

Second Half 2017 Market Report



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Direct Vacancy



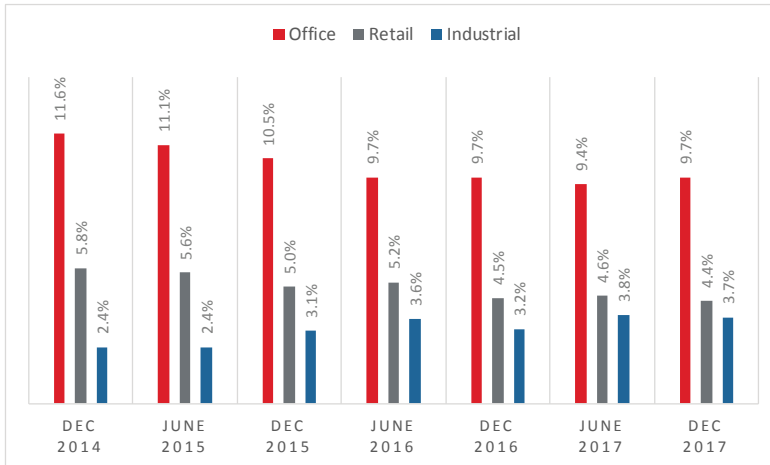
Absorption



Asking Rent



Overall Market Historical Vacancy



HIGHLIGHTS

Lincoln, Nebraska is experiencing continued momentum and remains a top community for business. This marks the fourth year for one of the lowest unemployment rates in the nation. Lincoln's unemployment rate stood at 2.1%*. Lincoln's flourishing startup community is attracting an influx of young talent to the city.

With regards to the local commercial real estate market, all sectors have remained stable for the past couple years and benefit from the growing local economy.

Slow and steady growth is expected in the office market. The tight labor market and more build-to-suit options could impact tenant demand.

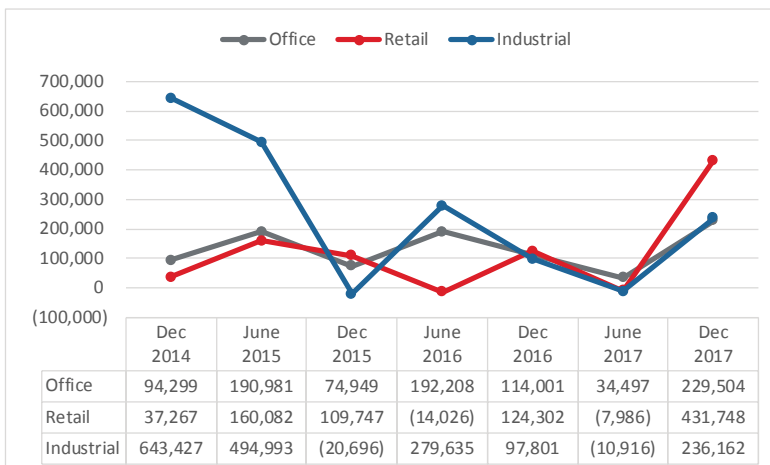
Lincoln's retail sector has remained positive despite being challenged by store closings nationally and changes in consumers' shopping habits.

Industrial real estate is expected to remain at the top of the market in the coming year due to robust occupancy and higher rents.

Lincoln's expected economic growth should continue to benefit all property sectors through 2018.

*Source: United States Department of Labor, Nov. 2017

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



Office New Construction Permits



Retail New Construction Permits



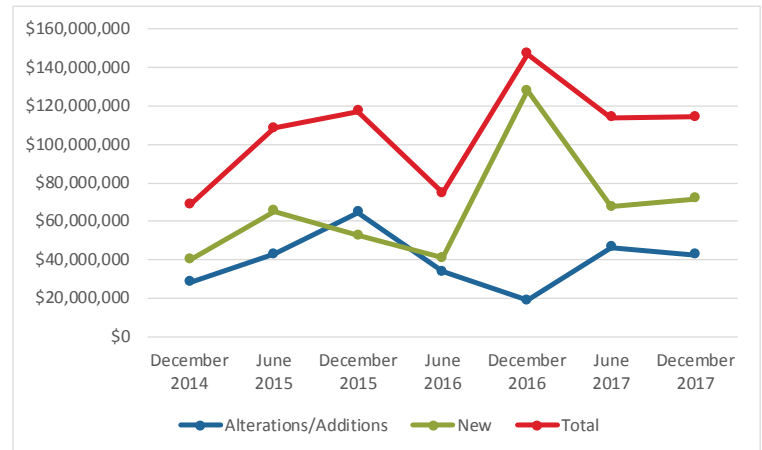
Industrial New Construction Permits



CONSTRUCTION ACTIVITY

- The office building permit application value fell to \$33.6 million, down \$20 million from the first half of the year, despite the number of permits pulled being relatively the same.
- Huvepharma, a European animal health company, plans to build a \$7 million research and development complex on an 8.6 Acre site just south of SW 40th & West O Streets. Plans include two buildings for offices, microbiology labs and animal research.
- Urology, P.C. is building a \$3 million addition to its facility in southeast Lincoln.
- A \$1.9 million office building is under construction in the Williamsburg Development. Dental Designs will occupy the space.
- Renovations are underway for Surgical Associates, PC new offices at 1001 S. 70th Street. Plans are to move in summer 2018.
- During the second half of 2017, the retail sector had a total building permit application value of \$39.3 million, of which \$23.7 million was new construction.
- The most notable new construction permit is for City Venture's mixed use development at 48th & Leighton of \$12.35 million.
- Coffee is expanding with The Mill Coffee & Bistro, Scooters' Coffee and Starbucks all having multiple new locations planned.
- The industrial sector had the highest value of building permit applications for the second half of 2017 totaling \$41.5 million. Alterations nearly doubled in the number of permits while new construction value rose to \$32.5 million, up from \$18.7 million in the first half of 2017.
- Zoetis plans a \$5.5 million renovation project to turn an existing warehouse space into a clean room and manufacturing areas.
- Nature's Variety pulled a \$8.65 million permit for a new 26,750-square-foot manufacturing/processing facility in southwest Lincoln.
- Two new 12,000-square-foot speculative industrial buildings were built by a local developer near Hwy. 77 & West O Street.

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



BUILDING PERMITS BY BUILDING TYPE

OFFICE

	# of Permits	Value
New Construction	10	\$15,525,000
Alteration to existing	85	\$18,125,686
TOTAL	95	\$33,650,686

RETAIL

New Construction	11	\$23,686,423
Alteration to existing	91	\$15,631,702
TOTAL	102	\$39,318,125

INDUSTRIAL

	# of Permits	Value
New Construction	21	\$32,536,082
Alteration to existing	36	\$ 8,920,884
TOTAL	57	\$41,456,966

Direct Vacancy



Absorption



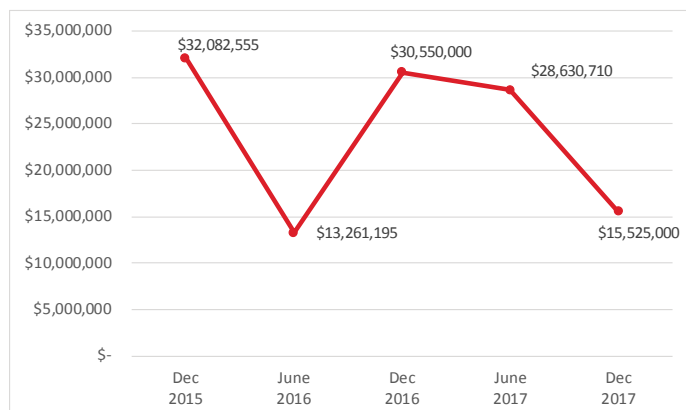
Asking Rent



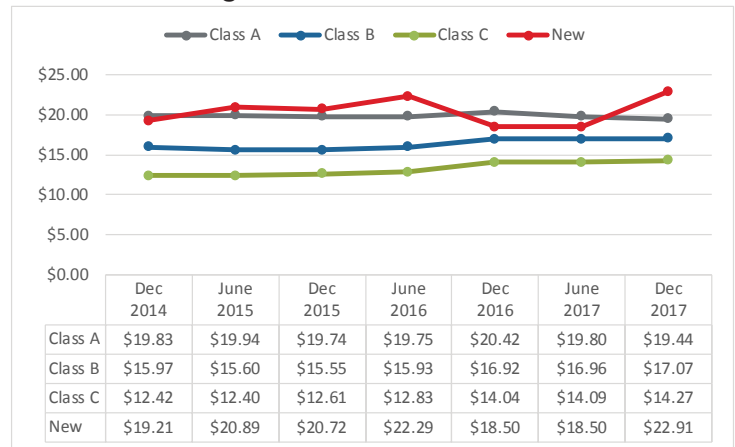
HIGHLIGHTS

- For the year, absorption hit 264,181-square-feet, while the overall vacancy rate inched upward to 9.7%. Absorption is up due to owner-occupied buildings coming online including a new location for Sutton Dermatology + Aesthetics at 56th & Pine Lake and Sandhills Publishing new cyber center in northwest Lincoln.
- Suburban landlords continue to transform the city by renovating well-located Class B properties to be more competitive in the office market.
- Northwest submarket struggled at the end of 2017 as the Verizon call center vacancy came online, the rest of the suburban office markets witnessed improvement.
- Biggest move in the market was Hudl into its new downtown headquarters, leaving Class B space to backfill in the submarket.
- Companies favor downtown offices to tap into the talent pool of millennials that live in the area.
- Class A space remains tight across the city. Class A users looking for large amounts of space might have to consider new construction to accommodate their needs.
- Companies increasingly want to locate in areas in which employees can experience the conveniences of an urban setting or have access to amenities such as restaurants, bars, shops and entertainment options.

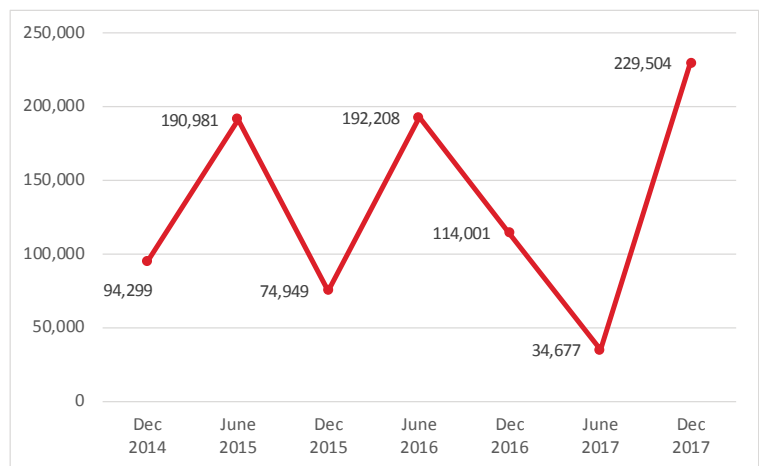
New Construction



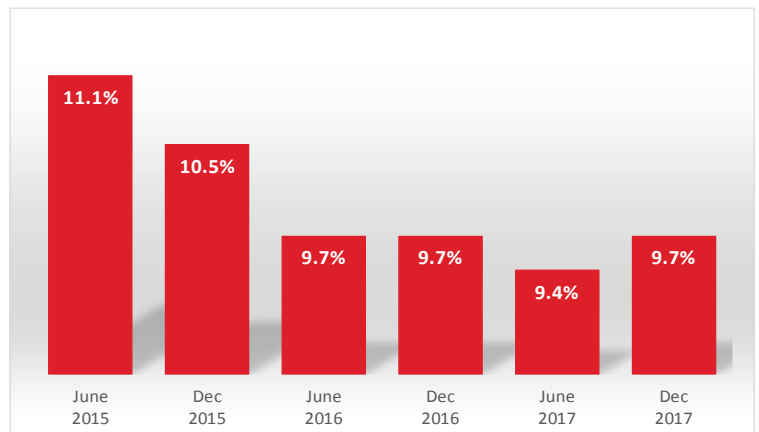
Historical Asking Rates



Historical Net Absorption



Historical Vacancy



	Number of Buildings	Total Rentable SF	Total Available SF	% Vacant	Net Absorption	Average Asking Rate (\$/SF/YR)
CBD						
Class A	10	1,066,763	113,118	10.6%	3,124	\$18.13
Class B	97	2,476,399	349,147	14.1%	(20,528)	\$17.45
Class C	22	259,578	70,672	27.2%	(11,096)	\$14.08
New	2	152,155	24,000	15.8%	116,682	\$24.50
CBD Subtotal	131	3,954,895	556,937	14.1%	88,182	\$17.59
Northeast						
Class A	8	234,740	2,590	1.1%	58,977	\$19.00
Class B	93	1,121,300	71,615	6.4%	8,932	\$16.03
Class C	43	370,183	12,081	3.3%	(3,268)	\$15.32
New	1	3,776	-0-	N/A	(50,748)	N/A
Northeast Subtotal	145	1,729,999	86,286	5.0%	13,893	\$16.02
Northwest						
Class A	10	803,245	133,219	16.6%	(85,167)	\$19.80
Class B	50	885,115	145,217	16.4%	74,386	\$14.63
Class C	13	146,411	5,974	4.1%	-0-	\$14.33
New	-0-	-0-	-0-	N/A	-0-	N/A
Northwest Subtotal	73	1,834,771	284,410	15.5%	(10,781)	\$16.99
Southeast						
Class A	10	519,438	46,016	8.9%	4,459	\$22.06
Class B	406	3,939,032	249,234	6.3%	47,450	\$17.61
Class C	17	89,745	2,312	2.6%	603	\$18.56
New	9	90,877	16,101	17.7%	53,521	\$21.46
Southeast Subtotal	442	4,639,092	313,663	6.8%	106,033	\$18.39
Southwest						
Class A	3	283,288	-0-	N/A	5,000	N/A
Class B	109	1,218,139	74,270	6.1%	4,886	\$19.50
Class C	23	119,645	27,033	22.6%	-0-	\$13.77
New	7	30,739	3,300	10.7%	22,291	\$18.50
Southwest Subtotal	142	1,651,811	104,603	6.3%	32,177	\$18.00
Market Total	933	13,810,568	1,345,899	9.7%	229,504	\$17.57

Notable Sales

Address	Size	Price	Price/SF	Submarket
1150 N. 83rd Street*	9,794	\$1,750,000	\$178.68	Northeast
7121 O Street*	1,764	\$305,000	\$172.90	Southeast
4706 S. 48th Street*	5,191	\$285,000	\$54.90	Southeast
4501 S. 86th Street	10,152	\$1,650,000	\$162.53	Southeast
8421 Amber Hill Court	3,043	\$557,500	\$183.21	Southeast
7435 O Street	3,680	\$600,000	\$163.04	Southeast

*Indicates Transaction Represented by NAI FMA Realty

Direct Vacancy



Absorption



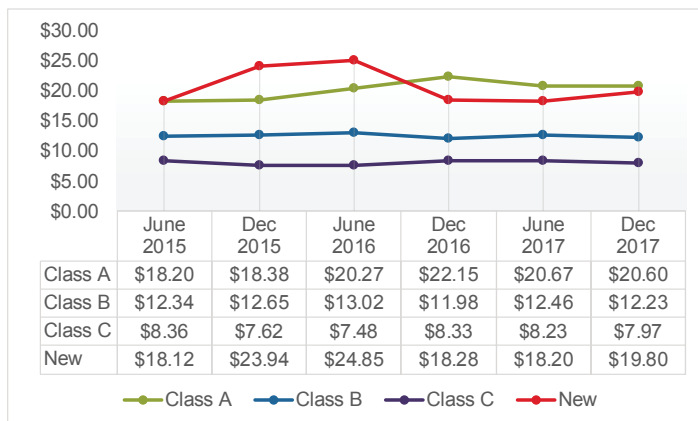
Asking Rent



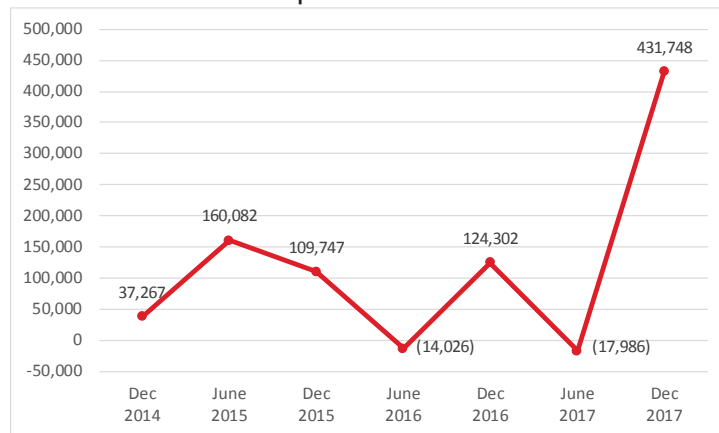
HIGHLIGHTS

- Overall net absorption ended 2017 at a positive 431,748-square-feet, a vast improvement from negative 17,986-square-feet reported mid-year. The opening of Lincoln's first Costco and Dick's Sporting Goods contributed to this expansion.
- Retailers are changing their marketing strategy to bring customers to their brick-and-mortar locations.
- Fareway Meat Market opened in the southeast sub-market near 84th & Van Dorn. Fareway Stores, Inc. is based out of Iowa and currently operates 118 grocery store locations in a five state region.
- Baxter Auto Group opened and relocated to their new Lexus of Lincoln and Toyota facilities along Yankee Hill Road.
- An Omaha-based developer proposed a Tru by Hilton hotel on the site of the former Skate Zone roller skating rink. Plans show a four-story, 84-room hotel along with a 5,600-square-foot retail building on the site. Project estimated to cost \$11 million.
- New retail concepts: Rock 'n Joe Coffee Bar, Grey Whale Sushi, Flydogz, Granny Weav's Soul Food & Catering, Blaze Pizza, T-Mobile, McAllister's Deli, Salsarita's
- Expansions: Honest Abe's, Yogurtini, Freddy's Steak-burgers, Mr. Goodcents, Eat Fit Go, Buffalo Wings & Rings, Subway, Hacienda Real, DQ Grill & Chill, Starbucks, The Mill Coffee & Bistro and Scooter's

Historical Asking Rates



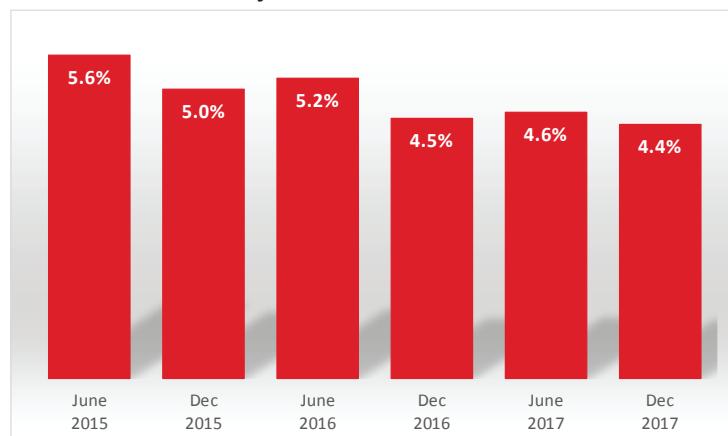
Historical Net Absorption



New Construction



Historical Vacancy



	Number of Buildings	Total Rentable SF	Total Available SF	% Vacant	Net Absorption	Average Asking Rate (\$/SF/YR)
CBD						
Class A	11	234,004	36,486	15.6%	(4,782)	\$24.03
Class B	118	996,619	72,191	7.2%	(25,995)	\$12.91
Class C	62	342,622	36,166	10.6%	-0-	\$7.68
New	2	33,053	33,053	100%	-0-	\$22.53
CBD Subtotal	193	1,606,298	177,896	11.1%	(30,777)	\$15.81
Northeast						
Class A	3	43,789	-0-	N/A	1,090	N/A
Class B	407	6,593,393	233,201	3.5%	151,199	\$11.03
Class C	136	635,073	-0-	N/A	13,760	N/A
New	5	44,480	29,434	66.2%	7,135	\$17.61
Northeast Subtotal	551	7,316,735	262,635	3.6%	173,184	\$11.74
Northwest						
Class A	7	286,319	6,711	2.3%	-0-	\$15.00
Class B	186	1,727,529	104,959	6.1%	(44,691)	\$10.98
Class C	98	566,905	4,400	0.8%	(2,400)	\$10.81
New	2	5,064	-0-	N/A	3,174	N/A
Northwest Subtotal	293	2,585,817	116,070	4.5%	(43,917)	\$11.18
Southeast						
Class A	14	683,803	42,721	6.2%	28,228	\$19.77
Class B	336	5,277,723	197,682	3.7%	67,835	\$12.02
Class C	65	323,583	15,770	4.9%	(5,790)	\$10.36
New	8	175,701	15,560	8.9%	62,688	\$18.12
Southeast Subtotal	423	6,460,810	271,733	4.2%	152,961	\$13.44
Southwest						
Class A	10	407,925	28,820	7.1%	46,585	\$19.29
Class B	166	1,384,662	31,237	2.3%	(34,490)	\$13.90
Class C	120	816,173	34,501	4.2%	(3,510)	\$6.82
New	4	182,122	-0-	N/A	171,712	N/A
Southwest Subtotal	300	2,790,882	94,558	3.4%	180,297	\$14.48
Market Total	1,760	20,760,542	922,892	4.4%	431,748	\$13.22

Notable Sales

Address	Size	Price	Price/SF	Submarket
5705 S. 86th Street*	5,841	\$1,599,000	\$273.75	Southeast
1101 Arapahoe Street	19,200	\$1,700,000	\$88.54	Southwest
2435 S. 48th Street	2,080	\$ 340,000	\$163.46	Southeast
1349, 1353, 1359, & 1371 S. 33rd Street*	7,361	\$ 500,000	\$67.93	Southeast
4300 N. 27th Street	3,680	\$ 570,000	\$154.89	Northeast

*Indicates Transaction Represented by NAI FMA Realty

Direct Vacancy



Absorption



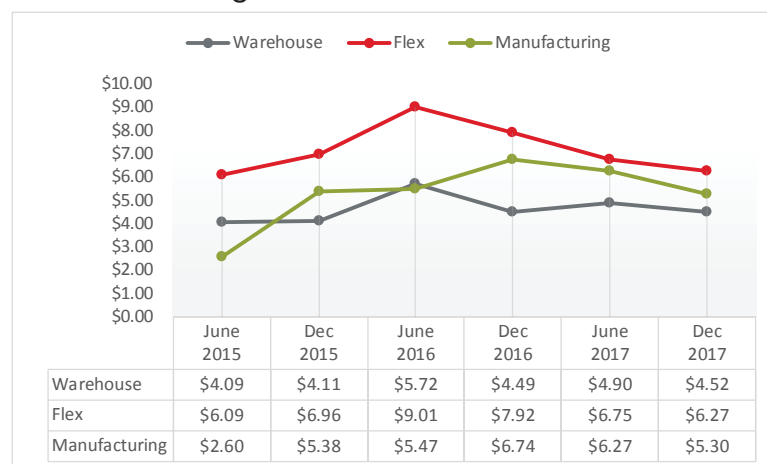
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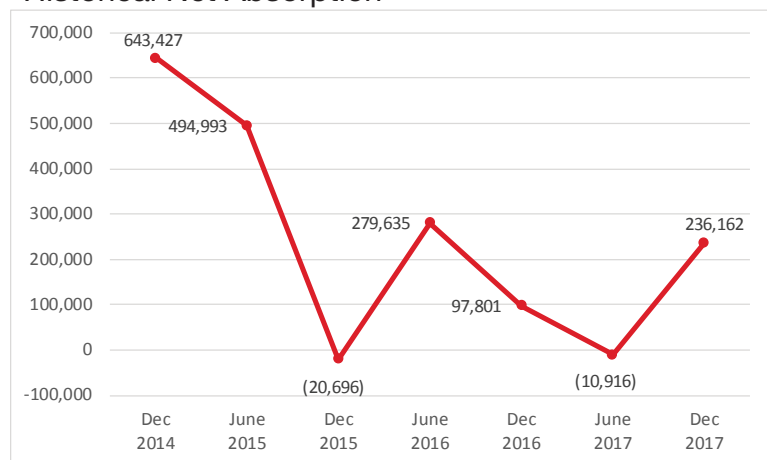
HIGHLIGHTS

- During the second half, the industrial sector absorbed 236,162-square-feet overall.
- Over 100,000-square-feet of industrial properties came online with most of the new product built in the southwest submarket. More construction is underway to help meet the demand.
- Vacancies in the 2nd half 2017, decreased slightly to 3.7 percent from 3.8 percent in the first half of 2017
- Transaction activity has slowed but the market is still showing strength.
- Zoetis plans a \$5.5 million renovation project to turn an existing warehouse space into a clean room and manufacturing areas.
- Nature's Variety plans a new 26,750-square-foot manufacturing/processing facility in southwest Lincoln. The project is estimated to cost \$8.65 million.
- Silverhawk Aviation broke ground on a new 28,385-square-foot hangar and workspace to house the avionics department and new jets.

Historical Asking Rates



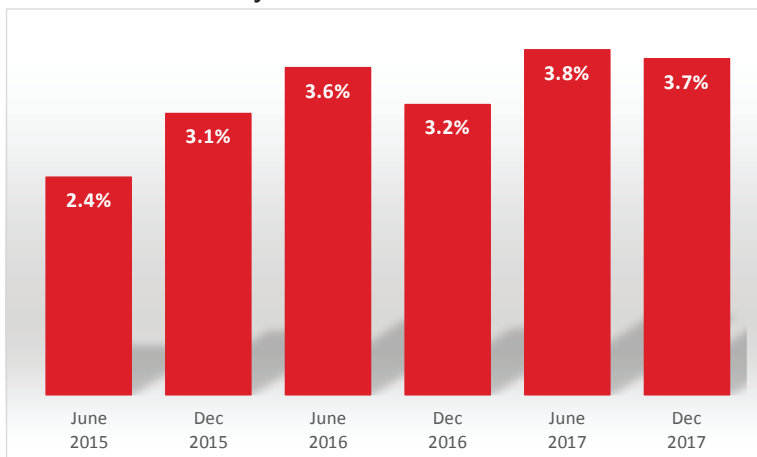
Historical Net Absorption



New Construction



Historical Vacancy



	Number of Buildings	Total Rentable SF	Total Available SF	% Vacant	Net Absorption	Average Asking Rate (\$/SF/YR)
CBD						
Warehouse	11	146,939	50,530	34.4%	-0-	\$7.36
Flex	4	27,878	4,840	17.4%	-0-	\$4.38
Manufacturing	7	316,202	105,570	33.4%	39,298	\$8.00
CBD Subtotal	22	491,019	160,940	32.8%	39,298	\$7.69
Northeast						
Warehouse	292	4,675,826	63,430	1.4%	11,345	\$5.13
Flex	67	987,977	28,860	2.9%	(2,533)	\$7.74
Manufacturing	49	3,459,534	30,000	0.9%	5,037	\$4.03
Northeast Subtotal	408	9,123,337	122,290	1.3%	13,849	\$4.99
Northwest						
Warehouse	226	5,155,478	424,316	8.2%	108,548	\$3.56
Flex	32	495,080	61,682	12.5%	4,500	\$3.78
Manufacturing	33	5,476,719	85,271	1.6%	24,606	\$3.53
Northwest Subtotal	291	11,127,277	571,269	5.1%	137,654	\$3.57
Southeast						
Warehouse	20	130,401	20,464	15.7%	4,800	\$5.15
Flex	22	177,974	8,500	4.8%	(7,920)	\$8.00
Manufacturing	1	8,829	-0-	N/A	-0-	N/A
Southeast Subtotal	43	317,204	28,964	9.1%	(3,120)	\$5.98
Southwest						
Warehouse	313	5,009,661	110,217	2.2%	47,395	\$6.54
Flex	89	699,269	74,068	10.6%	1,086	\$7.70
Manufacturing	24	1,810,366	-0-	N/A	-0-	N/A
Southwest Subtotal	426	7,519,296	184,285	2.5%	48,481	\$6.61
Market Total	1,190	28,578,133	1,067,748	3.7%	236,162	\$4.99

Notable Sales

Address	Size	Price	Price/SF	Submarket
121 Oakcreek Dr.	5,000 SF	\$240,000	\$48.87	Northwest
141 Harwood Court	8,050 SF	\$635,000	\$78.88	Southwest
2137 Magnum Circle	7,200 SF	\$540,000	\$75.00	Southwest
3401 S. 7th Street	13,560	\$696,000	\$51.33	Southwest
100 Oakcreek Dr.	13,786 SF	\$1,050,000	\$75.00	Northwest
2821 West P Circle, Unit 1	4,550 SF	\$350,000	\$76.92	Northwest

*Indicates Transaction Represented by NAI FMA Realty

Lincoln, NE

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- Tenant/Buyer Representation
- Site Selection Analysis
- Broker's Opinion of Value
- Research

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Our skilled and highly trained maintenance team are experienced with:

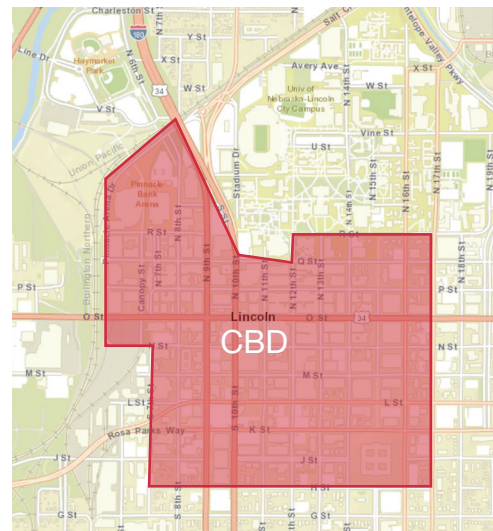
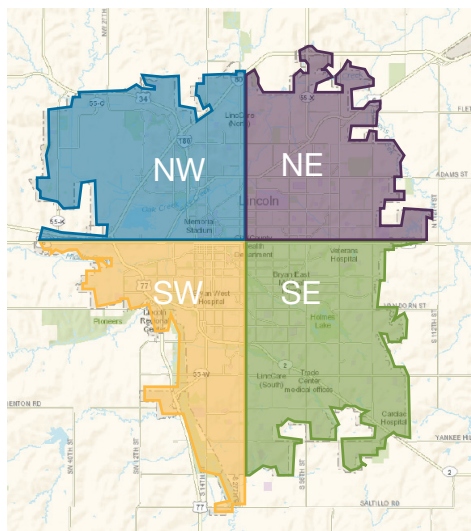
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Property Management

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

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- Over 3.8 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 of 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:

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