

OK & Owasso Economies Continue Expansion in 2024

Owasso has posted four consecutive years of expansion and continues to outperform both the state and Tulsa region in the post-pandemic period. Headwinds remain from the national level as Fed policy is expected to remain tight though most of 2024. The local economy has seen retail soften but is experiencing strong housing growth, particularly multi-family. Population gains continue to far outpace the state, leaving the city well positioned for future growth.



Outlook Summary:

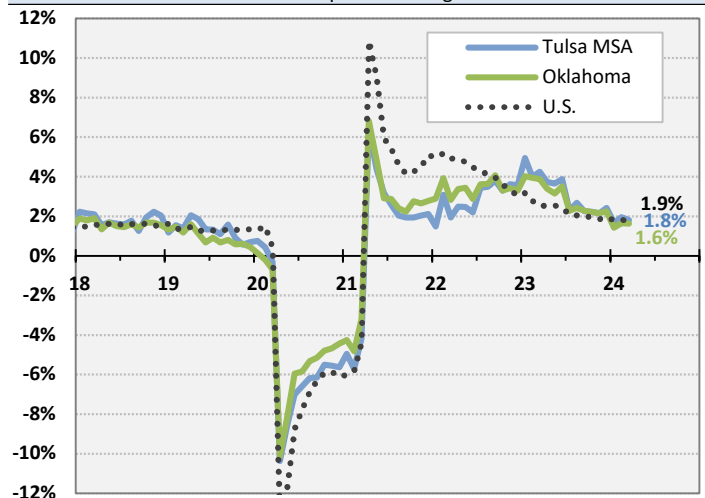
- The U.S. economic expansion remains intact with strong hiring and few areas of weakness.
- Inflation remains slightly elevated but is inching downward toward the Fed's 2% policy target.
- Continued hiring strength is tied to significant federal stimulus remaining in the system and international immigration fueling the labor force.
- Oklahoma job growth is closely tracking the nation and is slightly elevated above its projected long-run pace.
- The Tulsa metro area experienced sharp upward revisions to 2023 job growth and is closely tracking statewide job growth.
- Owasso is experiencing rapid and stable job growth and outpacing both the state and broader Tulsa area.
- Owasso remains in a multifamily housing surge. Single-family home construction expanded further in 2023, with a 3rd consecutive year of strong home price gains.
- Retail growth softened sharply in 2023, as inflation eased and household spending returned to trend.
- The Fed remains data dependent in its inflation fight, as it should. We expect inflation to fall to roughly 2% by year-end 2024 and do not expect additional rate increases this year.
- Elevated interest rates will weigh on state and local economic activity in 2024, but a recession is still not expected in the near term. The Fed might maintain elevated rates even with 2% inflation if the labor market does not cool further.
- Our expectation is for continued growth and outperformance by Owasso relative to Tulsa and the state in 2024.

Despite continued progress on reducing inflation, the Federal Reserve continues to hold interest rates at elevated levels. The Fed's preferred inflation measure (the monthly core PCE deflator) is now at 2.8% the past 12 months and locked in a steady downtrend. Over the past 12 monthly readings, total CPI inflation has averaged 2.4% on an annualized monthly basis. In short, more than 80% of the work on inflation has been completed and the trend remains in the right direction. Our expectation is that inflation

reaches the Fed's comfort level by the end of 2024. We do not expect an abrupt and sizeable policy reversal, but a slow return to neutral interest rates over an extended period.

The primary concern for the Fed remains a very strong labor market. It will be challenging for the Fed to cut interest rates with such strong job growth (Figure 1). U.S. job growth remained elevated at 1.9% in the 12 months ended March 2024. Our estimate is that core job growth for the U.S. is in the 1.2-1.4% range, well below the current pace. Job growth in Oklahoma was 1.6% in the past 12 months, slightly trailing the national gain. The 1.8% job gain in the Tulsa metro area roughly matched the U.S. pace in the period.

Figure 1: Growth in Nonfarm Wage & Salary Employment
12-month percent change

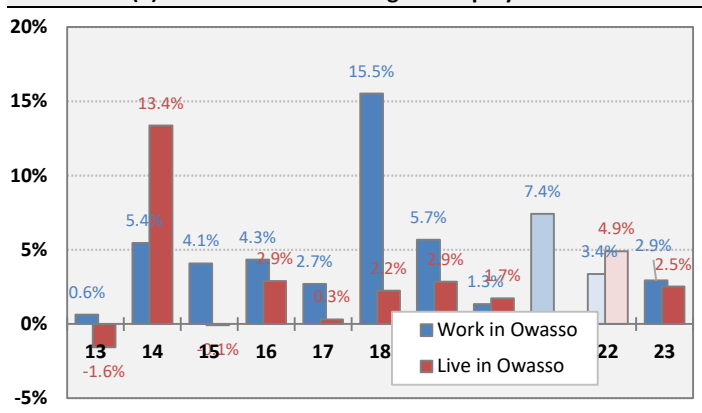
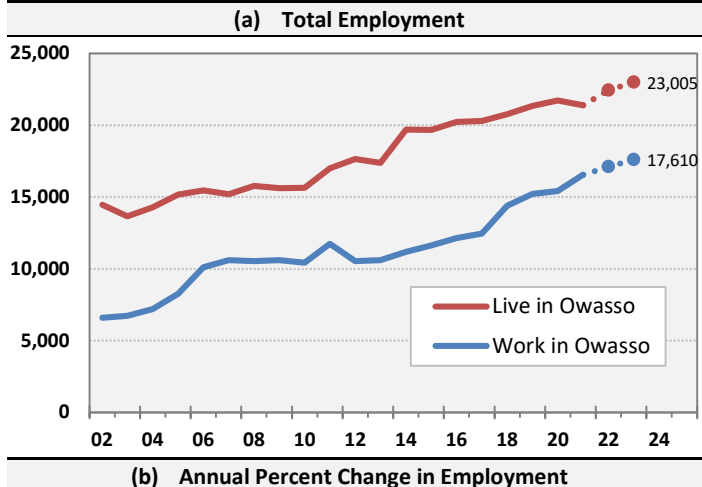


Source: Bureau of Labor Statistics and RegionTrack calculations

Continued strong job growth reflects both significant federal stimulus still in the system and strong international immigration into the U.S. the past two years. Our expectation is that continued tight Fed policy will continue to slow the job growth rate in the 2nd half of 2024. In the coming quarters, we anticipate that the U.S., state, and Tulsa labor markets will continue along the weakening trend in place since early 2023 and return to near their trend growth rates by the end of 2024.

The Owasso labor force is following a pattern similar to the state and nation, with total employment growing rapidly and posting record highs. Local employment remains in a strong uptrend for both jobs based in Owasso and workers who live in Owasso (Figure 2).

Figure 2. Owasso Area Wage & Salary Employment
by place of residence and place of work, zip code 74055



Source: Census Bureau and RegionTrack model estimates in 2022 and 2023

Our latest model-based estimates suggest that the number of jobs located in the local Owasso market reached a record 17,610 in 2023. After posting a substantial pandemic rebound job gain of 7.4% in 2021, local jobs expanded by an estimated 3.4% in 2022 and 2.9% in 2023, far faster than both the state and Tulsa area.

The number of workers who live in Owasso also posted an estimated record high of 23,005 in 2023. The number of local workers was slow to rebound in the post-pandemic period, with a reported decline of 1.5% in the rebound year of 2021. The number of local resident workers then accelerated sharply to a strong 4.9% gain in 2022 followed by a 2.5% gain in 2023.

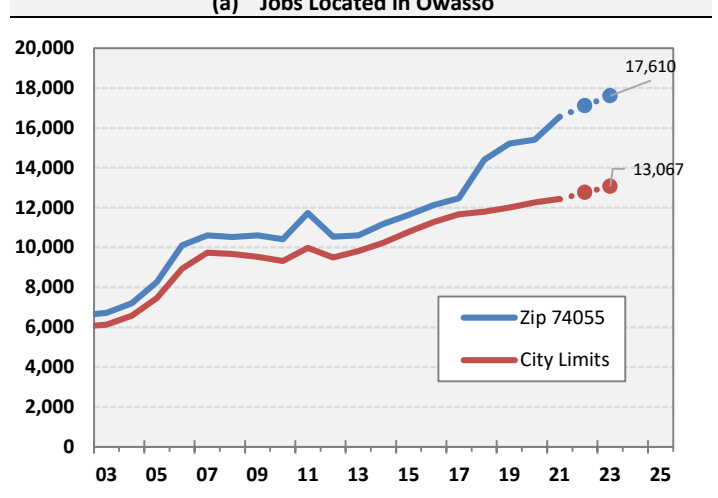
Growth in jobs located within the city continues to far outpace the number of local workers living in Owasso in the long term. Local jobs increased 66% in the past decade,

versus a 32% rise in the number of local workers living in Owasso in the period. Relative to pre-pandemic hiring levels in 2019, jobs located in Owasso are up 15.7% through 2023, versus only 7.8% for workers living in Owasso.

We anticipate that this trend toward faster local job growth will continue for several years as the Owasso area continues to expand hiring in retail, food service, and a range of office-based professional occupations.

Another changing dimension of the local job base is the increasing share of Owasso area jobs that are in the broader 74055 zip code but outside the city limits. Historically, almost 95% of jobs in the Owasso area zip code were located within the city limits (Figure 3). However, since 2017, nearly 3 of every 4 jobs (1,410 of 5,150) created in the 74055 zip code are located outside the city limits. This trend will likely intensify as land within the city limits becomes more fully developed. Future annexations by the city would also affect this trend.

Figure 3. Owasso Area Employment – City vs. 74055 Zip Code



Source: Census Bureau and RegionTrack model estimates in 2022 and 2023

Taxable retail activity slowed sharply in Oklahoma in 2023 as expected. Figure 4 compares the performance of Oklahoma’s 30 largest city retail markets in 2023. The torrid pace of tax revenue growth experienced by most regions in 2021 and 2022 slowed to near normal growth rates in 2023. The effects on the tax base from both inflation and federal government stimulus are steadily waning in most regions.

After posting a 14.8% gain in 2021 and a 10.5% gain in 2022, statewide growth in the sales and use tax base pulled back to only 3.5% in 2023. The sales tax base increased 2.5% while the use tax base increased 8.4%. Strong use tax growth primarily reflects continued strong gains in online sales. The overall 2023 gain of 3.5% only slightly exceeded the 3.3%

inflation rate in the period, suggesting very little real growth in taxable sales activity in 2023.

Growth in the taxable sales and use tax base in Owasso similarly slowed from an 8.9% gain in 2022 to a 2.1% gain in 2023 (Figure 4). By component, the city sales tax base was up only 1.5% while the use tax base increased 7.2%. The overall gain ranks the city 19th among the 30 largest city markets in the state for 2023. Growth in the city’s taxable base trailed the rate of inflation by more than 1 percentage point. Owasso also remains the 8th largest taxable sales market in the state.

Growth rates eased substantially in most Oklahoma cities in 2023. Only two cities among the 30 largest markets – Bartlesville and Duncan – posted a double-digit growth rate for 2023. Bartlesville’s growth reflects the enactment of a new use tax (sales tax growth was only 3%), while Duncan was the only city with organic double-digit growth. These two cities are both oil and gas dependent, with many oil and gas regions of the state posting strong taxable sales results in 2023.

Tulsa (10th) and Oklahoma City (17th) both ranked in the top 20 for 2023 growth. The city of Tulsa (3.7% gain) outpaced Oklahoma City (2.1% gain) by a substantial margin in 2023.

Only three cities in the 30 largest markets – Moore, McAlester, and Bixby – posted a declining taxable base in 2023, with all losses relatively small.

Our current Owasso taxable sales outlook is for growth in the combined sales and use tax base to slow slightly to 1.35% growth in 2024. This reflects an expected 1.0% gain in the sales tax base and a 4.2% gain in the use tax base in 2024. The growth rate in 2024 is expected to trail inflation by more than one percentage point.

Figure 5 provides a comparative view of recent retail performance for 12 cities located within the Tulsa metro area, along with a combined measure for all cities located in Tulsa County. Cities in Tulsa County averaged a combined 3.2% growth rate in 2023, slower than 3.7% growth in the city of Tulsa and state growth of 3.5%.

Six of the Tulsa metro area cities exceeded the 3.2% gain for the county, while the remaining six trailed. The city of Tulsa fared well relative to the outlying suburbs. Only two cities in the region – Sand Springs and Claremore – posted faster growth than the city of Tulsa. Growth in the two largest suburban markets of Broken Arrow and Owasso trailed the city of Tulsa by about one to two percentage points.

Four Tulsa area suburbs – Bixby, Collinsville, Jenks, and Catoosa – all posted contractions in the 1-2% range in their sales and use tax base in 2023.

Figure 4. Sales & Use Tax Base - 30 Largest City Markets in OK

Calendar Year Total						
Rank	Region	% Change		Taxable Sales and Use Tax Base (millions)		
		2023	2022	2023	2022	2021
	Statewide	3.5%	10.5%	\$81,217.6	\$78,453.3	\$70,972.2
1	Bartlesville#	22.5%	4.1%	825.2	673.9	647.1
2	Duncan	12.5%	11.3%	599.8	533.1	479.1
3	El Reno	6.4%	20.1%	391.6	368.0	306.4
4	Lawton	6.2%	4.6%	1,647.9	1,551.6	1,482.9
5	Chickasha	5.5%	13.1%	445.3	422.1	373.3
6	Tahlequah	5.2%	1.2%	451.0	428.9	423.7
7	Sand Springs*	5.1%	4.6%	477.1	453.9	434.1
8	Woodward	5.1%	9.6%	381.1	362.7	330.8
9	Claremore*	4.3%	6.2%	592.9	568.5	535.3
10	Tulsa*	3.7%	10.1%	11,529.6	11,120.5	10,104.6
11	Ponca City	3.5%	2.9%	526.7	508.7	494.6
12	Durant	3.5%	6.3%	589.2	569.2	535.3
13	Sapulpa*	3.3%	9.2%	510.3	493.9	452.4
14	Broken Arrow*	2.8%	11.3%	2,364.3	2,299.5	2,066.9
15	Mustang	2.5%	12.6%	435.2	424.6	377.0
16	Ardmore	2.2%	7.1%	907.8	887.9	829.1
17	Oklahoma City	2.1%	12.4%	17,662.5	17,301.8	15,386.4
18	Stillwater	2.1%	7.1%	1,126.2	1,103.3	1,030.2
19	Owasso*	2.1%	8.9%	1,266.2	1,240.8	1,139.8
20	Enid	1.9%	4.3%	1,052.3	1,032.3	989.6
21	Edmond	1.9%	10.1%	2,809.1	2,756.6	2,504.0
22	Ada	1.8%	6.6%	542.2	532.8	500.0
23	Midwest City	1.7%	7.0%	1,185.5	1,166.0	1,089.2
24	Shawnee	1.1%	7.3%	875.8	866.2	807.3
25	Yukon	0.7%	12.6%	810.0	804.7	714.5
26	Norman	0.4%	8.1%	2,821.3	2,811.3	2,600.6
27	Muskogee	0.1%	9.4%	882.6	881.8	806.2
28	Moore	-0.1%	10.9%	1,368.2	1,369.6	1,234.7
29	McAlester	-0.2%	12.2%	540.5	541.4	482.7
30	Bixby*	-1.1%	16.2%	571.8	578.0	497.4

Source: Oklahoma Tax Commission and RegionTrack calculations.

Notes: *Tulsa metro area cities. #Bartlesville instituted a new use tax in 2023.

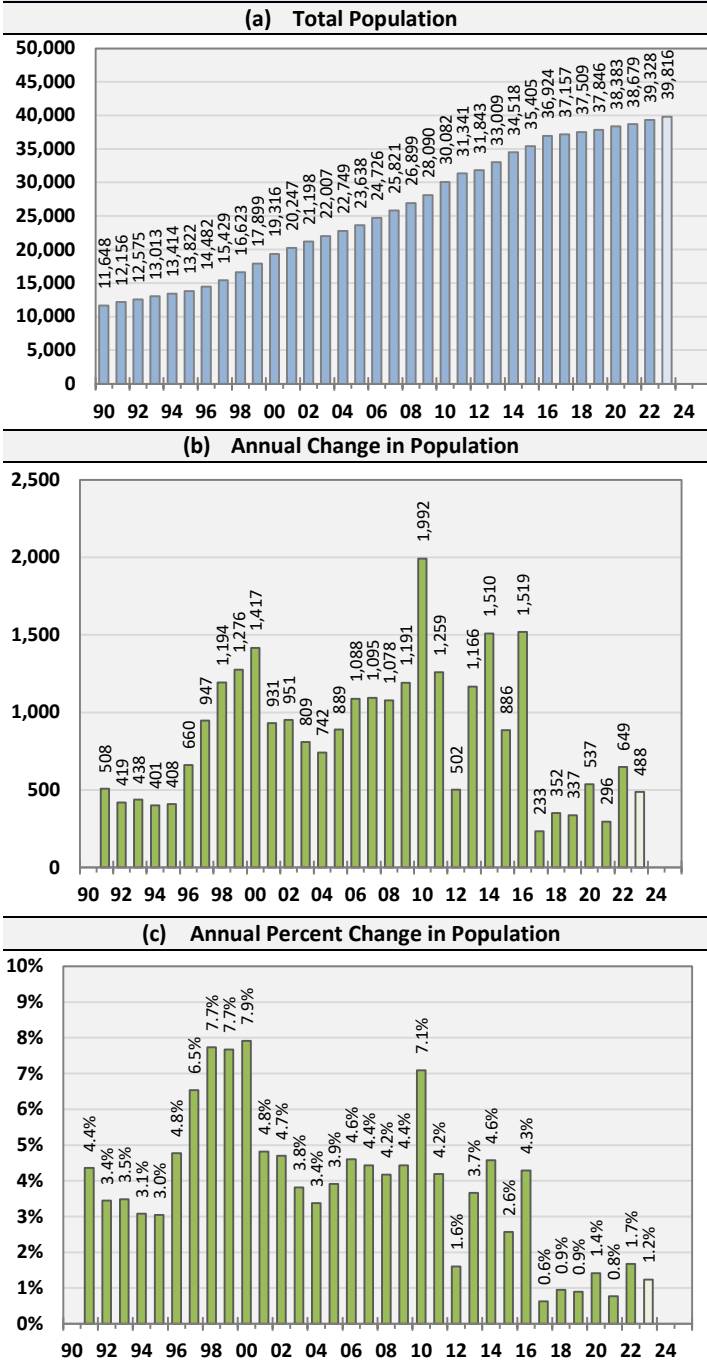
Figure 5. Sales & Use Tax Base – City Markets in Tulsa Area

Calendar year total						
Rank	Region	% Change		Taxable Sales & Use Tax Base (millions)		
		2023	2022	2023	2022	2021
	Statewide	3.5%	10.5%	\$81,217.6	\$78,453.3	\$70,972.2
	Tulsa County	3.2%	10.3%	17,177.2	16,652.4	15,090.9
1	Sand Springs	5.1%	4.6%	477.1	453.9	434.1
2	Claremore	4.3%	6.2%	592.9	568.5	535.3
3	Tulsa	3.7%	10.1%	11,529.6	11,120.5	10,104.6
4	Skiatook	3.4%	8.2%	165.6	160.3	148.1
5	Glenpool	3.3%	9.1%	300.4	290.8	266.6
6	Sapulpa	3.3%	9.2%	510.3	493.9	452.4
7	Broken Arrow	2.8%	11.3%	2,364.3	2,299.5	2,066.9
8	Owasso	2.1%	8.9%	1,266.2	1,240.8	1,139.8
9	Bixby	-1.1%	16.2%	571.8	578.0	497.4
10	Collinsville	-1.1%	16.0%	107.1	108.3	93.4
11	Jenks	-1.7%	17.9%	377.0	383.6	325.3
12	Catoosa	-1.8%	4.7%	307.4	313.1	299.2

Source: Oklahoma Tax Commission and RegionTrack calculations

Population gains in the city of Owasso continue at a moderate pace relative to historical gains but continue to far outpace the state. The most recent estimate released by the Census Bureau for 2022 suggests that city population reached 39,328 (Figure 6). Our current model-based estimate of total city population for 2023 is 39,816. The latest estimates suggest 649 new Owasso city residents in 2022 and 488 in 2023.

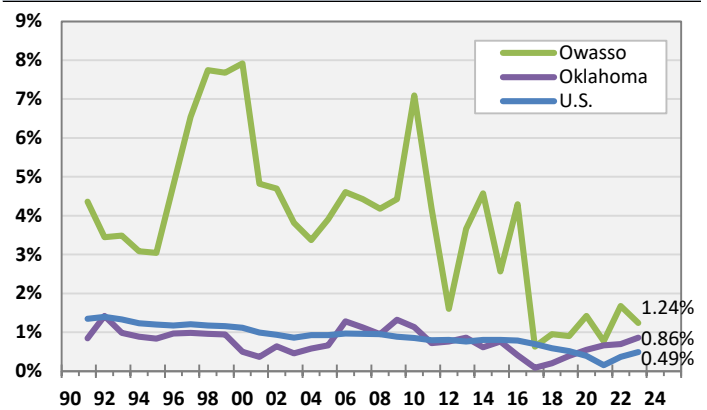
Figure 6. Total Population and Annual Growth - City of Owasso



Source: Census Bureau and RegionTrack estimates

The downshift in city population growth beginning in 2017 reflects the shifting trend toward sharply slowing population growth at both the state and national levels in the period (Figure 7). Nevertheless, Owasso's average annual gain of 1.1% in the 2017 to 2023 period remains more than double the average annual gain of 0.46% nationally and 0.49% statewide in the period.

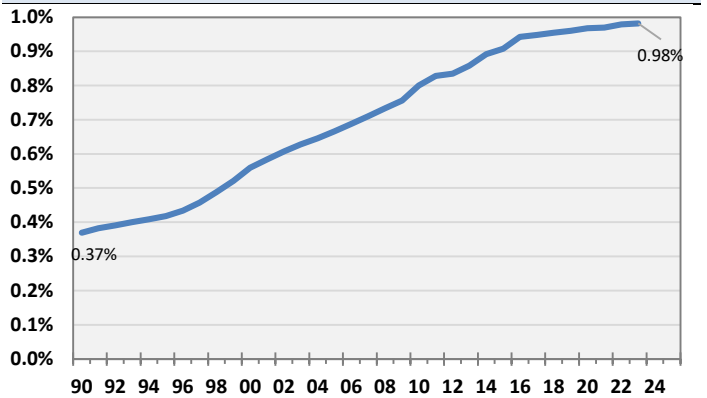
Figure 7. Population Growth



Source: Census Bureau and RegionTrack calculations

The city of Owasso continues to represent a growing share of total state population (0.98%), reaching almost 1% of total state residents in our 2023 estimate (Figure 8). The city's share is up from 0.86% a decade ago in 2013 and has doubled since 1998.

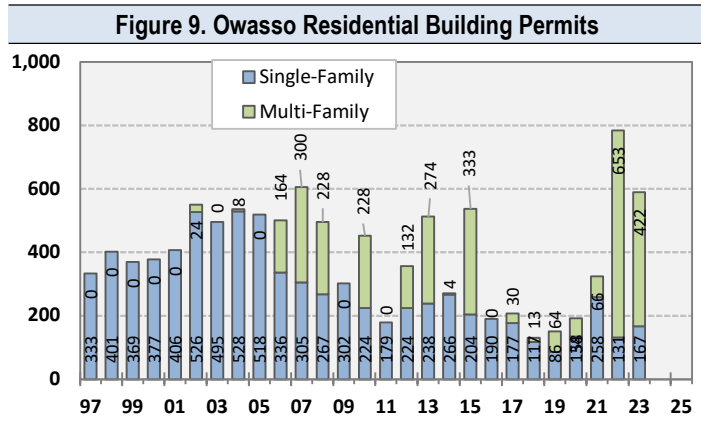
Figure 8. City of Owasso Share of State Population



Source: Census Bureau and RegionTrack calculations

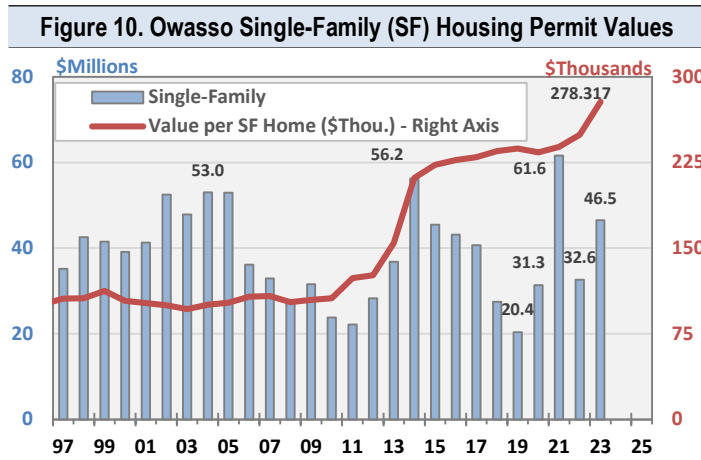
Population gains continue to fuel steady housing growth in Owasso. As a result, the local housing market continues to produce record numbers of building permits for housing units, led by ongoing multi-family development (Figure 9). Multi-family permits totaled 422 in 2023, or more than 1,000 when combined with the 653 units permitted in 2022. Single-family home development showed increased strength in 2023. Permits for new single-family homes increased to 167 units in 2023, up 27% from 131 units in 2022. Combined, the 1,373 total housing permits issued in 2022 and 2023

represent the most housing permits authorized in any 2-year period in the city's history.



Source: Census Bureau and RegionTrack calculations

The total permitted value of new single-family housing jumped to \$46.5 million in 2023, up 43% from 2022 (Figure 10). The average value of a single-family home permit jumped to \$278,317 in 2023, up 11.7% from 2022.

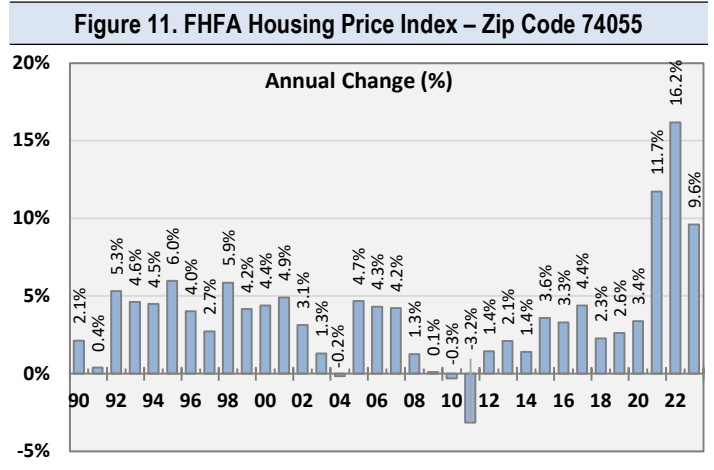


Source: Census Bureau and RegionTrack calculations

The housing price surge in Owasso continued in 2023 for the third consecutive year, with a nearly double-digit gain. The FHFA developmental historical housing price index for the primary Owasso zip code (74055) indicates a 9.6% gain in 2023. This follows double-digit gains of 11.7% in 2021 and 16.2% in 2022 (Figure 11). **The sharp gains of the past three years combined for a cumulative 42% gain in Owasso home prices.**

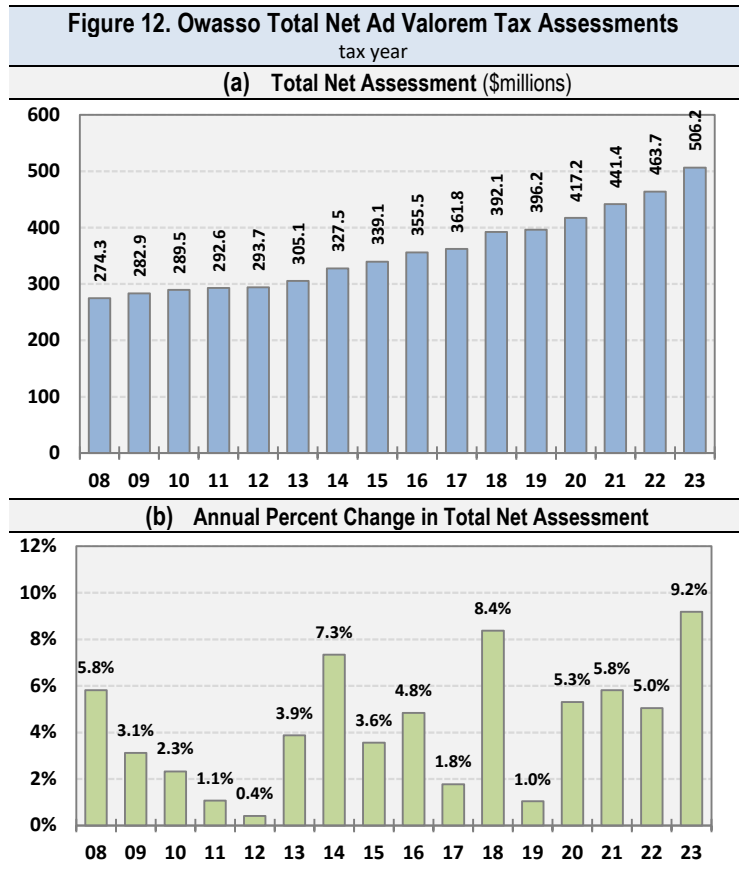
Housing prices followed a similar path in most areas of the state. For comparison, prices at the state level increased 11.6% in 2021 and 15.9% in 2022 before cooling to a 7.1% gain in 2023.

Prices in the Tulsa metro area posted average annualized gains of 12.6% in 2021 and 17.2% in 2022 before slowing to an 8.3% gain in 2023. Owasso slightly outpaced the housing price gain in the Tulsa metro area in 2023.



Source: FHFA Housing Price Indexes and RegionTrack calculations

Reflective of local housing price gains, the Owasso area continues to post very strong gains in local taxable property valuations. Net assessments increased 9.2% in tax year 2023, far stronger than the roughly 5% valuation gains posted in the 2020 to 2022 period (Figure 12). Total net assessed property in the Owasso district reached a record \$506 million in tax year 2023. Total valuations in Owasso are now up a cumulative 66% (5.2% annually) from 2013 to 2023.



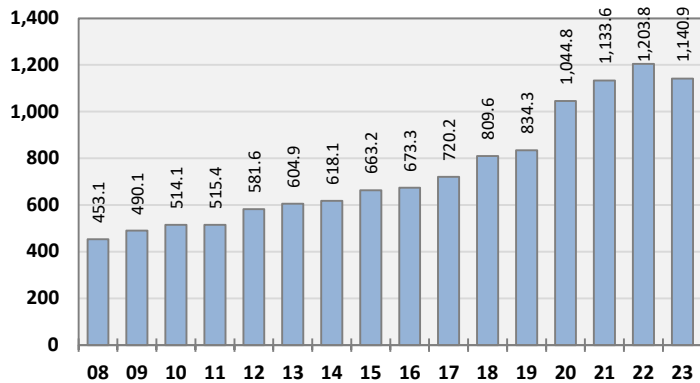
Source: Tulsa County Assessor and RegionTrack calculations

Notes: Total net assessments are for the Owasso School District. Total net assessments are calculated as the sum of net personal property, real property, and public services property minus homestead exemptions.

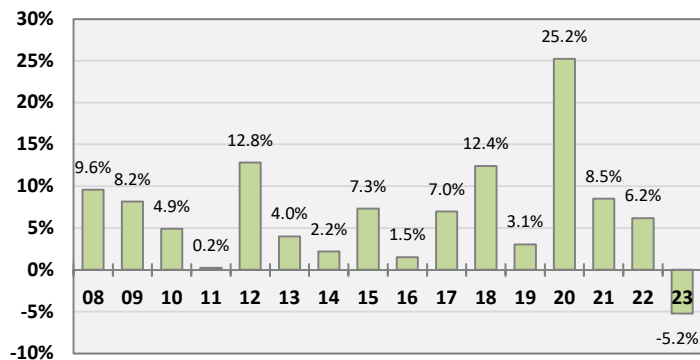
Demand deposit growth finally gave back some of the strong post-pandemic gains at Owasso-based bank branches in 2023. Total demand deposits at Owasso branches declined 5.2% in 2023, to \$1.14 billion (Figure 13). Adjusted for population changes, deposits per capita in the Owasso market also dropped by 6.4% in 2023.

This is the first annual pullback since federal stimulus payments to both households and businesses produced a surge in demand deposits at banking institutions in 2020. Nationally, demand deposits peaked in the 4th quarter of 2022 and have declined slightly since. Much of the decline in demand deposits is traced to a shift of demand deposits to interest bearing bank deposits and money market mutual funds. Nevertheless, total U.S. demand deposits remain persistently high and are currently about \$3.5 trillion above the pre-pandemic level in early 2020. We anticipate further declines in demand deposits in 2023 as households and businesses continue to rebalance bank holdings.

Figure 13. Owasso Bank Deposits
 annual average deposits, June 30 total
 (a) Total Bank Deposits (\$millions)



(b) Annual Percent Change in Bank Deposits



Source: FDIC and RegionTrack calculations

Nine local banking institutions, large and small, continue to operate branches in Owasso (Figure 14). Deposits remain highly concentrated in four institutions, all with demand deposits of more than \$100 million each. The four largest banks combined hold 88% of total deposits in the city.

Four of the five largest banks operating branches locally lost demand deposits in 2023. First Bank of Owasso (\$499 million) lost \$59 million in deposits but remained the largest local institution by deposits, with a nearly 44% deposit share in the market. Both RCB Bank (18.15% share) and Bank of Oklahoma (14.4% share) lost demand deposits in 2023 but managed to expand their share of local demand deposits. Arvest Bank managed to increase both total local deposits and their market share to almost 12% of local deposits in 2023. The five remaining smaller institutions lost only a combined \$1.5 million in demand deposits, but their combined share of the local market remained unchanged at 12.2% of city demand deposits in 2023.

Figure 14. Owasso Bank Demand Deposits by Institution - 2023
 percent of total local deposits, June 30 total, zip code 74055

Bank	Demand Deposits (Millions)	Share of Total Deposits
First Bank of Owasso	\$498.9	43.7%
RCB Bank	206.0	18.1%
BOKF, NA	164.6	14.4%
Arvest Bank	132.1	11.6%
The Central Trust Bank	42.5	3.7%
Prosperity Bank	33.1	2.9%
Armstrong Bank	31.7	2.8%
The Exchange Bank	16.3	1.4%
International Bank of	15.5	1.4%
Owasso Total	\$1,140.9	100.0%

Source: FDIC and RegionTrack calculations

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