

Owasso Recovery Strong in '22 as Policy Shift Begins

Owasso has now posted two years of economic expansion and is expected to outperform both the state and Tulsa metro area in 2022. Strong retail and housing activity should continue. The shift toward tighter monetary policy will begin to weigh more heavily on national, state, and local growth in 2023. Both upside and downside risks to growth remain.



Outlook Summary:

- The U.S. economic expansion has reached two years and carries significant momentum into 2022.
- The state and Tulsa area economies accelerated sharply in early 2022 after trailing the nation in the recovery.
- The Owasso job market has rebounded, retail activity remains strong, and local housing activity has surged.
- City population estimates were revised upward and continue to far outpace the state and nation.
- Waning federal stimulus and tightening monetary policy will weigh on economic conditions in 2023.
- Our expectation is for continued outperformance by Owasso in 2022 and into 2023.

U.S. Economy Carries Significant Momentum into a Period of Tighter Policy. The national recovery now extends more than two full years and continues at a well above average pace. U.S. job growth remains more than double recent historical trend growth rates. The odds of a recession in the next 6-12 months remain low, with strong economic results expected for all of 2022.

However, the recent policy reversal by the Federal Reserve has flipped the U.S. economic backdrop from excessive stimulus to meaningful headwinds. Fed tightening is already having highly visible effects on financial markets but is not expected to influence real economic growth in a meaningful way until 2023.

Far Greater Uncertainty in the National Outlook. U.S. job growth rebounded from a 5.7% decline in 2020 to a 2.7% year-over-year gain for all of 2021. Our current estimate is that U.S. job growth will reach 3.7% for all of 2022 before slowing to only 1.6% in 2023 as Federal Reserve policy tightens and available sources of labor supply are fully absorbed.

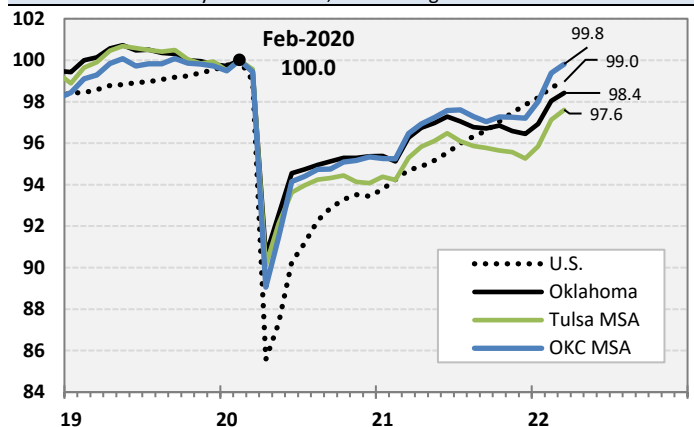
Our U.S. job forecasts for 2023 is highly dependent upon the path of Fed policy in the interim and have significant variation. Our high case of 2.2% job growth in 2023 assumes that a mild Federal Reserve response successfully tames inflation and that a major slowing of the economy is not required. Our low case of 0.8% job growth in 2023 assumes the Fed faces a far more difficult task in taming inflation that requires a substantial slowing in economic conditions. We

currently assign a 50% likelihood to the base case and a 25% likelihood to both the high and low cases.

Consumer Spending Carrying Economic Activity. The performance of the U.S. economy is now most closely tied to household consumption, with the consumer now battling high inflation and no longer receiving fiscal stimulus. Nevertheless, the large increase in cash balances among households during the pandemic suggests that accelerated spending can last for an extended period. The same pattern of high cash balances and accelerated consumer spending is visible in state economic activity.

State Growth Accelerates in Early 2022. After trailing the pace of national growth through most of the recovery, the Oklahoma economy accelerated sharply in the first quarter of 2022 (Figure 1). The pace of hiring in the state the past 12 months remains just below the national pace but the gap closed substantially in early 2022 (Figure 2). Much of the surge is traced to a significant increase in energy prices and a resurgence in activity in the state's energy sector.

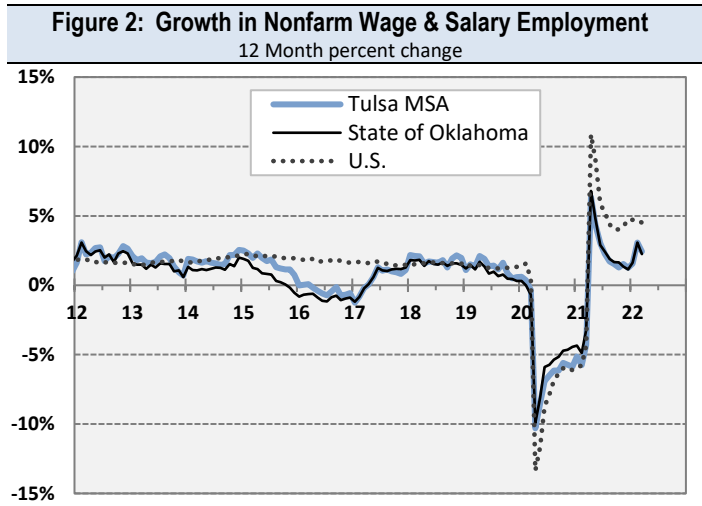
Figure 1: Index of Nonfarm Wage & Salary Employment
February 2020 = 100.0, data through March 2022



Source: Bureau of Labor Statistics and RegionTrack calculations

The recovery of jobs lost in the state during the pandemic is nearly complete. The level of state employment fell 11% in the recession but is now only about 1.6% below its pre-pandemic level. The state hiring gap remains slightly larger than the 1.0% gap at the national level. Based on our current base forecast, the nation is expected to reach full

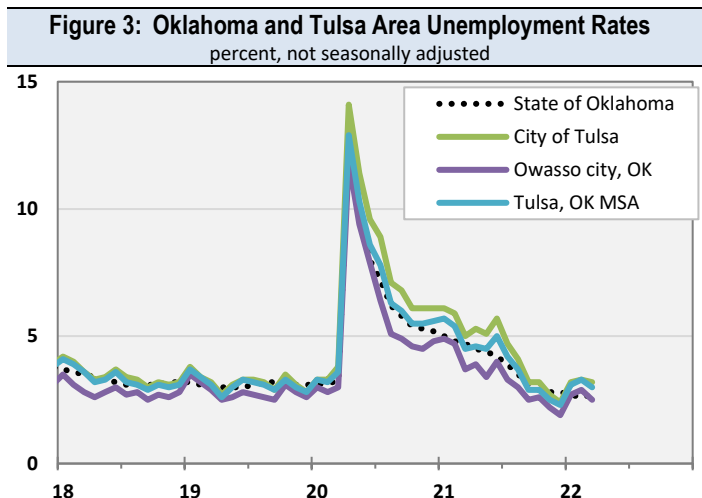
job recovery by the end of 2022 and the state by early- to mid-2023.



Source: Bureau of Labor Statistics and RegionTrack calculations

Tulsa Metro Area Growth Trails State in Recovery. The Tulsa metro area economy is in full recovery but continues to trail the pace of job gains at the state level. The Tulsa metro area roughly matched the state job decline of 10% but has a larger employment gap of 2.4% relative to the pre-pandemic level. Full job recovery in Tulsa is not expected until mid- to late-2023. The OKC metro area remains relatively stronger and has already recovered approximately all the jobs lost during the pandemic.

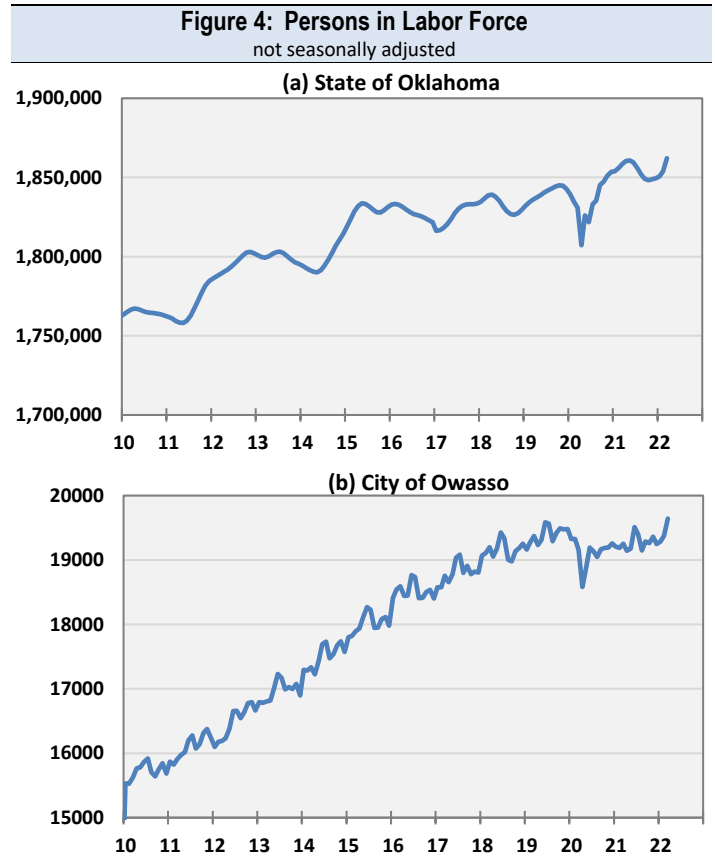
Unemployment rates across the state are now nearing 20-year lows. The state’s jobless rate dropped to 2.7% in March 2022, down from a peak of 12.6% in April 2020 (Figure 2). The state rate is about one full percentage point below the 3.6% rate for the nation. Owasso’s 2.5% jobless rate is slightly below the state, and more than a half percentage point below the 3.2% rate in the City of Tulsa and the 3.0% rate in the Tulsa metro area.



Source: Bureau of Labor Statistics

A common narrative early in the pandemic suggested that workers were dropping out of the labor force and creating tightness in the labor market. Labor force growth has since accelerated sharply at the national level and recovered almost fully. At the state level, the labor force dropped sharply during the recession in early 2020 but quickly rebounded well above pre-pandemic levels and is again growing at its historical trend growth rate (Figure 4a).

For workers living in Owasso, however, the size of the labor force dropped sharply during the recession and has since shown far more weakness relative to the state and national labor force (Figure 4b). The Owasso labor force only recently returned to near pre-pandemic levels and is showing little momentum. The Tulsa metro area is similarly showing sluggishness in labor force growth.



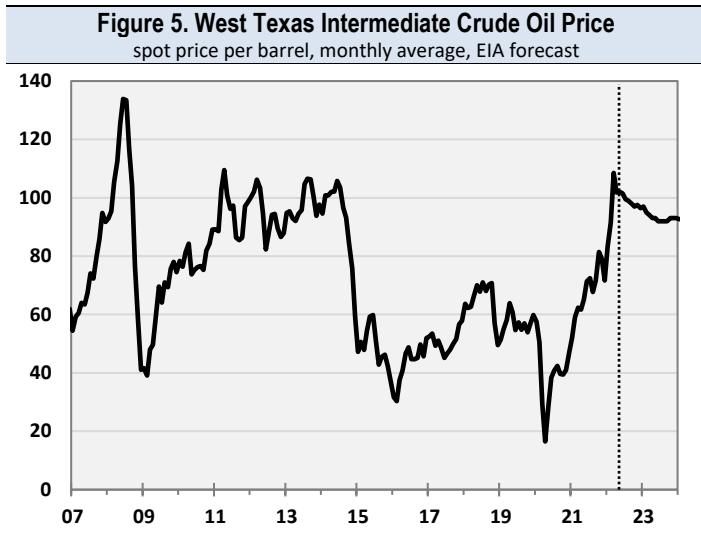
Source: Bureau of Labor Statistics

We anticipate continued strong job growth in Oklahoma through the end of 2022. Our 2022 base case forecast for the state calls for job growth of 1.9% (30,900 jobs). This trails well behind the 3.7% gain expected at the national level in 2022.

Our current outlook for 2023 is for a 1.4% year-over-year job gain (22,900 jobs) in Oklahoma, only slightly below our 1.6% forecast for U.S. job growth. The 2023 estimates for the

nation and state carry heightened uncertainty given ongoing policy tightening by the Federal Reserve.

Expansion in the state oil and gas industry finally resumed in the first half of 2022. The surge in crude oil prices above \$100 per barrel in early March 2022 provided a meaningful boost to state economic growth (*Figure 5*). Oil prices have more than tripled from the lows posted in early 2020 and U.S. Energy Information Administration forecasts suggest that oil prices will decline to only about \$90 by the end of 2023. Natural gas prices have similarly moved to elevated levels since the third quarter of 2021, providing the state with substantial net economic stimulus.



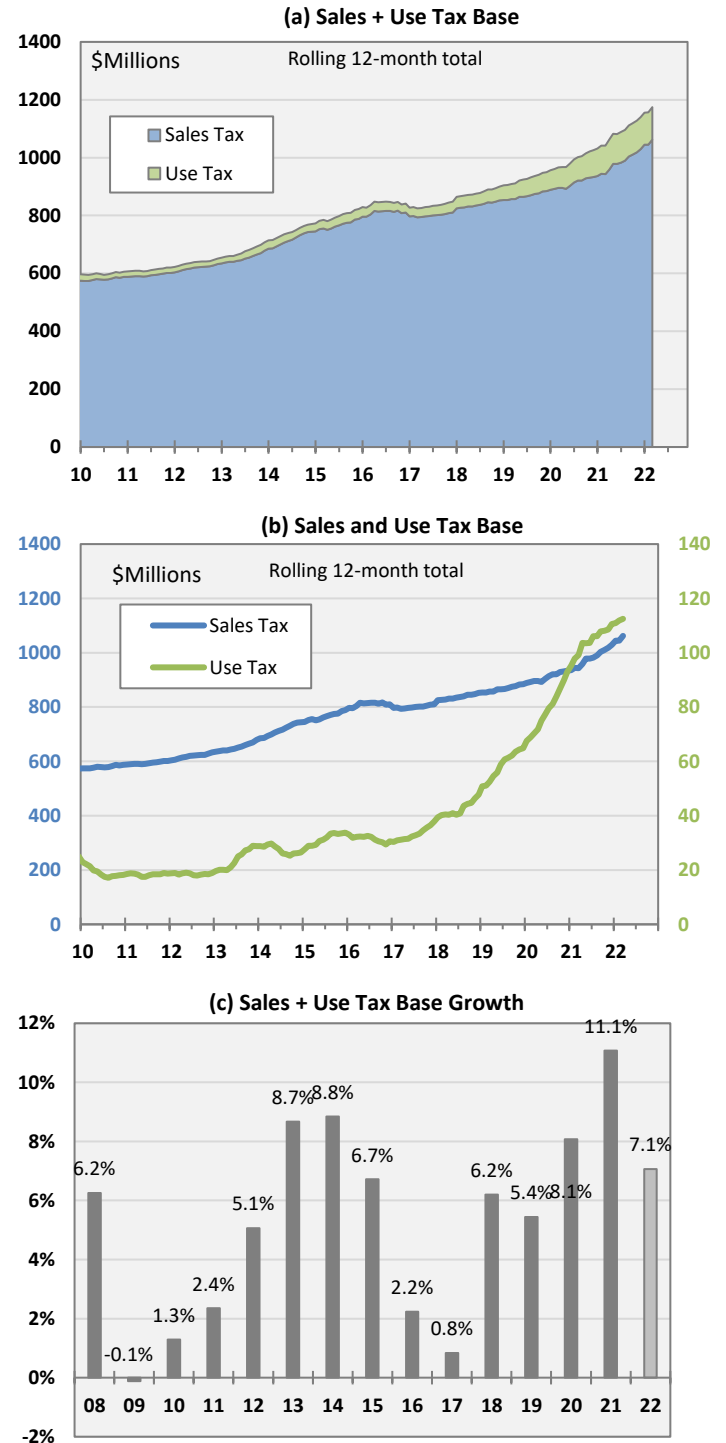
Source: U.S. Energy Information Administration (EIA)

Tax collections statewide and in most cities have remained elevated throughout the recession and recovery. Federal stimulus is no longer being added to the economy, but cash holdings of households remain greatly elevated because of federal transfers. Increases in consumer-related tax streams such as sales, use, and motor vehicle tax also reflect the effect of sharply higher inflation on the price of taxable goods and services. Consumer prices have increased a cumulative 12.8% since the recovery began in May 2020 and 8.2% in the 12 months ended April 2022.

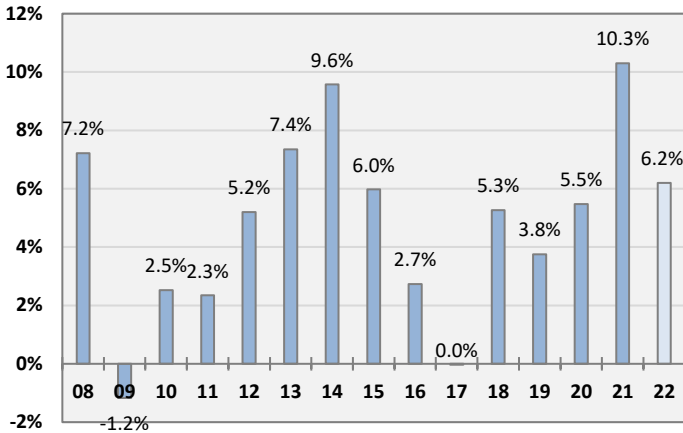
Sales and use tax collections remain strong in Owasso as well (*Figure 6*). Transactions subject to both sales and use tax posted a combined 11.1% gain in calendar year 2021. This is comprised of a 10.3% gain in the sales tax base and a 18.8% gain in the smaller use tax base. Large use tax gains continue to be driven by growing remittances from online retailers, an existing trend that intensified during the pandemic. Sales tax growth in 2021 exceeded our forecast of 6.8%; however, use tax growth in 2021 was well below our forecast. This suggests stronger local brick and mortar sales and significant softening in online sales relative to activity early in the pandemic.

Our Owasso retail outlook is for growth in the combined sales and use tax base to slow substantially to 7.1% in 2022. This reflects an expected 6.2% gain in the sales tax base and a 15.1% gain in the use tax base. These expected growth rates are more typical of the trend growth in sales tax but well below recent growth rates in use tax.

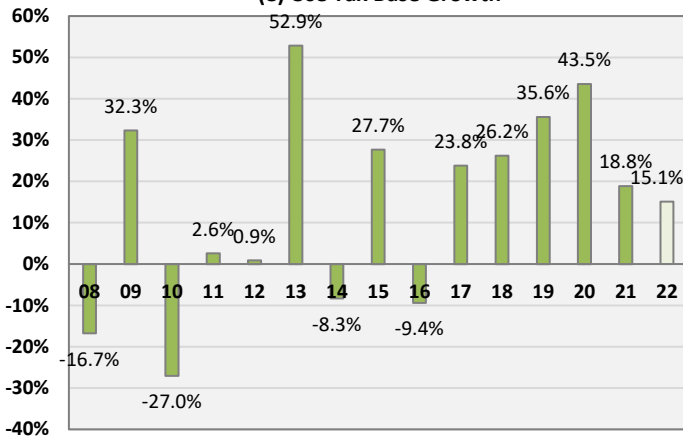
Figure 6. City of Owasso Sales and Use Tax – Taxable Base
sales subject to sales and use tax, 12 month rolling total, calendar year



(d) Sales Tax Base Growth



(e) Use Tax Base Growth



Source: Oklahoma Tax Commission and RegionTrack forecasts for CY2022

Figure 7 details the widely varying performance among Oklahoma’s 30 largest city retail markets in 2021. **Owasso’s 11.1% gain in combined sales and use tax ranked 20th among the 30 largest city retail markets.** This slightly trailed the 14.0% gain for the city of Tulsa and 14.8% gain at the state level in 2021.

Many cities across the state that do not typically rank among the strongest retail performers posted strong gains in 2021. For example, Tulsa and OKC, the two largest cities in the state, both ranked among the top city retail markets measured by growth. Other smaller cities that are not typically ranked among the strongest performers but posted impressive results since the pandemic include Stillwater, Ardmore, Shawnee, and Lawton.

Figure 8 provides a comparative view of recent retail performance for cities within Tulsa County. Cities with growth exceeding the city of Tulsa in 2021 include Bixby (18.6%), Glenpool (17.8%), Collinsville (15.6%), and Jenks (14.8%). In the two largest Tulsa suburbs, Broken Arrow (14.1%) slightly trailed Tulsa while Owasso (11.1%) trailed by about 3 percentage points. Performance was strong across

the county in 2021. The weakest performing markets in Tulsa County in 2021 were Sand Springs (9.5%) and Skiatook (8.7%).

Figure 7. Sales+Use Tax Base - 30 Largest OK City Retail Markets

Calendar Year Total						
Rank	Region	% Change		Taxable Sales and Use Tax Base		
		2021	2020	2021	2020	2019
	Statewide	14.8%	-4.2%	\$70,972.2	\$61,839.9	\$64,568.6
1	Norman	21.8%	2.5%	2,600.6	2,135.0	2,083.9
2	Moore	19.2%	4.5%	1,234.7	1,035.9	991.0
3	Bixby	18.6%	7.0%	497.4	419.5	392.2
4	Stillwater	17.8%	-2.1%	1,030.2	874.7	893.6
5	Tahlequah	16.5%	9.1%	423.7	363.7	333.5
6	Oklahoma City	16.3%	-2.4%	15,386.4	13,234.7	13,564.8
7	Ardmore	14.6%	3.8%	829.1	723.3	696.7
8	Shawnee	14.4%	-0.4%	807.3	705.8	709.0
9	Tulsa	14.0%	-2.9%	10,104.6	8,867.1	9,129.1
10	Lawton	13.9%	5.1%	1,482.9	1,301.7	1,239.1
11	Broken Arrow	13.9%	9.7%	2,066.9	1,814.8	1,653.9
12	Sapulpa	13.9%	5.0%	452.4	397.3	378.3
13	Bartlesville	13.6%	-0.2%	647.1	569.7	570.9
14	Durant	13.0%	9.1%	535.3	473.9	434.2
15	Duncan	12.3%	-4.2%	479.1	426.8	445.7
16	Muskogee	12.1%	2.6%	806.2	719.2	700.7
17	Chickasha	12.1%	-11.1%	373.3	333.2	374.9
18	Mustang	11.6%	6.8%	377.0	337.7	316.3
19	Ada	11.4%	5.4%	500.0	448.8	425.9
20	Owasso	11.1%	8.1%	1,139.8	1,026.2	949.5
21	Yukon	10.9%	1.0%	714.5	644.1	637.5
22	Edmond	10.9%	4.3%	2,504.0	2,257.3	2,164.3
23	Claremore	10.7%	11.1%	535.3	483.5	435.3
24	Elk City	10.4%	-10.4%	335.7	304.0	339.5
25	Altus	10.2%	8.5%	341.6	310.1	285.9
26	Midwest City	10.0%	6.6%	1,089.2	990.2	929.2
27	Sand Springs	9.5%	10.7%	434.1	396.5	358.2
28	McAlester	9.3%	-2.8%	482.7	441.8	454.5
29	Ponca City	9.0%	10.2%	494.6	453.8	411.6
30	Enid	0.4%	7.1%	989.6	985.3	919.6

Source: Oklahoma Tax Commission and RegionTrack calculations

Figure 8. Sales+Use Tax Base – City Retail Markets in Tulsa Co.

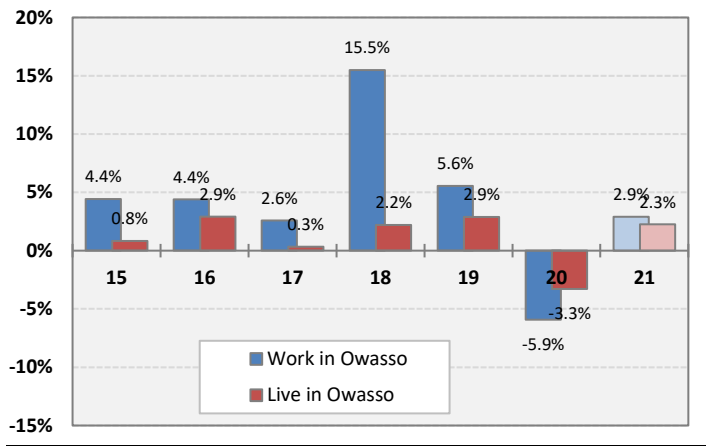
Calendar year total						
Rank	Region	% Change YTD		YTD Taxable Sales (millions)		
		2021	2020	2021	2020	2019
	Statewide	14.8%	-4.2%	\$70,972.2	\$61,839.9	\$64,568.6
1	Bixby	18.6%	7.0%	497.4	419.5	392.2
2	Glenpool	17.8%	10.9%	266.6	226.3	204.2
3	Collinsville	15.6%	22.2%	93.4	80.8	66.1
4	Jenks	14.8%	9.3%	325.3	283.5	259.4
5	Tulsa	14.0%	-2.9%	10,104.6	8,867.1	9,129.1
6	Broken Arrow	13.9%	9.7%	2,066.9	1,814.8	1,653.9
7	Sperry	11.3%	33.7%	14.6	13.1	9.8
8	Owasso	11.1%	8.1%	1,139.8	1,026.2	949.5
9	Sand Springs	9.5%	10.7%	434.1	396.5	358.2
10	Skiatook	8.7%	18.9%	148.1	136.2	114.6

Source: Oklahoma Tax Commission and RegionTrack calculations

The city of Owasso's basic economic fundamentals remain quite strong relative to the state and broader Tulsa region. Our model-based estimates suggest a hiring rebound in 2021 of 2.9% for jobs located in Owasso and 2.3% for Owasso residents regardless of where they work (Figure 9). This far outpaces the estimated 0.33% hiring gain posted across the full Tulsa metro area and the 0.4% gain for Tulsa County for all of 2021.

The growth in jobs located in Owasso (2.9%) is estimated to have outpaced gains in jobs held by Owasso residents (2.3%) in 2021. This reflects a return to a more normal relationship after posting far larger losses among jobs located in the city during the recession in 2020 (losses of 5.9% for jobs in Owasso vs. 3.3% for jobs held by Owasso residents).

Figure 9. Owasso Wage & Salary Employment Growth
by place of residence and place of work, zip code 74055



Source: Census Bureau and RegionTrack forecast

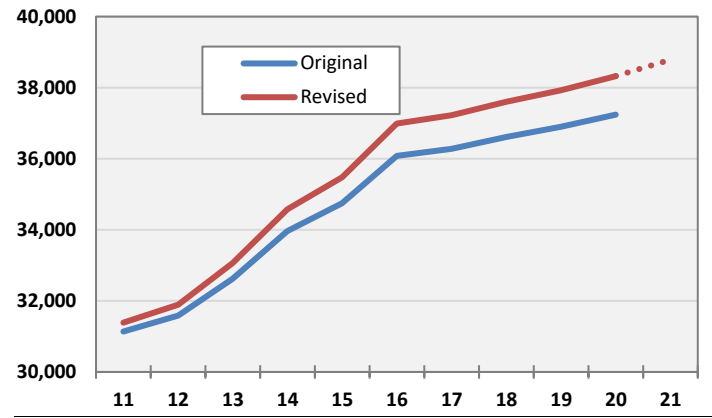
Weakening U.S. population growth continues to raise concern over its dampening effect on domestic economic growth prospects. Already slow population growth slowed much further during the pandemic, driven by a near perfect storm in conditions: rising pandemic-related deaths, a pullback in the birth rate, and reduced international in-migration.

Contrary to trends in many regions, recent revisions to Census population estimates indicate faster growth in the Owasso the past decade. Figure 10 provides RegionTrack estimates of city population in the 2011 to 2020 period using the recent 2020 Census estimate.

City population in the April 2020 decennial Census estimate totaled 38,240, approximately 1,000 residents higher than the prior Census estimate for July 2020 of 37,241. Our estimate of city population for July 2020 is now 38,326, a 1.0% gain over 2019 (Figure 11) and 2.9% above the prior Census estimate. The latest Census estimate for 2021

suggests a 1.2% gain, with city population reaching 38,786. The data through 2021 also suggest a slight upward trend in the growth rate.

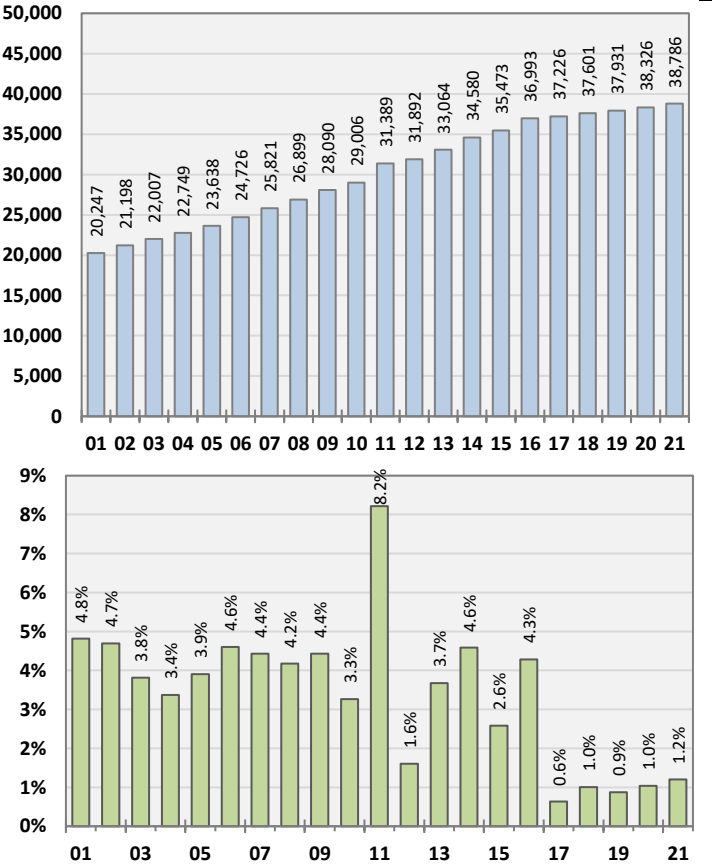
Figure 10. Owasso Population Revisions Since 2010 Census



Source: Census Bureau

While the sharp downshift in city population growth beginning in 2017 remains in the data after revisions, **Owasso continues to far outpace both the state and the nation in population growth.** For comparison, Owasso's average annual gain of 1.0% in the 2017 to 2021 period was double the average U.S. gain of 0.5% and more than double the average state gain of 0.4%.

Figure 11. Total Population and Annual Growth - City of Owasso

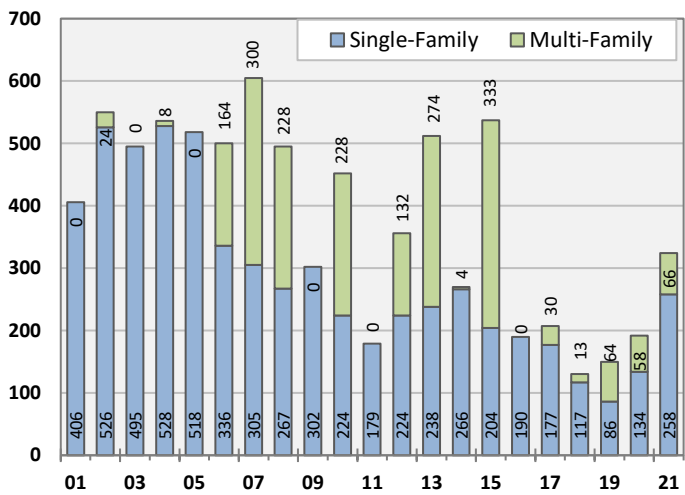


Source: Census Bureau and RegionTrack estimates

The trend in national population growth presents a far grimmer story, with growth falling steadily since 2017 to a modern era low of only 0.1% in 2021. Conversely, population growth in Oklahoma has been far stronger, accelerating steadily to a 0.6% gain in 2021 after bottoming at 0.1% growth in 2017.

Consistent with state and national trends, the Owasso housing market accelerated sharply in 2021. Permits for new single-family housing development in Owasso roughly doubled to 258 in 2021 versus 134 in 2020 (Figure 12). This represents the highest single-family permit count in the city since the recent peak of 266 in 2014. The year-to-date count of 54 single-family permits through March 2022 is well ahead of the year-to-date pace of 24 units through March 2021.

Figure 12. Owasso Housing Permits



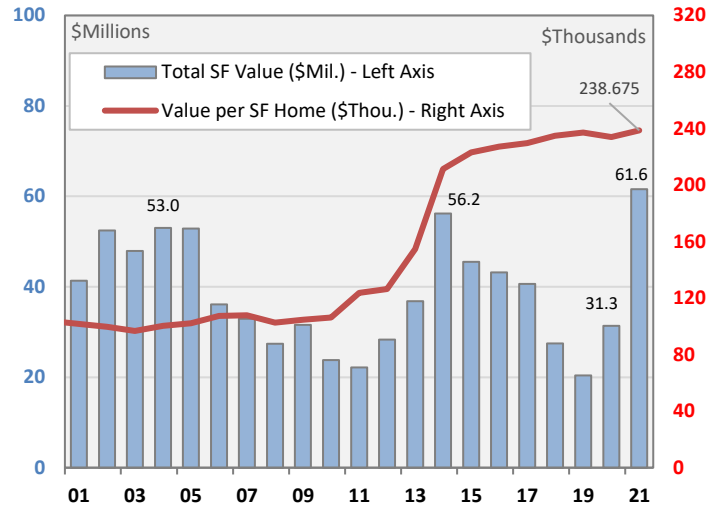
Source: Census Bureau

The total permitted value of new single-family housing reached \$61.6 million in 2021, a record for total annual permit valuation (Figure 13). The average single family home permit reported in 2021 was valued at \$238,675, a slight uptick above recent average home prices.

Multi-family housing development in Owasso remains stable. Census reports indicate the issuance of construction permits for 66 multi-family units in Owasso in 2021 (Figure 12). This is the largest number of multi-family permits issued since a decade long surge in multi-family development ended in 2015. However, multi-family permits issued in 2021 are only slightly above the number posted in both 2018 (58 permits) and 2019 (64 permits).

The most visible sign of increased activity in the Owasso housing market is a surge in housing prices in 2021. The most recent FHFA developmental historical housing price index for the primary Owasso zip code (74055) indicates an 11.2% price gain in 2021 following an upwardly revised 2.4% gain in 2020 (Figure 14).

Figure 13. Owasso Single-Family (SF) Housing Permit Values

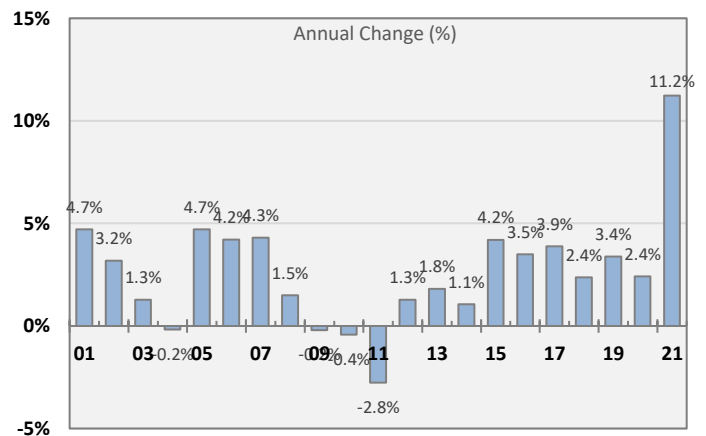


Source: Census Bureau and RegionTrack calculations

For comparison, prices at the state level accelerated rapidly beginning in the 3rd quarter of 2020 and have posted average annualized quarterly gains of approximately 12% through the 4th quarter of 2021. Prices in the Tulsa metro area posted slightly higher average annualized gains of 13% in the same period. Since the 3rd quarter of 2020, housing prices are up a cumulative 19.5% statewide and 20.9% in the Tulsa metro area.

We anticipate that outsized price increases will continue throughout 2022 in Owasso, the Tulsa metro area, and statewide. However, our expectation is that growth rates likely peaked in the 3rd quarter of 2021 and should ease somewhat throughout the remainder of 2022 and into 2023.

Figure 14. FHFA Housing Price Index – Zip Code 74055

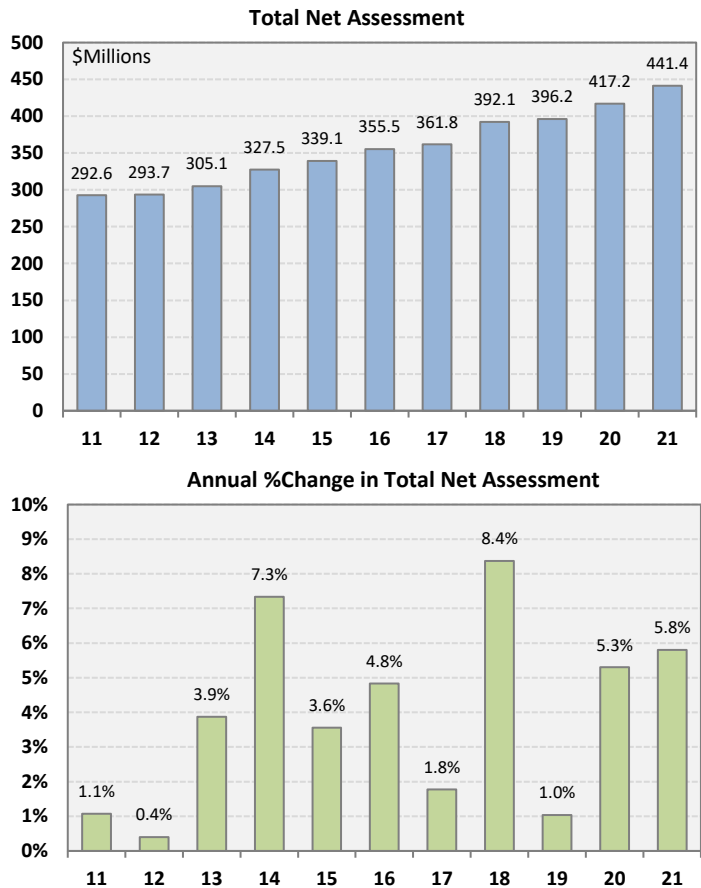


Source: FHFA Housing Price Indexes

The Owasso area continues to post strong gains in taxable property valuations and outperform the broader Tulsa County market. Figure 15 illustrates annual growth in the total assessed value of real property in the Owasso school district in the most recent decade.

Annual net assessed property in the Owasso district reached a record \$441.4 million in tax year 2021. This represents a solid 5.8% gain over 2020 and a slight acceleration from the 5.3% gain posted in 2020. Total valuations in Owasso have increased every year the past decade and are up a cumulative 51% (3.4% annually) from 2011 to 2021.

Figure 15. Owasso Total Net Ad Valorem Tax Assessments
fiscal year



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.

Gains in total property assessments in Owasso also continue to far outpace average gains across Tulsa County. The 5.8% gain in Owasso in 2021 was more than 2 percentage points above the 3.5% gain countywide. In the decade from 2011 to 2021, total valuations across the county increased only 37.8% (3.3% annually) versus 53% in Owasso. Along with relatively stronger gains in property valuations, Owasso remains one of the lowest property tax areas among the major municipalities in Tulsa County.

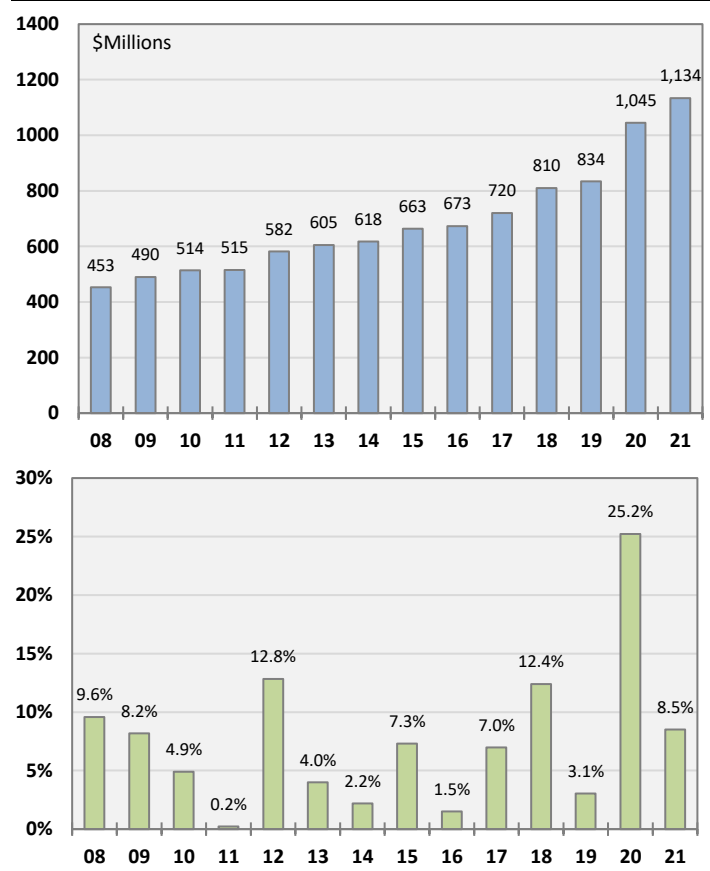
Demand deposit growth remained strong at Owasso-based bank branches in 2021. As in most areas of the country, federal stimulus payments made to both households and businesses produced a surge in demand deposits at banking institutions. This increase in

cash balances along with reduced debt loads greatly improved the liquidity of the U.S. household sector since the onset of the pandemic.

The growth in demand deposits held by Owasso bank branches increased 8.5% in 2021 but remained well below the peak 25.2% gain posted in 2020 at the height of the pandemic (Figure 16). Local bank branches in Owasso now hold more than \$1.1 billion in demand deposits, a more than doubling in the past decade.

Nine banking institutions, large and small, continue to operate branches in Owasso (Figure 17). Deposits are highly concentrated in three institutions that hold nearly 80% of deposits in the city. First Bank of Owasso remained the largest institution by deposits, with a 45.6% share, down slightly from 46.4% in 2020. RCB Bank (18.0% share) and Bank of Oklahoma (13.7% share) jointly accounted for more than 30% of local bank deposits. A group of six smaller institutions accounted for the remaining city bank deposits in 2021.

Figure 16. Owasso Bank Deposits and Growth
annual average deposits, June 30 total



Source: FDIC and RegionTrack calculations

We anticipate continued slowing in the rate of deposit growth in 2022 as households and businesses begin to draw down stimulus-related accumulated balances to support increased spending.

Figure 17. Owasso Bank Demand Deposits by Institution - 2021

percent of total local deposits, June 30 total

Bank	Demand Deposits (\$Mil.)	Share of Owasso Deposits
First Bank of Owasso	\$516.9	45.6%
RCB Bank	203.5	18.0%
BOKF, NA	155.7	13.7%
Arvest Bank	107.9	9.5%
Central Bank of Oklahoma	50.1	4.4%
Prosperity Bank	36.6	3.2%
Armstrong Bank	25.6	2.3%
The Exchange Bank	23.1	2.0%
Intl. Bank of Commerce	14.1	1.2%
Owasso Total	\$1,133.6	100.0%

Source: FDIC and RegionTrack calculations

Both Upside and Downside Risks to the Owasso Outlook are Present. Three clear downside risk factors remain for 2022 and beyond.

The most important is a potential policy mistake by the Federal Reserve in its effort to tame inflation while not pulling the economy into recession. While the Federal Reserve has announced plans for substantial tightening, our forecast view is that the improved financial strength of U.S. households and businesses combined with strong momentum in the labor market suggest that the national economy can withstand significant policy tightening.

Possible spillover from the Russia-Ukraine conflict presents a second significant downside risk to both global and U.S. economic growth. Our forecast view is that the uncertainty surrounding the risk remains quite high and the potential spillover effects to global growth are significant.

Finally, the emergence of a highly virulent COVID-19 mutation remains possible, though the likelihood is believed low. Our current forecast view is that Covid remains on track to produce smaller and smaller cyclical disruptions over time.

A large and clear upside risk to the outlook is present as well.

The upshift in energy prices the past several months is providing significant economic stimulus to the state economy. Current forecasts of an extended period of elevated energy prices could produce a large net positive boost to the state economy, especially in rural regions of the state. One of the risks of the Russia-Ukraine conflict is also disrupted energy supplies in Europe and Asia, which would shift added demand for energy products to the U.S. and other producers. A boost in domestic production would have a meaningful effect on expected economic activity statewide and in the Tulsa metro area.

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