

Industrial Q4 2019

YoY Chg 12-Mo. Forecast

1.9%

Vacancy Rate



757K

Net Absorption, SF



\$6.02

Asking Rent, PSF



Overall, Net Asking Rent

ECONOMIC INDICATORS Q4 2019

YoY Chg 12-Mo. Forecast

519K

Omaha Employment



3.0%

Omaha Unemployment Rate



3.6%

U.S. Unemployment Rate



Source: BLS

ECONOMY OVERVIEW: White-collar Versus Blue-Collar Job Growth

Omaha's unemployment rate increased by 20 basis points (bps) year-over-year (YOY), inching up to 3.0% at the close of 2019. The area jobless rate has hovered around the 3.0% mark for several years and has been below 4.0% since early in 2014. Though the labor market is tight, job growth remains concrete. Nearly 15,000 non-farm payroll positions have been created since the end of 2018. Employment-growth trends are forecasted to remain positive. Local job creation is most prevalent in white-collar industries with continued expansion. Examples of subsectors related to this industry include education, healthcare and insurance. Blue-collar industries are seeing overall job-growth, but the manufacturing subsector has stalled. This is a widespread issue, as manufacturing job-growth has been declining nationwide. The biggest restraint on manufacturing has stemmed from excessive use of tariffs and trade wars with other countries.

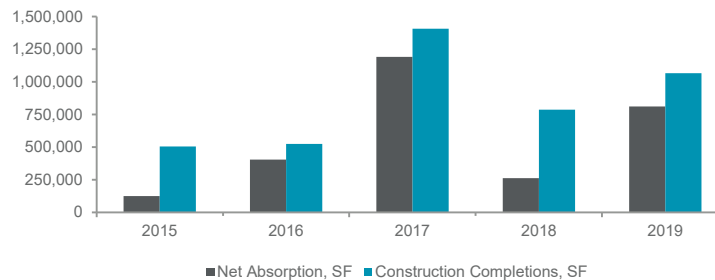
SUPPLY AND DEMAND: Industrial Market Heats Up

Omaha's industrial vacancy hit an all-time low, falling to 1.9% at 2019 year-end. Currently, only 1.7 million square feet (msf) of the 90.5 msf inventory is vacant. Demand for industrial space was healthy, as nearly 760,000 sf of space was absorbed in the fourth quarter of 2019. The Sarpy West submarket saw the most activity in the fourth quarter, recording nearly 550,000 sf of absorption, bringing its year-end net absorption total to 660,000 sf. Omaha Box Company occupied the largest space in Sarpy West, moving into its new 335,000-sf headquarters. Much of the market occupancy gains were driven by new construction deliveries. Just under 450,000 sf of new industrial product was added to the inventory in the fourth quarter and more than 1.0 msf of space was delivered throughout 2019. Another 940,000 sf of industrial space is currently under construction, all of which is slated for completion in 2020. Build-to-suit projects and pre-leased space account for more than 60% of the space that's under construction.

PRICING: Asking Rents On The Rise

As vacancy tightens, rents continue to rise. Average asking rents in the industrial sector increased by \$0.23 per square foot (psf), YOY, reaching \$6.02 psf in the last quarter of 2019. Rising rents are being driven by limited supply and new construction. With only 1.9% of the inventory in the market vacant, tenants have become more competitive when looking for space and landlords are benefitting by upping their asking rents. In addition, developers are attempting to meet demand by producing new properties that will fetch premium rents.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	OVERALL VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	CONSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG NET RENT (MF)	OVERALL WEIGHTED AVG NET RENT (OS)	OVERALL WEIGHTED AVG NET RENT (W/D)
Sarpy East	2,241,481	26,717	1.2%	-4,267	-1,267	0	0	\$6.25	N/A	N/A
Sarpy West	16,791,021	381,875	2.3%	546,346	658,095	711,552	388,390	N/A	\$7.92	\$5.69
South Central	21,212,349	393,817	1.9%	-110,512	-120,931	0	16,436	\$5.25	\$7.70	\$5.51
Saunders County	403,214	0	0.0%	50,868	50,868	0	0	N/A	N/A	N/A
Southeast	9,257,721	73,804	0.8%	1,112	33,668	0	0	N/A	\$5.50	\$4.90
Southwest	9,281,587	187,083	2.0%	32,209	32,557	15,000	0	\$5.81	\$9.03	\$6.19
Council Bluffs	2,896,852	14,200	0.5%	0	-35,000	38,000	0	N/A	N/A	N/A
Downtown Council Bluffs	3,639,736	43,470	1.2%	167,530	175,030	0	0	N/A	N/A	\$4.95
E Cass County	379,150	20,000	5.3%	0	2,200	0	0	N/A	N/A	N/A
E Mills County	46,199	0	0.0%	0	0	0	0	N/A	N/A	N/A
W Cass County	133,599	34,750	26.0%	20,000	17,750	0	0	N/A	N/A	\$6.00
W Mills County	220,382	0	0.0%	0	0	0	0	N/A	N/A	N/A
Northeast	11,195,977	173,287	1.5%	65,801	-14,592	0	0	N/A	N/A	\$6.00
Northwest	6,542,314	296,828	4.5%	-12,136	2,726	40,000	42,000	\$7.00	\$11.44	\$6.60
E Pottawattamie County	1,170,132	12,000	1.0%	0	0	0	0	N/A	N/A	N/A
Harrison County	116,828	0	0.0%	0	0	0	0	N/A	N/A	N/A
W Pottawattamie County	3,433,292	0	0.0%	0	16,000	137,500	0	N/A	N/A	N/A
Washington County	1,548,192	56,750	3.7%	0	-5,000	0	0	N/A	N/A	\$4.70
OMAHA TOTALS	90,510,026	1,714,581	1.9%	756,951	812,104	942,052	446,826	\$5.86	\$8.37	\$5.61

*Rental rates reflect weighted net asking \$psf/year

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

KEY LEASE TRANSACTIONS Q4 2019

PROPERTY	SUBMARKET	TENANT	SF	TYPE
10320 J St	South Central	International Paper Company	40,000	New Lease
1501 S Main St	Council Bluffs	Undisclosed	36,000	New Lease
2755 River Road Dr	Northwest	Valley Marine	24,000	Renewal

*Renewals included in leasing statistics

KEY SALES TRANSACTIONS Q4 2019

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
10808 S 132 nd St	Sarpy West	LCN Capital Partners/Hormel Foods Corporation	535,000	\$25.1M/\$47
2501 N 21 st St	Northeast	East Omaha Investments, Inc/Flatrock Group, LLC	189,679	\$2.5M/\$13
13855 Cornhusker Rd	Sarpy West	Werner Enterprises, Inc/Southern Glazer's Wine and Spirits, LLC	125,000	\$7.5M/\$60

DENNY SCISCOE

Director of Industrial Services

+1 402 548 4051/ denny.sciscoe@lundco.com

MISTY BELSHA

Business Analyst

+1 660 287 1135 misty.belsha@lundco.com

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