

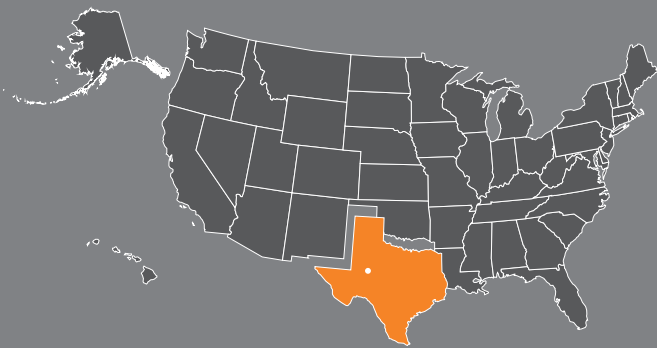
# HUD PD&R Housing Market Profiles

## Midland-Odessa, Texas



### Quick Facts About Midland-Odessa

- **Current sales market conditions: slightly tight.**
- **Current apartment market conditions: slightly soft.**
- **The metropolitan area is heavily dependent on the energy industry, with the mining, logging, and construction sector accounting for more than 32 percent of nonfarm payrolls. The recent decline in oil prices caused a slowdown in economic growth.**



By [Fernando L. Ramirez](#) | As of May 1, 2015

### Overview

The Midland-Odessa metropolitan area, also known as the Petroplex, comprises Midland, Ector, and Martin Counties in western Texas, approximately 50 miles from the southeastern corner of New Mexico. The metropolitan 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 May 1, 2015, the population of the metropolitan area was estimated at 322,100, an increase of 8,525, or 2.9 percent, annually since April 1, 2010.
- Since 2010, net in-migration to the metropolitan area has averaged 5,400 people annually, more than the average annual rate of 1,200 people that prevailed from 2000 to 2010.
- Midland and Odessa are the most populous cities in the metropolitan area, with populations of approximately 130,800 and 117,100, respectively, or 41 and 36 percent, respectively, of the population of the metropolitan area.



The mining, logging, and construction sector added more jobs than any other sector in the Midland-Odessa area.

	3 Months Ending		Year-Over-Year Change	
	April 2014 (thousands)	April 2015 (thousands)	Absolute (thousands)	Percent
<b>Total nonfarm payrolls</b>	168.4	181.0	12.6	7.5
Goods-producing sectors	54.9	59.1	4.2	7.7
Mining, logging, and construction	45.5	49.1	3.6	7.9
Manufacturing	9.4	10.1	0.7	7.4
Service-providing sectors	113.6	121.8	8.2	7.2
Wholesale and retail trade	28.1	31.1	3.0	10.7
Transportation and utilities	7.1	8.0	0.9	12.7
Information	1.4	1.4	0.0	0.0
Financial activities	8.1	8.6	0.5	6.2
Professional and business services	14.3	14.9	0.6	4.2
Education and health services	12.7	12.7	0.0	0.0
Leisure and hospitality	16.1	17.7	1.6	9.9
Other services	6.9	7.4	0.5	7.2
Government	18.8	20.1	1.3	6.9
	<b>(percent)</b>	<b>(percent)</b>		
Unemployment rate	3.2	3.2		

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

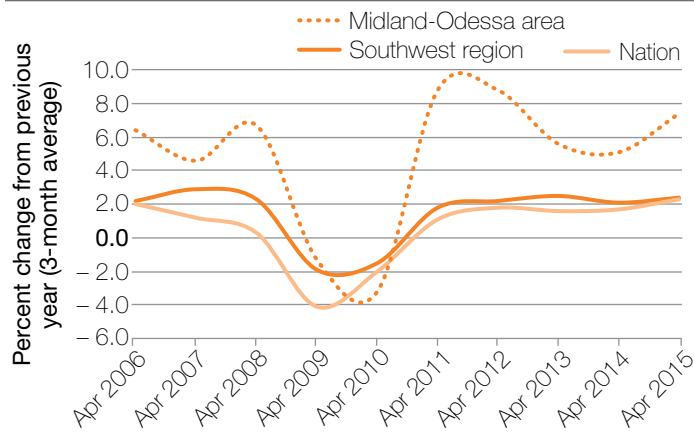
## Economic Conditions

Although the economy remains strong, economic growth in the Midland-Odessa metropolitan area is slowing.

- During the 3 months ending April 2015, nonfarm payrolls averaged 181,000 jobs, an increase of 12,600 jobs, or 7.5 percent, compared with the same 3-month period in 2014, largely because of gains in the mining, logging, and construction sector. Because of the recent decline in oil prices, however, nonfarm payrolls declined 0.1 percent during the first 4 months of 2015 compared with an increase of 2.5 percent during the first 4 months of 2014.
- During the 3 months ending April 2015, the mining, logging, and construction sector added more jobs than any other sector and accounted for 29 percent of the net job growth, increasing by 3,600 jobs, or 7.9 percent, because of strong oil prices until September 2014.
- During the 3 months ending April 2015, the unemployment rate averaged 3.2 percent, unchanged from the same period a year ago but significantly below the peak of 7.0 percent in 2010.
- The Texas Clean Energy Project, a \$2.5 billion coal gasification power plant, is currently under development in Penwell, where 200 new jobs are expected by the time the plant is complete in 2018.

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Nonfarm payrolls have increased more in the Midland-Odessa area than in the nation since 2010 because of strength in the energy industry.



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

### Largest employers in the Midland-Odessa area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Saulsbury Companies	Professional and business services	2,000
Halliburton Services	Mining, logging, and construction	1,575
Dawson Geophysical	Professional and business services	1,250

Note: Excludes local school districts.  
Source: Odessa Chamber of Commerce; City of Midland

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In October 2014, oil prices declined to less than \$80 per barrel, an important price-point for profitable oil-extraction operations, and remained below this price through the current date of May 1, 2015. The price for West Texas Intermediate crude oil as of May 1, 2015, was \$59.10 per barrel, down 44 percent from the price of \$105.79 per barrel recorded in June 2014 (Federal Reserve Bank of St. Louis). The energy industry responded by reducing the number of well starts. During the 3 months ending April 2015, Texas Railroad Commission

districts 7C and 8, which cover the Permian Basin, recorded 870 well starts, a 49-percent decline compared with the number of well starts during the same 3-month period 1 year ago (Baker Hughes, Inc.). Sales tax revenue in the cities of Midland and Odessa in April 2015 totaled \$4.79 million and \$3.54 million, respectively, down 11.9 and 0.2 percent, respectively, when compared with sales tax revenues in April 2014, indicating an economic slowdown.

## Sales Market Conditions

The sales housing market in the Midland-Odessa metropolitan area is slightly tight but approaching balanced conditions. The number of homes sold and the average sales price have begun to decline because of slowing job growth and the weakened economic outlook.

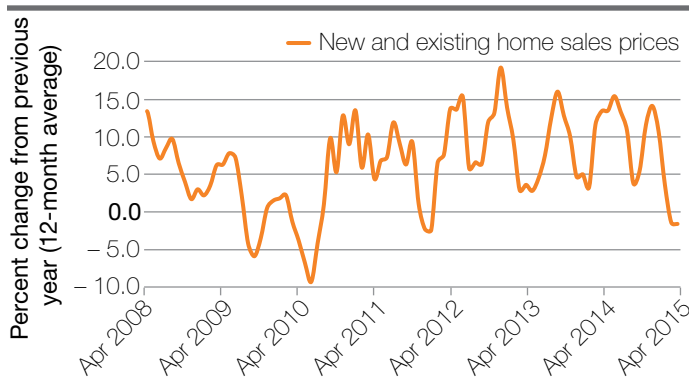
- During the 3 months ending April 2015, the sales price for new and existing homes averaged \$233,300, a 2-percent decrease from the same 3-month period a year ago (Real Estate Center at Texas A&M University). Despite the recent decline, the average sales price remains more than the \$209,200 that prevailed from 2011 through 2013, when strong population and job growth caused extremely tight sales market conditions.
- During the 3 months ending April 2015, the number of new and existing homes sold totaled 630, a 15-percent decrease from the same 3-month period a year ago and less than the average of 740 sold quarterly from 2011 through 2013.
- During the 12 months ending April 2015, the inventory of homes available for sale averaged a 3.9-month supply, up from 3.0 months a year ago because of slowing economic growth and more than the average of 3.3 months that prevailed from 2011 through 2013.
- In April 2015, 1.3 percent of mortgage loans were 90 or more days delinquent, were in foreclosure, or transitioned into real

estate owned (REO) status, down from 1.5 percent in April 2014 (Black Knight Financial Services, Inc.), partly because of net gains in nonfarm payrolls during the same 12-month period despite the slowing rate of job growth in recent months.

Single-family permitting in the Midland-Odessa metropolitan area decreased during the past 12 months as developers responded to the weaker economic outlook and the slowing rate of home sales growth.

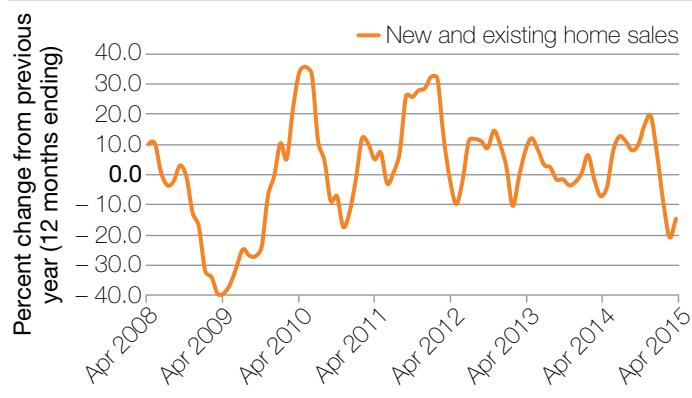
- During the 12 months ending April 2015, 1,250 single-family homes were permitted, a decrease of 12 percent from the 1,450 homes permitted during the previous 12-month period but a return to the number of homes permitted during the 12 months ending April 2013 (preliminary data). The recent decline is partly because of the slowing rate of growth in home sales.
- Single-family permitting activity averaged 510 homes annually from 2000 through 2009 before increasing to an average of 1,100 annually from 2010 through 2014 because of increased housing demand stemming from the booming oil and gas industry.
- Adobe Meadows, with 225 homes planned and prices starting at \$205,000, is currently under construction in the city of Midland, although it is unclear when the development will be complete.

Home sales prices declined in the Midland-Odessa area for the first time since 2012 because of slowing economic growth.



Note: Includes single-family homes, townhomes, and condominiums. Source: Real Estate Center at Texas A&M University

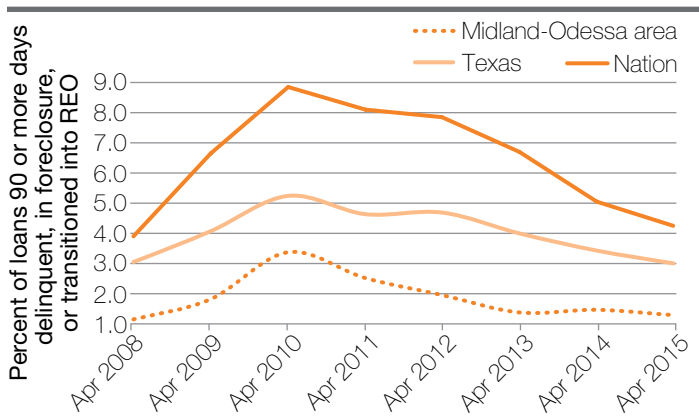
Recent weakness in the energy industry contributed to the largest percentage decline in home sales in the Midland-Odessa area since 2010.



Note: Includes single-family homes, townhomes, and condominiums. Source: Real Estate Center at Texas A&M University

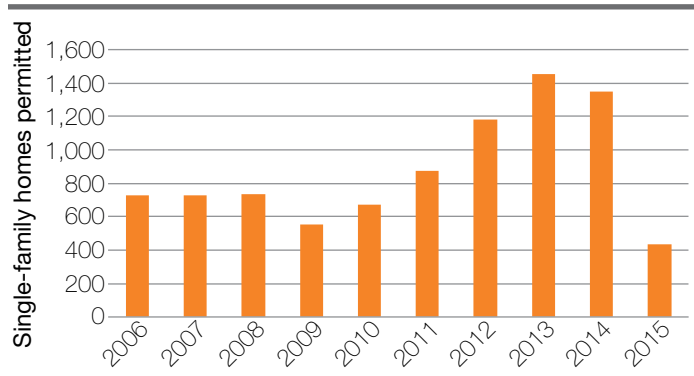


The percentage of seriously delinquent home loans and REO properties in the Midland-Odessa area has declined since 2010.



REO = real estate owned.  
Source: Black Knight Financial Services, Inc.

Single-family permitting in the Midland-Odessa area began to decline in late 2014, after peaking in 2013.



Note: Includes preliminary data from January 2015 through April 2015.  
Sources: U.S. Census Bureau, Building Permits Survey; City of Midland; City of Odessa

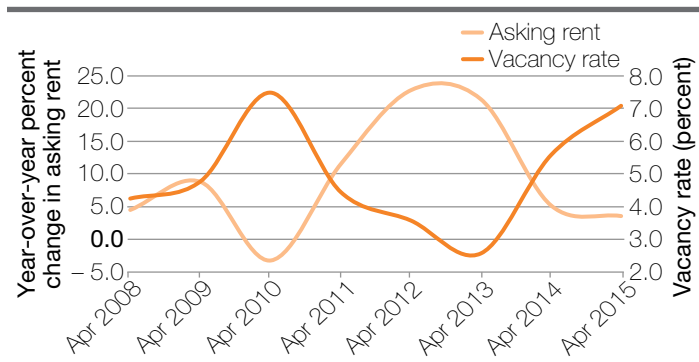
## Apartment Market Conditions

Apartment market conditions in the Midland-Odessa metropolitan area are slightly soft. The apartment market has softened since October 2014 because of the decline in oil prices that began in August 2014 coupled with the large number of new units that have entered the market since 2013. Apartments constitute approximately 48 percent of the overall rental housing inventory.

In April 2015—

- The apartment vacancy rate was 7.1 percent, up from 5.6 percent in April 2014 (Reis, Inc.). This vacancy rate is the highest recorded since 2010, when the metropolitan area was also suffering the effects of a decline in oil prices that lasted from June 2008 through September 2009.

Vacancy in the Midland-Odessa area increased to the highest rate since 2010; rent growth has slowed since 2014.



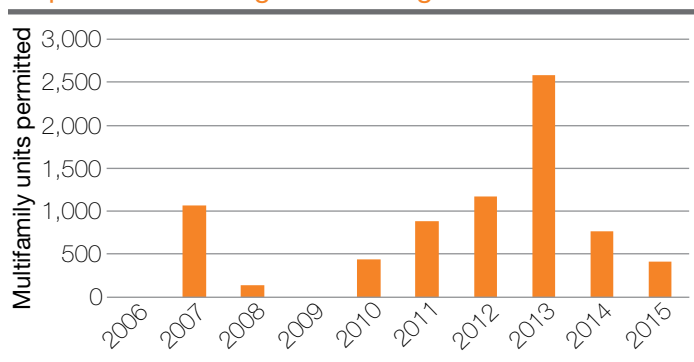
Source: Reis, Inc.

- Asking rents for all apartments averaged \$1,138, a 3.5-percent increase from \$1,099 in April 2014. By comparison, asking rents increased 5.2 percent from April 2013 to April 2014.
- The average asking apartment rents by number of bedrooms were \$982, \$1,270, and \$1,737 for one-, two-, and three-bedroom units, respectively (Reis, Inc.).

Multifamily permitting activity in the Midland-Odessa metropolitan area decreased during the past 12 months as developers responded to the decline in oil prices and to the large number of units currently in lease up and in the development pipeline. Apartment construction times in the metropolitan area are typically in the 24-month range because of tight markets for construction materials and labor.

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After peaking in 2013, multifamily permitting in the Midland-Odessa area declined in 2014 and 2015 in response to slowing economic growth.



Note: Includes preliminary data from January 2015 through April 2015.  
Sources: U.S. Census Bureau, Building Permits Survey; City of Midland; City of Odessa





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- In the metropolitan area, 1,508 apartment units are under construction, including the 156-unit Azure, the 88-unit phase II of Mesquite Terrace, the 336-unit Pavilion Park, the 300-unit Sundance Creek, the 54-unit phase II of Sunrise at Fairgrounds, the 214-unit Tradewinds, the 96-unit Westridge, and the 264-unit THF Palladium. The completion dates and starting rents at these developments are currently uncertain.
- Recently completed or partially completed projects that are currently in lease up in the city of Midland include the 290-unit Le Mirage, with rents starting at \$1,425 for a one-bedroom unit; the 176-unit Sandstone Ridge, with rents starting at \$1,375 for a one-bedroom unit; the 108-unit Wall Street Lofts, with rents starting at \$1,650 for a one-bedroom unit; and the 290-unit Residence at Midland, with rents starting at \$1,700 for a one-bedroom unit.
- Recently completed or partially completed projects that are currently in lease up in the city of Odessa include the 300-unit Faudree Ranch, with rents starting at \$1,300 for a one-bedroom unit.
- During the 12 months ending April 2015, approximately 870 multifamily units were permitted, a 23-percent decrease compared with the 1,125 units permitted during the previous 12 months (preliminary data).
- Multifamily permitting averaged 240 units a year from 2000 through 2009 before increasing to an average of 1,175 units a year from 2010 through 2014, coinciding with the increase in single-family permitting because of the booming energy industry.

