

REAL ESTATE MARKET OVERVIEW

Odessa-Midland

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2001



REAL ESTATE CENTER

Market Report 1479

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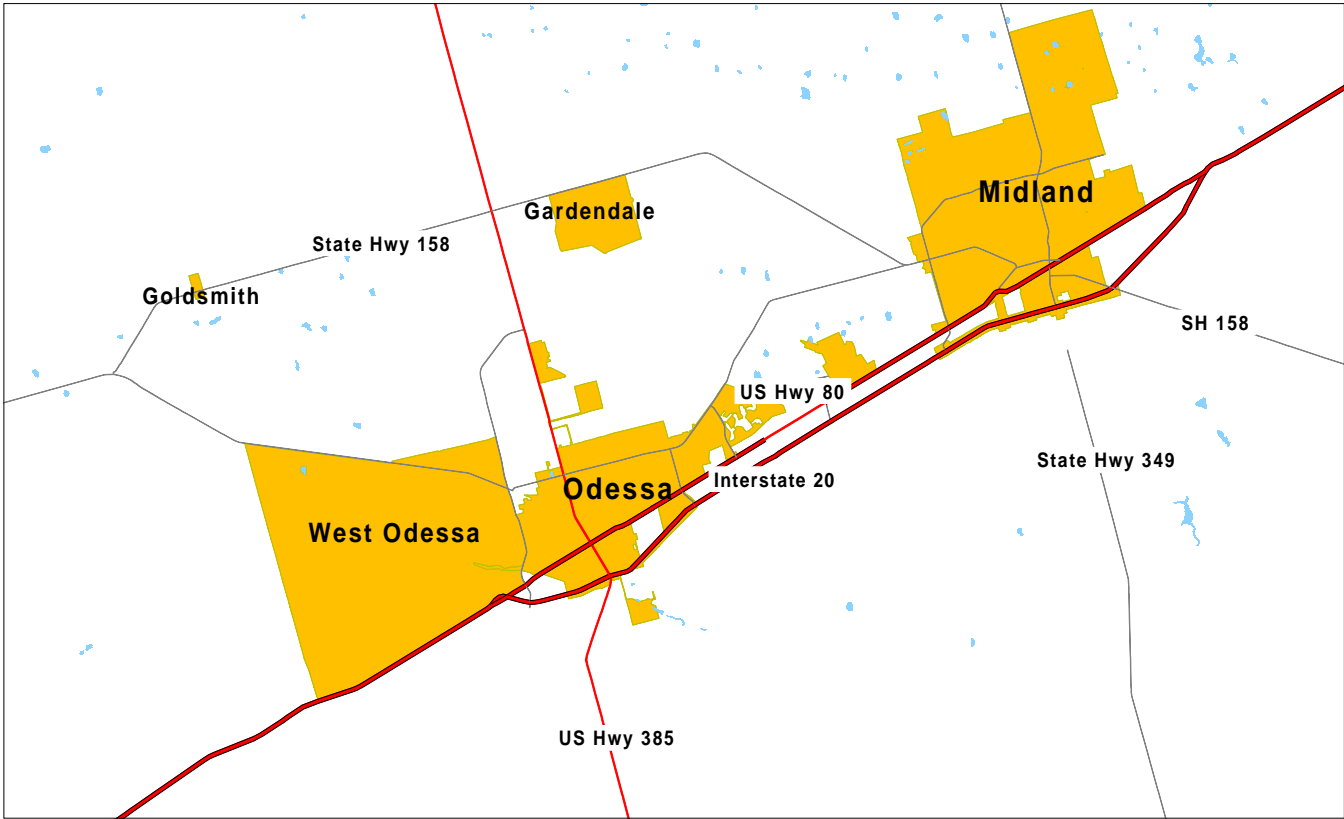
Contents

2	Population
5	Employment
7	Job Market
8	Major Industries
9	Business Climate
10	Education
11	Public Facilities Transportation and Infrastructure Issues
12	Urban Growth Patterns Map 1. Growth Areas Map
13	Housing
16	Multifamily
17	Manufactured Housing Seniors Housing
18	Retail Market Map 2. Commercial Building Permits
19	Office Market
20	Industrial Market Conclusion

Real Estate Market Overview

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Area Cities and Towns

Gardendale	Odessa
Goldsmith	Notrees
Greenwood	Penwell
Midland	Pleasant Farms

Counties

Ector
Midland

Land Area of Odessa-Midland MSA

1,805 square miles

Population Density (2000)

131 people per square mile

The Odessa-Midland Metropolitan Statistical Area (MSA) consists of Ector County, which contains the City of Odessa, and Midland County, where Midland is located. Midland was named for its loca-

tion halfway between Fort Worth and El Paso. It is also called the "Tall City" because at one time it had the tallest office building between Dallas and Los Angeles, the 21-story NationsBank building. The metropolitan area is the

location of a major oil reserve and has been heavily dependent on the oil and gas industry. Ector County has produced more than two billion barrels of oil since 1926.

POPULATION

Odessa-Midland MSA Population

Year	Population
1990	225,406
1991	228,861
1992	231,989
1993	233,294
1994	235,132
1995	235,916
1996	237,449
1997	240,302
1998	243,914
1999	242,238
2000	237,132

Source: U.S. Census Bureau

County Population Growth

County	2000 Population	Growth 1990–2000 (in percent)
Ector	121,123	1.8
Midland	116,009	8.8

Source: U.S. Census Bureau

Area Cities With 10,000 or More Residents

City	2000 Population	Growth 1990–2000 (in percent)
Midland	94,996	6.3
Odessa	90,943	1.3

Source: U.S. Census Bureau

Odessa and Midland are similar in size, although Midland and Midland County are growing at a faster rate than Odessa. During the past decade, the area has grown 0.5 percent per year on average, the slowest rate of the Texas MSAs. This is the result of the decline in population ex-

perienced in 1999 when the area lost 1,676 people, more than 1,000 of whom were from Ector County, because of the downturn in oil prices. The 2000 Census finds that the area population is lower than the Census Bureau estimates for 1999. Oil prices have since rebounded substantially,

which is expected to positively affect population growth in the area.

The Texas State Data Center predicts a 0.5 percent growth rate each year for the MSA through 2020. The Texas Water Development Board predicts a slightly faster annual growth rate of 1.3 percent.

Texas Metropolitan Area Population Change, 1990–2000 (in percent)

McAllen-Edinburg-Mission	48.5	Galveston-Texas City	15.1
Austin-San Marcos	48.2	Tyler	15.5
Laredo	44.9	El Paso	14.9
Dallas	31.5	Corpus Christi	14.3
Brownsville-Harlingen-San Benito	28.9	Victoria	13.1
Brazoria County	26.1	Waco	12.9
Houston	25.8	Texarkana	9.4
Fort Worth-Arlington	25.1	Lubbock	9.0
Bryan-College Station	25.1	Wichita Falls	7.8
Texas	22.8	Longview-Marshall	7.7
Killeen-Temple	22.6	Beaumont-Port Arthur	6.6
San Antonio	20.2	Abilene	5.8
Sherman-Denison	16.4	San Angelo	5.6
Amarillo	16.2	Odessa-Midland	5.1

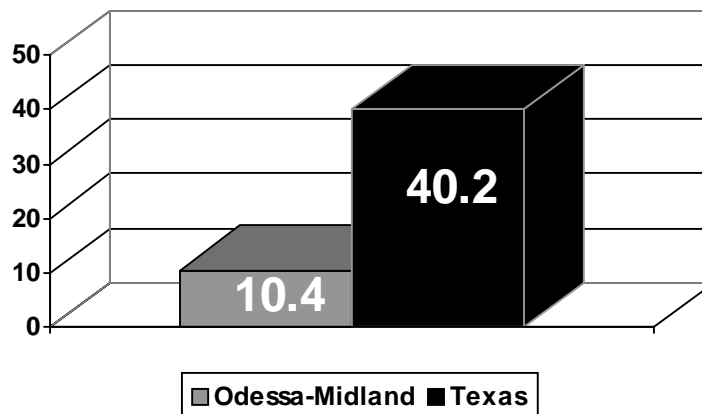
Source: U.S. Census Bureau

Odessa-Midland MSA Projected Population

Year	Texas State Data Center	Texas Water Development Board
2005	265,532	—
2010	278,242	294,319
2015	286,644	—
2020	293,021	328,869

Sources: Texas State Data Center and Texas Water Development Board

Projected Population Growth, 2000–2020 (in percent)



Source: Texas State Data Center

Household Composition

	Ector County	Midland County	Texas
Median household size (1990)	2.8	2.7	2.73
Population younger than 18 (1999, in percent)	31.9	31.0	28.5
Population 65 and older (1999, in percent)	10.6	10.9	10.1

Source: U.S. Census Bureau

Ethnic Distribution (in percent)

Ethnicity	Midland County		Ector County		Texas	
	1990	2000	1990	2000	1990	2000
White	63.2	62.1	70.1	51.3	60.8	52.4
Hispanic	31.3	29.0	21.0	42.4	25.3	32.0
Black	4.6	6.8	7.7	4.4	11.7	12.2
Asian	0.2	0.9	0.8	0.6	0.3	3.2
American Indian	0.5	0.4	0.4	0.4	1.8	0.3
Other	0.0	0.0	0.0	0.0	0.1	0.2
Two or more races*	—	0.7	—	0.8	—	1.1

* For the 2000 Census, the Census Bureau changed the "race" options, allowing people to report their race as "other" or as two or more races.

Source: U.S. Census Bureau

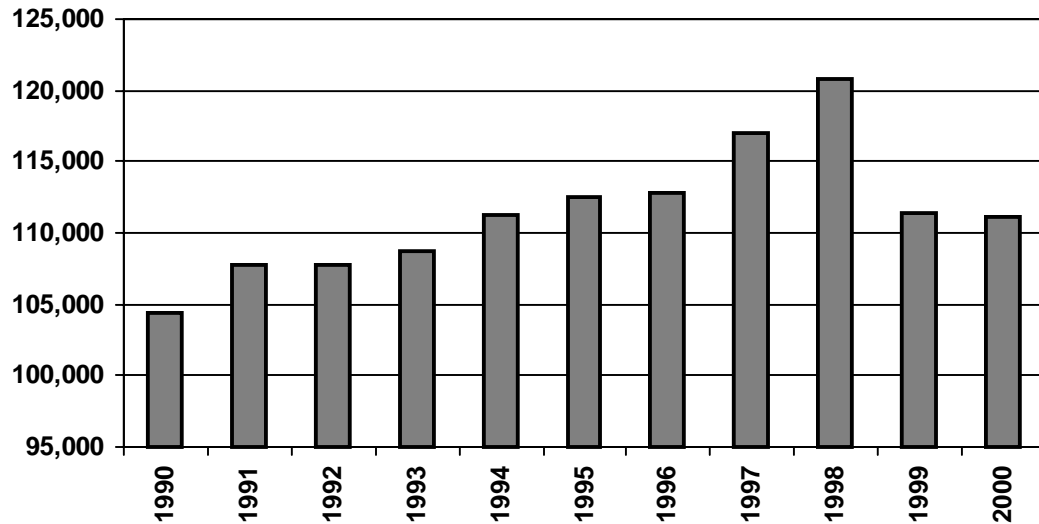
Ector County became more ethnically diverse between 1990 and 2000. In Midland County, however, minorities make up a smaller por-

tion of the population than they did in 1990. The area has a relatively large population age 18 and younger. The MSA's median per capita income was

\$24,999 for 1999, and the state average per capita income was \$26,834, according to the U.S. Bureau of Economic Analysis.

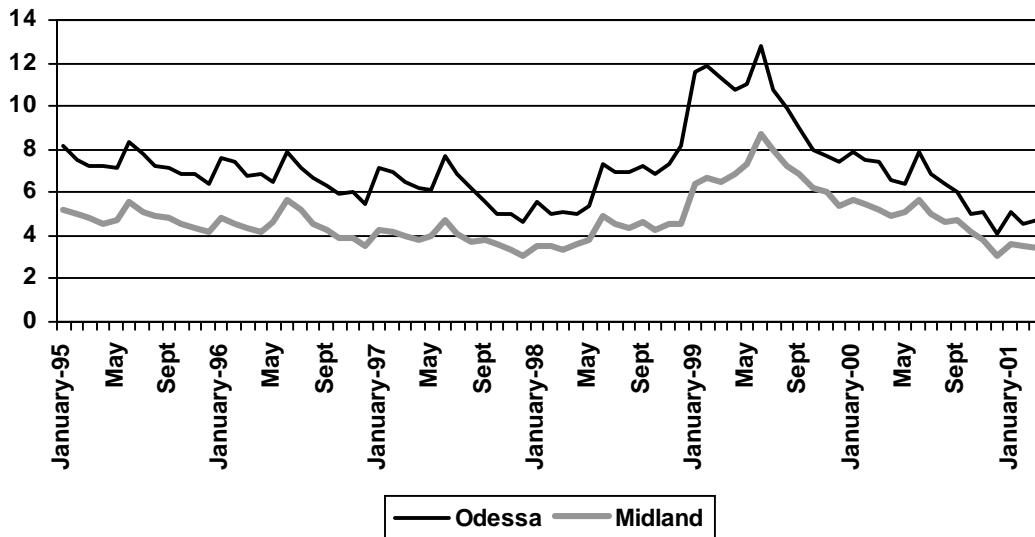
EMPLOYMENT

Odessa-Midland MSA Employment



Source: U.S. Bureau of Labor Statistics

Odessa-Midland MSA Unemployment Rate (in percent)



Source: U.S. Bureau of Labor Statistics

Top Ten Employers, Midland	Top Ten Employers, Odessa
Midland Independent School District Education 2,817 employees	Ector County Independent School District Education 3,857 employees
Memorial Hospital and Medical Center Health care 1,512 employees	Medical Center Hospital Health care 1,700 employees
City of Midland Government 914 employees	Wal-Mart Supercenter Retail 950 employees
Key Energy Services, Inc Oil and Gas 800 employees	Odessa College Education 863 employees
Midland County Government 524 employees	City of Odessa Government 780 employees
Burlington Resources Oil and gas 504 employees	Huntsman Corporation Oil and gas 730 employees
Compressor Systems Manufacturing 464 employees	Bobby Cox Companies Restaurants 654 employees
Conoco Oil and gas 415 employees	Ref-Chem Corporation Engineering and construction 600 employees
Marathon Oil Company Oil and gas 415 employees	Ector County Government 599 employees
U.S. Postal Service Mail services 394 employees	Odessa Regional Hospital Health care 400 employees

Sources: Midland and Odessa Chambers of Commerce

Employment Growth by Industry	Odessa-Midland MSA	Texas
Employment growth, 2000 (in percent)	1.9	3.2
Unemployment rate (in percent)	3.7	4.3
New jobs in 2000	1,900	288,900
Employment growth by sector (in percent)		
Services	2.5	4.7
Trade	3.7	3.1
Manufacturing	4.7	0.1
Mining	5.6	2.3
Finance, insurance and real estate	2.5	1.3
Construction	1.8	6.2
Government	0.0	1.7
Transportation, communications and public utilities	5.3	5.1

Sources: Texas Workforce Commission

Texas Metropolitan Area Employment Change, 1990–2000 (in percent)

Austin-San Marcos	58.8	El Paso	15.4
Laredo	40.3	Waco	14.3
McAllen-Edinburg-Mission	35.8	Lubbock	14.0
Dallas	30.4	Sherman-Denison	12.5
Brownsville-Harlingen-San Benito	30.1	Longview-Marshall	12.2
Bryan-College Station	29.2	Abilene	11.4
Killeen-Temple	28.7	San Angelo	10.7
San Antonio	28.6	Corpus Christi	10.3
Fort Worth-Arlington	23.7	Galveston-Texas City	8.2
Texas	23.3	Wichita Falls	7.8
Tyler	22.9	Odessa-Midland	6.5
Victoria	22.4	Texarkana	4.5
Houston	22.1	Beaumont-Port Arthur	3.5
Amarillo	18.6	Brazoria County	2.3

Source: U.S. Bureau of Labor Statistics, February 2001

Employment in the Odessa-Midland area is growing at a slower rate than in the state as a whole. During 1999, Odessa-Midland had a decline in total employment because of low oil prices, which caused layoffs in many sectors. The construction sector was most heavily influenced, but manufacturing, mining,

trade and services all reported losses in employment. Job losses began in July 1998 and continued through July 1999, when employment dropped to its lowest level. Since then, oil prices have rebounded, and employment has increased. The Texas Workforce Commission shows an employment gain of 1,100 jobs, while the U.S. Bureau of

Labor Statistics shows an employment decline of 180 jobs during 2000.

Unemployment rates have continued to decline from the high point in the summer of 1999. Odessa has a higher unemployment rate than Midland because a larger portion of employment is in oil and related industries.

JOB MARKET

Odessa will be the site of a new Texas Independent Energy power plant. The new plant will have 46 permanent employees when it partially opens in July 2001. Final completion is expected in October 2001. Southwestern Bell announced that it will locate its new Business Inquiry Center on Penbrook Street in Odessa. The center will employ at least 200.

First American Home Buyers Protection Corporation opened a call center in September 2000, employing 350 people. Standard Structures expanded, adding 12 employees. Clear Source, an Internet provider, opened in Odessa, employing 78.

First American Financial Corporation opened in Odessa in September 2000 and employs 30 to 40 people but plans to expand to 300. Texas Inde-

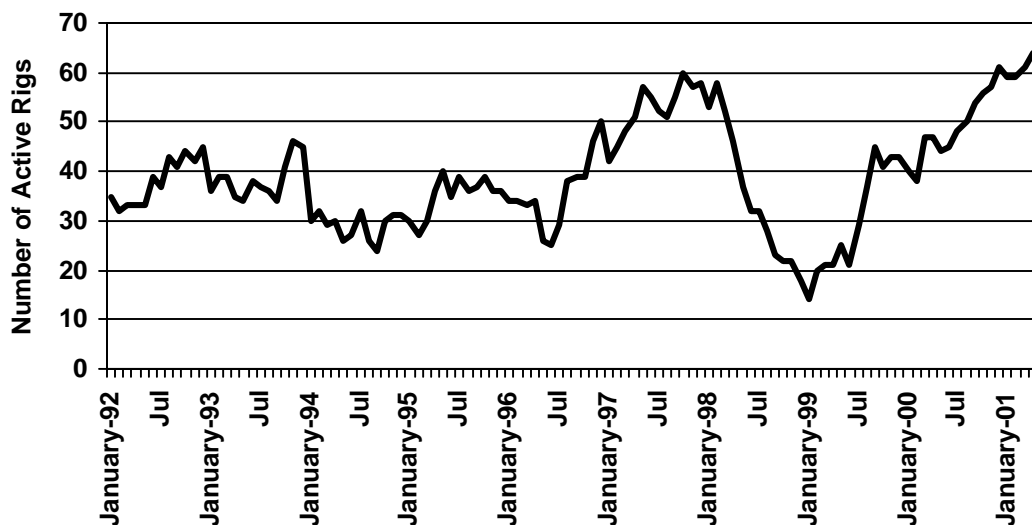
pendent Energy will open in summer 2001, employing 36.

Impact Image Marketing, a telemarketing company, closed in Odessa. The September 2000 closing resulted in ten jobs lost.

BP Amoco moved its Midland office to Houston, causing 50 employees to lose their jobs. The Odessa office of ARCO closed, and the ten jobs moved to Midland.

MAJOR INDUSTRIES

Running Rotary Rigs, Midland Area



Source: Baker Hughes

The Odessa-Midland area has the largest percentage of mining employment of any Texas MSA at 11 percent of total nonagricultural employment. Mining employment has been heavily affected by fluctuations in oil and gas prices. Approximately 2,200 jobs were lost between 1998 and 1999.

The number of running rigs hit bottom in the Permian Basin in January 1999. Prices dropped to \$8.60 per barrel in December 1998. Since then, oil prices have rebounded. In March 2000, oil prices hit \$34 a barrel, a ten-year high. In February 2001, oil was selling for \$25 per barrel, according to Scurlock Permian. Prices must be at least \$18 per barrel for producers to make a profit. The preferred price of oil is \$25 per barrel, according to the Organization of Petroleum Exporting Countries.

As oil prices have rebounded, field workers are finding increased employ-

ment opportunities. However, major oil companies are not expected to move office employees back into the area. This has created opportunities for independent oil producers to expand in the Permian Basin, occupying vacated office space and purchasing rigs. Mining employment added 700 jobs during 2000.

Manufacturing in the area was unchanged in 2000, representing 6 percent of area employment.

Trade and services are the largest employment sectors in the area, representing 27 and 24 percent of employment, respectively. These sectors are expected to grow as oil prices rebound. The services sector lost 200 jobs and trade gained 100 jobs during 2000.

Construction employment was down by 300 jobs in 2000, the result of decreases in residential and commercial construction projects in the area.

Finance, insurance and real estate gained 100 jobs during 2000, while transportation and public utilities gained 200 jobs.

Government gained 200 jobs during 2000. Schools and local and county governments are major area employers.

In Ector County, more than \$18 million in agricultural receipts were reported for 2000, according to the Texas Agricultural Extension Service. The primary agricultural products are horses, beef and pecans. Horses represented 60 percent of agricultural receipts between 1997 and 2000. In 2001, agricultural receipts are expected to reach \$19 million.

In Midland County, agricultural receipts were \$11.5 million in 2000. For 2001, receipts are expected to reach \$17.4 million. The primary agricultural products are horses, cotton and beef, representing 35.7, 22.1 and 13.2 percent of receipts, respectively.

BUSINESS CLIMATE

Tax Rates, 2000

Taxing Entity	Tax Rate per \$100 Valuation	Taxing Entity	Tax Rate per \$100 Valuation
City of Odessa	\$0.66	City of Midland	\$0.65
Ector County ISD	1.54	Midland ISD	1.64
Odessa College	0.20	Midland College	0.16
Ector County	0.46	Midland County	0.26
Hospital District	0.06	Hospital District	0.16
Total	\$2.92	Total	\$2.87

Sources: Midland and Ector County Appraisal Districts

Odessa-Midland MSA Retail Sales

Year	Total Sales	Sales per Capita
1990	\$2,004,277,646	\$8,892
1991	1,972,090,577	8,617
1992	1,945,136,219	8,385
1993	2,108,068,140	9,036
1994	2,202,065,730	9,365
1995	2,295,031,712	9,728
1996	2,540,410,693	10,699
1997	2,847,354,545	11,849
1998	2,773,996,242	11,373
1999	2,663,295,965	11,231
2000	2,996,352,187	12,636
State Average 2000		\$12,612

Source: Texas Comptroller's Office

Retail sales in the Odessa-Midland area were expected to be lower than usual in 2000 as a result of oil industry layoffs. Retail sales were down 5.5 percent between 1998 and 1999. As the industry rebounds, retail sales are expected to rebound. The sales tax rate in Midland is 7.75 percent and in Odessa, 8.25 per-

cent. The hotel-motel tax rate is 13 percent in both cities.

The Odessa-Midland area had \$104 million in exports in 1999, up from \$96 million in 1998, according to the International Trade Administration.

Odessa passed a one-fourth-cent economic development sales tax in 1997. The tax generates an estimated

\$3 million per year for economic development efforts. Midland does not have an economic development sales tax.

Midland voters approved a one-fourth-cent sales tax increase to pay for the construction of a \$45 million sports complex.

EDUCATION

Educational Level, Persons Age 25 and Older (in percent)

Level of Education	Ector County	Midland County	Texas
High school graduate	29.5	22.5	25.6
Some college, no degree	23.6	22.9	21.1
Associate's degree	4.9	5.0	5.2
Bachelor's degree	8.4	19.5	13.9
Graduate or professional degree	3.5	6.9	6.5

Source: U.S. Census Bureau, 1990

Local College and University Enrollment

School	Fall 2000	2005 (estimated)	2010 (estimated)	2015 (estimated)
Midland College	4,842	5,219	5,330	5,426
Odessa College	4,609	4,676	4,719	4,797
University of Texas – Permian Basin	2,272	2,348	2,383	2,412
Texas Tech Health Science Center	142	n/a	n/a	n/a

Sources: Educational institutions and the Texas Higher Education Coordinating Board, January 2001

The University of Texas–Permian Basin (UTPB) broke ground on a presidential museum in April 2001. The \$2.5 million project will have 13,334 square feet. The new museum, to be called the Leadership Library, will open in late summer 2002. In February 2001, an 80,000-square-foot library-lecture center was completed. The building includes a library, university archives and two lecture halls. In February 2000, the Visual Arts Studios were completed. The 27,000-square-foot art complex has studio space for printmaking, painting, drawing and graphic design. A new student union is under construction.

Renovations to convert the old academic building into classroom and lab space started in May 2000 at the Texas Tech Health Science Center. A total of 14,000 square feet of space is being remodeled at a cost of \$1.2 million.

Midland College opened in 1969 as part of the Permian Junior College System. In 1972, it became the Midland College District. The 115-acre campus has 11 buildings, including a 4,000-seat auditorium. Midland College's Regional Technical Training Center in Fort Stockton will undergo a \$1.2 million expansion. A 10,000-square-foot addition will double the school's size. The addition will house a new science lab, vocational nursing lab, computer lab, new classrooms and faculty offices. The branch campus currently has 250 students. Construction is expected to be completed by January 2002. Enrollment at the college is expected to continue to grow.

Odessa College opened in 1946. The school offers more than 30 occupational and technical programs. The campus is on 80 acres and has 25 buildings. The college has a 110,000-

square-foot sports center.

The Ector County Independent School District is planning to present a bond package of \$60 million or more to the voters. The package will include additions to the two high schools to allow the addition of ninth graders. The date for the bond election has not been set. Two schools will become magnet schools starting in fall 2001. Austin Elementary will be converted to a Montessori school and Cameron Elementary will become a dual-language school.

Midland Independent School District's Advanced Technology Center received a \$900,000 grant from the Economic Development Administration of the U.S. Department of Commerce. The Advanced Technology Center is an 85,000-square-foot center that will train students in the latest technologies.

PUBLIC FACILITIES

The City of Odessa began construction on two new fire stations in January 2001. The new stations will serve the northern and eastern portions of Odessa. Fire station Number 5 will be located at Colorado and East Ridge Road. Fire station Number 8 will be located at Yukon Road and U.S. 385. The fire stations are being relocated from other sites.

The City of Odessa will spend \$4.5 million to replace swimming pools at Sherwood and Woodson parks. The pools will be converted into water parks, including a spiral slide, water geysers, water volleyball and a sea-shore-style wading pool. The pools will be completed by summer 2002.

Odessa is planning to build a new girl's softball complex. Three sites are under consideration for the \$1.2 million, four-field complex. A construction date has not been set. The city

purchased the Ector Theater in 1995 and spent more than \$265,000 renovating it. The city has not yet determined the theater's use, but it will officially reopen on August 1, 2001, the 50th anniversary of its opening.

Midland voters approved sale of bonds for the construction of a \$45 million sports complex for the minor league baseball team. The Scharbauer Sports complex will be located at Loop 250 and State Highway 191. The 7,000-seat baseball stadium will open in Spring 2002 and the 18,000-seat football-soccer stadium will open in Fall 2002.

Midland completed Phase I of Beal Park in April 2001. The park is in southwest Midland at the corner of Business 20 and Loop 250. The 116-acre park includes two little league complexes, soccer fields, hike-and-

bike trails and a ranch house. An amphitheater is planned as part of phase two.

The American Airpower Heritage Museum opened an Aviation Art Gallery in October of 2000. The 10,400-square-foot building has gallery space, a research library and artifact lab.

A \$3 million bond issue was approved in October 2000 for the renovation of the Ector County Coliseum. The Ector County Hospital District plans to expand surgery capabilities at Medical Center Hospital. Ground-breaking is expected within two years.

The City of Goldsmith sold a former elementary school to someone who plans to convert it into a religious retreat center. The city purchased the 30,000-square-foot building from Ector County Independent School District in December 2000.

TRANSPORTATION AND INFRASTRUCTURE ISSUES

Midland Airline Boardings

	1997	1998	1999	2000
Midland International Airport	533,191	515,110	484,249	470,204

Source: Midland International Airport

At the Midland International Airport, Southwest Airlines, American Eagle, United Express and Continental Express provide service to Dallas and Houston. During 1999, a new \$34.5 million airport terminal opened.

The Federal Aviation Administration awarded the Midland International Airport a \$2.3 million grant to construct a new taxiway. The existing taxiway will be removed. Construction is expected to be completed by the end of 2001. The airport is trying to change

its control tower to a 24-hour schedule. In April 2001, the airport began a 90-day test period. After 90 days, if an average of 25 operations occur between midnight and 6 am, the airport can keep the 24-hour schedule for the tower.

I-20 and U.S. 385 pass through the area, in addition to Texas Highways 191 and 302. The area rail carrier is Union Pacific. Ector County officials plan to build a train depot as part of an effort to attract Amtrak.

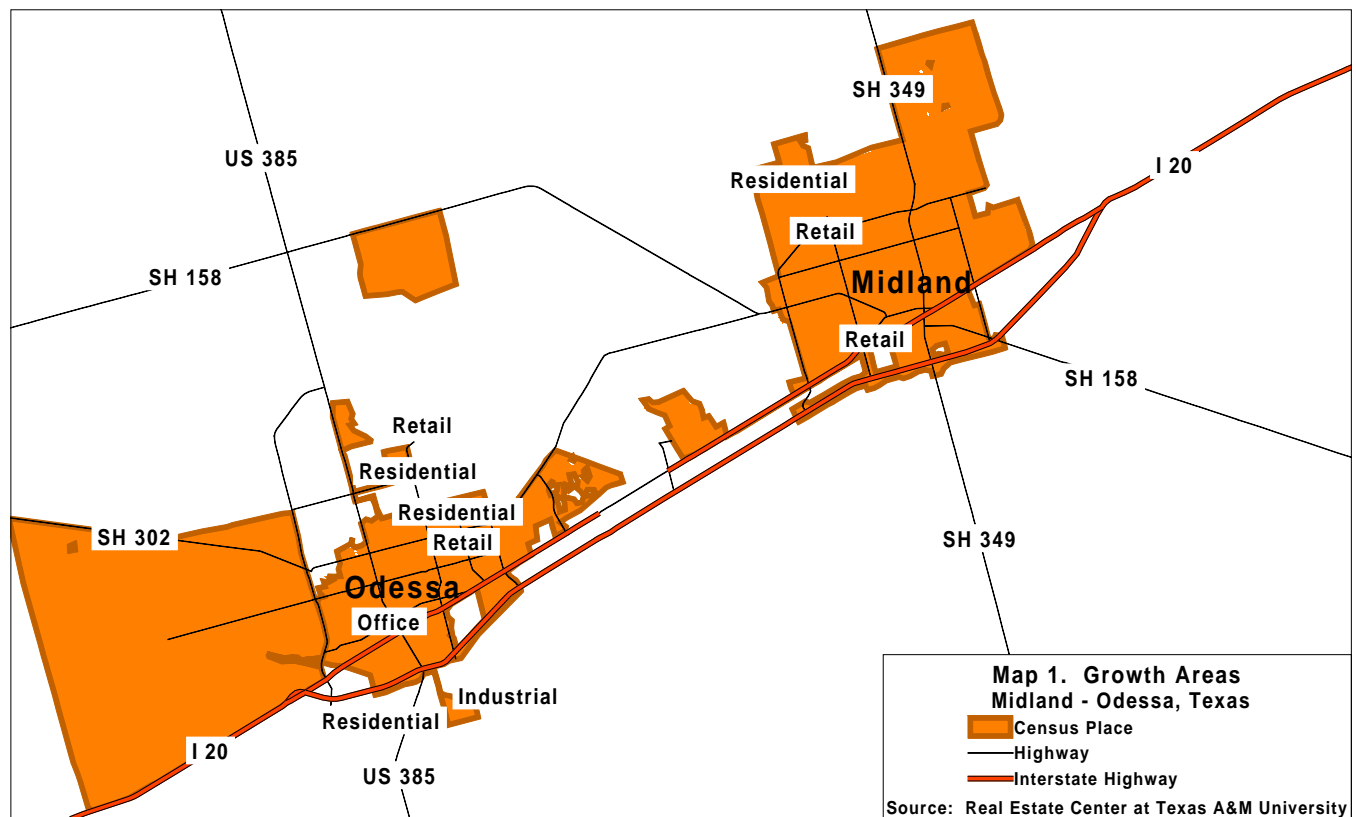
The City of Midland gets its water from the Colorado River Municipal

Water District and the Paul Davis and McMillan well fields, which are owned by the city. The city also owns 16.5 percent of the O.H. Ivie Reservoir. This combination of ground and surface water sources is expected to meet the city's needs through 2050.

The City of Odessa obtains surface

and ground water from the Colorado River Municipal Water District, which is expected to meet the city's needs through 2050. The Odessa City Planning Department reports the city has water and sewer capacity available for growth.

URBAN GROWTH PATTERNS



Retail growth in Odessa is occurring along University and 42nd Street, between Grandview and East Loop 338, and along West Loop

338 near Walnut. Midland's retail growth is occurring along the loop and east toward Midland Street. Single-family growth is occurring in north-

west Midland and northeast Odessa. Industrial growth has been occurring south along I-20 and between I-20 and Business 20 in Odessa (see map 1).

HOUSING

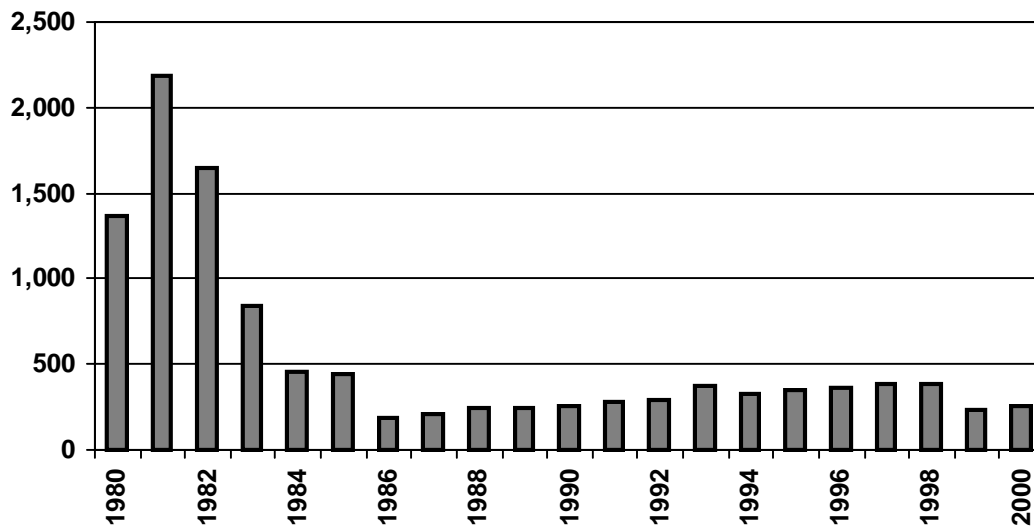
Housing Affordability – Fourth Quarter 2000

	Percent of Households That Can Afford Median-priced Home	THAI*	THAI for First-time Homebuyers
Odessa-Midland MSA	69	1.61	1.20

*The THAI is the ratio of median household income to the income required to buy the median-priced home using currently available mortgage financing. Standard financing is a 30-year loan covering 80 percent of the cost of the home. A THAI of 1.00 indicates that the median household income is just enough to qualify for a loan sufficient to purchase the median-priced home.

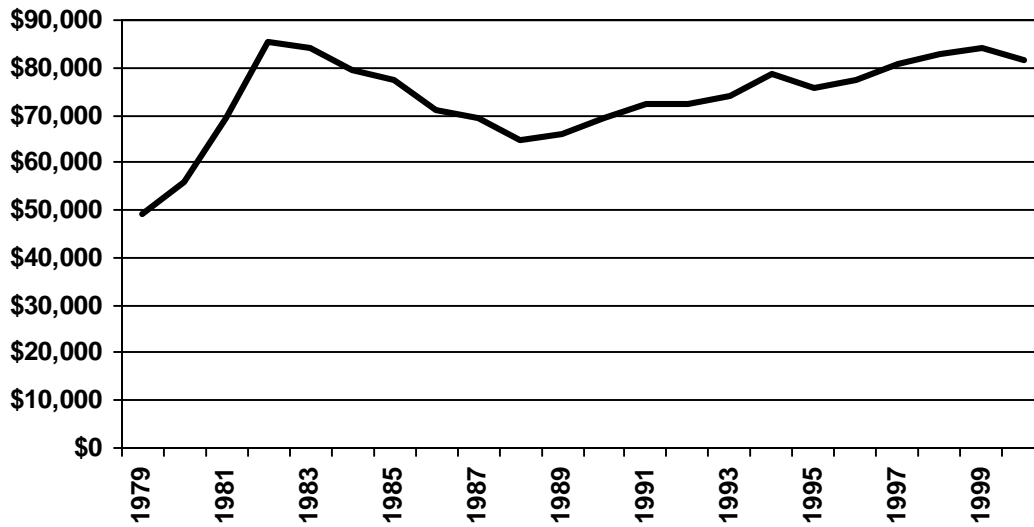
Source: Real Estate Center at Texas A&M University

Odessa-Midland Single-family Permits



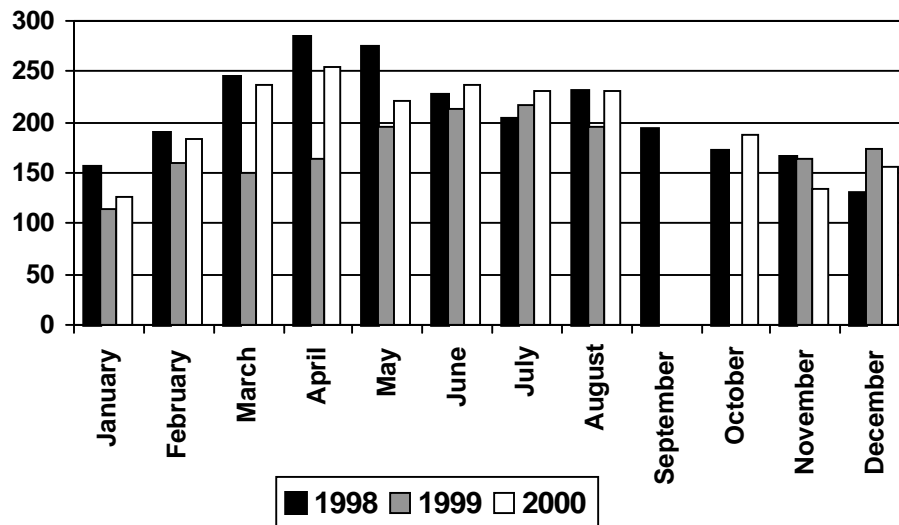
Source: U.S. Census Bureau

Average Sales Price of Single-family Home, Odessa-Midland Area



Source: Real Estate Center at Texas A&M University

Single-family Home Sales Volume, Odessa-Midland Area



*Some data unavailable

Source: Real Estate Center at Texas A&M University

Price Distribution of MLS Homes Sold, Odessa-Midland Area (in percent)

Price Range	1997	1998	1999	2000
Less than \$60,000	40.4	38.9	40.6	41.9
60,000 – 79,999	20.6	19.6	18.9	19.1
80,000 – 99,999	12.3	14.5	12.5	11.8
100,000 – 119,999	8.4	7.8	7.2	7.1
120,000 – 139,999	5.4	6.4	5.8	7.0
140,000 – 159,999	4.4	3.9	4.7	4.2
160,000 – 179,999	2.6	3.6	4.0	2.8
180,000 – 199,999	2.3	1.8	1.7	1.7
200,000 – 249,999	2.3	1.8	2.7	2.6
250,000 – 299,999	0.9	0.9	1.1	0.9
300,000 and more	0.5	0.9	1.0	0.9

Source: Real Estate Center at Texas A&M University

The total number of homes reported sold through the Odessa-Midland MLS rose from 2,094 in 1999 to 2,397 in 2000. Months of inventory fell from 8.4 to 7.7 during 2000. New single-family construction rose during 2000 to 262, from 228 in 1999. The average value of a new home was \$116,800. During the first quarter of 2001, 53 new homes were permitted.

In Midland during 2000, Grassland Estates Section 17 and 18 added 54

lots on the west side, and Briarwood Addition added two lots in northwest Midland. Mockingbird Heights is planning to add 25 acres in section three of the subdivision located on the north side of the city. Twenty six-to-eight-acre lots on 154 acres were platted west of Midland in Sun Ridge Ranch Estates.

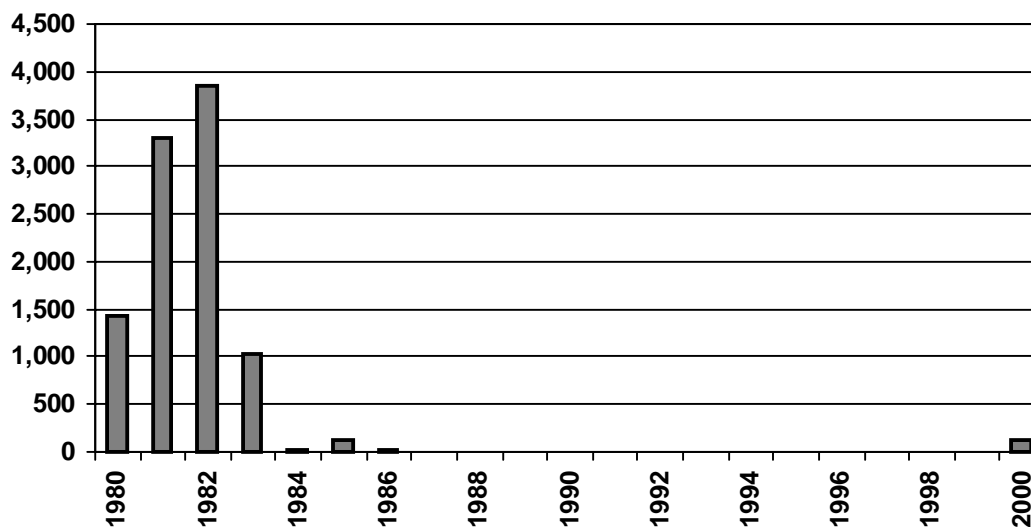
In Odessa during 2000, Emerald Forest Estates added 18 lots on the far east side of the city. There have been several new developments outside the city

limits. Rocking Seven Ranch Estates has 60 lots on the south side. South Fork is also on the south side and has 20 lots. Ponderosa Estates has 30 lots on the northeast side of the city. McDonald's subdivision has ten lots and is located on the far west side.

At Clements Street construction began in September 2000 on 13 homes. The Odessa Housing Finance Corporation is developing these affordable homes.

MULTIFAMILY

Odessa-Midland MSA Multifamily Building Permits (in units)



Source: U.S. Census Bureau

Odessa-Midland Apartment Statistics, March 2001

	Midland	Odessa	Texas Metro Average
Average rent per square foot	\$0.45	\$0.46	\$0.76
Average occupancy (in percent)	88.5	90.7	95.7

Source: Apartment MarketData Research

The Odessa-Midland area is one of many areas that overbuilt apartments in the early 1980s. No new apartments were permitted between 1990 and 1999. In 2000, 134 new multifamily units were permitted. In the first four months of 2001, nine new multifamily units were permitted.

Occupancy rates and rental rates are up for 2001. In Odessa-Midland occupancy rates rose 3.2 percentage points between January 2000 and March 2001. Rents rose one-half cent per square foot. In Odessa, occupancy rates rose 5.9 percentage points and

rents were unchanged. There have been a number of apartments proposed in the last few years; however, occupancy rates have not been high enough to support new apartment projects.

MANUFACTURED HOUSING

Odessa-Midland MSA Manufactured Home Sales

	Manufactured Homes Sold	Proportion of New Single-family Homes (in percent)
1997	430	56.0
1998	580	58.8
1999	447	65.8
2000*	204	49.5

*Through third quarter 2000

Source: Texas Manufactured Housing Association

Manufactured home sales in the Odessa-Midland area decreased by nearly 23 percent

from 1998 to 1999. During the same period, manufactured homes as a percentage of new single-family homes

increased 7 percent. This can be attributed to a slowdown in site-built home construction activity.

SENIORS HOUSING

The Huntsman Corporation is planning a nursing home on the south side of Odessa. The home will house 120 residents and have 65 employees. The site selection process is currently underway.

Key West Senior Village at West County Road and Clements Street is a

120-unit independent living residential community on the south side of Odessa. The \$7 million project will be for low-to-moderate income seniors. Groundbreaking occurred in March 2001 with completion expected in summer 2001.

Ector County is planning to expand the Kellus Turner Community Center Building to create a senior citizens center. The Northside Senior Citizens Center added a walking track in 2000.

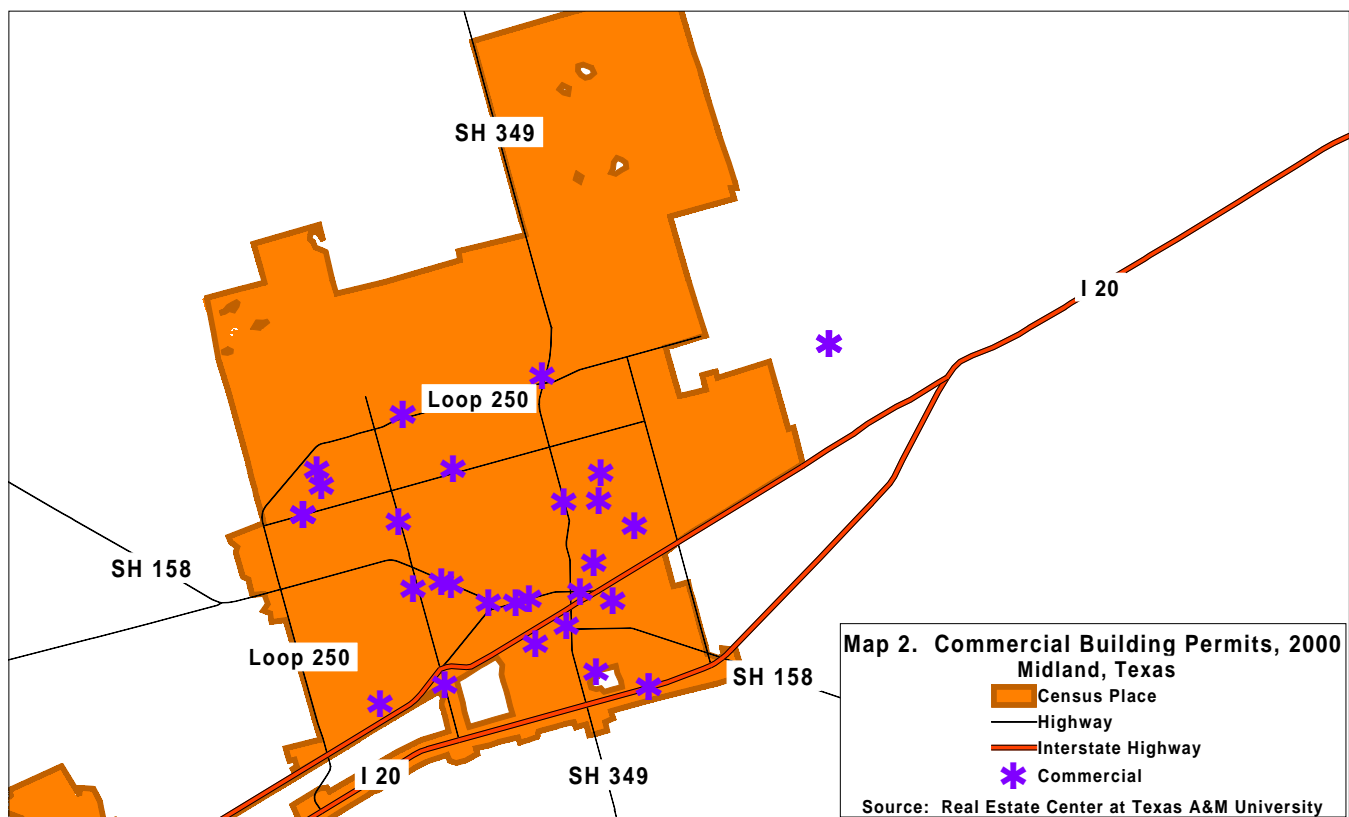
New Horizon Nursing Homes in Odessa closed in February 2001.

RETAIL MARKET

Hotel Occupancy and Rental Rates

	1999		2000	
	Odessa-Midland	Texas	Odessa-Midland	Texas
Occupancy rate (in percent)	46.5	64.1	48.6	65.8
Average daily rental rate	\$50.53	\$84.23	\$51.62	\$86.61

Source: PKF Consulting



There was a significant decline in hotel occupancy rates in the Odessa-Midland area during 1999 and 2000, primarily because of the oil slump. Rents increased as the result of new hotels opening in the area. A \$3.5 million Fairfield Inn broke ground in January 2001. The hotel is at Maple Avenue and 42nd Street in Odessa. Map 2 shows locations of commercial building permits issued in Midland.

Restaurant sales are expected to increase 2.9 percent to \$244 million

during 2001, according to the Texas Restaurant Association. During the first quarter of 2001, several restaurants opened in Odessa, including Josie's Kitchen, Garnish Restaurant, La Familia Restaurant, Ruth's Drive Inn Restaurant, Los Cuates, El Rey and Jalisco Restaurant.

Burger King opened a restaurant in February 2001 at East 42nd Street in Odessa. Ay Papisitos opened a Mexican restaurant in Odessa at North Grandview in January 2001. Jumburrito added a second restaurant

in Odessa at W. 25th Street and West County Road in May 2001. Gringo's opened a restaurant on John Ben Shepperd Parkway in February 2001. On the Border is planning a restaurant in Odessa.

Mudo's, Meha, George's C&L Café, Sunset Café and Snack Bar, Garden-dale Grill, Linda's Cocina, the Original NY Cheesecake Co., El Pescado, Joe's Italian, Norma's Sank Bar and Grill, La Fogata Mexican Restaurant, Miss Daisy's Tea Room, Burrito Barn and Lagogata Mexican Restaurant opened

in Odessa in 2000. Fazoli's opened a fast-food Italian restaurant on Sheppard Parkway in Odessa.

In Midland, several restaurants opened in first quarter 2001 including Popeye's Fried Chicken, TCBY, Scars Café and Coffee and El Huarache Restaurant. During 2000, Chuck E. Cheese Pizza, El Taco Loco, Michelino's Pizza, Que's Rib Joint, Quizno's, Sedona's Grill, Smoothie King, Ichabod's, Johnny Carino's, Logan's Roadhouse, Lori's Café, Tia's Restaurant, Toddy Café and Valentino's Ristorante opened.

Taco Villa broke ground in Odessa on a new restaurant at W. 20th Street and West County Road in 2001. Walgreens is under construction at West County Road and West University Boulevard.

In Odessa, Wal-Mart Supercenter opened on West Loop 338 in June 2000. Staples Office Superstore opened in August 2000. A day-care center is planned adjacent to the Texas Tech Health Sciences Center and Medical Center Hospital. Premier Chrysler-Plymouth-Dodge-Jeep under-

went a \$3 million expansion in 2000. Four Square Gospel Church opened in January 2001 on Kermit Highway in Odessa.

In 2000, Odessa recorded retail growth on the northeast side of town. The land only recently became available for development because of existing oil and gas leases. Businesses that opened in the area include McDonald's, Luby's Cafeteria, Southwest Bank and Marie Callendar's. In Odessa, on West Loop 338, Wal-Mart Superstore opened in June 2000. The 185,000-square-foot store will employ 450 people. In June 2000, a new gas station was permitted on East Eighth Street in Odessa. Staples opened at East 42nd Street in September 2000.

Odessa Glass & Mirror burned but was rebuilt and reopened in February 2001 on East Second Street. Factory-to-U and Fashion Bug are planned between Big 5 Sporting Goods and Hastings in Odessa. Lowe's Home Improvement is considering building a store in Odessa. Security State Bank is planning a new location in 2001 at 42nd Street and Tanglewood.

In Midland, a number of stores opened during the first quarter of 2001. New stores include Tails of the City, Stephanie's Hidden Treasures and Consignments, So Shoe Me, Satellite Direct, Primesource Mortgage, Intriguing Interiors by Myra Moore, Facades, Creek's Barber Shop, Chef Express, The Candle Café, Baylor Medical Sales and Adkins Discount Taxi.

Several new stores were built in Midland in 2000, including Michaels' Arts and Crafts, Bed Bath & Beyond, Linens N' Things, Western National Bank, First National Bank of Midland and Ross Dress For Less.

Staples is planning a store in Midland. Other proposed stores include Advance Auto Parts, Expert Detail, Texstar Bank and Southern Maid Donuts.

The Montgomery Ward store closed in Odessa. Bealls is closing one of its four Odessa stores. OfficeMax will close its Midland store in 2001. Several companies are considering the Montgomery Ward building on 42nd Street in Odessa.

OFFICE MARKET

2000 Midland Office Market

Area	Total Leaseable Space Square Feet	Average Occupancy (in percent)
Central Business District	3,594,770	82
Suburban	2,357,893	71
Totals	5,952,663	78

Source: Downtown Midland, Inc and Midland Chamber of Commerce

Midland's office market has suffered more than Odessa's from depressed oil prices because it contains the majority of the area's office space. According to the Midland Chamber of Commerce,

rental rates range from \$3.50 to \$12.50 per square foot.

First American Home Buyers Protection Corporation is building a 42,500-square-foot call center in northeast Odessa at a cost of \$2.3 million.

The Odessa Regional Hospital began a \$10 million expansion project in January 2001 that will add 100 rooms. It should be completed by 2002. Healthy Heart Center is an 18,500-square-foot building on East Fourth

Street in Odessa. The \$2 million facility was completed in fall 2000. A new doctor's office and clinic broke ground in February 2001 at Tom Green Avenue and Fourth Street. The \$1.1 million office will open in August.

Medical Center Hospital will undergo renovations of four labor-deliv-

ery rooms in 2001. In addition the hospital plans to renovate its Cardio Central outpatient unit.

The West Texas Food Bank is building a new facility in Odessa. The \$2 million facility will be completed in summer 2002. Cable One completed a

new \$2 million office building in Odessa in June 2000. The location on East 52nd Street will house 42 employees.

In Midland, Preferred Medical Center opened in 2001.

INDUSTRIAL MARKET

Texas Independent Energy plans to build a \$300 million natural-gas-fueled electric power generating plant in the Odessa Industrial Complex south of I-20. The first phase is expected to open in June 2001.

Equilion Enterprises began retrofitting the Shell fuel refinery in March 2000. A joint venture between Texaco and Shell Oil, the project is expected to cost \$2 to \$3 million.

The Odessa Development Corporation is planning to construct a 100,000-square-foot, \$1.9 million speculative building in the Odessa Industrial Complex.

CONCLUSION

In 2000, oil prices rebounded to new highs. In March 2000, job growth began to occur, brightening the prospects for retail sales and con-

struction activity in the area. It will take some time for the Odessa-Midland economy to fully recover from the recent slump in the oil sector.