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12020 Shamrock Plaza *CBRE/MEGA*



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A section prepared by the staff
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TreeHouse building at 10825 Farnham Dr. *NAI/NP Dodge*



1401 Jones St. *White Lotus Group*

Companies assess existing spaces; community efforts help attract, retain talent

by Michelle Leach

An accurate barometer of Omaha's near- and long-term health — opportunities and challenges alike — shows in spaces coming out of the ground, and the lengthy list of pipeline projects and notables shared by metro real estate professionals.

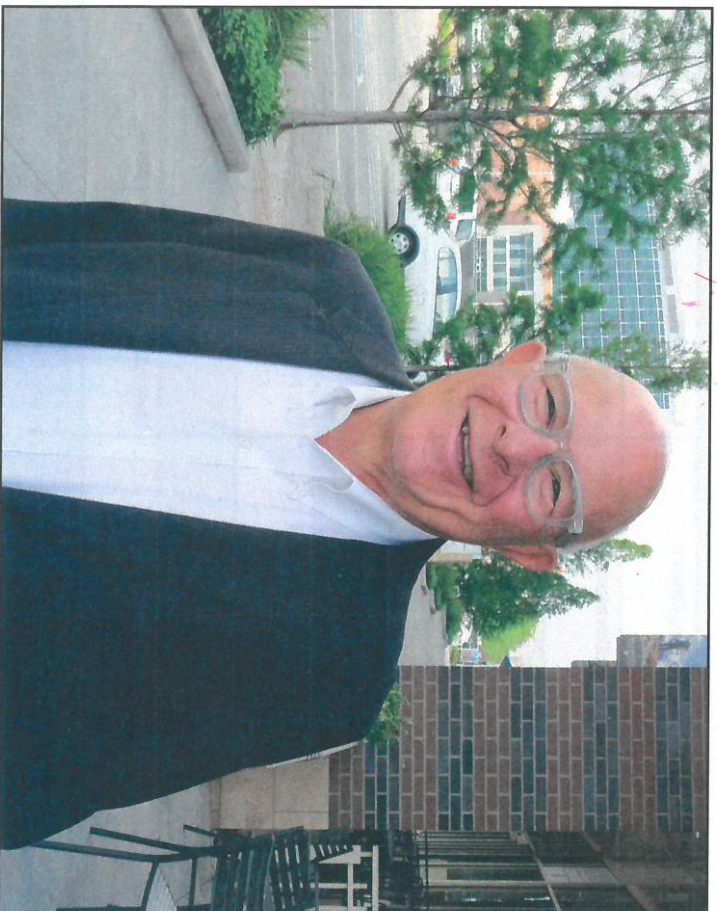
"All of this is surrounded by a key element to what is one of the major drivers of absorption of office space — jobs growth," said Barry Zoob, senior vice president of Colliers International Senior Vice President Barry Zoob, who acknowledged the market's 2.8 percent unemployment. "Sometimes, that [percentage] doesn't allow you to get underneath it, to tell you where the real job opportunities exist; there are over 2,500 IT jobs available in the market that can't be filled — paying \$75,000 to \$250,000 or more a year."

Likewise, every element of the construction industry is working harder than ever before to identify and develop talent, he said, and these shortages have contributed to driving up construction costs.

"And that's a key metric — the health and the breadth of the construction industry," he said.

Zoob referenced Metropolitan Community College's Construction Education Center and mentoring and internship programs available through the Commercial Real Estate Summit or on an organization-to-organization basis. Further, he said software systems are evolving to eliminate some of the planning and project management requirements done by hand.

Medical is at the very top of "drivers" behind a very active construction industry, and Zoob said Nebraska Medicine also serves as a model for how organizations should recruit.



Barry Zoob, senior vice president, Omaha, Colliers International, at Aksarben Village.

"There is a pretty high level of brain drain; we're not doing a good job keeping college grads in the state," he said.

States like Vermont incent people to remain in the state post-college — with real dollars.

Zoob said corporate clients are taking a hard look at their space and putting money into it.

"They're creating a forward-looking space as opposed to a backward-looking space," he said.

more downtown for walkable amenities or "even just because they want to participate in furthering the community," he said.

The riverfront revitalization, according to Agarwal, is poised to make downtown and the entire city a more vibrant urban setting.



Agarwal

Forthcoming trends, Agarwal said, also include adaptive reuse of warehouses and buildings for creative office environments (primarily, downtown); West Dodge as the "easiest for employees" to access from where they "live"; and amenity-rich offerings as important in the building or close by — think: Village Pointe as the amenity for West Dodge Pointe.

"It's an extremely exciting time in Omaha right now for development and redevelopment," he said.

Investors Realty Broker Tim Kerrigan also put a spotlight on "walkability"; stand-up desks (for office space-oriented trends); open layouts featuring huddle rooms, docking stations, modular furniture; and health amenities

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Finding an office space that **works for you.**

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COMMERCIAL REAL ESTATE SERVICES, WORLDWIDE

12915 W Dodge Rd
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+1 402 255 6060
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Attract, retain talent

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(i.e. fruit delivery at the office or spin classes onsite).

"In Omaha, the trend is a good balance between suburban development and urban core development for office users," he said. "Construction costs continue to be up so rent is higher, landlord-provided improvement funds are higher and lease terms are longer."

When addressing the market condition, Kerrigan said the last quarter saw a number of completed transactions.

"I can point to eight transactions reflecting over 170,000 square feet of new space — tenants growing or new to the market," he said. "The rest of 2018



Kerrigan

should see solid performance for Omaha's office market. It is an active market with several users larger than 15,000 square feet looking for a new corporate home. Most are current Omaha operations, which are expanding their spaces."

He, too, noted the tie to the overall economy.

"The local and national economy has been expanding for over eight years, and while that can't continue indefinitely, all indications are that businesses are profitable, have expanded cautiously and have very strong balance sheets," Kerrigan said. "Omaha hasn't seen overbuilding of office space nor overbuilding of any real estate product type, so we think the market will remain solid for the next 12 to 18

months." Kerrigan is concerned about what's beyond 18 months.

"But, because balance sheets are strong and development has been fairly cautious, I believe the eventual set-back in the overall economy and in the Omaha office market will not be dramatic nor long-lived," he said.

When asked for updates to information provided in October, NAI NP Dodge Vice President Kyle Pelster said the leasing market remains very tight.



Pelster

"There are becoming more and more new construction spaces available as of this year," he said; formerly, Pelster described around 100 properties — give or take — as listed or available in the Omaha/Council Bluffs market.

Many new buildings referenced in October are now complete or nearing completion, he said, but the search for the "right space" is "as difficult as ever."

"The new construction market comes with its own challenges as far as build out and tenant improvement costs," Pelster said.

Notable larger projects such as Facebook have "paved the way for more development," he said.

"There is an increase in industrial land for sale to be developed in the Highway 50/370 areas," Pelster added. "There is also a new industrial park in progress in Gretna off Highway 6. With some lots for sale there and fewer in Hilltop and Brook Valley Industrial parks, the supply is limited."



Baker



Lindschmidt



Nuismer



Barrett

Strong economy and rising interest rates spur real estate investments

by David Kubicek

The rush to invest in commercial real estate can be attributed to a strong economy and the prospect of rising interest rates.

"From our experience, it seems like more businesses are investing in facilities for their own use," said Clay Baker, VP and business banking manager at Northwest Bank. "That's a newer trend. The past couple of years have been very strong, and there's a level of optimism that I haven't seen since 2006."

Bankers have also been more confident, leading to loosening credit standards over the past couple of years.

"Since the beginning of this year, almost all the businesses that I bank have expressed a level of positivity that I haven't seen since 2006," Baker said. "My speculation is that, barring some major event, we'll continue to see positive growth. This has been one of the longest bull runs in the history of the country, so we know there will be a recession at some

point, potentially sooner rather than later."

Although rising interest rates suggest a strong economy, which correlates with a strong real estate market, higher rates make borrowing more expensive, according to Michele Lindschmidt, senior commercial lender at SAC Federal Credit Union.

"Cap rates go up and the price for properties come down," she said. "The balancing act with the rising rate environment is the rising supply of new larger multi-family complexes that could put downward pressure on rents."

Given the local market's low unemployment rate — 3 percent as of May — the demand for skilled labor will remain a considerable factor in the cost and completion timelines for projects.

David Nuismer, a VP in Cornhusker Bank's commercial real estate department, said that how fast and how far the Federal Reserve continues to raise rates will have an

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