

COMPREHENSIVE HOUSING MARKET ANALYSIS

Lincoln, Nebraska

U.S. Department of Housing and Urban Development,
Office of Policy Development and Research

As of August 1, 2023



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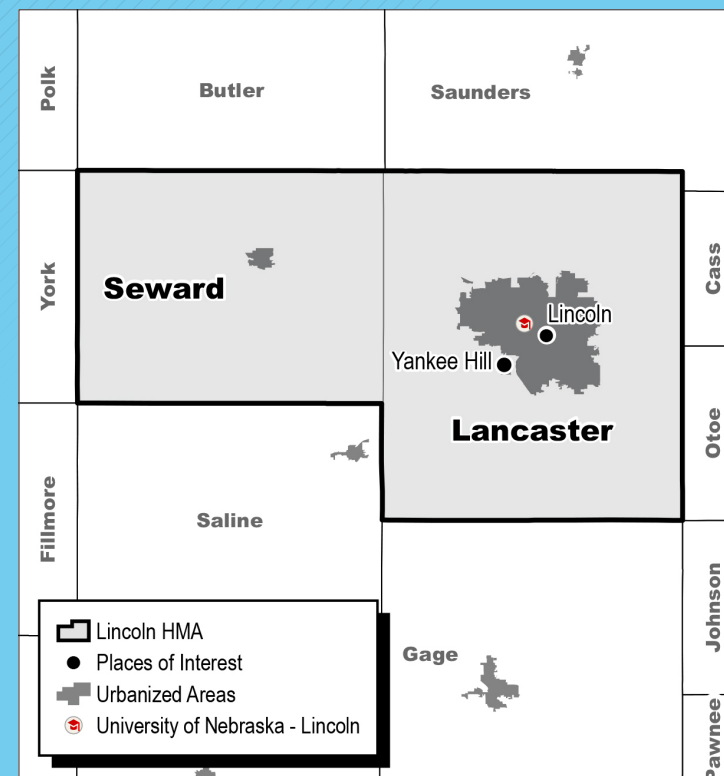
Executive Summary

Housing Market Area Description

The Lincoln Housing Market Area (hereafter, Lincoln HMA) is coterminous with the Lincoln, NE Metropolitan Statistical Area (MSA) and includes Lancaster and Seward Counties in southeastern Nebraska, 50 miles southwest of Omaha. The city of Lincoln is home to the state capital, and the state government subsector accounted for nearly 12 percent of all nonfarm payrolls in the metropolitan area during the 12 months ending July 2023.

The current population of the HMA is estimated at 346,300.

The city of Lincoln is also home to the University of Nebraska-Lincoln (UNL). During the fall of 2022, the university had an enrollment of approximately 23,800. UNL had an annual economic impact of \$2.9 billion in the state of Nebraska and employed more than 5,000 faculty and staff in 2021 (Tripp Umbach Economic Impact, 2021).



Tools and Resources

Find interim updates for this metropolitan area, and select geographies nationally, at PD&R's [Market-at-a-Glance tool](#).

Additional data for the HMA can be found in this report's [supplemental tables](#).

For information on HUD-supported activity in this area, see the [Community Assessment Reporting Tool](#).

Market Qualifiers

Economy



Moderately Strong: The unemployment rate averaged 2.1 percent during the 12 months ending July 2023, the same as the previous year and down from 3.1 percent during the 12 months ending July 2021.

Economic conditions in the Lincoln HMA were moderately strong during the 12 months ending July 2023, with a gain of 3,000 jobs, or 1.6 percent—the same rate as the previous year. Seven of the 11 payroll sectors added jobs during the past year. The three sectors with the highest rates of growth were the leisure and hospitality, which increased 6.9 percent, and the manufacturing, and the other services sectors, with each rising 4.2 percent. During the 3-year forecast period, payrolls are expected to increase at an average annual rate of 1.2 percent.

Sales Market



Tight but Easing: Average home sales prices increased 11 percent during the 12 months ending July 2023 compared with the previous 12 months (CoreLogic, Inc., with adjustments by the analyst).

Sales market conditions in the HMA are currently tight, with an estimated vacancy rate of 0.9 percent compared with 1.0 percent in 2020. During the 12 months ending July 2023, rising interest rates constrained existing and new home sales, which fell 25 and 24 percent, respectively, year over year (CoreLogic, Inc., with adjustments by the analyst). By comparison, existing home sales began to decrease during the 12 months ending July 2022, falling 8 percent year over year, and new home sales slowed to an increase of 1 percent. During the forecast period, demand is expected for 3,700 sales units, and the 500 units under construction will satisfy a portion of that demand.

Rental Market



Balanced: The rental vacancy rate is estimated at 6.0 percent as of August 1, 2023, down from 7.0 percent in 2020 when conditions were slightly soft.

The apartment market is tight, with an apartment vacancy rate of 4.6 percent during the second quarter of 2023, up from 3.7 percent a year earlier but below the 5.4-percent rate during the second quarter of 2020 (CoStar Group). During the past year, demand for rental units slowed as additions to the supply increased, causing the previously very tight market to ease. The average asking rent for an apartment as of the second quarter of 2023 was \$1,102, up 6 percent from a year ago. During the forecast period, demand is estimated for 3,400 new rental units. The 2,175 units under construction and the 320 units in planning are expected to satisfy a significant portion of the demand.

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| 3-Year Housing Demand Forecast | | | |
|--------------------------------|--------------------|-------|--------------|
| Lincoln HMA | Sales Units | | Rental Units |
| | Total Demand | 3,700 | 3,400 |
| | Under Construction | 500 | 2,175 |

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of August 1, 2023. The forecast period is August 1, 2023, to August 1, 2026.
Source: Estimates by the analyst



Economic Conditions

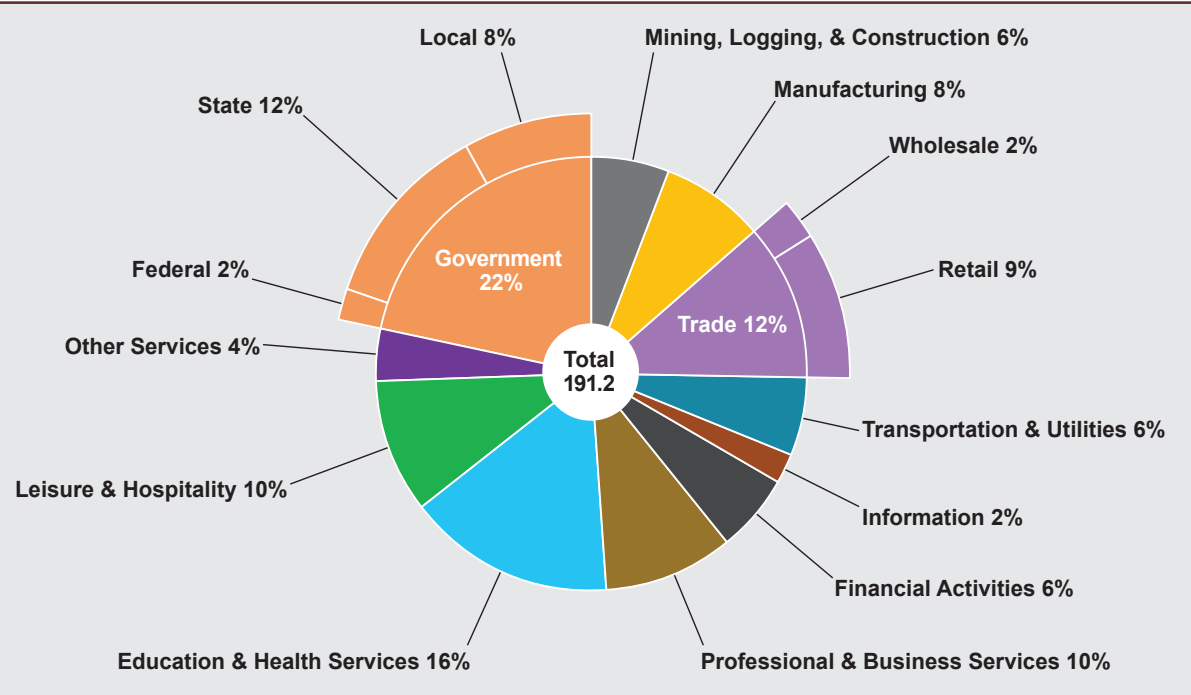
Largest Sector: Government

The government sector accounted for 22 percent of all nonfarm payroll jobs in the Lincoln HMA during the 12 months ending July 2023 and includes many jobs associated with the state capital and UNL.

Primary Local Economic Factors

The government sector provides economic stability in the HMA, accounting for 41,400 jobs, or 22 percent of total nonfarm payrolls, during the 12 months ending July 2023 (Figure 1). More than one-half of all jobs in the government sector are in the state government subsector. The largest employer in the HMA is the State of Nebraska, with 10,000 employees, not including those at UNL (Table 1). The state government subsector, the second largest sector or subsector in the HMA, after the education and health services sector, also includes UNL. 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 supported 23,400 direct and indirect jobs in the community during the period. In 2015, UNL and private research companies partnered to build the \$212 million Nebraska Innovation Campus (NIC). The NIC includes the UNL Food Science and Technology Department, which focuses on agricultural biotechnology and other life science research.

Figure 1. Share of Nonfarm Payroll Jobs in the Lincoln HMA, by Sector



Notes: Total nonfarm payroll is in thousands. Percentages may not add to 100 percent due to rounding. Based on 12-month averages through July 2023. Source: U.S. Bureau of Labor Statistics

Table 1. Major Employers in the Lincoln HMA

| Name of Employer | Nonfarm Payroll Sector | Number of Employees |
|--------------------------------|-----------------------------|---------------------|
| State of Nebraska | Government | 10,000 |
| University of Nebraska-Lincoln | Government | 5,000–7,500 |
| B&R Stores, Inc. | Wholesale & Retail Trade | 2,500–4,999 |
| Bryan Health | Education & Health Services | 2,500–4,999 |
| Nelnet, Inc. | Financial Activities | 2,500–4,999 |
| Ameritas Life Insurance Corp. | Financial Activities | 1,000–2,499 |
| BNSF Railway | Transportation & Utilities | 1,000–2,499 |
| City of Lincoln | Government | 1,000–2,499 |
| Duncan Aviation Inc. | Other Services | 1,000–2,499 |
| Hy-vee, Inc. | Wholesale & Retail Trade | 1,000–2,499 |

Note: Excludes local school districts. Source: Lincoln Partnership for Economic Development



Private companies focused on nutritional health research are also in the NIC, contributing to job growth in the education and health services sector.

The education and health services sector is the second largest in the HMA, accounting for 30,800 jobs during the 12 months ending July 2023 (Table 2). Seven private universities, with enrollments totaling approximately 10,000, contribute significantly to the sector; the largest are Concordia University, Nebraska, and Nebraska Wesleyan University. One of the largest employers in the metropolitan area, Bryan Health, is a not-for-profit healthcare organization operating an acute-care hospital, a college of health sciences, and several outpatient clinics. Livability.com 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 nation—citing the high number of healthcare facilities in the HMA, allowing for more choice in healthcare services.

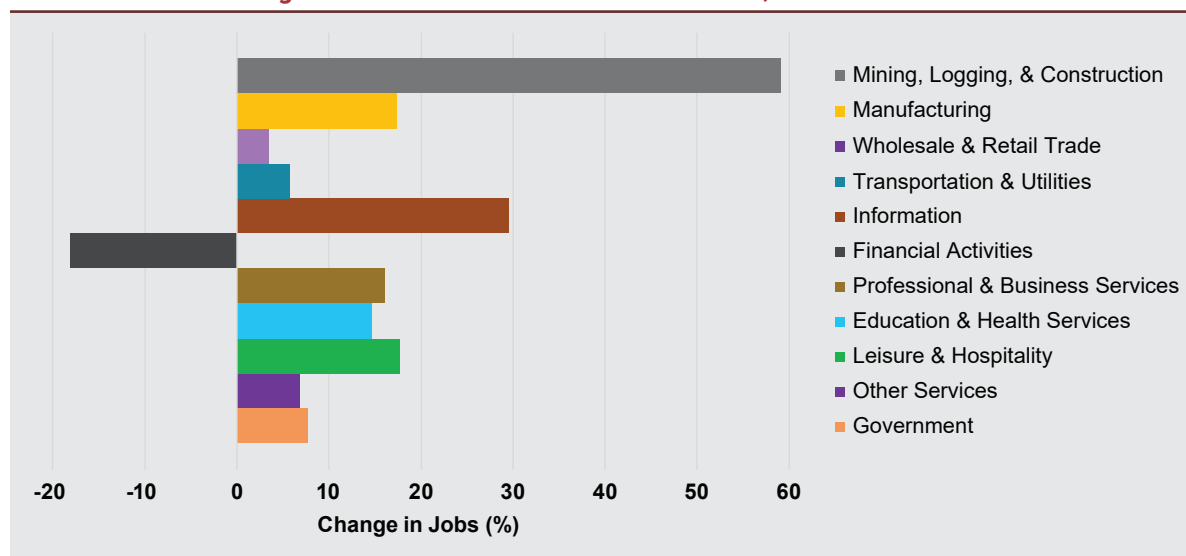
Other sectors contributing to job growth and stability in the region include the manufacturing and the mining, logging, and construction sectors, rising 4.2 and 2.9 percent, respectively, during the 12 months ending July 2023. The 59-percent growth in the mining, logging, and construction sector since 2011 is nearly double the 30-percent growth in the information sector, which was the second fastest growing sector during the period (Figure 2). The construction subsector contributed

Table 2. 12-Month Average Nonfarm Payroll Jobs (1,000s) in the Lincoln HMA, by Sector

| | 12 Months Ending July 2022 | 12 Months Ending July 2023 | Absolute Change | Percentage Change |
|-----------------------------------|-------------------------------|-------------------------------|-----------------|-------------------|
| Total Nonfarm Payroll Jobs | 188.2 | 191.2 | 3.0 | 1.6 |
| Goods-Producing Sectors | 24.6 | 25.6 | 1.0 | 4.1 |
| Mining, Logging, & Construction | 10.5 | 10.8 | 0.3 | 2.9 |
| Manufacturing | 14.2 | 14.8 | 0.6 | 4.2 |
| Service-Providing Sectors | 163.6 | 165.6 | 2.0 | 1.2 |
| Wholesale & Retail Trade | 22.7 | 22.5 | -0.2 | -0.9 |
| Transportation & Utilities | 10.5 | 10.8 | 0.3 | 2.9 |
| Information | 3.6 | 3.6 | 0.0 | 0.0 |
| Financial Activities | 10.9 | 10.7 | -0.2 | -1.8 |
| Professional & Business Services | 20.9 | 19.8 | -1.1 | -5.3 |
| Education & Health Services | 30.0 | 30.8 | 0.8 | 2.7 |
| Leisure & Hospitality | 17.4 | 18.6 | 1.2 | 6.9 |
| Other Services | 7.1 | 7.4 | 0.3 | 4.2 |
| Government | 40.5 | 41.4 | 0.9 | 2.2 |

Notes: Based on 12-month averages through July 2022 and July 2023. Numbers may not add to totals due to rounding. Data are in thousands.
Source: U.S. Bureau of Labor Statistics

Figure 2. Sector Growth in the Lincoln HMA, 2011 to Current



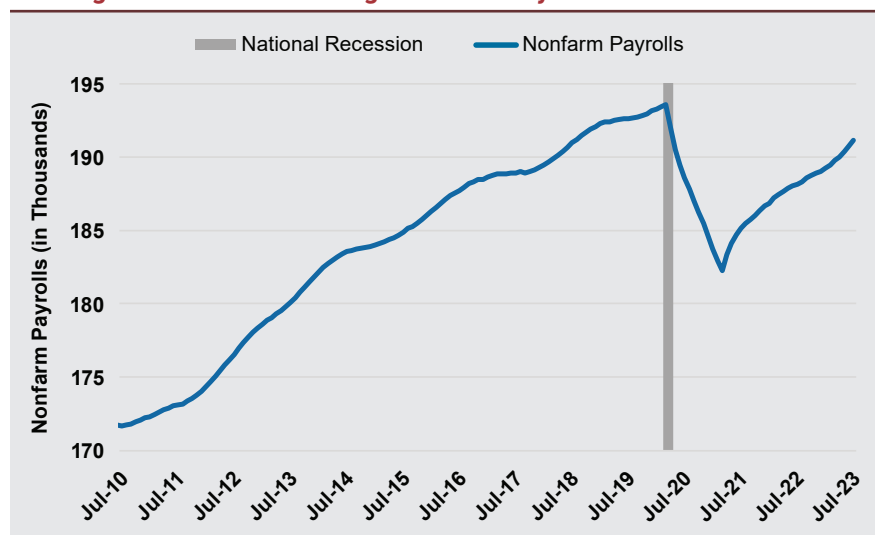
Note: The current date is August 1, 2023.
Source: U.S. Bureau of Labor Statistics

to growth in the mining, logging, and construction sector, as expansions in commercial, industrial, and residential real estate support construction jobs across the HMA.

Current Conditions—Nonfarm Payrolls

Economic conditions in the HMA have improved since the 2020 national recession, but payrolls have yet to fully recover from job losses associated with the COVID-19 pandemic. Nonfarm payrolls averaged 191,200 jobs in the 12 months ending July 2023, reflecting a 1.6-percent increase from 188,200 jobs during the previous 12 months, but are 1.0 percent below the prepandemic high of 193,100 in 2019 (Figure 3). The leisure and hospitality sector led growth during the past 12 months, adding 1,200 jobs, or 6.9 percent. Three sectors declined during the period: the professional and business services, the financial activities, and the wholesale and retail trade, which fell by 1,100, 200, and 200 jobs, or 5.3, 1.8, and 0.9 percent, respectively.

Figure 3. 12-Month Average Nonfarm Payrolls in the Lincoln HMA

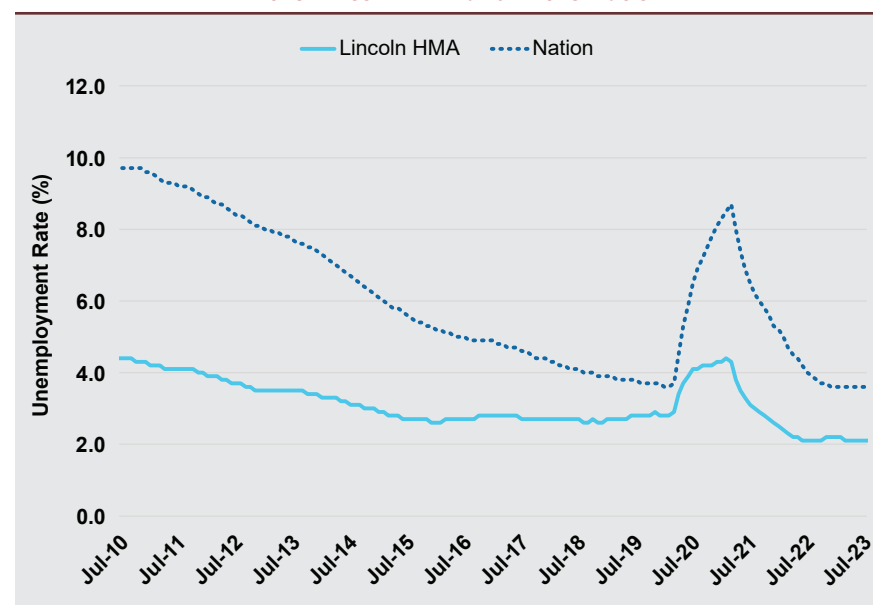


Note: 12-month moving average.
Sources: U.S. Bureau of Labor Statistics; National Bureau of Economic Research

Current Conditions—Unemployment

As the economy of the HMA weakened during 2020, the average unemployment rate increased. During 2020, the unemployment rate increased to 4.3 percent, up from 2.8 percent during 2019 and the highest annual rate since 2010, when the unemployment rate was also 4.3 percent. More recently, during the 12 months ending July 2023, the unemployment rate was 2.1 percent, the same as the previous year and a record low for the HMA. By comparison, from 2017 through 2019, the average unemployment rate in the HMA stayed below 2.9 percent. The unemployment rate in the HMA during the past year was below the national rate of 3.6 percent (Figure 4). The Lincoln MSA, coterminous with the HMA, had the third lowest unemployment rate of all MSAs in the nation during the most recent 12 months. A notably robust high school graduation rate, which

Figure 4. 12-Month Average Unemployment Rate in the Lincoln HMA and in the Nation



Note: Based on the 12-month moving average.
Source: U.S. Bureau of Labor Statistics

is higher than the national figure, partly contributed to the low unemployment rate in the HMA. In 2022, the high school graduation rate in the HMA was 94.7 percent compared with a national average of 89.6 percent (2022 American Community Survey [ACS] 1-year data).

Economic Periods of Significance

2011 Through 2017

After the Great Recession, job growth in the HMA was moderate. From 2011 through 2017, nonfarm payrolls increased by an average of 2,400 jobs, or 1.4 percent, annually. All sectors added jobs during the period, with the fastest increases in the mining, logging and construction, the professional and business services, and the leisure and hospitality sectors, which rose 4.3, 2.7, and 2.6 percent, respectively. The \$344 million West Haymarket District contributed to strong gains in both the construction subsector and the leisure and hospitality sector during much of the period. The development includes the \$179 million Pinnacle Bank Arena, completed in 2013, and the seven-story, 108-room Hyatt Place Lincoln/Downtown-Haymarket, which opened in April 2014. The government sector added an average of 300 jobs, or 0.9 percent, annually from 2011 through 2017, and the manufacturing sector increased by an average of 100 jobs, or 0.9 percent, annually. Expansions in the manufacturing sector included a 19,000-square-foot Zoetis Inc. pharmaceutical manufacturing plant, which added 30 positions in August 2015.

2018 Through 2019

From 2018 through 2019, the economy in the HMA continued to grow but at a slower rate. Nonfarm payrolls rose by an average of 1,900 jobs, or 1.0 percent, annually to an average of 193,100 jobs in 2019. The professional and business services and the transportation and utilities sectors—which rose by respective averages of 600 and 300 jobs, or 2.9 and 2.4 percent, annually—

led gains. Losses in the financial activities and the wholesale and retail trade sectors—which averaged only 100 and 200 jobs, or 0.8 and 0.7 percent, each year, respectively—partially offset job gains.

2020 Through 2022—The COVID-19 Pandemic and Economic Recovery

Following 9 years of job gains in the HMA, the economy weakened, and jobs declined in 2020 as countermeasures to slow the spread of COVID-19 were put in place. During 2020, nonfarm payrolls decreased by 8,500 jobs, or 4.4 percent. The rate of decline was lower than the nation, which fell 5.8 percent during the same period. Payroll jobs fell in 10 of the 11 sectors in 2020, with the fastest declines in the leisure and hospitality, the other services, and the information sectors, which decreased by 4,000, 500, and 200 jobs, or 20.6, 6.9, and 5.9 percent, respectively. From 2021 through 2022, nonfarm payrolls increased, population growth started to accelerate, and the unemployment rate fell as the labor market tightened. During this time, nonfarm payrolls in the HMA increased by an average of 2,200 jobs, or 1.2 percent, annually. The sectors that recovered the most jobs during the period were generally those that lost the most jobs a year earlier. The leisure and hospitality sector led gains, increasing by 1,200 jobs, or 7.5 percent. Growth in the manufacturing and the information sectors was also strong, rising by 6.4 and 6.1 percent, respectively.

Forecast

During the 3-year forecast period, nonfarm payrolls are expected to fully recover from the downturn in 2020 and increase an average of 1.2 percent annually. Job growth is expected to be stable in several sectors, including the manufacturing, the education and health services, and the government sectors. Duncan Aviation, an aviation manufacturer, is expanding its

Honeywell engine facility with a \$66 million hangar expansion project and plans to hire an additional 65 to 75 employees. In addition, Kawasaki Motors Manufacturing Corporation is constructing a \$200 million expansion at the company facility in northwest Lincoln. The company plans to add 550 full-time positions in its Consumer Products division and for its railcar project in 2024.



Population and Households

Current Population: 346,300

Population growth slowed from an average annual increase of 1.4 percent from 2010 to 2017 to an average annual increase of 0.6 percent since 2017.

Population Trends

The Lincoln HMA is the second most populous metropolitan area in the state of Nebraska, with a population currently estimated at 346,300, representing an average increase of 1,825, or 0.5 percent, annually since 2020 (Table 3). The city of Lincoln is the population center in the HMA, accounting for 85 percent of the HMA population (U.S. Census Bureau population estimates as of July 1, 2022). International migration and net natural change have sustained population growth. However, both population change components have slowed since 2019.

From 2010 to 2017, the population of the HMA increased by an average of 4,300, or 1.4 percent, annually. During the period, an acceleration in net in-migration generally offset lower levels of net natural change (Figure 5). As the economy recovered from the Great Recession and expanded, net in-migration, particularly among international migrants, averaged 2,275 from 2010

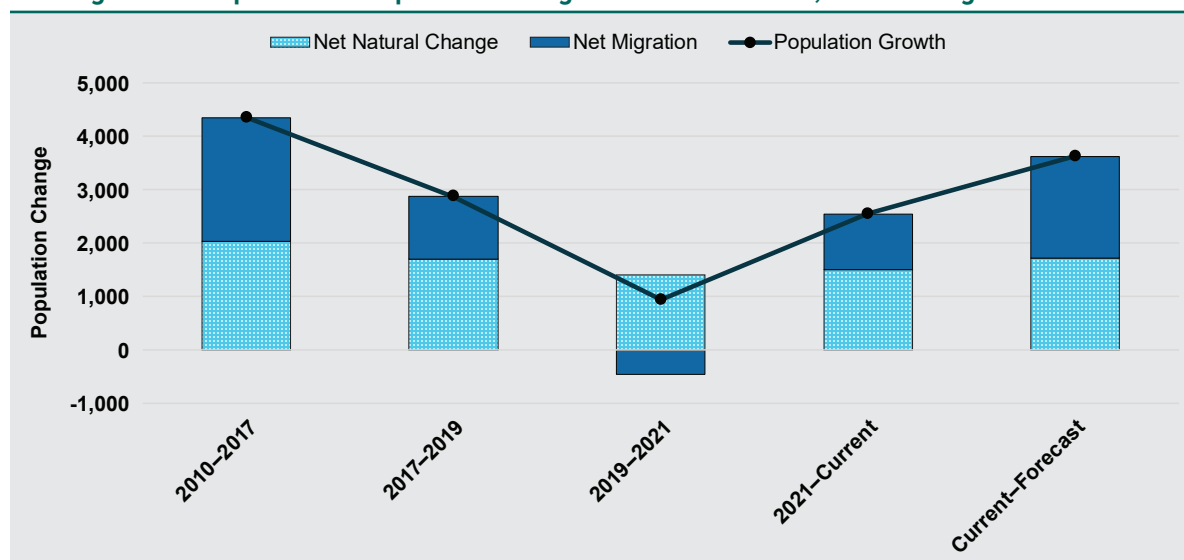
Table 3. Lincoln HMA Population and Household Quick Facts

| Population Quick Facts | 2020 | Current | Forecast | |
|------------------------|-----------------------|---------|----------|---------|
| | Population | 340,217 | 346,300 | 357,200 |
| | Average Annual Change | 3,800 | 1,825 | 3,625 |
| | Percentage Change | 1.2 | 0.5 | 1.0 |
| Household Quick Facts | 2020 | Current | Forecast | |
| | Households | 134,442 | 140,800 | 145,700 |
| | Average Annual Change | 1,475 | 1,900 | 1,625 |
| | Percentage Change | 1.2 | 1.4 | 1.1 |

Notes: Average annual changes and percentage changes are based on averages from 2010 to 2020, 2020 to current, and current to forecast. The forecast period is the current date (August 1, 2023) to August 1, 2026.

Sources: 2010 and 2020—2010 Census and 2020 Census; current and forecast—estimates by the analyst

Figure 5. Components of Population Change in the Lincoln HMA, 2010 Through the Forecast



Notes: Data displayed are average annual totals. The forecast period is the current date (August 1, 2023) to August 1, 2026.

Sources: U.S. Census Bureau; current to forecast—estimates by the analyst

to 2015 and subsequently rose to an average of 2,425 people annually from 2015 to 2017. By comparison, from 2010 to 2015, net natural change averaged 2,075 people annually and fell to 1,875 people annually from 2015 to 2017.

Restrictions on international migration stemming from changes in federal immigration policies in the late 2010s contributed to slower population growth in the HMA from 2017 to 2019. During these 3 years, the population grew annually by an average of 2,875, or 0.9 percent. Net in-migration decreased to an average of 1,175 people annually, and net natural change also decreased, falling to 1,700 people annually. The following period, from 2019 to 2021, included the COVID-19 pandemic in the early 2020s, which contributed to population growth slowing to an average of 940 people, or 0.3 percent, annually. Net natural change accounted for all the population increase, despite slowing to approximately 1,400 people a year due to increased deaths during the pandemic. During the period, net out-migration averaged 460 people annually. In addition to slowing international migration, the early stages of the COVID-19 pandemic led to social distancing and full-time remote teaching at UNL, resulting in some students leaving the HMA.

When economic conditions improved, and pandemic-related travel and federal immigration restrictions were lifted, population growth slightly increased from 2021 to the current date to an average of 2,550 people, or 0.7 percent, annually. Net in-migration rose to an average of 1,050 people annually, and net natural change increased slightly to 1,500 people annually due to fewer deaths. However, declining births are a national trend, and the HMA is no exception. Resident births in the HMA, which have been declining since 2014, were at record-low levels in 2021.

International Migration

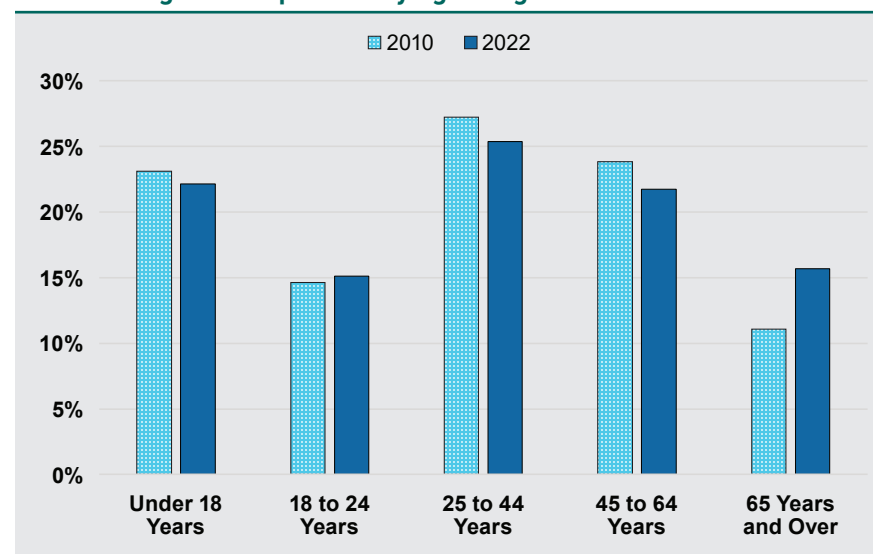
International migration is significant in the HMA, partly due to students coming from abroad to study at UNL and the welcoming climate toward refugees and other migrants. A surge in international migration from 2013 to 2017 contributed to net in-migration rising to an average of 2,650 people a year. International migration subsequently declined significantly from 2018 through 2021. The decline was partly due to changes in federal immigration policy, which affected students planning to attend UNL. In 2019, in the city of Lincoln, immigrants represented 11.7 percent of science, technology, engineering, and math (STEM) workers, 21.1 percent of manufacturing

workers, 11.8 percent of hospitality workers, and 11.7 percent of education workers, along with a strong presence in the professional and business services sector and the construction and the healthcare subsectors (City of Lincoln).

Household Trends

An estimated 140,800 households resided in the HMA as of August 1, 2023, representing an average annual increase of 1,900, or 1.4 percent, since April 2020. The rate of household growth has been higher than population growth since 2020, partly due to the rapid uncoupling of millennial households across the nation (Harvard University, Joint Center for Housing Studies)—many of whom had previously lived with roommates to reduce housing expenses. In addition, seniors, a growing share of the HMA population, tend to have fewer persons per household. As a percentage of the population, residents older than 65 years of age increased from 11.1 percent of the population in 2010 to 15.7 percent in 2022 (ACS 1-year data; Figure 6). The homeownership

Figure 6. Population by Age Range in the Lincoln HMA



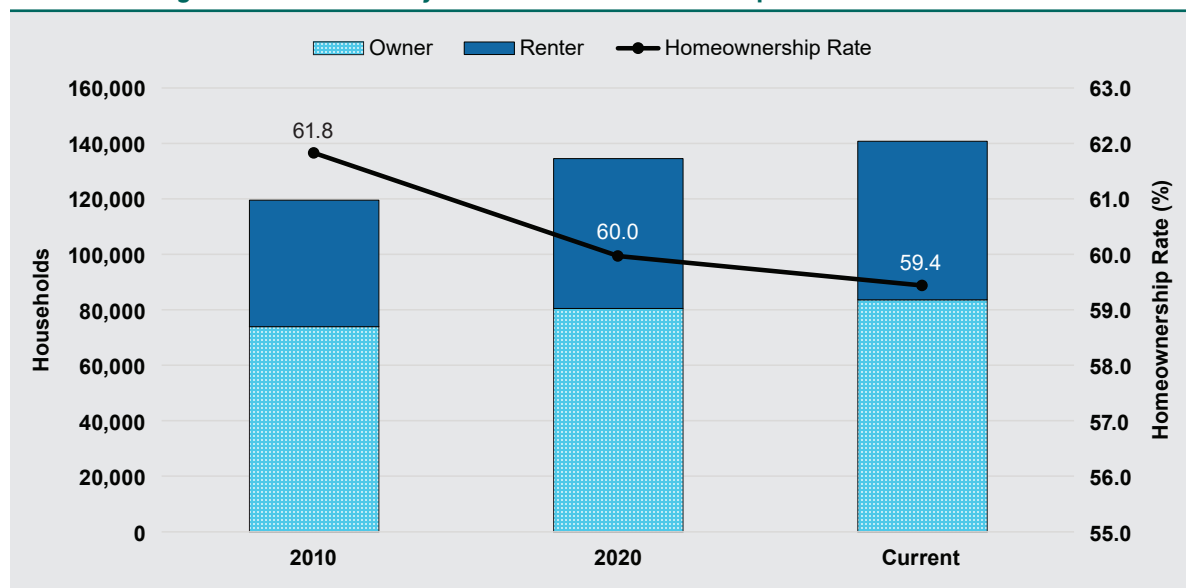
Source: 2010 and 2022 American Community Survey 1-year data

rate is currently estimated at 59.4 percent, down from 60.0 percent in 2020 and 61.8 percent in 2010 (Figure 7). From 2010 to the current date, subdued demand for sales housing following the Great Recession and an influx of international immigrants seeking rental housing contributed to faster growth in renter households and declining homeownership rates. During the period, renter household growth, which averaged 1.7 percent annually, outpaced owner household growth, which averaged 0.9 percent annually.

Forecast

During the 3-year forecast period, the population is expected to increase by an average of 3,625, or 1.0 percent, annually to 357,200 by August 1, 2026. The HMA will have an estimated 145,700 households at the end of the forecast period, with growth averaging 1.1 percent each year. The HMA will continue to benefit from international migration, which continues to recover from lower levels during the end of the 2010s.

Figure 7. Households by Tenure and Homeownership Rate in the Lincoln HMA



Note: The current date is August 1, 2023.

Sources: 2010 and 2020—2010 Census and 2020 Census; current—estimates by the analyst

Home Sales Market

Market Conditions: Tight but Easing

Despite a 24-percent decline in home sales during the past 12 months, the average home sales price rose 11 percent (CoreLogic, Inc., with adjustments by the analyst).

Current Conditions

Sales market conditions in the Lincoln HMA are currently tight but easing, with an estimated vacancy rate of 0.9 percent compared with 1.0 percent in 2020 (Table 4). The market has been tight since 2017, with less than 2 months of supply of homes available for sale. Although the vacancy rate decreased during the past few years, more recently, other indicators suggest the market is starting to ease. During July 2023, the number of available homes for sale represented 1.5 months of supply, up from 1.2 months in July 2022 and 0.9 month in July 2021 (Redfin, a national real estate brokerage). By comparison, the supply of homes available for sale was 3.6 months in July 2012, when conditions were soft. From 2017 through 2021, tight home sales market conditions have been partly due to increased home sales demand stemming from low mortgage interest rates during much of the period. Although the

Table 4. Home Sales Quick Facts in the Lincoln HMA

| | Lincoln HMA | Nation |
|----------------------------------|-------------|-----------|
| Vacancy Rate | 0.9% | NA |
| Months of Inventory | 1.5 | 2.2 |
| Total Home Sales | 5,850 | 5,203,000 |
| 1-Year Change | -24% | -23% |
| New Home Sales Price | \$419,200 | \$499,800 |
| 1-Year Change | 7% | 0% |
| Existing Home Sales Price | \$283,700 | \$418,600 |
| 1-Year Change | 12% | 5% |
| Mortgage Delinquency Rate | 0.6% | 1.0% |

NA = data not available.

Notes: The vacancy rate is as of the current date; home sales and prices are for the 12 months ending July 2023; and months of inventory and mortgage delinquency data are as of July 2023. The current date is August 1, 2023.

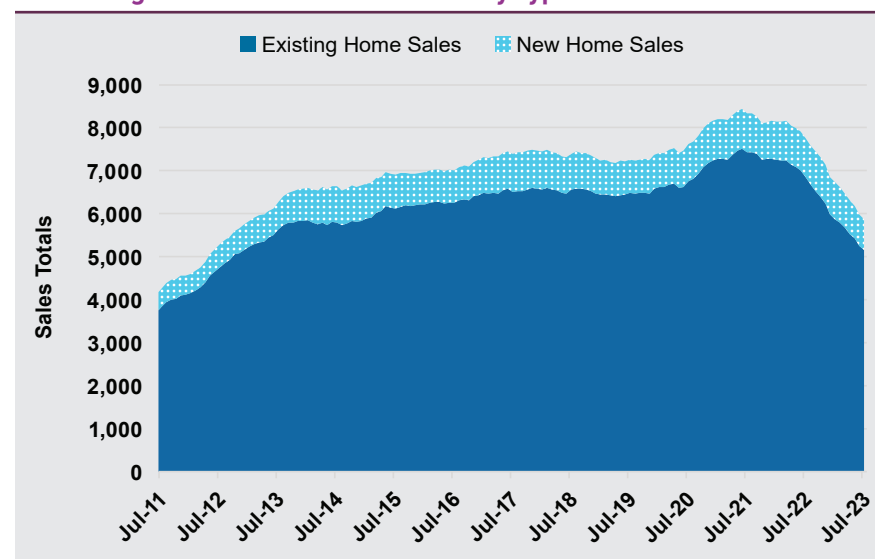
Sources: Vacancy rate—estimates by the analyst; months of inventory—Redfin, a national real estate brokerage; mortgage delinquency rate and home sales and prices—CoreLogic, Inc.

average interest rate for a 30-year fixed-rate mortgage reached 6.8 percent during July 2023, the average rates were 3.1 and 3.0 percent during 2020 and 2021, respectively, representing the two lowest annual average rates during the past 50 years (Freddie Mac). Starting in 2022, the number of home sales began to fall as mortgage rates increased. However, home sales prices continued to rise, and during the 12 months ending July 2023, home prices rose 11 percent from the previous year.

New Home Sales and Prices

New home sales have accounted for approximately 11 percent of total home sales in the HMA since 2011. During the 12 months ending July 2023, 700 new homes sold, down 24 percent compared with 910 new home sales a year ago, when they increased 1 percent (CoreLogic, Inc., with adjustments by the analyst). An average of 680 new homes sold annually from 2010 through 2016, a period of elevated net in-migration, before rising to an average of 850 annually from 2017 through 2021 as mortgage interest rates remained low (Figure 8). On an annual basis, new home prices in the HMA have increased each year since 2011

Figure 8. 12-Month Sales Totals by Type in the Lincoln HMA



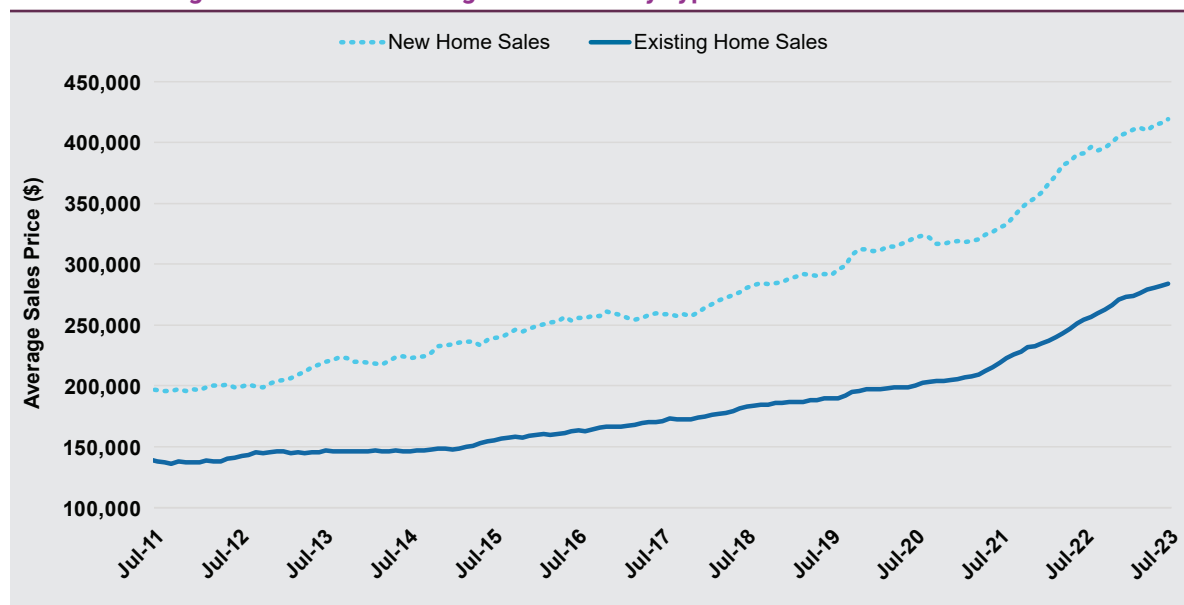
Source: CoreLogic, Inc., with adjustments by the analyst

as the home sales market recovered from the Great Recession (Figure 9). During the 12 months ending July 2023, the average new home price increased 7 percent to \$419,200 compared with the previous 12-month period, when the average new home price rose 18 percent to \$391,100. From 2011 through 2016, the average new home price increased an average of 5 percent a year, then accelerated from 2017 through 2021, increasing 6 percent annually.

Existing Home Sales and Prices

The highest level of existing home sales was in 2021, when 7,275 homes sold. More recently, 5,150 existing homes sold in the HMA during the 12 months ending July 2023, down 25 percent from the 12 months ending July 2022, when existing home sales declined 8 percent to 6,850 (CoreLogic, Inc., with adjustments by the analyst). Existing home sales rose 8 percent annually from 2011 through 2016 to 6,425, then slowed to an average increase of 2 percent a year from 2017 through 2021. Despite existing home sales slowing, prices for existing homes continued to increase. The average sales price of an existing home in the HMA increased 12 percent to \$283,700 during the 12 months ending July 2023, following a 16-percent increase to \$254,200 during the 12 months ending July 2022. From 2011 through 2016, the average sales price of an existing home rose an average of 3 percent a year before accelerating to an average increase of 7 percent each year from 2017 through 2021.

Figure 9. 12-Month Average Sales Price by Type of Sales in the Lincoln HMA



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

Real Estate Owned Sales and Delinquent Mortgages

Seriously delinquent mortgages and real estate owned (REO) properties declined in the HMA following the Great Recession and increased briefly in 2020 due to the COVID-19 pandemic. The share of seriously delinquent mortgages and REO properties in the HMA was only 0.6 percent in July 2023, down from 0.8 percent in July 2022 and the 2.1-percent rate in July 2020 (CoreLogic, Inc.). REO sales currently account for a negligible share of existing home sales in the HMA. During the 12 months ending July 2023, less than 1 percent of existing sales were REO sales, which has been the trend since 2019. REO sales peaked in 2011 at 8 percent of existing sales.

Sales Construction

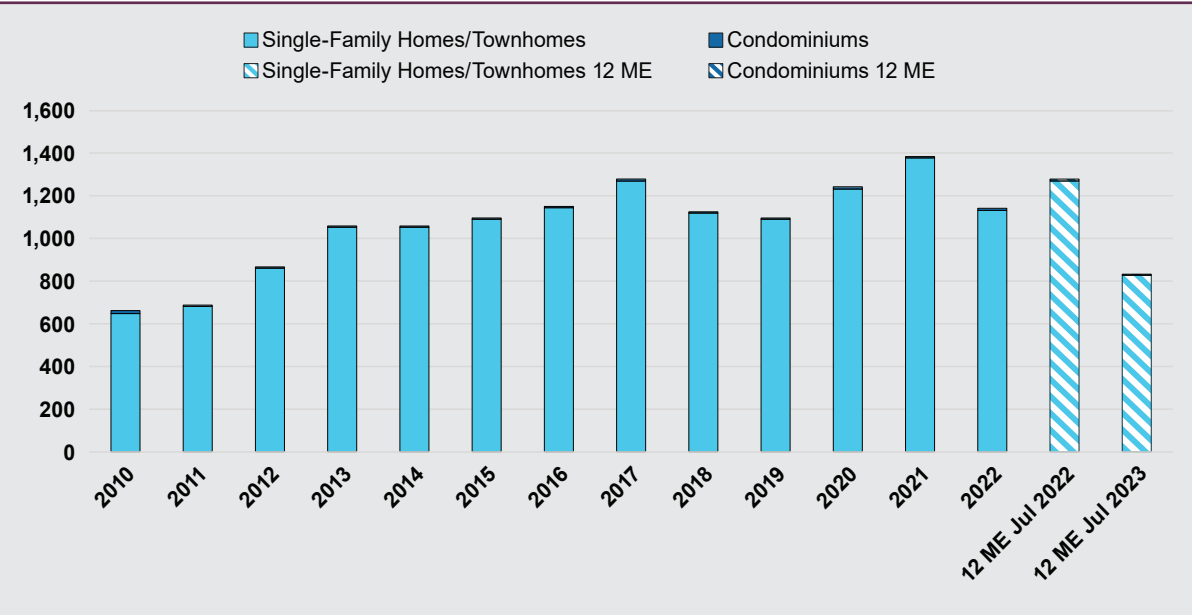
Home sales construction activity—as measured by the number of units permitted (see [building permits](#)) for sales housing, including single-family homes, townhomes, and condominiums—increased in the HMA from 2011 through 2017, when homebuilding rose an average of 10 percent annually to 1,275 homes permitted

in 2017 (Figure 10). Strong home sales demand, stemming from relatively affordable home prices, combined with job and population growth, were the primary reasons for increased homebuilding. Home construction activity declined an average of 7 percent annually from 2018 through 2019, partially due to decreasing net in-migration. From 2020 through 2021, homebuilding activity accelerated, increasing an average of 12 percent annually to 1,375 homes permitted in 2021. In 2022, homebuilding slowed from the previous year as demand began to ease. During the 12 months ending July 2023, homebuilding fell to 825 homes permitted, a 35-percent decrease from the previous year when 1,275 homes were permitted.

Forecast

During the next 3 years, demand is estimated for 3,700 new homes (Table 5). Although the tight market has begun to show signs of easing, new home sales demand is expected to remain strong each year of the 3-year forecast period, partly because of increasing employment and net in-migration. The 500 homes under construction will meet a portion of the demand during the first year of the forecast period.

Figure 10. Annual Sales Permitting Activity in the Lincoln HMA



12 ME = 12 months ending.
Sources: U.S. Census Bureau, Building Permits Survey; 2010–22—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

Table 5. Demand for New Sales Units in the Lincoln HMA During the Forecast Period

| Sales Units | |
|--------------------|-------------|
| Demand | 3,700 Units |
| Under Construction | 500 Units |

Note: The forecast period is August 1, 2023, to August 1, 2026.
Source: Estimates by the analyst



Rental Market

Market Conditions: Balanced

In 2022, rental permitting was at the highest level since at least 2000, with 2,200 units permitted.

Current Conditions

Rental market conditions in the Lincoln HMA are currently balanced compared with slightly soft conditions in 2020 and soft conditions in the early 2010s. The vacancy rate for all rental units—including apartments, renter-occupied single-family homes, townhomes, condominiums, and mobile homes—is currently estimated at 6.0 percent, down from 7.0 percent in 2020 (Table 6). Most renter households in the HMA live in multifamily structures with five or more units, typically apartments. In 2022, 62 percent of all renter households

Table 6. Rental and Apartment Market Quick Facts in the Lincoln HMA

| Rental Market Quick Facts | | 2020 (%) | Current (%) |
|------------------------------|------------------------------------|----------|-------------|
| | Rental Vacancy Rate | 7.0 | 6.0 |
| | | 2019 (%) | 2022 (%) |
| | Occupied Rental Units by Structure | | |
| | Single-Family Attached & Detached | 25 | 26 |
| | Multifamily (2–4 Units) | 13 | 11 |
| Apartment Market Quick Facts | | 2Q 2023 | YoY Change |
| | Apartment Vacancy Rate | 4.6 | 0.9 |
| | Average Rent | \$1,102 | 6% |
| | Studio | \$901 | 6% |
| | One-Bedroom | \$970 | 5% |
| | Two-Bedroom | \$1,200 | 6% |
| | Three-Bedroom | \$1,355 | 7% |

2Q = second quarter. YoY= year over year.

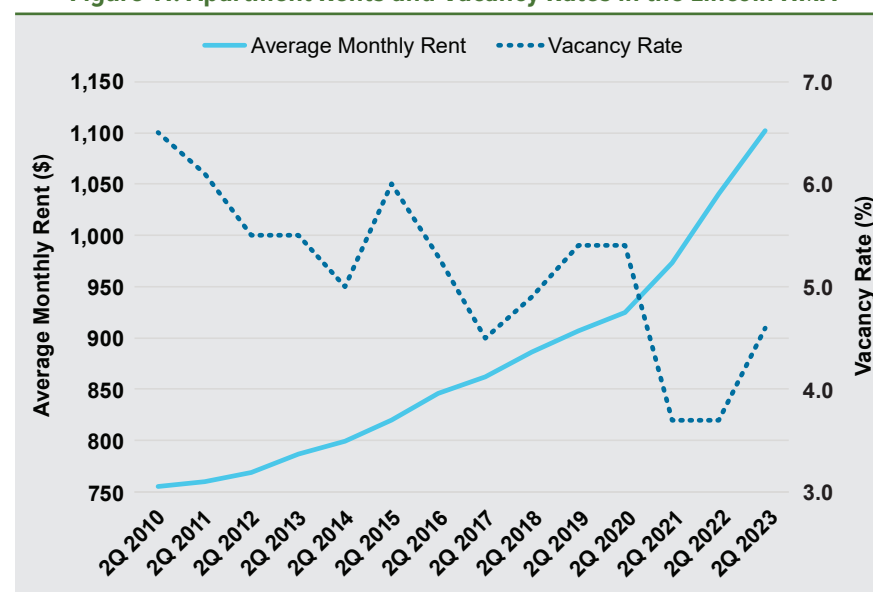
Notes: The current date is August 1, 2023. Percentages may not add to 100 due to rounding.

Sources: 2020 vacancy rate—2020 Census; current vacancy rate—estimate by the analyst; occupied rental units by structure—2021 and 2022 American Community Survey 1-year data; apartment data—CoStar Group

in the HMA lived in multifamily structures with five or more units, up from 61 percent in 2019 (ACS 1-year data). By comparison, approximately 26 percent of all renter households in the HMA lived in single-family homes in 2022, up from 25 percent in 2019.

Despite easing during the past year, the apartment market remains slightly tight. Rent growth for the apartment market slowed from a year ago but remains elevated relative to historical levels, and vacancy rates are relatively low. Due to the supply of units increasing in the HMA, the average apartment vacancy rate in the HMA was 4.6 percent as of the second quarter of 2023, up from 3.7 percent during the second quarter of 2022 (CoStar Group; Figure 11). From the second quarter of 2022 to the second quarter of 2023, the average asking rent in the HMA rose 6 percent to \$1,102, and average rents for studios and one-, two-, and three-bedroom apartments were \$901, \$970, \$1,200, and \$1,355, respectively.

Figure 11. Apartment Rents and Vacancy Rates in the Lincoln HMA



2Q = second quarter.

Source: CoStar Group

Historical Asking Rent Growth and Overall Vacancy Rates

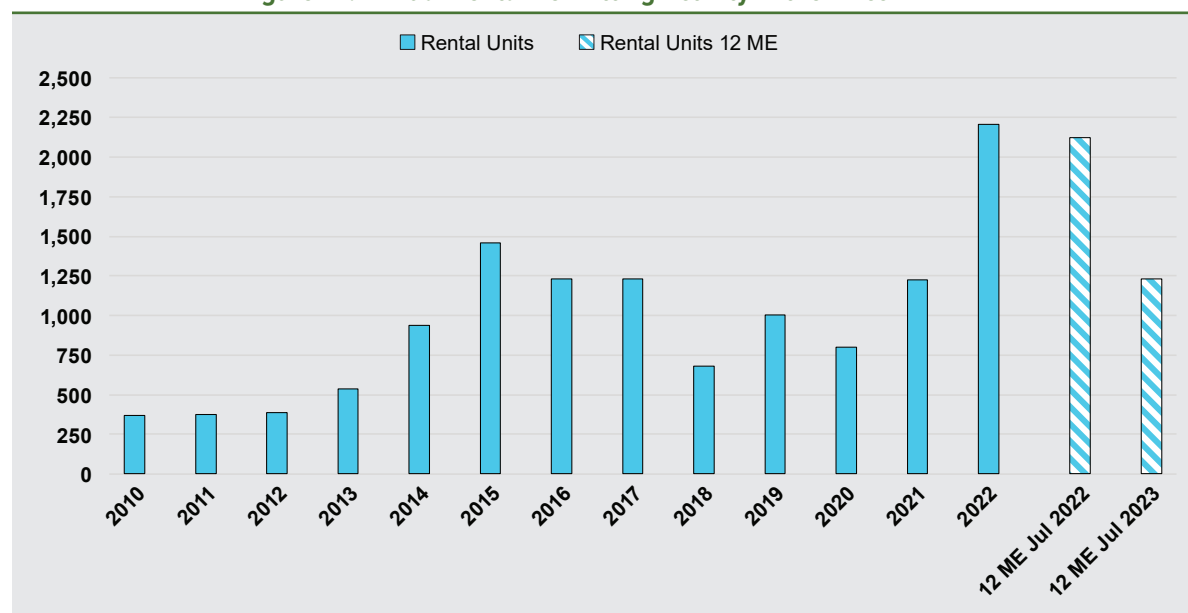
From the second quarter of 2010 through the second quarter of 2020, average apartment rent growth fluctuated with market conditions, slowing during periods of softer conditions and higher vacancy rates and accelerating during periods of low vacancy rates and tight market conditions. Rent growth was relatively slow from the second quarter of 2010 through the second quarter of 2014, averaging 1 percent annually. The apartment vacancy rate fell 1.5 percentage points during the period to 5.0 percent. From the second quarter of 2014 through the second quarter of 2019, the average rent increased an average of 3 percent annually. Increased apartment construction since 2015, which added newer, higher-rent units to the apartment inventory, contributed to part of the stronger apartment rent growth during the latter 2010s. In addition, net in-migration accelerated during this period, partially driven by increased student enrollment at UNL, leading to increased demand for apartments. The apartment market vacancy rate fluctuated, because new units were delivered to the market and then absorbed. The vacancy rate rose to 6.0 percent as of the second quarter of 2015 and fell to a low of 4.5 percent as of the second quarter of 2017 before rising to 5.4 percent as of the second quarter of 2019. Apartment market conditions eased slightly at the onset of the COVID-19 pandemic in 2020. The vacancy rate held steady at 5.4 percent as of the second quarter of 2020, and growth in the average asking rent slowed to an increase of 2 percent from the previous year.

In 2021, the market tightened as students returned and demand for rental housing increased. The average apartment vacancy rate fell to 3.7 percent in the second quarter of 2021, and the average asking rent rose 5 percent to \$973. Average asking rent increased 7 percent as of the second quarter of 2022 and 6 percent as of the second quarter of 2023, the first and second largest annual rent increases since at least 2010. The elevated rent growth during 2022 and 2023 was mostly due to high rates of household formation and the rising price of sales housing contributing to increased demand for rental units, allowing property managers to raise rents. New deliveries of high-end units also supported rent growth during the period.

Rental Construction

Construction of new rental units, as measured by rental units permitted (primarily apartments), was greater during the second half of the 2010s compared with the first half of the decade. Following the Great Recession, low levels of apartment construction contributed to the rental market tightening as the population increased and the economy expanded. From 2010 through 2013, permitting averaged 420 rental units annually (Figure 12). Although deliveries increased at the end of the period, overall absorption of the new units

Figure 12. Annual Rental Permitting Activity in the Lincoln HMA



12 ME = 12 months ending.

Note: Includes apartments and units intended for rental occupancy.

Sources: U.S. Census Bureau, Building Permits Survey; 2010–22—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

remained strong. From 2014 through 2017, an average of 1,225 rental units were permitted annually and then fell to 830 units permitted annually from 2018 through 2020. However, permitting was still elevated compared with the early 2010s. Toward the end of the 2010s, demand for rental units decreased, because international migration slowed, and the COVID-19 pandemic slowed household formation. As demand for rental inventory resumed, rental construction accelerated from 1,225 units permitted in 2021 to a high of 2,200 units permitted in 2022. Despite strong rental market demand in 2022, rental construction activity began to slow. During the 12 months ending July 2023, construction fell 42 percent to an average of 830 units from the previous year, when 1,225 units were permitted (preliminary data, with adjustments by the analyst). Approximately 89 percent of apartment construction in the past 5 years occurred in the city of Lincoln.

Student Housing

Students attending UNL have a notable effect on the rental housing market in the HMA, particularly in the city of Lincoln, the location of the university. 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*). Off-campus student housing units typically lease by bedroom, which is advantageous for students, because the financial commitment is for the bedroom rather than the entire unit. The vacancy rate among student apartments averaged 8.5 percent as of the second quarter of 2023, down from 14.2 percent a year earlier (CoStar Group). The average asking rent increased 4 percent from a year earlier to \$637 per bedroom. Student renter households account for an estimated 7 percent of all renter households in the HMA.

Examples of Recent Rental Construction

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. The first phase of Atmosphere Lincoln, a 320-unit, student-focused apartment complex, is expected to open in October 2023. The 13-story highrise has a mix of studio and 5-bedroom units and is a block south of UNL in downtown Lincoln.

Forecast

During the next 3 years, demand is estimated for 3,400 rental units (Table 7). Demand is expected to be relatively steady throughout the 3-year forecast period, with job and population growth supporting demand for rental units. The 2,175 units under construction and the 320 units in planning are expected to satisfy demand through a portion of the third year of the forecast period. Of the units in planning, all are related to multifamily structures with five or more units, with one development of 64 units planned for the unincorporated community of Yankee Hill. The remaining units are in the city of Lincoln.

Table 7. Demand for New Rental Units in the Lincoln HMA During the Forecast Period

| Rental Units | |
|--------------------|-------------|
| Demand | 3,400 Units |
| Under Construction | 2,175 Units |

Note: The forecast period is August 1, 2023, to August 1, 2026.
Source: Estimates by the analyst



Terminology Definitions and Notes

A. Definitions

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|---|--|
| Building Permits | Building permits do not necessarily reflect all residential building activity that occurs in a housing market area. 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. |
| Demand | The demand estimates in the analysis are not a forecast of building activity. They are the estimates of the total housing production needed to achieve a balanced market at the end of the 3-year forecast period given conditions on the as-of date of the analysis, growth, losses, and excess vacancies. The estimates do not account for units currently under construction or units in the development pipeline. |
| Existing Home Sales | Include resale sales, short sales, and real estate owned sales. |
| Forecast Period | 08/01/2023–08/01/2026—Estimates by the analyst. |
| Home Sales/ Home Sales Prices | Includes single-family home, townhome, and condominium sales. |
| Net Natural Change | Resident births minus resident deaths. |
| Rental Market/ Rental Vacancy Rate | Includes apartments and other rental units such as single-family, multifamily, and mobile homes. |
| Resales | These are home closings that have no ties to either new home closings (builders) or foreclosures. They are homes that were previously constructed and sold to an unaffiliated third party. |

| | |
|---------------------------------------|---|
| Seriously Delinquent Mortgages | Mortgages 90 or more days delinquent or in foreclosure. |
| Student Renter Households | Student households in the rental housing market, not including students living in university-affiliated housing, either on- or off-campus. |

B. Notes on Geography

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|-----------|--|
| 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. |
| 2. | Urbanized areas are defined using the U.S. Census Bureau's 2020 Census Urban and Rural Classification and the Urban Area Criteria. |

C. Additional Notes

| | |
|-----------|--|
| 1. | This analysis has been prepared for the assistance and guidance of HUD in its operations. The factual information, findings, and conclusions may also be useful to builders, mortgagees, and others concerned with local housing market conditions and trends. The analysis does not purport to make determinations regarding the acceptability of any mortgage insurance proposals that may be under consideration by the Department. |
| 2. | The factual framework for this analysis follows the guidelines and methods developed by the Economic and Market Analysis Division within HUD. The analysis and findings are as thorough and current as possible based on information available on the as-of date from local and national sources. As such, findings or conclusions may be modified by subsequent developments. HUD expresses its appreciation to those industry sources and state and local government officials who provided data and information on local economic and housing market conditions. |

D. Photo/Map Credits

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Contact Information

Heather Jones, Economist
 Denver HUD Regional Office
 303-672-5121
heather.a.jones@hud.gov

