

# OMAHA | OFFICE

First Quarter 2019

Accelerating success.

## Healthy Economy Fuels Record Low Vacancy in Office Market

The Omaha office market continues to perform well with a record low vacancy rate of 7.3 percent for the first quarter of 2019. Vacancy is 40 basis points lower than the fourth quarter of 2018, 120 basis points lower than first quarter of 2018, and 160 basis points lower than in the first quarter of 2010. There was over 70,000 square feet of absorption for the quarter and more than 75,000 square feet of newly constructed office product added to the inventory.

The Northeast submarket, with less than one percent of the office inventory, has the lowest vacancy rate for the quarter at 2.9 percent. The second lowest vacancy is in the Midtown submarket with 3.6 percent vacancy. The popular office corridor of the Suburban West Dodge submarket comes in at 3.7 percent vacancy. Other submarkets performing better than the market as a whole are Regency, Miracle Hills and Downtown with vacancy rates of 6.1, 6.4 and 6.5 percent, respectively. By class, Class A product continues to out-perform the market with a low vacancy rate of 4.6 percent. Class B matches the market at 7.3 percent, while Class C continues to struggle with 14.6 percent vacancy.

The largest move-in for the quarter was Lindsay Manufacturing's move to 67,701 square feet in a new Class A office building in West Dodge Hills at 180th Street and West Dodge Road. The largest signed deal was the announcement that LinkedIn will lease 200,000 square feet in Sterling Ridge at 132nd and Pacific Streets when two buildings are complete near the first quarter of 2021. Mutual of Omaha Bank leased 23,898 square feet, at 15950 West Dodge Road, that they are projected to occupy in the third quarter of this

### Market Indicators

Relative to prior period	Q1 2019	Q2 2019*	CBD Q1 2019	Suburban Q1 2019
VACANCY	↓	↔	↑	↓
NET ABSORPTION	↑	↑	↓	↑
CONSTRUCTION	↑	↑	↔	↑

Note: Construction is the change in square footage Under Construction.  
\* Projected

year. Frontier Bank leased 17,876 square feet in California Pointe, a property at 132nd Street and West Dodge Road, which is currently under construction. Frontier Bank will occupy the space when the building is complete in 2020.

Two newly constructed properties, totaling 75,520 square feet, were delivered to the market in the first quarter; a 64,224-square-foot office building at the River's Edge development in Council Bluffs and a sixth office condo building in The Outland Crossing area on the northwest corner of 168th Street and Cornhusker Road. The property at River's Edge is a four-story Class A office building with the Iowa West Foundation as its first tenant occupying space on the fourth floor. The property at Outland Crossing is an 11,296-square-foot Class B office condominium property.

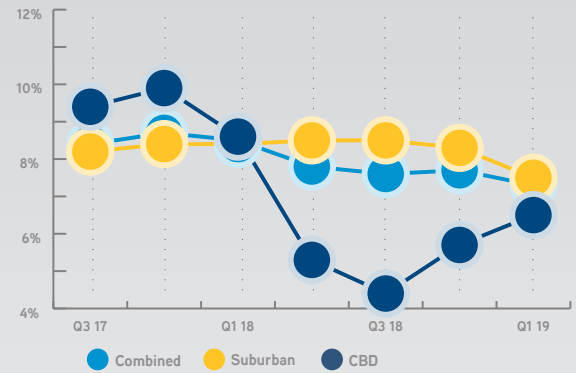
On the supply side, there are close to 800,000 square feet of office space currently under construction in the Omaha metro area. The largest project is the two 100,000-square-foot buildings at Sterling Ridge that will house LinkedIn when completed. The second largest project is a second office building in the West Dodge Hills development at 180th Street and the West Dodge Expressway. This property will add 115,000 square feet to the market. A 107,987-square-foot office building is under construction in Aksarben Village. This building will be the new home of Right at Home, an in-home senior care company. The Baxter Building, an 86,000-

square-foot office building near 168th Street and West Dodge Road, is under construction with Baxter Auto Group leasing half of the building. California Pointe, an 80,000-square-foot office building in the Bank of the West office park, is under construction with Frontier Bank leasing 17,876 square feet. Securities America will occupy space in a 66,528-square-foot office building under construction in the Southport development at I-80 and Giles Road, expanding space already occupied in their 85,632-square-foot headquarters next door. Both Pinnacle Bank and Exchange Bank have office properties under construction in the area of 80th and Dodge Streets. American National Bank is building a new office building at South Saddle Creek Road and Emile Street. The remaining two properties in the construction pipeline represent 85,480 square feet collectively; City Centre on 84th Street in La Vista and Pacific Springs at 168th and Marcy Streets.

Colliers International reports record low office vacancy at the national level as well, coming in at 11.6 percent, with 40 percent of local markets experiencing vacancy rates below ten percent. According to Colliers International, 84 percent of the office markets in the United States experienced positive absorption toward the end of 2018. Another 125.8 million square feet of new office space are currently under construction nationwide. The unemployment rate is extremely low for both Omaha and the nation as a whole at 3.1 and 4.0 percent, respectively. This metric creates a challenge for businesses looking to hire both professional, office-using employees as well as laborers. The lack of office-using hiring could have a slow-down effect on office absorption in the future while the lack of laborers could have an effect on how quickly construction projects get completed.

In conclusion, the health of both the Omaha and U.S. office markets are extremely positive right now. A combination of business and government will have to come up with solutions to the hiring challenge to keep this strong momentum going.

## Vacancy Rates



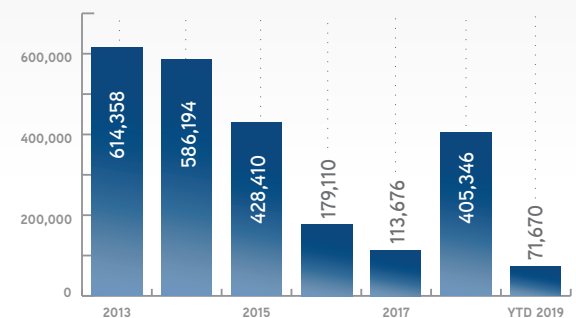
## Quarterly Absorption

(in Thousands)



## Annual Absorption

(in Thousands)



## Recent Transactions - LEASE AND SALE ACTIVITY

Lessee/Buyer	Lessor/Seller	Property	Size SF/Sale Price
Multiple	LSREF4 Bison LLC	Pay Flex Plaza	\$4,700,000
1302 Howard Property Holdings	Greater Omaha Chamber Foundation	1301 Harney Street	\$3,000,000
LinkedIn Corporation	Lockwood Development	Sterling Ridge C & D	200,000 SF
Frontier Bank, NA	California Pointe, LLC	California Pointe	17,876 SF
Cline Williams Wright Johnson & Oldfather, LLP	Lockwood Development	Sterling Ridge B	15,190 SF

## Market Overview

### Omaha - Office Overview *(Includes owner-occupied buildings but not medical-use buildings. See complete data standards on last page.)*

Submarket	VACANCY			ABSORPTION		CONSTRUCTION			Gross Asking Rent	
	Total	Vacancy	Vacancy	Net Absorption		Construction Deliveries		Under Const	Class A	Class B
	SF	SF	%	Q1	2019 SF	Q1	YTD	SF		
CENTRAL WEST DODGE	2,567,034	203,934	7.9%	11,694	11,694	-	-	32,980	\$22.09	\$20.92
COUNCIL BLUFFS	717,405	86,199	12.0%	26,929	26,929	64,224	64,224	-	-	\$10.92
DOWNTOWN	6,997,200	451,657	6.5%	(13,892)	(13,892)	-	-	-	\$23.84	\$16.28
MIDTOWN	4,993,380	181,292	3.6%	(27,482)	(27,482)	-	-	117,987	\$28.32	\$17.94
MIRACLE HILLS	923,800	59,010	6.4%	745	745	-	-	-	\$22.21	\$20.13
NORTHEAST	157,041	4,500	2.9%	12	12	-	-	-	-	-
NORTHWEST	2,115,645	295,884	14.0%	9,984	9,984	-	-	-	-	\$21.48
OLD MILL	2,326,920	208,296	9.0%	(21,053)	(21,053)	-	-	-	-	\$20.10
REGENCY	1,193,546	72,464	6.1%	11,078	11,078	-	-	-	\$31.13	\$23.42
SOUTH CENTRAL	2,092,156	235,691	11.3%	(51,344)	(51,344)	-	-	112,008	-	\$18.14
SOUTHEAST	1,286,037	160,806	12.5%	-150	-150	-	-	-	\$16.00	\$11.59
SOUTHWEST	3,516,310	266,608	7.6%	65,187	65,187	11,296	11,296	200,000	\$29.92	\$17.53
SUBURBAN WEST DODGE	3,276,565	121,178	3.7%	59,962	59,962	-	-	321,000	\$29.63	\$22.82
<b>CBD TOTAL</b>	<b>6,997,200</b>	<b>451,657</b>	<b>6.5%</b>	<b>(13,892)</b>	<b>(13,892)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>\$23.84</b>	<b>\$16.28</b>
<b>SUBURBAN TOTAL</b>	<b>25,165,839</b>	<b>1,895,862</b>	<b>7.5%</b>	<b>85,562</b>	<b>85,562</b>	<b>75,520</b>	<b>75,520</b>	<b>783,975</b>	<b>\$27.62</b>	<b>\$18.62</b>
<b>GRAND TOTAL</b>	<b>32,163,039</b>	<b>2,347,519</b>	<b>7.3%</b>	<b>71,670</b>	<b>71,670</b>	<b>75,520</b>	<b>75,520</b>	<b>783,975</b>	<b>\$26.67</b>	<b>\$18.16</b>

### BY CLASS

	Inventory		Vacancy		Net Absorption		Construction Deliveries		Under Const	Available for Sublease	
	SF	SF	%	Q1 SF	YTD	Q1	YTD	SF	CBD	Suburban	
	CLASS A	7,854,177	364,361	4.6%	101,282	101,282	64,224	64,224	559,460	9,343	20,063
CLASS B	21,368,398	1,555,301	7.3%	(18,813)	(18,813)	11,296	11,296	224,515	-	143,235	
CLASS C	2,940,464	427,857	14.6%	(10,799)	(10,799)	-	-	-	-	12,473	
<b>TOTALS</b>	<b>32,163,039</b>	<b>2,347,519</b>	<b>7.3%</b>	<b>71,670</b>	<b>71,670</b>	<b>75,520</b>	<b>75,520</b>	<b>783,975</b>	<b>9,343</b>	<b>175,771</b>	



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**68** countries

**\$3.3**

billion in  
annual revenue

**2.0**

billion square feet  
under management

**17,000**

professionals  
and staff

**\$127**

billion in  
total transaction value

\*All statistics are for 2018, are in U.S. dollars and include affiliates.

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*Colliers International North American Data Standards: Single and multi-tenant buildings greater than or equal to 10,000 square feet in size, including owner-occupied buildings are included in the tracked inventory. Office buildings that were built with the intent to house only medical users are not included in the tracked inventory. Office buildings where the government is both 100% owner and occupier are not included in the tracked inventory. Only properties in the Omaha metro area are included. Properties in Cass, Mills, Harrison, Saunders and Washington counties are not included.*

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