

Second Half 2020 Market Report

Lied Place – New 20-Story Condo & Office Project in Downtown Lincoln

Individual Members of:



OVERALL MARKET Second Half 2020

HIGHLIGHTS

Lincoln's commercial real estate market endured a strained year in 2020 yet benefitted from its location in the Midwest and the stability of its economy. Commercial, industrial and multifamily displayed durability and were not as affected as other sectors.

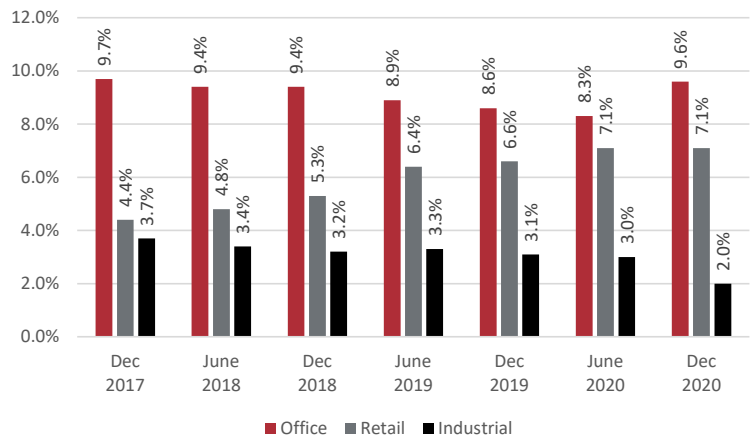
Many office spaces stood dark in 2020. Workers are slowly returning back to the office while adjusting to the new hybrid work style of remote working vs. traditional office use. However, uncertainty lingers, as to how tenants will adjust future occupancies as lease terms come due.

While the pandemic has forced consumers to adapt to more online ordering, many retailers have pivoted to meet this demand. Pharmacies, grocery stores and restaurants with drive-thrus or carry-out services are doing well.

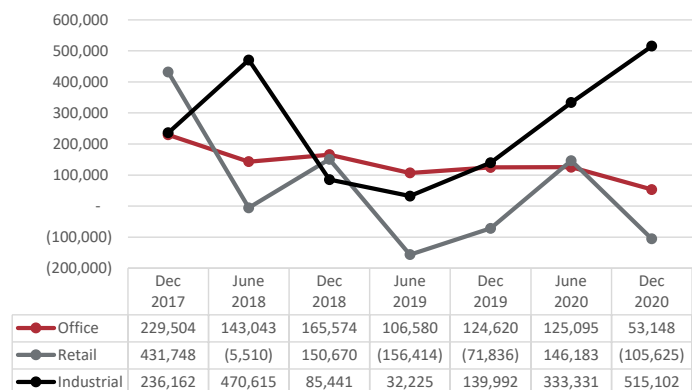
The industrial market has been the top performing property sector in recent years. It has proven resilient along with the area's multifamily during the pandemic and is expected to outperform other sectors for the next year.

In 2021, commercial real estate will begin to recover from the COVID-19 pandemic that shuttered restaurants and stores, kept office workers at home, and left hotel rooms empty. How the recovery looks varies on the sector, how the broader economy recovers and response to the COVID-19 vaccine.

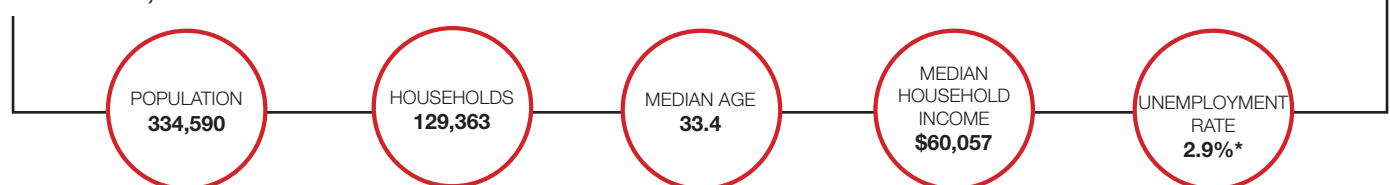
Overall Market Historical Vacancy



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



LINCOLN, NE MSA DEMOGRAPHICS



*Preliminary Dec 2020

Sources:
www.bls.gov

Lincoln Partnership for Economic Development Detailed Lincoln Data Report 2019

CONSTRUCTION ACTIVITY

Office and retail construction starts paused in the first half of 2020, as these sectors were hit the hardest at the start of the pandemic. As a clearer outlook emerged, retail and office users confidence returned and led to higher permit activity in the second half of 2020. A few future projects were delayed or cancelled largely due to a shift in demand and the rise in construction costs.

- \$3.66 million renovation project is underway for the Ponca Tribe of Nebraska at 1600 Windhoek Drive. Plans include a dental clinic and pharmacy.
- Nelnet filed a \$2.06 million permit to renovate its facility at 121 S. 13th Street.
- A \$1.62 million one-story 13,000 SF office building is under construction at 8415 Maddox Drive along with a tenant buildout for \$940,000.
- Nebraska Technology Park will break ground on a new \$2.08 million office building.
- Taco Bell is under construction at 7355 Willowbrook Lane. The building permit was for \$625,000.
- Cobalt Credit Union is building its first stand-alone branch in the northeast submarket for \$2.57 million.
- Bestorq, a company who manufactures transmission belts, plans a \$1.2 million warehouse addition to its 81,000-square-foot facility.
- Crete Carrier plans to add a \$3.5 million storage facility east of their headquarters on West O St and build an addition plus renovate existing space for \$2.9 million.
- Several smaller warehouse buildings are planned across Lincoln, making room for future tenants.



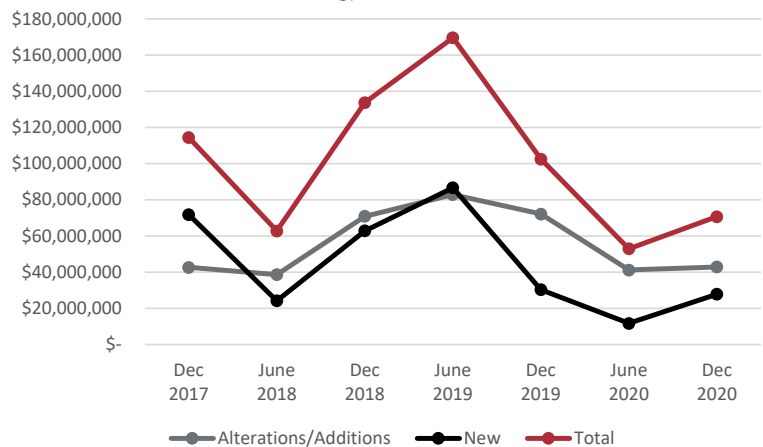
73rd & Pine Lake Road

U-Stop Convenience Shop & Jeannie's Kitchen opened at 73rd & Pine Lake Road. Taco Bell and a 30,000 sq. ft. office building are under construction in the same area.

NEW CONSTRUCTION PERMITS

Office		2nd Half 2020: \$ 7,679,000 1st Half 2020: \$ 3,550,000
Retail		2nd Half 2020: \$12,937,000 1st Half 2020: \$ 992,000
Industrial		2nd Half 2020: \$ 7,207,000 1st Half 2020: \$ 7,175,000

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



BUILDING PERMITS BY BUILDING TYPE

OFFICE

	# of Permits	Value
New Construction	7	\$7,679,375
Alteration to existing	90	\$20,666,143
TOTAL	97	\$28,345,518

RETAIL

	# of Permits	Value
New Construction	12	\$12,937,009
Alteration to existing	76	\$12,326,453
TOTAL	88	\$25,263,462

INDUSTRIAL

	# of Permits	Value
New Construction	10	\$7,207,420
Alteration to existing	25	\$9,843,695
TOTAL	35	\$17,051,115

OFFICE Second Half 2020

HIGHLIGHTS

- Lincoln's office market recorded 53,148 sq. ft. of positive net absorption in the second half of 2020, bringing the year's total to 178,243 sq. ft. Although the COVID-19 pandemic has slowed leasing activity, the market has recorded positive net absorption over the past 10 years.
- The overall office vacancy rate increased slightly to 9.6%, only a 1.0% increase year-over-year. Suburban submarkets remained more insulated with less severe rates of negative absorption and occupancy declines than the downtown submarket. The downtown submarket vacancy rate reached 12.4% in the second half 2020, up from 10.5% over the prior year.
- Despite an uptick in vacancy, the average asking rent rose from \$18.45 to \$18.99. New space coming onto the market was a driver of this increase.
- COVID-19 has kept many office buildings nearly empty with leases still being paid. According to the National Association of REALTORS®, office usage nationally dropped by a combined 74 million sq. ft. in the second and third quarter of 2020 (Source: REALTOR Magazine Jan-Feb 2021). This trend is causing businesses to reevaluate their space needs as leases are terminating.
- The Lincoln office market continued to see movement largely based on tenant type and location. Increased interest to be close to their workforce and upgraded space has led to most office construction activity concentrated in the suburban submarkets. Seven new office buildings will be delivered by the end of 2021 for the Southeast submarket.
- Even after the vaccine arrives, the future for office space in 2021 remains cautious and how businesses fully adapt is still unknown.

“There will be some "right-sizing" of office space in 2021 and the immediate years to follow. This could be choosing a smaller footprint with some work force remaining remote or it could be an increase in space to provide for more distancing. A decent level of uncertainty remains as companies explore the right fit.”

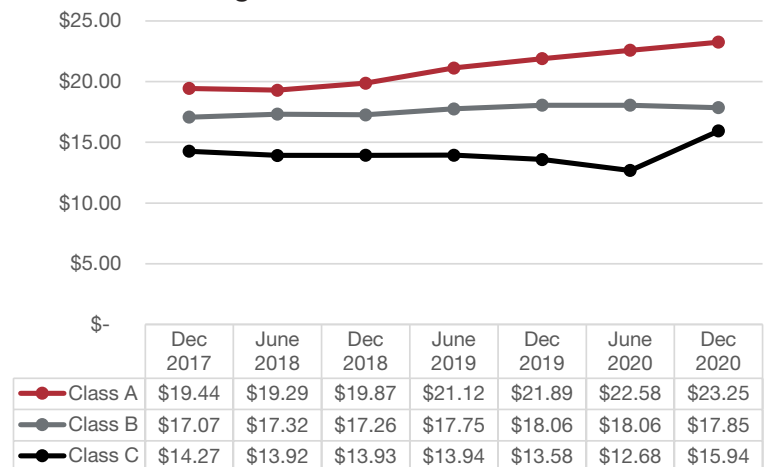


Mike Ball
Vice President,
Sales & Leasing

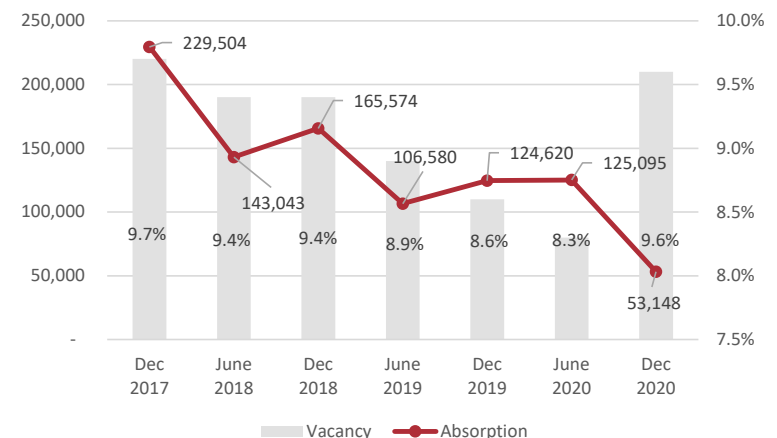
OFFICE FUNDAMENTALS

Vacancy		2nd Half 2020: 9.6% 1st Half 2020: 8.3%
Net Absorption		2nd Half 2020: 53,148 SF 1st Half 2020: 125,095 SF
Average Asking Rate		2nd Half 2020: \$18.99 1st Half 2020: \$18.45

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) Full Gross
CBD						
Class A	14	1,312,734	91,457	7.0%	(6,337)	\$20.49
Class B	96	2,532,681	354,363	14.0%	(88,767)	\$16.53
Class C	19	228,122	60,708	26.6%	(15,627)	\$18.08
CBD Subtotal	129	4,073,537	506,528	12.4%	(110,731)	\$17.44
Northeast						
Class A	7	217,704	6,777	3.1%	3,205	\$20.65
Class B	101	1,212,120	85,510	7.1%	(11,183)	\$16.62
Class C	44	383,812	11,321	2.9%	4,325	\$13.95
Northeast Subtotal	152	1,813,636	103,608	5.7%	(3,653)	\$16.69
Northwest						
Class A	13	1,038,502	115,578	11.1%	126,327	\$24.66
Class B	51	900,384	102,181	11.3%	(4,114)	\$16.73
Class C	13	148,559	13,820	9.3%	-	\$7.25
Northwest Subtotal	77	2,087,445	231,579	11.1%	122,213	\$20.12
Southeast						
Class A	17	738,127	73,770	10.0%	13,289	\$24.88
Class B	429	4,189,598	430,388	10.3%	(38,660)	\$19.51
Class C	18	95,372	4,495	4.7%	(455)	\$16.78
Southeast Subtotal	464	5,023,097	508,653	10.1%	(25,826)	\$20.37
Southwest						
Class A	8	390,687	34,278	8.8%	-	\$23.00
Class B	123	1,345,287	40,714	3.0%	57,214	\$19.32
Class C	25	128,545	6,230	4.8%	13,931	\$17.38
Southwest Subtotal	156	1,864,519	81,222	4.4%	71,145	\$20.73
Market Total	978	14,862,234	1,431,590	9.6%	53,148	\$18.99

NOTABLE TRANSACTIONS				
SALE	Size	Price	Price/SF	Submarket
206 S. 13th Street	124,992	\$3,000,000	\$24.00	CBD
947 O Street	76,803	\$6,060,000	\$79.00	CBD
1600 Windhoek Drive	38,726	\$4,275,000	\$110.00	SW
LEASE	Size	Tenant	Lease Type	Submarket
2000 Q Street*	26,542	JEO Consulting Group, Inc.	New	NW
4433 S. 70th Street*	8,954	Dormie Networks	Relocation	SE
2900 S. 70th Street*	8,985	Tews Financial Group, Inc.	Renewal	SE

*Indicates Transaction Represented by NAI FMA Realty



SOLD: Richard Meginnis & Jared Froehlich represented the seller in the sale of two office suites at 2935 Pine Lake Rd.



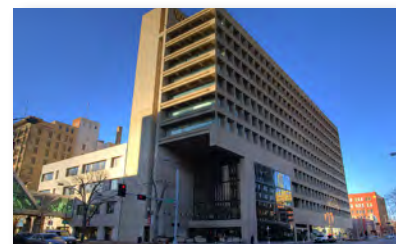
LEASED: Nebraska Aids Project leased 2,600 SF of space at 127 S. 37th Street. Scott Richardson represented the landlord.



LEASED: Principal Life Insurance Company renewed its 6,049 SF lease at 770 N. Cotner Blvd. Tom Graf assisted the tenant.



SOLD: A 24,088 SF building at 220 Oakcreek Dr sold for \$765,000. Mike Ball & Marc Hausmann represented the seller.



LEASED: The Honorable Deb Fischer leased office space in the Wells Fargo Center. Tom Graf and Richard Meginnis represented the landlord.

RETAIL Second Half 2020

HIGHLIGHTS

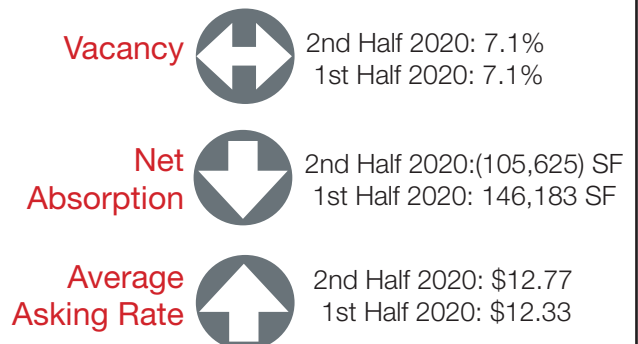
- Despite the economic uncertainty created by the COVID-19 pandemic, the Lincoln retail market fared well in the second half of 2020. The market stabilized with overall vacancy staying flat at 7.1%, while net absorption was slightly negative, totaling 105,625 sq. ft. New construction remains active throughout the market with projects under construction across all submarkets. In the Northeast submarket, Planet Fitness is under construction for a new 24,000 sq. ft. facility. In the Southwest submarket, Cattle Bank completed its new south branch along the popular Pine Lake corridor.
- The CBD submarket experienced the biggest loss of occupancy. The submarket vacancy jumped from 13.9% to 18.4%, which was in large part to the YMCA closing. However, the loss of foot traffic to shops and restaurants - university students learning online and professionals working from home - has left a void in downtown.
- Redevelopment plans are moving forward for the former Shopko building and additional retail space located at 4200 S. 27th Street. RED Development plans propose apartments, office and retail space along with several restaurants. RED is owner of Lincoln's outside mall, SouthPointe Pavilions, as well.
- Overall asking rents rose slightly ending the first half at \$12.77 per sq. ft. but overall rent growth has stalled over the last few years.
- COVID-19 has accelerated many of the trends present in the retail industry. Businesses that embraced omni-channel retailing are performing better and will return stronger. Drive-thru restaurants have also had an advantage this year as city mandates have limited indoor dining. PPP loans helped many businesses stay open in 2020 with more stimulus monies under consideration for 2021.
- Notable closures : Downtown YMCA, Champions Fun Center, Bed, Bath & Beyond north store

“ In the midst of the extreme challenges facing retailers, we have seen a heightened level of creativity, innovation and just sheer work ethic. In many cases, this creativity and work ethic has made the difference between retailers making it or breaking it. ”

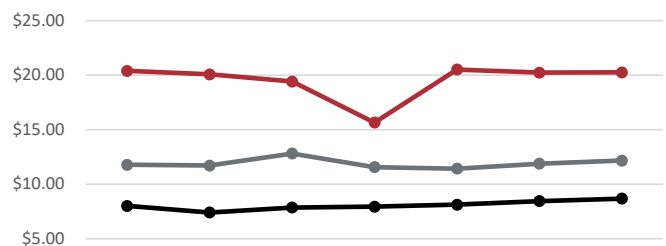


Jared Froehlich
Sales Associate

RETAIL FUNDAMENTALS



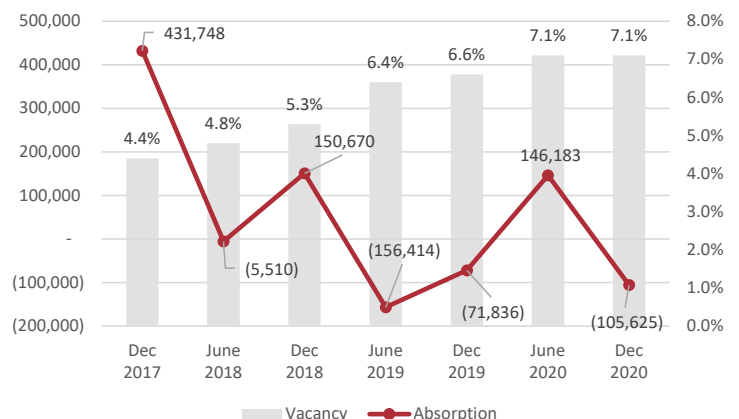
Historical Asking Rates



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	Dec 2017	June 2018	Dec 2018	June 2019	Dec 2019	June 2020	Dec 2020
Class A	\$20.39	\$20.07	\$19.41	\$15.66	\$20.52	\$20.23	\$20.25
Class B	\$11.78	\$11.71	\$12.82	\$11.57	\$11.43	\$11.89	\$12.17
Class C	\$8.01	\$7.41	\$7.87	\$7.94	\$8.13	\$8.46	\$8.68

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	12	261,897	69,986	26.7%	(12,157)	\$20.35
Class B	124	1,038,566	192,647	18.5%	(68,255)	\$13.72
Class C	63	368,236	45,127	12.3%	731	\$9.84
CBD Subtotal	199	1,668,699	307,760	18.4%	(79,681)	\$14.61
Northeast						
Class A	6	65,854	6,899	10.5%	10,321	\$18.00
Class B	422	6,549,099	562,001	8.6%	(54,647)	\$11.99
Class C	139	676,970	3,880	0.6%	-	\$6.76
Northeast Subtotal	567	7,291,923	572,780	7.9%	(44,326)	\$12.03
Northwest						
Class A	7	268,168	5,937	2.2%	-	\$15.00
Class B	190	1,782,120	88,063	4.9%	(7,174)	\$12.20
Class C	98	567,089	6,300	1.1%	5,712	\$8.00
Northwest Subtotal	295	2,617,377	100,300	3.8%	(1,462)	\$12.10
Southeast						
Class A	20	924,716	51,116	5.5%	670	\$24.14
Class B	356	5,433,682	311,378	5.7%	23,489	\$11.57
Class C	64	317,887	15,101	4.8%	(4,977)	\$11.14
Southeast Subtotal	440	6,676,285	377,595	5.7%	19,182	\$13.00
Southwest						
Class A	15	420,721	37,314	8.9%	144	\$16.01
Class B	178	1,756,065	60,620	3.5%	7,918	\$12.57
Class C	120	814,104	49,062	6.0%	(7,400)	\$7.09
Southwest Subtotal	313	2,990,890	146,996	4.9%	662	\$11.62
Market Total	1,814	21,245,174	1,505,431	7.1%	(105,625)	\$12.77

NOTABLE TRANSACTIONS					
SALE	Size	Price	Price/SF	Submarket	
2801 S. 48th Street*	3,434	\$1,900,000	\$553.00	SE	
6700 N. 27th Street	9,882	\$3,016,462	\$305.00	NE	
6940 A Street*	7,536	\$1,400,000	\$185.00	SE	
LEASE	Size	Tenant	Lease Type	Submarket	
5012 N. 27th Street*	2,740	Cocky's Chicken & Brew	New	NE	
333 N. Cotner Blvd.*	3,997	Cook's Cafe	Relocation	NE	
5600 S. 59th Street*	3,360	Daring Minds Therapy	Relocation	SE	

*Indicates Transaction Represented by NAI FMA Realty



LEASED: Gary Michael's Clothier will be relocating into 1,360 SF at 5720 Hidcote Drive. Mike Ball represented the tenant.



SOLD: Tom Graf represented the seller of a 8,488 SF retail investment property at 2130 Winthrop Road. It sold for \$810,000.



LEASED: 2019 P Street was leased to Uplifting Paws, a nonprofit organization. Richard Meginnis assisted the landlord.



SOLD: The former Shoemaker's Truck Stop at 4800 W. O Street was sold by Tom Graf & Richard Meginnis for \$2,900,000.



LEASED: 5505 O Street welcomed two new tenants with the last space under negotiations. Sally DeLair & Marc Hausmann represent the landlord.

INDUSTRIAL Second Half 2020

HIGHLIGHTS

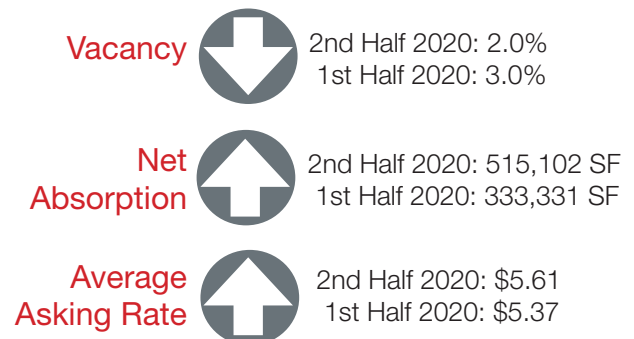
- The Lincoln industrial market had a strong showing in the second half of 2020, recording 515,102 sq. ft. of positive net absorption. This growth caps one of the best years in history for the market, which saw a total of 848,433 sq. ft. of positive net absorption in 2020.
- The vacancy rate plummeted to 2.0%, down 1.1% from a year ago. The lack of quality supply, coupled with insatiable demand for industrial space, continues to put upward pressure on asking rents, with the overall Lincoln industrial market finishing the year at \$5.61 per sq. ft. triple net (NNN).
- The largest leasing and occupancy activity was in the Northeast and Northwest submarkets with 203,080 sq. ft. and 288,167 sq. ft. absorbed. Great Plains Beef, provider of Certified Piedmontese, completed its new manufacturing facility and storage building to add to its expanding operations near 84th Street and Havelock.
- A number of speculative construction projects are planned for the market, adding new options for tenants in 2021 but demand continues to outpace supply with the boom of e-commerce and last-mile deliveries.
- A larger manufacturing facility will become vacant in the first half of 2021, as Molex moves its operations to Chicago, bringing attractive options for manufacturing users.
- New consumer trends and the shortage of available industrial land is causing land to be more valuable than ever. Companies may look for other solutions to solve storage problems such as multi-story buildings or micro-fulfillment centers.
- The Lincoln industrial market will likely remain poised for another strong year in 2021.

“Our local vacancy rate is 2%, down from 3.1% over the prior year. While this may seem attractive to investors, this may not allow for much in terms of local expansion. As a comparable, the national average for vacant spaces is 4.2%, of which we are well below.”

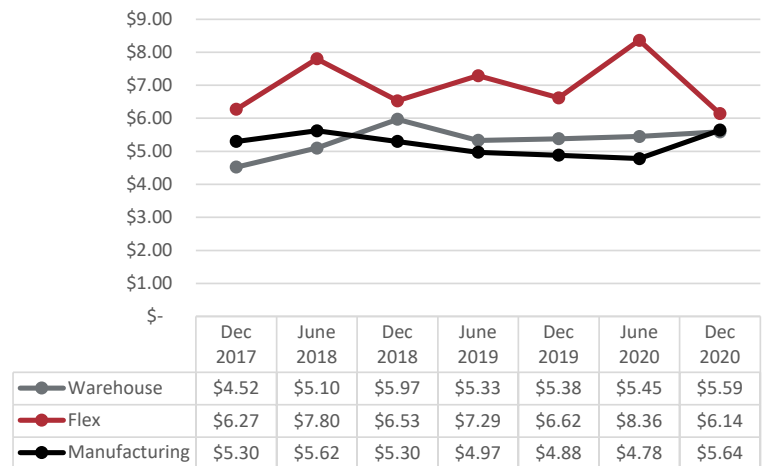


Marc Hausmann, CCIM
Associate Broker

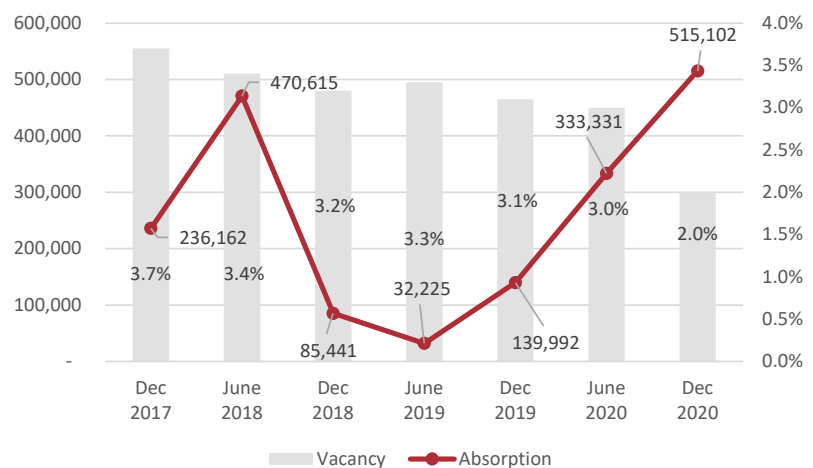
INDUSTRIAL FUNDAMENTALS



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						
Warehouse	11	133,744	14,200	10.6%	-	\$10.50
Manufacturing	7	316,202	105,570	33.4%	-	\$8.00
Flex	2	13,488	-	0.0%	(9,550)	N/A
CBD Subtotal	20	463,434	119,770	25.8%	(9,550)	\$8.30
Northeast						
Warehouse	310	5,137,379	138,182	2.7%	108,765	\$5.86
Manufacturing	52	3,731,863	103,700	2.8%	-	\$3.05
Flex	56	856,630	-	0.0%	94,315	N/A
Northeast Subtotal	418	9,725,872	241,882	2.5%	203,080	\$5.17
Northwest						
Warehouse	253	5,473,389	37,517	0.7%	96,578	\$3.67
Manufacturing	33	5,493,096	48,810	0.9%	162,271	\$6.04
Flex	28	434,803	10,434	2.4%	29,318	\$6.00
Northwest Subtotal	314	11,401,288	96,761	0.8%	288,167	\$4.32
Southeast						
Warehouse	20	134,038	-	0.0%	12,500	N/A
Manufacturing	1	8,829	-	0.0%	-	N/A
Flex	22	176,974	-	0.0%	5,615	N/A
Southeast Subtotal	43	319,841	-	0.0%	18,115	N/A
Southwest						
Warehouse	352	5,453,899	128,823	2.4%	9,322	\$6.72
Manufacturing	25	1,838,444	-	0.0%	-	N/A
Flex	70	567,641	2,419	0.4%	5,968	\$6.75
Southwest Subtotal	447	7,859,984	131,242	1.7%	15,290	\$6.72
Market Total	1,242	29,770,419	589,655	2.0%	515,102	\$5.61

NOTABLE TRANSACTIONS					
SALE	Size	Price	Price/SF	Submarket	
4840 Doris Bair Circle, Unit 2*	21,000	\$1,300,000	\$62.00	NE	
1200 Aries Drive	13,615	\$1,644,000	\$121.00	SW	
455 W. South Street	37,086	\$3,103,730	\$84.00	SW	
LEASE	Size	Tenant	Lease Type	Submarket	
3340 Ox Bow Circle*	8,000	Walcro, Inc.	Relocation	NE	
6000 N. 60th Street*	36,000	Rexnord Industries, LLC	Relocation	NE	
6131 S. 57th Street*	4,339	Generation V, Inc.	New	SE	

*Indicates Transaction Represented by NAI FMA Realty



LEASED: Mike Ball assisted the landlord in leasing out 4,300 SF at 3601 N. 25th St.



SOLD: Sally DeLair & Marc Hausmann sold 2900 N. 36th St, a 8,892 SF warehouse, for \$595,000.



LEASED: Smoking Gun Jerky leased 3,600 SF at 5740 Johanna Rd. Jared Froehlich represented the landlord.



SOLD: Scott Richardson & Jared Froehlich brokered the \$290,000 sale of a 3,480 SF warehouse at 2230 Y St.



LEASED: Sally DeLair & Marc Hausmann leased 4,500 SF at 1323 Dawes Ave. They represented the landlord in the deal.

SALES

Second Half 2020

MULTIFAMILY

- Multifamily market has remained steady in 2020 and continues to see higher renter demand for apartments as more of the population chooses renting over homeownership.
- The local investment market strengthened as average prices rose again at the end of 2020 to over \$58,000 a unit.
- Future demand will depend on if renters can continue to pay rising rents and supply doesn't outpace demand.

OFFICE

- Office sales increased for the second half but were mainly owner-occupied deals.
- CBD office submarket experienced two major deals with the sale of the Terminal Building and the Sharp Building. Both buyers look to redevelop some of the vacant office floors into residential apartments and renovate office/retail space to attract new tenants.

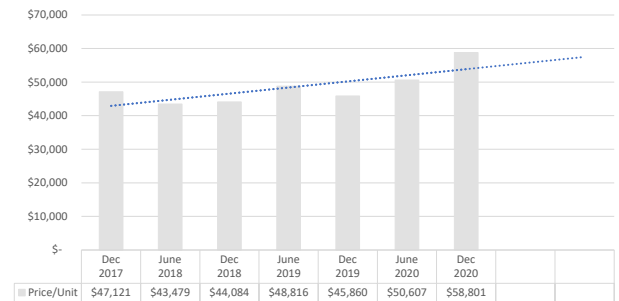
RETAIL

- Sales volume has been quieter, but steady in 2020. Price per square foot has remained level, though cap rates are starting to decline.
- Well-established, long-term tenants are always in demand by investors. The largest sale in the second half was the sale of the Cracker Barrel restaurant in north Lincoln, which sold for \$3.016 million (\$305.00 per sq. ft.).
- Well-located retail properties that become vacant are opening opportunities for those retailers showing strength through the pandemic.

INDUSTRIAL

- Sales transactions for industrial space increased in 2020 and indicates a preference shift from tenancy to ownership for industrial users.
- Increases in rental rates along with higher construction costs pushed asking purchase prices higher for industrial properties.
- Largest transaction was the purchase of a newly built 38,000 sq. ft. unit at 455 W. South Street by Robidoux, Inc. for approximately \$3.0 million.

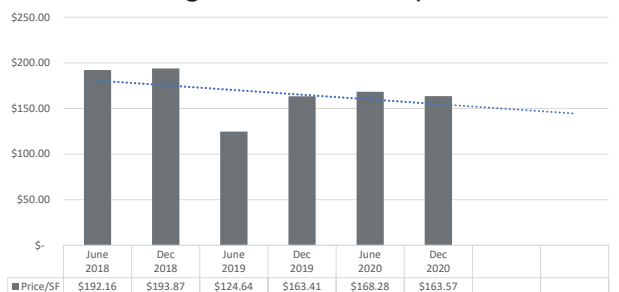
Multi-Family Average Sale Price/Unit



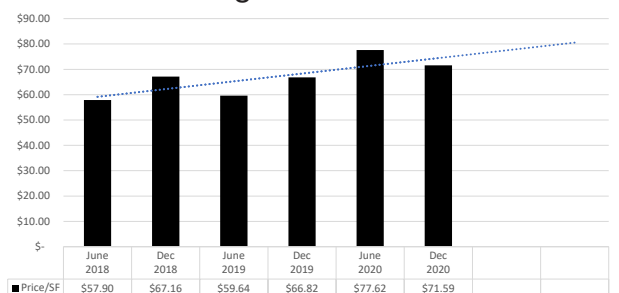
Office Average Sale Price/Square Foot



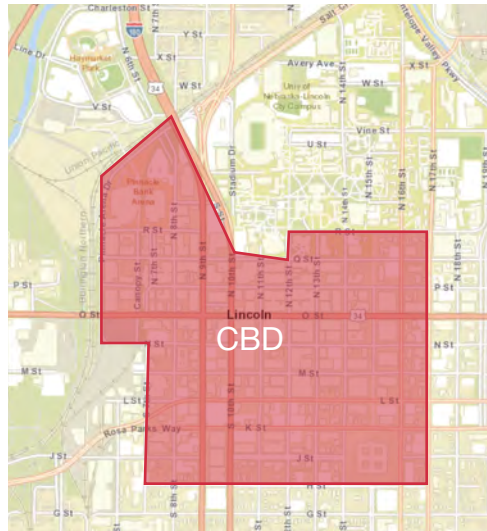
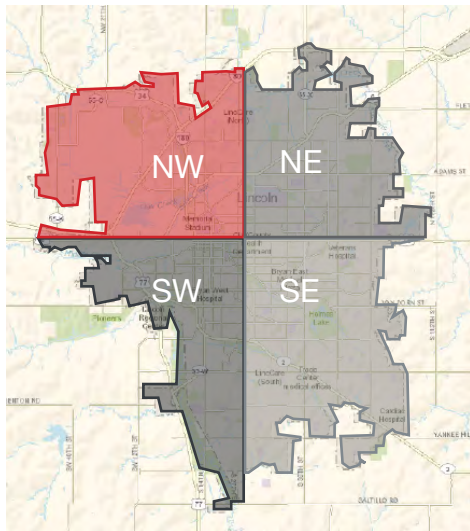
Retail Average Sale Price/Square Foot



Industrial Average Sale Price/SF



Submarkets



FOLLOW US ON:



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