

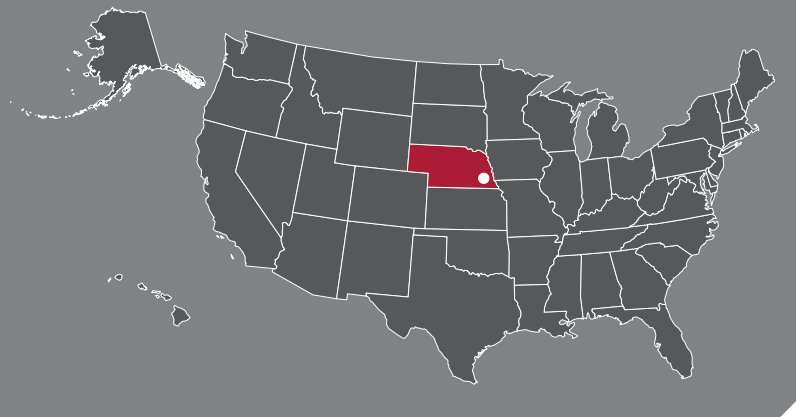
# HUD PD&R Housing Market Profiles

## Lincoln, Nebraska



### Quick Facts About Lincoln

- Current sales market conditions: tight but easing
- Current apartment market conditions: tight
- The city of Lincoln is a thriving college town, home to the University of Nebraska–Lincoln (UNL). UNL had an annual economic impact of \$2.9 billion in the state of Nebraska (The Economic Impact of the University of Nebraska System, 2021) and employed more than 5,000 faculty and staff in 2021.



By Heather Jones | As of August 1, 2023

### Overview

The Lincoln Metropolitan Statistical Area (hereafter, Lincoln metropolitan area) includes Lancaster and Seward Counties in southeast Nebraska, 50 miles southwest of Omaha. The city of Lincoln is the state capital, and state government employees, including those at UNL, accounted for nearly 12 percent of all nonfarm payrolls in the metropolitan area during the 3 months ending July 2023. UNL is the flagship campus of the University of Nebraska System (University of Nebraska–Lincoln). Campus operations generate \$77.0 million a year in state and local tax revenue and support 23,400 direct and indirect jobs in the community.

- As of August 1, 2023, the estimated population of the Lincoln metropolitan area is 346,300, up by an average of 1,825, or 0.5 percent, annually since 2020. By comparison, population growth averaged 3,250 people, or 1.0 percent, each year from 2015 to 2020 (U.S. Census Bureau population estimates as of July 1 and estimates by the analyst).
- Net in-migration has averaged 450 people a year since 2020, down from an average of 1,475 people annually from

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2015 to 2020. Much of this decrease can be attributed to lower in-migration during the COVID-19 pandemic, including 2 years of net out-migration averaging 210 people annually from 2020 to 2022.

- Net natural change has averaged 1,375 people annually since 2020, down from an average of 1,775 people a year from 2015 to 2020, partially due to increased deaths related to COVID-19.

## Economic Conditions

Economic conditions in the Lincoln metropolitan area have improved since the 2020 national recession, and payrolls only recently fully recovered from the impact of losses associated with the COVID-19 pandemic. As of the 3 months ending July 2023, nonfarm payrolls in the metropolitan area were 600 jobs, or 0.3 percent, above the average during the 3 months ending July 2019. Six sectors have fully recovered from the recession, with the strongest recovery in the mining, logging, and construction sector, which averaged 11,300 jobs during the 3 months ending July 2023, up 15.3 percent from 9,800 jobs during the 3 months ending July 2019. Five sectors have yet to surpass prepandemic levels, including the financial activities sector, which averaged 10,700 jobs during the 3 months ending July 2023, or 17.1 percent below the average of 12,900 jobs during the 3 months ending July 2019. Before the COVID-19 pandemic, nonfarm payrolls in the Lincoln metropolitan area grew an average of 1,750 jobs, or 1.0 percent, annually from the 3 months ending July 2015 through the 3 months ending July 2019.

As of the 3 months ending July 2023—

- Nonfarm payrolls averaged 192,800 jobs in the metropolitan area, an increase of 4,500 jobs, or 2.4 percent, compared

with the same period a year ago. By comparison, nonfarm payrolls rose 2.4 percent nationally during the same period.

- Eight of the 11 nonfarm payroll sectors added jobs in the Lincoln metropolitan area, with the fastest growth in the leisure and hospitality sector, which rose by 1,600 jobs, or 9.0 percent, from the previous year. The strong gains in this sector, the hardest hit during the 2020 national recession, were partially due to the continued recovery from measures implemented during the pandemic to slow the spread of the disease.
- The mining, logging, and construction sector rose by 400 jobs, 3.7 percent, with the increase occurring entirely in the construction subsector. Commercial and residential construction has increased in the Lincoln metropolitan area, including new speculative warehouse space, additional healthcare facilities, new student housing, and multifamily units.
- The professional and business services sector fell by 1,600 jobs, or 7.7 percent. Before the 2020 national recession, the sector rose an average of 500 jobs, or 2.5 percent, annually from the 3 months ending July 2012 through the 3 months ending July 2019.

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### All but three payroll sectors added jobs in the Lincoln metropolitan area during the 3 months ending July 2023.

	3 Months Ending		Year-Over-Year Change	
	July 2022 (Thousands)	July 2023 (Thousands)	Absolute (Thousands)	Percent
<b>Total Nonfarm Payrolls</b>	188.3	192.8	4.5	2.4
Goods-Producing Sectors	25.4	26.1	0.7	2.8
Mining, Logging, & Construction	10.9	11.3	0.4	3.7
Manufacturing	14.5	14.9	0.4	2.8
Service-Providing Sectors	162.9	166.7	3.8	2.3
Wholesale & Retail Trade	22.4	22.2	-0.2	-0.9
Transportation & Utilities	10.4	10.8	0.4	3.8
Information	3.6	3.7	0.1	2.8
Financial Activities	10.8	10.7	-0.1	-0.9
Professional & Business Services	20.9	19.3	-1.6	-7.7
Education & Health Services	29.6	31.8	2.2	7.4
Leisure & Hospitality	17.8	19.4	1.6	9.0
Other Services	7.2	7.5	0.3	4.2
Government	40.2	41.3	1.1	2.7
<b>Unemployment Rate</b>	2.3%	2.2%		

Note: Numbers may not add to totals due to rounding.

Source: U.S. Bureau of Labor Statistics



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- The government sector, the largest sector in the metropolitan area, rose by 1,100 jobs, or 2.7 percent, to 41,300 jobs. Most of the increase was in the state government subsector, which includes UNL employees.
- The unemployment rate averaged 2.2 percent, down from 2.3 percent a year ago and less than one-half of the 5.7-percent rate during the same period in 2020. Strong gains in resident employment outpaced growth in the labor force, contributing to the declining unemployment rate.

The education and health services sector is the second largest sector in the Lincoln metropolitan area, with 31,800 employees. Employment in this sector decreased during the COVID-19 pandemic but has since resumed the trend of job gains seen during the previous decade. From 2012 through 2019, the education and health services sector added an average of 500 jobs, or 1.7 percent, annually, followed by a decline of 700 jobs, or 2.3 percent, during 2020. From 2021 through 2022, the sector increased at an average rate of 100 jobs, or 0.3 percent, a year. During the 3 months ending July 2023, the education and health services sector rose by 2,200 jobs, or 7.4 percent, the second fastest rate of growth in the metropolitan area. The website Livability ranked the city of Lincoln eighth on their Best Cities for Affordable Healthcare list, with residents spending an average of 12 percent less on healthcare costs each year compared with the national average; the website cited the great number of healthcare facilities in the area as allowing for more choice in healthcare services for residents.

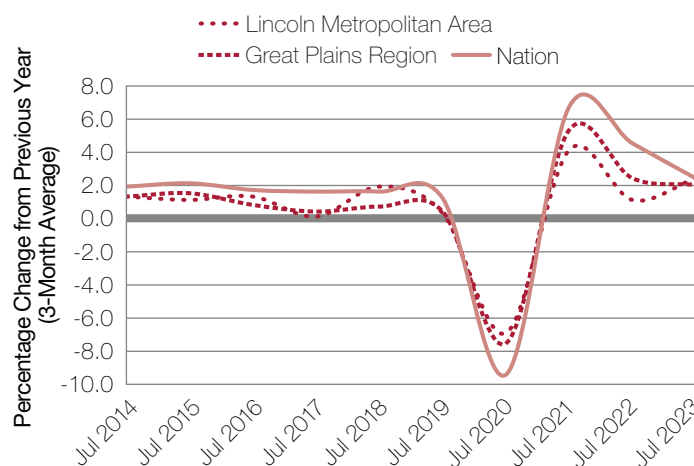
## Sales Market Conditions

The home sales market in the Lincoln metropolitan area is tight but easing. The sales vacancy rate is currently estimated at 0.9 percent, down from 1.0 percent in 2020. Although the vacancy rate has decreased during the past few years, other indicators more recently suggest that the market is starting to ease. In July 2023, the number of available homes for sale represented a 1.5-month supply, up from 1.2 months in July 2022 and a 0.9-month supply in July 2021 (Redfin, a national real estate brokerage). Contributing to the recent increase in inventory was a sharp decline in home sales caused by rising mortgage rates. The average interest rate for a 30-year fixed-rate mortgage reached 6.8 percent during July 2023, compared with average rates of 3.1 and 3.0 percent during 2020 and 2021, respectively, the two lowest average annual rates during the past 50 years (Freddie Mac).

- Existing home sales totaled 5,175 homes during the 12 months ending July 2023, a 25-percent decrease from the

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**Nonfarm payroll growth in the Lincoln metropolitan area during the 3 months ending July 2023 was faster than in the Great Plains region and the same as in the nation.**



Source: U.S. Bureau of Labor Statistics

## Largest Employers in the Lincoln Metropolitan Area

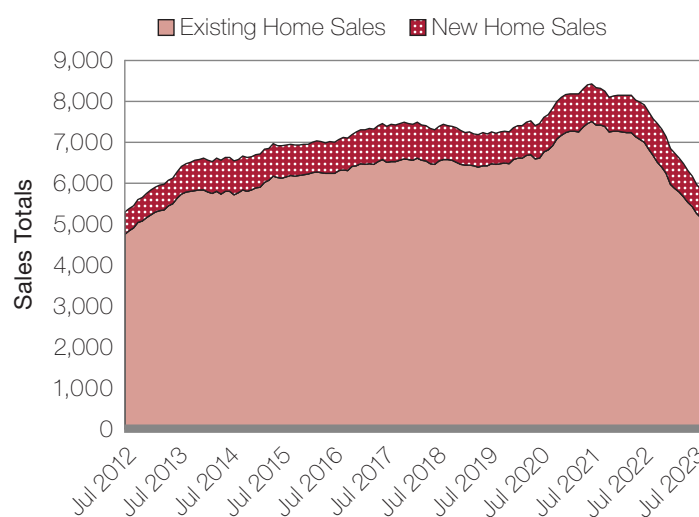
Name of Employer	Nonfarm Payroll Sector	Number of Employees
State of Nebraska	Government	10,000
University of Nebraska	Government	5,000–7,500
B&R Stores, Inc.	Wholesale & Retail Trade	2,500–4,999

\*Data exclude employment at the University of Nebraska–Lincoln.

Note: Excludes local school districts.

Source: Lincoln Partnership for Economic Development

**New and existing home sales declined in the Lincoln metropolitan area during the 12 months ending July 2023.**



Note: Sales are for single-family homes, townhomes, and condominiums.

Source: CoreLogic, Inc., with adjustments by the analyst



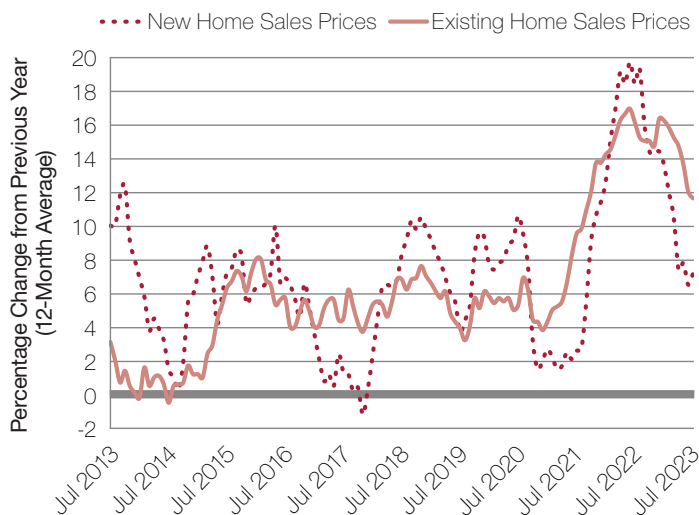
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12 months ending July 2022. Declining levels of for-sale inventory and a 12-percent increase in the average home sales price of an existing home to \$283,700 contributed to the decline in the number of sales.

- New home sales decreased 23 percent from 910 homes during the 12 months ending July 2022 to 700 homes, and the average new home sales price rose 7 percent to \$419,200 during the past year.
- As of July 2023, 0.6 percent of home loans in the Lincoln metropolitan area were seriously delinquent (90 or more days delinquent or in foreclosure) or in real estate owned (REO) status, down from 0.8 percent in July 2022 and below the 2.1-percent rate in July 2020 (CoreLogic, Inc.). The elevated rate during 2020 partly reflected an increase in the number of loans in forbearance because the economic contraction during the COVID-19 pandemic made it more difficult for some homeowners to stay current on their mortgage payments. The July 2023 rate for the metropolitan area was below both the 0.8-percent rate for Nebraska and the 1.0-percent rate for the nation.

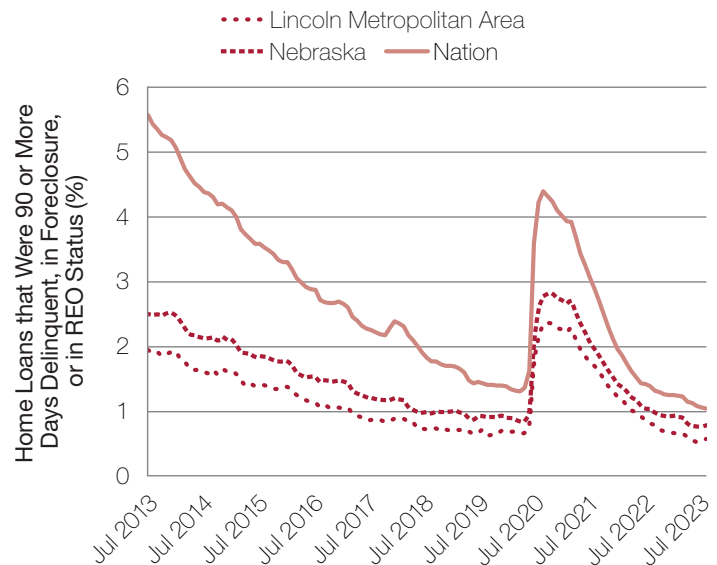
Single-family sales construction activity in the Lincoln metropolitan area, as measured by the number of homes permitted, reached a peak of 1,375 units in 2021, the greatest number of homes permitted since 2010. Production has begun to decline slightly since the peak because higher prices and lower inventory have reduced demand. The decrease in homebuilding corresponds to the sharp drop in sales demand during the past year in response to rising mortgage rates.

**Sales price growth of single-family homes, townhomes, and condominiums slowed in the Lincoln metropolitan area during the 12 months ending July 2023.**



Note: Prices are for single-family homes, townhomes, and condominiums.  
Source: CoreLogic, Inc., with adjustments by the analyst

**After briefly rising during 2020 and 2021, the percentage of seriously delinquent mortgages and REO properties in the Lincoln metropolitan area fell below 2019 levels.**

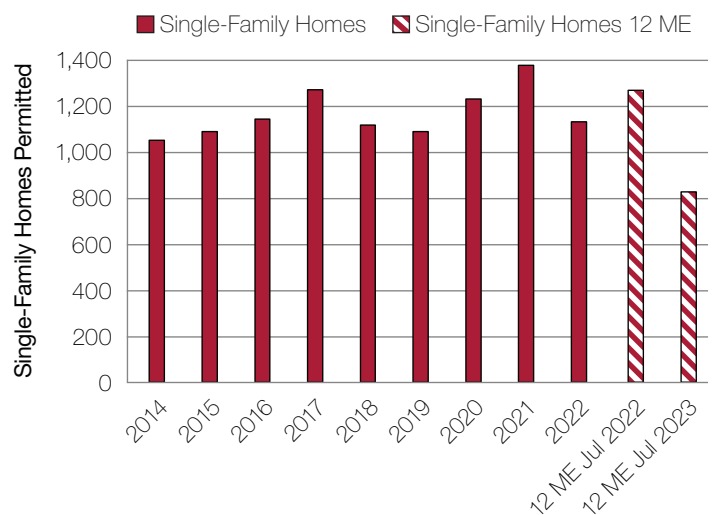


REO = real estate owned.  
Source: CoreLogic, Inc.

- Approximately 830 single-family homes were permitted during the 12 months ending July 2023, down 35 percent from the previous 12 months (preliminary data).
- Following a low of 650 homes permitted in 2010, the number of homes permitted in the Lincoln metropolitan area increased

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**The number of single-family homes permitted in the Lincoln metropolitan area declined during 2022 after peaking in 2021.**



12 ME = 12 months ending.

Sources: U.S. Census Bureau, Building Permits Survey; 2014–22—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

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during 8 of the next 12 years, reaching a high of 1,375 homes in 2021 before declining 18 percent to 1,125 homes permitted in 2022.

- Almost all the recent development has occurred around the city of Lincoln, with new single-family communities being

constructed along the east side of Lancaster County and along the Interstate 80 corridor toward the city of Omaha.

- Dominion at Stevens Creek subdivision, located at South 110th and O streets in the city of Lincoln, is a new single-family subdivision. Home prices start at \$300,000.

## Apartment Market Conditions

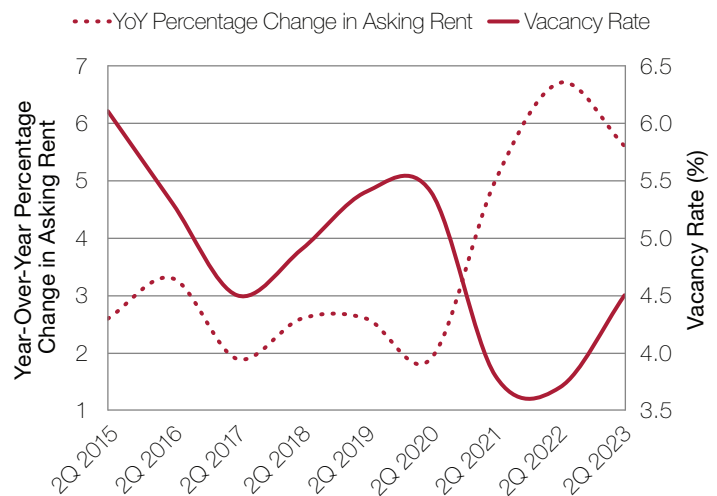
Apartment market conditions are tight in the Lincoln metropolitan area, and relatively strong renter household growth has contributed to rising rents and low vacancy rates since the early-2010s. Most new multifamily construction is occurring in the downtown Lincoln area, including senior and student apartments. Market conditions have continued to tighten since the mid-2010s, although the number of apartment units entering the market has generally trended upward.

- The apartment vacancy rate in the metropolitan area was 4.5 percent during the second quarter of 2023, up from 3.7 percent a year earlier (CoStar Group). The apartment vacancy rate rose to 5.4 percent during the second quarter of 2019 before decreasing to 3.8 percent in the second quarter of 2021.
- The average rent in the metropolitan area increased to \$1,107 during the second quarter of 2023, a 6-percent increase from the previous year. The average rent increased 7 percent between the second quarter of 2021 and the second quarter of 2022, the fastest annual rent growth of any quarter in at least the past 20 years.
- Apartment rents rose an average of 2 percent each year between the second quarters of 2017 and 2020. In the second quarter of 2021, rent growth accelerated, rising 5 percent.
- Among the approximately 23,800 students enrolled at UNL during the fall of 2022, an estimated 11,900 lived off campus (*U.S. News and World Report*, 2022) and made up an estimated 7 percent of all renter households. The vacancy rate among student apartment rental properties was estimated at 8.5 percent as of the second quarter of 2023, down from 14.2 percent a year earlier (CoStar Group).

Construction of new rental units, as measured by rental units permitted (primarily apartments), fluctuated during the 2010s decade, ranging from a high of 1,450 units permitted in 2015 to a low of 690 units permitted in 2018. Following the Great Recession, low levels of apartment construction contributed to tightening in the rental market because the population increased and the economy expanded. Accelerating net in-migration, including increased enrollment at UNL, has contributed to the rapid absorption of the new units.

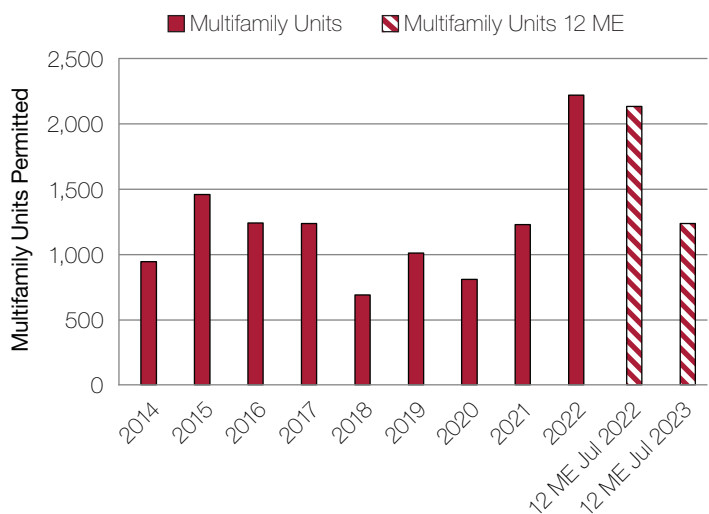
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The apartment vacancy rate in the Lincoln metropolitan area declined from 2020 through 2021, but it has since increased, whereas rent growth accelerated in 2021, only to decelerate during the past 12 months.



2Q = second quarter. YoY = year-over-year.  
Source: CoStar Group

Multifamily construction activity in the Lincoln metropolitan area during 2022 was at the highest level in at least the past two decades.



12 ME = 12 months ending.

Sources: U.S. Census Bureau, Building Permits Survey; 2014–22—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

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During the 12 months ending July 2023, approximately 1,225 multifamily units were permitted in the metropolitan area, down 42 percent from 2,125 units a year ago (preliminary data).

- An average of 930 units were permitted annually between 2018 and 2021. By comparison, an average of 1,300 units were permitted each year from 2015 through 2017.
- The first phase of Atmosphere Lincoln, a 320-unit student-focused apartment development, is expected to open in October 2023. The 13-story high-rise is located a block

south of UNL in downtown Lincoln. The average monthly rent is anticipated to be based on duration of stay, with the option for students to live in a studio or share up to a five-bedroom unit with peers.

- Union at Middle Creek, an affordable housing community, is nearing completion and is expected to open in the fall of 2023. The 192-unit development is designated for residents earning up to 60 percent of the metropolitan area median income. Average monthly rents start at \$1,020, \$1,224, and \$1,412 for one-, two-, and three-bedroom units, respectively.

## Terminology Definitions and Notes

### A. Definitions

Building Permits	Building permits do not necessarily reflect all residential building activity. Some units are constructed or created without a building permit or are issued a different type of building permit. For example, some units classified as commercial structures are not reflected in the residential building permits. As a result, the analyst, through diligent fieldwork, makes an estimate of this additional construction activity. Some of these estimates are included in the discussions of single-family and multifamily building permits.
Existing Home Sales	Includes resales, short sales, and real estate owned (REO) sales.
Home Sales/Home Sales Prices	Includes single-family home, townhome, and condominium sales.
Net Natural Change	Resident births minus resident deaths.
Seriously Delinquent Mortgages	Mortgages 90 or more days delinquent or in foreclosure.

### B. Notes on Geography

1.	The metropolitan statistical area definition noted in this report is based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated April 10, 2018.
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