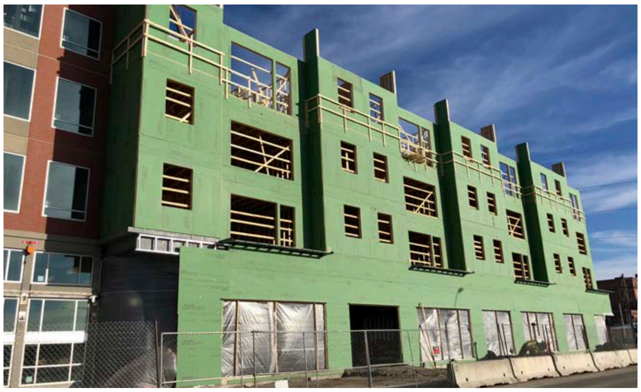


March 9, 2018

RESIDENTIAL LAND INVENTORY REPORT

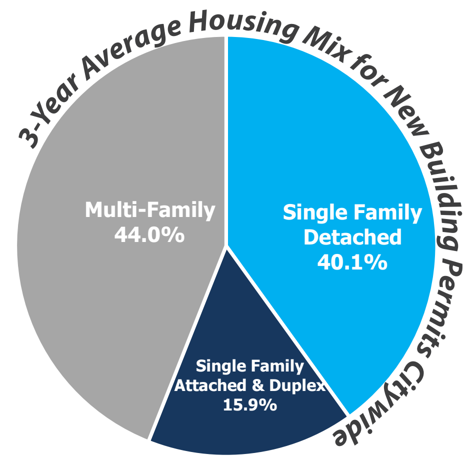
AS OF JANUARY 1, 2018

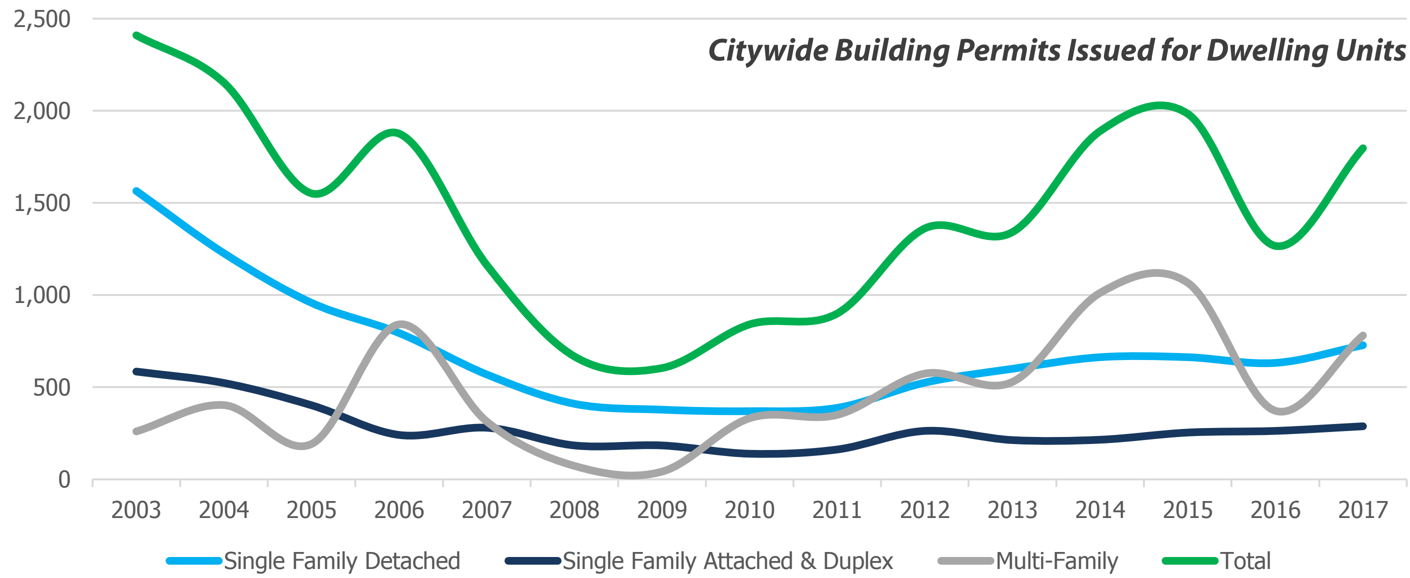
Summary

This report includes historical data on residential building permits in Lincoln along with information about the supply of urban residential lots within the 2040 Future Service Limit.

Based on population and household projections, Lincoln is expected to add approximately 40,000 new dwelling units between 2016 and 2040. That averages to nearly 1,700 dwelling units per year.

Lincoln added 1,797 new dwelling units in 2017. The citywide average of new buildings permits over the past three years is 1,683 units.





Over the past three years there has been an average of 1,247 dwelling units in new growth areas (see page 5). In those areas there were 13,945 lots approved in preliminary plans or final plats (an 11.2 year supply). The 20-year average supply in new growth areas has been 10.3 years. The pre-recession supply (1998-2007) was 6.0 years.

Over the past three years there has been an average of 848 single family dwelling units in new growth areas. In those areas there were 2,019 final platted lots for single family (a 2.4 year supply). This is consistent with the pre-recession lot supply (1998-2007) of 2.4 years.

1,247 du's

3-year average of dwelling units permitted per year in new growth areas

848 du's

3-year average building permits for single family dwellings per year (includes detached, attached, and duplex)

Approved Supply (all unit types)

13,945 du's

approved (includes final and prelim platted lots) units in new growth areas as of January 1, 2018

11.2 years

supply of approved dwelling units in new growth areas as of January 1, 2018

Final Platted Supply (single family)

2,019 du's

final platted lots for single family dwelling units in new growth areas as of January 1, 2018

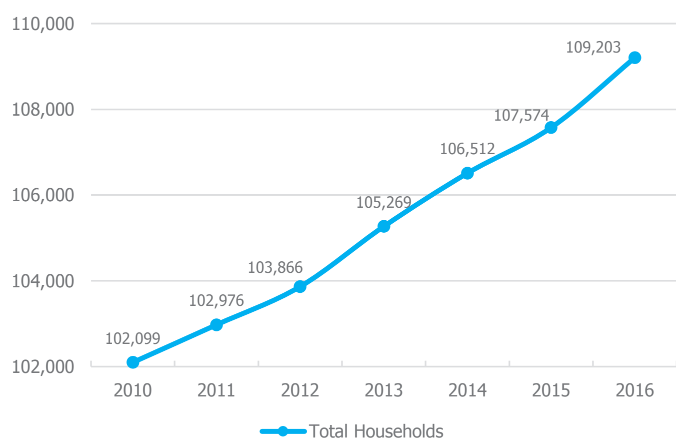
2.4 years

supply of single family lots that have been final platted in new growth areas as of January 1, 2018

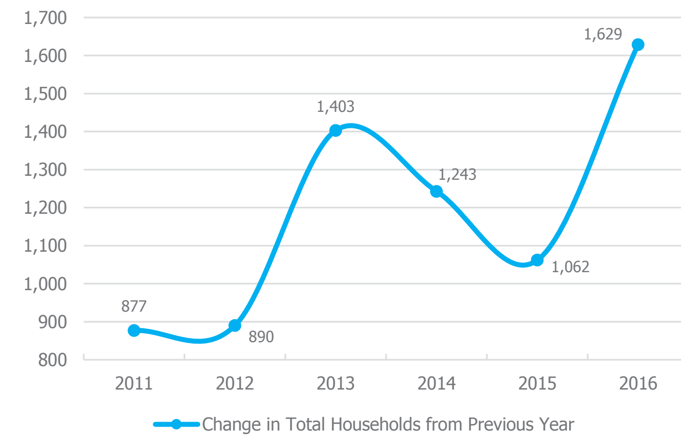
The Big Picture: Projected Dwelling Units Needed by 2040

Based on population and household projections, Lincoln will have approximately 360,000 residents living in over 150,000 households by 2040. Approximately 40,000 dwelling units will need to be constructed between 2016 and 2040 to meet this 24-year demand. That averages to nearly 1,700 dwelling units per year, but this number will naturally start lower and increase over time as the city's population grows. There will continue to be market fluctuations as well.

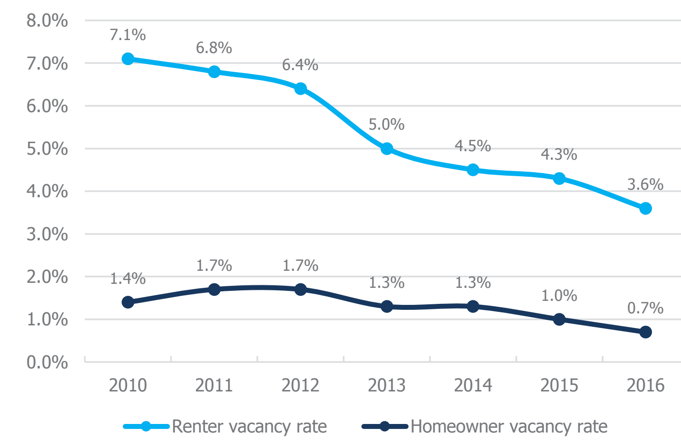
According to the 2016 American Community Survey (5-year estimate data), Lincoln had 109,203 households (which also translates to occupied dwellings), an increase of 1,629 households from 2015. By Census terms, each household lives in a dwelling unit, so the household number is a very good determinant for the minimum number of dwellings needed for occupancy in the community.



Over the last five years of available data (2012-2016), Lincoln has grown by an average of 1,245 households per year. This is the minimum number of dwelling units Lincoln would need to supply annually just to meet demand.



In previous years, much of the demand was through filling vacancies in existing housing stock. Currently, however, the homeowner vacancy rate is 0.7% and rental vacancy rate is 3.6% according to the 2016 American Community Survey (5-year estimate data). These are the lowest vacancy rates since at least 2010, which is the earliest year for this series of estimates. Therefore, much more of Lincoln's future housing demand must be met through new construction.



Addition to North Pointe Villas under construction near N 14th Street & Fletcher Avenue

Homes under construction in Highland View, near NW 12th Street and Highway 34

Citywide Housing Demand

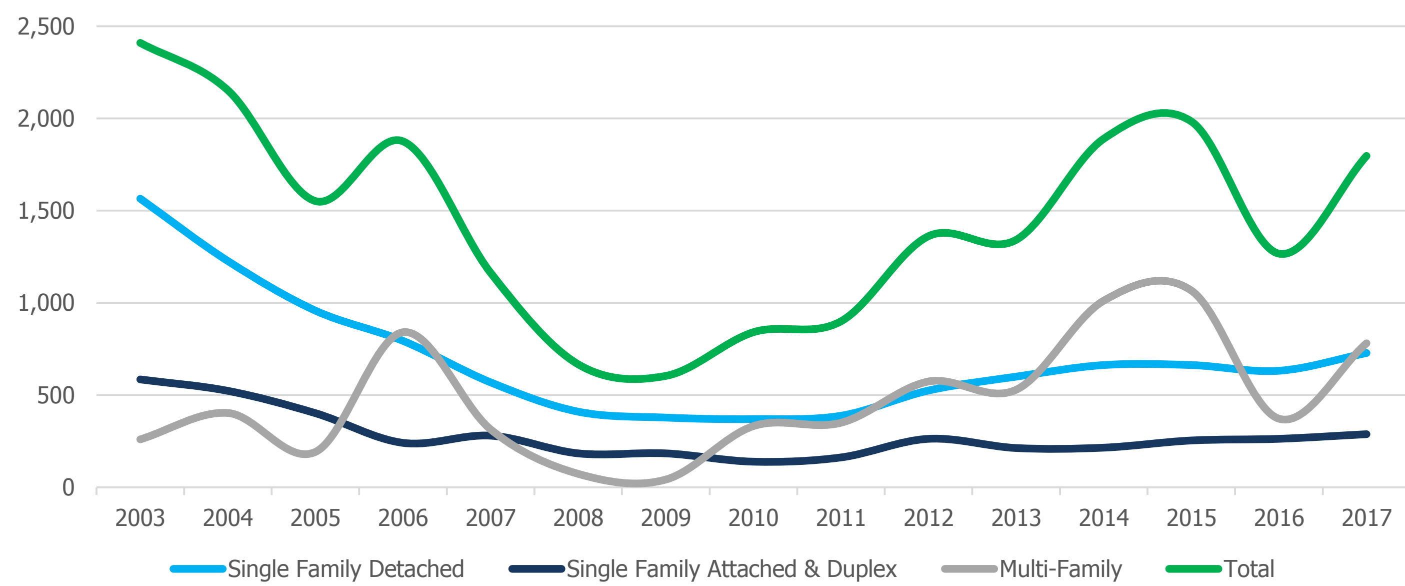
Demand for new dwellings can be determined by looking at building permits. Citywide, the number of building permits for new single family detached homes (728) was significantly higher than 2016's total (632), and is the highest total since 2006 (794). The last three years on average have yielded more single-family detached units (674) than the 10-year average (536), but not as many as the 15-year average (698). There were twice as many single family detached units permitted in 2017 when compared to the recent low in 2010 (370).

New building permits for single family attached and duplex units were at their highest level (288) since 2005 (402), and were above the 10-year (208) and 15-year (262) averages.

Building permits for 781 multi-family dwelling units were issued citywide in 2017. There were twice as many multi-family dwelling units permitted in 2017 when compared to 2016 (372). The 2017 total generally aligns with the 3-year average (740), but is significantly above the 10-year (513) and 15-year (476) averages.

Citywide Building Permits Issued for Dwelling Units

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Single Family Detached	1,565	1,227	958	794	569	410	378	370	388	525	600	663	663	632	728
Single Family Attached & Duplex	585	523	402	241	280	184	184	139	162	263	213	215	254	263	288
Multi-Family	260	403	192	841	314	73	42	332	350	574	529	1,012	1,067	372	781
Total	2,410	2,153	1,552	1,876	1,163	667	604	841	900	1,362	1,342	1,890	1,984	1,267	1,797



Citywide Average Per Period

	3 Yr.		10 Yr.		15 Yr.	
Single Family Detached	674	40.1%	536	42.3%	698	48.0%
Single Family Attached & Duplex	254	15.9%	208	17.1%	262	19.2%
Multi-Family	740	44.0%	513	40.6%	476	32.7%
Total	1,683		1,265		1,454	

Notes:

Based on building permits issued citywide, not actual construction and occupancy. There are some permits issued, particularly in multi-family, that are never built.

Year is based on date permit issued, not date of completion and occupancy.

Single Family Detached is one detached dwelling unit on a single lot.

Single Family Attached is one dwelling unit on a single lot attached by a common wall to one or more other dwelling units on separate lots. Commonly known as a townhome.

Duplex is two dwelling units on one lot.

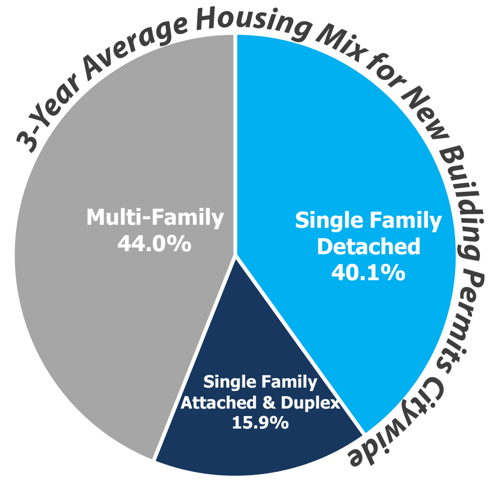
Multi-family is three or more units built on a single lot, typical of apartments or condominiums.

Totals include only City of Lincoln and not Lancaster County.

Citywide Housing Demand (con't)

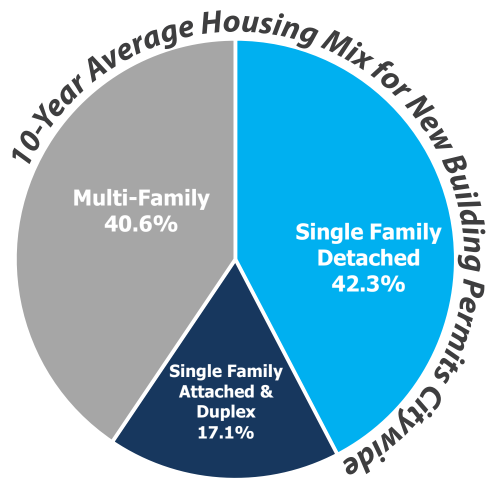
update PL Plan 2040

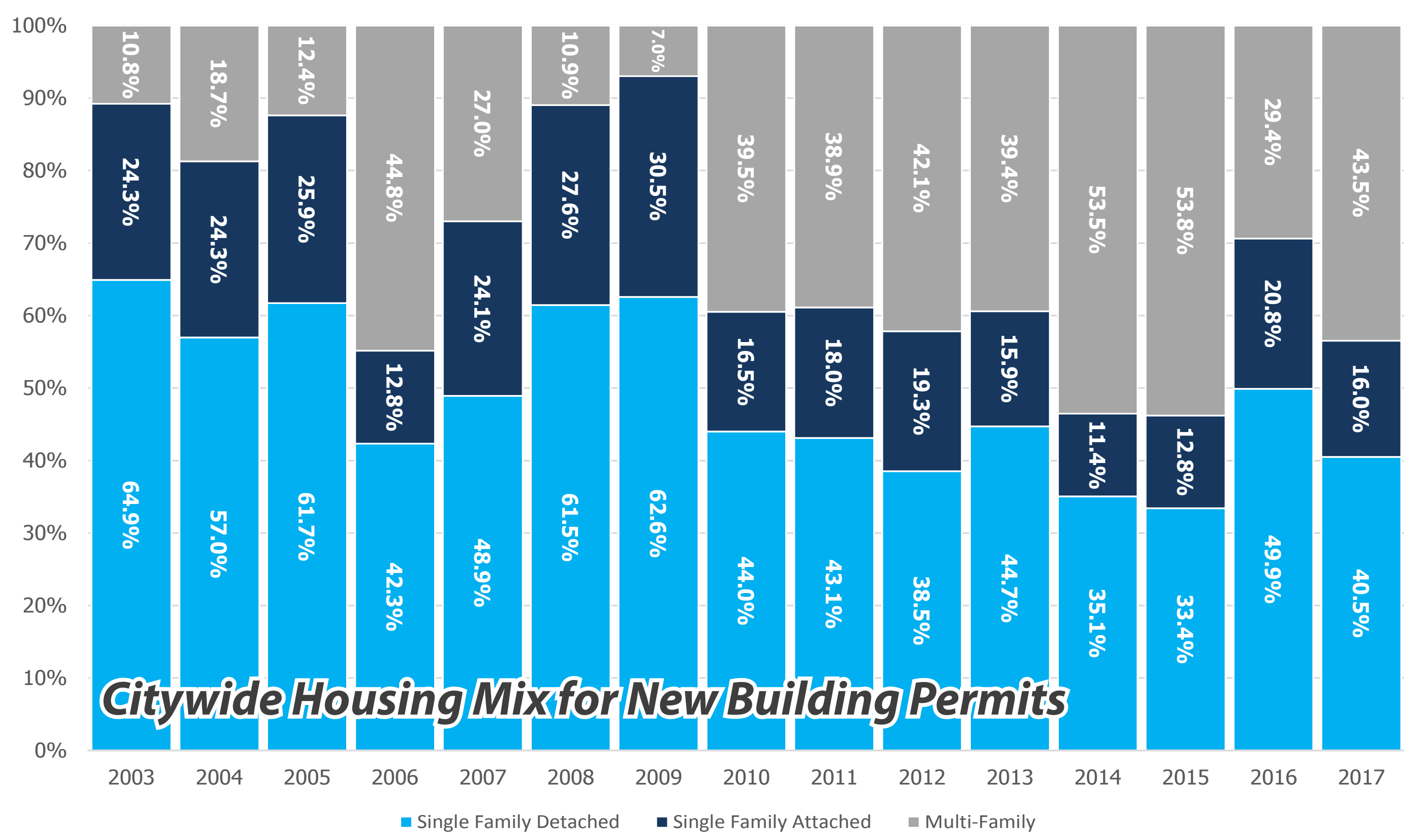
Of the total new dwelling units projected between 2016 and 2040, 40% are expected to be multi-family.



In 2017, 40.5% of citywide residential building permits were single family detached, 43.5% were multi-family, and the remainder were a mix of single family attached and duplex.

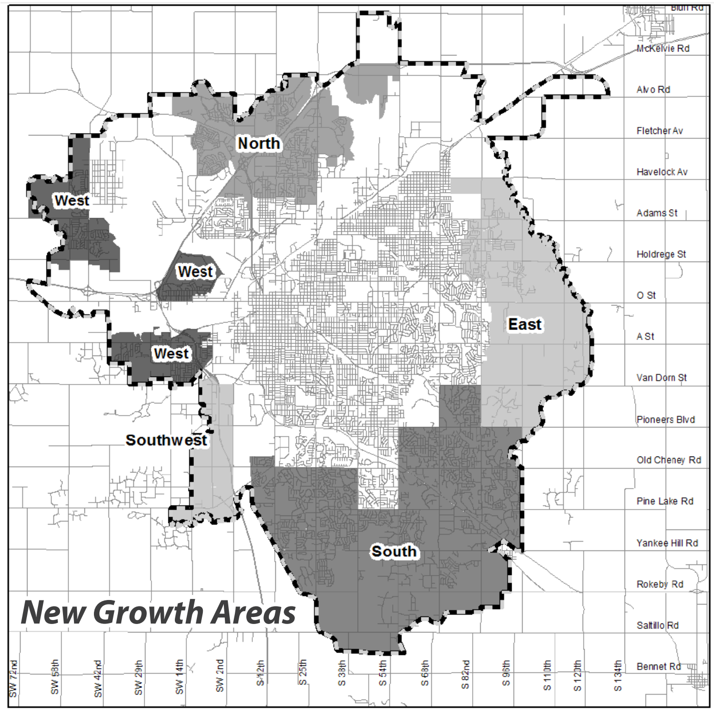
The share of multi-family units has fluctuated considerably in recent years. The large share of multi-family in 2014 and 2015 can partially be attributed to a boom of downtown student-oriented housing. From the years 2010 - 2017, multi-family building permits have accounted for 43.8% of all dwelling units, a much higher proportion than experienced from 2000-2009 (20.9%), but consistent with the 2040 Comprehensive Plan assumption for multi-family demand.





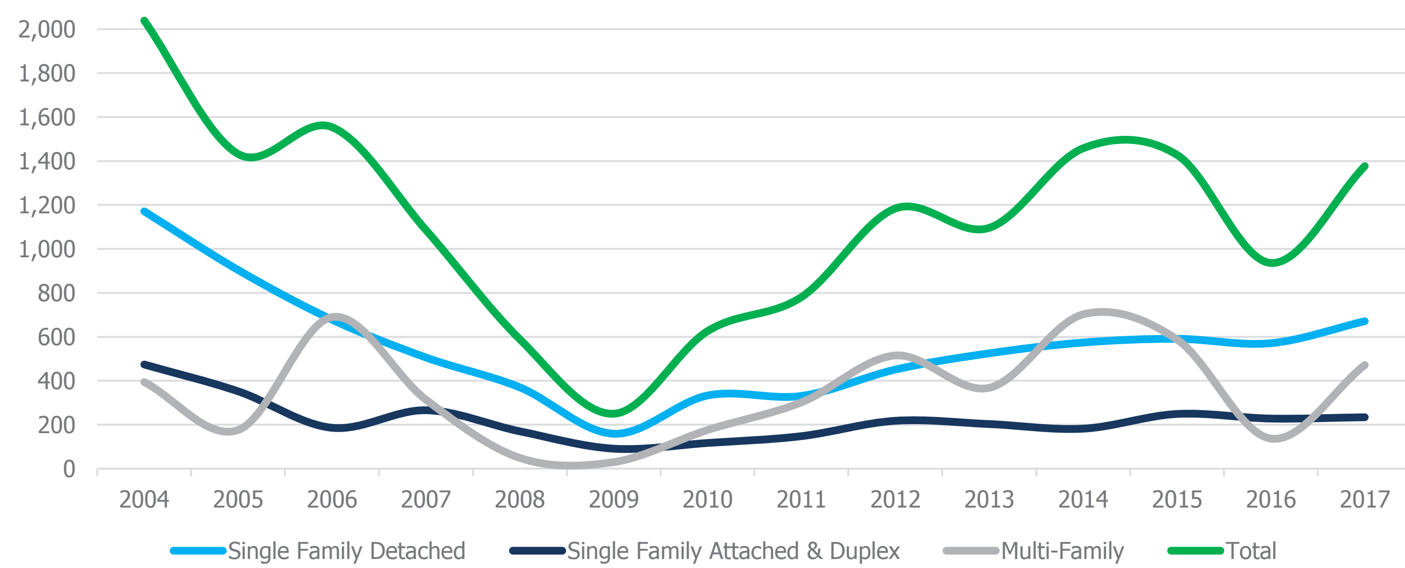
Housing Demand in New Growth Areas

After a brief decline in 2016, the number of building permits for new dwelling units in growth areas in 2017 returned to the levels seen in 2014 and 2015. There were 671 new single family detached dwellings permitted in growth areas in 2017, which is the highest total since 2006.



Building Permits Issued for Dwelling Units in New Growth Areas

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Single Family Detached	1171	904	678	506	370	159	333	331	451	525	574	591	571	671
Single Family Attached & Duplex	474	352	186	266	170	91	117	148	218	203	182	249	228	234
Multi-Family	394	176	690	314	49	0	176	302	515	368	702	588	137	472
Total	2,039	1,432	1,554	1,086	589	250	626	781	1,184	1,096	1,458	1,428	936	1,377



Average Per Period in New Growth Areas

	3 Yr.		10 Yr.	
Single Family Detached	611	49.0%	499	46.6%
Single Family Attached & Duplex	237	19.0%	193	17.4%
Multi-Family	399	32.0%	340	36.0%
Total	1,247		1,032	

Notes:

Tracking of building permits for new growth areas began in 2004.

These numbers include all residential permits within new growth areas, which includes a small number of units (roughly five per year) outside city limits but within a new growth area.

Housing Demand in Established Areas

Of the 40,000 new dwelling units projected between 2016 and 2040, 20% (8,000 units) are expected to be located within the existing built environment.

For purposes of this report, "established areas" include all areas in the city outside of the new growth areas. Approximately 23.6% of new dwelling units in 2017 were within established areas, which is consistent with the infill and redevelopment goal from the Comprehensive Plan.

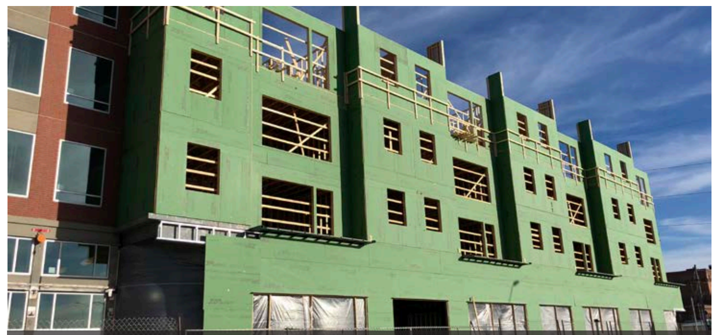
26.2% **of all new dwelling units permitted in Lincoln between 2015-2017 were located within established areas**

The large increase of infill multi-family dwellings in recent years can primarily be attributed to a boom in downtown student-oriented housing. Examples of infill projects permitted in 2017 include Canopy Row in the South Haymarket, which has first-floor commercial and market rate residential above, and renovation of the building at 1222 P Street to include upper-floor market rate residential.

7.5% of new citywide dwelling units (3,000 units) are expected to be located in Greater Downtown.

Greater downtown is roughly bounded by Salt Creek on the west and north, A Street on the south, and 27th Street on the east. It includes Downtown proper, Antelope Valley, the Haymarket, Telegraph District, Innovation Campus, and several core residential neighborhoods. 105 new dwelling units were permitted in Greater Downtown in 2017, including 82 multi-family units.

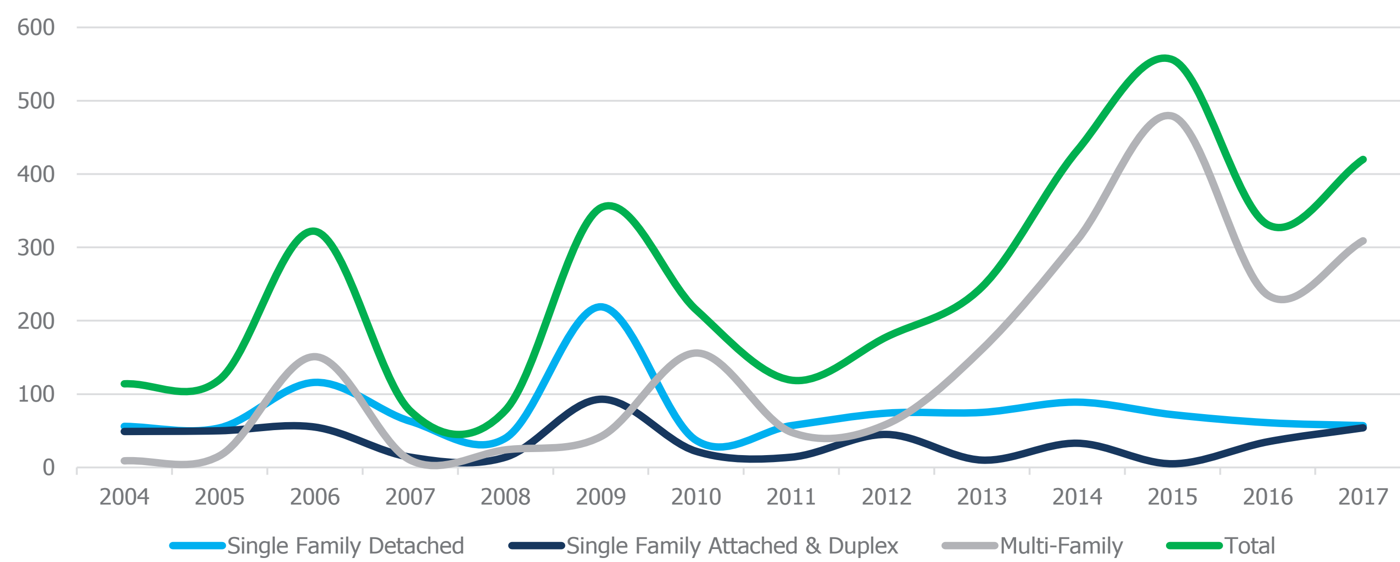
9.5% **of all new dwelling units permitted in Lincoln between 2015-2017 were located in Greater Downtown**



Canopy Row under construction at Canopy & N Streets

Building Permits Issued for Dwelling Units in Established Areas

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Single Family Detached	61	59	121	68	45	224	42	62	79	80	94	77	66	62
Single Family Attached & Duplex	49	50	55	14	14	93	22	14	45	10	33	5	35	54
Multi-Family	9	16	151	0	24	42	156	48	59	161	310	479	235	309
Total	119	125	327	82	83	359	220	124	183	251	437	561	336	425

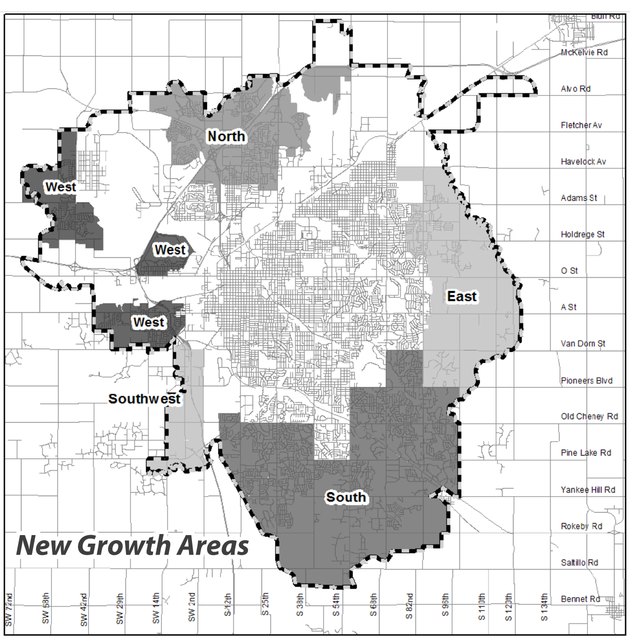


Note: Tracking of building permits for new growth areas began in 2004.

Residential Land Inventory

New Growth Areas as of January 1, 2018

Development Subarea*	South	West	North	Southwest	East	Total
A. Existing Built						
Single Family Detached	13,517	5,433	6,460	159	2,374	27,943
Single Family Attached & Duplex	3,487	1,687	1,628	16	742	7,560
Multi-Family	5,155	1,267	4,979	0	667	12,068
Total Dwelling Units	22,159	8,387	13,067	175	3,783	47,571
B. Final Platted Lots						
Single Family Detached	661	305	254	78	375	1,673
Single Family Attached & Duplex	160	22	82	0	82	346
Multi-Family	N/A	N/A	N/A	N/A	N/A	N/A
Total Dwelling Units	821	327	336	78	457	2,019
C. Approved Preliminary Plats, CUPs, PUDs (Units Not Yet Final Platted)						
Single Family Detached	1,521	682	1,570	108	419	4,300
Single Family Attached & Duplex	741	352	325	0	124	1,542
Multi-Family	2,469	719	1,236	0	428	4,852
Unspecified Dwelling Units***	517	47	82	250	336	1,232
Total Dwelling Units	5,248	1,800	3,213	358	1,307	11,926
D. Total Potential of Final Platted & Prelim Platted Land (B+C)						
Single Family Detached	2,182	987	1,824	186	794	5,973
Single Family Attached & Duplex	901	374	407	0	206	1,888
Multi-Family	2,469	719	1,236	0	428	4,852
Unspecified Dwelling Units***	517	47	82	250	336	1,232
Total Dwelling Units	6,069	2,127	3,549	436	1,764	13,945
E. Additional Potential Dwelling Units on Raw Land in Tier I**						
Total Dwelling Units	5,958	2,579	2,338	2,537	8,529	21,941
F. Grand Total Potential (D+E)						
Total Dwelling Units	12,027	4,706	5,887	2,973	10,293	35,886



* Subareas are all in new growth areas within the Future Service Limit (Tier I). Monitoring these growth areas can inform future infrastructure and land use decisions.

** "Raw Land" is land in Tier I shown as "Residential" in the future land use plan without a final plat, preliminary plat, CUP, or PUD. Raw Land includes agricultural land outside of the FEMA floodplain and is calculated at three dwelling units per acre. Raw Land also includes smaller tracts of land calculated at four dwelling units per acre because it is less likely that developable land will be utilized for facilities such as parks and schools.

*** "Unspecified Units" include dwelling units in preliminary plans that do not specify the type of dwelling unit approved.

Housing Supply in New Growth Areas

Lincoln has the potential (final platted land, preliminary platted land, and raw land with no approvals) to accommodate 35,886 new dwelling units in growth areas within the 2040 Future Service Limit of the Comprehensive Plan. If the pace of development averages 1,247 dwelling units per year (as in the three year average) in new growth areas, the supply is 28.8 years. At a more aggressive pace of 1,500 dwelling units per year for new growth areas, the supply is 23.9 years.

The Comprehensive Plan anticipates 40,000 new dwelling units between 2016 and 2040. Approximately 32,000 of those units are expected within new growth areas and 8,000 within established areas of the city. Given that there is potential for nearly 36,000 dwelling units in new growth areas, and infill development is exceeding expectations, the current land supply will adequately serve the projected expansion of the city beyond the year 2040.

Of the potential 35,886 dwelling units in growth areas within the 2040 Future Service Limit, 13,945 (single family and multi-family combined) are approved in final plats or preliminary plats (an 11.2 year supply based on the three year average of 1,247 dwelling units for new growth areas). Over the past 20 years, the average annual approved supply has been 10.3 years. The pre-recession supply (1998-2007) was 6.0 years.

It should be noted that a review of all approved developments was undertaken as part of this report, and several figures were updated to better reflect the actual approved plans. In some cases, the original plans were approved for a maximum number of units, and the development was subsequently built-out at a lower density. As a result, the "approved" numbers were listing additional potential units in developments that were already built-out. There were also some developments that had been amended from their original approvals, but those changes had not been recorded in our tracking database. As a result, caution should be used when comparing cumulative approvals in 2017 to previous years, since 2017 is using more accurate numbers for many developments.

1,247 du's

3-year average of dwelling units permitted per year

Overall Supply (all unit types)

35,886 du's

approved and potential (includes raw land identified as Residential on the Future Land Use Map) dwelling units in new growth areas as of January 1, 2018

28.8 years

supply of approved and potential dwelling units in new growth areas as of January 1, 2018

Approved Supply (all unit types)

13,945 du's

approved (includes final and prelim platted lots) units in new growth areas as of January 1, 2018

11.2 years

supply of approved dwelling units in new growth areas as of January 1, 2018

Housing Supply in New Growth Areas (con't)

As of January 1, 2018, there were 7,861 available single family lots (detached, attached, and duplex) in the new growth areas. These lots are in various stages of the approval process, including both final platted lots and preliminary platted lots. Of this number, 2,019 lots are final platted and available more immediately.

The number of approved and platted single family lots steadily decreased from 2005 to 2015, before seeing an increase in 2016. The quality control review of approved lots conducted prior to this report being published is responsible for the perceived decrease in 2017. See discussion on the previous page.

Homes under construction in Highland View, near NW 12th Street and Highway 34

848 du's

3-year average building permits for single family dwellings per year (includes detached, attached, and duplex)

Final Platted Supply (single family)

2,019 du's

final platted lots for single family dwelling units in new growth areas as of January 1, 2018

2.4 years

supply of single family lots that have been final platted in new growth areas as of January 1, 2018

Approved Supply (single family)

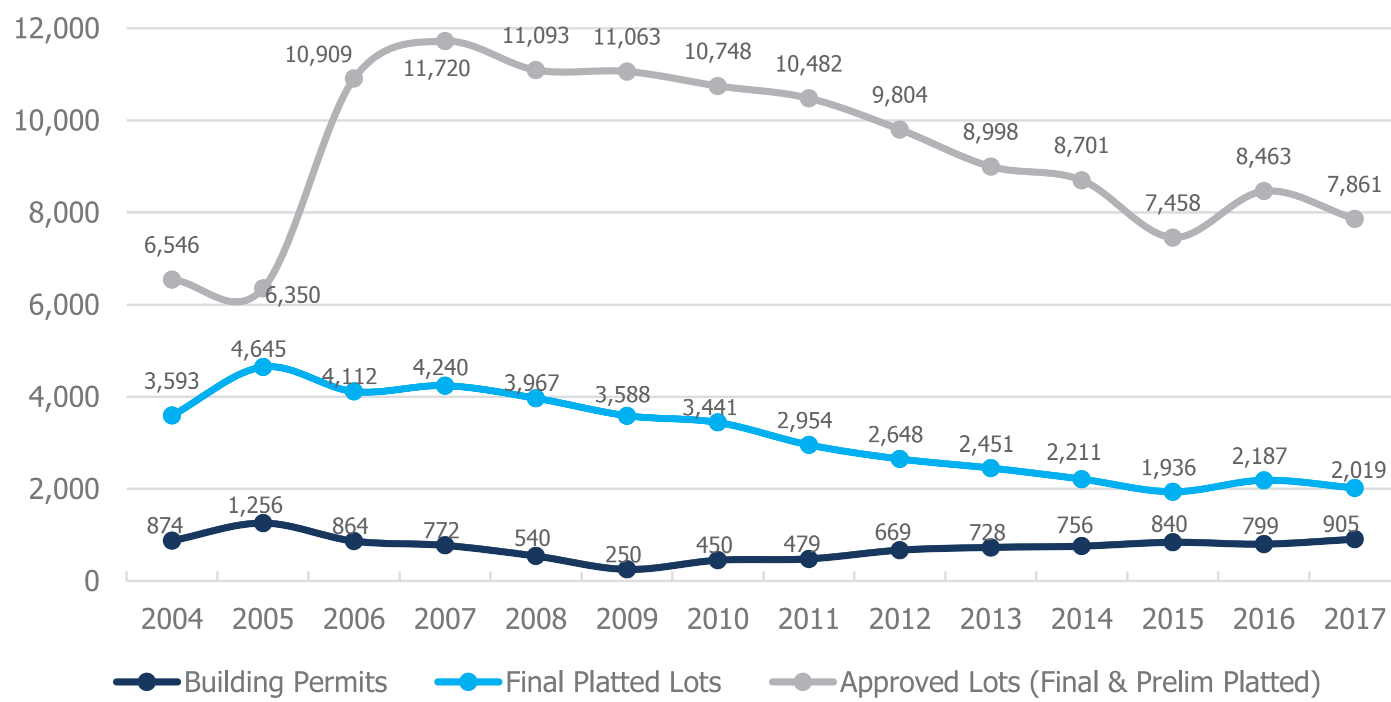
7,861 du's

approved (includes final and prelim platted lots) single family units in new growth areas as of January 1, 2018

9.3 years

supply of approved (includes final and prelim platted lots) single family units in new growth areas as of January 1, 2018

Supply for Single Family Detached, Attached, and Duplex Units



Housing Supply in New Growth Areas (con't)

The Development Process

With most new developments, all of the lots are approved at the same time as part of a preliminary plat, community unit plan (CUP), or planned unit development (PUD). The approved lots are not buildable until they are final platted and infrastructure is installed. Typically a developer will only final plat the lots that are ready to be sold immediately. The remaining portion of the development is placed within an outlot or remains in its previous use (usually agriculture). As each phase of the development is completed, additional lots are platted piece-by-piece until the development is complete.

Final Platted Lot Supply

The steady decrease in final platted lot supply over the past 15 years has been primarily driven by developers' reaction to market conditions. Tax savings can be realized by only final platting a few lots at a time - two hundred platted residential lots have a greater taxable value than one agriculture lot or outlot over the same area. Therefore, it makes sense to only plat the lots that can be sold immediately. It can risky for a developer to plat an entire subdivision at once, because if the lots don't sell the developer will be responsible for a larger tax bill.

In the years immediately prior to the recession, roughly 2004 to 2007, developers routinely platted many lots at once in anticipation of the lots quickly being sold. Since the recession, developers have been more cautious about platting excess lots, which has resulted in smaller final plats. In 2005 alone there were four final plats with over 100 lots, the largest having 311 lots. From 2010 to 2017 there were only two final plats with over 100 lots. The largest final plat in 2017 was 82 lots.

The current supply of final platted single family lots (2.4 years) is significantly lower than the recession peak (8.9 years) occurring between 2008 and 2010. The large supply during the recession was primarily due to a lack of building permits, which left platted lots sitting vacant longer than usual. As construction of single family homes continues to increase and final plats remain comparatively small, the excess number of vacant platted lots has shrunk, which creates a supply identical to the pre-recession levels of 1998 to 2007 (2.4 years).

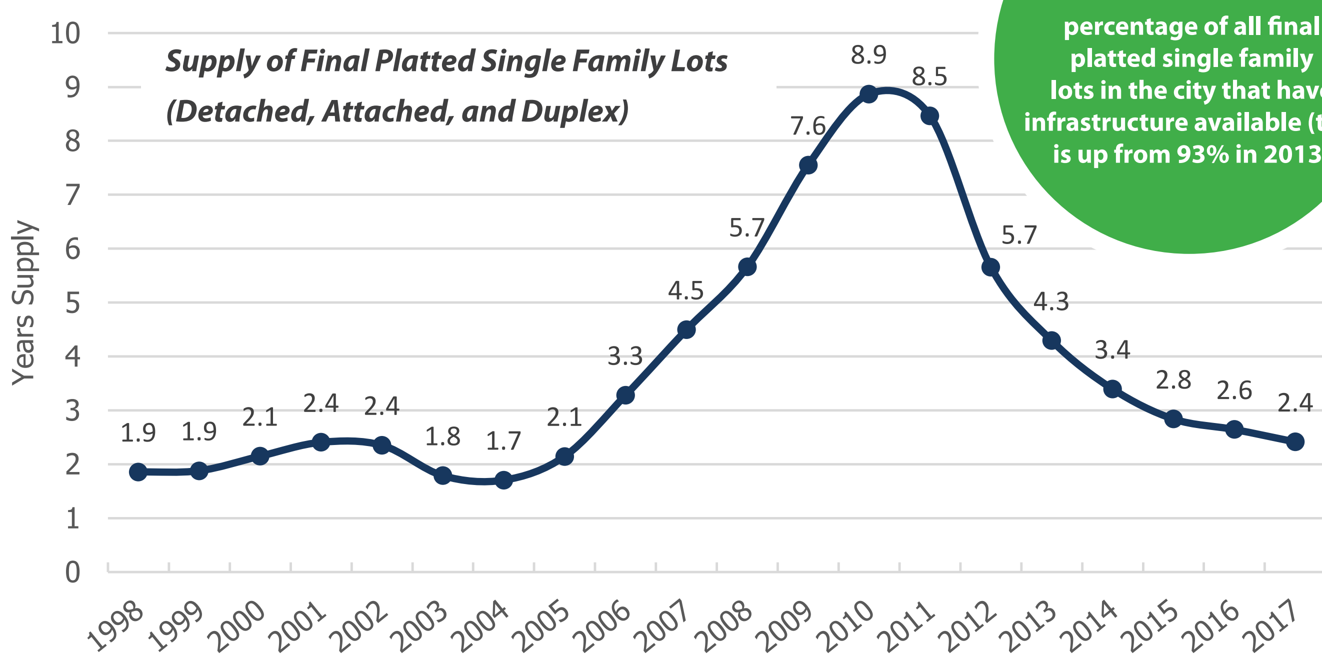
Approved Lot Supply

The sharp increase in approved single family dwelling units in 2006 was partially due to many large developments being approved that year, including Wilderness Hills 1st Addition (1,095 single family units), Woodlands at Yankee Hill (860 single family units), Fallbrook (750 single family units), and Prairie Village North (546 single family units). Developments of this size would take years to be built-out in normal circumstances, and due to the recession that timeline was stretched out even further, resulting in an unusually large supply of approved single family lots. The developments listed above are still being built-out; all had final plats in 2017, and all have hundreds of potential remaining units based on their approved plans.

As excess inventory continues to be built-out, approved supply has settled between 10 to 12 years, much lower than the exaggerated supply seen during and immediately following the recession, but higher than the pre-recession supply (1998-2007) of six years.

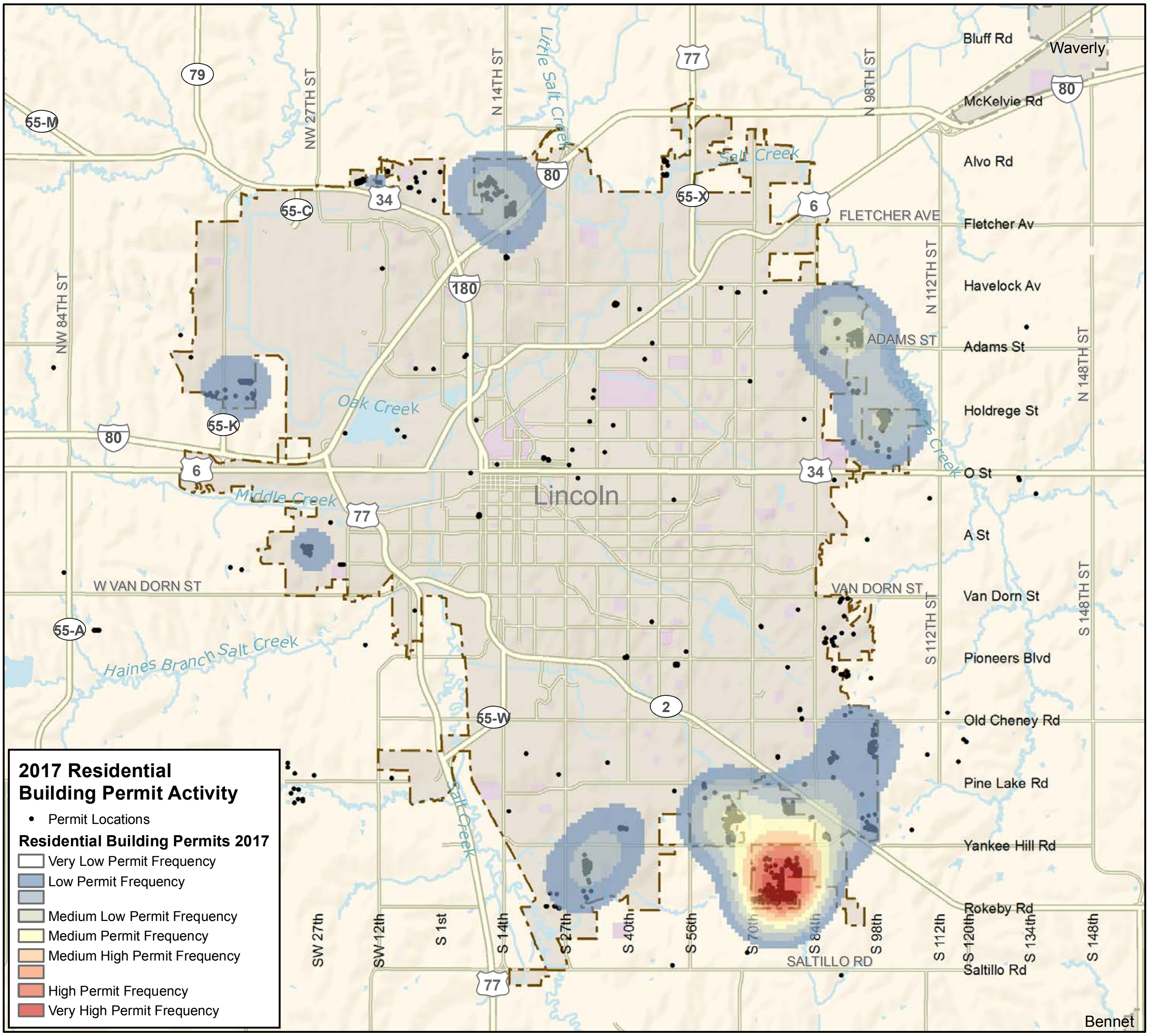
97%

percentage of all final platted single family lots in the city that have infrastructure available (this is up from 93% in 2013)

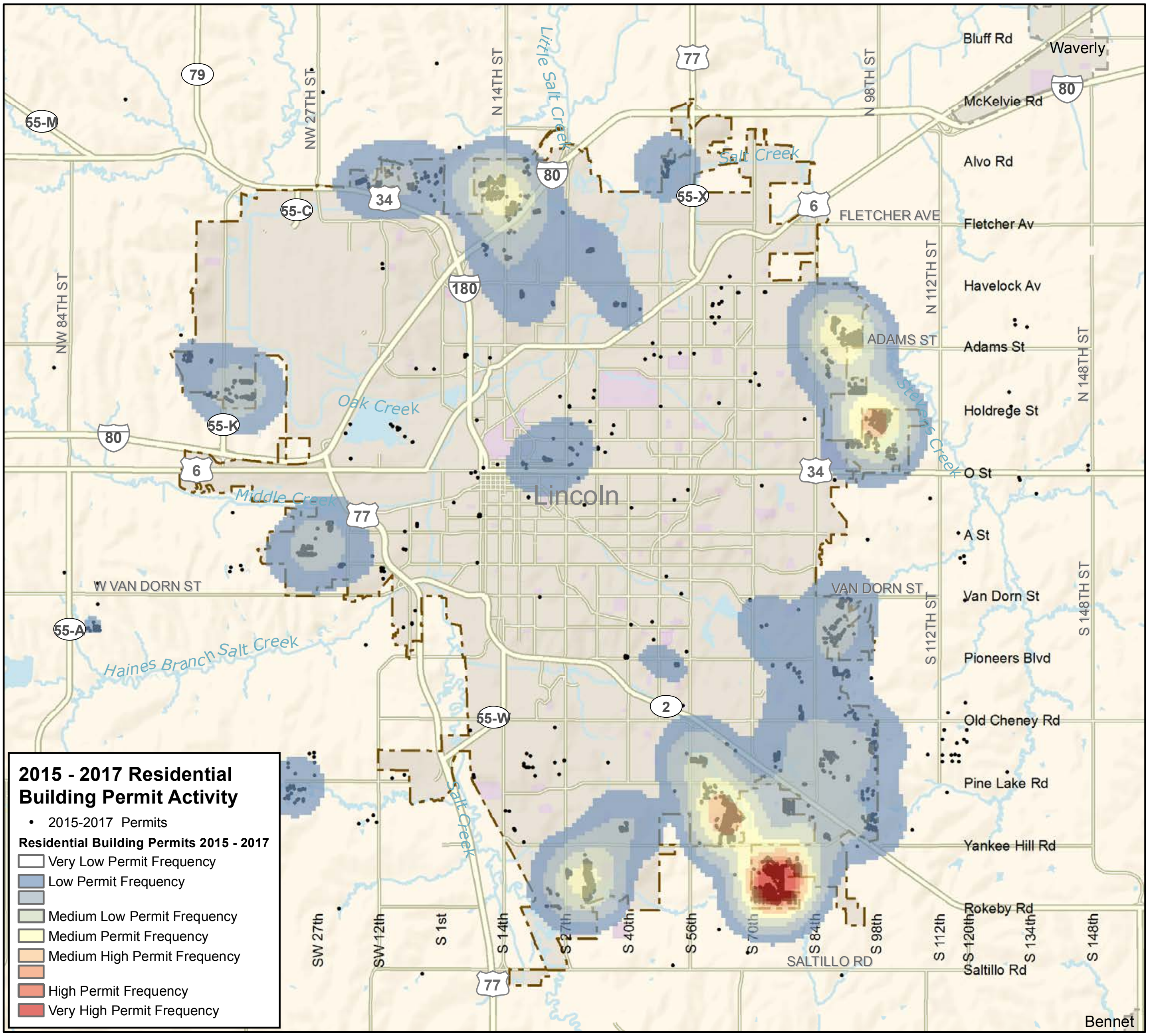


MAPS

Homes in Charleston Heights, near N 14th Street & Humphrey Avenue

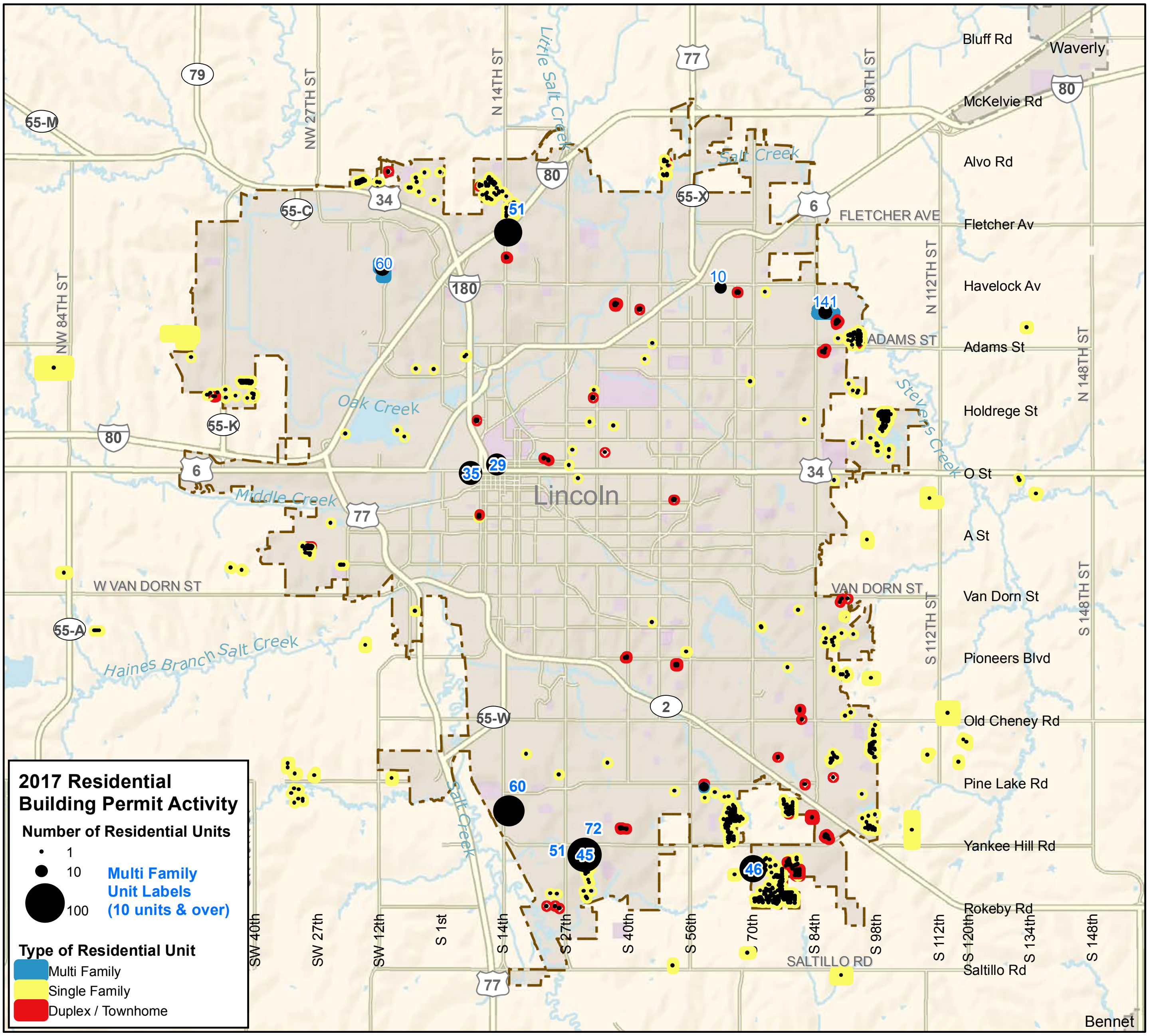


2017 Total Residential Units in Lincoln: 1,797 units



2015-2017 Total Residential Units in Lincoln: 5,048 units

2015-2017 Annual Average: 1,683 units



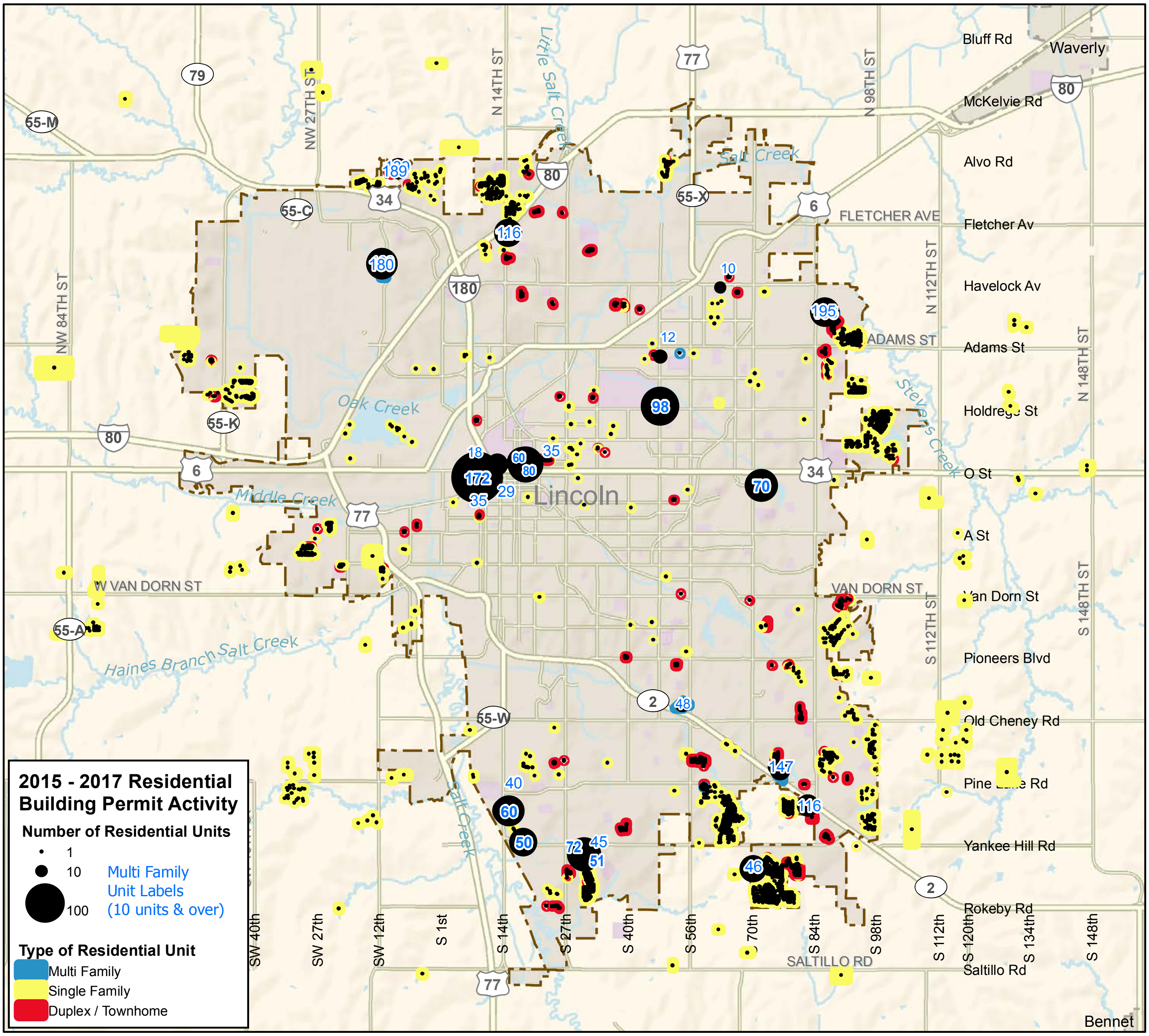
Note: The blue numbers represent total multi-family units per permit or complex.

2017 Residential Units in Lincoln

Multi-Family: 781 units

Single Family: 728 units

Duplex/Townhouse: 288 units

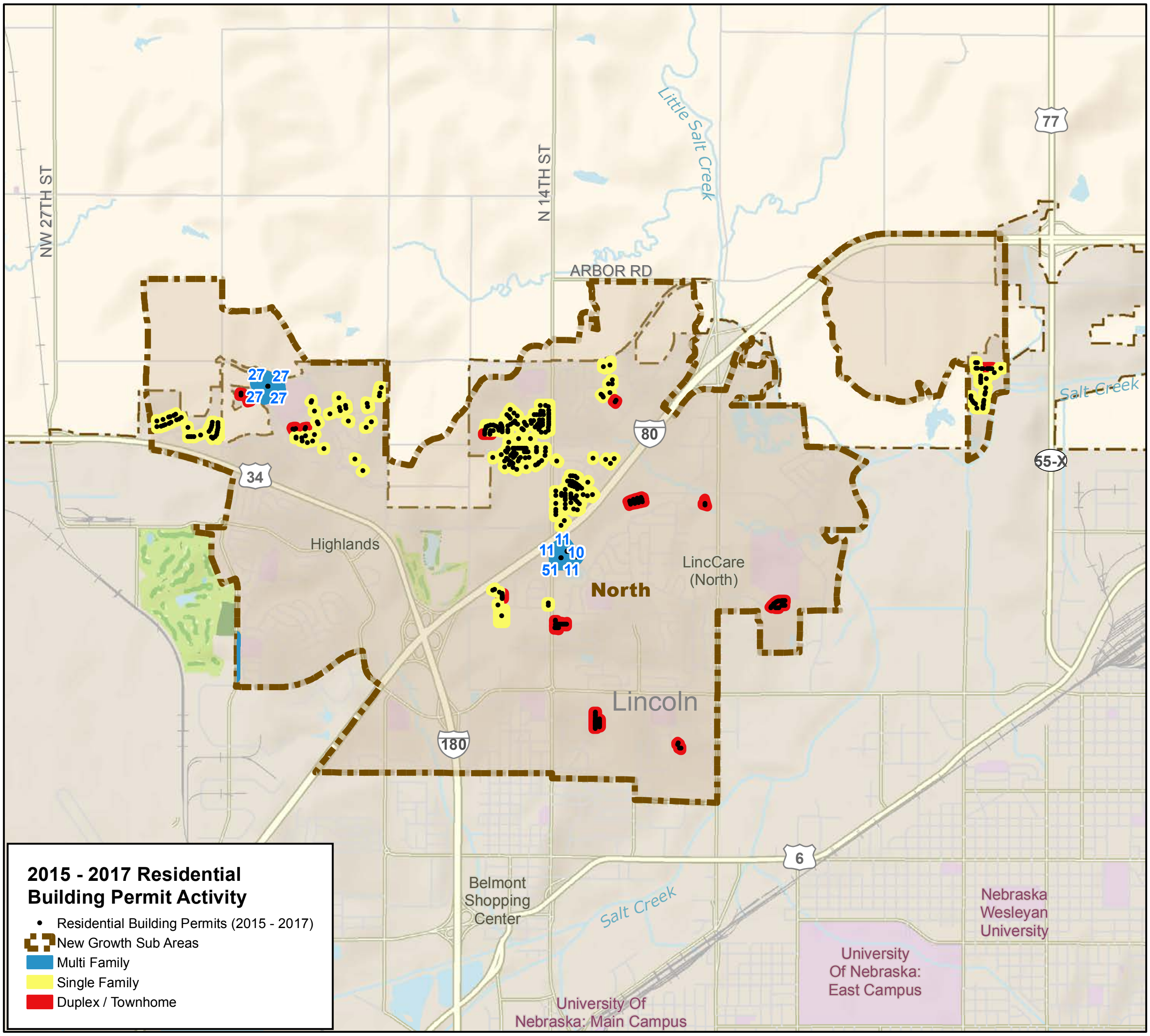


2015-2017 Residential Units in Lincoln

Multi-Family: 2,220 units (annual average of 740 units)

Single Family: 2,023 units (annual average of 674 units)

Duplex/Townhouse: 805 units (annual average of 268 units)



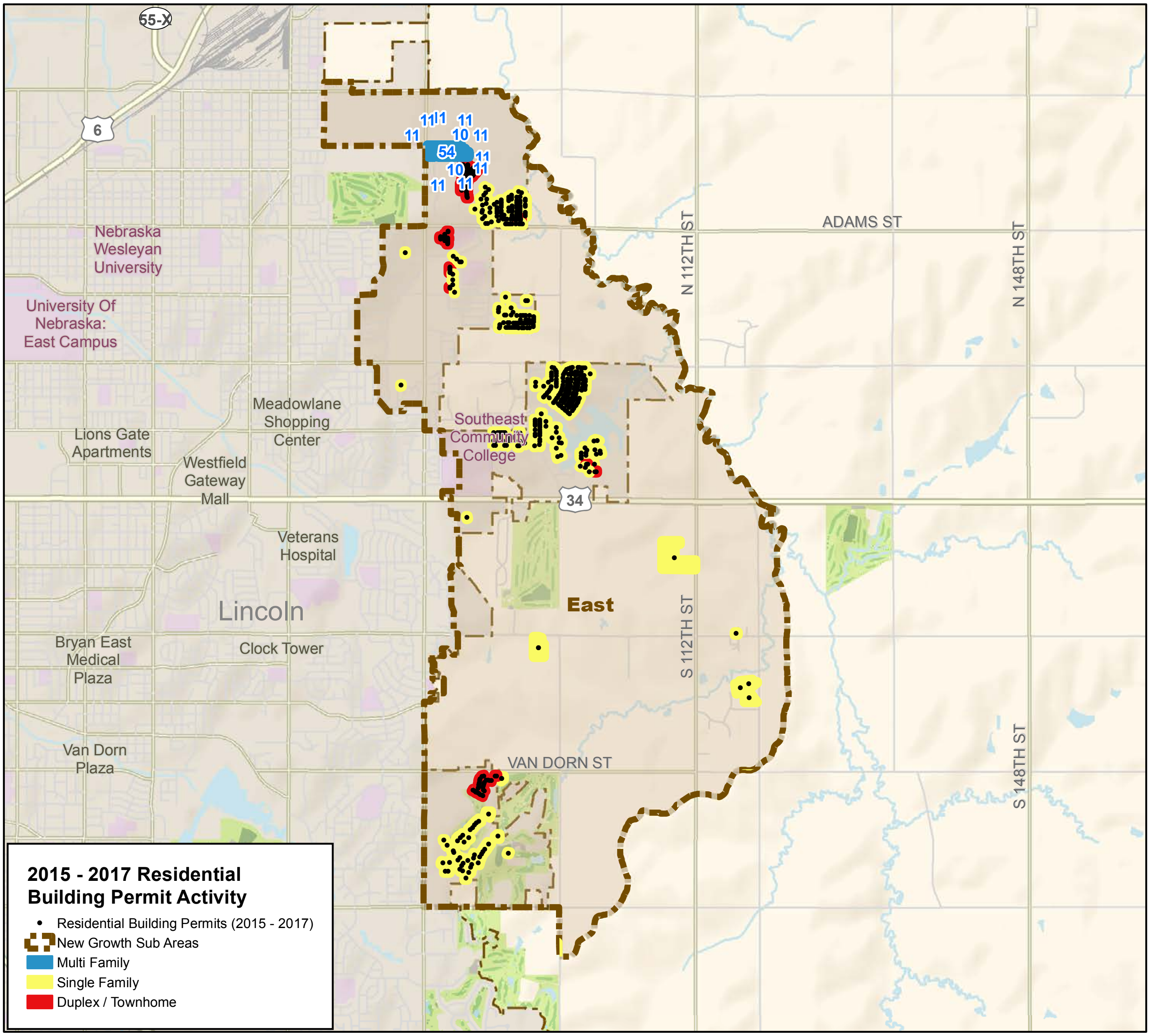
Note: The blue numbers represent total multi-family units per permit or complex.

2015-2017 Residential Units in North New Growth Area

Multi-Family: 370 units (annual average of 123 units)

Single Family: 280 units (annual average of 93 units)

Duplex/Townhouse: 120 units (annual average of 40 units)



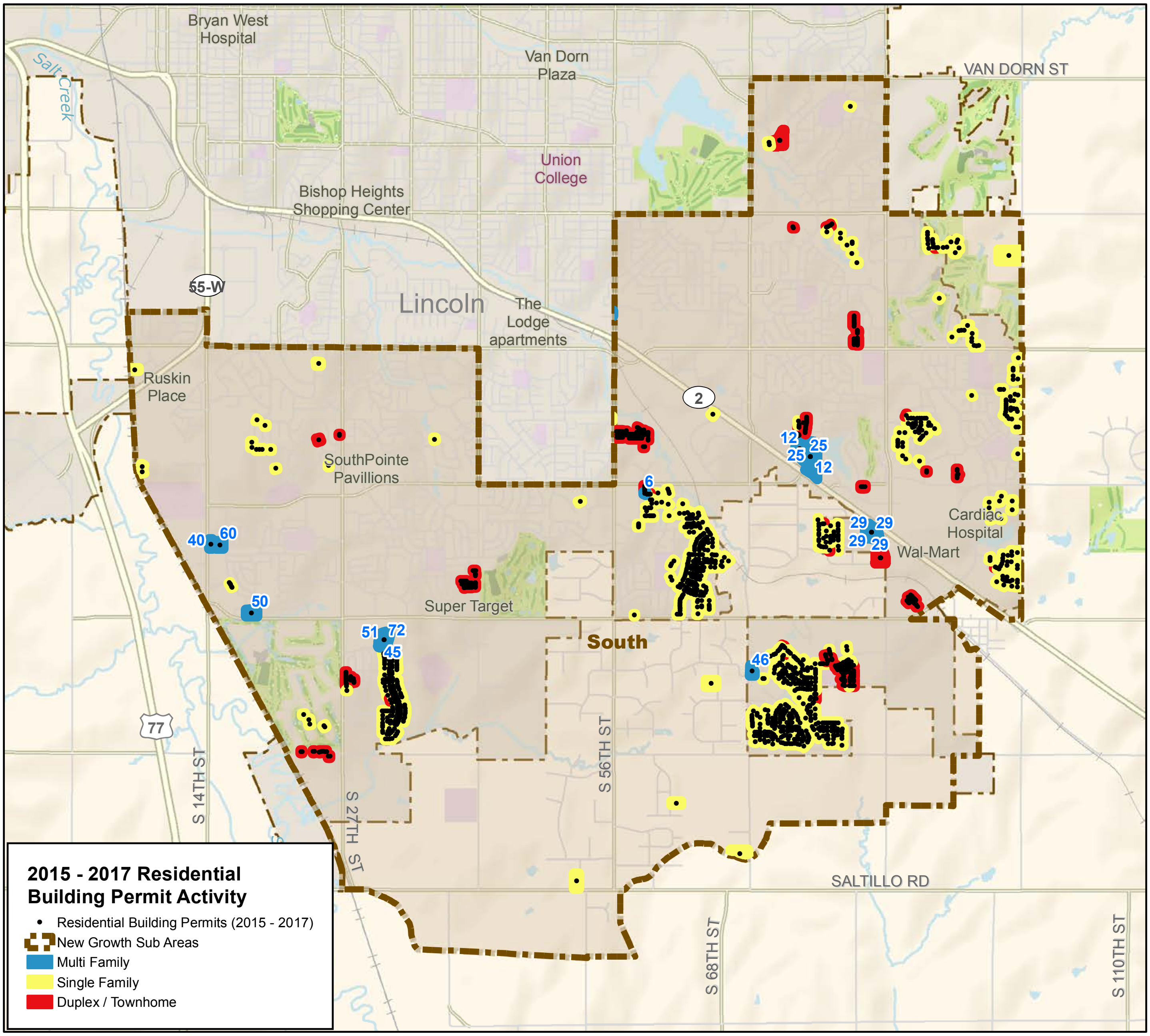
Note: The blue numbers represent total multi-family units per permit or complex.

2015-2017 Residential Units in East New Growth Area

Multi-Family: 195 units (annual average of 65 units)

Single Family: 426 units (annual average of 142 units)

Duplex/Townhouse: 138 units (annual average of 46 units)



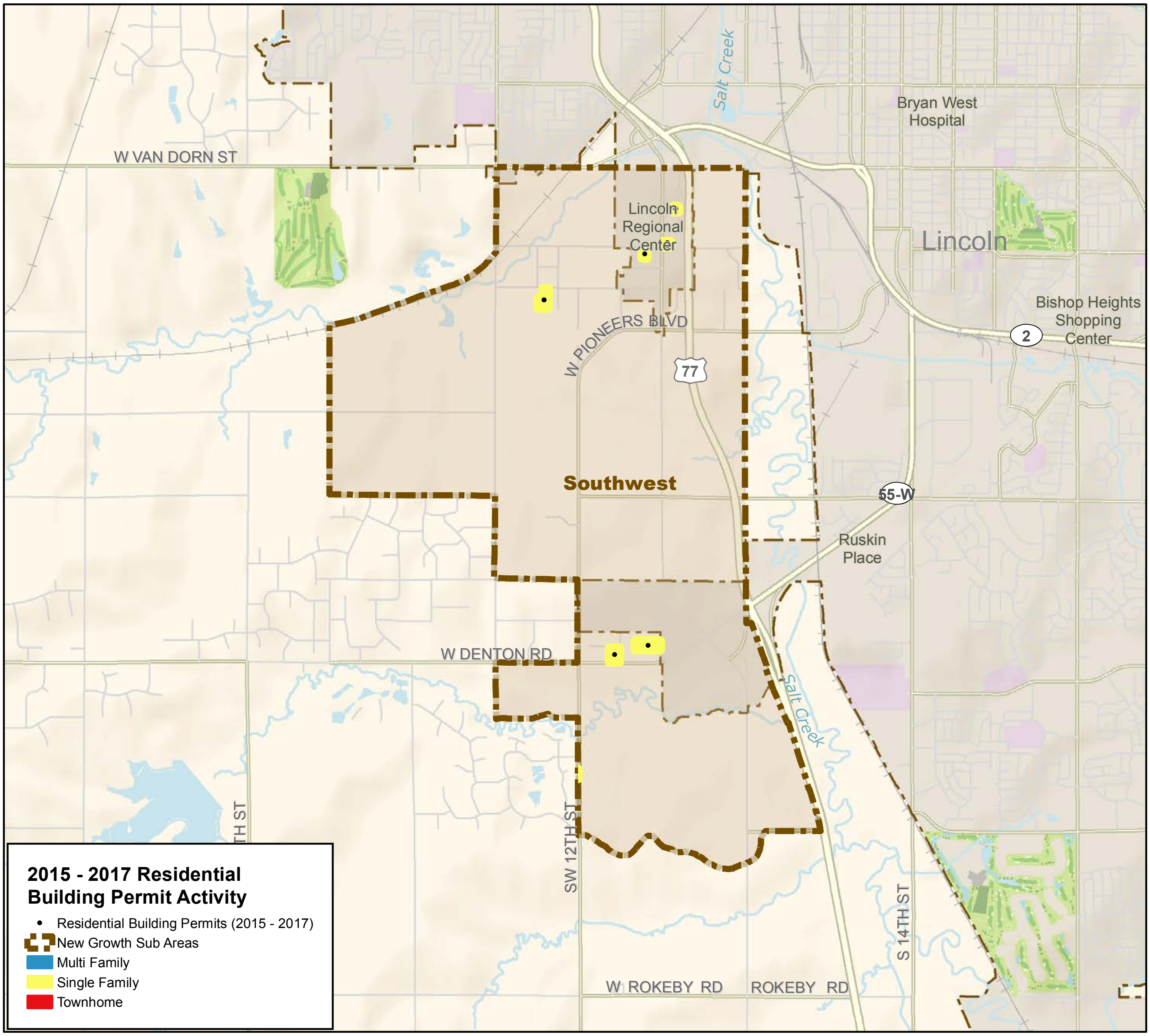
Note: The blue numbers represent total multi-family units per permit or complex.

2015-2017 Residential Units in South New Growth Area

Multi-Family: 633 units (annual average of 211 units)

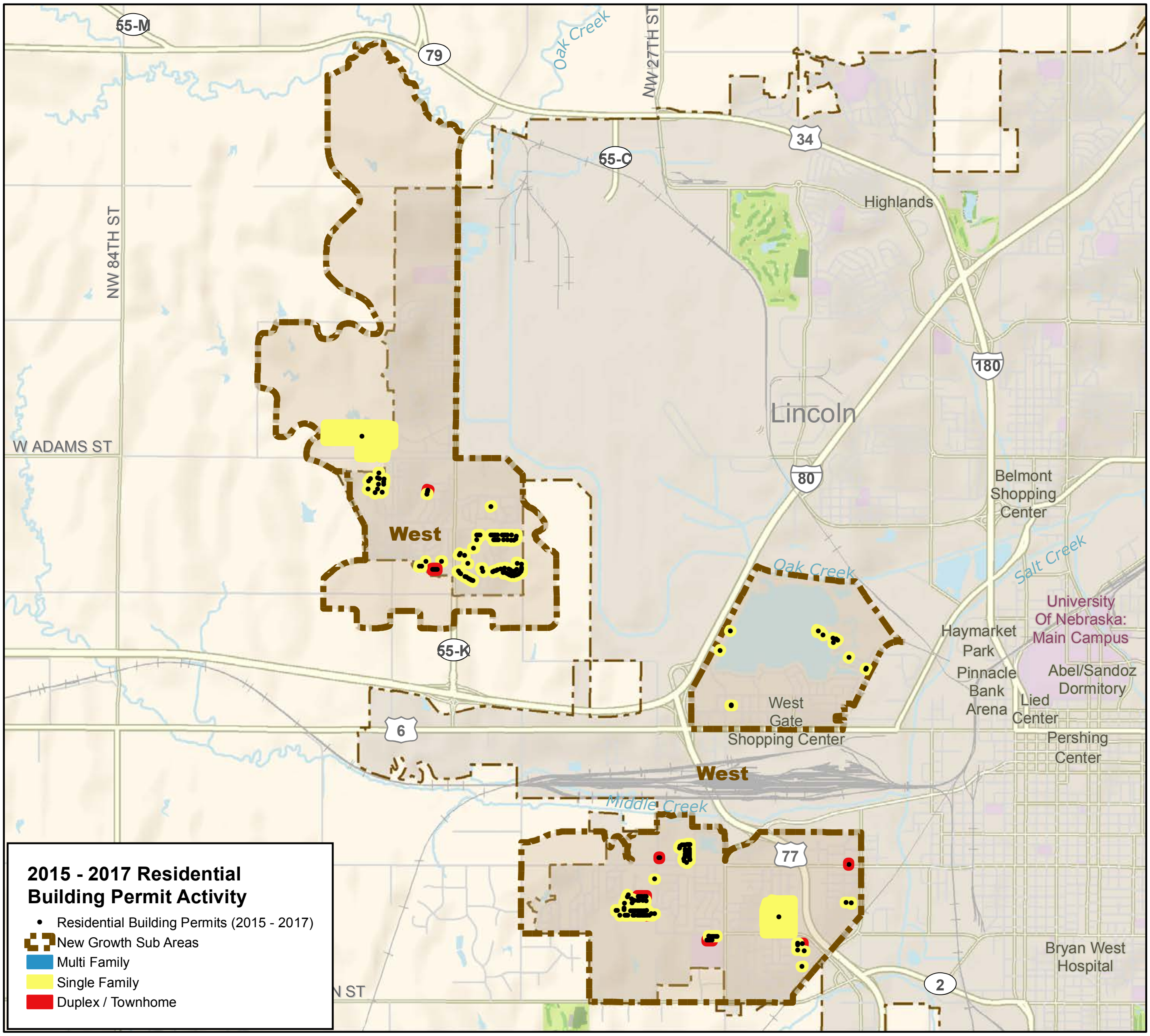
Single Family: 950 units (annual average of 317 units)

Duplex/Townhouse: 405 units (annual average of 135 units)



2015-2017 Residential Units in Southwest New Growth Area

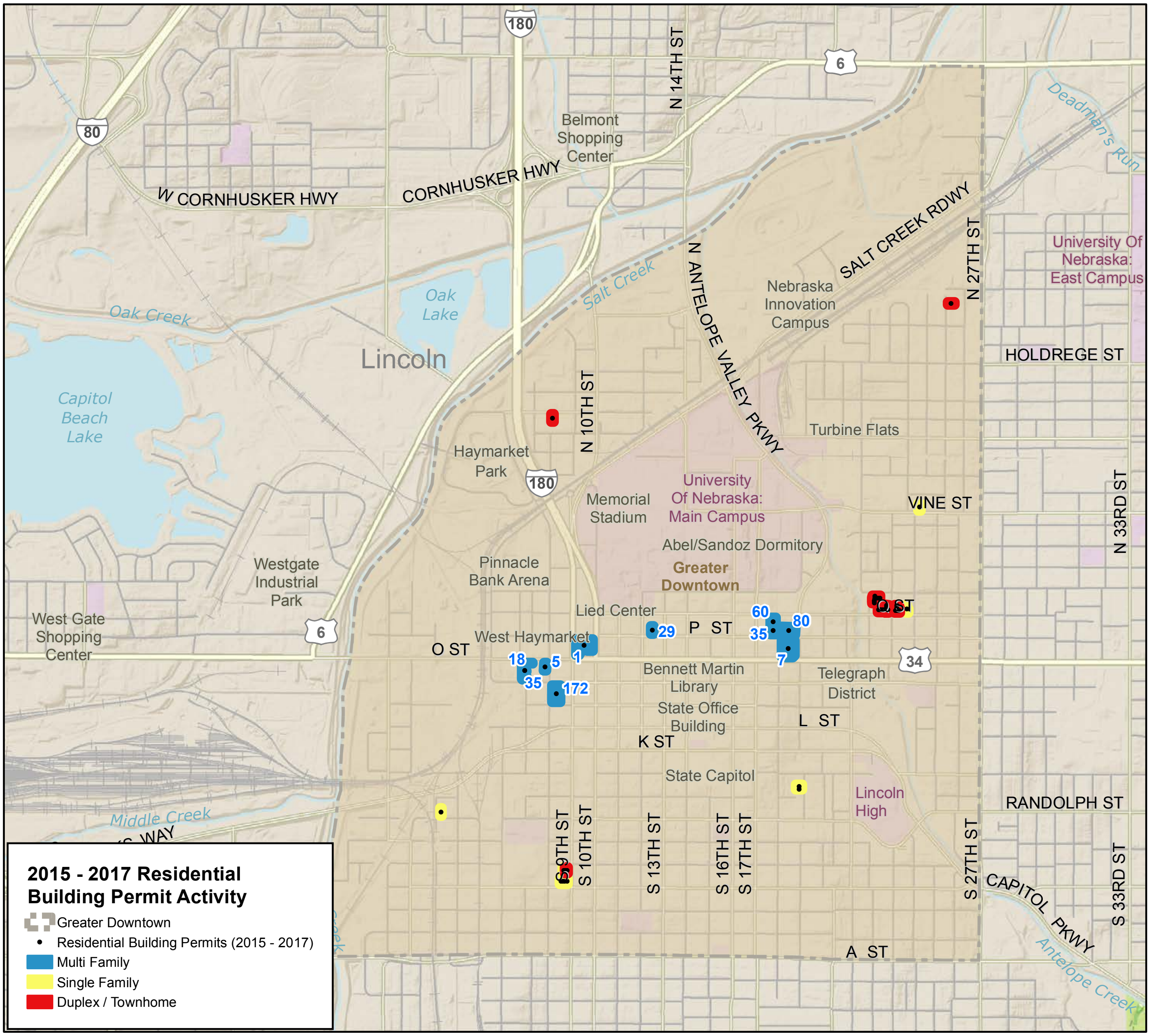
Single Family: 8 units (annual average of 2-3 units)



2015-2017 Residential Units in West New Growth Area

Single Family: 180 units (annual average of 60 units)

Duplex/Townhouse: 33 units (annual average of 11 units)



Note: The blue numbers represent total multi-family units per permit or complex.

2015-2017 Residential Units in Greater Downtown

Multi-Family: 442 units (annual average of 147units)

Single Family: 10 units (annual average of 3-4 units)

Duplex/Townhouse: 30 units (annual average of 10 units)