GREENLEAF
COMMERCIAL REAL ESTATE

# MARKET REPORT

First Half of 2020

GROWING BUSINESSES, COMMUNITIES, FUTURES

# Building Permits & Construction Activities

## Notable Building Permits

B2000267: Matterhorn, LLC has pulled a $2.5M permit for a new office building at 5100 N. 26th St.

B2000579: B&J Partnership has filed a $600,000 permit for site work on a new AutoZone

B2000038: Board of Regents of the University of Nebraska has filed a $20M permit for 6-story Marriot International at 2101 Transformation Dr.

B2002105: Bam Properties, LLC filed a $3M permit for the expansion and renovations of an existing car dealership at 3201 Yankee Hill Rd.

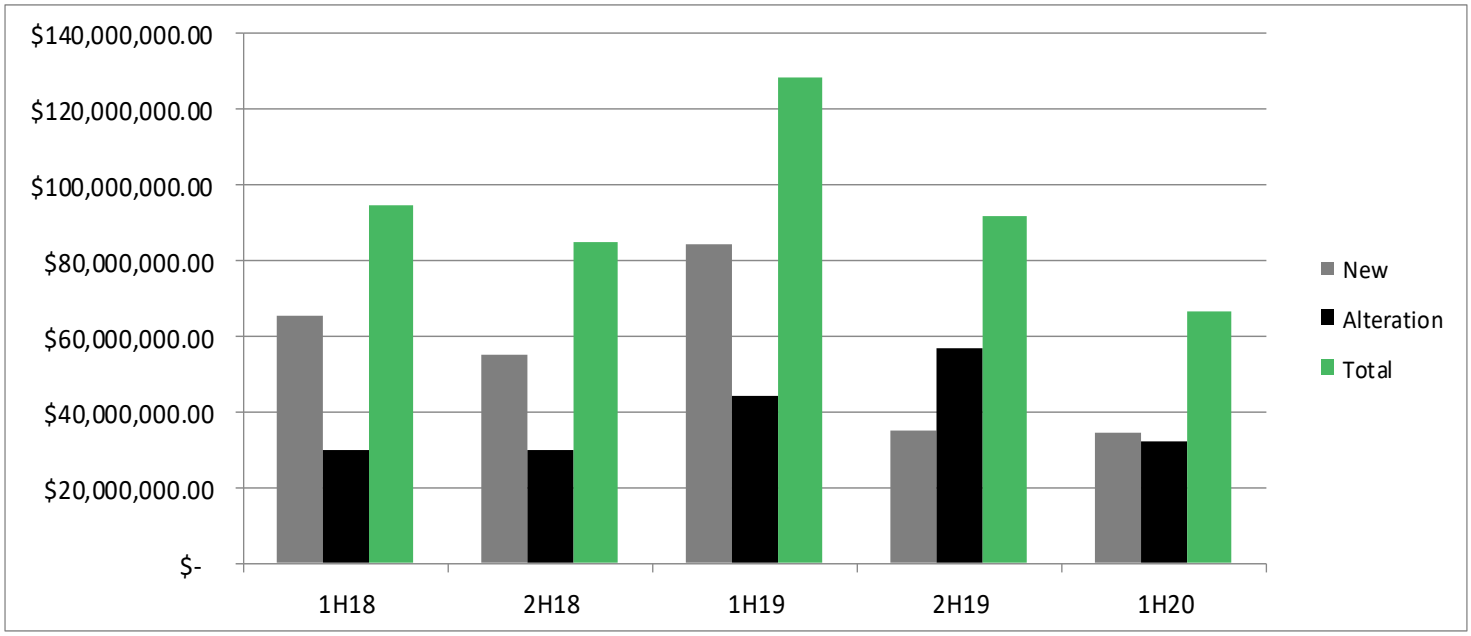
## Notable Construction Projects

The KedPlasma center being constructed at 48th & Vine is nearing it's final stage of completion and is expected to open before the end of 2020

The Holiday-Inn Express project at 9th & O has officially broken ground and is expected to be complete in 2021

Antelope Tower at Antelope Valley and K st. was approved and construction is starting in August 2020

Lincoln Federal Bank has completed its new headquarters building at 84th & Van Dorn




**Building Permits and Construction Notes:** All Building permits and statistics are generated from the Lancaster County Citizen Access portal. For the purposes of this report all commercial permits are recorded. The final dollar amount, however, excludes education, religious, storage, government, multifamily (unless it contains first floor retail), cell towers, structures that are not buildings, concrete work, garages and car ports. Demolition permits are tracked internally but financial information for each project is not recorded by the city.

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# Retail 1H20

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Retail vacancy edged up during the 1st half of 2020, finishing at 6.6%, a little higher than the end of year 2019 vacancy rate of 6.4%. Average asking rates across all classes increased from $13.39 per square foot triple net at the end of 2019 to $13.54 per square foot through mid-year 2020. While COVID-19's impact is not yet reflected in these numbers, the challenges retailers face resulting from government restrictions coupled with the continued growth of online retail has resulted in numerous national retailers closing or filing for bankruptcy protection.

The restaurant industry has also been hit hard, particularly casual dining and full-service restaurants which have had to rely on take-out and delivery for survival during the last few months. It's likely some of these establishments will close their doors for good, especially those who may have been only marginally profitable pre-COVID.

Despite the challenges faced by many retailers, some categories have fared quite well during the pandemic. Those providing essential services, such as grocery stores and pharmacies, have remained busy and certain niche retailers, such as bike shops, have seen sales increases as consumers gravitate toward outdoor activities.

Looking forward to the 2nd half of 2020, retailers and restaurants will continue to face a lot of uncertainty but those who adapt and innovate will be best positioned to survive these unusual times

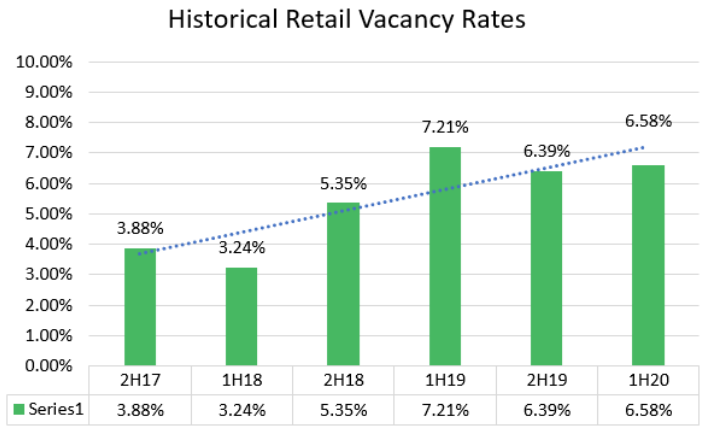
| Type | Buyer/Lessee | Seller/Lessor | Address | Price/Size |
|---|---|---|---|---|
| Sale | WBLINE001, LLC | Waltrust Properties, Inc | 7045 O St. | $6,054,167 |
| Sale | SCM Lincoln 1601, LLC | DOT, Inc | 1601 Q St. | $3,150,000 |
| Lease* | Rumology | RD Bentley Residential, LLC | 7301 S. 27th St | 3,543 Sq. Ft. |
| Lease | Party City | RED Development, LLC | 2910 Pine Lake Dr. | 10,000 Sq. Ft. |

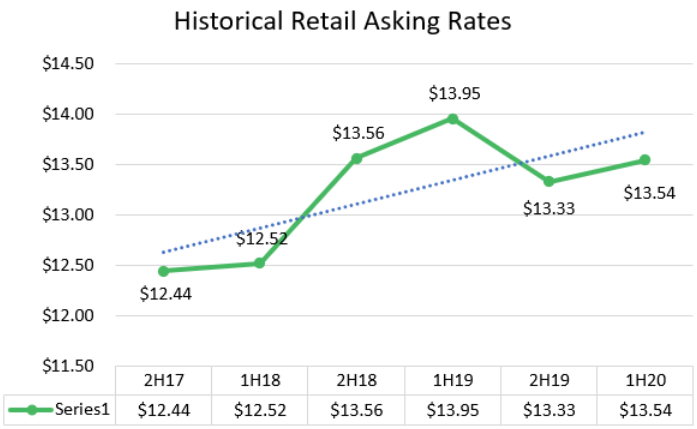
* designates a transaction represented by Greenleaf Commercial Real Estate

# Retail First Half of 2020

| Submarket | Total Sq.Ft. | Vacant Sq. Ft. | Vacancy % | Net Absorption | Weighted Avg. Asking Rate |
|---|---|---|---|---|---|
| CBD | 1,598,558 | 131,169 | 8.21% | (17,736) | $14.00 |
| NE | 6,781,012 | 578,162 | 8.53% | 28,829 | $13.05 |
| NW | 1,962,720 | 97,891 | 4.99% | 9,224 | $10.65 |
| SE | 6,577,803 | 337,033 | 5.12% | 7,847 | $12.47 |
| SW | 1,765,999 | 85,744 | 4.86% | 25,820 | $14.40 |
| **Total** | **18,686,092** | **1,229,999** | **6.58%** | **53,984** | **($13.54)** |

| By Subtype | Total Sq.Ft. | Vacant Sq. Ft. | Vacancy % | Net Absorption | Weighted Avg. Asking Rate |
|---|---|---|---|---|---|
| Community Center | 1,452,407 | 54,786 | 3.77% | (6,214) | $12.96 |
| Free Standing | 6,691,227 | 221,639, | 3.16% | 73,555 | $13.17 |
| Neighborhood Center | 2,541,221 | 238,966 | 9.40% | (3,143) | $12.12 |
| Power Center | 1,079,969 | 119,461 | 11.06% | (4,000) | $12.50 |
| Regional Center | 2,496,458 | 189,454 | 7.59% | 2,693 | $20.78 |
| Store Front | 1,752,652 | 100,352 | 5.73% | (10,420) | $11.31 |
| Strip | 2,346,595 | 211,174 | 9% | 4,947 | $12.19 |
| Urban | 325,563 | 104,167 | 32% | (3,434) | $18.25 |
| **Total** | **18,686,092** | **1,229,999** | **6.58%** | **53,984** | **$13.54** |




## Retail Terms and Definitions

**Total SF:** Retail inventory includes all multi-tenant and single tenant buildings.

**Retail Building Classifications:** *Neighborhood Centers* are properties with 30,000 to 150,000 Sf with at least one anchor tenant. *Community Centers* are properties with 100,000 to 350,000 SF with two or more anchor tenants. *Regional Centers* are properties with two or more full-line department stores anchor a total area of 400,000 to 800,000 SF.

*Power Centers* are properties with typically 250,000 to 600,000 SF with three or more anchor stores which occupy 75-90% of the total area. *Free Standing* properties consist of one building occupied by one major tenant. *Strip Centers* are properties constructed with common walls in a strip facing the street and usually have no dominant anchor stores. *Urban Retail* is typically the retail space in the lower levels of downtown office buildings as well as other street-oriented retail spaces. *Store Front* properties consist of buildings typically in specific areas such as downtown, with street parking access, usually consisting of 2 levels

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# Office 1H20

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Office leasing activity slowed during the 2nd quarter with the onset of the COVID-19 pandemic creating uncertainty in the market. The vacancy rate for office space across the Lincoln market for the first half of 2020 came in at 7.6%, up slightly from the end of 2019 which finished at 7.4%. Asking rents are at $13.17 per square foot on a triple net basis, up from $12.95 per square foot at the end of 2019. We're not yet seeing COVID-19's impact in the vacancy and rent numbers but that could change as we move forward through the rest of 2020 and beyond.

Despite the current economic uncertainty, construction of new office buildings continues. Olsson has finished and now moved into its new building at Canopy and O Street earlier this year, completing their Haymarket expansion. In southeast Lincoln along the 84th Street corridor, Lincoln Federal Bank just completed its new headquarters building at 84th & Van Dorn and UBS Financial Services announced they will be building a new office building immediately south of Lincoln Federal. Just a couple blocks south at 84th & Firethorn Lane, construction continues on a new office building for BMG Accounting and a few blocks further south Bryan Health just completed its new medical clinic at Pioneer Greens on 84th & Pioneers Blvd. It's important to note that each of these new buildings is at least partially or entirely owner-occupied. We're not seeing speculative office construction in the Lincoln market.

Looking toward the 2nd half of 2020, many employees are still working from home with no certain return date. While many businesses will return to their previous normal at some point, others may decide to implement permanent changes that could result in less need for physical office space in the future. An upward trend in vacancy rates is very possible and there is much speculation that the pandemic will have a long-term impact on the demand for office space as businesses adjust to more employees working remotely.

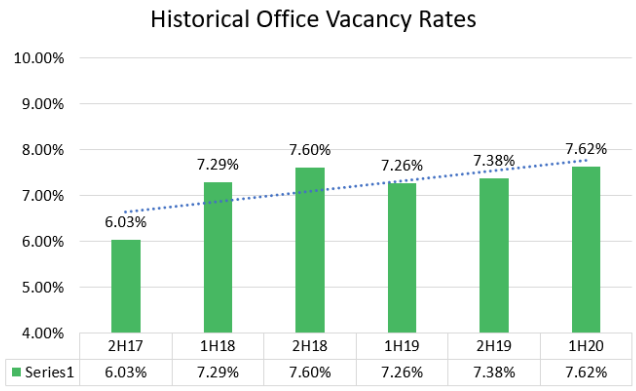
| Type | Buyer/Lessee | Seller/Lessor | Address | Size/Price |
|---|---|---|---|---|
| Sale | SGS Holdings, LLC | Concord Enterprises, Inc | 1701 Windhoek Dr. | $2,385,000 |
| Sale* | Region V Services | Marsha M. Dunn | 1620 Normandy Ct. | $1,237,500 |
| Lease | Union Pacific Railroad | University of Neb. Foundation | 1230 O St. | 12,881 Sq. Ft. |
| Lease* | Perry Reid Construction | Thompson Realty Group | 2930 Ridge Line Rd. | 4,881 Sq. Ft. |

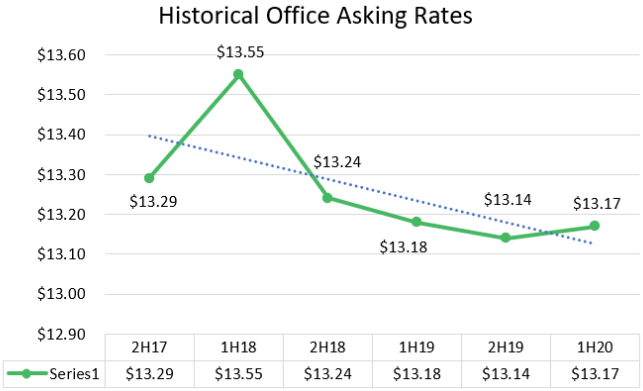
* designates a transaction represented by Greenleaf Commercial Real Estate

# Office First Half of 2020

| Submarket | Total Sq. Ft. | Vacant Sq. Ft. | Vacancy % | Net Absorption | Weighted Avg. Asking Rate |
|---|---|---|---|---|---|
| CBD | 4,651,299 | 324,708 | 6.98% | (86,628) | $14.07 |
| NE | 1,919,331 | 97,531 | 5.08% | (20,023) | $12.37 |
| NW | 1,878,626 | 219,680 | 11.69% | 10,759 | $15.00 |
| SE | 4,703,451 | 400,797 | 8.52% | 20,420 | $15.14 |
| SW | 1,422,772 | 68,516 | 4.82% | 26,861 | $10.38 |
| **Total** | 14,575,479 | **1,111,232** | **7.62** | **(48,611)** | **$13.17** |

| Subtype | Total Sq. Ft. | Vacant Sq. Ft. | Vacancy % | Net Absorption | Weighted Avg. Asking Rate |
|---|---|---|---|---|---|
| Class A | 3,467,952 | 322,547 | 9.30% | (3,472) | $18.07 |
| Class B | 9,679,632 | 737,730 | 7.62% | (43,733) | $12.55 |
| Class C | 373,067 | 33,567 | 9.00% | (9,317) | $7.36 |
| Medical | 1,054,828 | 17,388 | 1.65% | 7,911 | $13.82 |
| **Total** | 14,575,479 | **1,111,232** | **7.62** | **(48,611)** | **$13.17** |




## Office Terms and Definitions

**Total SF:** Office inventory includes all multi-tenant and single-tenant buildings. Government and university owned and occupied, as well as medical buildings, are not included.

**Office Building Classifications:** Greenleaf Properties follows the BOMA guidelines. *Class A* Buildings are the most prestigious buildings competing for premier office users with rents above average for the area. Buildings have high-quality standard finishes, state-of-the-art systems, exceptional accessibility, and a definite market presence. *Class B* Buildings compete for a wide range of users with rents in the average range for the area. Building finishes are fair to good for the area, and systems are adequate. *Class C* Buildings compete for tenants requiring functional space at rents below the average area.

**Vacancy:** The vacancy rate is the amount of physically vacant space divided by the inventory.

**Asking Rent:** The dollar amount asked by landlords for available space expressed in dollars per square foot per year. The asking rent is weighted by the amount of available space in the building.

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# Industrial 1H20

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The Lincoln industrial market posted a strong performance and actually outperformed the national industrial market in the first half of 2020 despite significant headwinds associated with the COVID pandemic. Uncertainties stemming from COVID affected the industrial sector less than office and retail use types as continuing demand for warehouse space driven by e-commerce combined with a shortage of industrial inventory acted as a backstop for the industrial sector. The Costar Second Quarter Industrial Report shows that overall national industrial vacancy rates remained relatively steady at 4.7%, up slightly from 4.4% at the end of 2019. Although supply increased nationally by approximately 130,000,000 million square feet, asking rents increased to $8.80 psf from $8.68 at the end of 2019. National absorption rates for the first half of 2020 remained positive at 61,083,884 square feet with a total national inventory of 16,913,006,492 square feet at the end of the second quarter 2020.

Greenleaf research data shows that the local industrial market performed very well in the first half of 2020. Overall industrial vacancy dropped to 1.85% from 2.31% at the end of 2019. Average asking rents strengthened in the first half of 2020 to $6.79, up from $6.18 at the end of 2019. Overall local industrial inventory finished the second quarter at 32,971,889 square feet, up from 32,940,711 square at the end of 2019. With 30,000 square feet delivered to the market in the first half of 2020 and continued demand, total space for lease dropped to 609,601 square feet from 760,571 at the end of 2019, which reflects positive net absorption of 182,148 square feet.

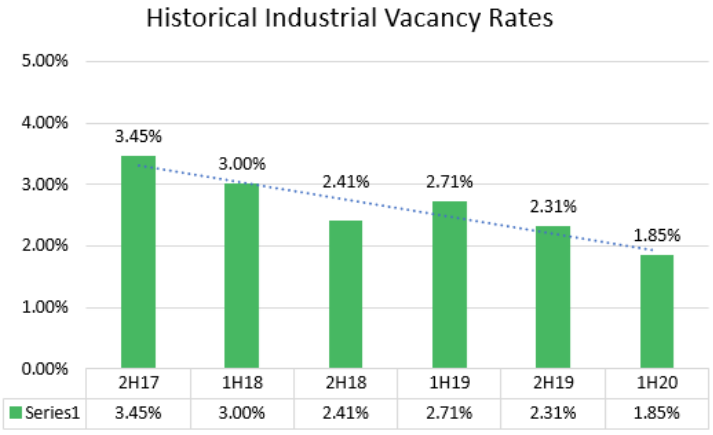
The outlook for the industrial real estate market in Lincoln for the second half of 2020 remains strong. Limited inventory in light of sustained demand will continue the upward trend of asking rents.

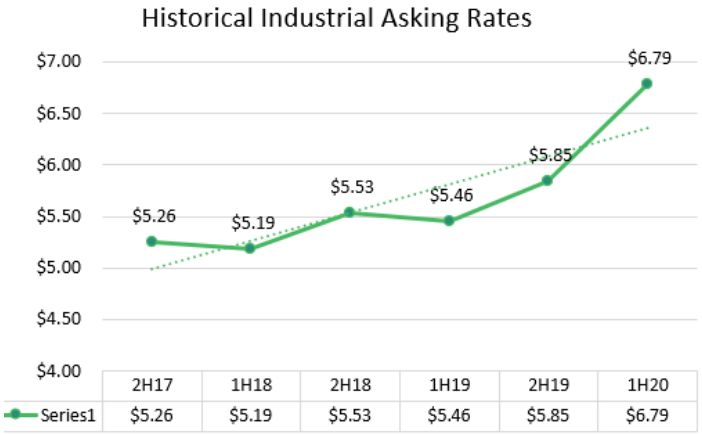
| Type | Buyer/Lessee | Seller/Lessor | Address | Size/Price |
|---|---|---|---|---|
| Sale* | Safe Habour EAT—XXXIII, LLC | WPCB, LLC | 1600 Center Park Rd. | $1,550,000 |
| Sale* | Saif Al Mirza | Genesis Lincoln NE, LLC | 5545 Cornhusker Hwy. | $215,932 |
| Sale | American Builders & Contractors Supply Co. | Hendricks Commercial Properties | 8200 Fletcher Ave. | $3,061,910 |
| Sale | Drury Development | Journal Star Printing Company | 900 Q St. | $8,232,556 (est) |

* designates a transaction represented by Greenleaf Commercial Real Estate

| Submarket | Total Sq.Ft. | Vacant Sq. Ft. | Vacancy % | Net Absorption | Weighted Avg. Asking Rate |
|---|---|---|---|---|---|
| CBD | 703,598 | 16,501 | 2.35% | - | $7.00 |
| NE | 12,082,326 | 290,151 | 2.40% | 37,483 | $5.16 |
| NW | 11,546,413 | 214,844 | 1.86% | 85,921 | $6.64 |
| SE | 690,286 | 13,901 | 2.01% | (786) | $7.20 |
| SW | 7,949,266 | 74,204 | .93% | 59,320 | $9.10 |
| **Total** | **32,971,889** | **609,601** | **1.85%** | **182,148** | **$6.79** |

| Submarket | Total Sq.Ft. | Vacant Sq. Ft. | Vacancy % | Net Absorption | Weighted Avg. Asking Rate |
|---|---|---|---|---|---|
| General Industrial | 11,328,670 | 251,653 | 2.22% | 65,138 | $6.68 |
| Manufacturing | 10,233,570 | 132,880 | 1.30% | - | $4.50 |
| R&D/Flex | 2,616,268 | 47,015 | 1.80% | 32,740 | $9.19 |
| Warehouse\ Distribution | 8,793,381 | 178,053 | 2.02% | 84,270 | $5.83 |
| **Total** | **32,971,889** | **609,601** | **1.85%** | **182,148** | **$6.79** |




## Industrial Terms and Definitions

**Inventory:** Industrial inventory includes all multi-tenant, single-tenant, owner-occupied, and condo buildings.

**Industrial Building Types:** Industrial buildings are categorized as Warehouse/Distribution, General Industrial, R&D/Flex, Manufacturing, and Condo units. They are divided by their physical characteristics, including percent office build-out, clear height, typical bay depth, suite size, type of loading, and typical uses.

**Vacancy:** The vacancy rate is the amount of physically vacant space divided by the inventory.

**Asking Rent:** The dollar amount asked by landlords for available space expressed in dollars per square foot per year.

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# Market Research & Methodology

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Greenleaf Properties is the leader in commercial real estate market knowledge and research in Lincoln, Nebraska. The Market Report is a quarterly market report that includes trends in vacancy rates, absorption rates, asking rents, building permits, and notable transactions.

Greenleaf Properties employs a full-time market analyst who tracks the market using a variety of tools and resources on a daily basis. In addition to utilizing information available on the subscription sites Costar, CCIM's Site to do Business, and MRCIE, Greenleaf maintains multiple in-house databases using Realnex. The powerful Realnex set of databases allows us to:

- Track occupancy in over 10,000 commercial properties in the Lincoln, NE greater statistical area.
- Maintain our own Sales Comparisons database by inputting property transfers from the Lancaster County Assessor in real time. Greenleaf tracks multi-family, retail, office, industrial, hotel/motel, fast food, convenience store, and unimproved land transfers.
- Maintain our own Lease Comparison database sourced from in-house deals, closed transactions on Costar, LoopNet, and MRCIE, as well as by reaching out to property owners and tenants.
- Track all property owners in Lancaster County across all use types.
- The comprehensive, real-time information we maintain in Realnex sets Greenleaf Properties apart in terms of local market expertise. In addition to producing the Green Report, the Realnex databases allow our agents to have the most accurate and up-to-date market data when working with clients.

**Absorption:** Refers to the change in occupancy over time. *Positive absorption* indicates a reduction in vacancy. *Negative absorption* indicates an increase in vacancy.

**Submarket:** Specific geographic boundaries that serve to allocate core areas in the overall market. 27th & O serves as the intersection of the form main submarkets with the Central Business District located approximately between 6th and 17th and R St. and L St.

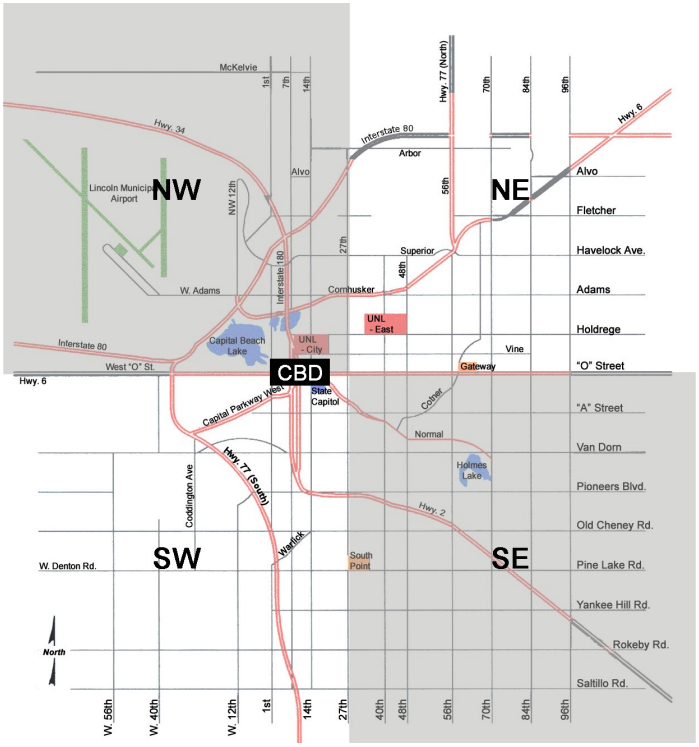
**Subtype:** Specific designation within each prospective use type. Subtype is determined by various factors including size, internal and external features, amenities, zoning permissions, and general quality of space.

**Total Square Footage /Inventory:** The physical footprint of properties being tracked. This report forgoes government, education, religious buildings and hospitals.

**Vacancy:** Refers to space that is not currently being occupied by a tenant, regardless of whether or not it is actively being marketed.

**Weighted Asking Average Rate:** The average asking rental rate skewed to reflect the according size of the space available. Negotiable and unavailable asking rates are excluded in this calculation

## Lincoln divided by five submarkets

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GREENLEAF
COMMERCIAL REAL ESTATE

# About Us

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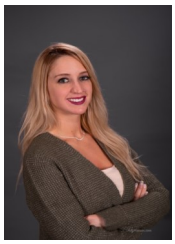

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**KEVIN SCHERBAK**
**Facilities Manager**

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**Accounting**

**TALISHA PARSLEY**
**Property Manager**

*Greenleaf Commercial Real Estate combines extensive industry expertise and detailed market knowledge to provide each client with*

## Acquisition

- Site Selection
- Investment & Market Value Analysis
- Contract Negotiations
- Due Diligence

## Disposition

- Brokers Opinion of Value
- Analysis of Marketability
- Tax Discussions; 1031 Exchanges
- Contract Negotiations

## Leasing

- Market Analysis
- LOI's and Lease Negotiations
- Strategic Marketing Plan

## Tenant Representation

- Lease Negotiations
- Letters of Intent/Request for Proposals
- Tenant Improvements
- Sale/Leaseback Negotiations

## Consulting

- Portfolio Analysis & Strategic Planning
- Broker's Opinion of Value
- Lease Audits

## Property Management

- Facilities Maintenance
- Vendor Management
- Tenant Relations
- Budgets & Reconciliations

## *Memberships & Tools:*

CCIM · LINCOLN CHAMBER OF COMMERCE · International Council of Shopping Centers · IREM · SIOR · NATIONAL ASSOCIATION of REALTORS® · STDB Site to do Business · RLT RETAIL LEASE TRAC · RealNex · MRCIE · CoStar · LoopNet™

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