

PRICES CONTINUE TO RISE

Apartment values continue to increase in the Omaha MSA. Recently, the Greenhouse Apartments (sale price of \$136,434 per unit) and Southwest Gables (sale price of \$111,667 per unit) pushed up the average price in the second half of 2018 to over \$80,000 per unit. On an annual basis, the average per unit sale price increased over 2017 with \$64,541 in 2018 compared to \$61,819 per unit in 2017.

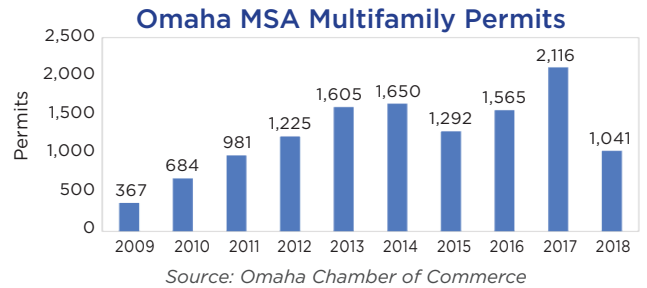
Despite the increased prices, we continue to see the pool of potential buyers for apartment properties to be large. Many buyers are from larger markets looking to secondary and tertiary markets, like Omaha, in hopes of finding higher capitalization rates and more stability. The slight uptick in interest rates has little or no impact on capitalization rates.

Most deals seem to be won by a unique buyer that may have a reason to pay a premium, whether a 1031 exchange, operating efficiencies from owning a neighboring property, or an acquisition department that needs to accomplish a win. Several sales have been of mismanaged property where a buyer believes they will be able to manage up a 4% capitalization rate into a 7% or 8% capitalization rate deal. Sophisticated management teams are finding additional revenue streams while being vigilant with their costs.

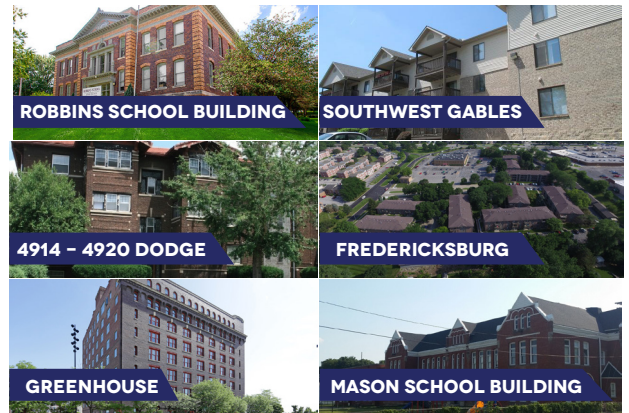
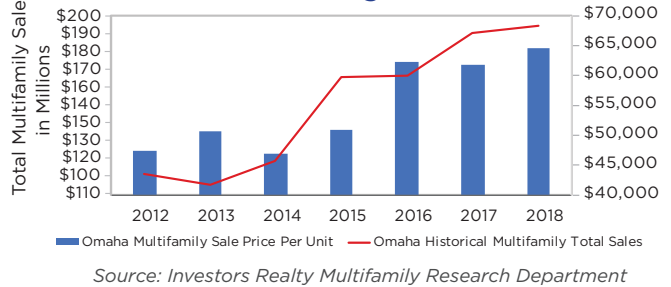
Unfortunately, with higher sales, the local county assessors are catching wind and are adjusting their annual tax valuation upward, which will have a negative impact on a property's market value.

OMAHA MULTIFAMILY PERMITS & OCCUPANCY

Nationally and locally, apartment developers may be taking a breather in their rush to build new apartments evidenced by a 2018 slowdown in construction permits. Nationally, according to data from the U.S. Census, there were 386,000 permits in 2015, 381,000 in 2016, 343,000 in 2017 and only 324,000 in 2018. Omaha's trend, illustrated in the chart, is similar to the national trend. According to the Omaha Chamber of Commerce, the Omaha MSA had 2,116 multifamily units permitted in 2017 and only half of 2017's total in 2018 at 1,041 permits. The construction projects permitted several years ago are now nearing completion with roughly 4,000 units under construction which will come on line in 2019 and 2020. Increased construction costs, expensive land, flattening rents and potentially more expensive debt, may create a more difficult environment to get projects to pencil.



Omaha MSA Historical Total Multifamily Sales & Historical Average Price Per Unit



2018 SALES COMPS | JULY - DECEMBER

Complex	Address	Price	Sale Date	Year Built Rehabbed	Units	Per Unit Price
Robbins School	4352 S 39th Avenue*	\$1,900,000	07/10/2018	1910/1998	21	\$47,500
ICC	2716 S 24th Street*	-	07/10/2018	1910/1998	19	\$47,500
Southwest Gables	8909 Q Street	\$20,100,000	07/11/2018	1994	180	\$111,667
5001 Woolworth	5001 Woolworth Street	\$690,000	07/12/2018	1965	12	\$57,500
4716 Cumming Street	4716 Cumming Street	\$750,000	07/25/2018	1964	12	\$62,500
7511 Cass Street	7511 Cass Street	\$1,500,000	08/08/2018	1984	24	\$62,500
4512 Bedford Avenue	4512 Bedford Avenue	\$1,600,000	08/24/2018	1959	49	\$32,653
4501 Lafayette	4501 Lafayette	\$500,000	09/19/2018	1964	12	\$41,667
3510-3518 Gertrude Street	3510-3518 Gertrude Street	\$1,025,000	09/28/2018	1963	24	\$42,708
Mill Pointe	810 N 107th Avenue	\$1,900,000	10/02/2018	1973 & 2015	19	\$100,000
7739 Main Street	7739 Main Street	\$1,000,000	10/05/2018	1952, 1990	19	\$52,632
5106 Capitol Avenue	5106 Capitol Avenue	\$1,120,000	10/11/2018	1915	25	\$44,800
Mason School Building	1012 S 24th Street	\$1,750,000	10/16/2018	1910/1960	32	\$54,688
Bernard Richards	4619 N 56th Street	\$815,000	10/29/2018	1968	24	\$33,958
Shirley Ann	5820 Erskine Street	\$1,450,000	11/01/2018	1968	26	\$55,769
Fredericksburg	10052 Wirt Street	\$11,170,500	11/01/2018	1986	173	\$64,569
Greenhouse	900 Farnam Street	\$17,600,000	11/15/2018	1907/1986	129	\$136,434
4914-4920 Dodge Street	4914-4920 Dodge Street	\$780,000	11/20/2018	1916	14	\$55,714

Total 2nd Half 2018 **\$65,650,000** **814** **\$80,652 (Average)**

*Combined Sale



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