

# First Half 2019 Market Report

Plaza on the Green - 8800 Firethorn Lane



Individual Members of:



## Direct Vacancy



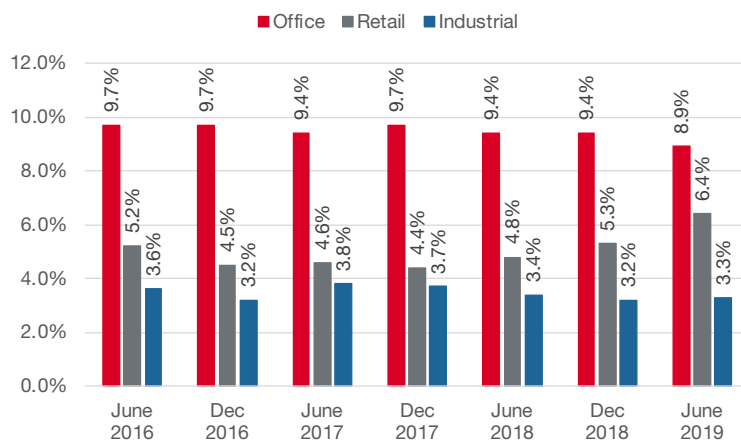
## Absorption



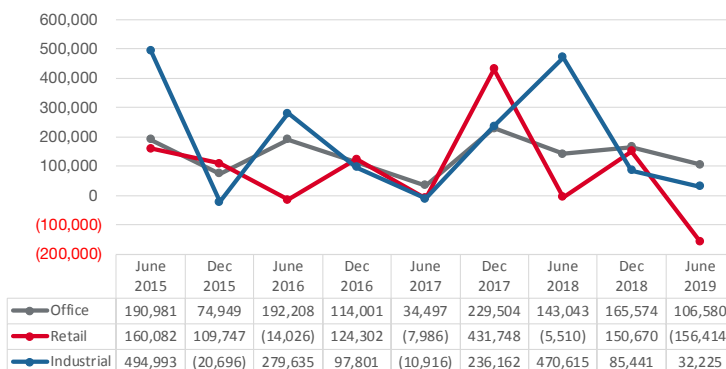
## Asking Rent



### Overall Market Historical Vacancy



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



### LINCOLN (MSA) RANKINGS IN THE NEWS

**#2** 2018 Most Affordable College Town (Move.org)

**#9** 2019 Top 100 Best Places to Live (Livability)

**#4** Top Metro Areas for Economic Development (Site Selection Magazine)

**#13** Best City for Outdoor Space (Potsplanterandmore.com)

Source: selectlincoln.org

### HIGHLIGHTS

The Lincoln commercial real estate market experienced a solid first half of 2019.

The office market continued its expansion with sustained occupancy gains and an increase in asking rents. Tenants and owner-occupants still demand more modern spaces and nearby amenities.

Consumer buying habits are transforming the retail environment. Retailer bankruptcies and store closures are high. The bright spots are discounters, off-price apparel and food and beverage have grown and Lincoln's big box vacancies are backfilling quickly.

Industrial space remained stable as the market benefits from e-commerce growth, along with increased prices and low supply. Lincoln needs more industrial warehouse product to meet the demand for smaller users (10,000-square-feet and under).

Real estate investor interest for self-storage and apartments is strong.

## Office New Construction Permits



## Retail New Construction Permits



## Industrial New Construction Permits

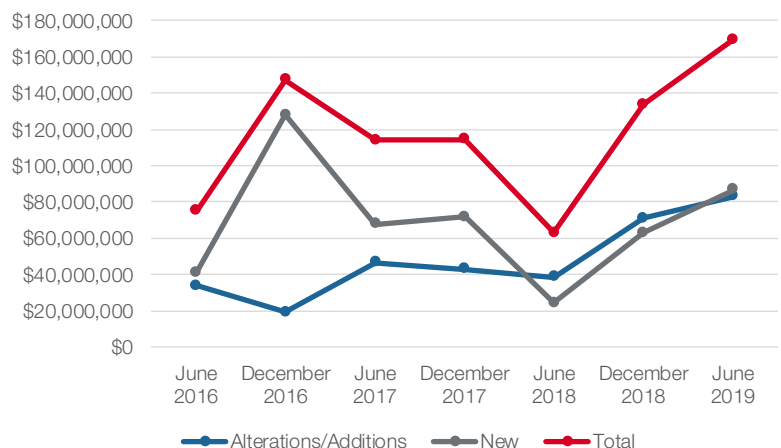


## CONSTRUCTION ACTIVITY

Construction projects remain at a healthy level for the City of Lincoln.

- 7-Day Furniture & Mattress Store purchased land along 22nd & Fletcher Ave. with plans to build a warehouse and retail space.
- A new \$1.3 million restaurant in the Williamsburg area is under construction for Buffalo Wings & Rings
- Petco now offers veterinarian services across the US. A permit for \$480,000 was pulled to add a Vetco clinic within the O Street store.
- Target continues its remodeling plans with a \$4.5 million remodel to the S. 40th Street Super Target store
- \$1.1 million facility broke ground for Brakes Plus on a pad site adjacent to Costco in Southwest sub-market
- Construction will start soon on a \$9 million facility for youth basketball and volleyball on West O Street
- NEBCO will break ground on two projects in Fallbrook. A new \$18 million, 80,000-square-foot mixed-use spec building in the Town Center along with the 35,000-square-foot office building to house the Nebraska Department of Environmental Quality.
- Great Plains Beef is relocating its full operations to land it purchased near 84th & Havelock in 2014. Plans include new administration offices and a 50,000-square-foot warehouse. Both projects combined total over \$20 million.
- General Dynamics and Tactical Systems began construction of a 50,000-square-foot expansion to its facility with completion slated for end of 2019.
- GSK Consumer Healthcare plans a \$3.5 million alteration to its facility in Northeast Lincoln

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



## BUILDING PERMITS BY BUILDING TYPE

### OFFICE

	# of Permits	Value
New Construction	9	\$43,080,000
Alteration to existing	110	\$53,968,851
<b>TOTAL</b>	<b>119</b>	<b>\$97,048,851</b>

### RETAIL

	# of Permits	Value
New Construction	12	\$22,696,165
Alteration to existing	79	\$16,281,101
<b>TOTAL</b>	<b>91</b>	<b>\$38,977,266</b>

### INDUSTRIAL

	# of Permits	Value
New Construction	20	\$20,926,050
Alteration to existing	21	\$12,628,519
<b>TOTAL</b>	<b>41</b>	<b>\$33,554,569</b>

## Direct Vacancy



## Absorption



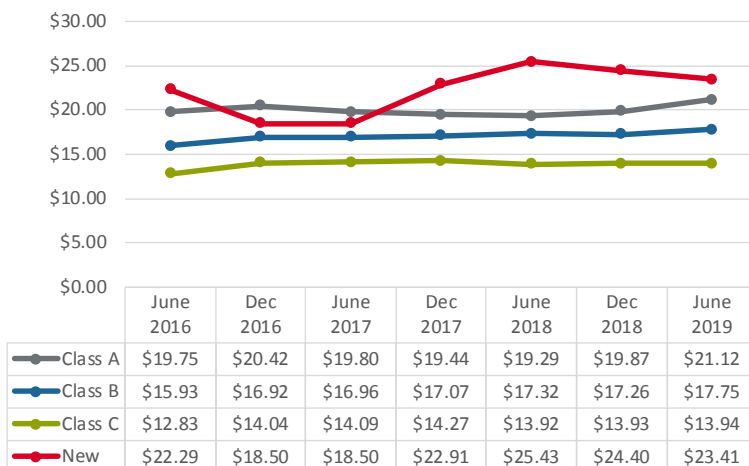
## Asking Rent



## HIGHLIGHTS

- Fueled by moderate activity during the first half of the year, Lincoln's office vacancy rates dropped below 9.0% for the first time in ten years. The market has not recorded figures this low since the vacancy rate was 8.1% in the fourth quarter of 2008.
- The Southeast submarket was the only submarket to experience a slight uptick in vacancy from 6.8% to 7.9%, most of which was in Class B office product.
- While average asking rental rates continued to climb across most of the classes and submarkets in the first half of 2019, much of the rise was the result of new construction.
- FEMA inked a short-term lease for 80,000-square-feet at 4600 Innovation Drive.
- The 145,000-square foot building at 850 S Street, housing U.S. Citizenship & Immigration Services, was purchased by a company called Lincoln NE I FGF LLC for \$30.5 million, representing one of the largest single-building transactions in recent history.
- An additional noteworthy transaction included Sampson Construction's purchase of the 53,195-square-foot building at 5825 S. 14th Street for \$6.71 million.
- A few larger spaces are expected to come to market during the second half of the year that could temper or reverse recent gains in occupancy.
- Downtown Lincoln has more opportunities for larger land assemblies, making it more favorable for redevelopment projects but parking will drive any project.

## Historical Asking Rates



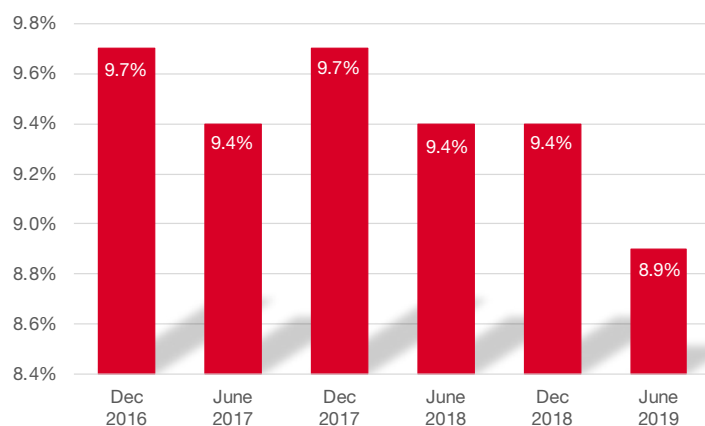
## Historical Net Absorption



## 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	13	1,236,522	87,318	7.1%	10,838	\$19.10
Class B	95	2,427,889	338,628	13.9%	(7,245)	\$16.82
Class C	22	259,578	71,551	27.6%	-	\$13.55
New	1	11,984	10,414	86.9%	1,570	\$20.71
CBD Subtotal	131	3,935,973	507,911	12.9%	5,163	\$16.88
<b>Northeast</b>						
Class A	8	234,704	15,613	6.7%	5,733	\$19.59
Class B	96	1,152,053	58,808	5.1%	9,899	\$16.64
Class C	43	370,183	11,925	3.2%	4,741	\$14.35
New	-	-	-	N/A	-	N/A
Northeast Subtotal	147	1,756,940	86,346	4.9%	20,373	\$16.88
<b>Northwest</b>						
Class A	11	822,577	46,529	5.7%	89,532	\$19.06
Class B	51	893,711	112,776	12.6%	8,216	\$16.40
Class C	13	146,411	3,804	2.6%	(3,804)	\$12.00
New	1	74,805	34,600	46.3%	(1,287)	\$24.00
Northwest Subtotal	76	1,937,504	197,709	10.2%	92,657	\$18.17
<b>Southeast</b>						
Class A	13	656,858	87,271	13.3%	(10,208)	\$24.25
Class B	414	3,991,711	279,072	7.0%	(41,678)	\$19.07
Class C	17	89,745	5,490	6.1%	(86)	\$18.26
New	6	90,302	9,922	11.0%	24,738	\$24.19
Southeast Subtotal	450	4,828,616	381,755	7.9%	(27,234)	\$20.35
<b>Southwest</b>						
Class A	5	302,589	-	N/A	-	N/A
Class B	115	1,225,945	59,358	4.8%	2,856	\$20.63
Class C	23	119,645	18,587	15.5%	445	\$14.28
New	6	24,320	-	N/A	12,320	N/A
Southwest Subtotal	149	1,672,499	77,945	4.7%	15,621	\$19.07
Market Total	953	14,131,532	1,251,666	8.9%	106,580	\$18.29

## Notable Sales

Address	Size	Price	Price/SF	Submarket
5825 S. 14th Street*	53,195	\$6,716,190	\$126	SW
2100, 2110, 2200 Fletcher Avenue*	29,820	\$2,784,293	\$93	NE
8545 Executive Woods Drive, Unit 3*	1,828	\$370,000	\$202	SW
850 S Street	145,626	\$30,500,000	\$209	NW
1000 S. 13th Street	7,550	\$868,000	\$115	SW
4525 S. 86th Street, Suite B	4,514	\$760,000	\$168	SE

\*Indicates Transaction Represented by NAI FMA Realty

## Direct Vacancy



## Absorption



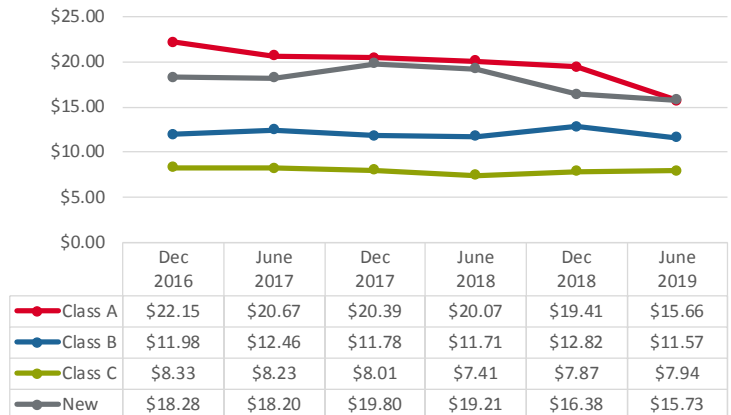
## Asking Rent



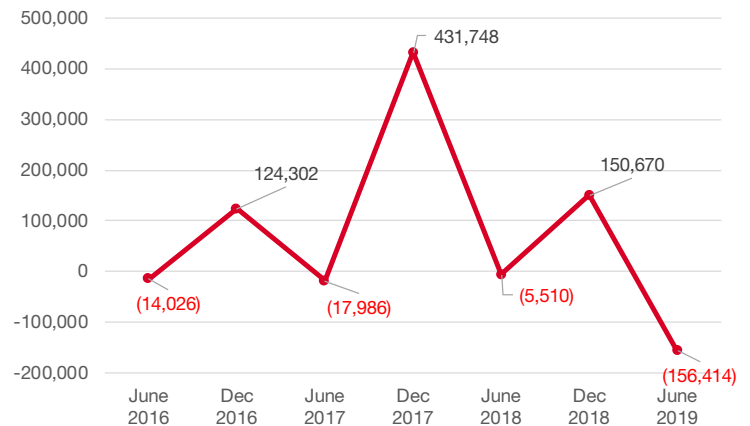
### HIGHLIGHTS

- Retail vacancy rate has been on the rise since the second half of 2017, as many landlords continue to struggle with store closings and sluggish demand for space. The overall vacancy rate for first half of 2019 rose to 6.4%, up from 5.3% at the end of 2018.
- Shopko closed all four Lincoln stores in the spring of 2019 with owners of three of the four announcing plans are in place to backfill the spaces quickly. Menards, who owns the N. 27th Street location, announced it will expand its lumber yard into the back half of the building and develop the front half into storage units.
- Sears closed its store in Gateway Mall, one of 80 that closed nationwide, but the space has not come on the market for lease or sale. Speculation is Sears could look to open a new Sears Home & Life, a smaller branded format store. Its first three new stores have opened in other shuttered locations to meet shoppers demands for Sears' best lines – appliances, mattresses and smart products.
- Omaha-based Rush Market opened a pop-up store in Gateway Mall in the former Younkers location. Rush Market sells overstocked and discontinued home goods and furniture.
- Downtown Lincoln landed two big retailers as Lululemon plans a downtown store in the former Post & Nickel space at 14th & P Street. And JPMorgan Chase, the nation's largest bank, will open its first full-service bank branch in Nebraska at the same location.

### Historical Asking Rates



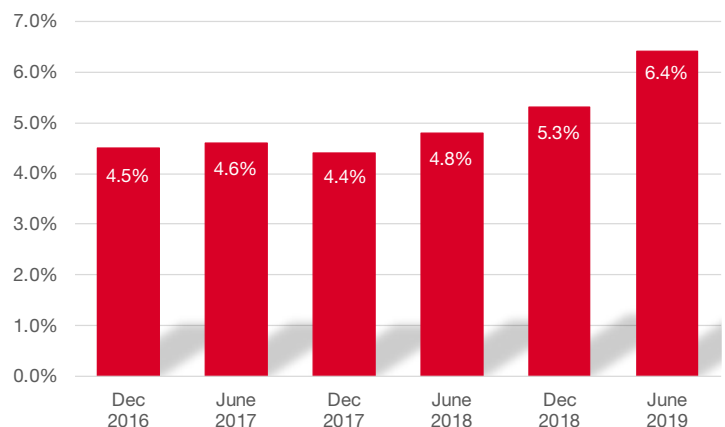
### Historical Net Absorption



### 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	12	261,897	77,204	29.5%	(15,393)	\$19.33
Class B	124	1,027,102	122,576	11.9%	14,299	\$13.52
Class C	63	361,448	38,282	10.6%	11,218	\$7.31
New	1	17,090	5,904	34.5%	-	\$15.00
CBD Subtotal	200	1,667,537	243,966	14.6%	10,124	\$14.55
<b>Northeast</b>						
Class A	3	43,789	-	N/A	-	N/A
Class B	418	6,634,790	334,195	5.0%	56,632	\$10.95
Class C	137	645,480	6,080	0.9%	(963)	\$8.74
New	4	47,934	26,301	54.9%	3,133	\$15.69
Northeast Subtotal	562	7,371,993	366,576	5.0%	58,802	\$11.25
<b>Northwest</b>						
Class A	7	268,168	8,111	3.0%	2,810	\$15.00
Class B	188	1,693,211	53,945	3.2%	(26,645)	\$10.15
Class C	99	574,070	17,384	3.0%	-	\$7.81
New	-	-	-	N/A	-	N/A
Northwest Subtotal	294	2,535,449	79,440	3.1%	(23,835)	\$10.14
<b>Southeast</b>						
Class A	14	886,795	35,074	4.0%	8,946	\$19.62
Class B	349	5,483,792	349,191	6.4%	(156,887)	\$11.61
Class C	64	316,957	21,984	6.9%	(9,000)	\$10.37
New	8	59,687	2,750	4.6%	43,497	\$20.00
Southeast Subtotal	435	6,747,231	408,999	6.1%	(113,444)	\$12.26
<b>Southwest</b>						
Class A	9	395,385	136,782	34.6%	(113,345)	\$13.16
Class B	171	1,579,324	40,418	2.6%	(12,492)	\$12.38
Class C	121	819,324	39,755	4.9%	11,687	\$7.06
New	5	55,312	29,223	52.8%	26,089	\$15.51
Southwest Subtotal	306	2,849,345	246,178	8.6%	(88,061)	\$12.41
Market Total	1,797	21,171,555	1,345,159	6.4%	(156,414)	\$12.29

### Notable Sales

Address	Size	Price	Price/SF	Submarket
1501 South Street*	2,748	\$300,000	\$109	SW
1622 & 1630 'O' Street*	11,128	\$330,000	\$30	NW
747 'O' Street, Unit 100*	5,160	\$975,000	\$189	CBD
3933 S. 14th Street*	6,160	\$725,000	\$118	SW
2840 S. 70th Street	66,920	\$6,100,000	\$91	SE

\*Indicates Transaction Represented by NAI FMA Realty

## Direct Vacancy



## Absorption



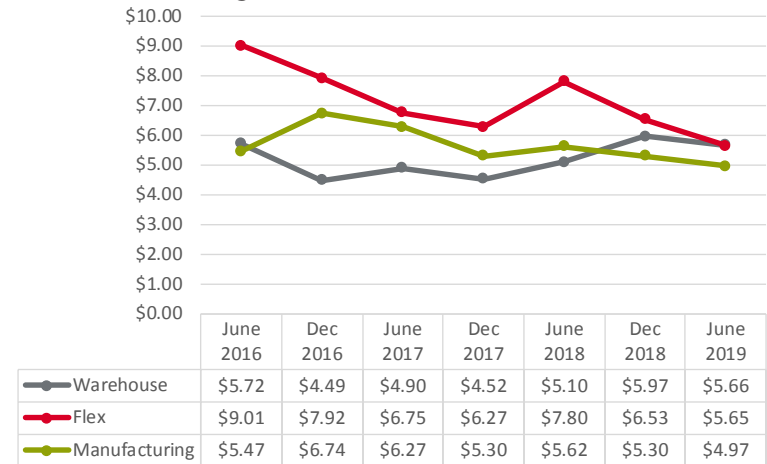
## Asking Rent



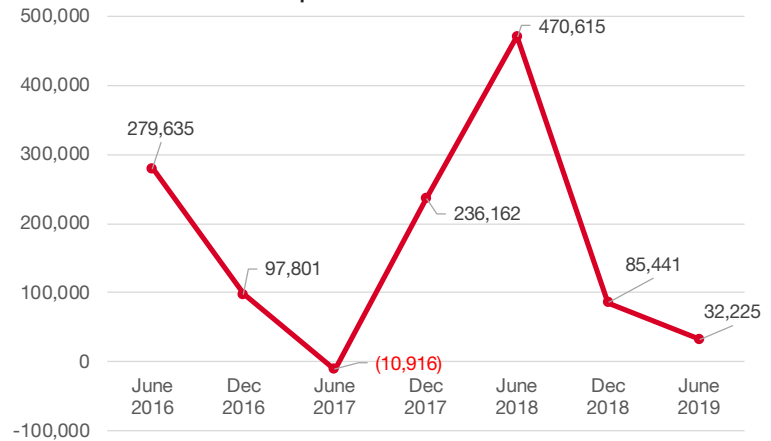
## HIGHLIGHTS

- Industrial demand flattened in the first half of 2019 while the vacancy rate remained historically low at 3.3%. Net absorption stayed positive for the fourth consecutive half, totaling 32,225-square-feet.
- Average asking rents dipped in the first half to \$5.20 per square foot, down \$.63 per square foot from the end of 2018.
- The CBD submarket experienced the largest decline in the vacancy rate – dropping from 32.1% to 23.3% - with the demolition of a vacant 50,000-square-foot warehouse. The property was purchased by the city for redevelopment projects including a new city park.
- The largest space to come available for lease during the first half was 100,000-square-feet at 3700 NW 12th Street in the Northwest submarket. With such low vacancy and no speculative construction, there are only a couple spaces to accommodate large users or additional demand in the market.
- A company called Agate LLC filed plans with the Lincoln-Lancaster County Planning Department for a data center development at 56th & Interstate 80. Plans included two buildings to be initially built on 590 Acres with a potential start date in 2020.
- Long-term growth is expected in warehousing for grocery items and retail items as more retailers embrace delivery services and growth of e-commerce.

## Historical Asking Rates



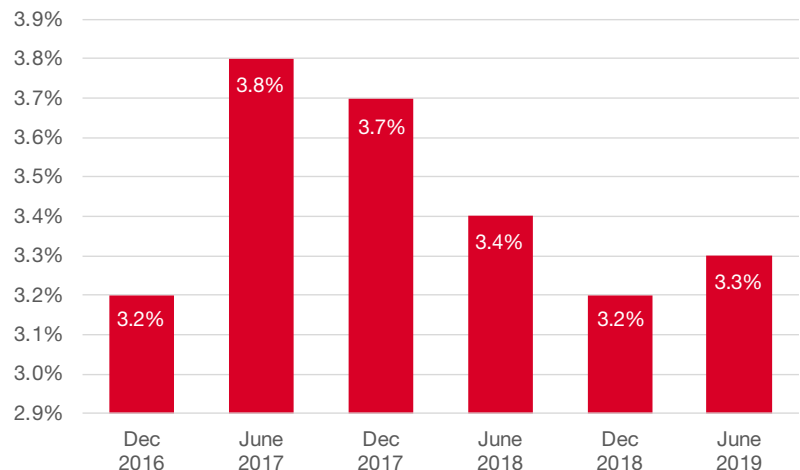
## Historical Net Absorption



## 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	10	114,179	-	N/A	17,770	N/A
Flex	3	23,038	-	N/A	-	N/A
Manufacturing	7	316,202	105,570	33.4%	-	\$8.00
CBD Subtotal	20	453,419	105,570	23.3%	17,770	\$8.00
<b>Northeast</b>						
Warehouse	298	4,783,805	152,313	3.2%	26,620	\$5.40
Flex	67	987,977	24,258	2.5%	11,350	\$6.43
Manufacturing	49	3,481,534	118,550	3.4%	-	\$3.76
Northeast Subtotal	414	9,253,316	295,121	3.2%	37,970	\$4.93
<b>Northwest</b>						
Warehouse	245	5,256,835	137,591	2.6%	4,323	\$4.88
Flex	33	514,198	37,517	7.3%	8,470	\$2.89
Manufacturing	33	5,476,719	185,271	3.4%	(100,000)	\$3.24
Northwest Subtotal	311	11,247,752	360,379	3.2%	(87,207)	\$3.84
<b>Southeast</b>						
Warehouse	20	121,538	17,344	14.3%	-	\$3.95
Flex	22	176,974	5,615	3.2%	(5,615)	\$8.00
Manufacturing	1	8,829	-	N/A	-	N/A
Southeast Subtotal	43	307,341	22,959	7.5%	(5,615)	\$4.94
<b>Southwest</b>						
Warehouse	329	5,224,866	124,243	2.4%	22,799	\$6.76
Flex	90	716,911	46,725	6.5%	20,176	\$7.58
Manufacturing	26	1,850,058	-	N/A	26,332	N/A
Southwest Subtotal	445	7,791,835	170,968	2.2%	69,307	\$6.98
Market Total	1,233	29,053,663	954,997	3.3%	32,225	\$5.20

## Notable Sales

Address	Size	Price	Price/SF	Submarket
3925 S. 8th Street*	2,950	\$230,000	\$78	SW
4850 Old Cheney Road	17,344	\$625,000	\$36	SE
100 W. 'P' Street	13,260	\$609,000	\$46	NW
3521 N. 39th Circle	6,000	\$315,000	\$53	NE
1800 Adams Street	14,760	\$763,000	\$52	NE
3601 S. 6th Street, Unit B	2,171	\$183,900	\$85	SW

\*Indicates Transaction Represented by NAI FMA Realty



Tom  
Ball  
Chairman



Drew  
Stange, CCIM  
CEO and  
Managing Broker



Richard  
Meginnis, SIOR  
President



Scott  
Bahm  
Senior Vice  
President,  
Facility  
Maintenance



Scott  
Vyskocil, CPM  
Senior Vice  
President,  
Property  
Management



Mike  
Ball  
Vice President,  
Sales & Leasing



Diana  
Schilf  
Vice President,  
Marketing &  
Communication



Kari  
Knoedler  
Transaction  
Manager



Chris  
Vasek, SIOR  
Senior Associate  
Broker



Marc  
Hausmann, CCIM  
Associate  
Broker



Sally  
DeLair  
Sales Associate



Tom  
Graf, CCIM  
Sales Associate



Scott  
Richardson  
Sales Associate



Mattison  
Wenzl  
Sales Associate

## 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:

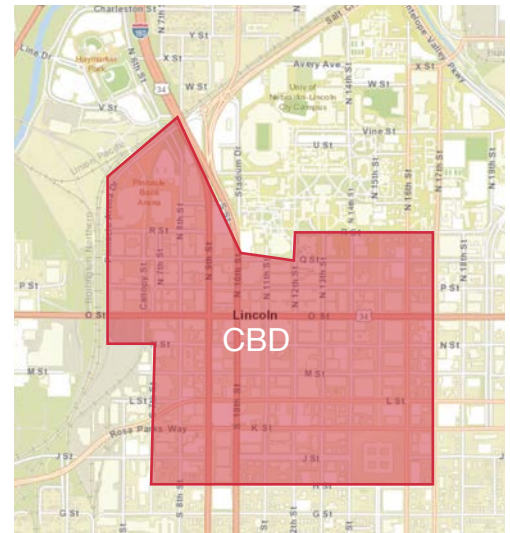
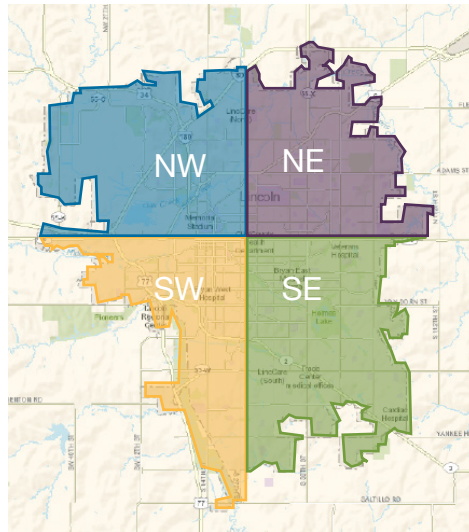
- Balancing Airflow
- Adjusting Energy Management Systems
- Routine/Preventative Maintenance
- Emergency Service 24-hours a day, 7-days a week

## 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

FOLLOW US ON:



## 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  
1248 'O' Street Suite 550  
Lincoln, Nebraska 68508  
402 441 5800

[naifmarealty.com](http://naifmarealty.com)