

# MARKETBEAT

## Omaha Office Q3 2019



### OMAHA OFFICE

#### Economic Indicators

	Q3 18	Q3 19	12-Month Forecast
Omaha employment	502k	513k	▲
Omaha unemployment rate	2.8%	3.0%	▼
U.S. unemployment rate	3.8%	3.7%	▲

\*Q3 19 data based on latest available data.

Source: BLS, Moody's Analytics, Cushman & Wakefield Research

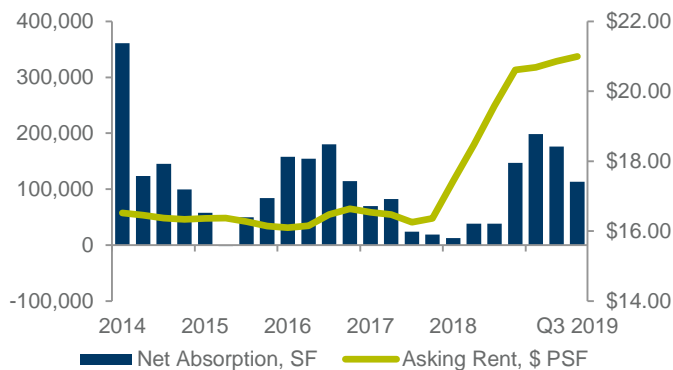
#### Market Indicators (Overall, All Classes)

	Q3 18	Q3 19	12-Month Forecast
Vacancy	5.9%	6.1%	■
Net Absorption (sf)	70k	-181k	▼
Under Construction (sf)	983k	1.4M	▲
Average Asking Rent**	\$20.76	\$21.33	▲

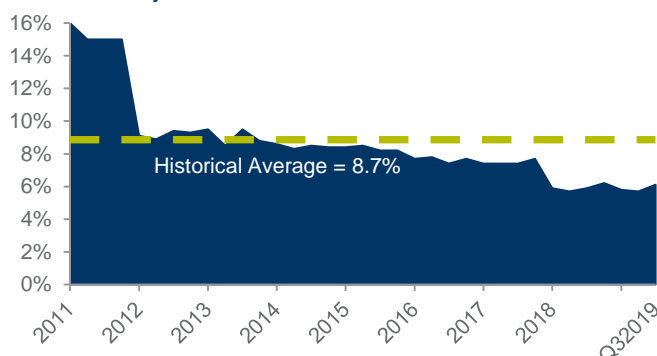
\*\*Historical rental rate differences due to change of data set.

#### Overall Net Absorption/Overall Asking Rent

##### 4-QTR TRAILING AVERAGE



#### Overall Vacancy



### Economy

Through the end of the third quarter of 2019, the Omaha office economy added 11,000 positions year-over-year (YOY). The local unemployment rate increased by 20 basis points (bps) during the same time frame and has risen by 10 bps in each of the first three quarters of 2019. Though the area unemployment rate has inched upward, currently at 3.0%, it is still relatively low in comparison to the national average at 3.7%. While growth may look different than in past years as we see a fluctuating unemployment rate, Omaha's well-diversified economy and strong fundamentals will continue to drive overall economic growth.

### Market Overview

The Omaha office market ended its positive absorption streak in the third quarter. However, 2019 has been strong through nine months with nearly 128,000 square feet (sf) of absorption. Four new buildings were delivered in the quarter, increasing the office inventory by about 130,000 sf. Though all of the new buildings were build-to-suit (BTS), three of them contained additional space available for lease. Nearly 35,000 sf of the new supply was delivered without pre-leases and contributed to an uptick in vacant inventory. The overall vacancy rate was recorded at 6.1% at the close of third quarter 2019, up 20 bps YOY. Average asking rents increased by \$0.57 per square foot (psf), full-service gross, during the same timeframe. The rise in asking rents can be attributed to increasing construction costs and the shortage of first-generation leasing options. The most substantial rent growth occurred in Class A properties, which rose by 216 bps YOY. Only 4.4% of the Class A office inventory is vacant, and the combination of tight supply and high demand is putting upward pressure on Class A rental rates. Tenants are willing to pay more for premium office space, which is a huge advantage for the landlord. Mutual of Omaha Bank was the largest single occupant of the quarter, taking nearly 47,000 sf of space in the Suburban West Dodge Market.

### Outlook

Just over 430,000 sf of new office inventory is slated for delivery in the fourth quarter of 2019, and nearly one million sf of space is expected to be delivered in 2020. While 70% of the new development was BTS or pre-leased, 440,000 sf hasn't been spoken for yet. If additional leases aren't signed for this new construction, the market will see another 260,000 sf of vacant office space come online before year-end, which may contribute to a vacancy rate increase. Many of the new projects are Class A office buildings which bring top dollar and asking rents will continue to trend upward as new Class A space comes available.

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## Omaha Office Q3 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	3,318,553	0	182,084	5.5%	6,142	49,303	163,605	0	\$23.75	\$27.37
Council Bluffs	1,109,737	0	75,890	6.8%	5,000	23,219	12,169	0	\$15.70	N/A
Downtown Omaha	9,282,459	0	466,710	5.0%	-896	10,168	61,349	212,000	\$20.64	\$28.19
Downtown Council Bluffs	393,312	0	54,756	13.9%	0	-4,991	0	0	\$31.41	\$31.81
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	6,304,246	0	222,529	3.5%	-5,549	162,310	68,075	117,987	\$22.63	\$28.32
Miracle Hills	1,052,627	0	39,856	3.8%	-2,704	10,771	15,803	0	\$20.57	\$22.00
Northeast	729,199	0	39,509	5.4%	-6,201	-3,089	0	0	\$22.22	N/A
Northwest	2,567,323	72,516	272,255	13.4%	-101,574	-75,605	44,525	19,264	\$18.56	N/A
Old Mill	2,375,537	66,313	171,165	10.0%	-15,259	-46,247	19,008	0	\$20.36	N/A
Regency	1,309,601	0	86,164	6.6%	-6,128	-6,222	23,178	0	\$23.83	\$29.66
Saunders County	47,938	0	0	0.0%	0	0	0	0	N/A	N/A
South Central	3,225,534	0	228,457	7.1%	-27,206	9,900	31,674	344,818	\$18.05	N/A
Southeast	2,852,212	0	253,678	8.9%	-26,724	-57,478	6,241	0	\$19.23	\$17.63
Southwest	5,003,154	27,499	217,808	4.9%	17,418	49,602	171,278	259,746	\$20.22	\$31.22
Suburban West Dodge	4,258,336	25,355	144,018	4.0%	-20,206	6,983	59,280	473,204	\$28.80	\$30.00
W Cass County	11,473	0	4,400	38.4%	0	-4,400	0	0	N/A	N/A
W Mills County	77,914	0	0	0.0%	2,501	2,501	0	0	N/A	N/A
W Pottawattamie County	19,072	0	0	0.0%	0	0	0	0	N/A	N/A
Washington County	306,197	0	35,234	11.5%	0	550	0	0	\$15.30	N/A
<b>OMAHA Totals</b>	<b>44,362,578</b>	<b>191,683</b>	<b>2,494,513</b>	<b>6.1%</b>	<b>-181,386</b>	<b>127,275</b>	<b>676,185</b>	<b>1,427,019</b>	<b>\$21.33</b>	<b>\$28.11</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	10,014,945	22,412	421,033	4.4%	20,124	316,720	132,889	1,078,500	\$28.11	\$28.11
Class B	27,028,536	169,271	1,443,838	6.0%	-172,857	-107,383	437,956	348,519	\$20.80	\$20.80
Class C	7,319,097	0	629,642	8.6%	-28,653	-82,062	105,340	0	\$16.87	\$16.87

### Key Lease Transactions Q3 2019

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
4111 N 203 <sup>rd</sup> St	13,672	Undisclosed	New Lease	Northwest
17220 Wright St	12,300	JD Heiskell	New Lease	Southwest
535 W Broadway	11,900	Dickinson & Clark CPA's	New Lease	Council Bluffs
9110 W Dodge Rd	11,020	Signature Performance	Expansion	Central Dodge

### Key Sales Transactions Q3 2019

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
4812 S 114 <sup>th</sup> St	29,680	Gottlieb Family Trust/McNeil Company	\$700,000/\$24	South Central
17220 Wright St	22,109	427 Investments, LLC/JD Heiskell & Co	\$4,126,666/\$187	Southwest
6601 S 118 <sup>th</sup> St	15,000	Miller Lab Properties, LLC/Silver Properties, LLC	\$1,300,000/\$87	South Central
17007 Marcy St	14,851	Vista Properties, LLC/11725 Arbor St, LLC	\$2,632,000/\$177	Suburban West Dodge

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  
[Martin.Patzner@lundco.com](mailto:Martin.Patzner@lundco.com)

#### About Cushman & Wakefield

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Misty Belsha, Business Analyst  
Tel: +1 660 287 1135  
[Misty.Belsha@lundco.com](mailto:Misty.Belsha@lundco.com)

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