

Multifamily Metro Outlook:

Oklahoma City - Q1 2022

Overview:

- Oklahoma City has been recovering from the COVID shock, and its job markets remain weaker than they were in 2019, although they are indeed 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 at the onset of the pandemic. However, despite the heavy job losses in the metro, the area's multifamily market held up remarkably well and experienced a solid rebound. Vacancy rates have declined as the metro has recovered and rent growth rates have also accelerated in past several quarters.
- 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. With the recent spike in oil price, the metro has seen some acceleration of job growth, but the total job market remains down slightly from 2019 levels as of March 2022.

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 pandemic may have slowed the implementation of the plan, the investment is likely to continue for several more years.
- 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 a modest level of development since the fracking driven surge. According to CoStar, between 2012 and 2016, an average of 1,700 units were completed in the metro each year. Since then, development levels have slowed, which likely prevented the market from seeing significant deterioration at the onset of the pandemic.
- Oklahoma City has favorable demographic trends and is attracting new residents. In the year ending Q1 2022, 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 from 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 2.4% of the jobs in the metro, below the 5.3% 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's job market is close to fully recovered from the COVID economic shock, its multifamily market has held up quite well and it is rebounding from the pandemic lows. Steady underlying demand should allow the multifamily sector to return to a moderate long-term growth path once the pandemic subsides.
- 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.

Five Year Metro Area Growth Forecast

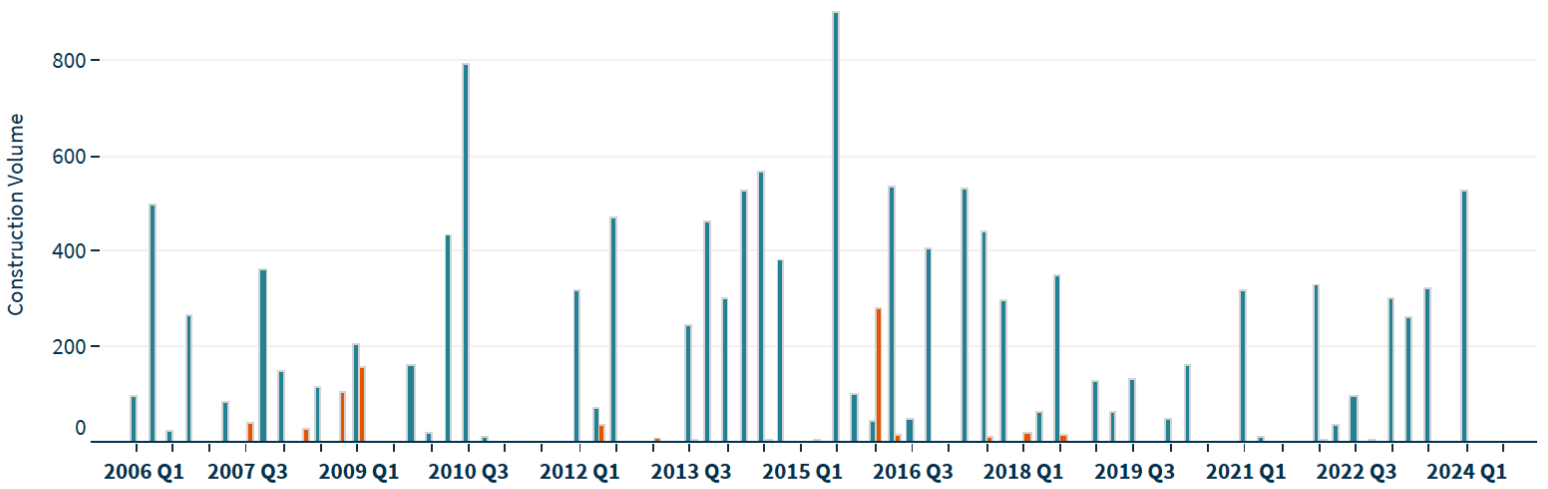
	Q4 2021	Q4 2026	Oklahoma City (5-Year Annual Average Change)	National (5-Year Annual Average Change)
Population (000s)	1,430	1,470	0.55%	0.47%
Households (000s)	573	599	0.88%	0.90%
Renting Cohort (Ages 20-34) (000s)	316	324	0.51%	-0.30%
Total Employment (000s)	644	677	0.99%	1.08%
Median Household Income	\$52,428	\$62,069	3.43%	3.30%
Median SF Home Price	\$196,634	\$214,333	1.74%	1.93%
Net Migration	5,076	2,065		

Source: Moody's

SupplyTrack Pipeline

Apartments & Condos/Townhomes: Units Completed and Underway

Apartments | Condos



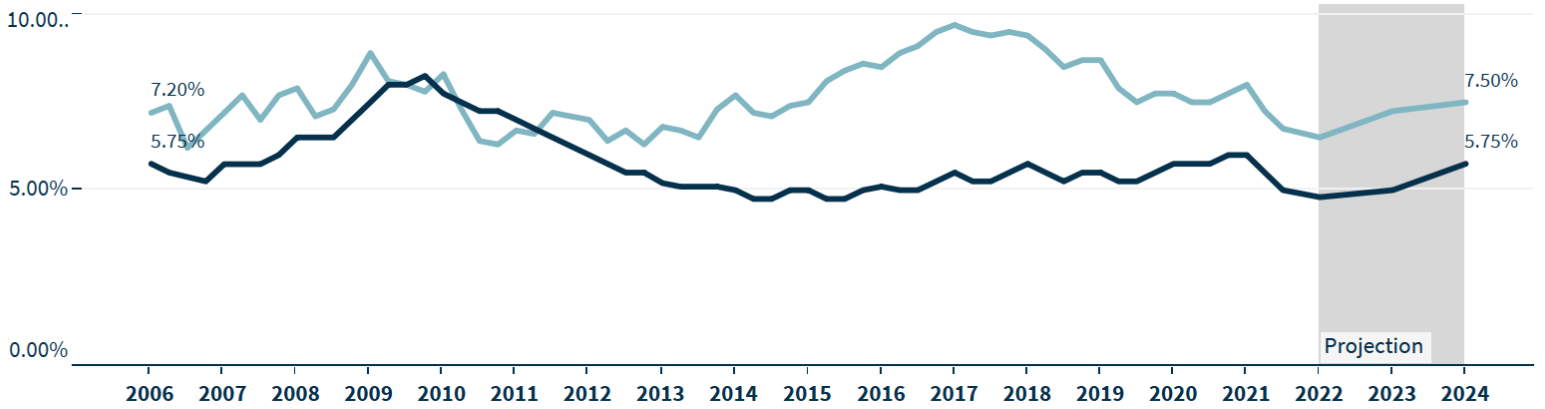
Vacancy & Rent Composite Estimates

Vacancy Rates

Oklahoma City | National

Q1 2022 Vacancy Rate:

6.50%

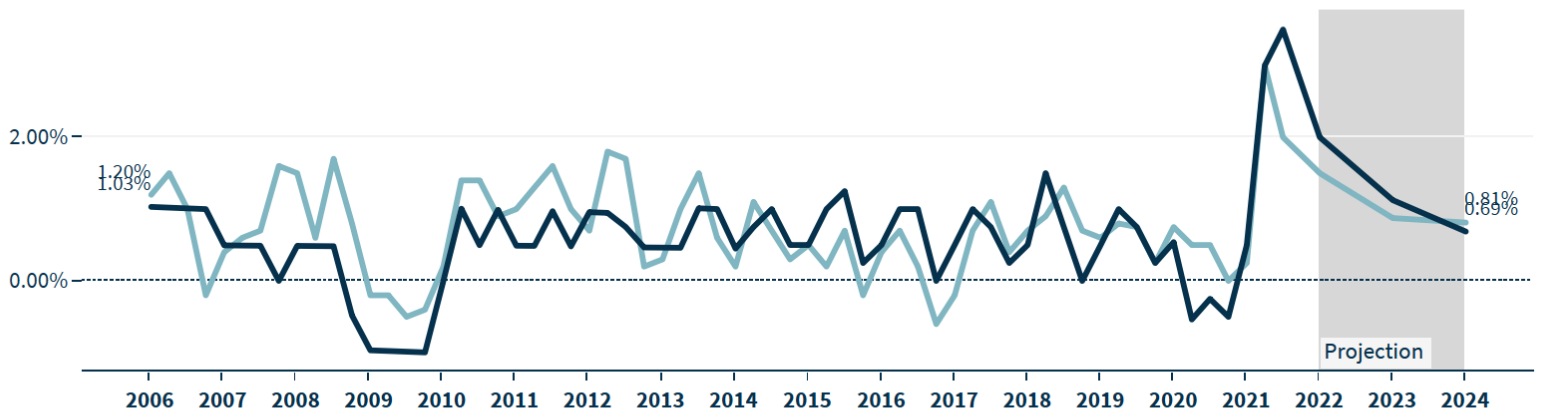


Asking Rent Growth

Oklahoma City | National

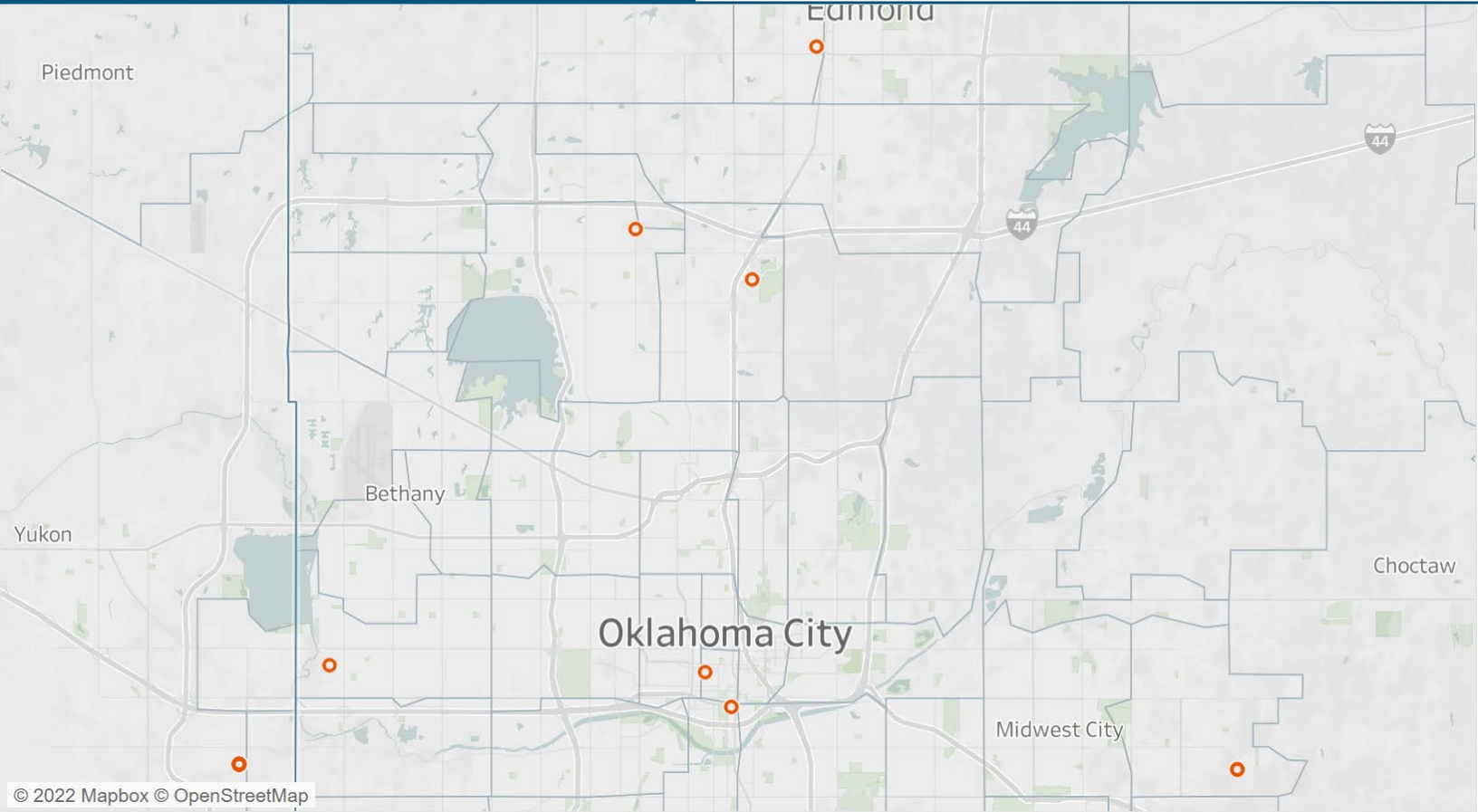
Q1 2022 Asking Rent:

\$840



Source: Multifamily Economics and Research

Construction: Bidding & Underway



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<i>TWR Submarket Name</i>	<i>Apartments</i>	<i>Building Units</i>	<i>Building Area SF</i>
East Oklahoma City	2	7	0.01M
Edmond/Logan County	1	273	0.42M
Intown Oklahoma City	1	301	0.27M
North Central Oklahoma City	2	584	0.57M
Northwest Oklahoma City	5	20	0.02M
Southwest Oklahoma City	1	254	0.25M
West Oklahoma City	1	72	0.08M
Grand Total	13	1,511	1.63M

Multifamily: ESR Team

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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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