

More Turbulence Ahead in Retail Market

The Omaha retail market was fairly flat for the first quarter of 2018. Vacancy held steady at 8.4 percent, with positive net absorption of 18,601 square feet. No new construction was delivered for the quarter. Activity did take place in the market, with the larger transactions mirroring national trends.

The largest transaction of the quarter was the occupancy by the U.S. Post Office of 24,467 square feet at Mall of the Bluffs in Council Bluffs, Iowa. The next largest deals were the openings of two new Ross Dress for Less stores; one 23,483-square-foot store at L Street Marketplace and the other 22,000-square-foot store at Whispering Ridge. These two new stores represent a national trend; while Macy's, JCPenney and other retailers are closing stores, Ross Dress for Less is rapidly expanding. Ross recently opened 23 Ross Dress for Less stores in February and March, with plans to add 100 new stores for the year. The largest move-out for the quarter was the closing of Dick's Sporting Goods' 45,000-square-foot store at their Oak View location. While this national retailer is still expanding and performing well, this vacancy is more likely due to the lackluster performance of the Oak View Mall area.

While the Omaha market has so far withstood the effects of the impending "Retail Apocalypse," a few regional and national announcements in the news have the local market preparing for retail to take a hit in the near future. Bon Ton Stores Inc., parent company of department store Younkers, has filed for bankruptcy. They are selling their assets and will close all of their stores, including two stores in

Market Indicators

Relative to prior period	Q4 2017	Q1 2018	Q2 2018*
VACANCY	↔	↔	↑
NET ABSORPTION	↑	↑	↓
CONSTRUCTION	↔	↔	↔
RENTAL RATE	↓	↔	↓

* Projected

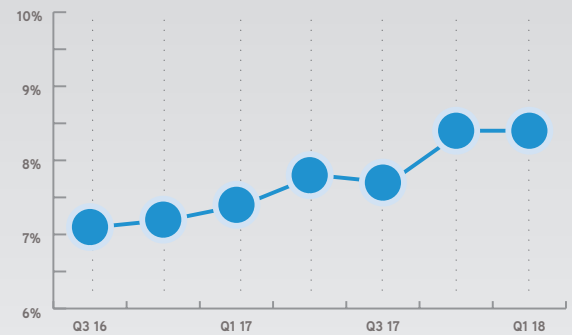
Omaha; one 174,257-square-foot store at Westroads Mall and another 150,780-square-foot store at Oak View Mall. Not only do the closure of these stores represent huge vacancies for the local market, but these closures will further a national trend toward larger mall vacancies. The Wall Street Journal reports that national mall vacancies have reached a six-year high for the first quarter. With more than 250 Bon Ton owned department stores closing, this trend will certainly continue through 2018. Another national retailer in the news is ToysRUs. ToysRUs filed for Chapter 11 bankruptcy protection in September and has since announced they will close all of their 735 stores. While the 76th Street and West Dodge Road ToysRUs location in Omaha closed a few years ago, there are still two stores in the metro area: one 31,279-square-foot store on the Oak View Mall ring road and another 30,868-square-foot store at the Lake Manawa Power Center in Council Bluffs. The Bon Ton and ToysRUs announcements alone will add almost 400,000 square feet of vacancy to the Omaha retail market in 2018. The good news is that average annual net absorption in the Omaha retail market since 2010 is 388,768 square feet. The bad news is that these new vacancies will occur in malls and mall areas, which will make them difficult to fill.

While the national and local news sounds bleak, Forbes reports a different, “bullish” vision where retail centers are “reconfiguring themselves as consumer hubs for entertainment, education and fitness, alongside traditional shopping.” The article continues to forecast that “stores will continue to focus on creating a powerful and lasting shopping experience, and technology will be at the center of that.” Shopping centers are preparing for autonomous vehicles and providing electric vehicle charging stations. Artificial intelligence technology will analyze data to predict store performance. Interactive apps communicate directly with consumers, enhancing the shopping experience.

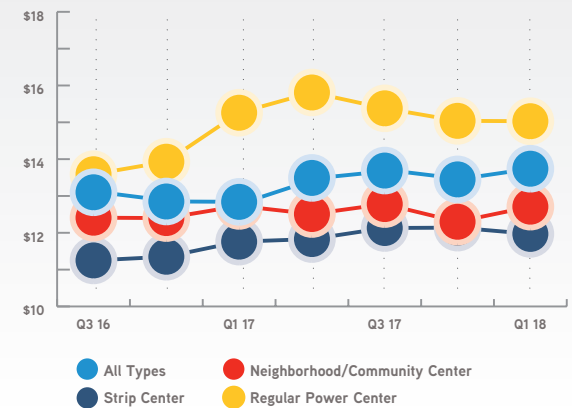
It is Colliers International’s opinion that the market will determine the use of its new vacancies. Some will likely be repurposed. Others will be filled by service retail, such as fitness and entertainment. Others still will be filled by good performing traditional retailers. There will always be a need and want for brick-and-mortar retail and the shopping experience. Omaha’s economy remains strong with a low unemployment rate, which is attractive to retailers. This environment, combined with a conservative business climate resulting in a lack of over-building speculative retail space, will mean that Omaha will not experience the negative impacts of the “retail apocalypse” at the same degree as other, larger, less stable markets.

Beginning this quarter, Colliers International will be using a new data provider for these statistical reports. We will continue to include single-tenant, multi-tenant and owner-occupied buildings in our statistics. Property subtypes are defined as Free-Standing/General Retail, Neighborhood/Community Centers, Regional/Power Centers and Strip Centers. Following our local data standards, we will include all properties that fall in these categories in the Omaha metro area. The sum of tracked inventory varies slightly from our fourth quarter 2017 report due to this change.

Retail Vacancy



Asking Rental Rates



Recent Transactions - LEASE AND SALE ACTIVITY

Lessee/Buyer	Lessor/Seller	Property	Size SF/Sale Price
West Farm RE LLC	TMARK Real Estate LLC	Complete Auto Dealership	\$11,200,000
Blackhawk Plaza LLC	Deerfield Station	Deerfield Place Shopping Center	\$6,500,000
Paykan 89 LLC & Tenn Dexter LLC	Board of Educational Lands	Walgreens 2929 North 60th Street	\$5,916,239
Omaha Pacific Plaza LLC	Boardwalk Square LLC	Boardwalk Square Shopping Center	\$5,860,000
Flywheel	Harris Building, LLC	1416 Howard Street	8,712 SF

Market Overview

Omaha - Retail Overview

Submarket	VACANCY			ABSORPTION		CONSTRUCTION	RENTS
	Total	Vacancy	Vacancy	Net Absorption		Under Const	Rental Rate
	SF	SF	%	Q1 SF	2018 SF	SF	Avg (\$/SF)
CENTRAL	6,059,667	329,489	5.4%	1,995	1,995	11,800	\$15.39
COUNCIL BLUFFS	4,137,913	655,487	15.8%	(42,383)	(42,383)	-	\$12.84
DOWNTOWN	196,016	7,905	4.0%	-	-	103,000	\$29.34
NORTH CENTRAL	1,933,222	247,750	12.8%	24,229	24,229	-	\$10.23
NORTHEAST	976,288	27,569	2.8%	(5,100)	(5,100)	-	\$9.82
NORTHWEST	3,161,321	203,832	6.4%	31,623	31,623	12,064	\$13.81
SARPY EAST	4,805,286	297,384	6.2%	10,034	10,034	119,185	\$13.17
SARPY WEST	53,3743	35,978	6.7%	4,204	4,204	13,800	\$19.95
SOUTH CENTRAL	989,588	57,060	5.8%	2,785	2,785	-	\$9.61
SOUTHEAST	1,144,073	186,823	16.3%	5,949	5,949	-	\$10.11
SOUTHWEST	8,853,938	803,024	9.1%	(8,420)	(8,420)	45,955	\$13.56
W DODGE ROAD CORRIDOR	2,107,700	71,742	3.4%	(6,315)	(6,315)	-	\$14.32
TOTALS	34,898,755	2,924,043	8.4%	18,601	18,601	305,804	\$13.74

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