

MARKETBEAT

Omaha Office Q2 2017



OMAHA OFFICE

Economic Indicators

	Q2 16	Q2 17	12-Month Forecast
Omaha Employment	497k	504k	▲
Omaha Unemployment	3.3%	3.0%	▼
U.S. Unemployment	4.9%	4.4%	■

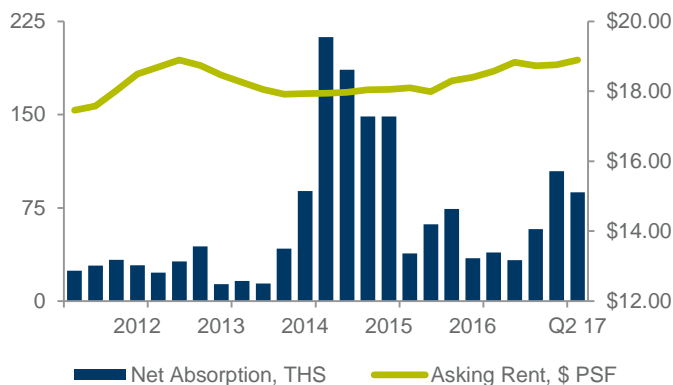
Market Indicators (Overall, All Classes)

	Q2 16	Q2 17	12-Month Forecast
Vacancy	11.6%	10.9%	▼
Net Absorption (SF)	114k	46k	▼
Under Construction (SF)	272k	505k	▲
Average Asking Rent*	\$18.72	\$19.27	▲

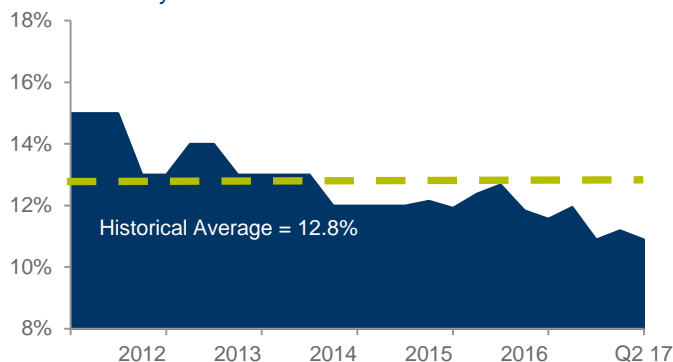
*Rental rates reflect gross asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

The strength of the overall economy is made evident as the Fed hikes interest rates for the second time this year, in a widely expected move. As rates continue to trend upwards, consumers will start to earn a little more for keeping their money in the bank. The national unemployment rate dropped from 4.8% in Q1 to 4.4% in Q2, which is the lowest rate since 2001. Omaha's unemployment rate of 3.0% is among the lowest in the nation. It is important to note that the U.S. economy still faces a variety of significant challenges going forward, including deteriorating infrastructure, higher pension and medical costs, and growing income inequality.

Market Overview

Once again the Omaha office market reported positive absorption of over 45,000 square feet (sf) in Q2 2017. The year-to-date annual absorption totaled 187,536 sf. Last quarter's overall office vacancy of 11.2% has since tightened to 10.9%. In the second quarter, the Class A office market experienced the highest rate of growth with a positive absorption of almost 59,000 sf, lowering vacancy to a mere 8.2%. Class C office space recorded negative absorption of 18,284 sf, which raised vacancy rates to 15.9%.

As a true indicator of local economic growth, the Omaha office market added 428,218 sf of planned construction in Q2 2017. The most notable sale of the second quarter, 3200 Sampson Way, traded for nearly \$8.7 million. The 116,964-sf building is anchored by Northrup Grumman. Cornerstone Christian School, a 100,298-sf user, signed the largest new lease of the quarter at Southroads Technology Park. Baird Holm LLP executed a 61,986-sf extension, the largest renewal transaction of the quarter.

Outlook

According to all key indicators, the economic outlook for the Omaha market is healthy. The office market experienced positive momentum during Q1 2017, which continued into the second with increased rental rates, lower vacancy rates, and positive absorption. As new construction continues to emerge, a shift in supply and demand is expected, signaling a new phase of the economic cycle.

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Omaha Office Q2 2017



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)*
Midtown	2,147,838	4,040	103,341	5.0%	-24,615	-26,223	50,567	228,218	\$14.01	N/A
Southwest	1,681,353	0	217,794	13.0%	-10,324	-6,354	28,495	0	\$17.11	N/A
South Central	2,306,280	18,968	420,356	19.1%	20,789	39,957	138,019	127,230	\$19.10	N/A
Northwest	1,587,685	0	62,076	3.9%	5,300	49,236	40,844	8,000	\$22.16	N/A
Central West Dodge	2,418,782	0	227,183	9.4%	-30,870	-34,843	35,466	0	\$19.33	N/A
Old Mill	1,208,937	18,975	193,519	17.6%	-8,641	-24,528	16,499	0	\$19.13	N/A
Regency	1,023,338	0	52,392	4.8%	40,349	41,396	82,549	0	\$23.84	N/A
Northeast	179,116	0	23,370	13.1%	-1,393	-1,393	11,581	0	N/A	N/A
Downtown	4,577,737	51,382	528,190	12.7%	58,347	112,135	67,070	20,000	\$19.25	\$21.31
Southeast	860,298	0	257,483	29.9%	-2,829	24,597	115,908	21,467	\$15.41	N/A
Suburban West Dodge	2,294,330	7,305	66,769	3.2%	-2,396	1,050	32,304	100,000	\$16.44	N/A
Miracle Hills	766,450	0	48,841	6.4%	2,711	-4,389	12,723	0	\$20.53	\$21.50
OMAHA TOTALS	21,052,144	100,670	2,201,314	10.9%	46,428	170,641	632,025	504,915	\$19.27	\$21.32

*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	7,288,460	58,687	539,143	8.2%	54,173	37,772	172,409	475,448	\$21.32	\$21.32
Class B	10,253,617	25,076	1,119,657	11.2%	10,539	171,164	256,007	29,467	\$19.26	\$19.26
Class C	3,510,067	16,907	542,514	15.9%	-18,284	-38,295	203,609	0	\$14.89	\$14.89

Key Lease Transactions Q2 2017

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
Southroads Technology Park	100,298	Cornerstone Christian School	Lease	Southeast
808 Conagra Drive	55,443	Sherwood Foundation	Lease	Downtown
4411 S 96 th Street	22,345	Proxibid	Lease	South Central

Key Sales Transactions Q2 2017

PROPERTY	SF	SELLER / BUYER	PRICE / \$PSF
3200 Samson Way	116,964	Fishman Jackson Ronquillo PLLC/Wildamere Properties	\$8,662,502 / \$74
7350 World Communications Drive	91,600	FPRO-1001 LLC/4 Suns-680 LLC	\$800,000 / \$49

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

For more information, contact:
Martin J. Patzner, CPM, RPA
Vice President – Office Specialist
Tel: +1 402 548 4033
mpatzner@lundco.com

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