

OMAHA | OFFICE

Third Quarter 2018

Accelerating success.

Downtown Omaha Is the Star of the Office Market

The overall Omaha office market experienced negative absorption for the first time since the fourth quarter of 2017. While the Downtown submarket experienced over 37,000 square feet of positive absorption, this was countered by negative absorption of over 49,000 square feet in the suburban areas of Omaha. Year-to-date, absorption for the market is 296,296 square feet, which is above the ten-year annual average of approximately 250,000 square feet.

The Downtown submarket boasts a low vacancy rate of 4.4 percent, 320 basis points lower than the 7.6 percent vacancy rate as a whole and 410 basis points lower than the 8.5 percent vacancy rate in the suburban areas. Approximately 20,000 square feet was absorbed at Central Park Plaza by tenants such as Toast Inc., HDR and ProKarma. Toast Inc., headquartered in Boston, is a cloud-based restaurant software company who recently expanded in to the Omaha market. HDR, an engineering firm headquartered in Omaha, is expanding their presence and ProKarma is an IT solutions company also headquartered in Omaha. Additionally, Mutual of Omaha Bank moved in to over 27,000 square feet of office space in 1200 Landmark Center.

In addition to leases in existing space, there are exciting new projects on the horizon. Currently under construction is a 72,000-square-foot, three-story office building in the Capitol District. The property is 40 percent preleased and is expected to be completed next year. Most recently announced is a \$300 million mixed-use project titled Millwork Commons, it's a six-block area bounded by 11th to 13th Streets and I-80 to Seward Streets in the north downtown area. Situated within Millwork Commons is the former Ashton Warehouse at 12th and Nicholas Streets, it will be converted to office/tech space with tenants scheduled to occupy by 2020. Flywheel, an Omaha-based tech

Market Indicators

Relative to prior period	Q3 2018	Q4 2018*	CBD Q3 2018	Suburban Q3 2018
VACANCY	↓	↓	↓	↔
NET ABSORPTION	↓	↑	↑	↓
CONSTRUCTION	↑	↔	↔	↑

Note: Construction is the change in Under Construction.
* Projected

company, announced that they will occupy one and a half floors of the Ashton Warehouse building. Flywheel's move to Millwork Commons will bring all of their 200 employees, currently in three downtown buildings, under one roof.

In the suburban market, a 115,000-square-foot class A office building was completed at West Dodge Hills at 39 percent occupied. Sojern, Inc., a travel industry tech company, leased over 40,000 square feet in this new building. However, with Lindsay Manufacturing scheduled to move in as well, the building is 100 percent leased. Also, Charter Title Company and Milliman, Inc., each renewed and increased their office spaces at One Pacific Place. In the South Central submarket, a dental group bought and occupied an 18,314-square-foot office building at 86th Street and Giles Road and a separate dental group completed a 10,000-square-foot building in La Vista. Offsetting this positive activity were a handful of larger move-outs. Over 40,000 square feet were vacated at 10825 Farnam Drive in the Old Mill area. Another 40,000+ square foot vacancy occurred at the Metropolitan Business Center, in the area of the L Street and I-80 interchange. Over 36,000 square feet were vacated at 9223 Bedford Avenue, in the 90th and Maple Street area. Lastly, 12,581 square feet was vacated in the North Park office park.

The construction pipeline is full of office projects in the suburban markets of Omaha. The largest project under construction is HDR's 250,000-square-foot future headquarters in Aksarben

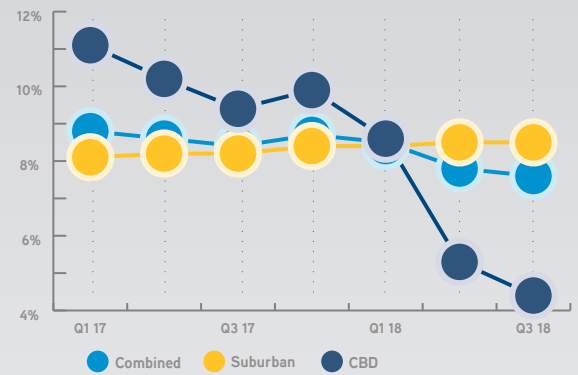
Village which is scheduled for completion in the fourth quarter of 2018. Also, under construction in Aksarben Village is an office building totaling 43,540 square feet on two floors and is scheduled to deliver in the third quarter of 2019. West Dodge Hills has a speculative 115,000-square-foot office building under construction. It is scheduled for completion in the third quarter of 2019 with no reported leases at this time. In La Vista's City Centre development, a 45,480-square-foot office building is under construction with delivery scheduled for the third quarter of 2019. Exchange Bank has a 32,980-square-foot building under construction at 80th and Dodge Streets where they will occupy the first floor and will make the second floor available for lease. Pinnacle Bank also has a building under construction just down the street at 85th and Dodge Streets. The building is 16,500 square feet on two floors with Pinnacle Bank occupying the entire building. Farther east, American National Bank has a 10,000-square-foot building under construction in the Saddle Creek Road/Dodge Street area.

According to Colliers International, the U.S. office market vacancy is at historic low levels. In the second quarter of this year, the vacancy rate stood at 12 percent and remained stable for 10 successive quarters. More than half of the U.S. office markets have vacancy rates below the national average and 40 percent have sub-10 percent vacancy.

The national unemployment rate fell to 3.7 percent, a 49-year low, in September. Much of the nation are finding themselves in the same predicament as the Omaha market; finding qualified employees to fill jobs. A new survey conducted by the Harris Poll interviewed 1,138 hiring managers and found that 60 percent of employers across industries see positions becoming longer to fill in the last year. Of those employers, 23 percent have seen delays in filling positions up to three weeks or more. If the hiring pace slows, office absorption could slow.

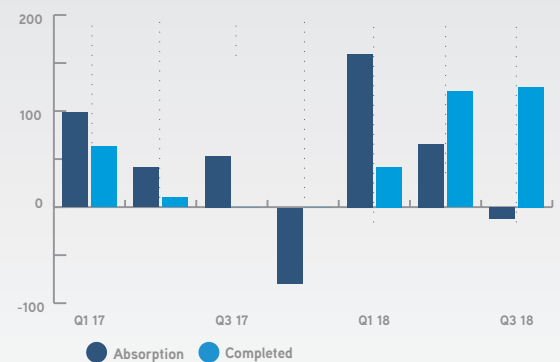
In conclusion, market is continuing to thrive and we look for a strong finish to the year.

Vacancy Rates



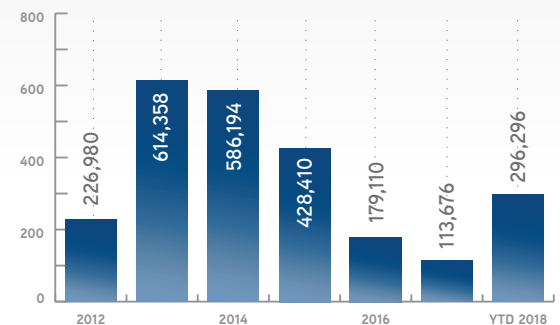
Quarterly Absorption

(in Thousands)



Annual Absorption

(in Thousands)



Recent Transactions - LEASE AND SALE ACTIVITY

Lessee/Buyer	Lessor/Seller	Property	Size SF/Sale Price
KCP Fee Owner 2 LLC	Lex Omaha LP	Gavilon Building	\$46,250,000
Birch Street Properties	Eagle Run Properties Inc	Eagle Run Phase I	\$4,102,000
Birch Street Properties	13305 Birch Limited Liability Co.	Eagle Run Phase II	\$3,529,282
CF Wright Street LLC	JK Properties	14703 Wright Street	\$3,200,000
Housing Authority of the City of Omaha	1823 Harney St Management	Historic Library Building	\$2,750,000

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	%	Q3	2018 SF	Q3	YTD	SF	Class A	Class B
CENTRAL WEST DODGE	2,502,435	185,958	7.4%	3,419	61,623	-	-	49,480	\$28.25	\$22.07
COUNCIL BLUFFS	653,181	24,676	3.8%	690	12,296	-	-	-	-	\$14.97
DOWNTOWN	6,858,014	303,387	4.4%	37,013	220,712	-	30,500	72,000	\$23.56	\$15.33
MIDTOWN	4,669,429	153,803	3.3%	(2,190)	36,480	-	-	367,987	\$20.78	\$17.23
MIRACLE HILLS	942,043	67,772	7.2%	(5,642)	(12,899)	-	-	-	\$21.50	\$20.27
NORTHEAST	157,041	10,212	6.5%	0	(10,212)	-	-	-	-	-
NORTHWEST	2,082,341	345,158	16.6%	(41,503)	(121,176)	-	-	-	-	\$21.26
OLD MILL	2,348,698	255,786	10.9%	(50,886)	(80,684)	-	-	-	-	\$21.39
REGENCY	1,193,916	77,329	6.5%	20,662	(9,753)	-	-	-	\$31.39	\$21.77
SOUTH CENTRAL	2,123,442	197,680	9.3%	(20,027)	18,563	10,000	10,000	45,480		\$19.58
SOUTHEAST	1,304,208	264,209	20.3%	(1,655)	28,362	-	-	-	\$16.00	\$17.70
SOUTHWEST	3,474,717	325,164	9.4%	20,684	83,950	-	71,296	11,296	\$29.94	\$17.96
SUBURBAN WEST DODGE	3,331,712	192,276	5.8%	27,159	69,034	115,000	175,000	115,000	\$26.27	\$23.67
CBD TOTAL	6,858,014	303,387	4.4%	37,013	220,712	-	30,500	72,000	\$23.56	\$15.33
SUBURBAN TOTAL	24,783,163	2,100,023	8.5%	(49,289)	75,584	125,000	256,296	589,243	\$24.00	\$20.03
GRAND TOTAL	31,641,177	2,403,410	7.6%	(12,276)	296,296	125,000	286,796	661,243	\$23.90	\$19.53

BY CLASS

	Inventory		Vacancy		Net Absorption		Construction Deliveries		Under Const	Available for Sublease	
	SF	SF	%	Q3 SF	YTD	Q3	YTD	SF	CBD	Suburban	
CLASS A	7,556,753	392,050	5.2%	86,189	219,493	115,000	175,000	515,460	4,343	18,466	
CLASS B	21,127,768	1,641,721	7.8%	(81,049)	67,290	10,000	111,796	145,783	-	121,110	
CLASS C	2,956,656	369,639	12.5%	(17,416)	9,513	-	-	-	-	22,916	
TOTALS	31,641,177	2,403,410	7.6%	(12,276)	296,296	125,000	286,796	661,243	4,343	162,492	



68 countries

\$2.6

billion in
annual revenue

2.0

billion square feet
under management

15,000

professionals
and staff

\$105

billion in
total transaction value

*All statistics are for 2017, 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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