

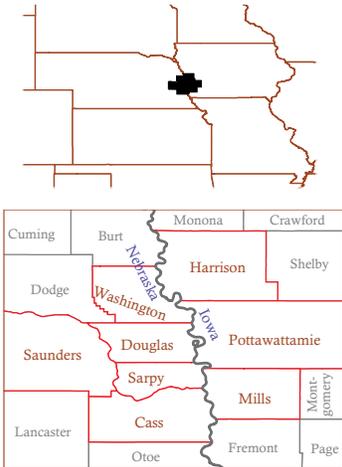


Omaha-Council Bluffs, Nebraska-Iowa

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of October 1, 2009



Housing Market Area



The Omaha-Council Bluffs, Nebraska-Iowa Housing Market Area (HMA) is located on the Iowa-Nebraska border, spanning the Missouri River. The HMA consists of Cass, Douglas, Sarpy, Saunders, and Washington Counties in Nebraska and Harrison, Mills, and Pottawattamie Counties in Iowa. The city of Omaha developed as a river port and transshipment point during the railroad era of the 19th century. Today the HMA, with a population of nearly 850,000, is a regional distribution hub and center for financial, professional, and healthcare services.

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Summary

Economy

Employment in the Omaha-Council Bluffs HMA has declined in the past year, with many job losses in industries strongly influenced by the national economy. Nonfarm employment declined by about 4,200 jobs to 463,700 jobs during the 12 months ending September 2009, a 0.9-percent decline. The transportation and utilities, manufacturing, and professional and business services sectors were particularly hard hit, with each sector suffering declines of more than 2 percent. Employment is expected to recover during the forecast period, increasing by an average of 0.5 percent annually during the next 3 years.

Sales Market

The home sales market in the HMA is currently soft, with a sales vacancy rate estimated to be 1.9 percent. At the end of September 2009, existing home sales were down 11 percent from a year earlier and average home prices were down 3.9 percent. With home sales slowing, single-family home construction has declined by nearly 50 percent from its 2005 peak of approximately 5,900 units a year. During the forecast period, demand is expected for 9,000 new sales units (see Table 1). The 950 units currently under construction will meet part of that demand. Since 2000, the other

vacant housing supply has increased by more than 5,250 units to an estimated 12,450, a portion of which may reenter the sales market and satisfy some of the forecast demand.

Rental Market

The weaker economy has contributed to a softening of the rental market in the HMA in the past year. The current rental vacancy rate is estimated to be 7.9 percent. Builders have scaled back multifamily construction, as measured by the number of units permitted, to fewer than 500 units in the 12 months ending September 2009, compared with 2,000 in the previous 12 months. During the forecast period, demand is expected for 1,600 new rental units (see Table 1), part of which will be met by the 800 units currently under construction.

Table 1. Housing Demand in the Omaha-Council Bluffs HMA, 3-Year Forecast, October 1, 2009 to October 1, 2012

	Omaha HMA	
	Sales Units	Rental Units
Total Demand	9,000	1,600
Under Construction	950	800

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of October 1, 2009. A portion of the estimated 12,450 other vacant units in the HMA will likely satisfy some of the forecast demand.

Source: Estimates by analyst

Economic Conditions

Economic conditions in the Omaha-Council Bluffs HMA have weakened in the past year, largely because of the national recession. During the 12 months ending September 2009, nonfarm employment decreased by about 4,200 jobs to 463,700 jobs, a 0.9-percent decline from the previous 12 months. In contrast, from 2003 through 2007, nonfarm employment increased by an average of 5,600 jobs a year, or by 1.3 percent annually. With job losses mounting, the average unemployment rate during the past 12 months was 4.7 percent, up from 3.5 percent a year earlier. Figure 1 shows resident employment levels and unemployment rates for 1990 through 2008.

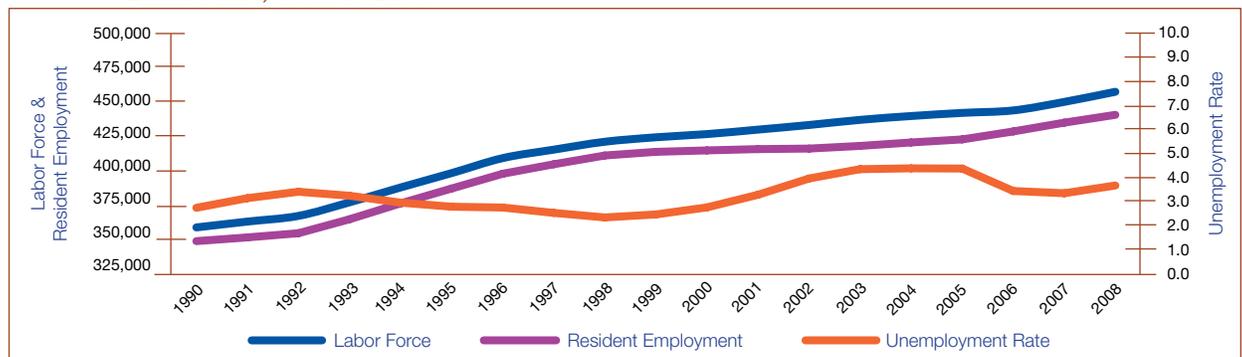
Despite the downturn in overall employment, a few sectors have sustained job growth. During the 12 months ending September 2009, education and health services added about 1,350 jobs, a 2-percent increase from a year earlier. In comparison, the sector added nearly 2,000 jobs a year from 2005 through 2008. Also, in the past 12 months, the government sector added approximately 2,250 jobs, a 3.6-percent increase. Most of that growth was in local government educational services, which increased by 1,500 jobs, or

5.7 percent. Figure 2 shows employment growth by sector in the HMA from 1990 to the current date.

Many jobs lost in the past 12 months were in industries sensitive to conditions in the national economy. Manufacturing employment decreased by nearly 1,200 jobs, a decline of 3.5 percent from a year earlier. Job losses in the manufacturing sector were concentrated in durable goods, which declined by 5 percent. The transportation and utilities sector lost approximately 650 jobs, a decline of 2.2 percent, and the professional and business services sector lost approximately 2,900 jobs, a 4.4-percent drop (see Table 2). In addition, a weak home sales market caused construction employment to decline by about 600 jobs, or 2.3 percent.

Although employment for residential construction declined sharply in the past year, the decrease was partly offset by significant hiring for non-residential construction, particularly for office, retail, and healthcare facilities. A number of companies based in Omaha, such as the Gallup Organization and TD AMERITRADE, Inc., have expanded their corporate headquarters. In addition, The Nebraska Medical Center and its affiliate, The University of Nebraska

Figure 1. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Omaha-Council Bluffs HMA, 1990 to 2008



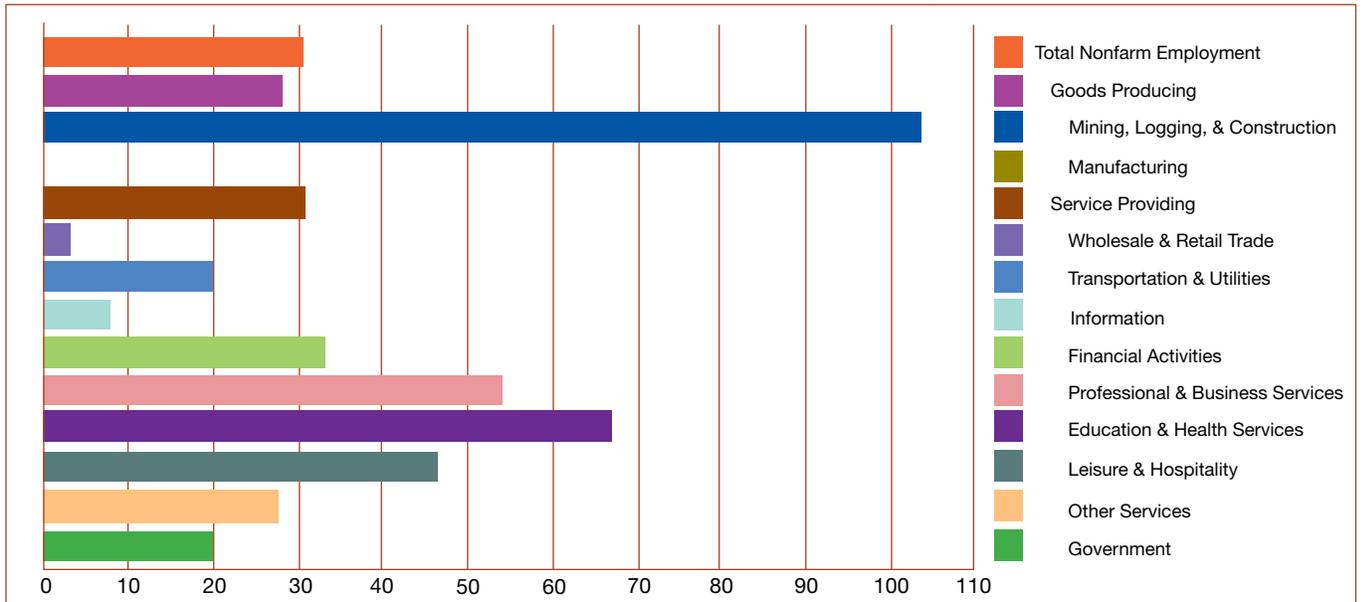
Source: U.S. Bureau of Labor Statistics

Medical Center, are undergoing a \$497 million expansion, which is expected to be completed in 2010 and to add more than 500 new jobs in the education and health services sector. Figure 3 shows current employment by sector in the HMA.

The leading employer in the HMA is Offutt Air Force Base (AFB), which

includes the headquarters of the United States Strategic Command and which has roughly 12,000 military and civilian personnel. According to an analysis prepared by the base, the total economic impact on the surrounding area in 2008 was more than \$2.4 billion. The three largest private employers in the HMA are

Figure 2. Sector Growth in the Omaha-Council Bluffs HMA, Percentage Change, 1990 to Current



Note: Current is based on 12-month averages through September 2009.

Source: U.S. Bureau of Labor Statistics

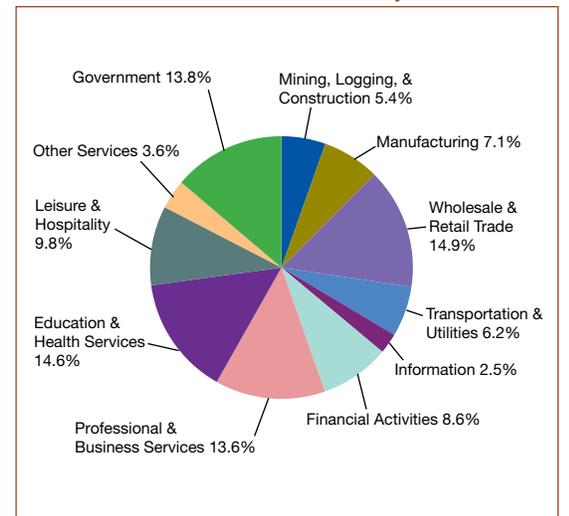
Table 2. 12-Month Average Employment in the Omaha-Council Bluffs HMA, by Sector

	12 Months Ending September 2008	12 Months Ending September 2009	Percent Change
Total Nonfarm Employment	467,900	463,700	-0.9
Goods Producing	59,650	57,900	-2.9
Mining, Logging, & Construction	25,800	25,200	-2.3
Manufacturing	33,900	32,700	-3.5
Service Providing	408,250	405,850	-0.6
Wholesale & Retail Trade	70,650	68,900	-2.5
Transportation & Utilities	29,500	28,850	-2.2
Information	12,350	11,650	-5.7
Financial Activities	39,600	39,700	0.3
Professional & Business Services	65,750	62,850	-4.4
Education & Health Services	66,550	67,900	2.0
Leisure & Hospitality	45,600	45,300	-0.7
Other Services	16,650	16,800	0.9
Government	61,650	63,900	3.6

Notes: Based on 12-month averages through September 2008 and September 2009. Numbers may not add to totals due to rounding.

Source: U.S. Bureau of Labor Statistics

Figure 3. Current Employment in the Omaha-Council Bluffs HMA, by Sector



Note: Based on 12-month averages through September 2009.

Source: U.S. Bureau of Labor Statistics

healthcare providers—The Nebraska Medical Center, Alegen Health, and Methodist Health System, with 8,350, 6,750, and 6,200 employees, respectively. Also headquartered in the area are several major financial services firms, including Berkshire Hathaway, Inc., and Mutual of Omaha Insurance Company. Table 3 lists the major employers in the HMA.

Nonfarm employment in the HMA is expected to increase by an average of 2,500 jobs a year, or 0.5 percent annually, during the 3-year forecast period. Job growth will likely remain slow for the next 12 months, but the rate is expected to increase to more than 1 percent a year by 2012.

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

Name of Employer	Employment Sector	Number of Employees
Offutt Air Force Base	Government	12,000
The Nebraska Medical Center	Education & Health Services	8,350
Alegen Health	Education & Health Services	6,750
Methodist Health System	Education & Health Services	6,200
First Data Corporation	Financial Activities	5,300
First National Bank of Omaha	Financial Activities	4,650
Union Pacific Corporation	Transportation & Utilities	4,500
ConAgra Foods, Inc.	Manufacturing	3,300
Mutual of Omaha Insurance Company	Financial Activities	3,250
PayPal, Inc.	Financial Activities	3,000

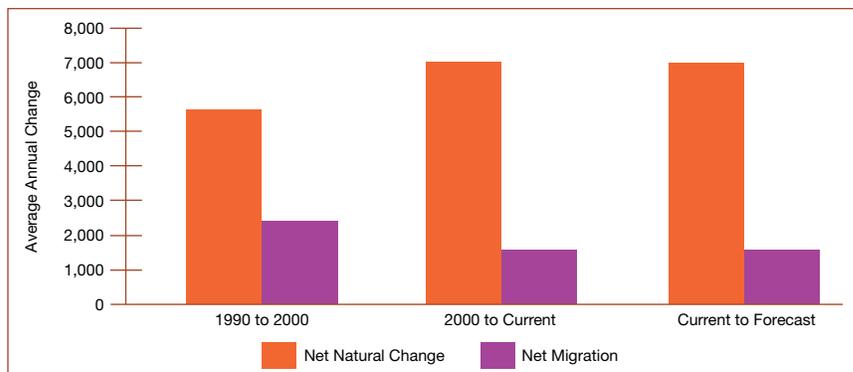
Source: Greater Omaha Economic Development Partnership

Population and Households

The current population of the Omaha-Council Bluffs HMA is estimated to be 849,300, and has increased approximately 8,650, or 1.1 percent, annually since 2000. Most

of the population growth has been due to net natural change (resident births minus resident deaths), which averaged about 7,100 a year. Net in-migration averaged less than 1,600 people a year (see Figure 4). Migration to the HMA slowed early in the past decade because of the weak labor market during and after the 2001 recession. From 2003 through 2007, however, the rate of in-migration accelerated, averaging more than 2,500 new residents a year. The recent economic downturn has caused net in-migration to slow again in the past 2 years to less than 2,000 people a year.

Figure 4. Components of Population Change in the Omaha-Council Bluffs HMA, 1990 to Forecast



Sources: 1990 and 2000—1990 Census and 2000 Census; current and forecast—estimates by analyst

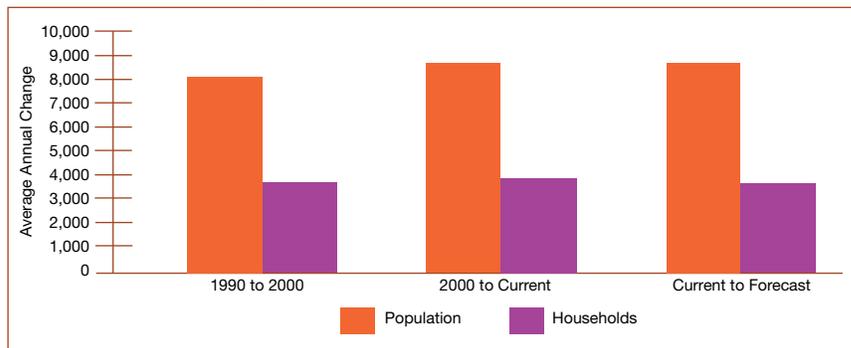
particularly in Sarpy County, where the population has increased by 2.5 percent a year since 2000, mostly due to strong in-migration. Douglas County, the central county of the HMA, which includes the city of Omaha, experienced population growth of slightly more than 1 percent a year, with most of that due to net natural increase. The remaining counties of the HMA all had population increases of less than 1 percent a year since 2000. Table DP-1 at the end of the report contains information on

population and household growth in the HMA from 1990 to the current date.

The number of households in the HMA is estimated to be 331,700 as of the current date. Paralleling population growth, the total number of households rose from 257,279 in 1990 to 294,502 in 2000, an increase of about 3,700 households, or 1.4 percent, annually (see Figure 5). Since 2000, household growth has averaged about 3,900 households, or 1.3 percent, annually. Of the current households, approximately 226,000, or 68 percent, are owner households and the remaining 105,700 are renter households (see Figure 6). Owner household growth has averaged 1.5 percent a year since 2000, compared with 0.8 percent for renters. The faster growth in owner households was largely because of economic conditions earlier in the decade that favored homeownership, such as low mortgage rates and easy access to credit.

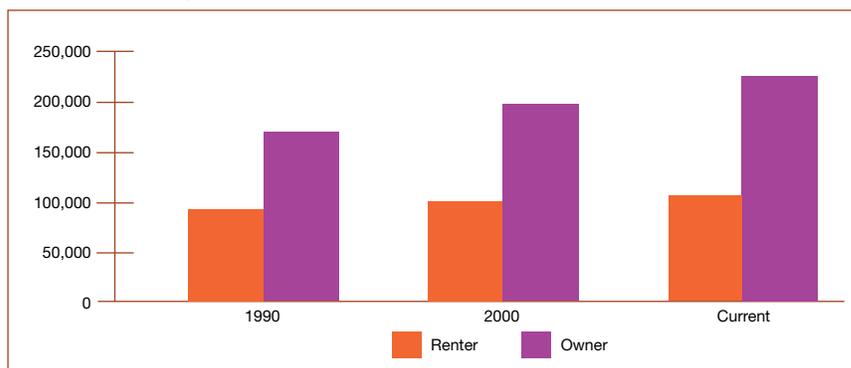
Before economic conditions are expected to recover, net in-migration to the HMA is expected to be slow during the first year of the forecast period. By the second and third years, in-migration is projected to return to average levels seen during the mid-2000s. Population growth due to net natural change is estimated to remain steady. During the next 3 years, the population of the HMA is expected to increase by about 8,650 a year to 875,300, while the number of households is expected to increase by approximately 3,650 a year to 342,700.

Figure 5. Population and Household Growth in the Omaha-Council Bluffs HMA, 1990 to Forecast



Sources: 1990 and 2000—1990 Census and 2000 Census; current and forecast—estimates by analyst

Figure 6. Number of Households by Tenure in the Omaha-Council Bluffs HMA, 1990 to Current



Sources: 1990 and 2000—1990 Census and 2000 Census; current—estimates by analyst

Housing Market Trends

Sales Market

The home sales market in the Omaha-Council Bluffs HMA is currently soft, partly because of the weak economy. According to the Omaha Area Board of REALTORS® (OABR), in the HMA during the 12 months ending September 2009, approximately 7,350 existing homes were sold, an 11-percent decline compared with 8,250 sold in the previous 12 months. In contrast, during 2006 and 2007, more than 9,000 existing homes were sold each year. The average sales price for existing homes declined in the past 12 months by about \$5,900, or 4 percent, to \$146,800.

Although foreclosure filings have increased in the past 2 years, the foreclosure rate in the HMA remains relatively low. According to data from RealtyTrac® Inc., only about 1 in every 506 homes in the HMA had a foreclosure filing in the third quarter of 2009, compared with a nationwide rate of 1 in every 136 homes. Relative to national data, the HMA data did not show as large of an increase in home prices before 2006, and the HMA did not experience a subsequent collapse that would result in a high foreclosure rate.

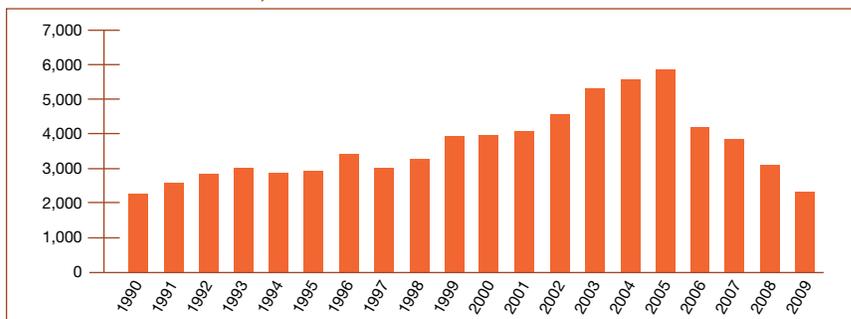
With home sales slowing, builders in the HMA have curtailed production. Based on preliminary data, during the 12 months ending September 2009,

approximately 3,000 single-family homes were permitted, which is a 9-percent decline compared with 3,300 permitted a year earlier. Single-family home construction peaked in 2005, when nearly 5,900 units were permitted (see Figure 7).

Slightly more than one-half of the single-family home construction since 2000 has occurred in Douglas County—especially in the western portion. The transportation infrastructure connecting this area with downtown Omaha and other neighboring job centers is well developed. As the urban boundary has shifted farther west, the city of Omaha has annexed developing areas; thus, much of the new construction remains within the city. About 40 percent of new single-family home construction has been in the other outlying counties on the Nebraska side of the state line, particularly in Sarpy County, where Offutt AFB is located. Less than 10 percent of the new single-family homes added have been in the Iowa counties of the HMA. According to OABR, the average price for new homes sold in the HMA during the 12 months ending September 2009 was about \$250,200, down by 12 percent from the previous 12-month average of \$284,700.

Condominium construction in the HMA has also been concentrated in the city of Omaha, particularly in central areas such as midtown and the Old Market area downtown. One mixed-use project nearing completion is Midtown Crossing at Turner Park, a \$300 million retail and residential development approximately 1 mile west of downtown. When completed, the residential portion will include 297 condominiums, with prices starting

Figure 7. Single-Family Building Permits Issued in the Omaha-Council Bluffs HMA, 1990 to 2009



Notes: Includes only single-family units. Includes data through September 2009.

Source: U.S. Census Bureau, Building Permits Survey

at \$191,500, and 196 luxury apartments, with rents starting at \$950 a month.

Based on projected population and household growth figures during the next 3 years, demand is expected for

9,000 new sales units. The 950 units currently under construction will meet part of that demand. Demand is expected to be strongest in the second and third years of the forecast and for units priced between \$200,000 and \$250,000. Table 4 shows estimated demand by price range for new market-rate sales housing during the forecast period. Builders should be aware of the estimated 12,450 other vacant units currently in the inventory. It is likely that a portion of these units will return to the sales housing market and satisfy some of the forecast demand.

Table 4. Estimated Demand for New Market-Rate Sales Housing in the Omaha-Council Bluffs HMA, October 1, 2009 to October 1, 2012

Price Range (\$)		Units of Demand	Percent of Total
From	To		
100,000	149,999	1,080	12.0
150,000	174,999	1,170	13.0
175,000	199,999	1,440	16.0
200,000	249,999	1,620	18.0
250,000	299,999	1,350	15.0
300,000	399,999	1,170	13.0
400,000	599,999	720	8.0
600,000	and higher	450	5.0

Source: Estimates by analyst

Rental Market

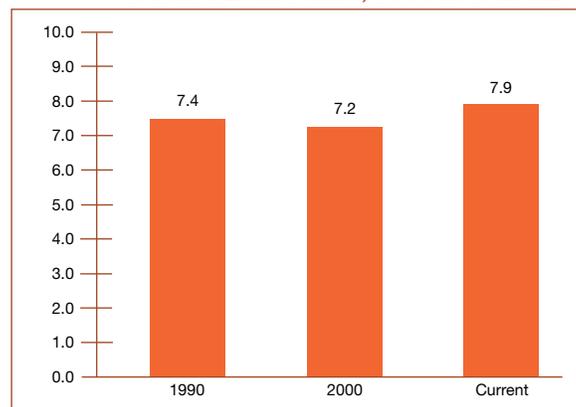
The combined effects of job losses, slower population growth, and a number of recent apartment completions have caused rental market conditions in the Omaha-Council Bluffs HMA to soften slightly in the past year. The rental market is currently somewhat soft, with an estimated vacancy rate of 7.9 percent, compared with 7.5 percent a year earlier (see Figure 8). The soft sales

market is also a contributing factor, because homes that have not sold have increasingly been placed in the rental market.

Average monthly asking rents in the HMA are currently about \$600 for one-bedroom units, \$750 for two-bedroom units, and \$1,000 for three-bedroom units. According to Reis, Inc., the average effective apartment rent in the Omaha area (including concessions) in the third quarter of 2009 was \$665, essentially unchanged from the average rent in the same period a year earlier.

The rental market was relatively balanced in the late 1990s and in the early years of the 2000s. According to the 2000 Census, the vacancy rate for all rental housing in the HMA was 7.2 percent. Multifamily construction, as measured by the number of units permitted, was high during this period, averaging nearly 2,000 units a year

Figure 8. Rental Vacancy Rates in the Omaha-Council Bluffs HMA, 1990 to Current



Sources: 1990 and 2000—1990 Census and 2000 Census; current—estimates by analyst

Housing Market Trends

Rental Market *Continued*

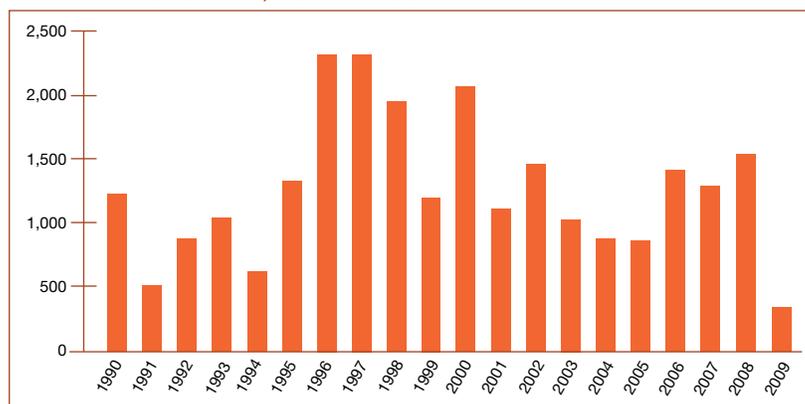
from 1996 through 2000 (see Figure 9). Approximately 90 percent of those units were rentals. Following the recession of 2001, rental demand weakened considerably and vacancy rates rose above 8 percent. Builders responded by reducing multifamily construction to an average of fewer than 1,100 units a year from 2001 through 2005. Although building activity began to increase again in 2006, the recent softening in the market has led to a slowdown in multifamily construction. Based on preliminary data, during the 12 months ending September 2009, fewer than 500 units were permitted compared with more than 2,000 units permitted during the previous 12 months. In addition to the previously noted Midtown Crossing development that will have 196 apartments, Aksarben Village, west of midtown, is undergoing redevelopment as a mixed-use residential, retail, and entertainment district. When completed in 2011,

the complex will include 354 rental units composed of apartments and townhomes. Monthly rents for newly constructed apartments currently average about \$750 for one-bedroom units and \$1,000 for two-bedroom units.

Approximately 80 percent of the multifamily construction in the HMA during the past 2 years has been concentrated in Douglas County. As with single-family construction, much of the multifamily building activity has been in the less-developed western parts of the county. In addition, infill development has occurred closer to downtown, including the conversion and renovation of historic buildings, especially in the Old Market area. Since 2000, nearly 1,000 rental units have been added in the downtown and midtown areas using historic rehabilitation tax credits. Most of the remaining multifamily construction in the HMA has been in Sarpy County, near Offutt AFB, partly the result of a military privatization initiative. Beginning in 2005, the base transferred ownership of all housing units to America First Communities (AFC). AFC then began an 8-year plan to demolish approximately 1,900 existing rental homes and build or renovate 1,400 units.

During the next 3 years, demand is expected for 1,600 new rental units in the HMA. The 800 units currently under construction will meet part of that demand. Table 5 shows estimated demand by rent level for new market-rate rental housing in the HMA during the forecast period.

Figure 9. Multifamily Building Permits Issued in the Omaha-Council Bluffs HMA, 1990 to 2009



Notes: Includes all multifamily units in structures with two or more units. Includes data through September 2009.

Source: U.S. Census Bureau, Building Permits Survey

Housing Market Trends

Rental Market *Continued*

Table 5. Estimated Demand for New Market-Rate Rental Housing in the Omaha-Council Bluffs HMA, October 1, 2009 to October 1, 2012

Zero Bedroom		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
600 to 799	0	650 to 849	250	850 to 1,049	325	1,000 to 1,199	145
800 to 999	0	850 to 1,049	140	1,050 to 1,249	180	1,200 to 1,399	80
1,000 to 1,199	0	1,050 to 1,249	70	1,250 to 1,449	85	1,400 to 1,599	40
1,200 to 1,399	0	1,250 to 1,449	50	1,450 to 1,649	65	1,600 to 1,799	30
1,400 to 1,599	0	1,450 to 1,649	35	1,650 to 1,849	45	1,800 to 1,999	15
1,600 or more	0	1,650 or more	15	1,850 or more	20	2,000 or more	10
Total	0	Total	560	Total	720	Total	320

Source: Estimates by analyst

Data Profile

Table DP-1. Omaha-Council Bluffs HMA Data Profile, 1990 to Current

	1990	2000	Current	Average Annual Change (%)	
				1990 to 2000	2000 to Current
Total Resident Employment	349,445	414,354	433,200	1.7	0.5
Unemployment Rate (%)	2.8	2.8	4.7		
Nonfarm Employment	355,200	441,600	463,700	2.2	0.6
Total Population	685,797	767,041	849,300	1.1	1.1
Total Households	257,279	294,502	331,650	1.4	1.3
Owner Households	168,213	196,893	226,000	1.6	1.5
Percent Owner (%)	65.4	66.9	68.1		
Renter Households	89,066	97,609	105,650	0.9	0.8
Percent Renter (%)	34.6	33.1	31.9		
Total Housing Units	275,262	311,540	357,500	1.2	1.5
Owner Vacancy Rate (%)	1.5	1.1	1.9		
Rental Vacancy Rate (%)	7.4	7.2	7.9		
Median Family Income	\$36,185	\$54,596	\$67,100	4.2	2.3

Notes: Employment data represent annual averages for 1990, 2000, and the 12 months through September 2009. Median family incomes are for 1989, 1999, and 2008.

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

Data Definitions and Sources

1990: 4/1/1990—U.S. Decennial Census

2000: 4/1/2000—U.S. Decennial Census

Current date: 10/1/2009—Analyst's estimates

Forecast period:

10/1/2009–10/1/2012—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.

For additional data pertaining to the housing market for this HMA, go to www.huduser.org/publications/pdf/CMARtables_OmahaNE_10.pdf.

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This analysis has been prepared for the assistance and guidance of the U.S. Department of Housing and Urban Development (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/publications/econdev/mkt_analysis.html.