

# HEARTLAND SNAPSHOTS

*Heartland Real Estate Business provides a look into the varying landscapes of midwestern office, industrial, retail and multifamily markets.*

## OMAHA, NEBRASKA, INDUSTRIAL

Normally, when Brazilian companies look to establish a presence in the United States, they look to the coasts. That was not the case with The Brazilian Consortium of Stones (BCS), which chose Omaha, Nebraska, for its United States headquarters location and first-ever distribution center outside of Brazil. BCS-USA, a consortium of seven granite companies, opened the center in Omaha's foreign trade zone in February.

While the size and scope of the BCS-USA facility is not remarkable per se, it is another victory in Omaha's amazing run of economic development successes. Home to five Fortune 500 company headquarters, Omaha has recruited a number of major corporations recently. The metropolitan area, which has a total population of 813,000, added 10,000 people and 7,500 jobs in 2005.

While the office and retail sectors of the local real estate market have soared in recent years, the industrial market keeps moving at a steady, but relaxed pace. New industrial buildings tend to be small to medium-sized, and although there has been some increase in speculative building, most new projects are owner-occupied. While sizes remain smallish, developers are ratcheting up the quality, as new buildings are more likely to be constructed of aesthetically pleasing materials. Tenants are demanding wide column spacing, concrete parking lots and high ceilings.

One of the area's largest industrial projects is Oriental Trading Company's \$32.5 million, 600,000-square-foot distribution center in suburban LaVista, Nebraska, which was completed in 2005. The Omaha-based company already plans to expand at the site; a \$22 million,

250,000-square-foot order-filling center will employ 400 after it opens in 2007.

The surge in worldwide oil prices has led to a building boom of ethanol plants in the Omaha area. Cargill is constructing a 110 million gallon-per-year ethanol plant just north of Omaha in Blair, Nebraska. Across the Missouri River, in Council Bluffs, an Iowa partnership is investing \$135 million for a similarly sized plant along Interstate 29. Both plants will employ about 50 employees each and are scheduled to open in 2007.

Developers completed two other significant industrial buildings in Council Bluffs last year. FedEx opened a \$6.5 million, 74,000-square-foot distribution center in October. Omaha Standard, which manufactures metal components for trucks, moved into its 204,000-square-foot plant in December.

On the Nebraska side of the metro, several industrial buildings are sprouting in suburban Sarpy County. Omaha Steaks, the world-famous distributor of premium meats, is building a \$5.6 million, 123,000-square-foot distribution center at Highway 370 and Interstate 80. In Harrison Hills, near I-80 and Harrison Street, Peel's Salon Services is wrapping up construction on its \$4.4 million, 96,000-square-foot office and warehouse.

BROETJE Automation USA, a subsidiary of CLAAS Group, has announced plans to establish its North American headquarters and assembly operations at the CLAAS campus in La Vista. BROETJE designs and manufactures machines and systems for the automated assembly of aircraft. Automated riveting machines are a significant part of the business. The company eventually plans to create 100 jobs.

Total industrial space in Omaha now exceeds 45 million square feet, and vacancy is now below 8 percent. Lease rates for warehouse space range from \$3.50 to \$4.75 per square foot annually depending on size, quality and location. Flex space rents from \$5 to \$7.50. If an industrial user is looking for land, the Greater Omaha Chamber of Commerce estimates approximately 10,000 acres are available for immediate development. Ground prices range from \$2 to \$3.50 per square foot.

Most industrial development is taking place in Sarpy County, the state's third-largest and fastest-growing county. Sarpy is attractive because reasonably priced, industrially zoned land is abundant. I-80, which is six lanes wide, cuts a diagonal swath across the county. Future industrial growth should also take place in northwest Omaha along Highway 133 near Interstate 680.

Economic development officials expect industrial development to accelerate in Omaha during the next few years because of a new business incentive package, which took effect in January. Known as "Nebraska Advantage," the new legislation allows tax incentives for large and small projects, and exempts manufacturing machinery, equipment and related services from sales tax.

*— Jeff Beals is vice president of operations with Coldwell Banker Commercial World Group in Omaha, Nebraska.*