GREENLEAF
COMMERCIAL REAL ESTATE

MARKET REPORT

First Half of 2023

GROWING BUSINESSES, COMMUNITIES, FUTURES

BUILDING PERMITS & CONSTRUCTION ACTIVITIES

Notable Building Permits

B2300415 GM Holdings, LLC pulled a $10M permit for a new truck terminal at 4201 W O St.

B2300599 Lincoln Fat Dogs, LLC has pulled a $5.5M permit for a convenient store at 1105 W. Bond St.

B2301054 Crunch Fitness is doing approximately $2.7M of alterations at 5050 N. 27th St. in the former Gordman's space where it plans on opening a gym by the end of the year.

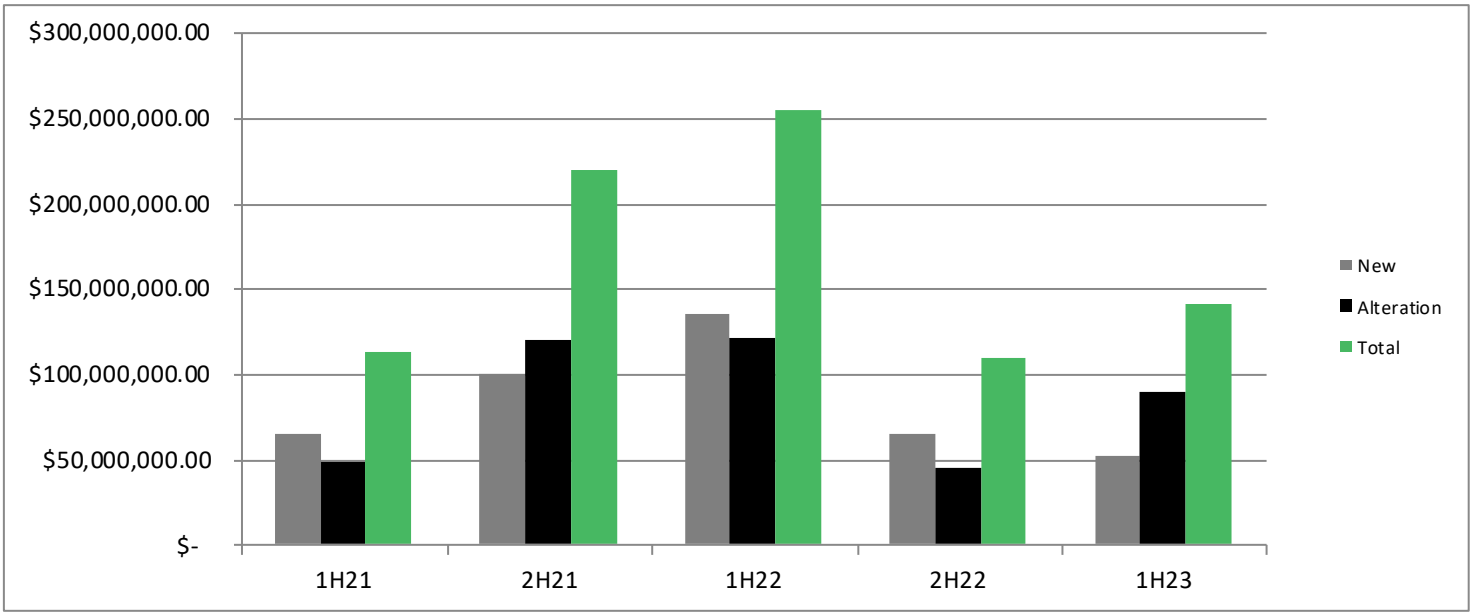
B2300330 A $1M permit has been pulled to install Aragon, a restaurant affiliated with Casa Bovina, on the first floor of the Lied Place at 1125 Q St.

Construction Projects

The Melichar lot on 9th & P St has been cleared for the construction of the Lincoln Bold project. The proposed skyscraper is still facing planning hurdles as the specifics of the project's final form are still taking shape.

The 109 S. Canopy project is nearing completion, adding 15,100 SF to the general Haymarket retail footprint.

Construction has began on a new $2.3M cold storage warehouse near 1131 Kingbird Ln.



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

The local retail market remained strong through the 1st half of 2023 with average vacancy rates continuing a downward trend, finishing at 3.4% at the end of June, down from 3.9% at the end of 2022. Lincoln's average asking rental rates moved up during the first half of the year, starting at $13.87 PSF at the end of 2022 and finishing at $14.48 PSF on a triple net basis by the end of June.

Not all local retail news is positive as we learned recently that Tip Top Tux closed all of its stores suddenly, including the two Lincoln locations. This comes on the heels of another formalwear store, David's Bridal, announcing bankruptcy earlier this year, its 2nd bankruptcy in five years. Also, CVS Pharmacy announced the closing of its store at 48th & O Street. Despite these announcements, the overall local retail environment is healthy and should remain strong during the 2nd half of the year.

Nationally, retail vacancy rates are near 4.0% according to National Association of Realtors, well below office vacancy rates near 13.0% and in the same ballpark as industrial vacancy rates. Despite the continued concerns about a possible recession, the unemployment rate remains low and consumers seem willing to spend their dollars at retail outlets. Discount chains like Five Below are rapidly expanding and, in some cases, moving into vacancies left by other national retailers.

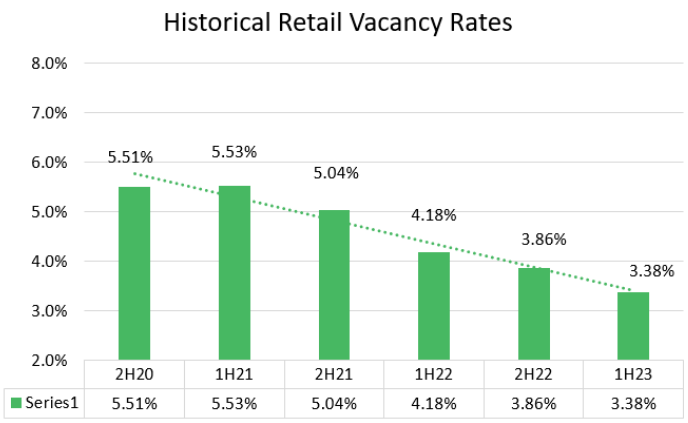
Type	Buyer/Lessee	Seller/Lessor	Address	Price/Size
Lease	Shoot 360	TKG Van Dorn Plaza, LLC	2600 S. 48 St.	12,543 SF
Lease	Intermix Dance	South Ridge Village, LLC	7125 S. 29th St.	4,800 SF
Sale	Omnicorp Valley, LLC	Kelly's Carpet & Furniture	4615 Vine St.	$4,000,000
Sale	Splash Realty LLC	Stanley Jou & Wendy Jou	3800 S. 9th St.	$1,650,000

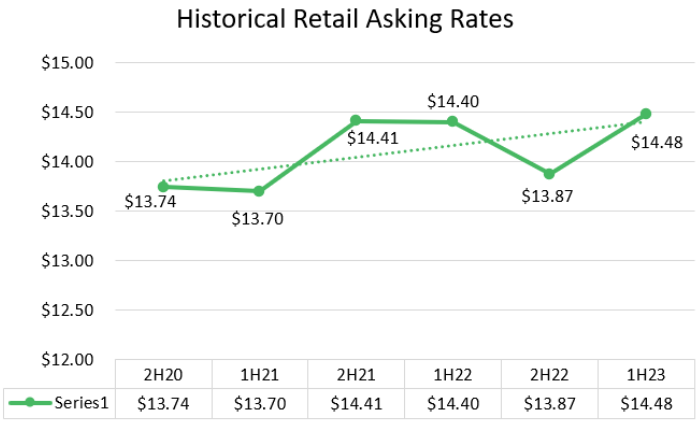
* designates a transaction represented by Greenleaf Commercial Real Estate

Retail First Half of 2023

Submarket	Total Sq. Ft.	Vacant Sq. Ft.	Vacancy %	Net Absorption	Weighted Avg. Asking Rate
CBD	1,560,574	74,526	4.78%	9,700	$16.36
NE	6,811,241	301,997	4.43%	(19,630)	$15.55
NW	1,988,069	31,431	1.57%	11,905	$11.53
SE	6,361,414	158,176	2.49%	(51,586)	$13.72
SW	1,880,631	62,639	3.33%	45,509	$13.89
Total	**18,611,929**	**628,769**	**3.38%**	**(4,102)**	**$14.48**

By Subtype	Total Sq. Ft.	Vacant Sq. Ft.	Vacancy %	Net Absorption	Weighted Avg. Asking Rate
Community Center	1,437,457	44,333	3.08%	(5,069)	$14.14
Free Standing	6,909,003	66,061	0.96%	53,422	$17.18
Neighborhood Center	2,340,790	48,651	2.08%	(91,414)	$13.68
Power Center	969,365	3,085	0.32%	6,778	$14.00
Regional Center	2,496,458	218,795	8.76%	15,520	$14.42
Store Front	1,755,472	59,980	3.42%	(1,681)	$12.53
Strip	2,307,731	109,967	4.77%	16,802	$13.50
Urban	395,653	77,897	19.69%	1,540	$17.73
Total	**18,611,929**	**628,769**	**3.38%**	**(4,102)**	**$14.48**





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

Despite the continued uncertainty surrounding the office sector, Lincoln's office market remained stable during the first half of 2023, with the overall vacancy rate up a half point, from 7.1% at the end of 2022 to 7.6% at the end of June 2023. Downtown continues to have the highest vacancy rate as demand remains soft while companies continue to evaluate their space needs going forward. Average asking rental rates in Lincoln decreased during the 1st half of the year from $14.15 to $13.28 per square foot on a triple net basis.

On a national level, many companies have made a push for a return to the office. Companies like Walt Disney and Chipotle are calling their employees back to the office four days a week. Even video conferencing company Zoom is now requiring employees that live within a 50-mile radius of its offices to work onsite at least two days a week. However, the hybrid and remote work trend that accelerated dramatically during the pandemic is here to stay in some form and employers will need to continue to find the right balance to attract and retain talent while also maintaining the right company culture.

Lincoln's office market should remain stable for the 2nd half of 2023 although it's unclear which direction vacancy rates will move over the next 1-2 years. The lack of speculative office construction will help keep supply in check but there are still likely a fair number of office tenants that will either not renew or could downsize as they reach the end of their current lease term and assess future space needs. The office sector will continue to experience the effects of the pandemic longer than other sectors of commercial real estate.

Type	Buyer/Lessee	Seller/Lessor	Address	Size/Price
Lease	E & A Consulting Group	Telegraph Lofts East, LLC	200 S. 21st St.	8,481 SF
Lease	Nanonation Inc.	Marcus Lincoln Hotel, LLC	301 S. 13th St.	11,602 SF
Sale	James H. Meysenburg Et al	Bisbee Bros, LLC	3201 Pioneers Blvd	$4,780,000
Sale	Med-Den Funding, LLC	NEBCO Inc	425 Fallbrook Blvd	$2,975,000

* designates a transaction represented by Greenleaf Commercial Real Estate

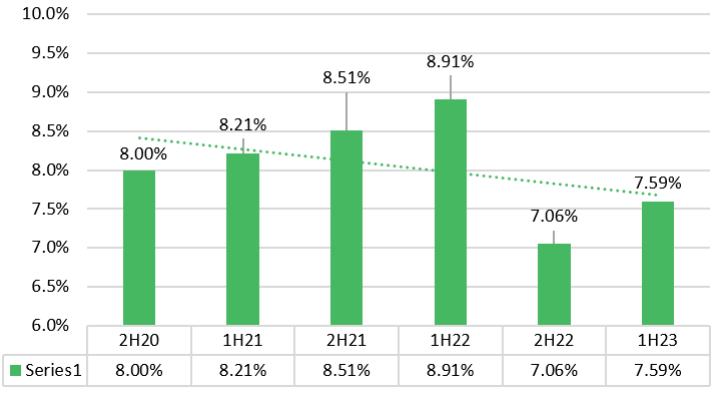
Office

First Half of 2023

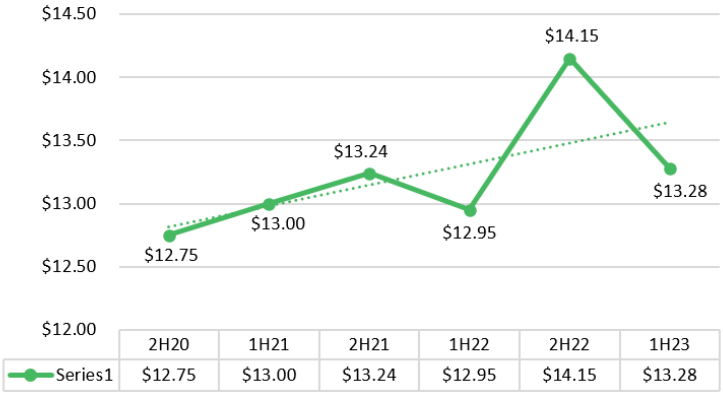
Submarket	Total Sq. Ft.	Vacant Sq. Ft.	Vacancy %	Net Absorption	Weighted Avg. Asking Rate
CBD	4,565,077	568,760	12.46%	(28,861)	$14.79
NE	1,947,311	81,295	4.17%	8,337	$12.00
NW	1,903,407	184,935	9.72%	(90,107)	$14.56
SE	4,923,661	238,988	4.85%	90,770	$15.40
SW	1,469,673	49,645	3.38%	53,580	$9.70
Total	**14,809,129**	**1,123,623**	**7.59%**	**33,719**	**$13.28**

Subtype	Total Sq. Ft.	Vacant Sq. Ft.	Vacancy %	Net Absorption	Weighted Avg. Asking Rate
Class A	3,544,164	279,632	7.89%	6,116	$17.34
Class B	9,789,669	776,352	7.93%	12,816	$13.72
Class C	372,290	16,616	4.46%	(1,717)	$8.80
Medical	1,103,006	51,023	4.63%	16,504	$13.18
Total	**14,809,129**	**1,123,623**	**7.59%**	**33,719**	**$13.28**

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

The Industrial commercial real estate market continues to work its way through the impact of higher interest rates. Higher interest rates and the related higher cost of capital are constraining new projects, creating uncertainty around asset pricing for existing portfolios and presenting risks for asset managers facing upcoming loan maturities. As higher interest rates work their way through the capital markets, a corresponding repricing of assets has occurred as cap rates have moved up by 100 to 150 basis points creating challenges for owner's locked into long term leases making them unable to capture the tremendous rent growth experienced by the industrial market in 2021 and 2022. This, combined with the delivery of new construction projects initiated before interest rate hikes, has led to an increase in vacancy rates nationally. According to CoStar, national industrial vacancy rates increased over a full point to 4.9% at the end of the second quarter. The record rent growth of 11.5% in 2022 has levelled off as the market works to absorb new supply and will likely fall below the 5% average before stabilizing in 2024 as new supply tapers off.

The local industrial market reflects these national trends with a few bright spots which should reassure asset managers that a soft landing can be achieved. Local vacancy rates rose to 1.86% at the end of the second quarter, up from the historically low .81% at the end of 2022 and still well below historical averages. The delivery of 317,372 SF of new construction to the market combined with negative absorption of 36,871 SF has pushed the vacancy rate higher, but asking rates climbed from $6.30 to $9.17. This is interesting as one would expect higher vacancy to lower asking rents, but the rent growth of the last few years is reflected in asking rates for the re-tenanting of existing assets and is also priced into the rental rates necessary to cash flow new deliveries. Steady demand is allowing this phenomenon to occur; however, tenant prospects should have more leverage in lease negotiations as alternative spaces are available. Local sales volume almost doubled to $36,533,400 for the period with an average sale price PSF of $114.54, which is up from $110.42 at the end of 2022. This may appear surprising given the higher cost of capital and the repricing of assets with higher cap rates, however investor demand for the safe haven of industrial assets has prevented a collapse of sales volume and valuations as investor capital flows into the industrial sector.

The forecast for the industrial market is mixed but is likely to stabilize in 2024 as new supply plummets thus limiting vacancy and propping up asking rents. Rent growth for the remainder of 2023 will be flatter as absorption catches up with deliveries. This is reflected in local new construction permit applications which rose to $16,866,832, but are still well below the record totals from 2022. Owners will be competing for tenants for the remainder of the year, but the picture improves in 2024 as overall industrial demand remains strong.

Type	Buyer/Lessee	Seller/Lessor	Address	Size/Price
Lease*	Distribution Inc.	Firstar Fiber Inc.	4800 N. 48th	16,000 SF
Lease*	Continental Siding	Superior Investment, LLC	3340 Ox Bow Cir	10,000 SF
Sale	Hiatt Novak, LLC	Las Brisas Land Development Co.	4555 NW. 14th	$27,500,000
Sale	Holiday Services, Inc	Charles M. Schayer & Co.	875 W. O St	$1,600,000

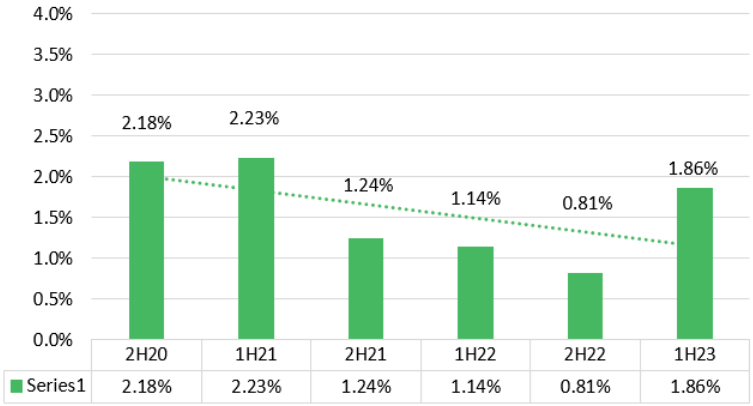
* designates a transaction represented by Greenleaf Commercial Real Estate

Industrial First Half of 2023

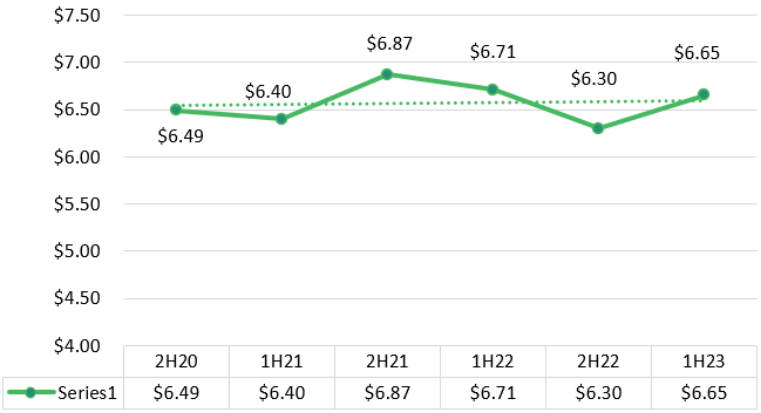
Submarket	Total Sq. Ft.	Vacant Sq. Ft.	Vacancy %	Net Absorption	Weighted Avg. Asking Rate
CBD	610,702	21,060	3.45%	-	$8.96
NE	12,267,358	169,488	1.38%	(49,046)	$5.35
NW	11,958,013	178,306	1.49%	198,414	$4.72
SE	685,186	1,200	0.18%	(5,100)	$7.20
SW	8,138,690	254,511	3.13%	(181,139)	$7.31
Total	**33,659,949**	**624,565**	**1.86%**	**(36,871)**	**$6.65**

Submarket	Total Sq. Ft.	Vacant Sq. Ft.	Vacancy %	Net Absorption	Weighted Avg. Asking Rate
General Industrial	11,433,793	102,517	.90%	(11,633)	$7.36
Manufacturing	10,195,526	125,000	1.23%	-	$3.25
R&D/Flex	2,699,006	39,705	1.47%	18,265	$8.90
Warehouse\ Distribution	9,331,624	357,343	3.83%	(43,503)	$6.79
Total	**33,659,949**	**624,565**	**1.86%**	**(36,871)**	**$6.65**

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,

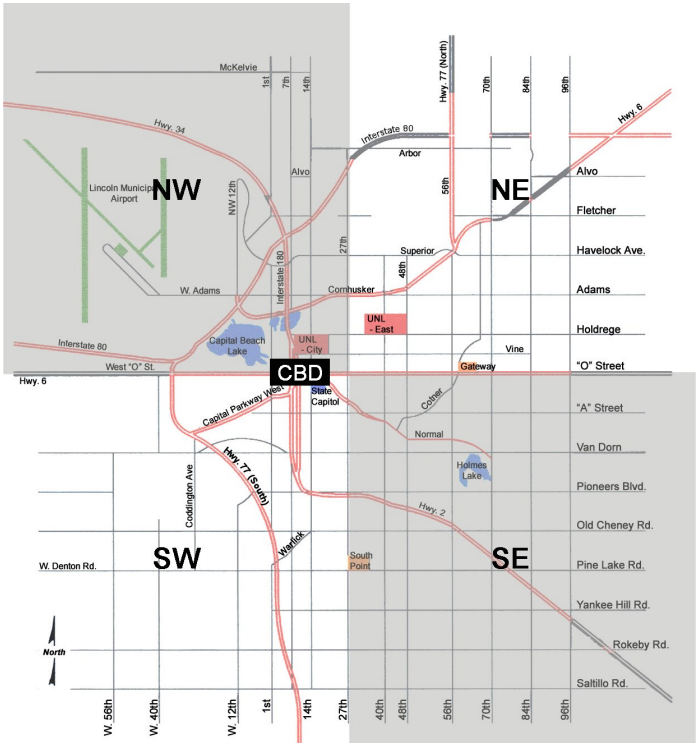
Submarket: Specific geographic boundaries that serve to allocate core areas in the overall market. 27th & O serves as the intersection of the form main submarkets with the Central Business District located approximately between 6th and 17th and R St. and L St.

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

HALLIE HOLLOWELL
Marketing Director

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