

## Small Shop Space Dominated 2017

The Omaha retail market ended the year with a healthy vacancy rate of 8.4 percent, flat from the previous quarter's vacancy rate of 8.4 percent. Positive absorption of 53,065 square feet took place for the quarter and 287,114 square feet for the year. Unlike in years past, most of the absorption and new construction added to the market occurred in small shop space. This year Omaha welcomed a few new big box stores, such as an additional TJ Maxx, Home Goods, Aldi and Cavender's, a new Ross Dress for Less, a couple of new stores at Nebraska Crossing Outlets, and a new Harbor Freight store. For the most part, however, many deals took place in small shop space this year. Various industry types were represented in leasing activity, but service-oriented retail, such as health care, fitness and salon space led the way. The year also experienced the closure of big box stores such as several Gordman's and ShopKo stores. The market adjusted accordingly with former retail spaces being transformed in to non-traditional use such as self-storage.

Adding to the retail market were 22 properties representing 287,114 square feet of new construction, which represents not quite 1 percent of the total market. While this number is smaller than in previous years, there were no significant big box properties, such as Walmart Super Center or Target, added to the market this year. Two of the newly constructed properties, H&M and Fresh Thyme, were over 20,000 square feet in size. The remaining properties represent small shop space in strip centers or first-floor retail space in mixed-use buildings.

### Market Indicators

Relative to prior period	Q3 2017	Q4 2017	Q1 2018*
VACANCY	↓	↔	↔
NET ABSORPTION	↑	↑	↔
CONSTRUCTION	↔	↔	↔
RENTAL RATE	↑	↓	↔

\* Projected

Most of the newly added square footage were found in suburban areas. However, the downtown area is experiencing a renaissance and retail benefitted from this as well. Three newly constructed properties, the Yard, the Triangle and retail space in the Capitol District Ballroom, opened downtown. These trends will continue in to 2018. Currently there are seven properties under construction, representing 131,194 square feet. All of these properties are small shop spaces in suburban strip centers or urban first-floor retail space. Three of these properties are located in the Capitol District area downtown. First-floor retail space is currently under construction in the new HDR headquarters building in Aksarben Village. Three additional strip centers are under way: one in the 204th street corridor, one in Gretna and another in the midtown area.

Nationally, much has been made of a looming "retail apocalypse;" the idea that online shopping will take market share from brick and mortar stores, making such stores obsolete. According to CNBC, 45 percent of respondents to an all-America economic survey indicate that e-commerce is the top place they have shopped or plan to shop this holiday season. While this is what consumers say, the actual

percentage of online sales to total retail sales is still pretty low. According to the U.S. Census bureau, e-commerce sales in the third quarter of 2017 accounted for only 9.1 percent of total sales. That figure will surely continue to increase, forcing retailers to re-think traditional retail locations. The marketplace has already experienced smaller concepts for traditional retailers for several years now. This trend will likely continue.

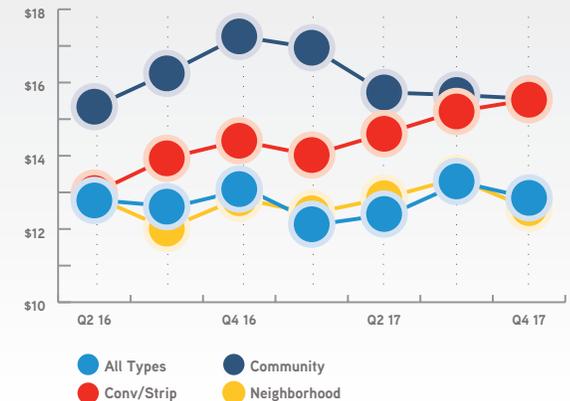
Holiday spending overall is increasing this year. According to the commerce department, retail and food sales were up 5.8 percent in November compared to last year. The National Retail Federation predicts that holiday spending will increase 3.6 percent to 4.0 percent over last year. This accounts for spending both online and in store. Mastercard is already reporting that sales are up 4.9 percent from last year. According to NPR's Uri Berliner, increases in holiday spending are due to a combination of consumer confidence, a strong economy, fair weather in December and favorable calendar days for shopping. Because Christmas fell on a Monday, there were two more shopping days before Christmas. NPR reported that spending increases occurred for Americans in all income brackets and that experiences, such as event tickets or a meal out, were popular gifts. According to the report, another spending trend was "self-gifting." A survey from Deloitte said 50 percent of Americans took advantage of sales and shopped for themselves in addition to shopping for gifts.

In conclusion, the local market has adjusted well to changes in the retail landscape. Nationally, the "retail apocalypse" seems to be overblown for now. Colliers International expects that local trends such as growth in service-based retail and transformation retail spaces in to non-traditional uses will occur nationally as well. The market will adjust, making the looming apocalypse more of a blip.

## Retail Vacancy



## Asking Rental Rates



## Recent Transactions - LEASE AND SALE ACTIVITY

Lessee/Buyer	Lessor/Seller	Property	Size SF/Sale Price
JLC Realty LLC	Dhaliwal Properties LLC	16815-16909 Q Street	\$4,165,000
MRP Omaha LLC	Wally Properties	Starwood Shopping Center	\$2,411,500
Prosoft IT Services, Inc	Dubois, LLC	Lakeview Plaza	\$2,400,000
Prime Time Healthcare	Walnut Grove Plaza LLC	Walnut Grove Plaza	27,810 SF
Maserati	168th and Dodge LP	Village Pointe Bldg V	21,156 SF

## Market Overview

### Omaha - Retail Overview

Submarket	VACANCY			ABSORPTION		CONSTRUCTION	RENTS
	Total	Vacancy	Vacancy	Net Absorption		Under Const	Rental Rate
	SF	SF	%	Q4 SF	2017 SF	SF	Avg (\$/SF)
COUNCIL BLUFFS (CB)	3,661,869	348,919	9.5%	(2,250)	32,003	-	\$11.95
EAST (E)	2,563,703	234,131	9.1%	1,459	(3,018)	92,519	\$13.43
NORTH CENTRAL (NC)	2,380,193	443,593	18.6%	(14,322)	(118,794)	-	\$8.53
NORTHWEST (NW)	3,154,560	226,987	7.2%	5,977	28,810	12,000	\$14.67
SARPY EAST/BELLEVUE (SE)	2,189,629	120,670	5.5%	9,358	(8,817)	-	\$11.53
SARPY WEST (WSC)	3,184,646	271,257	8.5%	(4,993)	(15,406)	-	\$15.33
SOUTH CENTRAL (SC)	6,002,562	375,471	6.3%	10,612	65,071	12,000	\$13.48
SOUTHWEST (SW)	8,638,143	670,716	7.8%	36,081	238,515	14,675	\$13.20
WEST DODGE CORRIDOR (WDC)	2,158,788	159,558	7.4%	25,277	(4,851)	-	\$12.12
<b>TOTALS</b>	<b>33,934,093</b>	<b>2,851,302</b>	<b>8.4%</b>	<b>67,199</b>	<b>231,513</b>	<b>131,194</b>	<b>\$12.85</b>

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