

FIGURES | OMAHA OFFICE | Q4 2022

Available sublease space increases to over 1 million sq. ft. in the Omaha office market

▼ 9.6%
Vacancy Rate

▼ 34,681
SF Net Absorption

▼ 0
SF Construction

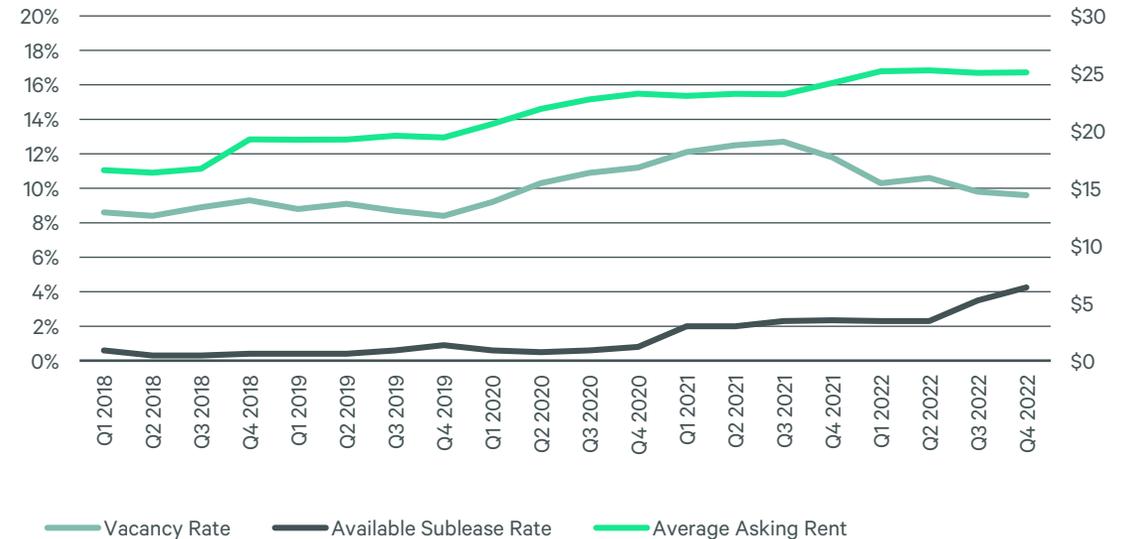
▲ \$25.08
FSG / Lease Rate

Note: Arrows indicate change from previous quarter.

Market Overview

- Absorption in the Omaha office market is positive for the 2nd quarter in a row. However, there was only 34,681k sq. ft. of absorption. Net absorption for the year was 233,751 sq. ft.
- While absorption is positive and vacancy is low for now, available sublease space increased to over 1 million sq. ft. from 858,046 sq. ft. in the third quarter. All but 200k sq. ft. of the available sublease space was added to the market in 2022. Once the original leases expire, this space will hit the market as vacant unless it is leased. There is an average remaining term of 3.0 years for the original leases. Over 73% of the available sublease space has been listed for 6 months or more. However, only 157.2k sq. ft. has been listed between 1 and 2 years.
- Average asking lease rates increased \$0.04, or less than 2 tenths of one percent, quarter-over-quarter, and \$0.92, or 3.8%, year-over-year and now stands at \$25.08 per square foot on a full-service gross basis.
- Vacancy in the market decreased 20 basis points from 9.8% in Q3 2022 to 9.6% in Q4 2022. Vacancy is down by 220 basis points from the 4th quarter of 2021 as office users make space need decisions post-Covid-19.

FIGURE 1: Vacancy Rate, Available Sublease Rate and Asking Rent Trends



Source: CBRE Research, Q4 2022.

Market Statistics

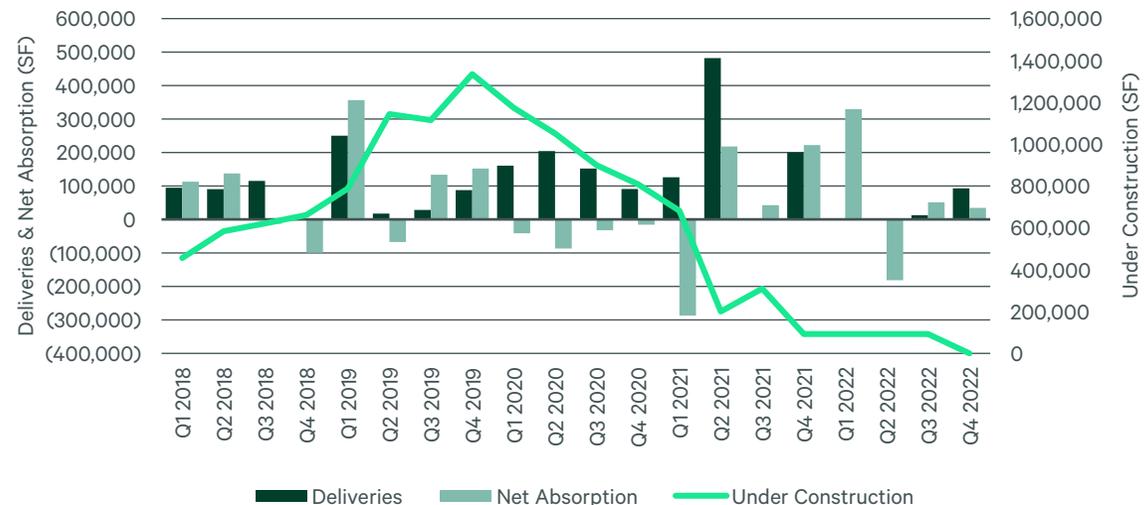
Construction

- One property, the 5-story 92.7k sq. ft. Union Bank and Trust building in Heartwood Preserve, delivered to the market this quarter. The property delivered 41.9% pre-leased with occupancy on the 1st and 5th floors by Union Bank and Trust and on the 3rd floors by Nelnet, Inc. There was only one other office property, a 12.7k sq. ft. building that delivered in the 3rd quarter, to deliver in 2022.
- For the first time since the 3rd quarter of 2016, there are no speculative office properties under construction. There are planned office projects on the horizon, including T3 at the Mercantile, properties in Heartwood Preserve, properties in La Vista City Centre, and a property in the Builders District. T3 at the Mercantile is located downtown in the redevelopment of the Con Agra campus and will be 175k sq. ft. Two office properties totaling over 300k sq. ft. are planned in Heartwood Preserve near 144th and West Dodge Road. Three office properties totaling over 160k sq. ft. are planned in La Vista City Centre near 84th and Giles Road. A 4-story 119.3k sq. ft. building is planned in the Builders District north of Downtown. This property will be developed by local developer, Noddle Companies, and will be Omaha’s first timber office building. The property will have Class A amenities such as roof decks, green spaces, a food hall and revolving recreation programs.

Absorption

- The largest move-in for the quarter was the occupancy of 38,860 sq. ft. by Union Bank & Trust and Nelnet, Inc. in the newly constructed property in Heartwood Preserve near 144th Street and West Dodge Road.
- In 2022, the largest move-in was the 87,798 sq. ft. lease by OPPD, followed by the 50,766 sq. ft. lease by Toast in Aksarben Village.
- By submarket, Aksarben, Boys Town/Sterling Ridge and Downtown showed the greatest absorption for the year, absorbing 78.2K, 66.9K and 57.9K sq. ft., respectively.
- By class, Class A absorbed the most sq. ft. during 2022, with 126,411 sq. ft. of net absorption followed by 80,804 sq. ft. for Class B and 26,536 sq. ft. for Class C.

FIGURE 2: Delivery, Net Absorption and Under Construction Trends (SF)



Source: CBRE Research, Q4 2022.

FIGURE 3: Absorption by Class (SF)



Source: CBRE Research, Q4 2022.

Market Statistics (cont.)

Asking Rents

- Average asking rents rose slightly to \$25.08 in the 4th quarter. This represents an increase of \$0.92 per sq. ft., or 3.8%, from the previous year.
- By class, average asking rents per square foot are now \$32.63 for Class A, \$23.86 for Class B and \$18.05 for Class C.

Sales

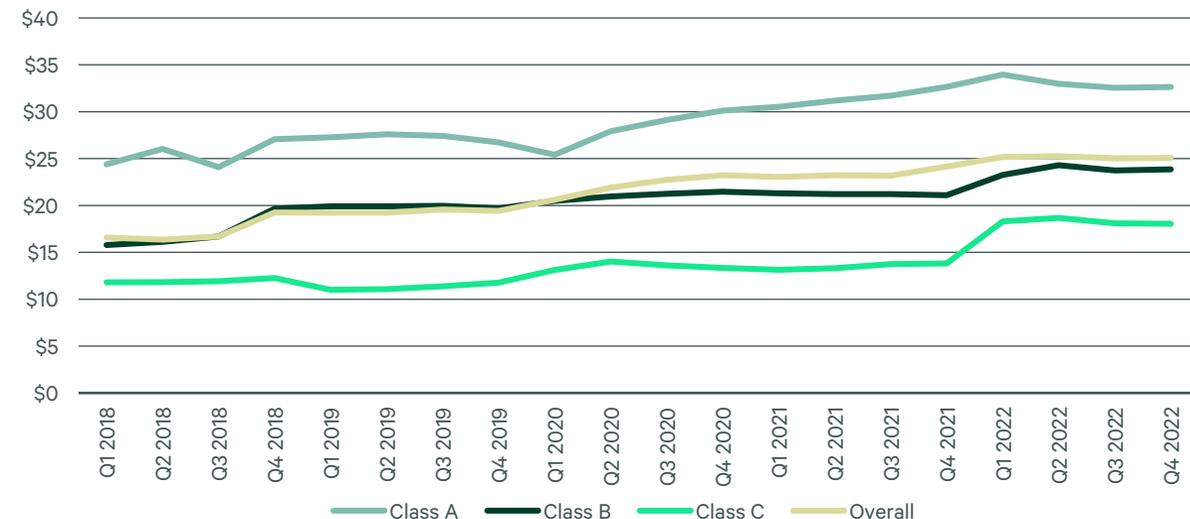
- Year-to-date, office sales volume in the market totals over \$175 million and 1.2 million square feet for an average price per square foot of over \$144.
- Year-to-date office sales volume is approximately 10.5% lower than this time in 2021. However, the average price per square foot is 5% higher than the average of \$137.28 in 2021.
- Year-to-date office sales volume is approximately 36.6% lower than this time five years ago. However, the average price per square foot is 20.4% higher than the average of \$119.70 in 2017.

FIGURE 5: Key Transactions

Tenant/Buyer	Address	City	Submarket	Type	Size (SF)
Confidential	13815 FNB Pkwy	Omaha	Boys Town/ Sterling Ridge	Lease	39,205
Limitless Male Medical	12002 Pacific St	Omaha	South Central	Sale	30,778
3 Lab Realty LLC	268 N 115 th St	Omaha	Old Mill	Sale	23,600
Highline Warren LLC	950 S 10 th St	Omaha	Downtown	Lease Renewal	23,176

Source: CBRE Research, Q4 2022.

FIGURE 4: Asking Lease Rate Trends by Class



Source: CBRE Research, Q4 2022.

Tenant/Buyer	Address	City	Submarket	Type	Size (SF)
Bridges Trust	13333 California St	Omaha	Boys Town/ Sterling Ridge	Lease Expansion	19,693
Confidential	13321 California St	Omaha	Boys Town/ Sterling Ridge	Lease	16,844
Gregg Young Chevrolet	18135 Burke St	Omaha	Suburban West Dodge	Lease	16,000
BCHP LLC	3904 N 138 th St	Omaha	Northwest	Sale	13,312

Source: CBRE Research, Q4 2022.

FIGURE 6: Market Statistics

Submarket	Building Count	Net Rentable Area (Sq. Ft.)	Vacancy Rate (%)	Net Absorption (Sq. Ft.)	Under Construction (Sq. Ft.)	Deliveries (Sq. Ft.)	Avg. Gross Total Asking Rate (\$/SF)
Aksarben	10	1,177,025	0.0	14,903	0	0	35.00
Boys Town - Sterling Ridge	24	2,407,223	10.5	17,513	0	92,698	34.59
Central Dodge	41	2,038,388	14.1	(14,478)	0	0	24.92
Midtown	36	1,759,165	11.1	9,186	0	0	26.84
Miracle Hills	23	997,724	25.3	(1,952)	0	0	25.52
Northeast	6	200,417	9.9	0	0	0	21.50
North Park	17	955,694	12.7	5,694	0	0	21.99
Northwest	39	911,484	13.5	(15,056)	0	0	19.14
Old Mill	42	1,234,372	10.1	1,260	0	0	23.18
Regency	15	783,930	8.1	1,629	0	0	25.78
South Central	92	2,629,863	9.7	(924)	0	0	21.63
Southeast	21	1,079,552	4.6	18,815	0	0	16.94
Southwest	68	1,619,367	6.1	9,235	0	0	22.94
Suburban West Dodge	32	1,742,408	12.9	(3,779)	0	0	34.06
DOWNTOWN	53	5,294,408	5.9	(7,365)	119,335	0	28.15
TOTAL SUBURBAN	466	19,536,612	10.6	42,046	0	92,698	24.57
TOTAL OMAHA	519	24,831,020	9.6	34,681	119,335	92,698	25.08

Source: CBRE Research, Q4 2022.

Submarket	Class	Building Count	Net Rentable Area (Sq. Ft.)	Vacancy Rate (%)	Net Absorption (Sq. Ft.)	Under Construction (Sq. Ft.)	Deliveries (Sq. Ft.)	Avg. Gross Total Asking Rate (\$/SF)
Downtown	A	9	1,892,898	8.0	(19,356)	119,335	0	29.64
	B	31	3,027,866	4.5	3,624	0	0	27.19
	C	13	373,644	6.9	8,367	0	0	25.50
Suburban	A	52	4,773,809	11.5	48,373	0	92,698	33.76
	B	285	11,442,845	11.3	(3,873)	0	0	23.47
	C	129	3,319,958	6.7	(2,454)	0	0	17.36
TOTAL OMAHA	A	61	6,666,707	10.5	29,017	119,335	92,698	32.63
	B	316	14,470,711	9.9	(249)	0	0	23.86
	C	142	3,693,602	6.7	5,913	0	0	18.05

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 in an additional 2,000 people to town.

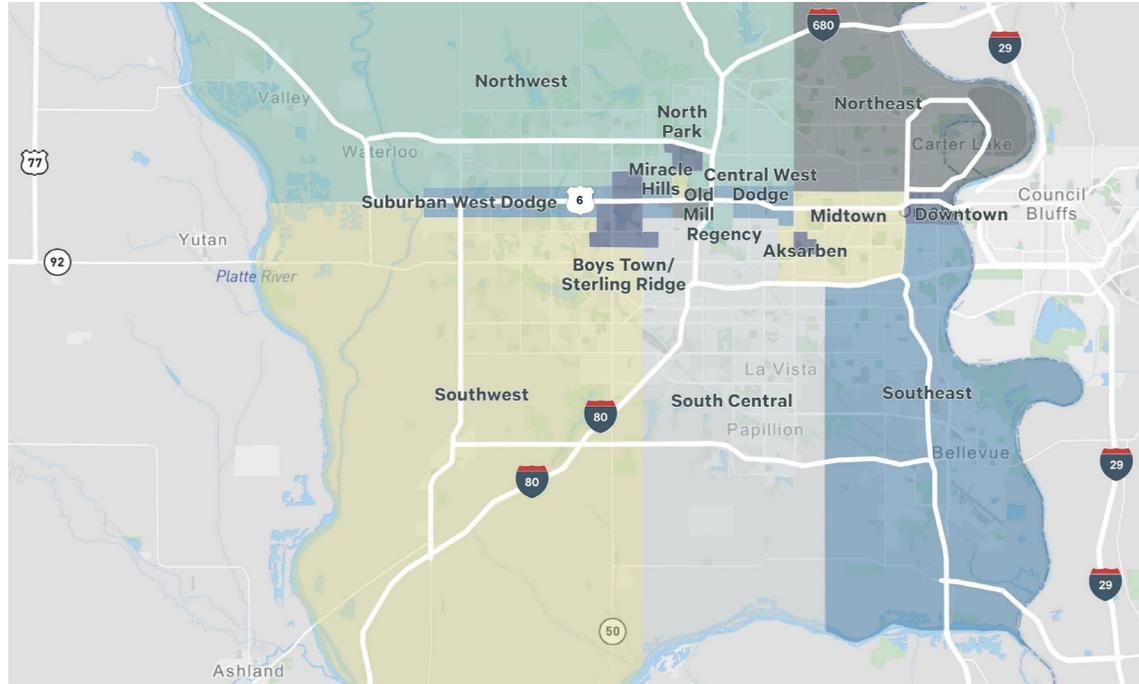
2022 Quick Stats:

- While 2021 rebounded from 2020 with a 178.5% increase in total building permit values, 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

- Absorption remains positive and vacancy remains low in the local office market, however there are now over 1 million sq. ft. of sublease space available.
- There are no new office properties under construction for the first time since 2016.
- Inflation continues to affect the nation and the local market. However, the rate of inflation has slowed.

Market Area Overview



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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 office 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.