

# HUD PD&R Housing Market Profiles

## Midland-Odessa, Texas



### Quick Facts About Midland-Odessa

Midland, Texas

By T. Michael Miller | As of July 1, 2021

- Current sales market conditions: balanced
- Current apartment market conditions: soft
- The Midland-Odessa area is heavily dependent on the energy industry, with the mining, logging, and construction sector accounting for 25 percent of nonfarm payrolls, down from 32 percent 2 years ago. A decline in oil prices that began in 2019 due to oversupply, was exasperated during the past year as the COVID-19 pandemic caused the demand for oil to plummet in the spring of 2020.

### Overview

The Midland-Odessa combined statistical area (hereafter, Midland-Odessa area) encompasses the Midland, TX and Odessa, TX metropolitan statistical areas (hereafter, metropolitan areas) and consists of Ector, Martin, and Midland counties. The area is a major hub for oil and natural gas extraction in the Permian Basin, which contains the second largest oil and natural gas shale deposits in the world. Output from the Permian Basin accounts for more than 40 percent of oil and 15 percent of natural gas supply in the United States (Federal Reserve Bank of Dallas).

- As of July 1, 2021, the population of the Midland-Odessa area is estimated at 344,150, an increase of 5,800, or 1.9 percent, annually since April 1, 2010.
- Since 2010, net in-migration of the area has averaged 2,400 people annually, up significantly from 1,300 people annually from 2000 to 2010. Although long-term growth has been strong, fluctuations in population growth occurred recently because of significant declines in oil prices. Since 2010, migration has ranged from a net

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in-migration of 9,100 from July 2011 to July 2012 to a net out-migration of 4,250 people from July 2015 to July 2016 (U.S. Census Bureau).

## Economic Conditions

The Midland-Odessa area added jobs at a strong rate from 2016 through 2019 but was severely affected by the economic downturn associated with the COVID-19 pandemic in 2020. The area lost jobs at a rate significantly higher than the nation during March and April 2020. During the 3 months ending June 2020, nonfarm payrolls in the Midland-Odessa area declined by 17.5 percent, compared to 11.3 percent in the nation. Economic conditions in the area have improved since January 2021, as oil prices have remained above \$50 a barrel. Although the average of 164,200 jobs during the 3 months ending June 2021 was 0.1 percent, or 200 jobs, above the average during the 3 months ending June 2020, nonfarm payrolls remain approximately 17 percent, or 34,700 jobs, below the peak average of 198,900 jobs during the 3 months ending July 2019.

During the 3 months ending June 2021 —

- Job gains in six of the nine service-providing sectors slightly offset losses in the remaining sectors. The largest increase was in the leisure and hospitality sector, which recovered by 3,600 jobs, or 22.8 percent, from a year ago. In 2020, this sector was significantly affected by restrictions put in

- Midland and Odessa are the most populated cities in the area, with respective populations of about 144,000 and 122,800, or 42 and 36 percent of the population of the area.

place to reduce the spread of COVID-19, and a loosening of restrictions since then has led to strong job growth.

- Notable job gains also occurred in the government, the information, and the wholesale and retail trade sectors, which increased by 1,500, 300, and 300 jobs, or 7.6, 30.0, and 1.1 percent, respectively, from the same period a year ago.
- Payrolls in the mining, logging, and construction sector and the manufacturing sector fell by 3,900 and 800 jobs, or 8.7 and 10.4 percent, respectively, which follow declines of 18,200 and 1,800 jobs, or 28.8 and 18.9 percent, during the 3 months ending June 2020.

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### Largest Employers in the Midland-Odessa Area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Pioneer Natural Resources Company	Mining, Logging, & Construction	2,736
Medical Center Hospital	Government	1,922
Midland Memorial Hospital	Government	1,853

Note: Excludes local school districts.

Source: Odessa Economic Development, City of Midland

**Strong recovery in the service-providing sectors, led by job growth in the leisure and hospitality sector, slightly offset declines in the goods-producing sectors in the Midland-Odessa area.**

	3 Months Ending		Year-Over-Year Change	
	June 2020 (Thousands)	June 2021 (Thousands)	Absolute (Thousands)	Percent
<b>Total Nonfarm Payrolls</b>	164.0	164.2	0.2	0.1
Goods-Producing Sectors	52.7	47.9	-4.8	-9.1
Mining, Logging, & Construction	44.9	41.0	-3.9	-8.7
Manufacturing	7.7	6.9	-0.8	-10.4
Service-Providing Sectors	111.3	116.3	5.0	4.5
Wholesale & Retail Trade	27.8	28.1	0.3	1.1
Transportation & Utilities	7.9	7.7	-0.2	-2.5
Information	1.0	1.3	0.3	30.0
Financial Activities	7.8	7.6	-0.2	-2.6
Professional & Business Services	13.3	12.7	-0.6	-4.5
Education & Health Services	11.5	11.6	0.1	0.9
Leisure & Hospitality	15.8	19.4	3.6	22.8
Other Services	6.5	6.6	0.1	1.5
Government	19.7	21.2	1.5	7.6
<b>Unemployment Rate</b>	13.1%	8.0%		

Note: Numbers may not add to totals due to rounding.

Source: U.S. Bureau of Labor Statistics



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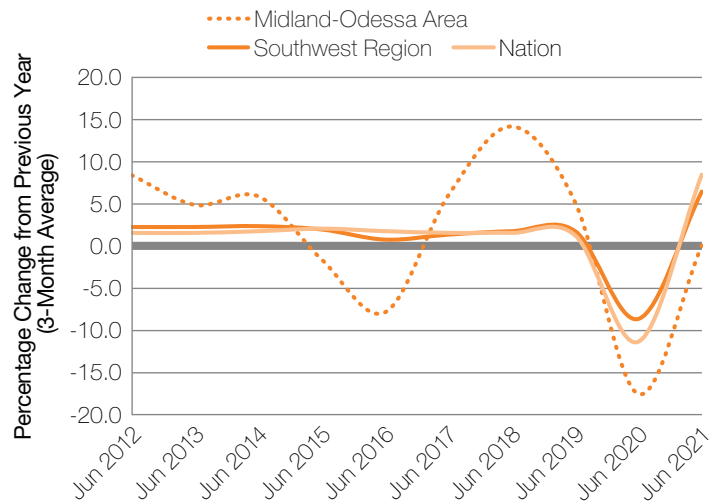
- The average unemployment rate was 8.0 percent, down from an average of 13.1 percent a year ago. The decline has been attributed to both an increase in resident employment and a continued decline in the labor force.

A national emergency declaration was issued on March 13, 2020, to combat the spread of COVID-19. Multiple state and local executives followed the federal declaration, restricting the normal flow of commerce throughout Texas and the nation. Similar measures were enacted worldwide, resulting in a severe decline in the demand for petroleum products. On April 20, 2020, West Texas Intermediate crude oil futures (WTI) traded at negative \$37.59 per barrel. This first time WTI futures traded negative resulted from limited demand and lack of storage space for contracted deliveries. WTI oil prices have remained above \$50 per barrel during 2021 and have traded above \$60 per barrel since April 2021, but job growth in the mining, logging, and construction sector in the Midland-Odessa area has remained slow. Concerns over reinstated measures originally put in place to prevent the spread of COVID-19 has resulted in the restricted supply of WTI crude oil despite increased demand. During 2019, when payrolls in the mining, logging, and construction sector peaked, WTI traded for an average of \$56.99 a barrel with a daily low and high of \$46.31 and \$66.24 a barrel, respectively.

## Sales Market Conditions

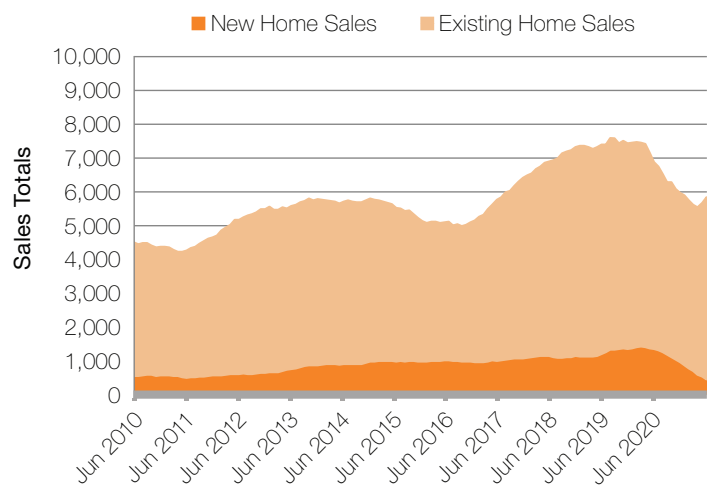
The sales housing market in the Midland-Odessa area is balanced, with an estimated sales vacancy rate of 1.4 percent as of July 1, 2021, down slightly from 1.5 percent during April 2010. Weak economic conditions led to an increase in available for-sale inventory, which contributed to a decline in existing home prices during the past 2 years. As of June 2021, a 3.3-month supply of available inventory was for sale in the area, down from 3.8 months a year ago and up from the June low of 1.5 months during 2018 (Texas Real Estate Research Center at Texas A&M University). The percentage of home loans in the Midland-Odessa area that were seriously delinquent (90 or more days delinquent or in foreclosure) or had transitioned into real estate owned (REO) status was 7.1 percent as of June 2021, up from 4.8 and 0.8 percent in June 2020 and June 2019, respectively. The rate is down from the recent high of 9.4 percent during February 2021 but remains above the previous high in January 2010 of 4.1 percent (CoreLogic, Inc.). The most recent rate for the metropolitan area is notably higher than the 3.8-percent rate for Texas and the 3.1-percent rate for the nation. Foreclosures make up less than 1 percent of seriously delinquent loans in the area, a result primarily of the mortgage forbearance enacted in Section 4022 of the Coronavirus Aid, Relief, and Economic Security (CARES) Act. By comparison, 24 percent of seriously delinquent loans were in foreclosure during January 2010.

The Midland-Odessa area lost jobs at a markedly faster rate than the Southwest region and the nation following the recession of 2020.



Source: U.S. Bureau of Labor Statistics

Total home sales in the Midland-Odessa area have been in decline since late 2019.



Note: Sales are for single-family homes, townhomes, and condominiums. Source: Zonda

During the 12 months ending June 2021 —

- Existing home sales totaled 5,500, a 1-percent increase from the previous 12 months but a decline of 10 percent from the 12 months ending June 2019 (Zonda). The average sales

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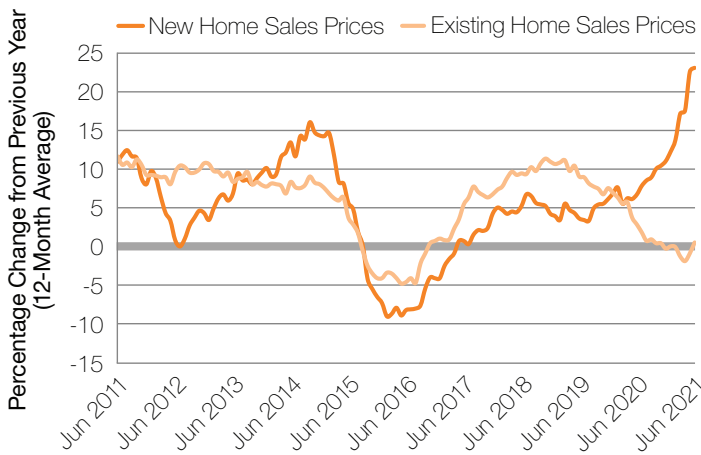


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price for an existing home increased less than 1 percent, to \$293,700, from a year ago.

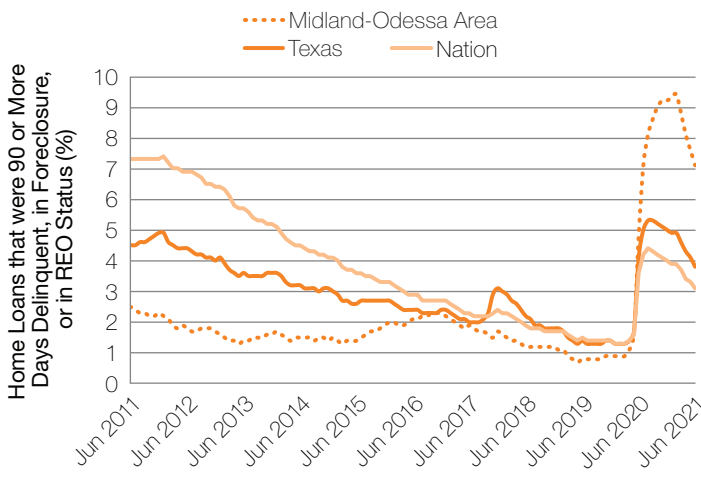
- REO sales fell 26 percent from the previous 12 months, to 120 homes sold—reaching the lowest number of REO sales in the Midland-Odessa area for more than 16 years.
- A total of 380 new homes were sold, down 71 percent from the previous 12 months, and the average sales price for a new home rose 23 percent, to \$377,900, from a year ago.

**An increase in existing for-sale inventory during the past year contributed to a decline in existing home sales prices in the Midland-Odessa area.**



Note: Includes single-family homes, townhomes and condominiums. Source: Zonda

**The proportion of seriously delinquent home loans and REO properties in the Midland-Odessa area increased significantly during the past year, surpassing the rates in Texas and the nation for the first time in more than a decade.**



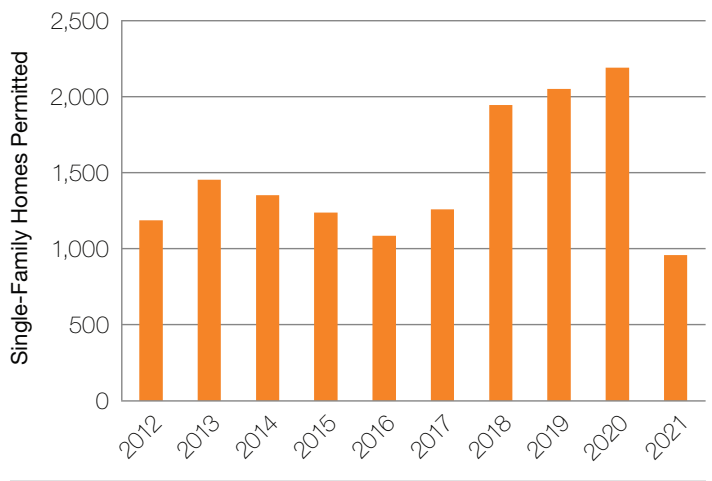
REO = real estate owned. Source: CoreLogic, Inc.

- Home sales price growth in the Midland-Odessa area varied depending on location. The average price of a new home was \$312,700 in the Odessa metropolitan area, up 20 percent from a year ago, compared with \$387,400 in the Midland metropolitan area, which increased 15 percent from a year ago.

Builders responded to a decline in new home sales with decreased single-family homebuilding, as measured by the number of homes permitted, during the past year. Recent new home construction has notably been concentrated in the city of Midland, where 55 percent of new construction has occurred.

- A total of 1,825 single-family homes were permitted during the 12 months ending June 2021, down 19 percent from 2,300 homes during the 12 months ending June 2020.
- An average of 2,000 homes were permitted each year during 2018 and 2019, up from an average of 1,250 homes permitted each year from 2012 through 2017. By comparison, an average of 550 homes were permitted annually from 2000 through 2011.
- The city of Odessa has accounted for 40 percent of all single-family permitting in the Midland-Odessa area during the past year, up from 32 percent from a year ago.
- Lone Star Trails, a new development in the city of Midland, has been under construction since 2015. A total of 950 homes are expected upon completion, and prices for new three- and four-bedroom homes at the development currently range from \$192,000 to \$370,000.

**Single-family home permitting in the Midland-Odessa area has increased each year since 2016 after declining from the previous peak in 2013.**



Note: Includes preliminary data from January 2021 through June 2021. Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst



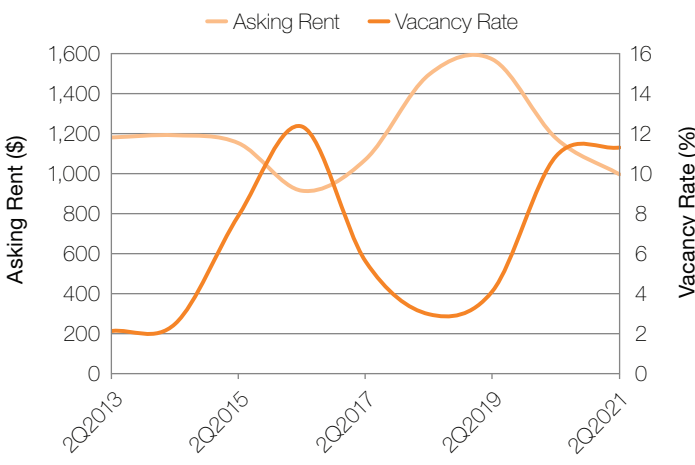
## Apartment Market Conditions

Apartment market conditions are currently soft in the Midland-Odessa area compared with tight conditions in 2018 and 2019. During the second quarter of 2021, the average apartment vacancy rate was 11.3 percent, up from 10.9 percent a year earlier and up significantly from 4.1 percent during the second quarter of 2019 (Axiometrics, a RealPage Company). The average apartment vacancy varied from 2010 through 2018, with rates ranging from 1.4 percent in 2012 to 11.7 percent in 2016. Boom and bust periods in the oil and gas extraction industry result in significant swings in apartment market conditions, which is exacerbated by a notable portion of oil and gas workers in the area being trans migratory.

During the second quarter of 2021 –

- The average apartment rent in the Midland-Odessa area was \$995, a decline of 15 percent, which followed a 25-percent decline a year earlier. By comparison, the average apartment rent increased an average of 21 percent annually from 2017 through 2019.
- The average vacancy rate for apartments in the Midland metropolitan area declined to 9.7 percent from 10.8 percent a year earlier, and the average rent was \$1,057, down 16 percent from a year earlier.
- The average vacancy rate for apartments in the Odessa metropolitan area was 13.9 percent, up from 10.9 percent a year earlier, and the average rent declined 17 percent to \$892.
- The average asking rents by number of bedrooms in the Midland-Odessa area were \$881, \$1,136, and \$1,528 for one-, two-, and three-bedroom units, respectively (ALN Apartment Data).

**Strong out-migration, the result of weak economic conditions in the Midland-Odessa area, resulted in an increased apartment vacancy rate during the past 2 years and a decline in average rents.**

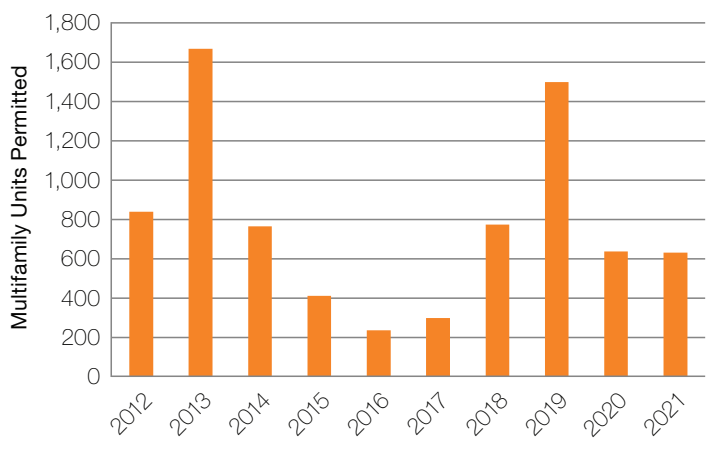


2Q = second quarter.  
Source: Axiometrics, a RealPage Company

Multifamily construction activity in the Midland-Odessa area, as measured by the number of multifamily units permitted, has fluctuated greatly since 2010. Multifamily permitting during the 2010s ranged from 225 units in 2016 to 1,675 units in 2013. From 2012 through 2014, a period of strong job growth and increased in-migration, multifamily construction activity was strong, averaging 1,100 units annually. Multifamily construction activity slowed to an average 330 units annually from 2015 through 2017, as slowing oil and gas extraction activity resulted in declines in employment and increased out-migration. During 2018 and 2019, the latest oil and gas extraction boom period, multifamily construction activity was strong, averaging 1,125 units annually.

- Multifamily construction activity totaled an estimated 1,250 units during the 12 months ending June 2021 compared with 1,025 units permitted a year earlier (preliminary data, with adjustments by the analyst).
- Approximately 900 multifamily units are currently under construction in the Midland-Odessa area, most of which are in the city of Midland.
- Palladium West Francis is an apartment community under construction in the city of Midland, and it is expected to be completed in late 2021. The income-restricted property will offer apartments with rents starting at \$484 for one-bedroom units, \$581 for two-bedroom units, and \$699 for three-bedroom units.
- The Hudson on 158, an apartment community in the western portion of the city of Midland, is expected to be completed in late 2021 and include 312 market-rate units with rents starting at \$1,475 for one-bedroom units, \$2,005 for two-bedroom units, and \$2,600 for three-bedroom units.

**Multifamily permitting in the Midland-Odessa area has increased following a decline from a 2019 peak.**



Note: Includes preliminary data from January 2021 through June 2021.  
Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst

