

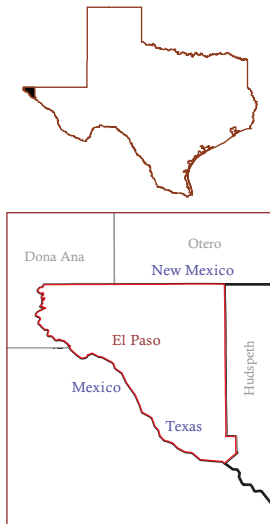


El Paso, Texas

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of April 1, 2011

PD&R

Housing Market Area



The El Paso Housing Market Area (HMA) is located at the western edge of Texas and consists of El Paso County. It is bordered by New Mexico to the north and is separated from Mexico by the Rio Grande River. The HMA is home to the University of Texas at El Paso (UTEP) and Fort Bliss Army Base.

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Summary

Economy

Nonfarm payrolls in the El Paso HMA averaged 279,200 jobs during the 12 months ending March 2011, indicating a 2-percent increase compared with a 1.2-percent decrease during the previous 12-month period. Declines in the manufacturing, transportation and utilities, and financial activities sectors were offset by growth in most other sectors. During the next 3 years, job growth is expected to average 1.9 percent annually, led by the wholesale and retail trade, education and health services, and government sectors, each of which grew by more than 3 percent during the 12 months ending March 2011.

Sales Market

The sales housing market in the HMA is balanced. During the 12 months ending March 2011, the number of homes sold increased less than 1 percent and the inventory of unsold homes declined. After accounting for the current supply of excess vacant units, demand is estimated for 12,650 homes, including 800 mobile homes, during the forecast period (see Table 1). In addition, 5,000 other vacant units are in the HMA, a portion of which may become available to satisfy some of the forecast demand.

Rental Market

The rental housing market in the HMA is currently tight. The rental vacancy rate is estimated at 4.5 percent. The average monthly apartment rent increased 7 percent to \$675 during the first quarter of 2011 compared with the average rent during the first quarter of 2010. During the forecast period, demand is estimated for 5,850 new rental units, which will be met partially by the 1,675 units currently under construction (see Table 1).

Table 1. Housing Demand in the El Paso HMA, 3-Year Forecast, April 1, 2011 to April 1, 2014

	El Paso HMA	
	Sales Units	Rental Units
Total Demand	12,650	5,850
Under Construction	840	1,675

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Total sales demand includes an estimated demand for 800 mobile homes. Units under construction as of April 1, 2011. A portion of the estimated 5,000 other vacant units in the HMA will likely satisfy some of the forecast demand.

Source: Estimates by analyst

Economic Conditions

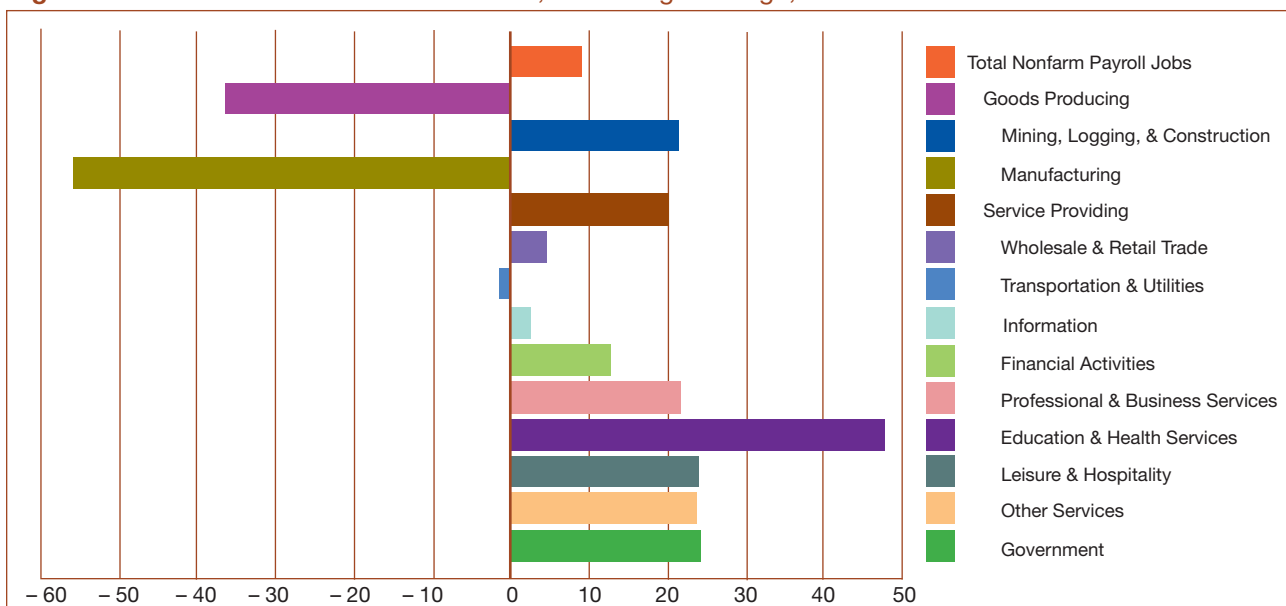
The El Paso HMA derives a significant economic benefit from its proximity to Mexico. It is one of the primary entry points for trade and population flows between Mexico and the United States. According to the El Paso Regional Economic Development Corporation, 15 to 30 percent of retail sales in the HMA are derived from Mexican nationals. A substantial number of jobs in the trade and transportation sector and utilities sector, which account for 23 percent of all jobs in the HMA, have resulted from the economic interaction between the two countries. Overall, in the HMA, total nonfarm payrolls have increased by an average of 2,224 jobs a year, or 0.8 percent, since 2000. Figure 1 illustrates sector growth in the HMA from 2000 to the current date.

Economic conditions in the HMA improved during the 12 months ending March 2011 after nonfarm payroll jobs declined by 3,275, or 1.2 percent, during the 12 months ending March 2010. During the 12-month period

ending March 2011, nonfarm payrolls increased by 5,500 jobs, or 2 percent, to 279,200 jobs (see Table 2). In comparison, from 2004 through 2008, the HMA added an average of 4,200 jobs annually, representing an average increase of 1.8 percent.

The government sector, which accounts for 25 percent of all nonfarm jobs in the HMA (see Figure 2), increased by 2,400 jobs, or 3.5 percent, during the 12 months ending March 2011. The HMA is home to Fort Bliss, headquarters for the U.S. Army Air Defense Artillery School, the William Beaumont Army Medical Center, and the U.S. Army Sergeants Major Academy. As the leading employer in the HMA, with approximately 23,500 troops and 7,000 civilian personnel, Fort Bliss has an estimated \$3.3 billion annual economic effect on the HMA, according to the U.S. Army. UTEP is another major contributor to the local economy, with 21,000 students enrolled and more than 2,550 faculty and staff employed. According to the Institute for Policy and Economic

Figure 1. Sector Growth in the El Paso HMA, Percentage Change, 2000 to Current



Note: Current is based on 12-month averages through March 2011.

Source: U.S. Bureau of Labor Statistics

Development at UTEP, the university has an estimated annual economic effect of \$335 million on the HMA. The Texas Tech University Health Sciences Center, School of Medicine campus, is a 4-year medical school that enrolls approximately 200 medical students and 195 residents. The school employs 1,450 faculty and staff.

During the 12 months ending March 2011, hiring was also strong in the wholesale and retail trade sector, which added 1,300 jobs, a 3.1-percent increase. Much of the growth in this

sector is attributed to an increase in the retail subsector, which added 850 jobs. The education and health services sector, which accounts for 13 percent of all nonfarm jobs in the HMA, added 1,050 jobs, an increase of 3 percent, during the 12 months ending March 2011. The HMA is the leading medical services provider in the west Texas region and is becoming a regional center for healthcare research and education because of the number of new hospitals and the Texas Tech University Health Sciences Center, School of Medicine. The job increases in this sector are primarily the result of expansions at a number of medical facilities. Table 3 provides a list of the top employers in the HMA, including Tenet Healthcare Corporation and University Medical Center, with 3,100 and 2,300 employees, respectively.

Several sectors showed job losses despite recent job growth overall. The financial services sector declined by 300 jobs, or 2.6 percent, during the 12 months ending March 2011. The manufacturing sector declined by 200 jobs, or 1.2 percent, to 16,650 jobs during the 12 months ending March 2011. The loss of jobs was widespread across various subsectors within the manufacturing sector. In the 12 months ending March 2011, the transportation and utilities sector lost 140 jobs, or 1.1 percent, falling to 12,300 jobs. During the 12 months ending March 2011, unemployment averaged 9.7 percent, up from 9.1 percent for the previous 12-month period; from 2005 through 2008, the unemployment rate averaged 6.7 percent. Figure 3 illustrates trends in the labor force, resident employment, and unemployment rate in the HMA from 2000 through 2010.

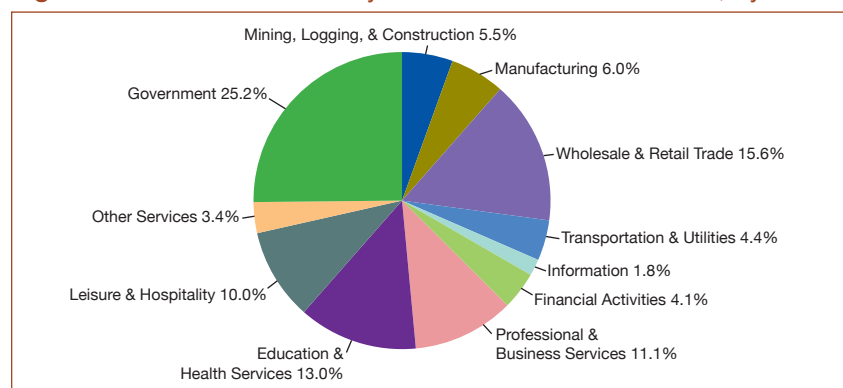
Table 2. 12-Month Average Nonfarm Payroll Jobs in the El Paso HMA, by Sector

	12 Months Ending March 2010	12 Months Ending March 2011	Percent Change
Total Nonfarm Payroll Jobs	273,700	279,200	2.0
Goods Producing	32,350	32,100	-0.7
Mining, Logging, & Construction	15,500	15,450	-0.3
Manufacturing	16,850	16,650	-1.2
Service Providing	241,400	247,100	2.4
Wholesale & Retail Trade	42,350	43,650	3.1
Transportation & Utilities	12,450	12,300	-1.1
Information	5,025	5,025	0.2
Financial Activities	11,800	11,500	-2.6
Professional & Business Services	30,450	30,900	1.5
Education & Health Services	35,150	36,200	3.0
Leisure & Hospitality	27,100	27,900	3.0
Other Services	9,250	9,400	1.6
Government	67,850	70,200	3.5

Notes: Based on 12-month averages through March 2010 and March 2011. Numbers may not add to totals because of rounding.

Source: U.S. Bureau of Labor Statistics

Figure 2. Current Nonfarm Payroll Jobs in the El Paso HMA, by Sector



Note: Based on 12-month averages through March 2011.

Source: U.S. Bureau of Labor Statistics

Nonfarm payrolls are expected to grow by an annual average of 2 percent during the forecast period. The wholesale and retail trade, education and health services, and government

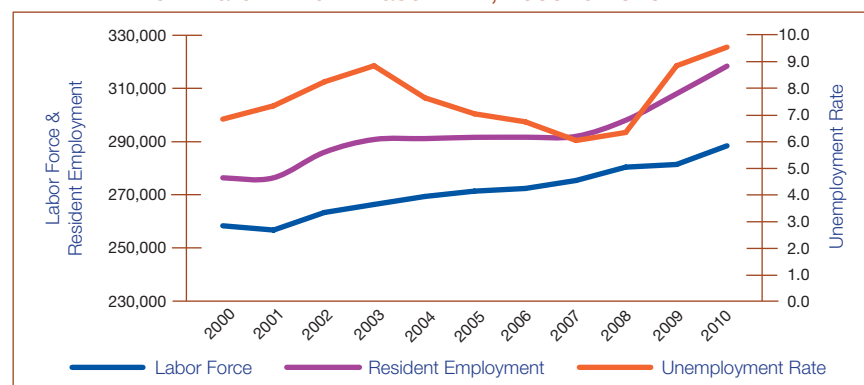
sectors are expected to contribute most of the estimated nonfarm payroll growth in the HMA during the next 3 years.

Table 3. Major Employers in the El Paso HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Fort Bliss Army Base	Government	23,500
Civilian Personnel at Fort Bliss	Government	7,000
T&T Staff Management, Inc.	Professional & Business Services	5,600
Tenet Healthcare Corporation	Education & Health Services	3,100
University of Texas at El Paso	Government	2,550
University Medical Center	Education & Health Services	2,300
EchoStar Communications Corporation	Professional & Business Services	1,850
GC Services	Professional & Business Services	1,800
Texas Tech University Health Sciences Center	Government	1,250
Automatic Data Processing, Inc.	Professional & Business Services	1,200

Source: El Paso Regional Economic Development Corporation

Figure 3. Trends in Labor Force, Resident Employment, and Unemployment Rate in the El Paso HMA, 2000 to 2010



Source: U.S. Bureau of Labor Statistics

Population and Households

The current population of the El Paso HMA is an estimated 816,600, up about 15,950, or a 2-percent average annual increase from the April 2010 Census population of 800,647. Since 2000, the population has grown by an average annual increase of 12,450, or 1.7 percent (see Figure 4). Net natural change (resident births minus resident deaths) accounted for approximately

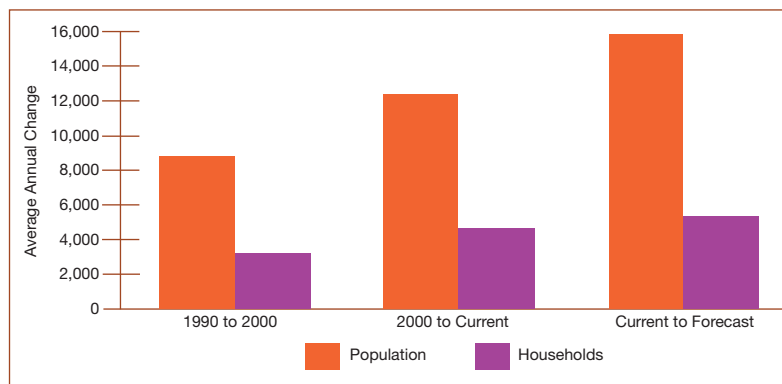
80 percent of the population growth in the HMA during the decade. Population growth in the HMA was strongest from 2006 through 2009, when the population increased by an average of 13,275, or 1.7 percent, annually. The growth peaked at about 16,100 in 2009. Net in-migration has been positive since 2007, averaging 3,350 people annually, primarily

because of military personnel being reassigned to Fort Bliss and growth in the number of military retirees. Net in-migration is expected to continue during the next 3 years at an average

annual rate of 5,250 people. As a result of the Base Closure and Realignment (BRAC) Commission's decisions, an estimated 12,500 soldiers and family members are expected to relocate to the area annually during the next 3 years. The total population is expected to grow by 15,850, or 1.9 percent, annually during the next 3 years to 864,100. Figure 5 shows components of population change in the HMA from 1990 to the forecast date.

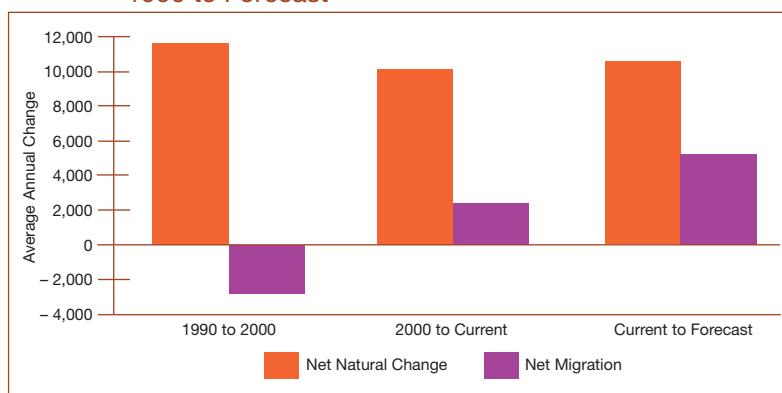
Since 2000, the number of households in the HMA has increased by an average of 4,700, or 2.0 percent, annually to a current total of 261,600. Figure 6 illustrates the number of households by tenure for 1990, 2000, and the current date. During the forecast period, the number of households in the HMA is expected to increase by an average of 5,325, or 2.0 percent, annually. By the end of the forecast period, the number of households is expected to total 277,600. Additional data on the HMA appears in Table DP-1 at the end of this report.

Figure 4. Population and Household Growth in the El Paso HMA, 1990 to Forecast



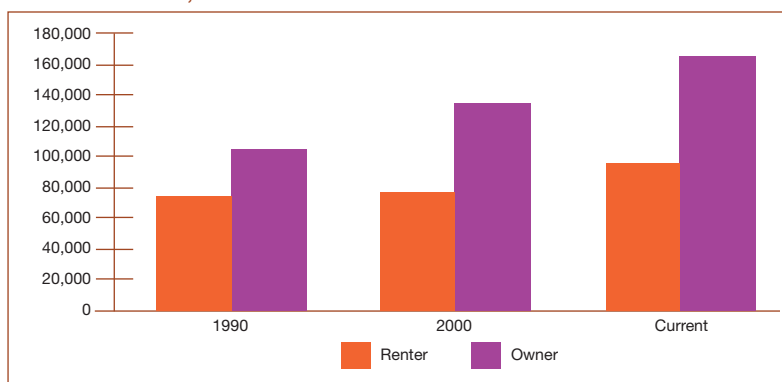
Sources: 1990 and 2000—1990 Census and 2000 Census; current and forecast—estimates by analyst

Figure 5. Components of Population Change in the El Paso HMA, 1990 to Forecast



Sources: 1990 and 2000—1990 Census and 2000 Census; current and forecast—estimates by analyst

Figure 6. Number of Households by Tenure in the El Paso HMA, 1990 to Current



Sources: 1990 and 2000—1990 Census and 2000 Census; current—estimates by analyst

Housing Market Trends

Sales Market

The sales housing market in the El Paso HMA is currently balanced, with a 1.5-percent sales vacancy rate. According to the Real Estate Center at Texas A&M University, 5,450 new and existing single-family homes were sold during the 12-month period ending March 2011, up less than 1 percent compared with the 5,425 homes sold during the previous 12 months, but still less than the average of 6,200 homes sold annually during the peak years of 2005 through 2007. During the 12 months ending March 2011, the average sales price decreased by 10 percent to \$136,000 compared with the average price of \$151,100 during the previous 12 months. Prices for new homes with 1,000 square feet and two-car garages start at \$90,000. Approximately 31,700 retired military households comprise a significant part of the sales market. The retirees are attracted to the HMA because of affordable home prices, the temperate climate, and the availability of medical, recreational, and shopping facilities at Fort Bliss. An estimated 4,000 active duty military personnel own homes off base.

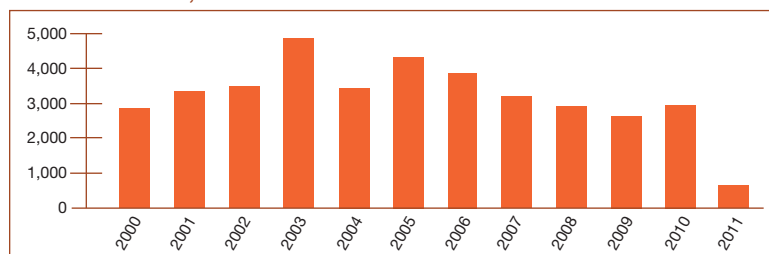
The available inventory of new and existing homes in the HMA averaged about 6 months of supply during the 12 months ending March 2011, a decrease from the 8.5 months of

supply averaged during the same period a year earlier, according to the Real Estate Center data. During the 12 months ending March 2011, 4.2 percent of loans in El Paso County were classified as 90 or more days delinquent, in foreclosure, or in REO (Real Estate Owned), down from 4.9 percent during the same period a year earlier, according to LPS Applied Analytics.

In the HMA, new home construction, as measured by the number of single-family building permits issued, increased from 2,700 homes during the 12 months ending March 2010 to about 2,800 homes during the 12 months ending March 2011, which is an increase of 3.7 percent, based on preliminary data. Construction levels during the most recent 12 months were 21 percent below the average of 3,550 homes permitted annually from 2004 to 2008. Figure 7 shows the number of single-family building permits issued in the HMA from 2000 to the current date.

Construction of Mesquite Hills Unit 5, a newer subdivision located in northeast El Paso, was recently completed. The subdivision has 125 homes ranging in size from 1,100 to 1,650 square feet and prices ranging from \$99,500 to \$121,950. The Estates at Emerald Park, a subdivision located in far eastern El Paso, is currently under construction and is expected to include 220 homes, with prices ranging from \$120,000 to \$160,000. Completion of the subdivision, which has finished about 140 units, is expected by mid-2012. In December 2010, development began at Entrada on the west side of El Paso, with plans to build 143 homes at a rate of 7 homes a month. The homes

Figure 7. Single-Family Building Permits Issued in the El Paso HMA, 2000 to 2011



Notes: Includes only single-family units. Includes data through March 2011.

Source: U.S. Census Bureau, Building Permits Survey

Housing Market Trends

Sales Market *Continued*

will range in size from 1,100 to 1,800 square feet, with prices ranging from \$135,000 to \$183,000.

Demand is estimated for 11,850 new market-rate home sales units annually in the HMA, not including 270 mobile homes annually, during the 3-year forecast period. A portion of this demand will be met

by the 840 homes currently under construction (see Table 1). Some of the estimated 5,000 other vacant units could become available for sale, satisfying some of the demand during the forecast period. Demand for new sales units is expected to be strongest in the \$125,000-to-\$199,999 price range, as shown in Table 4.

Table 4. Estimated Demand for New Market-Rate Sales Housing in the El Paso HMA, April 1, 2011 to April 1, 2014

Price Range (\$)		Units of Demand	Percent of Total
From	To		
90,000	99,999	1,175	10.0
100,000	124,999	1,775	15.0
125,000	149,999	2,975	25.0
150,000	199,999	2,375	20.0
200,000	249,999	1,775	15.0
250,000	299,999	1,175	10.0
300,000	399,999	360	3.0
400,000	and higher	240	2.0

Notes: Excludes mobile homes. A portion of the estimated 5,000 other vacant units will likely satisfy some of the forecast sales demand.

Source: Estimates by analyst

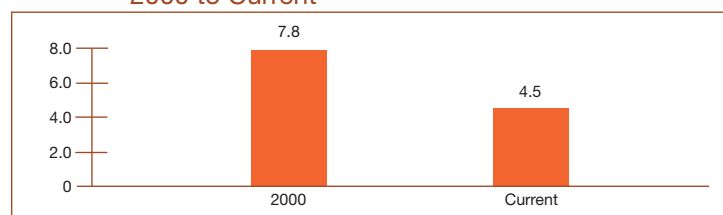
Rental Market

The rental housing market in the El Paso HMA is currently tight, with an estimated overall rental vacancy rate of 4.5 percent (see Figure 8). According to Reis, Inc., the apartment vacancy rate was 4.3 percent during the first quarter of 2011, down from 7.3 percent a year earlier. As of the first quarter of 2011, market-rate apartment rents in the area averaged \$590 for a one-bedroom unit, \$720 for a two-bedroom unit, and \$890 for a three-bedroom unit. These rents are

6, 8, and 8 percent higher for one-, two-, and three-bedroom units, respectively, than the average rents a year earlier.

Multifamily construction activity, as measured by the number of units permitted, has increased recently in the HMA. Multifamily construction, which is almost entirely rental apartment units, totaled 1,500 units during the 12-month period ending March 2011, based on preliminary data, more than double the number of units permitted during the 12-month period ending March 2010. During the 4-year period from 2005 through 2008, the pace of multifamily construction averaged 950 units, well above the annual average of 340 units permitted between 2000 and 2004. An estimated 1,675 apartment units are currently under construction. Figure 9 illustrates the

Figure 8. Rental Vacancy Rates in the El Paso HMA, 2000 to Current



Sources: 2000–2000 Census; current—estimates by analyst

Housing Market Trends

Rental Market *Continued*

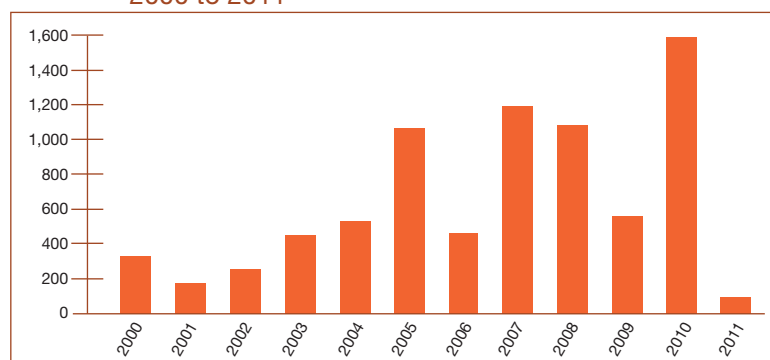
number of multifamily units permitted in the HMA from 2000 to the current date.

Additional growth at Fort Bliss resulting from BRAC relocations is expected to substantially affect the local rental housing market during the next 3 years. Approximately 13,000 military households currently live in off-base rental housing, and a significant portion of the expected additional military personnel and family members are also likely to enter the off-base rental market. The student population at UTEP, which is 3 percent of the HMA population, also significantly affects the rental market. About 20,550 students are estimated to live off campus, and those students represent about 4 percent of the occupied rental units in the HMA. Apartments account for approximately 42 percent of all rental

units in the HMA; the remainder of the rental stock primarily consists of single-family homes and mobile homes. The Bungalows at Hueco Estates, a 431-unit apartment complex located in eastern El Paso, is currently in lease-up, with average rents of \$675, \$750, and \$1,300 for one-, two-, and three-bedroom units, respectively. Two apartment communities, The Bungalows at North Hills with 342 units and Mountain Vista apartments with 160 units, are among the new developments recently completed and primarily marketing to Fort Bliss soldiers. Effective rents at these two communities are about \$590 to \$680 for a one-bedroom unit, \$700 to \$820 for a two-bedroom unit, and \$1,000 for a three-bedroom unit. Three other projects currently under construction include Dieter Commons Phase II, Magoffin Park Villas, and The Reserve at Sandstone Ranch, with 212, 91, and 246 units, respectively. Rents in these communities begin at \$680, \$820, and \$1,100 for one-, two-, and three-bedroom units, respectively.

The estimated demand for 5,850 additional market-rate rental housing units during the next 3 years will be met partially by the 1,675 rental units currently under construction (see Table 1). Table 5 shows estimated demand for new market-rate rental housing in the HMA categorized by rent level and number of bedrooms.

Figure 9. Multifamily Building Permits Issued in the El Paso HMA, 2000 to 2011



Notes: Includes all multifamily units in structures with two or more units. Includes data through March 2011.

Source: U.S. Census Bureau, Building Permits Survey

Table 5. Estimated Demand for New Market-Rate Rental Housing in the El Paso HMA, April 1, 2011 to April 1, 2014

One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand
600 to 799	1,575	735 to 934	2,575	925 to 1,124	700
800 to 999	180	935 to 1,134	480	1,125 to 1,324	180
		1,135 to 1,334	160		
Total	1,755	Total	3,215	Total	880

Source: Estimates by analyst

Data Profile

Table DP-1. El Paso HMA Data Profile, 1990 to Current

	1990	2000	Current	Average Annual Change (%)	
				1990 to 2000	2000 to Current
Total Resident Employment	228,522	256,110	288,800	1.1	1.2
Unemployment Rate	11.8%	6.8%	9.7%		
Nonfarm Payroll Jobs	208,800	256,400	279,200	2.1	0.8
Total Population	591,610	679,622	816,600	1.4	1.7
Total Households	178,366	210,022	261,600	1.6	2.0
Owner Households	104,624	133,624	165,100	2.5	1.9
Percent Owner	58.7%	63.6%	63.1%		
Renter Households	73,742	76,398	96,500	0.4	2.1
Percent Renter	41.3%	36.4%	36.9%		
Total Housing Units	187,473	224,447	273,600	1.8	1.8
Owner Vacancy Rate	1.4%	1.5%	1.5%		
Rental Vacancy Rate	5.3%	7.8%	4.5%		
Median Family Income	\$26,400	\$34,900	\$41,100	2.8	1.5

Notes: Employment data represent annual averages for 1990, 2000, and the 12 months through March 2011. Median family incomes are for 1989, 1999, and 2009.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Data Definitions and Sources

1990: 4/1/1990—U.S. Decennial Census

2000: 4/1/2000—U.S. Decennial Census

Current date: 4/1/2011—Analyst's estimates

Forecast period: 4/1/2011–4/1/2014 —Analyst's estimates

Demand: The demand estimates in this analysis are not a forecast of building activity. They are the estimates of the total housing production needed to achieve a balanced market at the end of the 3-year forecast period given conditions on the as-of date of the analysis, growth, losses, and excess vacancies. The estimates do not account for units currently under construction or units in the development pipeline.

Other Vacant Units: In HUD's analysis, other vacant units include all vacant units that are not available for sale or for rent. The term therefore includes units rented or sold but not occupied; held for seasonal, recreational, or occasional use; used by migrant workers; and the category specified as "other" vacant by the Census Bureau.

For additional data pertaining to the housing market for this HMA, go to www.huduser.org/publications/pdf/CMARtables_ElPasoTX_11.pdf.

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This analysis has been prepared for the assistance and guidance of the U.S. Department of Housing and Urban Development (HUD) in its operations. The factual information, findings, and conclusions may also be useful to builders, mortgagees, and others concerned with local housing market conditions and trends. The analysis does not purport to make determinations regarding the acceptability of any mortgage insurance proposals that may be under consideration by the Department.

The factual framework for this analysis follows the guidelines and methods developed by HUD's Economic and Market Analysis Division. The analysis and findings are as thorough and current as possible based on information available on the as-of date from local and national sources. As such, findings or conclusions may be modified by subsequent developments. HUD expresses its appreciation to those industry sources and state and local government officials who provided data and information on local economic and housing market conditions.

For additional reports on other market areas, please go to
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