

## Prime commercial spaces are in demand with good office, industrial absorption rate

by Lori McGinnis Black

Absorption of office and industrial space is occurring and demand is good for the prime spots, local real estate professionals said.

Tenants are seeing opportunities in the



Maenner



Zoob



Twit

market to move into better spaces and lower costs, said James Maenner, vice president at CB Richard Ellis/MEGA.

Omaha's office market had a positive net absorption in 2011, said Barry Zoob, senior vice president in Omaha for Colliers International.

Leasing is strong for prime spaces, said T.J. Twit, vice president of office brokerage for The Lund Co.

The more successful office buildings in the

market are those with a strong concept and an understanding of brand image, said Ryan Ellis, president of P.J. Morgan Real Estate.

Quite a bit of smaller spaces are on the market and landlords are doing whatever they need to do to fill them, Maenner said. The demand is higher for larger blocks of space, particularly office space, due to the halt of speculative development activity since 2008, he said.

"Tenants are seeing opportunities in the market to move up to better space at less expensive rates," he said. "However, many tenants do not want to lock into longer term leases or want cancellation clauses, which create some

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President Ryan Ellis of P.J. Morgan Real Estate at the Mastercraft Building.

## Prime commercial spaces in demand in Omaha

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tension between the parties."

Maenner expects some positive developments in 2012. Nebraska's healthy agricultural economy should continue to bring more capital to the state.

Omaha experienced a good year in 2011 in terms of the office market, Zoob said. Even though the economy remained slow, the market continued to show resilience with a positive net absorption.

"For the entire year, absorption totaled 62,700 square feet with only the third quarter in the negative," he said. "These results were encouraging as a significant amount of formerly owner-occupied space and large parcels of space due to relocations were placed on the market."

More than 700,000 square feet of space was placed on the market for the first time in 2011 due to corporate consolidations and the building of new corporate campuses, he said.

The Omaha office market has about 3.7 million square feet available for lease or sublease, Twit said. In the past 12 months, about 62,661 square feet have been absorbed, although Twit does not consider that number a true reflection

of activity in the marketplace. Rather the number is significantly skewed by a few large previously single-tenant buildings that were added to overall inventory, he said.

Class A space, which is considered the most prime, continues to perform well, he said. In 2011, more than 420,000 square feet of Class A office space was absorbed.

Ellis has noticed that buildings with a strong brand image are more successful in the commercial office market.

"Developing a strong brand for the building and packaging it well is important to remain competitive in

the office market," he said.

For example, the Mastercraft Building at 1111 N. 13th St., a warehouse turned office building, grew from eight to 23 tenants in about six months because the building was unique and desirable within the office market.

In the industrial market, Ellis has seen both strong market absorption and decreasing vacancy rates. The demand for smaller industrial spaces with finished front offices is strong. Ellis said he expects the industrial market to remain consistent throughout the next year with good activity and low vacancy rates.

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