

# Housing Market Profile

Great Plains • HUD Region VII



## Lincoln, Nebraska

The Lincoln metropolitan area, which consists of Lancaster and Seward Counties, is the second largest metropolitan area in Nebraska. Lancaster County, which includes the principal city of Lincoln, accounts for approximately 95 percent of the population in the metropolitan area. The largest private-sector employers in the metropolitan area are BryanLGH Health System and Saint Elizabeth Regional Medical Center, employing more than 2,500 people each, followed by Ameritas Life Insurance Corp., with approximately 1,600 employees. The city of Lincoln is the state capital and, as such, government-sector employment has a large impact on the local economy. As of January 1, 2012 the metropolitan area population is estimated at 307,500 reflecting an average annual increase of 3,000, or 1 percent, since April 1, 2010, which is less than the average annual increase of 3,500, or 1.2 percent, between 2005 and 2010.

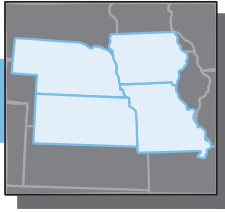
The city of Lincoln is also home to the University of Nebraska–Lincoln (UNL), which is the largest university in Nebraska. According to UNL, the 2011 fall semester enrollment of approximately 25,000 students indicates an average increase of 2.2 percent annually from 21,700 students in 2005. The university is expecting 3-percent annual enrollment growth for the next 5 years. Several large projects are under way at UNL, including the \$80 million Nebraska Innovation Campus that focuses on developing technology products or services. This public-private research campus consists of four buildings that will be completed by April 2013.

Economic conditions in the Lincoln metropolitan area have improved during the past year after experiencing a 2-year downturn. During the 12 months ending November 2011, nonfarm payrolls increased by 3,200 jobs, or 1.9 percent, to a total of 173,800 jobs compared with a loss of 1,500 jobs, or 0.9 percent, during the previous 12 months. The largest increase occurred in the professional and business services sector, which added 1,600 jobs, or 8.8 percent, during the past 12 months. The leisure and hospitality and retail trade sectors added 600 and 700 jobs, increases of 4.0 and 3.8 percent, respectively. The government sector, which is the largest sector and accounts for 22 percent of total nonfarm payroll jobs in the metropolitan area, decreased by 100 jobs, or 0.3 percent, during the past 12 months because of reductions in the local government workforce.

Although farming is not a major source of employment in the metropolitan area, the surrounding counties have significant amounts of agricultural production, and the recent increases in farm commodity prices have had a profound impact on the local economy. The Nebraska Business Forecast Council estimates that statewide farm income will total \$5.4 billion for 2011, a 35-percent increase compared with farm income in 2010. Farm income affects the local economy, because farms from the surrounding agricultural areas make many farm-supply and equipment purchases in the city of Lincoln. World's Foremost Bank, a subsidiary of Cabela's, Inc., has announced expansion plans that would add 400 employees to its corporate offices by the spring of 2012. During the 12 months ending November, 2011, the unemployment rate in the metropolitan area averaged 3.8 percent, which is an improvement from the 4.3-percent average during the previous 12 months.

Sales housing market conditions in the metropolitan area are currently balanced. Based on data from Hanley Wood, LLC, during the 12 months ending October 2011, new and existing home sales decreased by 9 percent, to 2,650 homes, compared with the number of homes sold during the previous 12 months. During the 12 months ending October 2011, home sales were down approximately 35 percent from an average of 4,050 homes sold annually from 2005 through 2009. During the 12 months ending October 2011, the average new home sales price increased by nearly 4 percent, to \$209,000, but the average existing home sales price decreased by 4 percent, to \$155,450, compared with prices during the previous 12 months. Single-family home construction, as measured by the number of permits issued, has declined recently. Based on preliminary data, 540 single-family home permits were issued during the 12 months ending October 2011, down 7 percent from the 590 permits issued in the previous 12 months. In comparison, from 2004 through 2008, an average of 1,300 homes was permitted each year.

Rental housing market conditions in the Lincoln metropolitan area are currently balanced. The vacancy rate for all rental units declined from 7.7 percent in April 2010 to the current estimated 7-percent rate. Based on data from Reis, Inc., the apartment market is currently tight, with an estimated 3-percent vacancy rate for the third quarter of 2011, down from 3.5 percent during the same quarter a year earlier. Current average rents for one-, two-, and three-bedroom apartments are \$576, \$692, and \$917, respectively. Average rents were unchanged compared with the third quarter of 2010. Students account for an estimated 12,000 renter



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U.S. Housing Market Conditions  
4th Quarter 2011

households, or 26 percent of total renter households, in the metropolitan area. Based on preliminary data, during the 12 months ending October 2011, 320 multifamily units were permitted compared with only 90 units

permitted in the previous 12 months and an average of 300 units permitted annually from 2004 through 2008. The decline in building activity in 2009 contributed to the recent drop in the rental vacancy rate.