

FIGURES | OMAHA INDUSTRIAL | Q2 2023

# Vacancy in the Omaha Industrial Market is Once Again Under 2%

▼ 1.9%

Vacancy Rate

▼ 186,869

SF Net Absorption

▲ 1.235M

SF Under Construction

▼ 30,600

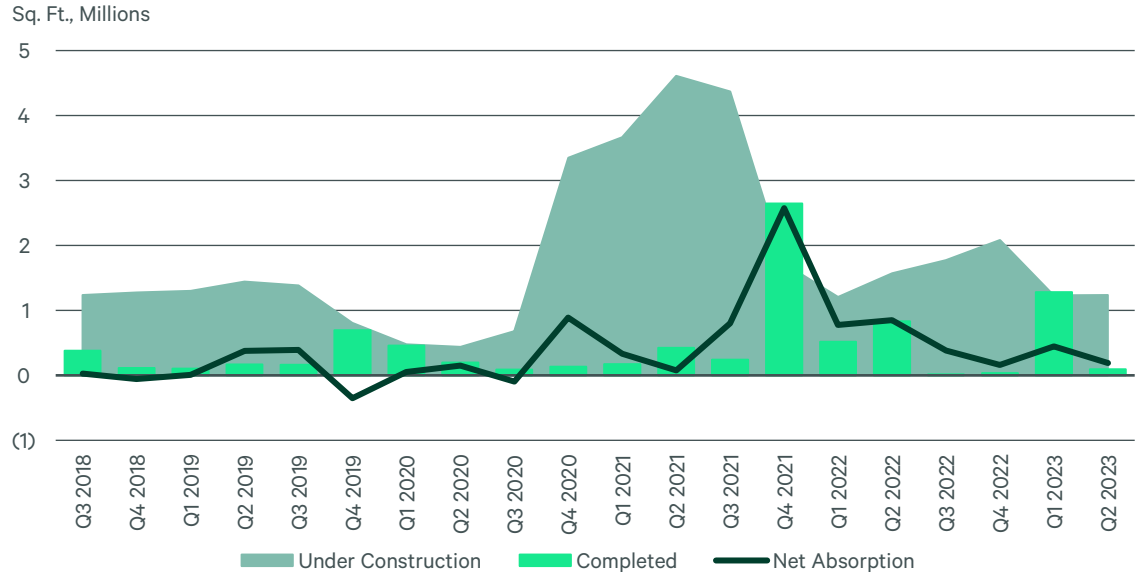
SF Deliveries

Note: Arrows indicate change from previous quarter.

## Market Summary

- Vacancy in the Omaha industrial market is once again below 2%, decreasing by 10 basis points to 1.9% from 2.0% in the previous quarter, and is unchanged from one year ago.
- The market absorbed 186,869 sq. ft. this quarter. By submarket, the South Central submarket experienced the most absorption with 108,060 square feet absorbed. The submarket with the least absorption was the Northeast submarket with negative absorption of 20,700 square feet. By property subtype, warehouse properties absorbed the most square footage with positive absorption of 199,990 square feet.
- Only one property, a 30,600 square foot warehouse located in the Northwest submarket, was delivered to the market this quarter. This was a build-to-suit property for Omaha Industries Inc.
- Average asking rents rose by nine cents, or 1.3%, to \$7.20 per square foot on a triple net basis from \$7.11 in the previous quarter.
- Eleven industrial properties totaling over 1.2 million sq. ft. are under construction, with almost 800,000 square feet (64.6%) located in the Sarpy West submarket.

Figure 1: Under Construction, Completed and Net Absorption



Source: CBRE Research Q2 2023

Market Statistics

Net Absorption

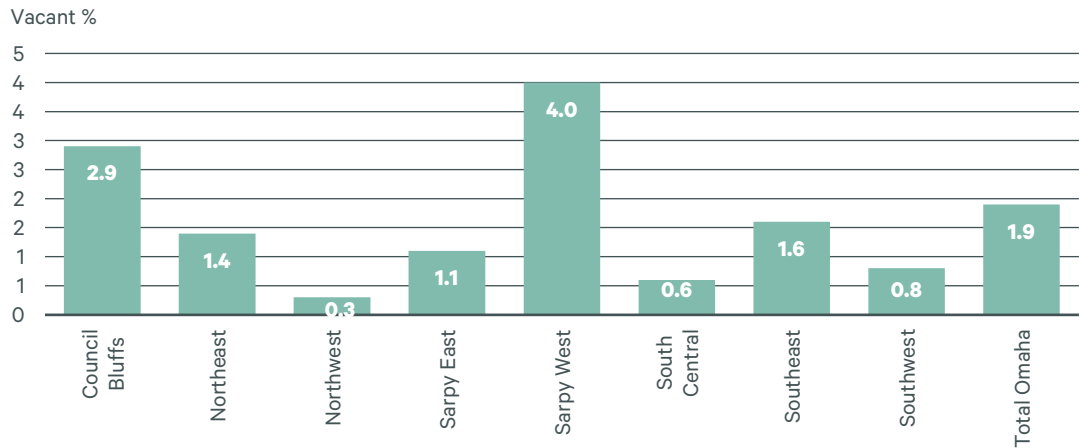
The South Central submarket absorbed 108,060 square feet this quarter, bringing the vacancy rate for this submarket to a low 0.6%. While the Sarpy West submarket has been the most active for several years, the South Central submarket is still an attractive area with good access to I-80 and lower rents than newer properties in high growth areas.

The two largest move-ins for the quarter were Nebraska Warehouse Company’s lease of 54,000 square feet near 99<sup>th</sup> and I Streets, and Everlasting Cabinetry’s lease of 54,000 square feet near 100<sup>th</sup> and I Streets, both in the South Central submarket. Meristem Crop Performance leased 42,810 square feet in Council Bluffs near 35<sup>th</sup> Street and Nebraska Avenue. Omaha Industries, Inc. moved into their new 30,600 square foot property near North 87<sup>th</sup> Street and Sorensen Parkway.

Sales

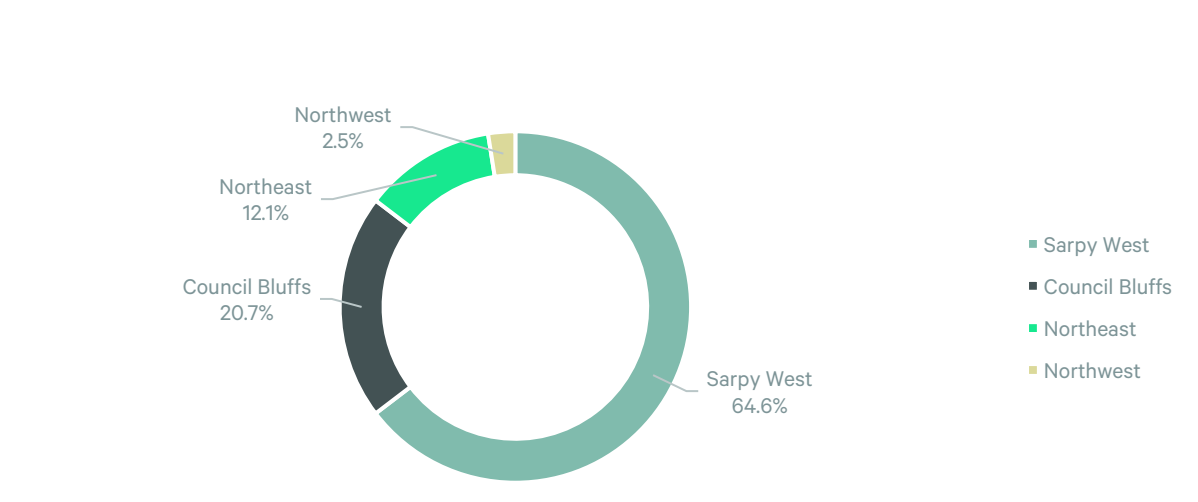
Sales volume is down 35.6% year-over-year for industrial properties. However, the average price per square foot of industrial properties has increased 25% to \$115.97 per square foot in the Omaha metro.

Figure 2: Vacancy Rate by Submarket



Source: CBRE Research, Q2 2023

Figure 3: Under Construction Square Footage by Submarket



Source: CBRE Research, Q2 2023

Figure 4: Key Transactions

Tenant/Buyer	Address	City	Submarket	Type	Size (SF)
132 Industrial Investment LLC	13200 I St	Omaha	Southwest	Sale	104,640
Everlasting Cabinetry	10025 I St	Omaha	Southwest	New Lease	54,000
Meristem Crop Performance	2101 S 35 <sup>th</sup> St	Council Bluffs	Council Bluffs	New Lease	42,810
Safe Harbour Eat-XXXIV LLC	1929 S 20 <sup>th</sup> St	Omaha	Southeast	Sale	34,804
MacArthur Company	4444 S 94 <sup>th</sup> St	Omaha	South Central	Lease	30,000

Source: CBRE Research, Q2 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	6,306,004	2.9	53,159	256,124	0	7.48
Northeast	211	10,345,024	1.4	(20,700)	150,000	0	7.04
Northwest	164	6,624,141	0.3	42,767	30,800	30,600	8.65
Sarpy East	38	1,831,878	1.1	9,200	0	0	0
Sarpy West	427	21,569,708	4.0	5,055	798,702	0	7.13
South Central	497	20,286,101	0.6	108,060	0	0	7.13
Southeast	183	8,135,544	1.6	(6,000)	0	0	6.84
Southwest	202	8,777,039	0.8	(4,672)	0	0	8.92
TOTAL OMAHA	1,833	83,875,439	1.9	186,869	1,235,626	30,600	7.20

Source: CBRE Research, Q2 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	-
Distribution/Logistics	1,121	50,527,796	2.4	199,990	922,488	30,600	6.87
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	1.6	(38,203)	0	0	8.45
Other Industrial	136	2,920,435	0.0	0	0	0	-
R&D/Flex	320	7,185,968	1.6	25,082	88,138	0	9.39
Truck Terminal	27	1,013,315	0.0	0	0	0	-
<b>TOTAL OMAHA</b>	<b>1,833</b>	<b>83,875,439</b>	<b>1.9</b>	<b>186,869</b>	<b>1,235,626</b>	<b>30,600</b>	<b>7.20</b>

Source: CBRE Research, Q2 2023

## Economic Summary

### National

Inflation has slowed but continues to plague the U.S. economy. Minutes from June's Federal Reserve Board meeting indicate further interest rate hikes. "Many also noted that, after rapidly tightening the stance of monetary policy last year, the committee had slowed the pace of tightening and that a further moderation in the pace of policy firming was appropriate in order to provide additional time to observe the effects of cumulative tightening and assess their implications for policy," the minutes said.

While some economists still predict a recession later this year, employment news continues to defy that notion. ADP's June report indicates that hiring has increased, layoffs have slowed and filings for unemployment benefits remain low. ADP also reported that U.S. companies added almost half a million jobs in June, the most in over a year.

There is widespread speculation regarding the risk of commercial real estate holdings, particularly office properties, by U.S. banks. With the shift from in-office to remote work due to the pandemic, some office buildings have high vacancy rates. However, Richard Barkham, CBRE Global Chief Economist, reports that not all office vacancy is equal. 80% of the rise in office vacancy is in 10% of buildings. High vacancies are more likely to be found in smaller office properties built between 1980 and 2009, in downtown areas, and in weaker submarkets with higher crime and lower amenities. High quality properties are performing better than their counterparts as "demand has shifted to the top of the market, at the direct expense of more commoditized office stock."

### Local

Each year Omaha hosts two events that bring thousands of visitors and contribute millions to the local economy; the Berkshire Hathaway annual shareholder meeting in May and the NCAA Men's College World Series in June.

Since 1973, Omaha has been home to the Berkshire Hathaway annual shareholder meeting.

The annual weekend has been dubbed the "Woodstock of Capitalism" and its host, Warren Buffett, has received the nickname of the "Oracle of Omaha". The event has grown over the past five decades with attendance growing from a few attendees in the National Indemnity Company cafeteria to between 30,000 and 40,000 attendees at the CHI Health Center, Omaha's largest event venue. According to Visit Omaha, the annual shareholder meeting brings in over \$20 million when considering hotel nights, food and destinations.

Omaha has hosted the NCAA Men's College World Series (CWS) each year since 1947 and welcomes visitors from all over the country. Visitors and locals both attend the CWS and spend money on tickets, hotel nights, food & drink, etc., stimulating the local economy. Amy Hornocker, Executive Director of CWS of Omaha, Inc., has this to say about the economic impact of this year's CWS, "there are numerous calculators out there, but at this point we are probably over \$90 million." The 2023 CWS broke attendance records as well. According to the Omaha World-Herald, "The CWS final total draw of 392,946 and per-game average of 24,559 – across 16 games this month – are both the best in the 73-year history of the College World Series in Nebraska."

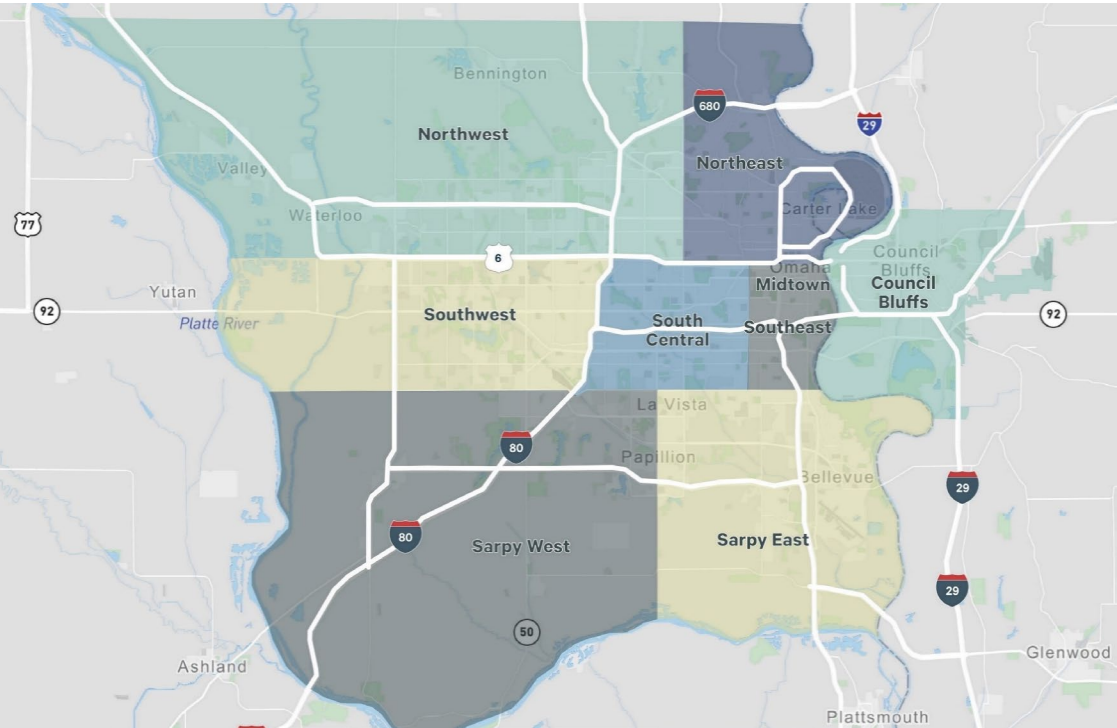
Several exciting new developments opened downtown in the 2<sup>nd</sup> quarter:

- The Kiewit Luminarium, an 82,000 sf, \$101 million STEM museum opened in April on the Missouri riverfront.
- Steelhouse, a 50,000 sf, \$103 million, 3,000 seat capacity music venue opened in May, with the Killers starring as its first act.
- Omaha's new downtown library branch, located at 14<sup>th</sup> and Jones Streets, opened in May.
- Douglas County's new \$120 million justice center opened in May and includes an 8-story 147,000 square foot tower, a 4-story 65,000 square foot youth center and a 5-story square foot office building.

### In Conclusion

- Vacancy is still very low in the local industrial market and is once again lower than 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



Contact

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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 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.