

# TULSA OKLAHOMA MARKET

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The Tulsa metro area economy showed clear signs of weakening along with the national economy in 2008. While the energy sector and a strong housing market have provided the area with a buffer in the early stages of the national recession, the recent deepening of the recession and a reversal in energy prices will continue to shift regional growth downward in 2009. Recent issues with federal job survey data make it difficult to determine exactly how much momentum the Tulsa area economy currently carries into the slowdown. Reported job growth for the 12 months ended November indicates a small job loss of -0.1% in the metro area, versus a 1.2% gain for the state and a sizeable -1.4% decline for the nation. The belief is that the reported job numbers understate job formation in the region and that Tulsa will likely post much more than the reported 0.4% job growth for all of 2008 after revisions are released over time. These job growth numbers are well below the 1.6% gain posted in 2007 and the more than 3.0% gains in both 2005 and 2006 and reflect the ongoing slowing in the metro area economy. The slowdown underway in Tulsa is also very typical of the early stages of a broad cyclical slowdown. Tulsa's manufacturing base is no longer adding jobs and the cyclical wholesale trade and warehousing sectors are shedding jobs. Temporary employment has posted several months of job losses, typically the first workers released in a broad slowdown, while the key professional, scientific, and technical services sector is also showing job losses. The consumer driven arts, entertainment, recreation, and accommodations services sectors are showing the greatest weakness, though we believe survey errors are likely overstating the losses.

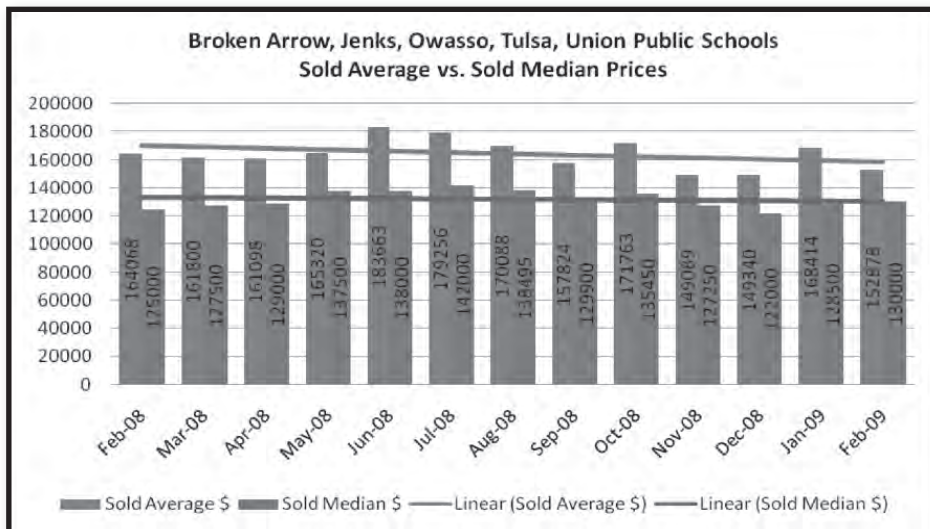
The nation's housing woes continue to creep closer to home and are putting increasing pressure on the real estate market in Tulsa. Housing price gains in the Tulsa area remain solid but have slowed considerably, posting a reported 2.4% gain for the four quarters ended in September as measured by the OFHEO housing price index. The gain ranks Tulsa 36th among the 381 metro areas tracked in the survey. The Oklahoma City metro area posted a 2.1% gain in the same period, ranking 44th nationally. The state of Oklahoma ranks 6th among the states with a 2.75% gain, with energy states dominating the top of the rankings.

At this point in the slowdown, the easing in housing price gains and foreclosure rates reflect only a typical economic slowdown, not the type of fundamentally weak conditions present throughout much of the country. RealtyTrac® foreclosure estimates through November indicate that the state continues to avoid much of the housing finance quagmire, ranking only 33rd out of 50 states when measured by number of foreclosures per household. Most of the foreclosures statewide are highly concentrated in the Tulsa and Oklahoma City areas. Foreclosures are also down more than 14% statewide from November of 2007. Tulsa area financial institutions will certainly experience losses in the current cycle but should bear little resemblance to the state's oil and real estate bust of the early 1980s.

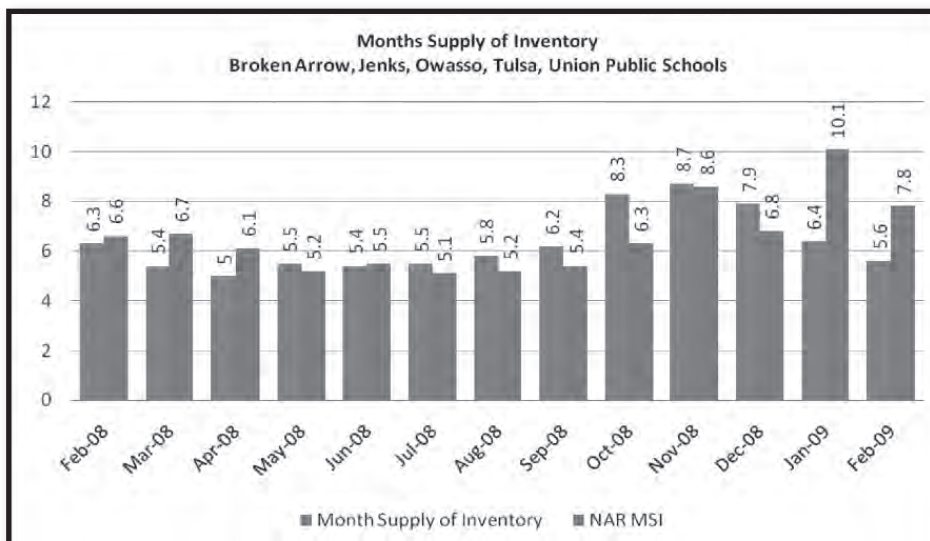
The recent deepening of the national recession and pullback in energy prices will shift job growth downward in Tulsa next year from an expected 0.4% rate this year to -0.2% (-700 jobs) in 2009. This forecast does not yet reflect what we believe will be upward revisions in the data but is in line with an expected -0.2% decline at the state level and will far exceed the -1.5% job decline expected at the national level. The slowing will place upward pressure on the Tulsa area unemployment rate. The jobless rate bottomed around 3% in early 2008, but is expected to rise to an average rate of 5.0% in 2009. Hiring weakness is expected into early 2010 and should push the unemployment rate to an average of 5.5% in 2010. Personal income growth is expected to slow from the energy-enhanced rates enjoyed in recent years that have pushed Tulsa metro incomes to roughly 105% of national incomes. Gains in Tulsa personal income should slow to 3.1% in 2009, boosting Tulsa MSA per capita income further above the nation. Growth in personal income is expected to recover only slowly to 3.4% in 2010, but should remain above the national growth rate. Metro area taxable retail sales will continue to reflect the resilience the Tulsa area economy is showing and is forecasted to increase 4.7% in 2009.

# TULSA OKLAHOMA MARKET continued

Sold Average and Sold Median prices in the primary residential markets within the Tulsa Metropolitan area have remained stable over the past year.



Months Supply of Inventory is calculated using the # of properties that sold PENDING during the month. NAR's calculation reflects the # of properties that CLOSED escrow during the month.



For additional or more current information on the residential market in the Tulsa area, visit [www.rac.net](http://www.rac.net) and select "The RAC Report," or contact either of the following RAC members:

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