

# OMAHA | INDUSTRIAL

Third Quarter 2020

Accelerating success.



## Industrial Market A Continued Bright Spot

After four straight quarters of positive absorption, the Omaha industrial market experienced 39,496 square feet of negative absorption in the third quarter of 2020. The vacancy rate rose 30 basis points to 3.4 percent from 3.1 percent in the second quarter. Even so, the industrial sector posted strong indicators with a record average asking rent of \$6.83 per square foot on a triple net basis, over 87,000 square feet of new product delivered to the market and 423,473 square feet in the construction pipeline.

Manufacturing properties continue to have the lowest vacancy rate in the market with 1.8 percent vacancy. Warehouse properties are operating with below market vacancy of 3.1 percent. The property type with the highest vacancy rate is Flex with 10.3 percent vacancy. By submarket Southeast, Northeast, Southwest, Council Bluffs and Sarpy West all have vacancy rates below the market average.

While net absorption is negative overall, there were some large move-ins for the quarter. Walmart expanded by 50,000 square feet and E2 Optics occupied 25,000 square feet in a warehouse near Highways 370 and 50. Groundscapes moved in to a newly constructed 44,000-square-foot flex building in Valley near Highway 275 and Meigs Street. CLAAS of America occupied their 19,750-square-foot expansion at their facility near 132nd Street and Giles Road. The largest move-out for the quarter was the closure of Gordman's 267,495-square-foot distribution warehouse near 90th and F Streets. Gordman's was a Midwestern brick-and-mortar discount department store that

### Market Indicators

Relative to prior period	Q2 2020	Q3 2020	Q4 2020*
VACANCY	↑	↑	↔
NET ABSORPTION	↓	↓	↔
CONSTRUCTION	↓	↓	↑
RENTAL RATE	↑	↑	↑

\* Projected

was acquired by Stage Stores in 2017. Some Gordman's stores were closed while profitable stores continued to operate until Stage Stores filed for Chapter 11 bankruptcy and subsequently closed stores permanently this year. Black Hills Energy vacated approximately 40,000 square feet in two properties in Council Bluffs. Fast-Trac Freight consolidated operations, vacating 23,232 square feet near Interstate 680 and Irvington Road.

Four newly constructed industrial properties totaling 87,735 square feet were delivered to the Omaha market. The Groundscapes and CLAAS America spaces were mentioned above. In addition, two 12,000-square-foot properties in Gretna were delivered this quarter. All four properties delivered 100 percent occupied.

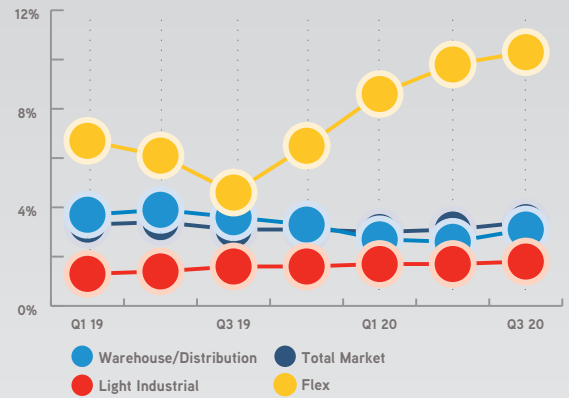
There are sixteen properties totaling 423,473 square feet of industrial property under construction. Over 79 percent of the space is pre-leased or build-to-suit and 63.2 percent of the space is located in the popular Sarpy West submarket. Streck Laboratories has 78,482 square feet under construction near Interstate 80 and Harrison Street. CyrusOne has a 60,000-square-foot property under construction in Council Bluffs. Aircraft Specialties has a 47,725-square-foot property

under construction near 134th Street and Cornhusker Road. Quin Global USA has a 23,000-square-foot property near 60th and F Streets under construction. A 16,500-square-foot property for Kelley Engineered Equipment and a 14,766-square-foot property for Ditch Witch are under construction in Gretna. The remaining ten properties are speculative construction.

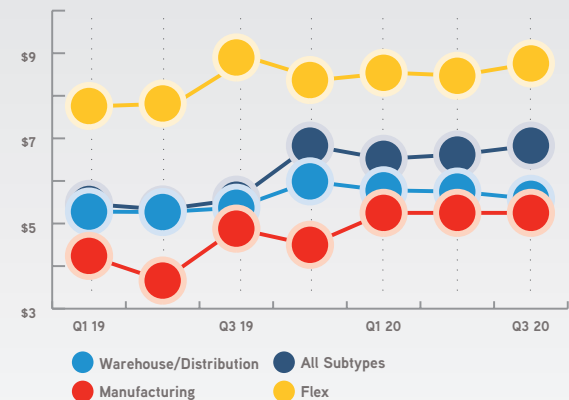
The U.S. industrial market is experiencing high demand and record asking rents. The industrial sector is out-performing other CRE property types during the Covid-19 crisis. According to Colliers International, “the explosion of e-commerce, somewhat due to the ongoing global pandemic, has kept industrial product in high demand. The mass appeal of quick delivery options and vast selection of merchandise propels the need for industrial space to house and distribute goods purchased online. Online grocery shopping, a fast-growing segment of e-commerce, surged in popularity due to safer-at-home initiatives in many parts of the country, generating the need for cold-storage space as well. In many aspects, the pandemic has fueled growth in the industrial sector, even while the broader economy continues to grapple with the adverse impacts of Covid-19.” The local Omaha industrial market would have experienced positive absorption this quarter if it wasn’t for the negative effects of a failed brick-and-mortar retailer, which accounted for 267,495 square feet of distribution warehouse being added to the market. Perhaps the large warehouse space vacancy left by Gordman’s will provide an opportunity to meet the demand for e-commerce warehouse space.

In conclusion, the local and national industrial markets continues to be strong. E-commerce retail has taken a bite out of brick-and-mortar retail sales prior to the Covid-19 crisis. The “hunkering down” of Americans during the Covid-19 crisis has resulted in even more demand for warehouse space, and the Omaha market will likely continue to see positive absorption for the foreseeable future.

### Industrial Vacancy

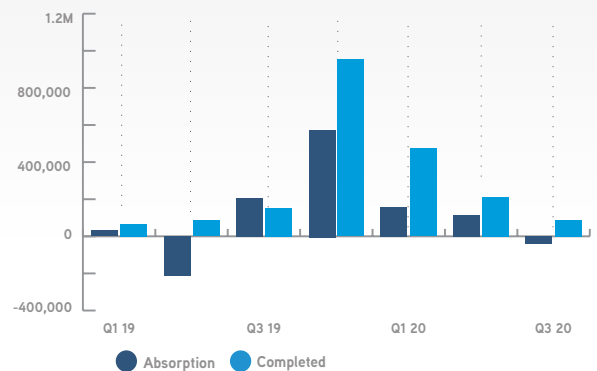


### Asking Rental Rates



### Quarterly Absorption

(in Thousands)



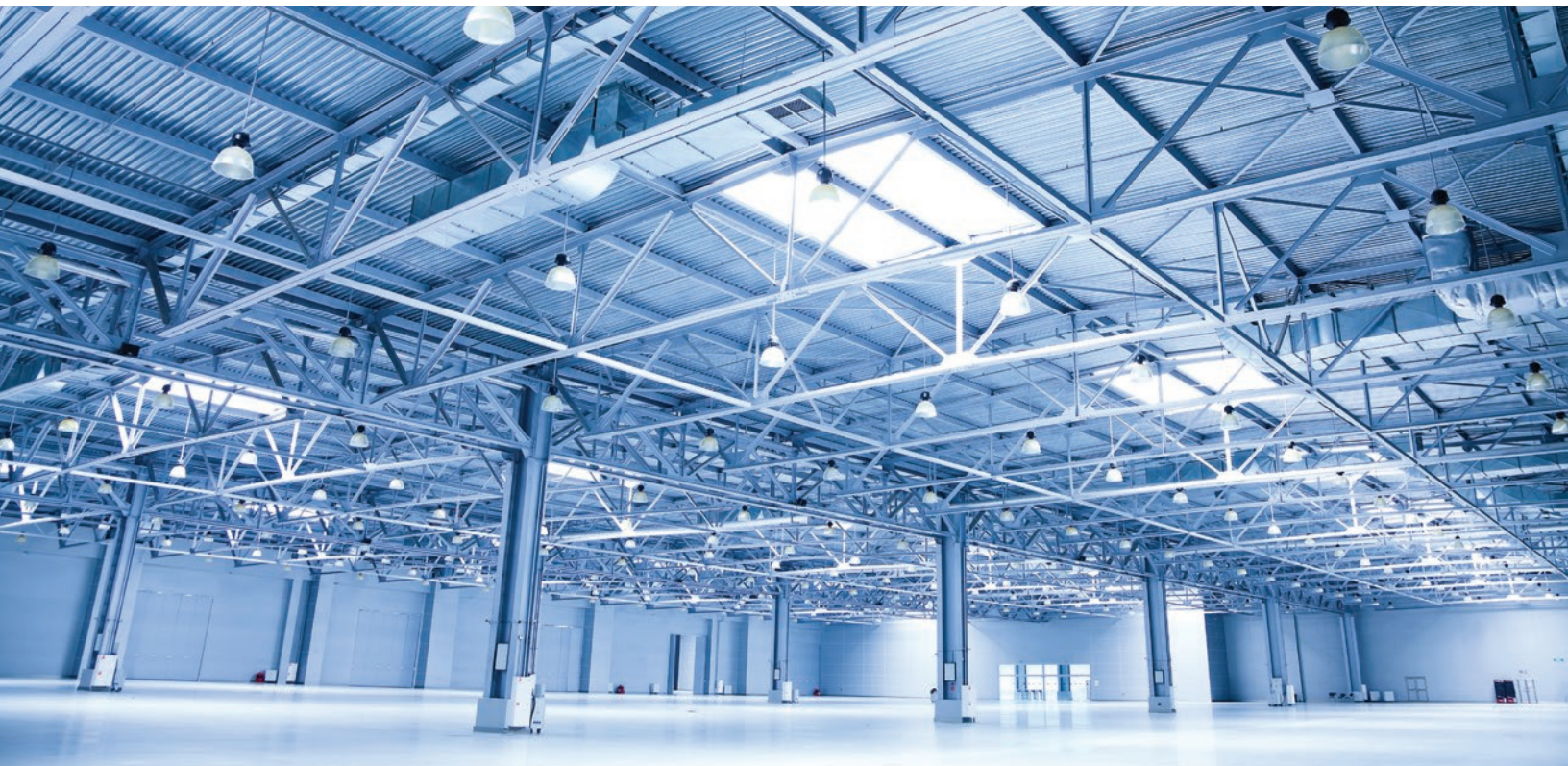
### Recent Transactions - LEASE AND SALE ACTIVITY (\*COLLIERS | OMAHA INVOLVED IN TRANSACTION)

Lessee/Buyer	Lessor/Seller	Property	Size SF/Sale Price
OZVP VI LLC	Earthtone Property Management LLP	5707 South 75th Street/7401 Main Street	\$2,900,000
HNS 2 Properties LLC	14124 Development LLC	14124 Industrial Road	\$1,387,200
XPO Logistics	Commerce Park II LLC	14544 Gold Coast Road	80,000 SF
Walmart	Commerce Park II LLC	14544 Gold Coast Road	50,000 SF
Target Market, LLC *	Sharkey, LLC	3115 South 61st Avenue	13,200 SF

## Market Overview

### Omaha - Industrial Overview *(Includes owner-occupied buildings. See complete data standards on last page.)*

Submarket	VACANCY			ABSORPTION		CONSTRUCTION	RENTS
	Total	Vacancy	Vacancy	Net Absorption		Under Const	Rental Rate
	SF	SF	%	Q3	YTD	SF	Avg (\$/SF)
COUNCIL BLUFFS	5,649,897	150,782	2.7%	(9,830)	(11,673)	60,000	-
NORTHEAST	10,336,040	206,150	2.0%	(5,230)	(29,528)	-	\$7.33
NORTHWEST	6,182,286	322,311	5.2%	34,032	76,244	33,300	\$6.97
SARPY COUNTY EAST	1,818,493	82,426	4.5%	(2,032)	(8,200)	-	-
SARPY COUNTY WEST	15,198,494	468,172	3.1%	226,501	543,590	267,653	\$7.02
SOUTH CENTRAL	19,460,822	1,040,440	5.3%	(269,935)	(485,894)	33,720	\$5.84
SOUTHEAST	7,900,628	98,590	1.2%	0	155,051	-	\$5.24
SOUTHWEST	8,422,556	199,511	2.4%	16,998	(2,993)	28,800	\$8.23
<b>TOTALS</b>	<b>74,969,216</b>	<b>2,568,382</b>	<b>3.4%</b>	<b>(39,496)</b>	<b>236,597</b>	<b>423,473</b>	<b>\$6.83</b>



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**68** countries

**\$3.5**

billion in  
annual revenue

**2.0**

billion square feet  
under management

**15,000**

professionals  
and staff

**\$129** billion in  
total transaction value

\*All statistics are for 2019, are in U.S. dollars and include affiliates.

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*Colliers International North American Data Standards: Single and multi-tenant industrial and flex buildings greater than or equal to 10,000 square feet in size, including owner-occupied buildings are 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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