Nebraska’s housing market picked up steam during the first quarter of 2012. Home buyers emerged from the shadows, boosting sales of existing homes in Omaha and Lincoln by more than 20 percent. Home building also accelerated as Nebraska’s single-family housing permits issued in the first quarter surged past year-ago levels by almost 30 percent. Strong sales spurred modest price gains during the quarter and reduced inventory levels to less than a 5-month supply, the lowest level since 2006. In addition, multi-family housing construction continued at a robust pace in metro areas. With stronger residential real estate activity, the construction sector added jobs for the first time in more than three years. Emerging weakness in the nation’s housing sector, however, could spread to Nebraska this summer.

Strong global food demand continued to spur strong gains in Nebraska’s farm and manufacturing sectors. Rising foreign demand for meat products and low worldwide crop supplies continued to underpin high agricultural commodity prices, boosting farm income expectations and farmland values. In fact, the value of Nebraska cropland has surged about 40 percent since last year. Shipments of processed food items helped elevate the total value of Nebraska’s manufactured exports above a record $1.4 billion for the fourth straight quarter. Increased production activity fueled additional overtime and hiring at Nebraska factories during the first quarter.

Job gains across Nebraska were broad-based as private sector firms continued to add staff and the government sector recouped earlier job losses at the state level. Revised data from the Bureau of Labor Statistics showed Nebraska’s nonfarm employment rose 0.5 percent in the first quarter compared to last year. With slow but steady hiring, Nebraska’s unemployment rate remained the second lowest in the nation at 3.9 percent in April. Furthermore, private sector wages rose an average of 0.7 percent in the first quarter. Steady job and income growth spurred additional retail sales, particularly in Nebraska’s rural communities.
Real Estate

Nebraska’s residential real estate activity strengthened in the first quarter with stronger sales and increased building activity. Residential real estate agents reported a 5-month’s supply of existing homes for sale in the Omaha and Lincoln markets in the first quarter (Chart 1). Brisk home buyer traffic translated to higher sales and lower home inventories. Stronger sales supported further gains in Nebraska home prices, with the strongest gains in rural Nebraska (Chart 2). Real estate contacts noted the mid-priced home market was especially active, appealing to buyers looking for a move-up home as well as older homeowners wanting to downsize.

With increased demand for housing, Nebraska builders ramped up construction. During the first quarter, the number of single-family housing permits issued in the state jumped almost 30 percent above year-ago levels. In addition, strong demand for rental units kept multi-family housing developers busy, especially in Nebraska’s metropolitan areas.

In contrast, nonresidential construction activity in Nebraska slowed dramatically in the first quarter. The value of new commercial, industrial, and public works projects fell sharply, in contrast to residential construction contracts (Chart 3). With an uptick in vacancy rates, plenty of existing office and retail space was available for lease in Omaha, often at reduced rents. Still, ongoing developments such as Lincoln’s arena-related projects continued to employ workers in the commercial construction trades.
Agriculture and Manufacturing

Nebraska’s farm economy remained robust as mild weather encouraged early planting. After sliding at year-end, crop prices rallied in the first quarter with shrinking global crop supplies and intense competition for planted acreage (Chart 4). Higher crop prices improved farm income prospects for producers still holding some of last year’s harvest in storage. Nebraska farmers were expected to plant more corn and fewer soybeans, and some were converting pasture ground to row crops when practical. Export demand for protein and low cow inventories underpinned a first-quarter rise in cattle prices, but profit margins varied with production costs. Agricultural producers paid down debt and used more cash for operating expenses, capital spending, and farmland purchases.

Strong farm incomes continued to fuel demand for farmland across the state. Farmland value gains accelerated at the beginning of the year. From the first quarter of 2011 to 2012, the value of Nebraska cropland soared 40 percent, building on the 24-percent gain experienced from 2010 to 2011 (Chart 5). First-quarter ranchland values climbed higher as well, jumping 26 percent above year-ago levels. Land brokers were reporting that record-high sales prices enticed more landowners to place their farms on the auction market.

Rising global food demand supported high production levels at Nebraska factories. During the first quarter, Nebraska’s manufactured exports remained above $1.4 billion (Chart 6). Food processing, the largest segment of the state’s manufacturing base, accounted for 40 percent of the exports. Exports of heavy machinery, including agricultural equipment, accounted for another 20 percent. China has emerged as the top growth market for both durable and nondurable manufactured products exported by Nebraska firms.
Employment

Nebraska’s workforce grew at a modest pace in the first quarter according to recent estimates from the Bureau of Labor Statistics (BLS). Annual revisions from the BLS, however, tempered previous reports of employment growth (Chart 7). After the downward adjustments, Nebraska posted slower but steady job gains during the past year. First-quarter nonfarm employment rose 0.5 percent and private sector wages grew 0.7 percent compared to 2011. Still, with increased hiring, Nebraska’s unemployment rate dropped below 4.0 percent in April. In addition, the number of initial unemployment insurance claims in Nebraska fell almost 15 percent below year-ago levels during the first quarter.

Nebraska employment rose in both the public and private sector since the first of the year. Goods-producing firms hired at the fastest pace in the first quarter as factories added staff and the residential construction sector rebounded (Chart 8). Service sector companies posted steady job gains for the second straight year, driven by hiring at business and professional service firms and health care companies. Government payrolls expanded for the first time in more than a year mainly due to more jobs at the state level. Solid hiring and modest wage gains supported retail spending across the state.