

First Half 2022 Market Report

7350 Willowbrook Lane - New Building for Nebraska Pain Institute and Office Space For Lease



OVERALL MARKET First Half 2022

HIGHLIGHTS

With the Lincoln economy posting solid growth and unemployment still lower than the national average, the city should be relatively resilient against the given concerns about inflation and rising interest rates. This resiliency helped stabilize and grow the overall commercial real estate market.

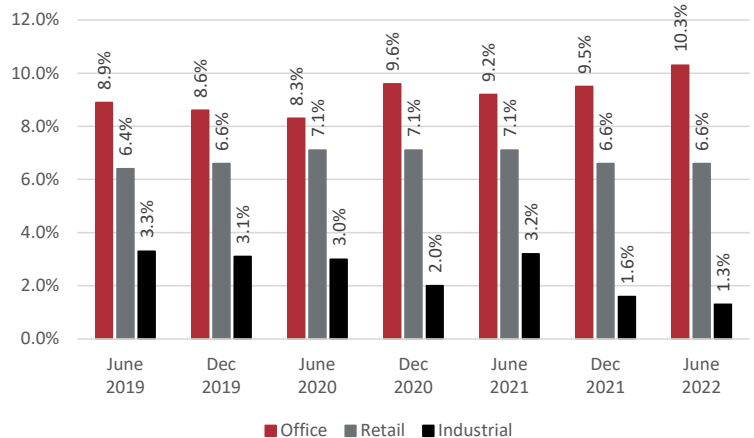
Lincoln's office sector is still facing plenty of uncertainty and evolving challenges. Companies are re-evaluating space needs which in turn accelerated flight to quality moves and some downsizing in the market as lease terms expired. Leased but unused space is a concern for some landlords.

The first half of 2022 was a solid one for the retail sector. Retail occupancy levels in Lincoln continue to be healthy across all retail property types and rents continue to show growth. More retailers are opening stores than closing them despite facing challenges of ongoing supply chain issues and recruiting and retaining staff.

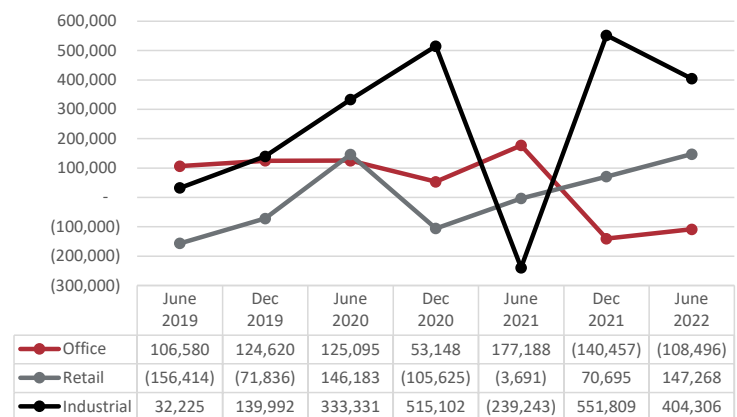
It was a banner year for industrial assets as demand continued to outpace supply in the market. Vacancy hit an unprecedented low level while asking rates and sale values continued to rise. Developers are hoping a new highway bypass will open up land opportunities to meet future needs.

The stability of Lincoln's commercial real estate market has persisted despite rising costs and looming inflation and is expected to do so in the coming future.

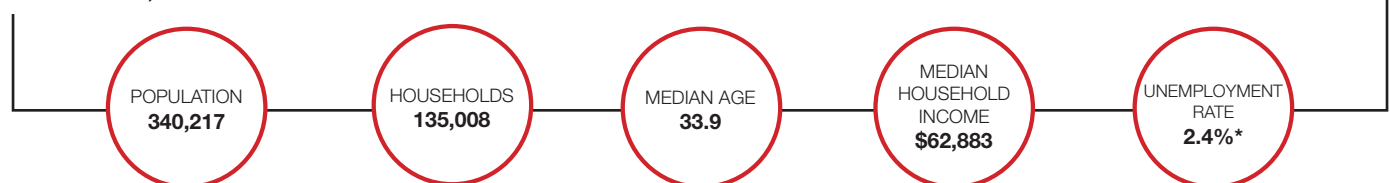
Overall Market Historical Vacancy



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



LINCOLN, NE MSA DEMOGRAPHICS



Sources:
www.bls.gov
www.censusreporter.org
*Preliminary, June 2022

CONSTRUCTION ACTIVITY

Cranes still can be seen in Lincoln's skyline even as financing gets more challenging with rising interest rates and as material costs remain high. Developers are optimistic in moving forward with a project if tenant and consumer demand is there and at the right location. Construction starts are up and projects in planning rose in the first half of 2022 for projects slated in the sectors of high demand – retail and industrial.

- Two tenant fit outs of \$3 Mil and \$1.5 Mil each are underway at the new office building under construction at 8333 Glynoaks Drive
- \$1.5 Mil permit was filed for the first office tenant in the third mixed-use building in the Fallbrook Town Centre located at 643 Fallbrook Blvd.
- Chipotle pulled a building permit for \$360,000 and interior fit out of \$625,000 for its new location at 27th & Superior
- The former Sears building at Gateway Mall is undergoing a \$4.5 Mil exterior renovation to allow for multi-tenant occupancy
- Dillard's, the new owners of the former Younkers box store at Gateway Mall, is converting the store to a new concept and submitted a \$9.9 Mil renovation permit
- Crumbl Cookie is building out space at the District at O Street (6005 O Street) for \$250,000
- A new tenant, International Fresh Market, is taking over the former Fresh Thyme Market space at 5220 O Street and interior renovations cost \$133,000
- \$2.5 Mil Multi-tenant warehouse at 4040 N. 48th Street
- Zoetis continues expansion of operations with a \$8.3 Mil warehouse addition and \$9 mil renovations



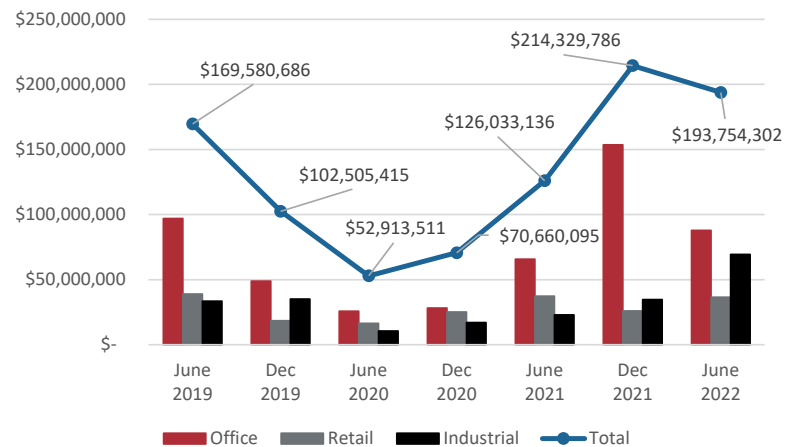
7050 S. 69th Street

Ziggi's Coffee first Nebraska location is under construction near 70th & Pine Lake Road

NEW CONSTRUCTION PERMITS

Office		1st Half 2022: \$31,703,600 2nd Half 2021: \$93,880,000
Retail		1st Half 2022: \$10,077,195 2nd Half 2021: \$ 5,098,525
Industrial		1st Half 2022: \$24,903,371 2nd Half 2021: \$11,859,711

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



BUILDING PERMITS BY BUILDING TYPE

OFFICE

	# of Permits	Value
New Construction	7	\$31,703,600
Alteration to existing	71	\$56,113,152
TOTAL	78	\$87,816,752

RETAIL

	# of Permits	Value
New Construction	6	\$10,077,195
Alteration to existing	70	\$26,478,164
TOTAL	76	\$36,555,359

INDUSTRIAL

	# of Permits	Value
New Construction	18	\$24,903,371
Alteration to existing	32	\$44,478,820
TOTAL	50	\$69,382,191

OFFICE First Half 2022

HIGHLIGHTS

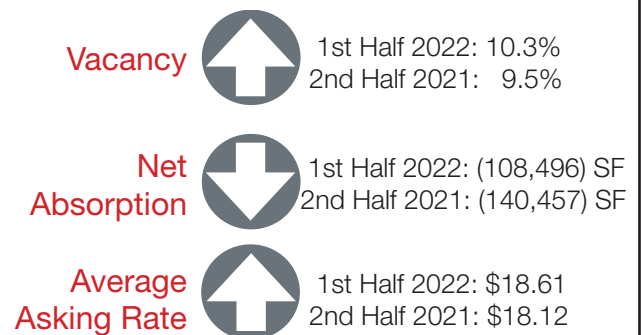
- The office market vacancy rate experienced an uptick to 10.3% in the first half of 2022, up from 9.5% last period. The best performing submarket was the Southeast submarket where the vacancy rate declined to 6.2%, while the other submarkets saw increased vacancy. The worst performing submarket was the Northwest submarket, which increased 2.5% to 8.9% - most of the vacancy can be attributed to one tenant consolidating operations to another city and vacating 56,000 SF.
- The market recorded 108,496 square feet of negative net absorption in the first half of 2022. It marked the second consecutive six month period of negative net absorption. One of the biggest factors driving office leasing activity is approaching lease expiration dates.
- The pandemic has given office users a reason to re-evaluate their real estate. Some companies have felt more confident about the future and took advantage of relocating to higher-quality spaces or renovating space to entice workers back to the office. Uncertainty has led other users to trim excess square footage and sign shorter lease terms.
- Larger companies who delayed office decisions are now determining what their return-to-office plans will look like as remote or hybrid working has reshaped their space needs. Two local examples are Ameritas Life Insurance Corp and NRC Health. Ameritas is performing an initial \$7 million interior remodel to its main headquarters and will consolidate local staff back into the building. NRC Health is undergoing a \$20 million interior/exterior remodel of its downtown office building.
- Despite rising vacancy rates, rental rates have not budged off asking rents. Landlords are offering tenant improvement allowance packages similar to pre-COVID days; however, project costs have increased substantially, forcing many tenants to pick up the difference.

“Data in this most recent report confirms the widely held belief that office demand will shift away from the CBD and move towards the suburbs. Downtown landlords will have more incentive than ever to work with community partners in keeping not just their buildings, but their submarket relevant.”

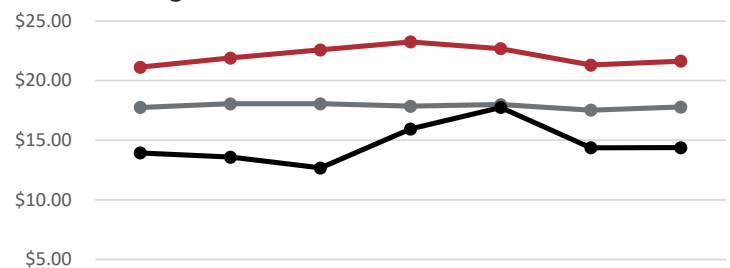


Tom Graf, CCIM
Commercial Advisor

OFFICE FUNDAMENTALS

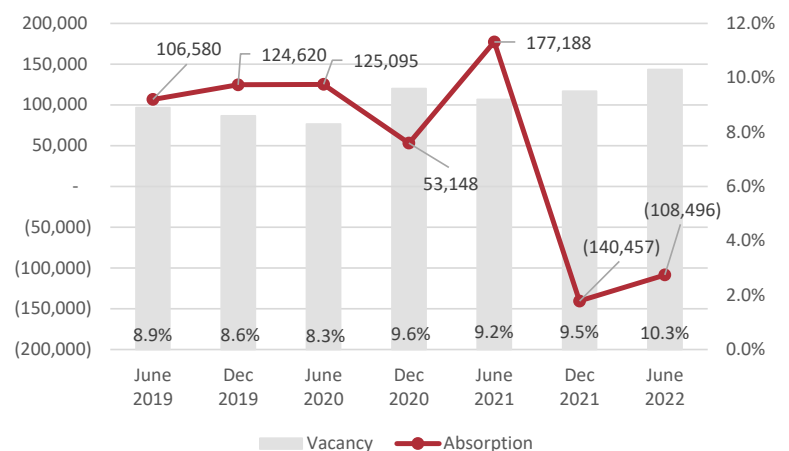


Historical Asking Rates



	June 2019	Dec 2019	June 2020	Dec 2020	June 2021	Dec 2021	June 2022
Class A	\$21.12	\$21.89	\$22.58	\$23.25	\$22.68	\$21.30	\$21.63
Class B	\$17.75	\$18.06	\$18.06	\$17.85	\$17.99	\$17.52	\$17.79
Class C	\$13.94	\$13.58	\$12.68	\$15.94	\$17.75	\$14.37	\$14.38

Historical Net Absorption & Vacancy



Submarket Statistics	Number of Buildings	Total Rentable (SF)	Total Available (SF)	Total Vacancy (%)	Net Absorption (SF)	Average Asking Rate (\$/SF/YR) Full Gross
CBD						
Class A	18	1,328,940	144,962	10.9%	(31,911)	\$19.90
Class B	95	2,345,434	631,886	26.9%	(45,856)	\$16.52
Class C	18	185,522	21,212	11.4%	(3,104)	\$13.77
CBD Subtotal	131	3,859,896	798,060	20.7%	(80,871)	\$17.05
Northeast						
Class A	7	217,704	9,100	4.2%	(1,721)	\$20.74
Class B	101	1,218,659	119,427	9.8%	(21,159)	\$16.89
Class C	44	393,547	9,576	2.4%	(6,213)	\$14.78
Northeast Subtotal	152	1,829,910	138,103	7.5%	(29,093)	\$17.00
Northwest						
Class A	14	1,062,363	97,661	9.2%	(38,255)	\$22.01
Class B	52	919,564	91,747	10.0%	2,677	\$16.46
Class C	13	148,559	-	0.0%	-	N/A
Northwest Subtotal	79	2,130,486	189,408	8.9%	(35,578)	\$20.56
Southeast						
Class A	17	735,207	31,818	4.3%	29,108	\$26.82
Class B	443	4,342,600	284,984	6.6%	13,210	\$20.06
Class C	17	89,745	1,100	1.2%	-	\$16.00
Southeast Subtotal	477	5,167,552	317,902	6.2%	42,318	\$20.73
Southwest						
Class A	8	390,687	-	0.0%	22,307	\$23.00
Class B	126	1,392,012	87,813	6.3%	(27,579)	\$21.97
Class C	25	128,545	1,806	1.4%	-	\$18.42
Southwest Subtotal	159	1,911,244	89,619	4.7%	(5,272)	\$22.12
Market Total	998	14,899,088	1,533,092	10.3%	(108,496)	\$18.61

NOTABLE TRANSACTIONS				
SALE	Size	Price	Price/SF	Submarket
755 Fallbrook Boulevard*	18,000	\$3,593,282	\$200.00	NW
7001 Pioneers Boulevard	9,390	\$1,800,000	\$192.00	SE
100 N. 56th Street	37,646	\$2,300,000	\$61.10	NE
LEASE	Size	Tenant	Lease Type	Submarket
1248 'O' Street*	28,497	Union Bank & Trust	New	CBD
3901 Pine Lake Road*	17,124	Lincoln Internal Medicine Associates	Renewal	SE
200 S. 21st Street*	16,545	Journal Star Printing Corp.	Relocation	SW

*Indicates Transaction Represented by NAI FMA Realty



LEASED: Jared Froehlich represented Ascend Technology, LLC in a new 7,200 SF office lease at 5960 S. 57th St.



LEASED: Nebraska State College System leased 3,853 SF at 1233 Lincoln Mall. Tom Graf & Richard Meginnis represented the landlord.



LEASED: Tom Graf & Jared Froehlich completed 4 new leases and 1 renewal at The Legacy located at 8055-8101 O St totaling 8,723 SF.



LEASED: Pine Lake Health, LLC leased 4,980 SF at 2611 S. 70th St. Sally DeLair & Marc Hausmann represented the landlord.



LEASED: Mike Ball represented the landlord in completing 3 lease deals totaling 2,684 SF at the Cherry Hill Building located at 245 S. 84th St.

RETAIL First Half 2022

HIGHLIGHTS

- The Lincoln retail market recorded its second consecutive six month period of positive net absorption since the start of the pandemic, posting 147,268 SF of absorption in the first half of 2022. A total of 217,963 SF of retail space has been absorbed in the last year. One of the largest single occupants for the period was Planet Fitness taking 24,000 SF of newly delivered space in the Northeast submarket. Overall vacancy stabilized at 6.6% and average asking rents increased from \$13.36 per square foot to \$13.56 PSF.
- The rapid growth of e-commerce during the pandemic is settling back to pre-COVID levels as in-store shopping is bouncing back. Retailers are now more apt to consider brick-and-mortar. Retail construction remains steady across the city, signaling retailer and developer confidence. Fourteen buildings were delivered to the market in the first half, increasing the retail inventory by 107,000 SF and with only a small portion of those buildings vacant.
- Site work has begun on NorthStar Crossing, Lincoln's latest large retail and commercial development located at 27th and Folkways Blvd. The project sits on fifty acres in north Lincoln and will ultimately include up to a half million square feet of commercial space.
- The market continues to see a healthy mix of national and local retailers in the retail landscape. New market entries opening in the first half 2022 included Chippy's, Earth & Home, Daily Thread in Gateway Mall, Pita & Naan, and Alumni Hall. Crumbl Cookies will be opening its first Lincoln store by the end of the year. Car wash operators continue to be bullish in the market, picking up several more sites.

“The future of retail looks better than it did two years ago. Retailers are adapting to new consumer patterns as working from home is here to stay and more people are returning to restaurants and in-person shopping. On-line will continue to be strong with smaller versions of brick-and-mortar popping up. Retailers must meet consumers where they are and the market has good opportunities.”



Sally DeLair
Commercial Advisor

RETAIL FUNDAMENTALS

Vacancy



1st Half 2022: 6.6%
2nd Half 2021: 6.6%

Net Absorption



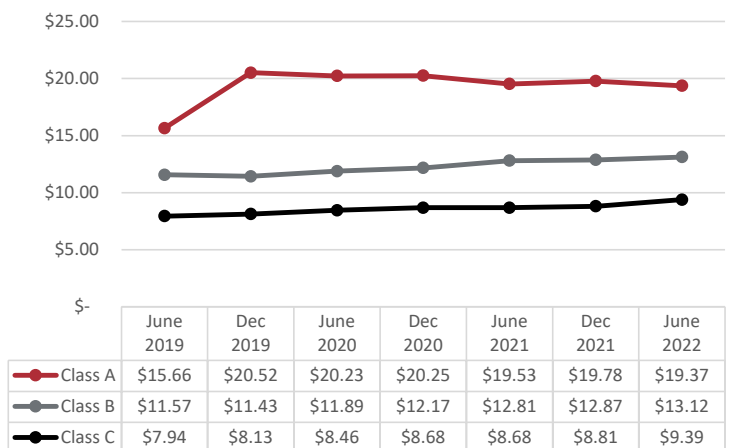
1st Half 2022: 147,268 SF
2nd Half 2021: 70,695 SF

Average Asking Rate

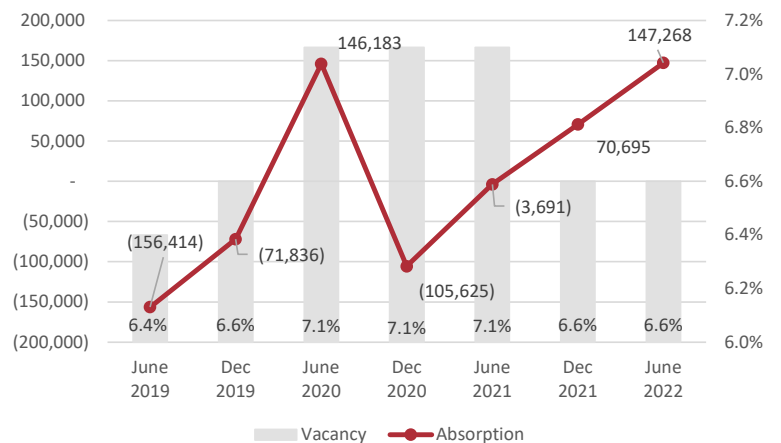


1st Half 2022: \$13.56
2nd Half 2021: \$13.36

Historical Asking Rates



Historical Net Absorption & Vacancy



Submarket Statistics	Number of Buildings	Total Rentable (SF)	Total Available (SF)	Total Vacancy (%)	Net Absorption (SF)	Average Asking Rate (\$/SF/YR) NNN
CBD						
Class A	13	264,765	52,756	19.9%	-	\$19.43
Class B	126	1,048,458	152,445	14.5%	23,911	\$14.46
Class C	62	364,230	36,132	9.9%	(3,500)	\$9.73
CBD Subtotal	201	1,677,453	241,333	14.4%	20,411	\$14.78
Northeast						
Class A	6	65,854	18,724	28.4%	(4,620)	\$17.28
Class B	433	6,689,298	542,200	8.1%	54,753	\$12.84
Class C	132	665,583	12,285	1.8%	(7,210)	\$11.74
Northeast Subtotal	571	7,420,735	573,209	7.7%	42,923	\$12.95
Northwest						
Class A	8	285,913	21,282	7.4%	2,400	\$15.56
Class B	190	1,788,458	83,452	4.7%	(9,372)	\$12.49
Class C	95	540,131	14,170	2.6%	(11,034)	\$9.42
Northwest Subtotal	293	2,614,502	118,904	4.5%	(18,006)	\$12.47
Southeast						
Class A	20	924,716	42,147	4.6%	14,393	\$24.92
Class B	367	5,484,313	282,039	5.1%	67,319	\$12.33
Class C	64	322,824	5,135	1.6%	1,858	\$13.32
Southeast Subtotal	451	6,731,853	329,321	4.9%	83,570	\$14.11
Southwest						
Class A	16	425,958	42,272	9.9%	1,420	\$15.92
Class B	183	1,831,286	66,634	3.6%	18,526	\$16.31
Class C	119	808,032	55,270	6.8%	(1,576)	\$8.17
Southwest Subtotal	318	3,065,276	164,176	5.4%	18,370	\$13.47
Market Total	1,834	21,509,819	1,426,943	6.6%	147,268	\$13.56

NOTABLE TRANSACTIONS					
SALE	Size	Price	Price/SF	Submarket	
6100 O Street-Gateway Mall	424,646	\$51,500,000	\$121.00	NE	
3300 N. 27th Street	184,092	\$16,110,912	\$88.00	NE	
4848 Normal Boulevard*	9,026	\$1,625,000	\$180.00	SE	
LEASE	Size	Tenant	Lease Type	Submarket	
1323 M Street*	7,100	Kyle's Automotive, LLC	Renewal	CBD	
6900 O Street*	4,934	Le Quartier Baking Co.	Renewal	NE	
930 N. 48th Street*	2,804	Bayati Group, Inc.	New	NE	

*Indicates Transaction Represented by NAI FMA Realty



LEASED: Val Limited leased 1501 Pine Lake Rd. Sally DeLair & Marc Hausmann represented the tenant in leasing 2,840 SF.



SOLD: A former restaurant in Kearney, NE sold for \$935,000. Sally DeLair & Marc Hausmann represented the seller.



LEASED: Radiant Esthetics & Wellness leased 1,405 SF at 2755 Jamie Lane. Tim Dornbos represented the tenant.



SOLD: Richard Meginnis represented the seller for 800 N. 27th Street, a 5,664 SF investment property. It sold for \$775,000.

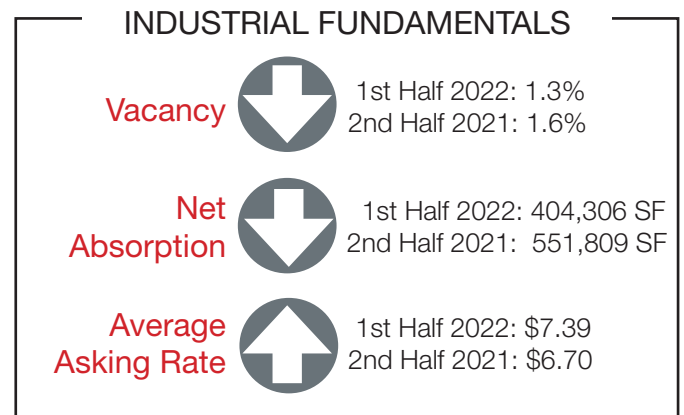


LEASED: Copley, Inc. renewed its 2,730 SF lease at 4721 Cooper Ave. Tom Graf represented the landlord.

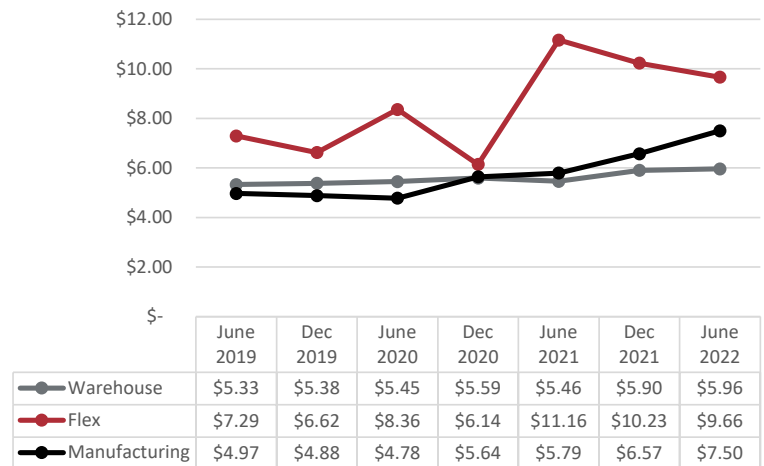
INDUSTRIAL First Half 2022

HIGHLIGHTS

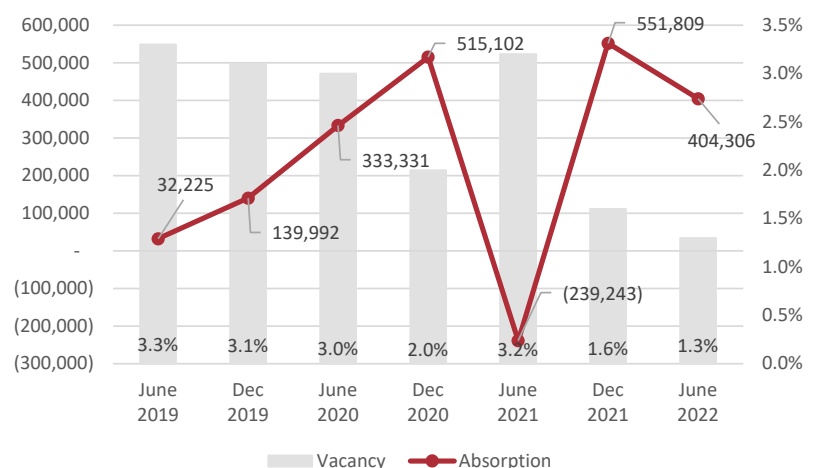
- The Lincoln industrial market benefitted from consistent absorption and rent growth over the past year. The market is showing a net absorption of 404,306 SF in the last six months and the vacancy rate – already at an all-time low – declined to 1.3% in the first half of 2022. Overall vacancy rates in four out of the five submarkets, reported rates below 2%, with the Southeast and Southwest submarkets reporting the lowest, at .6% and .3% respectively.
- The on-going tight market conditions and demand for space saw another period of rent growth in the first half of 2022. Average asking rents grew by 10.2% from the end of 2021 to hit \$7.39 per square foot.
- The industrial construction completions reached over 343,000 SF, with much of it occupied or pre-leased. The Northwest submarket led with 205,000 SF delivered to the market by local developer Las Brisas Land Development Co.
- One of Lincoln's largest industrial development projects led by Omaha developer White Lotus, got initial approval from the Lincoln City Council in April 2022 to move forward with plans. The Lincoln Logistics Hub will include nearly 1 million square feet of warehouse space on 71 acres near N. 56th Street and Interstate 80. The project is estimated at \$89 million.
- Looking forward, lease rates and sale values will continue to rise over the next year until the market supply can outpace demand.



Historical Asking Rates



Historical Net Absorption & Vacancy



“Over the past five years, industrial real estate has experienced significant growth but the lack of supply and the shifts in the economy could make sustaining this momentum a bit more challenging in the near future.”



Jared Froehlich
Commercial Advisor

Submarket Statistics	Number of Buildings	Total Rentable (SF)	Total Available (SF)	Total Vacancy (%)	Net Absorption (SF)	Average Asking Rate (\$/SF/YR) NNN
CBD						
Warehouse	10	112,474	14,200	12.6%	-	\$10.50
Manufacturing	7	315,626	105,570	33.4%	-	\$8.00
Flex	2	13,488	-	0.0%	-	N/A
CBD Subtotal	19	441,588	119,770	27.1%	-	\$8.30
Northeast						
Warehouse	341	5,524,188	34,755	0.6%	171,264	\$7.39
Manufacturing	52	3,871,604	62,200	1.6%	13,255	\$4.48
Flex	55	856,662	24,212	2.8%	(3,660)	\$8.43
Northeast Subtotal	448	10,252,454	121,167	1.2%	180,859	\$6.11
Northwest						
Warehouse	263	5,981,069	40,961	0.7%	205,079	\$2.00
Manufacturing	34	5,623,874	77,102	1.4%	(51,292)	\$9.25
Flex	27	463,951	23,200	5.0%	(16,756)	\$10.00
Northwest Subtotal	324	12,068,894	141,263	1.2%	137,031	\$7.63
Southeast						
Warehouse	21	136,366	-	0.0%	-	N/A
Manufacturing	1	8,829	-	0.0%	-	N/A
Flex	23	183,968	1,900	1.0%	5,172	\$11.50
Southeast Subtotal	45	329,163	1,900	0.6%	5,172	\$11.50
Southwest						
Warehouse	389	5,474,402	21,259	0.4%	63,279	\$6.45
Manufacturing	24	1,667,645	-	0.0%	13,965	N/A
Flex	71	614,718	4,800	0.8%	4,000	\$13.50
Southwest Subtotal	484	7,756,765	26,059	0.3%	81,244	\$7.63
Market Total	1,320	30,848,864	410,159	1.3%	404,306	\$7.39

NOTABLE TRANSACTIONS					
SALE	Size	Price	Price/SF	Submarket	
1115 Libra Drive	58,240	\$5,300,000	\$91.00	SW	
439 A Street*	43,104	\$2,375,000	\$55.00	SW	
6701 Cornhusker Hwy.	26,325	\$2,350,000	\$89.00	NE	
LEASE	Size	Tenant	Lease Type	Submarket	
2155 NW 12th Street*	90,000	Spreetail FTP, LLC	New	SW	
2155 NW 12th Street*	60,000	Zoetis, LLC	New	SW	
5601 N. 57th Street*	27,405	Lincoln Trucking Company, LLC	New	NE	

*Indicates Transaction Represented by NAI FMA Realty



LEASED: Sparco Industrial Coatings, LLC leased 4,000 SF at 5612 Fletcher Ave. Marc Hausmann & Sally DeLair represented the tenant in the transaction.



SOLD: Jared Froehlich represented the buyer for 13,615 SF warehouse shell at 1200 Aries Drive.



LEASED: Gongs Unlimited, LLC leased 1,425 SF at 5351 N. 70th St. Jared Froehlich represented the landlord.



SOLD: Marc Hausmann represented the buyer in the \$790,000 purchase of a 9,524 SF facility in Grand Island, NE.



LEASED: Jared Froehlich & Tim Dombos represented the landlord in 2 leases completed at 1719 Aspen Circle, Grand Island, NE. Leases totaled 6,150 SF.

SALES First Half 2022

OFFICE

- The price per square foot for office sales had a significant variance. Income producing investment properties sold at prices \$165 per square foot or higher, while vacant or Class C properties sold for under \$100 per square foot.
- The notable sales for the first half of 2022 included 755 Fallbrook Blvd. a multi-tenant medical office that sold for \$3,593,000 and 100 N. 56th St. a near vacant office building that sold for \$2,300,000.

RETAIL

- The average price per square foot for retail buildings experienced a significant spike in the first half of 2022. This spike is attributed to multiple sales of investment properties that have Class A, national tenants with long-term leases. Properties such as these can sell for prices between \$600 and \$1,100 per square foot depending on the tenant and lease terms. When excluding these investment sales, the average price per square foot is far lower at \$161 per square foot.
- The largest retail sale in the first of half of 2022 was for Gateway Mall located at 6100 O Street. Star-West Gateway LLC sold this regional mall to NE Gateway Mall Propco LLC for \$51,500,000.

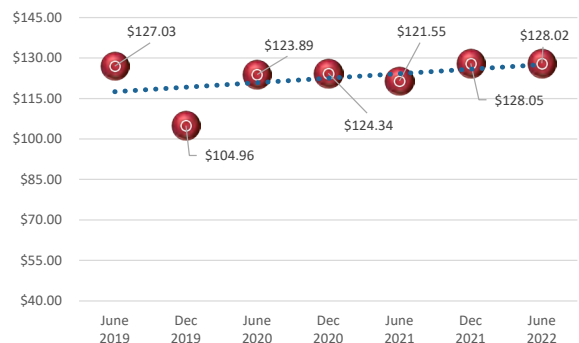
INDUSTRIAL

- The average price per square foot for industrial buildings did not change significantly from the last half of 2021. The average is \$87.82 per square foot, however many flex and leased investment properties sold for prices that ranged from \$100-\$125 per square foot.
- Older warehouses with limited office space sold for prices between \$55-\$75 per square foot depending on factors such as location, yard size, and condition.
- The availability of on-market industrial properties is still low which limits options and opportunities for industrial users of all sizes.

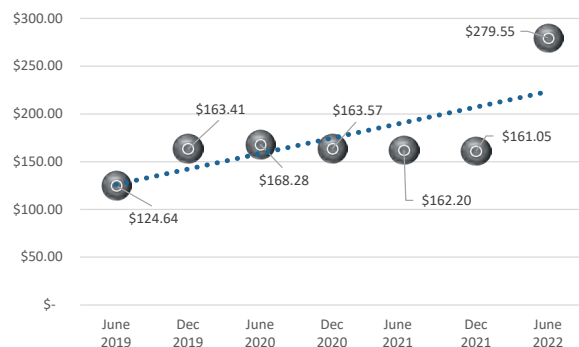
MULTIFAMILY

- The average price per unit for multi-family properties has continued to rise to the current average of \$74,736 per unit, which is over 50% higher in just three years. Demand is strong; prices are continuing to rise and new building permits were issued with a value close to \$43 million in the first half of 2022.
- Large complexes with more than 125 units and amenities had selling prices well above the average. The complex at 307 W. Charleston, which has 157 units, sold for \$24 million or approximately \$152,000 per unit.

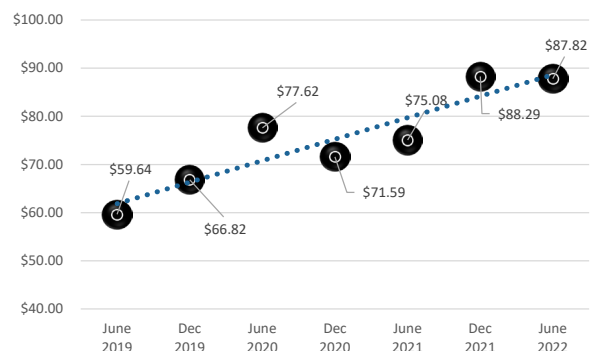
Office Average Sale Price/Square Foot



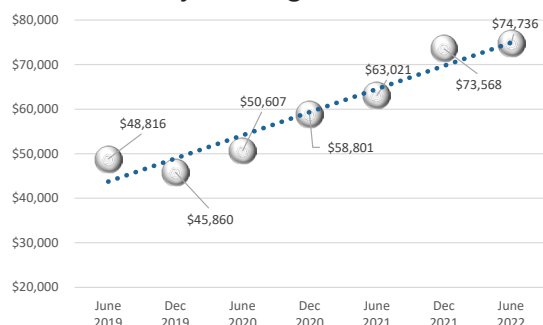
Retail Average Sale Price/Square Foot



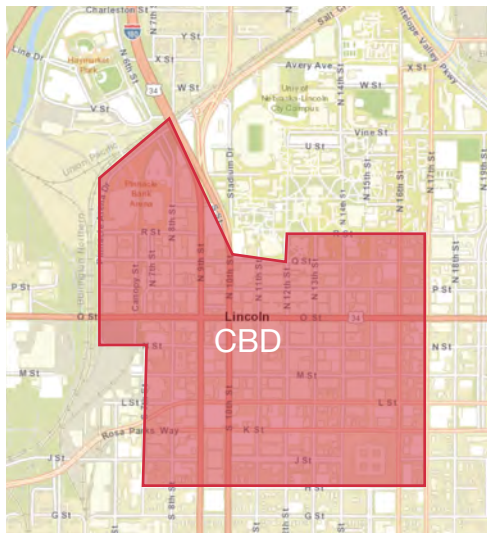
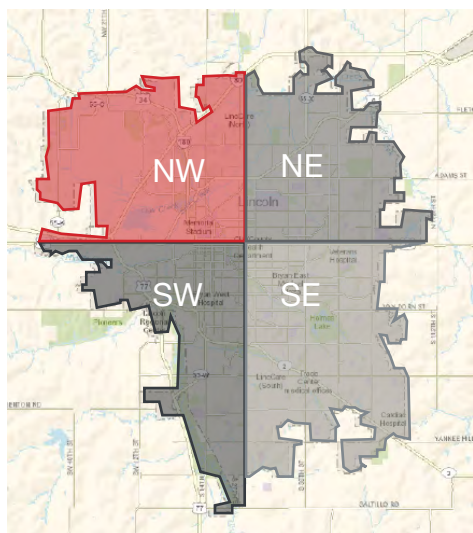
Industrial Average Sale Price/SF



Multi-Family Average Sale Price/Unit



Submarkets



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