

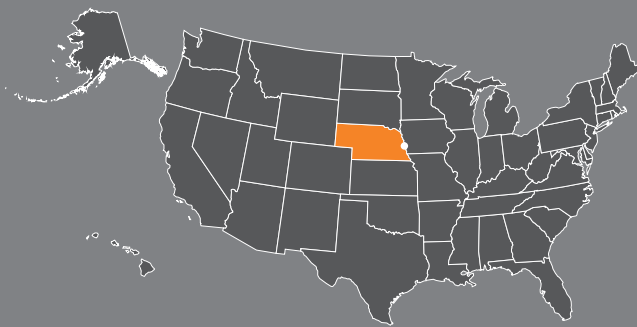
HUD PD&R Housing Market Profiles

Omaha-Council Bluffs, Nebraska-Iowa



Quick Facts About Omaha-Council Bluffs

- **Current sales market conditions: tight**
- **Current apartment market conditions: slightly tight**
- **The economic impact of Offutt Air Force Base (OAFB), located in Sarpy County, Nebraska, was \$1.57 billion in 2017 (2017 OAFB report). Approximately 16,750 combined military service members and civilian employees work at OAFB.**



By Holi Urbas | As of September 1, 2019

Overview

The Omaha-Council Bluffs metropolitan area, coterminous with the metropolitan statistical area of the same name, is bisected by the Missouri River and consists of Cass, Douglas (home to the city of Omaha), Sarpy, Saunders, and Washington Counties in Nebraska and Harrison, Mills, and Pottawattamie (home to the city of Council Bluffs) Counties in Iowa. The metropolitan area is a significant population center in both Nebraska and Iowa and serves as a regional hub for education, healthcare, financial, and professional services.

- Population growth in the metropolitan area has been relatively stable since 2010, increasing by an average of 9,450 people, or 1.0 percent annually, to an estimated 953,600 as of September 1, 2019. Almost 30 percent of the growth was attributable to net in-migration. By comparison, the population increased by an average of 9,825 people, or 1.2 percent, a year from 2000 to 2010 when net in-migration composed almost 40 percent of the increase.
- From 2010 to 2018, 55 percent of all net in-migration to the metropolitan area went to Douglas County, compared with 25 percent from 2000 to 2010 (Census Bureau estimates).

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- The workforce in the Omaha-Council Bluffs metropolitan area is becoming increasingly educated, with 38.0 percent of adults ages 25 to 64 with a bachelor's degree or higher in

2017, up from 35.8 percent in 2010 (2010 and 2017 American Community Survey, 1-year estimates). The corresponding national rates are 33.3 and 29.9 percent.

Economic Conditions

The rate of nonfarm payroll growth in the Omaha-Council Bluffs metropolitan area tripled during the 3 months ending August 2019, compared with payroll growth during the same period a year ago, due in part to significant gains in the professional and business services and mining, logging, and construction sectors. Job gains have been relatively modest for much of the 2010s, however, with only moderate growth of 1.3 percent annually from 2011 through 2016 compared with the national average of 1.7 percent during the same period. A sharp drop in job growth among service-providing sectors caused overall payroll growth in the metropolitan area to weaken to an average of 0.5 percent annually from 2017 through 2018, while the national rate declined only slightly during the same period to 1.6 percent.

During the 3 months ending August 2019—

- Nonfarm payrolls increased by 11,300 jobs, or 2.2 percent, from the level of jobs during the 3 months ending August 2018. By comparison, from the 3 months ending August 2017 to the 3 months ending August 2018, payrolls increased by 3,500 jobs, or 0.7 percent.

- The professional and business services sector added the most jobs of any sector, increasing by 3,900 jobs, or 5.4 percent, compared with a year ago. Approximately 25 percent of the growth occurred in the professional, scientific, and technical services industry.
- Job additions in the construction subsector were responsible for almost all the increase in the mining, logging, and construction sector, which added 3,500 jobs, or 11.6 percent—the fastest rate of any sector. Many large construction projects are currently under way including the final phase of the \$205 million Capitol District in downtown Omaha, which includes a three-story, 47,000-square-foot office building with ground floor retail.
- The manufacturing sector lost 900 jobs, or 2.6 percent compared with a year ago. Most of the job losses occurred in the food processing industry which is facing higher input costs and uncertainty related to trade policies. Processed food is the largest export for the metropolitan area, and statewide

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Service-providing sectors accounted for more than three-fourths of year-over-year job gains in the Omaha-Council Bluffs metropolitan area during the 3 months ending August 2019.

	3 Months Ending		Year-Over-Year Change	
	August 2018 (Thousands)	August 2019 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	504.2	515.5	11.3	2.2
Goods-Producing Sectors	64.2	66.8	2.6	4.0
Mining, Logging, & Construction	30.1	33.6	3.5	11.6
Manufacturing	34.1	33.2	-0.9	-2.6
Service-Providing Sectors	440.0	448.7	8.7	2.0
Wholesale & Retail Trade	70.4	69.0	-1.4	-2.0
Transportation & Utilities	25.5	26.8	1.3	5.1
Information	11.2	10.9	-0.3	-2.7
Financial Activities	45.2	45.9	0.7	1.5
Professional & Business Services	72.5	76.4	3.9	5.4
Education & Health Services	80.0	81.1	1.1	1.4
Leisure & Hospitality	52.9	53.7	0.8	1.5
Other Services	18.2	18.4	0.2	1.1
Government	64.2	66.5	2.3	3.6
	(Percent)	(Percent)		
Unemployment Rate	3.0	3.2		

Note: Numbers may not add to totals due to rounding.
Source: U.S. Bureau of Labor Statistics



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shipments were down 9 percent during the first 5 months of 2019, compared with the same time period in 2018 (Moody's Analytics).

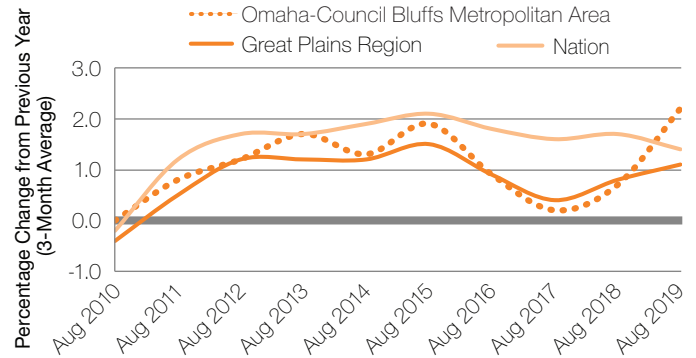
- The unemployment rate averaged 3.2 percent compared with 3.0 percent during the 3 months ending August 2018.

Tourism is an important industry in the metropolitan area. The city of Omaha has played host to the annual NCAA College World Series (CWS) since 1950. The most recent economic impact study done by the University of Nebraska in 2016 found the event brought in an estimated \$70 million over the 2-week period, up from \$64 million in 2015. CWS is estimated to attract upwards of 360,000 visitors annually, creating more than 800 full-time jobs. During the 3 months ending August 2019, leisure and hospitality sector payrolls, which includes many jobs in the tourism industry, increased by 800 jobs, or 1.5 percent, to 53,700 jobs. By comparison, the sector added 300 jobs, or 0.5 percent, from the 3 months ending August 2017 to the 3 months ending August 2018. There are several ongoing projects in the metropolitan area that have the potential to positively impact job growth in the sector. The \$300 million Riverfront Revitalization project in the cities of Omaha and Council Bluffs, which aims to improve the waterfront with parks, retail, and restaurants on both sides of the Missouri River, is expected to be completed in 2024. In the city of La Vista, a new indoor/outdoor music venue, which is part of a \$200 million city center redevelopment project, is expected to be completed in 2021.

Sales Market Conditions

Sales housing market conditions in the Omaha-Council Bluffs metropolitan area are currently tight, with an estimated sales vacancy rate of 1.0 percent, down from 1.9 percent in 2010. Limited new home construction coupled with steady population growth have contributed to significant absorption of inventory since the early 2010s. Largely due to a shortage of available for-sale inventory, new and existing home sales declined during the past year while prices continued to increase. As of August 2019, a 1.4-month supply of homes was available for sale, down from 1.7 months of supply year ago, and a fraction of the recent high of 9.4-months' supply in February 2011 (Redfin). In July 2019, 1.0 percent of home loans in the metropolitan area were seriously delinquent (90 or more days delinquent or in foreclosure) or had transitioned into real estate owned (REO) status, unchanged from a year ago. The rate has declined in all but 1 year since reaching a high of 4.0 percent in December 2009. The current rate is slightly higher than the 0.9-percent rate for Nebraska, but lower than the 1.4-percent rate for the nation. Nebraska counties have accounted

Nonfarm payroll growth in the Omaha-Council Bluffs metropolitan area exceeded the rate for the nation during the past year, after trailing for much of the decade.



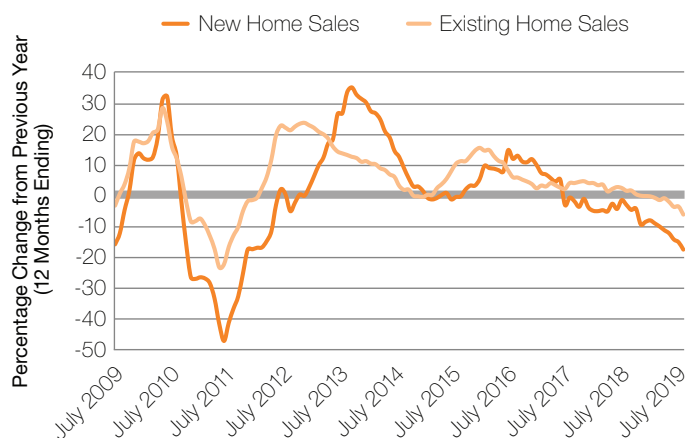
Note: Nonfarm payroll job growth. Source: U.S. Bureau of Labor Statistics

Largest Employers in the Omaha-Council Bluffs Metropolitan Area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Offutt Air Force Base (active-duty military and civilian employees)	Government	16,750
Nebraska Medical Center	Education & Health Services	9,666
University of Nebraska Medical Center	Government	9,000

Note: The 7,975 active-duty military at Offutt Air Force Base are not included in nonfarm payrolls. Sources: Moody's Analytics; Offutt Air Force Base

New and existing home sales declined in the Omaha-Council Bluffs metropolitan area during the past year.



Note: New and existing home sales include single-family homes, townhomes, and condominiums. Source: CoreLogic, Inc., with adjustments by the analyst

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for just under 90 percent of all home sales in the metropolitan area since 2010, down from 94 percent from 2000 through 2009 (CoreLogic, Inc., with adjustments by the analyst). Pottawattamie County, which includes the city of Council Bluffs, has accounted for much of the shift, largely because of the lower home sales prices in the county relative to the other two. Approximately 9 percent of all homes sales in the metropolitan area have occurred in the county since 2010, up from 5 percent during 2000 through 2009.

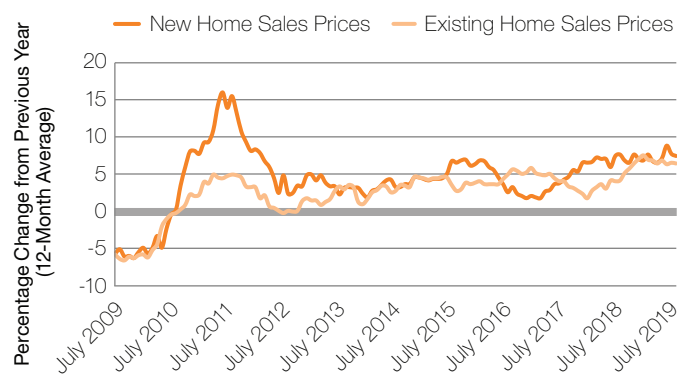
During the 12 months ending July 2019—

- Approximately 20,600 new and existing homes (hereafter, homes) sold, down almost 8 percent from a year ago, following a modest increase during the previous 12-month period. By comparison, home sales increased at an average annual rate of 10 percent from 2012 through 2016.
- The average home sales price was \$203,100, up nearly 6 percent from a year ago, marking the strongest July year-over-year price growth since 2002. Following 2 years of declines as a result of the Great Recession, the average home sales price increased at an average annual rate of 3 percent from 2010 through 2017.
- Approximately 53 percent of all home sales in the metropolitan area were in Douglas County where the average new home sales price was \$205,400, up 6 percent from a year ago.
- Approximately 1,850 homes sold in Pottawattamie County, which includes the city of Council Bluffs, down 1 percent from a year ago. The average sales price in the county increased 5 percent to \$159,200.

Largely in response to continued sales price appreciation, new home construction, as measured by the number of sales units permitted, increased during the past year.

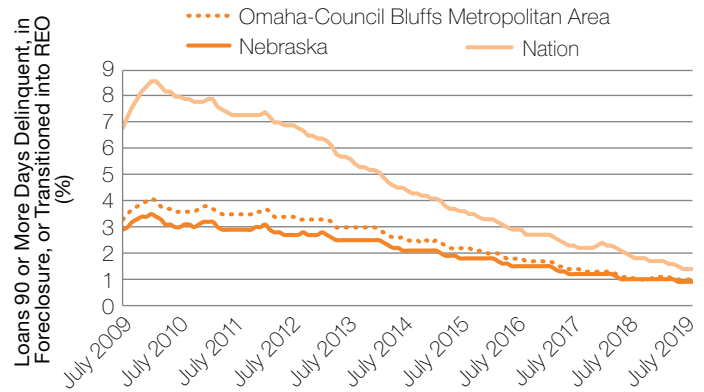
- During the 12 months ending August 2019, 3,050 sales units were permitted, up 9 percent from the 2,800 sales units permitted during the 12 months ending August 2018 (preliminary data).

Home sales prices have risen in the Omaha-Council Bluffs metropolitan area since mid-2010.



Note: New and existing home sales include single-family homes, townhomes, and condominiums.
Source: CoreLogic, Inc., with adjustments by the analyst.

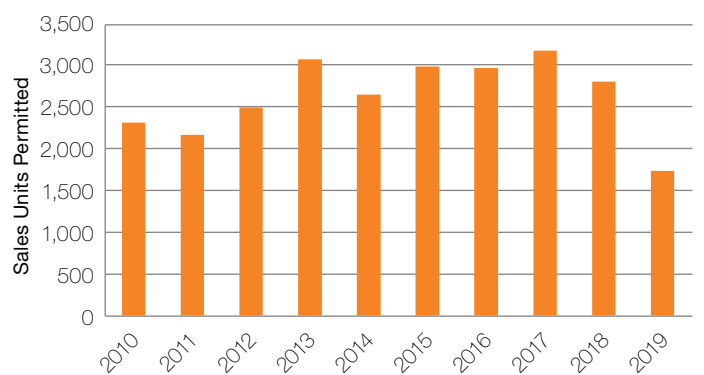
The rate of delinquent loans in the Omaha-Council Bluffs metropolitan area has been consistently below that of the nation.



REO = real estate owned.
Source: CoreLogic, Inc.

- Current new home production is higher than the average of 2,325 sales units permitted annually from 2010 through 2012 before the housing market recovered, but below the average of 4,675 homes permitted a year from 2000 through 2007 prior to the Great Recession.
- Although Iowa has captured a relatively large share of home sales in the metropolitan area since 2010, the reverse is true for sales permitting activity. From 2000 through 2009, 9 percent of new home construction in the metropolitan area occurred in Iowa, compared with 6 percent from 2010 through 2018.
- The new home subdivisions with the most new home sales in the metropolitan area year-to-date, both in Nebraska, are Highland Hills in Douglas County, which reported 65 new home sales with a median sales price of \$285,600, and Whitetail Creek in Sarpy County, with 53 new home sales and a median sales price of \$269,400 (Metrostudy, A Hanley Wood Company).

Sales permitting activity in the Omaha-Council Bluffs area has been relatively stable since 2013.



Note: Includes preliminary data from January 2019 through July 2019.
Source: U.S. Census Bureau, Building Permits Survey, with adjustments by the analyst



Apartment Market Conditions

Apartment market conditions in the metropolitan area are currently slightly tight, with a 4.0-percent vacancy rate during the second quarter of 2019 compared with 4.1 percent during the second quarter of 2018 (RealPage, Inc.). Apartment market conditions have been generally balanced to tight in the metropolitan area since the early 2000s, despite two recessions. A relatively consistent supply of new units has kept pace with the moderate but steady population growth, helping to insulate the market from extreme fluctuations.

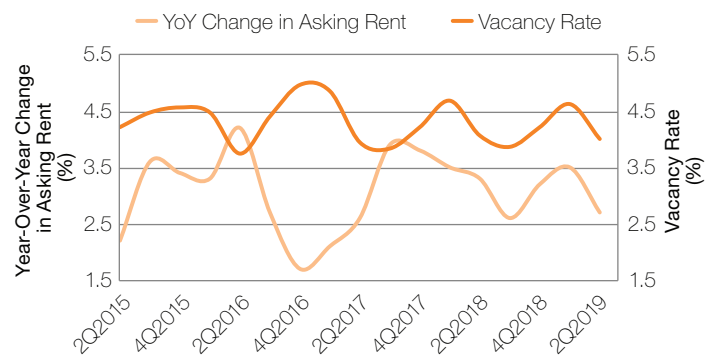
During the second quarter of 2019—

- Apartment vacancy rates declined or remained stable in four of the six RealPage, Inc.-defined market areas in the metropolitan area compared with rates during the second quarter of 2018. The lowest rate was in the South Omaha market area at 3.0 percent, unchanged from a year ago. The Central Omaha and West Omaha market areas had the highest rates, both at 4.6 percent, up from 3.2 and 4.4 percent a year ago, respectively.
- The average asking rent in the metropolitan area increased 3 percent to \$911 compared with a year ago, consistent with the 3-percent average annual rent growth from the second quarter of 2014 to the second quarter of 2018.
- Rent growth occurred in all market areas compared with a year ago. The largest increase was 5 percent in the Sarpy County market area, where the average rent rose to \$905. The smallest increase, 1 percent, occurred in both the South and West Omaha areas, where average rents were \$877 and \$955, respectively.
- The highest asking rent was \$974 in the Central Omaha market area, up 3 percent from a year ago. Significant new apartment construction has contributed to the relatively high rents in the market area, which has accounted for nearly 40 percent of the approximately 11,700 new apartment units built in the metropolitan area since the second quarter of 2014.

Apartment construction activity, as measured by the number of rental units permitted, in the Omaha-Council Bluffs metropolitan area declined during the past year but remained at relatively high levels. During the 12 months ending August 2019, 2,050 units were permitted, down 16 percent from the 2,450 units permitted a year earlier (preliminary data, with adjustments by the analyst).

- Apartment construction averaged 1,175 units annually from 2000 through 2008. Construction activity slowed sharply for 1 year, declining to 380 units in 2009 but rebounded quickly to an average of 1,250 units annually from 2010 through 2012. Approximately 2,050 apartment units were built annually from 2013 through 2018.
- Douglas County accounted for approximately 60 percent of all apartment construction in the metropolitan area from 2000 through 2009. Consistent with population growth trends, that share increased to over 80 percent from 2010 through 2018.

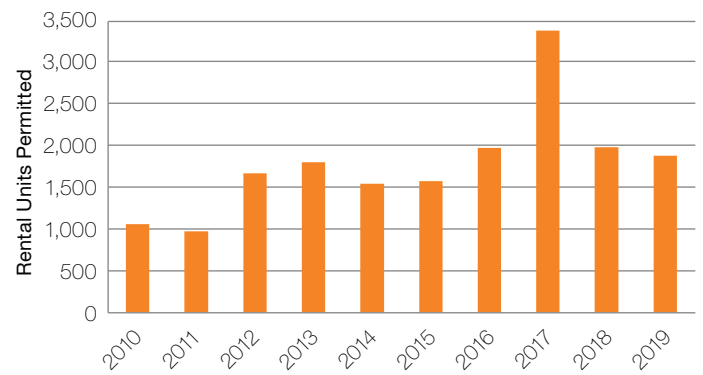
The apartment vacancy rate in the Omaha-Council Bluffs metropolitan area has been relatively stable since the mid-2010s, while the average asking rent has consistently increased.



2Q = second quarter. 4Q = fourth quarter. YoY = year-over-year. Source: RealPage, Inc.

- An estimated 3,175 apartments are currently under construction in the metropolitan area, with development heavily concentrated in the most populous counties. More than 60 percent of the units currently under construction are in Douglas County, with 33 percent in Sarpy County, and nearly all the remaining units in Pottawattamie County.
- The largest apartment complex to open in the metropolitan area in recent years was Atlas Apartments, an old hospital which was converted to 732 apartment units in the city of Omaha. The first phase of the property began leasing in 2018, and phase two was completed in July 2019. The property has a current occupancy rate of 94 percent with rents starting at \$875, \$1,030, \$1,850, and \$2,150 for one-, two-, three-, and four-bedroom units, respectively.

In the Omaha-Council Bluffs metropolitan area, 2017 was a peak year for rental permitting activity.



Note: Includes preliminary data from January 2019 through July 2019. Source: U.S. Census Bureau, Building Permits Survey, with adjustments by the analyst

