



Midland-Odessa, Texas

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of April 1, 2018



Housing Market Area



Gaines		Dawson	Borden
Andrews		Martin	Howard
Winkler	Ector	Midland	Glasscock
Ward	Crane	Upton	Reagan

The Midland-Odessa Housing Market Area (HMA), which encompasses both the Midland, TX and Odessa, TX Metropolitan Statistical Areas (MSAs), consists of Ector, Martin, and Midland Counties. The HMA is approximately 50 miles from the southeastern corner of New Mexico and serves as a hub for the extraction of oil and natural gas in the Permian Basin, which is the second largest oil field in the world and accounts for more than 20 percent of the crude oil production in the nation.

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Summary

Economy

Nonfarm payrolls in the Midland-Odessa HMA increased at a rapid rate during the past 12 months after declines in 2015 and 2016, which resulted from sharply declining oil prices. During the 12 months ending March 2018, nonfarm payrolls totaled 170,000 jobs, an increase of 12,700 jobs, or 8.1 percent, from the previous 12 months. The mining, logging, and construction sector led job growth, increasing by 7,700 jobs, or 19.9 percent, when the West Texas Intermediate (WTI) crude oil price rose from about \$50 to \$62 a barrel. During the 3-year forecast period, nonfarm payrolls are expected to increase an average of 4.0 percent annually. Table DP-1 at the end of this report provides employment data for the HMA.

Sales Market

The sales housing market in the HMA is slightly tight, with an estimated 1.1-percent vacancy rate, down from 1.5 percent in April 2010. During the 12 months ending February 2018, new and existing home sales increased 18 percent to 7,325 homes sold (CoreLogic, Inc., with adjustments by the analyst). Demand is expected for 4,575 new homes during the forecast

period (Table 1). The 600 homes currently under construction will satisfy some of the forecast demand.

Rental Market

The rental housing market is slightly tight in the HMA. The overall rental vacancy rate is currently estimated at 4.7 percent, down from 9.3 percent in April 2010. The apartment market is also slightly tight, with a vacancy rate of 4.1 percent during March 2018, down from 8.6 percent a year earlier (ALN Systems, Inc.). During the forecast period, demand is expected for 2,850 new market-rate rental units. The 380 units currently under construction will satisfy a portion of the demand (Table 1).

Table 1. Housing Demand in the Midland-Odessa HMA During the Forecast Period

	Midland-Odessa HMA	
	Sales Units	Rental Units
Total demand	4,575	2,850
Under construction	600	380

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of April 1, 2018. Sales demand includes an estimated demand for 200 mobile homes. The forecast period is April 1, 2018, to April 1, 2021.

Source: Estimates by analyst

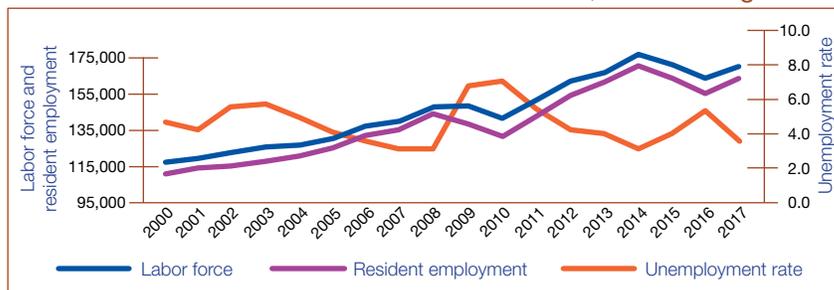
Economic Conditions

The number of jobs in the Midland-Odessa HMA increased during the past 12 months, following 2 years of nonfarm payroll declines in 2015 and 2016. During the 12 months ending March 2018, nonfarm payrolls averaged 170,000 jobs, an increase of 12,700 jobs, or 8.1 percent, from a year ago. The increase follows an average annual

decline of 8,200 jobs, or 4.8 percent, during 2015 and 2016. During the 12 months ending March 2018, the unemployment rate averaged 3.1 percent, down from 5.2 percent during the previous 12 months. By comparison, from 2011 through 2015, the unemployment rate averaged 4.1 percent (Figure 1).

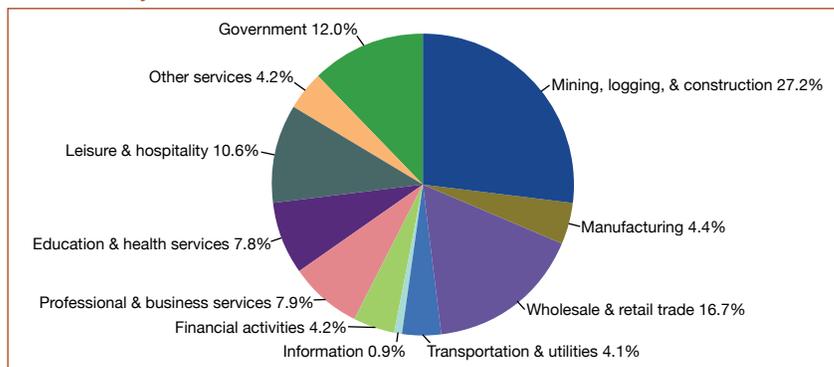
The economy of the HMA has been closely linked to the oil and gas industry since the discovery of oil in the Permian Basin during the 1920s. The widespread adoption of hydraulic fracturing drilling technology (fracking) in the 2000s reestablished the Permian Basin as one of the world's leading oil and gas production areas. The mining, logging, and construction sector is the largest sector in the HMA, and the Midland, TX and Odessa, TX MSAs have the two highest concentrations of nonfarm payrolls in the mining, logging, and construction sector of all MSAs in the United States, 29.7 and 23.4 percent, respectively (Bureau of Labor Statistics). During the 12 months ending March 2018, the sector accounted for 46,300 jobs, or 27.2 percent, of all nonfarm payrolls in the Midland-Odessa HMA (Figure 2). By comparison, the mining, logging, and construction sector accounted for only 5.2 percent of nonfarm payrolls in the nation during the period. The sector includes six of the nine largest employers in the HMA, such as Pioneer Natural Resources Company, Saulsbury Industries, Keane Group, Inc., and Halliburton Energy Services, Inc. (Table 2). From 2000 through the current date, the mining, logging, and construction sector has expanded at the fastest rate of any sector in the HMA, recording a cumulative gain of 170 percent (Figure 3). Varying oil prices caused several booms and busts

Figure 1. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Midland-Odessa HMA, 2000 Through 2017



Source: U.S. Bureau of Labor Statistics

Figure 2. Current Nonfarm Payroll Jobs in the Midland-Odessa HMA, by Sector



Note: Based on 12-month averages through March 2018.

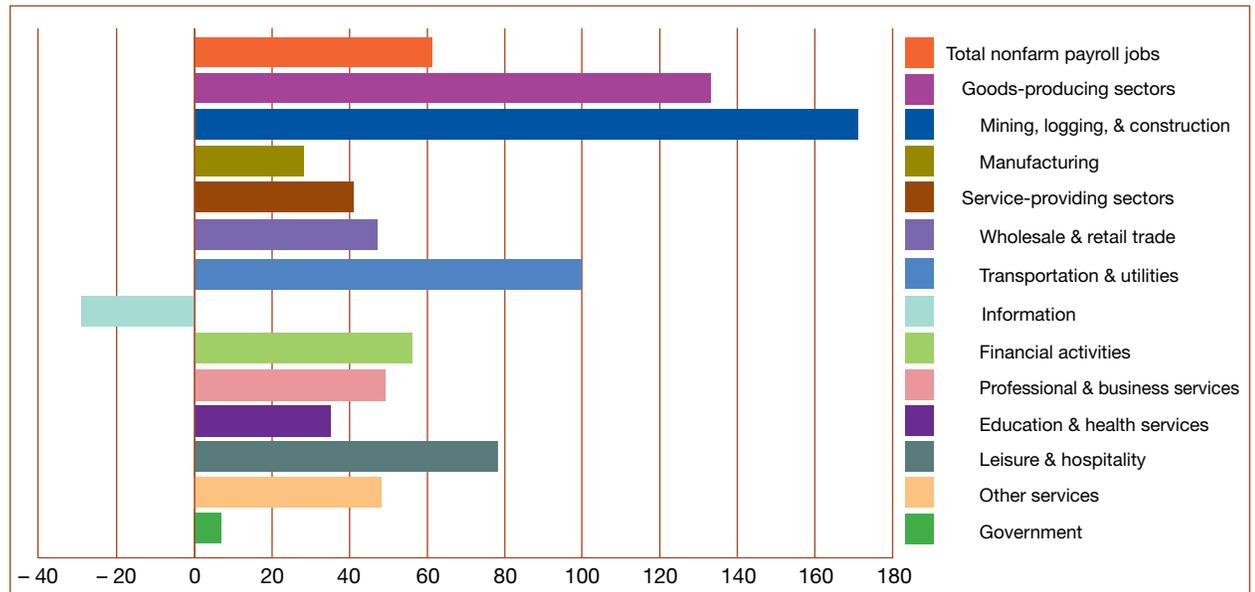
Source: U.S. Bureau of Labor Statistics

Table 2. Major Employers in the Midland-Odessa HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Pioneer Natural Resources Company	Mining, logging, & construction	3,732
Saulsbury Industries	Mining, logging, & construction	2,441
Medical Center Health System	Education & health services	2,250
Keane Group, Inc.	Mining, logging, & construction	2,200
Midland Memorial Hospital	Education & health services	1,917
Halliburton Energy Services, Inc.	Mining, logging, & construction	1,700
Endeavor Energy Resources, LP	Mining, logging, & construction	1,406
Dawson Geophysical, Inc.	Professional & business services	1,211
Concho Resources Inc.	Mining, logging, & construction	1,072
Odessa Regional Medical Center	Education & health services	953

Note: Excludes local school districts.

Sources: Midland Economic Development; Odessa Economic Development

Figure 3. Sector Growth in the Midland-Odessa HMA, Percentage Change, 2000 to Current

Note: Current is based on 12-month averages through March 2018.

Source: U.S. Bureau of Labor Statistics

in both the sector and the overall economy of the HMA during the period, however.

Economic conditions in the HMA are highly associated with the trading price of WTI crude oil being above or below, respectively, the average cost of oil extraction in the Permian Basin. As the WTI crude oil price moves higher, it induces oil and gas

companies to increasingly engage in the highly labor-intensive activities of new well development and capacity expansion of existing wells as they seek to sell more oil at the higher prices. When WTI prices fall enough, these capacity expansion activities are abruptly halted. WTI oil price swings thus cause rapid employment fluctuations in the HMA. As of April 1, 2018, the price for WTI crude oil was \$62.01 per barrel, up from the price of \$50.35 per barrel in April 2017 and \$26.21 per barrel in February 2016 (Federal Reserve Bank of St. Louis).

The increase in price contributed to job growth in the HMA during the current 12-month period. During the 12 months ending March 2018, the mining, logging, and construction sector added 7,700 jobs, or 19.9 percent (Table 3), and accounted for 61 percent of net nonfarm payroll growth in the HMA, which followed a decline of 2,600 jobs, or 6.3 percent during the 12 months ending March 2017. By comparison, in 2014, the WTI crude oil price declined 45 percent to \$52.72

Table 3. 12-Month Average Nonfarm Payroll Jobs in the Midland-Odessa HMA, by Sector

	12 Months Ending		Absolute Change	Percent Change
	March 2017	March 2018		
Total nonfarm payroll jobs	157,300	170,000	12,700	8.1
Goods-producing sectors	45,600	53,800	8,200	18.0
Mining, logging, & construction	38,600	46,300	7,700	19.9
Manufacturing	7,000	7,600	600	8.6
Service-providing sectors	111,700	116,200	4,500	4.0
Wholesale & retail trade	27,400	28,400	1,000	3.6
Transportation & utilities	6,500	7,000	500	7.7
Information	1,500	1,600	100	6.7
Financial activities	6,800	7,200	400	5.9
Professional & business services	12,300	13,400	1,100	8.9
Education & health services	12,900	13,200	300	2.3
Leisure & hospitality	16,800	18,000	1,200	7.1
Other services	6,700	7,100	400	6.0
Government	20,700	20,500	-200	-1.0

Notes: Numbers may not add to totals because of rounding. Based on 12-month averages through March 2017 and March 2018.

Source: U.S. Bureau of Labor Statistics

per barrel and remained at or below the average cost of extraction in the Permian Basin through 2016, and the mining, logging, and construction sector lost an average of 4,700 jobs, or 10.4 percent, annually during 2015 and 2016. Job losses in the sector accounted for 57 percent of the average decline of 8,200 jobs, or 4.8 percent of total nonfarm payrolls during the period. After falling below \$34 a barrel in 2008, the price of WTI crude oil consistently traded above \$100 a barrel from 2011 through 2014, reaching a peak of \$107 per barrel in June 2014. From 2010 through 2014, the mining, logging, and construction sector added an average of 4,400 jobs, or 13.0 percent, annually, which accounted for 49 percent of the average of 8,900 jobs added in the HMA each year.

During the 2000s, nonfarm payrolls in the HMA peaked at an average of 136,500 jobs in 2008. Oil and gas drilling rig counts nearly doubled from 2004 through 2008 in response to rising crude oil prices, which peaked in July 2008 at \$145 a barrel. During the same period, nonfarm payrolls increased by an average 5,600 jobs, or 4.7 percent, annually, led by gains of 2,600 jobs, or 11.6 percent, in the mining, logging, and construction sector. By comparison, from 2001 through 2003, nonfarm payrolls increased by 1,000 jobs, or 0.9 percent annually, a period of limited oil and gas activity. The rapid decline in WTI oil prices during 2008, from \$145 a barrel in July 2008 to below \$34 a barrel in December 2008, resulted in a decline of 7,500 jobs, or 5.5 percent, in 2009. The mining, logging, and construction sector, which lost 4,300 jobs, or 14.2 percent, led declines.

Several factors influence the WTI crude oil price, including worldwide

demand, peculiarities of particular oil or gas fields, geographical location, and the efficiency of the company's technology. Oil production in the Permian Basin has generally become more profitable as advances in extraction techniques and existing infrastructure have lowered the cost of extraction, however. Currently, the average breakeven price for WTI in the HMA is down to \$46 a barrel, with some companies reporting breakeven at new wells near \$20 a barrel (Federal Reserve Bank of Dallas). Coupled with the absence of the crude oil export ban, which the Energy Policy and Conservation Act of 1975 created in response to oil shortages in the 1970s and lifted in 2015, the Permian Basin is likely to maintain or increase production levels during the 3-year forecast period.

The leisure and hospitality, the professional and business services, and the wholesale and retail trade sectors also benefit significantly from the oil and gas industry. The sectors expanded by 1,200, 1,100, and 1,000 jobs, or 7.1, 8.9, and 3.6 percent respectively during the 12 months ending March 2018. Job growth in the leisure and hospitality sector resulted from increased temporary workers in the HMA and visitor spending, particularly associated with increased oil and gas extraction activity. The city of Midland hotel and motel tax receipts for the first quarter of 2018 were up 74 percent from the same quarter during 2017. The sector has recorded job gains every year since 2010, with the exception of 2016, when the sector declined by 200 jobs, or 1.2 percent. From 2009 through 2015, the sector added an average of 600 jobs, or 3.9 percent, annually. The large number of corporate headquarters in the

HMA impacts the professional and business services sector. More than 30 companies, primarily in the oil and gas industry, maintain a corporate headquarters in the HMA, including Dawson Geophysical, Inc., the eighth largest employer in the HMA.

During the forecast period, nonfarm payrolls are expected to increase by an average of 6,800 jobs, or 4.0 percent, annually. Oil prices are expected to increase during the period, with the expected price for WTI crude oil in April 2019 and April 2020 currently estimated to be \$64 and \$66 per barrel, respectively (Federal Reserve Bank of Kansas City). Transportation costs are expected to increase as pipeline capacity is exceeded and more expensive alternative methods are required to deliver oil and natural gas, however. As a result, the rate of nonfarm payroll growth is expected to slow

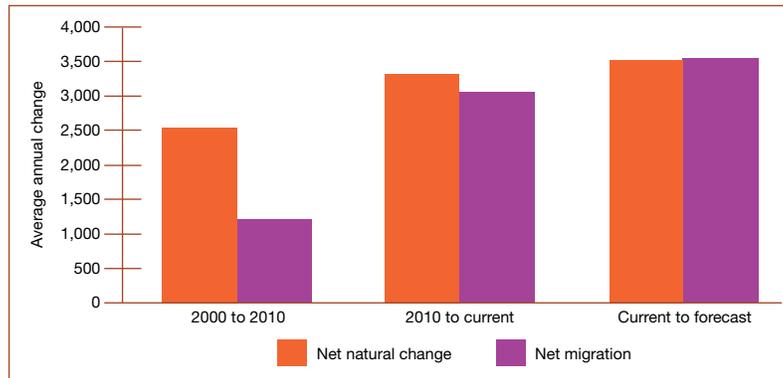
each year during the forecast period. Job growth during the next year will include gains associated with several oil- and gas-related developments that are currently under way. The Weir Group began construction in November 2017 on a new \$30 million facility to provide oil and natural gas services to the energy-producing industry that is expected to create 100 new jobs when complete in 2019 and contribute to further cost reductions associated with oil extraction. Westridge Commons, a 38-acre walkable master-planned community, will include more than 1 million square feet of combined office, retail, and residential space when complete. The first phase is expected to be complete in mid-2019 and will include the 300,000-square-foot regional office for Anadarko Petroleum Corporation and its 300 employees and 100,000 square feet of retail and restaurant space.

Population and Households

The current population of the Midland-Odessa HMA is estimated to be 329,600, an average increase of 6,350, or 2.1 percent, annually since 2010. Despite improving economic conditions, population growth has been much slower since 2015, however. Oil field workers who lost jobs during 2015 and 2016 have been slow to return, and existing residents and temporary workers have fulfilled much of the recent job growth. Since 2015, population growth has averaged only 760 people, or 0.2 percent, annually, with net out-migration averaging 2,800 people annually. By comparison, from 2010 to 2015, when high crude oil prices

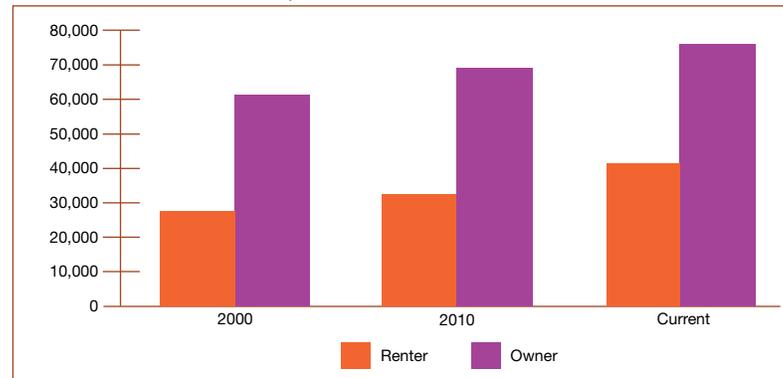
resulted in increased oil and gas extraction activity, an average net in-migration of 6,475 people annually contributed to average population growth of 9,725, or 3.3 percent, annually. Although the HMA has experienced net out-migration since 2015, economic and housing indicators reflect strong in-migration during the past 6 months.

During the 2000s, population growth was greatest in the HMA from 2005 to 2009, when oil prices increased and job growth was strong. During the period, the population of the HMA increased by an average of 6,375, or 2.4 percent, annually (U.S. Census

Population and Households *Continued***Figure 4.** Components of Population Change in the Midland-Odessa HMA, 2000 to Forecast

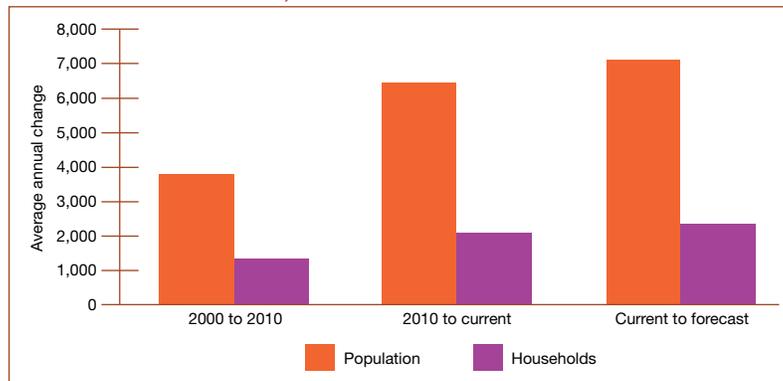
Notes: The current date is April 1, 2018. The forecast date is April 1, 2021.

Sources: 2000 and 2010–2000 Census and 2010 Census; current and forecast—estimates by analyst

Figure 5. Number of Households by Tenure in the Midland-Odessa HMA, 2000 to Current

Note: The current date is April 1, 2018.

Sources: 2000 and 2010–2000 Census and 2010 Census; current—estimates by analyst

Figure 6. Population and Household Growth in the Midland-Odessa HMA, 2000 to Forecast

Note: The current date is April 1, 2018.

Sources: 2000 and 2010–2000 Census and 2010 Census; current and forecast—estimates by analyst

Bureau population estimates as of July 1). Net in-migration of 3,575 people annually accounted for 56 percent of the population increase during the period. Weakened economic conditions in the HMA resulted in an average population increase of only 990, or 0.4 percent, annually from 2009 to 2010. During this period, net out-migration of 1,975 people annually diminished total population growth. Figure 4 shows the components of population change in the HMA from 2000 to the forecast date.

The number of households in the HMA is currently estimated at 117,350, representing an average increase of 2,025 households, or 1.9 percent, annually since 2010. During the 2000s, when population growth was slower, the number of households increased at a rate of 1.4 percent, or 1,300 households, annually. Currently, owner households comprise 64.8 percent of households compared with 68.3 percent in April 2010. Tighter mortgage lending standards and an increased propensity to rent contributed to the decreased portion of owner households since 2010. Figure 5 shows the number of households in the HMA by tenure since 2000.

During the 3-year forecast period, the population of the HMA is expected to increase by an average of 7,025, or 2.1 percent, annually (Figure 6). Job growth is expected to attract people to the HMA, resulting in net in-migration estimated at an average of 3,025 people annually, or about 43 percent of expected population growth. The number of households in the HMA is expected to increase by an average of 2,275 households, or 1.9 percent, annually during the next 3 years.

Housing Market Trends

Sales Market

Sales housing market conditions in the Midland-Odessa HMA are slightly tight, with an estimated vacancy rate of 1.1 percent, down from 1.5 percent in April 2010. Recent improvement in the sales housing market is primarily due to net in-migration during the past 6 months and oil and gas industry companies buying and leasing single-family homes to be used as provisional dormitories in anticipation of increased housing needs for temporary employees. During the 12 months ending March 2018, new and existing home sales in the HMA (including single-family homes, townhomes, and condominiums) increased 11 percent to 7,125 compared with the previous 12 months (CoreLogic, Inc., with adjustments by the analyst). The average sales price increased nearly 6 percent to \$247,900 during the same period. New home sales totaled 1,125 during the 12 months ending March 2018, up by 60 homes, or 6 percent, from the previous 12 months, while the number of existing home sales increased by 630, or 12 percent, to 6,000 homes sold. The average new home sales price was \$265,300 during the 12 months ending March 2018, up 8 percent from \$246,000 from the 12 months ending March 2017. The average sales price for existing homes increased 5 percent to \$244,700 during the 12 months ending March 2018.

Since 2000, new and existing home sales activity in the HMA was highest from 2004 through 2007, averaging 7,025 homes sold annually due to strong job and population growth. From 2008 through 2009, the number of home sales declined by an average of 1,025, or 16 percent, annually, reflecting tighter mortgage lending

standards, the national recession, and the economic downturn in the Midland-Odessa HMA. New and existing home sales in the HMA increased by an average of 460 homes, or 8 percent, annually from 2010 through 2014 to 7,375 homes sold during 2014 due to strong job growth during the period. The sharp declines in WTI crude oil prices in 2015 and 2016 resulted in nonfarm payroll declines, net out-migration, and subsequently fewer new and existing home sales, which declined by an average of 650 homes sold, or 9 percent, annually during the period.

New and existing home sales prices in the HMA increased from 2003 through 2008, leading up to the national housing crisis, averaging an increase of 10 percent annually. During 2009, when nonfarm payrolls in the HMA declined 3 percent, the average price of new and existing homes sold decreased 3 percent. From 2010 through 2014, when nonfarm payrolls increased an average of 1.6 percent annually, the average price of new and existing homes increased an average of 9 percent annually. During the subsequent 2 years, the average home sales price in the HMA declined an average of 1 percent annually to \$232,300 in 2016, due to job losses and net out-migration. During the period, the inventory of seriously delinquent (90 or more days delinquent or in foreclosure) and real estate owned (REO) properties increased. During 2014, REO sales represented only 4 percent of existing home sales, as the economy continued to grow. During 2016 and 2017, following strong out-migration during 2015 and 2016, REO sales increased

Housing Market Trends

Sales Market *Continued*

to account for more than 7 percent of existing sales. The tightened sales housing market and improved economic conditions in the HMA are expected to result in reduced REO sales during the next year.

The adverse effects of the national housing crisis were less severe in the Midland-Odessa HMA compared with the nation as a whole, and the recovery was quicker. During January 2010, when the rate of home loans that were seriously delinquent or had transitioned into REO status peaked in the nation at 8.6 percent, the rate in the Midland-Odessa HMA was only 4.1 percent (CoreLogic, Inc.). When the national rate declined 2.2 percentage points to 6.4 percent in January 2013, the rate in the Midland-Odessa HMA declined by 2.5 percentage points to 1.6 percent. Since 2013, the rate of loans that were seriously delinquent or had transitioned into REO status has fluctuated between 1.3 and 2.3 percent in the HMA in response to rising and falling WTI crude oil prices but has remained below the state and national rates. In March 2018, 1.4 percent of mortgage loans in the Midland-Odessa HMA were seriously delinquent or had transitioned into REO status, down from 2.0 percent a year earlier. By comparison, in March 2018, 2.7 percent of mortgage loans in the state were seriously delinquent or had transitioned into REO status, up from 2.2 percent a year earlier, primarily a result of Hurricane Harvey damage in coastal areas of the state. The national percentage of seriously delinquent loans and REO properties in March 2018 was 2.2 percent, down from 2.5 percent a year earlier.

Single-family homebuilding activity, as measured by the number of

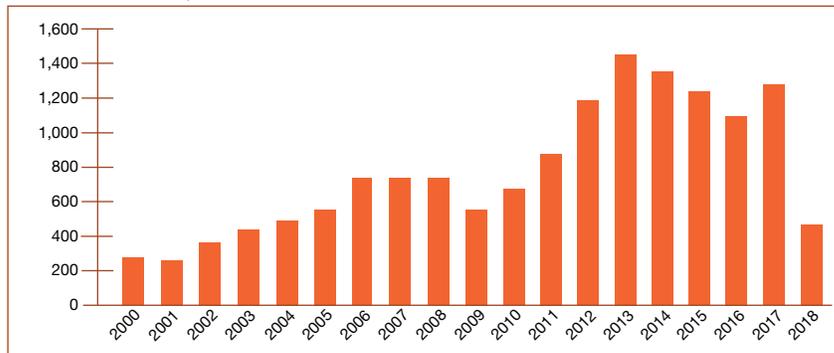
single-family homes permitted, increased by 110 homes, or 9 percent, to an estimated 1,350 homes during the 12 months ending March 2018 compared with the number permitted a year earlier (preliminary data). During the 2000s, single-family homebuilding activity peaked from 2006 through 2008, when an average of 730 homes were permitted annually. Relaxed mortgage lending standards combined with job and population growth were the primary reasons for elevated homebuilding activity during this period. Primarily as a result of the national housing crisis, single-family home construction in the Midland-Odessa HMA declined during 2009 by 190 homes, or 25 percent, to 550 homes. From 2010 through 2012, the number of homes permitted increased by an average of 210 homes, or 29 percent, annually, as increased oil and gas extraction activity contributed to improving economic conditions in the HMA. Single-family home construction activity averaged 1,400 homes a year during 2013 and 2014, when oil and gas extraction activity was strongest in the Permian Basin. Since 2015, single-family home construction has averaged 1,200 homes a year. Declines in new home construction activity through 2016 are due, in part, to builders allowing for absorption of unsold, new inventory constructed in 2014. From 2012 through 2013, an average of 2.6 months of inventory was available for sale in the HMA. The available inventory of homes for sale in the HMA increased to average 5.0 months of supply from 2014 through 2016, before declining to 1.0 month of inventory during March 2018 (Real Estate Center at Texas A&M University). Figure 7 shows the number of single-family homes permitted in the HMA since 2000.

Notable single-family developments under construction are in north Midland and include the Daybreak Estates planned community, with approximately 450 homes to be completed at buildout. The community has 275 homes already completed and

10 homes currently under construction. Home sales prices at Daybreak Estates during the first quarter of 2018 started at \$224,000, and the average sales price was \$340,600. Homestead at Parks Bell Ranch in the city of Odessa will include 2,000 homes completed at buildout. The community has 350 homes already completed and about 70 homes currently under construction. Home sales prices at Homestead at Parks Bell Ranch during the first quarter of 2018 started at \$190,000, and the average sales price was \$242,200.

Demand is expected for 4,575 new homes in the HMA during the next 3 years, including 200 mobile homes (Table 1). New home sales demand is expected to increase, albeit slightly, during the second and third years of the 3-year forecast period, when population growth is expected to be stronger. The 600 homes currently under construction will meet part of the demand during the first year. New market-rate sales housing demand is expected to be greatest for homes ranging from \$150,000 to \$249,999. Table 4 shows estimated demand for new sales housing in the HMA by price range.

Figure 7. Single-Family Homes Permitted in the Midland-Odessa HMA, 2000 to Current



Notes: Includes townhomes. Current includes data through March 2018.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Table 4. Estimated Demand for New Market-Rate Sales Housing in the Midland-Odessa HMA During the Forecast Period

Price Range (\$)		Units of Demand	Percent of Total
From	To		
120,000	149,999	220	5.0
150,000	199,999	1,450	33.0
200,000	249,999	1,450	33.0
250,000	299,999	570	13.0
300,000	349,999	260	6.0
350,000	499,999	220	5.0
500,000	and higher	220	5.0

Notes: The 600 homes currently under construction in the HMA will likely satisfy some of the forecast demand. Demand for 200 mobile homes during the forecast period is excluded from this table. The forecast period is April 1, 2018, to April 1, 2021.

Source: Estimates by analyst

Rental Market

The rental housing market in the Odessa-Midland HMA is slightly tight, with an overall vacancy rate currently estimated at 4.7 percent, down from 9.3 percent as of April 2010 (Figure 8). The apartment market is also slightly tight and has tightened significantly since 2016, when the apartment market was soft, primarily the result of increased oil and gas extraction activity. During March 2018, the average apartment vacancy rate in the

HMA was 4.1 percent, down from 8.6 percent a year earlier and down from the recent peak of 15.6 percent in March 2016 (ALN Systems, Inc.). The average apartment rent was \$1,408 during March 2018, up 37 percent compared with the average rent a year earlier and up 52 percent from March 2016. Despite strong increases in the average apartment rent in the HMA during the past 2 years, the average apartment rent remains 2 percent

below the peak average rent of \$1,434 during late 2014. As the economy of the HMA improves, apartment units tend to be the first option for transient workers intending to remain in the HMA for more than 6 months. As the apartment rental market tightens, renters in the HMA increase utilization of alternative short-term housing options.

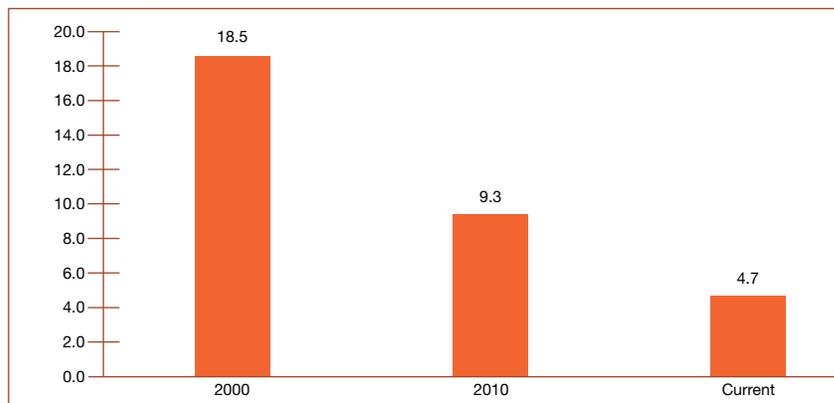
The oil and gas industry has a significant influence on the rental market in the HMA. To meet rental demand not met by apartment and single-family rentals, the number of recreational vehicle (RV) parks, mobile home parks, crew camps, and hotels has significantly increased since 2010.

The Pines RV Park, which will open in May 2018, will provide 123 secure RV parking-by-permit spots, starting at \$650 monthly. Parking-by-permit spots provide an inexpensive and secure location to live temporarily without establishing residency for the renter. Aries Residence Suites reopened the 244-unit Goldsmith Lodge in Goldsmith, Texas during December 2017. The location offers rooms starting at \$85 daily, which includes a meal plan. More than 2,700 hotel rooms have been added to the HMA since 2010, and an additional 220 units are currently under construction. The Marriott Hotel is expected to open in late 2018, offering about 220 rooms and a 67,500-square-foot conference center. The higher rates that can be charged during the booms in the oil and gas extraction industry more than offset the lower rents and elevated vacancy experienced during the busts.

Multifamily construction activity, as measured by the number of multifamily units permitted, decreased in the HMA by 225 units, or 38 percent, to 380 units during the 12 months ending March 2018 compared with the number permitted a year earlier (preliminary data). By comparison, construction averaged 90 units annually from 2000 through 2006 and increased to 480 units annually from 2007 through 2011. From 2012 through 2015, a period of relatively strong population growth, an average of 1,075 units were permitted annually (Figure 9). Approximately 380 units are currently under construction in the HMA, all of which are expected to be complete during the first year of the 3-year forecast period.

Legado Ranch Apartments, a development in the city of Odessa, completed 240 apartment units in late 2017.

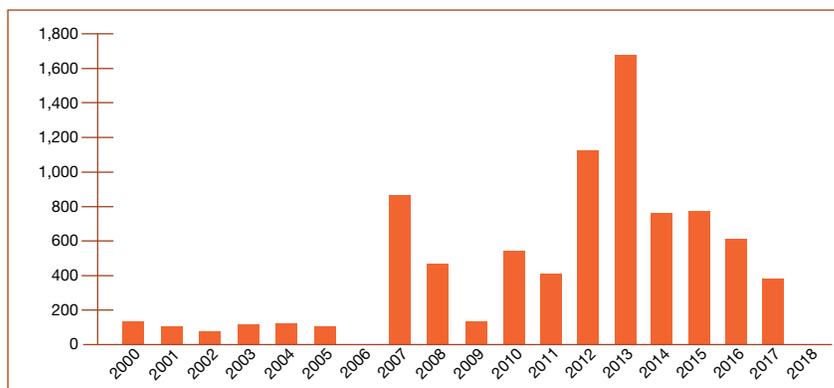
Figure 8. Rental Vacancy Rates in the Midland-Odessa HMA, 2000 to Current



Note: The current date is April 1, 2018.

Sources: 2000 and 2010–2000 Census and 2010 Census; current—estimates by analyst

Figure 9. Multifamily Units Permitted in the Midland-Odessa HMA, 2000 to Current



Notes: Excludes townhomes. Current includes data through March 2018.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Phase III of Legado Ranch apartments is currently under construction and, when complete in late 2018, will add 120 units. Rents are from \$1,160, \$1,469, and \$2,000 for studio, one-, and two-bedroom units respectively. Compass Pointe, a 206-unit income-restricted development in the city of Midland, began leasing in mid-2017. Monthly asking rents start at \$818 for one-bedroom units, \$977 for two-bedroom units, and \$1,125 for three-bedroom units.

During the forecast period, demand is estimated for 2,850 new market-rate rental housing units (Table 1). During the first year, the 380 units already under construction will meet some of the demand. Demand will be higher in the second and third years of the forecast period because of increasing population and household growth. Rental housing demand is expected to be greatest for one-bedroom units at rents ranging from \$1,300 to \$1,499 (Table 5).

Table 5. Estimated Demand for New Market-Rate Rental Housing in the Midland-Odessa HMA During the Forecast Period

Zero Bedrooms		One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Rent (\$)	Units of Demand	Monthly Rent (\$)	Units of Demand	Monthly Rent (\$)	Units of Demand	Monthly Rent (\$)	Units of Demand
1,100 or more	280	1,300 to 1,499	580	1,550 to 1,749	420	2,150 to 2,349	70
		1,500 to 1,699	470	1,750 to 1,949	420	2,350 to 2,549	70
		1,700 or more	120	1,950 to 2,149	180	2,550 to 2,749	40
				2,150 to 2,349	120	2,750 or more	20
				2,350 or more	60		
Total	280	Total	1,175	Total	1,200	Total	200

Notes: Numbers may not add to totals because of rounding. Monthly rent does not include utilities or concessions. The 380 units currently under construction will likely satisfy some of the estimated demand. The forecast period is April 1, 2018, to April 1, 2021.

Source: Estimates by analyst

Data Profile

Table DP-1. Midland-Odessa HMA Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%)	
				2000 to 2010	2010 to Current
Total resident employment	111,525	131,744	167,600	1.7	3.4
Unemployment rate	4.7%	7.0%	3.1%		
Nonfarm payroll jobs	105,600	131,300	170,000	2.2	3.6
Total population	241,878	278,801	329,600	1.4	2.1
Total households	88,215	101,182	117,350	1.4	1.9
Owner households	61,030	69,143	76,000	1.3	1.2
Percent owner	69.2%	68.3%	64.8%		
Renter households	27,185	32,039	41,350	1.7	3.2
Percent renter	30.8%	31.7%	35.2%		
Total housing units	99,458	109,230	123,800	0.9	1.6
Owner vacancy rate	2.2%	1.5%	1.1%		
Rental vacancy rate	18.5%	9.3%	4.7%		
Median Family Income	\$40,807	\$58,597	\$72,653	3.7	3.1

Notes: Numbers may not add to totals because of rounding. Employment data represent annual averages for 2000, 2010, and the 12 months through March 2018. Median Family Incomes are for 1999, 2009, and 2016. The current date is April 1, 2018.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Data Definitions and Sources

2000: 4/1/2000—U.S. Decennial Census
 2010: 4/1/2010—U.S. Decennial Census
 Current date: 4/1/2018—Estimates by the analyst
 Forecast period: 4/1/2018–4/1/2021—Estimates
 by the analyst

The metropolitan statistical area definitions in this report are based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated February 28, 2013.

Demand: The demand estimates in the analysis are not a forecast of building activity. They are the estimates of the total housing production needed to achieve a balanced market at the end of the 3-year forecast period given conditions on the as-of date of the analysis, growth, losses, and excess vacancies. The estimates do not account for units currently under construction or units in the development pipeline.

Other Vacant Units: In this analysis conducted by the U.S. Department of Housing and Urban Development (HUD), other vacant units include all vacant units that are not available for sale or for rent. The term therefore includes units rented or sold but not occupied; held for seasonal, recreational, or occasional use; used by migrant workers; and the category specified as “other” vacant by the Census Bureau.

Building Permits: Building permits do not necessarily reflect all residential building activity that occurs in an HMA. Some units are constructed or created without a building permit or are issued a different type of building permit. For example, some units classified as commercial structures are not reflected in the residential building permits. As

a result, the analyst, through diligent fieldwork, makes an estimate of this additional construction activity. Some of these estimates are included in the discussions of single-family and multifamily building permits.

For additional data pertaining to the housing market for this HMA, go to huduser.gov/publications/pdf/CMARtables_Midland_OdessaTX_18.pdf.

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This analysis has been prepared for the assistance and guidance of HUD in its operations. The factual information, findings, and conclusions may also be useful to builders, mortgagees, and others concerned with local housing market conditions and trends. The analysis does not purport to make determinations regarding the acceptability of any mortgage insurance proposals that may be under consideration by the Department.

The factual framework for this analysis follows the guidelines and methods developed by the Economic and Market Analysis Division within HUD. The analysis and findings are as thorough and current as possible based on information available on the as-of date from local and national sources. As such, findings or conclusions may be modified by subsequent developments. HUD expresses its appreciation to those industry sources and state and local government officials who provided data and information on local economic and housing market conditions.

For additional reports on other market areas, please go to huduser.gov/portal/ushmc/chma_archive.html.