

Metro Housing Outlook:

Oklahoma City – Q4 2023

Overview:

- Oklahoma City has recently been experiencing job losses in its core energy industry, which is a concern since this sector is one of the primary engines of economic growth for the area, and the other sectors in the metro are not compensating. However, despite the job losses in the metro the area's housing markets held up with positive rent growth for the year, and single-family home prices continuing to grow in 2023, albeit modestly compared to 2021 and 2022. The metro is responding to affordability issues as well, continuing to offer manufactured housing to residents and ensuring an affordable housing program is underway for the coming years.
- While the energy market still dominates changes in employment in the metro, Oklahoma City has shown efforts to diversify its economy. Tech firms are setting up operations in the city, creating thousands of jobs over the past few years. The expansion of this sector in the metro is slow, but in the long run, this diversification can be positive for the multifamily market by drawing the city away from the volatility of the energy market.

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. This investment is still underway but is likely to be completed in several more years.
- Oklahoma City has a disproportionate preponderance of government jobs, which is both a strength and a weakness for the metro. Overall, 18.8% of the metro's jobs are in the government sector, well above the 14.6% 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.
- Oklahoma City has favorable demographic trends and is attracting new residents. In 2023, the metro's population grew +0.4%, which was equal to the 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. Energy jobs are not the largest segment of job types in the metro, but oil and natural gas are the primary engines of economic growth for the city. While the technology industry is forecasted to expand in metro over the next five years, current tech employment comprises just 2.6% of jobs in the city, so any near-term growth will likely come from the sluggish (though dependable), government, education, and health care sectors.
- Affordability is one of the main reasons behind in-migration to Oklahoma City, and it has been lessening as the gap between home costs and income worsens. There are affordable housing projects in the work for the metro that are expected in the coming years, but the current affordable housing shortage is an issue for some residents.

Development:

- More than 4,600 apartment units have been completed since the beginning of 2017, and an additional 3,400 units are currently underway. Condo development has not been a significant component of Oklahoma City's multifamily stock in recent history. Since 2006, fewer than 300 condo units were completed in the metro, and none are underway.

Outlook:

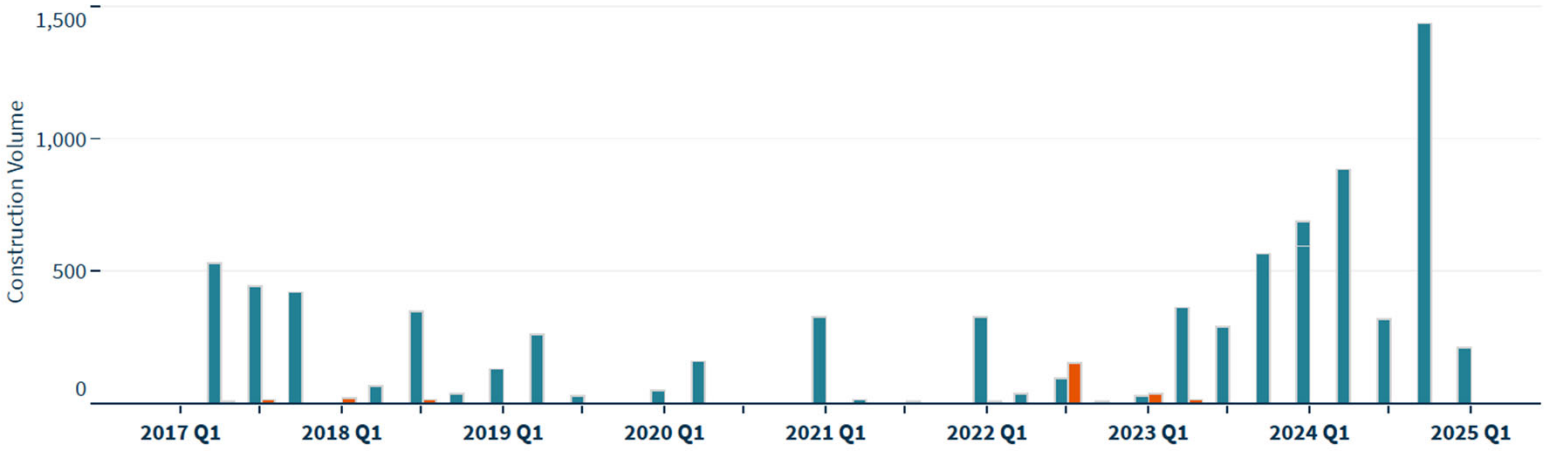
- Multifamily development has returned to usual levels after the metro recovered from the decline in oil prices. The multifamily market has held up well but rent growth has been below national levels for two consecutive quarters, contracted in the fourth quarter, and is expected to remain muted until mid-2024. Steady underlying demand should allow the multifamily sector to return to a moderate long-term growth path once national economic uncertainty 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.



Multifamily Apartment Pipeline

Apartments & Condos/Townhomes: Units Completed and Underway

Apartments | Condos



Source: Dodge Data & Analytics SupplyTrack Pipeline

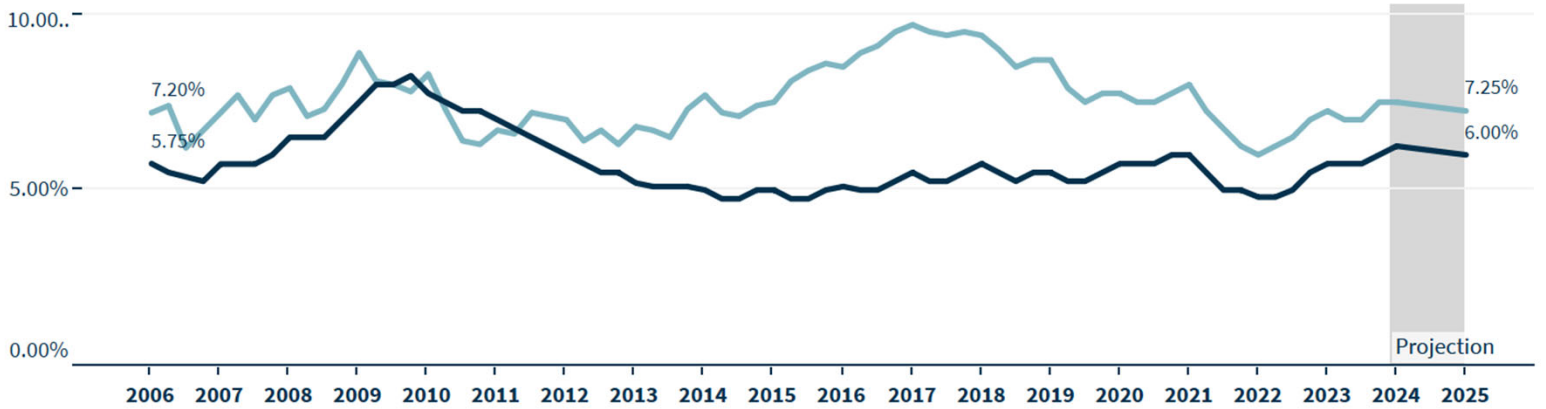
Multifamily Vacancy & Rent Estimates

Vacancy Rates

Oklahoma City | National

Q4 2023 Vacancy Rate:

7.50%

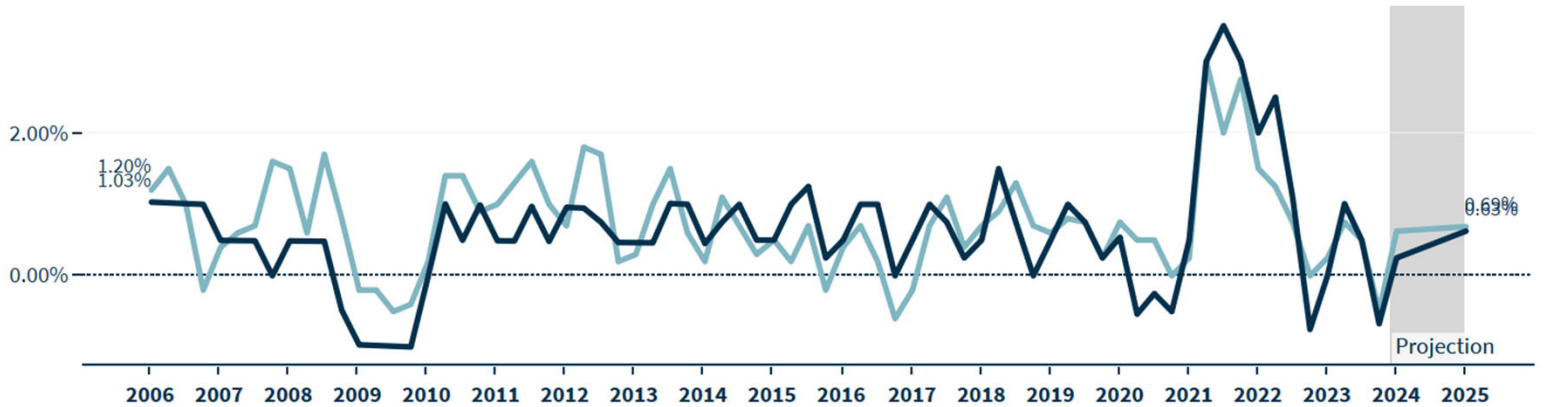


Asking Rent Growth

Oklahoma City | National

Q4 2023 Asking Rent:

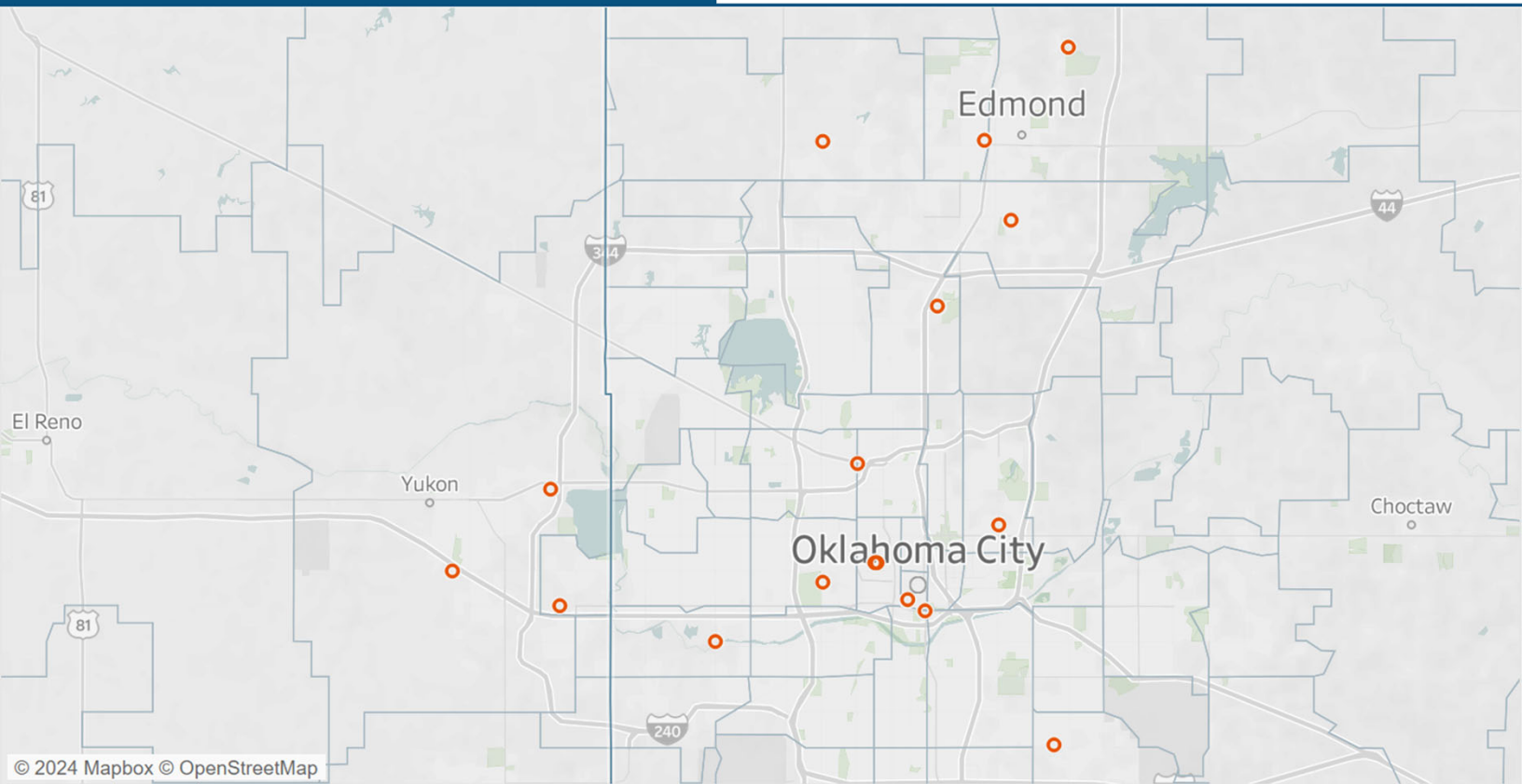
\$920



Source: Fannie Mae Multifamily Economics and Research



Multifamily Construction: Bidding & Underway



<i>MultiHousingSubmarketName</i>	<i>Apartments</i>	<i>Units</i>
East Oklahoma City	1	18
Edmond/Logan County	4	494
Intown Oklahoma City	4	226
North Central Oklahoma City	1	323
Northwest Oklahoma City	2	723
Southwest Oklahoma City	2	478
West Oklahoma City	3	1,186
Grand Total	17	3,448

Source: Dodge Data & Analytics SupplyTrack Pipeline



Multifamily: ESR Team

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Multifamily Economics and Market Research Team

Tim Komosa, Economic and Strategic Research

Sources Used

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

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