

Owasso Returns to Trend Growth Rate in 2017

The Owasso economy slowed as expected in 2016 following weakness statewide and in the Tulsa region. An acceleration in local activity is already underway as the region moves to a new trend growth rate in 2017.



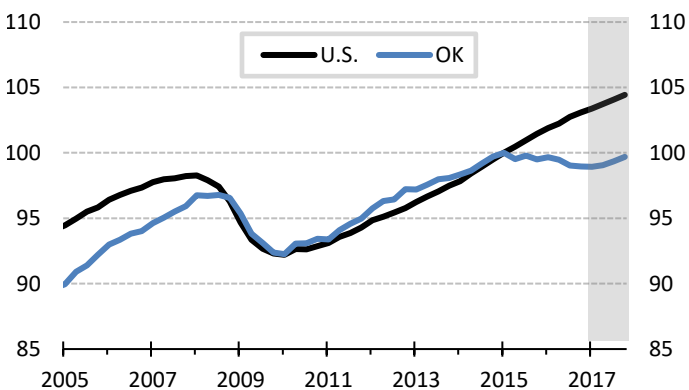
Outlook Summary:

- The expected recovery statewide and in the broader Tulsa region in 2017 should aid growth in Owasso
- Job growth in the local Owasso market should reach 3.1% in 2017, well above gains in the Tulsa region
- Jobs held by Owasso residents should rise 2.1% in 2017
- Retail activity slowed in 2016 but Owasso remains among the strongest markets in the state
- Local population gains should accelerate in 2017
- Single-family housing construction should rise slightly

The Owasso area will finally be aided by a stronger statewide economy in 2017. After posting two consecutive years of declining employment, the state economy is showing signs of a moderate recovery in the first quarter of 2017 (see Figure 1). Most importantly, the state's energy sector is expanding once again, with the rebound in drilling activity surprisingly strong. Total state wage and salary employment is expected to remain roughly flat in 2017 relative to 2016 on a year-over-year basis, but will be a considerable improvement over the job losses last year. Job growth should also be much stronger in the second half of the year relative to the first half.

Figure 1: Index of Wage & Salary Employment – OK vs. U.S.

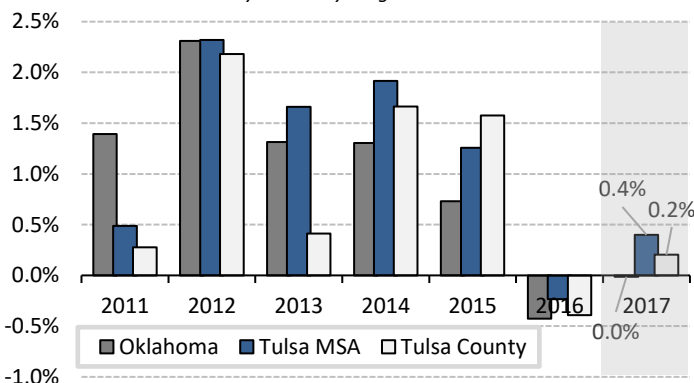
Index: 2010-Q1=100.0



Source: Bureau of Labor Statistics and RegionTrack calculations

The improvement will be visible in the broader Tulsa regional economy this year as well. Hiring in the Tulsa metro area is expected to outpace the state with a 0.4% (3,400 new jobs) year-over-year job gain (see Figure 2). Tulsa County is expected to post slightly slower job growth of 0.2% in 2017, a gain of 720 new jobs.

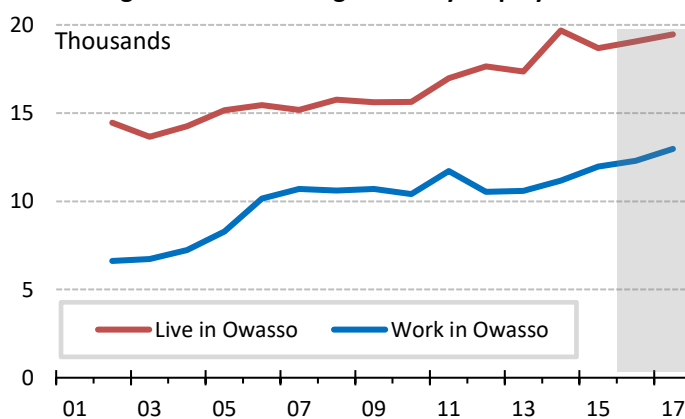
Figure 2: Wage & Salary Employment Growth
year-over-year growth



Source: Bureau of Labor Statistics and RegionTrack calculations

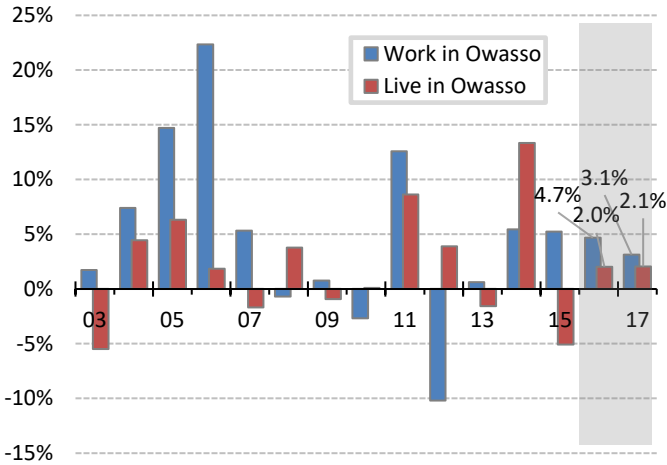
This suggests improved job opportunities in the broader regional job market for the growing number of Owasso residents. Our forecast calls for a gain of 2.1% (400 new jobs) in the number of jobs held by Owasso residents (see Figures 3 and 4). **Hiring growth for jobs located within the city of Owasso is expected to be slightly stronger with a 3.1% gain (390 new jobs) in 2017** (see Figures 3 and 4). However, while local hiring should outpace both the state and the broader Tulsa region in 2017, local job growth will slow from the comparatively strong gains enjoyed in the 2014-2016 period. Local hiring is expected to slow slightly for a 3rd consecutive year as the region stabilizes from the addition of new employers to the area and establishes a new trend job growth rate.

Figure 3. Owasso Wage & Salary Employment



Source: Census Bureau and RegionTrack forecasts

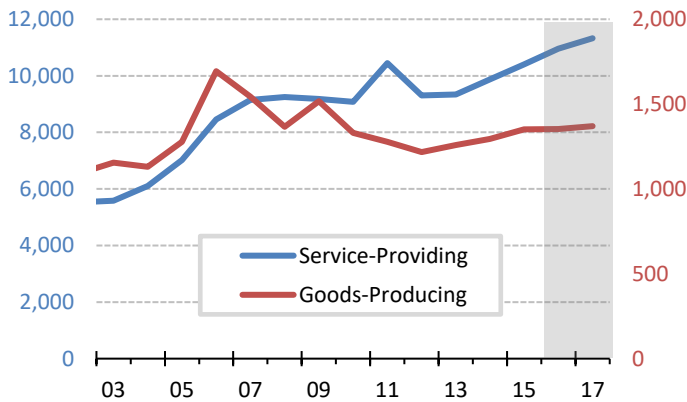
Figure 4. Owasso Wage & Salary Employment Growth



Source: Census Bureau and RegionTrack forecasts

Job growth in the local Owasso market remains largely confined to the service-providing sectors, with only modest net new goods-producing jobs added. Of the roughly 1,700 net new jobs created in the local Owasso market since 2013, nearly all are in services (see Figure 5).

Figure 5. Owasso Local Employment – Goods vs. Services



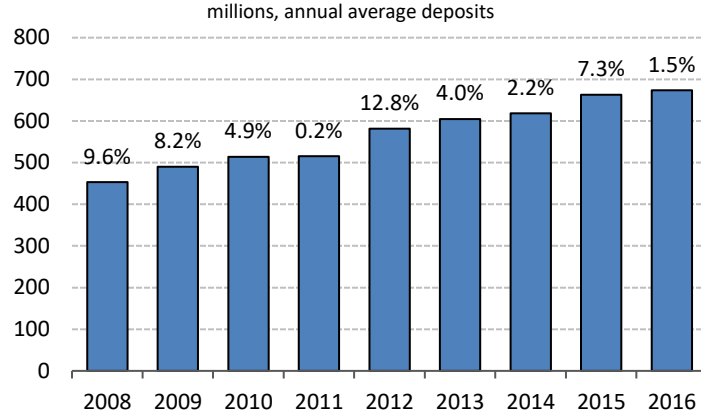
Source: Census Bureau and RegionTrack forecast

The largest gains are in retail, transportation, health care, and leisure/hospitality (see Table 1). More modest service-sector job gains are in the professional and business services and public administration sectors.

The local financial services sector continues to grow steadily and add jobs, with local bank deposits up 30% since job growth resumed in the Owasso area in 2011 following the recent national recession (see Figure 6).

Among the goods-producing sectors, manufacturing and construction have managed small job gains in the current local expansion (see Table 1). The Owasso area also continues to experience very little of the oil and gas-driven weakness that most regions of the state have suffered the past two years.

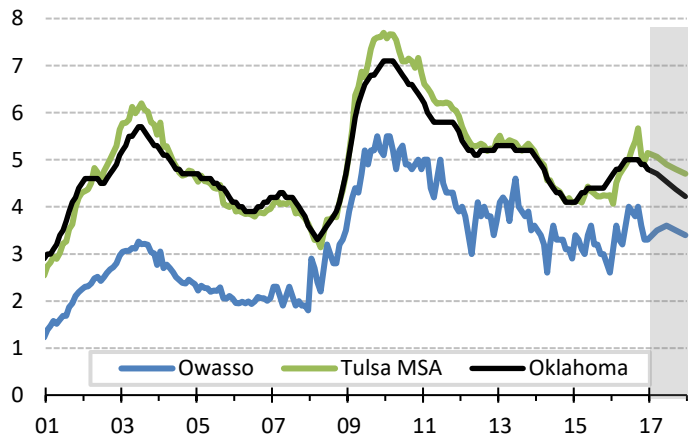
Figure 6. Owasso Bank Deposits and Growth



Source: FDIC and RegionTrack calculations

Owasso's unemployment rate (for city residents) backed up in 2016 as projected to near 4% but has once again eased closer to 3.5% in the latest data. The local jobless rate continues to trend roughly one percentage point below both the region and state (see Figure 7). The jobless rate for both the Tulsa region and the state moved above 5% in 2016, but has improved steadily along with the broader economy since late 2016. Our current outlook is for the state unemployment rate to fall near 4%, and the Tulsa metro rate near 4.5%, by year-end. Our outlook is for the Owasso rate to remain in the 3.0-3.5% range throughout 2017 given already low jobless rates in the city.

Figure 7. Oklahoma and Area Unemployment Rates (%)



Source: Bureau of Labor Statistics

The city's key retail sector slowed as expected in 2016 but managed to post a comparatively strong 2.7% gain for the year. Retail sales statewide declined 5.4% in 2016, with weakness across most areas of the state. **Among the 30 largest city retail markets in the state, Owasso posted the 2nd strongest retail performance in 2016, with only 7 of the 30 cities avoiding a sales decline on the year (see Figure 8).** Only the Canadian County city of El Reno (12.2% gain) outpaced Owasso. The

city of Tulsa posted a 1.5% decline in 2016, while Oklahoma City sales dropped by 3.9%. Owasso outperformed all other Tulsa-area cities among the 30 largest in 2016 including Bixby (1.4%), Sand Springs (-0.1%), Broken Arrow (-0.1%), Claremore (-0.6%), and Sapulpa (-1.4%). Jenks, with an 8.6% gain, is the only Tulsa-area city to outperform Owasso.

Figure 8. Oklahoma's 30 Largest City Retail Markets

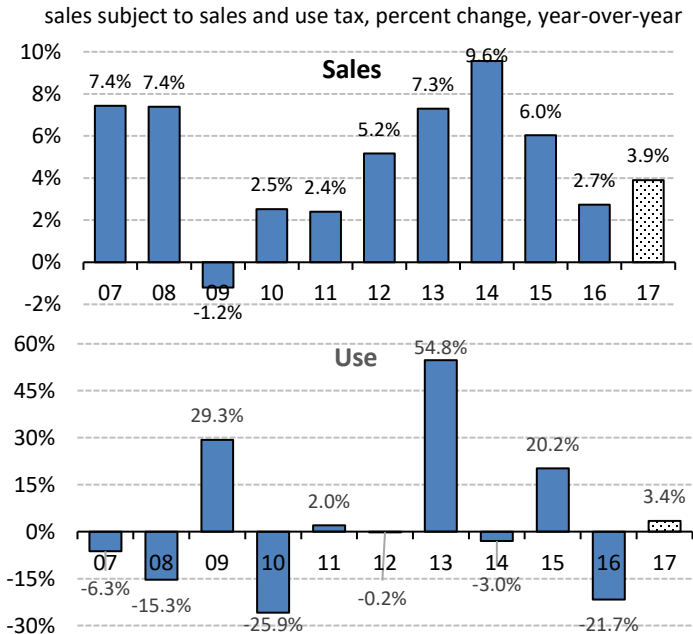
Taxable Sales				Taxable Sales			
City	2015	2016	% Chg	City	2015	2016	% Chg
1 El Reno	281.0	315.2	12.2%	16 Sapulpa	305.4	301.1	-1.4%
2 Owasso	788.7	810.3	2.7%	17 Edmond	1711.4	1687.4	-1.4%
3 Tahlequah	290.0	295.6	1.9%	18 Tulsa	7683.1	7567.1	-1.5%
4 Bixby	292.7	296.8	1.4%	19 Yukon	531.3	522.4	-1.7%
5 Moore	852.9	860.8	0.9%	20 Bartlesville	552.2	540.5	-2.1%
6 Durant	346.7	349.1	0.7%	21 Ardmore	579.9	562.8	-2.9%
7 Shawnee	595.8	595.7	0.0%	22 Ponca City	381.7	368.9	-3.3%
8 Sand Springs	307.0	306.7	-0.1%	23 OKC	10933.1	10510.2	-3.9%
9 Broken Arrow	1367.1	1365.8	-0.1%	24 Duncan	415.6	399.0	-4.0%
10 Ada	379.4	378.8	-0.1%	25 McAlester	401.0	384.9	-4.0%
11 Stillwater	818.3	816.5	-0.2%	26 Chickasha	284.9	272.6	-4.3%
12 Muskogee	609.1	606.1	-0.5%	27 Norman	1923.1	1839.6	-4.3%
13 Claremore	374.1	371.9	-0.6%	28 Enid	861.5	814.2	-5.5%
14 Lawton	1112.7	1099.4	-1.2%	29 Woodward	317.6	273.9	-13.8%
15 Midwest City	831.1	820.5	-1.3%	30 Elk City	321.8	270.5	-15.9%

State of Oklahoma: -5.4% growth in 2016

Source: Oklahoma Tax Commission and RegionTrack calculations

Owasso retail sales have now pushed well above the \$800 million mark at an annual rate. **Forecasts suggest that Owasso will soon pass Enid, Stillwater, Midwest City, and Moore to become the 7th largest city retail market in the state.** These cities are all considerably larger than Owasso based on population and job base.

Figure 9. Owasso Sales and Use Tax Growth



Source: Oklahoma Tax Commission and RegionTrack forecasts

Our current outlook is for retail sales to increase by 3.9% in 2017, a moderate acceleration over 2016 but well below peak growth rates seen in recent years (see Figure 9).

Local use tax pulled back sharply in 2016 as projected following a surge in receipts in 2015 from local construction projects (see Figure 9). **Our outlook calls for a modest 3.4% year-over-year rise in use tax receipts in 2017.**

Much of the softness in retail activity in 2016 is traced to the key Food Service and Drinking Places (see Figure 10) and Hotels and Accommodations sectors (see Figure 11). Food Service and Drinking Places currently generate nearly \$120 million in sales annually (15% of total city sales) and suffered a roughly 2% decline in 2016. Sales in the sector remain highly volatile but likely returned to an uptrend in late 2016.

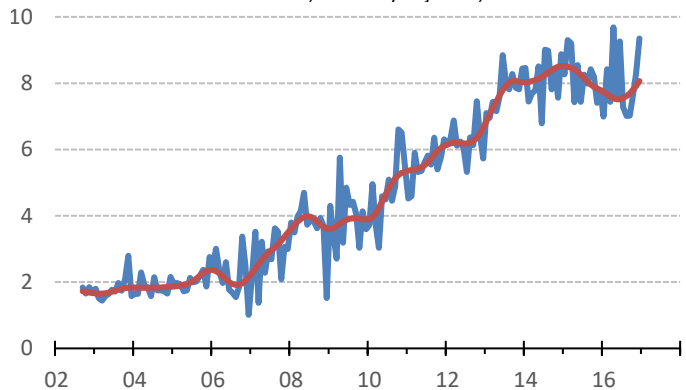
Figure 10. Owasso Taxable Sales – Food & Drinking Places
 millions at annual rate, seasonally adjusted, X-11 trend



Source: Oklahoma Tax Commission and RegionTrack

The local Hotels and Accommodations sector represents only about 1% of total retail activity but suffered a more than 10% decline in 2016. The sector is also reflective of tourism-related activity and is more heavily influenced by overall state economic conditions. While they remain quite volatile, receipts in the sector have resumed an uptrend in late 2016 and are poised for recovery in 2017.

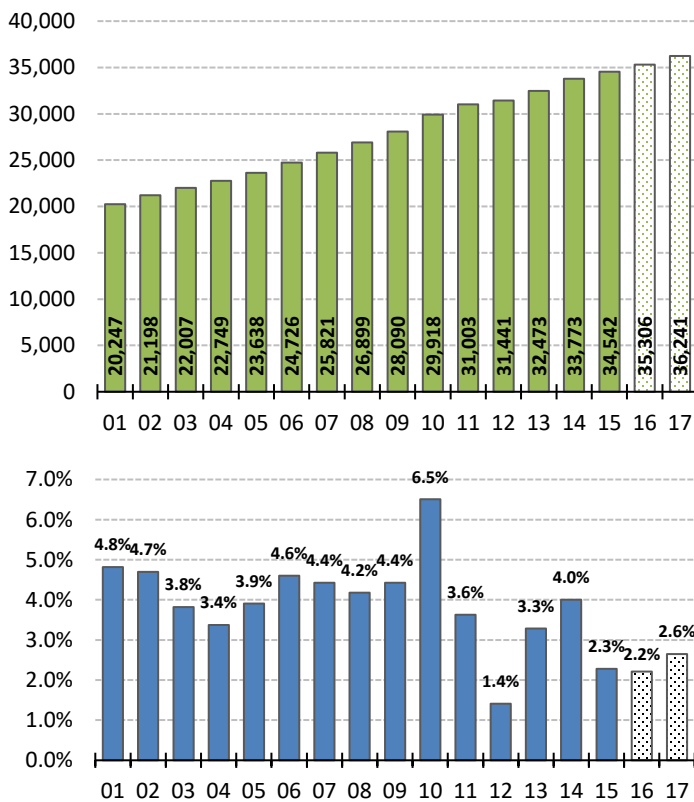
Figure 11. Owasso Taxable Sales – Hotels & Accommodations
 millions at annual rate, seasonally adjusted, X-11 trend



Source: Oklahoma Tax Commission and RegionTrack

Population gains statewide and in Owasso reflect the extended weakness in the state economy the past two years. Our model-based estimates suggest that Owasso population increased 2.2% (750 new residents) in 2016, slightly below the 2.3% gain reported for 2015 (see Figure 12). For comparison, statewide population growth reached only 0.87% in 2015 and 0.37% in 2016. The Owasso gain is consistent with slowing employment gains both locally and in the broader Tulsa area since 2015. Our model-based outlook also suggests that Owasso population growth will accelerate slightly to a 2.6% gain (950 new residents) in 2017. Beyond 2017, our intermediate-term population growth estimates suggest continued growth in the 2.5-3.5% range.

Figure 12. City of Owasso Population Growth



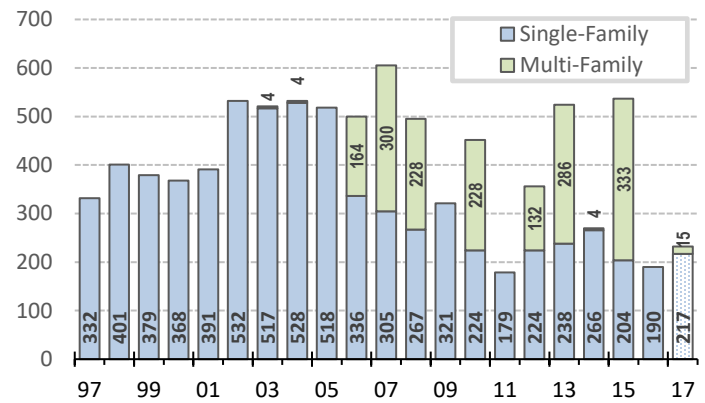
Source: Census Bureau and RegionTrack estimates

Activity in the Owasso housing market has eased along with overall activity in the Tulsa region and shows little signs of being overextended. Single-family housing permits remained relatively flat as expected at 190 units in 2016 (see Figure 13). We expect single-family permits to rise modestly in 2017 to 217 units, a reflection of the modest acceleration in overall activity expected.

The total value of local single-family housing construction is down more than 20%, from \$56 million in 2014 to \$43 million in 2016 (see Figure 14). However, the decline reflects fewer homes being constructed but at a higher average price.

For 2016, the average value of new single-family homes in Owasso exceeded \$227,000 (see Figure 14). This continues a distinct transformation in the local housing market since 2010 when the average new home value was only \$106,000.

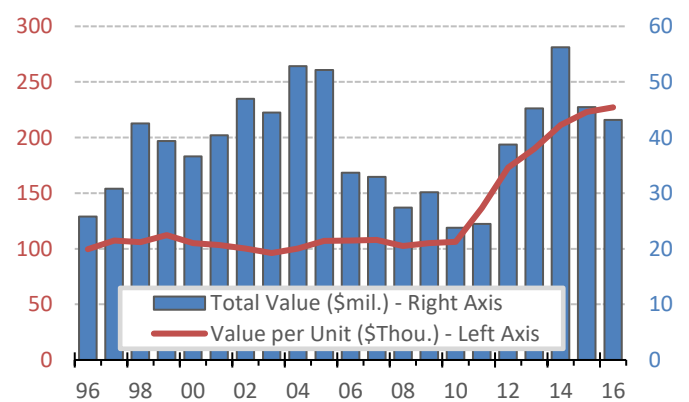
Figure 13. Owasso Single Family Housing Permits



Source: Census Bureau and RegionTrack estimates

Our model-based estimates suggest that little multi-family construction activity (15 units) is likely in 2017 (see Figure 13). However, developers across Oklahoma continue to pursue plans to expand the multi-family inventory in the state this year. An upside move above our model-based projections for local multi-family housing in 2017 would be of little surprise.

Figure 14. Owasso Single Family Housing Permit Values



Source: Census Bureau and RegionTrack estimates

Outlook Summary. Overall, the Owasso economy remains quite strong relative to both the state and the broader Tulsa region. Improvement in the state economy in 2017 will provide additional support for some acceleration in the pace of activity in Owasso this year.

Along with increased hiring in the Tulsa region, our outlook calls for a relatively strong hiring gain of 2.1% in 2017 for Owasso residents. Hiring growth for jobs located in the Owasso market is expected to reach 3.1% this year, however this will reflect a slight slowing relative to the strong local job gains the prior three years. Local job growth remains

confined to the service-providing sectors, with few net new jobs created in the goods-producing sectors.

The city's key retail sector softened to only a 2.7% gain in 2016, but it proved to be the 2nd best performance among the 30 largest city retail markets in Oklahoma. Owasso outperformed nearly all retail markets of all sizes in the Tulsa area. The restaurant and hotel sectors were hit hard in 2016 and acted as a drag on overall retail activity, but both sectors appear to have resumed an upward growth trend. Our outlook for 2017 is for retail sales growth to rebound to a 3.9% gain on a year-over-year basis. We also expect use tax receipts to rise by 3.4% in 2017 following a sharp pullback last year.

Owasso population growth eased along with overall economic activity in 2016. Our model-based estimates suggest that Owasso population increased 2.2% (750 new residents) in 2016 and will accelerate to a 2.6% gain (950 new residents) in 2017. Our intermediate-term population growth estimates suggest continued gains in the 2.5-3.5% range.

Ongoing population gains are driving steady gains in housing activity. We anticipate a modest increase in the number of single-family homes constructed this year, with the average price point reaching more than \$227,000 in 2016. Only a handful of multi-family units are expected in 2017 in our model-based forecasts, though upside potential remains.

March 23, 2017

Table 1. Economic Indicators - City of Owasso, Oklahoma
Seasonally adjusted, annual rate

Economic Indicator	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016e	2017f
Private Wage & Salary Employment (in Owasso)	10,692	10,617	10,700	10,413	11,724	10,529	10,595	11,172	11,759	12,311	12,698
% Change	5.3%	-0.7%	0.8%	-2.7%	12.6%	-10.2%	0.6%	5.4%	5.3%	4.7%	3.1%
Goods-Producing Employment (in Owasso)	1,543	1,367	1,517	1,331	1,277	1,218	1,259	1,295	1,352	1,354	1,370
	-8.9%	-11.4%	11.0%	-12.3%	-4.1%	-4.6%	3.4%	2.9%	4.4%	0.1%	1.2%
Ag, Forestry, Fishing	5	4	15	7	18	4	22	23	19	20	18
	-58.3%	-20.0%	275.0%	-53.3%	157.1%	-77.8%	450.0%	4.5%	-17.4%	5.3%	-10.0%
Mining	106	22	92	83	85	86	81	114	95	91	93
	6.0%	-79.2%	318.2%	-9.8%	2.4%	1.2%	-5.8%	40.7%	-16.7%	-4.2%	2.2%
Construction	563	527	472	391	305	395	376	481	424	420	436
	-20.6%	-6.4%	-10.4%	-17.2%	-22.0%	29.5%	-4.8%	27.9%	-11.9%	-0.9%	3.8%
Manufacturing	869	814	938	850	869	733	780	677	814	823	823
	-0.5%	-6.3%	15.2%	-9.4%	2.2%	-15.7%	6.4%	-13.2%	20.2%	1.1%	0.0%
Service-Providing Employment (in Owasso)	9,149	9,250	9,183	9,082	10,447	9,311	9,336	9,877	10,407	10,957	11,328
	8.2%	1.1%	-0.7%	-1.1%	15.0%	-10.9%	0.3%	5.8%	5.4%	5.3%	3.4%
Trade, Transportation, and Utilities	3,293	3,008	2,517	2,758	3,887	2,771	2,838	3,085	3,447	3,831	3,952
	6.5%	-8.7%	-16.3%	9.6%	40.9%	-28.7%	2.4%	8.7%	11.7%	11.1%	3.2%
Information	87	108	159	122	137	156	149	184	169	175	173
	52.6%	24.1%	47.2%	-23.3%	12.3%	13.9%	-4.5%	23.5%	-8.2%	3.6%	-1.1%
Financial Activities	514	485	486	464	470	432	479	477	485	499	501
	10.3%	-5.6%	0.2%	-4.5%	1.3%	-8.1%	10.9%	-0.4%	1.7%	2.9%	0.4%
Professional and Business Services	1,005	898	1,011	818	853	811	705	812	850	856	897
	-5.8%	-10.6%	12.6%	-19.1%	4.3%	-4.9%	-13.1%	15.2%	4.7%	0.7%	4.8%
Educational & Health Services	2,129	2,354	2,542	2,476	2,503	2,538	2,450	2,497	2,533	2,557	2,664
	11.8%	10.6%	8.0%	-2.6%	1.1%	1.4%	-3.5%	1.9%	1.4%	0.9%	4.2%
Leisure & Hospitality	1,548	1,766	1,846	1,772	1,923	1,901	1,984	2,087	2,161	2,270	2,365
	14.8%	14.1%	4.5%	-4.0%	8.5%	-1.1%	4.4%	5.2%	3.5%	5.0%	4.2%
Other Services	287	338	302	360	368	375	408	426	429	414	425
	7.1%	17.8%	-10.7%	19.2%	2.2%	1.9%	8.8%	4.4%	0.7%	-3.5%	2.7%
Public Administration	286	293	320	312	306	327	323	309	333	355	351
	11.7%	2.4%	9.2%	-2.5%	-1.9%	6.9%	-1.2%	-4.3%	7.8%	6.6%	-1.1%
Employment (LAUS)	9,232	12,927	12,883	14,934	15,424	15,948	16,349	16,931	17,347	17,204	17,391
	-0.8%	40.0%	-0.3%	15.9%	3.3%	3.4%	2.5%	3.6%	2.5%	-0.8%	1.1%
Labor Force (LAUS)	9,424	13,313	13,536	15,731	16,142	16,560	17,025	17,493	17,909	17,838	18,147
	-0.8%	41.3%	1.7%	16.2%	2.6%	2.6%	2.8%	2.7%	2.4%	-0.4%	1.7%
Unemployed Workers (LAUS)	192	385	654	797	718	612	677	562	563	634	629
	0.6%	100.7%	69.7%	21.9%	-9.9%	-14.8%	10.6%	-17.0%	0.2%	12.6%	-0.7%
Unemployment Rate (LAUS)	2.0%	2.9%	4.8%	5.1%	4.4%	3.7%	4.0%	3.2%	3.1%	3.6%	3.5%
	1.9%	42.0%	66.9%	4.9%	-12.2%	-17.0%	7.5%	-19.2%	-2.2%	13.1%	-2.4%
Sales Tax Base (\$Mil)	540.12	580.05	573.10	587.60	601.67	632.75	678.90	743.86	788.73	810.29	841.90
	7.4%	7.4%	-1.2%	2.5%	2.4%	5.2%	7.3%	9.6%	6.0%	2.7%	3.9%
Use Tax Base (\$Mil)	22.65	19.18	24.80	18.38	18.76	18.72	28.98	28.10	33.77	26.45	27.35
	-6.3%	-15.3%	29.3%	-25.9%	2.0%	-0.2%	54.8%	-3.0%	20.2%	-21.7%	3.4%
Wage & Salary Earnings (\$Mil)	209.6	220.4	251.5	257.3	250.5	262.3	265.2	294.9	324.1	330.8	344.5
	0.0%	5.2%	14.1%	2.3%	-2.6%	4.7%	1.1%	11.2%	9.9%	2.1%	4.1%
Population	25,821	26,899	28,090	29,924	31,022	31,447	32,472	33,773	34,542	35,306	36,241
	4.4%	4.2%	4.4%	6.5%	3.7%	1.4%	3.3%	4.0%	2.3%	2.2%	2.6%
Business Establishments	689	765	798	781	801	809	830	840	855	871	887
	0.0%	11.0%	4.3%	-2.1%	2.6%	1.0%	2.6%	1.2%	1.8%	1.9%	1.8%
Single-Family Home Permits (units, annual avg)	305	267	321	224	179	224	238	266	204	190	202
	-9.2%	-12.5%	20.2%	-30.2%	-20.1%	25.1%	6.3%	11.8%	-23.3%	-6.9%	6.3%
Single-Family Home Permit Average Value (\$)	107,313	107,923	102,596	105,109	106,164	136,832	172,905	190,052	211,350	223,002	227,166
	na	0.6%	-4.9%	2.4%	1.0%	28.9%	26.4%	9.9%	11.2%	5.5%	1.9%
Multi-Family Home Permits (units, annual avg)	300	228	0	228	0	132	286	4	333	0	15
	82.9%	-24.0%	-100.0%	na	-100.0%	na	116.7%	-98.6%	8225.0%	-100.0%	na
^e Estimate ^f Forecast	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016e	2017f