

Small Shop & Non-Traditional Users Active in the Retail Market

The Omaha retail market landed at a vacancy rate of 9.3 percent for the first quarter of 2019. This represents an increase of 60 basis points from the 8.7 percent vacancy rate in the fourth quarter of 2018. Vacancy has increased 90 basis points from the first quarter of 2018 and 190 basis points from the first quarter of 2017. There was 31,393 square feet of negative absorption for the quarter and only 9,866 square feet of newly constructed retail space delivered to the market.

Colliers International previously reported the closing of two Youngers stores and one Sears store in 2018. Several “big box” retail stores, such as Kmart and Shopko, have closed and been removed from the retail market to be redeveloped for other uses. The first quarter of 2019 saw the closing of another department store; the 54,439-square-foot Sears at Crossroads Mall. Sears represented the last remaining original mall tenant at what is now considered a “dead mall” at Crossroads.

The only retail property posting positive absorption greater than 10,000 square feet is the 14,886-square-foot Alps Food Store at Plaza Q 36 shopping center at 36th and Q Streets. The remaining deals were located in small shop spaces and several are service-oriented, non-traditional retail tenants. One such tenant is a church that occupied over 8,352 square feet in Westwood Plaza, near 120th and West Center Road. Other non-traditional tenants include a sports medicine clinic, a business services business, a food

Market Indicators

Relative to prior period	Q4 2018	Q1 2019	Q2 2019*
VACANCY	↓	↑	↔
NET ABSORPTION	↑	↓	↔
CONSTRUCTION	↓	↓	↔
RENTAL RATE	↑	↓	↓

* Projected

delivery business, a dance studio and an office for the Nebraska Department of Health and Human Services. The Omaha retail vacancy rate is higher than the office and industrial vacancy rates. With that being said, vacant space in the retail market creates an opportunity for companies looking for space that can't be found in either the office or industrial sectors.

A 9,866-square-foot strip center in Bennington was the only newly constructed property delivered to the Omaha retail market in the first quarter of 2019. Bennington is a growing suburb of Omaha, so the space should fill quickly. A total of 161,246 square feet of retail space is currently in the construction pipeline with sites situated in various areas of town with proximity to residential growth. The largest project is a 27,984-square-foot shopping center at Whispering Ridge near 168th Street and West Maple Road. Also, under construction in Whispering Ridge is an additional 5,000 square feet of retail space. The second largest project in the Omaha retail market is the 27,051-square-foot shopping center at La Vista City Centre near 84th Street and Giles Road. Located at 96th Street and Schram Road in Papillion is a 21,532-square-foot shopping center currently under construction. A strip center with 18,874 square feet is under construction near 110th Street and West Dodge Road with only 4,800 square feet remaining to lease. In Gretna, near 204th Street and Highway 370, a 16,900-square-foot strip

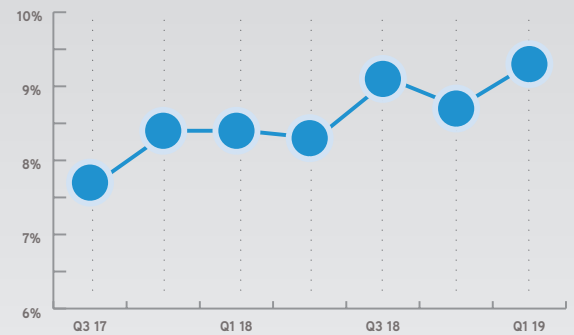
center is under construction along with another strip center with 16,000 square feet on the southwest corner of 168th Street and Highway 370. Finally, two strip centers are under construction; one at 192nd Street and West Maple Road and the other at 132nd and Q Streets.

Nationally, REIS Inc. reports a vacancy rate of 10.2 percent, unchanged from the fourth quarter of 2018 but higher than one year ago. Regional mall vacancy rose to 9.3 percent. REIS attributes this rise to the closing of over two dozen Sears stores. They also report that absorption in neighborhood and community shopping centers fell 7.4 percent and that new construction fell 53.9 percent compared to the first quarter of 2018. Regarding the future of the national retail market, REIS reports “as the retail sector continues to undergo restructuring, a number of retail real estate markets face more vacancies and falling rents. This pattern is expected to continue as more stores will close this year.”

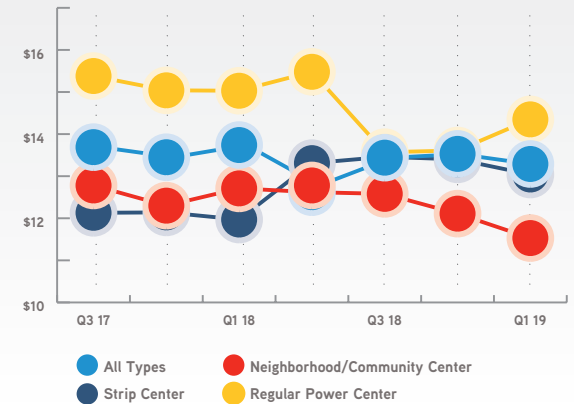
The vacancy rate will likely rise as more retailers have announced the upcoming closures of stores. Gap, Victoria’s Secret, Hibbett Sports and Williams-Sonoma have all announced that they will close select stores in 2019. All remaining Payless ShoeSource stores will be liquidated in 2019 and Charlotte Russe has filed for bankruptcy, leaving their future uncertain.

In conclusion, the future of the brick-and-mortar retail market remains uncertain both locally and nationally. With very little new construction in the pipeline, it’s clear the Omaha business community has cut back in the wake of store closures and rising vacancy rates. What is in the pipeline are well thought-out projects serving new residential communities and not the large big-box shopping centers of the past. Vacant retail space can provide an opportunity for non-traditional users to find both the space and price they seek.

Retail Vacancy



Asking Rental Rates



Recent Transactions - LEASE AND SALE ACTIVITY

Lessee/Buyer	Lessor/Seller	Property	Size SF/Sale Price
Multiple	Samson Square West, LLC	Samson Square West, Bellevue	\$2,240,000
Throwback Barcade & Lounge	1402 Howard, LLC	1402 Howard Street	8,435 SF
Confidential Retailer	Candlewood Centre	1724 North 120th Street	2,950 SF
D & F Associates, LLC	Johneus	Harrison Square	1,658 SF
Molly Maid	J.D. Heiskell & Co.	180th Plaza Phase III	1,464 SF

Market Overview

Omaha - Retail Overview							
Submarket	VACANCY			ABSORPTION		CONSTRUCTION	RENTS
	Total	Vacancy	Vacancy	Net Absorption		Under Const	Rental Rate
	SF	SF	%	Q1 SF	2019 SF	SF	Avg (\$/SF)
CENTRAL	6,257,447	607,600	9.7%	(60,514)	(60,514)	-	\$13.13
COUNCIL BLUFFS	4,162,171	634,755	15.3%	-	-	-	\$12.01
DOWNTOWN	286,016	85,144	29.8%	-	-	-	\$29.26
NORTH CENTRAL	1,852,352	146,682	7.9%	215	215	-	\$10.21
NORTHEAST	986,378	3,065	0.3%	3,200	3,200	-	\$11.55
NORTHWEST	3,128,035	164,121	5.2%	15,600	15,600	48,889	\$14.15
SARPY EAST	4,695,911	315,152	6.7%	7,753	7,753	27,051	\$13.66
SARPY WEST	517,886	28,576	5.5%	(5,596)	(5,596)	21,532	\$17.63
SOUTH CENTRAL	989,588	62,501	6.3%	1,692	1,692	-	\$9.07
SOUTHEAST	1,034,224	183,653	17.8%	13,534	13,534	-	\$10.13
SOUTHWEST	8,842,856	910,156	10.3%	(821)	(821)	44,900	\$12.69
W DODGE ROAD CORRIDOR	2,142,079	93,136	4.3%	(6,456)	(6,456)	18,874	\$14.87
TOTALS	34,894,943	3,234,541	9.3%	(31,393)	(31,393)	161,246	\$13.29

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