

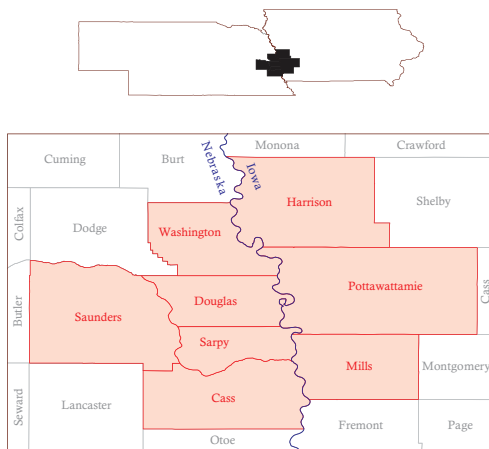


Omaha-Council Bluffs, Nebraska-Iowa

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of December 1, 2013



Housing Market Area



The Omaha-Council Bluffs Housing Market Area (HMA) is on the Nebraska-Iowa border, spanning the Missouri River. For purposes of this analysis, the HMA is divided into three submarkets: the Omaha submarket, comprising Douglas County, Nebraska; the Sarpy County (Nebraska) submarket, which includes Offutt Air Force Base (AFB); and the Remainder submarket, comprising Cass, Saunders, and Washington Counties in Nebraska and Harrison, Mills, and Pottawattamie Counties in Iowa. The HMA is the headquarters location for five Fortune 500 companies—Berkshire Hathaway; ConAgra Foods, Inc.; Kiewit Corporation; Mutual of Omaha; and Union Pacific Corporation.

Summary

Economy

Nonfarm payrolls in the Omaha-Council Bluffs HMA increased by 4,200 jobs, or 0.9 percent, to 471,300 jobs during the 12 months ending November 2013. This increase followed annual gains of 5,050 jobs, or 1.1 percent, annually during 2011 and 2012. Jobs gains were strong in the mining, logging, and construction sector as residential construction increased. Nonfarm payrolls are expected to increase 1.1 percent annually during the next 3 years. Table DP-1 at the end of this report provides employment data for the HMA.

Sales Market

Sales housing market conditions in the HMA are soft, with a current estimated vacancy rate of 1.7 percent. During the 3-year forecast period,

demand is expected for 8,320 new homes in the HMA (Table 1). A portion of the estimated 10,800 other vacant units in the HMA may reenter the sales housing market and satisfy some of the forecast demand.

Rental Market

The rental housing market in the HMA is soft, with an estimated overall vacancy rate of 8.1 percent. The apartment market is tight, with a vacancy rate of 3.1 percent. Demand is expected for 2,475 new market-rate rental units in the HMA during the 3-year forecast period (Table 1). The 680 units under construction and the 550 units in planning in the Omaha and Sarpy County submarkets will meet a portion of the expected demand during the forecast period.

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Table 1. Housing Demand in the Omaha-Council Bluffs HMA, 3-Year Forecast, December 1, 2013, to December 1, 2016

	Omaha-Council Bluffs HMA		Omaha Submarket		Sarpy County Submarket		Remainder Submarket	
	Sales Units	Rental Units	Sales Units	Rental Units	Sales Units	Rental Units	Sales Units	Rental Units
Total demand	8,320	2,475	5,175	1,775	2,925	700	220	0
Under construction	530	680	330	440	200	240	0	0

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of December 1, 2013. A portion of the estimated 10,800 other vacant units in the HMA will likely satisfy some of the forecast demand.

Source: Estimates by analyst

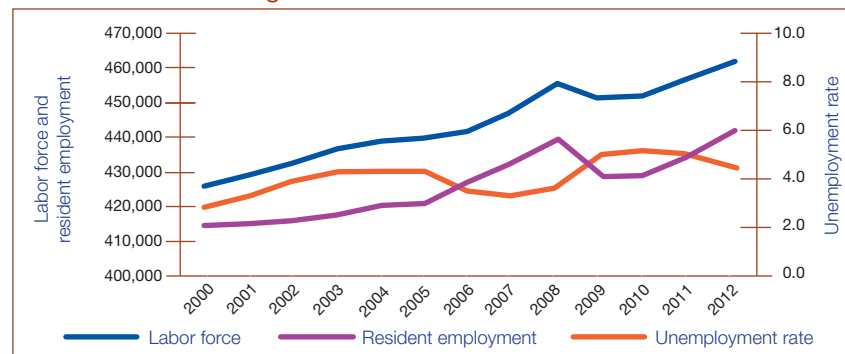
Economic Conditions

Table 2. 12-Month Average Nonfarm Payroll Jobs in the Omaha-Council Bluffs HMA, by Sector

	12 Months Ending		Absolute Change	Percent Change
	November 2012	November 2013		
Total nonfarm payroll jobs	467,100	471,300	4,200	0.9
Goods-producing sectors	52,300	53,900	1,600	3.1
Mining, logging, & construction	21,000	22,400	1,400	6.7
Manufacturing	31,300	31,600	300	1.0
Service-providing sectors	414,800	417,300	2,500	0.6
Wholesale & retail trade	67,300	67,900	600	0.9
Transportation & utilities	26,500	26,600	100	0.4
Information	11,400	11,300	-100	-0.9
Financial activities	41,600	41,800	200	0.5
Professional & business services	66,500	67,200	700	1.1
Education & health services	73,000	73,800	800	1.1
Leisure & hospitality	45,600	46,300	700	1.5
Other services	17,400	17,200	-200	-1.1
Government	65,600	65,100	-500	-0.8

Notes: Numbers may not add to totals because of rounding. Based on 12-month averages through November 2012 and November 2013.

Source: U.S. Bureau of Labor Statistics

Figure 1. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Omaha-Council Bluffs HMA, 2000 Through 2012

Source: U.S. Bureau of Labor Statistics

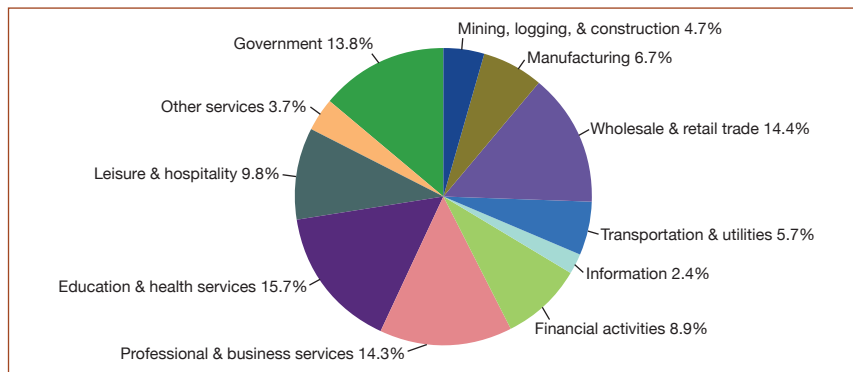
Economic conditions in the Omaha-Council Bluffs HMA are improving, continuing the recovery that began in 2011. During the 12 months ending November 2013, nonfarm payrolls increased by 4,200 jobs, or 0.9 percent, from a year earlier, to an average of 471,300 jobs (Table 2). This increase was in addition to average gains of 5,050 jobs, or 1.1 percent, annually, during 2011 and 2012. The current number of nonfarm payrolls is 0.3 percent higher than the annual peak of 469,800 jobs during 2008. From 2003 through 2007, nonfarm payrolls increased by an average of 5,725 jobs, or 1.3 percent, annually, led by growth in the education and health services and leisure and hospitality sectors. From 2008 through 2010, nonfarm payrolls declined by an average of 6,250 jobs, or 1.3 percent, annually, led by losses in the mining, logging, and construction sector. The unemployment rate during the 12 months ending November 2013 was 4.3 percent, down from 4.5 percent a year earlier, and the lowest annual rate reported since 2008. Figure 1 shows trends in the labor force, resident employment, and the unemployment rate in the HMA from 2000 through 2012.

Nonfarm payrolls increased in most sectors during the 12 months ending November 2013. The largest payroll gains were in the mining, logging, and construction sector, which increased by 1,400 jobs, or 6.7 percent, during the 12 months ending November 2013. Recent gains were concentrated in the construction subsector, which grew by nearly 1,100 jobs, or 5.5 percent, during 2012 (the most recent data available), after average declines of 1,300 jobs, or 5.4 percent, annually from 2007 through 2011. The recent gains in the construction subsector reflect increased residential construction in the HMA, but are still down 20 percent from the construction employment peak of 26,150 jobs during 2006. The recent gains were partly offset by

small declines of 500, 200, and 100 jobs in the government, other services, and information sectors, respectively.

The education and health services sector is the largest employment sector in the HMA (Figure 2) and continued to grow through the national recession, which lasted from December 2007 to June 2009, helping mitigate the effects of the recession on the Omaha-Council Bluffs HMA economy. After average gains of nearly 1,500 jobs, or 2.7 percent, annually from 2000 through 2007, the sector continued to expand, with gains of 1,325 jobs, or 2.0 percent, annually from 2008 through 2012. The education and health services sector grew by 800 jobs, or 1.1 percent, during the 12 months ending November 2013. Of the 10 largest employers in the HMA, 4 are involved with health care, including Alegent Creighton Health, Methodist Health System, The Nebraska Medical Center, and the University of Nebraska Medical Center. The University of Nebraska Omaha and Creighton University had a combined student enrollment of approximately 22,500 during 2012. Table 3 provides additional information about leading employers in the HMA.

Figure 2. Current Nonfarm Payroll Jobs in the Omaha-Council Bluffs HMA, by Sector



Note: Based on 12-month averages through November 2013.

Source: U.S. Bureau of Labor Statistics

Table 3. Major Employers in the Omaha-Council Bluffs HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Offutt Air Force Base	Government	8,850
Alegent Creighton Health	Education & health services	7,500
Methodist Health System	Education & health services	6,250
The Nebraska Medical Center	Education & health services	6,250
First Data Corporation	Professional & business services	3,750
First National of Nebraska, Inc.	Financial activities	3,750
Hy-Vee, Inc.	Wholesale & retail trade	3,750
Union Pacific Corporation	Transportation & utilities	3,750
University of Nebraska Medical Center	Government	3,750
West Corporation	Professional & business services	3,750

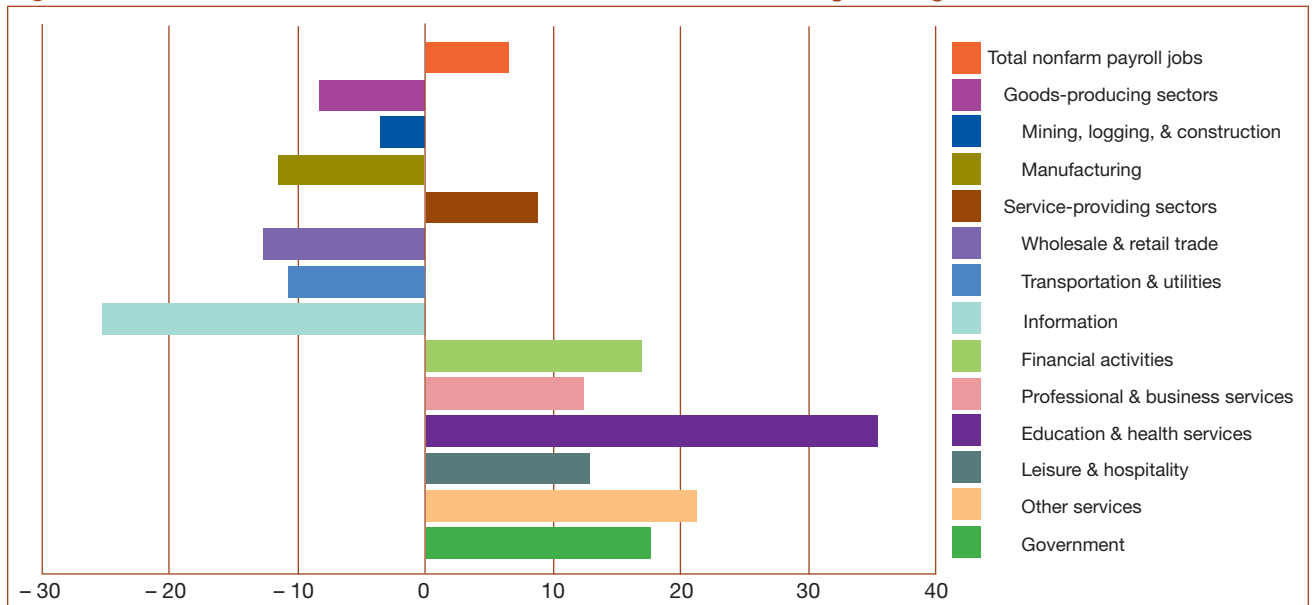
Notes: Excludes local school districts. Offutt Air Force Base includes military personnel. Source: Greater Omaha Economic Development Partnership

The professional and business services sector, the third largest employment sector in the HMA, helped mitigate the effects of the national recession on the HMA's economy through higher than average wages and relatively small declines in the number of jobs. The \$830 average weekly wage in the sector during 2012 was more than 20 percent higher than the average weekly wage for the HMA overall (Bureau of Labor Statistics).

The sector grew by an average of 740 jobs, or 1.2 percent, annually from 2000 through 2008, before briefly declining by an average of 1,200 jobs, or 1.8 percent, annually, during 2009 and 2010. After the decline, the sector increased by an average of 1,800 jobs, or 2.9 percent, annually during 2011 and 2012, more than offsetting the declines of the previous 2 years. During the 12 months ending November 2013, the professional and business services sector increased by 700 jobs, or 1.1 percent, from a year earlier, to an average of 67,200 jobs. This level of payrolls was 2.6 percent higher than the previous peak of 65,500 jobs recorded during 2008. Strategic-HealthSolutions, LLC, is currently adding 100 call center employees to the existing staff of 135 in downtown Omaha to help fulfill added Medicare and Medicaid supplemental medical review contracts. Figure 3 shows the percentage change in all sectors from 2000 to the current date.

The government sector, which accounts for 13.8 percent of nonfarm payrolls and is the fourth largest sector in the HMA, added jobs through the 2000s but recently declined. From 2000 through 2010, the sector increased by an average of 1,000 jobs, or 1.8 percent, annually, largely in the local government subsector. During 2011 and 2012, the government sector gained 100 jobs annually, with the growth occurring entirely in the state government subsector. During the 12 months ending November 2013, government sector payrolls declined by 500 jobs, or 0.8 percent, from a year earlier. The recent declines were concentrated in the local government subsector, which declined by 400 jobs, or 0.9 percent. The federal and state government subsectors combined declined by 100 jobs, or 0.5 percent, during the period. Offutt AFB, in Sarpy County, employed approximately 8,850 military and civilian personnel during 2012, and is the

Figure 3. Sector Growth in the Omaha-Council Bluffs HMA, Percentage Change, 2000 to Current



Note: Current is based on 12-month averages through November 2013.

Source: U.S. Bureau of Labor Statistics

largest employer in the HMA. This figure represents a decline of 950 personnel, or nearly 10 percent, from the military and civilian employment level reported in 2005, partly the result of a consolidation of two separate commands: the U.S. Space Command and U.S. Strategic Command.

Nonfarm payrolls are expected to increase by an average of 5,200 jobs, or 1.1 percent, annually during the next 3 years. The education and health

services sector is expected to continue to expand during the period. Madonna Rehabilitation Hospital is planning to construct a 120-bed, 200,000-square-foot rehabilitation facility in west Omaha. The project is scheduled to open in early 2015, and is expected to employ up to 800 people. Construction recently began on Old Mill Rehabilitation, a 44-room, 40,000-square-foot transitional care facility, which is expected to be complete in February 2014 and employ 50 full-time staff.

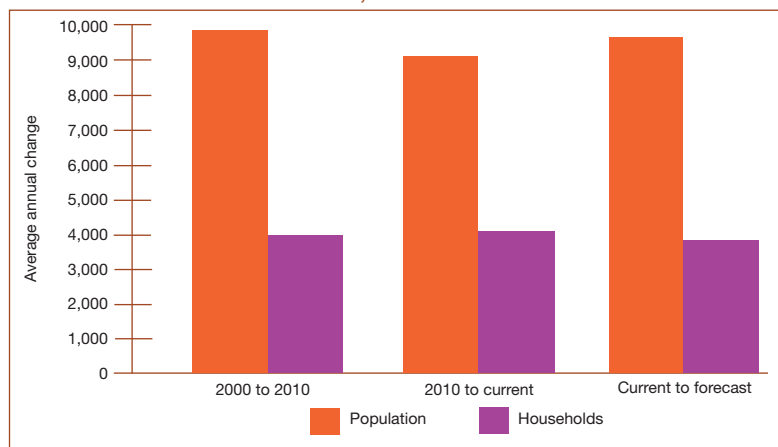
Population and Households

As of December 1, 2013, the population of the Omaha-Council Bluffs HMA was estimated at 899,000, reflecting an average increase of 9,175, or 1.0 percent, annually since 2010 (Figure 4). Nearly 80 percent of the increase was attributable to net natural increase (resident births minus resident deaths). From 2000 through 2003, the HMA population increased by an average of 7,600, or 1.0 percent, annually. Net in-migration averaged 1,200 people annually, or 15.8 percent

of population growth, during the period. From 2004 through 2010, population growth increased to an average of 10,850 people, or 1.3 percent, annually, largely a result of stronger net in-migration, which averaged 3,450 people annually, accounting for 31.8 percent of population growth. The Omaha submarket contains 60 percent of the HMA population, unchanged from April 2000. The share of the HMA population in the Sarpy County submarket increased from 16 to 19 percent from 2000 to the current date, while the share of the HMA population in the Remainder submarket decreased from 24 to 21 percent.

In the Omaha submarket, population growth averaged 5,350 people annually from 2000 through 2010, with only 13 percent of the growth from net in-migration. Since 2010, population growth in the submarket has increased to 6,300 people, or 1.2 percent, annually, with 22 percent of the growth from net in-migration, partly because of increased job growth in the submarket. In the Sarpy

Figure 4. Population and Household Growth in the Omaha-Council Bluffs HMA, 2000 to Forecast



Sources: 2000 and 2010–2000 Census and 2010 Census; current and forecast—estimates by analyst

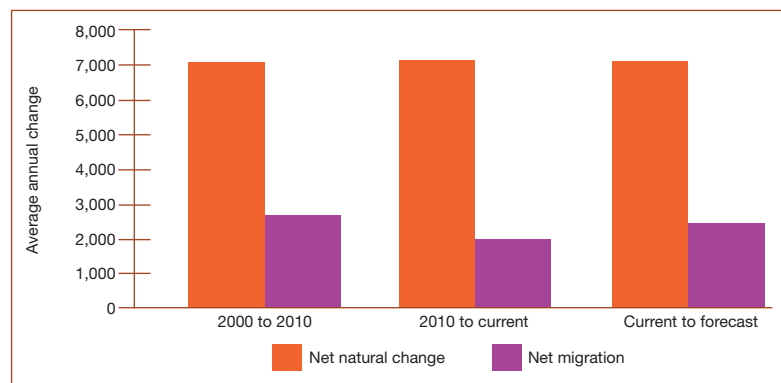
County submarket, the population increased by an average of 3,625, or 2.6 percent, annually, from 2000 through 2010, with more than 50 percent of growth attributable to net in-migration, which coincided with resident employment growth of 1,200, or 1.9 percent, annually. Since 2010, population growth in the submarket has slowed to an average of 3,200 people, or 2.0 percent, annually, with 43 percent of the growth resulting from net in-migration. The number of dependents (including spouses and children) accompanying military personnel assigned to Offutt AFB declined from 20,825 people in 2001 to 11,125 in 2012. Part of the decline in military personnel was the result of the consolidation of two commands to one, as noted previously. By contrast, the number of military retirees in the Sarpy County submarket increased from 8,425 in 2001 to 10,850 in 2012 (Economic Impact studies for 2001, 2005, and 2012, Public Affairs Office at Offutt AFB). In the Remainder submarket, population increased by an average of 850, or 0.5 percent, annually from 2000 through 2010. Since 2010,

population in the Greater Omaha submarket has decreased by an average of 330, or 0.2 percent, annually, as net out-migration began to increase after 2006. Figure 5 shows the components of population change in the HMA from 2000 to the forecast date.

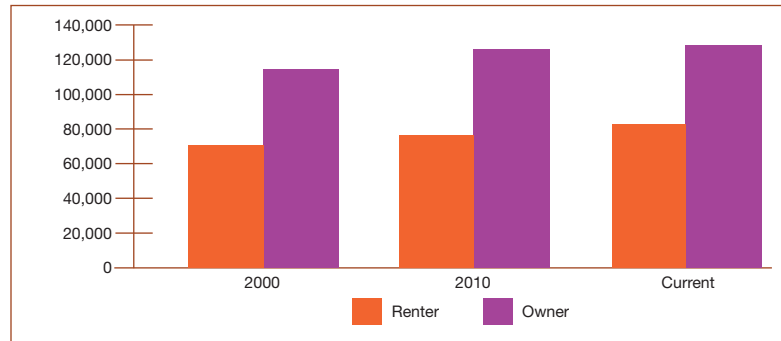
An estimated 349,300 households currently reside in the HMA, reflecting an average annual increase of 4,075, or 1.2 percent, since 2010. By comparison, the number of households grew by 4,000, or 1.3 percent, annually from 2000 to 2010. In the Omaha submarket, the number of households has grown 1.2 percent since 2010 compared with the household growth of 1.1 percent from 2000 through 2010. Household growth has slowed in the Sarpy County and Remainder submarkets since 2010, declining to 2.0 and 0.5 percent from 3.0 and 0.7 percent, respectively, from 2000 through 2010.

Homeownership rates in the HMA declined to 65.5 percent in December 2013 from 66.8 percent in April 2010 and from 66.9 percent in April 2000. The Omaha and Remainder submarkets followed a similar trend. The Omaha submarket had a 63.3-percent homeownership rate in April 2000 that declined to 62.9 percent in April 2010, and further decreased to 61.3 percent currently. The homeownership rate in the Remainder submarket declined to 73.7 percent currently, from 73.9 percent in April 2010 and 74.9 percent in April 2000. The homeownership rate in the Sarpy County submarket, however, increased from 69.2 percent in April 2000 to 71.2 percent in April 2010, as military and

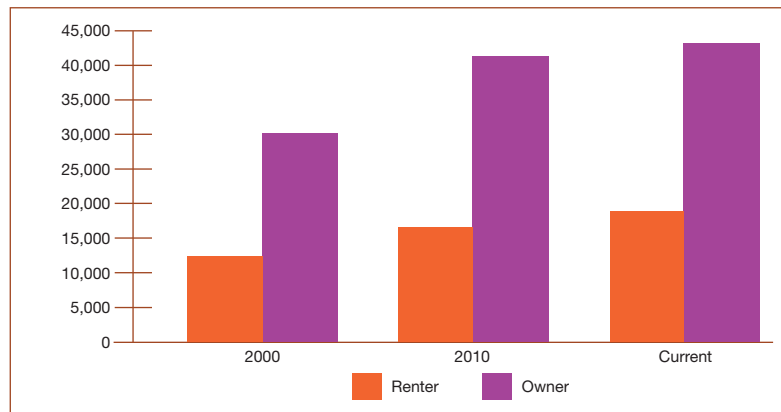
Figure 5. Components of Population Change in the Omaha-Council Bluffs HMA, 2000 to Forecast



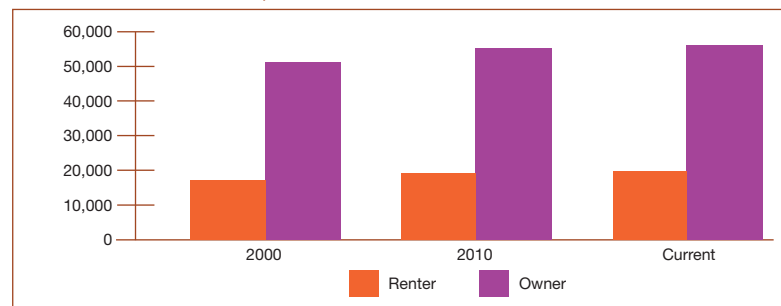
Sources: 2000 and 2010–2000 Census and 2010 Census; current and forecast—estimates by analyst

Population and Households *Continued***Figure 6.** Number of Households by Tenure in the Omaha Submarket, 2000 to Current

Sources: 2000 and 2010–2000 Census and 2010 Census; current—estimates by analyst

Figure 7. Number of Households by Tenure in the Sarpy County Submarket, 2000 to Current

Sources: 2000 and 2010–2000 Census and 2010 Census; current—estimates by analyst

Figure 8. Number of Households by Tenure in the Remainder Submarket, 2000 to Current

Sources: 2000 and 2010–2000 Census and 2010 Census; current—estimates by analyst

civilian personnel levels increased at Offutt AFB from 2000 through 2005. The homeownership rate in the Sarpy County submarket declined to 69.8 percent currently, however, as military personnel declined and slower net immigration caused population growth to slow. Figures 6, 7, and 8 show the number of households, by tenure, in each submarket since 2000.

During the next 3 years, the population of the HMA is expected to increase by an average of 9,700, or 1.1 percent, annually, to 928,100, and the number of households is expected to increase by 3,825, or 1.1 percent, annually, to 360,800. In the Omaha submarket, both the population and number of households are expected to increase 1.2 percent annually. In the Sarpy County submarket, the population and number of households are expected to both increase 2.0 percent annually. In the Remainder submarket, the population is expected to decrease 0.1 percent, but the number of households is expected to stay approximately the same.

Housing Market Trends

Sales Market—Omaha Submarket

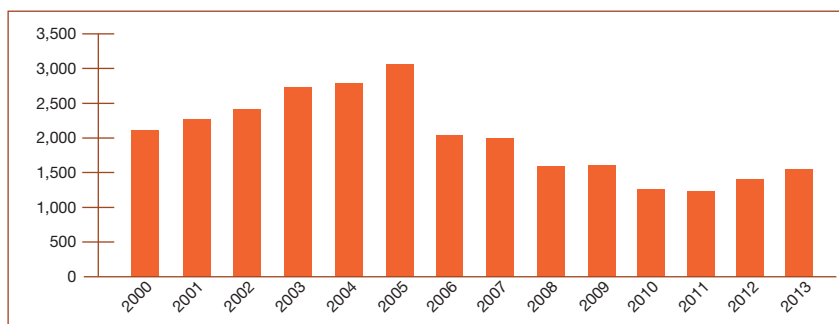
The sales housing market in the Omaha submarket has remained slightly soft since 2010 despite recent improvements, with an estimated 1.7-percent sales vacancy rate, down slightly from 1.9 percent in April 2010 (Table DP-2 at the end of the report). During the 12 months ending September 2013 (the best representative data at the time of this report), existing single-family home, townhome, and condominium sales increased by 75 sales, or less than 1 percent, from a year earlier (Metrostudy, A Hanley Wood Company). This increase continued a trend that began in 2008. Existing home sales declined by an average of 825 homes, or 8.2 percent, annually from 2005 through 2008, before beginning to increase by an average of 270 homes, or 2.9 percent, annually from 2009 through 2012. Existing home sales prices during the 12 months ending September 2013 decreased nearly 3 percent from a year ago, to an average of \$159,300. From 2005 through 2009, average existing home sales prices declined an average of approximately 3 percent annually, before increasing 1 percent annually from 2010 through 2012. Sales of new homes totaled 1,100 during the 12 months ending September 2013, up 33 percent from a year

ago, and sales prices for new homes increased 7 percent, to \$253,000, during the same period. New home sales declined by an average of 210 sales, or 9 percent, annually from 2005 through 2012, and sales prices decreased nearly 5 percent annually from 2005 through 2009, before increasing more than 11 percent annually from 2010 through 2012.

The percentage of distressed mortgages in the HMA decreased during the past year. Of the home loans in the submarket, 3.6 percent were 90 or more days delinquent, were in foreclosure, or transitioned into REO (Real Estate Owned) as of November 2013, down from 4.0 percent a year ago, and less than the peak of 4.5 percent recorded in January 2010 (Black Knight Financial Services, Inc.). By comparison, the percent of distressed mortgages was less in the state of Nebraska during November 2013, at 3.0 percent, but was more in the nation, at 5.7 percent.

In response to the rise in home sales during the past year, developers increased new home construction activity in the submarket, as measured by the number of single-family homes permitted. During the 12 months ending November 2013, building permits were issued for approximately 1,700 single-family homes, up 30 percent from the previous 12 months (preliminary data). Single-family home construction in the submarket remains significantly less than the average of 2,550 homes permitted annually from 2000 through 2005, although the recent activity continues the growth that began in 2011, when construction increased by 170 homes permitted, or 13.6 percent, from 2011 to 2012 (Figure 9).

Figure 9. Single-Family Homes Permitted in the Omaha Submarket, 2000 to 2013



Notes: Includes townhomes. Includes data through November 2013.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Housing Market Trends

Sales Market—Omaha Submarket *Continued*

Midtown Crossing, a \$325 million mixed-use development, with nearly 400 condominiums, was completed in 2009. The project has new

condominiums available for sale ranging in price from \$169,900 for one-bedroom units to \$482,900 for two-bedroom units.

Table 4. Estimated Demand for New Market-Rate Sales Housing in the Omaha Submarket, December 1, 2013, to December 1, 2016

Price Range (\$)		Units of Demand	Percent of Total
From	To		
140,000	199,999	1,450	28.0
200,000	249,999	1,925	37.1
250,000	349,999	1,300	25.0
350,000	499,999	370	7.2
500,000	and higher	140	2.7

Note: The 330 homes currently under construction and a portion of the estimated 5,900 other vacant units in the submarket will likely satisfy some of the forecast demand.

Source: Estimates by analyst

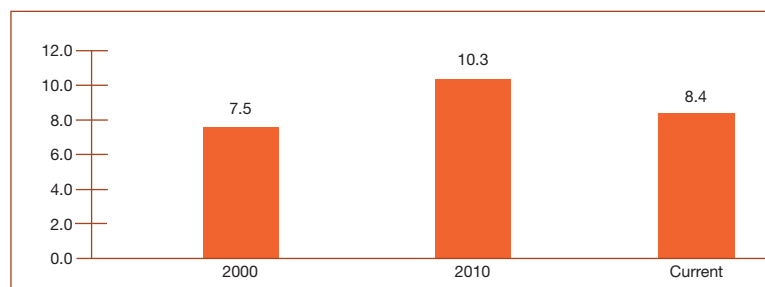
During the next 3 years, demand is expected for 5,175 new single-family homes, townhomes, and condominiums in the submarket (Table 1). The 330 homes currently under construction and a portion of the estimated 5,900 other vacant units in the submarket will likely satisfy part of the forecast demand. Demand is expected to be strongest for homes priced between \$140,000 and \$250,000 (Table 4).

Rental Market—Omaha Submarket

Rental housing market conditions in the Omaha submarket have improved since 2010, but remain soft. The current overall rental vacancy rate is estimated at 8.4 percent, down from 10.3 percent in April 2010 (Figure 10). The apartment market is tight, with a vacancy rate of 2.9 percent during the third quarter of 2013, down from 3.9 percent a year earlier (Reis, Inc.). Single-family homes account for nearly 14 percent of total occupied rental housing units in the submarket. An average of 890 multifamily units were permitted annually from 2010 to

the current date, which was less than the estimated average absorption of 1,200 units annually, contributing to a decline in the apartment vacancy rate from 5.1 percent in 2010. Asking rents for market-rate apartments averaged \$750 during the third quarter of 2013, up 3 percent from \$730 a year ago. Urban Village Development, a large owner and manager of single-family, townhome, and apartment units in the submarket, currently offers townhome and single-family rentals, with rents ranging from \$750 for one-bedroom units to \$1,875 for three-bedroom units.

Figure 10. Rental Vacancy Rates in the Omaha Submarket, 2000 to Current



Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

Job growth and stronger net immigration to the Omaha submarket, relative to the other submarkets, is encouraging new multifamily construction activity. Multifamily construction activity, as measured by the number of units permitted, increased to 1,125 units during the 12 months ending November 2013, from 1,025 a year earlier. The average of 940 units

Housing Market Trends

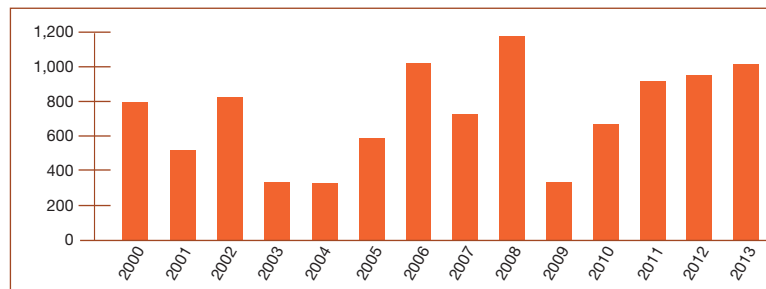
Rental Market—Omaha Submarket Continued

permitted annually during 2011 and 2012 was an increase of 20 percent from the average of 780 units permitted annually from 2006 through 2010, and 65 percent more than the average of 570 units permitted annually from 2000 through 2005 (Figure 11). New rental developments include Elk Hills Apartments, in Elkhorn, a 216-unit project expected to be complete in January 2015, with rents of \$650 for studios, \$790 for one-bedroom units, \$900 for two-bedroom units, and \$990 for three-bedroom units.

The University of Nebraska Omaha and Creighton University affect the rental market in the Omaha submarket because of the large number

of student households that live off campus. The two universities had a combined enrollment of approximately 22,500 students, and 4,550 dormitory beds, during 2012. The remaining approximately 18,000 students live in off-campus housing. Student households that reside off campus represent approximately 7 percent of total renter households in the submarket. The estimated vacancy rate in the south downtown area of Omaha near the two campuses was 3.6 percent, slightly higher than the 2.9-percent rate in the rest of the submarket, but asking rents were approximately \$40 higher per month near the universities (Reis, Inc.).

Figure 11. Multifamily Units Permitted in the Omaha Submarket, 2000 to 2013



Notes: Excludes townhomes. Includes data through November 2013.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Demand for new market rate rental units in the submarket is expected to average 590 units annually during the next 3 years. The 440 units under construction and 450 additional planned completions will meet most of the expected demand during the first 2 years of the 3-year forecast period (Table 1). Table 5 shows forecast demand by number of bedrooms and rent level.

Table 5. Estimated Demand for New Market-Rate Rental Housing in the Omaha Submarket, December 1, 2013, to December 1, 2016

Zero Bedrooms		One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand
650 to 849	40	790 to 989	680	900 to 1,099	720	990 to 1,189	60
850 or more	15	990 to 1,189	80	1,100 to 1,299	85	1,190 or more	10
		1,190 or more	40	1,300 or more	40		
Total	55	Total	800	Total	850	Total	70

Notes: Numbers may not add to totals because of rounding. The 440 units currently under construction will satisfy some of the estimated demand.

Source: Estimates by analyst

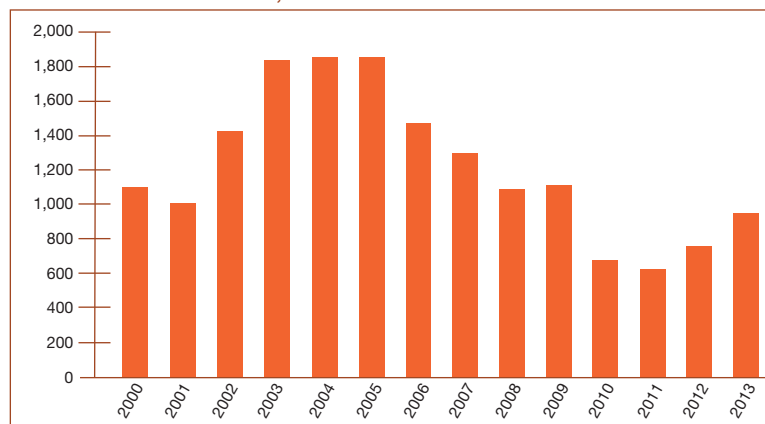
Sales Market—Sarpy County Submarket

The sales housing market in the Sarpy County submarket is currently balanced, with an estimated 1.3-percent sales vacancy rate, down from 1.6 percent in April 2010 (Table DP-3 at the end of the report). Existing single-family home, townhome, and condominium sales increased 11 percent, to an average of 3,350 sales, during the 12 months ending September 2013, continuing the gains that began in 2011 (Metrostudy, A Hanley Wood Company). From 2005 through 2011, existing home sales declined by an average of 210 sales, or 6 percent, annually. Existing home sales prices decreased nearly 3 percent to an average of \$157,400 during the 12 months ending September 2013 from a year ago. The slight decrease in existing home sales prices is partially because a larger share of sales occurred in the southwestern portion of the submarket, where lower priced homes are located. From 2005 through 2011, existing home sales prices increased an average of approximately 2 percent annually. Sales of new homes totaled 580 during the 12 months ending September 2013, up 18 percent from a year ago, and sales prices for new

homes increased more than 6 percent, to \$258,300, during the same period. New home sales declined by an average of 170 sales, or 10 percent, annually from 2005 through 2012, while sales prices increased more than 3 percent annually. Reflecting the improving home sales market, the percentage of distressed mortgages in the submarket decreased during the past year. In total, 2.5 percent of home loans in the submarket were 90 or more days delinquent, were in foreclosure, or transitioned into REO as of November 2013, down from 2.8 percent a year ago and from the peak of 3.5 percent in January 2010 (Black Knight Financial Services, Inc.).

Increasing home sales and rising new home sales prices from an increase in demand are encouraging developers to boost new home construction activity, as measured by the number of single-family homes permitted. During the 12 months ending November 2013, building permits were issued for approximately 1,000 single-family homes, up 43 percent from the previous 12 months (preliminary data). Single-family home construction in the submarket remains significantly less than the average from 2000 through 2009, when 1,425 homes were permitted annually, although recent building activity represents an increase from the average of 700 homes permitted annually from 2010 through 2012 (Figure 12).

Figure 12. Single-Family Homes Permitted in the Sarpy County Submarket, 2000 to 2013



Notes: Includes townhomes. Includes data through November 2013.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Housing Market Trends

Sales Market—Sarpy County Submarket *Continued*

Table 6. Estimated Demand for New Market-Rate Sales Housing in the Sarpy County Submarket, December 1, 2013, to December 1, 2016

Price Range (\$)		Units of Demand	Percent of Total
From	To		
140,000	199,999	880	30.0
200,000	249,999	1,175	40.0
250,000	349,999	730	25.0
350,000	499,999	85	3.0
500,000	and higher	60	2.0

Note: The 200 homes currently under construction and a portion of the estimated 1,000 other vacant units in the submarket will likely satisfy some of the forecast demand.

Source: Estimates by analyst

During the next 3 years, demand is expected for 2,925 new single-family homes, townhomes, and condominiums in the submarket (Table 1). The 200 homes currently under construction and a portion of the estimated 1,000 other vacant units in the submarket will satisfy a portion of the estimated demand. Demand is expected to be strongest for homes priced between \$140,000 and \$250,000 (Table 6).

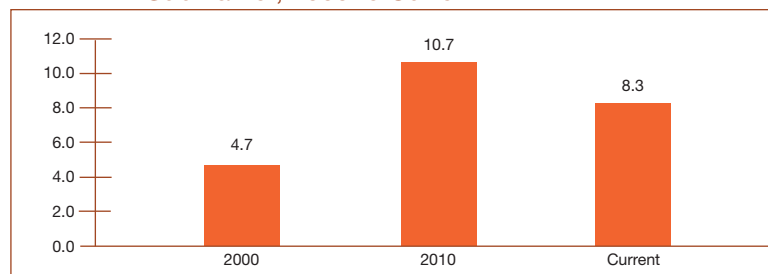
Rental Market—Sarpy County Submarket

Rental housing market conditions in the Sarpy County submarket have improved since 2010, but conditions remain soft. The current overall rental vacancy rate is estimated at 8.3 percent, down from 10.7 percent in April 2010 (Figure 13). The apartment market is tight, with a vacancy rate of 3.8 percent during the third quarter of 2013, up slightly from 3.4 percent a year earlier (Reis, Inc.). Approximately 11 percent of total occupied rental units are single-family homes in the submarket, equal the rate in the Remainder submarket, and lower than the 14-percent rate in the Omaha submarket. From 2010 to the current date, the estimated absorption of 360 rental units annually was higher than the average multifamily

permitting of 300 units annually, putting downward pressure on apartment vacancy rates, which declined from 5.1 percent during 2010. Asking rents for market-rate apartments averaged \$705 during the third quarter of 2013, up nearly 4 percent from a year ago.

Military personnel stationed at Offutt AFB, many of whom are renters, affect the rental market in Sarpy County. About 6,025 military personnel were stationed at the base during 2012. Approximately 590 barrack beds and 1,950 family housing units are available for airmen and dependents on base. The estimated 3,500 remaining airmen, and their dependents, live off base and represent approximately 18 percent of total renter households in the submarket. From 2000 through 2005, military and civilian personnel at Offutt AFB increased by 110 annually, and an average of 470 multifamily units were permitted annually during the same period. From 2005 through 2012, military and civilian personnel declined by 140 annually, and multifamily permitting reflected this decline, dropping to an average of

Figure 13. Rental Vacancy Rates in the Sarpy County Submarket, 2000 to Current



Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

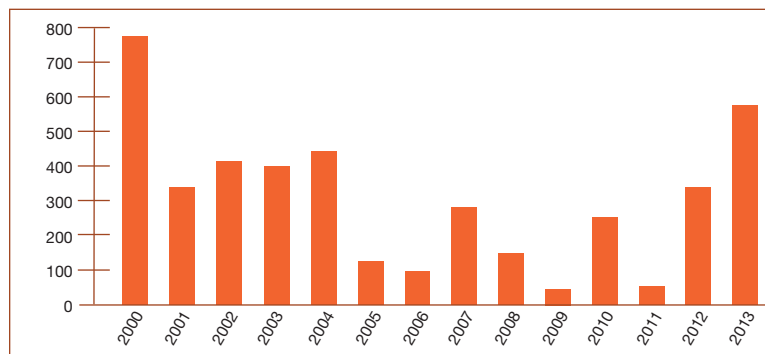
Housing Market Trends

Rental Market—Sarpy County Submarket *Continued*

160 units permitted annually during the period. Multifamily construction activity, as measured by the number of units permitted, increased to 550 units during the 12 months ending November 2013, from 280 a year earlier. The increased construction activity during the past year is in response to the current tight apartment rental market (Figure 14).

New rental developments in the submarket include the second phase of Tuscany Apartments, a 350-unit project in Papillion that began construction in August 2012, with approximately 200 units still under construction. The development includes one-, two-, and three-bedroom units with expected rents of \$860, \$1,100, and \$1,470, respectively.

Figure 14. Multifamily Units Permitted in the Sarpy County Submarket, 2000 to 2013



Notes: Excludes townhomes. Includes data through November 2013.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Demand is expected to average approximately 240 new market-rate rental units annually in the submarket during the next 3 years. The 240 units under construction and 100 additional planned completions are expected to meet demand during the first year and part of the second year of the 3-year forecast period (Table 1). Table 7 shows forecast demand by number of bedrooms and rent level.

Table 7. Estimated Demand for New Market-Rate Rental Housing in the Sarpy County Submarket, December 1, 2013, to December 1, 2016

Zero Bedrooms		One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand
590 or more	10	800 to 999	270	1,050 to 1,249	290	1,300 or more	30
		1,000 to 1,199	30	1,250 to 1,449	35		
		1,200 or more	15	1,450 or more	15		
Total	15	Total	320	Total	340	Total	30

Notes: Numbers may not add to totals because of rounding. The 240 units currently under construction will satisfy some of the estimated demand.

Source: Estimates by analyst

Sales Market—Remainder Submarket

The sales housing market in the Remainder submarket is soft, with an estimated 1.8-percent sales vacancy rate, down slightly from 2.0 percent in April 2010 (Table DP-4 at the end of the report). Existing single-family home, townhome, and condominium sales stayed relatively flat during the 12 months ending September 2013,

at 3,150 homes sold, up only 20 sales, or less than 1 percent, from a year ago. This slight increase is in addition to the gain of 430 existing home sales, or 15 percent, from 2011 to 2012. Before the increases during the past 2 years, existing home sales declined by an average of 125 sales, or nearly 4 percent, annually, from

Housing Market Trends

Sales Market—Remainder Submarket *Continued*

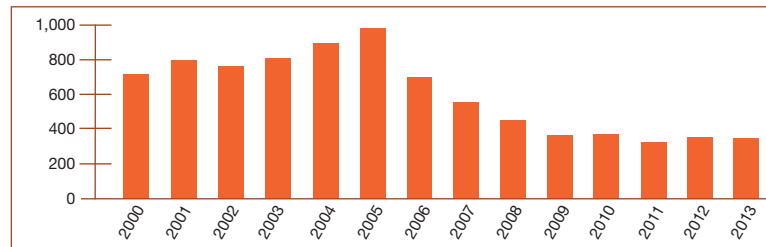
2005 through 2011 (Metrostudy, A Hanley Wood Company). During the 12 months ending September 2013, existing home sales prices increased 3 percent from a year earlier, to an average of \$164,500. The recent increase in existing sales prices followed a decline of nearly 4 percent from 2011 to 2012. From 2005 through 2011, existing home sale prices increased an average of more than 4 percent annually, to a peak of \$164,800. The incomes for households who qualified to purchase homes increased by an average of nearly 15 percent annually from 2005 through 2012, likely leading them to purchase homes that were more expensive. New home sales declined recently in the Remainder submarket.

During the 12 months ending September 2013, new home sales decreased by 10, to 70 sales, compared with the number of new homes sold a year ago. During the same period, new home sale prices increased 7 percent, to an average of approximately \$229,400. From 2005 through 2011, new home sales declined by an average of 40 homes annually, while new home sales prices increased an average of nearly 6 percent annually.

Despite a decrease in new home sales during the 12 months ending September 2013, and relatively flat existing home sales, developers are increasing new construction activity, as measured by the number of single-family homes permitted. During the 12 months ending November 2013, building permits were issued for approximately 420 single-family homes, up 21 percent from the previous 12 months (preliminary data). Single-family home construction in the submarket remains significantly less than the average for 2000 through 2005, when 820 homes were permitted annually, although recent building activity represents an increase from the average of 370 homes permitted from 2008 through 2012 (Figure 15).

During the next 3 years, demand is expected for 220 new single-family homes in the submarket (Table 1). A portion of the 3,900 other vacant units in the submarket may satisfy a portion of the estimated demand. Demand is expected to be strongest for homes priced between \$140,000 and \$250,000 (Table 8).

Figure 15. Single-Family Homes Permitted in the Remainder Submarket, 2000 to 2013



Notes: Includes townhomes. Includes data through November 2013.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Table 8. Estimated Demand for New Market-Rate Sales Housing in the Remainder Submarket, December 1, 2013, to December 1, 2016

Price Range (\$)		Units of Demand	Percent of Total
From	To		
140,000	199,999	65	29.5
200,000	249,999	85	38.6
250,000	349,999	50	22.7
350,000	and higher	20	9.1

Note: A portion of the estimated 3,900 vacant units in the submarket will likely satisfy some of the forecast demand.

Source: Estimates by analyst

Rental Market—Remainder Submarket

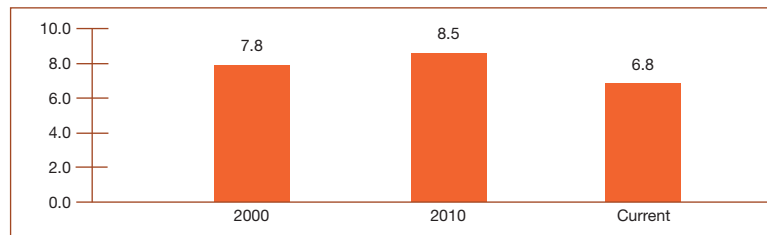
Rental housing market conditions in the Remainder submarket have improved since 2010, but conditions remain slightly soft, and vacant units continue to be absorbed. The overall rental vacancy rate is estimated at 6.8 percent, down from 8.5 percent in April 2010 (Figure 16). Approximately 11 percent of total occupied rental units in the submarket are comprised of single-family units. The apartment market is tight, with a vacancy rate of 2.3 percent during the third quarter of 2013, up slightly from 2.0 percent

a year earlier (Axiometrics Inc.). The estimated absorption of 90 rental units annually has outpaced the average multifamily permitting of 20 units annually since 2010, leading to a tight apartment rental market. Asking rents for market-rate apartments averaged \$660 during the third quarter of 2013, up 3 percent from \$640 a year ago.

Net out-migration since 2006 led to decreased multifamily permitting activity in the submarket. Multifamily construction activity, as measured by the number of units permitted, totaled approximately 5 units during the 12 months ending November 2013, down from 10 units permitted a year earlier. The low number of units permitted in the past 2 years is in line with the average of less than 20 units permitted annually from 2008 through 2012, as net out-migration increased beginning in 2006. From 2000 through 2007, an average of 180 units were permitted annually, during the period when net in-migration averaged 270 people annually (Figure 17).

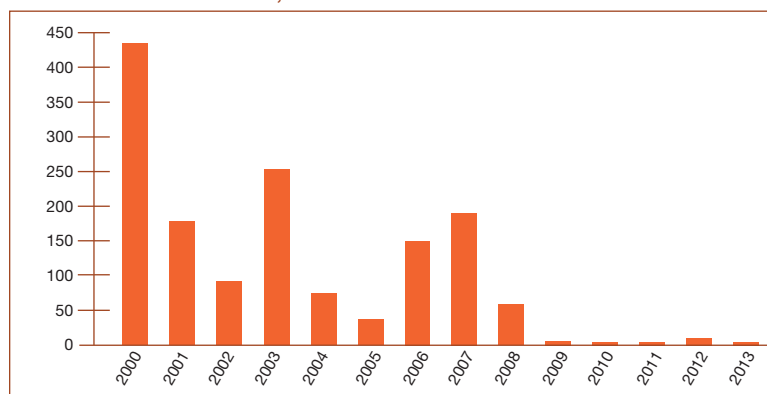
Slower job growth and continued net out-migration from the submarket substantially reduced the demand for new market-rate rental units. To allow for the current excess supply of vacant available units to be absorbed, no additional market-rate apartment units need be constructed in the submarket during the 3-year forecast period (Table 1).

Figure 16. Rental Vacancy Rates in the Remainder Submarket, 2000 to Current



Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

Figure 17. Multifamily Units Permitted in the Remainder Submarket, 2000 to 2013



Notes: Excludes townhomes. Includes data through November 2013.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Table DP-1. Omaha-Council Bluffs HMA Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%)	
				2000 to 2010	2010 to Current
Total resident employment	414,354	429,114	448,000	0.4	1.5
Unemployment rate	2.8%	5.2%	4.3%		
Nonfarm payroll jobs	441,600	457,300	471,300	0.3	1.0
Total population	767,041	865,350	899,000	1.2	1.0
Total households	294,502	334,379	349,300	1.3	1.2
Owner households	196,893	223,303	228,900	1.3	0.7
Percent owner	66.9%	66.8%	65.5%		
Renter households	97,609	111,076	120,400	1.3	2.2
Percent renter	33.1%	33.2%	34.5%		
Total housing units	311,540	362,327	374,600	1.5	0.9
Owner vacancy rate	1.1%	1.9%	1.7%		
Rental vacancy rate	7.2%	10.1%	8.1%		
Median Family Income	\$50,821	\$67,291	\$69,125	2.8	0.9

Notes: Numbers may not add to totals because of rounding. Employment data represent annual averages for 2000, 2010, and the 12 months through November 2013. Median Family Incomes are for 1999, 2009, and 2012.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Table DP-2. Omaha Submarket Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%)	
				2000 to 2010	2010 to Current
Total population	463,585	517,110	540,200	1.1	1.2
Total households	182,194	202,411	211,600	1.1	1.2
Owner households	115,254	127,399	129,800	1.0	0.5
Percent owner	63.3%	62.9%	61.4%		
Rental households	66,940	75,012	81,700	1.1	2.4
Percent renter	36.7%	37.1%	38.6%		
Total housing units	192,672	219,580	227,200	1.3	0.9
Owner vacancy rate	1.0%	1.9%	1.7%		
Rental vacancy rate	7.5%	10.3%	8.4%		
Median Family Income	\$54,651	\$65,390	\$65,877	1.8	0.2

Notes: Numbers may not add to totals because of rounding. Median Family Incomes are for 1999, 2009, and 2012.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Table DP-3. Sarpy County Submarket Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%)	
				2000 to 2010	2010 to Current
Total population	122,595	158,840	170,600	2.6	2.0
Total households	43,426	58,102	62,500	3.0	2.0
Owner households	30,054	41,350	43,650	3.2	1.5
Percent owner	69.2%	71.2%	69.8%		
Rental households	13,372	16,752	18,850	2.3	3.3
Percent renter	30.8%	28.8%	30.2%		
Total housing units	44,981	61,938	65,800	3.3	1.7
Owner vacancy rate	0.9%	1.6%	1.3%		
Rental vacancy rate	4.7%	10.7%	8.3%		
Median Family Income	\$59,723	\$76,751	\$78,256	2.5	0.6

Notes: Numbers may not add to totals because of rounding. Median Family Incomes are for 1999, 2009, and 2012.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Table DP-4. Remainder Submarket Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%)	
				2000 to 2010	2010 to Current
Total population	180,861	189,400	188,200	0.5	- 0.2
Total households	68,882	73,866	75,250	0.7	0.5
Owner households	51,585	54,554	55,450	0.6	0.4
Percent owner	74.9%	73.9%	73.7%		
Rental households	17,297	19,312	19,800	1.1	0.7
Percent renter	25.1%	26.1%	26.3%		
Total housing units	73,887	80,809	81,650	0.9	0.3
Owner vacancy rate	1.6%	2.0%	1.8%		
Rental vacancy rate	7.8%	8.5%	6.8%		

Note: Numbers may not add to totals because of rounding.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Data Definitions and Sources

2000: 4/1/2000—U.S. Decennial Census
 2010: 4/1/2010—U.S. Decennial Census
 Current date: 12/1/2013—Analyst's estimates
 Forecast period: 12/1/2013–12/1/2016—
 Analyst's estimates

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.

Other Vacant Units: In the U.S. Department of Housing and Urban Development's (HUD's) analysis, other vacant units include all vacant units that are not available for sale or for rent. The term therefore includes units rented or sold but not occupied; held for seasonal, recreational, or occasional use; used by migrant workers; and the category specified as "other" vacant by the Census Bureau.

Building Permits: Building permits do not necessarily reflect all residential building activity that occurs in an HMA. 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.

For additional data pertaining to the housing market for this HMA, go to http://www.huduser.org/publications/pdf/CMARtables_Omaha-CouncilBluffsNE-IA_14.pdf.

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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.

The factual framework for this analysis follows the guidelines and methods developed by HUD's Economic and Market Analysis Division. 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.

For additional reports on other market areas, please go to
www.huduser.org/portal/ushmc/chma_archive.html.