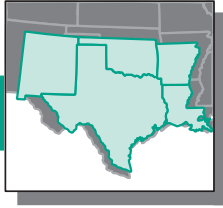


Housing Market Profile

Southwest • HUD Region VI



Midland-Odessa, Texas

The Midland-Odessa metropolitan area in west Texas consists of Ector and Midland Counties. Located on top of the Permian Basin, a large oil and gas deposit, the area serves as one of the leading energy industry employment centers in Texas. Nearly one in five jobs in the area has historically been energy related. Leading energy industry employers, such as ConocoPhillips Company, Chevron Corporation, Halliburton Company, and Schlumberger Limited, operate in the area. Hiring in the oil and gas industry has contributed to net in-migration, which has accounted for nearly 75 percent of the population growth since 2000. As of April 1, 2009, the area population is estimated at 264,800, an average increase of 5,425, or 2.2 percent, annually since 2005.

During the 12 months ending February 2009, strong gains in energy-related employment continued to lead job growth in the Midland-Odessa metropolitan area, a trend that began in 2005. Nonfarm employment increased by 7,500 jobs, or 5.9 percent, to 134,400 compared with the number of nonfarm jobs posted during the previous 12 months. Due mainly to hiring in the oil and gas industry, the mining, logging, and construction sector has accounted for nearly one-half of all new jobs created since 2005. During the same time, the average number of active drilling rigs in the area increased by more than 80 percent to a high of 275 in 2008. During the 12 months ending February 2009, employment in the mining, logging, and construction sector grew by 3,250 jobs to 29,700, a 12.3-percent increase compared with the number of jobs recorded during the previous 12-month period. The strongest performing sectors outside the energy industry were leisure and hospitality, trade, and professional and business services, which added 970, 850, and 660 jobs, respectively. Due to strong growth in the labor force, during the 12 months ending February 2009, the unemployment rate increased slightly to 3.5 percent from 3.1 percent during the previous 12-month period.

Sales housing market conditions are currently balanced in the Midland-Odessa metropolitan area, after easing in 2008 following extremely tight conditions during the previous 3 years. According to the Real Estate Center at Texas A&M University, from 2005 to 2007, an average of 3,225 homes were sold annually and the average sales price increased by 23 percent a year, the highest sales volume and largest average price gains since the early 1980s. In 2008, sales volume declined by 10 percent to 2,825 homes; this figure represents an

18-percent decrease from the recent peak of 3,475 sales recorded in 2006. In 2008, the inventory of homes for sale increased to a 3-month average supply; in 2007, the inventory contained a 2-month supply of unsold homes. The average sales price of an existing home in the metropolitan area increased by 6 percent to \$174,000 in 2008. Although only 10 miles separate the cities, average home prices are about 35 percent higher in Midland than in Odessa. In 2008, the average sales price in Midland was \$195,000, compared with an average sales price of \$144,200 in Odessa.

During the 12-month period ending February 2009, single-family construction activity, as measured by the number of building permits issued, totaled 660 homes, a 12-percent decrease from the recent high of 750 permits issued during the previous 12 months. Builders reduced single-family construction activity in response to tighter lending standards and slower home sales in 2008. Conversely, when the market was tight, builders nearly doubled average annual single-family construction activity to an average of 670 homes from 2005 to 2007; in contrast, an annual average of 360 permits were issued during the 2000-through-2004 period.

Apartment construction activity, as measured by the number of multifamily units permitted, more than doubled to 460 units during the 12 months ending February 2009. Since 2005, 580 market-rate units in two developments have been completed. From 2000 through 2005, multifamily construction activity consisted of 725 units in six low-income housing tax credit (LIHTC) properties. Before the recent increase in activity, no major market-rate apartment developments had been built since the early 1980s. Palermo Apartments, a 136-unit, LIHTC property currently under construction in southeast Midland, is scheduled for completion in late 2009.

The Midland-Odessa metropolitan area rental housing market is currently tight due to strong population growth and a lack of apartment construction activity for nearly 20 years. According to Reis, Inc., the annual average apartment vacancy rate decreased from 4.2 percent in 2007 to 3.2 percent in 2008. The average asking rent increased to \$640, or by 9 percent. Average rents by unit type were \$550 for a one-bedroom unit, \$730 for a two-bedroom unit, and \$900 for a three-bedroom unit. Recently completed apartment complexes include the 280-unit The Palms at Briarwood and the 300-unit Vantage at Midland, both located in northwest Midland. Average asking rents at newer properties are approximately \$900 for a one-bedroom unit, \$1,275 for a two-bedroom unit, and \$1,575 for a three-bedroom unit.