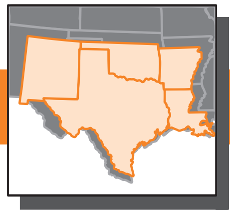
# Housing Market Profile



Southwest • HUD Region VI

## Midland-Odessa, Texas

The Midland-Odessa metropolitan area, also known as the Petroplex, comprises Ector and Midland Counties in western Texas, approximately 50 miles from the southeastern corner of New Mexico. The area serves as a hub for the extraction of oil and natural gas in the Permian Basin, a geological formation rich in hydrocarbons. As of July 1, 2012, the population of the metropolitan area was estimated at 288,000, an increase of 6,225, or 2.2 percent, annually since April 1, 2010. By comparison, from 2007 through 2010, population growth averaged 4,925 people, or 1.9 percent, annually. Midland and Odessa are the largest cities in the metropolitan area, comprising 41 and 36 percent of the population, respectively.

After job losses in 2009, nonfarm payroll growth in the metropolitan area resumed during 2010, when oil prices increased to an annual average of $71 per barrel from the annual average of $53 per barrel recorded in 2009. During the 12 months ending May 2012, nonfarm payrolls increased by 10,500 jobs, or 7.9 percent, to 143,700 compared with an increase of 8,400 jobs, or 6.7 percent, in the previous 12 months. The largest job gains occurred in the mining, logging, and construction sector, which increased by 4,800 jobs, or 16.5 percent, because of increased oil and natural gas production in the Permian Basin. In May 2012, TMK IPSCO, a pipe manufacturer, broke ground in Odessa on a $4.5 million pipe preprocessing and threading facility that will consolidate six of the company's existing facilities in the new location. Construction is expected to be complete by the end of 2012, but new job gains from the facility will be negligible. The leisure and hospitality sector was the second fastest growing sector, gaining 1,400 jobs, or 10.2 percent, during the 12 months ending May 2012. During the same period, the unemployment rate averaged 4.6 percent, down from 5.8 percent a year earlier.

The sales housing market in the Midland-Odessa metropolitan area is tight because of strong employment and population growth. According to data from the Real Estate Center at Texas A&M University, during the 12 months ending April 2012 (the latest data available), new and existing home sales increased 11 percent, to 2,825 homes compared with the number sold during the previous 12 months. The current number of sales remains less than the average of 3,150 homes sold annually from 2007 through 2008. During the 12 months ending April 2012, the average sales price increased 9 percent, to $196,600. By comparison, from 2007 through 2009, home prices averaged $169,600. According to LPS Applied Analytics, as of May 2012, 2.0 percent of mortgage loans were 90 or more days delinquent, in foreclosure, or in REO (Real Estate Owned), down from 2.5 percent in May 2011.

Single-family homebuilding activity, as measured by the number of building permits issued, has increased each year since 2010 in response to employment and population growth resulting from increased oil and gas production. Based on preliminary data, during the 12 months ending May 2012, building permits were issued for 1,050 single-family homes, up 50 percent from the 700 homes permitted during the previous 12 months. By comparison, building permits were issued for an average of 730 homes annually from 2006 through 2008 before declining to 550 homes in 2009, because of reduced demand resulting from job losses in the oil and gas industry. Prices for new three-bedroom, single-family homes start at approximately $120,000. Ongoing developments include North Park, a subdivision in Odessa, with 400 homes completed during the past 3 years and another 200 expected to be complete within the next 2 years. Prices for three-bedroom homes in North Park start at $130,000.

Rental housing market conditions in the Midland-Odessa metropolitan area are tight. The overall rental vacancy rate is estimated at 4.5 percent, down from 9.2 percent recorded in April 2010, because of strong job and population gains coupled with the limited number of apartment completions since 2011. According to Reis, Inc., as of the first quarter of 2012 (the latest data available), the apartment vacancy rate was 3.8 percent, down from 4.5 percent recorded during the first quarter of 2011. Asking rents for all units averaged $690 during the first quarter of 2012, a 4-percent increase compared with the average rents during the first quarter of 2011. The average asking apartment rents by number of bedrooms were $590, $760, and $1,175 for one-, two-, and three-bedroom units, respectively. The current tight rental market conditions are primarily the result of strong labor market conditions in the oil and gas industry.

Based on preliminary data, during the 12 months ending May 2012, about 420 multifamily units were permitted, a 27-percent increase compared with the 330 units permitted during the previous 12 months. The current level of activity is greater than the average of 80 units permitted annually from 2000 through 2006. Recent developments include the 402-unit Andalucia Villas in Odessa, with 80 units complete and the remainder expected to be complete by the end of 2012; rents start at $1,095 for a one-bedroom unit. The 96-unit Gateway Plaza Apartments, a low-income housing tax credit development in Midland, completed construction in March 2012; rents start at $230 for a two-bedroom unit.