

FIGURES | OMAHA INDUSTRIAL | Q4 2024

The Omaha industrial market settles back to equilibrium after post-Covid 19 surge



Note: Arrows indicate change from previous quarter.

SUMMARY

The Omaha Industrial market in Q4 2024 experienced a slight increase in vacancy, rising to 2.8%, up by 10 basis points from 2.7% in Q3 2024. Year-over-year, vacancy decreased by 10 basis points from 2.9% in Q4 2023. Over the past five years, the vacancy rate has shown a notable decline from 3.4% in Q4 2019.

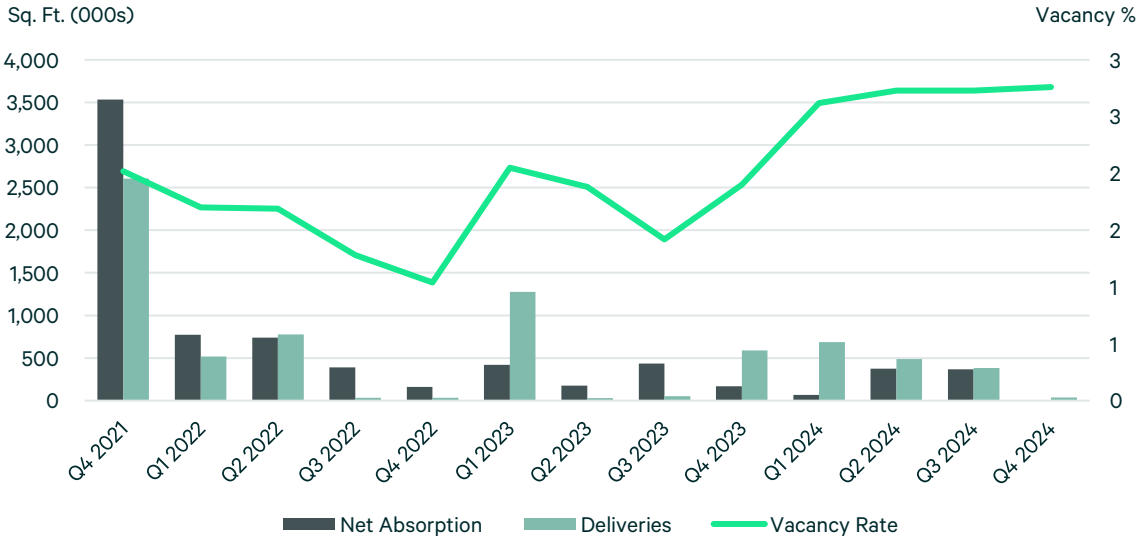
Sublease availability in Q4 2024 was 390,813 sq. ft., increasing from 111,471 sq. ft. in Q4 2023.

Net absorption in Q4 2024 was positive at 6,972 sq. ft., bringing year-to-date absorption to over 800,000 sq. ft., which is 66.7% of 2023 total net absorption of over 1.2 million sq. ft.

Under construction space in Q4 2024 stood at 475,872 sq. ft., up from 443,790 sq. ft. in Q3 2024, but down from 977,716 sq. ft. in Q4 2023. Delivered space in Q4 2024 was 36,800 sq. ft., a decrease from 383,573 sq. ft., bringing year-to-date deliveries to over 1.5 million sq. ft., which is 79% of 2023 delivered sq. ft. of over 1.9 million.

The average asking rent in Q4 2024 was \$7.51 per sq. ft., up from \$7.46 in Q3 2024.

FIGURE 1: Historical Absorption, Deliveries, and Vacancy



Source: CBRE Research, Q4 2024

Availability Rate

The availability rate in the Omaha Industrial market has shown notable fluctuations over the past five years. In Q4 2024, the availability rate stood at 3.24%, a decrease of 44 basis points from Q3 2024's 3.68%. Year-over-year, the availability rate has seen a slight increase from 3.36% in Q4 2023. Over the last five years, the availability rate has varied, with a significant low of 1.96% in Q1 2023 and a high of 6.11% in Q4 2020.

Sublease availability has also played a role in these trends, with Q4 2024 reporting 390,813 sq. ft. of sublease space, up from 372,592 sq. ft. in Q3 2024.

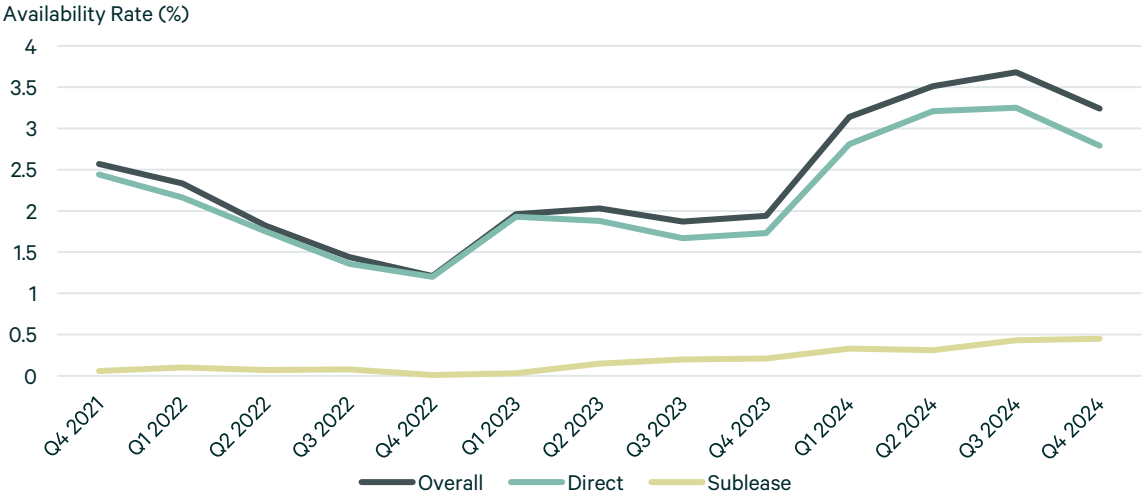
Among submarkets, Sarpy West consistently shows higher availability, peaking at 6.26% in Q3 2020, while the Southeast submarket often reports the lowest availability, such as 1.31% in Q2 2020. This data highlights the dynamic nature of the Omaha Industrial market's availability rates, influenced by both direct vacancies and sublease spaces.

Asking Rent

The Omaha Industrial market's average yearly direct lease rate in Q4 2024 stood at \$7.50 per sq. ft., reflecting a slight increase from \$7.46 in Q3 2024.

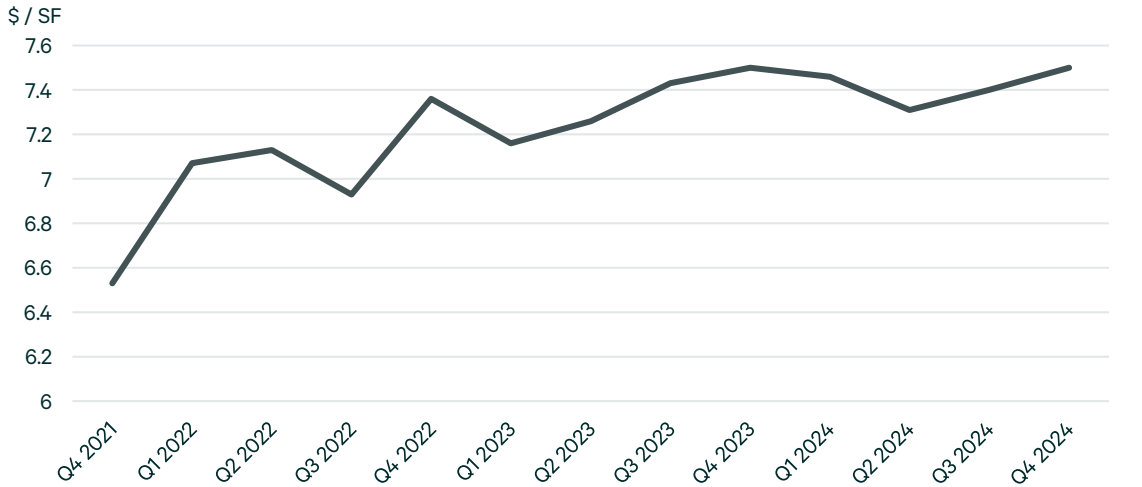
Among the submarkets, the South Central submarket recorded the highest average lease rate at \$9.36 per sq. ft., while the Northeast submarket had the lowest at \$6.41 per sq. ft. The Sarpy East submarket experienced the most significant increase in lease rates, rising from \$6.75 to \$6.98 per sq. ft. Conversely, the South Central submarket saw a notable decrease from \$9.65 to \$9.36 per sq. ft. The Sarpy West submarket, with an average lease rate of \$7.53 per sq. ft., remains a key area of interest due to its robust construction and leasing activities.

FIGURE 2: Availability Rates



Source: CBRE Research, Q4 2024

FIGURE 3: Avg. Direct Asking Rate (NNN/YR)



Source: CBRE Research, Q4 2024

Net Absorption

In Q4 2024, Omaha Industrial experienced a net absorption of 6,972 sq. ft., a significant decrease from the 366,373 sq. ft. recorded in Q3 2024.

Year-to-date net absorption reached 839,357 sq. ft., with notable contributions from top submarkets. Sarpy West led with an impressive 550,990 sq. ft., followed by Council Bluffs with 326,751 sq. ft., Southeast with 103,973 sq. ft., Sarpy East with 68,136 sq. ft., and Northeast with 23,285 sq. ft. These submarkets demonstrated robust leasing activity and tenant retention, driving overall market performance.

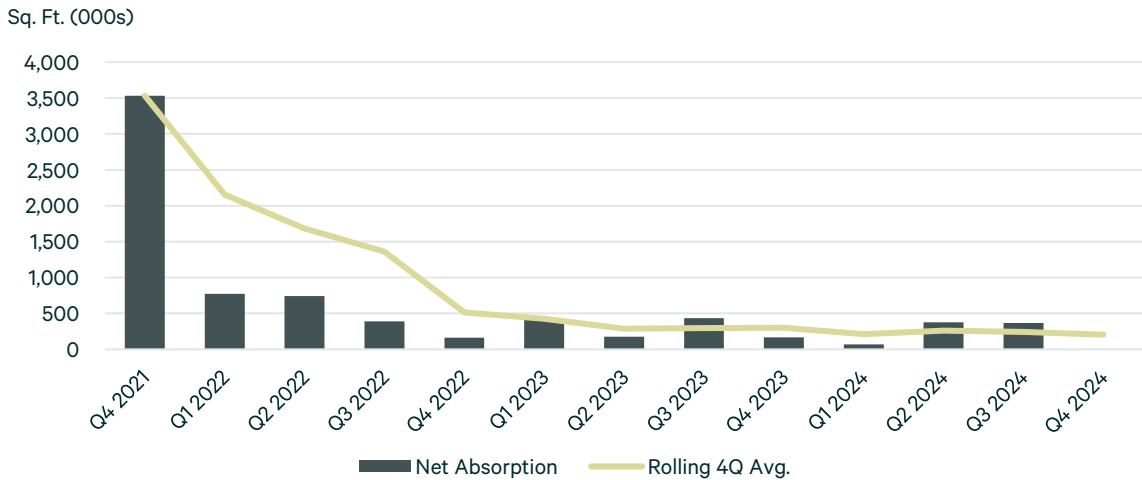
2024 net absorption was only 66.7% of 2023 levels and only 22.2% of record annual absorption of over 3.7 million sq. ft. in 2021.

Construction Activity

Over the past three years, the Omaha Industrial market has seen fluctuating trends in construction activity. In 2024 Q4, the market had 475,872 sq. ft. under construction across 4 buildings, with notable projects including a 260,000 sq. ft. Cold Storage facility at 15640 Sunburst Drive, Papillion, NE, and a 105,000 sq. ft. Warehouse/Storage facility at 4645 S 84th St, Omaha, NE. This quarter also saw the delivery of 36,800 sq. ft. at 1861 44th Ave, Council Bluffs, IA. In comparison, 2024 Q3 had 443,790 sq. ft. under construction and delivered 383,573 sq. ft., while 2023 Q4 had 1.5 million sq. ft. under construction and delivered 588,677 sq. ft.

Average yearly direct lease rates have remained relatively stable, with 2024 Q4 at \$7.50 per sq. ft., reflecting a gradual increase over the years. The largest under construction project in the current quarter is the Cold Storage facility at 15640 Sunburst Drive, while the largest delivery is the Warehouse/Storage facility at 1861 44th Ave.

FIGURE 4: Net Absorption Trend



Source: CBRE Research, Q4 2024

FIGURE 5: Construction Activity



Source: CBRE Research, Q4 2024

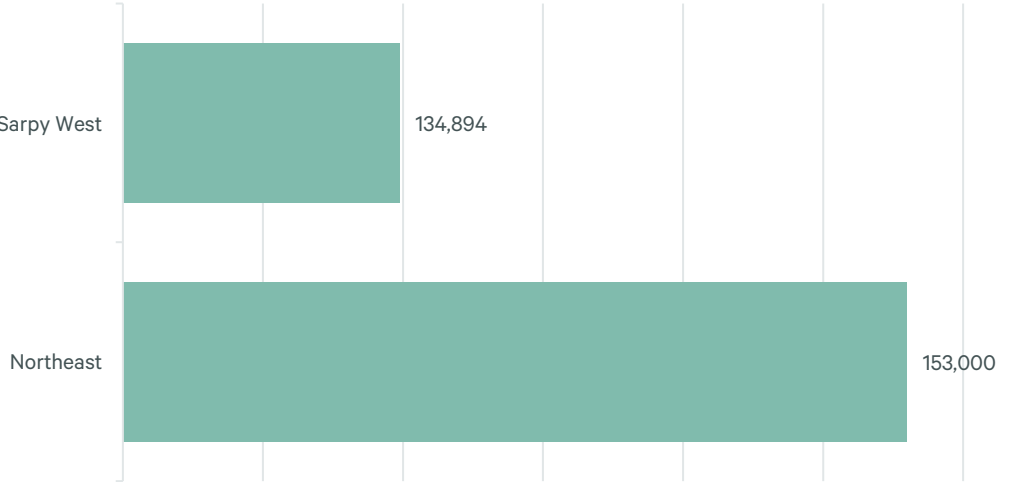
Leasing Activity

Leasing activity in Omaha Industrial for Q4 2024 showed a robust performance with 559,557 sq. ft. leased across 32 transactions, marking a significant decrease from the 1,104,793 sq. ft. leased in Q3 2024. Year-over-year, leasing activity has seen a substantial rise from 2,048,919 sq. ft. in 2023 to 3,229,000 sq. ft. in 2024, reflecting a strong market recovery and growth.

The largest lease for the quarter was OTR Engineered Solutions’ 153,000 sq. ft. lease in the newly constructed 202,000 sq. ft. property near Eppley Airfield.

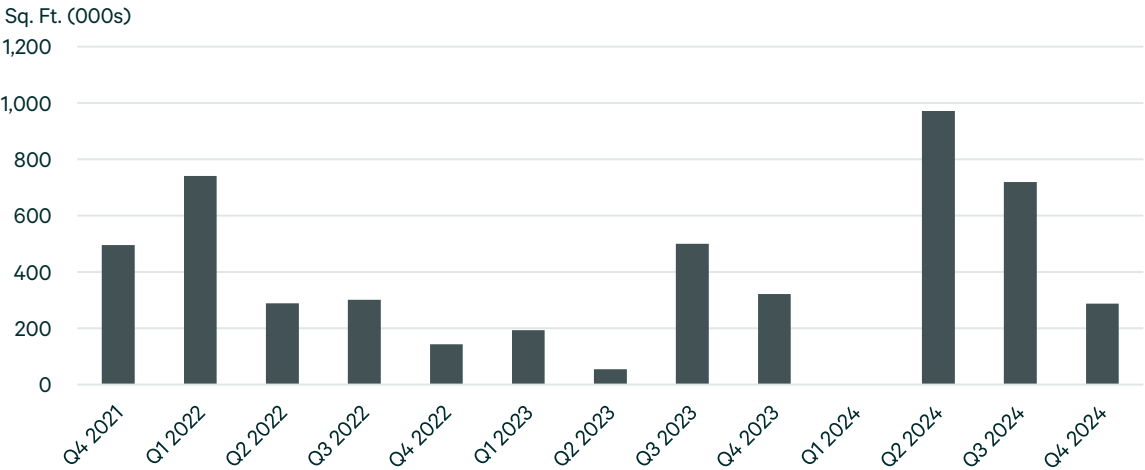
The Sarpy West submarket led in leasing activity this quarter, with significant leases including Bunzl Distribution's 80,814 sq. ft. and Conductix-Wampfler USA's 54,080 sq. ft. at R&R Commerce Park South Warehouse I, near 156th Street and Schram Road. In contrast, the Sarpy East submarket recorded the lowest leasing activity, with no new leases executed this quarter.

FIGURE 6: Leasing Activity by Submarket – Leases 50,000 sq. ft. and up



Source: CBRE Research, Q4 2024

FIGURE 6: Leasing Activity Trend – Leases 50,000 sq. ft. and up



Source: CBRE Research, Q4 2024

FIGURE 8: Key Lease Transactions

Tenant	Sq. Ft. Leased	Transaction Type	Address	Submarket
OTR Engineered Solutions	153,000	New Lease	5902 N 9th St	Northeast
Bunzl Distribution	80,814	New Lease	11921 S 156th St	Sarpy West
Conductix-Wampfler USA	54,080	New Lease	11921 S 156th St	Sarpy West
Capital Express	40,926	New Lease	4330 S 102nd St	South Central
Aluminum Distributors	24,000	New Lease	13529-13541 I Cir	Southwest
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Pioneer Ambulance Service	16,731	New Lease	4420-4438 Izard St	Northeast
Crescent Electric Supply	14,400	New Lease	7763-7851 S 133rd St	Sarpy West
Circle Autism Network	14,203	New Lease	4602-4666 S 132nd St	Southwest
Tevra Brands	13,750	New Lease	13575 Lynam Dr	Sarpy West

Market Statistics by Size

	Net Rentable Area	Total Vacancy	Total Availability	Direct Availability	Sublease Availability	Avg. Direct Asking Rate (NNN/YR)	Current Quarter Net Absorption	YTD Net Absorption	Deliveries	Under Construction
Under 100,000 sq. ft.	46,379,686	1.8	2.8	2.2	0.6	8.36	(92,796)	50,058	36,800	110,872
100,000-199,999 sq. ft.	12,188,324	3.4	2.1	2.0	0.1	6.85	(17,135)	(1,514)	0	105,000
200,000-299,999 sq. ft.	12,435,538	5.6	3.6	3.0	0.6	7.41	116,903	669,674	0	260,000
300,000-499,999 sq. ft.	6,461,215	6.3	6.3	6.3	0.0	7.00	0	76,329	0	0
500,000-749,999 sq. ft.	4,256,417	0.0	0.0	0.0	0.0	nan	0	0	0	0
750,000 sq. ft.	4,407,684	0.4	8.7	8.3	0.4	6.50	0	21,852	0	0
Total	86,128,864	2.8	3.2	2.8	0.5	7.50	6,972	816,399	36,800	475,872

Market Statistics by Product Type

	Net Rentable Area	Total Vacancy	Total Availability	Direct Availability	Sublease Availability	Avg. Direct Asking Rate (NNN/YR)	Current Quarter Net Absorption	YTD Net Absorption	Deliveries	Under Construction
Distribution / Logistics	54,676,297	3.4	3.3	2.9	0.3	7.24	35,887	801,799	36,800	365,000
Manufacturing	21,083,437	1.2	3.4	2.5	0.9	6.60	(9,330)	17,228	0	0
R&D / Flex	7,463,854	3.2	3.7	3.5	0.2	10.59	(22,785)	16,146	0	41,990
Other Industrial	2,905,276	0.6	0.6	0.6	0.0	7.25	3,200	(18,774)	0	68,882
Total	86,128,864	2.8	3.2	2.8	0.5	7.50	6,972	816,399	36,800	475,872

Market Statistics by Class

	Net Rentable Area	Total Vacancy	Total Availability	Direct Availability	Sublease Availability	Avg. Direct Asking Rate (NNN/YR)	Current Quarter Net Absorption	YTD Net Absorption	Deliveries	Under Construction
Class A	2,682,510	22.6	13.5	13.5	0.0	7.38	(11,214)	117,377	0	0
All Other Buildings	83,446,354	2.1	2.9	2.4	0.5	7.52	18,186	699,022	36,800	475,872
Total	86,128,864	2.8	3.2	2.8	0.5	7.50	6,972	816,399	36,800	475,872

Market Statistics by Submarket

	Net Rentable Area	Total Vacancy	Total Availability	Direct Availability	Sublease Availability	Avg. Direct Asking Rate (NNN/YR)	Current Quarter Net Absorption	YTD Net Absorption	Deliveries	Under Construction
Council Bluffs	6,642,128	2.2	3.8	1.1	2.6	10.32	80,582	326,751	36,800	0
Northeast	10,672,386	4.1	4.4	4.2	0.2	6.41	39,670	23,285	0	0
Northwest	6,645,241	0.9	1.4	1.2	0.2	8.55	1,150	750	0	0
Sarpy East	1,886,744	0.0	0.5	0.5	0.0	6.75	0	54,866	0	0
Sarpy West	22,976,032	5.8	4.5	4.3	0.3	7.52	(12,954)	550,990	0	370,872
South Central	20,358,396	1.4	1.8	1.3	0.4	9.36	(103,731)	(204,952)	0	105,000
Southeast	8,170,898	0.3	1.3	1.3	0.0	7.58	10,200	94,285	0	0
Southwest	8,777,039	1.1	5.2	4.9	0.3	6.84	(7,945)	(29,576)	0	0
Total	86,128,864	2.8	3.2	2.8	0.5	7.50	6,972	816,399	36,800	475,872

Economic Summary

National

The U.S. economy continues to exceed expectations. Much of this is due to a sturdy consumer who is enjoying increased household wealth, real income growth, and a resilient labor market. Consequently, CBRE is revising its outlook upward for 2025 annual average GDP growth by 60 basis points to 2.3%. Typically, sturdy economic growth alongside Fed rate cuts would be rocket fuel for commercial real estate (CRE) performance. The catch is capital markets have grown skeptical of just how low rates will go in 2025. The mix of sticky core inflation and future policy concerns are putting upward pressure on long-term rates. Nevertheless, real estate capital markets have made good progress in recent quarters. Lending spreads are tightening, and credit issuance is up. Lending conditions are easing a bit as multifamily LTVs are trending slightly upward. Stronger debt markets and balanced and/or recovering space market fundamentals should translate into a noticeable uptick in investment during the next several quarters.

Local

Omaha’s economy continues to out-perform other U.S. metro areas, particularly in the downtown area. According to a study by the University of Toronto, Downtown Omaha’s economy is recovering from the Covid-19 pandemic quicker than other cities. More people live and visit downtown Omaha than a decade ago. According to Karen Chapple, director of the School of Cities at the University of Toronto, “what’s leading its recovery is actually this nighttime weekend activity... arts, entertainment, restaurants, residents”. In the past three years alone, downtown Omaha has added a new concert venue, Steelhouse Omaha, a science museum, the Kiewit Luminarium, and three renovated parks on the Riverfront. According to a CBRE study, there has been \$4.7 billion invested in developments in the downtown area since 2020, including over 1,700 new multifamily units, 580 hotel rooms, 1.8 million square feet of commercial space, including Mutual of Omaha’s new headquarters, over 72 acres of renovated park space, a new streetcar and an overhaul of Eppley Airfield, Omaha’s main airport.

The University of Toronto study shows that no American city’s downtown has fully recovered during weekdays or work hours, 9:00 a.m. to 5:00 p.m., due to the adoption of remote work

Local (cont.)

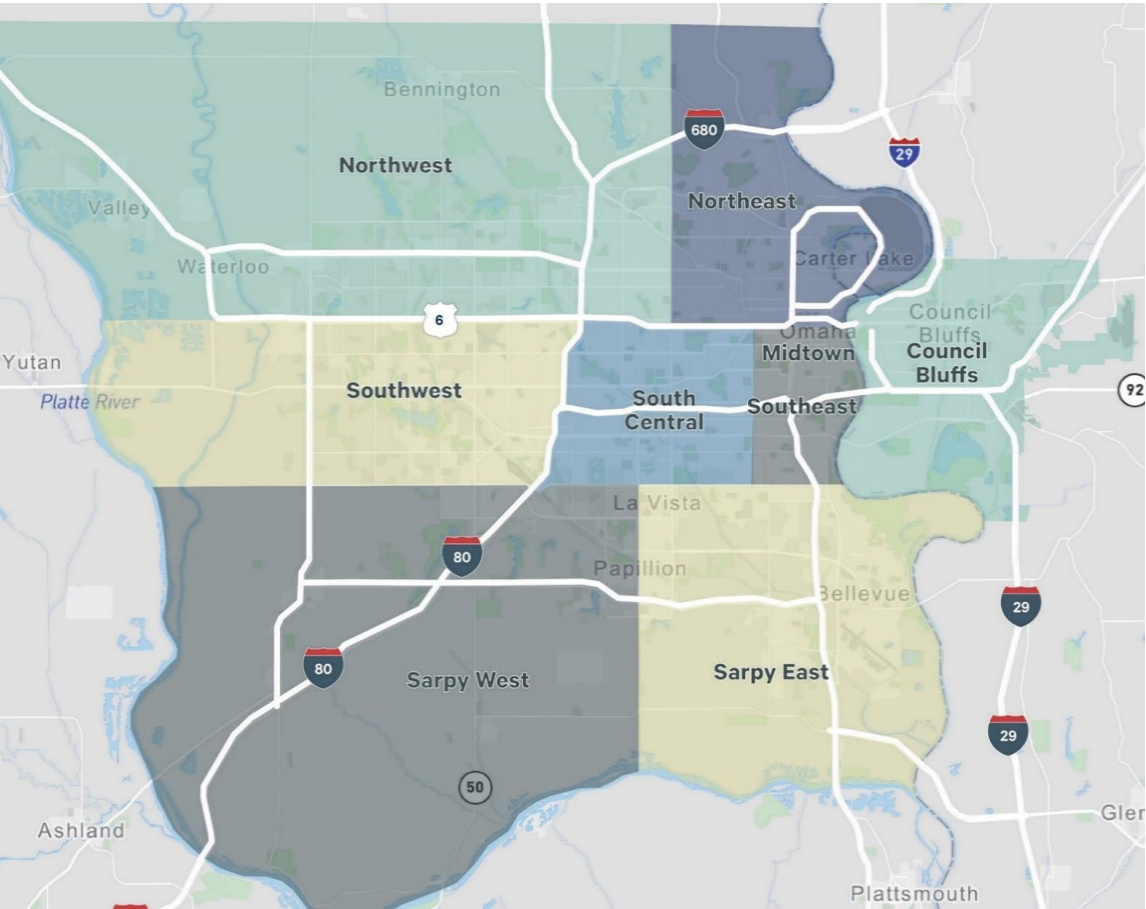
during the pandemic. The report notes that downtowns that have the strongest recoveries tend to have diverse economies with a mix of industries and businesses. Some downtowns are operating at less than 60 percent of their pre-pandemic levels, while Omaha comes in at nearly 90 percent. That figure grows to over 96 percent on weekends and evenings. Nationally, Omaha had the tenth strongest recovery and the second strongest recovery in the Midwest, after Wichita, Kansas. Omaha voters passed a \$146 million bond package, which will go toward expanding the CHI Health Convention Center, during the November election. Since the University of Toronto study, there was another positive announcement for the downtown Omaha area. The Omaha Children’s Museum announced they will move from their current location at 20th and Howard Street to a new 75,000 square foot facility on the Riverfront. Additionally, it was announced that a new 16-story, 261-unit apartment building, the Beam, will be built just to the north of the Omaha Children’s Museum.

On a macro level, the Omaha MSA out-performed the United States for several economic metrics. According to Oxford Economics, the year-over-year percent change from 2023 in Omaha increased at a greater rate than the U.S. for consumer spending, employment, homeownership rate, housing permits and starts, and population. During the same time, the home pricing index for both the purchase-only index and the all-transaction index rose at a slower rate than the U.S. as a whole, reflecting Omaha’s relative affordability.

In Conclusion

- Vacancy remains under 3% and year-to-date absorption is over 800,000 square feet.
- Under construction space remains conservative with only four properties totaling 475,872 square feet under way in the local market.
- Leasing activity remains active in the local market.

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. Class A industrial are buildings built after 2000, with 32’ or greater clear height and ESFR sprinklers.

Survey Criteria

Includes all industrial buildings 10,000 sq. ft. and greater in size in Los Angeles and Ventura counties. Buildings which have begun construction as evidenced by site excavation or foundation work.

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