

FIGURES | OMAHA RETAIL | Q4 2022

Vacancy in the Omaha Retail Market Fell Again to a Very Low 6.5%

▼ 6.5%
Vacancy Rate

▼ 32,961
SF Net Absorption

► 247,709
SF Under Construction

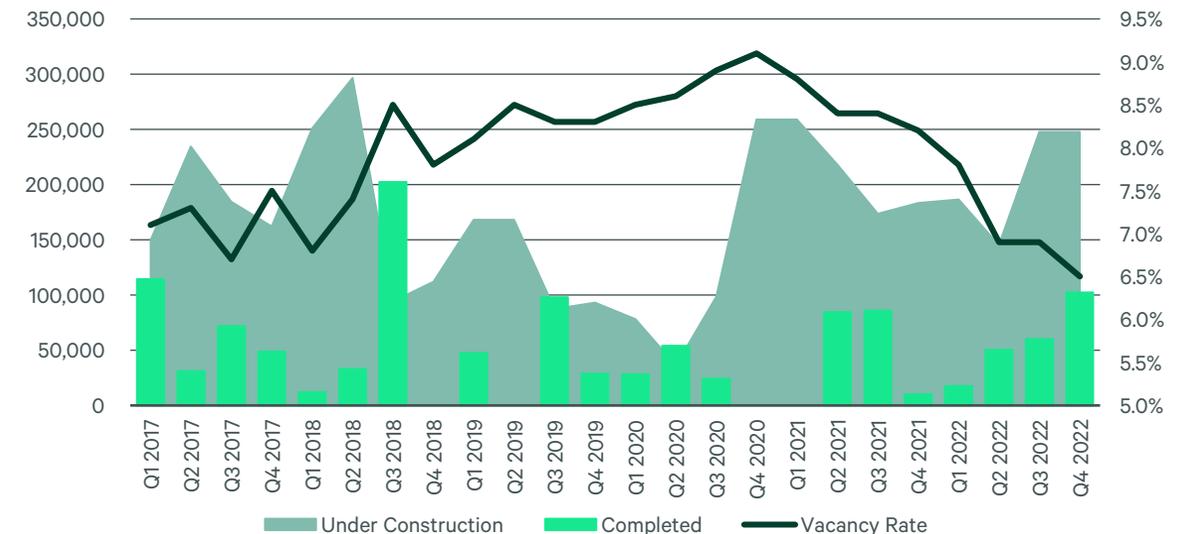
▲ 102,133
SF Deliveries

Note: Arrows indicate change from previous quarter.

Market Summary

- Omaha retail market vacancy fell 40 basis points to 6.5% in the fourth quarter, which is 130 basis points lower than in the fourth quarter of 2021 and 260 basis points lower than pre-pandemic levels in the fourth quarter of 2019.
- The Omaha retail market experienced 32,961 square feet of positive absorption in the fourth quarter and 551,009 square feet for the entire year.
- Two properties totaling 102,133 square feet delivered to the market in the fourth quarter and nine properties totaling 246,204 square feet were completed during 2022.
 - Floor & Décor, an 80,133 square foot home furnishing store, opened just west of Nebraska Furniture Mart at 72nd & Jones Street.
 - REI, a 22,000 square foot outdoor recreation retailer, opened in the Nebraska Crossing Outlet Mall.
- Average asking rents are \$13.82 per square foot on a triple net basis, which are \$0.89, or 6.9%, higher than the beginning of 2022.

Figure 1: Under Construction, Completed and Vacancy Rate



Source: CBRE Research Q4 2022

Market Statistics

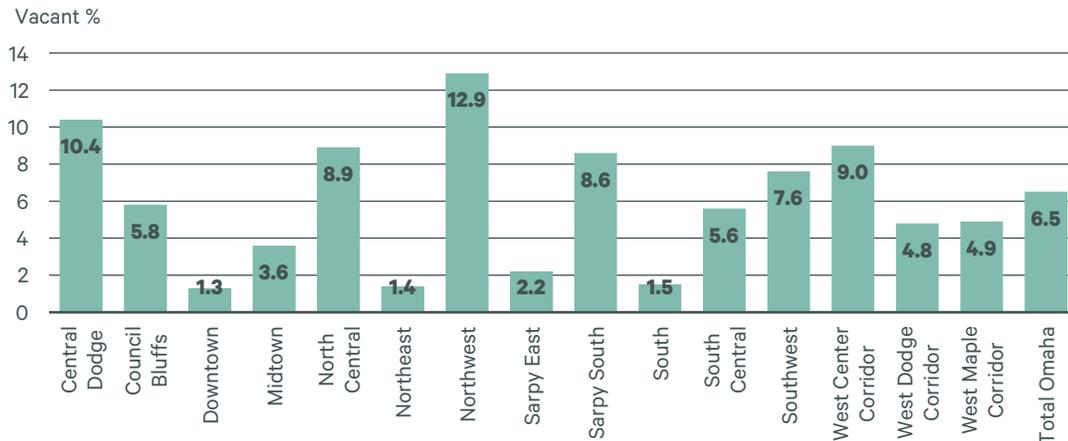
Construction Activity

Currently there are ten properties totaling 247,709 square feet, which is 49.4% higher than the 165,814 square feet under construction at the beginning of 2022. Additional projects planned that are not yet under construction include Costco near 180th and West Maple Road, Menards near 156th and Highway 370, and two Fleet Farm stores; one near the planned Costco and the other in Gretna.

Net Absorption

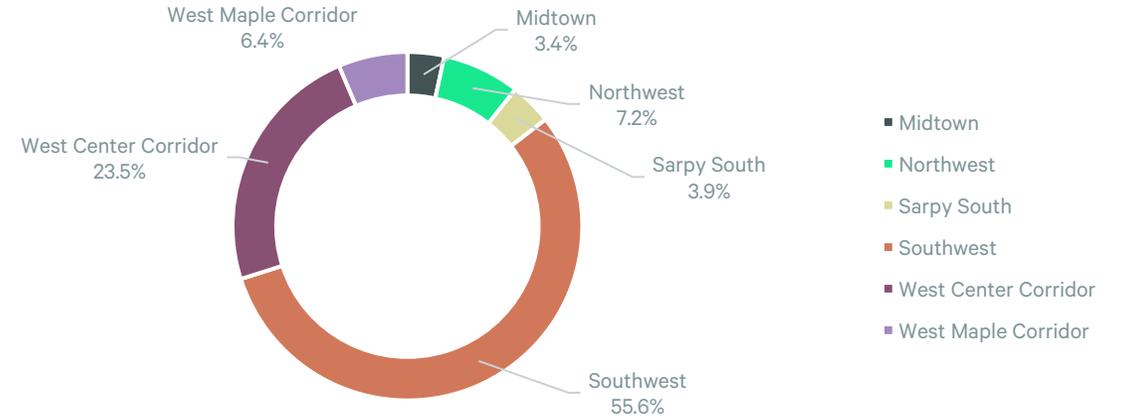
Absorption was boosted for the quarter by the completion and opening of the new Floor & Décor and REI stores. For the year, the largest move-in was the occupancy of the 91,996 square foot former AMC Oakview near 144th and West Center Road by B&B Theatres. The Omaha Public Library found a temporary home in the 91,065 square foot former Shopko near 84th and Center Street. The third largest move-in was the opening of the 80,133 square foot Floor & Décor store that delivered this quarter. Other notable move-ins for the year include Aldi’s move from the northwest corner to the southwest corner of 132nd and West Center Road and the Ross Dress for Less and Sketchers Store leases at Shadow Lake Towne Center in Papillion.

Figure 2: Vacancy Rate by Submarket



Source: CBRE Research, Q4 2022

Figure 3: Under Construction Square Footage by Submarket



Source: CBRE Research, Q4 2022

Figure 4: Key Transactions

Tenant/Buyer	Address	City	Submarket	Type	Size (SF)
Inland Real Estate Group	2 Hy-Vee Supermarket Portfolio	Papillion & Council Bluffs	Multiple	Sale	158,382
Portland Fixture Limited Partnership	9717 Q St	Omaha	South Central	Sale	113,768
Edwards Auto Group	2 Car Dealership Portfolio	Omaha & Bellevue	Multiple	Sale	98,492
Foodbank for the Heartland	4645 S 84 th St	Omaha	South Central	Sale	68,586
Spare Time Entertainment	17202 Lakeside Hills Plz	Omaha	West Center Corridor	Lease	50,000

Source: CBRE Research, Q4 2022

Market Statistics

Figure 5: Overall Market Statistics

Submarket	Building Count	Net Rentable Area (Sq. Ft.)	Vacancy Rate (%)	Net Absorption (Sq. Ft.)	Under Construction (Sq. Ft.)	Deliveries (Sq. Ft.)	Avg. NNN Asking Rate (\$/SF)
Central Dodge	65	3,545,422	10.4	42,576	0	80,133	15.35
Council Bluffs	83	3,769,677	5.8	(46,500)	0	0	8.97
Downtown	48	1,200,905	1.3	(7,720)	0	0	22.45
Midtown	41	840,586	3.6	0	10,561	0	9.83
North Central	58	2,241,614	8.9	1,146	0	0	10.44
Northeast	37	1,148,994	1.4	0	0	0	13.80
Northwest	21	443,918	12.9	1,996	22,478	0	11.43
Sarpy East	59	2,197,898	2.2	4,744	0	0	11.84
Sarpy South	78	3,212,649	8.6	(1,885)	12,000	0	17.87
South	54	1,520,626	1.5	(19,454)	0	0	12.45
South Central	86	2,699,047	5.6	28,604	0	0	12.40
Southwest	104	3,058,597	7.6	12,698	172,874	22,000	11.86
West Center Corridor	144	6,077,089	9.0	(31,068)	10,000	0	13.85
West Dodge Corridor	70	2,504,484	4.8	27,076	0	0	19.89
West Maple Corridor	85	2,903,587	4.9	20,748	19,796	0	15.74
TOTAL OMAHA	1,033	37,365,093	6.5	32,961	247,709	102,133	13.82

Source: CBRE Research, Q4 2022

Market Statistics

Figure 6: Overall Market Statistics by Product Type

Subtype	Building Count	Net Rentable Area (Sq. Ft.)	Vacancy Rate (%)	Net Absorption (Sq. Ft.)	Under Construction (Sq. Ft.)	Deliveries (Sq. Ft.)	Avg. NNN Asking Rate (\$/SF)
Community / Neighborhood Centers	246	11,027,665	7.9	-3,540	0	0	13.08
Free-standing / General Retail	471	14,251,574	4.3	94,926	247,709	102,133	12.98
Lifestyle / Power / Outlet Centers	107	5,671,703	4.3	-21,632	0	0	17.71
Regional Malls	25	3,066,541	16.0	-40,151	0	0	15.91
Strip Centers	184	3,347,610	6.8	3,358	0	0	14.21
TOTAL OMAHA	1,033	37,365,093	6.5	32,961	247,709	102,133	13.82

Source: CBRE Research, Q4 2022

Economic Summary

National

Everybody from Jerome Powell to single parents and Wall Street banks have been laser focused on inflation during the past year. Thankfully, the increase in the CPI has been decelerating due to improved supply chains, lower energy prices, and higher interest rates, which are curtailing demand for housing and autos. Despite this good news inflation remains a menace. Food and shelter prices are heightened, and fears persist that inflation is embedded in the labor market.

Consequently, the Federal Reserve continues its aggressive tightening program. The pace of recent rate hikes has been the most dramatic in decades and this has increased volatility in the financial markets. Sharply reduced expectations of earnings growth in 2023, means that firms are looking to cut costs, helping to fulfill recessionary prophecies.

Some positive signals can be found in monthly payroll gains, but other labor market metrics are not so sanguine. Data from Challenger, Gray & Christmas shows that the current level of layoff announcements is consistent with past recessions. This is paired with business surveys exhibiting deteriorating activity and consumers grappling with eroding savings. The upshot is we believe the economy will face a moderate recession in 1H 2023.

Local

- In December the Omaha city council approved funding of \$440 million for the streetcar project that will connect downtown to midtown. The project will be funded by \$80 million of lease purchase revenue bonds and \$360 million of tax-increment financing bonds.
- The Greater Omaha Packing President, Mike Drury, announced a plan for a \$100 million expansion that will increase production by 30% and add 300 jobs. The project is scheduled to be completed by 2024.
- According to the Nebraska Examiner, Google wants to expand its Omaha footprint by an additional 187 acres adjacent to their already 270-acre development under construction near State Street and Blair High Road. The site will eventually be home to more than 2.2 million.

Local (cont.)

square feet of data center space.

- Omaha hosted the NCAA volleyball Final Four tournament for the third time in December. According to Visit Omaha estimates, this tournament gives the local economy an \$8 million boost including hotel room nights, and food and beverage sales. Additionally, the American Volleyball Coaches Association held its convention in Omaha over the same weekend, bringing an additional 2,000 people to town.

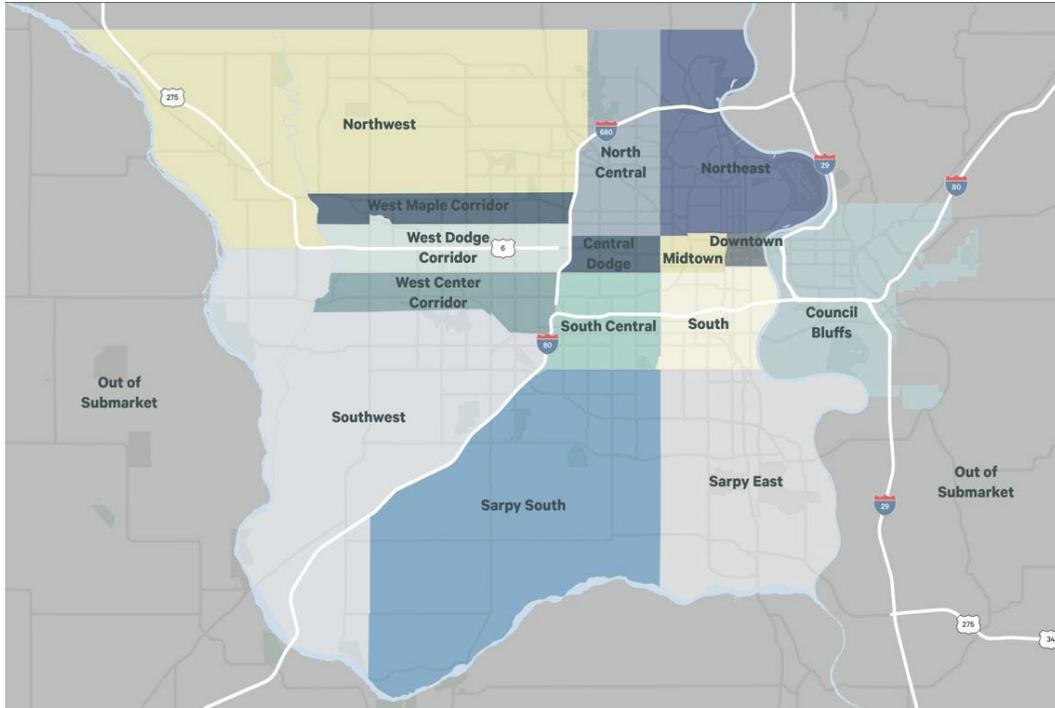
2022 Quick Stats:

- Total building permit values fell in 2020 due to Covid-19 uncertainties then increased by 178.5 in 2021, meeting pent-up demand. However, total building permit values fell 42.1% from 2021 to 2022.
- The Omaha metro unemployment rate held at 2.4% year-over-year.
- The average sold price of a new construction home in Omaha increased by 17.5% year-over-year to \$467,162 while the average sold price of an existing home in Omaha increased by 10.7% year-over-year to \$308,354.
- Average hourly earnings in the Omaha metro have increased by 3.2% year-over-year to \$31.81.
- The rate of inflation in the Midwestern region of the United States is slowing. The Consumer Price Index for All Urban Consumers (CPI-U) decreased from 7.3% in November of 2021 to 6.8% in November of 2022.

In Conclusion

- Vacancy in the local retail market continues to fall as there is limited new construction.
- An additional 247,709 square feet of retail space is under construction, while several larger projects are planned.
- Inflation continues to affect the nation and the local market. However, the rate of inflation has slowed.

Market Area Overview



Definitions

Available Sq. Ft.: Space in a building, ready for occupancy within six months; can be occupied or vacant. **Availability Rate:** Total Available Sq. Ft. divided by the total building Area. **Average Asking Lease Rate:** A calculated average that includes net and gross lease rate, weighted by their corresponding available square footage. **Building Area:** The total floor area sq. ft. of the building, typically taken at the “drip line” of the building. **Gross Activity:** All sale and lease transactions completed within a specified time period. Excludes investment sale transactions. **Gross Lease Rate:** Rent typically includes real property taxes, building insurance, and major maintenance. **Net Absorption:** The change in Occupied Sq. Ft. from one period to the next. **Net Lease Rate:** Rent excludes one or more of the “net” costs (real property taxes, building insurance, and major maintenance) typically included in a Gross Lease Rate. **Occupied Sq. Ft.:** Building Area not considered vacant. **Vacancy Rate:** Total Vacant Sq. Ft. divided by the total Building Area. **Vacant Sq. Ft.:** Space that can be occupied within 30 days.

Survey Criteria

Includes all competitive retail buildings 10,000 sq. ft. and greater in size in the Omaha metropolitan area. Buildings under construction includes buildings which have begun development beyond initial site work.

Contact

Melissa Torrez

Sr. Field Research Analyst

402-697-5809

melissa.torrez1@cbre.com