

2023 YEAR-END INDUSTRIAL MARKET REPORT



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MARKET SNAPSHOT



106.7 MILLION SF
INVENTORY



2.3%
VACANCY RATE



\$7.80 PSF
AVG ASKING RENT



5.1 MILLION SF
UNDER CONSTRUCTION



3.8 MILLION SF
DELIVERIES

OVERVIEW

Last year was a pivotal one for the Omaha industrial market. For nearly ten years, and fueled by high demand, the market has been characterized by a few consistent factors:

- » abundant new construction
- » consistently low vacancy rates
- » increasing sale prices
- » rising rents

Although these factors have been relatively consistent across the 18 submarkets that make up the roughly 107 million square foot, nine-county industrial market, one submarket dominates the new construction figures. If you watched the Omaha market the last several years, it will come as no surprise to read that submarket is Sarpy West. No other submarket comes close. You can read the complete Industrial Report on our website to see the exact figures and compare the activity in Sarpy West to various submarkets. The numbers are staggering, but that isn't the only big story of 2023.

For the first time in almost twenty years, new submarkets are emerging as key players in our metro: Downtown Council Bluffs and Northwest Omaha. And our team projects that there will be more to follow in the coming years.

DOWNTOWN/COUNCIL BLUFFS SUBMARKET

The Downtown Omaha and Council Bluffs market (roughly defined as the area immediately east of the Missouri River to the South Expressway and everything north of I-80) has historically been dominated by large manufacturing operations, such as Warren Distribution, Tyson, and Swift, to name a few. In the decade since CoStar Group began tracking data in our market, little to no new industrial construction transpired within the submarket. The roughly four million square feet that called the submarket home (ranked 7 out of 18), saw little to no growth. Then came River Road Industrial Park.

RIVER ROAD INDUSTRIAL PARK

Led by the Opus Group, River Road Industrial Park consists of two buildings on 40 acres northwest of the I-29/I-80 split, and it has started to redefine the submarket. The first building began construction in 2022, then completed 302,000 square feet in 2023, and it's now fully occupied by national companies. Building two, with 236,000 square feet, is still under construction and has already pre-leased 157,000 square feet.

This marks a significant vote of confidence for not just the submarket, but for the Iowa side of the river. If the momentum continues, it may not be long until the entire area becomes a major player in the industrial market, which will likely involve other submarkets. The numbers signify a bright future ahead, fostering growth, prosperity, and an increased sense of community pride.

NORTHWEST OMAHA SUBMARKET

The Northwest Omaha submarket is generally located between north of Dodge Street and West of 72nd Street, consisting of 8 million square feet across 356 buildings. Historically, it has been a relatively quiet submarket, dominated not by major operators, but by small businesses seeking affordable flex space to lease or small light industrial buildings to own and occupy. Although there were a few notable developments over the last 10 or so years, they were few and far between. That trend appears to have changed with the announcement of Google's nearly 350 Acre Data Center Campus, located northwest of Hwy 133 and State Street.

Although speculative construction hasn't hit the submarket on a major scale yet, Sarpy West may bring clues as to what is in store. The development of data centers in that submarket also brought expansion of infrastructure—most notably, sewer—to the Highway 50 corridor. This could be argued as the primary reason for the hyper-concentrated development seen there in the last five to seven years. Time will tell if this northwest expansion will see additional industrial development, but it is starting to feel like a similar story to Hwy 50, even if on a smaller scale. The statistics aren't ready to report, but Investors Realty believes there will be significant change in that portion of the industrial market.

NORTHEAST SUBMARKET IS ALSO GROWING

These aren't the only two submarkets showing signs of new life. Northeast Omaha, adjacent to Eppley Airfield, has been dominated by a few large manufacturing operations. Among other projects in the works, the nearly \$1 billion airport terminal expansion and renovation to Eppley Airfield will have an impact on the submarket and the Omaha Metro at large. It is worth noting two projects are nearing delivery in this submarket: one at Abbott Drive and Storz Expressway (150,000 square feet) and the other at N. 9th Street and Storz Expressway (202,000 square feet).

MAIN TAKEAWAY

It's an exciting time to be in the industrial market in Omaha. It would be difficult to find a time historically that matches the significance of what transpired in 2023. Looking forward, the market continues to be reshaped and grow in importance within the Midwest.

TOP 12 LEASE TRANSACTIONS 2023

SUBMARKET	TENANT	SIZE (SF)
Downtown Council Bluffs	Packaging Corp of America	163,999
Downtown Council Bluffs	Kamps	157,207
Sarpy West	Try Hard Logistics	148,229
Sarpy West	Lovely Skin	75,973
Downtown Council Bluffs	J Skinner	75,911
Sarpy West	Try Hard Logistics	64,000
Downtown Council Bluffs	D6	63,320
So. Central Omaha	Bee Delivers LLC	56,000
So. Central Omaha	Nebraska Warehouse Company	54,000
So. Central Omaha	Everlasting Cabinetry	54,000
Downtown Council Bluffs	Meristem Crop Performance	42,810
Sarpy West	M.S. International	41,600



Destiny 2 | 9772 S 142nd Street

ABSORPTION

The Omaha Industrial market demonstrated positive absorption of approximately 2.8 million square feet, indicating ongoing growth and activity. While this figure is lower than the absorption rate observed in 2022, which stood at 3.5 million square feet respectively, it's important to note key contributing factors. The decrease in absorption can be attributed to the lack of a significant Data Center absorption comparable to the 2.6 million square feet absorbed in 2022.

Noteworthy changes in absorption for 2023 include Facebook's Data Center (970,000 SF), Dollar General Distribution Center (766,483 SF), I-80 Logistics Hub (313,281 SF), and River Road Logistics (273,395 SF and 157,207 SF), all of which are fully leased, underscoring the market's resilience and continued demand for industrial space. Community pride.

CONSTRUCTION

Currently, approximately 5.1 million square feet of industrial space is undergoing construction. Among these projects, Sarpy West remains the focal point, accounting for the majority of new development with 2.6 million square feet under construction. Notable endeavors in this area include Facebook's Data Center (1,400,000 SF), Gretna Logistics Building (405,600 SF), R&R Commerce Park Building (286,000 SF), Rotellas Italian Bakery Cold Storage (225,000 SF), Springfield Commerce Building (205,917 SF), and Lovely Skin Warehouse (75,973 SF). Additionally, construction activity has surged in Omaha's Northwest submarket, with 2.2 million square feet allocated for Google's project off Blair High Road and State Street.

RENTAL RATES

Landlords often keep information regarding actual rental rates confidential as they are not required to be publicly disclosed or registered with the county. However, tracking average asking rates provides valuable insights into trends within the rental market.

Average asking rates have consistently shown an upward trajectory year after year. In 2023, the market experienced a notable improvement, reaching an average triple net asking rate of \$7.80 per square foot, marking a significant 5% increase over the previous year. Even more noteworthy is the remarkable 23% increase in triple net asking rates over the past five years, reflecting sustained growth and demand within the market.

This surge in rates can be attributed primarily to the persistent lack of inventory, which continues to be the driving force behind the market's positive momentum. and Storz Expressway (150,000 square feet) and the other at N. 9th Street and Storz Expressway (202,000 square feet).

VACANCY RATE

The Omaha Industrial market maintained a low vacancy rate, closing 2023 at 2.3%, a slight decrease from 2.6% in 2021 but a slight increase from 2.0% in 2022.

Sarpy West remains the largest submarket, boasting 26.5 million square feet of space. Its vacancy rate closed at 2.5% in 2023, down from 3.3% in 2021 but up from 1.1% in 2022.

South Central Omaha, with 21.7 million square feet of industrial space, saw robust leasing activity, reducing its vacancy from 2.2% in 2022 to 1.4% in 2023.

Downtown Council Bluffs Industrial experienced growth, adding nearly half a million square feet over three years, totaling 3.4 million square feet. Its vacancy rate closed at 4.5% in 2023. Based on recent leases, this is expected to decrease in 2024 to closer to 2.5%.

Over the past five years, the Omaha Industrial market averaged a vacancy rate of 2.54%. It is anticipated to stay at or below this level in the coming years.

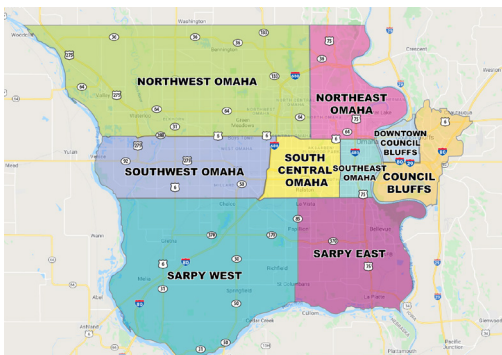
LEASE TRANSACTIONS IN 2023

158 DEALS

SIZE (SF)	# OF TRANSACTIONS
100,000 and above	3
50,000-99,999	7
20,000-49,999	8
10,000-19,999	13
900-9,999	127

2023 YEAR-END SUMMARY

SUBMARKETS	2023 INVENTORY (SF)	2023 TOTAL VACANCY (SF)	2023 VACANCY RATE	YEAR OVER YEAR CHANGE IN TOTAL VACANCY RATE (BASIS POINTS)	2023 YTD NET ABSORPTION (SF)	2023 AVERAGE RENTAL ASKING RATES	UNDER CONSTRUCTION (SF)
Sarpy West	26,486,921	707,609	2.55%	1.5%	1,713,483	\$8.13	2,641,490
South Central Omaha	21,710,940	503,141	2.23%	0.9%	(193,414)	\$7.42	-
Southwest Omaha	9,509,023	108,483	1.14%	-0.5%	46,491	\$7.69	-
Northeast Omaha	11,282,065	321,016	2.85%	1.2%	19,599	\$6.54	202,000
Northwest Omaha	7,918,691	42,242	0.56%	-0.5%	80,932	\$8.69	2,230,800
Southeast Omaha	9,469,811	229,177	2.42%	0.8%	(79,693)	\$6.41	-
Downtown Council Bluffs	3,974,274	96,122	6.37%	4.6%	345,622	\$7.64	-
Council Bluffs	3,382,986	151,800	4.49%	2.7%	(70,000)	\$8.31	-
Sarpy East	2,301,500	35,410	1.54%	0.4%	30,230	\$6.91	-
Rural Submarkets	10,753,303	295,125	2.75%	0.6%	833,254	\$9.78	-
Omaha Market	106,789,514	2,490,125	2.3%	0.8%	2,726,504	\$7.80	5,074,290



Omaha Submarkets (Map excludes the 9 rural submarkets)

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