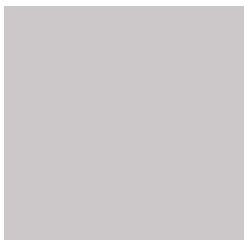


NAI FMA Realty

Market Report Second Half 2012
Lincoln, Nebraska



Second Half 2012

NAI FMA Realty

Market Report Second Half 2012

Office



OFFICE OVERVIEW

The Lincoln office market ended 2012 with a drop in vacancy to 11.7 percent which remains lower than the national office vacancy rate of 16.7 percent. Many companies took advantage of a down market and higher vacancy rates to relocate and upgrade their space. Unfortunately, many of the transactions were simple relocations rather than new businesses moving to the Lincoln market. Overall, rental rates continue to be flat at \$15.88 per square-foot. If the market is able to build momentum and sustain declining vacancy rates, actual rent growth should start to occur.

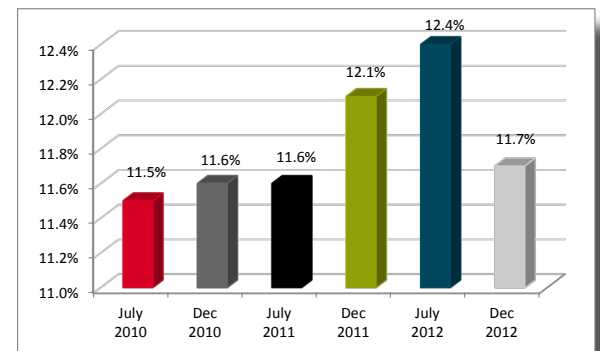
Total net absorption remained on the positive side with 105,165 square-feet witnessed in the second half of 2012, marking the third consecutive year that net absorption finished in positive territory. Expect office vacancy to remain relatively unchanged for the balance of 2013.

Performance was mixed this half; four out of five submarkets posted growth. The southeast submarket performed the best by recording 86,229 square-feet of positive net absorption, dropping vacancy levels from 9.6 percent to 9.2 percent. The most prominent additions to this submarket were NMPP and Premier Psychiatric Group, both completing their moves into build-to-suit offices totaling 61,825 square-feet. The current average asking rate here is \$17.12 per square-foot. The downtown, northeast, and northwest submarkets recorded very modest growth with tenants shuffling from one location to another. It is left to be seen, however, the impact on the market of the various new downtown area office projects that were announced this half totaling over 170,000 square-feet. The southwest submarket posted 30,776 square-feet of declines over the second half as its vacancy rate increased from 11.9 to 14.1 percent. This increase was due in large part to Lincoln Public School's departure from its south site in the 14th & Yankee Hill area. The current average asking rate in this submarket is \$16.06 per square-foot, down from \$17.60 per square-foot a year ago.

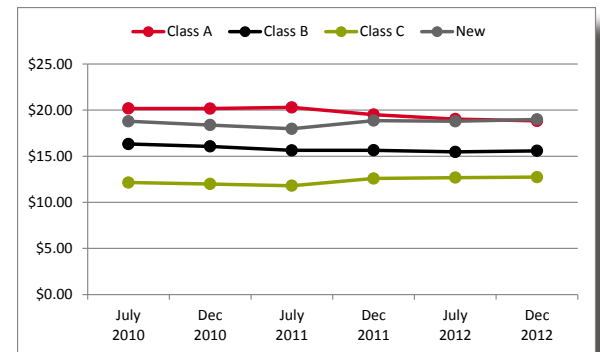
Office sector fundamentals are improving, albeit slowly. The pace of growth rests upon sustained labor market improvements in the form of permanent hiring, particularly in the professional and business services, which so far have been elusive. Expect modest gains in absorption over the next few quarters with gains accelerating in the latter half of 2013.



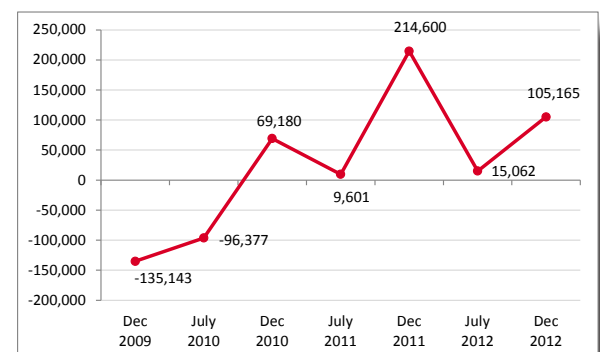
Historical Vacancy Rates



Historical Rental Rates by Building Class



Historical Net Absorption (Square Feet for Six Months Ending)



NAI FMA Realty

Market Report Second 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	63,643	9.8%	3,500	\$16.08
	CLASS B	98	2,667,016	370,189	13.9%	19,398	\$15.47
	CLASS C	24	262,196	17,822	6.8%	4,500	\$12.40
	NEW	N/A	N/A	N/A	N/A	N/A	N/A
	SUBTOTAL	127	3,578,166	451,654	12.6%	27,398	\$15.45
NORTHEAST	CLASS A	6	160,158	23,063	14.4%	5,774	\$17.69
	CLASS B	91	1,097,837	207,753	18.9%	9,462	\$14.30
	CLASS C	42	367,565	20,602	5.6%	(1,280)	\$12.33
	NEW	2	19,994	19,994	100.0%	-0-	\$14.30
	SUBTOTAL	141	1,645,554	271,412	16.5%	13,956	\$14.41
NORTHWEST	CLASS A	8	726,441	6,945	1.0%	2,241	\$22.37
	CLASS B	46	754,819	119,086	15.8%	6,047	\$14.90
	CLASS C	13	146,411	10,042	6.9%	-0-	\$13.59
	NEW	1	19,250	15,845	82.3%	-0-	\$25.00
	SUBTOTAL	68	1,646,921	151,918	9.2%	8,288	\$16.20
SOUTHEAST	CLASS A	8	437,527	57,941	13.2%	3,300	\$21.89
	CLASS B	384	3,812,481	336,962	8.8%	(3,672)	\$16.31
	CLASS C	15	93,314	4,000	4.3%	18,846	\$13.00
	NEW	3	73,825	6,000	8.1%	67,825	\$18.75
	SUBTOTAL	410	4,417,147	404,903	9.2%	86,299	\$17.12
SOUTHWEST	CLASS A	3	277,835	-0-	0.0%	-0-	N/A
	CLASS B	105	1,161,250	202,750	17.5%	(25,394)	\$16.30
	CLASS C	22	117,429	16,723	14.2%	(4,132)	\$13.01
	NEW	1	2,976	-0-	0.0%	(1,250)	N/A
	SUBTOTAL	131	1,559,490	219,473	14.1%	(30,776)	\$16.06
OFFICE TOTALS		877	12,847,278	1,499,360	11.7%	105,165	\$15.88



Representative Office Sales						
Address	Size (SF)	Seller	Buyer	Price	Price/SF	Submarket
4433 S. 70th St.*	47,706	Elizabeth South Partners, LLC	Elizabeth Park Office Complex, LLC	\$4,700,000	\$98.52	Southeast
4445 S. 86th St.	7,259	Pioneer Greens, LLC	Kirtron, LLC	\$1,350,000	\$185.98	Southeast

Representative Office Leases				
Address	Tenant	Size (SF)	Deal Type	Submarket
4220 Lucile Dr.	Proformance Physical Therapy	6,000	Relocation	Southeast
7100 S. 29th St.	Keller Williams Real Estate	9,372	New	Southeast

*Indicates Transaction Represented by NAI FMA Realty

NAI FMA Realty

Market Report Second Half 2012

Retail



RETAIL OVERVIEW

Retail recovery followed a bumpy road in 2012. A confident start to the year, spurred in part by unseasonably warm weather, gave way to weaker consumer and business spending over the summer then slowly returned by the end of 2012. While this seemed to stall the national retail sector, keeping vacancy rates to 10.8 percent, the Lincoln retail market continued to show improvements.

Retail vacancy for the second half declined to 5.9 percent from the first half. Diminishing vacancies have left fewer options for expanding retailers, particular national tenants with larger square footage demands. Retailers are getting creative to fill available space.

In the second half, Lincoln registered 339,521 square feet of positive net absorption, a record six-month amount within the last three years, predominantly spurred by the opening of the new Sam's Club in southeast Lincoln. Behind the numbers some notable retailers, familiar and new, are expanding in the Lincoln market. Attention was most active for new concepts such as Firehouse Subs, Jersey Mike's Subs, Rodizio Grill and Tilted Kilt. Charming Charlie's and Forever 21 are expected to open in 2013, along with two more standalone CVS stores. Dunkin' Donuts is actively looking in the market and grocery expansions will continue into 2013, with Whole Foods and Super Saver taking space in coming months.

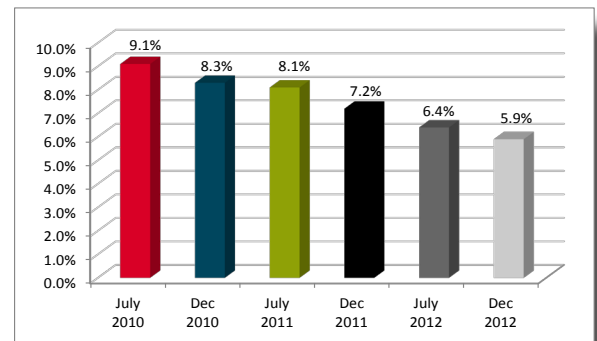
Most prominent development projects in Lincoln are concentrated in the Haymarket area surrounding the new Pinnacle Bank Arena. A multi-story Hyatt hotel with retail and office on the ground level is planned in addition to the newly opened Courtyard and the Hilton Garden Inn under construction. Permits were pulled for The Railyard, an entertainment complex with office and retail, plus multiple mixed-use properties. Tenant announcements include Hiro88, Mellow Mushroom Pizza and Jimmy John's.

Average quoted rental rates for the retail sector rose very modestly during the second half, ending the year at \$11.95 per square-foot. The exception is new product in the Haymarket area where advertised rental rates are higher averaging \$25.00-\$30.00 per square-foot. The likelihood of rents rising is mounting from the fact that net absorption is outpacing new construction. Falling vacancy rates will in turn put upward pressure on rents.

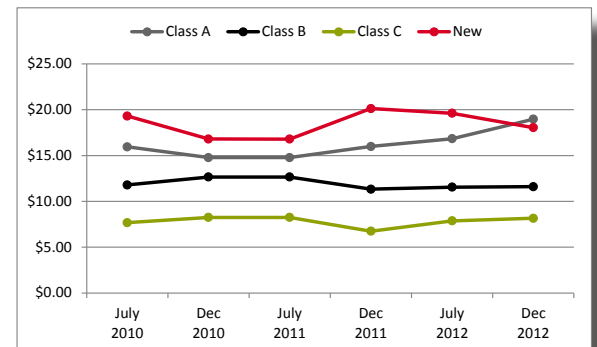
Assuming the economy continues to grow at its modest rate and consumer spending does not lose momentum, the Lincoln retail market vacancy will continue to shrink throughout the year while negotiating power will vary by submarket.



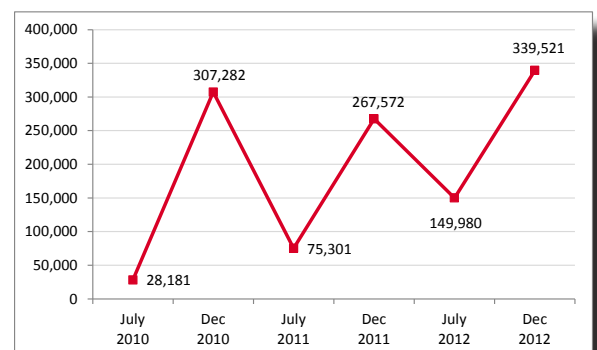
Historical Vacancy Rates



Historical Rental Rates by Building Class



Historical Net Absorption (Square Feet for Six Months Ending)

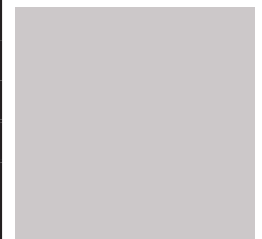


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Market Report Second Half 2012 Retail



SUBMARKET	CLASS	# BLDGS	TOTAL RENTABLE SF	TOTAL AVAILABLE SF	% VACANT	NET ABSORPTION	AVG ASKING RATE (\$/SF/YR)
CBD	CLASS A	4	82,835	-0-	0.0%	5,276	N/A
	CLASS B	127	1,077,959	127,681	11.8%	(17,305)	\$11.56
	CLASS C	63	357,862	51,689	14.4%	9,451	\$8.00
	NEW	1	14,839	6,339	42.7%	3,500	\$25.00
	SUBTOTAL	195	1,533,495	185,709	12.1%	922	\$11.03
NORTHEAST	CLASS A	3	43,789	3,771	8.6%	-0-	\$14.00
	CLASS B	398	6,402,947	390,856	6.1%	60,536	\$10.75
	CLASS C	139	632,467	10,729	1.7%	(1,320)	\$11.62
	NEW	3	21,700	1,500	6.9%	5,000	\$14.00
	SUBTOTAL	543	7,100,903	406,856	5.7%	64,216	\$10.82
NORTHWEST	CLASS A	6	236,956	-0-	0.0%	-0-	N/A
	CLASS B	186	1,703,811	93,584	5.5%	(11,885)	\$10.64
	CLASS C	100	553,761	11,294	2.0%	18,668	\$7.54
	NEW	2	30,069	19,250	64.0%	(71)	\$12.00
	SUBTOTAL	294	2,524,597	124,128	4.9%	6,712	\$11.04
SOUTHEAST	CLASS A	12	689,939	52,163	7.6%	33,665	\$19.55
	CLASS B	309	4,850,879	231,002	4.8%	(3,921)	\$13.02
	CLASS C	69	371,896	24,316	6.5%	4,150	\$8.94
	NEW	3	220,375	20,175	9.2%	185,877	\$22.00
	SUBTOTAL	393	6,133,089	327,656	5.3%	219,771	\$14.31
SOUTHWEST	CLASS A	8	362,739	6,720	1.9%	(1,750)	\$17.21
	CLASS B	156	1,098,085	42,536	3.9%	32,291	\$13.91
	CLASS C	123	840,652	44,763	5.3%	14,384	\$7.24
	NEW	1	50,000	19,380	38.8%	2,975	\$15.00
	SUBTOTAL	288	2,351,476	113,399	4.8%	47,900	\$11.66
RETAIL TOTALS		1,713	19,643,560	1,157,748	5.9%	339,521	\$11.95



Representative Retail Sales						
Address	Size (SF)	Seller	Buyer	Price	Price/SF	Submarket
2545 'O' St.*	55,757	People's Choice Federal Credit Union	Careylou Inc.	\$1,200,000	\$21.52	Southwest
4801 Randolph St.	4,528	Quin-C Inc.	SNS Properties LLC	\$1,400,000	\$309.19	Southeast

Representative Retail Leases				
Address	Tenant	Size (SF)	Deal Type	Submarket
110 N. 35th St.	Eakes Office Equipment	15,122	New	Northeast
399 Sun Valley Blvd.*	BigShots Indoor Range	13,700	New	Northwest

*Indicates Transaction Represented by NAI FMA Realty

NAI FMA Realty

Market Report Second Half 2012

Industrial



INDUSTRIAL OVERVIEW

The Lincoln industrial market maintained a steady recovery as the overall vacancy rate inched downward to 5.7 percent. Although activity slowed during the second half of 2012, there was still positive net absorption of 170,000 square-feet.

Prospect interest mirrored absorption trends and leveled off during the last part of the year. The activity that exists has been driven by company expansions as well as building sales, forcing tenants into the market for new locations. Leasing remains active yet down from the first half levels. Despite tightening conditions, rents remain competitive, as landlords remain aggressive in order to attract new tenants. The largest lease transaction during the last six months was for Blue Ox Logistics of 40,000 square-feet of warehouse space in the northwest submarket.

While the half marked little change for the southwest submarket, that market benefitted from a significant expansion from Universal Cold Storage who purchased Sysco's former 293,000 square-foot facility to enable an increase in its cold storage capacity and expansion in its high pressure pasteurization business. Consistent growth at Universal in recent years attracted a private investment firm to acquire Universal in December 2012 for an undisclosed amount.

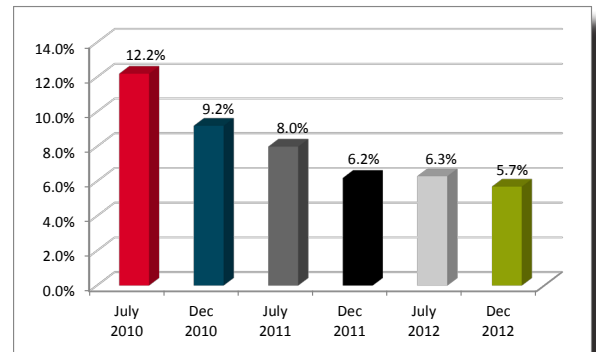
Small to mid-sized firms are fueling area growth with strong activity coming in the size range of 1,500-20,000 square feet. Demand is less significant from large users, those seeking 20,000 square feet or more, but that is typical of the Lincoln industrial marketplace as the availability of large blocks of modern, functional space become limited. One significant build-to-suit was given the green light in the second half as Duncan Aviation finalized plans for a 45,000 square-foot maintenance hangar that will be part of a larger 100,000 square-foot building adjacent to their existing campus in the Air Park.

Asking rates are expected to increase, with industrial rents forecasted to rise 2.2 percent in 2013 according to the National Association of Realtors®. Sales activity was limited to mostly owner-users. One owner-user sale transaction was Cheever Construction who purchased the 50,000 square foot former Laird Technologies property at 3524 N. 44th Street for \$1.07 million.

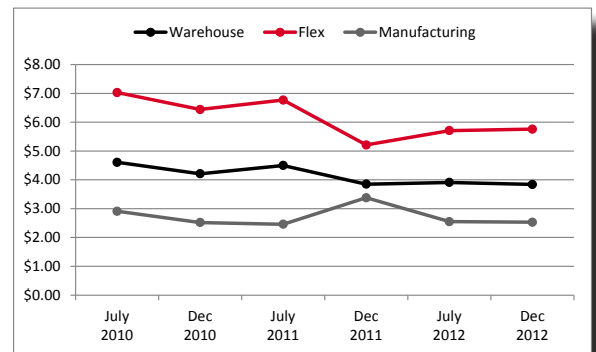
Industrial space demand in 2013 will start off slow as growth in international trade is expected to be down and the labor market points to limited job gains in manufacturing.



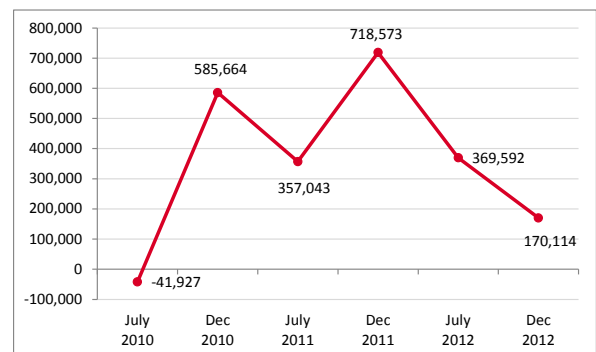
Historical Vacancy Rates



Historical Rental Rates by Building Class



Historical Net Absorption (Square Feet for Six Months Ending)



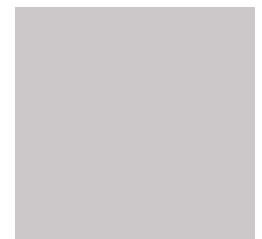
NAI FMA Realty

Market Report Second 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	4	27,878	-0-	0.0%	(20,625)	N/A
	Manufacturing	7	325,334	-0-	0.0%	-0-	N/A
	SUBTOTAL	24	576,672	-0-	0.0%	(20,625)	N/A
NORTHEAST	Warehouse	274	4,276,125	291,496	6.8%	95,727	\$3.93
	Flex	64	889,895	17,600	2.0%	(4,000)	\$6.12
	Manufacturing	50	3,385,657	38,100	1.1%	198,210	\$3.50
	SUBTOTAL	388	8,551,677	347,196	4.1%	289,937	\$3.99
NORTHWEST	Warehouse	208	4,417,275	394,522	8.9%	341,580	\$3.37
	Flex	26	352,369	27,511	7.8%	(18,977)	\$6.46
	Manufacturing	31	5,299,257	391,922	7.4%	(438,403)	\$2.29
	SUBTOTAL	265	10,068,901	813,955	8.1%	(115,800)	\$2.96
SOUTHEAST	Warehouse	19	122,877	-0-	0.0%	12,484	N/A
	Flex	23	185,135	-0-	0.0%	1,200	N/A
	Manufacturing	1	8,829	-0-	0.0%	-0-	N/A
	SUBTOTAL	43	316,841	-0-	0.0%	13,684	N/A
SOUTHWEST	Warehouse	268	4,672,123	126,547	2.7%	(858)	\$4.83
	Flex	84	659,538	64,123	9.7%	3,776	\$5.36
	Manufacturing	22	1,511,922	151,638	10.0%	-0-	\$4.15
	SUBTOTAL	374	6,843,583	342,308	5.0%	2,918	\$4.07
INDUSTRIAL TOTALS		1,094	26,357,674	1,503,459	5.7%	170,114	\$3.45



Representative Industrial Sales

Address	Size (SF)	Seller	Buyer	Price	Price/SF	Submarket
1700 Centerpark Rd.	293,336	Pegler-Sysco Food Services Co.	Universal Companies LLC	\$4,000,000	\$13.64	Southwest
1741 Cushman Dr.*	48,475	J and L Holdings Inc.	Double D Real Estate LLC	\$2,265,000	\$46.73	Southwest

Representative Industrial Leases

Address	Tenant	Size (SF)	Deal Type	Submarket
3500 N. 44th Street	Multiple Tenants	122,901	New	Northeast
3601 NW 15th Street*	FCA Inc.	29,547	New	Northwest

*Indicates Transaction Represented by NAI FMA Realty

NAI FMA Realty

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

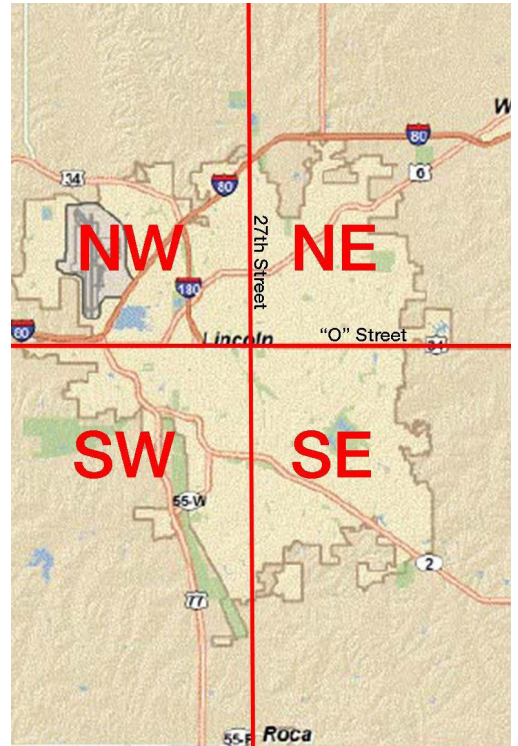
Includes all existing office, retail, and industrial buildings (all classes and all sizes, both multi-tenant and single tenant, including owner-occupied buildings but excluding all government or university owned and occupied buildings) within each market.

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.

