

DATA CENTER DEVELOPMENT IN WEST TEXAS:

WHY THE PERMIAN BASIN IS EMERGING AS CRITICAL DIGITAL INFRASTRUCTURE

Growing demand for digital infrastructure is reshaping how data center sites are chosen, prompting developers and institutional investors to reassess traditional location strategies. Established Tier I markets such as Northern Virginia, Phoenix, and Dallas–Fort Worth are increasingly constrained by rising land costs, limited power availability, water scarcity, and extended entitlement timelines — creating friction for large-scale deployment (CBRE, 2024; Data Center Dynamics, 2024).

In response, capital is moving west — specifically to West Texas and the Permian Basin — where energy abundance, infrastructure depth, and land scalability are aligning to support the next phase of data center development. Long recognized for oil, gas, and wind production, West Texas is now emerging as a compelling long-term market for energy-intensive, mission-critical digital infrastructure (ERCOT, 2024).

WHY WEST TEXAS IS ATTRACTING DATA CENTER INVESTMENT

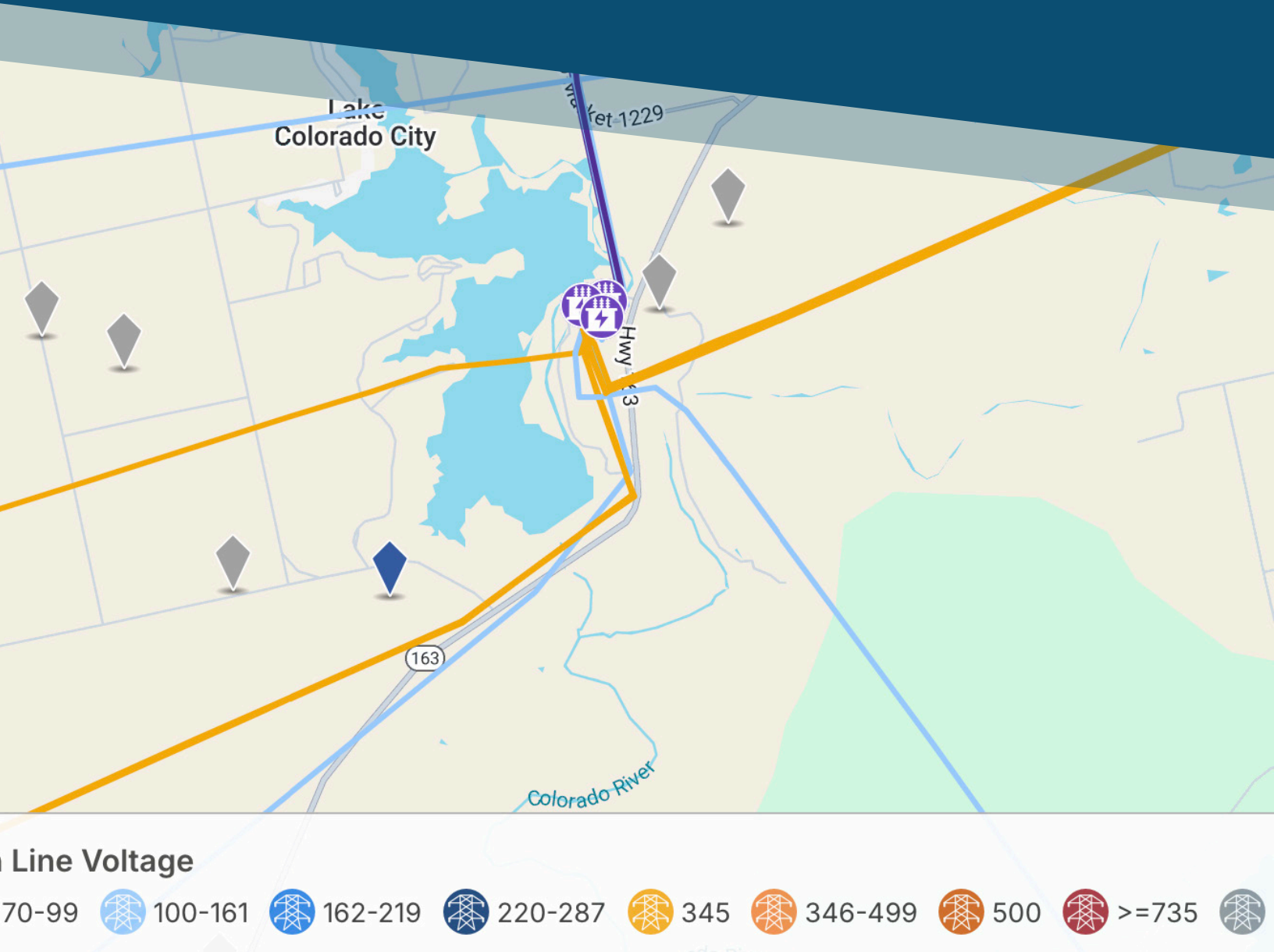
At its core, data center development is an infrastructure-driven investment. Viable sites must simultaneously solve for five critical requirements: power, water, land, connectivity, and scalability. West Texas consistently delivers across all five, positioning the region as a lower-risk alternative to increasingly saturated markets (CBRE, 2024).

From a land perspective, the region offers large, contiguous tracts with low population density — reducing land use conflicts, security exposure, and long-term expansion constraints. These characteristics are especially attractive for hyperscale and campus-style developments that require flexibility across multiple deployment phases (JLL, 2024).

Power availability remains the primary differentiator. West Texas sits within one of the most energy-rich corridors in North America, supported by natural gas production, utility-scale wind generation, and a mature transmission network originally designed to serve large industrial users (ERCOT, 2024).

A notable example is the Cattleman Substation near Colorado City, a planned 345/138-kV transmission facility developed as part of Oncor’s broader West Texas grid reinforcement strategy. Planning documents indicate the substation is designed to include two 600-MVA transformers, providing up to approximately 1,200 MVA of step-down capacity, with 345-kV equipment rated near 3,000 MVA. Importantly, the facility includes future expansion capability to accommodate additional load growth as demand increases (Public Utility Commission of Texas [PUCT], 2024).

Combined with Texas’ pro-business regulatory environment and the flexibility of the ERCOT market, this infrastructure depth provides a scalable and cost-efficient framework for long-term data center investment (ERCOT, 2024).



RECENT DATA CENTER TRANSACTIONS IN WEST TEXAS

One of the strongest indicators of West Texas' emergence as a data center market is recent transactional activity demonstrating institutional underwriting of the region.

Approximately 15 minutes from Colorado City, Cipher Mining's Barber Lake data center campus provides a meaningful benchmark. The approximately 250-acre site, which included a dedicated substation and approved power capacity, sold for \$67.5 million in September 2024, equating to roughly \$270,000 per acre, with power priced at \$3/MWh for five years following site activation (Cipher Mining, 2024).

This transaction illustrates that capital is already flowing into West Texas when power access, land scale, and infrastructure alignment are present (Data Center Dynamics, 2024).

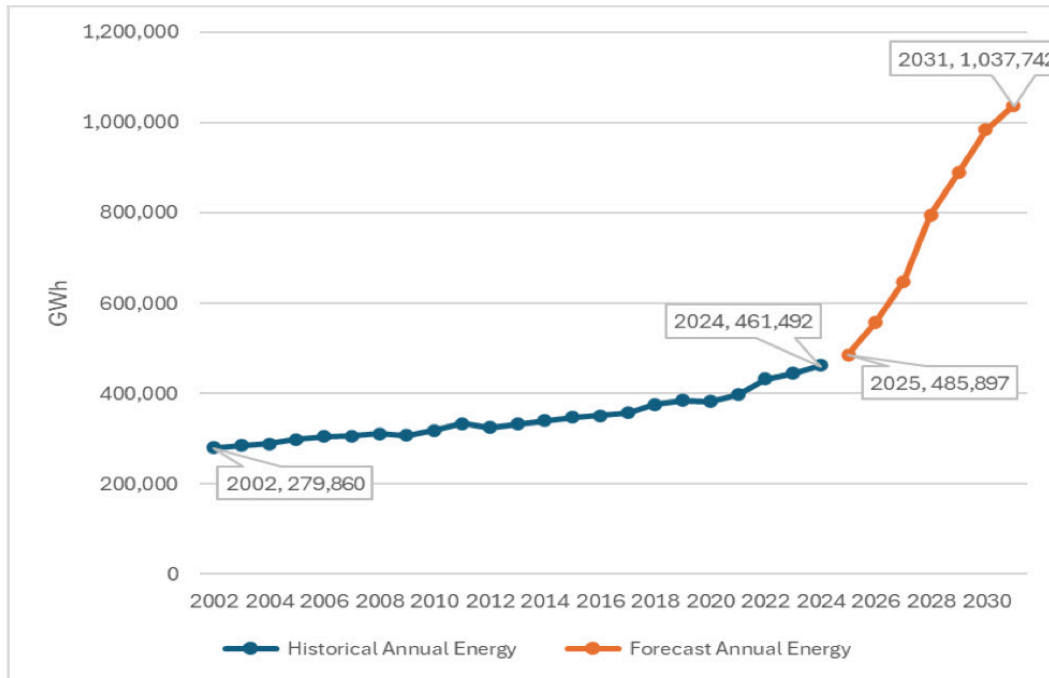
At the national level, hyperscale investment further reinforces the region's trajectory. Google announced a \$40 billion investment in Texas to expand AI-focused data center campuses and cloud infrastructure through 2027, including locations in West Texas. This level of capital commitment signals long-term confidence in the state's and specifically West Texas' ability to support next-generation data center infrastructure at scale (Google, 2024).

LONG-TERM INVESTMENT OUTLOOK

The combination of energy production, high-voltage transmission, water availability, and development-ready land puts West Texas in a strong position within the U.S. data center market. As demand grows for AI and other compute-intensive workloads, markets that can deliver power quickly, reliably, and at scale are expected to attract an outsized share of future investment (JLL, 2024).

From an investment standpoint, West Texas benefits from reduced competition for power and water, lower land costs compared to Tier I markets, flexibility for phased or campus-style development, and infrastructure originally built to support energy-scale users. As a result, the region is no longer viewed as a secondary option—it is increasingly recognized as a strategic infrastructure market (CBRE, 2024).

Figure 6: ERCOT Annual Energy Forecast



2026 OUTLOOK FOR THE PERMIAN BASIN

Data center development is no longer limited to coastal gateways or dense urban hubs. Growth is shifting toward infrastructure-first markets that can support large power needs, long-term expansion, and reliable operations. With proven transaction activity, energy-rich infrastructure, scalable land, and substations capable of handling significant load, West Texas and the Permian Basin are emerging as important parts of the nation's digital backbone. For developers, institutional investors, and operators evaluating the next generation of data center opportunities, the region offers a compelling, risk-adjusted investment case.

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Contact our brokerage team today for personalized insights and hands-on support. With extensive experience in advisory services and a deep understanding of the commercial real estate market, we are committed to guiding you through every step of your investment journey. Let us help you achieve your CRE goals with confidence.

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