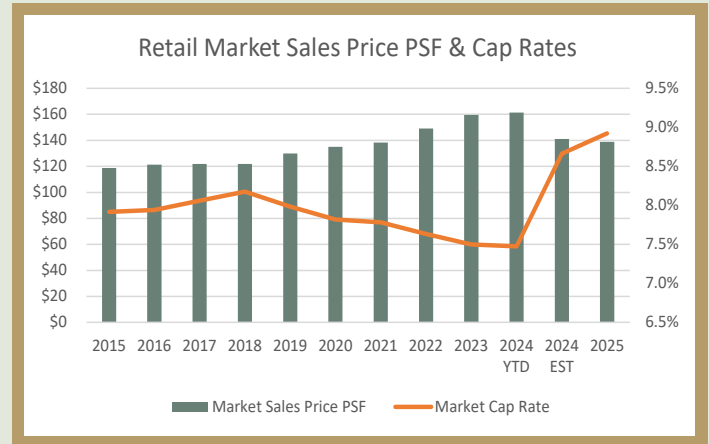


Retail Market Report

Omaha, Nebraska | 2023 Recap



65.6M SF
Retail Inventory

441K SF
Under Construction

4.7%
Vacancy Rate

454K SF
12 Month Net Absorption

2023 RECAP

2023 was an interesting year for Omaha's retail market, which stayed active and strong, even with inflation and interest rate headwinds. We continued to see above average rent growth, low vacancy rates, and lower than average cap rates throughout 2023.

While Leasing transactions continued to stay strong, sales and new retail development were at their lowest point in five years due to high interest rates and construction costs.

RENT & VACANCY

In 1Q23, market rents averaged \$16.33 per square foot, and increased to \$17.72 per square foot by 4Q23, a rise of 11.2%. Omaha area submarkets that saw the highest annual growth in rents were Sarpy West at 12%, Southeast Omaha at 13.2%, and North Central Omaha at 11.9%. Submarkets outside of the metro area tell an interesting story, showing the highest rent growth in Cass County (Plattsmouth and surrounding towns) increasing at 13.4%, Washington County (Blair) at 12.7% and Downtown Council Bluffs at 12.9%.

The major factor driving consistent rent growth is the market's vacancy rates. Beginning 1Q23, the Omaha area's vacancy rate was 4.9%, but dropped to 4.6% by 4Q23. Submarkets in the metro area with the lowest vacancy rates are Southeast Omaha at 0.7%, Northeast Omaha at 1.0%, and South-Central Omaha at 2.4%.

According to Costar, the largest vacancy rates as of 4Q23 was in the Super Regional and Regional Mall sector at 15.8%, while the lowest vacancy rates exist in Strip Centers at 4.6%, and General Retail at 2.7%.

SALES

According to Costar, in 1Q23 the average sale price was \$151 per square foot, but increased to \$162 per square foot by 4Q23. In addition, the average cap rate lowered marginally throughout 2023, beginning 2023 at 7.6% and ending the year at 7.4%, the lowest cap rate in five years. A major driver in the lowering of cap rates throughout 2023 was the sale of a QSR portfolio.

As to be expected in our current interest rate environment, sales volume continued to decrease in 2023, with the 12-month volume at \$184M, down 65% from 2022, and the lowest in the last five years.

DEVELOPMENT PIPELINE

With interest rates and construction costs remaining high, development has significantly slowed. In 4Q23, only 383,000 square feet was under construction, or roughly 0.6% of current supply. What's more, 79.9% of this new development was pre-leased as of 4Q23.

In 1Q24, to date, only 270,000 square feet was under construction, or 0.4% of current inventory. This is roughly 50% of Omaha's historical average, and more than half of this space is build-to-suit or owner-user, leaving only half available for lease.

Power Center inventory hasn't grown significantly since 2015, and no inventory has been added since 2018. In fact, more square feet were lost in neighborhood centers and strip centers than gained within the last five years. For example, Camelot at 90th & Blondo, a strip center demolished in 2022 was converted to a gas station and car wash. Another example is the neighborhood retail along the Leavenworth corridor between 42nd and 48th, which has and will continue to be repurposed by UNMC.

2024 OUTLOOK

Costar forecasts the Omaha market to continue 2024 with above average rent growth, and we agree. With minimal development in the pipeline and low vacancy rates, the average rent per square foot will continue to increase. The tight market will continue to hamper Tenant expansion plans, as most will either rely on pre-leasing or choose to forgo certain criteria, for example size and/or location.

Tenants will want to continue to expand as retail will remain strong for the foreseeable future. Factors fueling retail growth and consumer's spending power include an increase in household income, low unemployment rate and Omaha's low cost of living. Omaha's Median household income rose 5.2%, 4th highest among 52 largest U.S. markets and Omaha's multifamily asking rent average of \$1,150 per unit, rank the 5th lowest among all major national markets, creating disposable income.

With inflation gradually easing but interest rates holding steady through January 2024, we are unlikely to see sales or new development rise sharply for the remainder of the year.

Legend: (per ICSC)

Neighborhood Center: Convenience orientated. Size range of 30,000-125,000 square feet, 5-20 stores and one or more anchor, typically a grocery store

Strip Center: Attached row of stores that provide a small mix of goods/services to a small trade area. Under 30,000 total square feet. Anchor-less or a small convenience store anchor.

Lifestyle Center: Outdoor national chain stores intermixed with dining and entertainment. Square footage of 150,000 to 500,000. 0-2 total anchors.

Regional Mall: Typically enclosed with a common walkway, stores in-ward facing. Total square feet from 400,000 to 800,000. Two or more anchors, with 40-80 total stores. Anchors occupy 50%-70% of the total square footage.

Super Regional Mall: Similar to a Regional Mall but more stores and assortment of goods. Typically 800,000+ square footage with 3 or more anchor Tenants.

Power Center: Category dominant anchors with a possible few small Tenants in the mix. Total square feet 250,000-600,000. Three or more anchors who occupy 70%-90% of the total center's square footage.

General Retail: Typically, stand-alone retail buildings or small urban retail multi-tenant buildings. For example, banks, car dealerships, bowling alleys, convenience stores, day care centers and fast-food.

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Average Sale Price PSF **\$161**

Average Asking Lease Rate PSF **\$17.65**

12 Month Sales Volume **\$174M**

Annual Asking Rent Growth **9.3%**



EXECUTED LEASES

Address	SF Leased	Asking Rent PSF	Services	Tenant
5401 N 90th	47,020	\$9.00	NNN	Fowling Warehouse
717 S 72nd St	25,886	\$12.00	NNN	Ross Dress for Less
8000 S 84th St	15,550	\$9.00	NNN	Harbor Freight
1137 N Broadway, Council Bluffs	14,000	\$7.00	NNN	Dollar Tree
319 S 17th St	12,543	Undisclosed	Undisclosed	UPS
6320 N 73rd Plz	11,700	\$14.00	Undisclosed	Aaron's
8303 Spring Plz	10,583	\$10.00	NNN	For the Wild Birds
5002 S 108th St	9,552	\$12.00	NNN	Dollar Tree

CLOSED SALES

Address	SF	Sales Price	Price PSF	Use	Sale Date
11102 W Dodge Rd	112,709	\$12,200,000	\$108.24	Car dealership	5/1/2023
5101-5125 S 36th St	81,592	\$7,000,000	\$85.79	Neighborhood Center	8/7/2023
414 S Saddle Creek Rd	5,284	\$3,960,000	\$749.43	Bank	5/2/2023
339 N Saddle Creek Rd	5,412	\$3,641,000	\$672.76	Bank/QSR	6/19/2023
1720 N 16th St Council Bluffs	20,160	\$3,350,000	\$166.17	Community Center	4/7/2023
5310 S 108th St	2,724	\$3,347,367	\$1,228.84	QSR-portfolio sale	6/7/2023
3040 Dial Dr Council Bluffs	4,119	\$2,921,875	\$709.37	Restaurant	6/8/2023
350 N Saddle Creek Rd	20,889	\$2,754,602	\$131.87	Junior anchor-4 property sale	4/17/2023
5139 N 90th St	2,808	\$2,519,186	\$897.15	QSR-portfolio sale	6/7/2023
4501 N 72nd St	7,200	\$2,425,000	\$336.81	Car wash	5/19/2023
8005 Blondo St	95,590	\$2,425,000	\$25.32	Neighborhood center	2/27/2023

Oak Investment Real Estate, LLC market reports are based on data provided by the Omaha Chamber of Commerce, Costar, other 3rd party sources deemed reliable, and internal data obtained by agents. Any reliance on such information is solely at your own risk.

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