

# First Half 2018 Market Report



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Direct Vacancy



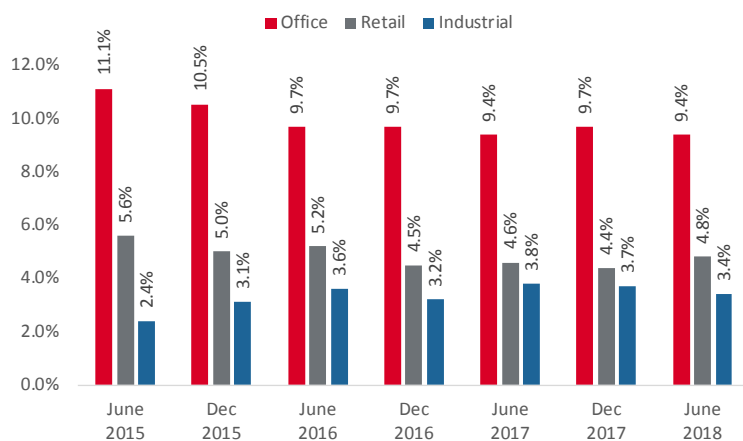
Absorption



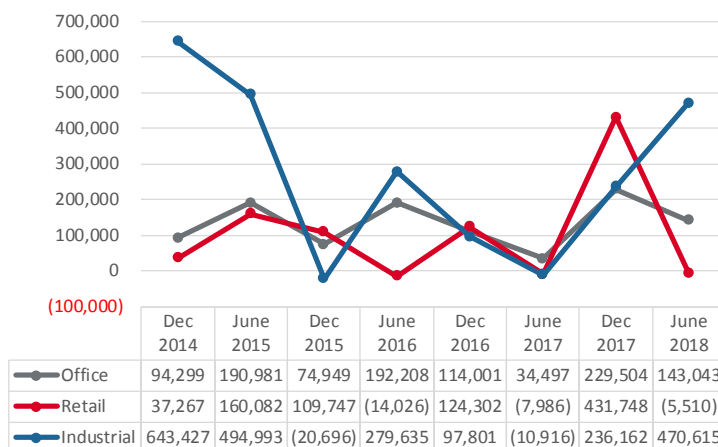
Asking Rent



## Overall Market Historical Vacancy



## Overall Market Historical Net Absorption (Square Feet for Six Months Ending)



## LINCOLN (MSA) RANKINGS IN THE NEWS

- #2 City with Best Work-Life Balance (Smart Asset)
- #1 Up-and-Coming Tech Hotspots (Livability)
- #5 The Best Cities to Raise a Family (Smart Asset)
- #1 America's Best Cities for New Jobs (Forbes)

Source: selectlincoln.org

## HIGHLIGHTS

Lincoln's economy has remained strong resulting in slow and steady growth for Lincoln's commercial real estate market at the start of 2018.

Office demand outpaced vacancies in the first half. Older buildings lacking amenities will continue to struggle as office users in the market turn to new or more recent construction for space needs. Lincoln remains a top consideration in the Midwest for tech startups.

The retail market remains stable overall despite the new wave of big box downsizings or closings. Developers are cautiously looking to start new projects in the outlying areas to service the growing housing developments.

E-commerce and manufacturing are fueling growth in the industrial market. As more new construction is delivered to the industrial sector, the market could level out but low vacancy will remain the norm and rents will continue to climb for the near future.

## Office New Construction Permits



## Retail New Construction Permits



## Industrial New Construction Permits

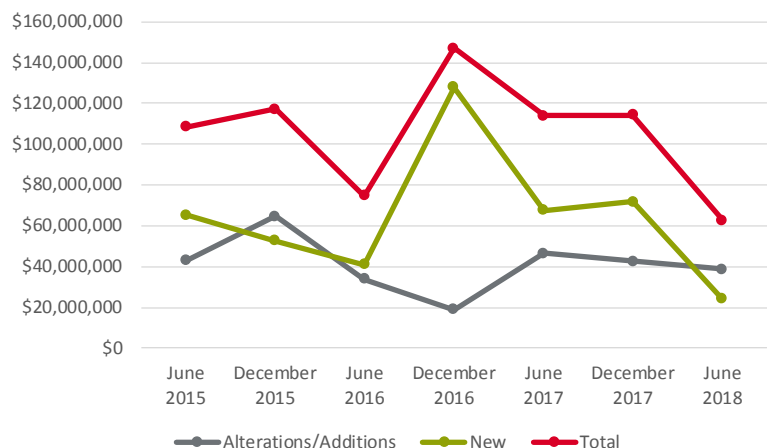


## CONSTRUCTION ACTIVITY

The number of construction projects in Lincoln are still high despite rising construction material costs and shortage of workers. The size of projects, however, has moderated over the last two years.

- With the purchase of an adjacent property, Advanced Medical Imaging plans to expand and build a new ambulatory surgical center of \$5 million. Plans also include a \$1.3 million administrative office renovation.
- Bryan Health's new outpatient surgical center and medical office building welcomed Bryan Women's Care Physicians as its first tenant and a 13,000-square-foot tenant finish is nearing completion.
- First Nebraska Credit Union is set to break ground in late summer for a second location near S. 40th & Yankee Hill Road in front of Super Target.
- Restaurant expansion dominates the new retail permits with Freddy's Frozen Custard planning two new locations; Chick-Fil-A is under construction on the former Perkin's site at 48th & O Streets; and Panda Express and Panera Bread are building on padsites adjacent to the new Costco in the Southwest submarket
- A \$2.8 million tenant finish at Gateway Mall is for a new bowling alley/video arcade concept.
- GroundUp Kitchen is adding another Honest Abe's restaurant and bringing back its Sebastian's Table concept to a combined space near 84th & Old Cheney in the Glynoaks development. Opening is expected in late 2018.
- Downtown residents are anxiously awaiting the opening of the first grocery store in the Canopy Row mixed-use project at South Canopy and N Streets. The 10,000-square-foot grocery store will be a full-service market.
- Paul Davis Restoration is constructing a new facility after a fire destroyed the previous one for \$1.15 million.

## Historical Building Permit Value by Permit Type (Dollars for Six Months Ending)



## BUILDING PERMITS BY BUILDING TYPE

### OFFICE

	# of Permits	Value
New Construction	5	\$ 7,523,000
Alteration to existing	94	\$18,179,529
<b>TOTAL</b>	<b>99</b>	<b>\$25,702,529</b>

### RETAIL

	# of Permits	Value
New Construction	11	\$ 6,680,000
Alteration to existing	92	\$17,738,512
<b>TOTAL</b>	<b>103</b>	<b>\$24,418,512</b>

### INDUSTRIAL

	# of Permits	Value
New Construction	9	\$10,001,000
Alteration to existing	29	\$ 2,692,979
<b>TOTAL</b>	<b>38</b>	<b>\$12,693,979</b>

## Direct Vacancy



## Absorption



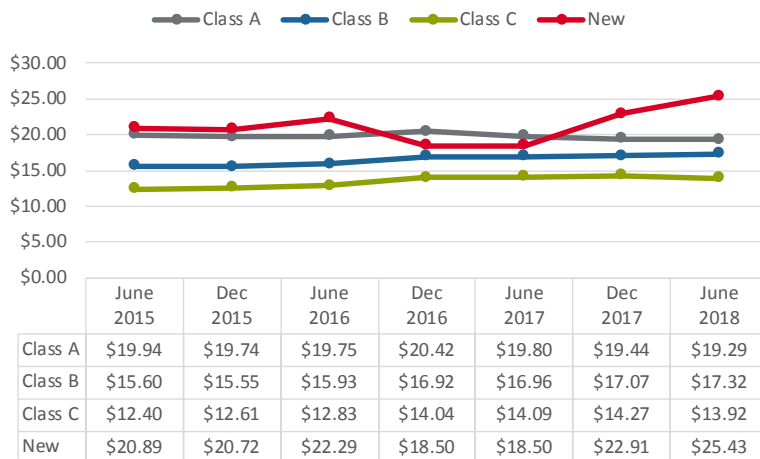
## Asking Rent



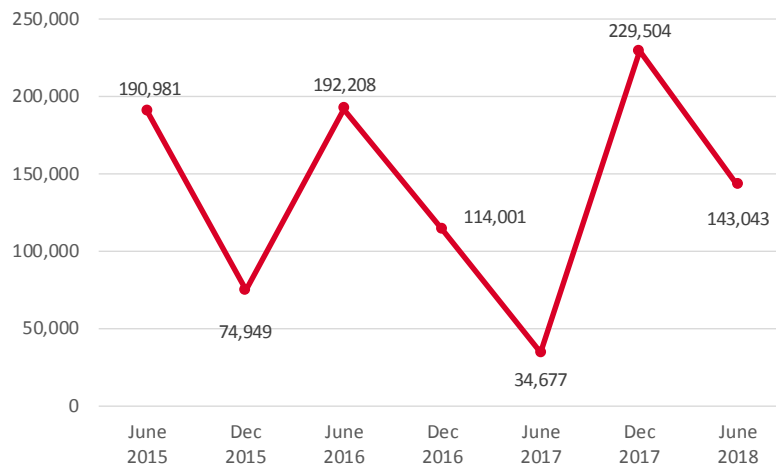
## HIGHLIGHTS

- First half of 2018 brought a total positive net absorption of 143,043-square-feet, which brings the overall vacancy rate down to 9.4%.
- The Northwest submarket has the highest vacancy rate in the city, with 14.5% vacant. The majority of the vacancy can be attributed to the former Verizon call center which sold at auction in June to local developers.
- A significant event in the office market was the accidental electrical fire in the Terminal Building, an eight-story office building downtown. The early 2018 fire displaced many tenants into temporary space, as repairs are still on-going.
- Several larger leases signed in the first half have yet to take occupancy. The Berry Law Firm inked a deal to take 11,000-square-feet in the Meridian Park Office building at 70th & O Streets vacated by the move of a financial services firm.
- The overall asking rent jumped by 3.7% to \$18.22 over the end of 2017.
- Currently seven office buildings are under construction with much of it pre-leased or for an owner-user. The second half of 2018 is expected to see over 130,000-square-feet of deliveries.
- Demand for suburban office is increasing and office users looking for Class A space or larger floor plates must consider new construction. Runza International, like others, opted to build. The new 47,000-square-foot building in Firethorn, was occupied in July.

## Historical Asking Rates



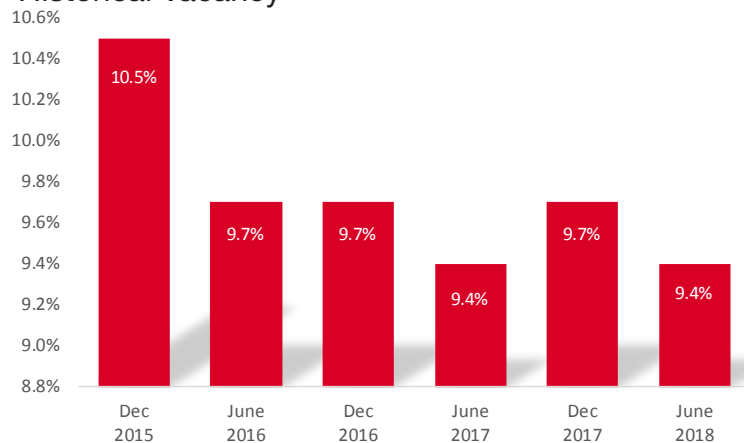
## Historical Net Absorption



## New Construction



## Historical Vacancy



	Number of Buildings	Total Rentable SF	Total Available SF	% Vacant	Net Absorption	Average Asking Rate (\$/SF/YR)
<b>CBD</b>						
Class A	10	1,066,763	91,663	8.6%	21,455	\$17.87
Class B	97	2,466,205	335,477	13.6%	3,476	\$17.27
Class C	22	259,578	71,551	27.6%	(879)	\$13.56
New	2	152,155	24,000	15.8%	-0-	\$24.50
CBD Subtotal	131	3,944,701	522,691	13.3%	24,052	\$17.30
<b>Northeast</b>						
Class A	8	234,704	8,130	3.5%	(5,576)	\$18.20
Class B	94	1,125,076	64,870	5.8%	10,521	\$16.40
Class C	43	370,183	9,269	2.5%	2,812	\$14.08
New	1	4,536	-0-	N/A	760	N/A
Northeast Subtotal	146	1,734,499	82,269	4.7%	8,517	\$16.52
<b>Northwest</b>						
Class A	10	803,245	116,729	14.5%	16,490	\$19.63
Class B	50	885,115	148,947	16.8%	(3,730)	\$14.76
Class C	13	146,411	2,170	1.5%	3,804	\$15.00
New	1	8,596	-0-	N/A	8,596	N/A
Northwest Subtotal	74	1,843,367	267,846	14.5%	25,160	\$18.27
<b>Southeast</b>						
Class A	10	519,438	48,223	9.3%	(2,207)	\$22.06
Class B	411	3,966,549	244,977	6.2%	31,774	\$18.60
Class C	17	89,745	5,404	6.0%	(3,092)	\$17.49
New	7	168,029	45,195	26.9%	48,058	\$26.43
Southeast Subtotal	445	4,743,761	343,799	7.2%	74,533	\$20.12
<b>Southwest</b>						
Class A	3	283,288	-0-	N/A	-0-	N/A
Class B	114	1,222,955	71,158	5.8%	7,928	\$19.64
Class C	23	119,645	19,032	15.9%	8,001	\$13.79
New	4	25,591	3,300	12.9%	(5,148)	\$18.50
Southwest Subtotal	144	1,651,479	93,490	5.7%	10,781	\$18.44
Market Total	940	13,917,807	1,310,095	9.4%	143,043	\$18.22

## Notable Sales

Address	Size	Price	Price/SF	Submarket
8020 O Street	5,140	\$915,000	\$178.02	Northeast
201 West O Street	7,373	\$476,000	\$64.56	Southwest
4525 S. 86th Street, Suite B*	4,514	\$790,000	\$175.01	Southeast
4546 S. 86th Street, Suite B	4,514	\$785,610	\$174.04	Southeast
8545 Executive Woods Drive, #1	4,361	\$800,000	\$183.44	Southwest
6121 S. 58th Street	4,750	\$415,000	\$87.37	Southeast

\*Indicates Transaction Represented by NAI FMA Realty



## Direct Vacancy



## Absorption



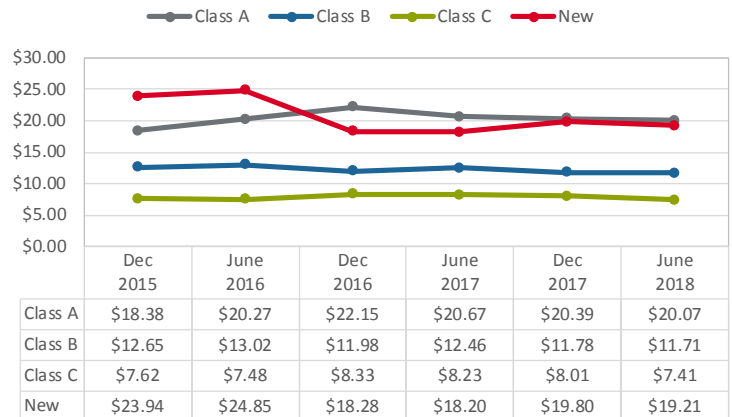
## Asking Rent



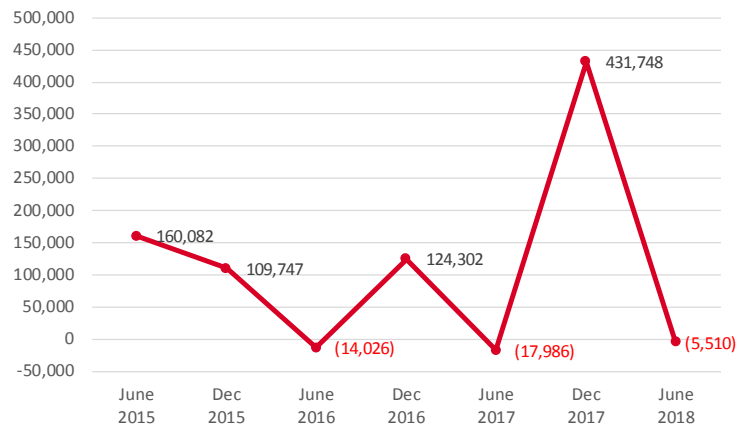
### HIGHLIGHTS

- After an exceptional end to 2017, 2018 shifted into slower growth for the Lincoln retail market. The overall vacancy rate ticked up to 4.8% from 4.4% in the second half of 2017 while total net absorption was flat at a negative 5,510-square-feet.
- A new wave of big-box downsizing and exit of long-established chains is occurring. Perkins and Toys 'R' Us closed its doors while Bon-Ton Stores announced earlier in the year they will close the Younkers store in Gateway Mall. Shopko in addition has placed excess space on the market for lease.
- Opportunities exist for new players to fill vacant space. Urban Air Adventure Park opened in the space of what used to be a Russ' Market grocery store while some developers are exploring residential uses or other creative formats to better position themselves for the future
- Lincoln continues to remain as a magnet for new and expanding retailers and restaurants. Orange Theory Fitness, Green Flash Brewing Co., Chez SoDo, Freezing Thai, Mulberry BBQ, Screamers, Aroma, Hiro 88, The Local, Salsarita's and McAllister's Deli, are some to make their debut in the first half.
- Panera Bread has added drive-thrus to many of its U.S. locations to better serve customers. Locally they are building two new free-standing locations with drive-thrus to replace its inline suburban restaurants.

### Historical Asking Rates



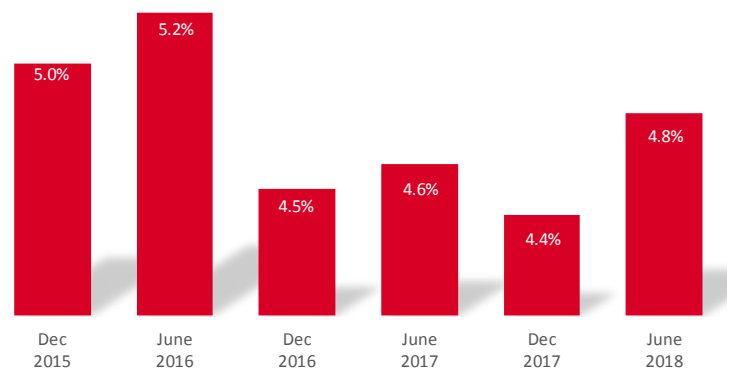
### Historical Net Absorption



### New Construction



### Historical Vacancy



	Number of Buildings	Total Rentable SF	Total Available SF	% Vacant	Net Absorption	Average Asking Rate (\$/SF/YR)
<b>CBD</b>						
Class A	11	234,004	35,004	15.0%	1,482	\$21.61
Class B	119	996,619	86,435	8.7%	(14,244)	\$13.63
Class C	63	348,235	38,527	11.1%	3,252	\$7.39
New	2	33,053	33,053	100%	-0-	\$21.91
CBD Subtotal	195	1,611,911	193,019	12.0%	(9,510)	\$15.19
<b>Northeast</b>						
Class A	3	43,789	-0-	N/A	-0-	N/A
Class B	408	6,601,454	266,398	4.0%	(25,136)	\$10.94
Class C	136	635,073	14,205	2.2%	(14,205)	\$9.37
New	9	52,314	29,434	56.3%	7,834	\$17.61
Northeast Subtotal	556	7,332,630	310,037	4.2%	(31,507)	\$11.48
<b>Northwest</b>						
Class A	7	286,319	6,711	2.3%	-0-	\$15.00
Class B	187	1,724,011	54,539	3.2%	46,902	\$10.68
Class C	99	578,862	14,832	2.6%	1,525	\$6.17
New	1	2,028	-0-	N/A	(3,036)	N/A
Northwest Subtotal	294	2,591,220	76,082	2.9%	45,391	\$10.28
<b>Southeast</b>						
Class A	14	683,803	43,074	6.3%	(353)	\$20.33
Class B	337	5,285,106	237,286	4.5%	(32,221)	\$12.13
Class C	64	316,957	12,167	3.8%	(3,023)	\$10.71
New	11	196,590	13,074	6.7%	23,375	\$17.88
Southeast Subtotal	426	6,482,456	305,601	4.7%	(12,222)	\$13.40
<b>Southwest</b>						
Class A	10	407,925	23,827	5.8%	4,993	\$19.50
Class B	167	1,392,568	27,683	2.0%	11,460	\$11.59
Class C	121	819,324	43,861	5.4%	(6,209)	\$6.36
New	4	185,294	11,078	6.0%	(7,906)	\$17.00
Southwest Subtotal	302	2,805,111	106,449	3.8%	2,338	\$13.49
Market Total	1,773	20,823,328	991,188	4.8%	(5,510)	\$12.91

### Notable Sales

Address	Size	Price	Price/SF	Submarket
5700 N. 33rd Street*	7,200 SF	\$745,000	\$103.47	Northeast
3045 N. 70th Street*	1,825 SF	\$267,000	\$146.30	Northeast
4525 F Street*	12,152 SF	\$950,000	\$78.18	Southeast
5955 N. 27th Street	3,768 SF	\$785,000	\$208.33	Northwest
321 N. 8th Street	5,073 SF	\$1,050,000	\$206.98	CBD

\*Indicates Transaction Represented by NAI FMA Realty

Direct Vacancy



Absorption



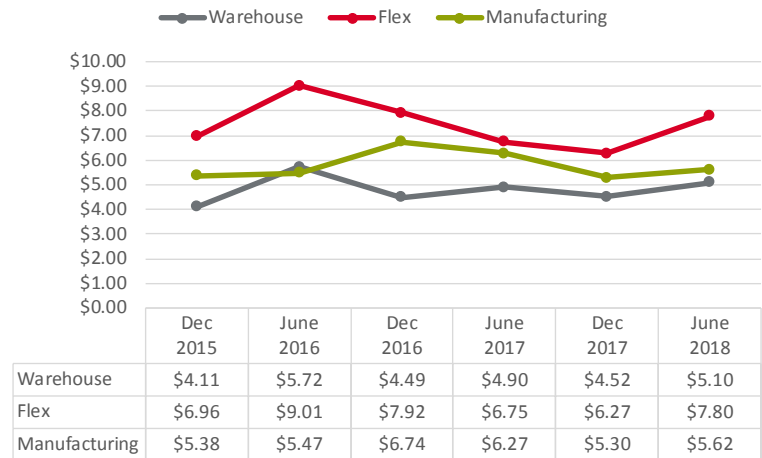
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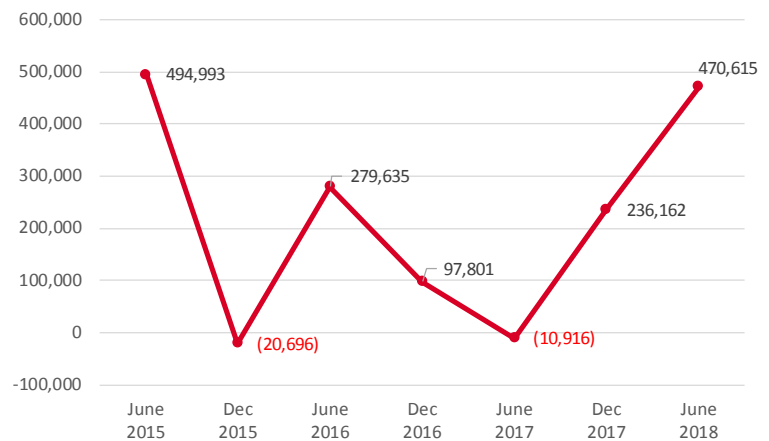
## HIGHLIGHTS

- Lincoln's overall market vacancy rate decreased from 3.7% to 3.4% over the first half of 2018. At June 30th, Lincoln had 977,498-square-feet of vacant industrial space for direct lease.
- The industrial market posted 470,615-square-feet of positive net absorption in the first half, a significant increase from the 236,162-square-feet posted in the second half of 2017.
- The Northeast submarket posted the largest amount of positive net absorption during the first half, posting 221,957-square-feet.
- A demand by large warehouse users has brought increased leasing activity to the market. A 72,000-square-foot warehouse in the Northwest submarket had two temporary users and now a full-time neighboring business has leased the property for expansion.
- The citywide average asking industrial rental rate for all product types increased from \$4.99 to \$5.55 per square foot NNN in the first half of 2018. The average asking NNN rental rates are as follows: \$5.10 per square foot for warehouse space; \$7.80 per square foot for flex or R&D space; with manufacturing space averaging \$4.62 per square foot.

## Historical Asking Rates



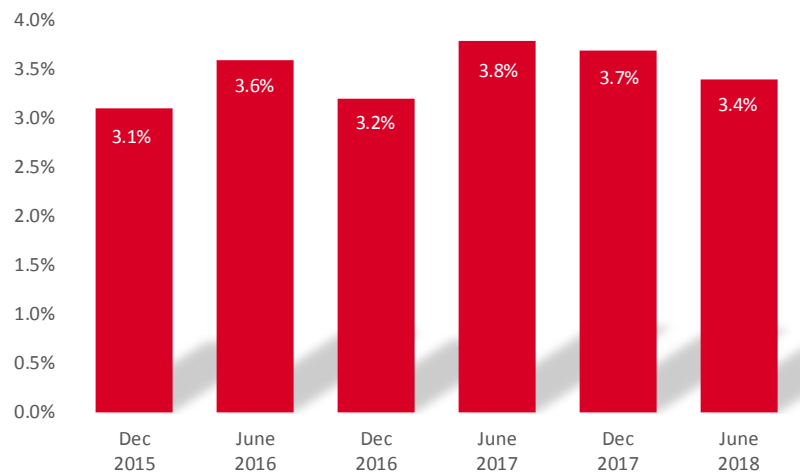
## Historical Net Absorption



## New Construction



## Historical Vacancy





	Number of Buildings	Total Rentable SF	Total Available SF	% Vacant	Net Absorption	Average Asking Rate (\$/SF/YR)
<b>CBD</b>						
Warehouse	11	146,939	50,530	34.4%	-0-	\$7.36
Flex	3	23,038	-0-	0.0%	-0-	N/A
Manufacturing	7	316,202	105,570	33.4%	-0-	\$8.00
CBD Subtotal	21	486,179	156,100	32.1%	-0-	\$7.79
<b>Northeast</b>						
Warehouse	299	4,815,438	142,861	3.0%	60,181	\$4.98
Flex	67	987,977	46,438	4.7%	(17,578)	\$7.91
Manufacturing	49	3,481,534	-0-	0.0%	52,000	\$4.50
Northeast Subtotal	415	9,284,949	189,299	2.0%	94,603	\$5.44
<b>Northwest</b>						
Warehouse	239	5,181,368	295,079	5.7%	155,127	\$4.19
Flex	33	514,198	14,070	2.7%	66,730	\$6.40
Manufacturing	33	5,476,719	85,271	1.6%	-0-	\$3.53
Northwest Subtotal	305	11,172,285	394,420	3.5%	221,857	\$4.12
<b>Southeast</b>						
Warehouse	20	121,538	17,344	14.3%	(5,743)	\$4.95
Flex	22	177,974	8,500	4.8%	-0-	\$8.00
Manufacturing	1	8,829	-0-	0.0%	-0-	N/A
Southeast Subtotal	43	308,341	25,844	8.4%	(5,743)	\$5.95
<b>Southwest</b>						
Warehouse	322	5,195,109	153,240	2.9%	142,425	\$6.34
Flex	89	701,269	58,595	8.4%	17,473	\$7.94
Manufacturing	24	1,810,366	-0-	0.0%	-0-	N/A
Southwest Subtotal	435	7,706,744	211,835	2.7%	159,898	\$6.78
Market Total	1,219	28,958,498	977,498	3.4%	470,615	\$5.55

## Notable Sales

Address	Size	Price	Price/SF	Submarket
425 SW 1st Street*	6,400 SF	\$365,000	\$57.03	Southwest
801 O Street	32,760 SF	\$1,675,000	\$51.13	CBD
1805 Yolande Ave.	8,460 SF	\$400,000	\$47.28	Northwest
2230 Y Street	3,480 SF	\$265,000	\$76.15	Northwest
3340 Oxbow Circle	18,000 SF	\$991,583	\$55.09	Northeast
3344 Oxbow Circle	18,000 SF	\$992,868	\$55.16	Northeast

\*Indicates Transaction Represented by NAI FMA Realty

# Lincoln, NE

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**Drew Stange, CCIM**  
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**Richard Meginnis, SIOR**  
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Senior Vice President,  
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**Marc Snow**  
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**Sally DeLair**  
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**Scott Richardson**  
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**Mattison Wenzl**  
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## Brokerage Services

NAI FMA Realty is Lincoln, Nebraska's largest commercial brokerage firm with ten active brokers. Our experienced professionals offer a full spectrum of consultative and transactional services including:

- Property Acquisitions and Dispositions
- Tenant/Buyer Representation
- Site Selection Analysis
- Broker's Opinion of Value
- Research

## Maintenance Services

Our skilled and highly trained maintenance team are experienced with:

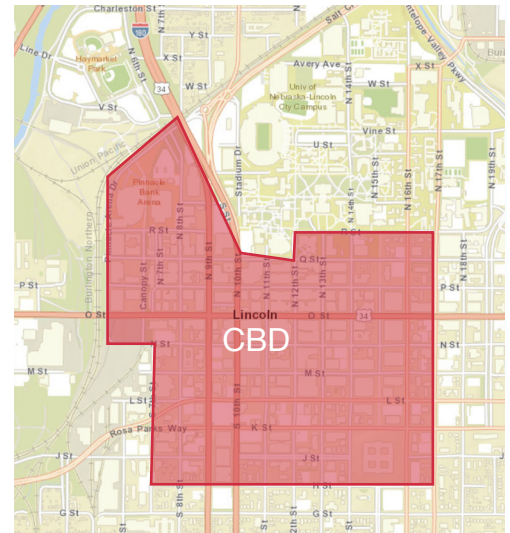
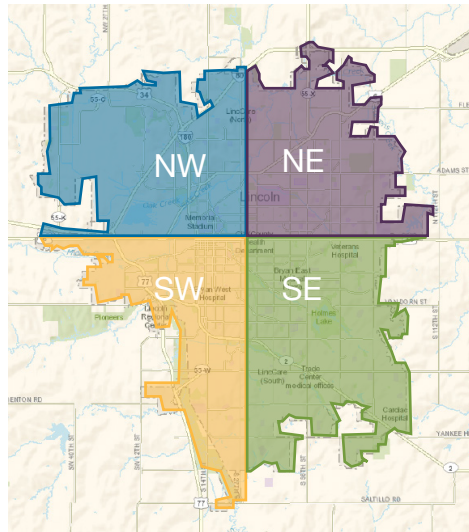
- Balancing Airflow
- Adjusting Energy Management Systems
- Routine/Preventative Maintenance
- Emergency Service 24-hours a day, 7-days a week

## Property Management

Our property management professionals provide comprehensive property management services and solutions including:

- Operations Management
- Financial Reporting and Accounting
- Lease Administration
- Project Coordination
- Accredited Management Organization™
- Over 4.1 million-square-feet under management in multi-tenant and owner-occupied facilities

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## METHODOLOGY AND DEFINITIONS

### Absorption

The change in occupied space from one period to the next. In this measurement, it is important to distinguish that a building may be “available”, but not vacant (often the case in sublease situations which this report does not include). Therefore occupancy is not reduced until the space is vacated.

### Available Square Footage

Net rentable area considered available for lease; excludes sublease space.

### Average Asking Rental Rate (Weighted)

Rental rate as quoted from each building’s owner/management company. For office space a full service rate was requested; for retail and industrial, a triple net rate requested.

### Building Class

Class A product is office/retail space of quality construction with quality tenants, excellent amenities, prime location and premium rates. Class B product is office/retail space of average construction, fair to good finishes and wide range of tenants. Class C product has poor finishes, outdated appearance, and/or functional obsolescence. New product is office/retail space that has never been occupied or is owner occupied and constructed within the last year.

### Direct Vacancy

Space currently available for lease directly with the landlord or building owner.

### Market Area

The market includes all of Lincoln, Nebraska. The city was split into five sub-areas which include northwest, southwest, northeast, southeast, and central business district (CBD). The north/south cutoff is ‘O’ street and the east/west cutoff is 27th Street. The central business district is approximately ‘R’ Street to ‘H’ Street and 6th Street to 17th Street.

### Market Size

Includes all existing office, retail, and industrial buildings (all classes and all sizes, both multi-tenant and single tenant, including owner-occupied buildings but excluding all government or university owned and occupied buildings) within each market.

### Overall Vacancy

All unoccupied available space for lease, excluding sublease space.

### Rental Rate

All asking rental rates are quoted as price per square foot per year.

# Our Commercial Real Estate Services Include:

Acquisitions & Dispositions

Corporate Services

Tenant Representation

Advisory Services

Management Services

Facility Maintenance

Lease Administration

Financial Reporting

Project Coordination

Research

## Where can NAI help you next?



Wells Fargo Center  
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402 441 5800

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