

MARKETBEAT

Omaha

Office Q4 2018



OMAHA OFFICE

Economic Indicators

	Q4 17	Q4 18	12-Month Forecast
Omaha Employment	501k	510k	▲
Omaha Unemployment	3.0%	2.8%	▼
U.S. Unemployment	4.1%	3.7%	▼

Numbers above are quarterly averages

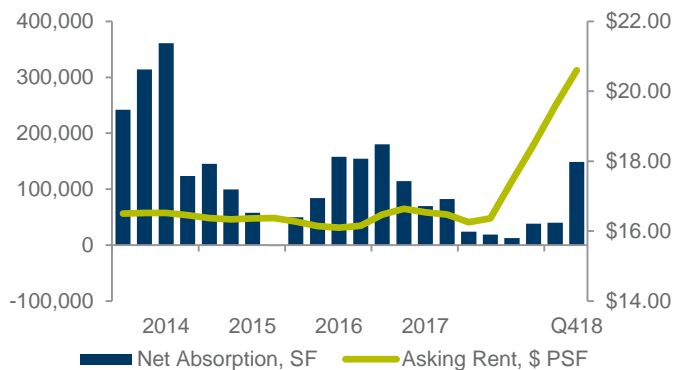
Market Indicators (Overall, All Classes)

	Q4 17	Q4 18	12-Month Forecast
Vacancy	7.7%	6.6%	■
Net Absorption (sf)	-107k	327k	▲
Under Construction (sf)	551k	1.0M	■
Average Asking Rent**	\$17.13	\$21.22	▲

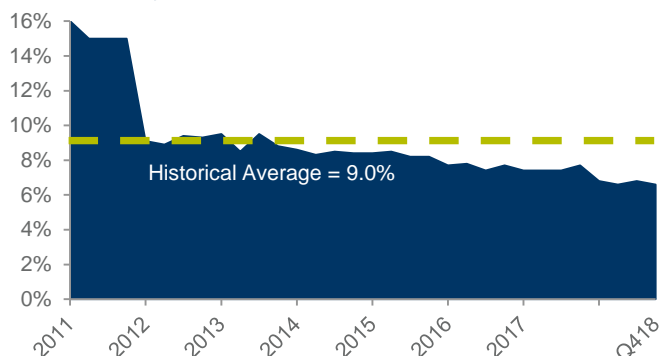
*Historical rental rate differences due to change of data provider from Xceligent to Costar
**Rental rates reflect gross asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

The Omaha unemployment rate decreased by 20 basis points (bps) year-over-year (YOY) and was recorded at 2.8% in fourth quarter 2018. During the same timeframe 8,800 non-farm payroll positions were created, and the number of people employed reached 509,500. According to the Nebraska Department of Economic Development, the Leading Economic Indicator-Nebraska (LEI-N) rose by 0.51% during October of 2018 and suggests moderate growth into the first quarter of 2019. Results from the October Nebraska Business survey reflect that businesses expect to see both an increase in sales and employment at their businesses over the next six months.

Market Overview

The Omaha office market recorded four consecutive quarters of positive absorption in 2018, for a total of 588,445 square feet (sf) of positive absorption. The total vacancy rate decreased by 110 bps from fourth quarter 2017 to present, currently sitting at 6.6%. The direct vacancy rate saw minor change throughout 2018 and ended the year as it began at 6.2%. A meager 0.4%, or 152,054 sf of the office inventory is being offered for sublease. As a result of limited opportunity, sublease activity was minimal in the fourth quarter and 10,580 sf of negative absorption occurred. Suburban submarkets outperformed the Central Business District (CBD) submarket (downtown) in 2018. While absorption reached positive 333,889 sf in suburban submarkets, the CBD submarket recorded 220,357 sf of positive absorption for the year. HDR occupied the largest space in the suburban areas, moving into 232,376 sf in the Midtown submarket. More than 1.0 million square feet (msf) of office space is under construction, with 940,186 sf slated for completion in 2019. Eight build-to-suit projects are underway and account for 53% of the total office construction. Four of the build-to-suit office developments have already been claimed by financial institution type tenants: Exchange Bank, Pinnacle Bank, Farm Credit Services of America and Securities America.

Outlook

Local businesses are feeling the ripple effect of the strengthening economy. The positive absorption trend is expected to continue into 2019, driven by existing tenant expansions, as well as new tenants entering the market. Vacancy rates may fluctuate in 2019, as vacant space in new speculative deliveries hits the inventory. Due to high demand for new office construction and pre-leasing, the fluctuation should be minimal.

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CUSHMAN & WAKEFIELD

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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)*
Midtown	5,674,604	0	150,591	2.7%	257,050	297,206	111,582	117,987	\$23.46	\$28.56
Southwest	3,838,431	15,556	303,741	8.3%	14,691	76,648	164,954	117,392	\$20.89	\$29.94
Downtown	8,999,514	4,343	371,744	4.2%	-6,868	220,357	197,304	47,000	\$18.92	\$23.74
Northwest	2,219,926	0	384,739	17.3%	-18,285	-136,849	97,447	65,469	\$20.51	N/A
Central West Dodge	2,569,178	26,330	176,798	7.9%	13,914	50,644	112,163	48,580	\$23.84	\$28.25
Old Mill	2,357,363	78,024	159,091	10.1%	33,967	-67,069	24,092	N/A	\$20.64	N/A
Regency	1,238,273	0	82,421	6.7%	-5,092	-14,845	48,454	N/A	\$23.41	\$31.13
Northeast	458,571	0	4,512	1.0%	500	-5,212	4,814	N/A	\$18.45	N/A
South Central	2,398,392	0	192,193	8.0%	15,392	35,819	164,440	133,758	\$17.67	N/A
Southeast	1,918,831	0	173,156	9.0%	11,783	58,533	22,612	N/A	\$18.64	\$16.00
Suburban West Dodge	3,380,521	19,853	168,313	5.6%	4,230	80,373	124,848	496,500	\$27.80	\$30.03
Miracle Hills	1,008,467	7,948	51,807	5.9%	5,739	-7,160	59,041	N/A	\$21.16	\$22.12
OMAHA TOTALS	36,062,071	152,054	2,219,106	6.6%	327,021	588,445	1,131,751	1,026,686	\$21.22	\$27.38

**Renewals are included in YTD Leasing Activity (SF) *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	9,181,764	29,729	348,263	4.1%	282,900	504,282	338,954	626,949	\$27.38	\$27.38
Class B	23,028,238	105,418	1,462,593	6.8%	41,810	104,891	446,432	399,737	\$20.27	\$20.27
Class C	3,852,069	16,907	408,250	11.0%	2,311	-20,728	346,365	0	\$15.57	\$15.57

Key Lease Transactions Q4 2018

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
11819 Miami St	47,863	Aetna	New Lease	Northwest
9140 W Dodge Rd	8,462	Hugo Enterprises	New Lease	Central West Dodge
12112 Pacific St	7,500	Innovative Resources	New Lease	Suburban West Dodge
11420 Blondo	6,396	Ventura Medstaff	New Lease	Northwest

Key Sales Transactions Q4 2018

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
1218 Nicholas St	187,240	Electronic Real Estate, LLC/Ashton, LLC	\$2,293,400/\$12	Downtown
1111 N 13 th St	138,128	R L Grinnell Corporation/Mastercraft, LLC	\$3,867,600/\$28	Downtown
9140 W Dodge Rd	85,653	Jasper Stone Financial Plaza, LLC/Legacy Court, LLC	\$8,900,000/\$104	Central West Dodge
1623-1625 Farnam St	55,519	American Nebraska Limited Partnership/1623 Farnam Real Estate, LLC	\$2,620,000/\$47	Downtown

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