



GREENLEAF
COMMERCIAL REAL ESTATE

MARKET REPORT

Second Half of 2022



GROWING BUSINESSES, COMMUNITIES, FUTURES



BUILDING PERMITS & CONSTRUCTION ACTIVITIES

Building Permits

B2203340 Antiparos, LLC pulled a \$3.5M permit for a 25,000sf warehouse on 1265 Libra Dr

B2202743 SRB Gateway LLC pulled a \$2M tenant improvement permit for converting the former Sears at Gateway Mall in to a Burlington Coat Factory

B2203889 \$1.82M permit for a new retail strip near 29th & O featuring Dunkin' as a tenant

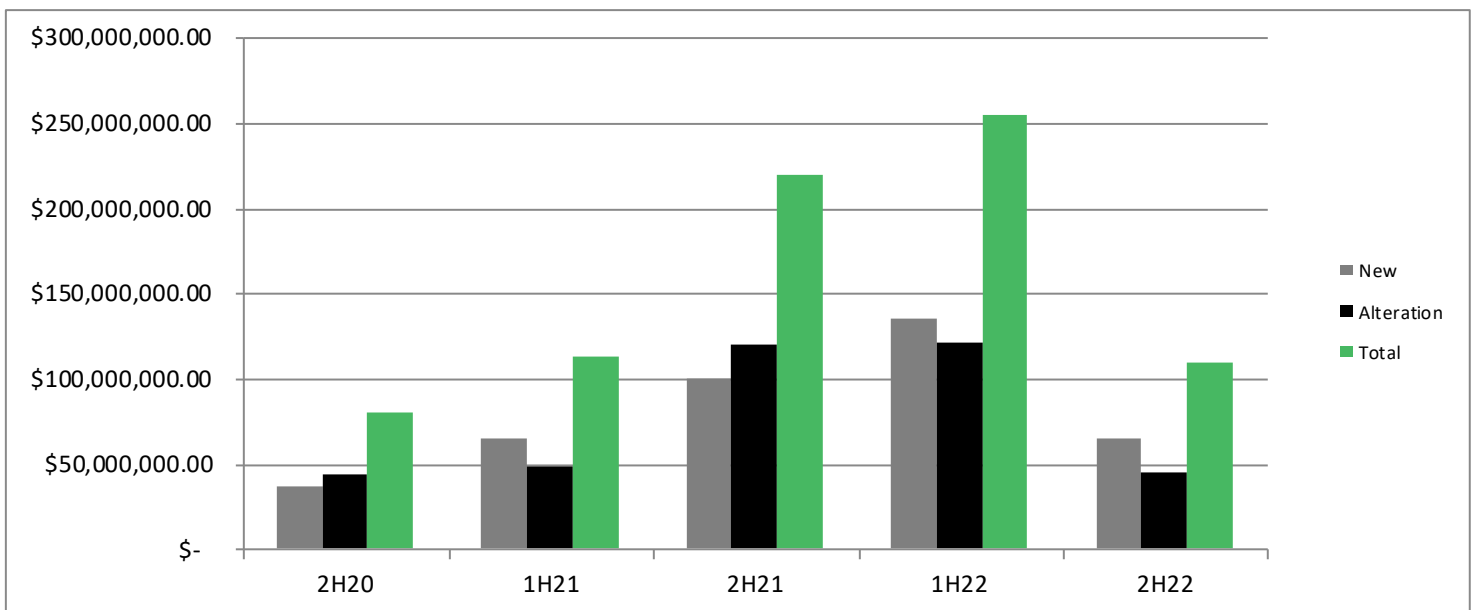
B2203511 \$7.2M permit for a new car dealership near S. 40th & Yankee Hill including showroom, offices and service shops.

Construction Projects

Demolition of the southern end of the Gold's Building at 10th & N to make way for redevelopment of the northern end which includes hotel space and office/retail space

A mixed-use project is being planned for 23rd & R St. featuring first floor retail and nine apartment units on the upper two floors

A proposal for an \$87M, 22 story luxury high rise on the corner of 9th & P street is being considered for TIF funding. If approved, the building would become the second tallest in Lincoln.



Building Permits and Construction Notes: All building permits and statistics are generated from the Lancaster County Citizen Access portal. For the purposes of this report all commercial permits are recorded. The final dollar amount, however, excludes education, religious, storage, government, multifamily (unless it contains first floor retail), cell towers, structures that are not buildings, concrete work, garages and car ports. Demolition permits are tracked internally but financial information for each project is not recorded by the city.

This information has been secured from sources we believe to be reliable, but we make no representations nor warranties, express nor implied as to the accuracy of the information. References to square footage are approximate. Recipient must verify the information and bears all risks for any inaccuracies. Information subject to change.



Retail



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Lincoln's retail market remained strong through the 2nd half of 2022 with average vacancy rates dropping from 4.2% in June 2022 to 3.9% at the end of the year. There was also positive net absorption of 117,334 square feet during this period. Average asking rental rates did trend downward slightly from \$14.40 PSF at the end of June to \$13.87 PSF at year end on a triple net basis.

Nationally and locally, consumer spending has remained resilient even with the continued inflationary pressure on the economy. In addition to inflation, labor challenges also continue to top the concerns facing retailers and restaurants as employers compete to find qualified workers in a tight labor market, putting pressure on wages and having an impact on the quality of customer service.

While there were no large local retail announcements during the 2nd half of 2022, several new restaurants opened during this time, completing a busy year on the local restaurant scene. In the Haymarket area, Fleetwood, a modern American grill, opened at 8th & O Street. One block to the north, a new German beer house called Bierhaus Maisschaler opened at 8th & P Street. Although downtown's daytime population has not returned to pre-Covid levels, there seems to be enough residential and entertainment activity to keep most retailers and restaurants viable.

The frenzy for new car wash locations continues as Lincoln has followed a national trend with conveyorized washes now operating all over the city, in some cases buying former bank properties and tearing down buildings to build the car washes. With the monthly membership model now the industry norm, it won't be surprising to see a few more locations open in the future.

We believe Lincoln's retail market will remain sound as both local and national retailers continue to compete for a limited supply of good locations. Despite the continued increase in online sales and some closings of national brands over the last couple years, the local retail scene should remain quite healthy.

Type	Buyer/Lessee	Seller/Lessor	Address	Price/Size
Lease	Amish Furniture	Landshark Realty Group, LLC	400 N. 48th St.	10,218 sf
Lease	Open Harvest	EADO LLC/330-333 Building LLC	330 S. 21st St.	10,000 sf
Sale	R.C.'s Boxing Productions, Inc	Jack Irons Lifetime Trust	1555 Yolande Ave.	\$3,045,000
Sale	Sierra Holdings, LLC	4D Investments, LLC	3301 O St.	\$1,000,000

* designates a transaction represented by Greenleaf Commercial Real Estate

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Contact us today to learn more!

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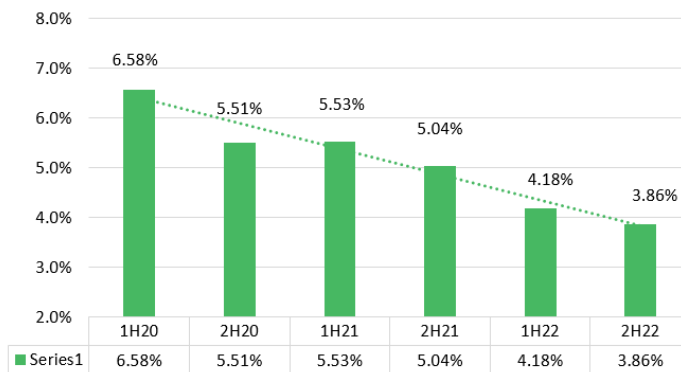
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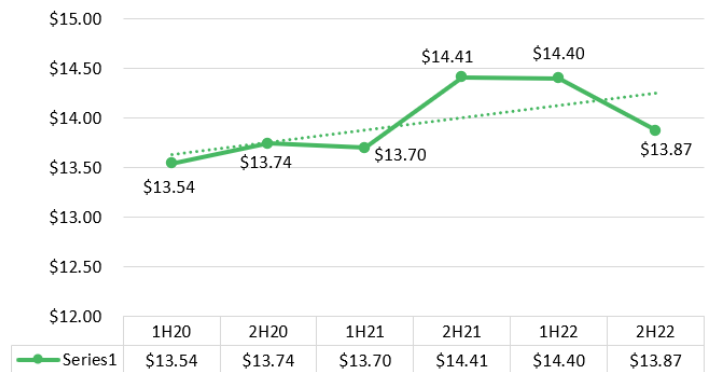
Submarket	Total Sq. Ft.	Vacant Sq. Ft.	Vacancy %	Net Absorption	Weighted Avg. Asking Rate
CBD	1,560,574	84,226	5.40%	10,306	\$16.92
NE	6,805,457	276,583	4.06%	9,996	\$13.21
NW	1,988,085	33,352	1.68%	27,627	\$10.66
SE	6,511,646	256,822	3.94%	32,618	\$13.48
SW	1,843,741	71,258	3.86%	36,787	\$12.14
Total	18,709,503	722,241	3.86%	117,334	\$13.87

By Subtype	Total Sq. Ft.	Vacant Sq. Ft.	Vacancy %	Net Absorption	Weighted Avg. Asking Rate
Community Center	1,437,457	39,264	2.73%	6,876	\$12.14
Free Standing	6,870,203	80,683	1.17%	(5,966)	\$14.01
Neighborhood Center	2,487,917	104,364	4.19%	45,743	\$12.18
Power Center	969,365	9,863	1.02%	(6,288)	\$15.34
Regional Center	2,503,125	240,982	9.63%	6,667	\$18.90
Store Front	1,755,472	58,299	3.32%	9,911	\$11.37
Strip	2,290,311	109,349	4.77%	16,139	\$13.08
Urban	395,653	79,437	20.08%	44,252	\$18.65
Total	18,709,503	722,241	3.86%	117,334	\$13.87

Historical Retail Vacancy Rates



Historical Retail Asking Rates



Retail Terms and Definitions

Total SF: Retail inventory includes all multi-tenant and single tenant buildings.

Retail Building Classifications: *Neighborhood Centers* are properties with 30,000 to 150,000 SF with at least one anchor tenant. *Community Centers* are properties with 100,000 to 350,000 SF with two or more an-

chor tenants. *Regional Centers* are properties with two or more full-line department stores anchor a total area of 400,000 to 800,000 SF.

Power Centers are properties with typically 250,000 to 600,000 SF with three or more anchor stores which occupy 75-90% of the total area. *Free Standing* properties consist of one building occupied by one major tenant. *Strip*

Centers are properties constructed with common walls in a strip facing the street and usually have no dominant anchor stores. *Urban Retail* is typically the retail space in the lower levels of downtown office buildings as well as other street-oriented retail spaces. *Store Front* properties consist of buildings typically in specific areas such as downtown, with street parking access, usually consisting of 2 levels.

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Office



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Lincoln's office market saw improvement during the second half of 2022, with the overall vacancy rate dropping from 8.9% to 7.1%, reversing an upward trend that began during the pandemic. Average asking rental rates also increased during this period from \$12.95 to \$14.15 per square foot on a triple net basis, reflecting a movement toward higher quality space. The local office market continues to fare better than most larger cities with a national office vacancy rate at the end of year at 12.5% and rent growth of only 1.0% year over year, according to the National Association of Realtors.

The lack of new supply in the local office market has led to an increase in average sales price per square foot for office properties. For the second half of 2022, the overall average price was \$137.00 per square foot, according to data obtained from CoStar, continuing a gradual upward trend. Cap rates for local office properties trended downward slightly, finishing the year at 8.7%. Most new office construction continues to be owner-occupied with very little speculative development unless office space is included in a mixed-use project.

As employers continue to compete for a limited pool of qualified workers, most companies are continuing to experiment with some form of hybrid work model. One local employer has actually implemented a shortened work week. Sandhills Global moved to a 4 ½ day work week to help recruit and retain talent, allowing its employees to take a half day off at any point during the week with advance notice. The national trend toward a shorter work week has gained momentum in recent years, with many employers showing positive results in productivity and retention. Whether or not we will see more local companies experiment with this model remains to be seen.

Looking forward, Lincoln's office market should remain fairly stable but there's still a fair amount of uncertainty surrounding the demand for space. While some companies have been reluctant to give up square footage too soon, others have downsized and continue to reassess their future needs. Over the long term, Lincoln's office market should continue to fare much better than many larger metro areas where some are predicting office property values may decline in excess of 25% over the next several years.

Type	Buyer/Lessee	Seller/Leasing Company	Address	Size/Price
Lease *	Disability Rights Nebraska	Trophy Properties, LLC	2930 Ridge Line Rd.	5,813 sf
Lease	Virtual Incision	New Generation Properties, LLC	1501 Old Cheney Rd.	36,108 sf
Sale *	Silverhawk Aviation	Aynechi-Zarkesh Family Trust	1150 N. 83rd	\$1,015,000
Sale	Region V Services	Elizabeth Office Park Complex, LLC	4433 S. 70th	\$6,850,000

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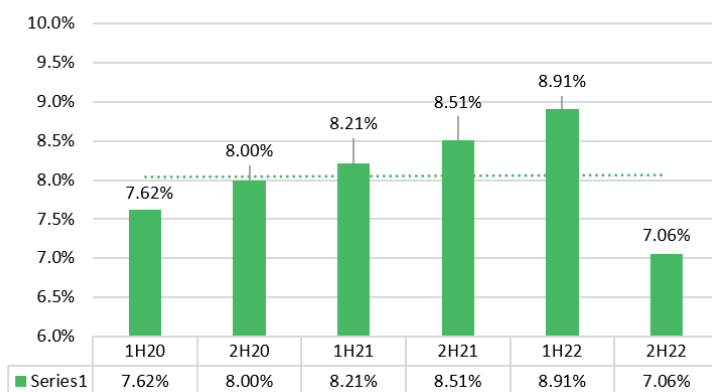
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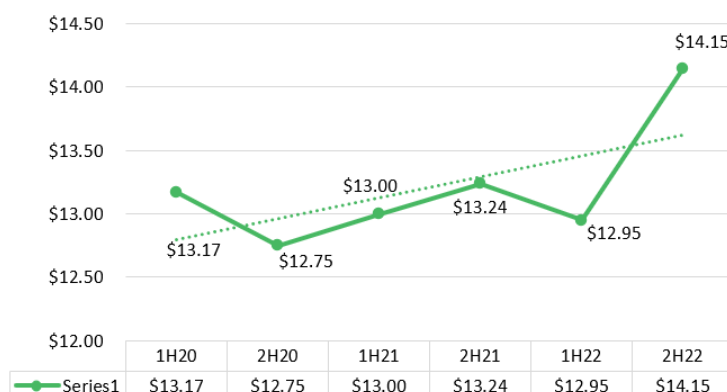
Submarket	Total Sq. Ft.	Vacant Sq. Ft.	Vacancy %	Net Absorption	Weighted Avg. Asking Rate
CBD	4,565,077	539,899	11.83%	-	\$14.45
NE	1,947,311	89,632	4.60%	6,732	\$11.10
NW	1,903,407	94,828	4.98%	112,500	\$13.84
SE	4,803,911	210,008	4.37%	148,627	\$16.12
SW	1,469,673	103,225	7.02%	-	\$13.66
Total	14,689,379	1,037,592	7.06%	267,859	\$14.15

Subtype	Total Sq. Ft.	Vacant Sq. Ft.	Vacancy %	Net Absorption	Weighted Avg. Asking Rate
Class A	3,544,164	285,748	8.06%	154,100	\$17.71
Class B	9,699,152	698,651	7.20%	113,759	\$13.83
Class C	372,290	14,899	4.00%	-	\$9.12
Medical	1,073,773	38,294	3.57%	-	\$17.24
Total	14,689,379	1,037,592	7.06%	267,859	\$14.15

Historical Office Vacancy Rates



Historical Office Asking Rates



Office Terms and Definitions

Total SF: Office inventory includes all multi-tenant and single-tenant buildings. Government and university owned and occupied, as well as medical buildings, are not included.

Office Building Classifications: Greenleaf Properties follows the BOMA guidelines. *Class A* Buildings are the most prestigious buildings competing for premier office users

with rents above average for the area. Buildings have high-quality standard finishes, state-of-the-art systems, exceptional accessibility, and a definite market presence. *Class B* Buildings compete for a wide range of users with rents in the average range for the area. Building finishes are fair to good for the area, and systems are adequate. *Class C* Buildings compete for tenants requiring functional space at rents below the average area.

Vacancy: The vacancy rate is the amount of physically vacant space divided by the inventory.

Asking Rent: The dollar amount asked by landlords for available space expressed in dollars per square foot per year. The asking rent is weighted by the amount of available space in the building.



Industrial



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As the commercial real estate industry encounters turbulence associated with persistent inflation, a rising interest rate environment and recessionary fears, the Industrial Market is relatively well positioned to absorb the shock waves—especially at the local level. Nationally, according to CoStar, industrial leasing demand has been resilient although Q4 leasing volume is down 13% on a rolling 12 basis but is still 28% above pre-pandemic levels. New supply on the national level is anticipated to increase vacancy and lower asking rates as competition for new leases will give tenant prospects more leverage in lease negotiations than they have had over the last few years. This dynamic will also decelerate the tremendous rent growth the industrial market experienced in 2021 and 2022. Fortunately for Landlords, these market conditions will likely stabilize in 2024 as the delivery of new construction will slow as a consequence of construction costs remaining high and higher interest rates.

The local market continues to outperform the national market. Local vacancy rates reached an amazing .81% in the second half of 2022, down from 1.15% in the first half of 2022 and below the 1.23% one year ago. This vacancy rate also reflects the positive absorption of 258,023 square feet with approximately 150,000 square feet of new construction delivered to the market. Industrial sales volume dropped to \$18,960,699 from \$27,033,418 in the first half of the year, which is well below the record sales volume of \$52,188,150 in the second half of 2021 and also below the pre-pandemic total of \$28,540,315 in the second half of 2019. This decrease in sales volume is attributable to less product being available on the market as Landlord's benefit from high occupancy and rent growth. Rising interest rates and construction costs have impacted local industrial building permit totals for new construction which dropped to \$11,944,901 from the record \$112,814,723 in the first of the year but are still commensurate with the pre-pandemic total of \$12,617,982 in the second half of 2019.

The strength of the local industrial market will hinge on demand remaining relatively strong. With delivery of new construction returning to pre-pandemic levels and historically low vacancy rates, the current market dynamics should persist through the first half of 2023. However, these market conditions will be very sensitive to decelerating demand occasioned by wider economic forces associated the consumer spending, rising interest rates or a true recessionary period. The first hint of such a change is that local asking rates fell to \$6.30 from \$6.87 which is where asking rents have been for the previous 12 months. Rather than signaling an actual decrease in demand, Landlords are likely reducing asking rents in anticipation of demand reduction in order to achieve 100% occupancy levels before actual demand goes down. The first half of 2023 will be a critical period for all commercial real estate assets, but the industrial sector remains better positioned than other use types for what lies ahead.

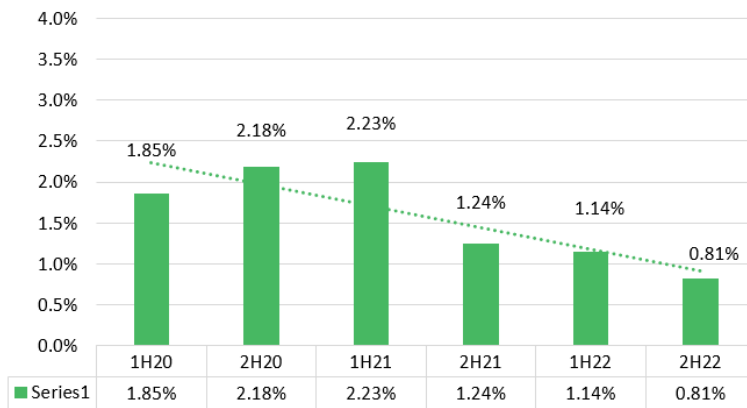
Type	Buyer/Lessee	Seller/Lessor	Address	Size/Price
Sale	Omaha Industries, Inc.	Lincoln Facilities Holdings, LLC	4611 W. Adams St.	\$10,000,000
Lease*	Animal Addicts	RD Bentley Commercial, LLC	360 N. 48th St.	10,560 sf
Lease	Lincoln Trucking Company	Lehms Lincoln, LLC	3100 N. 23rd St.	45,000 sf
Lease	Superior Data Storage Inc.	Fulton Building Corporation	6101 N. 63rd St.	12,000 sf

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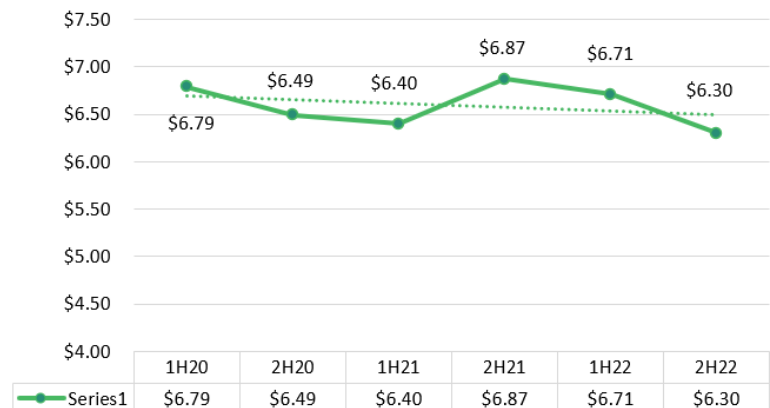
Submarket	Total Sq. Ft.	Vacant Sq. Ft.	Vacancy %	Net Absorption	Weighted Avg. Asking Rate
CBD	610,702	21,060	3.45%	(14,750)	\$8.16
NE	12,219,208	72,292	0.59%	158,809	\$5.35
NW	11,751,973	134,680	1.15%	142,528	\$4.77
SE	690,286	1,200	0.17%	700	\$7.51
SW	8,106,408	41,090	0.51%	(29,264)	\$7.96
Total	33,342,577	270,322	0.81%	258,023	\$6.30

Submarket	Total Sq. Ft.	Vacant Sq. Ft.	Vacancy %	Net Absorption	Weighted Avg. Asking Rate
General Industrial	11,386,361	43,452	.83%	62,176	\$6.20
Manufacturing	10,195,526	125,000	1.23%	-	\$5.35
R&D/Flex	2,692,706	51,670	1.92%	(6,197)	\$7.40
Warehouse\ Distribution	9,067,984	50,200	0.55%	202,044	\$4.39
Total	33,342,577	270,322	0.81%	258,023	\$6.30

Historical Industrial Vacancy Rates



Historical Industrial Asking Rates



Industrial Terms and Definitions

Inventory: Industrial inventory includes all multi-tenant, single-tenant, owner-occupied, and condo buildings.

Industrial Building Types: Industrial buildings are categorized as Warehouse/Distribution, General Industrial, R&D/Flex, Manufacturing, and Condo units.

They are divided by their physical characteristics, including percent office build-out, clear height, typical bay depth, suite size, type of loading, and typical uses.

Vacancy: The vacancy rate is the amount of physically vacant space divided by the inventory.

Asking Rent: The dollar amount asked by landlords for available space expressed in dollars per square foot per year.

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Market Research & Methodology



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Greenleaf Commercial Real Estate the leader in commercial real estate market knowledge and research in Lincoln, Nebraska. The Market Report is a quarterly market report that includes trends in vacancy rates, absorption rates, asking rents, building permits, and notable transactions.

Greenleaf Commercial Real Estate employs a full-time market analyst who tracks the market using a variety of tools and resources on a daily basis. In addition to utilizing information available on the subscription sites Costar, CCIM's Site to do Business, and MRCIE, Greenleaf maintains multiple in-house databases using Realnex. The powerful Realnex set of databases allows us to:

- Track occupancy in over 10,000 commercial properties in the Lincoln, NE greater statistical area.
- Maintain our own Sales Comparisons database by inputting property transfers from the Lancaster County Assessor in real time. Greenleaf tracks multi-family, retail, office, industrial, hotel/motel, fast food, convenience store, and unimproved land transfers.
- Maintain our own Lease Comparison database sourced from in-house deals, closed transactions on Costar, LoopNet, and MRCIE, as well as by reaching out to property owners and tenants.
- Track all property owners in Lancaster County across all use types.
- The comprehensive, real-time information we maintain in Realnex sets Greenleaf Properties apart in terms of local market expertise. In addition to producing the Green Report, the Realnex databases allow our agents to have the most accurate and up-to-date market data when working with clients.

Absorption: Refers to the change in occupancy over time. Net absorption is the sum of square feet that became physically occupied minus the sum of square feet that became vacant minus the amount of new space delivered to the market during a specific period,

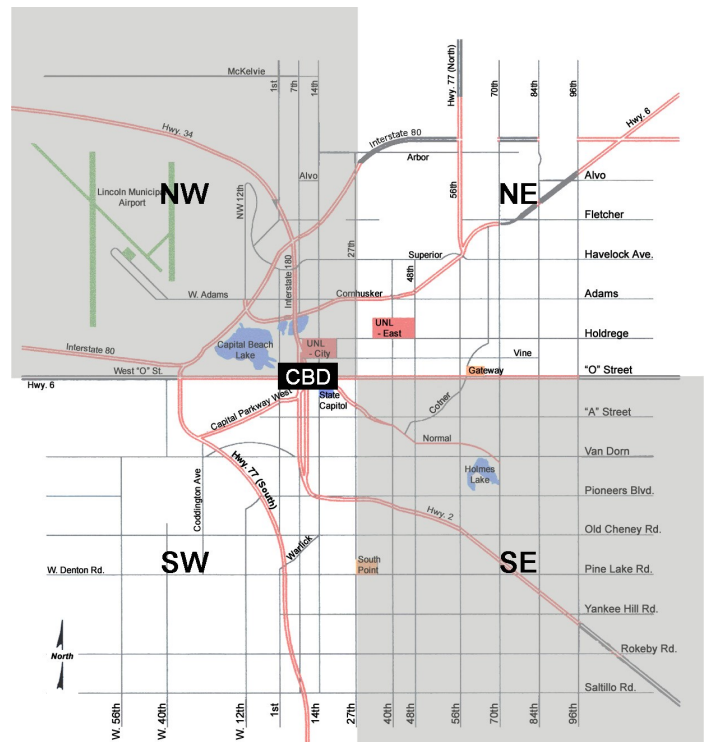
Submarket: Specific geographic boundaries that serve to allocate core areas in the overall market. 27th & O serves as the intersection of the four main submarkets with the Central Business District located approximately between 6th and 17th and R St. and L St.

Subtype: Specific designation within each prospective use type. Subtype is determined by various factors including size, internal and external features, amenities, zoning permissions, and general quality of space.

Total Square Footage /Inventory: The physical footprint of properties being tracked. This report forgoes government, education, religious buildings and hospitals.

Vacancy: Refers to space that is not currently being occupied by a tenant, regardless of whether or not it is actively being marketed.

Lincoln divided by five submarkets





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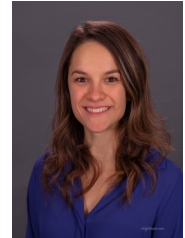
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TALISHA PARSLEY
Property
Manager

*Greenleaf Commercial Real Estate combines extensive industry expertise
and detailed market knowledge to provide each client with*

Acquisition

- Site Selection
- Investment & Market Value Analysis
- Contract Negotiations
- Due Diligence

Leasing

- Market Analysis
- LOI's and Lease Negotiations
- Strategic Marketing Plan

Consulting

- Portfolio Analysis & Strategic Planning
- Broker's Opinion of Value
- Lease Audits

Disposition

- Brokers Opinion of Value
- Analysis of Marketability
- Tax Discussions; 1031 Exchanges
- Contract Negotiations

Tenant Representation

- Lease Negotiations
- Letters of Intent/Request for Proposals
- Tenant Improvements
- Sale/Leaseback Negotiations
- Site Tours

Property Management

- Facilities Maintenance
- Vendor Management
- Tenant Relations
- Budgets & Reconciliations

Memberships & Tools:

