

WEST OMAHA NEBRASKA MARKET

Omaha continues to enjoy a diverse economy. The variety of employers including the headquarters of five (5) Fortune 500 companies has minimized the wave of economic shock that originated on the Coasts. Unemployment is up slightly to 4.5% while total jobs in Omaha grew by some 10,000 in 2008. Net job growth in 2009 is expected to exceed 5,000 in 2009. Employers that continue to grow are West Corporation, Google, Yahoo, Mutual of Omaha and First National Bank of Omaha. Additionally, contractors supporting Offutt AFB and the Space Command are expected to grow during 2009. Local economic conditions continue to be good in the Omaha community. Below is a recap of the West Omaha real estate market.

Sales in the \$75,000 to \$150,000 fell in the 4th quarter. While seasonal trending played a role, the decline was due largely to the volatility exhibited in the financial markets. Lower fuel prices probably softened the blow a little. Tract builders continue to exhibit their inventory in MLS although we are told that the larger tract builders will not be putting specs up in 2009 & will build 30% fewer homes in 2009. We continue to see a relatively high number of REO properties in this market segment. Prices in tract areas did soften as REO properties have been selling at a discount while the large tract builders lowered the prices of their homes in an effort to capture a greater share of the market.

Following a decline in May, sales in the \$150,000 to \$250,000 fell during the 4th quarter. This was attributed to the volatility in the financial markets. While financing options dwindled early in the year more buyers are turning to FHA as their primary means of financing. Price trending has been soft. A builder & lender driven disposition of new construction & REO inventories had been underway for some time. Nearly all of the excess new construction inventory has been absorbed. REO properties still seem to represent a good share of the market, however. Most of the sales during the 4th quarter did involve the REO and Relocation properties as they could be acquired as prices were some 5% below the rest of the market.

Sales in the \$250,000 to \$400,000 market were down during the 4th quarter. Again, the tumult in the financial markets caused showings & sales to slow. Previously, higher energy & food prices had only a moderate impact on those earning higher incomes. Earlier in the year this market segment did not react adversely to lower energy prices in the same manner that was evident in the lower price ranges. The financial markets had an effect on this market during the 4th quarter.

Sales in the \$400,000 to \$600,000 segment were down significantly during the 4th quarter. Obviously, this market segment tends to be sensitive to the condition of the financial markets. Sales prices have fallen as motivated sellers outnumber motivated buyers. This is the only market segment in which inventories did not fall.

Following a very active 1st quarter, the \$600,000 & up market was flat through August. Sales from September through November were off significantly from 2007 & early 2008 levels. They did rebound nicely in December only to flatten in January as it is sensitive to the condition of the financial markets. Local & inbound buyers made equal parts of the market in 2008. These buyers, which tend to be more sophisticated than those in lower price ranges, retain the ability to buy at their discretion & have taken advantage of softer prices & greater selection. Prices in this segment appear to have stabilized in the West Shores and in the Linden Estates developments and continues to see the greatest amount of market activity. Price trending in other neighborhoods and the rural areas continues to be soft.

2008 was a year in which we experienced declining inventories. This is due to limited new construction activity and reduced resale offerings by discretionary sellers. Increased energy costs slowed sales during the 2nd quarter while turmoil in the financial markets slowed activity during the 4th quarter. Energy prices have moderated. The financial markets remain in turmoil however. Those buyers that have left the market will likely wait to see the outcome of this financial market cycle. Showing and sales activity started showing signs of renewal during the last

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week of December. That has been building slowly in all price ranges. The entry level market has become particularly active as the new \$8,000 tax credit for 1st time home buyers has been well received.

Informed & motivated sellers are aggressive in their pricing & marketing efforts. Buyers, well aware of inventories will continue to be equally aggressive when it comes to negotiation & purchase decisions. Buyers have been much more aggressive with vacant properties than with occupied units with vacant homes typically selling for 5% less than their occupied counterparts. Most buyers sought & obtained strong sales price and financing concessions with many sellers paying buyers closing costs. The homes that are selling are conditioned, staged & priced better than their competition.

Price trending in most West Omaha markets was negative during 2007. In 2008, pricing flattened in early spring. Pricing started to decline again in May following the rise in energy prices. Prices again started to flatten in August into September when the financial news broke. Prices fell from September into October and then flattened during the balance of 2008. The flattening was due to 30% to 40% decline in inventories during the 4th quarter. To date in 2009 we continue to see flat pricing trends in most markets as inventories are building at a slow rate from their December lows.

Most discretionary sellers have been flushed out of the market. The majority of the market is comprised of truly motivated sellers and builders. Inventories are improving. Supply/demand ratios in a good portion of the market have and will continue to favor the buyer, however.



For additional or more current information on the residential market in the West Omaha area, visit www.rac.net and select "The RAC Report," or contact the following RAC member:

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