

Second Half 2021 Market Report



68th Street Place - Owned by Enterprise Company & Managed By NAI FMA Realty

Individual Members of:



OVERALL MARKET Second Half 2021

HIGHLIGHTS

The economy in Lincoln continues to lead the way in all the commercial real estate sectors. With only 1.1% of the city's population unemployed, Lincoln ranks at the top of U.S. cities with the lowest unemployment rates (December 2021, U.S. Bureau of Labor Statistics).

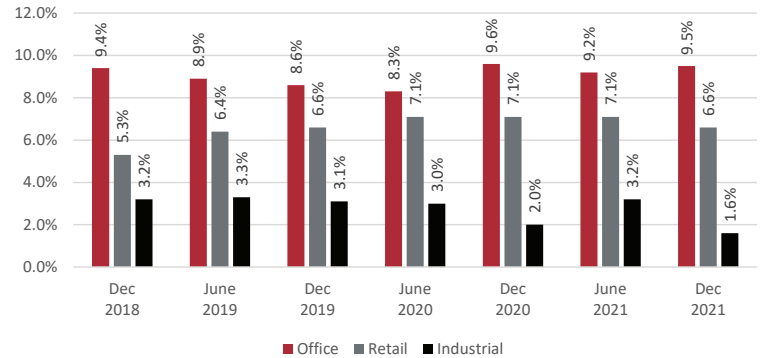
Lincoln's office sector was able to remain stable despite the CBD submarket experiencing bigger occupancy losses and the Omicron variant further delaying plans for returning to the office. Deals steadily increased in the second half across the other submarkets, as a number of tenants that used the first quarter of 2021 to assess their needs for office space reentered the market.

The retail sector performance was largely positive, giving the sector a brighter outlook. Asking rent grew and the vacancy rate also showed improvement as it fell to finish the year at 6.6%, just at its 2019 level. While the market is still experiencing some closings, confidence is gaining that the worst is over for retail.

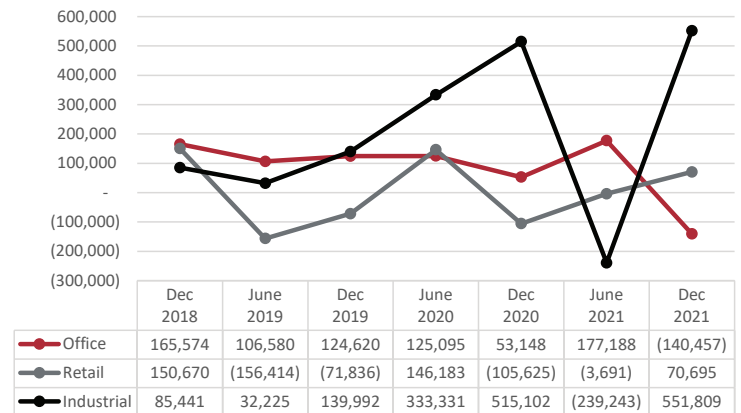
The second half 2021 caps an excellent year for industrial assets in the Lincoln market. With vacancy at an all-time low and asking rates continuing to rise, construction must ramp up to meet the immediate demand.

The Lincoln market is seeing signs of recovery from the unprecedented two year disruption caused by the pandemic despite concerns of inflation and new strains of COVID-19. Activity was evident in all submarkets and property types, and many are looking forward with measured optimism to 2022.

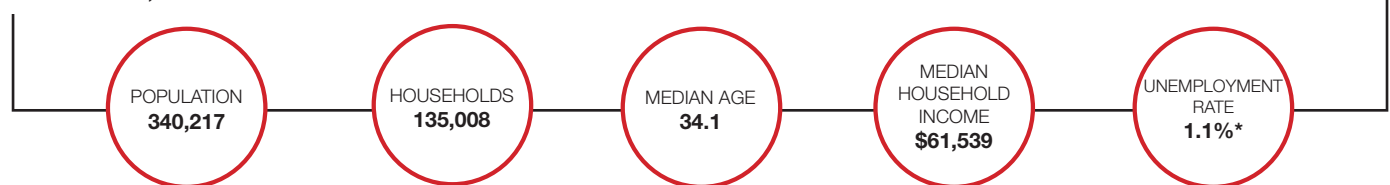
Overall Market Historical Vacancy



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



LINCOLN, NE MSA DEMOGRAPHICS



Sources:
www.bls.gov
www.census.gov
*Preliminary, December 2021

CONSTRUCTION ACTIVITY

The pandemic has not slowed local construction as construction project starts were up across the city in 2021. In 2021, Lincoln's annual public and private building permits totals surpassed the \$1 Billion mark for the first time ever. Rising material costs and other factors have pushed commercial project values and costs higher, however, the volume of projects is on par with past years.

- Bryan Health announced the new \$59.9 Mil April Sampson Cancer Center in south Lincoln. The 140,000 SF facility is expected to open in 2023.
- 2 Landmark Centre is under construction in the CBD by NEBCO Inc. The \$25 Mil three-story office building will be 159,000 SF and include underground parking.
- Discount Tire plans to construct a 10,191 SF building at 5625 O Street
- Duteau Subaru Dealership plans a \$1.26 Mil expansion and remodel of its existing facility
- Two new Starbucks locations are under construction in Southeast Lincoln, each with \$400,000 interior upfit costs
- \$3 Mil Walmart remodel of garden center conversion to order fulfillment area
- Truck Center Companies of Lincoln is building a new \$1.3 Mil truck shop at its center on 5701 Arbor Road
- Krueger Development \$1.235 Mil 10,000 SF flex building is under construction in Yankee Hill Business Center at 8233 Cody Drive
- Seven new self-storage buildings are planned at 35th & Superior for a total of \$1.8 Mil
- Lincoln Airport began a \$55 Mil project to modernize and expand its 50-year-old terminal



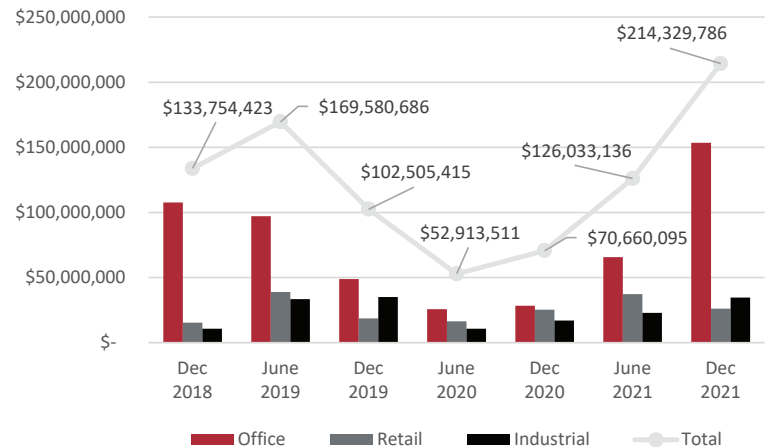
3833 Village Drive

A 13,025 SF Rocket Carwash is under construction near 40th & Old Cheney Road

NEW CONSTRUCTION PERMITS

Office	↑	2nd Half 2021: \$93,880,000 1st Half 2021: \$38,654,000
Retail	↓	2nd Half 2021: \$ 5,098,525 1st Half 2021: \$22,088,522
Industrial	↓	2nd Half 2021: \$11,859,711 1st Half 2021: \$16,014,000

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



BUILDING PERMITS BY BUILDING TYPE

OFFICE

	# of Permits	Value
New Construction	9	\$93,880,000
Alteration to existing	84	\$59,606,703
TOTAL	93	\$153,486,703

RETAIL

	# of Permits	Value
New Construction	13	\$5,098,525
Alteration to existing	84	\$20,976,185
TOTAL	97	\$26,074,710

INDUSTRIAL

	# of Permits	Value
New Construction	19	\$11,859,711
Alteration to existing	40	\$22,908,662
TOTAL	59	\$34,768,373

OFFICE Second Half 2021

HIGHLIGHTS

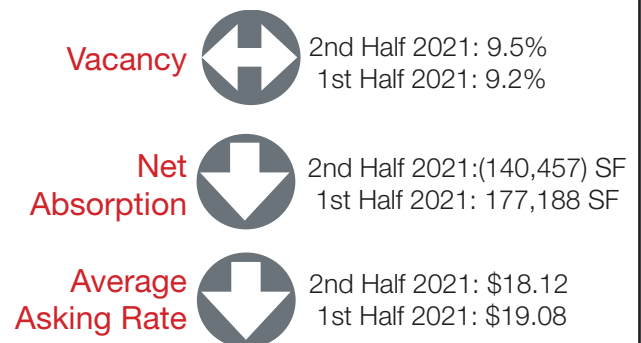
- Lincoln's office vacancy held fairly stable in the second half 2021 and now sits at 9.5%, up slightly from 9.2% in the first Half 2021.
- The second half 2021 saw negative absorption of 140,457 square feet in the overall market, marking the first time the market reported negative absorption since 2010. The CBD submarket saw the largest increase in vacancy from 12.3% in the first half of 2021 to 18.9% in the second half. Rising vacancy rates in the CBD can mainly be attributed to a now fully vacant Gold's building which covers nearly an entire city block and the demolition of the former Journal Star building at 926 P Street. Both sites were sold in the second half and are under redevelopment.
- Despite the downtown office market's vacancy rate creeping up and the spreading of the Omicron variant, increased leasing activity indicates that the uncertainty driven by pandemic conditions may be beginning to ebb. Official return-to-work dates have consistently been delayed for larger corporate companies, but the number of employees working in offices continues to rise.
- Demand remains relatively high for spaces under 2,000 SF or above 6,000 SF. Construction has also picked up with pent-up demand from users sitting on the sidelines during the pandemic.
- Rental rates continue to hold for higher quality spaces while older assets are having to be more aggressive in their deal packages, dependent on the property and submarket.
- As the economy stabilizes and businesses have a clearer picture of the future, we can expect to see an increase in office leasing velocity and longer-term leases.

“The uncertainty of COVID's lasting impact still divides how companies will return to the office. We are seeing more employees working out of offices across the city, but the bigger uncertainty is when will corporate users reopen fully.”

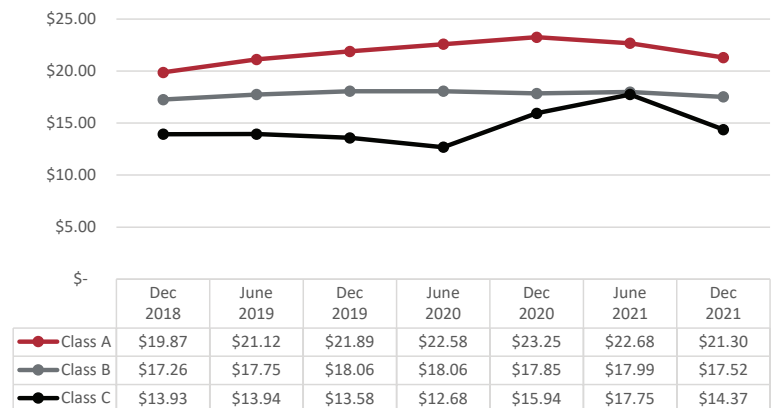


Mike Ball
Vice President, Sales & Leasing

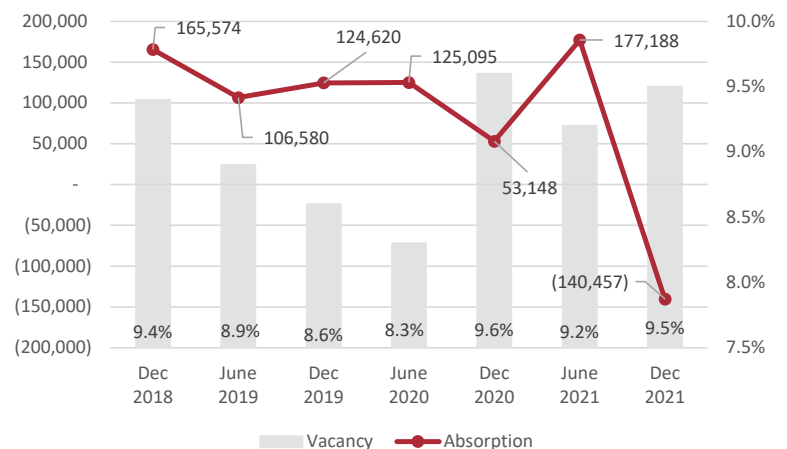
OFFICE FUNDAMENTALS



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) Full Gross
CBD						
Class A	14	1,312,734	96,845	7.4%	362	\$18.87
Class B	96	2,355,993	615,378	26.1%	(381,734)	\$16.46
Class C	18	185,522	18,108	9.8%	-	\$13.55
CBD Subtotal	128	3,854,249	730,331	18.9%	(381,372)	\$16.75
Northeast						
Class A	7	217,704	7,379	3.4%	3,803	\$20.65
Class B	101	1,218,659	98,268	8.1%	(8,021)	\$16.51
Class C	44	384,318	3,363	0.9%	(20)	\$15.70
Northeast Subtotal	152	1,820,681	109,010	6.0%	(4,238)	\$18.83
Northwest						
Class A	13	1,038,502	41,661	4.0%	73,917	\$23.33
Class B	52	925,384	94,424	10.2%	40,462	\$16.74
Class C	13	148,559	-	0.0%	-	N/A
Northwest Subtotal	78	2,112,445	136,085	6.4%	114,379	\$18.76
Southeast						
Class A	17	735,207	60,926	8.3%	1,403	\$23.97
Class B	440	4,329,900	286,374	6.6%	132,019	\$20.02
Class C	17	89,745	1,100	1.2%	2,940	\$16.00
Southeast Subtotal	474	5,154,852	348,400	6.8%	136,362	\$20.72
Southwest						
Class A	8	390,687	22,307	5.7%	-	\$23.00
Class B	125	1,354,862	60,234	4.4%	(9,850)	\$20.13
Class C	25	128,545	1,806	1.4%	4,262	\$19.15
Southwest Subtotal	158	1,874,094	84,347	4.5%	(5,588)	\$20.86
Market Total	990	14,816,321	1,408,173	9.5%	(140,457)	\$18.12

NOTABLE TRANSACTIONS					
SALE	Size	Price	Price/SF	Submarket	
630 N. Cotner Boulevard	26,881	\$3,800,000	\$141.00	NE	
1501 Old Cheney Road	36,109	\$5,250,000	\$145.00	SW	
1843 K Street*	46,990	\$4,100,000	\$87.00	SW	
LEASE	Size	Tenant	Lease Type	Submarket	
1221 N Street*	17,508	Davis Design	Renewal	CBD	
8055 O Street*	6,661	Community Care Health Plan of Nebraska, Inc.	Renewal	SE	
115 Canopy Street*	5,894	Everlake Service Co.	New	CBD	

*Indicates Transaction Represented by NAI FMA Realty



LEASED: Jared Froehlich & Mike Ball represented CompanyCam in an office lease of 13,600 SF at 300 Canopy St.



SOLD: PPT Property Management, LLC purchased 8001 S. 13th St., a 16,958 SF building, for \$2,160,000. Marc Hausmann & Sally DeLair represented the seller.



LEASED: Monolith Nebraska, LLC expanded by an additional 4,978 SF at Federal Trust Building at 134 S. 13th St. Marc Hausmann assisted the landlord.



LEASED: Nebraska Association of Public Employees, leased 3,033 SF in Commerce Court, 1230 O St. Tom Graf & Richard Meginnis represented the landlord.



SOLD: Jared Froehlich represented the seller & Tim Dombos assisted the buyer in the sale of a 1,140 SF office suite in Plaza Mall South located at 1919 S. 40th St.

RETAIL Second Half 2021

HIGHLIGHTS

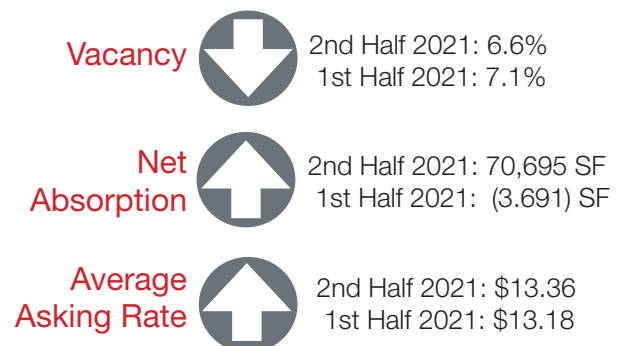
- Lincoln's retail market has survived the see-saw ups and downs of the pandemic and for the second half of 2021, vacancy rates decreased slightly to 6.6%. After posting 3,691 SF of negative net absorption in the first half 2021, tenant demand returned to give the market 70,695 SF of positive net absorption in the second half 2021. Asking rents continued to see a steady increase.
- The retailers and restaurants that successfully rode through the past two years, saw a strong return of customers. Consumer spending continues to see growth and online shopping is at an all-time high, however, one area to watch is how consumers will navigate increasing inflation.
- Retailers have faced a new set of challenges with supply chain headaches, labor availability coupled with rising construction costs, which has forced some retailers to cautiously consider expansion plans and space needs. However, those local and national retailers who are bullish with their growth projections, continued to look for new opportunities.
- Retailers and restaurants opening in the second half 2021 included Vic's Pizza, MW Climbing, Hy-Vee's new liquor store Wall to Wall Liquor & Spirits, Rexus Nutrition, and Hotworx. Two new concepts recently announced plans for Lincoln locations. Carvana is coming to Lincoln and Omaha and Colorado-based Ziggi's coffee shop is to open its first Nebraska location in Lincoln.
- Overall, leasing and sales volume continues to show good numbers within the market. As the recovery takes hold, minus any significant health or economic setbacks, it is likely that similar trends should continue into 2022.

“Lincoln's stable economy and continued population and job growth, led retail to bounce back by the end of 2021. Demand increased as new and established retailers and fast food concepts chased opportunities across the city.”

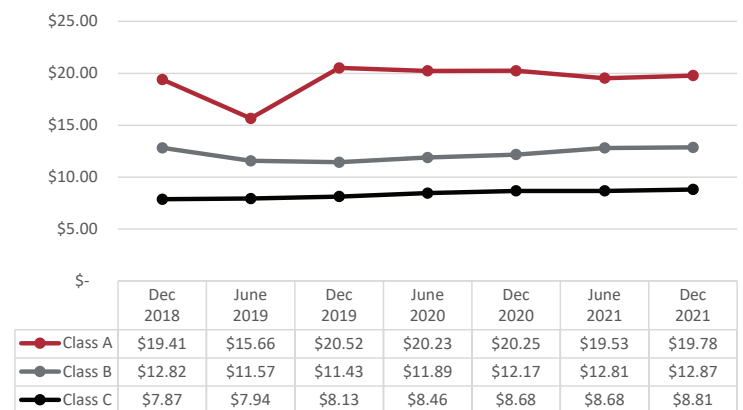


Jared Froehlich
Commercial Advisor

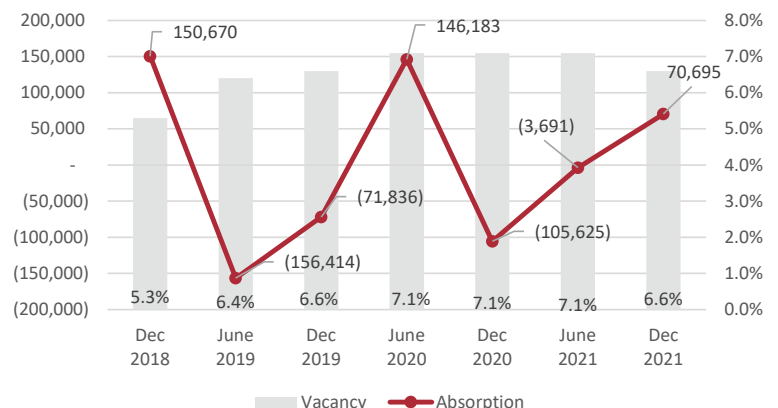
RETAIL FUNDAMENTALS



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						
Class A	12	261,897	49,888	19.0%	4,131	\$19.60
Class B	126	1,048,458	164,956	15.7%	16,943	\$13.70
Class C	62	364,230	32,632	9.0%	1,597	\$9.86
CBD Subtotal	200	1,674,585	247,476	14.8%	22,671	\$14.30
Northeast						
Class A	6	65,854	14,104	21.4%	(7,205)	\$17.37
Class B	422	6,549,092	564,063	8.6%	29,593	\$12.45
Class C	132	656,777	5,075	0.8%	(5,464)	\$12.06
Northeast Subtotal	560	7,271,723	583,242	8.0%	16,924	\$12.56
Northwest						
Class A	7	268,168	5,937	2.2%	-	\$15.00
Class B	189	1,783,262	74,080	4.2%	27,176	\$13.99
Class C	97	565,695	6,300	1.1%	(1,394)	\$8.00
Northwest Subtotal	293	2,617,125	86,317	3.3%	25,782	\$13.64
Southeast						
Class A	20	924,716	56,540	6.1%	(4,657)	\$23.81
Class B	358	5,412,815	296,211	5.5%	(7,486)	\$12.48
Class C	64	319,603	6,993	2.2%	1,853	\$9.08
Southeast Subtotal	442	6,657,134	359,744	5.4%	(10,290)	\$14.19
Southwest						
Class A	16	427,062	43,692	10.2%	4,623	\$15.96
Class B	180	1,769,449	47,503	2.7%	10,450	\$15.39
Class C	118	799,310	39,494	4.9%	535	\$7.92
Southwest Subtotal	314	2,995,821	130,689	4.4%	15,608	\$12.73
Market Total	1,809	21,216,388	1,407,468	6.6%	70,695	\$13.36

NOTABLE TRANSACTIONS					
SALE	Size	Price	Price/SF	Submarket	
7301 Husker Circle	4,845	\$2,481,157	\$512.00	NE	
5550-5600 S. 59th Street*	45,054	\$5,774,000	\$128.00	SE	
2949 N. 27th Street*	17,928	\$1,788,933	\$99.00	NW	
LEASE	Size	Tenant	Lease Type	Submarket	
6100 O Street, Gateway Mall	25,000	Ross Dress for Less	New	NE	
826 P Street*	11,400	JJ Hooligans	Relocation	CBD	
801 O Street*	8,332	Seungho Shin	New	CBD	

*Indicates Transaction Represented by NAI FMA Realty



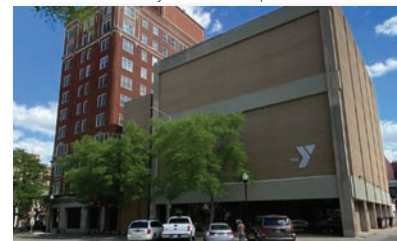
LEASED: A new nutrition shop leased 1,507 SF at 1745 O St. Sally DeLair & Marc Hausmann represented the landlord.



SOLD: Straub Properties, LLC sold 1400 N. 48th St. for \$1,200,00. Mike Ball & Tom Graf represented the seller.



LEASED: Caterpillar Vapes, LLC leased 1,116 SF in Belmont Shopping Center. Mike Ball represented the landlord, Jared Froehlich & Sally DeLair helped the tenant.



SOLD: The former YMCA at 1039 P St sold for \$950,000. Tom Graf & Jared Froehlich represented the seller, Mike Ball & Marc Hausmann assisted the buyer.

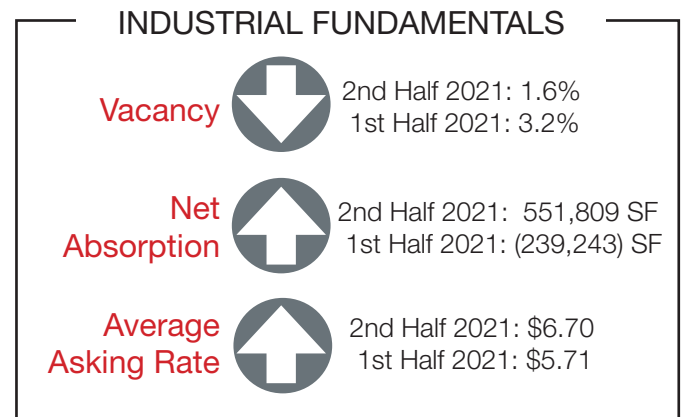


LEASED: Under Par Golf Studio leased 2,415 SF at 1777 N. 86th St. Jared Froehlich & Sally DeLair represented the landlord in the transaction.

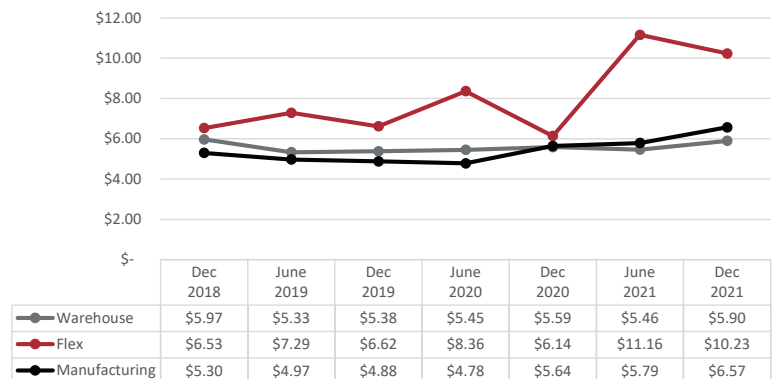
INDUSTRIAL Second Half 2021

HIGHLIGHTS

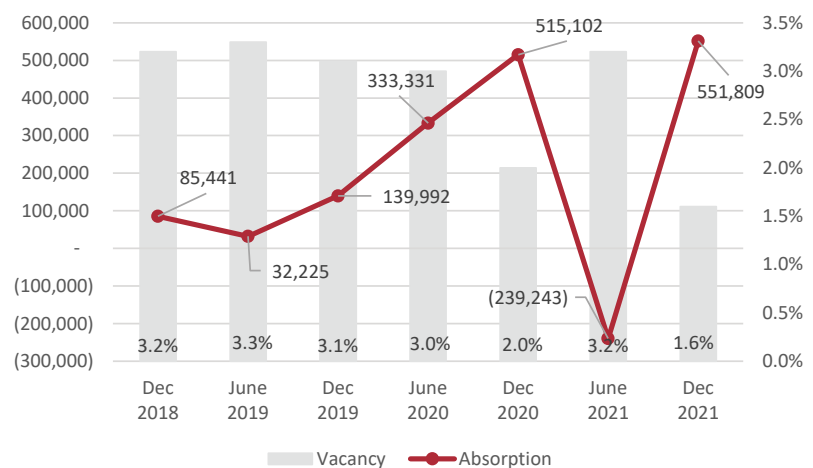
- After new supply and vacancies hit the market in the first half of 2021, the industrial market surged forward in the second half with built-up momentum, ending the year again with low vacancy and strong absorption.
- The total vacancy rate decreased throughout the Lincoln area to end the second half of 2021 at 1.6% — a record low in the last 15 years. The Northwest submarket recorded the tightest vacancy rate at an impressive 0.6%, a decrease from 2.1% vacancy rate in the first half of 2021. Furthermore, three out of the five submarkets vacancy rates reported rates below 2% this half.
- The second half of 2021 had a positive absorption of 551,000 SF, the most absorption recorded in a single half since 2014.
- Completions in the second half of the year picked up over the first half, however, supply has not been able to keep pace with demand for industrial space. Developers have been constrained due to supply chain issues and higher material costs. Even with consideration of these, over 118,000 SF of new industrial properties were delivered in the second half 2021.
- CLS, a local building materials company, is planning a 122,500 SF distribution center on 17 acres at 66th and Arbor Road. The project is projected to be \$14 million and using \$2.5 million in TIF.
- Instinct Pet Food, a manufacturer of raw pet food, announced plans for a \$180 million local expansion. Plans include a 250,000 SF production facility to enable consolidation of its local operations.
- The outlook for the industrial market in Lincoln remains constant, and given the continued shift towards ecommerce even post-pandemic, demand and rent growth should continue into 2022.



Historical Asking Rates



Historical Net Absorption & Vacancy



“Over the past two years, Lincoln has filled over 1 million square feet of available industrial space to meet the immediate need. This just shows continued high demand for space in a low supply environment.”



Marc Hausmann
SIOR, CCIM
Associate Broker

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%	-	N/A
CBD Subtotal	20	463,434	119,770	25.8%	-	\$8.30
Northeast						
Warehouse	316	5,257,243	118,993	2.3%	300,723	\$5.92
Manufacturing	52	3,731,863	50,200	1.3%	79,260	\$3.00
Flex	56	855,430	20,552	2.4%	(20,552)	\$9.03
Northeast Subtotal	424	9,844,536	189,745	1.9%	359,431	\$5.57
Northwest						
Warehouse	255	5,583,154	40,961	0.7%	144,300	\$2.00
Manufacturing	33	5,484,504	25,810	0.5%	23,000	\$8.75
Flex	28	434,803	6,444	1.5%	-	\$9.13
Northwest Subtotal	316	11,502,461	73,215	0.6%	167,300	\$6.41
Southeast						
Warehouse	20	134,038	-	0.0%	-	N/A
Manufacturing	1	8,829	-	0.0%	-	N/A
Flex	22	176,974	7,072	4.0%	-	\$13.50
Southeast Subtotal	43	319,841	7,072	2.2%	-	\$13.50
Southwest						
Warehouse	365	5,422,315	58,138	1.1%	36,624	\$6.87
Manufacturing	25	1,838,444	13,965	0.8%	(13,965)	\$4.50
Flex	72	585,032	8,800	1.5%	2,419	\$13.50
Southwest Subtotal	462	7,845,791	80,903	1.0%	25,078	\$7.31
Market Total	1,265	29,976,063	470,705	1.6%	551,809	\$6.70

NOTABLE TRANSACTIONS					
SALE	Size	Price	Price/SF	Submarket	
6501 Cornhusker Hwy.	44,670 SF	\$3,525,000	\$79.00	NE	
2020 SW 5th Street	32,657 SF	\$3,250,000	\$99.00	SW	
8301 N. 58th Circle, Unit C*	42,036 SF	\$2,120,000	\$50.00	NE	
LEASE	Size	Tenant	Lease Type	Submarket	
5800 N. 58th Street*	10,155 SF	Journal Star Printing Co.	Relocation	NE	
4400 N. 48th Street*	6,000 SF	Retails Depot Corp.	Relocation	NE	
4817 N. 56th Street*	3,180 SF	Window Option Specialists	Expansion	NE	

*Indicates Transaction Represented by NAI FMA Realty



LEASED: Richard Meginnis represented Lincoln Public Schools District to lease 12,000 SF warehouse at 123 NW 28th St.



SOLD: Sally DeLair & Marc Hausmann represented the seller for H-3 zoned pad site at 471 N. 66th St.



FOR LEASE: New warehouse space for lease at 5351 N. 70th St. with six (6) 1,425 SF bays for a combined total of 8,550 SF available. Call for a tour!



SOLD: Richard Meginnis represented Whitehead Oil Company in the purchase of 3 warehouses at 8301 N. 58th Cir., Unit C.



LEASED: Jared Froehlich represented a tenant who leased 2,100 SF of warehouse space at 3515 N. 25th St.

SALES Second Half 2021

OFFICE

- There were 23 office sales transactions in Lincoln during the second half 2021, for an aggregate value of \$26 Mil. One of Lincoln's largest office buildings, the 20-story US Bank Tower, was purchased in a package by a joint venture between Crescent Investment Group and MAP Holdings LLC. No sales information was provided.
- Investors are purchasing buildings with varying degrees of occupancy indicating that the Lincoln market continues to be viewed as a solid investment for the future.
- Owner-user properties from 2,000-8,000 SF are still in demand but in very short supply, causing prices to keep climbing.

RETAIL

- Sales activity, fueled by rising confidence in retail property and low interest rates, hit \$35 Mil in property sales closed for second half 2021.
- Investors sought out single-tenant net lease deals with credit tenants and later in the year targeted multi-tenant assets, providing more evidence of growing confidence. MEHTA, LLC purchased a Perkins restaurant for \$2.48 Mil or \$512.00/SF and the largest retail sale was a 21,000 SF strip center in the Southeast submarket which sold for \$3.8 Mil.
- Average retail values decreased to just over \$161.00 per SF.

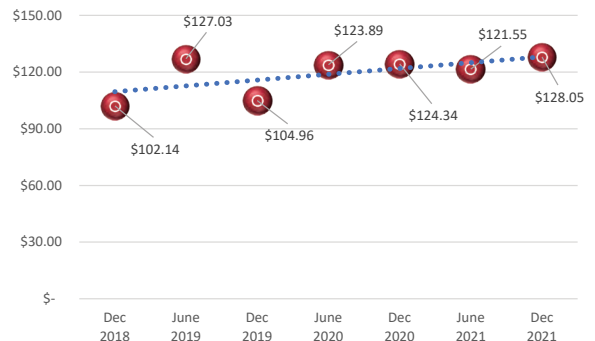
INDUSTRIAL

- Given the industrial property sector's strong performance, prices rose to \$88.29/SF. At the end of the second half, industrial property sales totaled \$27 Mil for the six month period.
- The sale of 6501 Cornhusker Hwy., a 44,000 SF warehouse, was the largest sale at \$3.525 Mil or \$78.91/SF.

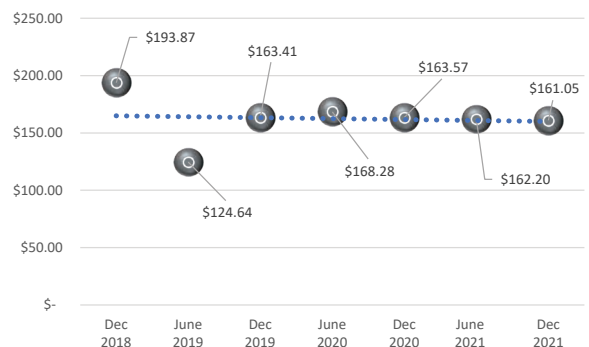
MULTIFAMILY

- Demand for multifamily product in the Lincoln market remained solid at the close of 2021. One of the largest deals for the year was the sale of Parkview Apartments at 2521 N. 9th St to a partnership out of Kansas City. This 108-unit community traded for \$7.45 Mil or approximately \$68,000 per unit.
- Average Sales Price per unit increased to \$73,000 for second half 2021, up from \$63,021 in the first half 2021.
- Past two years of elevated housing prices and low inventory continues to push a steady flow of new supply of apartments in all submarkets.

Office Average Sale Price/Square Foot



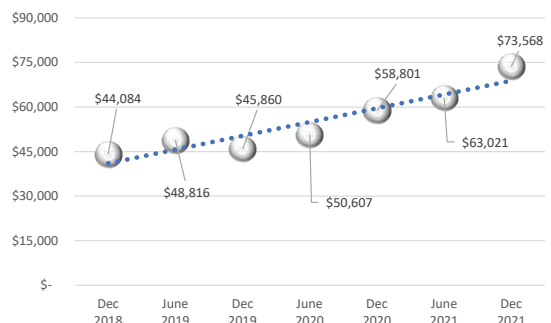
Retail Average Sale Price/Square Foot



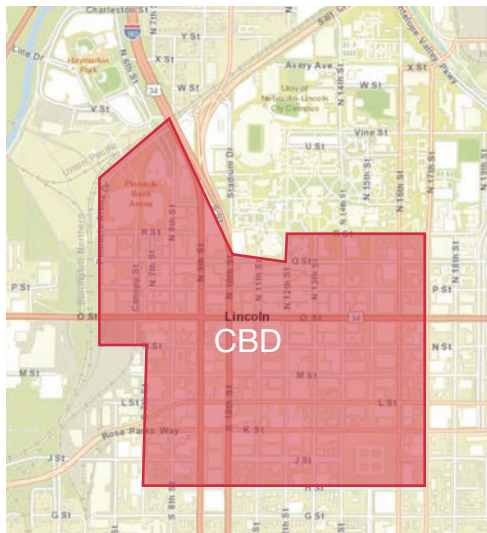
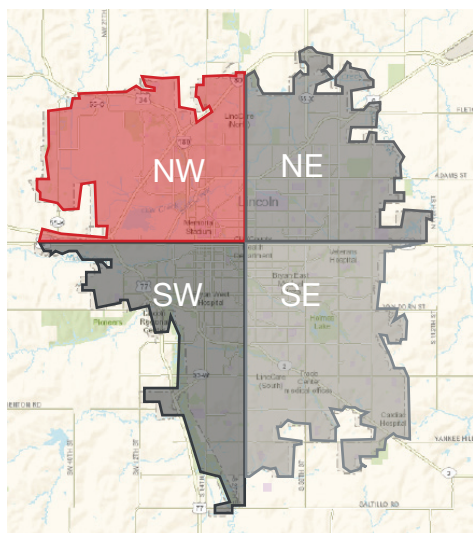
Industrial Average Sale Price/SF



Multi-Family Average Sale Price/Unit



Submarkets



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