GREENLEAF
COMMERCIAL REAL ESTATE

MARKET REPORT

Second Half of 2020

GROWING BUSINESSES, COMMUNITIES, FUTURES

Building Permits & Construction Activities

Notable Building Permits

B2004421: Cobalt Credit Union has pulled a $2.6M permit for a new building near 84th & Adams St.

B2002143: Lincoln Facilities Holdings, LLC has pulled a $1.5M permit for adding cold storage at 4611 W. Adams St.

B2003847: Ponca Tribe of Nebraska pulled a $3.6M renovation permit at 1600 Windhoek Dr.

B2002436: SFI LTD PARTNERSHIP 100 is remodeling the former Shopko near 68th & O St. to make space for Mardel Christian Education Supplies, a permit totaling $1.4M

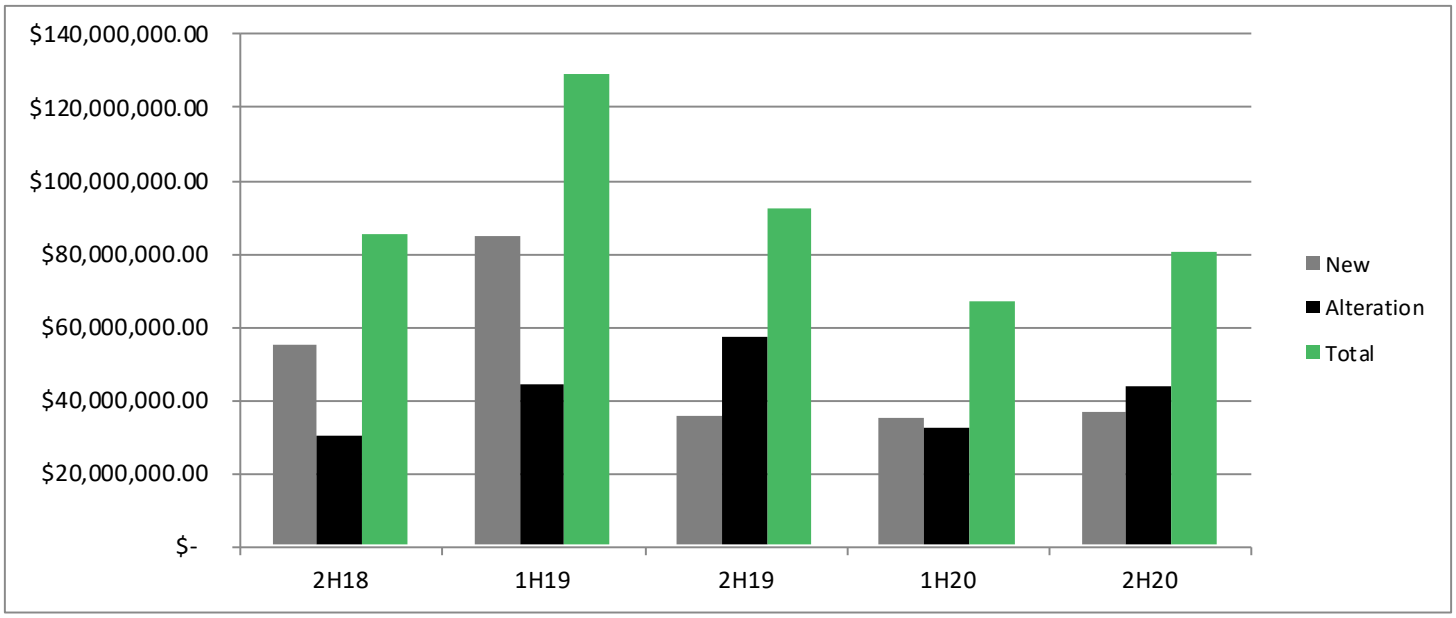
Notable Construction Projects

The Downtown Holiday Inn Express is taking shape on 9th & O St. and will likely open in the second half of 2021.

Lied Residences at 11th & Q St. is aiming for a completion date in late 2021, making it the second tallest building in the city.

Construction began at Antelope Tower between L St. and K St., the project will bring 93 living units and 17,000 sq.ft. of first floor retail.

P3SP, LLC has added office, retail and industrial footprints with a combined 93,000 sq.ft. at a new facility located north of 84th & Havelock.



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 2H20

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Despite the negative effect the pandemic has had on retailers and restaurants, Lincoln's retail vacancy rate actually dropped during the 2nd half of 2020, finishing at 5.6%, down from the mid-year 2020 vacancy rate of 6.4%. While this may seem counterintuitive, there were some big box spaces backfilled with new leases which helped offset some of the vacancy resulting from other business closings. The former Forever 21 space at Gateway Mall was leased to Ross Dress for Less, which will open sometime in 2021. Also, the former Toys R Us on north 27th Street is now occupied by Wine, Beer and Spirits, a discount liquor warehouse that opened near the end of 2020.

While COVID-19's impact on the retail sector cannot be ignored, some categories of retail have continued to fare quite well during the pandemic. In addition to those providing essential services, such as grocery stores, dollar stores and pharmacies, restaurants and coffee shops with drive-thru service and many outdoor retailers also performed well in 2020. Bicycle, motorcycle, ATV and RV sales have seen strong performances as consumers with disposable income gravitated toward outdoor activities.

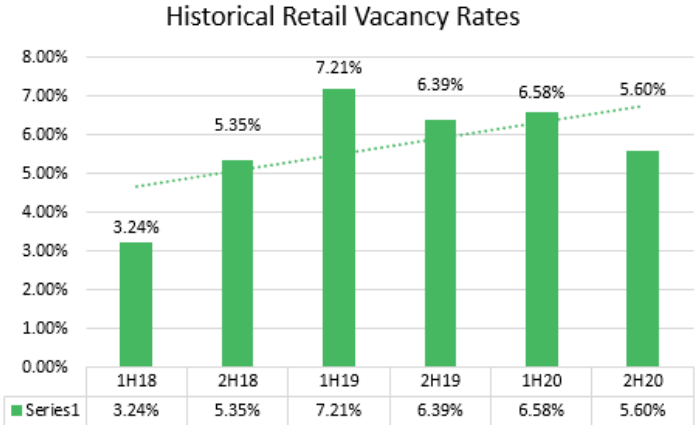
As we begin to gradually move out of the pandemic, there will likely be pent-up demand for retail and entertainment-related services. Restaurants should begin to see a much-needed return to normal activity as restrictions are eased and people begin to dine out more. Overall, Lincoln's retail market held up fairly well during the 2nd half of 2020 and those business that adapted to the changing circumstances should be poised for a better 2021.

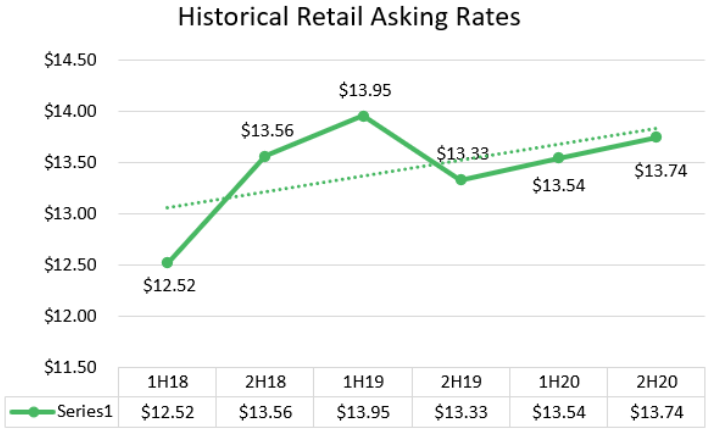
Type	Buyer/Lessee	Seller/Lessor	Address	Price/Size
Sale	SMSES, LLC	GMC Properties Corporation	3700 Yankee Hill Rd.	$1,800,000
Sale	Roe & Roe, Inc	McArthur Park Properties, LLC	2801 S 48 St.	$1,900,000
Lease	Ross Dress for Less	Star-West Gateway, LLC	6100 O St.	23,000 sq. ft.
Lease	Party City	RED Development, LLC	3120 Pine Lake Rd.	10,000 sq. ft.

* designates a transaction represented by Greenleaf Commercial Real Estate

Submarket	Total Sq.Ft.	Vacant Sq. Ft.	Vacancy %	Net Absorption	Weighted Avg. Asking Rate
CBD	1,581,192	141,075	8.92%	(27,272)	$17.26
NE	6,685,542	396,456	5.93%	86,236	$12.43
NW	1,962,720	88,151	4.49%	9,740	$10.78
SE	6,524,499	355,139	5.44%	(71,410)	$12.77
SW	1,770,661	59,408	3.36 %	30,998	$14.67
Total	**18,524,614**	**1,040,229**	**5.62%**	**28,292**	**$13.74**

By Subtype	Total Sq.Ft.	Vacant Sq. Ft.	Vacancy %	Net Absorption	Weighted Avg. Asking Rate
Community Center	1,452,407	51,640	3.56%	3,146	$14.45
Free Standing	6,714,959	127,934	1.91%	107,437	$14.19
Neighborhood Center	2,487,917	196,706	7.91%	(11,044)	$12.11
Power Center	969,365	8,857	.91%	-	$12.50
Regional Center	2,496,458	272,285	10.91%	(82,831)	$14.42
Store Front	1,731,350	93,457	5.40%	(14,407)	$12.87
Strip	2,346,595	212,838	9.07%	(1,664)	$13.13
Urban	325,563	76,512	23.50%	27,655	$17.47
Total	**18,524,614**	**1,040,229**	**5.62%**	**28,292**	**$13.74**





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 2H20

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Office leasing activity remained relatively quiet during the 2nd half of 2020 with the ongoing pandemic continuing to create uncertainty for office users in terms of future space needs. The vacancy rate for office space across the Lincoln market finished the year at 8.1%, up a little from the mid-year vacancy rate of 7.6%. Asking rents finished at $12.75 per square foot on a triple net basis, down from $13.17 per square foot at the end of June.

While speculative office construction will be unlikely for the foreseeable future, there have been some new owner-occupied office buildings completed or under construction during the 2nd half of 2020. Lincoln Federal Bank moved into its new headquarters at 84th & Van Dorn and UBS Financial Services started construction of their new office building immediately south of Lincoln Federal. Just a couple blocks further south at 84th & Firethorn Lane, BMG Accounting moved into its new building and another adjacent office building went under construction on the same property.

There is much speculation about the office sector as we gradually move out of the pandemic. There seems to be a growing consensus that while many workers will return to the office this year, remote work or some type of hybrid office/work-from-home scenario will become common, leading companies to rethink their use and configuration of office space. Some businesses are even moving toward a model where many employees work from home and the office becomes more of a place to gather, collaborate, and celebrate as opposed to a daily workplace. Over the next few years, as lease terms expire, many office tenants will likely be downsizing their physical footprint.

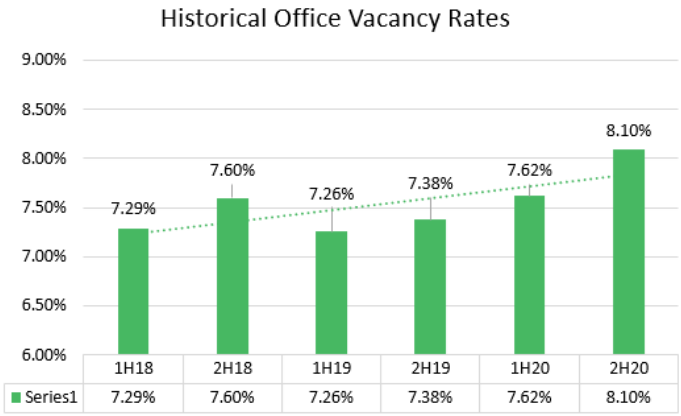
Type	Buyer/Lessee	Seller/Lessor	Address	Size/Price
Sale	947 Terminal, LLC	Terminal Building, LLC	941 O St.	$6,060,000
Sale	Sharp Building, LLC	American Nebraska Limited Partnership	200 S. 13th St.	$3,000,000
Lease	JEO Consulting	Assurity Life Insurance Company	2000 Q St.	25,567 sq. ft.
Lease*	NRC Health	SRRT Edge, LLC	5601 S. 59th St.	19,100 sq. ft.

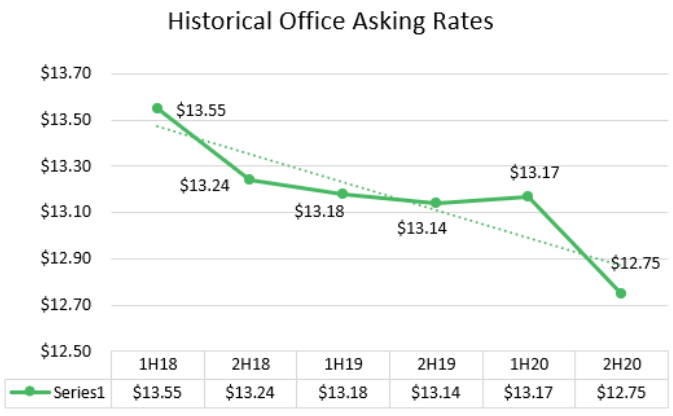
* designates a transaction represented by Greenleaf Commercial Real Estate

Office Second Half of 2020

Submarket	Total Sq. Ft.	Vacant Sq. Ft.	Vacancy %	Net Absorption	Weighted Avg. Asking Rate
CBD	4,651,299	389,205	8.37%	(64,497)	$14.02
NE	1,932,507	100,571	5.2%	10,136	$12.75
NW	1,885,662	189,655	10.06%	37,061	$12.28
SE	4,762,356	423,709	8.9%	35,993	$15.21
SW	1,432,782	85,063	5.94%	(6,537)	$10.38
Total	14,664,606	**1,88,203**	**8.1%**	**12,156**	**$12.75**

Subtype					
Class A	3,467,952	316,692	9.13%	5,855	$12.00
Class B	9,769,536	832,666	8.52%	(5,032)	$12.68
Class C	372,290	21,214	5.7%	11,576	$7.94
Medical	1,054,828	17,631	1.67%	(243)	$17.64
Total	**14,664,606**	**1,188203**	**8.1%**	**12,156**	**$12.75**





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 2H20

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The Lincoln industrial market posted a steady performance in the second half of 2020 as the economy starts to emerge from the pandemic. Among commercial real estate sectors, the industrial use type continues to show the strongest performance buoyed by the growth of e-commerce and the expansion of supply chain and distribution networks. Clear evidence of this is the record volume of industrial leasing nationally in 2020, totaling over 880 million SF. Despite this strong overall leasing volume, new supply delivered to the market outpaced absorption leading to a slight uptick in vacancy. The Costar Second Half 2020 Industrial Report shows that overall vacancy was up slightly to 5.6% from 5.5% at the end of the 2Q. Approximately 153,926,562 SF of new construction was delivered to the market in the second half of 2020 and net absorption totaled 132,659,503 SF. National asking rates continued to increase in spite of negative absorption, inching up to $8.95 from $8.78 at the end of the 2Q.

Greenleaf research data shows that the local industrial market reflected the performance of the national market closely. Overall industrial vacancy climbed to 2.36% from 1.85% at the end of the 2Q. Industrial inventory increased 126,097 SF during the second half of 2020 to a total of 33,097,986 with negative absorption of 43,989 SF. In light of the negative absorption, local asking rents decreased to $6.49 from $6.79 at the end of the 2Q. With vacancy rates remaining low overall, the need for new supply was reflected in the increase in industrial building permits for a total value of $3,630,186, which is up from $3,455,000 at the end of the 2Q, but still dwarfed by the pre-pandemic total of $12,600,000 in the second half of 2019.

The local industrial market outlook is good for 2021 in spite of lingering worries of COVID variant surges and the risk of stimulus induced inflation. The industrial sector remains the best positioned use type to emerge from the pandemic with rent growth forecast in the 2% range, while retail, office and multi-family are forecast to contract in 2021.

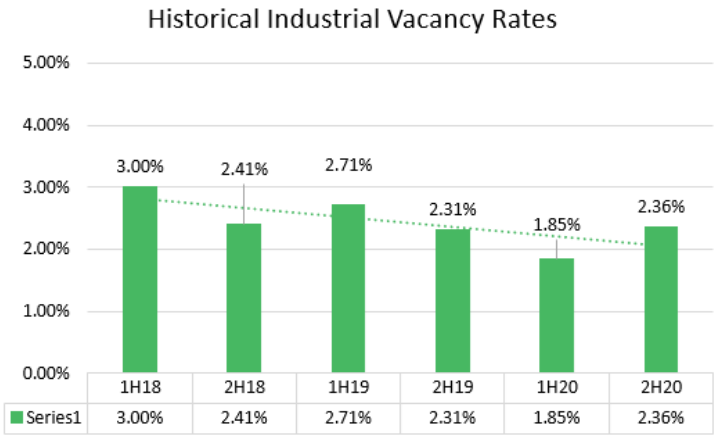
Type	Buyer/Lessee	Seller/Lessor	Address	Size/Price
Sale	Ponca Tribe of Nebraska	Teton Investment, LLC	1600 Windhoek	$3,600,000
Sale	LNT Rental, LLC	Blue Ridge Unlimited	1200 Aries Dr.	$1,644,000
Lease*	Flowers Baking	YF Properties, LLC	3340 Ox Bow Cir.	10,000 sq.ft.
Lease	Green's Heating & Plumbing	Lincoln One, LLC	1701 Cushman Dr.	13,800 sq.ft

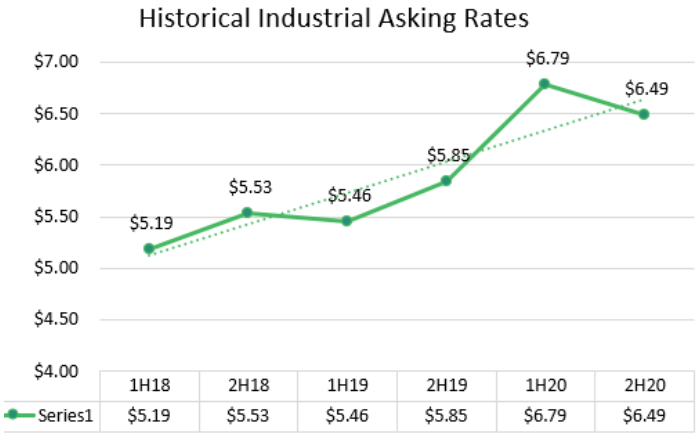
* designates a transaction represented by Greenleaf Commercial Real Estate

Industrial — Second Half of 2020

Submarket	Total Sq.Ft.	Vacant Sq. Ft.	Vacancy %	Net Absorption	Weighted Avg. Asking Rate
CBD	703,598	6,310	.9%	10,191	$10.36
NE	12,156,168	299,955	2.47%	64,038	$5.17
NW	11,546,413	408,638	3.54%	(193,794)	$3.97
SE	690,286	8,286	1.20%	5,615	$7.19
SW	8,001,521	56,498	.71%	69,961	$9.01
Total	**33,097,986**	**779,687**	**2.36%**	**(43,989)**	**$6.49**

Submarket	Total Sq.Ft.	Vacant Sq. Ft.	Vacancy %	Net Absorption	Weighted Avg. Asking Rate
General Industrial	11,342,139	198,290	1.75	66,832	$6.00
Manufacturing	10,290,918	259,216	2.52	(68,998)	$4.05
R&D/Flex	2,616,268	34,738	1.33	12,277	$8.84
Warehouse\ Distribution	8,848,661	287,443	3.25	54,110	$4.44
Total	**33,097,986**	**779,687**	**2.36**	**(43,989)**	**$6.49**





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.

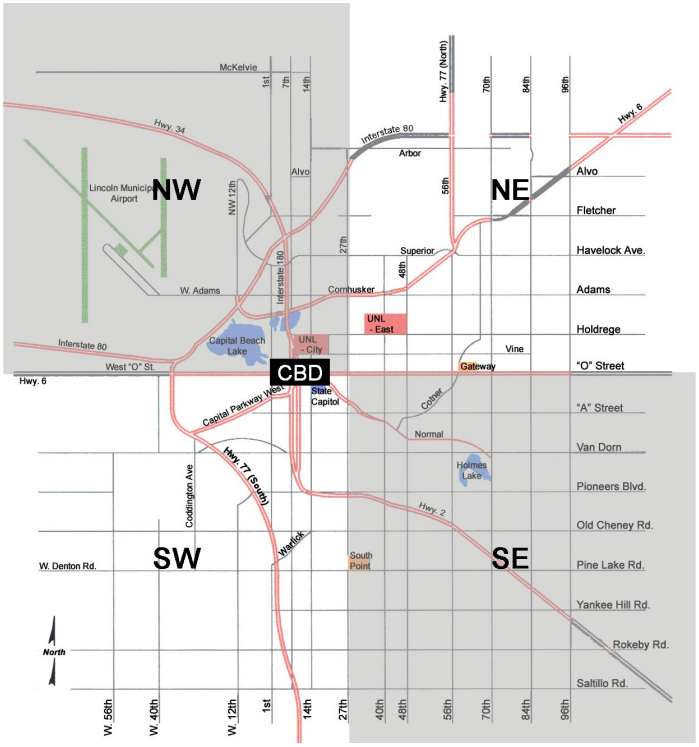
Subtype: Specific designation within each prospective use type. Subtype is determined by various factors including size, internal and external features, amenities, zoning permissions, and general quality of space.

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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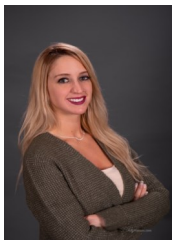

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Greenleaf Commercial Real Estate combines extensive industry expertise and detailed market knowledge to provide each client with

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™

GROWING BUSINESSES, COMMUNITIES, FUTURES