

# NAI FMA Realty Market Report First Half 2014



6919 'O' Street



2510 S. 40th Street

## First Half 2014

**NAI**FMA Realty

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# NAI FMA Realty Market Report First Half 2014



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## NAI FMA REALTY

We are proud to be the exclusive representative of NAI Global, the world's only managed network of commercial real estate firms spanning the globe. Incorporated in 1961, NAI FMA Realty has evolved into Lincoln's premier full-service, privately-owned commercial real estate company. NAI FMA consistently ranks among the top commercial real estate firms in the Midwest for industry rankings.

NAI FMA professionals bring a broad spectrum of experience and in-depth understanding of the commercial real estate industry and the local marketplace. Our professionals have over 160 years of combined experience with a variety of clients and market conditions and have successfully brokered more than \$772 million in commercial real estate transactions.

As a true-third party brokerage firm, NAI FMA does not have any equity interest in property we represent so we are committed to keeping the best interests of our clients in mind. Our commitment to our clients is to provide them with superior service that surpasses the manner in which their real estate is currently handled.

### Brokerage Services

NAI FMA is Lincoln's largest brokerage firm with nine active brokers. We handle transactions ranging from complex corporate relocations to the routine handling of lease renewals. As a full-service provider, our brokers have a vast experience with buyers, sellers, landlords, tenants and investors allowing for the ability to assist with every aspect of property acquisition and disposition, leasing/subleasing and site selection.

### Property Management

Our property management professionals provide a complete range of property services including operations management, financial reporting, and construction management. As an Accredited Management Organization™, we apply state-of-the-art ideas and technologies to complex ownership issues and provide integrated resources to maximize an asset's value for our clients. With over 3.4 million-square-feet under management in multi-tenant and owner-occupied facilities, our property managers provide outstanding customer service and total tenant satisfaction, combined with fiduciary responsibility to the owner.

### Facility Maintenance

Our professional and highly trained maintenance team are experienced with all building systems and have the ability to handle a multitude of tasks from as complex as balancing airflow or adjusting energy management systems to simply changing a light bulb. NAI FMA's approach to maintaining an asset involves routine and preventive maintenance, safety testing, alterations and reactive maintenance to prolong the life of the building's systems. We respond to service calls rapidly and effectively 24-hours a day, 7-days a week, ensuring our clients and their tenants receive consistent high quality service.

## 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 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.

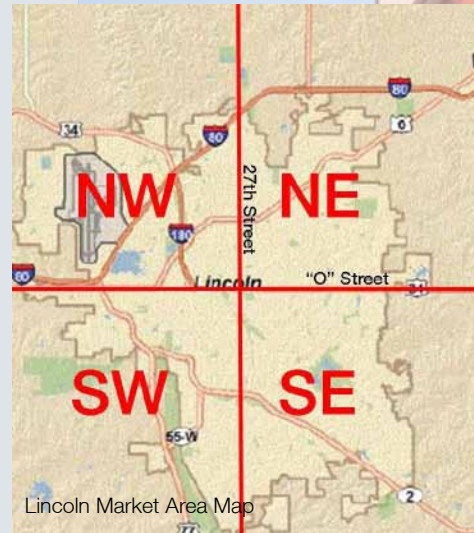
### Overall Vacancy

All unoccupied available space for lease, excluding sublease space.

### Rental Rate

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

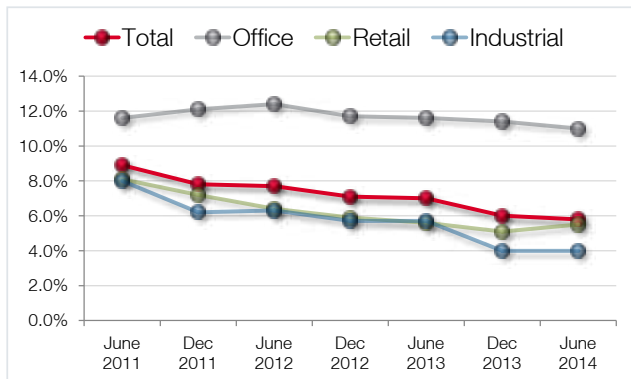
(Some of the data in this report has been gathered from third party sources and has not been independently verified by NAI FMA Realty. NAI FMA Realty makes no warranties or representations as to the completeness or accuracy thereof.)



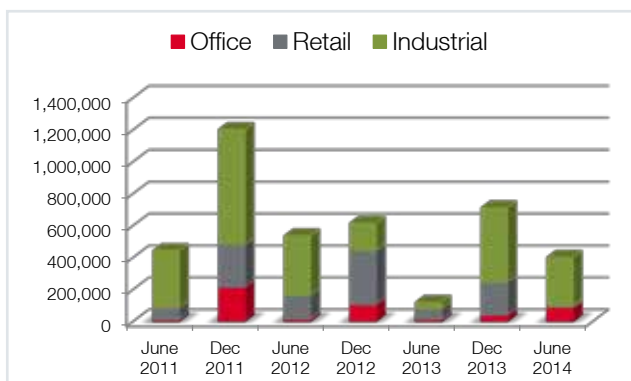


# NAI FMA Realty Market Report First Half 2014

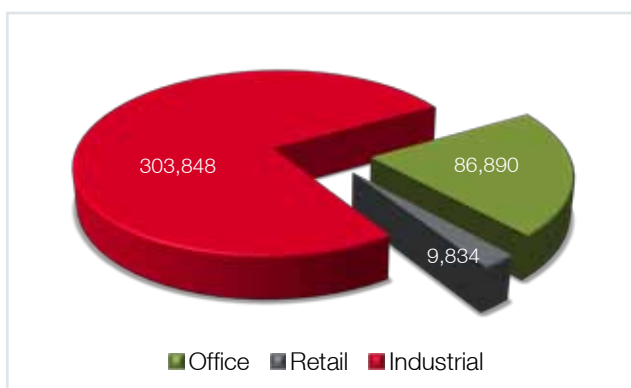
Overall Market  
Historical Vacancy Rates



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



Total Absorption by Building Type



## OVERALL MARKET OVERVIEW

In the first half of 2014, the Lincoln commercial real estate market remains healthy from a combination of a strong economy and stable market conditions. The office, retail and industrial markets all posted positive net absorption in the first half, fueled largely by the rapidly expanding technology industry, manufacturing, and the restaurant/hospitality services.

The Lincoln retail and industrial markets are approaching vacancy rate lows not seen since 2009. Net absorption continues to outpace new product in these segments. Lincoln continues to add jobs and companies are choosing to upgrade or renovate their space to attract new employees. As vacancies are filled, the constraints of existing space and the difficulty to retrofit some older buildings, is resulting in more new construction and build-to-suit activity. However, given the high costs of construction and only moderate increases in rental rates, Lincoln has yet to reach the tipping point for speculative or new construction to take off in a meaningful way.

## CONSTRUCTION ACTIVITY

The first half 2014 total value of the applications for commercial building permits (excluding multi-family and schools) exceeded \$94 million. Out of this total value, nearly \$54 million went towards new construction while the remainder was alterations or expansions to existing buildings.

Construction activity in the office market remains low due to more efficient tenant space usage, challenging rents and high construction costs. Lincoln's economic expansion, on the other hand, is driving some new supply in the CBD that will hit the market in early 2015. Two downtown office buildings under construction have received commitments for a portion of the projects. Olsson Associates, who is relocating their headquarters to one of the properties, applied for a \$2.4 million permit for tenant finish. 1220 Lincoln Mall is undergoing an extensive interior renovation valued at \$4.6 million to market the space to prospective tenants. The largest permit pulled in the first half was a \$21.6 million permit for a four-story building on the Nebraska Innovation campus owned by the University of Nebraska-Lincoln. Three other permits were pulled for new construction which includes a \$1.8 million office building near 70th & Pioneers, a \$630,000 shell building in the Yankee Hill Business Center, and a \$400,000 office building in southwest Lincoln.

During the first half, several new retail construction projects and significant alterations were under construction in Lincoln. The Wilderness Hills development is gaining ground as two permits were pulled for a total of \$3.3 million. Aldi, a discount grocery store,

enters the market as construction of its first site is underway, plus a 27,000-square-foot in-line retail building valued at \$1.6 million will connect Kohl's with the HomeGoods and Marshall's box stores. The Fallbrook Town Center, a mixed-use development, is undertaking a \$500,000 tenant build-out for a new 4,500-square-foot restaurant/winery. In addition, The Shoppes at Piedmont is making significant investments in site and facade improvements in order to attract new tenants.

Two major development announcements will transform youth sports in Lincoln. The Speedway Sporting Village project, a planned \$29.8 million sports complex in southwest Lincoln, includes ten outdoor soccer fields and three other facilities totaling about 130,000-square-feet on 55.5-acres. In addition, plans were submitted by developers for the Great American Sports Park, a 65-acre complex near downtown, that includes 10-field softball complex and adjacent land for new retail services.

The Lincoln industrial market saw a number of build-to-suit industrial/flex facilities come to market or be under construction in the first half. Build-to-suit deliveries included the completion of IAC Acoustics 250,000 SF manufacturing facility along with a pair of roughly 40,000-square-foot hangars for Duncan Aviation, both in the north-west submarket. Several other buildings throughout the city have applied for permits to expand their footprints. These expansions have a total value of approximately \$1.9 million.

## BUILDING PERMITS BY BUILDING TYPE

### OFFICE

	# of Permits	Value
New Construction	4	\$24,471,114
Alteration to existing	105	\$31,812,421
<b>TOTAL</b>	<b>109</b>	<b>\$56,283,535</b>

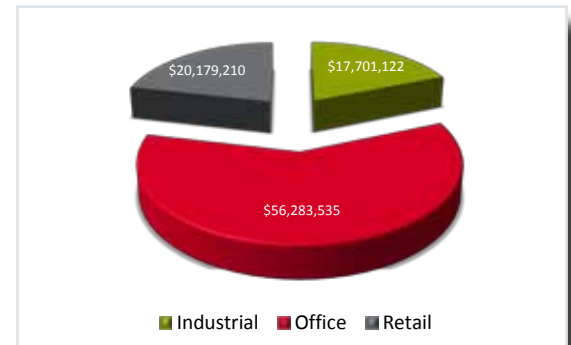
### RETAIL

	# of Permits	Value
New Construction	9	\$14,614,078
Alteration to existing	67	\$ 5,565,132
<b>TOTAL</b>	<b>76</b>	<b>\$20,179,210</b>

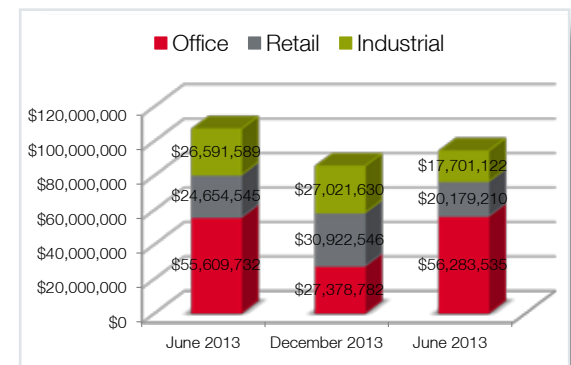
### INDUSTRIAL

	# of Permits	Value
New Construction	11	\$15,262,900
Alteration to existing	14	\$ 2,438,222
<b>TOTAL</b>	<b>25</b>	<b>\$17,701,122</b>

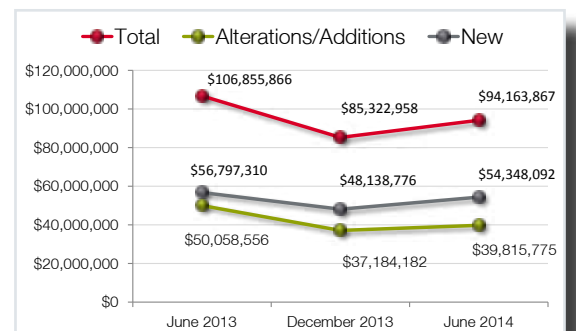
## Building Permit Values (Six Months Ending June 30, 2014)



## Historical Building Permit Value by Building Type (Six Months Ending June 30, 2014)



## Historical Building Permit Value by Permit Type (Six Months Ending June 30, 2014)



# Market Report First Half 2014 Office

## TRENDS

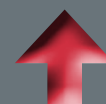
Vacancy  
Rates



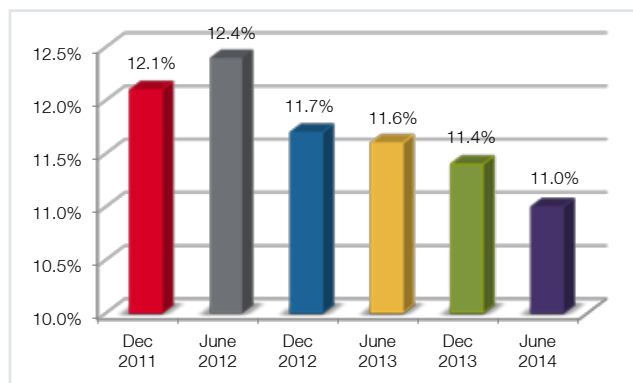
Asking  
Rates



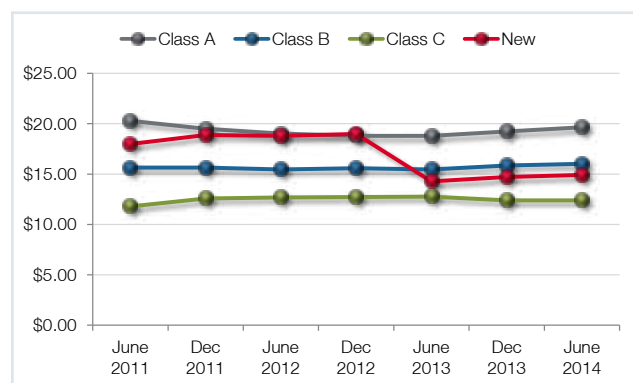
Net  
Absorption



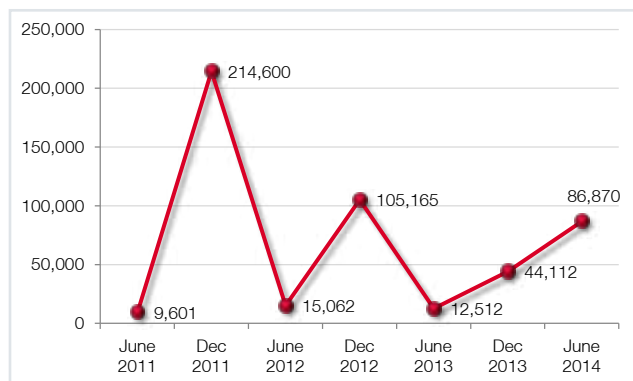
### Office Historical Vacancy Rates



### Historical Asking Rental Rates by Office Building Class



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



### OFFICE OVERVIEW

Positive signs of growth were evident during 2013 and the first half of 2014, resulting in more momentum for the Lincoln office market. Current data shows employment is trending upward – signaling that businesses are in growth mode and increasingly more confident about the economy. The local unemployment rate fell to 2.9 percent as of April 2014, down from 3.4 percent reported in April 2013.<sup>1</sup> A recent survey of 77 business executives, conducted by the Lincoln Partnership for Economic Development, shows business confidence on the rise in Lincoln with nearly 60 percent of surveyed firms expecting steady or increased growth in the near future.

Lincoln's overall office vacancy rate was 11.0 percent, the lowest level seen since the end of 2009. Absorption for the first half of 2014 was a net positive of 86,870 square feet, with Class B office buildings accounting for nearly all of the positive absorption in the office market. The CBD submarket outperformed the suburban submarkets with 60,017 square feet of positive net absorption, posting an 11.6 percent vacancy rate. The average suburban vacancy rate is 10.8 percent, telling how far the office market is still from a full recovery. Large and mid-sized block availability, especially Class A space, remains tight. And most deals in the market are lateral transactions where companies trade one building for another. Asking rents overall rose from \$16.04 to \$16.27 per square foot gross.

As the recovery takes hold in the office market, tenants are still focused on achieving more efficient office space to reduce costs, while retaining or even adding employees back to their roster. This changing trend holds major implications for building owners and managers. Squeezing more people into existing spaces puts structural stress on office building systems, such as parking, elevators, restrooms and utilities which were not designed for this new density that companies are seeking. On the other hand, some office users are reaching their capacity and are looking for expansion space.

Healthcare is a leading industry in Lincoln and has served as an economic catalyst over the past decade. New construction and expansions continue to occur in the market. Antelope Creek Family Physicians and Saint Elizabeth Sports & Physical Therapy relocated two blocks south of its former location at 40th & Normal Blvd. into a 16,000-square-foot, build-to-suit office building. A 12,400-square-foot expansion is underway for Lincoln Orthopedic. The project is expected to be complete by the end of year.

Growth in Lincoln's job market and an improving local economy will help drive demand in the local office market. While occupancy levels in the suburban submarkets should continue to improve creating landlord-favorable conditions for them into 2015, over 160,000-square-feet of new office space is set to come online in the CBD by spring 2015. Commitments have been inked for a portion of this new space, but historically it has taken two-to-three years to absorb this amount of office space.

<sup>1</sup> Source: Nebraska Department of Labor

OFFICE MARKET DATA							
SUBMARKET	CLASS	NUMBER OF BUILDINGS	TOTAL RENTABLE SF	TOTAL AVAILABLE SF	% VACANT	NET ABSORPTION	AVERAGE ASKING RATE (\$/SF/YR)
CBD	CLASS A	5	639,516	47,033	7.4%	15,918	\$15.72
	CLASS B	95	2,679,137	363,110	13.6%	39,650	\$16.19
	CLASS C	22	248,218	12,723	5.1%	4,449	\$12.74
	NEW	1	63,609	-0-	0.0%	-0-	N/A
	<b>SUBTOTAL</b>	<b>123</b>	<b>3,630,480</b>	<b>422,866</b>	<b>11.6%</b>	<b>60,017</b>	<b>\$16.02</b>
NORTHEAST	CLASS A	6	160,158	15,997	10.0%	-0-	\$18.03
	CLASS B	91	1,053,486	167,333	15.9%	(12,513)	\$15.03
	CLASS C	43	370,183	15,176	4.1%	9,716	\$12.90
	NEW	3	19,319	14,000	72.5%	2,304	\$12.00
	<b>SUBTOTAL</b>	<b>143</b>	<b>1,603,146</b>	<b>212,506</b>	<b>13.3%</b>	<b>(493)</b>	<b>\$14.84</b>
NORTHWEST	CLASS A	9	745,691	17,113	2.3%	2,545	\$20.90
	CLASS B	46	754,819	85,610	11.3%	29,372	\$13.48
	CLASS C	13	146,411	6,942	4.7%	-0-	\$12.50
	NEW	1	6,310	4,810	0.0%	1,500	\$17.00
	<b>SUBTOTAL</b>	<b>69</b>	<b>1,653,231</b>	<b>114,475</b>	<b>6.9%</b>	<b>33,417</b>	<b>\$14.67</b>
SOUTHEAST	CLASS A	10	519,438	54,435	10.5%	2,952	\$22.61
	CLASS B	386	3,807,890	386,326	10.1%	(39,034)	\$16.57
	CLASS C	15	93,314	5,598	6.0%	3,146	\$10.75
	NEW	5	43,952	5,079	11.6%	18,812	\$21.00
	<b>SUBTOTAL</b>	<b>416</b>	<b>4,464,594</b>	<b>451,438</b>	<b>10.1%</b>	<b>(14,124)</b>	<b>\$17.34</b>
SOUTHWEST	CLASS A	3	283,288	31,725	11.2%	(10,404)	\$20.50
	CLASS B	107	1,170,876	171,761	14.7%	20,242	\$16.72
	CLASS C	22	110,109	19,541	17.7%	1,900	\$12.21
	NEW	N/A	N/A	N/A	N/A	(3,685)	N/A
	<b>SUBTOTAL</b>	<b>132</b>	<b>1,564,273</b>	<b>223,027</b>	<b>14.3%</b>	<b>8,053</b>	<b>\$16.75</b>
<b>OFFICE TOTALS</b>		<b>883</b>	<b>12,915,724</b>	<b>1,424,312</b>	<b>11.0%</b>	<b>86,870</b>	<b>\$16.27</b>

RECENT OFFICE SALES							
Address	Size (SF)	Seller	Buyer	Price	Price/SF	Submarket	
1600 Windhoek Dr.*	44,278	Ameritas Life Insurance Co.	Teton Investment LLC	\$3,300,000	\$74.53	Southwest	
8001 S. 13th Street	16,958	Gary & Deborah Pickering	Alpha Dog Properties LLC	\$1,835,000	\$108.21	Southwest	
4910 Normal Blvd.	4,264	Scasba LLC	Hacor Inc.	\$430,000	\$100.84	Southeast	

RECENT OFFICE LEASE TRANSACTIONS					
Address	Tenant	Size (SF)	Deal Type	Submarket	
1230 & 1248 'O' Street*	Nelnet, Inc.	31,364	Expansion	CBD	
1201/1221 'N' Street*	Magellan of Nebraska	15,236	Expansion	CBD	
2900 S. 70th Street*	Midwest Holding, Inc.	10,131	New	Southeast	
2510 S. 40th Street*	Antelope Creek Family Physicians & St. Elizabeth Sports & Physical Therapy	15,766	Relocation	Southeast	

\*Indicates Transaction Represented by NAI FMA Realty

# Market Report

## First Half 2014

### Retail

## TRENDS

Vacancy  
Rates



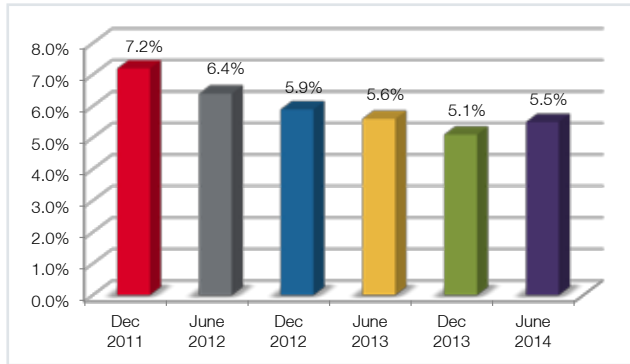
Asking  
Rates



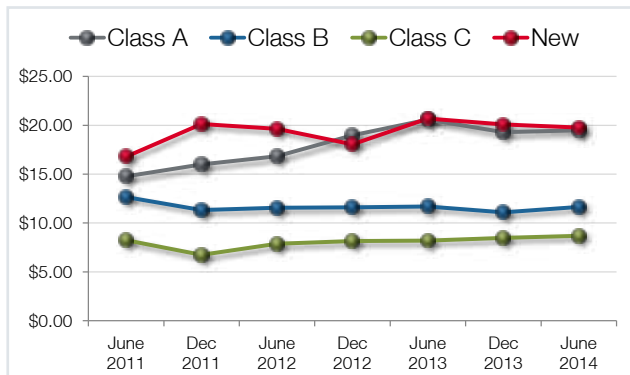
Net  
Absorption



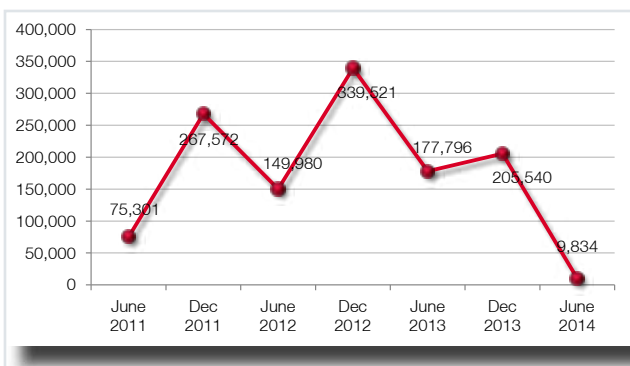
### Retail Historical Vacancy Rates



### Historical Asking Rental Rates by Retail Building Class



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



### RETAIL OVERVIEW

Lincoln's retail market had overall positive net absorption of 9,834-square-feet in the first half of 2014, and marked the end of six-digit absorption numbers that characterized this segment since the second half of 2011. The overall vacancy rate increased slightly to 5.5 percent. While overall asking rental rates inched higher, to \$11.69 per square foot triple net (NNN), landlords were still aggressive in offering tenant improvement allowances for creditworthy tenants.

The southeast submarket reported the area's highest net absorption during the half, with 114,790-square-feet absorbed, primarily driven by the opening of Marshalls and HomeGoods at 27th & Yankee Hill Rd. The leasing of the last 30,000-square-feet at The Edge also contributed, bringing the former big-box store back to 100 percent leased. Meanwhile, the northeast submarket proved more sluggish, as it saw its vacancy rate increase by 1.1 percent to 5.9 percent, due to tepid retail demand along with Best Buy relocating.

Competition from e-commerce has taken its toll on brick and mortar-heavy retailers. Bankrupt Coldwater Creek has begun closing its stores, including its only store in Lincoln. Radio Shack, Staples and the merger of Office Depot and OfficeMax, announced plans to close multiple stores nationally.

Fast-casual and full-service restaurants were strong tenant categories during the first half. Momo's Pizzeria and Flatwater Bistro opened while Raising Cane's opened its third restaurant. Breweries are also fueling development. Ploughshare Brewing Co. recently opened in the CBD and Schillingbridge Cork & Tap House will open this fall in the Fallbrook Development. The first part of the year brought a number of announcements for new concepts coming to the area. Tom and Chee, Pretzelmaker, Pie Five Pizzas, Slim Chicken's, Marco's Pizza, and Uncle Maddio's all plan restaurants in the near future. The long-awaited first location for Dunkin' Donuts is nearing completion in southwest Lincoln. Stiff competition in the new West Haymarket resulted in the area's first restaurant closing in less than a year of its opening.

The grocery wars for the value shoppers are heating up like never before in the market. A 61,000-square-foot Super Saver store opened in Fallbrook. Competition will increase further as newcomers Aldi and Schmick's Market enter the area. German-based Aldi announced a second site as construction continues on its first store. Schmick's entered the market in an existing 23,500-square-foot store vacated by Save Mart.

The balance of 2014 should see positive momentum in the retail side as Lincoln's economy remains strong. With limited construction, vacancy rates should remain steady or fall slightly moving into 2015, and a slight uptick in rental rates might occur as the supply of quality space continues to diminish.



RETAIL MARKET DATA							
SUBMARKET	CLASS	NUMBER OF BUILDINGS	TOTAL RENTABLE SF	TOTAL AVAILABLE SF	% VACANT	NET ABSORPTION	AVERAGE ASKING RATE (\$/SF/YR)
CBD	CLASS A	5	97,674	7,262	7.4%	(1,800)	\$23.76
	CLASS B	125	1,042,958	93,550	9.0%	(19,308)	\$13.30
	CLASS C	63	358,142	55,548	15.5%	12,960	\$8.92
	NEW	4	92,244	4,607	5.0%	30,065	\$16.03
	<b>SUBTOTAL</b>	<b>197</b>	<b>1,591,018</b>	<b>160,967</b>	<b>10.1%</b>	<b>21,917</b>	<b>\$11.49</b>
NORTHEAST	CLASS A	3	43,789	1,917	4.4%	-0-	\$14.50
	CLASS B	400	6,431,765	400,646	6.2%	(52,005)	\$10.53
	CLASS C	138	631,687	14,290	2.3%	(3,230)	\$6.26
	NEW	9	33,011	4,297	13.0%	(7,240)	\$20.00
	<b>SUBTOTAL</b>	<b>550</b>	<b>7,140,252</b>	<b>421,150</b>	<b>5.9%</b>	<b>(62,475)</b>	<b>\$10.50</b>
NORTHWEST	CLASS A	6	236,956	-0-	N/A	-0-	N/A
	CLASS B	189	1,812,530	147,877	8.2%	36,819	\$9.93
	CLASS C	100	568,261	4,912	0.9%	3,488	\$9.99
	NEW	1	2,116	2,116	100.0%	(68,290)	\$12.00
	<b>SUBTOTAL</b>	<b>296</b>	<b>2,619,863</b>	<b>154,905</b>	<b>5.9%</b>	<b>(27,983)</b>	<b>\$9.96</b>
SOUTHEAST	CLASS A	12	689,939	25,424	3.7%	3,254	\$20.05
	CLASS B	314	5,018,114	151,379	3.0%	85,614	\$14.61
	CLASS C	69	371,896	30,395	8.2%	(1,780)	\$10.97
	NEW	7	129,034	23,575	18.3%	27,702	\$21.13
	<b>SUBTOTAL</b>	<b>402</b>	<b>6,208,983</b>	<b>230,773</b>	<b>3.7%</b>	<b>114,790</b>	<b>\$15.40</b>
SOUTHWEST	CLASS A	8	362,739	11,146	3.1%	(9,726)	\$16.26
	CLASS B	166	1,210,396	63,287	5.2%	(8,216)	\$13.19
	CLASS C	123	838,752	50,793	6.1%	(9,548)	\$7.67
	NEW	-0-	N/A	N/A	N/A	(8,925)	N/A
	<b>SUBTOTAL</b>	<b>297</b>	<b>2,411,887</b>	<b>125,226</b>	<b>5.2%</b>	<b>(36,415)</b>	<b>\$11.22</b>
<b>RETAIL TOTALS</b>		<b>1,742</b>	<b>19,972,003</b>	<b>1,093,021</b>	<b>5.5%</b>	<b>9,834</b>	<b>\$11.69</b>

Recent Retail Sales							
Address	Size (SF)	Seller	Buyer	Price	Price/SF	Submarket	
2520 Old Cheney Road (Pad Site)	64,107	Assurity Life Insurance Corp	Galaxy Ventures II LLC	\$625,000	\$9.75	Southwest	
3830 N. 27th Street	9,000	Jeffrey & Denise Frederick	CODELCO	\$520,000	\$57.78	Northeast	
2142 N. Cotner	1,828	David Walker	Tyler Irons	\$165,000	\$90.26	Northeast	

Recent Retail Lease Transactions					
Address	Tenant	Size (SF)	Deal Type	Submarket	
5601 S. 59th Street*	Nebraska Title Company	22,000	Relocation	Southeast	
1630 P Street*	Ploughshare Brewing	10,460	New	CBD	
2933 Crescent Drive	Marshalls & HomeGoods	46,080	New	Southeast	
5601 S. 59th Street*	Paul Mitchell the School	7,800	New	Southeast	

\*Indicates Transaction Represented by NAI FMA Realty

# Market Report First Half 2014 Industrial

## TRENDS

Vacancy  
Rates



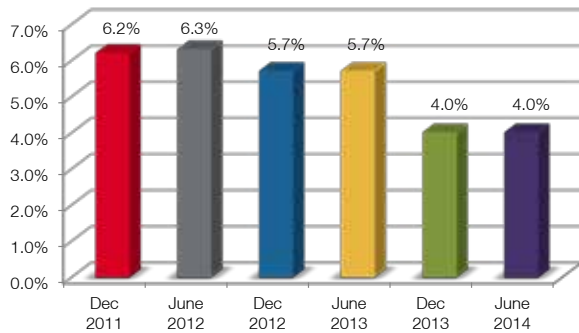
Asking  
Rates



Net  
Absorption



### Industrial Historical Vacancy Rates

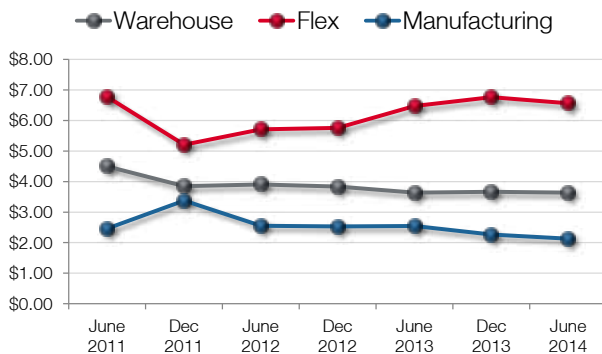


### INDUSTRIAL OVERVIEW

For the first half of 2014, the Lincoln industrial market continued to reflect the growing strength of the local and broader economies, as manufacturing employment grew and new products/services were introduced above prerecession levels.

The average asking rental rate at the end of the first half was \$3.25 per square foot annually. Meanwhile, the vacancy rate stood unchanged at 4.0 percent from the end of 2013. The increased activity over the past few years has left fewer options for tenants in the market and increased leverage for landlords in negotiations. Concessions are down and tenants are now more than likely to see their final lease rates near the advertised rates. Tenants will find that landlords are still willing to strike a deal to retain or secure their business.

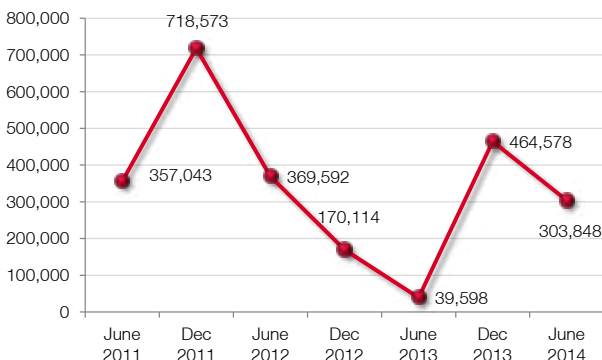
### Historical Rental Rates by Industrial Building Class



Sales volume has steadily increased in Lincoln, fueled mainly by occupiers who are active in taking advantage of opportunities while prices remain at a fraction of the cost of new construction. 5220 S. 19th Street traded to Heartland Gourmet LLC in an owner-user sale. The 54,000-square-foot warehouse, which doubles the size of their current leased facility, was purchased for \$1.9 million or \$35.19 per square foot. Another notable sale was Cash-Wa, a foodservice distributor, sold its nearly 70,000-square-foot warehouse for \$1.455 million or \$20.79 per square foot to a local developer. Its local operations were consolidated into two other facilities located in Kearney, NE and Aberdeen, SD.

Increase in demand for goods and services over the past year have recharged a number of the area's businesses. As one example, Cleaver-Brooks broke ground in March 2014 on a 41,000-square-foot expansion, for a total of 186,000-square-feet when delivered in late 2014. The plant expansion is driven by increased demand for industrial watertube boilers in facilities serving oil sand production in Canada.

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



Currently the largest build-to-suit construction projects for the Lincoln market can be found in the Air Park Industrial Park. Five projects are in various stages of completion for tenants of the park and worth more than \$78 million - an \$11 million manufacturing plant for Hexagon Lincoln, a \$5.7 million project for Sadoff Iron & Metal, an \$11 million new crime lab for the Nebraska State Patrol and \$36 million expansion for Duncan Aviation. In the biggest move-ins during the first half of 2014, IAC Acoustics consolidated its operations and took occupancy of a 250,000-square-foot manufacturing facility in the northwest submarket. The Lincoln Airport Authority issued bonds to raise the \$15 million to construct the plant.

Time is right for speculative construction as demand is strong and vacancy rates look to continue their downward trend.

INDUSTRIAL MARKET DATA							
SUBMARKET	CLASS	NUMBER OF BUILDINGS	TOTAL RENTABLE SF	TOTAL AVAILABLE SF	% VACANT	NET ABSORPTION	AVERAGE ASKING RATE (\$/SF/YR)
CBD	Warehouse	12	175,339	-0-	0.0%	(48,121)	N/A
	Flex	4	27,878	-0-	0.0%	-0-	N/A
	Manufacturing	7	325,334	-0-	0.0%	-0-	N/A
	<b>SUBTOTAL</b>	<b>23</b>	<b>528,551</b>	<b>-0-</b>	<b>0.0%</b>	<b>(48,121)</b>	<b>N/A</b>
NORTHEAST	Warehouse	276	4,301,945	108,464	2.5%	(14,924)	\$3.40
	Flex	65	914,673	7,800	0.9%	24,478	\$4.34
	Manufacturing	49	3,365,886	44,306	1.3%	7,773	\$2.76
	<b>SUBTOTAL</b>	<b>390</b>	<b>8,582,504</b>	<b>160,570</b>	<b>1.9%</b>	<b>17,327</b>	<b>\$3.15</b>
NORTHWEST	Warehouse	214	4,752,522	265,772	5.6%	277,932	\$3.50
	Flex	27	361,201	32,017	8.9%	7,485	\$6.86
	Manufacturing	31	5,299,257	338,901	6.4%	-0-	\$1.95
	<b>SUBTOTAL</b>	<b>272</b>	<b>10,412,980</b>	<b>636,690</b>	<b>6.1%</b>	<b>285,417</b>	<b>\$2.84</b>
SOUTHEAST	Warehouse	19	122,877	-0-	0.0%	3,200	N/A
	Flex	23	185,135	16,736	9.0%	(12,536)	\$9.45
	Manufacturing	1	8,829	-0-	0.0%	-0-	N/A
	<b>SUBTOTAL</b>	<b>43</b>	<b>316,841</b>	<b>16,736</b>	<b>5.3%</b>	<b>(9,336)</b>	<b>\$9.45</b>
SOUTHWEST	Warehouse	275	4,728,122	121,894	2.6%	29,233	\$4.16
	Flex	84	644,028	52,797	8.2%	9,353	\$5.79
	Manufacturing	23	1,531,897	93,997	6.1%	19,975	\$2.50
	<b>SUBTOTAL</b>	<b>382</b>	<b>6,904,047</b>	<b>268,688</b>	<b>3.9%</b>	<b>58,561</b>	<b>\$3.90</b>
<b>INDUSTRIAL TOTALS</b>		<b>1,110</b>	<b>26,744,923</b>	<b>1,082,684</b>	<b>4.0%</b>	<b>303,848</b>	<b>\$3.25</b>

Recent Industrial Sales							
Address	Size (SF)	Seller	Buyer	Price	Price/SF	Submarket	
4400 N. 48th Street*	30,000	Richard & Arlene Evans	LS Waters LLC	\$1,230,000	\$41.00	Northeast	
3340 N. 33rd Street	22,760	3340 North 33rd Street LLC	Kinney Holdings LLC	\$830,000	\$36.47	Northeast	
2331 Fairfield Street*	8,832	Capitol Development Company	3732 Holdings LLC	\$439,950	\$49.81	Northwest	
5220 S. 19th Street*	54,000	Security Financial Life Insurance & South Industrial Park LLC	Heartland Gourmet LLC	\$1,900,000	\$35.19	Southwest	
2500 State Fair Park	69,993	Schnieber Property LTD Partnership	B & J Partnership Ltd.	\$1,455,000	\$20.79	Northeast	

Recent Industrial Lease Transactions				
Address	Tenant	Size (SF)	Deal Type	Submarket
3900 NW 12th Street*	Nebraska Link	6,889	New	Northwest
4400 N. 48th Street*	TMS Supply	6,000	New	Northeast

\*Indicates Transaction Represented by NAI FMA Realty

