

First Half 2024 Market Report

APRIL SAMPSON
CANCER CENTER

Image: April Sampson Cancer Center which opened April 2024 (Source Bryan Health)

Individual Members of:



OVERALL MARKET First Half 2024

HIGHLIGHTS

The Lincoln commercial real estate market made gains in the first half of 2024 bolstered by the city's 1.5% population growth since 2020, low unemployment, and it's stable economy.

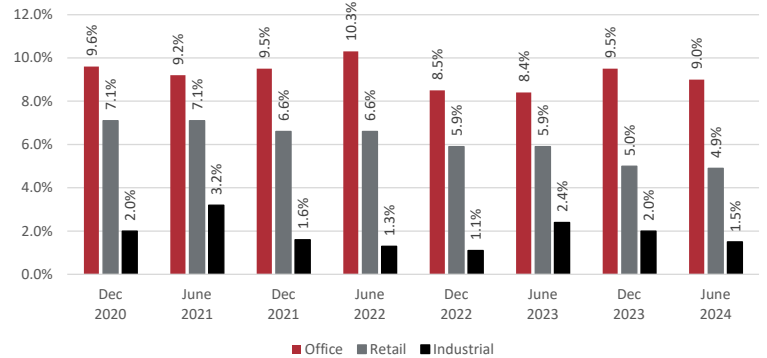
The office market continued the pattern of "wins and losses" as a couple of office deliveries and larger leases helped stabilize the vacancy rate despite pockets of older, vacant buildings lingering on the market. Class A buildings with modern amenities attracted the most attention.

Consistent demand and minimal new supply helped the retail market to perform well as the vacancy rate remained steady. Lincoln continued to gain new retail brands and see growth of local retailers.

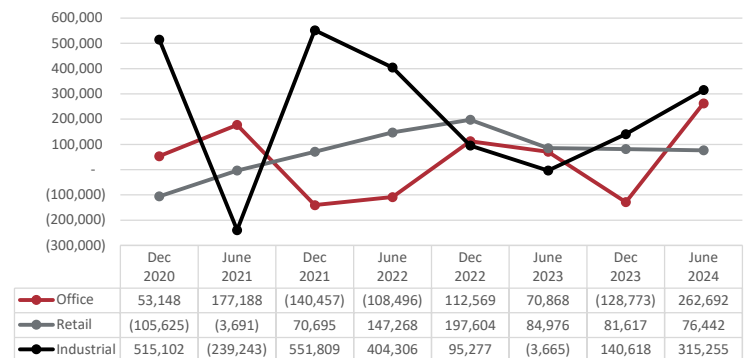
The industrial market remains the bright spot with vacancy rates lowering .5% for the period. Limited construction starts and higher asking rents will continue to put pressure on industrial users looking for options to expand or relocate into newer space.

Higher interest rate and construction costs have challenged all property sectors over the past twelve months. However, with new construction supply projected to stay low through the end of the year, it should keep supply and demand more in balance and support rental rates and occupancy levels in all sectors.

Overall Market Historical Vacancy



Overall Market Historical Net Absorption (Square Feet for Six Months Ending)



LINCOLN, NE MSA DEMOGRAPHICS

POPULATION
341,229

HOUSEHOLDS
138,815

MEDIAN AGE
35.1

MEDIAN HH INCOME
\$67,235

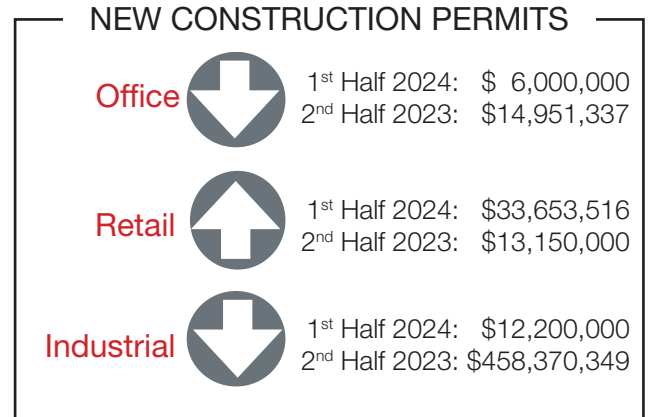
UNEMPLOYMENT RATE
2.5%*

Sources:
Nebraska Department of Labor
www.censusreporter.org
*Preliminary May 2024

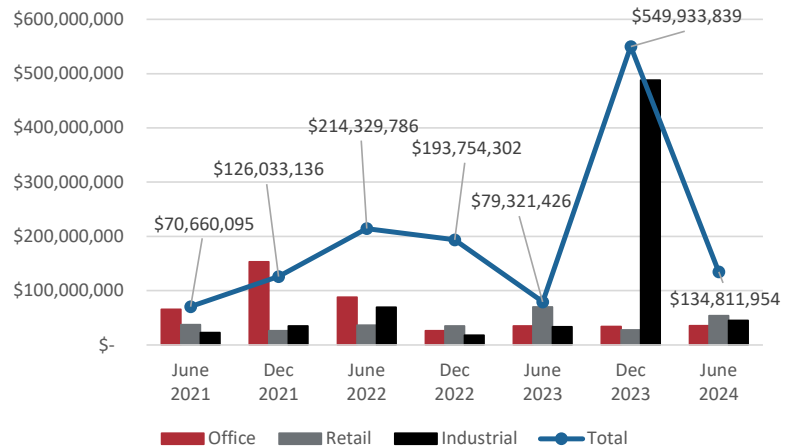
CONSTRUCTION ACTIVITY

Construction projects over the past 12 months, especially on privately led developments, have been impacted by higher interest rates and stricter lending practices. For example, the \$110-million Lincoln Bold project was put on hold in late 2023 to wait for interest rates to come down. Retail construction has enjoyed a surge in activity while other sectors have grappled with challenges that are likely to persist into 2025. Office and industrial construction pipelines declined to start the year. Speculative construction continues to take up less share of overall construction work.

- The League of Nebraska Municipalities moved into a temporary downtown location as their new 2-story, 15,000 SF building is under construction (\$5.3 Mil)
- Madonna Rehabilitation Hospital pulled a permit for its second phase of renovations (\$10 Mil)
- Lutz is expanding its downtown Lincoln offices into an additional 5,000 SF at 115 Canopy St and will occupy the full floor (\$1.1 Mil)
- A new event center is under construction at 14th & Yankee Hill Rd (\$7 Mil)
- Two banks have permitted for their first Lincoln branches: Home Federal Savings & Loan at 8460 Eiger Dr (\$4.58 Mil) and Riverstone Bank from Eagle is to build on a pad-site at 100 S 66th St (\$3 Mil)
- NEBCO, Inc. is slated to start construction on the fourth retail/office building in the Fallbrook Town Center (\$9.5 Mil)
- Let's Pickle, restaurant and indoor pickleball courts, is remodeling existing space to open at 5601 S 59th St (\$900K)
- Advantage Trucking plans to build a new truck terminal (\$2 Mil)
- New 20,000 SF warehouse planned at 3500 N 25th St (\$4 Mil)
- Instinct, a natural pet food manufacturer, permitted for the second phase of its construction project at its production facility in southwest Lincoln (\$19.5 Mil)
- Haleon US Inc. is making alterations to its manufacturing plant at 10401 Cornhusker Hwy. (\$2.7 Mil)



Historical Building Permit Value by Permit Type (Dollars for Six Months Ending)



BUILDING PERMITS BY BUILDING TYPE

OFFICE

	# of Permits	Value
New Construction	2	\$6,000,000
Alteration to existing	65	\$29,430,231
TOTAL	67	\$35,430,231

RETAIL

	# of Permits	Value
New Construction	12	\$33,653,516
Alteration to existing	88	\$20,365,418
TOTAL	100	\$54,018,934

INDUSTRIAL

	# of Permits	Value
New Construction	6	\$12,200,000
Alteration to existing	33	\$33,162,789
TOTAL	39	\$45,362,789

OFFICE First Half 2024

HIGHLIGHTS

Large office deliveries along with occupancy gains in two submarkets stabilized the Lincoln office market for the first half of 2024, as the vacancy rate ended at 9.0%. Overall, Lincoln's office demand has been modest as smaller office suites - under 5,000 SF – saw the most traction.

While absorption was mixed across the submarkets, the overall net absorption was 262,000 square feet in the first half, in contrast to the negative 129,000 recorded in the last half of 2023. This absorption was fueled by two office deliveries totaling 239,000 square feet. One was the completion of the April Sampson Cancer Center in the Southeast submarket, and the other was the delivery of 2 Landmark Centre building in the CBD, which was almost fully pre-leased to the USDA and the Farm Service Agency.

The CBD continues to hold the highest vacancy rate in the market at 17.3 percent. In the last twelve months, the submarket logged 39,421 square feet of positive net absorption but there could be more concern on the horizon as more leases signed before the pandemic will expire and the area holds a higher concentration of older office buildings and less desirable space. Tenant preferences have increasingly turned to newer buildings or Class A properties with more modern amenities in the suburban markets.

Overall asking rental rates remained steady and grew slightly from \$19.47 to \$19.71 per square foot. The office market still exhibits the flight-to-quality that was already present prior to the pandemic, as trophy Class A offices with more amenities command rents above \$21.00 per square foot, experience lower vacancy rates, and are undersupplied. While Class B buildings average asking rents are close to \$19.00 psf and Class C has fallen to under \$14.00 psf.

Going forward, the Lincoln office market can expect to face some ongoing challenges. Limited demand, coupled with some looming company downsizing plans, could place pressure on vacancies and rental rates over the coming year.

“More office users feel confident about their long-term space needs, which is evident as tenants seek higher quality spaces in newer suburban developments that are more conveniently located. Tenants find these spaces lend well to hiring, whether fully in-office or hybrid.”



Tim Dornbos
Commercial Advisor

OFFICE FUNDAMENTALS

Vacancy



1st Half 2024: 9.0%
2nd Half 2023: 9.5%

Net Absorption



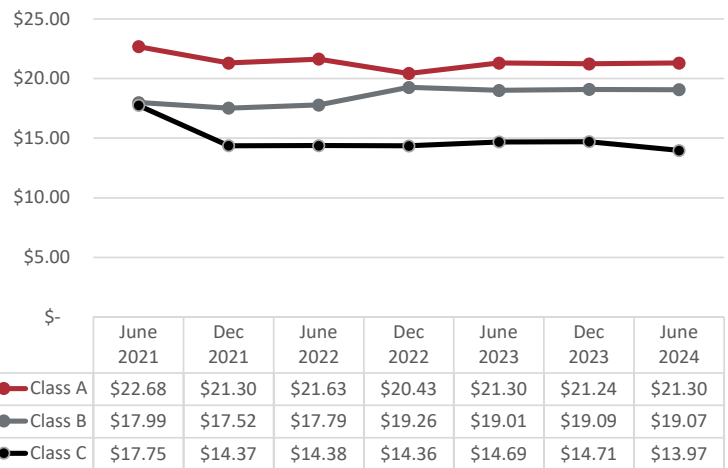
1st Half 2024: 262,692 SF
2nd Half 2023: (128,773 SF)

Average Asking Rate

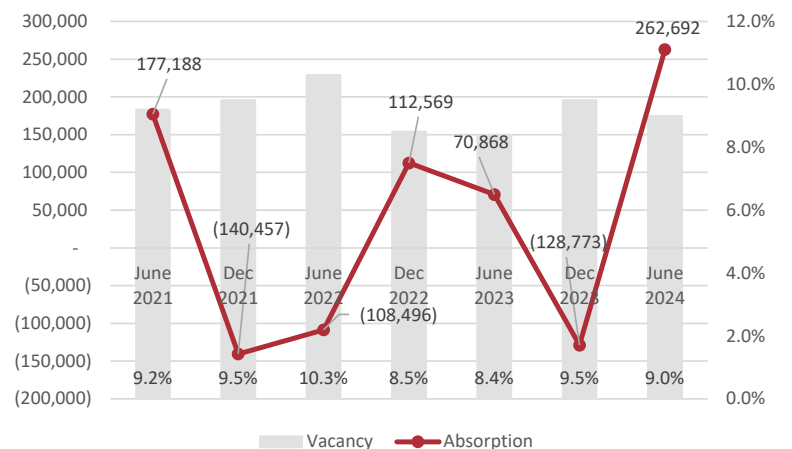


1st Half 2024: \$19.71
2nd Half 2023: \$19.47

Historical Asking Rental Rates



Historical Net Absorption & Vacancy



Submarket Statistics	Number of Buildings	Total Rentable (SF)	Total Available (SF)	Total Vacancy (%)	Net Absorption (SF)	Average Asking Rate (\$/SF/YR) Full Gross
CBD						
Class A	22	1,464,447	164,947	11.3%	116,062	\$20.20
Class B	96	2,119,409	461,973	21.8%	(21,580)	\$18.31
Class C	19	179,609	22,587	12.6%	(1,875)	\$14.09
CBD Subtotal	137	3,763,465	649,507	17.3%	92,607	\$18.64
Northeast						
Class A	7	217,001	9,966	4.6%	(3,565)	\$20.30
Class B	110	1,241,109	105,164	8.5%	17,446	\$16.33
Class C	44	376,274	22,090	5.9%	(15,171)	\$13.73
Northeast Subtotal	161	1,834,384	137,220	7.5%	(1,290)	\$16.03
Northwest						
Class A	14	1,063,966	175,587	16.5%	(75,037)	\$20.63
Class B	51	859,023	52,670	6.1%	30,658	\$20.23
Class C	13	119,851	-	0.0%	-	N/A
Northwest Subtotal	78	2,042,840	228,257	11.2%	(44,379)	\$20.54
Southeast						
Class A	24	950,666	72,940	7.7%	(7,016)	\$27.29
Class B	481	4,864,149	259,954	5.3%	213,460	\$21.14
Class C	20	114,410	2,405	2.1%	3,160	\$15.80
Southeast Subtotal	525	5,929,225	335,299	5.7%	209,604	\$22.46
Southwest						
Class A	7	359,318	6,966	1.9%	(6,966)	\$20.00
Class B	144	1,511,509	46,657	3.1%	10,578	\$19.88
Class C	24	143,150	882	0.6%	2,538	\$15.10
Southwest Subtotal	175	2,013,977	54,505	2.7%	6,150	\$19.81
Market Total	1,076	15,583,891	1,404,788	9.0%	262,692	\$19.71

NOTABLE TRANSACTIONS					
SALE	Size	Price	Price/SF	Submarket	
6221 S 58th St Ste 320*	3,900	\$438,000	\$112	SE	
3833 S 14th St	4,246	\$795,000	\$187	SW	
4101 Tiger Lily Rd #1	129,038	\$50,360,780	\$390	SE	
LEASE	Size	Tenant	Lease Type	Submarket	
Mill Town Center 650 J St*	7,234	TMCO, Inc.	New	SW	
6900 Van Dorn St*	8,826	United Way of Lincoln and Lancaster County	New	SE	
Center on N 1221 N St*	53,169	Nebraska Department of Justice	Renewal	CBD	

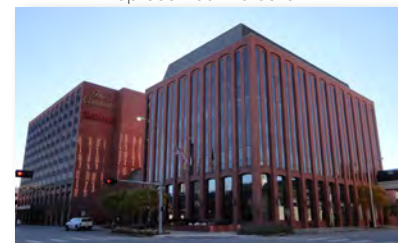
*Indicates Transaction Represented by NAI FMA Realty



LEASED: Legal Aid of Nebraska leased 6,606 SF at 1221 N St. Mike Ball and Jared Froehlich represented the landlord.



SOLD: JTSR Holdings, LLC sold a 1,140 SF office condo at 1919 S 40th St Ste 320. Jared Froehlich and Tim Dombos represented the seller.



LEASED: Vision Maker Media leased 1,956 SF at 301 S 13th St. John Hyland and Tom Graf represented the tenant.



SOLD: Office buildings at 1610-1640 L St plus a lot at 1721 M St sold to Glenbrook LLC. Marc Hausmann assisted the sellers.



LEASED: Nebraska Pulmonary Specialties renewed 13,670 SF at Bryan Medical Plaza. Richard Meginnis and Mike Ball represented the landlord.

RETAIL First Half 2024

HIGHLIGHTS

The Lincoln retail market continues to show stability and tracked closely with the national market in terms of vacancy as the local retail vacancy rate hovered at 4.9%. This marked the third consecutive year of vacancy decline.

Leasing activity in the market has been mainly concentrated on smaller spaces of less than 2,500 square feet, driven by quick service to fast food restaurants and service-oriented users. Starbucks, 7 Brew, Graze Craze, Little Caesars Pizza, Kung Fu Tea/TKK Fried Chicken have expanded or opened a new location in Lincoln over the past year. Automotive users have been actively expanding, including convenience, tires, and car washes. Examples are Tommy's Express Car Wash, Jet Splash, Casey's, Discount Tire, and U-Stop.

Additionally, increased demand for junior box spaces, including discount, specialty, and experiential was led by tenants like Crunch Fitness, Dollar Tree, and Painted Tree Boutique. Soft goods retailers Burlington Stores and Sierra Trading Post have inked leases to backfill part of a former Sears store that went vacant in 2019.

The retail market experienced positive net absorption of 76,442 square feet in the first half. A decline in construction starts has contributed to lower vacancy levels. New construction activity has focused predominantly on build-to-suits and smaller retail formats. Many retailers have turned to second generation spaces to minimize higher construction and lending costs. Wisconsin-based chain Fleet Farm backed out of negotiations for a store near NW 48th Street and Interstate 80, leaving the developers to find a suitable replacement.

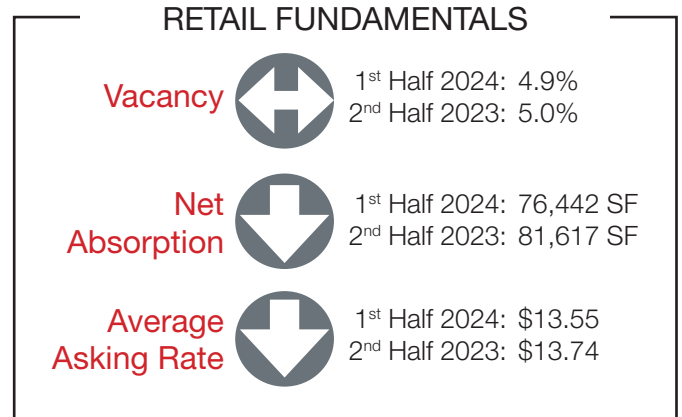
Asking rents experienced a marginal decrease to \$13.55 per square foot, down from \$13.74 in the second half of 2023. Well-capitalized landlords and well-positioned spaces along key corridors are likely to continue to perform well.

As we move into the second half of 2024, the Lincoln retail market will continue to see growth. Retailers and investors will need to stay flexible and forward-thinking to navigate the current lending climate and capitalize on any future opportunities.

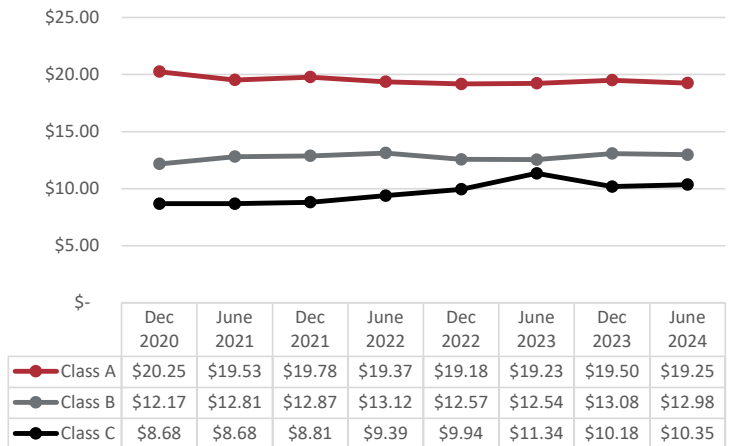
“Brick-and-mortar has seen a resurgence which has caused some exclusive online retailers to turn to physical stores. Traditional retailers, on the other hand, are experimenting with smaller formats, updating designs, and adding technology and immersive experiences to woo customers.”



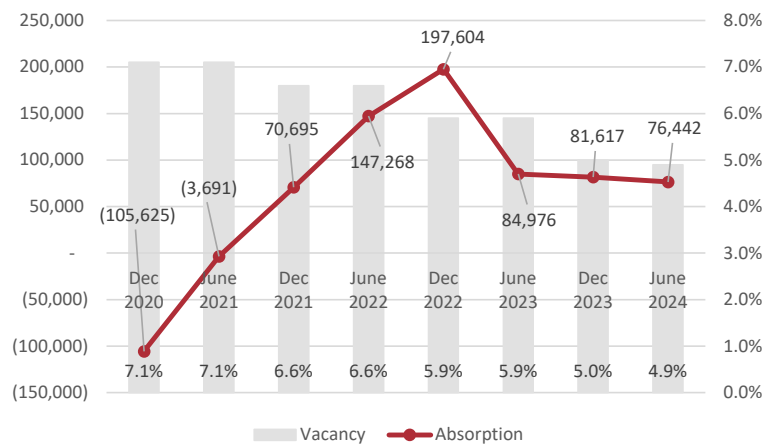
Sally DeLair
Commercial Advisor



Historical Asking Rental Rates



Historical Net Absorption & Vacancy



Submarket Statistics	Number of Buildings	Total Rentable (SF)	Total Available (SF)	Total Vacancy (%)	Net Absorption (SF)	Average Asking Rate (\$/SF/YR) NNN
CBD						
Class A	19	320,933	68,780	21.4%	5,815	\$18.59
Class B	132	1,097,319	197,810	18.0%	(15,444)	\$13.82
Class C	71	428,381	21,235	5.0%	(7,332)	\$12.08
CBD Subtotal	222	1,846,633	287,825	15.6%	(16,961)	\$14.75
Northeast						
Class A	6	66,387	13,157	19.8%	(1,320)	\$17.49
Class B	437	6,530,424	436,822	6.7%	15,623	\$12.44
Class C	129	680,212	4,944	0.7%	(2,489)	\$8.00
Northeast Subtotal	572	7,277,023	454,923	6.3%	11,814	\$12.55
Northwest						
Class A	8	320,277	3,971	1.2%	4,269	\$17.00
Class B	191	1,869,446	34,644	1.9%	17,950	\$12.41
Class C	81	453,748	-	0.0%	6,468	N/A
Northwest Subtotal	280	2,643,471	38,615	1.5%	28,687	\$12.88
Southeast						
Class A	20	899,576	17,709	2.0%	13,772	\$24.78
Class B	389	5,598,969	150,710	2.7%	72,130	\$13.51
Class C	65	314,779	3,270	1.0%	(400)	\$9.27
Southeast Subtotal	474	6,813,324	171,689	2.5%	85,502	\$14.57
Southwest						
Class A	13	400,465	8,545	2.1%	-	\$16.65
Class B	183	1,885,279	79,380	4.2%	(43,137)	\$12.66
Class C	99	684,599	7,042	1.0%	10,537	\$7.57
Southwest Subtotal	295	2,970,343	94,967	3.2%	(32,600)	\$12.60
Market Total	1,843	21,550,794	1,048,019	4.9%	76,442	\$13.55



LEASED: Ruby Red & Co. opened its first retail store at 6900 O St. Sally DeLair and Jared Froehlich represented the landlord.



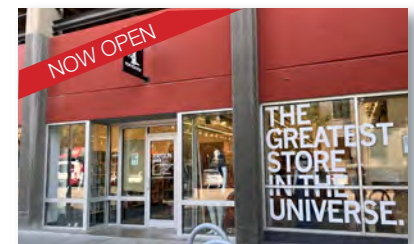
SOLD: 880 N 27th St sold to Staab Real Estate, LLC for \$565,000. Marc Hausmann and Sally DeLair represented the seller.



LEASED: Event rental service, Petals to Platinum, leased 3,215 SF at 4720 Prescott Ave. Tom Graf assisted the landlord.



LEASED: Sparta Fitness & Training relocated into 1,356 SF at 5505 O St. Marc Hausmann and Sally DeLair represented the landlord.



LEASED: RAYGUN leased 3,147 SF at 1221 P St., its first Lincoln store. Richard Meginnis and Tom Graf represented the landlord.

NOTABLE TRANSACTIONS

SALE	Size	Price	Price/SF	Submarket
Belmont Shopping Center 2601 N 11th St*	56,081	\$5,250,000	\$94	NW
5001 O St	12,556	\$3,350,000	\$267	SE
6200 O St	8,500	\$3,333,333	\$392	NE
LEASE	Size	Tenant	Lease Type	Submarket
Gateway Mall 6100 O St	6,210	Rally House	New	NE
Meridian Park 6900 O St*	7,200	Ash & Ash Co.	Renewal	NE
4808 O St	13,000	Dollar Tree	Relocation	NE

*Indicates Transaction Represented by NAI FMA Realty

INDUSTRIAL First Half 2024

HIGHLIGHTS

The Lincoln industrial market yielded positive net absorption of 315,000 SF in the first half of 2024 and improved by more than doubling the total net absorption recorded in the previous six months. The market has maintained a low vacancy rate since the pandemic, which declined further to 1.5%.

Growth in the market was led by notable new leasing activity largely in two submarkets, the Southwest and Northeast. TMCO, Inc., a Lincoln-based manufacturing company, expanded its footprint and leased an additional 54,000 SF of industrial space at 4700 S 19th St. TMCO took over a former building left by Nebraska Book Co., to expand its contract metal manufacturing capabilities.

Industrial asking rents continued upward trends, as asking rents averaged \$7.60 per square foot in the first half of 2024, marking a 5.4% increase year-over-year. At \$8.94 per square foot, the average asking rents were the highest in the Southwest submarket.

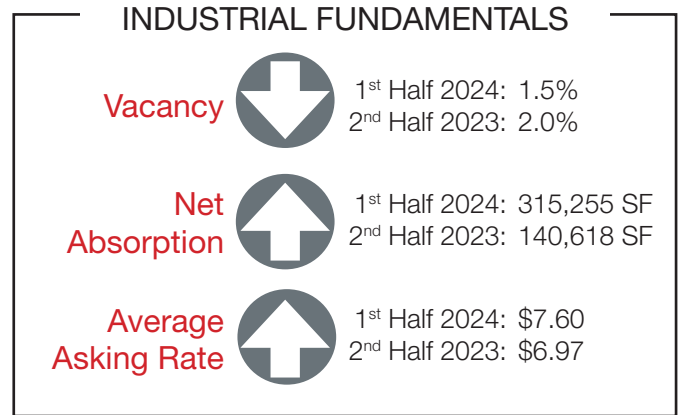
In April, a tornado destroyed a 115,000 SF manufacturing plant on the northeastern edge of the city occupied by local manufacturer, Garner Industries. At the time of the writing of this report, the Lincoln City Council unanimously approved Garner Industries to move into a new location near 33rd and Superior Streets. In all, Garner leased two separate facilities along with office space to reopen most of its operations.

The strength of Lincoln's industrial market is evident in its continued year-over-year growth. Asking rents will continue to increase and the overall market will remain tight as Lincoln's economy grows and creates demand for industrial real estate.

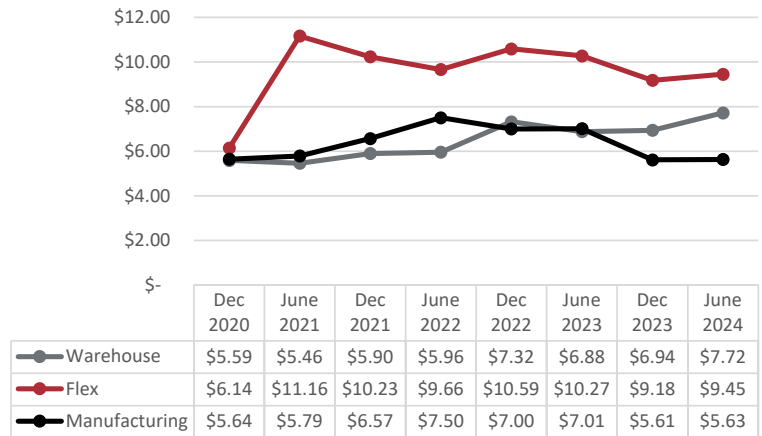
“ In spite of the still higher borrowing costs, the industrial market has continued humming along. While the smaller 1,500 to 5,000 SF spaces are beginning to sit on the market a bit longer, the medium to large sized units continue to get swallowed up with relative ease. Industrial investors have continued to thrive in this asset class which experienced an unprecedented boom in 2020-2022. ”



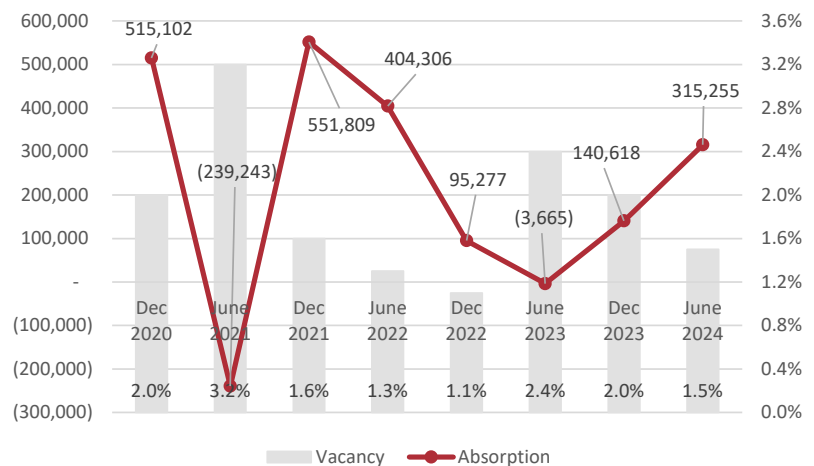
Jared Froehlich, CCIM, SIOR
Commercial Advisor



Historical Asking Rental Rates



Historical Net Absorption & Vacancy



Submarket Statistics	Number of Buildings	Total Rentable (SF)	Total Available (SF)	Total Vacancy (%)	Net Absorption (SF)	Average Asking Rate (\$/SF/YR) NNN
CBD						
Warehouse	15	208,466	-	0.0%	-	N/A
Manufacturing	7	315,626	-	0.0%	-	N/A
Flex	1	4,800	-	0.0%	(8,688)	N/A
CBD Subtotal	23	528,892	-	0.0%	(8,688)	N/A
Northeast						
Warehouse	369	5,740,932	102,835	1.8%	136,275	\$7.67
Manufacturing	52	3,871,604	50,200	1.3%	-	\$4.00
Flex	56	884,328	34,196	3.9%	(938)	\$6.96
Northeast Subtotal	477	10,496,864	187,231	1.8%	135,337	\$6.75
Northwest						
Warehouse	274	6,415,532	95,532	1.5%	(22,504)	\$5.63
Manufacturing	33	5,361,580	25,810	0.5%	-	\$8.75
Flex	28	726,245	21,273	2.9%	(3,916)	\$13.14
Northwest Subtotal	335	12,503,357	142,615	1.1%	(26,420)	\$7.40
Southeast						
Warehouse	21	136,366	-	0.0%	-	N/A
Manufacturing	1	8,829	-	0.0%	-	N/A
Flex	23	184,657	1,200	0.6%	(1,200)	\$11.54
Southeast Subtotal	45	329,852	1,200	0.4%	(1,200)	\$11.54
Southwest						
Warehouse	409	5,521,409	150,147	2.7%	217,141	\$9.00
Manufacturing	24	1,667,645	3,315	0.2%	(3,315)	\$6.00
Flex	73	654,486	-	0.0%	2,400	N/A
Southwest Subtotal	506	7,843,540	153,462	2.0%	216,226	\$8.94
Market Total	1,386	31,702,505	484,508	1.5%	315,255	\$7.60

NOTABLE TRANSACTIONS					
SALE	Size	Price	Price/SF	Submarket	
123 NW 28th St Unit 2*	11,990	\$1,350,000	\$113	NW	
6401 N 63rd St	36,330	\$5,045,952	\$139	NE	
2332 Kimarra Pl*	9,815	\$1,555,000	\$158	NW	
LEASE	Size	Tenant	Lease Type	Submarket	
2300 Kimarra Pl*	11,000	Le Quartier Baking Co.	New	NW	
3435 Schworer Rd	40,000	Garner Industries	New	NE	
4700 S 19th St	54,000	TMCO, Inc.	New	SW	

*Indicates Transaction Represented by NAI FMA Realty



LEASED: Le Quartier Baking Co. leased 11,000 SF at 2300 Kimarra Pl. Sally DeLair & Marc Hausmann represented the tenant.



LEASED: Domesti-PUPS leased 8,400 SF and relocated to 4630 Y St. Andy Widman represented the tenant.



LEASED: Jared Froehlich represented the landlord to lease 2,850 SF of warehouse space at 3101 W Elgin Ave.



LEASED: Shield Roofing leased 2,920 SF at 2045 S Folsom Ave. Tim Dornbos and Andy Widman represented the landlord.



SOLD: Richard Meginnis and Jared Froehlich represented the seller of a 101,440 SF investment property at 4600 Vine St. Sale price was \$4,595,000.

SALES First Half 2024

OFFICE

- Office sales totaled \$61 million which outpaced the last six months with a jump to \$169 per square foot. The sale of 4101 Tiger Lily Rd for \$50.3 million or \$390/SF helped push up the average price per square foot.
- Suburban properties under 5,000 SF continue to attract the most interest from buyers.

RETAIL

- Overall sales volume stayed relatively flat at \$31 million in the first half compared to the \$32 million in the prior report. The sales price per square foot averaged \$192.
- Several fully-leased retail strip centers of 12,000 to 15,000 square feet, traded during the period. Consumers habits are boosting strip malls, making the property type in demand for retailers and investors alike in the Lincoln market.
- A 12,500 SF retail strip center at 50th & O Streets sold for \$3.35 million or \$267/SF.

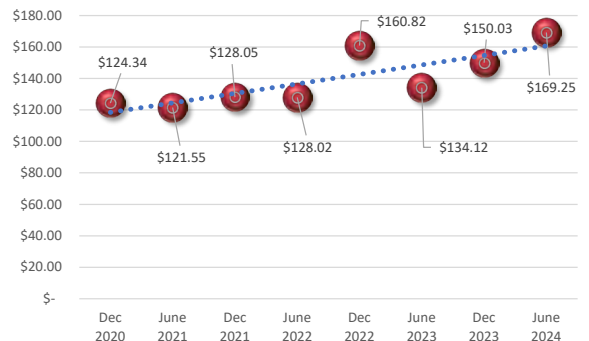
INDUSTRIAL

- Average sale prices in Lincoln for industrial assets have continued to rise - more than double between 2019 and 2023. Through the first half of 2024, the momentum continued as industrial sales totaled over \$23 million with an average of \$129 per square foot.
- Competition for available for sale inventory heated up due to limited supply, rising rents, and lenders getting more creative. The bulk of the transactions have been primarily distribution and warehouse facilities for owner-users.
- The sale of 6401 N 63rd St along with two parcels of land was Lincoln's largest sale at \$5.045 million or \$138/SF

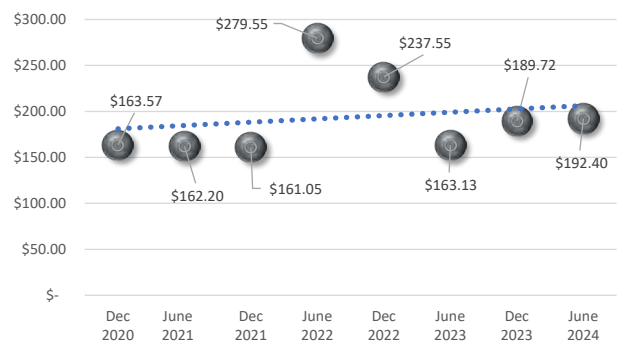
MULTIFAMILY

- Higher interest rates have impacted the number of multifamily properties that traded in the first half of 2024. Overall transaction numbers fell slightly to start the year. However, the average sale price per unit has remained healthy and increased to \$74,796, up from \$69,624 at the end of 2023.
- Two of the largest deals for the first half of 2024 were for Class B properties built in the late 1990's. Antelope Gardens, a 132-unit apartment complex, sold to investors for \$11.2 million and Ashley Square, a 120-unit complex, sold to a local investor for over \$11.4 million.

Office Average Sale Price/Square Foot



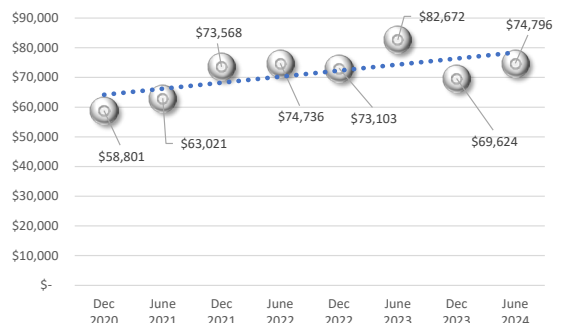
Retail Average Sale Price/Square Foot



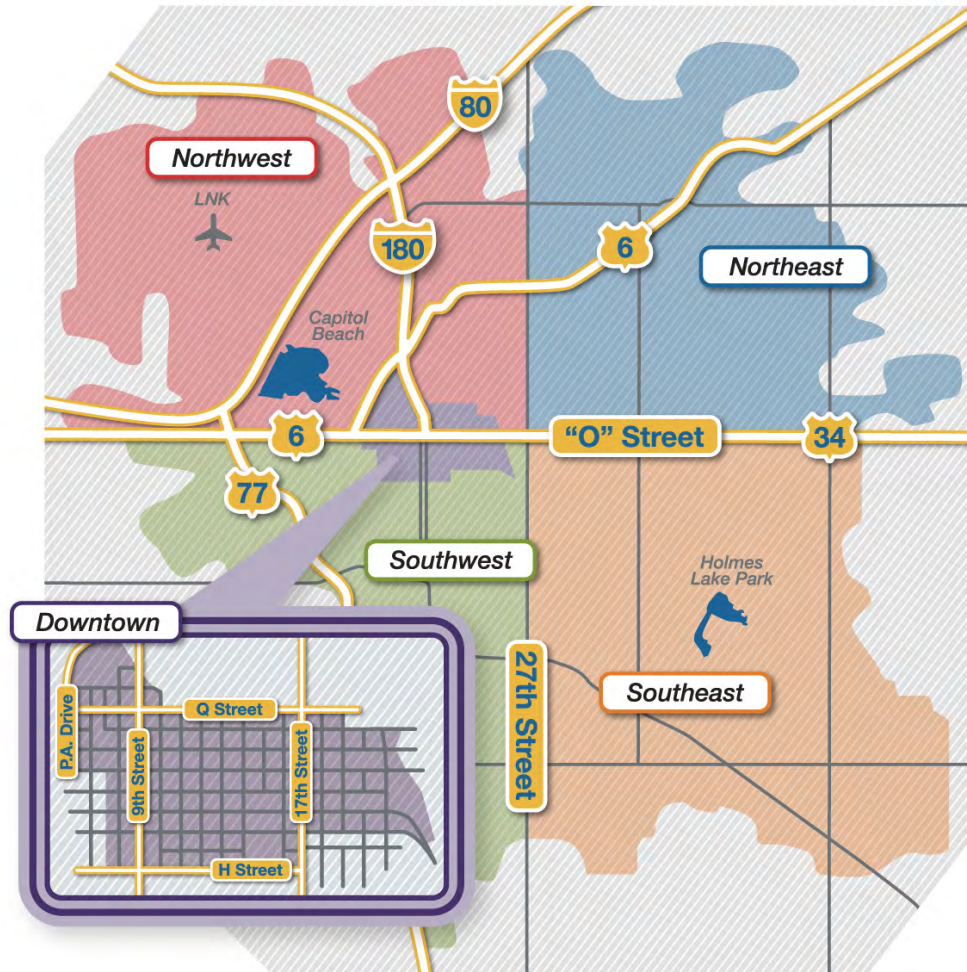
Industrial Average Sale Price/Square Foot



Multi-Family Average Sale Price/Unit



Submarkets



Brokerage Team



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Our Commercial Real Estate Services Include:

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