,833	N/A	\$7.50	\$6.59	\$6.62
South Central	699	21,047,367	165,073	1.3%	6,573	16,436	N/A	\$7.92	\$5.61	\$5.71
Saunders County	27	403,214	0	12.6%	14,800	0	N/A	N/A	\$3.50	\$3.50
Southeast	368	9,294,703	2,100	0.9%	42,556	0	\$5.54	\$5.50	\$6.29	\$5.97
Southwest	297	9,261,081	68,420	1.8%	47,723	15,000	\$7.50	\$10.83	\$8.70	\$9.02
Council Bluffs	78	2,903,852	0	1.8%	-35,000	0	N/A	N/A	\$5.38	\$5.38
Downtown Council Bluffs	179	3,428,736	15,280	0.0%	7,500	0	N/A	N/A	N/A	N/A
E Cass County	47	376,590	0	5.3%	2,200	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	15	113,599	0	30.6%	-2,250	0	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	383	11,154,819	0	2.4%	-82,682	0	N/A	\$5.99	\$5.52	\$5.54
Northwest	321	6,585,081	0	4.8%	59,444	21,000	N/A	\$6.95	\$6.26	\$6.32
E Pottawattamie County	10	1,170,132	0	1.0%	0	0	N/A	N/A	N/A	N/A
Harrison County	9	101,204	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	102	1,555,018	0	3.6%	-5,000	0	N/A	N/A	N/A	N/A
OMAHA TOTALS	3,216	89,627,420	380,636	2.6%	414,942	1,006,269	\$5.04	\$8.36	\$6.14	\$6.21

*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	2,462	58,705,556	264,851	3.4%	416,232	54,013	1,923,777	460,874	553,534	\$6.14
Manufacturing	311	21,419,991	91,845	1.3%	-36,638	0	277,994	347,665	59,280	\$5.04
Office Service/Flex	443	9,501,873	23,940	1.1%	35,348	9,363	94,695	197,730	293,644	\$8.36

**Leasing Activity Includes renewals

Key Lease Transactions Q3 2019

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
11850 Portal Rd	83,232	United States Postal Service	New Lease	Sarpy West
8918-8958 J St	24,000	Van's Sanitation, Inc	New Lease	South Central
8820 S 117 th St	21,000	Quakes Softball, Inc	New Lease	Sarpy West
5902 S 77 th St	15,000	International Nutrition	New Lease	South Central

Key Sales Transactions Q3 2019

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
11202-11222 I St	329,872	AGNL Marianna, LLC/Broadstone MNB Nebraska, LLC	\$18,723,418/\$57	South Central
9995 & 10025 I St	128,200	Gratton Warehouse Co/Stag Industrial Holdings, Inc	\$8,320,000/\$65	South Central
12330 Cary Cir	78,883	GNT Properties, LLC/American Fence Co	\$4,390,000/\$56	Sarpy West
13593 & 13595 Giles Rd	74,750	RFW Properties, LLC/JBI-135 Giles WH, LLC	\$4,517,750/\$60	Sarpy West

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