

# OMAHA | OFFICE

## Second Quarter 2019

Accelerating success.



## The Omaha Office Market Is On Fire

Last quarter, Colliers International reported record low vacancy for the Omaha office market. This quarter surpassed that record with a new record low vacancy rate of 6.7 percent across class A, B and C office buildings. This represents a quarterly decrease of 60 basis points from the first quarter of 2019 and a decrease of 110 basis points from the second quarter of 2018. Both the downtown and suburban markets are performing well with vacancy rates of 6.2 percent and 6.9 percent, respectively. Such little supply of available office space has created an environment that is ripe for the development of new office construction. As of the second quarter of 2019, there is over 1.2 million square feet of office space under construction.

By submarket, Miracle Hills, Midtown, Suburban West Dodge, Regency and Downtown are all performing at vacancy rates lower than the market. Miracle Hills has the lowest vacancy rate with only 3.5 percent vacant. This submarket is popular for those office users that are looking to be located near the West Dodge Expressway but don't want to pay rents associated with new, Class A properties along that corridor. Midtown continues to boast a low vacancy rate of 4.1 percent due to proximity to amenities and large office users in Aksarben Village. Suburban West Dodge continues to be a popular office destination with visibility to the busiest east/west thoroughfare (the West Dodge Expressway). This submarket has a current vacancy rate of 4.7 percent and is where many new and upcoming developments are happening. Class A office properties boast the lowest vacancy rate, by class, with a vacancy rate of 4.3 percent. Class B still performs better than the market as a whole with a vacancy rate of 6.4 percent.

The largest move-in for the quarter was Aetna's move in to 47,863 square feet in North Park 4. There were four more deals over 10,000 square feet for the quarter. Signature Performance increased their occupied space in Embassy Plaza by an additional 24,000 square feet. Carson Wealth leased 16,048 square feet in North Park 2. Enrollease, Inc. leased 12,590 square feet at 10825 Farnam Drive in the Old Mill area. Omaha National Employer Service leased 12,000 square feet at the Metropolitan Business Center near 108th and Q Streets.

### Market Indicators

| Relative to prior period | Q2 2019 | Q3 2019* | CBD Q2 2019 | Suburban Q2 2019 |
|--------------------------|---------|----------|-------------|------------------|
| VACANCY                  | ↓       | ↓        | ↓           | ↓                |
| NET ABSORPTION           | ↑       | ↑        | ↓           | ↑                |
| CONSTRUCTION             | ↑       | ↔        | ↔           | ↑                |

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

There was one newly constructed property delivered to the market in the second quarter. A 14,500-square-foot Class B office building was completed near 84th Street and West Dodge Road. Pinnacle Bank occupies space on the first floor, with an additional 12,000 square feet vacant and available for lease.

There is currently over 1,200,000 square feet of office space currently under construction in the Omaha metro area. There are two 100,000-square-foot buildings at Sterling Ridge. Last quarter LinkedIn announced that it will move their Omaha operation to that site. LinkedIn expects to move in to the space in 2021. Kiewit Corporation announced last year that they will build their new corporate headquarters in the North Downtown area at 15th and Mike Fahey Streets. Construction of that 165,000-square-foot property is under way. An office building in West Dodge Hills, on the southwest corner of 180th Street and West Dodge Road, will add 115,000 square feet to the market. Earlier this year, Centris Federal Credit Union announced they will move their corporate headquarters to a new building in Sterling Ridge, near 132nd and Pacific Streets. That property is now under construction. Right at Home, an in-home senior care company, will move in to a 107,987-square-foot office building under construction in Aksarben Village when complete. California Pointe, located in the Bank of the West Business Park at 132nd Street and West Dodge Road, will add 89,949 square feet of office space to the market and is currently 50 percent pre-leased. The Baxter Building, an 86,000-square-foot office building in the West Dodge Pointe development at 168th Street and West Dodge Road is under construction with Baxter Auto Group leasing half of the building. 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

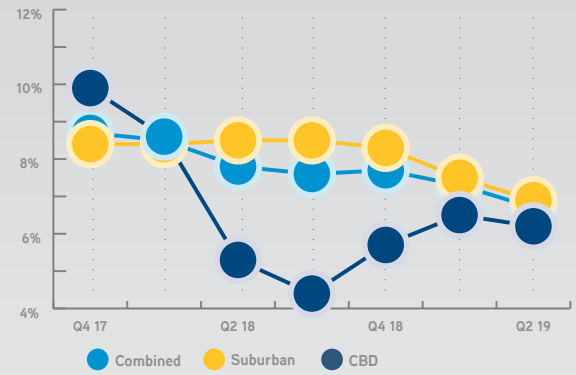
in their 85,632-square-foot headquarters next door. There are nine additional office properties under construction, totaling 253,213 square feet.

In addition to what's already under construction, several announcements have been made regarding planned office projects. Valmont Industries announced they will move from their current headquarters in the First National Business Park to Heartwood Preserve. Heartwood Preserve is the new development on the southwest corner of 144th Street and West Dodge Road, where the former Boys Town farm used to be. Valmont is ranked number 806 on Fortune's list and has over 10,000 employees company-wide. Valmont's new building will be three-stories high with a projected move-in date in 2021. Carson Group announced that they too will move to Heartwood Preserve once their planned six-story facility is completed. Union Bank and Trust will move in to a new building on the "hard corner" of 144th Street and West Dodge Road in the same development. Applied Underwriters announced last year that they plan to fund the Heartwood Preserve project and build a new office building on the south part of the project with the intent to occupy that property. Berkshire Hathaway and Applied Underwriters have since announced they will part ways. According to the Omaha World-Herald, general counsel for the company said that the sale "will have absolutely no effect or impact" on the development of Heartwood Preserve and that Applied Underwriters' operations in Omaha "will be business as usual."

Nationally, the office market is performing well. Colliers International reported record low office vacancy at the national level at the end of 2018. That vacancy rate of 11.6 percent held steady for the first quarter of 2019 as well. According to Colliers International, "construction activity has surpassed the prior cycle's peak and reached a record high. Nonetheless, barring a market drop in demand, we don't anticipate a supply/demand imbalance at the national level. Any supply concerns remain localized and submarket specific." According to Colliers, 60 percent of the office markets in the United States have vacancy rates below the national average and 46 percent have a vacancy rate below 10 percent. Class A space accounted for almost all of the absorption that took place in the first quarter, nationally.

In conclusion, the health of the Omaha office market mirrors the health of the national office market. Both are experiencing record low vacancy rates, spurring new construction of office space. In order to attract and retain talent, firms are absorbing Class A space at a much higher rate than other classes. With a possible decrease in interest rates by the Federal Reserve, Colliers expects the office market to continue to grow, at least in the short term.

## Vacancy Rates



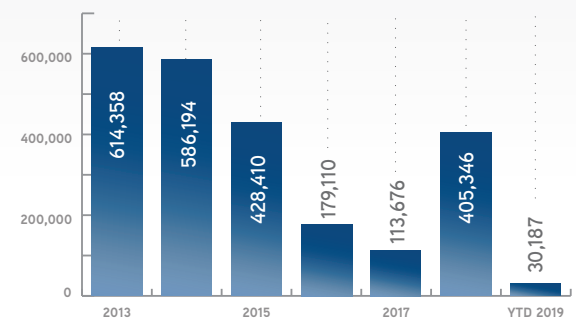
## Quarterly Absorption

(in Thousands)



## Annual Absorption

(in Thousands)



## Recent Transactions - LEASE AND SALE ACTIVITY

| Lessee/Buyer                 | Lessor/Seller          | Property                | Size SF/Sale Price |
|------------------------------|------------------------|-------------------------|--------------------|
| NP Dodge IV LLC              | PRKG 1191 LLC          | 8601 West Dodge Road    | \$5,415,000        |
| Catholic Archbishop of Omaha | 111 Blondo Office LLC  | 2222 North 111th Street | \$4,840,000        |
| Passageway LLC               | LSREF4 Bison LLC       | 10011 F Street          | \$4,300,000        |
| HFH2 LLC                     | Legacy View LLC        | 17330 Wright Street     | \$4,206,000        |
| Milliman, Inc.               | West Dodge Hills LP II | West Dodge Hills II     | 40,320 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      | Gross Asking Rent |                |
|                       | SF                | SF               | %           | Q2             | 2019 SF       | Q2                      | YTD           | SF               | Class A           | Class B        |
| CENTRAL WEST DODGE    | 2,536,053         | 188,054          | 7.4%        | 35,557         | 21,528        | 14,500                  | 14,500        | 32,980           | \$22.09           | \$20.84        |
| COUNCIL BLUFFS        | 717,405           | 87,535           | 12.2%       | (1,336)        | 25,593        | -                       | 64,224        | -                | -                 | \$10.96        |
| DOWNTOWN              | 6,972,824         | 432,977          | 6.2%        | 14,728         | 146           | -                       | -             | 237,000          | \$24.79           | \$16.30        |
| MIDTOWN               | 4,898,351         | 199,651          | 4.1%        | (34,520)       | (82,786)      | -                       | -             | 117,987          | \$28.10           | \$18.13        |
| MIRACLE HILLS         | 906,441           | 31,957           | 3.5%        | 9,799          | 11,120        | -                       | -             | -                | \$22.00           | \$19.92        |
| NORTHEAST             | 157,041           | -                | 0.0%        | 4,500          | 4,512         | -                       | -             | 14,000           | -                 | -              |
| NORTHWEST             | 1,995,565         | 225,002          | 11.3%       | 29,778         | 37,381        | -                       | -             | 65,469           | -                 | \$21.47        |
| OLD MILL              | 2,253,025         | 213,259          | 9.5%        | (6,886)        | (30,988)      | -                       | -             | -                | -                 | \$20.23        |
| REGENCY               | 1,193,546         | 72,788           | 6.1%        | (8,495)        | 5,152         | -                       | -             | -                | \$33.46           | \$23.42        |
| SOUTH CENTRAL         | 2,082,156         | 139,317          | 6.7%        | 12,694         | 21,222        | -                       | -             | 93,588           | -                 | \$16.18        |
| SOUTHEAST             | 1,324,546         | 150,984          | 11.4%       | (8,295)        | (36,128)      | -                       | -             | -                | \$16.00           | \$18.37        |
| SOUTHWEST             | 3,532,168         | 252,151          | 7.1%        | (8,672)        | 47,716        | -                       | 11,296        | 347,000          | \$31.75           | \$17.60        |
| SUBURBAN WEST DODGE   | 3,296,168         | 155,095          | 4.7%        | (30,345)       | 5,719         | -                       | -             | 362,653          | \$29.92           | \$22.53        |
| <b>CBD TOTAL</b>      | <b>6,972,824</b>  | <b>432,977</b>   | <b>6.2%</b> | <b>14,728</b>  | <b>146</b>    | <b>-</b>                | <b>-</b>      | <b>237,000</b>   | <b>\$24.79</b>    | <b>\$16.30</b> |
| <b>SUBURBAN TOTAL</b> | <b>24,892,465</b> | <b>1,715,793</b> | <b>6.9%</b> | <b>(6,221)</b> | <b>30,041</b> | <b>14,500</b>           | <b>90,020</b> | <b>1,033,677</b> | <b>\$27.12</b>    | <b>\$19.63</b> |
| <b>GRAND TOTAL</b>    | <b>31,865,289</b> | <b>2,148,770</b> | <b>6.7%</b> | <b>8,507</b>   | <b>30,187</b> | <b>14,500</b>           | <b>90,020</b> | <b>1,270,677</b> | <b>\$26.56</b>    | <b>\$18.86</b> |

### BY CLASS

|               | Inventory         |                  | Vacancy     |              | Net Absorption |               | Construction Deliveries |                  | Under Const | Available for Sublease |  |
|---------------|-------------------|------------------|-------------|--------------|----------------|---------------|-------------------------|------------------|-------------|------------------------|--|
|               | SF                | SF               | %           | Q2 SF        | YTD            | Q2            | YTD                     | SF               | CBD         | Suburban               |  |
| CLASS A       | 7,894,949         | 343,113          | 4.3%        | (13,538)     | 40,734         | -             | 64,224                  | 1,115,913        | -           | 22,412                 |  |
| CLASS B       | 21,006,854        | 1,348,501        | 6.4%        | 48,122       | 43,697         | 14,500        | 25,796                  | 154,764          | -           | 90,971                 |  |
| CLASS C       | 2,963,486         | 457,156          | 15.4%       | (26,077)     | (54,244)       | -             | -                       | -                | -           | 9,973                  |  |
| <b>TOTALS</b> | <b>31,865,289</b> | <b>2,148,770</b> | <b>6.7%</b> | <b>8,507</b> | <b>30,187</b>  | <b>14,500</b> | <b>90,020</b>           | <b>1,270,677</b> | <b>-</b>    | <b>123,356</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.*

## About Colliers International

Colliers International (NASDAQ, TSX: CIGI) is a leading global real estate services and investment management company. With operations in 68 countries, our 17,000 enterprising people work collaboratively to provide expert advice and services to maximize the value of property for real estate occupiers, owners and investors. For more than 20 years, our experienced leadership team, owning more than 40% of our equity, have delivered industry-leading investment returns for shareholders. In 2018, corporate revenues were \$2.8 billion (\$3.3 billion including affiliates), with more than \$26 billion of assets under management. With an enterprising culture and significant employee ownership and control, Colliers professionals provide a full range of services to real estate occupiers, owners and investors worldwide. Services include strategic advice and execution for property sales, leasing and finance; global corporate solutions; property, facility and project management; workplace solutions; appraisal, valuation and tax consulting; customized research; and thought leadership consulting.

Colliers professionals think differently, share great ideas and offer thoughtful and innovative advice that help clients accelerate their success. Colliers has been ranked among the top 100 global outsourcing firms by the International Association of Outsourcing Professionals for 13 consecutive years, more than any other real estate services firm. Colliers also has been ranked the top property manager in the world by Commercial Property Executive for two years in a row.

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