

TULSA OKLAHOMA MARKET

State Economic Conditions

Oklahoma is not recession proof, losing almost 50,000 jobs from May of 2008 through September of 2009. These job losses and related unemployment rates likely understate the softness in the Oklahoma labor market. From peak to trough, Oklahoma personal income and wage and salary disbursements fell by more than \$3 billion. Income reductions combined with increased savings rates continue to stifle retail sales. While FY 2009 was challenging for state and local budgets, FY 2010 will exhibit continued deterioration of the tax base. Anticipate some tax base recovery in FY 2011, but not enough to restore tax collections to their FY 2009 level.

State Forecast Highlights

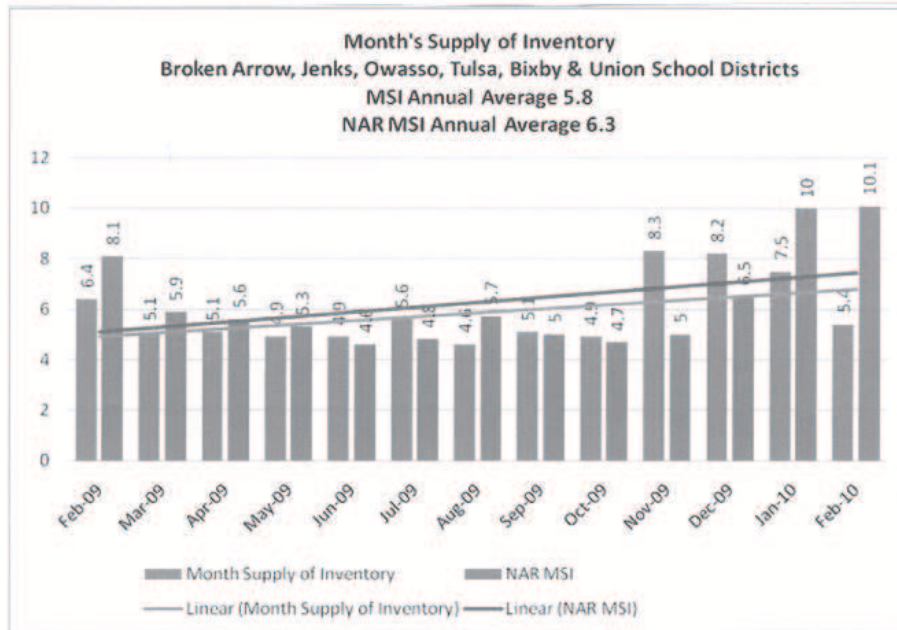
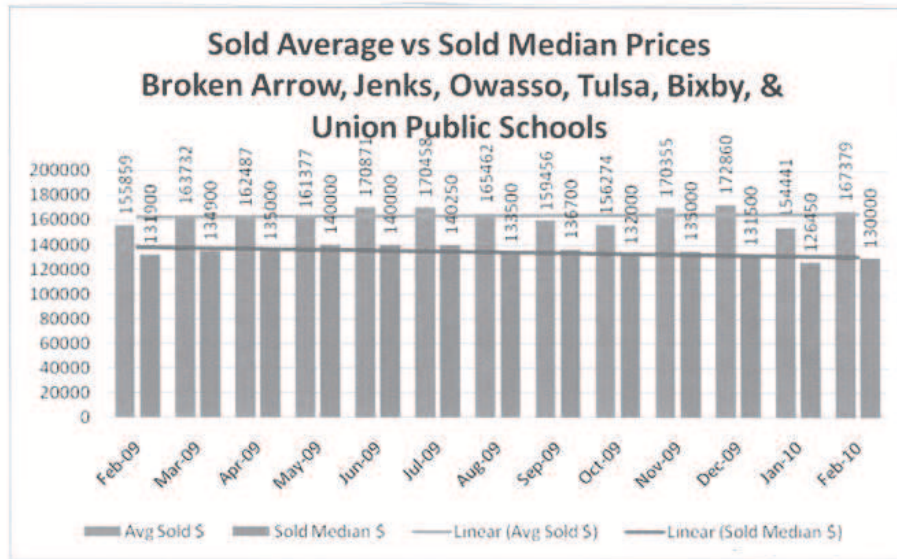
State employment will contract modestly in 2010 before expanding at 1.7% in 2011. Manufacturing employment gains will lag other industries. Gains in Professional and Business Services are likely to lead employment activity in 2011. Tax revenues will rebound slightly in FY 2011. The rebound could prove significant if the global economic recovery holds putting upward pressure on oil and natural gas prices. Real personal income will be relatively flat in 2010 after contracting significantly in 2009. A return to sizable income growth expected for 2011. Ratio of Oklahoma to U.S. personal income expected to hold steady at approximately 90% through the forecast period. Housing prices expected to be stable across the state, but expect weakness in commercial real estate prices and construction while excess capacity remains through 2011.

Risks to State Forecast

- Further deterioration of national economic conditions.
- Suppressed oil and natural gas prices through 2010 and lack of resolution on energy policy from existing Administration
- Negative multiplier effects from strained state and local budgets.
- Restricted capital access to Oklahoma's small businesses.

After closing out 2009 with two strong months, home construction in January settled back to nearly the same level as a year earlier. A total of 133 building permits were issued last month in metropolitan Tulsa, according to New Orders Weekly, a permit tracking service. That's down 30 percent from the 190 issued in December and nearly even with the 137 logged in January 2009. New Orders Weekly reported last month's parity with January 2009 indicates the construction market is anemic. Although January is typically slower than spring and summer months, 2009 and 2010 were the only years in the past decade when January permit totals came in under 200. Though Tulsa area construction in 2009 was down 9 percent from 2008, November's total was 12.2 percent above the same month the year before, and December was up 81 percent year-over-year. Though Tulsa area construction in 2009 was down 9 percent from 2008, November's total was 12.2 percent above the same month the year before, and December was up 81 percent year-over-year. Nationwide, home construction last month rose 2.8 percent to a seasonally adjusted annual rate of 591,000 units, according to the U.S. Commerce Department. Broken Arrow had the highest level of construction in January by a wide margin, with 27 permits issued. Tulsa was next with 18, followed by Bixby at 14.

TULSA OKLAHOMA MARKET continued



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

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