



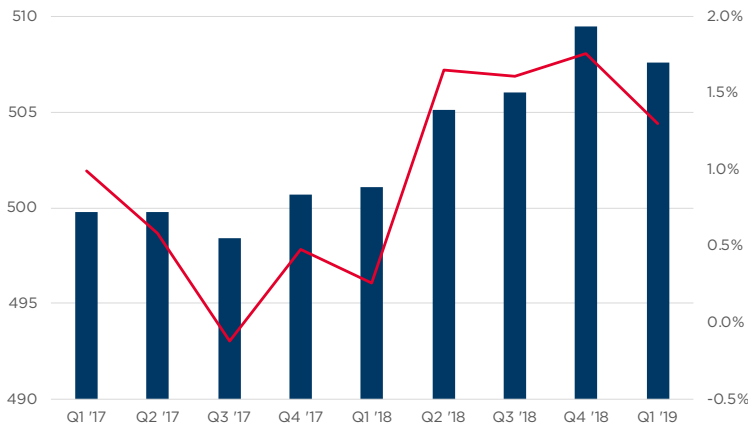
OMAHA, NE

EMPLOYMENT & UNEMPLOYMENT TRENDS

The Omaha MSA labor market showed signs of modest, but positive growth in the first quarter of 2019. Employment gains continue to be the strongest in Omaha's suburbs and surrounding metro regions, as job opportunities in downtown Omaha are more limited. The local unemployment rate fell to 2.8%, decreasing by 10 basis points (bps) year over year (YOY), and the state unemployment rate is in line with the local rate of 2.8%. Area job growth is up by 133 bps, adding 6,700 non-farm payroll positions since first quarter of 2018. As the following graph demonstrates, job growth rates have been elevated since mid-2018.

OMAHA JOB GROWTH TRENDS

EMPLOYMENT IN THOUSANDS & JOB GROWTH (%)



Source: Moody's Analytics

JOB GROWTH & UNEMPLOYMENT RATE

+1.3
%YOY

Average Q1 employment increased by 6,700 jobs.

-10
BPS YOY

Average Q1 unemployment rate decreased to 2.8%.

ECONOMIC EXPANSION

The following are commercial developments in the metro that will create jobs and promote further economic expansion:



Hy-Vee is expanding its grocery delivery service by opening a new fulfillment center in Sarpy County. The chain already delivers groceries and other miscellaneous items and plans to add liquor delivery to their list of services offered. The new facility located at the I80 and Hwy 370 interchange will be closed to the public and is **currently hiring for approximately 500 positions**.



Construction will start this year on **Applied Underwriters'** new 55-acre campus located at Heartwood Preserve, the 500-acre redevelopment site formerly known as West Farm. Noddle Companies is developing the 450,000 square foot (sf) complex, estimated to house 800 Applied Underwriters employees, once construction is complete. The company's workforce is expected to increase as the Omaha office grows and will be expanded to **accommodate up to 2,000 workers**.



Carson Group expects to break ground on their new \$80-million headquarters this summer. Carson is partnering with Tetrad Property group to build & co-own the six-story, multi-phase building. The first phase includes an 80,000 square foot (sf) building and is expected to cost approximately \$50 million. Phase II includes a 40,000-sf building, that will be connected to the first phase by a walkway and is projected to cost an additional \$30 million. **The company aims to add 150+ positions by 2020, which will double their workforce.** Carson plans to continuously create new jobs as the company grows and anticipates employing 2,000 at the Omaha location within the next ten years.

MULTIFAMILY TRENDS

The market's vacancy rate remained low in the first quarter at 4.6% and has been below the 5.0% mark for sixteen consecutive quarters. Vacancy is expected to remain steady through the remainder of 2019, but a modest increase in 2020 is expected, increasing the vacancy to 5.6%. According to AXIOMetrics, the vacancy rate will remain above 5.0% into 2024. The slight escalation in vacancy is a result of supply outpacing demand.

+3.6
% YOY

Average effective rent increased to \$898.

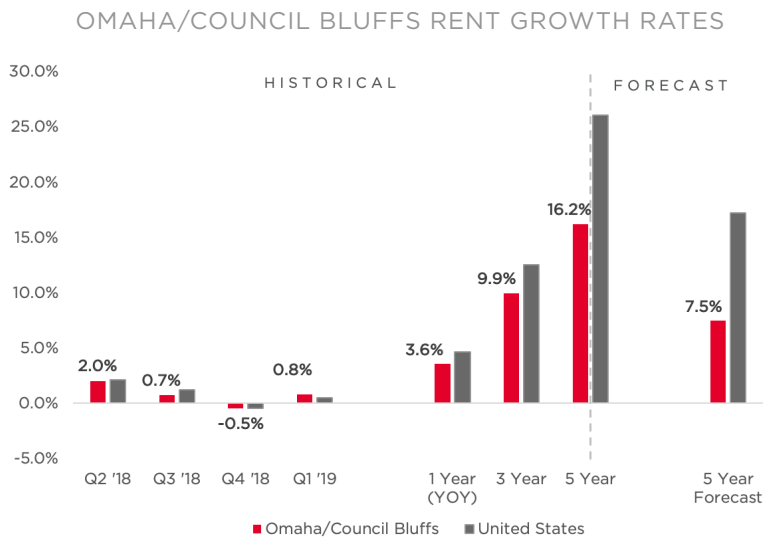
-10
BPS YOY

Vacancy decreased to 4.6%.



HISTORICAL & FORECASTED METRO RENT GROWTH RATES

The average effective rent reached \$898 in the first quarter, an increase of 7.8% over the last two years. National rent growth totaled 8.9% within the same time frame and averaged \$1,364 during the first quarter of 2019. According to RealPage, out of the 150 markets ranked nationally, the Omaha metro ranked 45th for quarterly effective rent growth and 96th for annual effective rent growth in the first quarter. Effective rent will see minor fluctuations over the next five years, but overall rent growth will be positive, and is expected to reach \$965 in the first quarter of 2024.



Source: AXIOMetrics

DEVELOPMENT / INVENTORY

Construction was completed on one multifamily development in the first quarter, adding 160 new apartment rentals to the market inventory. **Centerline** is now leasing and expects tenants to start occupying units by June. According to AXIOMetrics, over 2,000 multifamily permits were issued in a twelve-month period ending in February 2019. This is an increase of 104 units from the previous year. A total of 1,328 units are predicted to be absorbed by year-end, an increase of nearly 36% since 2018. The market will experience a slowing in 2020, as only 658 units are expected to be absorbed, a decrease of approximately 50%. Absorption should begin to trend upward again in 2021, reaching 1,342 units by 2023.

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DEMOGRAPHIC FUNDAMENTALS

Occupancy in apartment rentals is predicted to experience a minor contraction, bringing renter occupancy to 33.8% in 2023. Vacant space in new construction coming online, and an increase in millennials choosing to buy versus rent, contribute to the slight decline.

POPULATION



2000: 767,041
2010: 865,350
2018: 952,190
2023: 1,006,765

PERCENT RENTER HOUSEHOLDS



2010: 30.7%
2018: 33.9%
2023: 33.8%

MEDIAN HOUSEHOLD INCOME



2000: \$44,674
2010: \$55,407
2018: \$62,832
2023: \$70,886

INVESTMENT ACTIVITY

Omaha multifamily sales totaled just over \$30 million in the first quarter of 2019, an average of \$122,000 per door or \$0.76 psf. The most noteworthy transaction for the quarter was **Lakeside Hill Apartments**, selling for \$27.5 million. Cap rates averaged 6.47%, up 40 bps from the 2018 average. Though another 900 units are currently under contract and expected to close within the year, YOY sales volume will likely decline, as investment opportunities are limited.

NOTABLE SALES - FIRST QUARTER

PROPERTY	YEAR	UNITS	SELLER	BUYER	PPU
CLASS B					
Lakeside Hills Apartments	2002	201	Lakeside Hills Apartment, Ltd	Briar Capital Management, LLC	\$136,819
CLASS C					
Beau Manoir Town Houses	1969	50	Malec Properties, Inc.	Dennis Tierney	\$62,000

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