

No place to go but up: Projections for Tulsa's economy bolster housing industry

By [Kirby Lee Davis](#)

Kirby Lee Davis is the Tulsa Bureau Chief for The Journal Record. Contact him at 918-295-4982

Posted: 08:36 PM Thursday, November 4, 2010



Sam Rader, CEO of Coldwell Banker Select, gives his presentation at the Tulsa Home Builders Economic Forecast Seminar on Thursday. (Rip Stell)

TULSA – A sense of reluctant, almost doubtful optimism pervaded 2011 forecasts at Thursday's Home Builders Association of Greater Tulsa luncheon.

“I think the key is, we need to know exactly – or more precisely, if possible – what questions we need to ask,” said Coldwell Banker Select Chief Executive Sam Rader said in opening the Forest Ridge Golf Club seminar, a presentation of the HBA's Sales and Marketing Council.

While his comments reflected uncertainty over what economic initiatives, if any, to expect from Washington following Tuesday's turbulent election, the sentiment also captured difficulties they had in forecasting what Tulsa's housing industry and overall economy might endure next year.

Tulsa Metro Chamber economist Bob Ball hit on such concerns when he both started and ended his talk with an open question: Will we face a double-dip recession?

He offered several positive 2011 projections that should embolden economic naysayers who doubt whether the 2008 recession has indeed ended. Using different sources, Ball forecast:

- 3.1-percent growth in Tulsa's gross domestic product, down slightly from 2010 expectations but still positive.
- 3.1-percent growth in Tulsa's personal income, up from 2.2 percent this year.
- 1.1-percent growth in Tulsa's nonfarm employment, reversing two down years.

“We are at a bottom,” he said of the national downturn. “Sales and shipments are beginning to pick up.”

But through that Ball remained cautious, noting the private sector’s reluctance to resume hiring. A Tulsa chamber survey of 500 companies reflected that, with only 18 percent projecting 2011 expansions, even though 48 percent expect to increase their employment.

Ball warned that Tulsa’s 7.4-percent unemployment rate could actually demonstrate positive momentum by rising next year – a result of economic optimism that would spur more people to come back into the work force.

Rader noted that the nation’s average home sales price has settled at about \$171,000, slightly below last year’s marks.

“Prices have flattened out nationally,” he told Thursday’s audience at the Broken Arrow golf club. “They just don’t seem to be going down. The problem is, we’re still on the bottom. It’s just sort of staying there.”

That “sloppy bottom” of ineffective ups and downs frustrates those awaiting something of a return to levels enjoyed four or five years ago, when homes selling below \$200,000 did not dominate activity.

With 4.1 million homes for sale, Rader said the national housing supply sits at 11 months, almost double historic levels. At the same time, he said October’s 60.6 pending home sale index remained 28 percent below year-ago levels that were inflated by the Obama administration’s housing tax credit initiative – a then-welcome event that is now considered to have simply advanced already planned sales.

“In essence, we are 60 percent of the pending contracts that we had in 2001 and in the four or five years subsequent to 2001,” Rader said, adding that distressed properties comprised about 35 percent of this year’s deals.

That hit home for Tulsa homebuilders. At 1,728 through the first nine months of 2010, metro Tulsa housing starts stand 7.7 percent below comparative 2009 levels, according to data released Thursday by the Home Builders Association of Greater Tulsa. September’s 126 starts fell 31 percent from year-ago marks.

“Both the new home construction market and remodeling market have continued to slow over the course of the year, particularly as national incentives for first-time buyers expired, but both are expected to begin to rebound in 2011,” said Valerie Heritage, the association’s public relations director.

Both Rader and Ball spoke with concerns over what direction today’s low interest rates might take in 2011, and what impact a rise could have on the nation’s slow recovery. Ball hinged his double-dip recession question on that, throwing the ball to Ben Cowen, president of Tulsa’s Bank of Oklahoma Mortgage Group.

“Our outlook on rates is that they’re going to be fairly attractive, but from my perspective I think they’re effect’s going to be neutral,” said Cowen, projecting the Federal Reserve would try to keep rates within the 4.25 to 5 percent range.

“I think we’ve just about refinanced everyone in America,” he said. “If interest rates from a mortgage perspective go down, it’s not going to have that much of an impact unless we see the purchase market bubble up.”

He noted the National Mortgage Bankers Association projects such a turnaround in loan activity next year, from 70 percent of volume representing refinancing to 70 percent serving the purchasing market.

The challenge will come with the increased qualifications lenders now require, from reverifying employment on the day of loan closings to multiple property appraisals.

“Standards are being raised to the highest levels I’ve ever seen since I’ve been in the business,” he said.

Cowen also foresees continued consolidation within the mortgage business, noting independent brokers now comprising just 5 percent of the industry.

“I’m very optimistic next year from an interest-rate perspective,” he said. “From my perspective we’ve bottomed out. We can’t go any lower and it’s upward from here.”