

Industrial Q3 2020

	YoY Chg	12-Mo. Forecast
3.1% Vacancy Rate	▲	▬
-73K Net Absorption, SF	▲	▲
\$6.40 Asking Rent, PSF	▲	▲

Overall, Net Asking Rent

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 the latest available data.

ECONOMY OVERVIEW: Economic Resilience

Despite facing challenges brought on by the COVID-19 pandemic, the Omaha market is on the fast track to economic recovery. Like other US markets, Omaha employment took a hit, and 22,000 jobs were lost year-over-year (YOY). Unlike many of those markets, the area unemployment rate continues to shrink rapidly. The local unemployment rate reached 8.3% at the close of second quarter in 2020 and has already declined by 310 basis points (bps), hitting 5.2% in the third quarter. More than 10,000 jobs have been recovered during the same timeframe. The metro experienced a slight income decline YOY, as the median household income decreased by 50 bps. However, at \$68,200 the local median income is 440 bps above the Midwest regional average, and 220 bps above the national average. The market has continued to see population growth through the pandemic as well, increasing by 0.9% year-to-date (YTD).

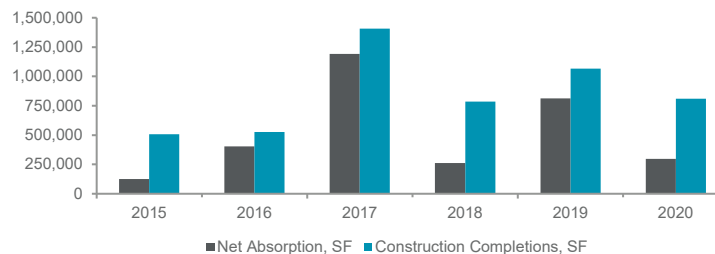
SUPPLY AND DEMAND: Omaha Industrial Market Still Standing Tall

Industrial market vacancy rate rose above the 3.0% mark for the first time in seven years, reaching 3.1% in the third quarter of 2020. Vacancy increased by 40 bps YOY, over the 2.7% vacancy rate recorded in the third quarter of 2019. The third quarter of 2020 ended with 72,603 square feet (sf) of negative absorption, though overall YTD absorption remains positive at 297,000 sf. Nine construction projects were completed during the quarter, adding nearly 204,000 sf to the industrial inventory. More than 91.0% of the new space was built-to-suit, or spoken for before delivery. Majority of the new industrial construction is going up in Sarpy West, as the submarket is home to 12 of the 17 developments in the construction pipeline. Though the quarterly data shows an increase in vacancy and negative absorption, the local industrial sector remains solid. The primary driver for negative absorption was Gordmans Distribution, moving out of nearly 270,000 sf of space in the South-Central submarket. Total leasing in 2020 has outpaced the activity seen in the first three quarters of 2019, by more than 60,000 sf. Of the 93 new industrial deals inked YTD, 62% of the leases were for space in flex buildings.

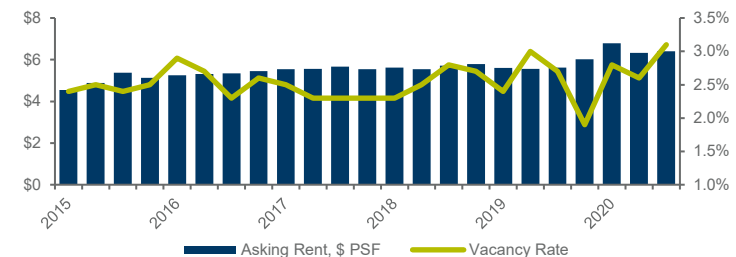
PRICING: Asking Rents Still On The Climb

Average asking rents trend upward in Omaha's industrial market, closing the quarter at \$6.40 per square foot (psf). YOY rents increased by \$0.78 psf, and by \$1.51 psf over the last five years. Omaha doesn't have an oversupply of industrial product, and some of the speculative industrial space is pre-leased before the project is delivered. This has given landlords leverage to continue pushing asking rents. Existing supply remains limited, and rising rents will continue to be driven by new product, especially Class A industrial buildings that will fetch premium rents.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



MARKETBEAT OMAHA



Industrial Q3 2020

MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	OVERALL VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	Q3 CONSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG NET RENT (OS)	OVERALL WEIGHTED AVG NET RENT (W/D)	OVERALL WEIGHTED AVG NET RENT (TOTAL)
Sarpy East	2,249,648	82,426	3.7%	-2,032	-8,200	0	0	N/A	N/A	N/A
Sarpy West	17,299,978	496,922	2.9%	220,201	547,325	302,307	135,955	\$8.35	\$6.51	\$7.04
South Central	21,518,324	1,054,955	4.9%	-266,070	-482,959	33,720	0	\$8.43	\$5.51	\$6.08
Saunders County	759,371	3,311	0.4%	0	0	0	0	N/A	N/A	N/A
Southeast	9,281,940	123,250	1.3%	-15,214	138,877	0	0	\$5.25	\$5.24	\$5.24
Southwest	9,133,302	215,465	2.4%	24,198	5,623	28,800	0	\$8.46	\$6.68	\$7.28
Council Bluffs	2,957,203	88,100	3.0%	-18,574	-2,934	0	0	N/A	\$12.98	\$12.98
Downtown Council Bluffs	3,549,739	77,148	2.2%	-21,256	-5,139	0	0	N/A	\$4.75	\$4.75
E Cass County	442,950	20,000	4.5%	8,700	9,200	0	0	N/A	N/A	N/A
E Mills County	72,150	0	0.0%	0	0	0	0	N/A	N/A	N/A
W Cass County	406,487	48,400	11.9%	6,000	14,100	0	0	\$7.45	N/A	\$7.45
W Mills County	330,633	0	0.0%	0	0	137,500	0	N/A	N/A	N/A
Northeast	11,208,433	240,848	2.1%	-16,038	-48,223	0	0	\$6.95	\$5.64	\$5.93
Northwest	7,388,080	392,909	5.3%	6,182	45,526	21,300	68,031	\$9.24	\$6.09	\$7.06
E Pottawattamie County	1,485,386	0	0.0%	0	76,000	0	0	N/A	N/A	N/A
Harrison County	340,938	0	0.0%	0	0	0	0	N/A	N/A	N/A
W Pottawattamie County	3,476,775	0	0.0%	0	0	0	0	N/A	N/A	N/A
Washington County	1,634,186	70,630	4.3%	1,300	7,600	0	0	N/A	\$3.50	\$3.50
OMAHA TOTALS	93,535,523	2,914,364	3.1%	-72,603	296,796	523,627	203,986	\$8.39	\$5.75	\$6.40

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

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

KEY LEASE TRANSACTIONS Q3 2020

PROPERTY	SUBMARKET	TENANT	SF	TYPE
14544 Gold Coast Rd	Sarpy West	XPO Logistics	80,000	New Lease
14544 Gold Coast Rd	Sarpy West	Walmart	50,000	Expansion
4502-4518 F St	South Central	Redman Van & Storage	37,000	Renewal
13275 Cornhusker Rd	Sarpy West	O'Keefe Elevator	30,000	New Lease

*Renewals included in leasing statistics

KEY SALES TRANSACTIONS Q3 2020

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
210 Sheridan St	Washington County	A&S Services, Inc/Babkel Mechanical, LLC	20,664	\$1,000,000/\$48
1100 31 st Ave	Council Bluffs	Black Hills Power, Inc./Birko Corporation	18,574	\$1,045,000/\$56
14124 Industrial Rd	Southwest	Meyers Carlisle Leapley Construction/Heartland Lawns	16,340	\$1,387,200/\$85

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