

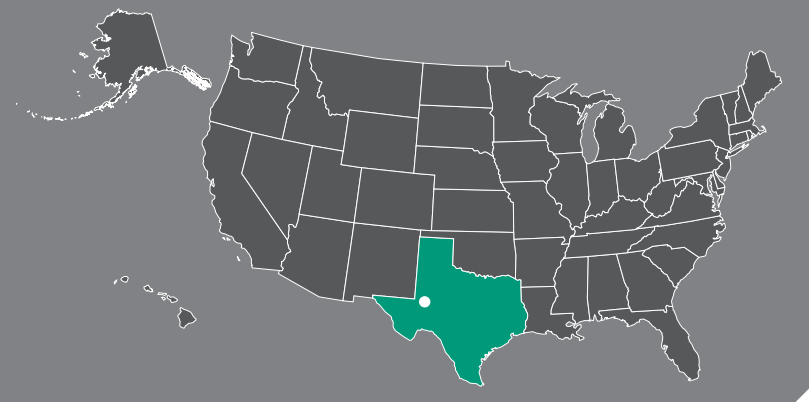
# HUD PD&R Housing Market Profiles

## Odessa, Texas



### Quick Facts About Odessa

- Current sales market conditions: balanced
- Current apartment market conditions: soft
- The Odessa metropolitan area is heavily dependent on the energy industry, with the mining, logging, and construction sector accounting for 20 percent of total nonfarm payrolls, down from 25 percent 2 years ago. A decline in oil prices that began in 2019 due to oversupply was exasperated during 2020 because the COVID-19 pandemic caused the demand for oil to plummet in the spring of 2020. During 2021, limited capital resulted in minimal hiring in the energy industry, even though oil prices were on the rise as demand increased. During March 2022, a record 904 horizontal drilling permits were awarded in the Permian Basin as suppliers worked to increase production to meet demand.



By T. Michael Miller | As of April 1, 2022

### Overview

The Odessa metropolitan statistical area (hereafter, Odessa metropolitan area) is coterminous with Ector County. The area is a major hub for oil and natural gas extraction in the Permian Basin, which contains the second largest oil and natural gas shale deposits. Output from the Permian Basin accounts for more than 43 percent of the oil supply and nearly 17 percent of the natural gas supply in the United States (Federal Reserve Bank of Dallas).

- As of April 1, 2022, the population of the Odessa metropolitan area is estimated at 162,000, representing an increase of 2,075, or 1.4 percent, annually since April 1, 2010. Since 2010, population growth can be separated into two main periods: from 2010 to 2015, population growth averaged 2.8 percent annually, but since 2015, annual population change fluctuated widely with changes in oil prices, from a decline of 2.6 percent to an increase of 3.0 percent, averaging 0.3 percent annually.
- Since 2010, net in-migration has averaged 490 people annually, up significantly from 300 people annually from 2000 to 2010. Although long-term growth has been strong, fluctuations in population growth occurred recently because

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of significant changes in oil prices. Since 2010, migration has ranged from a net in-migration of 3,200 people from July 2012 to July 2013 to a net out-migration of 5,975 people from July 2020 to July 2021 (U.S. Census Bureau).

- Odessa is the second most populated city in the Permian Basin, with an estimated population of about 141,600 as of

April 1, 2022. The Permian Basin extends into more than 60 counties in Texas and New Mexico; it is about 250 miles wide, 300 miles long, and consists of more than 7,000 oil fields.

## Economic Conditions

The Odessa metropolitan area added jobs at a strong rate during the past year but has not fully recovered from the economic downturn associated with the COVID-19 pandemic in 2020. The area lost jobs at a rate significantly higher than the nation because of the COVID-19 pandemic. Nonfarm payrolls in the Odessa HMA declined by 10,400 jobs or 12.7 percent, from February 2020 through April 2020; by comparison, nonfarm payrolls declined 13.8 percent in the nation during the same period. Even though the nation began to recover in May 2020, nonfarm payrolls in the Odessa area continued to decline by an additional 5,600 jobs, or 7.8 percent, from May 2020 through July 2020. Oil prices have remained above \$50 a barrel during 2021 and have been mostly above \$90 a barrel during 2022. The average of 73,600 jobs during the 3 months ending March 2022 was 7.4 percent, or 5,100 jobs, above the average during the 3 months ending March 2021, but nonfarm payrolls remain approximately 10 percent, or 8,200 jobs, below the average of 81,800 jobs during the 3 months ending March 2020. As of March 2022, only 49 percent of the jobs lost from March 2020 through July 2020 have been recovered.

During the 3 months ending March 2022—

- All nonfarm payroll sectors added jobs, with the largest increase in the mining, logging, and construction sector, increasing by 1,500 jobs, or 11.1 percent, from a year ago.
- Notable job gains occurred in the leisure and hospitality sector, which increased by 1,000 jobs, or 12.2 percent from the same period a year ago. In 2020, this sector was significantly affected by restrictions put in place to reduce the spread of COVID-19, and the removal of restrictions led to strong job recovery.
- Only 3 of 11 nonfarm payroll sectors, including the leisure and hospitality sector, the education and health services sector, and the information sector, have fully recovered job losses from 2 years ago.
- The average unemployment rate was 5.9 percent, down from an average of 10.5 percent a year ago, and the decline has been attributed to an increase in resident employment, greatly outpacing an increase in the labor force.

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During the first quarter of 2022, all payroll sectors added jobs in the Odessa metropolitan area.

|                                  | 3 Months Ending           |                           | Year-Over-Year Change   |         |
|----------------------------------|---------------------------|---------------------------|-------------------------|---------|
|                                  | March 2021<br>(Thousands) | March 2022<br>(Thousands) | Absolute<br>(Thousands) | Percent |
| <b>Total Nonfarm Payrolls</b>    | 68.5                      | 73.6                      | 5.1                     | 7.4     |
| Goods-Producing Sectors          | 17.2                      | 19.1                      | 1.9                     | 11.0    |
| Mining, Logging, & Construction  | 13.5                      | 15.0                      | 1.5                     | 11.1    |
| Manufacturing                    | 3.7                       | 4.1                       | 0.4                     | 10.8    |
| Service-Providing Sectors        | 51.2                      | 54.5                      | 3.3                     | 6.4     |
| Wholesale & Retail Trade         | 13.5                      | 14.2                      | 0.7                     | 5.2     |
| Transportation & Utilities       | 3.0                       | 3.5                       | 0.5                     | 16.7    |
| Information                      | 0.6                       | 0.8                       | 0.2                     | 33.3    |
| Financial Activities             | 3.1                       | 3.4                       | 0.3                     | 9.7     |
| Professional & Business Services | 4.1                       | 4.3                       | 0.2                     | 4.9     |
| Education & Health Services      | 5.2                       | 5.3                       | 0.1                     | 1.9     |
| Leisure & Hospitality            | 8.2                       | 9.2                       | 1.0                     | 12.2    |
| Other Services                   | 3.1                       | 3.3                       | 0.2                     | 6.5     |
| Government                       | 10.4                      | 10.6                      | 0.2                     | 1.9     |
| <b>Unemployment Rate</b>         | 10.5%                     | 5.9%                      |                         |         |

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

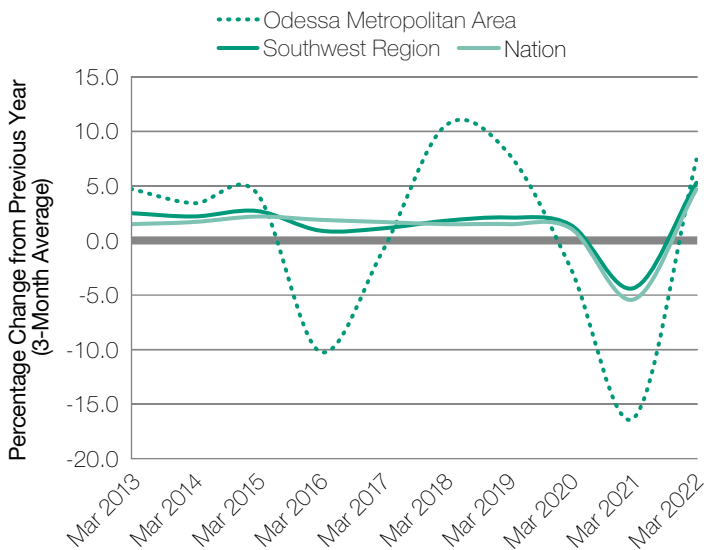
Source: U.S. Bureau of Labor Statistics



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A national emergency declaration was issued on March 13, 2020, to combat the spread of COVID-19. Multiple state and local executives followed the federal declaration, restricting

**Declines in nonfarm payrolls in the Odessa metropolitan area preceded the recession of 2020, and the recovery had been slower compared to the recovery in the Southwest Region and the nation until late 2021.**



Source: U.S. Bureau of Labor Statistics

the normal flow of commerce throughout Texas and the nation. Similar measures were enacted worldwide, resulting in a severe decline in the demand for petroleum products. On April 20, 2020, West Texas Intermediate crude oil futures (WTI) traded at negative \$37.59 per barrel, and this historic event resulted from limited demand and a lack of storage space for contracted deliveries. WTI oil prices remained above \$50 per barrel during 2021 and traded above \$90 per barrel since January 2022, but job growth in the mining, logging, and construction sector in the Odessa metropolitan area has remained somewhat slow. Even though oil production in the Permian Basin is at an all-time high, limited capital following the recent collapse of the oil industry has resulted in only gradual hiring in the oil exploration industry.

## Largest Employers in the Odessa Metropolitan Area

| Name of Employer                | Nonfarm Payroll Sector            | Number of Employees |
|---------------------------------|-----------------------------------|---------------------|
| Medical Center Hospital         | Government                        | 1,977               |
| Halliburton Company             | Mining, Logging, and Construction | 1,400               |
| NexTier Oilfield Solutions Inc. | Mining, Logging, and Construction | 1,142               |

Note: Excludes local school districts.

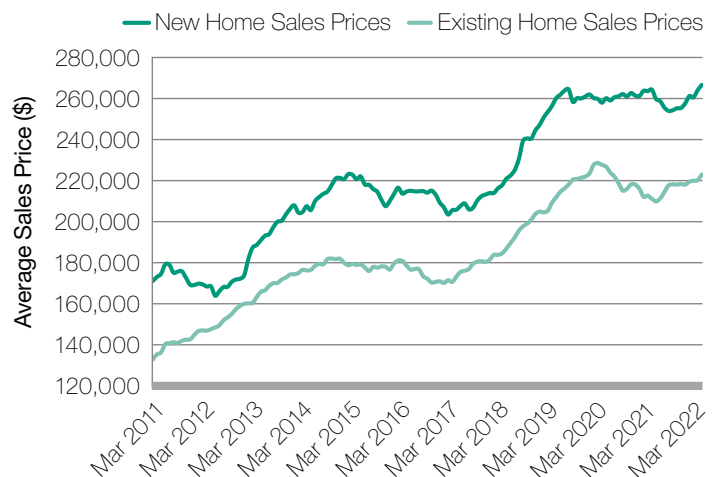
Source: Odessa Development Corporation

## Sales Market Conditions

The sales housing market in the Odessa metropolitan area is balanced, with an estimated sales vacancy rate of 1.2 percent as of April 1, 2022, down from 1.4 percent during April 2010. Improving economic conditions have led to a decline in available for-sale inventory, and existing home prices declined slightly during the past 2 years. As of March 2022, a 2.7-month supply of available inventory was for sale in the area, down from 4.3 months a year ago but up from the March low of 1.2 months during 2019 (Texas Real Estate Research Center at Texas A&M University). The percentage of home loans in the Odessa metropolitan area that were seriously delinquent or had transitioned into real estate owned (REO) status was 4.1 percent as of March 2022, down significantly from 10.7 in March 2021 but up from 1.4 percent in March 2020 (CoreLogic, Inc.). The most recent rate for the metropolitan area is notably higher than the 1.8-percent rate for Texas and the 1.5-percent rate for the nation. During March 2022, foreclosures accounted for 8 percent of seriously delinquent loans in the area. By comparison, when the rate of seriously delinquent loans was elevated during March 2021, only 1 percent of seriously

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**Existing home sales prices in the Odessa metropolitan area have been down slightly during the past 2 years, a stark difference from the trend statewide and in other metropolitan areas of Texas since the onset of the COVID-19 pandemic.**



Note: Prices are for single-family homes, townhomes, and condominiums.

Source: CoreLogic, Inc., with adjustments by the analyst



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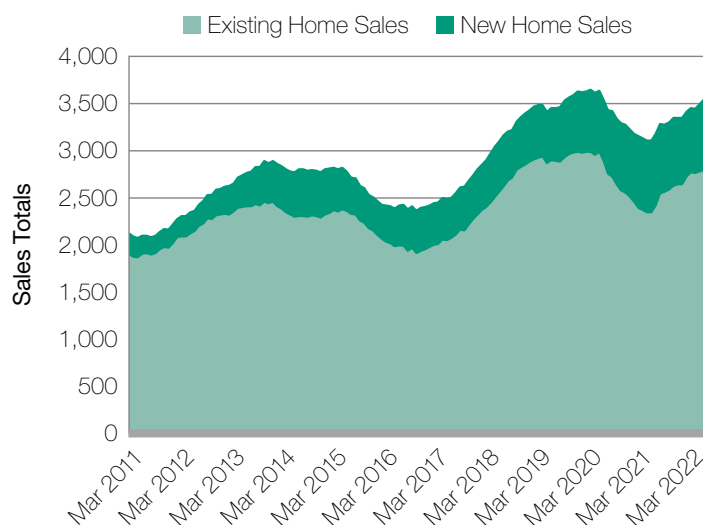
delinquent loans were in foreclosure, primarily a result of the mortgage forbearance enacted in Section 4022 of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which expired in April 2021.

During the 12 months ending March 2022—

- Existing home sales totaled 2,800, representing a 19-percent increase from the previous 12 months but a decline of nearly 7 percent from the 12 months ending March 2020 (CoreLogic, Inc., with adjustments by the analyst). The average sales price for an existing home increased 6 percent, to \$222,900, from a year ago.
- REO sales fell 17 percent from the previous 12 months to 70 homes sold, reaching the lowest number of REO sales in the Odessa metropolitan area for more than 13 years.
- New homes totaled 740 sold, down 2 percent from the previous 12 months, and the average sales price for a new home rose 1 percent, to \$266,700, from a year ago.
- Sales of new homes were down, even though permitting increased significantly during the same period, because of delays in new home delivery related to the nationwide shortages of building materials.

Builders responded to a decline in available for-sale inventory with increased single-family homebuilding, as measured by the number of homes permitted during the past year; new home construction has increased each year since 2016.

**Existing home sales in the Odessa metropolitan area increased during the past year, and new home sales declined, partly due to supply chain shortages restricting the completion of new home construction.**

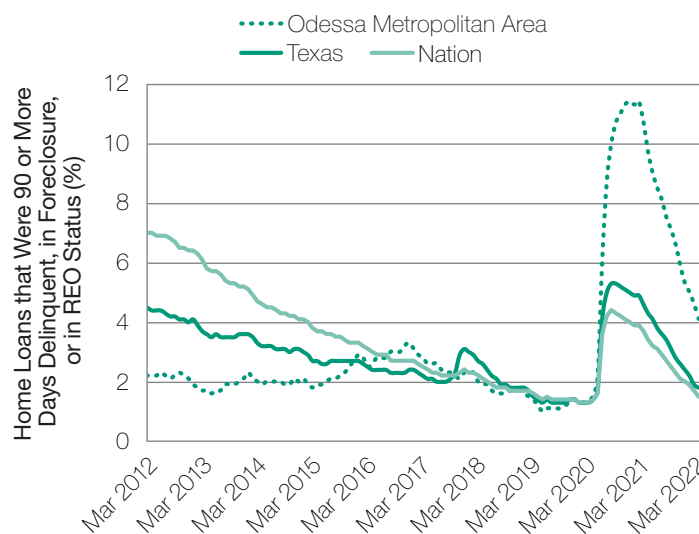


Note: Sales are for single-family homes, townhomes, and condominiums.  
Source: CoreLogic, Inc., with adjustments by the analyst

- The number of single-family homes permitted during the 12 months ending March 2022 was 1,450, up 68 percent from 860 homes during the 12 months ending March 2021.
- An average of 790 homes were permitted each year from 2018 through 2020, up from an average of 460 homes

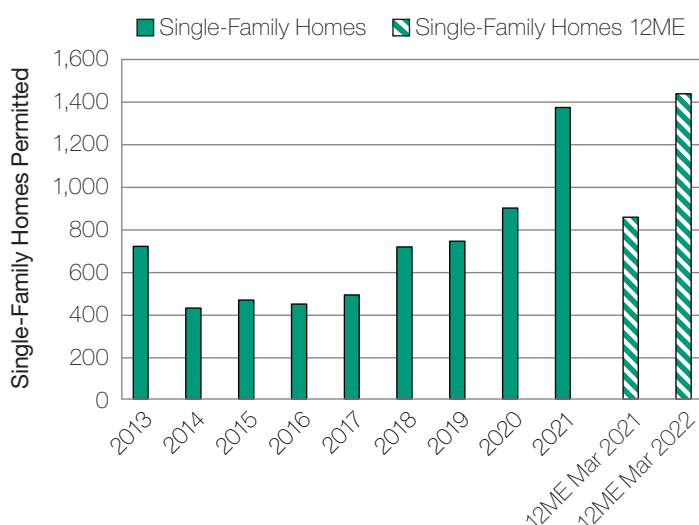
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**The share of seriously delinquent home loans and REO properties in the Odessa metropolitan area increased substantially in mid-2020, mostly due to forbearances, and it has remained elevated compared with the state and the nation.**



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

**Single-family home construction in the Odessa metropolitan area has increased every year since 2017.**



12ME = 12 months ending.

Sources: U.S. Census Bureau, Building Permits Survey; 2000–20—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

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permitted each year from 2014 through 2017. By comparison, an average of 650 homes were permitted annually during 2012 and 2013.

- Ratliff Ridge, a community in the city of Odessa, has accounted for 30 percent of all new single-family construction in the Odessa metropolitan area since 2021. Prices for new three-bedroom homes at the development start at \$214,000. More than 700 homes have been sold in the community, which will include more than 850 homes when complete.

## Apartment Market Conditions

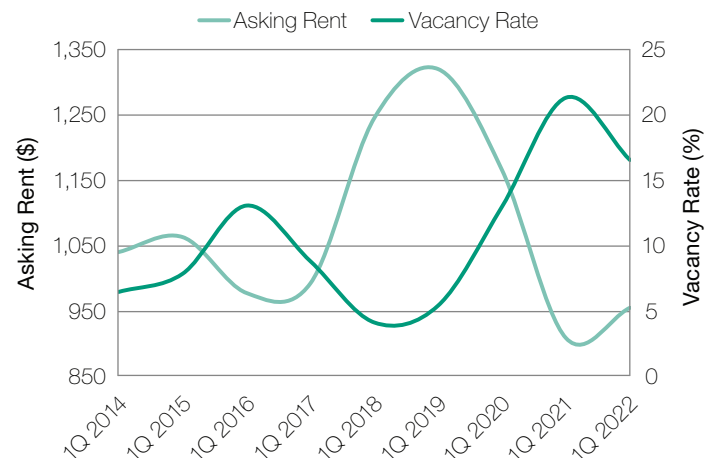
Apartment market conditions are soft in the Odessa metropolitan area and have been soft to very soft since 2020. During the first quarter of 2022, the average apartment vacancy rate was 16.5 percent, down from 21.3 percent a year earlier (CoStar Group). The average apartment vacancy rate varied from 2010 through 2020, ranging from 4.1 percent in 2018 to 13.1 percent in 2016. Boom and bust periods in the oil and gas extraction industry result in significant swings in apartment market conditions, exacerbated by a notable portion of oil and gas workers in the area being transitory.

- During the first quarter of 2022, the average apartment rent in the Odessa metropolitan area was \$955, reflecting an increase of 5 percent, which followed a 22-percent decline a year earlier. By comparison, the average apartment rent increased an average of 11 percent annually from the first quarter of 2017 through the first quarter of 2019.
- Before the COVID-19 pandemic, the average vacancy rate for apartments in the Odessa metropolitan area increased to 13.0 percent during the first quarter of 2020, up from 5.4 percent a year earlier, and the average rent was \$1,165, down 12 percent during the same period as economic conditions and the price of oil decreased.
- The average asking rents in the Odessa metropolitan area during the first quarter of 2022 were \$802, \$1,073, and \$1,414 for one-, two-, and three-bedroom units, respectively (ALN Apartment Data).
- The average asking rents for income-restricted units in the Odessa metropolitan area during the first quarter of 2022 were \$624, \$852, and \$1,040 for one-, two-, and three-bedroom units, respectively (ALN Apartment Data). Since 2015, approximately 27 percent of all apartment construction in the Odessa metropolitan area has had some form of income restriction attached.

Multifamily construction activity in the Odessa metropolitan area, as measured by the number of multifamily units permitted,

- Homestead at Parks Bell Ranch, a master-planned community in the city of Odessa, has been under construction since 2015, with prices for new three-bedroom homes at the development currently starting at \$295,000. Nearly 750 homes have been sold in the community, which will include 1,550 homes when complete.

Improving economic conditions in the Odessa metropolitan area during the past 12 months resulted in increasing rents and declining vacancies.



1Q = first quarter. YoY = year-over-year.

Source: CoStar Group

has fluctuated greatly since 2010. Multifamily permitting during the 2010s ranged from zero units permitted during 2016 and 2017 to 1,050 units in 2019. From 2010 through 2013, a period of strong job growth and increased in-migration, multifamily construction activity was strong, averaging 460 units permitted annually. Multifamily construction activity slowed to an average of 60 units permitted annually from 2014 through 2018, as slowing oil and gas extraction activity resulted in declines in employment and increased out-migration. During 2019, the latest oil and gas extraction boom period, multifamily construction activity was strong, with 1,050 units permitted.

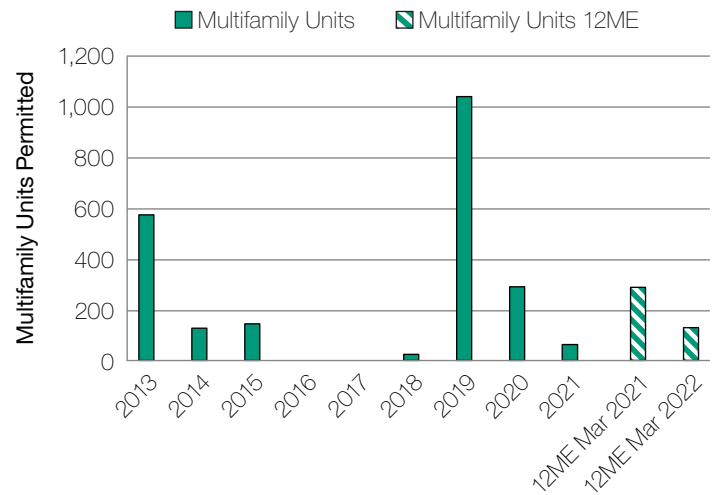
- An estimated 130 multifamily units were permitted during the 12 months ending March 2022, compared with 290 units permitted a year earlier (preliminary data, with adjustments by the analyst).
- Approximately 390 multifamily units are under construction in the Odessa metropolitan area, all in the city of Odessa.

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- Latitude 31° Apartment Homes at Parks Bell Ranch is an apartment community in the city of Odessa completed in mid-2021; the property offers 326 market-rate apartments with rents starting at \$1,275 for one-bedroom units, \$1,670 for two-bedroom units, and \$2,200 for three-bedroom units.
- Vera in Odessa, an apartment community, is expected to complete in late 2022 in the city of Odessa; it will include 288 market-rate units, but asking rents and the unit mix has not been released.

After peaking in 2019, multifamily permitting in the Odessa metropolitan area trended downward, because builders have been cautious following the economic downturn from late 2019 through early 2021.



12ME = 12 months ending.

Sources: U.S. Census Bureau, Building Permits Survey; 2000–20—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

## Terminology Definitions and Notes

### A. Definitions

|                         |   |
|-------------------------|---|
| <b>Building Permits</b> | Building permits do not necessarily reflect all residential building activity. 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. |
|-------------------------|---|

|                            |  |
|----------------------------|--|
| <b>Existing Home Sales</b> | Include resales, short sales, and REO sales. |
|----------------------------|--|

|                                     |   |
|-------------------------------------|---|
| <b>Home Sales/Home Sales Prices</b> | Include single-family, townhome, and condominium sales. |
|-------------------------------------|---|

|                                   |  |
|-----------------------------------|--|
| <b>Seriously Delinquent Loans</b> | Mortgages 90+ days delinquent or in foreclosure. |
|-----------------------------------|--|

### B. Notes on Geography

|    |   |
|----|---|
| 1. | The metropolitan statistical area definition noted in this report is based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated April 10, 2018. |
|----|---|