

WEST TEXAS

INDUSTRIAL

Despite the historical volatility of the Midland industrial market, the past year has seen a robust surge in demand. Over the past year, industrial tenants have snapped up an estimated 280,000 square feet of space, underscoring a buoyant market sentiment. Even with a notable influx of new constructions (among them, the \$7B Nacero Penwell facility slated for production to begin in 2025), Midland has managed to keep vacancies in check, boasting a market-wide vacancy rate of 6% as of early March 2024, just below the national average of 6.2%. Fueled by sustained demand and a manageable pipeline of new developments, vacancies are expected to remain relatively contained in the Permian Basin.

Meanwhile, the Odessa industrial market mirrors its Midland counterpart, both heavily reliant on the oil and gas sector for their vitality. The recent resurgence in employment within this industry has injected fresh vigor into Odessa's industrial real estate sector, which has seen a 4.1% annualized rent increase as Q1 comes to a close. Tenants absorbed over 220,000 square feet of space, doubling the inventory influx of 2023. Despite substantial progress, vacancies still present an area for improvement, albeit having

narrowed by 150 basis points over the past year. As of March, Odessa's vacancy rate remains 170 basis points higher than the national average of -50, indicative of room for further optimization. Nonetheless, positive net absorption persists, even amid national demand fluctuations, hinting at continued momentum for both the Midland and Odessa industrial real estate markets in the foreseeable future.

	ODESSA	MIDLAND	COMBINED AVERAGE
INVENTORY (SF)	13.2M	18.9M	16.05M
UNDER CONSTRUCTION (SF)	86K	220K	153K
12 MO NET ABSORPTION (SF)	341K	149K	245K
VACANCY RATE	7.70%	6.40%	7.05%
MARKET ASKING RENT / SF	\$13.15	\$17.61	\$15.38
MARKET ASKING RENT GROWTH	2.20%	2.00%	2.10%
MARKET SALE PRICE / SF	\$77.00	\$120.00	\$98.50
12 MO SALES VOLUME	\$26.7M	\$21.5M	\$24.1M

*All data points sourced from CoStar 2024



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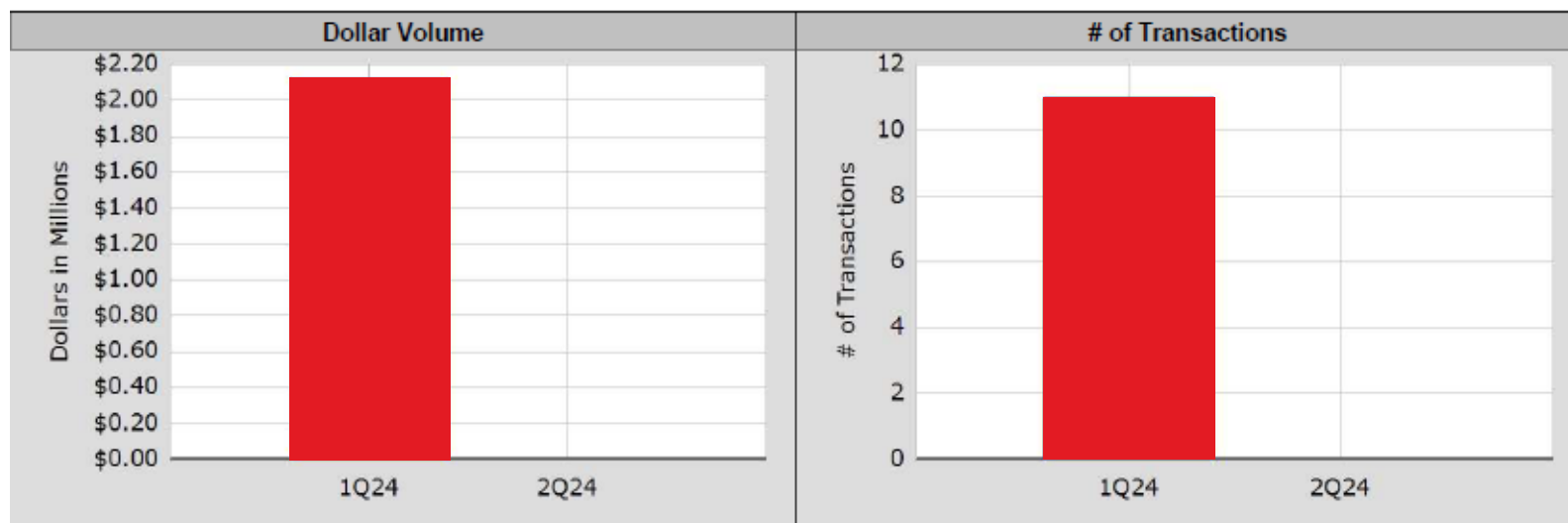
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LAND

Land sales in the Midland/Odessa region experienced a solid start in Q1 of 2024. With 11 sold transactions recorded during this period, each averaging \$55K per acre, it's evident that the area is attracting significant interest. These transactions are trading at an average of 4.52 acres, indicating a preference for moderately sized plots among buyers.

There are currently 16 deals in the pipeline that are showing as under contract or pending. Interestingly, many of these pending transactions are being negotiated at a discounted rate, with an average sale price to asking price ratio of 81.67%. This suggests a buyer-friendly market, where investors may find opportunities to acquire land at favorable prices.

Despite the promising activity, the market is still grappling with an excess of inventory, particularly evident along the I-20 corridor, where over 75 land listings are currently available. While the strong start to the year bodes well for the region's real estate sector, the surplus inventory may exert downward pressure on prices in the near term, prompting both buyers and sellers to carefully watch the evolving market conditions in the area.



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