

# MARKETBEAT

## Omaha

Office Q1 2019



### OMAHA OFFICE

#### Economic Indicators

	Q1 18	Q1 19	12-Month Forecast
Omaha Employment	501k	508k	▲
Omaha Unemployment	2.9%	2.8%	▼
U.S. Unemployment	4.1%	3.8%	▼

Numbers above are quarterly averages

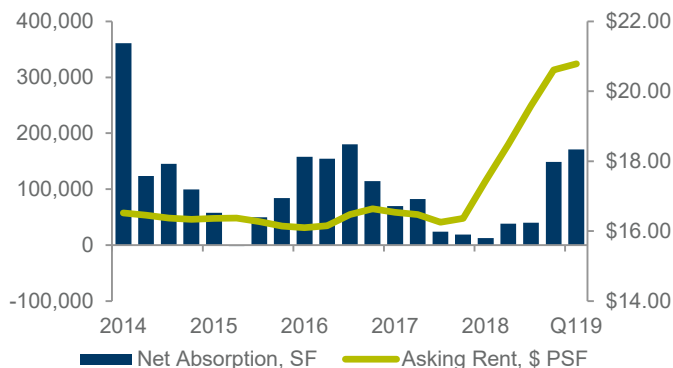
#### Market Indicators (Overall, All Classes)

	Q1 18	Q1 19	12-Month Forecast
Vacancy	5.9%	6.0%	■
Net Absorption (sf)	98k	188k	▲
Under Construction (sf)	583k	905k	■
Average Asking Rent**	\$20.18	\$20.88	▲

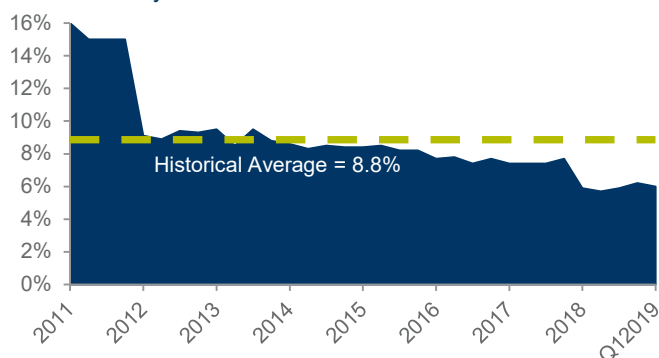
\*\*Historical rental rate differences due to change of data set.

#### Overall Net Absorption/Overall Asking Rent

##### 4-QTR TRAILING AVERAGE



#### Overall Vacancy



### Economy

Omaha MSA non-farm payroll growth remained positive through the first quarter of 2019, increasing by 7,000 jobs, year-over-year (YOY). The Omaha-area jobless rate was just 2.8% at the close of first quarter. The Nebraska unemployment rate has not exceeded 3% since early 2017 and has been less than 4% for more than six years. The combination of historically low unemployment rates and a growing population have contributed to tight labor market conditions. The labor shortage has made it difficult for employers to find skilled talent and is slowly driving wage increases. According to Esri, the per capita income was \$32,593 at the end of 2018, and is projected to increase by 11%, reaching \$36,200 by the year 2023. The population is expected to increase by nearly 55,000 people during the same timeframe.

### Market Overview

Full service direct rents increased by 346 basis points (bps), YOY to \$20.88 per square foot (psf). The Omaha office market recorded 187,566 square feet (sf) of positive absorption in the first quarter of 2019, up 92% from 97,553 sf of positive absorption recorded in the first quarter of 2018. During the same time, office vacancy rose by 169 bps, and currently sits at 6.0%. The slight uptick in vacancy can be attributed to an inventory increase, stemming from vacant space in new construction coming online. Lindsay Corporation was the largest office occupier for the quarter, taking 67,701 sf of space in the Suburban West Dodge submarket. LinkedIn inked the largest deal in the first quarter, announcing plans to build a new 200,000 sf office campus in the Sterling Ridge development. The company plans to increase their local workforce by more than 500 people, once construction is complete in 2021.

### Outlook

Construction is underway on fifteen buildings, totaling just under 905,000 sf, with 752,000 sf slated for delivery within the year. Overall absorption for the year is expected to remain positive, though we may see individual quarters of negative activity caused by an imbalance between supply and demand. Just under 25% of the office space currently under construction has been pre-leased. The vacancy rate is expected to fluctuate throughout the year, as vacant space in new building deliveries hits the inventory. We will see a slow, but steady escalation in asking rents, driven by an increase in construction costs and operating expenses. Rent growth will be most evident in the suburban submarkets, as they are home to 93% of the projects in the construction pipeline.

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## Omaha Office Q1 2019



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SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	OVERALL AVERAGE ASKING RENT (ALL CLASSES)*	OVERALL AVERAGE ASKING RENT (CLASS A)*
Central Dodge	3,257,020	32,409	173,584	6.3%	-22,823	-22,823	3,210	48,580	\$21.52	\$22.41
Council Bluffs	1,101,955	0	91,389	8.3%	4,720	4,720	0	0	\$20.15	N/A
<b>Downtown Omaha</b>	<b>9,420,332</b>	<b>4,343</b>	<b>438,341</b>	<b>4.6%</b>	<b>12,824</b>	<b>12,824</b>	<b>34,409</b>	<b>47,000</b>	<b>\$20.34</b>	<b>\$27.24</b>
Downtown Council Bluffs	321,088	0	1,865	0.6%	-1,165	-1,165	0	0	\$9.00	N/A
E Cass County	67,326	0	0	0.0%	0	0	0	0	N/A	N/A
E Mills County	12,583	0	0	0.0%	0	0	0	0	N/A	N/A
E Pottawattamie County	30,967	0	0	0.0%	0	0	0	0	N/A	N/A
Harrison County	7,278	0	0	0.0%	0	0	0	0	N/A	N/A
Midtown	6,485,621	0	195,117	3.0%	178,893	178,893	13,574	117,987	\$23.26	\$28.64
Miracle Hills	1,055,646	7,948	55,072	6.0%	2,285	2,285	5,794	0	\$21.18	\$22.21
Northeast	677,958	0	13,832	2.0%	-1,400	-1,400	0	0	\$22.57	N/A
Northwest	2,619,844	0	263,607	10.1%	36,584	36,584	9,663	65,469	\$20.65	N/A
Old Mill	2,449,432	56,467	165,918	9.1%	-3,909	-3,909	10,529	0	\$20.44	N/A
Regency	1,315,021	0	85,527	6.5%	-1,985	-1,985	19,461	0	\$23.82	\$29.31
Saunders County	43,818	0	2,000	4.6%	-2,000	-2,000	0	0	N/A	N/A
South Central	3,277,940	0	340,471	10.4%	-70,749	-70,749	7,381	179,238	\$18.47	N/A
Southeast	2,698,619	0	193,492	7.2%	-2,968	-2,968	3,176	0	\$15.94	\$16.00
Southwest	5,135,064	47,205	292,829	6.6%	3,346	3,346	94,376	110,000	\$21.24	\$28.75
Suburban West Dodge	4,252,194	19,027	137,572	3.7%	55,913	55,913	29,538	336,500	\$26.84	\$29.52
W Cass County	11,473	0	0	0.0%	0	0	0	0	N/A	N/A
W Mills County	77,914	0	2,501	3.2%	0	0	0	0	N/A	N/A
W Pottawattamie County	17,152	0	0	0.0%	0	0	0	0	N/A	N/A
Washington County	306,197	0	35,784	11.7%	0	0	0	0	\$20.18	N/A
<b>OMAHA Totals</b>	<b>44,642,442</b>	<b>167,399</b>	<b>2,488,901</b>	<b>6.0%</b>	<b>187,566</b>	<b>187,566</b>	<b>231,111</b>	<b>904,774</b>	<b>\$20.88</b>	<b>\$27.58</b>

\*Rental rates reflect gross asking \$psf/year.

	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	DIRECT AVERAGE ASKING RENT**	OVERALL AVERAGE ASKING RENT**
Class A	10,065,366	21,595	317,542	3.4%	291,294	291,294	84,911	543,969	\$27.58	\$27.58
Class B	27,217,278	143,810	1,584,174	6.3%	-120,353	-120,353	130,579	360,805	\$20.17	\$20.17
Class C	7,359,798	1,994	587,185	8.0%	16,625	16,625	15,621	0	\$16.69	\$16.69

### Key Lease Transactions Q1 2019

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
130 <sup>th</sup> St & Pacific St	200,000	LinkedIn	New Lease	Southwest
9119 Western Ave	55,500	Union Pacific	Renewal	Central Dodge
15950 W Dodge Rd	46,096	Mutual of Omaha Bank	New Lease	Suburban West Dodge
12910 Pierce St	17,826	Cline Williams Wright Johnson & Oldfather	Renewal	Southwest

### Key Sales Transactions Q1 2019

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
10802 Farnam Dr	58,664	Lone Star Funds/Regency Capital Partners, LLC	\$4,700,000/\$80	Old Mill
8400-8424 W Center Rd	24,036	8424, LLC/Gretna Industrial Group, LLC	\$1,950,000/\$81	South Central
1301 Harney St	20,104	Greater Omaha Chamber Foundation/1302 Howard Property Holdings, LLC	\$3,000,000/\$149	Downtown Omaha
9412 Giles Rd	7,255	Reditech/ViewPointe Vision	\$1,065,000/\$147	South Central

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