

Office Q3 2020

YoY Chg 12-Mo. Forecast

12.7%

Vacancy Rate



-251K

Net Absorption, SF



\$23.04

Asking Rent, PSF



(Overall, All Property Classes, Gross Rents)

ECONOMIC INDICATORS Q3 2020

YoY Chg 12-Mo. Forecast

485k

Omaha Employment



5.2%

Omaha Unemployment Rate



8.8%

U.S. Unemployment Rate



Source: BLS, Moody's Analytics
2020Q3 data are based on latest available data.

ECONOMIC OVERVIEW: On the road to recovery

Omaha's economy continues to experience modest growth after a sharp decline caused by the COVID-19 recession. Business remains slower than before the pandemic began, but improvement can be seen in many areas. Just over 22,000 local, nonfarm payroll positions were lost between third quarter 2019 and third quarter of 2020. Though the year-over-year (YOY) job loss was harsh, the metro has regained nearly 10,000 jobs since the second quarter of 2020. Total nonfarm employment for the Omaha metro stands at 485,000, and the current unemployment rate is 5.2%. While area unemployment has increased over the last year, the metro still has one of the lowest unemployment rates in the country and is 360 basis points (bps) below the national average of 8.8%. According to business leaders the region's index improved to 65.1 in September, from 60 in August. Nebraska is among nine Midwest and Plains states that continues to experience economic improvement.

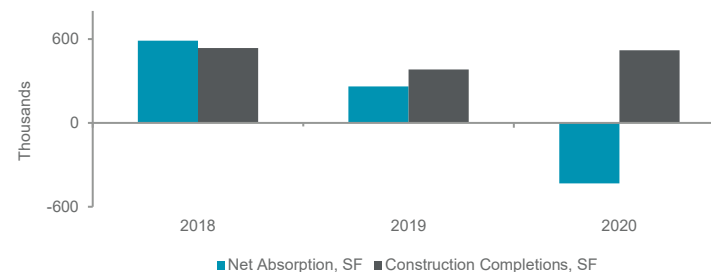
SUPPLY AND DEMAND: Omaha office marks third quarter of negative absorption

The Omaha office market recorded a 12.7% vacancy rate at the close of third quarter 2020, a 270-bps increase from the 10.0% vacancy YOY. Negative absorption was recorded for the third consecutive quarter in a row, for a total of 433,000 square feet (sf) of negative net absorption year-to-date (YTD). Two construction projects were completed (West Dodge Hills Office Bldg 2 and the Baxter building), adding 201,000 sf to the inventory and nearly 67,000 sf of vacant office space. Vacant space in new construction contributed to the increased vacancy rate and negative absorption, though tenant exits was the primary cause. Move-outs that made a major impact include Sitel Corp (closed, vacating 38,000 sf), Toast (downsized vacating 29,000 sf) and Friendship Program (closed vacating 22,000 sf). However, the largest contributor to the negative activity for the quarter was InfoGroup, vacating 176,000 sf of office space. The company made a move to reduce its physical footprint and has transitioned to work from home.

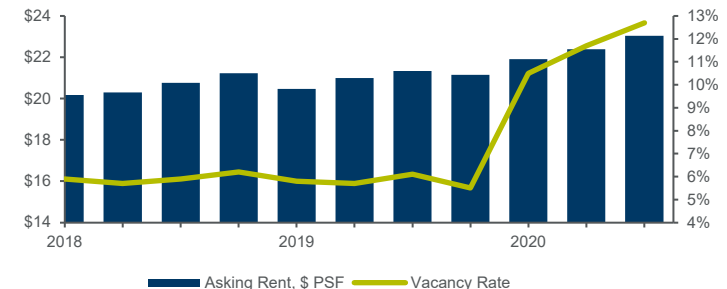
PRICING: Asking rents inch higher

Despite the recession, asking rents continue to rise in the Omaha office market. Landlords have hesitated to lower rents, holding steady for as long as they can. However, if the market vacancy continues to trend up, we can expect it to put downward pressure on rents and it is likely they will begin to decline. Average asking rents are up by 17% YOY, currently resting at \$23.04 per square foot (psf). The CBD leads the market in overall asking rents, averaging \$23.41 psf, while Suburban rents average \$22.58 psf. Renovations and improvements can be seen throughout the CBD market, and continue to attract users that are willing to pay premium rents.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT





MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION	YTD OVERALL ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)**	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
Central Dodge	1,911,634	85,069	202,259	15.0%	-17,642	-99,017	22,211	0	\$27.65	\$21.10
Downtown Omaha	3,777,057	31,712	287,936	8.5%	-32,357	-21036	43,261	0	\$23.41	\$29.00
Midtown	2,397,316	0	303,507	12.7%	4,168	-65,179	31,761	0	\$23.48	\$31.37
Miracle Hills	745,021	10,901	119,735	17.5%	-13,176	-76,172	38,872	0	\$24.78	\$30.16
Northeast	43,640	0	43,640	100.0%	0	0	520	0	\$21.25	\$0.00
Northwest	1,666,846	24,348	199,771	12.9%	-60,848	-63787	51,066	0	\$18.05	\$30.00
Old Mill	1,229,867	71,943	126,735	16.2%	2,859	-1,522	23,992	0	\$21.64	\$0.00
Regency	746,715	0	79,243	10.6%	7,064	6,402	40,374	0	\$26.88	\$32.17
South Central	1,122,783	10,177	128,918	12.2%	5,116	85,468	23,290	0	\$16.97	\$0.00
Southeast	603,397	0	145,959	24.2%	-21,117	-4,708	15,322	0	\$20.73	\$23.69
Southwest	2,437,830	2,890	257,717	10.7%	5,898	-72,229	80,887	335,150	\$16.09	\$0.00
Suburban West Dodge	2,856,666	40,711	311,424	12.3%	-130,726	-121,716	52,538	553,547	\$28.37	\$27.52
OMAHA TOTALS	19,538,772	277,751	2,206,844	12.7%	-250,761	-433,496	424,094	888,697	\$23.04	\$28.48

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q3 2020

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
17225 Burt St	Suburban West Dodge	Baxter	39,000	New Lease
11213 Davenport St	Old Mill	JEO Consulting	17,600	New Lease
802-810 S 169 th St	Suburban West Dodge	CACI	12,000	New Lease
17838 Burke St	Suburban West Dodge	kwELITE	10,191	New Lease
18205 Capitol Ave	Suburban West Dodge	Principal Life Insurance Company	10,104	New Lease

KEY CONSTRUCTION COMPLETIONS YTD 2020

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
18205 Capitol Ave	Suburban West Dodge	DTN, Inc	115,000	CBRE Omaha/Cizek Development
6700 Mercy	Midtown	Right at Home	107,987	Magnum Realty/Magnum Realty
17225 Burt St	Suburban West Dodge	Baxter	86,000	White Lotus Group/White Lotus Group
1100 Capitol Ave	Downtown	Texas de Brazil	72,000	Shamrock Development/Shamrock Development

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