

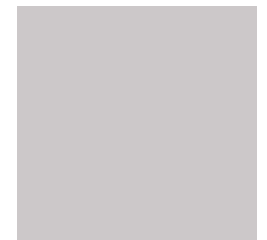
NAI FMA Realty

Market Report First Half 2012

Lincoln, Nebraska



Gallup's new location at 5601 S. 59th Street



First Half 2012

NAI FMA Realty

Commercial Real Estate Services, Worldwide.



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Market Report First Half 2012

Office



OFFICE OVERVIEW

After a year in which the Lincoln office market absorbed nearly 225,000-square-feet, the first half of 2012 exhibited mixed signals. The overall net absorption of 15,062 square-feet with an uptick in the overall vacancy rate and a slight decrease in the asking rents in the market sheds light on the overall condition. And while not significant, it illustrates the bumpy road to recovery numerous markets are facing.

Three of Lincoln's office submarkets witnessed positive net absorption in the first half despite many still wrestling with elevated vacancies. The southwest submarket's vacancy rate increased from 9.1 percent to 11.9 percent due to a 56,000 square-foot office building on 21st & K Street being added to the inventory. Previously the property was owner occupied and not marked for sale. The CBD also saw an increase from 13.9 percent to 14.8 percent which was due in part to corporate relocations in the first half, of which Davis Design was the most significant. The architectural firm vacated their long-time headquarters at the corner of 14th & P Street and expanded into 18,000 square-feet at the 1221 Tower. PCCW Teleservices, Inc. left downtown for the former Allied Insurance building at 52nd & R Streets. And a new 21,000-square-foot vacancy was reported at the Wells Fargo Center with downsizing in a lease renewal.

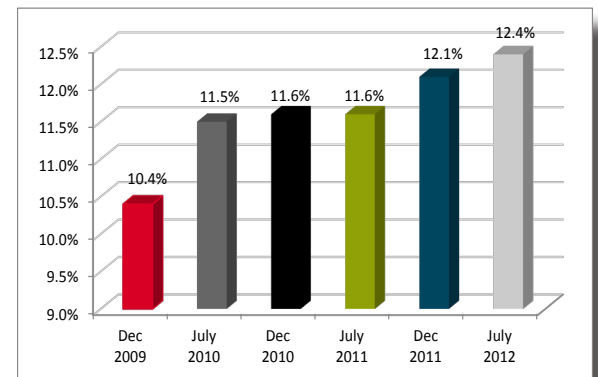
Although recovery remains a work in progress, the office market has had some wins in the form of both business expansions and leases. World's Foremost Bank, the Lincoln-based credit card operations for the outdoor retailer Cabela's, expanded its northwest offices by 40,000 square-feet. The Physician Network relocated and expanded into 25,000 square-feet of the top floor of Assurity Life Insurance's headquarters near downtown. INSPRO vacated its space in the Plaza Mall South building for 13,000 square-feet within an office building at 40th & Pine Lake Road. And Five Nines Technology Group leased 11,000 square-feet for a short term as they look for a permanent home.

The main driver of the sales market last half, were the owner-users of less than 10,000 square-feet. Speculative construction remains nearly non-existent with the exception of the Willow Springs Office project for 12,000 square-feet of which Performance Physical Therapy will relocate into half of the building early this fall.

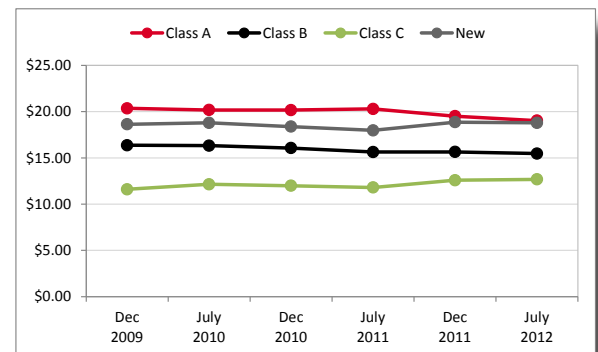
A full turnaround for the office sector will not occur until job gains are more robust and consist beyond just back-filling empty desks.



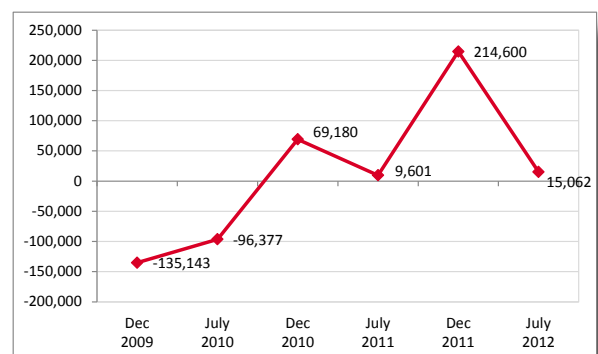
Historical Vacancy Rates



Historical Rental Rates by Building Class



Historical Net Absorption (Square Feet for Six Months Ending)



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Market Report First Half 2012

Office



| SUBMARKET | CLASS | # BLDGS | TOTAL RENTABLE SF | TOTAL AVAILABLE SF | % VACANT | NET ABSORPTION | AVG ASKING RATE (\$/SF/YR) |
|----------------------|----------|------------|-------------------|--------------------|--------------|----------------|----------------------------|
| CBD | CLASS A | 5 | 648,954 | 67,143 | 10.3% | (21,033) | \$16.26 |
| | CLASS B | 98 | 2,726,680 | 449,251 | 16.5% | (2,224) | \$15.43 |
| | CLASS C | 24 | 262,196 | 22,322 | 8.5% | (7,549) | \$12.26 |
| | NEW | N/A | N/A | N/A | N/A | N/A | N/A |
| | SUBTOTAL | 127 | 3,637,830 | 538,716 | 14.8% | (30,806) | \$15.35 |
| NORTHEAST | CLASS A | 6 | 160,158 | 28,837 | 18.0% | 1,721 | \$18.35 |
| | CLASS B | 90 | 1,095,737 | 215,115 | 19.6% | 13,025 | \$13.09 |
| | CLASS C | 42 | 367,565 | 19,322 | 5.3% | (2,630) | \$11.94 |
| | NEW | 2 | 19,994 | 19,994 | 100.0% | -0- | \$14.30 |
| | SUBTOTAL | 140 | 1,643,454 | 283,268 | 17.2% | 12,116 | \$13.60 |
| NORTHWEST | CLASS A | 8 | 726,441 | 9,186 | 1.3% | 175,673 | \$22.28 |
| | CLASS B | 46 | 754,550 | 124,864 | 16.5% | 35,703 | \$14.85 |
| | CLASS C | 13 | 146,411 | 10,042 | 6.9% | (3,100) | \$13.47 |
| | NEW | 1 | 19,250 | 15,845 | 82.3% | (146,671) | \$25.00 |
| | SUBTOTAL | 68 | 1,646,652 | 159,937 | 9.7% | 61,605 | \$16.19 |
| SOUTHEAST | CLASS A | 8 | 437,527 | 61,241 | 14.0% | 32,985 | \$21.89 |
| | CLASS B | 384 | 3,812,481 | 333,290 | 8.7% | 10,489 | \$16.49 |
| | CLASS C | 15 | 93,314 | 22,846 | 24.5% | 1,776 | \$13.47 |
| | NEW | N/A | N/A | N/A | N/A | (32,635) | N/A |
| | SUBTOTAL | 407 | 4,343,322 | 417,377 | 9.6% | 12,615 | \$17.04 |
| SOUTHWEST | CLASS A | 3 | 277,835 | -0- | 0.0% | -0- | N/A |
| | CLASS B | 104 | 1,156,250 | 172,356 | 14.9% | (47,062) | \$17.48 |
| | CLASS C | 21 | 113,829 | 8,991 | 7.9% | 8,845 | \$12.65 |
| | NEW | 2 | 7,976 | 3,750 | 47.0% | (2,251) | \$16.50 |
| | SUBTOTAL | 130 | 1,555,890 | 185,097 | 11.9% | (40,468) | \$17.19 |
| OFFICE TOTALS | | 872 | 12,827,148 | 1,584,395 | 12.4% | 15,062 | \$15.78 |



| Representative Office Sales | | | | | | |
|-----------------------------|-----------|----------------------------------|------------------------------------|-------------|----------|-----------|
| Address | Size (SF) | Seller | Buyer | Price | Price/SF | Submarket |
| 2845 S. 70th St.* | 8,617 | Helene & Timothy Fearon | NEICO LLC | \$790,000 | \$91.68 | Southeast |
| 825 J Street | 19,826 | Hoskins-Western-Sonderegger Inc. | City of Lincoln & Lancaster County | \$1,770,000 | \$89.28 | CBD |

| Representative Office Leases | | | | |
|------------------------------|-------------------------|-----------|------------|-----------|
| Address | Tenant | Size (SF) | Deal Type | Submarket |
| 4000 Pine Lake Rd.* | INSPRO Insurance | 13,391 | Relocation | Southeast |
| 5201 R Street | PCCW Teleservices, Inc. | 18,694 | Relocation | Northeast |

*Indicates Transaction Represented by NAI FMA Realty

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Market Report First Half 2012

Retail



RETAIL OVERVIEW

Lincoln's retail market has rebounded significantly from the recent recession with the vacancy rate dropping to its lowest point since 2008 at 6.4 percent. Most sectors have seen considerable new construction and redevelopment of older buildings. The Parkhaus Building, which is the Central Business District's largest new construction project in recent years, added just under 15,000 square-feet of street level retail, a new parking facility, and residential units. The former retail building located at 25th & O Streets was recently demolished to make way for a new convenience store and the area on 27th & Vine Streets added a new 14,000 square-foot retail center that is almost fully occupied.

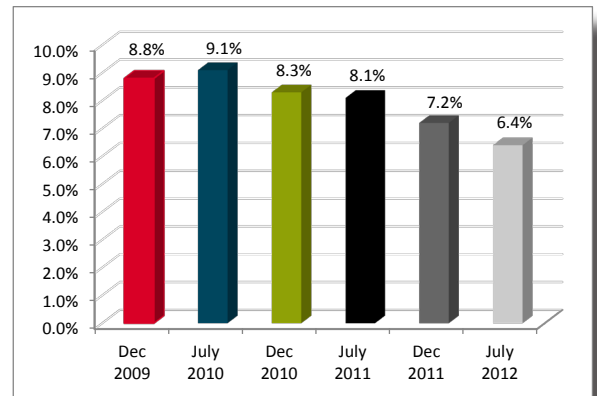
Large national chains are leading the way for a large portion of the retail development in the city. Whole Foods will anchor the retail portion of the Lincoln Public Schools' new district office site at 59th & O Streets. The 30,000 square-foot store is set to open late 2013 along with 11,600 square-feet of other retail space in the development. CVS Pharmacy purchased a retail center in the southeast submarket for \$2,999,000 so that it can remove the existing center and build a new store. In addition, CVS just opened a new 14,000 square-foot store in the southwest submarket at 16th & South Streets. Sam's Club began construction on its second location in the city, a 136,000 square-foot store next to Wal-Mart on 84th & Highway 2. It is set to open late August. Wal-Mart announced plans to build a new supercenter in southwest Lincoln which will be smaller than previous locations. Aspen Fitness entered the Lincoln market a year ago and has already opened a temporary second location until its 30,000 square-foot facility, which is currently under construction, is completed near 16th & Pine Lake Road.

Overall Lincoln experienced positive net absorption with 149,980 square-feet being absorbed since the last reporting period. The southeast submarket experienced the largest amount of absorption due in large part to Gallup occupying 42,000 square-feet in a former "big box" store that has been converted to a multi-tenant center. Lincoln's regional shopping centers are thriving with over 90% occupancy. The former Westfield Gateway Mall, now called Gateway Mall, was recently purchased by Starwood Capital Group as part of a \$1.1 billion deal that involved the purchase of seven shopping centers throughout the United States. New concepts to Lincoln include Yogurtini, My Gym, and Pancho's Mexican Grill with Wahoo's Fish Tacos and Fuzzy's Tacos expected to open in downtown this fall. Additionally Dickey's BBQ and Raising Canes will be opening their second Lincoln locations in the downtown area soon.

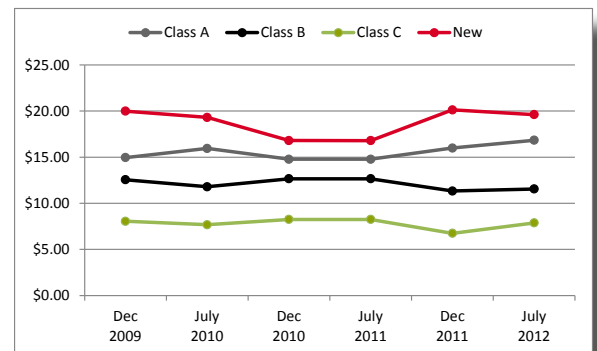
Overall Lincoln's retail market has continued to thrive and is expected to continue to do so. Net absorption is positive and vacancy rates are at the lowest levels seen in several years. Asking rents are rising across all the building classes and construction is visible in all sectors of the city.



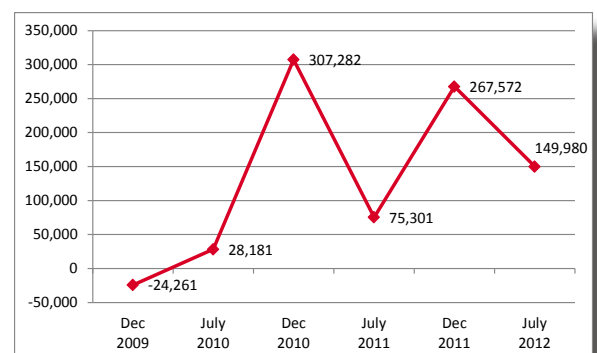
Historical Vacancy Rates



Historical Rental Rates by Building Class



Historical Net Absorption (Square Feet for Six Months Ending)



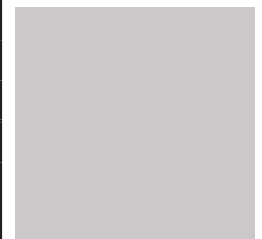
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Market Report First Half 2012

Retail



| SUBMARKET | CLASS | # BLDGS | TOTAL RENTABLE SF | TOTAL AVAILABLE SF | % VACANT | NET ABSORPTION | AVG ASKING RATE (\$/SF/YR) |
|----------------------|----------|--------------|-------------------|--------------------|-------------|----------------|----------------------------|
| CBD | CLASS A | 4 | 82,835 | 5,276 | 6.4% | (2,295) | \$14.00 |
| | CLASS B | 125 | 1,056,884 | 89,301 | 8.4% | (688) | \$9.14 |
| | CLASS C | 63 | 357,862 | 61,140 | 17.1% | 11,660 | \$7.62 |
| | NEW | 1 | 14,839 | 9,839 | 66.3% | 5,000 | \$25.00 |
| | SUBTOTAL | 193 | 1,512,420 | 165,556 | 10.9% | 13,677 | \$9.68 |
| NORTHEAST | CLASS A | 3 | 43,789 | 3,771 | 8.6% | (1,854) | \$14.00 |
| | CLASS B | 398 | 6,402,947 | 451,392 | 7.0% | (5,517) | \$11.37 |
| | CLASS C | 139 | 632,467 | 9,409 | 1.5% | 1,213 | \$12.13 |
| | NEW | 2 | 16,700 | 1,500 | 9.0% | 2,552 | \$16.50 |
| | SUBTOTAL | 542 | 7,095,903 | 466,072 | 6.6% | (3,606) | \$11.42 |
| NORTHWEST | CLASS A | 6 | 236,956 | -0- | 0.0% | -0- | N/A |
| | CLASS B | 185 | 1,689,921 | 67,809 | 4.0% | 8,567 | \$11.61 |
| | CLASS C | 100 | 553,761 | 29,962 | 5.4% | (11,253) | \$7.25 |
| | NEW | 2 | 33,140 | 22,250 | 67.1% | 9,335 | \$14.60 |
| | SUBTOTAL | 293 | 2,513,778 | 120,021 | 4.8% | 6,649 | \$11.07 |
| SOUTHEAST | CLASS A | 12 | 691,666 | 87,555 | 12.7% | 4,381 | \$17.15 |
| | CLASS B | 306 | 4,863,886 | 240,088 | 4.9% | 159,733 | \$13.02 |
| | CLASS C | 69 | 371,896 | 28,466 | 7.7% | 1,429 | \$8.82 |
| | NEW | 4 | 34,498 | 20,175 | 58.5% | (71,663) | \$22.00 |
| | SUBTOTAL | 391 | 5,961,946 | 376,284 | 6.3% | 93,880 | \$14.15 |
| SOUTHWEST | CLASS A | 8 | 362,739 | 4,970 | 12.7% | -0- | \$16.49 |
| | CLASS B | 152 | 1,059,690 | 36,432 | 3.4% | 38,055 | \$10.54 |
| | CLASS C | 123 | 840,652 | 59,147 | 7.0% | (4,778) | \$7.30 |
| | NEW | 4 | 38,395 | 10,750 | 28.0% | 6,103 | \$21.06 |
| | SUBTOTAL | 287 | 2,301,476 | 111,299 | 4.8% | 39,380 | \$10.10 |
| RETAIL TOTALS | | 1,706 | 19,385,523 | 1,239,232 | 6.4% | 149,980 | \$11.86 |



| Representative Retail Sales | | | | | | |
|-----------------------------|------------------------|-------------------------------|----------------------------|-------------|----------|-----------|
| Address | Size (SF) | Seller | Buyer | Price | Price/SF | Submarket |
| 2711 S. 48th St.* | 123,275 (Parcel SF) | Lancaster Square, LLC | Nebraska CVS Pharmacy, LLC | \$2,999,000 | \$24.33 | Southeast |
| 2101 S. 10th St. | 6,733 | Arciterra AA Lincoln N.E. LLC | Kalona Development, LLC | \$1,800,000 | \$267.34 | Southwest |

| Representative Retail Leases | | | | |
|------------------------------|----------------------|-----------|---|-----------|
| Address | Tenant | Size (SF) | Deal Type | Submarket |
| 1701 Pine Lake Rd. | Aspen Fitness | 6,385 | Temporary lease until new facility is ready | Southwest |
| 1317 Q St. | Mutual of Omaha Bank | 5,000 | Relocation | CBD |

*Indicates Transaction Represented by NAI FMA Realty

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Market Report First Half 2012

Industrial



INDUSTRIAL OVERVIEW

Following the robust end to 2011 with over 1.6 million square feet of positive net absorption, the Lincoln industrial market slowed during the onset of 2012, posting a modest but positive net absorption of 369,592 square feet among all industrial types. The overall vacancy rate topped 6.3 percent so far in 2012, compared to 8.0 percent for the same time last year and still well below the national average of 8.25 percent.

Build-to-suit construction and owner-occupant expansions added further optimism about the market. Duncan Aviation recently completed a 45,000 square-foot paint hanger and has pushed up plans to start construction this fall on a new 40,000 square-foot maintenance hanger which will be part of a larger 100,000 square-foot building. In mid-summer Sysco will consolidate operations to its northwest Lincoln facility which was expanded to a total of 383,000 square-feet along with a new service shop. Its former southwest facility is anticipated to be sold to a neighboring business with the closing set for the first part of fall.

In Lincoln, we are still seeing a “flight to quality” with tenants looking for warehouse space. The older, less functional warehouse space continues to struggle. The most common tenant requirement is currently 10,000 square feet and under. Out of the five submarkets in the first half, the northeast and southwest submarkets posted positive net absorption in the warehouse sector with a total of 130,000 square-feet. The northwest warehouse submarket saw an uptick in vacancy – 5.5 percent to 8.2 percent - due to 100,000 square-feet of excess space placed back on the market. Other notable activity was and Stanley Healthcare Solutions’ renovation of the former Gordmans’ building and Lincoln Industries lease of 26,000 square feet to accommodate growth at the main facility.

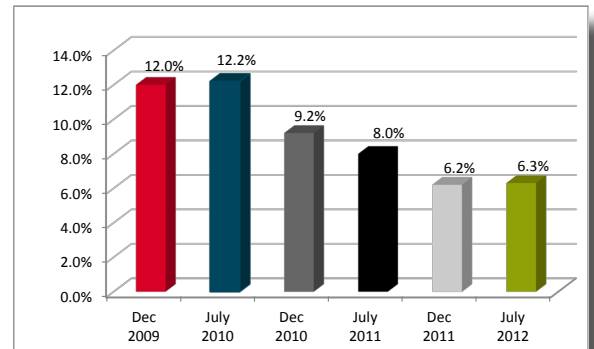
Rental rates have not yet risen to a level that would compel developers to start speculative development. With rising construction costs, rental rates must increase before developers start plans. Rental rates have appreciated by four percent since the first half of 2011, but contracted slightly from the second half of 2011, ending at \$3.41.

A majority of the eleven buildings traded this half, were purchased by owner-users in the market. Median sale prices were \$42.86 per square-foot. As price remains attractive, smaller firms with a sound backing are opting to purchase industrial space for their use instead of leasing.

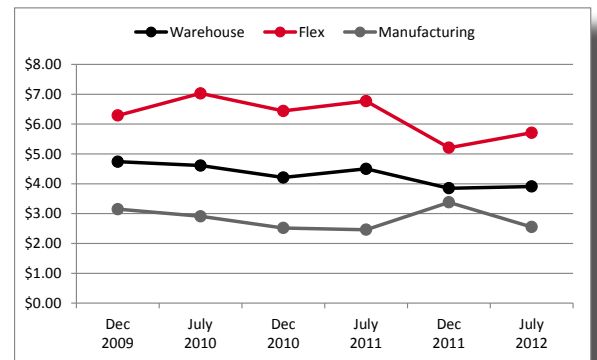
The Lincoln industrial market should sustain its positive momentum during 2012. Expect sales to remain modest, but gradually increasing throughout the year.



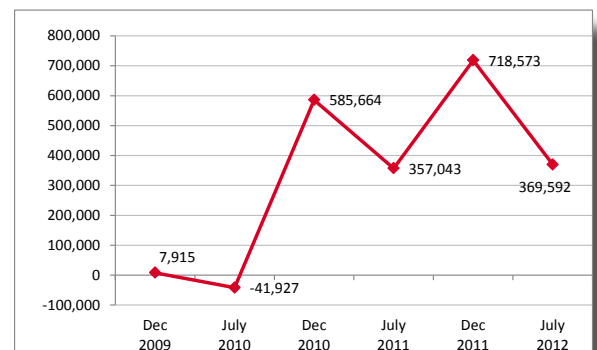
Historical Vacancy Rates



Historical Rental Rates by Building Class



Historical Net Absorption (Square Feet for Six Months Ending)



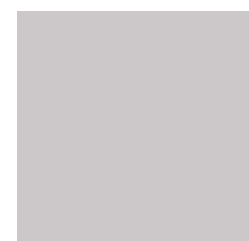
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Market Report First Half 2012

Industrial



| SUBMARKET | CLASS | # BLDGS | TOTAL RENTABLE SF | TOTAL AVAILABLE SF | % VACANT | NET ABSORPTION | AVG ASKING RATE (\$/SF/YR) |
|--------------------------|---------------|--------------|-------------------|--------------------|-------------|----------------|----------------------------|
| CBD | Warehouse | 13 | 223,460 | -0- | 0.0% | -0- | N/A |
| | Flex | 6 | 71,713 | -0- | 0.0% | -0- | N/A |
| | Manufacturing | 7 | 325,334 | -0- | 0.0% | -0- | N/A |
| | SUBTOTAL | 26 | 620,507 | -0- | 0.0% | -0- | N/A |
| NORTHEAST | Warehouse | 274 | 4,276,125 | 387,223 | 9.1% | 70,711 | \$4.07 |
| | Flex | 64 | 889,895 | 13,600 | 1.5% | 12,278 | \$5.71 |
| | Manufacturing | 50 | 3,385,657 | 236,310 | 7.0% | 98,884 | \$3.21 |
| | SUBTOTAL | 388 | 8,551,677 | 637,133 | 7.5% | 181,873 | \$3.79 |
| NORTHWEST | Warehouse | 206 | 4,011,969 | 330,796 | 8.2% | (48,279) | \$3.54 |
| | Flex | 26 | 352,369 | 8,534 | 2.4% | -0- | \$5.93 |
| | Manufacturing | 32 | 5,684,639 | 338,901 | 6.0% | 170,852 | \$1.95 |
| | SUBTOTAL | 264 | 10,048,977 | 678,231 | 6.7% | 122,573 | \$2.77 |
| SOUTHEAST | Warehouse | 19 | 122,857 | 12,464 | 10.1% | (4,120) | \$6.00 |
| | Flex | 23 | 185,135 | 1,200 | 0.6% | 9,600 | \$7.00 |
| | Manufacturing | 1 | 8,829 | -0- | 0.0% | -0- | N/A |
| | SUBTOTAL | 43 | 316,821 | 13,664 | 4.3% | 5,480 | \$6.09 |
| SOUTHWEST | Warehouse | 268 | 4,657,273 | 110,839 | 2.4% | 59,345 | \$4.20 |
| | Flex | 83 | 636,328 | 67,899 | 10.7% | 321 | \$5.66 |
| | Manufacturing | 22 | 1,511,922 | 151,638 | 10.0% | -0- | \$2.88 |
| | SUBTOTAL | 373 | 6,805,523 | 330,376 | 4.9% | 59,666 | \$3.89 |
| INDUSTRIAL TOTALS | | 1,094 | 26,343,505 | 1,659,404 | 6.3% | 369,592 | \$3.41 |



Representative Industrial Sales

| Address | Size (SF) | Seller | Buyer | Price | Price/SF | Submarket |
|-------------------|-----------|----------------------|--------------------------|-------------|----------|-----------|
| 1201 Infinity Ct. | 43,590 | Great Western Bank | Springfire Holdings LLC | \$2,050,000 | \$47.03 | Southwest |
| 7200 Amanda Rd. | 36,832 | Apollo Steel Company | Concrete Industries Inc. | \$1,200,000 | \$32.58 | Northeast |

Representative Industrial Leases

| Address | Tenant | Size (SF) | Deal Type | Submarket |
|-------------------|--------------------------|-----------|----------------------|-----------|
| 4800 Bair Ave.* | Lincoln Industries | 26,109 | New | Northeast |
| 1060 N. 33rd St.* | Milestone Local Surfaces | 7,500 | Relocation/Expansion | Northeast |

*Indicates Transaction Represented by NAI FMA Realty

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Methodology/Definitions/Sub Market Map



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 7th Street to 17th Street.

Market Size

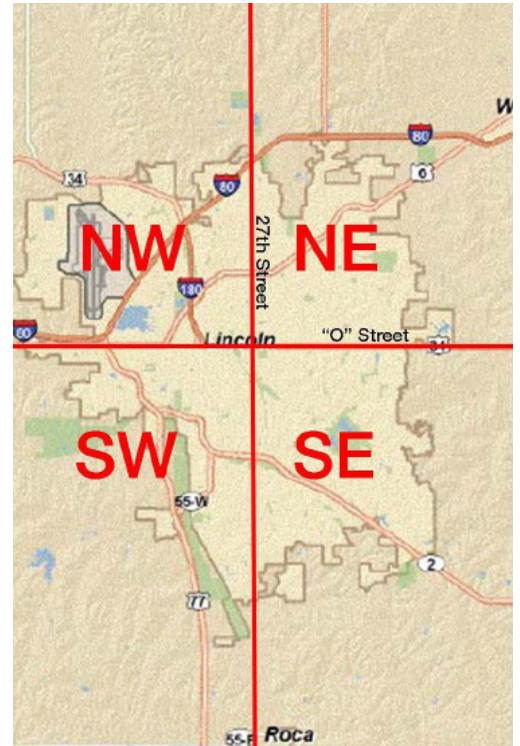
Includes all existing office, retail, and industrial buildings (all classes and all sizes, both multi-tenant and single tenant, including owner-occupied buildings but excluding all government or university owned and occupied buildings) within each market.

Overall Vacancy

All unoccupied available space for lease, excluding sublease space.

Rental Rate

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



Some of the data in this report has been gathered from third party sources and has not been independently verified by NAI FMA Realty. NAI FMA Realty makes no warranties or representations as to the completeness or accuracy thereof.

