



MIDLAND / ODESSA

MULTIFAMILY SUBMARKET REPORT

www.grea.com



Midland/Odessa

Q2 2023

DID YOU KNOW?

The Multifamily asset class in Texas has been the most resilient product type and is the best hedge on inflation out of all other asset classes. Wage growth is the highest among lower - income earners which bodes well for B&C class assets. Continuous supply and leading absorption levels make Texas one of the fastest-growing and balanced multifamily markets in the country.

While Inflation has impacted the multifamily market around the country it has had less of an impact in secondary markets especially in Texas.

MIDLAND/ODESSA ECONOMY

The Midland/Odessa markets are two of the most prominent multifamily markets in West Texas. Both markets are driven by the oil and gas industry, which has risen 12% to a record of 5.6M barrels per day in January, and the Energy Information Administration forecasts that production will surge to a new record level of 12.4M barrels per day this year. Economists suggest that Midland-Odessa will lead Texas in annual growth in real GDP over the next five years, mostly due to the success of the energy sector.

Projections put Midland as the fastest-growing midsize cities in the U.S. currently, with growth expected to be more than twice the growth of the next fastest growing mid-size city (San Francisco). The economy is slated to grow by a whopping 6.7% this year. Midland and Odessa hold the #1 and #2 spots for year-over-year gain in employment in the country, respectively.

#1 Fastest-Growing Midsize City - Midland

11.8%

Year-over-year employment growth - Midland

7.8%

Year-over-year employment growth - Odessa

#1

Rent growth across all markets

MARKET INVENTORY

18.1%

YoY Rent Growth

93%

Occupancy

\$1,261

Average Effective Rent

2,455

12-month absorption

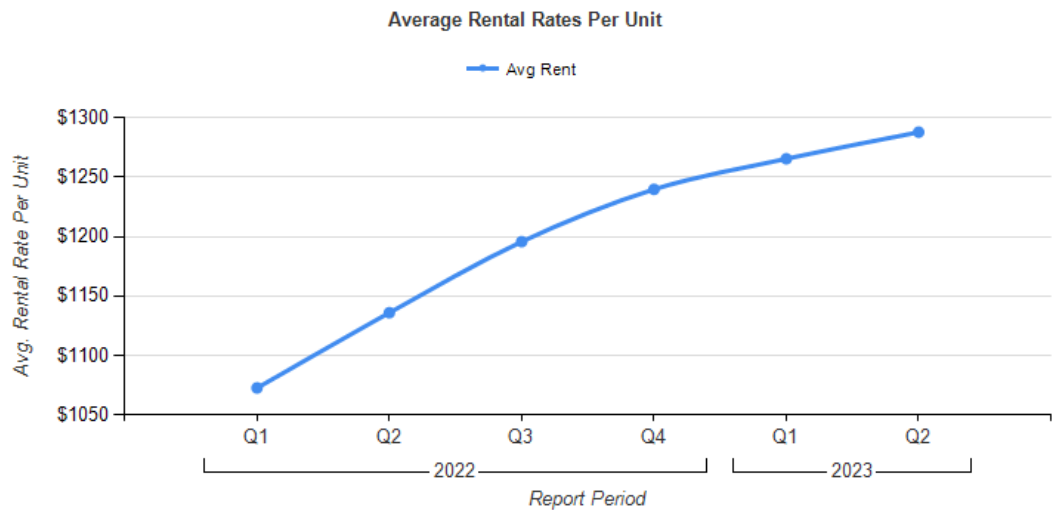
106

of Properties

RENT GROWTH

The multifamily market in Midland experienced a significant increase in apartment rents at a rate of 18.1% through the first quarter of the year. Midland/Odessa is currently the #1 market in the nation for rent growth. Rent growth year-over-year is expected to be 12.2% in Q2 and 7.2% in Q3 according to Yardi data. Rent growth has sky-rocketed with the influx of jobs bringing renters to the area. The Permian Basin has seen to top year-over-year employment gain in the country.

MARKET RENT PER UNIT



Average Rental Rate, Rent Growth %, Occupancy Rate

Rank Last Year	Market	History (Quarterly)				1-Year Forecast (Quarterly)			
		2022			2023	2023			2024
		2	3	4	1	2	3	4	1
1st	Midland - Odessa								
15.4%	Average Rental Rate (\$)	\$1,132	\$1,192	\$1,237	\$1,261	\$1,270	\$1,278	\$1,287	\$1,297
	Year-over-year Rent Change (%)	10.3%	15.2%	18.5%	18.1%	12.2%	7.2%	4.1%	2.8%
	Occupancy Rate (%)	88.8%	90.1%	91.1%	91.9%	93.1%	94.3%	95.5%	96.0%

Midland/Odessa

Q2 2023



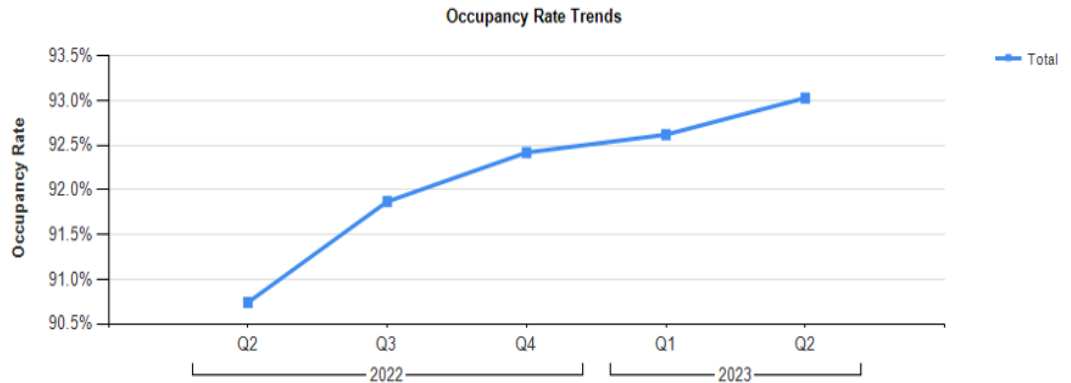
- 1 Midland Texas
- 2 Amarillo Texas
- 3 Fort Collins Colorado
- 4 Santa Barbara California
- 5 Fayetteville and Springdale Arkansas
- 6 Wichita Kansas
- 7 Albany New York
- 8 Salinas California
- 9 Charleston South Carolina
- 10 Visalia California

Occupancy Trends

Occupancy in the Midland/Odessa market has climbed rapidly since early in 2021. Occupancy in Q2 of 2021 was 84.7% and now sits at roughly 93% in Q2 of 2023. Net absorption over the past 12-months is 2,455 units. Occupancy trends are bullish for the market. Yardi data projects 95.5% occupancy by the end of 2023 and achieving 97.6% occupancy by 2024.

12-month Occupancy

	12 Month(s) Change		2022			2023	
	Net Absorption	% pts	Q2	Q3	Q4	Q1	Q2
Total	2,455	2.7%	90.7%	91.9%	92.4%	92.6%	93.0%



HIGHEST OVERALL PERFORMING SUBMARKETS

Submarket	Rent	Occupancy	YOY Change
Odessa - East	\$1,239	93.9%	18.8%
Midland - North	\$1,349	92.7%	15.0%
Midland - Downtown	\$1,533	92%	13.2%
Odessa - Central	\$969	92.7%	12.4%
Midland - Central	\$1,247	92.7%	11.5%

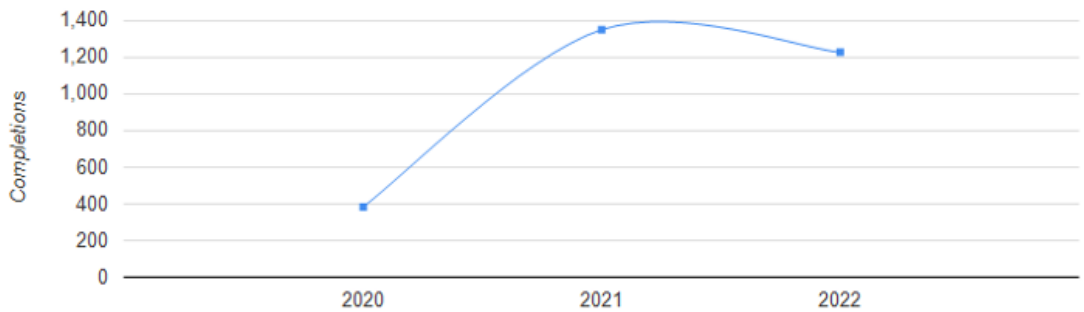
LOWEST OVERALL PERFORMING SUBMARKETS

Submarket	Rent	Occupancy	YOY Change
Midland - West	\$1,441	95.5%	11.4%
Big Spring	\$1,173	90.6%	3.3%

CONSTRUCTION ACTIVITY

Midland/Odessa has been the beneficiary of high absorption partly due to a lack of new inventory coming to market. This trend will continue, with projections showing 542-unit completions in 2023, which is only .72% of existing stock, and 408-unit completions in 2024, which is 1.45% of existing stock. 2,960 units have been delivered in the past three years, so the forward projections for completions is less than normal output for the market.

Unit Completions



GREA Secondary Markets Team

The Secondary Markets Team at GREA has closed or has in escrow \$196M of apartments, or 2,022-units. The list-to-close ratio on closed transactions is 100.6%. Despite challenging market conditions, GREA finds creative ways to get deals done by leveraging our team experience, marketing expertise, in depth market knowledge, and multiple-broker approach to ensure each deal gets maximum exposure to the market.

\$196M

**Closed or in escrow –
Secondary Markets Team**

100.6%

**List-to-close ratio –
Secondary Markets Team**



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Sources: GREAA Research; RealPage; National Multifamily Housing Council; Moody's; CoStar

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