

NAI FMA Realty Market Report Second Half 2013



3 Landmark Center



Project Oscar



Marshall's/HomeGoods

Second Half 2013

NAIFMA Realty



Individual Members of:



Wells Fargo Center
1248 'O' Street, Suite 550
Lincoln, NE 68508
402 441 5800
naifmarealty.com

NAI FMA Realty Market Report Second Half 2013



Tom Ball
Chairman



Drew Stange
President



Richard Meginnis
Executive Vice
President



Scott Vyskocil
Vice President
of Property
Management



Scott Bahm
Vice President
of Facility
Maintenance



George Hancock
Associate Broker



Kathy Foster
Associate Broker



Chris Vasek
Associate Broker



John Hyland
Sales Associate



Marc Snow
Sales Associate



Mike Ball
Sales Associate



Sally DeLair
Sales Associate



Tom Graf
Sales Associate



Diana Schilf
Business
Development
Manager

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 \$742 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

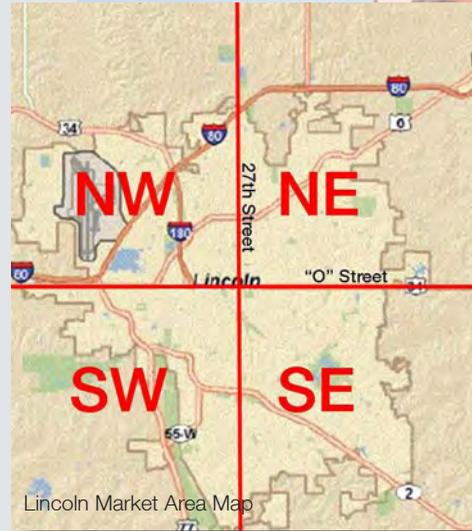
All unoccupied available space for lease, excluding sublease space.

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.

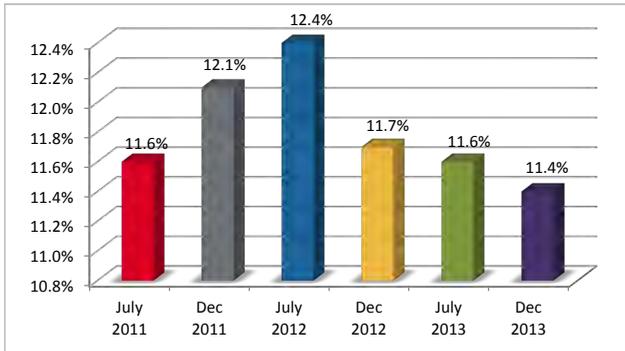
NAI FMA Realty



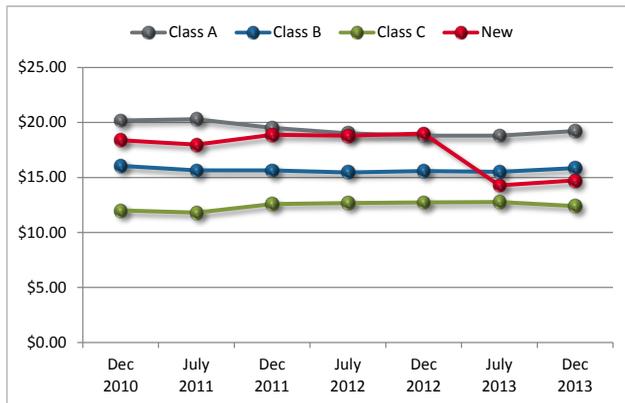
Market Report Second Half 2013 Office



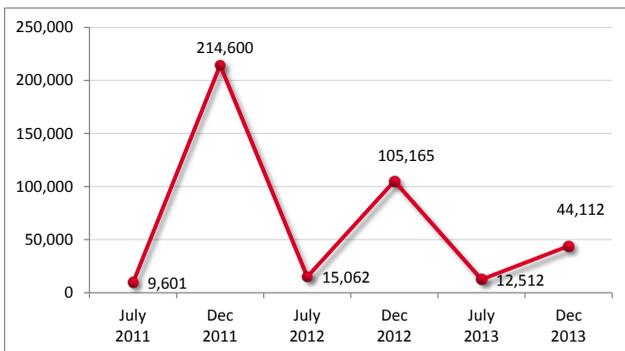
Historical Vacancy Rates



Historical Rental Rates by Building Class



Historical Net Absorption (Square Feet for Six Months Ending)



OFFICE OVERVIEW

The Lincoln office market remained steady at the end of 2013, posting an 11.4 percent overall vacancy rate, a 30 basis point improvement year-over-year. Asking rates remained fairly flat. Given how slowly the office sector's recovery has progressed, this is still not necessarily a reason for worry.

The second half of 2013 saw an increase in office leasing activity. Office users of 10,000-square-foot or more were noticeable in the market and often competed for good, well-located space. The southeast submarket vacancy increased slightly by 60 basis points with the northwest submarket holding the lowest vacancy rate of 8.6 percent. The southwest submarket was at 14.5 percent, a slight increase over mid-year, partially due to a block of just over 15,000-square-foot entering the market. The northeast submarket generated the largest decrease in available space, lowering the vacancy rate nearly 3.0 percent over the last half of 2013. The decline is mainly due to the demolition of Greentree Court, a 48,000-square-foot multi-tenant office building. Starwood Group, who owns the land and the adjacent Gateway Mall, has not unveiled plans for the site.

The downtown submarket saw a flurry of leasing activity towards the end of the year that will be reflected in coming reports. Two state agencies vacated just under 28,000-square-foot between two downtown properties and relocated into a government-owned building. The positive front for the submarket is both buildings executed leases for the newly vacant spaces with occupancy in early 2014. In addition, Nelnet inked a 47,000-square-foot lease at the Wells Fargo Center and Commerce Court with plans to move its corporate offices to allow for expansion in its current facility and bring new jobs to downtown. Vacancy rates are expected to rise by the end of 2014 with the introduction of new office space in the West Haymarket and the south end of downtown.

Two trends are emerging in the office market and are set to shake up this sector. First, advances in technology and the use of shared work spaces are influencing the way and where people work, shifting the demand for the type and amount of office space companies need. For example, last year Nationwide revamped its local offices, replacing cubicles with a flexible floor plan. In the process, the firm downsized its office requirement by 40,000-square-foot, while still housing the same number of employees. Second, the CBD reflects a new strategy to take obsolete or hard-to-lease upper floor office space and convert it into living units. Three conversion projects are already in the pipeline to meet the demand for downtown living spaces.

The office market remains stable in Lincoln as interest in the positive business climate continues to improve. The outlook for 2014 is for moderate growth and rents to begin to rise. As new construction completes, there will be an even greater opportunity for companies to expand in or enter the Lincoln market.

OFFICE ABSORPTION TOTALS

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	62,951	9.8%	(1,577)	\$16.53
	CLASS B	94	2,674,037	397,660	14.9%	(14,446)	\$15.89
	CLASS C	22	248,218	17,172	6.9%	(13,978)	\$12.81
	NEW	1	63,609	-0-	0.0%	63,609	N/A
	SUBTOTAL	122	3,625,380	477,783	13.2%	33,608	\$15.85
NORTHEAST	CLASS A	6	160,158	15,997	10.0%	5,246	\$18.03
	CLASS B	91	1,053,486	154,820	14.7%	1,725	\$14.99
	CLASS C	43	370,183	24,892	6.7%	5,978	\$12.43
	NEW	2	17,015	14,000	82.3%	(5,994)	\$12.00
	SUBTOTAL	142	1,600,842	209,709	13.1%	6,955	\$14.60
NORTHWEST	CLASS A	9	745,691	19,658	2.6%	3,132	\$20.84
	CLASS B	46	754,819	114,982	15.2%	2,043	\$13.47
	CLASS C	13	146,411	6,942	4.7%	600	\$12.50
	NEW	N/A	N/A	N/A	N/A	N/A	N/A
	SUBTOTAL	68	1,646,921	141,582	8.6%	5,775	\$14.44
SOUTHEAST	CLASS A	10	519,438	57,387	11.0%	80,633	\$21.76
	CLASS B	385	3,801,692	341,114	9.0%	(27,041)	\$16.45
	CLASS C	15	93,314	8,744	9.4%	(3,898)	\$11.45
	NEW	3	25,160	5,079	20.2%	(50,144)	\$21.00
	SUBTOTAL	413	4,439,604	412,324	9.3%	(450)	\$17.17
SOUTHWEST	CLASS A	3	277,835	15,868	5.7%	(15,868)	\$20.50
	CLASS B	106	1,165,876	187,003	16.0%	17,610	\$16.97
	CLASS C	22	110,109	21,441	19.5%	(3,518)	\$12.41
	NEW	1	5,000	1,315	26.3%	-0-	\$19.50
	SUBTOTAL	132	1,558,820	225,627	14.5%	(1,776)	\$16.74
OFFICE TOTALS		877	12,871,567	1,467,025	11.4%	44,112	\$16.04

RECENT OFFICE SALES

Address	Size (SF)	Seller	Buyer	Price	Price/SF	Submarket
144 N. 44th Street*	14,356	Palmer & Lois Meyer	44th Street Properties, LLC	\$527,500	\$36.74	Northeast
701 P Street*	34,210	The Creamery LLC	Robert & Sheryl Alderman	\$2,300,000	\$67.23	CBD

RECENT OFFICE LEASE TRANSACTIONS

Address	Tenant	Size (SF)	Deal Type	Submarket
1248 O Street, Suite 900*	Nelnet	17,287	Expansion	CBD
5539 S. 27th Street*	Keller Williams	4,000	New Location	Southwest
300 S. 68th Street*	First Step Recovery, Inc.	7,196	Relocation	Southeast
2900 S. 70th Street*	Unified Employee Benefits	4,871	New Location	Southeast
300 N. 44th Street*	Better Business Bureau	2,469	Relocation	Northeast

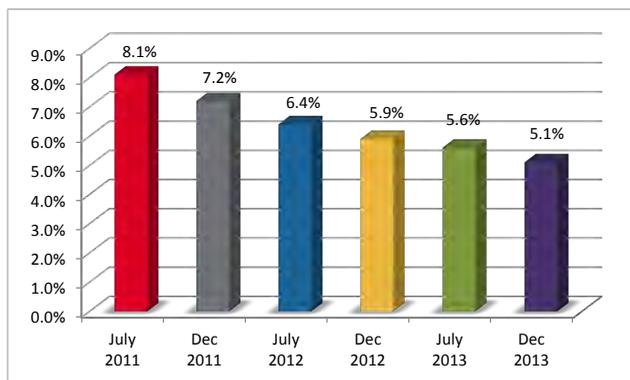
*Indicates Transaction Represented by NAI FMA Realty

Market Report Second Half 2013 Retail

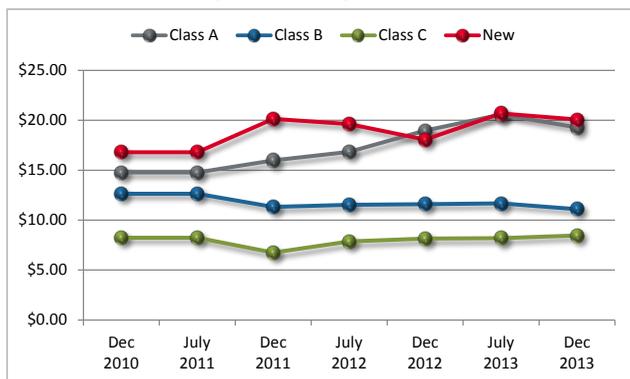


RETAIL OVERVIEW

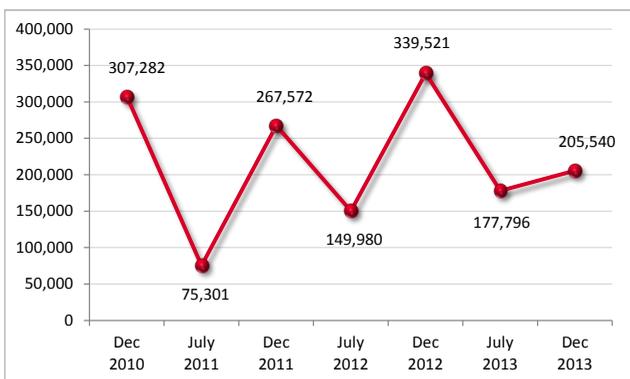
Historical Vacancy Rates



Historical Rental Rates by Building Class



Historical Net Absorption (Square Feet for Six Months Ending)



Lincoln's retail fundamentals remained strong through the second half of 2013, with a positive net absorption of 205,540-square-feet and overall vacancy decreasing to 5.1 percent. Asking rates have remained for the most part level across all building classes. A vibrant local housing market, the opening of Lincoln's new arena and improving consumer confidence combined with limited supply have worked to boost the sector.

Much of Lincoln's development activity has been focused in the West Haymarket area around the newly opened Pinnacle Bank Arena along with a few other new, high-profile retail construction projects throughout the metro. The Railyard and the Canopy Street retail in the Haymarket opened nearly full with restaurants ranging from fast-casual concepts to sit-down restaurants. The new Whole Foods anchored retail center in mid-town opened 100% leased; HomeGoods is near completion in the Wilderness Hills development at 27th and Yankee Hill Road; and Planet Fitness is under construction for its first Lincoln location off the N. 27th Street corridor. Best Buy is preparing for its relocation in early 2014 to a new, smaller store in east Lincoln. In addition, new entrants into the market include Smoothie King, Nothing Bundt Cakes, and Dunkin' Donuts has chosen its first Lincoln location. PizzaRev, Quaker Steak & Lube, and Sprouts have also shown interest in the market for future stores. ALDI, a discount grocery chain, announced plans to open 650 sites throughout the U.S. with two slated for Lincoln - the first is under construction in the same development with Kohl's and Marshall's/ HomeGoods in the southeast sub market.

The market saw some long-established retail stores and restaurants close by the end of the year. Some closings were snapped up by other retailers while others made way for new development projects.

As demand increases for live-work-play communities, developers are looking to meet this demand by building mixed-use projects supported by grocery-anchored retail. There are two such projects in planning or underway in or near Lincoln's core. The Exchange at Antelope Valley, a \$32 million, 6.5-acre development is to include apartments, row houses, retail and a small grocery store in an area near 21st and N Streets. Chicago-based Ardent Group and CA, formerly Campus Acquisitions, are developing a student apartment complex on an under-used parking lot in the downtown. This project will include main-floor retail space, second-floor outdoor pool and indoor/outdoor exercise area, and a below-ground parking garage.

The Lincoln retail market should continue to hold its own, as overall economic conditions are forecast to remain steady. With limited new supply entering the market and steady demand pushing vacancies down, rents are likely to experience upward pressure.

RETAIL ABSORPTION TOTALS

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	5,462	5.6%	-0-	\$25.00
	CLASS B	126	1,047,098	78,382	7.5%	24,813	\$13.23
	CLASS C	63	358,142	68,508	19.1%	(11,387)	\$8.39
	NEW	2	64,331	6,759	10.5%	57,572	\$30.00
	SUBTOTAL	196	1,567,245	159,111	10.2%	70,998	\$11.40
NORTHEAST	CLASS A	3	43,789	1,917	4.4%	-0-	\$14.50
	CLASS B	398	6,413,613	330,489	5.2%	15,037	\$9.91
	CLASS C	138	631,687	11,060	1.8%	1,827	\$8.02
	NEW	5	35,954	-0-	0.0%	24,157	N/A
	SUBTOTAL	544	7,125,043	343,466	4.8%	41,021	\$9.87
NORTHWEST	CLASS A	6	236,956	-0-	0.0%	-0-	N/A
	CLASS B	188	1,737,506	109,672	6.3%	(15,020)	\$10.72
	CLASS C	101	573,761	13,900	2.4%	17,870	\$7.20
	NEW	4	87,917	19,627	22.3%	(9,080)	\$14.68
	SUBTOTAL	299	2,636,140	143,199	5.4%	(6,230)	\$10.92
SOUTHEAST	CLASS A	12	689,939	28,678	4.2%	33,422	\$18.76
	CLASS B	311	4,980,249	199,128	4.0%	146,722	\$11.28
	CLASS C	69	371,896	28,615	7.7%	(657)	\$10.88
	NEW	6	97,932	20,175	20.6%	(98,385)	\$22.00
	SUBTOTAL	398	6,140,016	276,596	4.5%	81,102	\$12.79
SOUTHWEST	CLASS A	8	362,739	1,420	0.4%	2,150	\$14.50
	CLASS B	162	1,198,842	43,517	3.6%	38,816	\$16.48
	CLASS C	123	838,752	41,245	4.9%	8,303	\$7.54
	NEW	3	8,925	-0-	0.0%	(30,620)	N/A
	SUBTOTAL	296	2,409,258	86,182	3.6%	18,649	\$12.17
RETAIL TOTALS		1,733	19,877,702	1,008,554	5.1%	205,540	\$11.26

Recent Retail Sales

Address	Size (SF)	Seller	Buyer	Price	Price/SF	Submarket
2130 Winthrop Road*	8,488	Edward & Yana Beranek	McArthur Park Properties Inc.	\$690,000	\$81.29	Southeast
6401 Q Street	16,020	Apples Way LLC	6401 Q Street LLC	\$1,100,000	\$68.66	Northeast

Recent Retail Lease Transactions

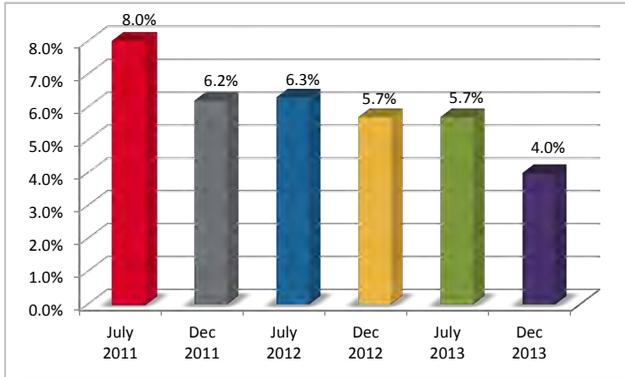
Address	Tenant	Size (SF)	Deal Type	Submarket
2800 Cornhusker Highway*	Raising Canes/Lebeda	7,616	Redevelopment	Northeast
6125 Apples Way*	Dickey's BBQ	2,200	New Location	Southeast
5650 N. 33rd Circle*	Hair Affair Salon	1,500	New Location	Northeast
2445 S. 48th Street*	Cause for Paws	6,500	Relocation	Southeast
5050 Old Cheney Road*	Lincoln Restoration Services	5,100	New Location	Southeast

*Indicates Transaction Represented by NAI FMA Realty

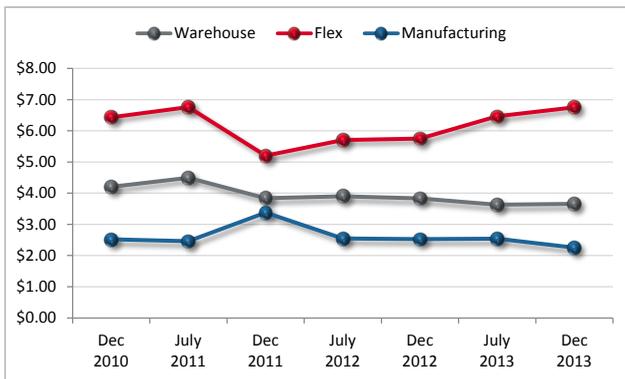
Market Report Second Half 2013 Industrial



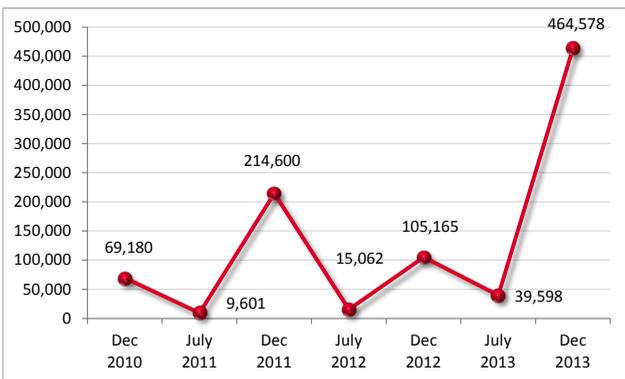
Historical Vacancy Rates



Historical Rental Rates
by Building Class



Historical Net Absorption
(Square Feet for Six Months Ending)



INDUSTRIAL OVERVIEW

Healthy positive net absorption of 465,000-square-foot pushed the overall vacancy rate down 1.7 percent for the Lincoln industrial market, to end the year at 4.0 percent. This is the biggest decline since the market began to recover in 2011. Asking rental rates have remained stagnant but that is expected to change as demand outweighs the current supply.

Leasing activity has been particularly strong in the industrial market in 2013. The majority of the absorption for the second half, approximately 363,000-square-foot, occurred in the warehouse product type bringing its vacancy rate to a low 3.2 percent. Flex and manufacturing had modest absorption with 23,121-square-foot and 78,265-square-foot respectively.

Sales activity for the Lincoln industrial market saw few transactions and mostly for end-users. Examples of second half 2013 sales were Neogen Corp's purchase of a 25,000-square-foot flex space at 4131 N. 48th Street for relocation and the investment purchase of the 186,000-square-foot distribution warehouse leased by American Tire Distributors for \$11 million. Buildings of less than 20,000-square-foot garnered the strongest demand and highest per square foot prices. The average price-per-square-foot in 2013 was \$50.56, a positive indicator of the strength of the local market.

In the second half of 2013, site work began on the 110,000-square-foot, build-to-suit manufacturing building for Hexagon Lincoln at the Air Park rail center. That building has an anticipated delivery date by fall 2014. Hexagon signed a lease for half of the building to accommodate its \$26 million expansion of its Lincoln operations. TMCO, a supplier to Hexagon, is also experiencing growth.

Other notable business stories include Koch Industries Inc. buying Molex, Inc. which has operated in Lincoln for 35 years and employs approximately 1,100 employees. And Zoetis, an animal vaccine manufacturing company that spun off from Pfizer earlier in the year, announced an expansion to its local plant that will create 30 new jobs.

Lincoln's industrial market is expected to remain optimistic for the near future. Developers continue to exercise restraint, limiting the availability of new supply in the market.

INDUSTRIAL ABSORPTION TOTALS							
SUBMARKET	CLASS	NUMBER OF BUILDINGS	TOTAL RENTABLE SF	TOTAL AVAILABLE SF	% VACANT	NET ABSORPTION	AVERAGE ASKING RATE (\$/SF/YR)
CBD	Warehouse	13	223,460	-0-	0.0%	-0-	N/A
	Flex	4	27,878	-0-	0.0%	-0-	N/A
	Manufacturing	7	325,334	-0-	0.0%	-0-	N/A
	SUBTOTAL	24	576,672	-0-	0.0%	-0-	N/A
NORTHEAST	Warehouse	274	4,283,747	75,342	1.8%	243,032	\$3.93
	Flex	64	889,895	7,500	0.8%	7,500	\$5.94
	Manufacturing	50	3,385,657	71,850	2.1%	29,005	\$3.42
	SUBTOTAL	388	8,559,299	154,692	1.8%	279,537	\$3.79
NORTHWEST	Warehouse	210	4,434,211	225,393	5.1%	142,012	\$3.10
	Flex	26	352,369	30,670	8.7%	(3,159)	\$10.18
	Manufacturing	31	5,299,257	338,901	6.4%	49,260	\$1.95
	SUBTOTAL	267	10,085,837	594,964	5.9%	188,113	\$2.81
SOUTHEAST	Warehouse	19	122,877	3,200	2.6%	-0-	\$5.25
	Flex	23	185,135	4,200	2.3%	-0-	\$5.55
	Manufacturing	1	8,829	-0-	0.0%	-0-	N/A
	SUBTOTAL	43	316,841	7,400	2.3%	-0-	\$5.42
SOUTHWEST	Warehouse	274	4,719,622	142,627	3.0%	(21,852)	\$4.40
	Flex	84	644,028	62,150	9.7%	18,780	\$5.26
	Manufacturing	22	1,511,922	93,997	6.2%	-0-	\$2.50
	SUBTOTAL	380	6,875,572	298,774	4.3%	(3,072)	\$3.98
INDUSTRIAL TOTALS		1,102	26,414,221	1,055,830	4.0%	464,578	\$3.30

Recent Industrial Sales							
Address	Size (SF)	Seller	Buyer	Price	Price/SF	Submarket	
7141 Amanda Road*	5,592	Charles & Joan Uribe	KJD, LLC	\$328,000	\$58.66	Northeast	
4131 N. 48th Street*	24,778	Lehms Lincoln, LLC	Neogen Properties, LLC	\$540,000	\$21.79	Northeast	

Recent Industrial Lease Transactions					
Address	Tenant	Size (SF)	Deal Type	Submarket	
5900 N. 58th Street*	Sioux City Truck Sales	4,500	New Location	Northeast	
4800 Doris Bair Circle*	UNL	10,000	Expansion	Northeast	
4400 N. 48th Street*	Driven Academy	6,000	Expansion	Northeast	
3541 N.W. 15th Street*	Dillon Tire, Inc.	20,000	Renewal	Northwest	
5700 Seward Avenue*	Nebraska Concrete & Aggregates	1,200	New Location	Northeast	

*Indicates Transaction Represented by NAI FMA Realty

NAIFMA Realty

