

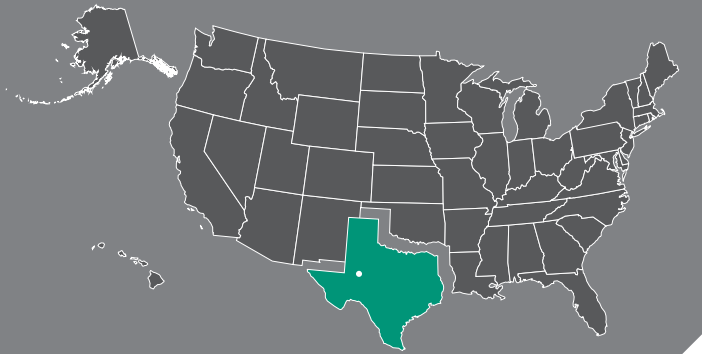
HUD PD&R Housing Market Profiles

Midland, Texas



Quick Facts About Midland

- **Current sales market conditions: slightly tight.**
- **Current apartment market conditions: slightly tight.**
- **In February 2013, the Midland metropolitan area added Martin County which includes the northernmost portion of the Spraberry Trend, the third largest oil field in the nation based on proven reserves. Martin County includes more than 175,000 acres of planted cotton fields, covering nearly one-third of the total land in the county.**



By T. Michael Miller | As of February 1, 2018

Overview

The Midland metropolitan area, known as the Tall City because of the downtown skyline, comprises Martin and Midland Counties in western Texas, approximately 50 miles from the southeastern corner of New Mexico. The metropolitan area is the hub for extraction of oil and natural gas in the Permian Basin, which contains the second largest oil and natural gas shale deposits in the world.

- As of February 1, 2018, the population of the metropolitan area was estimated at 172,700, an increase of 3,975, or 2.6 percent annually since April 1, 2010.
- Since 2010, net in-migration to the metropolitan area has averaged 2,250 people annually, up significantly from 950 people annually from 2000 to 2010. Although long-term growth has been strong, fluctuations in population growth have occurred recently because of significant declines in oil prices. Since 2010, migration has ranged from a net in-migration of 5,725, from July 2011 to July 2012, to a net out-migration of 490 people from July 2015 to July 2016 (U.S. Census Bureau).
- Midland is the most populous city in the metropolitan area, with a population of about 138,200, or 80 percent of the population of the metropolitan area.



Strong growth in the mining, logging, and construction sector led job growth in the Midland area.

	3 Months Ending		Year-Over-Year Change	
	January 2017 (thousands)	January 2018 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	88.3	97.6	9.3	10.5
Goods-producing sectors	27.2	33.4	6.2	22.8
Mining, logging, and construction	24.2	30.1	5.9	24.4
Manufacturing	3.0	3.3	0.3	10.0
Service-providing sectors	61.1	64.2	3.1	5.1
Wholesale and retail trade	14.4	15.5	1.1	7.6
Transportation and utilities	3.9	4.0	0.1	2.6
Information	0.9	0.9	0.0	0.0
Financial activities	3.6	4.0	0.4	11.1
Professional and business services	8.7	9.3	0.6	6.9
Education and health services	7.5	7.6	0.1	1.3
Leisure and hospitality	8.8	9.5	0.7	8.0
Other services	3.2	3.4	0.2	6.2
Government	10.1	10.0	-0.1	-1.0
	(percent)	(percent)		
Unemployment rate	4.0	2.5		

Note: Numbers may not add to totals because of rounding.
Source: U.S. Bureau of Labor Statistics

Economic Conditions

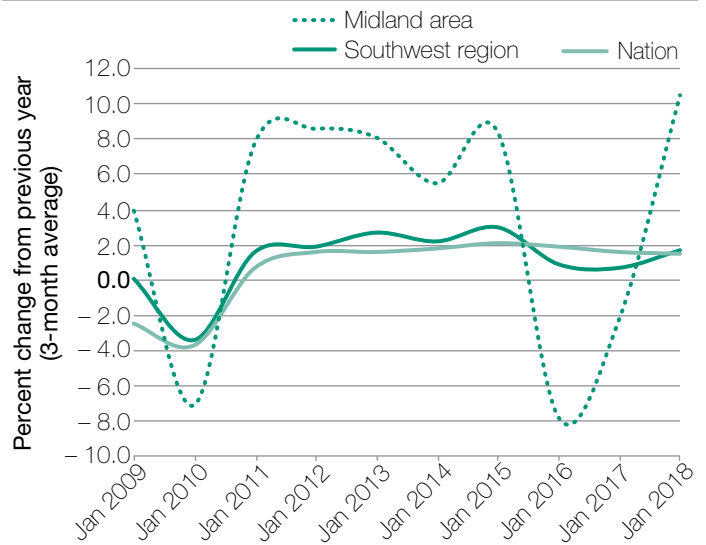
Nonfarm payrolls in the Midland metropolitan area increased 7.9 percent during the 12 months ending January 2018, following 2 years of job declines. During 2015 and 2016, nonfarm payrolls declined by an average of 3,800 jobs, or 4.0 percent, annually, led by declines in the mining, logging, and construction sector, which decreased by an average of 2,400 jobs, or 8.6 percent, annually. By comparison, nonfarm payroll growth averaged 6,100 jobs, or 7.8 percent, annually from 2011 through 2014.

During the 3 months ending January 2018—

- Nonfarm payrolls increased by 9,300 jobs, or 10.5 percent, from the 3 months ending January 2017 to an average of 97,600 jobs. By comparison, payrolls declined by 2,000 jobs, or 2.2 percent from the 3 months ending January 2016 to the 3 months ending January 2017.
- The mining, logging, and construction sector led growth with an increase of 5,900 jobs, or 24.4 percent, because West Texas Intermediate Crude Oil (WTI) production became profitable during the past year, with a daily average price near \$52, following the WTI price falling below \$30 a barrel in 2016.
- The unemployment rate decreased to 2.5 percent, down from 4.0 percent during the previous year, which is the lowest rate during a 3-month period since 2014, when WTI traded consistently above \$90 a barrel and peaked above \$107 a barrel.

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Nonfarm payrolls increased at a faster rate in the Midland area than in the nation or Texas, as West Texas Intermediate Crude Oil consistently traded above \$50 a barrel.



Note: Nonfarm payroll jobs.
Source: U.S. Bureau of Labor Statistics



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- The strength of the energy-producing industry has led to increases in all private nonfarm sectors, with declines only in the government sector. The leisure and hospitality, the professional and business services, and the financial activities sectors added 700, 600, and 400 jobs, or 8.0, 6.9, and 11.1 percent, respectively, from the 3 months ending January 2017.

Oil production in the Permian Basin has become more profitable as advances in extraction techniques and existing infrastructure have lowered the cost of extraction. Currently, the average breakeven price for WTI in the metropolitan area is down to \$46 a barrel, with some companies reporting breakeven at new wells near \$20 a barrel (Federal Reserve Bank of Dallas). Coupled with the lifting of the crude oil export ban in 2015, the Permian Basin is likely to maintain or increase production levels into the near future. The Weir Group

began construction in November 2017 on a new \$30 million facility to provide oil and natural gas services to the energy-producing industry, which is expected to create 100 new jobs when complete in 2019 and contribute to further cost reductions associated with oil extraction.

Largest employers in the Midland area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Pioneer Natural Resources Company	Mining, logging, and construction	3,732
Midland Memorial Hospital	Government	1,917
Endeavor Energy Resources, LP	Mining, logging, and construction	1,406

Note: Excludes local school districts.
Source: Midland Comprehensive Annual Financial Report, 2017

Sales Market Conditions

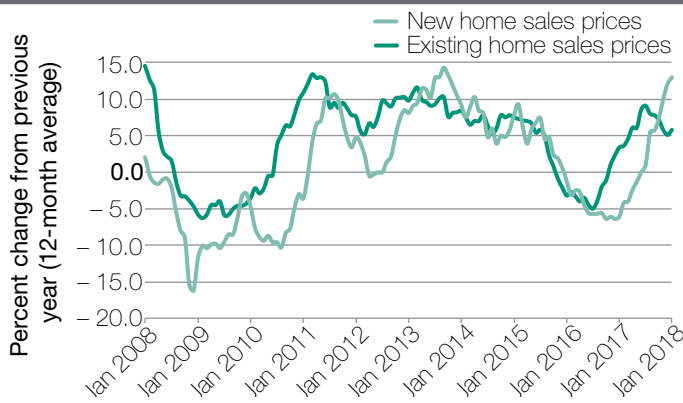
Sales housing market conditions in the Midland metropolitan area are currently slightly tight, with job growth and strong net in-migration contributing to increased demand, which is causing an increase in both home sales prices and single-family home construction. Approximately 650 new single-family homes, townhomes, and condominiums sold during the 12 months ending January 2018, up 7 percent from the 610 homes sold during the previous 12-month period (CoreLogic, Inc., with adjustments by the analyst). By comparison, new home sales averaged 760 a year during a 2-year peak from 2014 through 2015 but only 460 a year from 2009 through 2012. During the 12 months ending January 2018, the average sales price of a new home increased 13 percent from a year ago to \$308,200.

- Existing home sales increased to 3,825 during the 12 months ending January 2018, up 20 percent from the 3,200 existing homes sold during the 12 months ending January 2017 and up 3 percent from the average of 3,700 existing homes sold each year from 2012 through 2014, when oil production was stronger.

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Existing home sales in the Midland area have increased during the past year because of improving economic conditions, but new home sales have been slow to recover.

New and existing home prices in the Midland area increased during the past year because of improving economic conditions.



Note: Includes single-family homes, townhomes, and condominiums.
Source: CoreLogic, Inc., with adjustments by the analyst



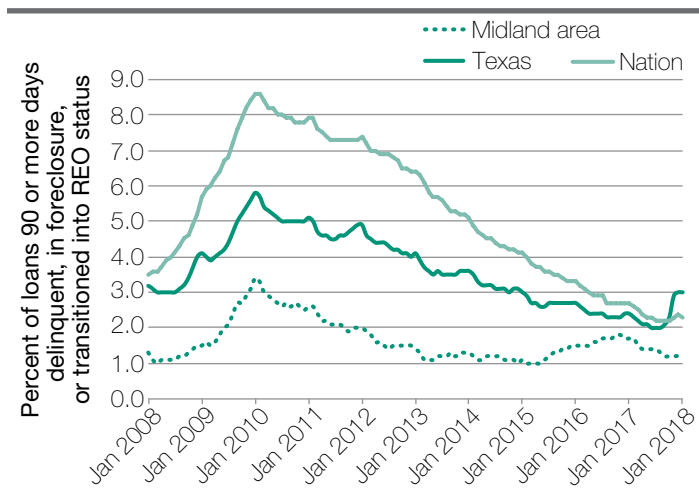
Note: Includes single-family homes, townhomes, and condominiums.
Source: CoreLogic, Inc., with adjustments by the analyst



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- The average sales price of an existing home was \$282,300 during the 12 months ending January 2018, a 6-percent increase from \$266,800 during the previous 12 months and 6 percent more than the \$266,100 average during the 12 months ending January 2015, the previous peak for a 12-month period ending in January.
- The gain in the average existing home sales price was partly attributed to a decline in the number of homes available for sale in the metropolitan area. An estimated 1.2 months' supply of for-sale inventory was available in the metropolitan area as of January 2018, down from 2.8 months during January 2017 (Real Estate Center at Texas A&M University).
- The percentage of home loans in the metropolitan area that were seriously delinquent (90 or more days delinquent or in foreclosure) or transitioned into real estate owned status was 1.1 percent during January 2018 and has been consistently low compared with the nation and state of Texas, remaining below 2.0 percent since 2012 (CoreLogic, Inc.).

The percentage of homes 90 or more days delinquent, in foreclosure, or recently transitioned to REO status in the Midland area consistently has been well below the national and state rates.

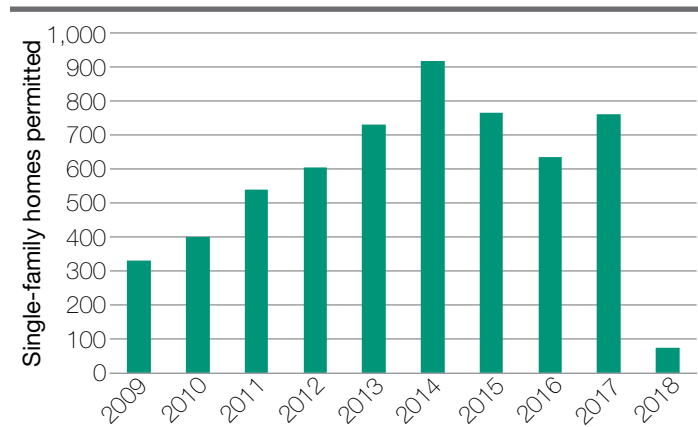


REO = real estate owned.
Source: CoreLogic, Inc.

Single-family home construction activity, as measured by the number of single-family homes permitted, increased during the past 12 months in response to greater net in-migration and improved sales market conditions, after declining during 2015 and 2016 when builders slowed construction to allow for absorption of the large number of units completed during 2014.

- The number of single-family homes permitted grew to 780 during the 12 months ending January 2018, up 20 percent from the 650 homes permitted a year earlier (preliminary data).
- Single-family construction activity steadily increased from 2009 through 2014. The number of single-family homes permitted averaged 470 homes annually from 2009 through 2012, before increasing to an average 810 homes annually from 2013 through 2015.
- Notable single-family developments under construction are in north Midland and include the Daybreak Estates planned community that will have approximately 450 homes at buildout. The community has 275 homes already completed and 10 homes currently under construction. Home sales prices at Daybreak Estates during the fourth quarter of 2017 started at \$229,000, and the average sales price was \$329,400.

Single-family permitting in the Midland area increased during 2017, after declining since the peak in 2014.



Note: Includes preliminary data from January 2017 through January 2018.
Source: U.S. Census Bureau, Building Permits Survey

Apartment Market Conditions

Apartment housing market conditions in the Midland metropolitan area currently are slightly tight, as the demand exceeded the supply for apartments during the past year, with 560 units added and 1,125 new units absorbed (ALN Systems, Inc.). Apartments constitute approximately 43 percent of the overall rental-housing inventory, down from 49 percent in 2010, primarily due to increased mobile home rental units in the metropolitan area.

During the fourth quarter of 2017—

- The apartment vacancy rate was 4.3 percent, down from 9.7 percent in the fourth quarter of 2016 (Axiometrics, Inc.). This vacancy rate is the lowest recorded since 2014, when WTI traded above \$80 a barrel, resulting in strong nonfarm payroll growth.

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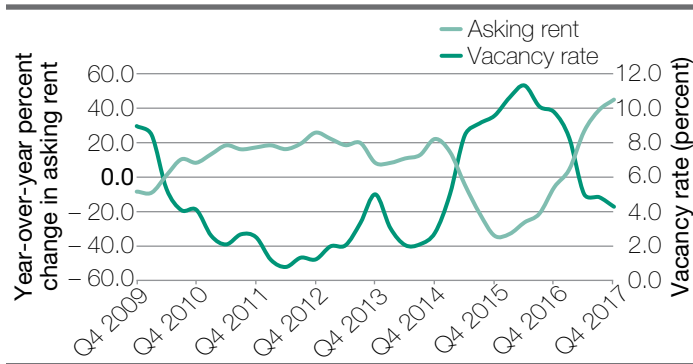


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- Asking rents for all apartments averaged \$1,355, a 45-percent increase from \$934 in the fourth quarter of 2016. By comparison, asking rents declined 34 percent from the fourth quarter of 2014 to fourth quarter of 2015, then declined nearly 6 percent through the fourth quarter of 2016, when large migration changes occurred, primarily the result of booms and busts in the oil extraction industry.
- The average asking apartment rents by number of bedrooms were \$1,165, \$1,506, and \$1,971 for one-, two-, and three-bedroom units, respectively (ALN Systems, Inc.).

Multifamily permitting activity in the metropolitan area decreased during the past 12 months, as developers were slow to respond to tightening apartment market conditions given the cyclical nature of the metropolitan area economy. Apartment construction times in the metropolitan area are typically in the 24-month range because of tight markets for construction materials and labor.

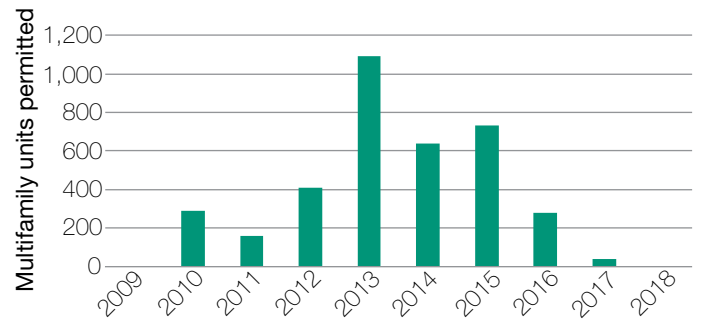
Economic growth in the Midland area during the past 12 months resulted in increased rents and declining vacancies.



Q4 = fourth quarter.
Source: Axiometrics, Inc.

- During the 12 months ending January 2018, approximately 35 multifamily units were permitted compared with 245 units permitted during the previous 12 months (preliminary data).
- Multifamily permitting averaged 120 units a year from 2000 through 2009, before increasing to an average of 475 units a year from 2010 through 2015, coinciding with the expanding energy industry.
- Recently completed projects that are currently in lease up in the city of Midland include the 206-unit Compass Pointe, with rents starting at \$818, \$977, and \$1,125 for one-, two-, and three-bedroom units, respectively, and the 264-unit Palladium Midland, with rents starting at \$878, \$1,048, and \$1,208 for one-, two-, and three-bedroom units, respectively.

Multifamily permitting in the Midland area trended downward after peaking in 2013, because builders have been cautious following the economic downturn in 2015 and 2016.



Note: Includes preliminary data from January 2017 through January 2018.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

