

MARKETBEAT

Omaha

Industrial Q3 2018



CUSHMAN & WAKEFIELD

LUND COMPANY

OMAHA INDUSTRIAL

Economic Indicators

| | Q3 17 | Q3 18 | 12-Month Forecast |
|--------------------|-------|-------|-------------------|
| Omaha Employment | 498k | 506k | ▲ |
| Omaha Unemployment | 3.0% | 2.9% | ▼ |
| U.S. Unemployment | 4.4% | 3.9% | ▼ |

Numbers above are quarterly averages; August data used to represent Q3 2018 for Omaha

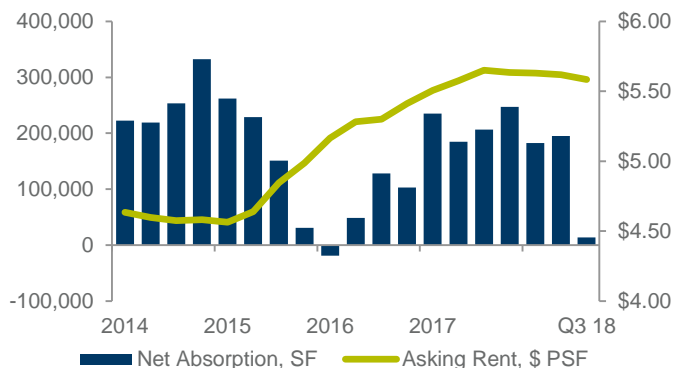
Market Indicators (Overall, All Property Types)

| | Q3 17 | Q3 18 | 12-Month Forecast |
|-------------------------|--------|--------|-------------------|
| Vacancy | 2.6% | 3.1% | ▲ |
| Net Absorption (sf) | 350k | -169k | ▲ |
| Under Construction (sf) | 971k | 974k | ▲ |
| Average Asking Rent* | \$5.75 | \$5.62 | ▲ |

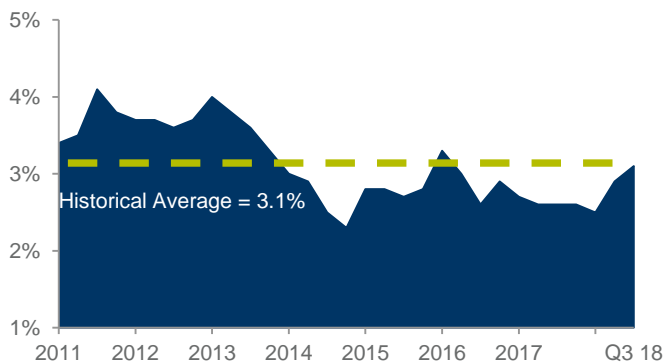
*Historical data differences due to change in data provider from Xceligent to Costar
 **Rental rates reflect net asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

The Omaha MSA added 8,000 jobs, year-over-year, while the unemployment rate decreased by 10 basis points (bps) during the same period. According to a recent study from the University of Nebraska-Lincoln's Bureau of Business Research and the Nebraska Business Forecast Council, the manufacturing, construction and service industries will lead the way, adding jobs and expanding the state's economy, through 2020. The growth is expected to exceed inflation and population growth and increase non-farm income in the state.

Market Overview

During Q3 2018, Omaha's industrial market recorded 168,696 square feet (sf) of negative absorption, and 122,139 sf of negative absorption year-to-date. During the same timeframe, the vacancy rate increased by 50 basis points (bps). Though negative absorption and rising vacancy rates are often indicators of an economic downturn, that is not the case in the Omaha industrial market. In fact, it is just the opposite. While there were a few large spaces vacated in third quarter, the majority of the negative activity stems from new inventory coming online in speculative construction completions. Previously, developers played it safe and the brunt of the new construction was either build-to-suit or owner-user properties. Industrial product is in high demand but move-in ready options were limited in the past, due to tight supply. The market's positive and stable environment boosted developer confidence. As a result, more than 300,000 sf of new speculative industrial space came online in Q3 2018. The largest occupier of the quarter was Ford Storage, expanding into 77,200 sf of space in the Sarpy West submarket. New leases already inked for occupancy in Q4 2018 total more than 150,000 sf, with the largest deals belonging to Restaurant Depot (55,000 sf) and Industrial Pipe & Supply (25,600 sf). Another 254,155 sf of new construction is scheduled for completion before year-end.

Outlook

The industrial sector may continue to experience periods of negative absorption and fluctuation in the vacancy rate, as speculative deliveries increase supply. It is likely we will see an uptick in activity from existing occupiers in the market, generated from building expansions or moves to larger spaces within the market, now that increased supply has provided more options. Industrial will continue as the strongest commercial property type, well into the future.

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| 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 | 37 | 1,775,439 | 0 | 1.3% | 4,898 | 0 | \$3.25 | N/A | N/A | \$3.25 |
| Sarpy West | 343 | 14,751,861 | 101,044 | 6.4% | -100,079 | 374,905 | \$6.50 | \$9.55 | \$5.74 | \$5.90 |
| South Central | 492 | 19,993,927 | 255,330 | 3.3% | -6,639 | 371,536 | \$4.99 | \$6.76 | \$4.93 | \$5.09 |
| Southeast | 191 | 8,255,854 | 158,862 | 0.9% | 50,016 | 0 | \$3.95 | \$12.00 | \$6.62 | \$6.16 |
| Southwest | 199 | 8,655,992 | 97,412 | 3.6% | -38,532 | 0 | N/A | \$7.69 | \$4.29 | \$5.51 |
| Council Bluffs | 41 | 2,617,585 | 0 | 0.0% | 0 | 0 | N/A | N/A | N/A | N/A |
| Downtown Council Bluffs | 64 | 2,851,923 | 10,322 | 0.0% | 34,090 | 211,000 | N/A | N/A | \$4.50 | \$4.50 |
| Northeast | 215 | 10,374,561 | 69,456 | 1.1% | -50,095 | 0 | N/A | N/A | \$8.23 | \$8.23 |
| Northwest | 144 | 6,031,048 | 24,539 | 4.0% | -15,798 | 17,000 | N/A | \$7.32 | \$7.74 | \$7.63 |
| OMAHA TOTALS | 1,726 | 75,308,190 | 716,965 | 3.1% | -122,139 | 974,441 | \$4.61 | \$7.90 | \$5.46 | \$5.62 |

*Rental rates reflect asking \$psf/year

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

**The Council Bluffs inventory has now been divided, and is classified as two separate submarkets, to track downtown activity individually.

| | 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 | 1,123 | 46,181,710 | 594,534 | 3.6% | -45,367 | 2,980 | 1,672,221 | 238,722 | 791,163 | \$5.46 |
| Manufacturing | 238 | 20,434,060 | 35,505 | 1.6% | -124,165 | 0 | 335,460 | 546,000 | 166,438 | \$4.61 |
| Office Service/Flex | 365 | 8,692,420 | 86,926 | 4.0% | -45,367 | 4,037 | 347,737 | 189,719 | 196,040 | \$7.90 |

Key Lease Transactions Q3 2018

| PROPERTY | SF | TENANT | TRANSACTION TYPE | SUBMARKET |
|-------------------------------------------|--------|------------------------|------------------|---------------|
| 10110 I Street | 92,600 | Pitney Bowes PSI Group | Renewal | South Central |
| 13208 Cary Circle | 28,433 | Malloy Electric | New lease | Sarpy West |
| 152 nd Avenue & Shepard Street | 17,000 | Vermeer High Plains | New Lease | Sarpy West |
| 11412 Centennial Road | 18,350 | Falewitch & Sons | New Lease | Sarpy West |

Key Sales Transactions Q3 2018

| PROPERTY | SF | SELLER/BUYER | PRICE / \$PSF | SUBMARKET |
|----------------------------------|---------|--------------------------------------------------------|--------------------|---------------|
| Empire Spectrum Portfolio | 144,067 | Jasper Stone Partners / Hancock & Dana, CPA Accounting | \$7,900,000 / \$54 | South Central |
| 11403 S 153 rd Street | 65,000 | Thompson Realty Group / Krotter Law Group | \$4,800,000 / \$73 | Sarpy West |
| 9802 J Street | 49,120 | Joel H. Alperton / Omaha National Title | \$3,200,000 / \$65 | South Central |
| 1202-1218 Jones Street | 123,357 | Needham, Inc / Fairmont Creamery, LLC | \$3,000,000 / \$24 | Southeast |

The Lund Company
450 Regency Parkway,
Suite 200
Omaha, NE 68114
cushmanwakefield.com

For more information, contact:
Denny Sciscoc, Director of
Industrial Services
Tel: +1 402 548 4051
dsciscoc@lundco.com

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