

Omaha Office Market Conditions and Trends

By Tim Kerrigan, CCIM, SIOR & J.P. Raynor, JD

Omaha's Office Market Steady/Exciting News from HDR

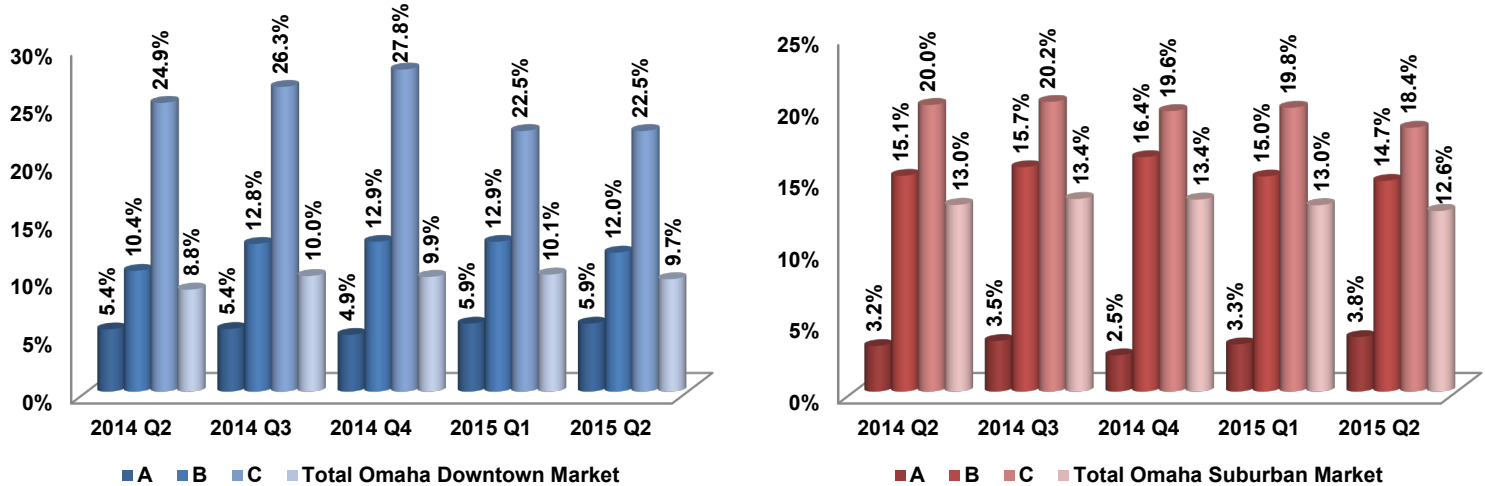
- Most of the activity continues to be on West Dodge Road and in Aksarben. The HDR announcement to move is the most meaningful news of Q2. An obvious boon for downtown Omaha, specifically The Capitol District, it also creates an exciting opportunity in Midtown when they vacate their current space.
- There hasn't been any new office construction in the last quarter, but there continue to be some large users in the market which may drive construction next year.
- The total Omaha market has seen positive absorption in Q2 2015 of 88,898 sq. ft. Absorption is the net change in occupancy from period to period, expressed in sq. ft. This indicates solid market performance, but about what we would expect. After more than 4 years of the market's absorption being driven by Class A space, this is the second quarter in a row where the Class B market was responsible for a majority of the positive absorption. While this bodes well for Class B, it is important to note this is partly a matter of little available Class A space, which makes leasing and absorption more difficult.
- Overall, market vacancy rates are down to 12.1% for Q2 from 12.3% Q1 2015. Class A rate is up to 5.0% Q2 from 4.2% Q1, due to the new Class A construction. In that same period, Class B is down to 14.1% Q2 from 14.6% Q1 and Class C is down to 18.7% Q2 from 20.0% Q1.
- In the second quarter of this year, Average Asking Rental Rates increased notably downtown from \$16.58 to \$17.06 psf and decreased slightly in the suburban market.
- Of the 10 notable deals shown on the last chart, seven are leases and five of those are renewals. This means Q2 2015 only saw 2 significant new leases compared to the seven new leases in Q1 2015.

Quarterly Absorption, Increase or Decrease in Square Footage Leased, by Building Class

| Building Class | 2014 Q2 | 2014 Q3 | 2014 Q4 | 2015 Q1 | 2015 Q2 |
|--------------------|---------|---------|---------|---------|---------|
| A | 195,140 | 25,909 | 58,102 | -55,188 | -22,398 |
| B | -36,057 | -89,918 | -33,339 | 121,659 | 86,405 |
| C | 8,014 | -8,782 | 10,533 | 5,646 | 24,891 |
| Total Omaha Market | 167,097 | -72,791 | 35,296 | 72,117 | 88,898 |

Market Conditions and Trends

Omaha Downtown and Suburban Vacancy Rates by Building Class



Rental Asking Rates for Downtown and Suburban Markets Per Square Foot by Building Class

| Avg. Asking Rental Rates FSG | 2014 Q2 | 2014 Q3 | 2014 Q4 | 2015 Q1 | 2015 Q2 |
|------------------------------|----------------|----------------|----------------|----------------|----------------|
| Downtown Class A | \$20.25 | \$20.25 | \$20.38 | \$20.38 | \$20.38 |
| Downtown Class B | \$15.74 | \$15.50 | \$15.50 | \$15.50 | \$15.62 |
| Downtown Class C | \$15.82 | \$15.82 | \$15.82 | \$13.32 | \$16.64 |
| Total Downtown Market | \$17.26 | \$17.16 | \$17.21 | \$16.58 | \$17.06 |
| Suburban Class A | \$26.23 | \$25.74 | \$25.50 | \$25.72 | \$26.16 |
| Suburban Class B | \$18.72 | \$18.78 | \$18.88 | \$18.87 | \$18.75 |
| Suburban Class C | \$13.35 | \$13.56 | \$13.22 | \$13.23 | \$13.51 |
| Total Suburban Market | \$17.84 | \$18.07 | \$18.15 | \$18.19 | \$18.13 |

Notable Transactions of Q2 2015 2015

| Company (Tenant/Buyer) | Transaction Type | Size (SF) | Submarket Area |
|-------------------------|------------------|-----------|-----------------|
| United Way* | Leased | 19,883 | Downtown |
| Olsson Associates | Leased | 26,653 | Midtown |
| HP | Leased | 22,283 | Old Mill |
| Aureus Medical | Sold | 22,180 | Southwest |
| DialAmerica | Leased | 20,262 | South Central |
| Lockwood Development | Sold | 18,584 | Regency |
| Farmers Insurance | Leased | 16,851 | Sub. West Dodge |
| ENT Specialists* | Sold | 12,000 | Sub. West Dodge |
| Prairie Cloud | Leased | 8,529 | Miracle Hills |
| Right at Home | Leased | 8,218 | Midtown |

* transaction involved Investors Realty, Inc.