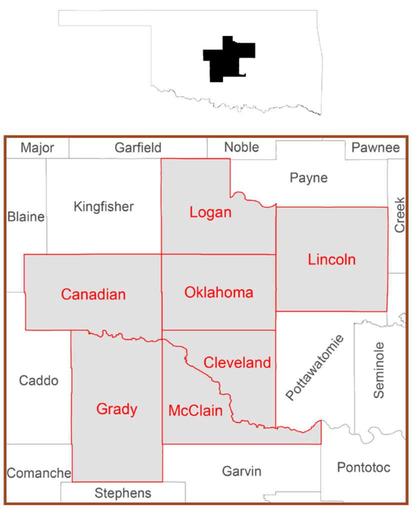
COMPREHENSIVE HOUSING MARKET ANALYSIS

Oklahoma City, Oklahoma

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of September 1, 2018

PD&R

Housing Market Area



The Oklahoma City Housing Market Area (HMA) is coterminous with the Oklahoma City, OK Metropolitan Statistical Area and is comprised of Canadian, Cleveland, Grady, Lincoln, Logan, McClain, and Oklahoma Counties in central Oklahoma. The HMA includes the Oklahoma state capital, the University of Oklahoma (OU), and Tinker Air Force Base (AFB), all of which contribute to the economic stability of the HMA.

Market Details

Summary

Economy

Nonfarm payrolls in the Oklahoma City HMA are at record-high levels, and job growth has increased recently. During the 12 months ending August 2018, nonfarm payrolls increased by 14,500, or 2.3 percent, to 645,300 jobs, compared with flat job growth a year earlier. The recent surge in job growth was mostly because of job gains associated with increases in oil prices. During the 3-year forecast period, nonfarm payrolls are expected to increase an average of 2.2 percent annually. The four largest employers in the HMA are the State of Oklahoma, Tinker AFB, OU, and the Federal Aviation Administration, which account for a combined 14 percent of all jobs (excluding military personnel). Table DP-1 at the end of this report provides additional employment data.

Sales Market

The current sales housing market in the HMA is balanced, with an estimated vacancy rate of 1.9 percent compared with the rate of 2.2 percent in April 2010. Demand is forecast for 18,400 new homes during the next 3 years (Table 1). The 1,500 homes currently under construction will meet a portion of that demand.

Rental Market

Current rental housing market conditions in the HMA are soft, with an estimated 8.5-percent rental vacancy rate, down from 10.4 percent in April 2010. During the forecast period, demand is estimated for 3,825 new market-rate rental units (Table 1). The 530 units currently under construction will meet a portion of the demand.

Table 1. Housing Demand in the Oklahoma City HMA During the Forecast Period

	Oklahoma City HMA	
	Sales Units	Rental Units
Total Demand	18,400	3,825
Under Construction	1,500	530

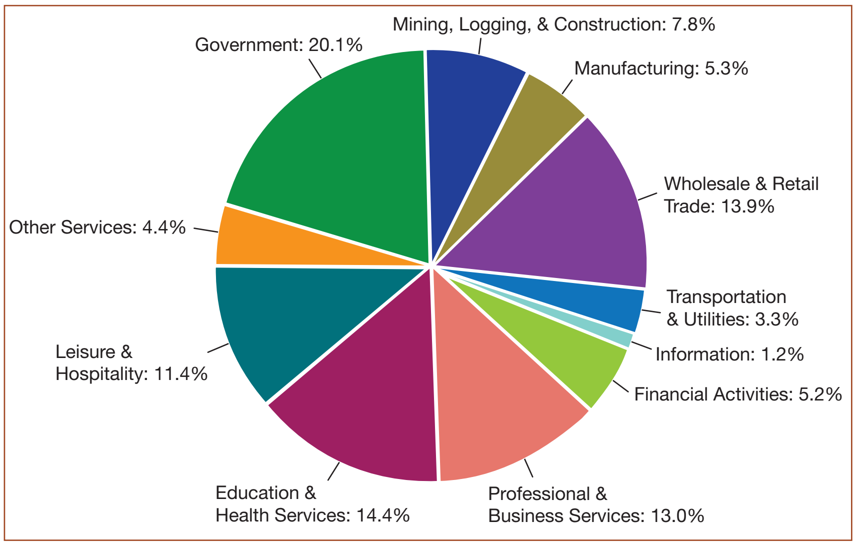
Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of September 1, 2018. The forecast period is September 1, 2018, to September 1, 2021.

Source: Estimates by analyst

Economic Conditions

The Oklahoma City HMA economy depends heavily on the government sector, which comprised 129,600 jobs, or one-fifth of all nonfarm payrolls in the HMA, during the 12 months ending August 2018 (Figure 1). The State of Oklahoma is the largest employer in the HMA, with 47,300 workers (Table 2). The second largest employer is Tinker AFB, which employs 27,000 (18,400 civilians and 8,600 active-duty military personnel) and has an economic impact on the HMA of more than $3.0 billion annually (U.S. Department of Defense). The third largest employer is OU, with a combined 17,700 full-time employees at the main campus in Norman and at the Health Sciences Center near downtown Oklahoma City. OU has an annual economic impact on the HMA of $2.2 billion and accounts for a combined 47,500 direct and indirect jobs in the HMA (The University of Oklahoma Community Impact Report 2018). The fourth largest employer is the Federal Aviation Administration, with 7,000 employees. The aerospace industry, which includes jobs in multiple sectors, continues to grow in the HMA. More than 300 aerospace-related firms, with a combined 43,000 employees (including Tinker AFB personnel), are located in the HMA and have an annual economic impact of $6.2 billion on the HMA economy (Oklahoma Aeronautics Commission).

Figure 1. Current Nonfarm Payroll Jobs in the Oklahoma City HMA, by Sector



Note: Based on 12-month averages through August 2018.

Source: U.S. Bureau of Labor Statistics

Table 2. Major Employers in the Oklahoma City HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
State of Oklahoma	Government	47,300
Tinker Air Force Base (AFB)	Government	27,000
University of Oklahoma	Government	17,700
Federal Aviation Administration	Government	7,000
INTEGRIS Health	Education & Health Services	6,000
Hobby Lobby Stores, Inc.	Wholesale & Retail Trade	5,100
Mercy Health	Education & Health Services	4,500
OGE Energy Corp.	Transportation & Utilities	3,400
SSM Health	Education & Health Services	3,000
Norman Regional Health System	Education & Health Services	3,000

Notes: Excludes local school districts. Data includes military personnel, who are generally not included in nonfarm payroll survey data.

Sources: Greater Oklahoma City Partnership; U.S. Department of Defense; employers

The economy of the HMA expanded throughout most of the 2000s, with job growth occurring every year except during periods coinciding with national economic downturns. From 2001 through 2004, nonfarm payrolls in the HMA increased by an average of only 700 jobs, or 0.1 percent, annually, partly because of the national economic recession during 2001. Job growth was strong in the HMA from 2001 through 2004 in the education and health services sector, increasing by an average of 2,300, or 3.3 percent, annually. Widespread gains in the education and health services sector during that period reflected national trends in this sector, which increased an average of 3.1 percent annually. Job losses in the HMA occurred in several sectors from 2001 through 2004 but were greatest in the manufacturing sector, which decreased an average of 3,200, or 6.9 percent, annually. That decrease also reflected national trends in this sector, which declined an average of 4.6 percent annually during the same period. Economic expansion was strong from 2005 through 2006 in the HMA, when nonfarm payrolls increased by an average of 10,900 jobs, or 2.0 percent, annually. The mining, logging, and construction sector led job growth during this period with average annual gains of 3,300 jobs, or 9.7 percent. Increased production stemming from oil and natural gas price increases contributed to an average increase of 1,900 jobs, or 18.6 percent, annually in the mining and logging subsector, which accounted for 56 percent of the mining, logging, and construction sector gains. During the same period, the construction subsector grew by an average of 1,500 jobs, or 6.0 percent, annually, partly because of numerous revitalization projects in the city of Oklahoma City funded by Metropolitan Area Projects (MAPS), an economic development initiative passed by Oklahoma City voters. Revitalization efforts, totaling more than $1.5 billion, included the construction of a minor league baseball stadium, sports arena, and the Bricktown Canal (a mile-long river canal that includes water taxi services and tours for visitors). Developers also completed 10 residential developments, with approximately 2,200 units, in the downtown area. From 2007 through 2008, the HMA economy continued to grow, albeit moderately, with average annual payroll gains of 7,700 jobs, or 1.3 percent. The education and health services sector, which increased by 2,700 jobs, or 3.5 percent, annually, led job growth during this period. The mining, logging, and construction sector was the second leading growth sector, increasing by an average of 2,300 jobs, or 5.6 percent, annually.

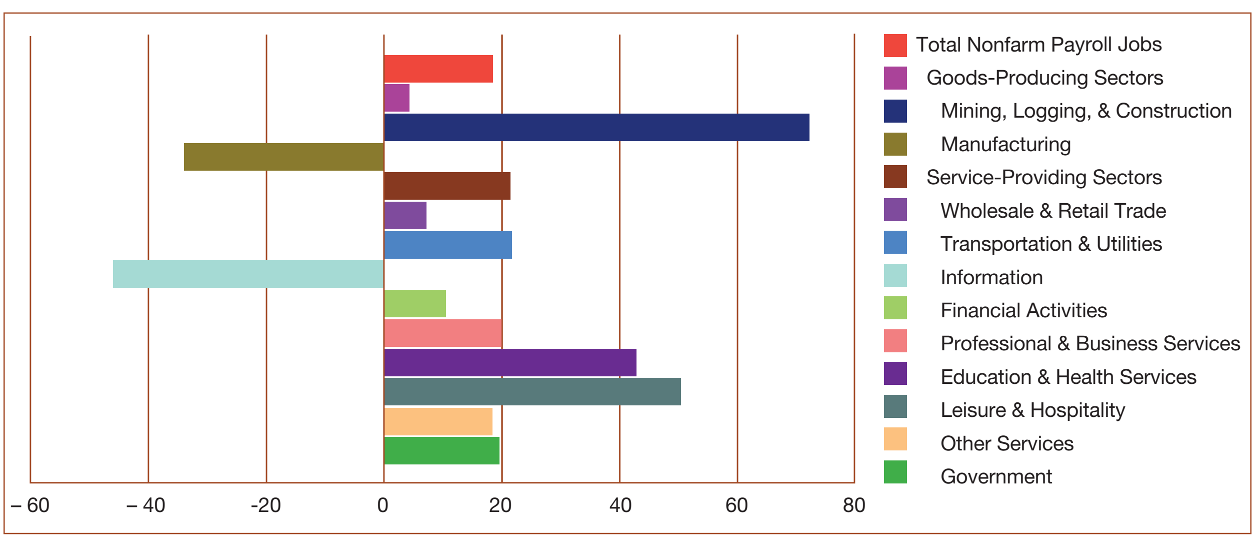
The effects of the Great Recession, which began in December 2007 and ended in June 2009, did not reach the HMA until 2009. From 2009 through 2010, nonfarm payrolls in the HMA decreased by an average of 8,800 jobs, or 1.5 percent, annually. Job losses were greatest in the manufacturing and the professional and business services sectors, which decreased by an average annual of 3,000 and 2,200 jobs, or 8.5 and 2.8 percent, respectively. Widespread layoffs in the manufacturing and the professional and business services sectors during the period reflected national trends in these sectors, which declined an average of 7.3 and 2.9 percent annually, respectively. Approximately one-fourth of job losses in the professional and business services sector both in the HMA and nationwide occurred in the temporary help services industry. Average annual gains of 1,800 jobs, or 1.5 percent, in the government sector partially offset overall losses during this period, primarily because of increased hiring in the federal and local government subsectors. The federal government subsector increased by an average of 1,200 jobs, or 4.6 percent, annually, partly because of expansions at the Mike Monroney Aeronautical Center of the Federal Aviation Administration. The local government subsector gained an average of 500 jobs, or 1.0 percent, annually. Contributing to increased employment in this subsector was the opening of the Riverwind Hotel at the Riverwind Casino in the city of Norman by the Choctaw Nation of Oklahoma, resulting in 400 new jobs.

The HMA economy began to expand again in earnest in 2011 and, by mid-2012, surpassed prerecession payroll levels. From 2011 through 2015, nonfarm payrolls increased by an average of 12,700 jobs, or 2.1 percent, annually, to 630,300 jobs, with gains in nearly every sector. The wholesale and retail trade sector led gains with an average annual increase of 2,300 jobs, or 2.7 percent. Contributing to job growth in this sector was the opening of 11 new stores by

Walmart Inc., which resulted in 1,250 new jobs, primarily in growing suburban communities surrounding the city of Oklahoma City. The leisure and hospitality sector gained an average of 2,100 jobs, or 3.4 percent, annually, to reach 68,000 jobs. The popularity of the National Basketball Association team, the Oklahoma City Thunder, which had a local economic impact of more than $60 million annually during this period (City of Oklahoma City data), contributed to sector gains.

Nonfarm payrolls declined during 2016 because of job losses stemming from a sharp drop in oil prices that began in 2014. During 2016, nonfarm payrolls decreased by 500 jobs, or 0.1 percent, to 629,800. Job losses were greatest in the mining and logging subsector, which decreased by 3,400, or 17.1 percent, to 16,500 jobs. Contributing to the decline in this subsector were widespread layoffs at energy-related companies stemming from a decline in oil prices and consequently diminished oil production. West Texas Intermediate (WTI) crude oil, considered a benchmark for domestic oil pricing, declined from a price of $107 per barrel in July 2014 to $26 per barrel by February 2016 (Federal Reserve Bank of St. Louis). Job losses also occurred in the manufacturing sector, declining by 2,900, or 7.8 percent, to 34,500 jobs. More than one-fourth of job losses in this sector occurred in the mining and oil and gas field machinery manufacturing industry, which decreased by 760, or 28.4 percent, to 1,925 jobs. Partly offsetting nonfarm payroll losses was an increase in jobs in the leisure and hospitality sector and the government sector, each gaining 2,000 jobs, or 2.9 percent and 1.6 percent, to 70,000 and 129,000 jobs, respectively. Local sports teams and several new recreation venues throughout the HMA contributed to gains in the leisure and hospitality sector. Also contributing to an increase in jobs in the sector was the opening of the 21c Museum Hotel in downtown Oklahoma City in July 2016, resulting in approximately 140 new jobs. The 21c Museum Hotel, converted from the former Oklahoma City Ford Motor Company Assembly Plant in 2016, is listed with The National Register of Historic Places (National Park Service). Contributing to gains in the government sector was an increase of nearly 1,000 aircraft maintenance personnel at Tinker AFB to accommodate the greater workload assigned to the base. Figure 2 shows sector growth

Figure 2. Sector Growth in the Oklahoma City HMA Percentage Change, 2000 to Current



Note: Current is based on 12-month averages through August 2018.

Source: U.S. Bureau of Labor Statistics

in the HMA from 2000 to the current date.

During the 12 months ending August 2018, nonfarm payrolls in the HMA increased by 14,500 jobs, or 2.3 percent, to 645,300 jobs. Leading job growth during this period was the mining, logging, and construction sector, which increased by 3,900 jobs, or 8.4 percent, to 50,400 jobs (Table 3). Nearly three-fourths of the job gains in this sector occurred in the mining and logging subsector, which gained 2,900, or 16.7 percent, to 20,300. Contributing to gains in this subsector was an increase in oil production stemming from higher oil prices. As of September 1, 2018, WTI crude oil was priced at about $70 per barrel, a 170-percent increase compared with February 2016. Several new MAPS-sponsored projects, including a $288 million Downtown Convention Center in downtown Oklahoma City and numerous sidewalk and infrastructure improvement projects throughout the city of Oklahoma City, supported job growth in the construction subsector. Job growth was also strong during the 12 months ending August 2018 in the professional and business services sector, which increased by 3,600, or 4.5 percent, to 83,900, with one-third of the increase occurring in the employment services industry. Partly offsetting nonfarm payroll gains was a decline in the wholesale and retail trade sector, which decreased by 1,300, or 1.4 percent, to 89,900. Most of the decline in this sector occurred in the retail trade subsector, down by 1,000 jobs, or 1.5 percent, to 66,200 jobs, reflecting a trend in more than one-half of the total number of metropolitan areas in the nation.

Since 2000, the relatively stable economy of the HMA has contributed to lower unemployment rates compared with national rates. From 2000 through 2008, the average annual unemployment rate in the HMA was 4.0 percent, compared with the 5.1-percent national rate. From 2009 through 2010, the unemployment rate of the HMA increased, as a result of the national economic recession, to 5.9 percent, an increase of 1.9 percentage points from the average during the 2000-to-2008 period. By comparison, the national unemployment rate increased 4.5 percentage points, to 9.6 percent, during the same period. From 2011 through 2015, the unemployment rate in the HMA declined to 3.9 percent by the end of 2015, compared with 5.3 percent nationally. The unemployment rate in the HMA increased slightly during 2016, to 4.2 percent, which was lower than the national rate of 4.9 percent. During the 12 months ending August 2018, the average unemployment rate in the HMA was 3.5 percent, compared with 4.0 percent a year earlier, whereas, at the national level, the average

Table 3. 12-Month Average Nonfarm Payroll Jobs in the Oklahoma City HMA, by Sector

	12 Months Ending		Absolute Change	Percent Change
	August 2017	August 2018		
Total Nonfarm Payroll Jobs	630,800	645,300	14,500	2.3
Goods-Producing Sectors	79,900	84,500	4,600	5.8
Mining, Logging, & Construction	46,500	50,400	3,900	8.4
Manufacturing	33,400	34,100	700	2.1
Service-Providing Sectors	550,900	560,800	9,900	1.8
Wholesale & Retail Trade	91,200	89,900	–1,300	–1.4
Transportation & Utilities	20,500	21,500	1,000	4.9
Information	7,800	7,400	–400	–5.1
Financial Activities	33,200	33,300	100	0.3
Professional & Business Services	80,300	83,900	3,600	4.5
Education & Health Services	91,400	92,900	1,500	1.6
Leisure & Hospitality	70,800	73,800	3,000	4.2
Other Services	27,500	28,500	1,000	3.6
Government	128,200	129,600	1,400	1.1

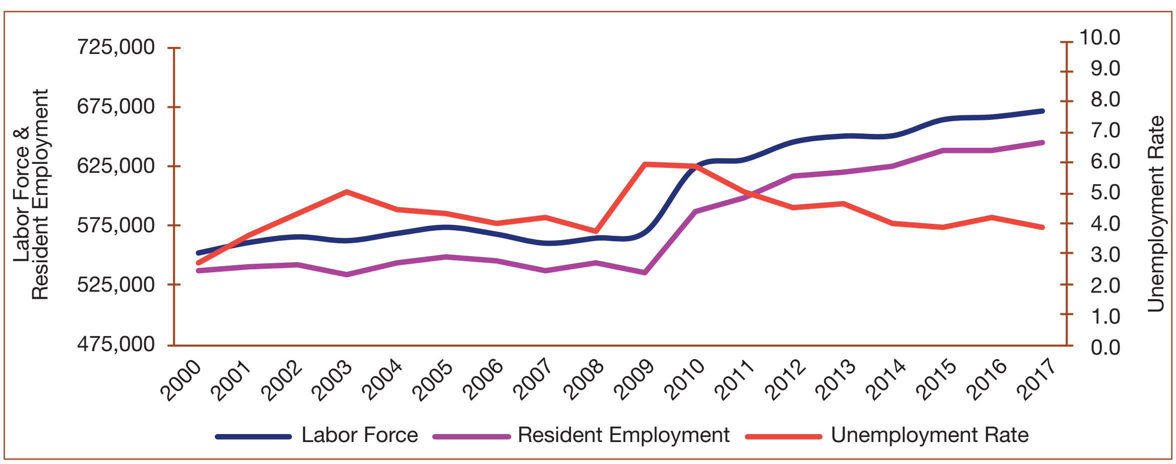
Notes: Numbers may not add to totals because of rounding. Based on 12-month averages through August 2017 and August 2018.

Source: U.S. Bureau of Labor Statistics

unemployment rate was 4.0 percent, down from 4.6 percent. Figure 3 shows trends in the labor force, resident employment, and the unemployment rate in the HMA from 2010 through 2017.

During the 3-year forecast period, nonfarm payrolls in the HMA are estimated to increase an average of 2.2 percent annually. Job growth is expected to be slightly stronger during the second and third years of the forecast period. Gains are anticipated in most job sectors, with the strongest job growth projected to occur in the leisure and hospitality sector and the government sector. Several new hotels are expected to open in the downtown Oklahoma City area and will contribute to gains in the leisure and hospitality sector. Construction is under way on the $241 million Omni Oklahoma City Hotel and is expected to be complete in 2021. The hotel will include 605 rooms and will staff 375 full-time employees (Omni Hotels & Resorts). The construction of the Downtown Convention Center will replace the nearby Cox Convention Center and is expected to result in 700 new jobs once complete in 2021. Job growth is expected to be strong in the government sector, in part because of expansions at Tinker AFB. The new KC-46A Tanker Sustainment Campus at Tinker AFB is nearing completion and expected to result in 1,300 new full-time jobs once operational in 2019 (Tinker AFB), with annual salaries averaging $62,000 (Greater Oklahoma City Chamber). By comparison, the average salary in the HMA for private sector workers was $49,600 during the 12 months ending August 2018 (Bureau of Labor Statistics). Job gains are also expected to occur in the manufacturing sector and the education and health services sector. Two firms that manufacture military unmanned aircraft systems will be opening facilities in the HMA by the end of 2018. Kratos Defense & Security Solutions, Inc. is expected to open an "offensive jet drone" manufacturing facility and employ 350 workers (State of Oklahoma Office of the Governor), while Valkyrie Systems Aerospace's HoverJet manufacturing facility is expected to employ 350 workers once fully operational. The HoverJet aircraft is able to carry military personnel and equipment and can be operated remotely or piloted manually.

Figure 3. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Oklahoma City HMA, 2000 Through 2017



Source: U.S. Bureau of Labor Statistics

Population and Households

The current population of the Oklahoma City HMA is an estimated 1.40 million, an average increase of 17,600, or 1.3 percent, annually since 2010. During this period, net in-migration accounted for approximately 57 percent of the population growth. In-migration to the HMA primarily stemmed from a growing economy and relatively low unemployment rate during most of this period. The most populous counties of the HMA are Oklahoma and Cleveland Counties, with an estimated 800,000 and 281,900 residents, respectively, constituting a combined 77 percent of the HMA population. The city of Oklahoma City, with an estimated population of 654,600, is the most populous city in the HMA and the state. Approximately 75 percent of the population of the city of Oklahoma City resides in Oklahoma County; the remainder is in Canadian County to the west and in Cleveland County to the south. With an estimated 125,000 residents, the city of Norman, in Cleveland County, is the second most populous city in the HMA and third most populous in the state, behind the cities of Oklahoma City and Tulsa. The city of Edmond, north of Oklahoma City in Oklahoma County, is the third most populous city in the HMA, with an estimated 93,800 residents. Since 2010, the populations in Oklahoma and Cleveland Counties have increased at average annual rates of 1.3 and 1.2 percent, respectively, compared with an average increase of 1.6 percent annually in the remaining counties. The population of Canadian County, the third most populous county in the HMA, with an estimated 141,900 people, grew an average of 2.5 percent annually, with growth primarily in residential communities in the city of Oklahoma City and suburban areas barely west of the Oklahoma County line. Net in-migration has occurred in every county since 2010. Net in-migration into Oklahoma County has accounted for an estimated 40 percent of total net in-migration in the HMA during the same period, and 25 percent and 21 percent of net in-migration in the HMA was in Canadian County and Cleveland County, respectively.

During the 2000s, population growth in the HMA averaged 15,750, or 1.4 percent, annually, with net in-migration constituting about one-half of the population growth during this period. Cleveland County and Canadian County accounted for a combined 70 percent of the HMA total net in-migration during this period, and net in-migration into Oklahoma County and the remaining counties constituted 6 percent and 24 percent, respectively. The HMA population growth during the 2000s was greatest from 2008 to 2010, when the population increased by an average of 20,750, or 1.7 percent, annually, compared with an average of 1.3 percent annually from 2000 to 2008. From 2008 to 2010, net in-migration accounted for approximately 58 percent of the population growth, or 12,000 people annually, even though nonfarm payrolls significantly declined during the same period. Job seekers were drawn to the HMA during this period because of the relatively low unemployment rate compared with national unemployment rates. During this period, Oklahoma County and Cleveland County accounted for 35 percent and 29 percent, respectively, of the

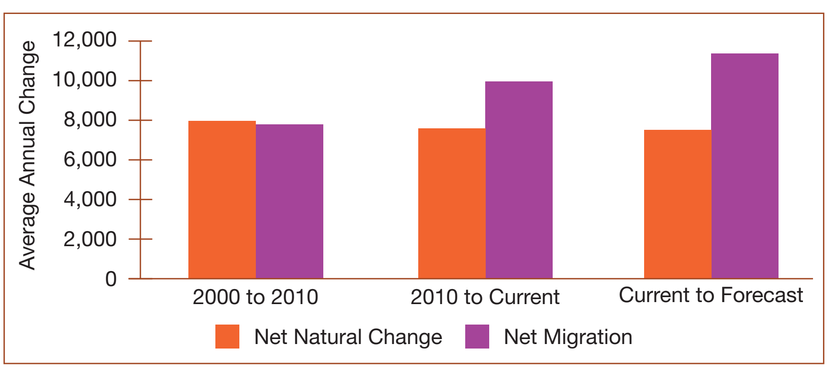
HMA total net in-migration. Net in-migration into Canadian County constituted 20 percent of net in-migration to the HMA, and the remaining counties accounted for a combined 16 percent. The 16 universities in the HMA attracted students during the 2000s, which contributed to a combined increase in enrollment by an average of 3,500 students, or 3.2 percent, annually. Enrollment increases at the HMA's universities have significantly slowed since 2010, however, partly because of increased job opportunities both in the HMA and elsewhere in the United States. The combined fall 2018 enrollment of universities in the HMA was relatively unchanged, at 74,000 students, compared with enrollment a year earlier. Enrollment at universities in the HMA is not expected to increase significantly during the forecast period. Figure 4 shows components of population change in the HMA from 2000 to the forecast date.

Since 2000, migration patterns within the HMA have primarily consisted of net out-migration from Oklahoma County to the remaining six counties. From 2000 through 2016, net out-migration from Oklahoma County into all the remaining counties of the HMA occurred each year (Internal Revenue Service tax return data; 2016 data are the most recent data available). During this period, net out-migration from Oklahoma County into the remaining six counties averaged 2,900 residents annually, of which more than a combined 80 percent moved to Cleveland and Canadian Counties. This trend of HMA residents migrating to suburban communities reflected national trends during most of the 2000s until the Great Recession, when net in-migration into core metropolitan area counties increased as a result of decreased mobility and the national housing market collapse (Brookings Institution—The Great American Migration Slowdown: Regional and Metropolitan Dimensions). Since 2013, national trends toward suburbanization from core metropolitan counties into suburban counties have increased (The Brookings Institution—The Avenue). The suburbanization in the HMA is reflected by commuting patterns; employers in Oklahoma County employ about 77 percent of HMA working residents (U.S. Census Bureau).

During the 3-year forecast period, the population of the HMA is expected to increase by an average of 19,000, or 1.3 percent, annually. The growing economy in the HMA is expected to attract people, resulting in net in-migration estimated at an average of 11,500 people annually during the forecast period.

The current number of households in the HMA is an estimated 542,100, representing an average increase of 6,225 households, or 1.2 percent, annually since April 2010. During the 2000s, the number of households increased by an average of 6,000, or 1.3 percent, annually. Since 2010, renter household growth has constituted 52 percent of total

Figure 4. Components of Population Change in the Oklahoma City HMA, 2000 to Forecast



Notes: The current date is September 1, 2018. The forecast date is September 1, 2021.
Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by analyst

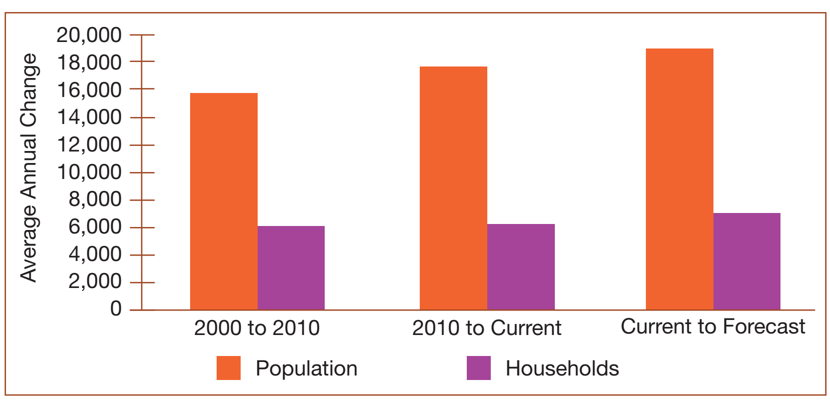
household growth, compared with 37 percent during the 2000s. Contributing to the increased portion of new renter households since 2010 were tightened mortgage lending standards and an increased propensity to rent. Job losses during 2010 and the local economic recovery from 2011 through mid-2012 also contributed to changes in the portion of new renter household formation since April 2010. Renter households currently account for almost an estimated 37 percent of all households in the HMA, the highest percentage since 1950. Renter households in Oklahoma County constitute an estimated 67 percent of renter households in the HMA, and Cleveland County accounts for approximately 20 percent of all renter households. Homeownership rates among the HMA counties range from an estimated 58.7 percent in Oklahoma County, 65.2 percent in Cleveland County, and 76.3 to 79.2 percent in the remaining five counties. Figure 5 shows the number of households in the HMA, by tenure, from 2000 to the current period. During the forecast period, household growth in the HMA is expected to average 6,975 households, or 1.3 percent, annually (Figure 6).

Figure 5. Number of Households by Tenure in the Oklahoma City HMA, 2000 to Current

Note: The current date is September 1, 2018.

Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

Figure 6. Population and Household Growth in the Oklahoma City HMA, 2000 to Forecast



Notes: The current date is September 1, 2018. The forecast date is September 1, 2021.

Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by analyst

Sales Market

Sales housing market conditions in the Oklahoma City HMA are balanced, with an average sales vacancy rate estimated at 1.9 percent as of September 1, 2018, down from 2.2 percent in April 2010. The inventory of homes for sale represented a 3.2-month supply in August 2018, down from a 3.4-month supply a year earlier and down from a 5.4-month supply in 2010 (CoreLogic, Inc.). Contributing to the improved sales market conditions since 2010 have been job and population growth. The adverse effects of the national housing crisis were not as evident in the HMA as in the nation as a whole. Lower unemployment rates, relatively stable average home sales prices, and lower foreclosure rates compared with the nation contributed to a relatively stable home sales market. In August 2018, 2.0 percent of home loans in the HMA were seriously delinquent (90 or more days delinquent or in foreclosure) or had transitioned into real estate owned (REO) status, the lowest percentage in the HMA since September 2002 and down from a rate of 2.4 percent in August 2017 and from 4.9 percent in April 2010 (CoreLogic, Inc.). The percentage of seriously delinquent home loans and REO properties peaked in January 2010 in both the HMA and the nation, at 5.1 and 8.6 percent, respectively. By county, the percentage of seriously delinquent loans and REO properties in August 2018 ranged from 1.6 percent in Cleveland County to 3.2 percent in Lincoln County. The percentage of underwater mortgages (in which the mortgage debt is greater than the current home value) in the HMA as of June 2018 was 5.9 percent, down from 6.0 percent a year earlier and from a peak level of 9.5 percent in April 2010. By comparison, the percentage of underwater mortgages nationally was 4.3 percent in June 2018, down from 5.5 percent a year earlier and from a peak level of 26.0 percent in December 2009.

During the 12 months ending August 2018, new and existing home sales (including single-family homes, townhomes, and condominiums) increased in the HMA from a year earlier by 3,075, or 11 percent, to 30,900 homes sold, and the average price increased by more than $4,250, or 2 percent, to $190,400 (Metrostudy, A Hanley Wood Company). The recent increase in home sales was mostly because of a surge in home sales demand resulting from relatively strong economic growth during the period. New home sales totaled 3,750, up by 50 homes, or 1 percent, from the same 12-month period a year earlier. The average new home sales price was $263,100, up $9,575, or 4 percent, from a year earlier. Regular resale home sales totaled 25,300, an increase of 3,450 homes, or 16 percent, from the previous 12-month period. The average sales price of regular resale homes increased to $183,100, up by $3,775, or 2 percent, from a year earlier. The average distressed home sales (REO and short sales) price was $118,200, down by $1,250, or 1 percent. Distressed sales in the HMA accounted for 6 percent of all home sales, down from 8 percent a year earlier and from a peak of 11 percent in the summer of 2011. By comparison, distressed home sales constituted 6 percent of total sales at the national level during the 12 months ending August 2018, down from 9 percent a year earlier and a peak of 27 percent in the summer of 2011. Absentee-owner sales, which are primarily investment or second-home purchases, accounted for a peak 23 percent of total sales in the HMA during the 12 months ending August 2018, up from 20 percent during the previous year. By comparison, 27 percent of home sales consisted of absentee-owner sales at the national level, unchanged from a year earlier and down from a peak of 31 percent in 2013. During the 12 months ending August 2018, 540 new and existing condominiums sold in the HMA, up by 40, or 8 percent, compared with a year earlier, and the average price for a condominium declined by $11,150, or 10 percent, to $103,700. The total number of condominium sales during the 12 months ending August 2018 represented less than 2 percent of total home sales. Similarly, condominium home sales accounted for less than 2 percent of total home sales from 2005 through 2017.

Since 2000, 54 percent of home sales in the HMA occurred in Oklahoma County, compared with 12 percent and 22 percent in Canadian County and Cleveland County, respectively. Grady, Lincoln, Logan, and McClain Counties accounted for a combined 12 percent of home sales in the HMA during the same period. During the 12 months ending August 2018, the number of homes sold in Oklahoma County increased by 2,625, or 19 percent, to 16,300, and the average price for a home was $199,000, up $2,400, or 1 percent. In Canadian County, home sales totaled 4,300, an increase of 5 percent compared with a year earlier, and the average price increased 4 percent, to $182,200. New and existing home sales in Cleveland County totaled 6,000, unchanged from a year earlier, and the average home price increased 1 percent to $181,500. Among the remaining counties in the HMA during the 12 months ending August 2018, home sales ranged from 570 in Lincoln County to 1,325 in Logan County, and the average price for a home ranged from $143,800 in Lincoln County to $188,400 in Logan County.

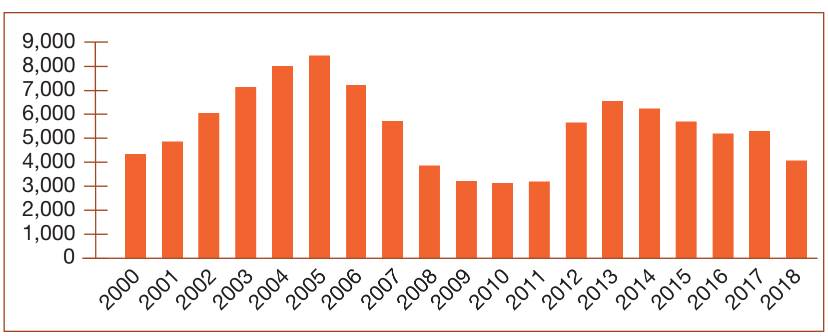
New and existing home sales in the HMA increased an average of 8 percent annually from 2001 through 2005 to reach a peak level of 36,000 home sales (CoreLogic, Inc.; Metrostudy, A Hanley Wood Company; with adjustments by the analyst). From 2006 through 2011, however, home sales declined by an average of 2,450, or 8 percent, annually, to 21,400 homes sold, reflecting tighter mortgage lending standards, the national recession, and the economic downturn in the HMA. New and existing home sales increased significantly from 2012 through 2014 because of strong job and population growth. A decrease in the average interest rate on mortgages in the HMA from 7.24 percent in 2012 to 5.22 percent in 2014 also contributed to increased sales. During this period, home sales increased by an average of 2,325, or 10 percent, annually, to 28,400 homes sold. From 2015 through 2016, home sales activity moderated, increasing by an average of 640, or 2 percent, annually to 29,700 homes. Contributing to the relatively moderate increase in home sales during this period were job losses that occurred during 2016. New and existing home sales prices have increased nearly every year since 2000, averaging 4 percent annually, except in 2009, when prices declined 5 percent, partly because of decreased home sales demand stemming from the economic downturn. Also contributing to the decline in

2009 was an increase in sales of relatively lower priced homes, in part resulting from the first-time homebuyer tax credit program. Nearly 2.68 million claims totaling $19.2 billion were made through the program nationally by first-time homebuyers from 2009 through 2010, of which 39,900 claims totaling $277.59 million were made in the state of Oklahoma, according to Internal Revenue Service data.

Single-family homebuilding activity in the HMA, as measured by the number of single-family homes permitted, increased by 380 homes, or 7 percent, to 5,900 homes permitted during the 12 months ending August 2018, compared with a year earlier (preliminary data). A relatively significant increase in home sales and an expanding local economy contributed to the increased homebuilding activity during the period. From 2001 through 2005, single-family homebuilding activity increased an average of 15 percent annually, peaking at 8,200 homes permitted in 2005 (Figure 7). Relaxed mortgage lending standards and relatively affordable home prices, combined with job and population growth, were the primary reasons for increased homebuilding. Single-family homebuilding declined an average of 18 percent annually from 2006 through 2010, to approximately 3,025 homes permitted, because of tightening lending standards and, by 2009, a contracting local economy. During 2011, when the local economy was recovering, single-family home construction activity remained relatively stable, increasing by 45, or 2 percent, to approximately 3,075 homes permitted. Relatively strong job growth, combined with increased confidence in the sales market among homebuyers, resulted in an average increase of 44 percent annually in homebuilding activity from 2012 to 2013, to 6,350 homes permitted. Also contributing to homebuilding activity during 2013 were approximately 1,200 single-family homes permitted to replace a portion of the approximately 1,600 homes destroyed by tornados in May 2013. In the city of Moore, in Cleveland County, where the tornado damage was greatest, single-family home permitting activity totaled 670 homes during 2013, up nearly 180 percent from a year earlier. In the HMA, single-family homebuilding activity slowed slightly from 2014 through 2016, declining an average of 7 percent annually to slightly fewer than 5,050 homes permitted because fewer replacement homes were needed. In addition, the economic downturn in the HMA during 2016 contributed to decreased homebuilding during the period.

An estimated 1,500 single-family homes are currently under construction in the HMA. In the city of Edmond, construction is under way at the Council Ridge residential community. Three- and four-bedroom homes, ranging from 1,500 to 1,950 square feet, are available, with prices ranging from approximately $207,300 to $260,400. During the 12 months ending August 2018, 40 new homes sold at Council Ridge for

Figure 7. Single-Family Homes Permitted in the Oklahoma City HMA, 2000 to 2018



Notes: Includes townhomes. Current includes data through August 2018.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

an average price of $227,200. Of the 150 homes planned at buildout, 125 homes have been completed, and 25 lots remain available for construction. In the city of Yukon, near the city of Oklahoma City in Canadian County, construction is under way at the Frisco Ridge residential community. Prices range from $216,100 to $292,900 for three- and four-bedroom homes, ranging from 1,625 to 2,300 square feet. Approximately 40 new homes have sold at Frisco Ridge for an average price of $267,600 since construction began in late 2017, and nearly 50 home sites of the 90 planned at buildout remain available for construction.

Demand is expected for 18,400 new homes in the HMA during the next 3 years (Table 1). New home sales demand is expected to be greatest during the third year of the 3-year forecast period. The 1,500 homes currently under construction will meet part of the demand during the first year. Demand is expected to be greatest for homes priced less than $200,000. Table 4 shows estimated demand for new market-rate sales housing in the HMA by price range during the forecast period.

Table 4. Estimated Demand for New Market-Rate Sales Housing in the Oklahoma City HMA During the Forecast Period

Price Range ($)		Units of Demand	Percent of Total
From	To		
134,800	199,999	6,250	34.0
200,000	249,999	3,875	21.0
250,000	299,999	3,500	19.0
300,000	399,999	3,125	17.0
400,000	599,999	1,300	7.0
600,000	and higher	370	2.0

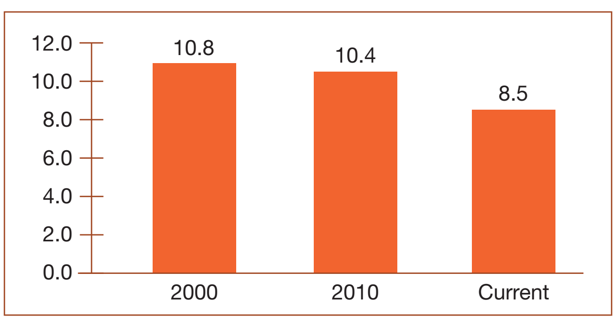
Notes: Numbers may not add to totals because of rounding. The 1,500 homes currently under construction in the HMA will likely satisfy some of the forecast demand.

Source: Estimates by analyst

Rental Market

The rental housing market in the Oklahoma City HMA is soft, with a current overall rental vacancy rate estimated at 8.5 percent. Rental market conditions have improved since April 2010, however, when the rental vacancy rate was 10.4 percent (Figure 8). The apartment rental market is also soft, with an average apartment vacancy rate as of August 2018 of 7.0 percent, down from 7.2 percent a year earlier and down from 10.1 percent during the first quarter of 2010 (Reis, Inc.). Apartment market conditions are soft primarily because of increased competition from the home sales market and a relatively large number of apartment additions since the fall of 2016. A total of four apartment communities, with a combined 880 units, are currently in lease up. The average apartment rent in the HMA during August 2018 increased 3 percent, to $682, compared with a year earlier. The average apartment vacancy rates among Reis, Inc.-defined market areas ranged from 6.2 percent in the Midwest/Del City market area, east of the city of Oklahoma City and near Tinker AFB, to 8.6 percent in the West Central Oklahoma City market area. Apartment rents ranged from an average of $583

Figure 8. Rental Vacancy Rates in the Oklahoma City HMA, 2000 to Current



Note: The current date is September 1, 2018.

Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst in the West Central Oklahoma City market area to $831 in the East Central Oklahoma City market area, which includes downtown Oklahoma City. The average vacancy rate for Class A apartments in the HMA was 7.7 percent during the second quarter of 2018, down from 8.2 percent a year earlier, and the average rent for Class A apartments increased 3 percent, to $825.

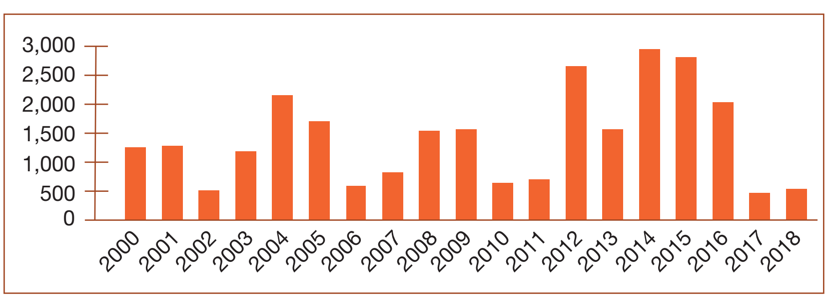
Rental market conditions in the HMA were soft during most of the 2000s. Job declines in the HMA from 2002 through 2003 contributed to an increase in the average apartment vacancy rate from 5.9 percent in 2000 to 9.6 percent in 2003. From 2004 through 2009, the average apartment vacancy rate fluctuated from a low annual rate of 8.4 percent in 2005 to a high annual rate of 10.0 percent in 2009. Overbuilding of apartments from 2003 through 2005, combined with strong competition from the home sales market from 2004 through 2005 and then a significant decline in nonfarm payrolls during 2009, contributed to relatively high average apartment vacancy rates during the 2004-to-2009 period. From 2010 through 2014, the apartment vacancy rate declined to a rate of 6.1 percent. Contributing to the decrease during this period were both the soft home sales market in the early 2010s and a growing local economy from 2011 through 2014, which drew residents to the HMA and subsequently increased demand. During 2015 through 2016, the apartment vacancy rate increased to 6.5 percent, partly because of an additional 3,500 apartment units being completed and added to the existing apartment supply. The local economic downturn that occurred during 2016 also contributed to softening apartment market conditions.

Changes in the average apartment rent in the HMA have been relatively stable since 2000, regardless of changes in either apartment supply or demand. From 2001 through 2014, the average apartment rent increased an average of 2 percent annually, to $614. The average apartment rent increased from 2015 through 2016 an average of 3 percent annually, to $652. The increased rent growth from 2015 through 2016 was because a significant number of Class A apartment units, which typically command relatively higher rents, were completed during the same period. From 2015 through 2016, Class A apartment completions averaged 1,750 units annually, compared with an average annual 730 units from 2001 through 2014.

Tinker AFB and the 16 universities in the HMA significantly influence the rental market. Tinker AFB, in Oklahoma County, provides housing for unmarried military personnel in 14 dormitories comprising a combined 950 beds and has approximately 650 privatized housing units for married military personnel and their families. The remaining military personnel and family members, approximately 7,000 households, reside off base in the surrounding housing market. Combined, universities in the HMA provide on-campus housing for approximately 14,200 students, or 19 percent of the 74,000 students enrolled as of the fall 2018 semester. The remaining students, including approximately 78 percent of the 28,600 students at the OU Norman campus, reside in the local housing market. Student households currently account for about one-tenth of all renter households in the HMA. Additional student housing is currently under construction and nearing completion at the OU main campus in Norman. The 400-unit Cross on-campus student apartments are currently under construction and expected to be complete in the fall of 2018. Units at Cross are restricted to sophomore, junior, and senior students enrolled at OU. No additional units are currently under way at any of the other universities in the HMA or at Tinker AFB.

Multifamily construction activity, as measured by the number of multifamily units permitted, decreased in the HMA by 210 units, or 26 percent, to 590 units permitted during the 12 months ending August 2018, compared with the number permitted a year earlier (preliminary data, with adjustments by the analyst). An increase in the average apartment vacancy rate in the HMA contributed to the decrease in multifamily construction activity during this period. By comparison, from 2012 through 2015, an average of 2,475 units were permitted annually (Figure 9). Multifamily construction activity was strong during this period because of the expanding HMA economy and because of improved apartment market conditions through 2014. Multifamily permitting from 2012 through 2015 represents the greatest average annual number of multifamily units permitted during any 4-year period since the 1983–1986 period, when an average of 5,350 units were permitted annually. Multifamily construction during the 2000s was strongest from 2003 through 2005, when an average of 1,650 units were permitted annually. By comparison, from 2006 through 2011, multifamily construction activity averaged 950 units annually. Condominium construction has accounted for only 2 percent of multifamily construction overall since 2000. Condominium construction peaked during 2004 through 2005, when an average of 150 units were permitted annually.

Figure 9. Multifamily Units Permitted in the Oklahoma City HMA, 2000 to 2018



Notes: Excludes townhomes. Includes data through August 2018.

Sources: U.S. Census Bureau, Building Permits Survey; final data and analyst estimates; 2018 preliminary data and analyst estimates

Approximately 530 apartment units are currently under construction in the HMA, and an additional 193 apartment units are planned. Construction is under way on the remaining 200 units of West Village, an apartment community that will have 350 units in the Film Row District in downtown Oklahoma City, adjacent to 21c Museum Hotel. Construction at West Village began in 2017 and is expected to be complete in the spring of 2019. Rents at West Village are $1,150 for studio units and range from $1,215 to $1,550 for one-bedroom units, $1,700 to $2,800 for two-bedroom units, and $2,025 to $2,300 for three-bedroom units. The historic 32-story former First National Bank building, also in downtown Oklahoma City, is being converted into the $230 million First National Center, which will include the 193-unit Residences at First National apartments, located on the 9th through 31st floors. First National Center also includes an Autograph Collection hotel on the 1st through 8th floors, a lounge on the 32nd floor, and a rooftop swimming pool. Construction on the exterior and on the first floor of First National Center began in July 2018, whereas construction at Residences at First National is slated to begin in early 2019, with completion of the entire development expected in late 2020. Monthly rents at Residences at First National are expected to be $1,625 for studio units and range from $1,475 to $4,000 for one-bedroom units, $2,650 to $4,500 for two-bedroom units, and $4,000 for three-bedroom units.

During the 3-year forecast period, demand is estimated for 3,825 new market-rate rental units (Table 1). The 530 units currently under construction and 193 units planned are expected to meet a portion of the demand. Rental housing demand is expected to be greatest for one-bedroom units at rents ranging from $886 to $1,085 (Table 5).

Table 5. Estimated Demand for New Market-Rate Rental Housing in the Oklahoma City HMA During the Forecast Period

Zero Bedrooms		One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Rent ($)	Units of Demand	Monthly Rent ($)	Units of Demand	Monthly Rent ($)	Units of Demand	Monthly Rent ($)	Units of Demand
695 to 894	20	886 to 1,085	820	1,199 to 1,398	600	1,499 to 1,698	65
895 to 1,094	20	1,086 to 1,285	400	1,399 to 1,598	520	1,699 to 1,898	50
1,095 to 1,294	15	1,286 to 1,485	270	1,599 to 1,798	340	1,899 to 2,098	50
1,295 to 1,494	10	1,486 to 1,685	220	1,799 to 1,998	170	2,099 to 2,298	20
1,495 or more	10	1,686 or more	110	1,999 or more	85	2,299 or more	10
Total	75	Total	1,825	Total	1,725	Total	190

Notes: Numbers may not add to totals because of rounding. Monthly rent does not include utilities or concessions. The 530 units currently under construction will likely satisfy some of the estimated demand.

Source: Estimates by analyst

Data Profile

Table DP-1. Oklahoma City HMA Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%) 2000 to 2010	Average Annual Change (%) 2010 to Current
Total Resident Employment	537,699	586,949	658,000	0.9	1.5
Unemployment Rate	2.7%	5.9%	3.5%		
Total Nonfarm Payroll Jobs	544,300	566,800	645,300	0.4	1.7
Total Population	1,095,421	1,252,987	1,401,000	1.4	1.3
Total Households	429,743	489,654	542,100	1.3	1.2
Owner Households	280,010	318,013	343,300	1.3	0.9
Percent Owner	65.2%	64.9%	63.3%		
Renter Households	149,733	171,641	198,800	1.4	1.8
Percent Renter	34.8%	35.1%	36.7%		
Total Housing Units	472,084	539,077	586,100	1.3	1.0
Sales Vacancy Rate	2.1%	2.2%	1.9%		
Rental Vacancy Rate	10.8%	10.4%	8.5%		
Median Family Income	NA	NA	NA	NA	NA

NA = data not available.

Notes: Median Family Incomes are for 1999, 2009, and 2017. Employment data represent annual averages for 2000, 2010, and the 12 months through August 2018. Median Family Incomes for HMA are not applicable because of differences in geography definitions between HMA and Fair Market Rent areas.

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

Data Definitions and Sources

2000: 4/1/2000 — U.S. Decennial Census

2010: 4/1/2010 — U.S. Decennial Census

Current date: 9/1/2018 — Analyst's estimates

Forecast period: 9/1/2018 – 9/1/2021 — Analyst's estimates

The metropolitan statistical area definition in this report is based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated February 28, 2013.

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.

Other Vacant Units: In this analysis conducted by the U.S. Department of Housing and Urban Development (HUD), other vacant units include all vacant units that are not available for sale or for rent. The term therefore includes units rented or sold but not occupied; held for seasonal, recreational, or occasional use; used by migrant workers; and the category specified as "other" vacant by the Census Bureau.

Building Permits: Building permits do not necessarily reflect all residential building activity that occurs in an HMA. Some units are constructed or created without a building permit or are issued a different type of building permit. For example, some units classified as commercial structures are not reflected in the residential building permits. As a result, the analyst, through diligent fieldwork, makes an estimate of this additional construction activity. Some of these estimates are included in the discussions of single-family and multifamily building permits.

For additional data pertaining to the housing market for this HMA, go to huduser.gov/publications/pdf/CMARtables_OklahomaCityOK_18.pdf.

Contact Information

Randall Goodnight, Economist

Oklahoma City HUD Regional Office

405–609–8525

randall.goodnight@hud.gov

This analysis has been prepared for the assistance and guidance of 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 the Economic and Market Analysis Division within HUD. 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 huduser.gov/portal/ushmc/chma_archive.html.