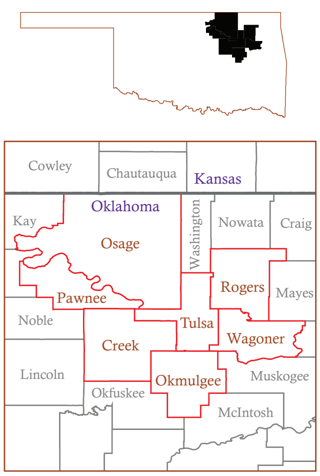
COMPREHENSIVE HOUSING MARKET ANALYSIS

Tulsa, Oklahoma

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of May 1, 2009

Housing Market Area



The Tulsa, Oklahoma Housing Market Area (HMA), located in northeastern Oklahoma, consists of seven counties and includes the principal city of Tulsa. Once known as "the oil capital of the world," the HMA now has a much more diversified economy, partly because of the increased presence of aerospace-related industries.

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Summary

Economy

Economic expansion in the Tulsa HMA has moderated significantly. During the 12 months ending April 2009, nonfarm employment increased by an average of 3,800 jobs, or 0.9 percent, to 434,500 jobs compared with an average annual increase of 2.9 percent for the three previous 12-month periods. Most of the job growth during the past year occurred in the mining, logging and construction, government, and leisure and hospitality sectors. During the forecast period, nonfarm employment is projected to increase by an average of 0.7 percent annually.

Sales Market

Sales market conditions in the HMA were soft during the 12 months ending April 2009. The sales vacancy rate is currently estimated at 2.3 percent, up from 1.7 percent in April 2000. New and existing single-family home sales declined by more than 12 percent, while the average sales price increased by less than 1 percent to $156,900. Demand is forecast for 4,975 new sales housing units (see Table 1). Since 2000, the other vacant housing supply has increased by more than 9,000 units to an estimated 23,500, a portion of which may reenter the sales market and satisfy some of the forecast demand.

Rental Market

The HMA rental market remains soft, unchanged compared with conditions a year ago. The current rental vacancy rate is estimated at 9.5 percent. An excess supply of units and moderate household and employment growth are the primary reasons for the continued soft conditions. During the forecast period, the existing inventory of vacant available units for rent, combined with rental units under construction and in the pipeline, is expected to satisfy demand (see Table 1).

Table 1. Housing Demand in the Tulsa HMA, 3-Year Forecast, May 1, 2009 to May 1, 2012

	Tulsa HMA	
	Sales Units	Rental Units
Total Demand	4,975	0
Under Construction	600	700

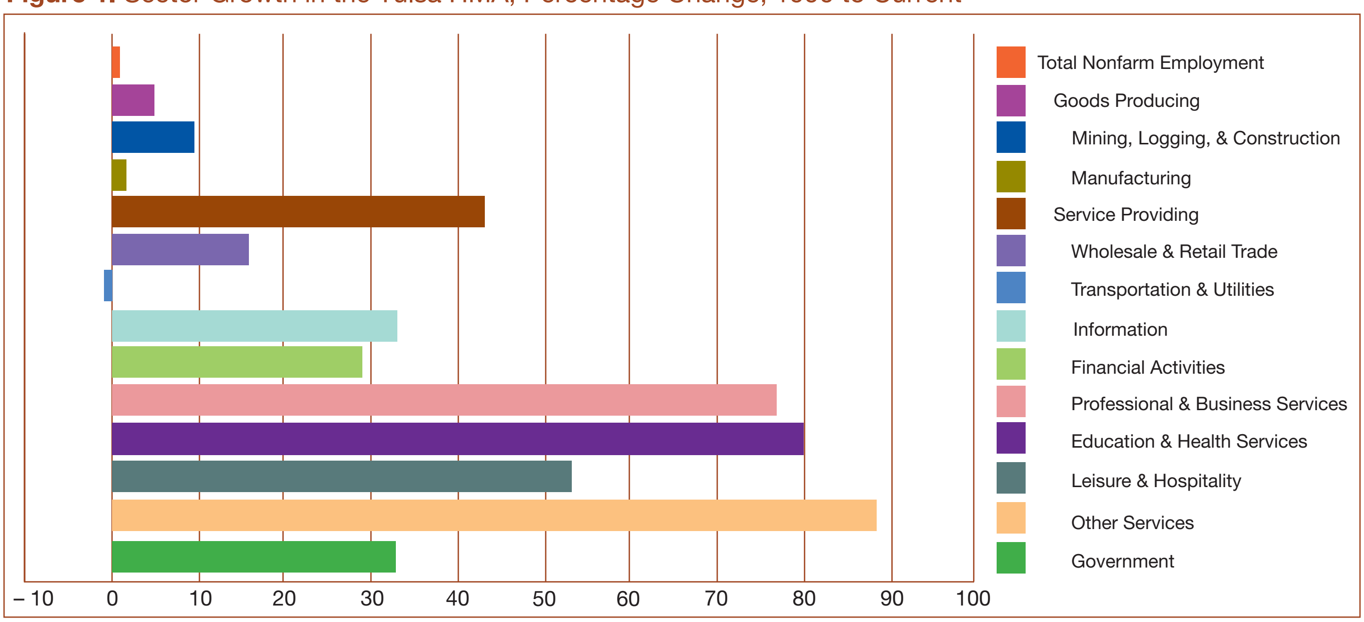
Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of May 1, 2009. A portion of the estimated 23,500 other vacant units in the HMA will likely satisfy some of the forecast demand.

Source: Estimates by analyst

Economic Conditions

Since 2000, economic conditions in the Tulsa HMA have fluctuated. During the first 2 years of the decade, nonfarm employment increased by an average of 6,000 jobs, or 1.5 percent, annually. Then, from 2002 through 2003, the economy declined by an average of 9,750 jobs, or 2.4 percent, annually, reflecting the effects of the national economic downturn in the early 2000s. From 2004 through 2008, job growth in nearly every sector resulted in an increase in nonfarm employment by an average of 8,900 jobs, or 2.2 percent, annually. During this period, the professional and business services, education and health services, and mining, logging and construction sectors led job growth. Employment in the professional and business services sector increased by an average of 3,000 jobs, or 5.4 percent, annually from 2004 through 2008. During this same period, employment in the education and health services sector increased by an average of 1,300 jobs, or 2.3 percent, annually due to numerous medical facility expansions. In 2008, SouthCrest Hospital, which employs more than 1,100 people, opened its $8.2 million Outpatient Diagnostic Center in south Tulsa near the city of Broken Arrow. Cancer Treatment Centers of America and Saint Francis Health System also expanded near Broken Arrow in 2005 and 2007, respectively, resulting in a total of more than 400 new jobs. From 2004 through 2008, the mining, logging, and construction sector added an average of 1,300 jobs, or 2.9 percent, annually. Several publicly funded projects throughout Tulsa County contributed to a gain of 600 jobs, or 2.9 percent, in the construction subsector. In downtown Tulsa, construction totaling $196 million was completed in September 2008 at the BOK Center, a 19,200-seat event venue. The BOK Center is one of more than 30 completed or ongoing projects in Tulsa County funded by Vision 2025, an economic development initiative passed by Tulsa County voters in 2003. To date, more than $500 million of the $800 million in available funds have been awarded. See Figure 1 for employment sector

Figure 1. Sector Growth in the Tulsa HMA, Percentage Change, 1990 to Current



Note: Current is based on 12-month averages through April 2009.

Source: U.S. Bureau of Labor Statistics growth in the HMA from 1990 to the current date.

During the 12-month period ending April 2009, nonfarm employment increased by an average of 3,800 jobs, or 0.9 percent, compared with a 2.1-percent gain recorded during the same period a year ago (see Table 2). Economic growth has slowed in the HMA during the past year as a result of the national economic downturn affecting the local economy. Although job growth slowed in several sectors, employment in three sectors decreased during the past year. The information sector declined by 330 jobs, or 3.3 percent; the financial activities sector declined by 500 jobs, or 2.0 percent; and the professional and business services sector decreased by 300 jobs, or 0.5 percent. Job declines in these sectors, however, were offset by gains in the remaining employment sectors, resulting in a net increase overall in nonfarm employment. The monthly year-over-year employment change has been negative since February 2009, however, and the local economy has lost an average of 3,300 jobs from February 2009 to April 2009, a 0.8-percent decrease compared with the number of jobs during the same period in 2008.

Job growth occurred during the 12 months ending April 2009, led by increases in the mining, logging, and construction; government; and leisure and hospitality sectors. During the period, the mining, logging and construction sector grew by 1,300 jobs, or 4.5 percent, with increases occurring primarily in the construction subsector. Numerous construction projects in the downtown Tulsa area are currently under way. At the Tulsa Convention Center, a $42 million renovation project began in the fall of 2008 and is scheduled for completion in December 2009. In the Greenwood district near downtown Tulsa, construction on the $39 million ONEOK Field baseball park, future home of the Tulsa Drillers Minor League Baseball team, is expected to be completed in the spring of 2010. During the past 12 months, the government sector increased by 1,100 jobs, or 2.1 percent. About 550 of those jobs were created in the local government subsector partly due to the completion of construction or expansions of several Native American casinos, which are included in the local government sub-sector. In south Tulsa, the $195 million River Spirit Casino opened in April 2009, resulting in 650 new jobs. In the city of Catoosa, east of Tulsa, the Hard Rock Hotel & Casino, operated by the Cherokee Nation, is currently expanding. This $155 million project is expected to be completed in August 2009 and will result in more than 300 new jobs. A significant increase in the number of restaurant and hotel patrons attending events at the new BOK Center contributed to an increase of 900 jobs, or 2.4 percent,

Table 2. 12-Month Average Employment in the Tulsa HMA, by Sector

	12 Months Ending April 2008	12 Months Ending April 2009	Percent Change
Total Nonfarm Employment	430,700	434,500	0.9
Goods Producing	81,700	83,000	1.6
Mining, Logging, & Construction	29,200	30,500	4.5
Manufacturing	52,400	52,600	0.4
Service Providing	349,100	351,500	0.7
Wholesale & Retail Trade	62,900	63,700	1.3
Transportation & Utilities	22,000	22,100	0.5
Information	9,925	9,600	– 3.3
Financial Activities	24,900	24,400	– 2.0
Professional & Business Services	63,300	63,000	– 0.5
Education & Health Services	58,200	58,700	0.9
Leisure & Hospitality	36,800	37,700	2.4
Other Services	18,500	18,600	0.5
Government	52,600	53,700	2.1

Notes: Based on 12-month averages through April 2008 and April 2009. Numbers may not add to totals because of rounding.

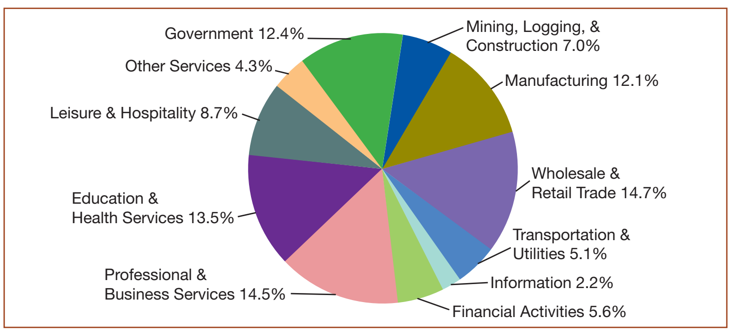
Source: U.S. Bureau of Labor Statistics in the leisure and hospitality sector. Since opening in September 2008, an estimated 700,000 people have visited the BOK Center, according to BOK Center management.

The largest employment sector in the HMA is wholesale and retail trade, with 63,700 jobs, followed by the professional and business services sector and the education and health services sector, with 63,000 and 58,700 jobs, respectively. Figure 2 illustrates current employment in the HMA by sector. American Airlines is the leading employer in the HMA, with more than 7,500 workers, and is one of more than 300 firms in the HMA providing 32,000 aerospace-related jobs in several job sectors. Workers at the American Airlines Tulsa facility perform jet engine, brake, and wheel overhauling on American Airlines aircraft as well as on aircraft for several other airline companies. Aerospace-related activities generate an estimated annual economic impact of $3.3 billion on the HMA, according to the Tulsa Metro Chamber. Aerospace-related occupations in the HMA include positions in engineering, parts manufacturing, and aircraft assembly. Other leading employers include Saint Francis Health System, with approximately 4,500 employees working at more than 20 facilities in the area, and BOK Financial Corporation, with approximately 2,900 employees. Table 3 lists major employers in the HMA.

During the 12 months ending April 2009, resident employment in the HMA declined by an average of 4,425 workers, or 1 percent, compared with resident employment levels during the same period a year ago. Declining resident employment during the past year has resulted in an increase in the unemployment rate, from an average of 3.7 percent a year ago to 4.7 percent currently. See Table DP-1 at the end of this report and Figure 3 for trends in the labor force, resident employment, and unemployment rate in the HMA from 1990 to 2008.

During the forecast period, job growth is expected to be moderate with average increases of 0.7 percent annually. Job growth is expected to be negative during the next year but is expected to improve during the last 2 years of the forecast period as the HMA begins to recover from the current economic downturn.

Figure 2. Current Employment in the Tulsa HMA, by Sector



Note: Based on 12-month averages through April 2009.

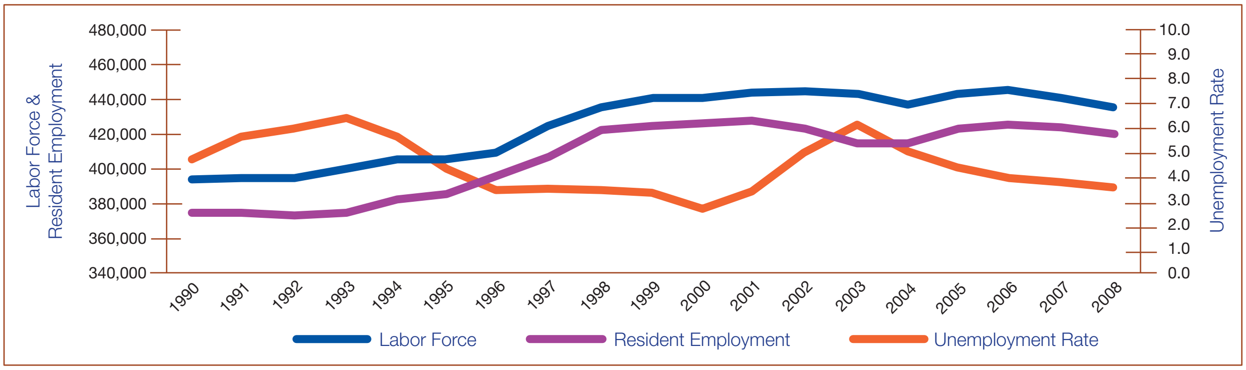
Source: U.S. Bureau of Labor Statistics

Table 3. Major Employers in the Tulsa HMA

Name of Employer	Employment Sector	Number of Employees
American Airlines	Manufacturing	7,500
St. Francis Health System	Education & Health Services	4,500
BOK Financial Corporation	Financial Activities	2,900
St. John Medical Center	Education & Health Services	2,750
ONEOK, Inc.	Transportation & Utilities	2,100
The NORDAM Group	Manufacturing	2,000
Verizon	Information	1,700
DecisionOne Inc.	Professional & Business Services	1,600
EDS	Professional & Business Services	1,500
State Farm Insurance	Financial Activities	1,500

Source: Oklahoma Department of Commerce

Figure 3. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Tulsa HMA, 1990 to 2008

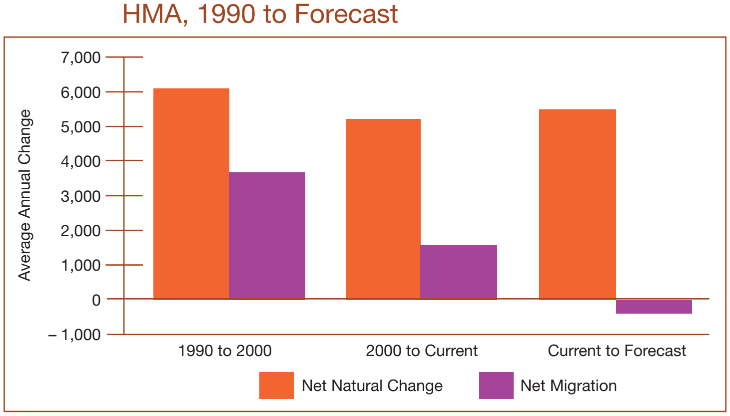


Source: U.S. Bureau of Labor Statistics

Population and Households

The current population of the Tulsa HMA is estimated at 920,000; this figure represents an average increase of 6,650, or 0.8 percent, annually since 2000. During this period, less than one-fourth of population growth was due to net in-migration. Tulsa, with an estimated population of 400,000, is the most populous city in the HMA and the second most populous city, behind Oklahoma City, in the state of Oklahoma. The city of Broken Arrow, a bedroom community southeast of Tulsa with an estimated population of 93,000, is the second most populous city in the HMA. Tulsa County, with a population of more than 600,000, accounts for about two-thirds of the population of the entire HMA. Figure 4 shows components of population change in the HMA from 1990 to the forecast date.

Figure 4. Components of Population Change in the Tulsa HMA, 1990 to Forecast



Sources: 1990 and 2000—1990 Census and 2000 Census; current and forecast—estimates by analyst; net natural change estimates—State of Oklahoma

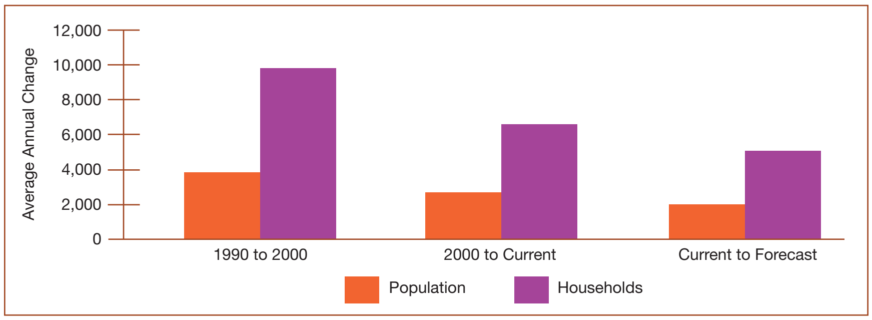
Population growth in the HMA was strongest from 2005 through 2008, reflecting improved economic conditions that began in 2004. During the period, the population increased by an average of 11,700, or 1.3 percent, annually; more than 50 percent of the total increase was due to net in-migration. The current economic downturn is expected to result in a significant moderation of population growth in the HMA during the next 3 years; growth is expected to average 4,925 people, or 0.5 percent, annually. During the forecast period, population growth is expected to result primarily from net natural change (resident births minus resident deaths). As a result of moderating economic conditions, moderate net out-migration of 470 people a year is expected to occur during the forecast period.

Since 2000, the number of households in the HMA has increased by an average of 2,725, or 0.8 percent, annually to total 361,900 households. Figure 5 shows the number of households by tenure. During the forecast period, the number of households in the HMA is expected to increase by an average of 2,000, or 0.5 percent, annually, as illustrated in Figure 6.

Figure 5. Number of Households by Tenure in the Tulsa HMA, 1990 to Current

Sources: 1990 and 2000—1990 Census and 2000 Census; current—estimates by analyst

Figure 6. Population and Household Growth in the Tulsa HMA, 1990 to Forecast



Sources: 1990 and 2000—1990 Census and 2000 Census; current and forecast—estimates by analyst

Housing Market Trends

Sales Market

Sales housing market conditions in the Tulsa HMA are currently soft and relatively unchanged from a year ago. Tighter lending standards, combined with moderating economic conditions, were the primary reasons for the sales volume decline during the past 2 years. According to the Greater Tulsa Association of REALTORS®, during the 12 months ending April 2009, new and existing home sales decreased by 1,950 to 10,900 homes, down more than 12 percent compared with the sales during the same period a year ago. This sales total was 33 percent lower than the record 16,300 homes sold during the 12-month period ending August 2006 when the economy was much stronger and job growth averaged 3.8 percent annually.

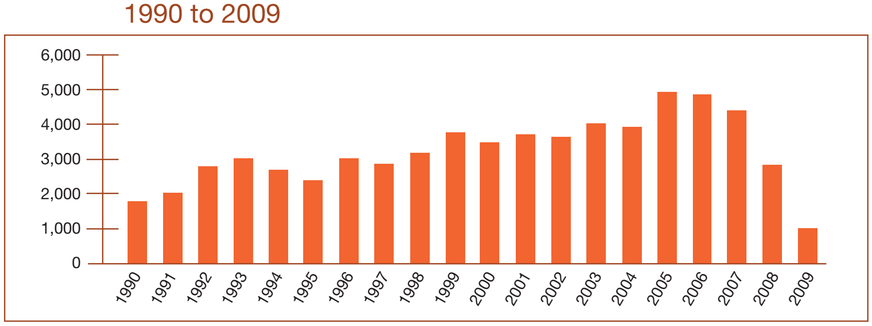
The inventory of unsold homes has remained relatively stable, at 8,300 homes, during the 12 months ending April 2009 compared with the inventory during the same period a year ago. During the past 12 months, the average price increased by $1,200, or less than 1 percent, to $156,900. In contrast, average price increases recorded since 2000 peaked at an average of 7 percent during the 12-month period ending June 2006.

In response to the slower pace of sales, during the 12-month period ending April 2009, single-family home construction, as measured by the number of single-family building permits issued, decreased by 1,500 to 2,500 homes. This activity level represents a 38-percent decline compared with the number of homes permitted during the 12-month period ending April 2008 and is the lowest level since 1995. In contrast, between 2005 and 2007, the number of single-family homes permitted averaged nearly 4,800 annually. Figure 7 shows the number of single-family building permits issued in the HMA since 1990.

An estimated 600 single-family homes are currently under construction and an estimated 700 single-family homes, primarily high-end homes, are in the final planning stages. In the city of Owasso and in unincorporated Rogers County, located north of Tulsa, the Stone Canyon master-planned community is under development. Currently, 20 of the 40 high-end homes completed have been sold. Homes ranging from 2,500 to 5,000 square feet on 1-acre lots are selling at an average price of $550,000. Approximately 2,100 homes are expected to be built at the community during the next 15 years, including approximately 140 custom-built homes expected to be completed during the next 3 years.

Demand for 4,975 new homes in the HMA is forecast during the next 3 years. Existing homes available for sale and homes under construction or in the pipeline will be sufficient to meet demand during the first year of the forecast period; during the second and third years of the period about 875 and 2,800 homes, respectively, will likely need to be built to meet forecast demand. Builders should be aware of the estimated 23,500 other vacant units currently in the inventory. It is likely that a portion of these units will return to the sales housing market and satisfy some of the forecast demand. Table 4 shows estimated demand for new market-rate sales housing in the HMA by price range.

Figure 7. Single-Family Building Permits Issued in the Tulsa HMA, 1990 to 2009



Notes: Includes only single-family units. Includes data through April 2009.
Source: U.S. Census Bureau, Building Permits Survey

Table 4. Estimated Demand for New Market-Rate Sales Housing in the Tulsa HMA, May 1, 2009 to May 1, 2012

Price Range ($)		Units of Demand	Percent of Total
From	To		
100,000	124,999	550	11.0
125,000	149,999	600	12.0
150,000	174,999	700	14.1
175,000	199,999	500	10.0
200,000	224,999	450	9.0
225,000	249,999	450	9.0
250,000	274,999	400	8.0
275,000	299,999	350	7.0
300,000	349,999	300	6.0
350,000	399,999	250	5.0
400,000	449,999	190	3.8
450,000	499,999	140	2.8
500,000	and higher	100	2.0

Notes: Numbers may not add to the total because of rounding. A portion of the estimated 23,500 other vacant units in the HMA will likely satisfy some of the forecast sales demand.

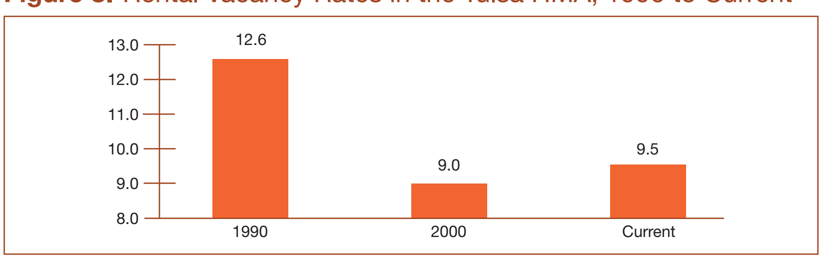
Source: Estimates by analyst

Rental Market

The rental housing market in the HMA has been soft since the onset of the economic downturn in the early 2000s. Between 2001 and 2002, the apartment vacancy rate increased from 6.4 to 9.4 percent, according to Reis, Inc. The soft conditions were primarily caused by decreased demand for rental units due to moderate population and household growth stemming from decreased employment during the economic downturn. From 2002 through 2007, the average apartment vacancy rate was 9.8 percent. High vacancy rates persisted even during periods of strong economic expansion partly because of increased competition from the sales market.

Currently, rental housing market conditions in the HMA remain soft, unchanged from a year ago. According to Reis, Inc., as of the first quarter of 2009, the apartment vacancy rate was 8.3 percent, down slightly compared with the 8.5-percent rate recorded during the same period in 2008. Soft conditions during the past year resulted from decreased demand due to slower paced population and household growth and an increased supply of new and converted apartments coming on line. During the 12 months ending April 2009, the average rent increased by 4 percent to $580 and the percentage of apartment complexes offering concessions remained unchanged, at approximately 25 percent. Typical rental concessions include 1 month's free rent on new 12-month leases. The rental vacancy rate for all rental units, including single-family homes, is currently estimated at 9.5 percent, up from 9.0 percent in 2000 (see Figure 8).

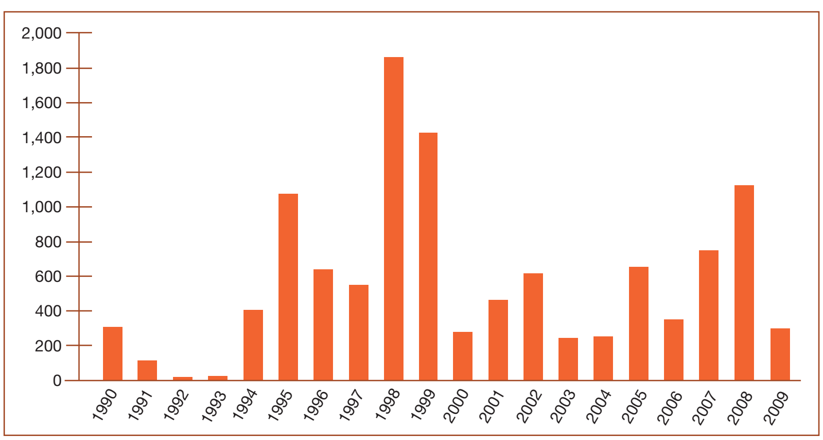
Figure 8. Rental Vacancy Rates in the Tulsa HMA, 1990 to Current



Sources: 1990 and 2000—1990 Census and 2000 Census; current—estimates by analyst

Multifamily construction, as measured by the number of units permitted, totaled 440 units during the 12 months ending April 2009, down 45 percent from the 800 units permitted during the same period a year ago and down 25 percent compared with the average of 590 units permitted annually between 2005 and 2007. Nearly all multifamily units permitted during the past year were apartment units. In Broken Arrow, the 270-unit Villas at Aspen Park include one- and two-bedroom apartments ranging from 790 to 1,110 square feet and renting from $710 to $940. In Owasso, the newly constructed 260-unit Preston Lakes includes one- and two-bedroom units renting from $680 to $850 and from $800 to $1,025, respectively. Oakmont Apartment Homes, a 200-unit complex, was completed in April 2009. Located north of Broken Arrow in the city of Catoosa, the complex offers one-, two-, and three-bedroom units with rents starting at $629, $749, and $889, respectively. Figure 9 shows the number of multifamily building permits issued in the HMA from 1990 to 2009.

Figure 9. Multifamily Building Permits Issued in the Tulsa HMA, 1990 to 2009



Notes: Includes all multifamily units in structures with two or more units. Includes data through April 2009.

Source: U.S. Census Bureau, Building Permits Survey

An estimated 700 apartments are currently under construction and an additional 1,000 units are in the pipeline. Construction began at the 304-unit Villas at Nickel Creek, located south of Tulsa, in the spring of 2009 and is expected to be completed by September 2009. One- and two-bedroom units are expected to rent from $750 to $1,100. Several warehouse and hotel conversions, partially funded by Vision 2025, are also under way or in the pipeline and will result in more than 300 new rental units coming on line during the next 12 months in the downtown Tulsa area. In downtown Tulsa, the $30 million conversion of the 10-story Mayo building into the Mayo 420 began in September 2008 and is expected to be completed in early 2010. The Mayo 420 will include 67 loft apartments with an average rent of slightly more than $1 a square foot for units ranging in size from 630 to 1,970 square feet. The 18-story Mayo Hotel, another downtown conversion project, is also under construction. The Mayo Hotel will include 72 loft apartments ranging from 730 to 2,800 square feet with an average monthly rent of approximately $1 a square foot. Construction at the Mayo Hotel, estimated to cost $40 million, is scheduled for completion in late 2009.

During the forecast period, the existing inventory of units available for rent, combined with rental units under construction and in the pipeline, is expected to sufficiently satisfy demand for rental housing in the HMA. The construction of additional rental units at this time will only prolong the current soft conditions.

Data Profile

Table DP-1. Tulsa HMA Data Profile, 1990 to Current

	1990	2000	Current	Average Annual Change (%) 1990 to 2000	Average Annual Change (%) 2000 to Current
Total Resident Employment	375,304	427,377	420,100	1.3	– 0.2
Unemployment Rate (%)	4.8	2.9	4.7		
Nonfarm Employment	323,100	399,700	434,500	2.2	1.0
Total Population	761,019	859,532	920,000	1.2	0.8
Total Households	297,252	337,215	361,900	1.3	0.8
Owner Households	196,575	227,392	247,200	1.5	0.9
Percent Owner (%)	66.1	67.4	68.3		
Renter Households	100,677	109,823	114,700	0.9	0.5
Percent Renter (%)	33.9	32.6	31.7		
Total Housing Units	335,728	366,195	403,225	0.9	1.1
Owner Vacancy Rate (%)	3.8	1.7	2.3		
Rental Vacancy Rate (%)	12.6	9.0	9.5		
Median Family Income	$35,700	$45,100	$57,600	2.4	2.5

Notes: Median family incomes are for 1989, 1999, and 2009. Employment data represent annual averages for 1990, 2000, and the 12 months through April 2009.

Sources: Estimates by analyst; U.S. Census Bureau; U.S. Department of Housing and Urban Development

Data Definitions and Sources

1990: 4/1/1990—U.S. Decennial Census

2000: 4/1/2000—U.S. Decennial Census

Current date: 5/1/2009—Analyst's estimates

Forecast period: 5/1/2009–5/1/2012—Analyst's estimates

Demand: The demand estimates in the analysis are not a forecast of building activity. They are the estimates of the total housing production needed to achieve a balanced market at the end of the 3-year forecast period given conditions on the as-of date of the analysis, growth, losses, and excess vacancies. The estimates do not account for units currently under construction or units in the development pipeline.

For additional data pertaining to the housing market for this HMA, go to www.huduser.org/publications/pdf/CMARtables_TulsaOK_09.pdf.

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This analysis has been prepared for the assistance and guidance of the U.S. Department of Housing and Urban Development (HUD) in its operations. The factual information, findings, and conclusions may also be useful to builders, mortgagees, and others concerned with local housing market conditions and trends. The analysis does not purport to make determinations regarding the acceptability of any mortgage insurance proposals that may be under consideration by the Department.

The factual framework for this analysis follows the guidelines and methods developed by HUD's Economic and Market Analysis Division. The analysis and findings are as thorough and current as possible based on information available on the as-of date from local and national sources. As such, findings or conclusions may be modified by subsequent developments. HUD expresses its appreciation to those industry sources and state and local government officials who provided data and information on local economic and housing market conditions.

For additional reports on other market areas, please go to www.huduser.org/publications/econdev/mkt_analysis.html.