

2021 YEAR-END RETAIL MARKET REPORT

INVESTORS
REALTY INC.

Written by: Molly Kuehl

MARKET SNAPSHOT



51,374,000 SF
INVENTORY



5.4%
VACANCY RATE



\$14.89 PSF
AVG ASKING RENT



306,000 SF
UNDER CONSTRUCTION



283,000 SF
DELIVERIES (12 MONTHS)

OVERVIEW

The Omaha retail market showed resilience throughout 2021 due to our city's size, policies, and fiscal support provided by the government throughout the pandemic. The funds helped to keep businesses operating amidst an unpredictable future.

In 2021 there were 300 new lease transactions for 935,414 square feet. This compares to 2020 with 276 new lease transactions for a total of 851,445 square feet. This proves activity picked up since the beginning of the pandemic and the vacancy rates dropped as operations started to normalize and consumer foot traffic is returning to pre-pandemic levels at many shopping centers.

Following an unimaginable year, smaller footprints remained the most active with 89% of new lease transactions under 5,000 square feet. Smaller square footage areas benefits occupants in several aspects such as cheaper rent, more advantageous inventory turnover rates, and require less employees to manage.

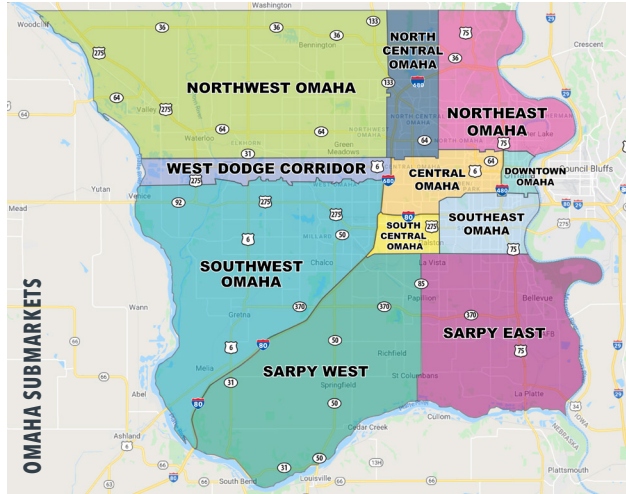
The state of Nebraska hit a record low unemployment rate of 1.9% in early Q4. Given this low unemployment rate we have seen a shortage of workers available to fill positions. In an article in The Reader written by Bridget Fogarty, she states there were 22,400 Nebraskans unemployed, however there were 66,000 job openings. Some businesses found they could not compete with the wages and benefits others were offering, forcing them to shut down. Some held on with the help of the Paycheck Protection Program that helped pay for payroll costs, benefits, interest on mortgages, rent and utilities.

While activity is good and things are slowly returning to normal, what lies ahead is still uncertain and hard to predict for the retail market in 2022. With supply chain issues and construction prices higher than we have seen, 2nd generation spaces are filling up more quickly. We do not anticipate building materials to drop as quickly as they rose and predict this will continue through mid-2022. With expectations in two different places, first generation spaces were tough to come to a meeting of the minds. Hopefully, these prices start to level out but until then 2nd generation spaces will benefit.



VACANCY

The 2021 Omaha retail market vacancy rate went down from 6.5% in 2020 to 5.9%. The best performing submarket was Southeast Omaha with 1.2% vacancy rate today, down from 3.46% a year ago. There were two key players that contributed to this; Planet Fitness in 22,000 square feet and Douglas County Health Department in 40,000 square feet.



The overall vacancy rate in Southwest Omaha (7.9%), Southeast Omaha (1.2%), South Central Omaha (3.8%), Northwest Omaha (5.7%), Northeast Omaha (1.4%), West Dodge Corridor (5.3%), and Downtown (3.9%) experienced small marginal decreases at year-end. However, the remaining submarkets - North Central (10.5%) and Central Omaha (7.7%) had small increases in vacancy. Vacancy rates fluctuate as tenants move from one location to the next or downsize. Both North Central and Central Omaha had negative twelve-month net absorptions of 37.4K and 34.4K square feet, respectively.

RENTAL RATES

Average market rents continue to increase year after year. 2021 had an average triple net asking rate of \$14.58 per square foot. 2016 ended with an average rate of \$13.69 per square foot triple net. This is a 6.5% increase over a five-year period. Supply and demand and construction continue to be drivers of the average rental rate.

The West Dodge Corridor has the highest average asking rate of \$19.05 per square foot with Central Omaha right behind at \$16.53 per square foot. Tenants can be willing to pay a premium for frontage along Dodge Street. As these submarkets run through the center of the city, they continue to drive rates in surrounding submarkets.

Prospective tenants looking for relatively affordable options may look towards North Central and Northeast Omaha with average rents of \$10.51 and \$11.40 per square foot, respectively.

With 78,400 square feet of retail under construction in Southwest Omaha, I think we will see an increase from \$15.08 in the coming years.

LEASE TRANSACTIONS IN 2020

276 DEALS

SIZE (SF)	# OF TRANSACTIONS	TOTAL SQUARE FOOTAGE
0-999	28	22,095
1,000-2,499	156	251,558
2,500-4,999	63	203,478
5,000-9,999	17	110,413
10,000-19,999	8	104,639
20,000-49,999	3	75,322
50,000 and above	1	83,940

*data from CoSar

LEASE TRANSACTIONS IN 2021

300 DEALS

SIZE (SF)	# OF TRANSACTIONS	TOTAL SQUARE FOOTAGE
0-999	29	20,136
1,000-2,499	156	255,406
2,500-4,999	82	282,637
5,000-9,999	20	122,493
10,000-19,999	7	85,823
20,000-49,999	6	168,919
50,000 and above	0	0

*data from CoSar

2021 END OF YEAR SUMMARY

SUBMARKETS	INVENTORY (BUILDINGS)	INVENTORY (SF)	VACANT SF	VACANCY RATE	NET ABSORPTION (SF)	AVERAGE ASKING RENTAL RATE (PSF)
Central Omaha	624	7,852,000	690,819	8.8%	(120,685)	\$16.63
Downtown	292	2,631,000	117,220	4.5%	69,352	\$15.60
West Dodge Corridor	148	3,381,000	181,527	5.4%	54,838	\$19.15
North Central Omaha	269	3,484,000	366,133	10.5%	(39,492)	\$10.61
Northeast Omaha	579	3,191,000	48,444	1.5%	5,257	\$11.50
Northwest Omaha	352	4,735,000	211,631	4.5%	184,349	\$15.79
Southwest Omaha	689	12,178,000	1,013,562	8.3%	107,578	\$15.17
Southeast Omaha	589	3,611,000	39,665	1.1%	74,431	\$13.15
South Central Omaha	197	2,044,000	79,724	3.9%	14,583	\$12.41
Sarpy West	89	1,095,000	41,365	3.8%	11,576	\$18.75
Sarpy East	533	7,172,000	487,072	6.8%	(25,431)	\$15.05
Omaha Market	4,361	51,374,000	3,277,162	5.4%	336,356	\$14.89

The Investors Realty, Inc. Omaha Retail Report is based on data provided by CoStar. This report includes all retail buildings in the Omaha Metro Area. Council Bluffs, IA is not included.

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