

NAI FMA Realty

Market Report Fourth Quarter 2008
Lincoln, Nebraska



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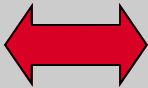
Market Report Fourth Quarter 2008
Office

TRENDS

Vacancy Rate



Asking Rents

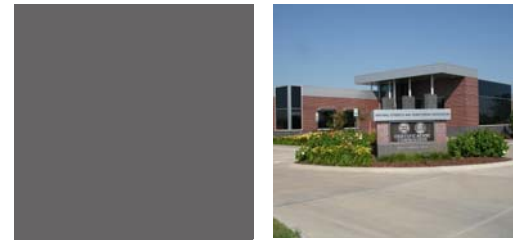


OFFICE OVERVIEW

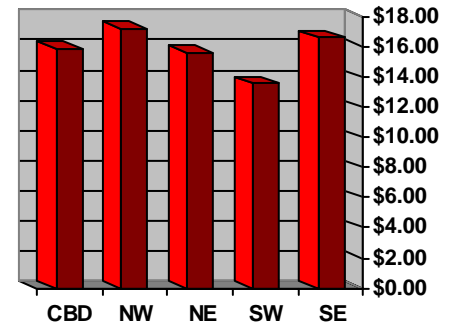
While 2008 was a difficult year in the office market nationwide, things were rather quiet in Lincoln's office market. At the end of the 4th Quarter, office vacancies throughout the community were low, at 8.1% of the total office market. In the various submarkets, only one submarket exceeded 10% vacancy - suburban northwest is reported at 10.1% - otherwise all office submarkets seemingly held their own.

During the course of 2008, several notable occupants vacated or downsized their operations in the market. iUniverse left approximately 11,000 rentable square feet in the Southwest submarket, Allied, left approximately 11,400 square feet vacant on 50th & R and has pulled employees from its 18,000 square foot 52nd & R facility prior to its lease terminus this coming summer (which will add to vacancy in the Northeast submarket in 3Q2009). Additionally, National Strength and Conditioning Association has closed the doors of its 12,000 square foot certification facility and relocated its employees to their national headquarters in Colorado Springs. A welcome trend in these difficult economic times, was the growth of several notable local office tenants adding space in their existing facilities, examples being Erickson & Sederstrom Law Firm, Baylor Evnen Law Firm, Nanonation, MacPractice, Husker Sports, Kenexa, ITI and Ritchie Brothers Auctioneers.

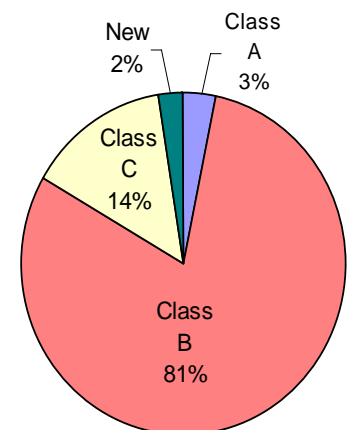
Looking forward, we expect a fairly stable environment in office occupancy throughout 2009. Importantly, speculative office building significantly diminished last year, as evidenced by building permit values for new office, bank and professional buildings falling to \$29.5M in 2008 from \$47M in 2007. Many developers in the community, who have consistently built on speculation in the past, have suggested that they have no new speculative buildings planned for 2009. Collectively, we have noted in increasing frequency that commercial lenders in the community have also indicated little tolerance for speculative construction in their 2009 outlook. An Ernst & Young October 2008 survey indicated that 53.5% of commercial lenders have not planned on any lending to real estate buyers in 2009 (as reported in *Commercial Investment Real Estate, Jan/Feb 2009*). As such, the space market for office tenants will look very similar to that of 2008 with not many new choices to consider (particularly those whose needs exceed 10,000 square feet). Barring any unforeseen economic calamity, Landlords holding vacancies in excess of 10,000 square feet, and knowledgeable of the lay of the land, will not be hard pressed to make major concessions in our local market as "value selling" should trump commoditization.



Average Asking Rate by Sector



Office Market Inventory



NAI FMA Realty

Market Report Fourth Quarter 2008

Office



SUBMARKET/CLASS	# BLDGS	TOTAL RENTABLE SQ. FT.	TOTAL AVAILABLE SQ. FT.	% VACANT	TOTAL AVERAGE ASKING RATE (\$/SF/YR)
OFFICE					
CBD					
Class A	6	648,954	89,540	13.8%	\$17.49
Class B	99	2,867,066	168,936	5.9%	\$16.19
Class C	24	262,196	9,699	3.7%	\$11.50
New	N/A	N/A	N/A	N/A	N/A
Subtotal	129	3,778,216	268,175	7.1%	\$15.90
SUBURBAN-NE					
Class A	6	160,158	21,204	13.2%	\$18.07
Class B	69	953,293	68,187	7.2%	\$15.10
Class C	44	373,536	11,900	3.2%	\$11.88
New	7	61,458	9,089	14.8%	\$19.34
Subtotal	126	1,548,445	110,380	7.1%	\$15.61
SUBURBAN-NW					
Class A	5	284,832	24,500	8.6%	\$21.79
Class B	42	625,501	93,112	14.9%	\$16.20
Class C	11	138,627	-0-	0.0%	N/A
New	1	113,644	-0-	0.0%	N/A
Subtotal	59	1,162,604	117,612	10.1%	\$17.21
SUBURBAN-SE					
Class A	7	312,563	33,100	10.6%	\$21.86
Class B	341	3,623,888	305,534	8.4%	\$16.29
Class C	15	94,736	9,074	9.6%	\$ 8.32
New	7	90,619	28,292	31.2%	\$22.44
Subtotal	370	4,121,806	376,000	9.1%	\$16.61
SUBURBAN-SW					
Class A	3	207,918	-0-	0.0%	N/A
Class B	93	1,042,172	79,863	7.7%	\$18.79
Class C	21	113,829	8,973	7.9%	\$13.00
New	5	39,373	17,765	45.1%	\$19.99
Subtotal	122	1,403,292	106,601	7.6%	\$18.61
OFFICE TOTALS					
	806	12,014,363	978,768	8.1%	\$13.61



Significant Office Transactions				
Address	Square Feet	Price	Price/Sq. Ft.	Submarket
700 Q Street	9,898	\$982,500	\$99.26	CBD
8033 S 15th, Suites A & B	3,600	\$385,000	\$106.94	SW
8330 Dawson Creek	1,615	\$275,000	\$170.28	NE
940 N 27th Street	2,880	\$200,000	\$69.44	NW

NAI FMA Realty

Market Report Fourth Quarter 2008

Retail

TRENDS

Vacancy Rate



Asking Rents



RETAIL OVERVIEW

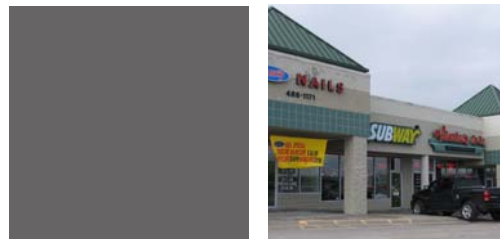
In 2006 and 2007, the retail market was expanding to keep up with residential development and the area's job growth. Now after the residential slump and economic downturn, the retail sector has begun to slow down substantially with many retail developments experiencing difficulties in leasing or being put on hold. The problem is elevated in centers dependent upon new residential subdivision development which are now delayed. The Yankee Ridge Center, anchored by Super Target at 40th & Yankee Hill Road, had high expectations for tenants and pad site buyers to fill its vacancies, but the slow down of neighboring residential developments and nearby competition has dampened activity.

Vacancies in shopping centers are beginning to appear due to failed businesses from the drop in retail sales. Major national retailers, such as Steve & Barry's and Linens 'n Things, who are seeking bankruptcy protection, closed their Lincoln locations during the fourth quarter. Steve & Barry's departure from Westfield Gateway Mall followed other store closings by KB Toys, B. Dalton Bookseller and Whitehall Jewelers in the mall, leaving more than 80,000 square feet of vacancy.

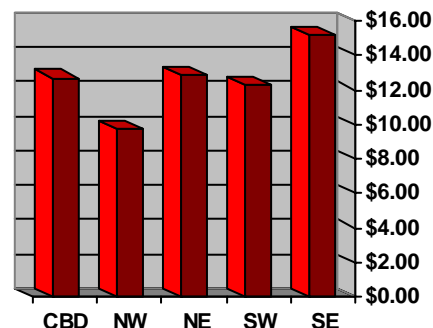
Older anchored and strip retail centers seem to be holding their own despite some tenant struggles. Landlords are offering assistance to keep cash flows positive and in some cases, rents are being temporarily reduced, renegotiated downward at lease renewal or within mid-term of a lease to help keep retailers' doors open.

While leasing activity was very light, a few large retailers opened additional sites in the fourth quarter. A new Wal-Mart opened at the Shoppes at Prairie Village development at 84th & Adams and a new Hy-Vee Grocery opened at 50th & O Streets adjacent to Barnes & Noble. Many other projects are proceeding and experiencing success. Activity in the new retail building at Pioneer Woods, 70th and Pioneers, is home to the new Carmello's Bistro and Wine and Scott Trade Stock Brokerage. Apples Way, a 285,000 square foot development anchored by Lowe's at 60th & Hwy. 2, continues to grow at a decent rate with the addition of a new 7,000 square foot retail strip housing drive thru coffee, men's hair care and fast food.

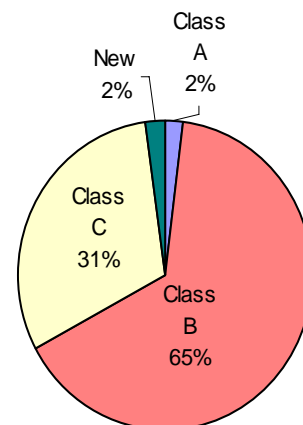
In 2009, "caution" is the word. Current retailers are working feverishly to maintain sales so they can remain open during the downturn. Speculative retail building should be kept to a minimum until stronger growth is recognized by developers and lenders alike. While this presents opportunities for existing inventories, rents should remain flat or lower.



Average Asking Rate Sector

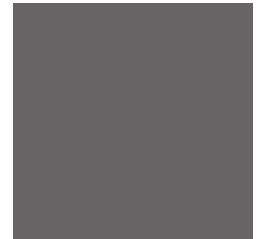


Retail Market Inventory



NAI FMA Realty

Market Report Fourth Quarter 2008 Retail



SUBMARKET/CLASS	# BLDGS	TOTAL RENTABLE SQ. FT.	TOTAL AVAILABLE SQ. FT.	% VACANT	TOTAL AVERAGE ASKING RATE (\$/SF/YR)
RETAIL					
CBD					
Class A	4	82,835	15,921	19.2%	\$18.37
Class B	125	1,041,067	80,996	7.8%	\$12.59
Class C	64	364,732	60,311	16.5%	\$ 4.70
New	N/A	N/A	N/A	N/A	N/A
Subtotal	193	1,488,634	157,228	10.6%	\$12.68
SUBURBAN-NE					
Class A	3	43,789	-0-	0.0%	N/A
Class B	370	5,863,335	372,593	6.4%	\$13.26
Class C	139	656,276	13,379	2.0%	\$10.15
New	10	345,745	14,072	4.1%	\$13.26
Subtotal	522	6,909,145	400,044	5.8%	\$12.94
SUBURBAN-NW					
Class A	6	236,956	-0-	0.0%	N/A
Class B	170	1,558,893	83,137	5.3%	\$ 9.33
Class C	105	577,459	9,407	1.6%	\$ 6.40
New	9	97,377	46,773	48.0%	\$14.44
Subtotal	290	2,470,685	139,317	5.6%	\$9.77
SUBURBAN-SE					
Class A	12	665,141	28,105	4.2%	\$13.98
Class B	276	3,984,911	331,986	8.3%	\$15.06
Class C	69	368,229	26,202	7.1%	\$ 9.90
New	13	504,225	84,485	16.8%	\$14.59
Subtotal	370	5,522,506	470,778	8.5%	\$15.15
SUBURBAN-SW					
Class A	8	382,864	14,404	3.8%	\$15.16
Class B	133	933,440	73,319	7.9%	\$11.21
Class C	128	903,697	110,034	12.2%	\$ 6.80
New	5	114,736	14,452	12.6%	\$15.50
Subtotal	274	2,334,737	212,209	9.1%	\$10.96
RETAIL TOTALS	1,649	18,725,707	1,379,576	7.4%	\$12.30

Significant Retail Transactions				
Address	Square Feet	Price	Price/Sq. Ft.	Submarket
6001 Village Drive	69,001	\$4,700,000	\$68.11	SE
7045 O Street	14,458	\$3,000,000	\$207.50	SE
4401 S. 33rd Court	42,374	\$2,985,000	\$70.44	SE
7900 S. 87th Street	4,428	\$1,499,999	\$338.75	SE

NAI FMA Realty

Market Report Fourth Quarter 2008 Industrial

TRENDS

Vacancy Rate



Asking Rents



INDUSTRIAL OVERVIEW

As the economic downturn continues to weaken many sectors of the commercial property market, the industrial sector has fared better than others and remained fairly active in 2008. Of the \$10.1 million of new industrial construction permits pulled locally for 2008, included is a \$3.5 million project to expand Kawasaki's motor rail car facility and a \$2 million concrete batch plant. Other notable expansions include Lincoln Industries' 84,000 square foot expansion and Lincoln Composites' expansion at the Lincoln Air Park West industrial park. Speculative construction declined in Lincoln with only one large project completed in fourth quarter by a local developer for a 168,000 square foot high-cubed warehouse distribution facility which remains vacant today.

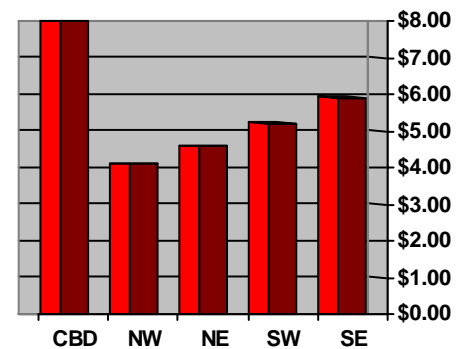
Despite the number of local expansions, Lincoln's industrial sector has not completely escaped the economic uncertainty. Various layoffs and plant closings have appeared in Lincoln throughout the last year. A food production company in southwest Lincoln closed after 76 years in business adding a 57,000 square foot vacancy and the loss of 70 jobs. Furthermore, the industrial sector is still seeing weakening pressure on demand for larger manufacturing and warehouse space. This trend is evident in Lincoln's northwest quadrant where close to 1.2 million square feet are available within a concentrated area of just a few blocks.

Similar to other property sectors, some recently completed transactions are at lower than asking rents and landlords are more likely to give additional concessions to attract new tenants or retain occupancy of current tenants.

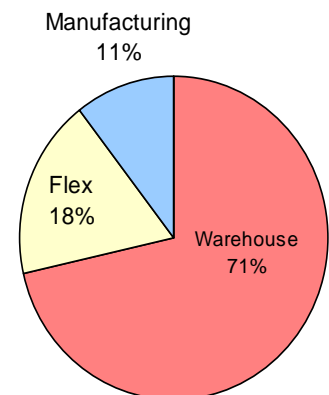
Demand for industrial space will be off in 2009 especially in manufacturing space and distribution buildings as business spending is down but opportunities will be available for certain industries to expand and position themselves for the turnaround.



Average Asking Rate by Sector



Industrial Market Inventory



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Market Report Fourth Quarter 2008 Industrial

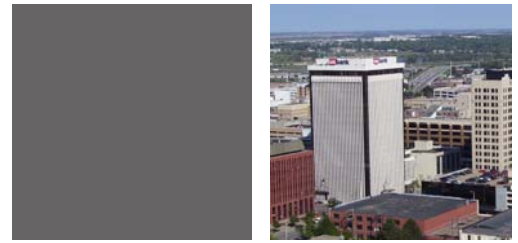


SUBMARKET/CLASS	# BLDGS	TOTAL RENTABLE SQ. FT.	TOTAL AVAILABLE SQ. FT.	% VACANT	TOTAL AVERAGE ASKING RATE (\$/SF/YR)
INDUSTRIAL					
CBD					
Warehouse	13	208,740	13,200	6.3%	\$8.00
Flex	7	85,293	-0-	0.0%	N/A
Manufacturing	7	251,380	-0-	0.0%	N/A
Subtotal	27	545,413	13,200	2.4%	\$8.00
SUBURBAN-NE					
Warehouse	261	4,087,953	473,357	11.6%	\$4.53
Flex	63	867,297	81,543	9.4%	\$5.25
Manufacturing	50	3,298,735	13,300	0.4%	\$3.00
Subtotal	374	8,253,985	568,200	6.9%	\$4.60
SUBURBAN-NW					
Warehouse	200	4,334,975	1,099,298	25.4%	\$3.64
Flex	24	241,901	54,168	22.4%	\$7.50
Manufacturing	32	5,310,487	468,201	8.8%	\$2.83
Subtotal	256	9,887,363	1,621,667	16.4%	\$4.11
SUBURBAN-SE					
Warehouse	17	115,277	8,400	7.3%	\$6.50
Flex	23	185,135	8,838	4.8%	\$4.75
Manufacturing	1	8,829	-0-	0.0%	N/A
Subtotal	41	309,241	17,238	5.6%	\$5.92
SUBURBAN-SW					
Warehouse	259	4,500,373	303,723	6.7%	\$4.58
Flex	73	609,982	79,083	13.0%	\$6.50
Manufacturing	22	1,511,922	151,638	10.0%	\$3.75
Subtotal	354	6,622,277	534,444	8.1%	\$5.21
INDUSTRIAL TOTALS	1,052	25,618,279	2,754,749	10.8%	\$4.96

Significant Industrial Transactions				
Address	Square Feet	Price	Price/Sq. Ft.	Submarket
5750 Arbor Road	23,340	\$880,000	\$37.70	NE
4905 N. 56th Street	11,250	\$350,000	\$31.11	NE
1401 W. Bond Circle	69,734	\$930,058	\$13.34	NW
230 S. 19th Street	6,600	\$347,000	\$52.58	SW

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Methodology/Definitions/Sub Market Map



Available Square Footage

Net rentable area considered available for lease; excludes sublease space.

Averaging Asking Rental Rate

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

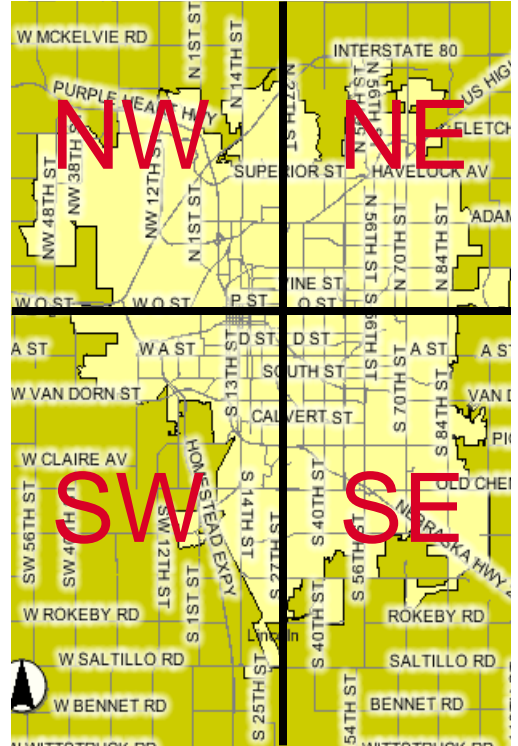
Class A product is office/retail space of quality construction with quality tenants, excellent amenities, prime location & premium rates. Class B product is office/retail space of average construction, fair to good finishes & wide range of tenants. Class C product has poor finishes, outdated appearance, and/or functional obsolescence.

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.

