

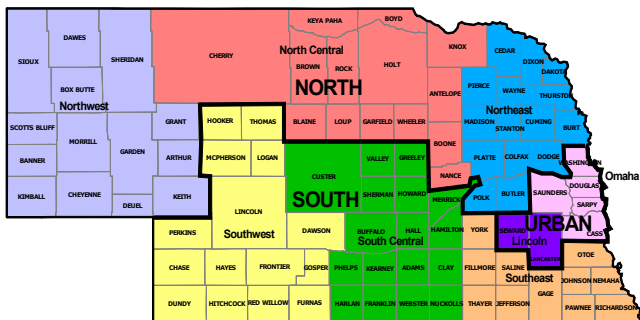
Nebraska Profile - Executive Summary

Introduction

The *Nebraska Profile*, sponsored by the Nebraska Investment Finance Authority (NIFA), is undertaken annually, to provide current, high-quality information about factors influencing the development, production, use, rehabilitation, demand and need for housing and housing related services in Nebraska's local communities. This executive summary has divided Nebraska into three zones: North, South, and Urban. The Urban zone is comprised of the Lincoln and Omaha regions, which include the counties of Cass, Douglas, Lancaster, Sarpy, Saunders, Seward, and Washington. The North and South zones contain the three northern and three southern regions, respectively, as shown in the map presented below.

Demographics

Between 1990 and 2000, Nebraska's population increased by 8.42 percent, rising from 1,578,385 to 1,711,263. In late December of 2008, the Census Bureau released its July 1, 2008 estimate of total statewide population, which had risen to 1,783,432. This is a rather modest rate of growth. However, the natural increase of the population, the net of births minus deaths, is much larger than total population growth. Consequently, the Census Bureau reports that net migration since the 2000 Census represents 18,154 people leaving the state.



The idea that so many people left the state is open to some doubt, and so another source of information was collected and evaluated to provide information about the net change in the population. A review of the most currently available Nebraska Department of Revenue (DOR) published data on income tax returns filed by Nebraska residents from 1991 through 2007 shows that the number of returns filed is expanding at nearly twice the rate of population change statewide. These data are presented in Table A, below.

Year	North	South	Urban	Other*	Total
1991	157,956	182,396	364,416	61,471	766,239
1992	159,144	183,356	375,655	54,302	772,457
1993	158,385	182,936	371,560	62,195	775,076
1994	159,895	184,940	379,186	66,366	790,387
1995	159,043	184,534	380,900	77,832	802,309
1996	160,340	186,137	389,370	79,346	815,193
1997	162,351	187,843	397,312	82,700	830,206
1998	162,397	188,280	406,797	84,597	842,071
1999	162,946	188,292	412,186	86,137	849,561
2000	163,333	188,768	416,851	88,142	857,094
2001	160,868	185,875	415,119	87,433	849,295
2002	159,854	185,282	418,956	79,865	843,957
2003	157,949	183,445	420,557	81,195	843,146
2004	157,489	183,280	428,711	82,016	851,496
2005	145,553	169,123	391,734	155,967	862,377
2006	159,413	185,422	446,201	89,829	880,865
2007	160,614	187,482	458,334	116,987	923,417

The DOR data might under represent lower-income individuals, the elderly, and new foreign residents, all of whom are more likely to have little or no income to report. Even with this undercount, these data indicate faster growth than Census Bureau estimates.

Further, the Census Bureau has been reporting that growth varies significantly throughout Nebraska. In April of 2008, the Census Bureau released its current county population estimates, as of July 1, 2007. While the 2008 information is not yet available for the counties, the 2007 data have been tabulated and are presented by the three zones in Table B, on the following page.

* This includes non-resident returns and other returns which were not allocated to a specific county

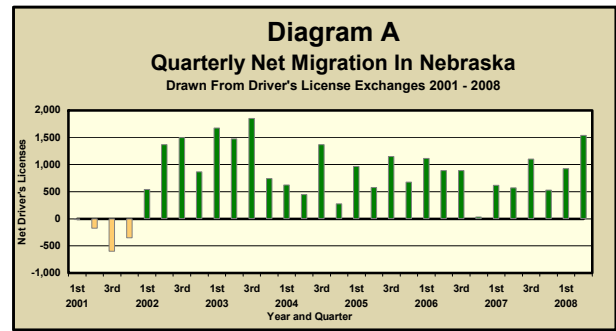
Region	1990 Census	2000 Census	July 2007 Est.	2000-07 % Chg
North	363,960	371,513	354,189	-4.66
South	410,097	423,839	418,271	-1.31
Urban	804,328	915,911	1,002,111	9.41
Nebraska	1,578,385	1,711,263	1,774,571	3.70

These 2007 estimates show that the rate of population change in the North is negative, falling over 4.66 percent in the last seven years. The South decreased by 1.31 percent, while the Urban area experienced more than 9.41 percent growth. In 1990, the Urban zone had 53.5 percent of the state's population, but grew to over 56.5 percent by 2007.

The Census Bureau reports that while Nebraska is losing people under the age of 20, those from 20 to 24 and those from 55 to 64 are the two fastest growing age groups.

An additional source of information was researched to further explore population change. The Nebraska Department of Motor Vehicles, Driver Services Division provided data files related to the number of driver's licenses surrendered and those that were exchanged during the last seven and one-half years. These data provide the number of people who moved into Nebraska from elsewhere and exchanged their previous license for a Nebraska license, as well as those who left the state and surrendered their Nebraska license to the new state. Together, these factors represent an indicator of net domestic migration either into or out from Nebraska.

In 2001, the DMV data indicated that 1,162 individuals out-migrated from Nebraska. 2002 and 2003 showed positive net migration, with the total net increase reaching 4,275 in 2002 and 5,745 in 2003, jumping 34.4 percent between those two years. Migration into Nebraska continued in 2006 and 2007, with positive net inflows of 2,927 and 2,822 licenses, respectively. In the first two quarters of 2008, net in-migration was strong, with 2,465 licenses moving into the state, as seen in Diagram A.

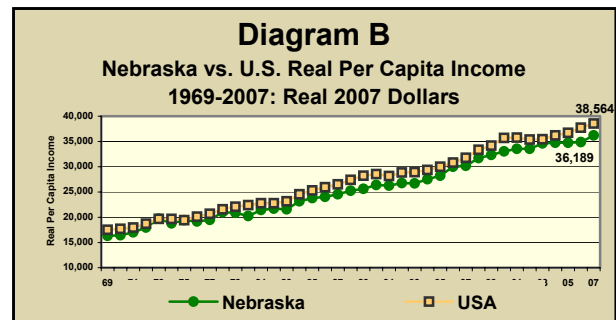


These DMV data indicate that the highest rate of in-migration represents people in the prime working age group of 26 to 45 years old. Data from the Public Use Microdata Sample (PUMS), an annual survey compiled by the Census Bureau, concur that migration into Nebraska is continuing.

Economics

Over the last sixteen years, Nebraska's labor force, defined as individuals working or seeking work, increased at an annual rate of 1.1 percent, reaching 983,438 people in 2007. The unemployment rate remained unchanged, at 3.0 percent in both 2006 and 2007. Furthermore, the state's labor force participation rate continued to rise as the national rate fell. In 2007, the Nebraska labor force participation rate was estimated at 73 percent, which is in the top 90th percentile of all U.S. states. Preliminary Bureau of Economic Analysis statistics point out that full and part-time jobs exceeded 1.24 million in 2007.

Additionally, Nebraska's real average wage per job has traditionally been much lower than the national average. In 2007, it was \$8,877 lower, \$40,009 compared to a national average of \$48,886. However, as seen in Diagram B, the state's average real per capita income is just \$2,375 below the national average.



This is because many residents hold multiple jobs and have other forms of income, such as dividends, interest and rents.

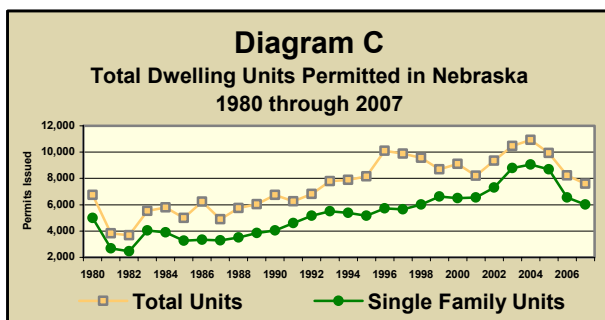
Business establishments continued to expand in Nebraska. From 1980 to 2006, approximately 14,179 additional business establishments were formed, with the number of businesses increasing by 466 between 2005 and 2006. These data indicate that there continues to be strength in Nebraska’s durable economy.

Housing

In stark contrast to census estimates of slow population growth, the Census Bureau reports that Nebraska’s housing stock has risen by 58,136 units, or 8.04 percent, over the last seven years, reaching 780,804 units by July of 2007, as seen in Table C, below. Increases occurred in all three zones of the state. In the North zone, where population declined more than 4.6 percent, total housing stock rose by almost 2.5 percent. The Urban zone grew more than 12.6 percent in the last seven years.

Region	2000 Census	July 2007 Est.	2000-07 % Chg
North	163,004	167,048	2.48
South	185,513	192,325	3.67
Urban	374,151	421,431	12.64
Nebraska	722,668	780,804	8.04

Further, residential permits issued by permit issuing agencies in Nebraska had been rising steadily over the last few years, reaching a peak of 10,920 units in 2004, as seen in Diagram C.



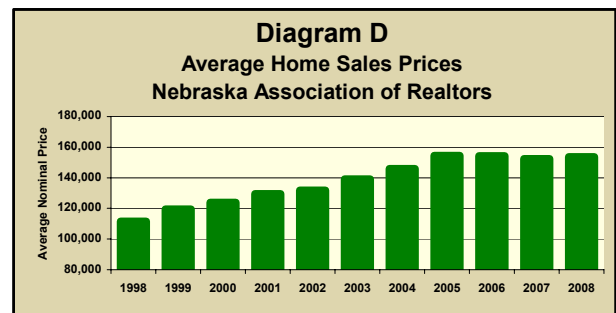
Since then, the number of units permitted has fallen, decreasing by 17.0 percent in 2006 and 7.6 percent in 2007. From 2000 through 2007,

there were 73,793 permitted units. Moreover, the recent quick pace of single family permitting appears to be easing, with the large dips in 2006 and in 2007. Multi-family production decreased by 31 units in 2007.

Data sets of residential property transactions were provided by the Department of Revenue, Property Assessment Division (PAD), from fiscal years 1999 through 2007. These data provide several attributes of homes sold. The average size of existing homes sold over the last seven years was 1,553 square feet. Generally, newer homes are larger, with homes built between 1931 and 1960 averaging 1,126 square feet, and homes built from 2001 through 2007 averaging 1,747 square feet.

Homes built in 1930 or earlier had a sales price of \$47.88 per square foot, for an average value of \$59,852. These prices rose consistently as newer homes were built, reaching \$113.83 per square foot for homes constructed from 2001 through 2007. This represents an average value of \$198,868 for the newer and larger housing units. With all categories together, this translates into an increase in the statewide average value for an existing single family unit from \$91,617 in 1999 to \$133,789 in 2007.

The Nebraska Association of Realtors provided sales price data from its member organizations. While these data are a composite of both existing and new housing, they indicate that prices have been relatively steady, or \$154,564 in 2005 and \$153,747 in 2008, as seen in Diagram D.



With the slowdown in new single family construction, the average value of housing construction has been declining too. In 2006, the real average value of Nebraska’s new single family construction was \$151,657, with real

average construction values falling to \$143,154 in 2007.

Despite a slip in average home values, most of Nebraska's less populous areas have seen increasing prices of both existing housing units and new construction. Furthermore, while national housing prices are declining, Nebraska's lower and more affordable housing prices seem more resistant to current housing market pressures.

In assessing Nebraska's current rental market, a telephone survey was conducted of apartment managers, Low Income Housing Tax Credit project managers, public housing authorities, and other rental agencies, covering both market rate and assisted rental properties in November 2008. 1,463 surveys were completed covering 97,976 rental units, 68,581 of which were apartments.

Rental vacancy rates have decreased in the three regional zones of Nebraska over the last year, decreasing statewide from 6.60 percent to 4.96 percent, as seen in Table D. Vacancy rates below 6.0 percent signal sufficient demand for additional rental housing to be added to the housing stock, as is potentially true for all three zones. However, current mortgage lending markets are hampering the development of rental housing.

Region	2004	2005	2006	2007	2008
North	9.23	8.49	8.13	8.38	5.57
South	7.08	8.90	7.77	7.95	5.68
Urban	6.20	6.37	5.14	6.01	4.70
Nebraska	6.61	6.89	5.78	6.60	4.96

Of the 1,463 managers that completed a survey, 508 had a waiting list for their facilities, with the total waiting list size at 5,645 persons. As expected, the largest waiting lists were in the Urban zone. Of the 97,976 units covered in this survey, 20,830 had some form of rental assistance, several hundred more than last year.

Neighborhood Stabilization Program

In 2008, HUD initiated a new program designed to assist states and units of local government to acquire and improve foreclosed properties. HUD

also released NSP data to give local and state governments the necessary information to evaluate the need for assistance in local housing markets hit hard by home foreclosures

Table E below, shows 19.0 percent of all originated loans from 2004 through 2006 were high cost loans, loans with high interest rates. These loans increase the risk of foreclosure due to unfavorable terms and higher monthly payments.

Originated Loans	
High Cost Loans	32,777
Total Loans	139,372
Percentage High Cost	19.0%
Foreclosures	
Estimated Foreclosures	12,070
Total Mortgages	341,140
Percent Foreclosure	3.4%

From 2004 through 2006 Nebraska had an estimated 3.4 percent foreclosure rate and saw around 12,000 homes foreclosed. Of all neighboring states, only Colorado and Missouri were higher.

Additional information was also collected using the Home Mortgage Disclosure Act (HMDA) data. As seen in Table F below, Nebraska's high cost loans peaked in 2005 at 19.7 percent of all owner-occupied originated loans. High cost loans fell since then reaching a low of 10.8 percent in 2007. This trend is sure to continue, given current mortgage market activity.

Year	High Cost Loans	Regular Loan	% High Cost
2004	2,749	21,825	11.2%
2005	5,197	21,184	19.7%
2006	4,795	21,325	18.4%
2007	2,402	19,901	10.8%
Total	15,143	84,235	15.2%

Summary

Problems for first-time homebuyers will persist, and the demand for affordable housing for both renters and homebuyers will increase.