

FIGURES | OMAHA INDUSTRIAL | Q1 2024

Vacancy increases in the Omaha market as new construction delivers with low occupancy

▲ 2.6%

Vacancy Rate

▼ 67,615

SF Net Absorption

▼ 849.5k

SF Under Construction

▲ 688.0k

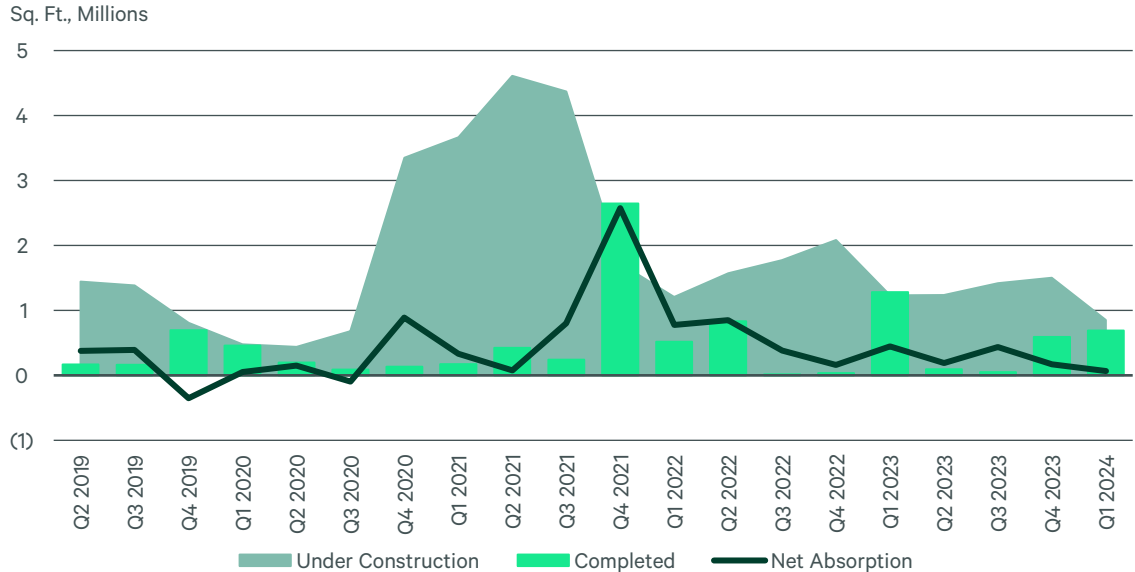
SF Deliveries

Note: Arrows indicate change from previous quarter.

Market Summary

- After posting sub-2% vacancy for three quarters in a row, vacancy has increased by 70 basis points in the Omaha market to 2.6% from 1.9% in the fourth quarter of 2023.
- The market absorbed 67,615 sq. ft. this quarter. By submarket, the Council Bluffs and Sarpy West submarkets experienced the most absorption for the quarter, with 226,329 and 115,980 square feet of absorption respectively. Offsetting this positive absorption is negative absorption in the South Central submarket of 178,944 square feet.
- Four properties, totaling 688,022 sq. ft. were delivered to the market this quarter. Most or 95% of this space is located in the Sarpy West submarket. Only 7% of the new construction delivered to the market was pre-leased, contributing to increased vacancy in the market.
- Average asking rents fell slightly by two cents, or 0.3%, to \$7.42 per square foot on a triple net basis from \$7.44 in the previous quarter, but are 31 cents or 4.4% higher than one year ago.
- Six additional industrial properties totaling over 849,511 sq. ft. are under construction and expected to deliver in 2024. 42.6% of this space is pre-leased.

Figure 1: Under Construction, Completed and Net Absorption



Source: CBRE Research Q1 2024

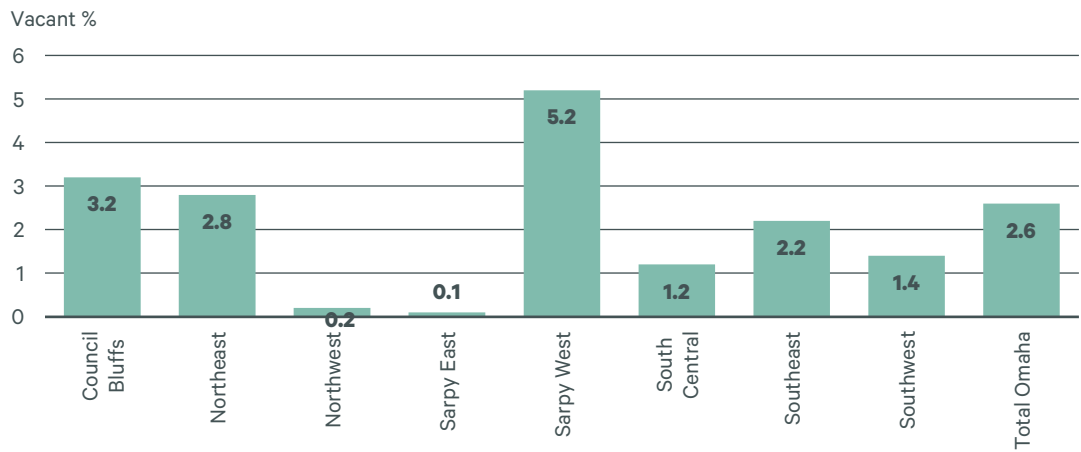
Market Statistics

Net Absorption

Only 67,615 square feet were absorbed in the Omaha industrial market this quarter. Much of the positive absorption was found in newer, suburban areas of town while most of the negative absorption took place in older properties found in established submarkets like the South Central and Southeast submarkets. The largest move-ins and move-outs for the quarter include:

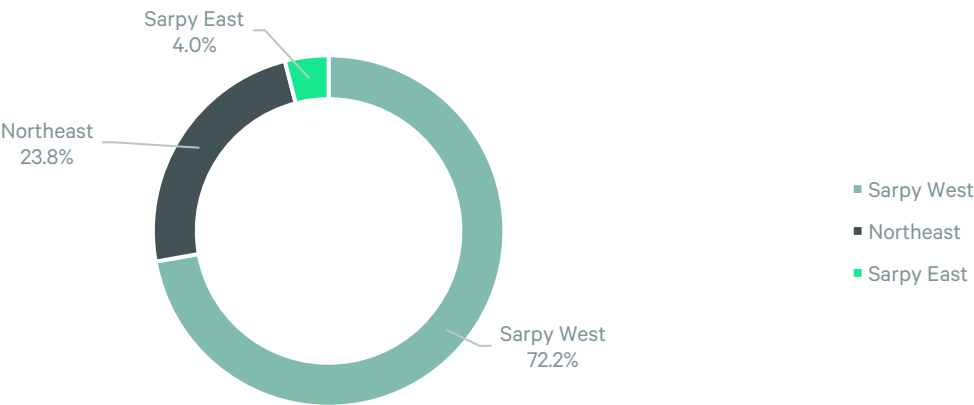
- Behlen Manufacturing Company, based out of Columbus, NE, closed their 156,000 square foot Omaha operation near 108th and F Street. The facility is available for sale or lease.
- Kamps Pallets Inc. occupied their 150,000 square foot space in building 2 of the newly constructed River Road logistics park warehouses in Council Bluffs.
- J. Skinner Baking Company occupied their 76,329 square foot space in building 1 of the newly constructed River Road logistics park warehouses in Council Bluffs.
- Nagl Manufacturing Company vacated their 54,400 square foot facility near 36th & Martha Streets.
- Papillion Sanitation moved in to one of their new buildings, a 34,068 square foot property in Bellevue. A second building is scheduled to be completed in September of this year.

Figure 2: Vacancy Rate by Submarket



Source: CBRE Research, Q1 2024

Figure 3: Under Construction Square Footage by Submarket



Source: CBRE Research, Q1 2024

Figure 4: Key Transactions

Tenant/Buyer	Address	City	Submarket	Type	Size (SF)
SRRT 4200 Industrial LLC	4200 S 121 st Plz	Omaha	Southwest	Sale	423,905
Cambridge Resources	3550 Keystone Dr	Omaha	Northwest	Sale	96,566
NL Ventures XII Council Bluffs LLC	2906 21 st Ave	Council Bluffs	Council Bluffs	Sale	65,800
WSM Real Estate Investments	7550 L St	Omaha	South Central	Sale	53,637
Zecka Investments LLC	8901 Sorensen Pwky	Omaha	Northwest	Sale	21,600

Source: CBRE Research, Q1 2024

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	115	6,592,828	3.2	226,329	0	0	7.74
Northeast	212	10,500,454	2.8	(23,993)	202,000	0	6.55
Northwest	164	6,624,141	0.2	13,377	0	0	12.33
Sarpy East	39	1,865,946	0.0	31,968	34,068	34,068	12.22
Sarpy West	437	22,446,089	2.9	115,980	613,443	653,954	7.37
South Central	498	20,332,701	1.2	(178,944)	0	0	7.94
Southeast	183	8,135,544	2.2	(65,200)	0	0	6.23
Southwest	202	8,777,039	1.4	(51,902)	0	0	9.50
TOTAL OMAHA	1,850	85,274,742	2.6	67,615	849,511	688,022	7.42

Source: CBRE Research, Q1 2024

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	1,131	51,714,179	3.3	119,330	536,973	611,517	6.98
Food Processing	16	2,835,749	0.0	0	0	0	-
Heavy Manufacturing	22	4,924,790	0.7	(32,536)	0	0	5.95
Light Manufacturing	181	13,311,340	2.3	(54,400)	26,470	0	7.72
Other Industrial	136	2,920,435	0.9	(26,274)	0	0	7.55
R&D/Flex	327	7,392,194	1.9	61,495	34,068	76,505	11.21
Truck Terminal	27	1,013,315	0.0	0	0	0	-
TOTAL OMAHA	1,850	85,274,742	2.6	67,615	849,511	688,022	7.42

Source: CBRE Research, Q1 2024

Economic Summary

National

Continued economic growth paired with the Fed signaling more accommodative policy all suggests the U.S. economy is heading toward a ‘soft landing’. GDP growth should be less than half 2023’s pace when growth topped 3%. Reasons for the slowdown include a more prudent consumer and much weaker hiring. This latter issue is most acute within interest rate sensitive sectors, such as tech start-ups and goods manufacturing. Notable exceptions include investment in EV and microchip production capacity.

More caution from businesses means a good chunk of recent hiring came from publicly funded sectors (e.g., education, healthcare, state & local governments). A key exception is leisure & hospitality, driven by continued demand for discretionary services. With many private firms on the sidelines the job openings rate declining to 5.5% from its peak of 7.8% in 2022. This has also meant the pace of wage growth has cooled, but not enough to see inflation fall quickly to 2%. With unemployment remaining below 4% and high-capacity utilization, CPI is unlikely to return to target until 2025.

The Fed will likely make three, 25 basis point cuts this year. This outlook is putting downward pressure on longer-term rate expectations, providing some optimism for real estate capital markets, but the recovery will only begin after the first cut is actually delivered. Better than expected growth over the last 18 months has been helpful in holding real estate vacancy down, notably in the industrial, retail and multifamily sectors.

Local

According to the University of Nebraska Lincoln College of Business, Bureau of Business Research’s Nebraska Monthly Economic Indicators leading economic indicator (LEI) published March 27, 2024, the state of Nebraska’s economy shows signs of rapid growth for the next six months. The LEI rose by 3.48% for the month of February, which is considered “very rapid growth” by the bureau. According to Eric Thompson, the bureau’s director, 3.48% was likely a record increase for a single month. The only other month with a value above 3% occurred in

Local (cont.)

in August 2021. The LEI measures six data points: business expectations, building permits for single-family homes, airline passenger counts, initial claims for unemployment insurance, the value of the U.S. dollar and manufacturing hours worked. Five of the six data points drew in February, three of them significantly. Manufacturing hours worked rose rapidly. Thompson said, “Nebraska manufacturing continues to benefit from strong demand for food products, as well as recent general improvements in the national manufacturing industry.” Additionally, Nebraska businesses indicated plans to increase sales and employment, and there was a sharp increase in building permits for single-family homes in the state.

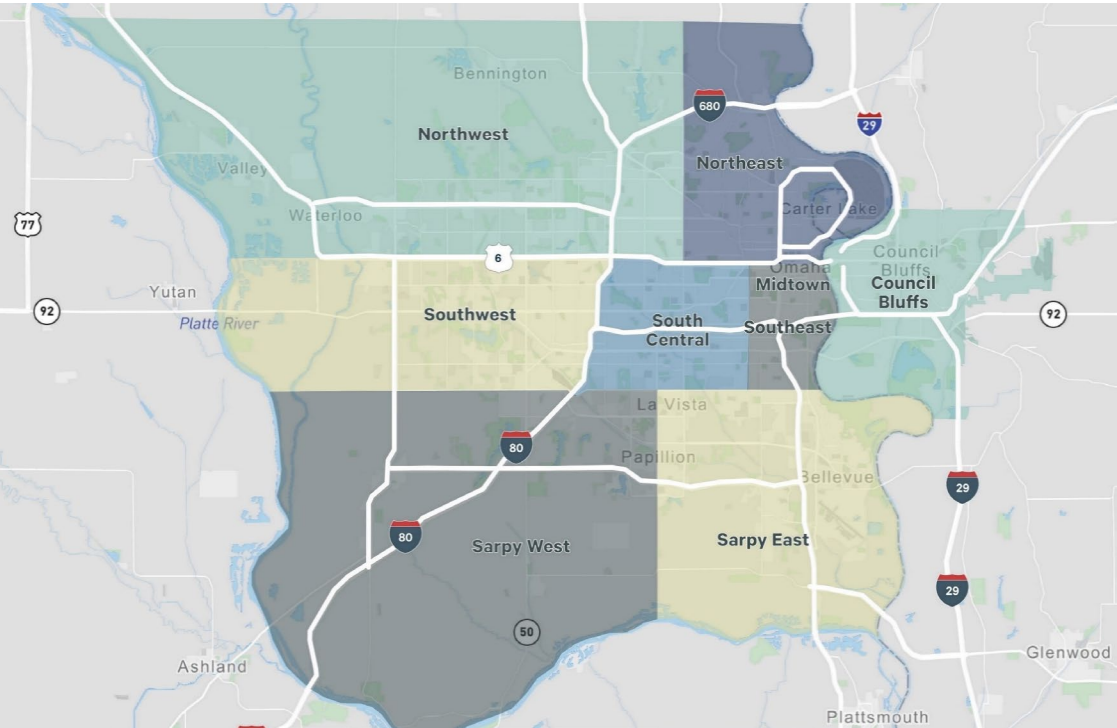
Omaha continues to draw national sporting events, as the city hosted NCAA basketball games during the first two rounds of March Madness. This is the fifth time Omaha has hosted March Madness games. These games attracted out of town visitors to Omaha who spent money at local hotels, restaurants and entertainment. According to Deb Ward, executive director of Visit Omaha, the economic impact equates to approximately \$7 million to the city.

A \$950 million renovation, the Build OMA Terminal Modernization Program, of Eppley Airfield broke ground in February. This project will increase the terminal size from 375,000 square feet to 646,000 square feet, will combine the two concourses to one concourse with a centralized TSA security screening checkpoint, increase the number of gates to 22, create a new Customs and Border Protection area for international passenger processing, create a central pavilion for restaurants and retail, and add new additional elevators and escalators. Funding of the project comes from airport revenues, federal grants and future airport bonds. The project is scheduled for completion in 2028.

In Conclusion

- Vacancy rises as new construction deliveries with low occupancy, but the vacancy rate is still a low 2.6% in the local market.
- There is still much uncertainty in both the local and national economy as interest rates remain higher than pre-pandemic levels, inflation looms and credit tightens. However, there’s much economic activity and projected growth in the local market.

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 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.