

FIGURES | OMAHA INDUSTRIAL | Q1 2023

Over 1 million square feet delivered in the first quarter and more to come

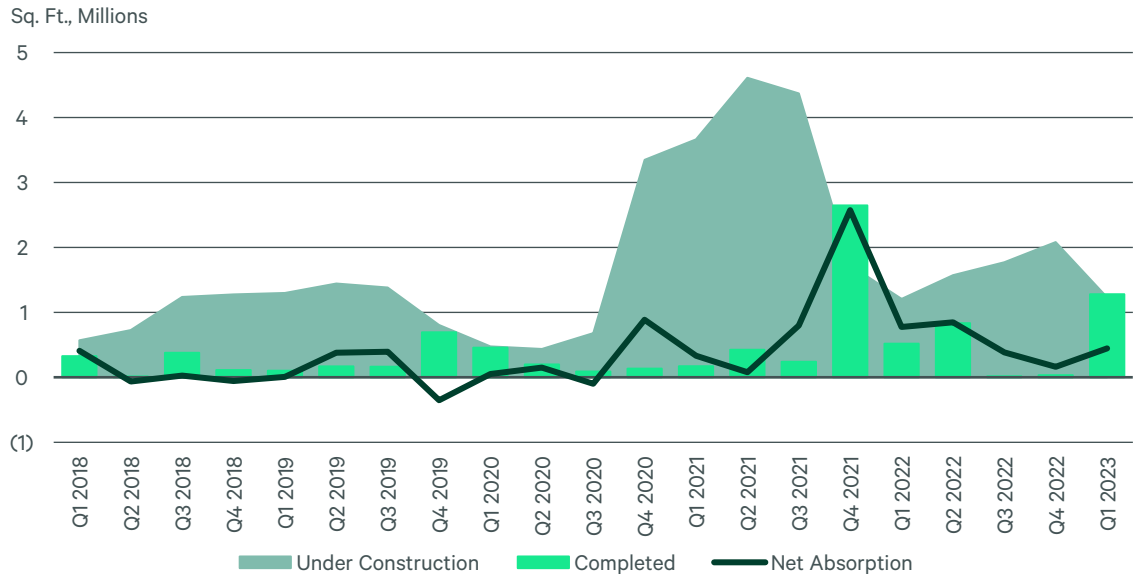


Note: Arrows indicate change from previous quarter.

Market Summary

- After posting record low vacancy of 1.1% for the fourth quarter of 2022, the vacancy rate in the Omaha industrial market has now increased 90 basis points to 2.0% in the first quarter of 2023.
- The market absorbed 443,685 sq. ft. this quarter. Most of this space, 327,486 sq. ft., was warehouse space. By submarket, 237,260 sq. ft. delivered in Sarpy West and 163,699 sq. ft. was delivered in Council Bluffs
- Over 1.3 million sq. ft. was delivered to the local industrial market. After several years of the market absorbing most or all newly constructed industrial space, the properties delivered this quarter were only 47.7% pre-leased, contributing to increased vacancy.
- After hitting a record high of \$7.44 per square foot in the third quarter of 2022, average asking rental rates fell in the fourth quarter to \$7.36 per square foot and again in the first quarter of 2023 to \$7.11 per square foot on a triple net basis.
- Eleven industrial properties totaling over 1.2 million sq. ft. are under construction, with almost 1 million sq. ft. (76.3%) located in the Sarpy West submarket. Another 3.4 million sq. ft. are proposed in the market.

Figure 1: Under Construction, Completed and Net Absorption



Source: CBRE Research Q1 2023

Market Statistics

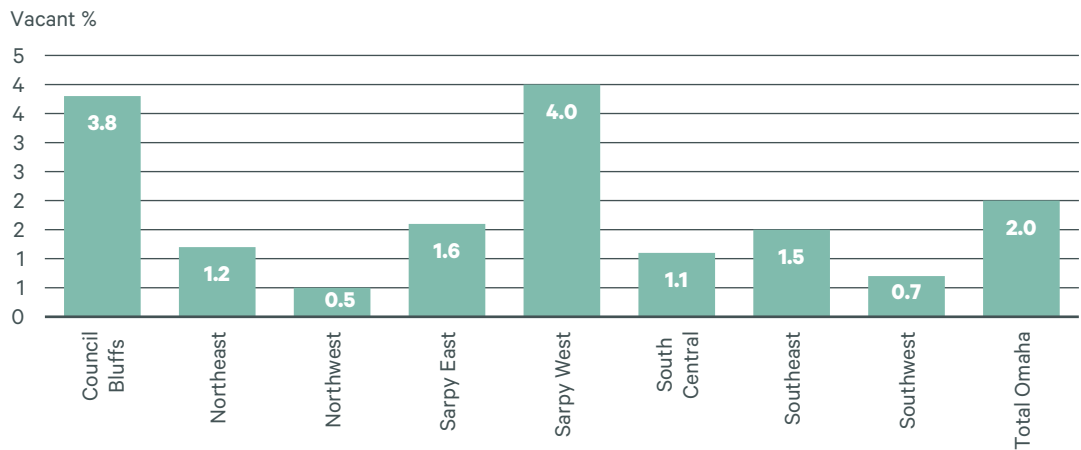
Vacancy Rate

While 1.3 million sq. ft. was delivered to the market, most of this space was large warehouse space. Only one of the new properties delivered in the first quarter under 100,000 sq. ft. in size has available space. There are few opportunities in existing properties for smaller users as well. Currently there are only 11 properties with available space between 5,000 and 10,000 sq. ft. and only 22 properties with available space of 5,000 sq. ft. or less.

Net Absorption

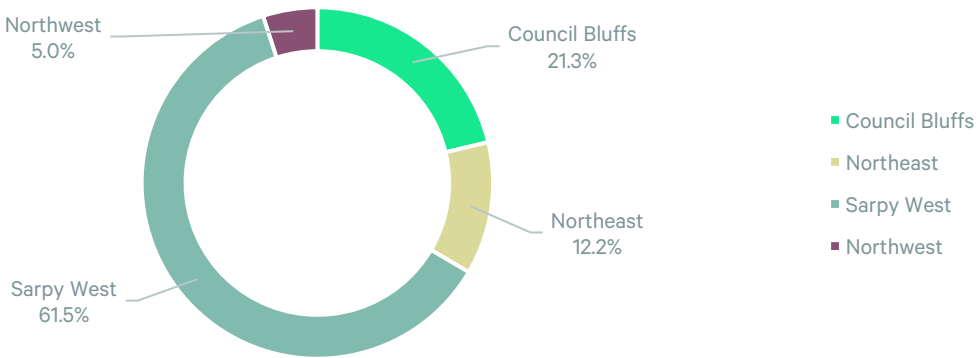
The largest move-in for the quarter was Packaging Corporation of America’s occupancy of 163,699 sq. ft. in the first River Road Logistics Park building near the I-29/I-80 interchange in Council Bluffs. The second largest move-in for the quarter was the completion and occupancy of Midland Garage Door Manufacturing Company’s new 101,556 sq. ft. building in Springfield. Echo Electric Supply occupied 68,640 sq. ft. in the first warehouse in the R&R Commerce South development near 156th Street and Schram Road. A new 45,000 sq. ft. building near 117th Street and Centennial Road was occupied by Midlands Scientific, Inc. and Metropolitan Warehouse & Delivery.

Figure 2: Vacancy Rate by Submarket



Source: CBRE Research, Q1 2023

Figure 3: Under Construction Square Footage by Submarket



Source: CBRE Research, Q1 2023

Figure 4: Key Transactions

Tenant/Buyer	Address	City	Submarket	Type	Size (SF)
Streck LLC	7002 S 109 th St	La Vista	Sarpy West	Sale	138,648
CBX3, LLC	9995 I St	Omaha	South Central	New Lease	54,000
Streck LLC	11710 Peel Cir	La Vista	Sarpy West	Sale	50,400
Laco Properties LLC	13808 F St	Omaha	Southwest	Sale	43,006
Penske Truck Leasing Co LP	13909-13915 L St	Omaha	Southwest	Sale	25,370

Source: CBRE Research, Q1 2023

Market Statistics

Figure 5: Overall Market Statistics by Submarket

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)
Council Bluffs	111	6,305,956	3.8	163,699	261,324	302,300	6.37
Northeast	211	10,345,024	1.2	3,524	150,000	0	4.74
Northwest	163	6,571,541	0.5	77,600	61,400	0	8.57
Sarpy East	38	1,831,878	1.6	(2,200)	0	0	10.00-
Sarpy West	427	21,569,708	4.0	237,260	756,265	975,177	7.42
South Central	497	20,286,101	1.1	(35,945)	0	0	6.99
Southeast	183	8,135,544	1.5	(7,123)	0	0	6.28
Southwest	202	8,777,039	0.7	6,870	0	0	10.67
TOTAL OMAHA	1,832	83,844,791	2.0	443,685	1,228,989	1,277,477	7.11

Source: CBRE Research, Q1 2023

Market Statistics

Figure 6: Overall Market Statistics by Product Type

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)
Cold Storage	10	1,162,740	0.0	0	225,000	0	-
Cross-Dock	27	1,013,315	0.0	0	0	0	-
Distribution/Logistics	1,120	50,497,148	2.8	327,486	958,288	1,173,577	6.88
Food Processing	16	2,835,749	0.0	0	0	0	-
Heavy Manufacturing	22	4,924,790	0.0	0	0	0	-
Light Manufacturing	181	13,304,646	1.3	(28,705)	0	0	6.95
Other Industrial	136	2,920,435	0.0	45,000	0	45,000	-
R&D/Flex	320	7,185,968	1.9	99,904	14,901	58,900	10.39
TOTAL OMAHA	1,832	83,844,791	2.0	443,685	1,228,989	1,277,477	7.11

Source: CBRE Research, Q1 2023

Economic Summary

National

Market concerns about the stability of the banking sector have been alleviated by decisive actions. The Federal Reserve, acting as lender of last resort, is providing unlimited liquidity to the banking sector with government securities as collateral at par value. The U.S. Treasury has implied that even uninsured deposits at troubled banks would be protected.

Markets have moved very quickly to assess the threat to regional banks from their exposure to real estate. While default rates will rise substantially, particularly for loans to the office sector, the best research suggests the losses will not be sufficient to erode the banks’ capital base. Total commercial real estate mortgages are worth \$2.5trn. Banks hold \$1.1trn, including \$627bn of loans backed by office assets, of which \$54bn is likely to be written off.

Up to \$1trn of deposits have been withdrawn from regional banks and moved to money market funds or larger banks. It is a large sum, but only a small portion of the \$18trn total deposits in the U.S. banking system, and signals continued confidence in U.S. banks. More importantly, the interbank lending rate is only marginally elevated, an indication that banks still trust each other. This is a major difference with the Great Financial Crisis (GFC).

CBRE’s view is that we are not facing another GFC. In 2008, the global banking sector was subject to poorly understood financial instruments and massive losses on U.S. sub-prime mortgages. Banks did not have the capital base to absorb these losses. This is not the case now. The potential losses from real estate, though material, are smaller, and the banks’ capital buffers are much larger.

Local

- Nebraska legislators have been busy introducing bills that would positively affect the local economy.
 - Legislative Bill 531 was introduced to the Nebraska Legislature’s Urban Affairs Committee in March. This bill would build on a previous bill, LB 1024, which earmarked \$335 million for development in north and south Omaha, underserved areas in the market.

Projects include affordable housing, innovation hubs and an industrial park near the Omaha airport. LB 531 would increase the funds by \$100 million. Lawmakers are looking to approve the bill soon as much of the funding comes from the American Rescue Plan Act of 2021 which indicates that the money must be spent by the end of 2026.

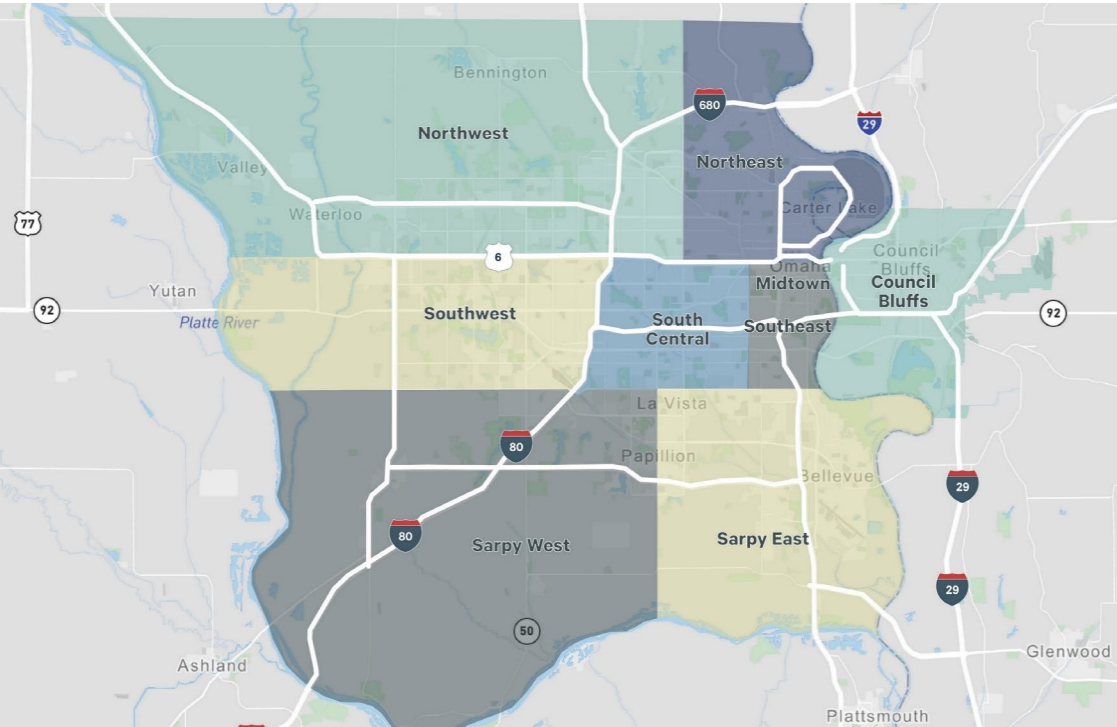
- Legislative Bill 754 seeks to lower the state income tax rate for both individuals and businesses. According to taxfoundation.org, Nebraska ranks 38th on their list of state and local tax burdens for 2022. LB 754 would reduce the top personal income tax rate and corporate tax rate to 3.99% by 2027. Lawmakers believe that this measure combined with a property tax proposal will result in Nebraska ranking in the top 15 for lowest state taxation.
- As Nebraska continues to experience low unemployment with many job openings going unfilled, law makers are seeking solutions:
 - Legislative Bill 610 seeks to direct \$10,000 to fund career and technical education programs in Nebraska schools.
 - Legislative Bill 416 would ease the tax burden for those who work for Nebraska companies but don’t live in the state.
 - Other initiatives include boosting college enrollment and immigration reforms.

The University of Nebraska at Omaha announced a new program, the Omaha Urban Rate Tuition program (OUR), in March meant to attract more out-of-state students. Students from 11 states, Colorado, Illinois, Iowa, Kansas, Minnesota, Missouri, Montana, North Dakota, South Dakota, Wisconsin and Wyoming, will pay reduced tuition rates. Chancellor Joanne Li believes the OUR program will help solve the workforce shortages in Nebraska and states, “Offering the OUR Tuition rate to students across the region enables out-of-state students to find affordability and opportunity in Nebraska.”

In Conclusion

- The local market delivered over 1 million square feet, but vacancy is still very low at 2%. More than 1 million square feet are under construction to meet demand for industrial space.
- There is still much uncertainty in the economy as interest rates remain higher than pre-pandemic levels, inflation looms and credit tightens.

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 industrial 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.

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