GREENLEAF
COMMERCIAL REAL ESTATE

MARKET REPORT

First Half of 2022

GROWING BUSINESSES, COMMUNITIES, FUTURES

BUILDING PERMITS & CONSTRUCTION ACTIVITIES

Building Permits

B2201512 M I Industries has pulled a $63M permit for a new 80,000 Sq.Ft. pet food production facility

B2200243 National Research Corporation has pulled a $20M improvement permit for their 1245 Q St. office building

B2200396 A $9.9M permit for an interior demo/ renovation of the former Younkers space at Gateway Mall to make room for a Dillard's expansion

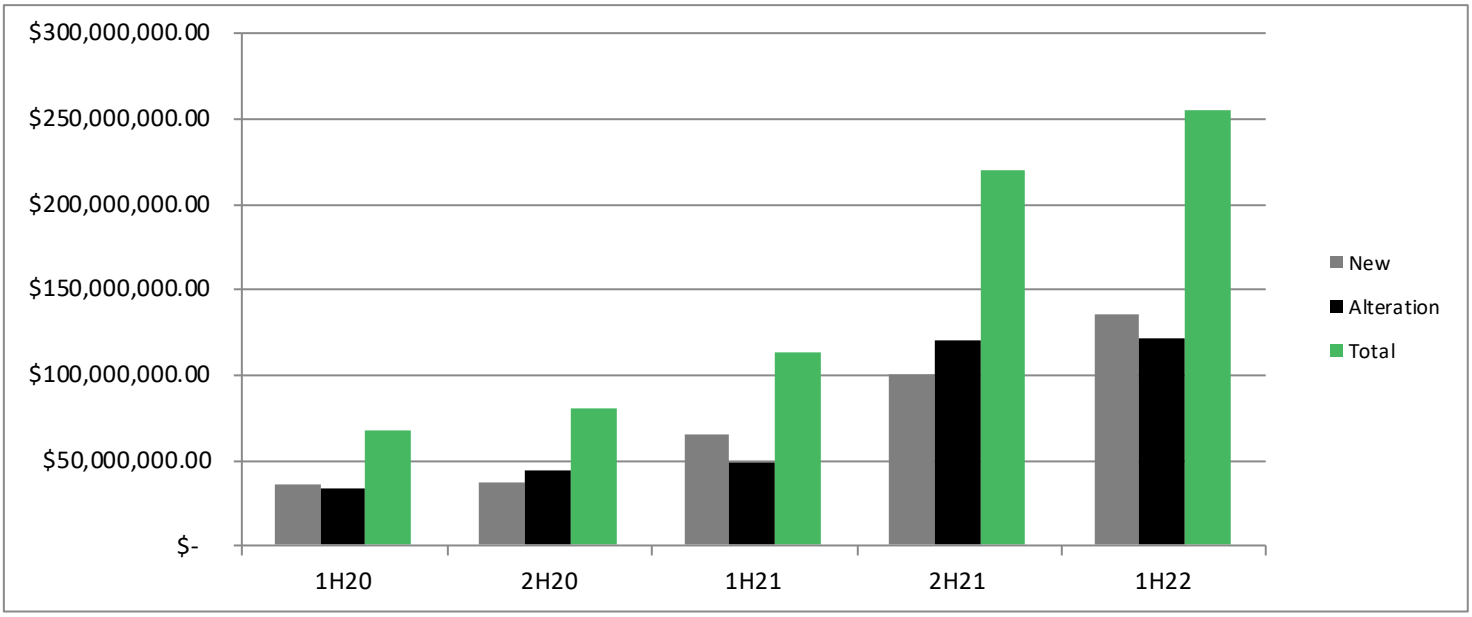
B2201884 Zoetis has pulled an $8.3M permit for a new warehouse at 4455 NW 15th St.

Construction Projects

Sam Properties Inc will be converting the former Valentino's near 70th and Van Dorn St. into a medical office

Internal demolition is underway for The Gold's building on 11th & O St. Construction on the new hotel building is projected to start in the fall of 2022

The Lied Place on 11th & Q St. has been completed and is the process of filling vacant office condos



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

BRETT HARRIS,CCIM
Director of Brokerage Services, Broker
Office: 402- 476-2525
Cell: 402- 429-3114
brett@greenleafcommercial.com

Lincoln's retail market continued its recovery during the 1st half of 2022 with average vacancy rates dropping from 5.0% to 4.2% at the end of June. There was positive net absorption of 167,441 square feet during this period and average rental rates remained virtually flat at $14.40 PSF on a triple net basis. Consumers seem to have adapted to any lingering risk posed by Covid-19 and retail traffic has mostly returned to normal.

Downtown Lincoln continues to slowly rebound although the reduced daytime population due to the changing office environment has mitigated this recovery. The trend toward more residential units and additional hotel rooms is helping to sustain retail activity downtown. Kinkaider has signed a lease and plans top open a German beer hall in the former Scooter's Coffee space at 8th & Q in the Haymarket. There are also two new dog bars scheduled to open soon in Lincoln, one located in the Telegraph District at 1975 M Street.

On a national level, labor challenges continue to affect retailers as businesses compete for a limited pool of workers returning to the workforce after the pandemic-related disruptions. And while consumer spending seemed to be fairly resilient to inflation during the first half of 2022, there are signs it could be slowing as inflation eats into discretionary spending.

Looking toward the second half of 2022, we expect Lincoln's retail market to remain healthy as people balance their online shopping with trips to local stores and restaurants, helping brick and mortar retail continue to bounce back. Inflation will likely have some impact on local businesses, but we don't anticipate a major downturn as a result.

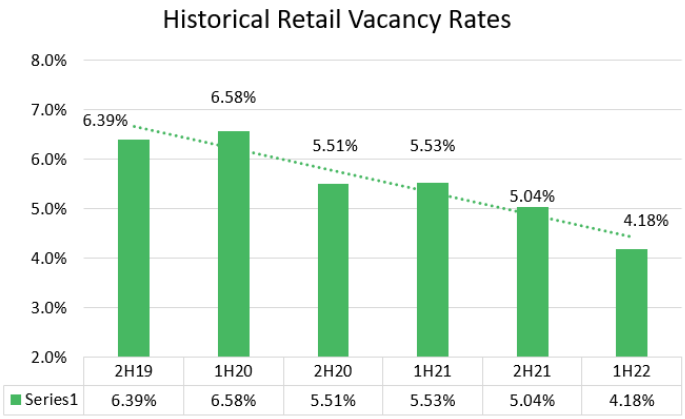
Type	Buyer/Lessee	Seller/Lessor	Address	Price/Size
Sale	NE Gateway Mall Propco	Star-West Gateway, LLC	6100-6140 O St.	$51,000,000
Sale	Cheryl Properties, LLC	Sutter Place Properties, LLC	5221 S. 48th St.	$2,000,000
Lease	Bob & Willey's Wonderbowl	Slosburn Company	2901-2909 S. 84th St.	6,947 Sq.Ft.
Lease	Lincoln Restaurant Equipment	Speedway Properties	2414 N. St.	14,200 Sq.Ft.

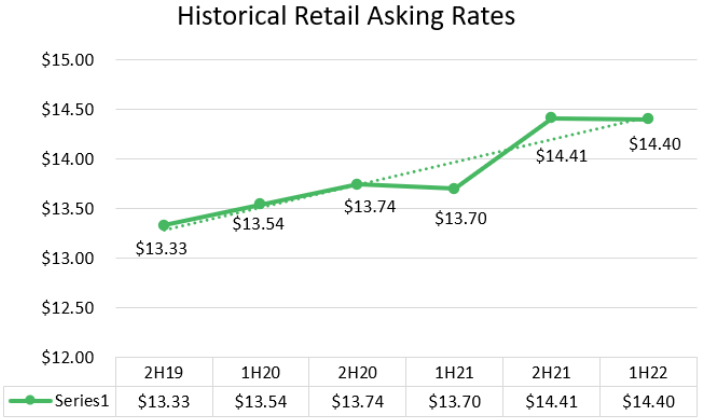
* designates a transaction represented by Greenleaf Commercial Real Estate

Retail First Half of 2022

Submarket	Total Sq. Ft.	Vacant Sq. Ft.	Vacancy %	Net Absorption	Weighted Avg. Asking Rate
CBD	1,560,574	94,532	6.06%	10,130	$17.42
NE	6,785,578	291,814	4.30%	89,818	$15.27
NW	1,988,085	60,979	3.07%	26,530	$10.55
SE	6,483,823	261,617	4.03%	37,977	$14.29
SW	1,805,089	69,393	3.84%	2,986	$13.75
Total	**18,623,149**	**778,335**	**4.18%**	**167,441**	**$14.40**

By Subtype	Total Sq. Ft.	Vacant Sq. Ft.	Vacancy %	Net Absorption	Weighted Avg. Asking Rate
Community Center	1,437,457	46,140	3.21%	-	$13.37
Free Standing	6,851,292	55,806	0.81%	89,823	$18.24
Neighborhood Center	2,462,803	150,107	6.09%	(4,764)	$13.64
Power Center	969,365	3,575	0.37%	2,400	$12.50
Regional Center	2,496,458	240,982	9.65%	14,411	$14.42
Store Front	1,755,472	68,210	3.89%	9,042	$12.46
Strip	2,290,311	125,488	5.48%	45,955	$13.74
Urban	359,991	88,027	24.45%	10,574	$17.95
Total	**18,623,149**	**778,335**	**4.18%**	**167,441**	**$14.40**





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

DON LINSCOTT, CCIM, SIOR
Associate Broker
Office: 402-467-2525
Cell: 402-525-7417
don@greenleafcommercial.com

The office sector continues to experience some uncertainty as many employers are assessing their space needs and adjusting to the hybrid work model. The shift to remote work that occurred during the pandemic has transformed the workplace for many companies, providing employees with much more flexibility in regard to where they perform their job. This shift has led many office users to downsize, reconfigure and reimagine the work environment in response to new normal.

Vacancy rate for Lincoln's office market moved up during the first half of 2022, from 8.5% at the end of 2021 to 8.9% at the end of the June 2022, continuing a gradual upward trend. Average office rental rates across the Lincoln market remained fairly stable, ending the first half of 2022 at $12.95 per square foot on a triple net basis, down slightly from the end of year 2021.

Most new office construction continues to be owner-occupied or build-to-suit with very little speculative development taking place. Projects that are currently underway or recently completed include the new multi-tenant office building housing Nebraska Realty located at 70th & Hwy 2, the new medical office building housing the Nebraska Pain Institute located at Hwy 2 and Pine Lake, the new 45,000 square foot multi-tenant office building at Glynoaks near 84th & Old Cheney, and the new 21,000 square foot Nebraska Neurosurgery Group Health Plaza at 27th & Old Cheney.

Looking toward the second half of 2022, Lincoln's office market should remain fairly stable but could certainly experience a continued upward trend in vacancy as leases expire and companies re-evaluate their space needs going forward.

Type	Buyer/Lessee	Seller/Leasing Company	Address	Size/Price
Sale	Midwest Bank	NHS 4848 Holdings, LLC	7001 Pioneers Blvd.	$2,500,000
Sale	FMC Paradocs, LLC	Bryan Medical Center	755 Fallbrook Blvd.	$3,593,283
Lease	State of Nebraska	CBRE Omaha	500 S. 84th St.	31,429 Sq. Ft.
Lease*	Blue Valley Behavioral Health	Greenleaf Commercial Real Estate	3910 Normal Blvd.	3,350 Sq. Ft.

* designates a transaction represented by Greenleaf Commercial Real Estate

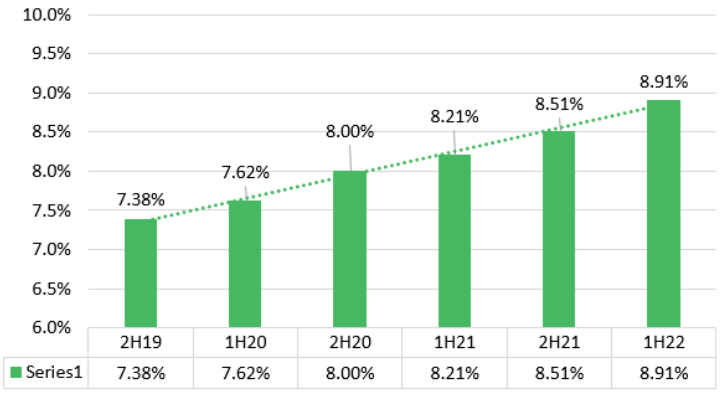
Office

First Half of 2022

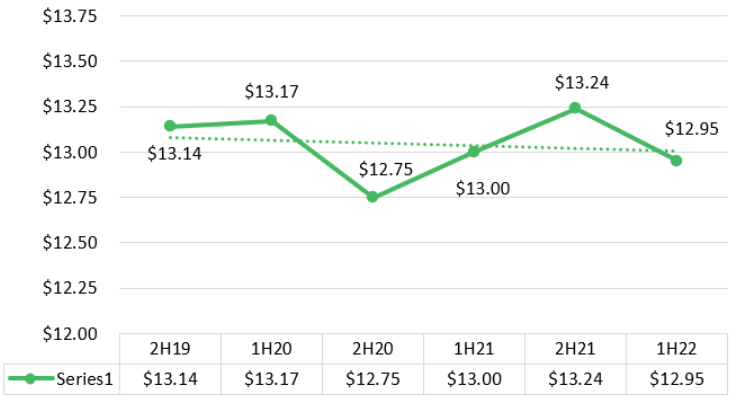
Submarket	Total Sq. Ft.	Vacant Sq. Ft.	Vacancy %	Net Absorption	Weighted Avg. Asking Rate
CBD	4,565,077	539,899	11.83%	(61,172)	$14.54
NE	1,940,579	89,632	4.64%	387	$12.35
NW	1,903,407	207,328	10.89%	(4,273)	$13.20
SE	4,814,884	369,608	7.68%	(8,475)	$14.17
SW	1,469,673	103,225	7.02%	25,873	$9.47
Total	**14,693,620**	**1,309,692**	**8.91%**	**(47,660)**	**$12.95**

Subtype	Total Sq. Ft.	Vacant Sq. Ft.	Vacancy %	Net Absorption	Weighted Avg. Asking Rate
Class A	3,549,664	445,348	12.55%	(37,523)	$17.71
Class B	9,697,893	811,151	8.36%	(4,544)	$12.98
Class C	372,290	14,899	4%	2,440	$8.58
Medical	1,073,773	38,294	3.57%	(8,033)	$13.34
Total	**14,693,620**	**1,309,692**	**8.91%**	**(47,660)**	**$12.95**

Historical Office Vacancy Rates



Historical Office Asking Rates



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

JOHN LINSCOTT, CCIM, CPM ©
President,
Director of Asset Management
Office: 402-467-2525
Cell: 402-314-2338
john@greenleafcommercial.com

As inflationary and rising interest rate headwinds slow the overall economy, the industrial sector is still performing well nationally and locally but the forecast is mixed. The dual pressures of rising inflation and interest rates have cooled consumer spending and the US housing market after both notched record years in 2021. The CPI index of 9.1% over this time last year is the largest annual increase since November 1981. When excluding energy and food prices, the Core CPI has still increased 5.9% over the last 12 months. Decreased demand for goods and services across the economy will eventually lead to a softening in industrial sector demand, although at this moment industrial leasing is still 60% above pre-pandemic levels according to CoStar. The industrial story line has been "strong demand, lack of supply". With demand now forecast to level off, supply is meanwhile ramping up even with interest rates increasing. According to CoStar, new construction for industrial space is up 70% from pre-pandemic levels and around 60% of that is speculative development with no leases in place. Eventually, this will tilt the equation toward a supply surplus with asking rates and rent growth levelling off. Locally, new industrial construction permits for the first half of 2022 total $112,814,723, of which about $16,900,000 (15% of the total) appears to be for speculative non-leased warehouse space. This represents a huge increase over the $9,537,154 total for all new industrial construction in the second half of 2021.

Nationally, industrial vacancy has dropped slightly to 4% from 4.2% at the end of 2021 with asking rents growing to $9.83 from $8.63 during the same period. Annual rent growth for the rolling 12 month period stands at 11.6%. In the local industrial market, vacancy dropped to 1.14% from 1.23% at the end of 2021, while asking rents increased 6.7% to $6.71 during the same period. With 102,025 SF of new industrial space added to the market in the first half of 2022, local net absorption stayed positive at 132,475 SF leased.

On the sale side, the tremendous volume witnessed in 2021 has slowed, but the average sale price per square foot has increased as cap rates have inched lower. Nationally, the sales volume in the fourth quarter of 2021 was $52,740,988,180 with an average sales price per square foot of $138, according to CoStar. In the second quarter of 2022, volume dropped to $30,238,673,103 but the average price per square foot rose to $148 with cap rates slightly lower at 6.1%. This pattern was evidenced locally with sales volume dropping to $27,033,418 from a record high of $54,188,150 at the end of 2021, while the average price per square foot rose to $65.25 from $64 during the same period.

The forecast for the local industrial market remains solid. New supply and slackening demand will eventually lead to asking rate increases to peak and stabilize, and for rent growth to level off, but the historically low vacancy rate hovering just above 1% will insulate the local market from any major impact from decreased demand until at least the second quarter of 2023.

Type	Buyer/Lessee	Seller/Lessor	Address	Size/Price
Sale*	The Glass Edge of Lincoln, Inc	Royal Heritage, Inc	1220 Saltillo Rd.	$2,710,000
Sale	Hampton Enterprises, Inc	Central Land Investments, LLC	439 A St.	$2,374,000
Sale	GERE Holdings, LLC	SFJD, LLC	6701 Cornhusker Hwy.	$2,350,000
Sale	South Tenth Development, LLC	Southwest Sixth Beverages, LLC	600 W. South St.	$1,703,649

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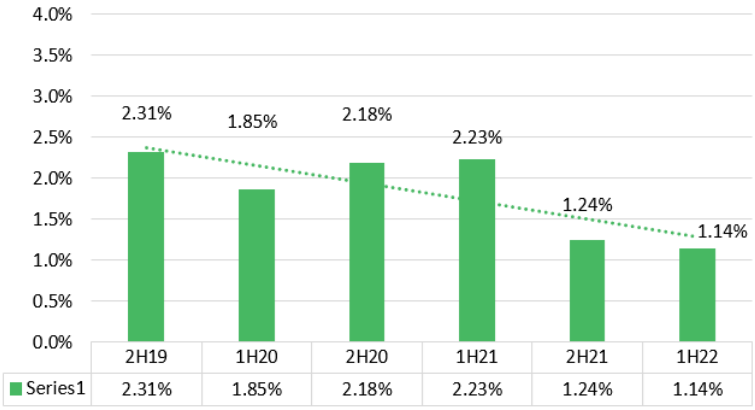
Industrial First Half of 2022

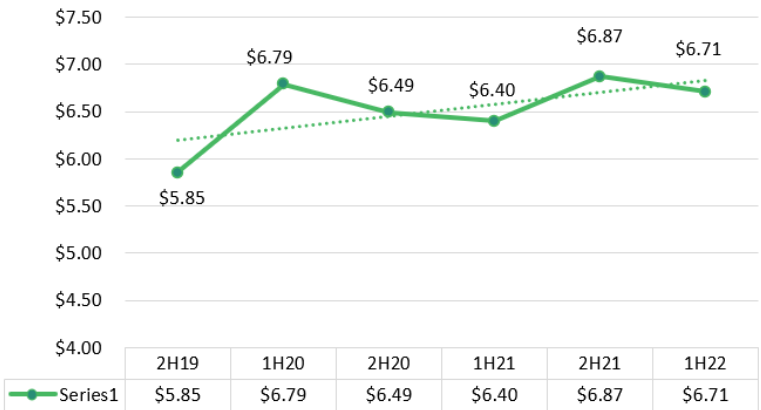
Submarket	Total Sq. Ft.	Vacant Sq. Ft.	Vacancy %	Net Absorption	Weighted Avg. Asking Rate
CBD	610,702	6,310	1.03%	-	$10.36
NE	12,264,354	205,915	1.68%	32,691	$5.73
NW	11,751,492	130,088	1.11%	67,997	$3.87
SE	690,286	1,900	.28%	5,172	$8.12
SW	8,156,170	36,988	0.45%	26,615	$7.74
Total	**33,473,004**	**381,201**	**1.14%**	**132,475**	**$6.71**

Submarket	Total Sq. Ft.	Vacant Sq. Ft.	Vacancy %	Net Absorption	Weighted Avg. Asking Rate
General Industrial	11,397,981	95,128	.83%	56,300	$7.10
Manufacturing	10,195,526	125,000	1.23%	-	$3.68
R&D/Flex	2,692,706	45,473	1.69%	(13,585)	$8.85
Warehouse\ Distribution	9,186,791	115,600	1.26%	89,760	$5.36
Total	**33,473,004**	**381,201**	**1.14%**	**132,475**	**$6.71**

Historical Industrial Vacancy Rates



Historical Industrial Asking Rates



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

JON REIGENBORN
Office Manager
Market Analyst
Office: 402-467-2525
Cell: 402-580-7424
jonathan@greenleafcommercial.com

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. Net absorption is the sum of square feet that became physically occupied minus the sum of square feet that became vacant minus the amount of new space delivered to the market during a specific period,

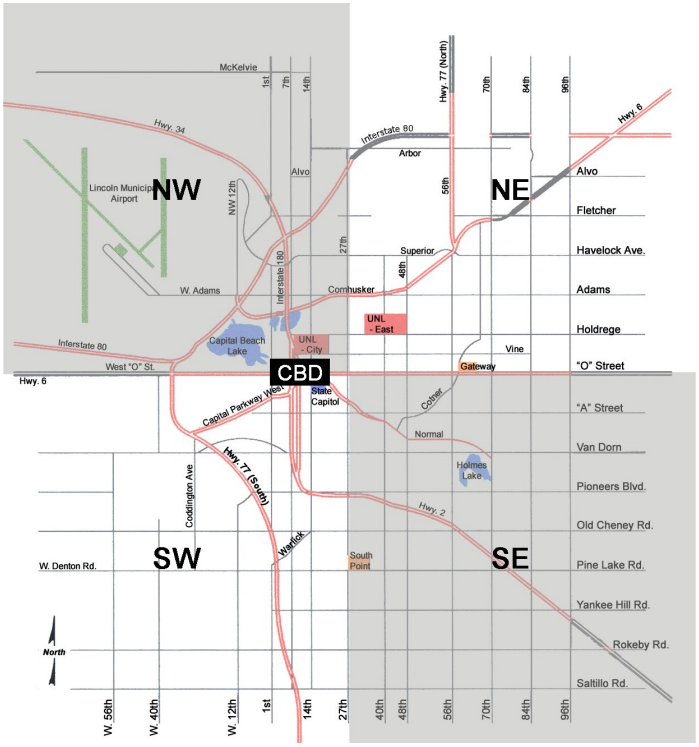
Submarket: Specific geographic boundaries that serve to allocate core areas in the overall market. 27th & O serves as the intersection of the form main submarkets with the Central Business District located approximately between 6th and 17th and R St. and L St.

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.

Lincoln divided by five submarkets



GREENLEAF COMMERCIAL
300 N 44th St, Ste 112
Lincoln, NE 68503

Contact us today to learn more!
Office: 402.467.2525
Fax: 402.467.1099

Visit our webpage
www.greenleafproperties.com

GREENLEAF
COMMERCIAL REAL ESTATE

About Us

JOHN LINSCOTT, CCIM, CPM ©
President / Director of Asset Management

DON LINSCOTT, CCIM, SIOR
Associate Broker

BRETT HARRIS, CCIM
Director of Brokerage Services

ADAM LOWNEY
Sales Associate

CHARLES FRIEDMAN
Sales Associate

JONATHAN REIGENBORN
Office Manager
Market Analyst

VERONICA HANSEN
Marketing

KEVIN T. RHODES, CCIM

AMY BRETTA
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
- Site Tours

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