

FIGURES | OMAHA INDUSTRIAL | Q4 2022

Another quarter, another broken record for the Omaha industrial market

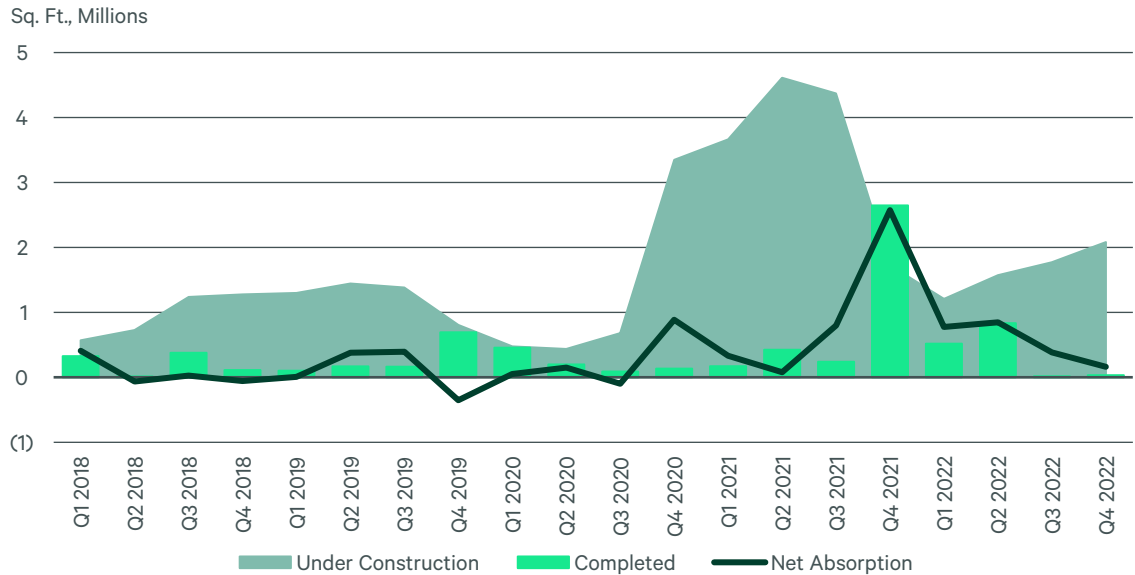


Note: Arrows indicate change from previous quarter.

Market Summary

- After posting record low vacancy of 1.3% for the third quarter of 2022, the vacancy rate in the Omaha industrial market is now another record low 1.1% in the fourth quarter of 2022.
- The market absorbed 161,170 square feet this quarter, while delivering only 32,500 square feet. Total net absorption for 2022 is 2,065,298 sq. ft.
- After hitting a record high of \$7.44 per square foot in the third quarter, average asking rental rates fell slightly in the fourth quarter to \$7.36 per square foot on a triple net basis. Average asking rental rates are \$0.83, or 12.7%, higher than in the fourth quarter of 2021.
- Fifteen industrial properties totaling over 2 million sq. ft. are under construction, with over 1.3 million sq. ft. (65.4%) located in the Sarpy West submarket. Another 3.4 million sq. ft. are proposed in the market.
- While there were only 32,500 sq. ft. delivered to the market for the quarter, over 1.3 million sq. ft. were delivered to the market during 2022. By submarket, most of the space, 868,300 sq. ft., was located in the Sarpy West submarket. By subtype, most of the space, all but 44,400 sq. ft., was warehouse/distribution space.

Figure 1: Under Construction, Completed and Net Absorption



Source: CBRE Research Q4 2022

Market Statistics

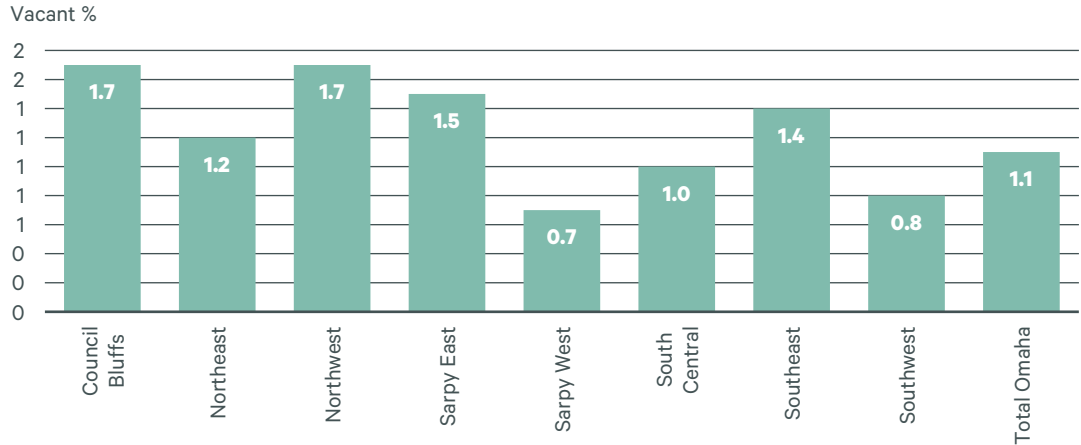
Vacancy Rate

Omaha’s vacancy rate is so low that there are very few options for industrial users looking for space to occupy immediately. Currently, there are only 15 properties with vacancy between 10,000 and 19,999 sq. ft., 6 properties with vacancy between 20,000 and 49,999 sq. ft. and 4 properties with vacancy of 50,000 sq. ft. or more. Six of the fifteen properties under construction, totaling over 700,000 sq. ft., are scheduled to deliver in the first quarter of 2023 and are already 58.6% pre-leased. Another almost 300,000 sq. ft. is available, which should help meet demand in the market.

Net Absorption

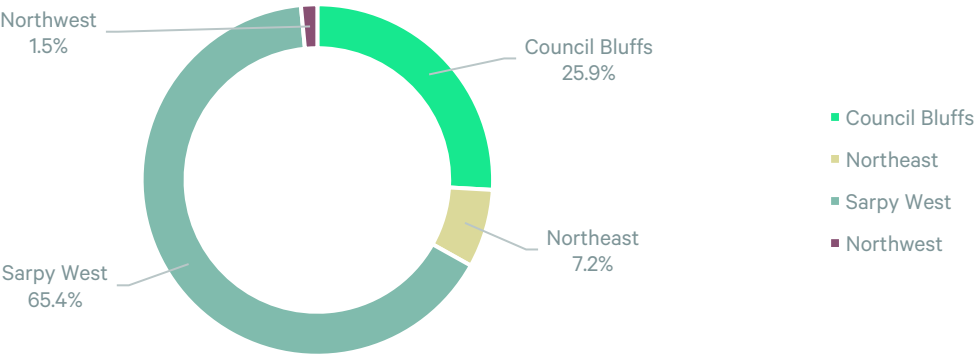
The largest move-in for the quarter was Ford Storage’s lease of 142,500 sq. ft. near 108th & Rainwood Road. For the year, the largest occupiers of space include FedEx’s new 320,000 sq. ft. warehouse, Amazon’s new 270,000 sq. ft. warehouse in Council Bluffs, Airlite Plastics and Marianna Industries Inc. leases in the former Gordmans warehouse near 90th and F Streets, Nebraska Warehouse Company’s occupancy of 171,500 sq. ft. in Springfield, Ford Storage’s 150,000 sq. ft. lease in R&R Commerce Park Warehouse IV, and Amazon’s new 141,816 sq. ft. warehouse near 72nd & State streets.

Figure 2: Vacancy Rate by Submarket



Source: CBRE Research, Q4 2022

Figure 3: Under Construction Square Footage by Submarket



Source: CBRE Research, Q4 2022

Figure 4: Key Transactions

Tenant/Buyer	Address	City	Submarket	Type	Size (SF)
SP Omaha Development LLC	11305 S 150 th Ave	Omaha	Sarpy West	Sale	320,000
Ford Storage	9575 N 109 th Ave	Omaha	Northwest	New Lease	142,600
TryHard Logistics & Warehousing	4330 S 102 nd St	Omaha	South Central	New Lease	40,926
Fast Trac Freight	2300 Bass Pro Dr	Council Bluffs	Council Bluffs	New Lease	40,556
Bish’s RV Inc.	4421 S 76 th Cir	Omaha	South Central	New Lease	37,870

Source: CBRE Research, Q4 2022

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	109	5,986,856	1.7	(39,794)	538,624	0	7.20
Northeast	211	10,343,605	1.2	(9,557)	150,000	0	4.28
Northwest	163	6,571,541	1.7	166,520	30,800	22,000	7.79
Sarpy East	38	1,831,878	1.5	0	0	0	--
Sarpy West	418	20,594,531	0.7	15,452	1,362,306	0	8.12
South Central	498	20,386,927	1.0	33,443	0	10,500	7.12
Southeast	184	8,152,122	1.4	(1,882)	0	0	5.88
Southwest	202	8,777,039	0.8	(3,012)	0	0	9.84
TOTAL OMAHA	1,823	82,666,499	1.1	161,170	2,081,730	32,500	7.36

Source: CBRE Research, Q4 2022

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	0	0	-
Cross-Dock	27	1,013,315	0.0	10,000	0	0	-
Distribution/Logistics	1,114	49,322,914	1.1	(37,262)	1,944,129	32,500	6.80
Food Processing	16	2,835,749	0.0	0	0	0	-
Heavy Manufacturing	23	5,026,051	0.0	35,125	0	0	-
Light Manufacturing	181	13,303,227	1.1	136,951	0	0	8.59
Other Industrial	135	2,855,435	0.0	42,756	45,000	0	-
R&D/Flex	317	7,127,068	2.5	(26,400)	92,601	0	9.90
TOTAL OMAHA	1,823	82,666,499	1.1	161,170	2,081,730	32,500	7.36

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.

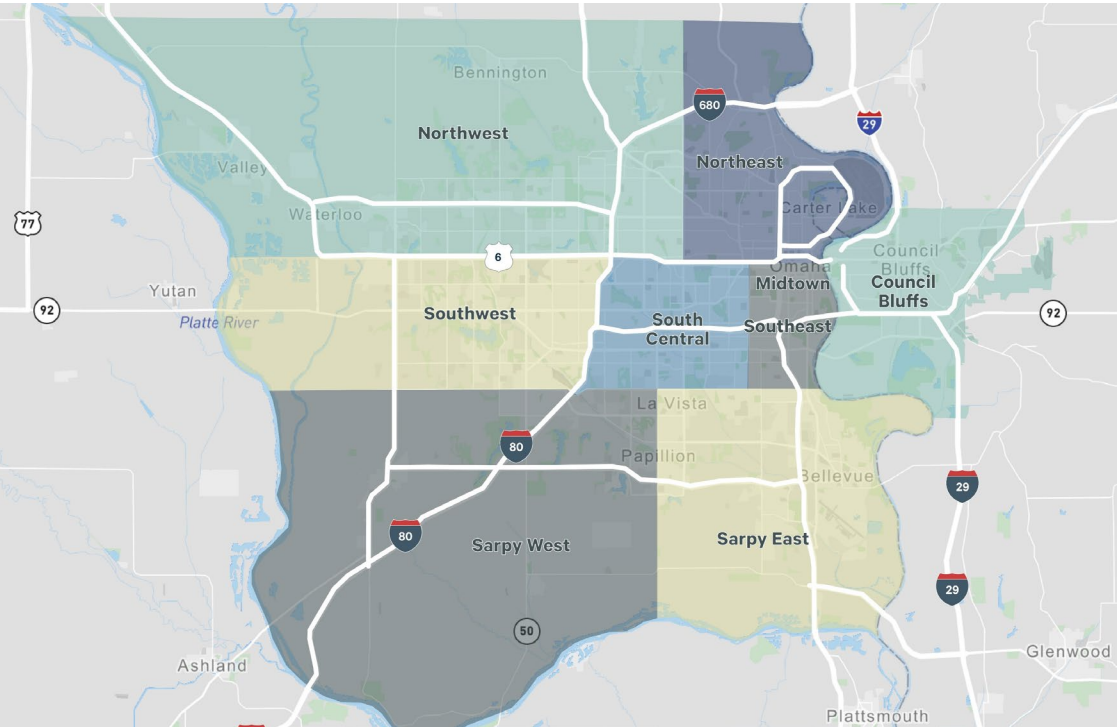
2022 Quick Stats:

- After Covid-19 hit in 2020, total building permit values fell and then increased by 178.5 in 2021. However, total building 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

- The local industrial market has experienced record low vacancy fourth quarter of 2022.
- An additional 2.1 million square feet of industrial space are under construction and 3.4 million square feet are proposed to meet demand.
- 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 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.