

Office Market Report

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Omaha, Nebraska

INVESTORS
REALTY INC.

Office Space Outlook For Omaha Submarkets

By John Dickerson

Investors Realty's Office Team surveys the Omaha office market biennially at the end and middle of each year. Omaha's competitive office space, non-owner occupied and non-medical, is approaching fifteen million square feet. This report is a summary of the current condition of the office market and what we see down the road.

The Omaha office market has remained static in the last six months at an 83% occupancy level. There has been relatively good activity in the marketplace for leasing and some leases have been completed. However, space coming on the market replaced the space leased up. Available space

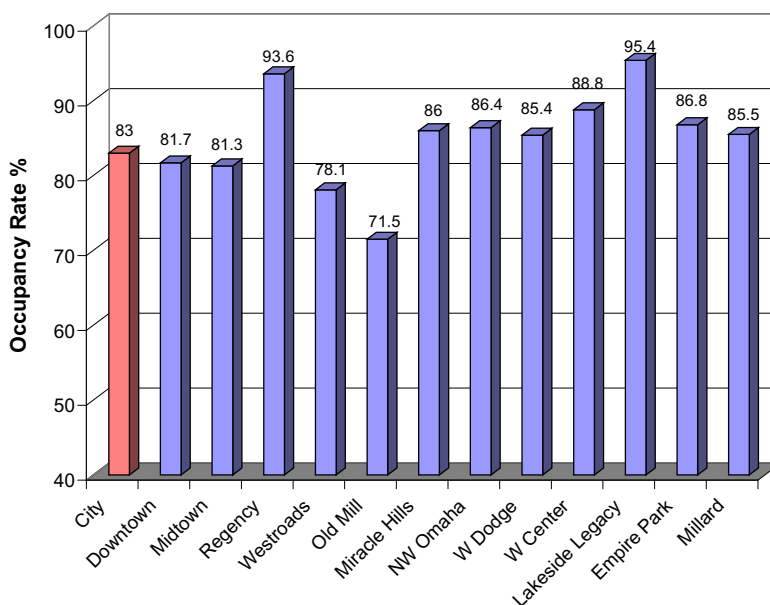
for the entire city of Omaha continues to be at the 2,500,000 square foot mark. Drilling down deeper, we find that significant gains in occupancy were made in the Downtown, West Dodge, West Center, Empire Park and Millard sectors. However, these were offset by two significant additions to the Midtown and Old Mill sectors.

In Midtown, Mutual of Omaha's south building is starting a transition from owner occupied to multi-tenant. Mutual will vacate the building over the next twelve months with an initial offering of 121,017. One floor (40,000 square feet) has already been leased to an affiliate of University

of Nebraska Medical Center (UNMC). This will be a nice compliment to Mutual's Midtown Crossing at Turner Park, a \$250 million retail/apartment/condominium development directly east of the Mutual Tower, which provides a mixed use setting in Midtown.

Citywide occupancy is 83%. Only two markets are in the 90 percentile and only two are below 80%, with Old Mill representing the bottom of the market at 71.5% occupancy. For identification of our markets, please refer to the map at the end of this survey.

Omaha Office Occupancy Rates By Submarket (as percent)



In Old Mill, a 96,324 square foot building formerly occupied by First Data Resources is now vacant. Even with discounting the FDR building, Old Mill's vacancy increased by over 18,000 square feet. The effects on Old Mill by the West Dodge Expressway should subside with its completion of that project, easing the traffic issue for

this sector in the future.

Over the years, our best performing office market sector has been Regency. Regency is still strong with 93.6% occupancy. However, the newest sector, the Lakeside/Legacy sector (168th to 180th on West Center Road), is challenging Regency as the strongest market at 95.4% occupancy. This sector has matured and is nearly fully developed, all in a fairly short time span.

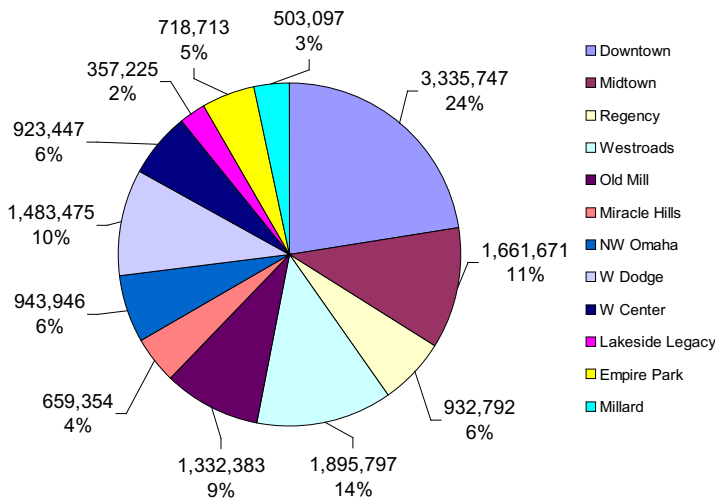
Also affecting the market is sublease space. This space category has been reduced since our July 2006 report by 33,000 square feet. Citywide, sublease space is 4.2% of the market. This is down from 5.5%.

Further analysis of the vacancies available shows that we have a well dispersed variety of space sizes available. The buildings with size ranges of 5,000 to 10,000; 10,000 to 20,000; and, 20,000 plus, represented 22%, 19% and 17% of the market, respectively. The greatest share of spaces available (42%) falls in the under 5,000 square feet category, which is to be expected. Also, there are seven buildings that have more than 50,000 square feet available, including the two noted above, and one with 224,571 square feet available.

What does this mean to the Omaha office market? We are in business. We have inventory on our shelves to accommodate all sizes of office space shoppers. Omaha is primed for economic development. Whether an Omaha firm needs to grow or a new firm needs to enter the Omaha market for the first time, we have a home for them.

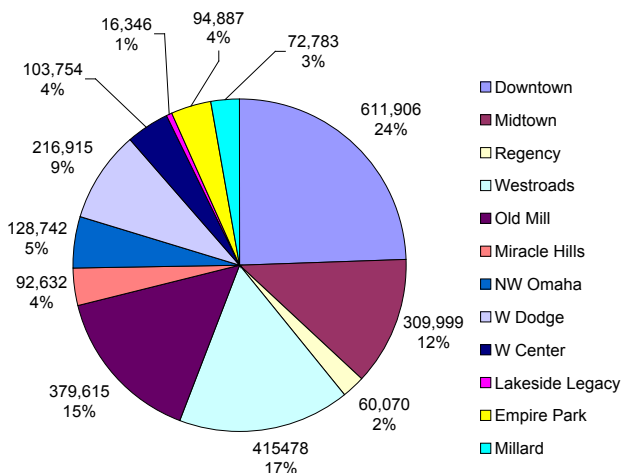
Similar to above, this graph shows the dispersion of available space in the various markets. Correspondingly, the Downtown Market has the most space available. The next largest availabilities are in the Westroads, Old Mill and Midtown Markets.

Office SF by Submarket



This graph shows the total citywide square footage of competitive office buildings distributed in our designated markets. As you can easily see, the Downtown Market is the largest by a great margin.

Available SF by Submarket

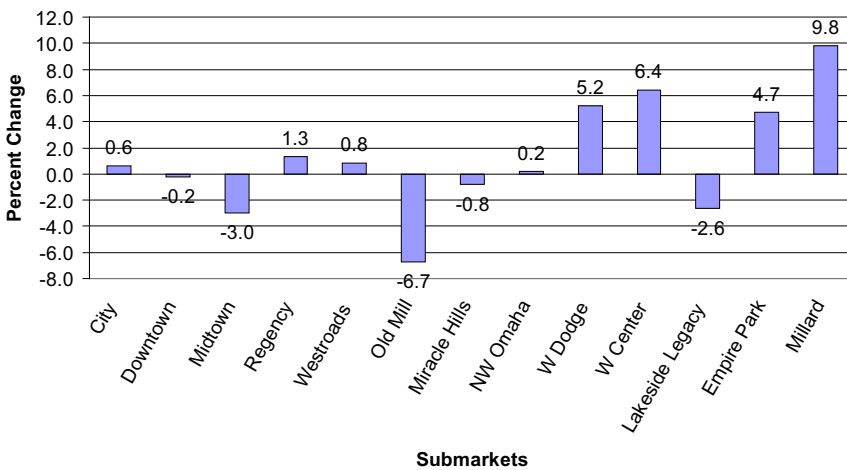


What's New On The Horizon

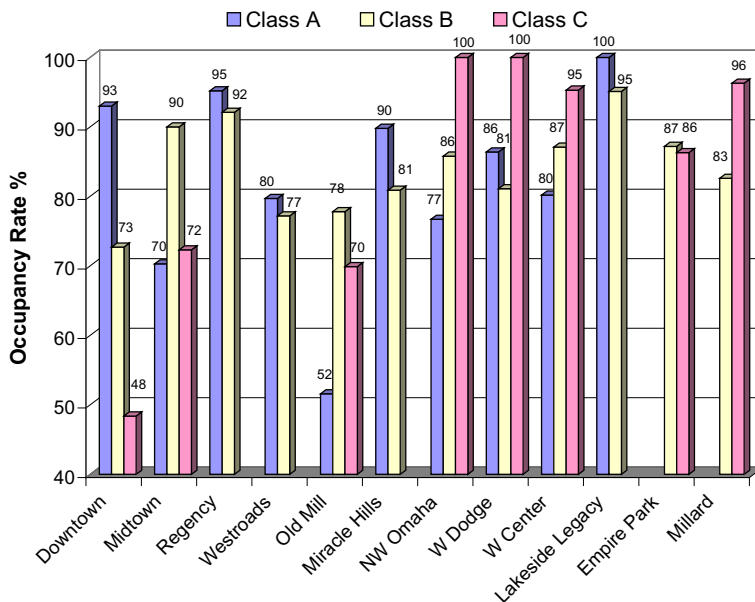
We have identified planned projects that will add 312,500 square feet to the Omaha market. The biggest project that will affect the midtown market is the Aksarben Village development. This mixed use development on the south side of the former

Aksarben Race Track and Entertainment Facility at 66th and Center will add approximately 175,000 square feet of Class 'A' office space to the market. Two tenants have already been announced: Olsson Associates and the University of Nebraska Foundation. Ground will be broken in 2007.

**Change in Occupancy Rate Percentage
Over Previous 6 month Period**



**Occupancy Rates by Submarket & Building Class
(Missing column reflects absence of building class)**



The top left graph shows the percentage change in occupancy rate since our July 2006 report. The Millard Market had the most improved occupancy, while Old Mill did the opposite. A low percentage improvement does not necessarily indicate a stagnate market segment. For instance, the Regency Market does not have a lot of vacancy to lease. Therefore, a great improvement in occupancy is difficult to produce.

The bottom left graph shows the occupancy levels by Class in each market.

What's New

— continued

More eminent entries into the market are Dodge Plaza (68,367 square feet) and C&A Plaza (94,957) in Bank of the West Business Park. Both will be ready for occupancy in the first half of 2007. A third building in the same park is the PTI Building (Pharmaceutical Technologies, Inc.) with 50,000 square feet should be ready for occupancy in the second half of the year, with PTI using 25,000 square feet. Another new building (20,000) to be located at 156th and Ruggles (north of West Maple Road) will start construction soon for late 2007 occupancy. The building will be the new home of the Metropolitan Omaha Builders Association (MOBA) and other tenants. This will be a

nice addition to the West Maple corridor, which does not have a lot of quality office offerings.

Other developments, which will undoubtedly have an effect on the office leasing market, are the proliferation of office condominiums. There are five projects in the works totaling over 160,000 square feet. No one knows how well these will sell. However, historically, condo offices sales have not had great success in the Omaha market. Many times, the developer builds and then leases units as an interim measure.

Building Class Summaries for Class A, Class B, and Class C Office Buildings

		City	Downtown	Midtown	Regency	Westroads	Old Mill	Miracle Hills	NW Omaha	W Dodge	W Center	Lakeside Legacy	Empire Park	Millard
Class A	Total Building SF	5,622,331	2,144,162	406,837	444,365	653,249	260,612	373,457	65,600	1,156,934	90,339	26,776	0	0
	Total Number of Buildings	55	5	1	6	12	5	6	3	13	3	1	0	0
	Occupancy Rate %	86.1%	93	70.3	95.2	79.7	51.6	89.8	76.7	86.4	80.2	100		
	Total Leaseable Available SF	778,980	149,105	121,017	21,452	132,595	126,116	38,161	15,266	157,397	17,871	0	0	0
Class B	Total Building SF	7,224,263	625,793	895,724	488,427	1,242,548	876,481	285,897	798,346	314,541	574,025	330,449	395,820	396,212
	Total Number of Buildings	212	13	16	10	26	24	14	18	11	31	14	16	19
	Occupancy Rate %	83.2%	72.7	90	92.1	77.2	77.8	80.9	85.8	81.1	87.1	95.1	87.2	82.6
	Total Leaseable Available SF	1,213,429	170,674	89,573	38,618	282,883	194,640	54,471	113,476	59,518	73,798	16,346	50,599	68,833
Class C	Total Building SF	1,901,053	565,792	359,110	0	0	195,290	0	80,000	12,000	259,083	0	322,893	106,885
	Total Number of Buildings	61	11	17	0	0	6	0	2	1	9	0	12	3
	Occupancy Rate %	73.1%	48.4	72.3			69.9		100	100	95.3		86.3	96.3
	Total Leaseable Available SF	510,718	292,127	99,409	0	0	58,859	0	0	0	12,085	0	44,288	3,950

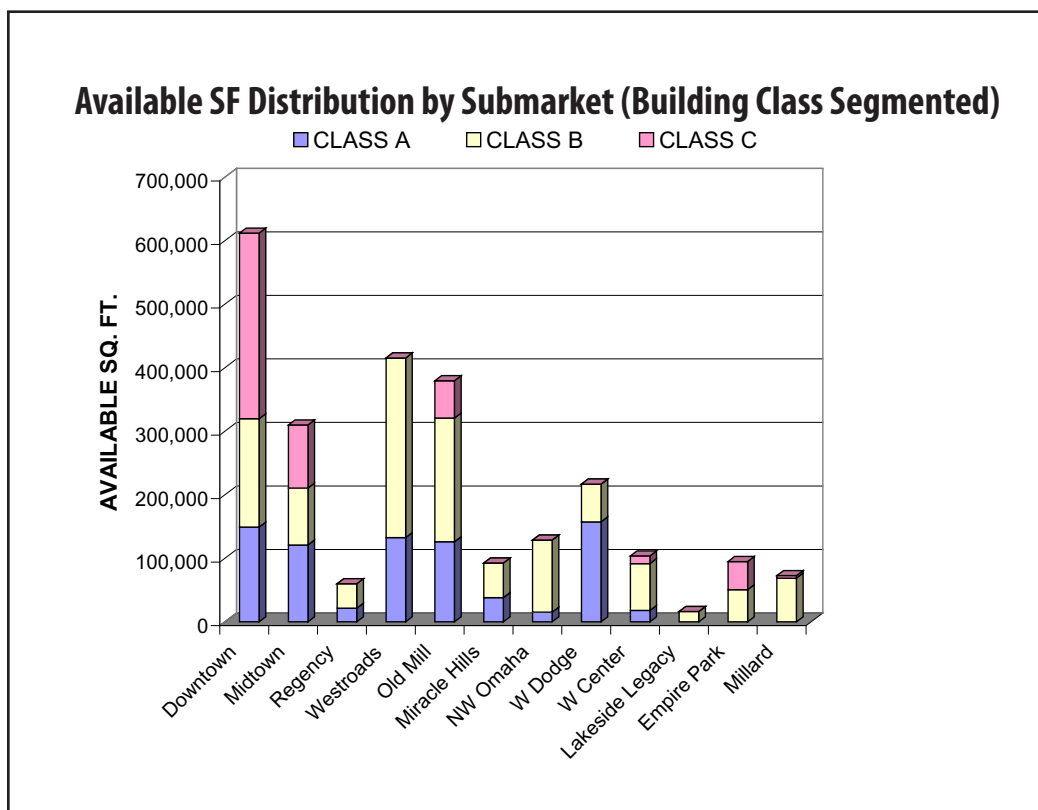
The chart above breaks the market down by building “Class” – A, B and C. It shows the numerical breakdown for each class by citywide and individual markets. We would note that Downtown leads the markets in Classes A and C, but is outdistanced by four other markets in Class B, led by our Westroads Market.

Major Office Deals

10,000 Square Feet or More

Market Area	Building	Square Feet	Tenant
Downtown	Central Park Plaza	21,000	First Comp Insurance (Expansion)
Downtown	Landmark	20,000	Pacific Life (Expansion)
Downtown	Woodmen West	12,000	Woodmen (Expansion)
Northwest	North Park	31,722	GMAC
Northwest	13305 Birch St.	12,000	Memo, LLC
West Dodge	12809 West Dodge Rd.	60,000	Alegent
West Dodge	Dodge Plaza	16,800	University of Phoenix
West Center	145th & F	18,000	Mutual First Credit Union
Millard	14748 West Center Rd.	11,000	HWS Consulting

This graph shows in a stacked format the available square feet available in each Class by market.



Multi-tenant office building criteria for including buildings in our survey:

Property type:	Office	Geographic area:	Omaha, not Sarpy County	Owner occupied:	No
Available for:	Lease or sublease	Medical space:	No	Planned space:	No
Building size:	10,000 SF or greater	Flex space:	No	Commercial in character:	No

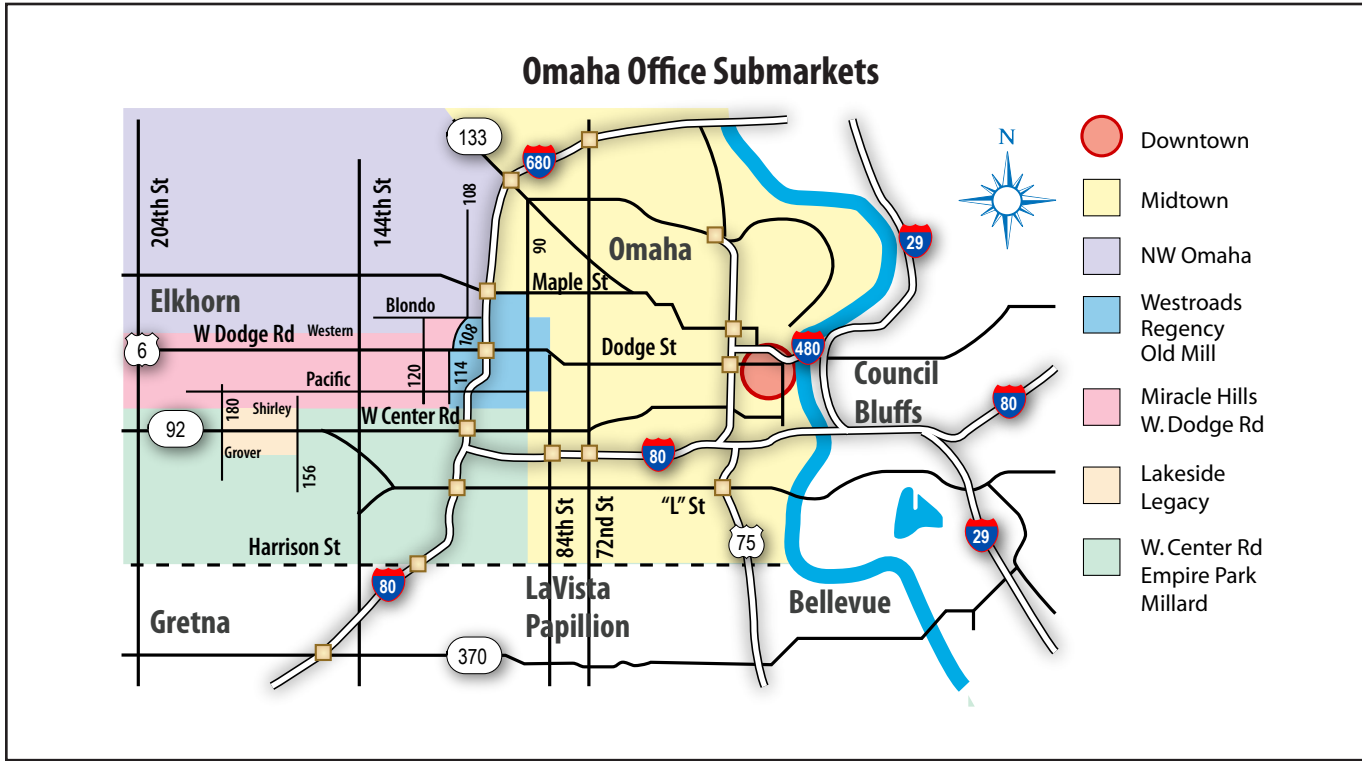
Omaha Submarket Totals

Submarket Chart and Map

Office Building Market Summary For Omaha Submarkets

	City	Downtown	Midtown	Regency	Westroads	Old Mill	Miracle Hills	NW Omaha	W Dodge	W Center	Lakeside Legacy	Empire Park	Millard
Total Building SF	14,747,647	3,335,747	1,661,671	932,792	1,8957,97	1,332,383	659,354	943,946	1,483,475	923,447	357,225	718,713	503,097
Total Number of Buildings	333	29	34	16	38	35	20	23	25	43	15	28	22
Occupancy Rate %	83	81.7	81.3	93.6	78.1	71.5	86	86.4	85.4	88.8	95.4	86.8	85.5%
Total Leaseable Available SF	2,503,127	611,906	309,999	60,070	415,478	379,615	92,632	128,742	216,915	103,754	16,346	94,887	72,783
Leaseable as Sublease SF	105,646	37,084	0	0	50,532	15,850	0	0	0	0	2,180	0	0
Sublease as % of Total Avail.	4.2%	6.1%	0.0%	0.0%	12.2%	4.2%	0.0%	0.0%	0.0%	0.0%	13.3%	0.0%	0.0%
Planned Office Projects	312,500	0	0	0	0	105,000	0	81,000	48,000	0	78,500	0	0

For those who are interested in our total numbers, this chart shows the citywide and individual market data by square footage and percentages and includes the numbers for sublease space.



Above is our map of submarkets. Other companies surveying the market may be different, which will no doubt make comparisons between various reports in the market difficult.

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