

MARKETBEAT OMAHA

Office Q4 2019

CUSHMAN &
WAKEFIELD

LUND
COMPANY

YoY
Chg

12-Mo.
Forecast

5.5%
Vacancy Rate



133K
Net Absorption, SF



\$21.15
Asking Rent, PSF



(Overall, All Property Classes,
Gross Rents)

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

ECONOMIC OVERVIEW: Local Economy Sports Solid Growth

Despite bouts of adjustments including a tight labor market and widespread flooding, the local market continued to see solid growth in 2019. Nearly 15,000 non-farm payroll positions were created year-over-year (YOY) by the close of 2019, while the unemployment rate increased by 20 basis-points (bps) during the same timeframe. At 3.0%, Omaha's jobless rate is still one of the lowest in the nation, and 60 bps lower than the national average of 3.6%. According to the Greater Omaha Chamber, the metro has outpaced the nation in economic growth for the past three years. Many factors contributed to the overall market success including a diverse industry mix, the cost of doing business being 6.1% below the national average, tax rates 30% below the national average, and the cost of living 8.2% below the average.

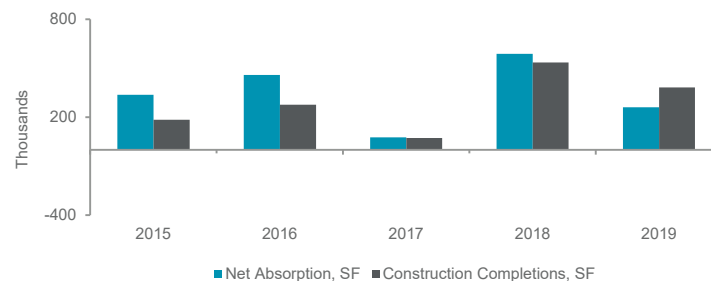
SUPPLY AND DEMAND: Office demand slower, but still steady

The year started off strong, with more than 300,000 square feet (sf) of office space absorbed in the first quarter. However, the remaining nine months of the year delivered a negative total absorption figure. Year-end absorption totaled 261,000 sf, which is a 56% decrease from the 589,000 sf of inventory consumed in 2018. There were 230 new leases signed in 2019, up 21% from the number of new deals inked in 2018. A large portion of the activity came from established tenants relocating within the market. Although tenants typically expanded/relocated into a bigger space, large blocks of vacancy were created when these move-outs occurred, which stunted absorption growth. The office market will see a lot of activity in new construction, but Kiewit's move will be one of the most impactful. Kiewit will occupy its new 165,000-sf headquarters upon completion in 2021. Its move from Kiewit Plaza will also add 132,000 sf of vacant space to the Class A office inventory, but this isn't a concern for the new building owner, Blackstone Plaza Group. The building will undergo renovations that are expected to attract a new wave of tenants.

PRICING: Downtown office rents on the rise

Overall asking rent trends reflect minimal change between 2018 and 2019, with only a \$0.07 per square foot (psf) difference. However, an in-depth look at the data reveals that office rent growth certainly isn't idle across all submarkets. Omaha's downtown office market has experienced significant rent growth, rising by \$1.24 psf, YOY. The heart of the city is undergoing a revitalization that is driving downtown asking rents. New parks, planned development and building renovations have renewed excitement and downtown office rents will continue to trend upwards as projects come to fruition.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT





MARKET STATISTICS

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 AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
Central Dodge	3,320,615	0	184,085	5.5%	-9,178	-37,053	170,894	0	\$24.62	\$23.45
Council Bluffs	1,109,737	0	44,625	4.0%	7,065	24,423	12,169	0	\$14.17	N/A
Downtown Omaha	9,255,934	2,840	462,976	5.0%	32,511	22,403	66,602	212,000	\$18.85	\$26.06
Downtown Council Bluffs	393,312	0	55,356	14.1%	0	15,285	0	0	\$31.27	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	8,279	0	0	0.0%	0	0	0	0	N/A	N/A
Midtown	6,363,960	2,002	225,167	3.6%	8,797	173,711	86,146	117,987	\$23.20	\$26.59
Miracle Hills	1,054,904	0	45,079	4.3%	-2,075	5,548	18,448	0	\$23.31	\$31.01
Northeast	732,716	0	40,909	5.6%	-1,400	18,974	0	0	\$19.31	N/A
Northwest	2,641,787	70,116	213,788	10.7%	7,782	35,397	44,525	19,264	\$17.74	\$30.31
Old Mill	2,235,417	37,842	137,346	7.8%	23,400	-61,600	73,447	0	\$20.67	N/A
Regency	1,303,639	0	89,288	6.8%	-3,124	-9,346	50,528	0	\$25.71	\$31.80
Saunders County	47,938	0	1,500	3.1%	0	-1,500	712	0	N/A	N/A
South Central	3,285,467	8,512	182,266	5.8%	320	66,722	55,030	333,758	\$16.53	N/A
Southeast	2,687,981	0	170,948	6.4%	21,167	-19,957	25,965	0	\$18.21	\$18.57
Southwest	4,936,708	18,696	213,690	4.7%	42,476	77,920	199,482	259,746	\$18.68	\$29.27
Suburban West Dodge	4,266,385	38,250	130,598	4.0%	5,612	-46,449	117,003	634,101	\$28.49	\$29.26
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	2,501	3.2%	0	0	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
OMAHA TOTALS	44,170,311	178,258	2,239,756	5.5%	133,353	260,628	920,951	1,576,856	\$21.15	\$27.22

*Rental rates reflect full service gross asking

KEY LEASE TRANSACTIONS Q4 2019

PROPERTY	SUBMARKET	TENANT	SF	TYPE
9218 Bedford Ave	Northwest	St. Francis	25,352	New Lease
10825 Farnam Dr	Old Mill	Weddingpages, Inc	25,178	Sublease
2206 Longo Dr	Southeast	Signature Performance	17,317	New Lease

*Renewals are included in leasing statistics

KEY SALES TRANSACTIONS Q4 2019

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
3555 Farnam St	Midtown	Kiewit Infrastructure Co/Blackstone Plaza, LLC	176,000	\$16M/\$91
2679 Farnam St	Downtown Omaha	John R & Karla K Skradski/Holt Properties, LLC	34,382	\$1.9M/\$55
920 S 107 th Ave	Regency	920,LLC/ON 680 Zone I, LLC	25,366	\$2.4M/\$95

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