Multifamily Metro Outlook: Oklahoma City – Q1 2021

Overview:
- Oklahoma City has begun recovering from the COVID recession, and its job markets remain weaker than they were in 2019, though they are recovering. As a metro that is greatly influenced by energy markets, especially oil and natural gas, it was particularly hit hard by the significant decline in oil prices in 2020. However, despite the heavy job losses in the metro, the area’s multifamily market is holding up remarkably well. Vacancy rates in the metro have only risen modestly and rent growth rates have remained slightly positive.
- In 2019, the local economy continued to adjust to lower energy prices. That has meant job growth rates are considerably below the boom that was experienced when the fracking revolution impacted the United States’ energy markets. In the year ending Q1 2021, job growth in the metro was +1.7%, somewhat above the 1.3% national average.

Market Strengths:
- The Oklahoma City government has been actively planning and executing re-development of its downtown area. These plans have included apartment development as part of the revitalization, as well as a recently completed streetcar system. While the outbreak may slow the implementation of the plan, the investment is likely to continue.
- Oklahoma City has a disproportionate preponderance of government jobs, which is both a strength and a weakness for the metro. Overall, 19.8% of the metro’s jobs are in the government sector, well above the 15.1% national average. While these types of jobs are not particularly high paying, nor are they prone to outsized growth, they are generally stable jobs that will produce reliable demand for housing, and they have not been greatly impacted by the outbreak.
- The metro has seen only modest level of development since the fracking driven surge. According to Costar, between 2012 and 2016, and average of 1,700 units were completed in the metro each year. Since then, development levels have slowed, and in 2019 it estimates that fewer than 850 units were completed for the year, with absorption of approximately 1,500 units.
- Oklahoma City has favorable demographic trends and is attracting new residents. In the year ending Q1 2021, the metro’s population grew +0.5%, which was above the 0.2% national average. The metro is expected to be slightly ahead of the national average over the next five years. The prime renting cohort, those ages 20-34 is also strong in the metro, comprising 22.2% of the population, ahead of 20.6% of the national population, with better than average growth of this cohort expected over the next five years.

Market Weaknesses:
- Over half of the major companies based in Oklahoma City are in the energy sector. While energy jobs are not the largest segment of job types in the metro, oil and natural gas are the primary engines of economic growth for the city due to the high incomes form the workers and the high levels of investment needed for well drilling.
- In addition to a dependence on the energy sector, there are not any apparent major new economic engines on the horizon in Oklahoma City. Tech employment comprises just 2.5% of the jobs in the metro, below the 4.9% national average. Any near-term growth in the metro area will likely come from the sluggish (though dependable), government, education, and health care sectors.

Development:
- Condo development has not been a significant component of Oklahoma City’s multifamily stock in recent history. Since 2006, fewer than 900 condo units were completed in the metro, and none are underway.

Outlook:
- Modest multifamily development after the metro was shocked by the decline in oil prices allowed the apartment market to settle into a generally healthy equilibrium. While the metro still has a ways to go to fully recover from the COVID recession, its multifamily market has held up quite well. Steady underlying demand should allow the multifamily sector to return to a moderate long-term growth path once the pandemic is eradicated.
- Were it not for the volatility of energy prices, Oklahoma City would have a remarkably steady economy. The core health care, education, and government jobs would support a stagnant but reliable economy. The addition of the energy industry, which could stimulate a significant boom or bust at almost any moment, detracts from what would otherwise be predictable, albeit slow, economic growth.

<table>
<thead>
<tr>
<th>Five Year Metro Area Growth Forecast</th>
<th>Q4 2020</th>
<th>Q4 2025</th>
<th>Oklahoma City (5-Year Annual Average Change)</th>
<th>National (5-Year Annual Average Change)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population (000s)</td>
<td>1,427</td>
<td>1,476</td>
<td>0.67%</td>
<td>0.52%</td>
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<tr>
<td>Households (000s)</td>
<td>563</td>
<td>604</td>
<td>1.44%</td>
<td>1.41%</td>
</tr>
<tr>
<td>Renting Cohort (Ages 20-34) (000s)</td>
<td>315</td>
<td>326</td>
<td>0.69%</td>
<td>-0.26%</td>
</tr>
<tr>
<td>Total Employment (000s)</td>
<td>644</td>
<td>693</td>
<td>1.49%</td>
<td>1.71%</td>
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<tr>
<td>Median Household Income</td>
<td>$65,146</td>
<td>$75,243</td>
<td>2.92%</td>
<td>2.83%</td>
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<tr>
<td>Median SF Home Price</td>
<td>$188,165</td>
<td>$225,798</td>
<td>3.71%</td>
<td>4.30%</td>
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<tr>
<td>Net Migration</td>
<td>5,773</td>
<td>3,358</td>
<td></td>
<td></td>
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</tbody>
</table>

Source: Moody’s
SupplyTrack Pipeline

Apartments & Condos/Townhomes: Units Completed and Underway

Vacancy & Rent Composite Estimates

Vacancy Rates

Oklahoma City | National

Q1 2021 Vacancy Rate:
8.00%

Asking Rent Growth

Oklahoma City | National

Q1 2021 Asking Rent:
$790

Source: Multifamily Economics and Research
<table>
<thead>
<tr>
<th>Sub-Market</th>
<th>Projects</th>
<th>Units</th>
<th>Sq. Ft. (M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Edmond/Logan County</td>
<td>6</td>
<td>78</td>
<td>0.09M</td>
</tr>
<tr>
<td>Intown Oklahoma City</td>
<td>1</td>
<td>325</td>
<td>0.36M</td>
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<tr>
<td>Norman/Moore</td>
<td>1</td>
<td>240</td>
<td>0.24M</td>
</tr>
<tr>
<td>North Central Oklahoma City</td>
<td>2</td>
<td>11</td>
<td>0.04M</td>
</tr>
<tr>
<td>Southwest Oklahoma City</td>
<td>1</td>
<td>254</td>
<td>0.25M</td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
<td><strong>11</strong></td>
<td><strong>908</strong></td>
<td><strong>0.98M</strong></td>
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Multifamily Economics and Market Research Team

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Sources Used

- Moody's Economy.com
- REIS
- CoStar
- Real Capital Analytics
- RealPage
- Dodge Data and Analytics SupplyTrack Pipeline
- Axiometrics
- CBRE-Econometric Advisors
- Yardi

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