

OMAHA, NEBRASKA

The Omaha multifamily market is as varied as the area's landscape. The news is mostly good, with location playing a key role.

In the Old Market area (submarket), which is between the central business district (CBD) and Missouri River frontage, the multifamily market is very active in both rental and condominium formats. The area boasts of an exciting shopping, food and beverage scene, with many of Omaha's public arts and sporting venues in walking distance. Highlights include a rebuilt riverfront; the Qwest Center, a new arena and exhibition area; a new hotel row along 11th Street; a nearly finished symphony hall; and major new office buildings, such as First National and Union Pacific (both more than 1 million square feet), Gallop's University and the National Park Service regional headquarters, and Creighton University's expansion.

Although there is limited new multifamily construction activity in the Old Market, the first upscale row house development in many years is currently being developed by Bluestone Development at 12th and Leavenworth streets. The Rows at SoMa will open this spring. The development features 81 row houses and 2 units with 30 condominiums ranging from 1284 to 2548 square feet.

Most of the submarket's multifamily activity, however, is confined to rehabbing old warehouse/distribution, office and retail buildings into multifamily space. For example, Bob Hampton of Hampton Development Services is converting the multi-story Brandeis depart-

ment store into 144 loft condominiums. The first two floors are planned to be ready for move-in by January 2006. NuStyle's 108-unit TipTop rental project, which will be ready for lease-up by the spring or summer of 2005, is in a new development zone north of the Old Market.

A current political debate over a major annexation at 204th Street only highlights the western multifamily growth along the West Maple and West Dodge corridors, and similar activity along "Q" Street and Harrison further south. Nearly all are conventional rental garden units, but some townhouse units are cropping up.

Larger projects underway along these corridors include the 800-unit West Hampton Park at 192nd and Blondo streets, and the 450-unit Whispering Hills at 108th Street between Blondo Street and West Maple Road. Additionally, the 202-unit Lund Company managed Orchard Village townhouse project just north of 156th and Q streets was completed in 2004.

Sarpy County, from Papillion to LaVista to Bellevue, is another high-growth area, anchored on the east end by Offutt Air Base's expanding missions. The availability of suburban property closer in to central Omaha is also a highlight.

In Sarpy County, The Landing, a 230-unit project, is being developed by Gibraltar Properties at 36th Street and Cornhusker Road. Broadmoor Development continues to add buildings at Harrison Hills on 115th and Harrison streets. Lease-up has already started with 484 units to be built during a 3-year span.

Across the Missouri River in Council Bluffs, economic activity is in an entertainment sense complimentary to Omaha's Old Market area, including three casinos (one with a dog track) and another new, but smaller, arena. Bass Pro Shops has a major development underway as well. While this submarket is experiencing growth, no significant multifamily developments are announced or underway.

In Midtown, Ontario Place, a 156-unit infill project, is underway at Interstate 80 and 72nd Street. Seldin Company is developing the project, which is currently under lease-up. This submarket rarely sees significant new construction.

Throughout metropolitan Omaha, higher end multifamily development continues the trend of the last decade. Developers are offering more and more amenities, including larger full-service gymnasiums, pools (indoor and outdoor) and walking paths. They are also providing luxurious appointments such as granite counters, stainless steel appliances and wood floors in part to meet the expectations of baby boomers.

In general, it appears Omaha's multifamily market has stabilized, and increasing interest rates are expected to cool the single-family sales and begin decreasing multifamily vacancy. Currently, as new projects are developed and marketed, some clients are switching from one project to something newer, but tighter supply will begin to change these conditions.

Sales of established projects are a different issue. With the multifamily market at a relatively high value point on the

curve of the market cycle, owners are selling properties in submarkets that are fully developed and stabilized in rents. Many properties changing hands are also ones that are at or near the end of their depreciation schedule with owners cashing out to move on to new projects.

The sales arena will continue to stay strong in all submarket areas and include smaller, owner-managed properties. Larger properties are being sold to cash heavy REITs and institutional buyers that like the returns in the Midwest compared to the lower cap East and West coast markets.

Overall numbers are not large. Appraiser Rick See, Mitchell & Associates, reports only 16 sales of more than \$500,000 in 2004, with Edgewater Court (108 units) and Pine Meadows (144 units) among the largest. Cap rates range from high 7 percent to high 8 percent for good properties. Sales of Westbrook Manor (148 units) and Muirfield (190 units) were just announced.

Omaha's metropolitan market has seen an improvement in occupancy, but still varies widely depending on the submarket. The average occupancy has decreased even though some areas of town have improved. According to the Institute of Real Estate Management's (IREM) Market Survey, average occupancy decreased 0.45 percent from 2002 to 2003 and again decreased 0.55 percent from 2003 to 2004. However, if the occupancy is drilled down by submarket, Northeast Omaha decreased 5 percent from 2002 to 2003 and increased 2 percent from 2003 to 2004. While, on the other side of town, Southeast Omaha increased 1 percent from 2002 to 2003 and decreased 4 percent from 2003 to 2004. The most improved area would be Council Bluffs, as it increased 6 percent from 2002 to 2003 and again increased another 1 percent from 2003 to 2004. Currently, Northwest Omaha's occupancy is at 91 percent; Southeast Omaha is at 90 percent; Council Bluffs is at 95 percent; and Bellevue/Papillion is at 94 percent.

It is anticipated that owners will be able to increase rents slightly for 2005 and vacancy rates should stabilize. However, major building still continues in Northwest Omaha, and the Whispering Hills and West Hampton Park projects will continue to challenge this submarket. There are two other apartment communities in the area that have permits to add several 100 units onto their existing communities.

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