

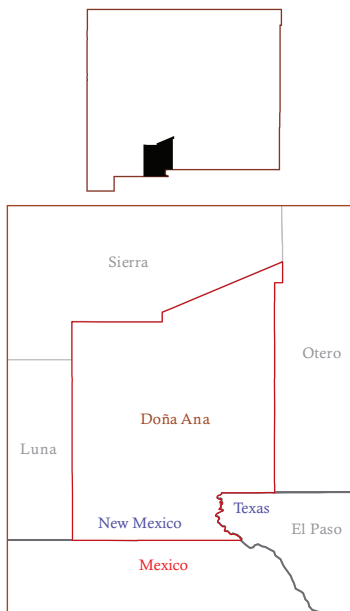


Las Cruces, New Mexico

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

PD&R

Housing Market Area



The Las Cruces Housing Market Area (HMA), located in southern New Mexico and bordering both Texas and Mexico, is coterminous with Doña Ana County. The HMA is home to New Mexico State University (NMSU) and is adjacent to White Sands Missile Range (WSMR), both of which significantly affect the local economy and housing markets.

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Summary

Economy

The economy of the Las Cruces HMA has stabilized after an economic downturn that began in early 2009. During the 12 months ending June 2011, non-farm payrolls increased by 200 jobs, or 0.3 percent, to 69,100 jobs, compared with the previous 12-month period. The largest area employers include WSMR, with approximately 3,150 employees, and NMSU, which employs more than 4,300 people and had an enrollment of approximately 28,350 students at its two Doña Ana County campuses as of the fall of 2010.

Sales Market

The sales market in the HMA is currently somewhat soft, with an estimated vacancy rate of 1.8 percent, which is relatively unchanged from a year ago. During the 3-year forecast period, demand is estimated for an additional 3,250 new market-rate sales housing units and an additional 200 mobile homes (see Table 1). Approximately 3,000 other vacant units are currently available in the HMA, a portion of which may become available to satisfy some of this demand.

Rental Market

The overall rental housing market in the HMA has improved from the soft conditions of the past 3 years and is now nearly balanced. The current rental vacancy rate is estimated at 6.5 percent, down from 7.0 percent in April 2010. Demand is estimated for 760 new rental units during the 3-year forecast period (see Table 1). To allow the current surplus of available rental units, as well as the 100 units currently under construction, to be absorbed, new units should not come on line until the second year of the forecast period.

Table 1. Housing Demand in the Las Cruces HMA, 3-Year Forecast, July 1, 2011 to July 1, 2014

	Las Cruces HMA	
	Sales Units	Rental Units
Total Demand	3,450	760
Under Construction	130	100

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of July 1, 2011. Total sales demand includes demand for an estimated 200 mobile homes. A portion of the estimated 3,000 other vacant units in the HMA will likely satisfy some of the forecast demand.

Source: Estimates by analyst

Economic Conditions

The economy of the HMA remained relatively flat during the 12 months ending June 2011, gaining 200 nonfarm payroll jobs, or 0.3 percent, and increasing to 69,100 jobs (see Table 2). In comparison, the HMA declined by 200 jobs during the previous 12 months, a result of the national economic downturn that began in early 2009. Although the

economy has technically been growing since the beginning of 2010, this growth has remained anemic. Before 2009, nonfarm payrolls grew at a steady pace from 2000 through 2008, averaging 2.4 percent, or 1,500 jobs, annually. Growth was largely driven by the education and health services, government, and professional and business services sectors. See Figure 1 for nonfarm sector growth since 2000.

Despite minimal overall job growth during the 12 months ending June 2011, the HMA recorded payroll gains in several sectors. The mining, logging, and construction sector, which has been in decline since 2007, gained 125 jobs, or 4 percent, during the 12 months ending June 2011, after losing 600 jobs, or 14.2 percent, during the previous 12-month period, a result of the declining real estate market. The education and health services, professional and business services, and trade sectors added approximately 150, 100, and 100 jobs, or 1.4, 1.2, and 1.1 percent, respectively. Although the information

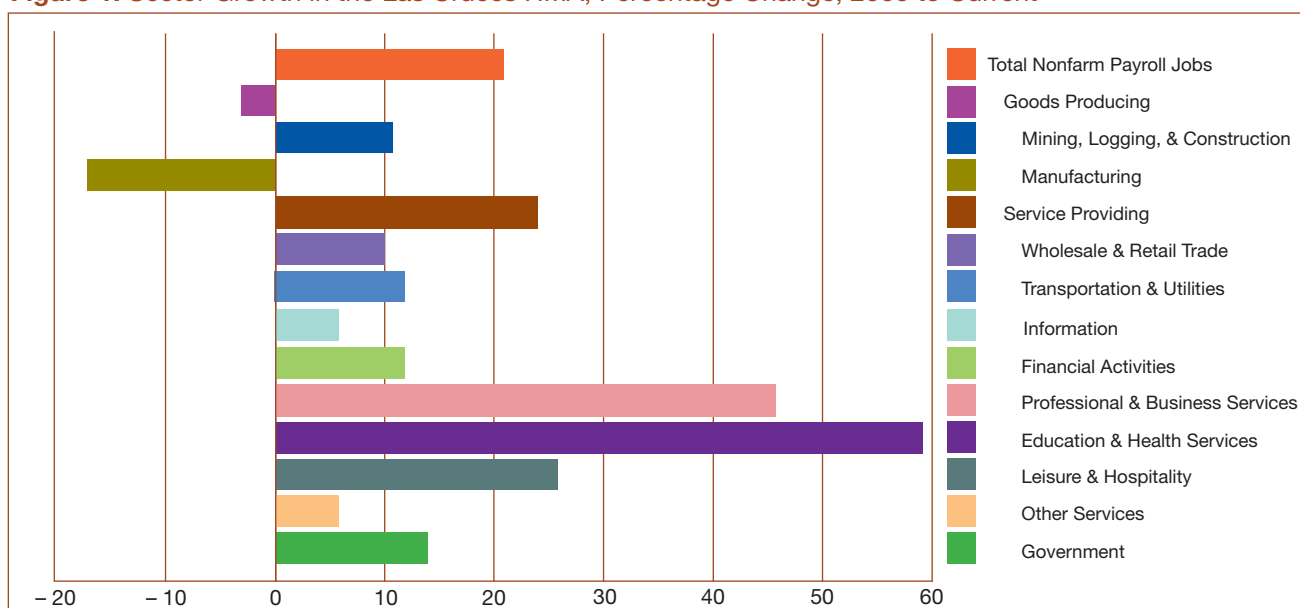
Table 2. 12-Month Average Nonfarm Payroll Jobs in the Las Cruces HMA, by Sector

	12 Months Ending June 2010	12 Months Ending June 2011	Percent Change
Total Nonfarm Payroll Jobs	68,900	69,100	0.3
Goods Producing	6,425	6,325	-1.4
Mining, Logging, & Construction	3,525	3,675	4.0
Manufacturing	2,900	2,675	-8.0
Service Providing	62,450	62,750	0.5
Wholesale & Retail Trade	8,125	8,225	1.1
Transportation & Utilities	1,700	1,675	-1.0
Information	810	850	5.2
Financial Activities	2,400	2,350	-2.1
Professional & Business Services	7,525	7,625	1.2
Education & Health Services	11,600	11,750	1.4
Leisure & Hospitality	7,025	7,075	1.0
Other Services	1,625	1,600	-1.5
Government	21,700	21,650	-0.3

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

Source: U.S. Bureau of Labor Statistics

Figure 1. Sector Growth in the Las Cruces HMA, Percentage Change, 2000 to Current



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

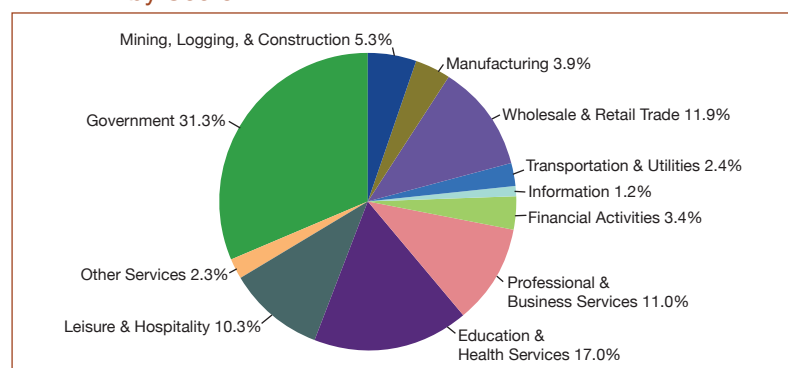
Source: U.S. Bureau of Labor Statistics

sector grew by less than 50 jobs, the gain represents a 5.2-percent increase compared with the number of jobs during the previous 12 months, although nearly all these gains were positions in call centers that had been eliminated in 2009. The loss of 225 and 50 jobs, respectively, or 8 and 2.1 percent, in the manufacturing and financial activities sectors during the 12 months ending June 2011 partially offset employment gains.

The government sector, which employs roughly 21,650 people, remained relatively unchanged during the 12 months ending June 2011. The government sector is the largest employment sector in the area, accounting for 31 percent of all nonfarm

payroll jobs (see Figure 2). NMSU and WSMR, which are part of the government sector, are the largest employers in the HMA. According to a 2004–05 economic impact study of higher education in Doña Ana County, conducted by the Department of Economics and International Business at NMSU, the combined operating budget for NMSU's Main Campus and the Doña Ana Community College amounts to \$478 million, or about 12 percent of total personal incomes in the HMA. Findings from the most recent regional impact study of WSMR, conducted in 2002, suggest that, at the time, more than one-half of the approximately \$551 million of payrolls generated by the facility was estimated to go to more than 3,000 Doña Ana County civilian employees, or more than 7.5 percent of the total personal income in the HMA for the year. The study notes that an estimated additional 1,000 base retirees resided in Las Cruces at the time, adding another \$47.5 million in household income to the HMA. Other large employers in the area include Memorial Medical Center, Wal-Mart Stores, Inc., and the Coordinated Care Corporation—with approximately 3,000, 1,000 or more, and 500 or more employees, respectively, as shown in Table 3.

Figure 2. Current Nonfarm Payroll Jobs in the Las Cruces HMA, by Sector



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

Source: U.S. Bureau of Labor Statistics

Table 3. Major Employers in the Las Cruces HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
New Mexico State University	Government	4,300
White Sands Missile Range	Government	3,150
Memorial Medical Center	Education & Health Services	3,000
Wal-Mart Stores, Inc.	Wholesale & Retail Trade	1,000 +
White Sands Test Facility	Government	500–999
Coordinated Care Corporation	Education & Health Services	500–999
Doña Ana Community College	Education & Health Services	500–999
MountainView Regional Medical Center	Education & Health Services	500–999
Santillan Plumbing	Professional & Business Services	500–999
Sunland Park Racetrack & Casino	Leisure & Hospitality	500–999

Note: Excludes local school districts.

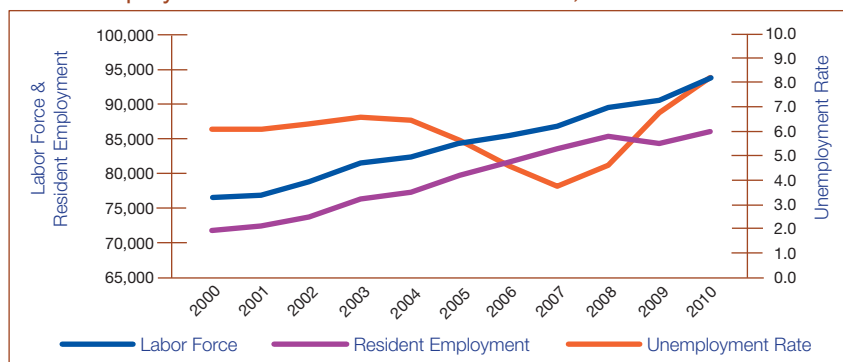
Source: Moody's Analytics

During the 12 months ending June 2011, the average unemployment rate was 8.1 percent, up from the 7.5-percent rate recorded during the previous 12 months, and much greater than the average of 5.3 percent from 2003 through 2008. See Figure 3 for trends in labor force, resident employment, and unemployment rate since 2000.

During the 3-year forecast, employment in the HMA is estimated to increase by 5,400 jobs for the period, or an average of 2.5 percent annually. Job growth is expected to be strongest between 2012 and 2013. Union Pacific Railroad is expected to begin construction of a new intermodal facility in Doña Ana County in early

August 2011, creating 3,000 construction jobs during the 4-year building phase. A large portion of these construction jobs will likely be filled by people living across the state line in adjacent El Paso County, Texas, because of the project's close proximity to the Texas border. By the time the facility reaches full capacity in 2025, Union Pacific Railroad expects to add an additional 600 permanent jobs. In addition to the Union Pacific Railroad project, construction of the nation's first commercial spaceport is already well under way just across the northern Doña Ana County line in Sierra County, about 45 miles from Las Cruces. An NMSU study of the project estimates that the spaceport will employ 2,300 people with a payroll of \$300 million within the next 5 years.

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



Source: U.S. Bureau of Labor Statistics

Population and Households

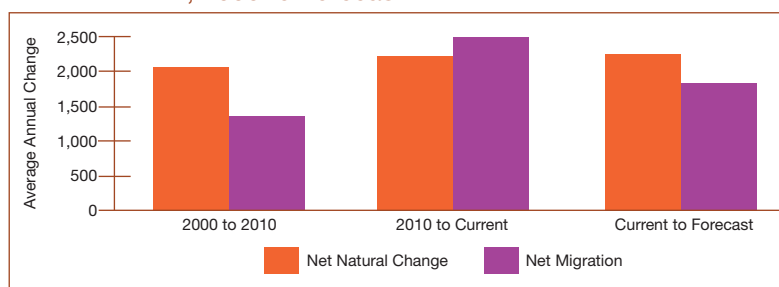
Since 2000, the population of the Las Cruces HMA has grown fairly rapidly, increasing by a total of 40,400, or 23 percent, to an estimated 215,100 as of July 1, 2011; about one-half of the population resides in the city of Las Cruces. From 2000 to 2004, population growth averaged 1.3 percent a year. From 2004 to 2008, population growth increased to an average annual rate of 2 percent due to increased in-migration. Since 2008, despite a weaker economy, population growth has averaged 2.7 percent and includes an increase of 5,900 people, or 2.8 percent, during the past 12 months. The recent increase in population is attributed partially to the steady growth of NMSU and

partially to the increasing popularity of the HMA as a retirement destination. Combined enrollment in the two Doña Ana County NMSU campuses has increased by 3.8 percent, or 875 students, annually since the fall of 2000 to total 28,350 in the fall of 2010—with faster growth between 2008 and 2010. During the same period, from the 2000 Census to the 2010 Census, the population of residents 50 years old, or older, grew at an average annual rate of 6.9 percent, or by 2,025 annually, to 61,500. During the forecast period, total population is expected to continue to grow, albeit at a slower pace, averaging about 1.9 percent annually, to 227,300 by July 2014. Figure 4 shows components of population change since 2000.

From April 2000 to April 2010, the number of households in the HMA grew at an average rate of 2.4 percent annually. Since April 2010, household growth has slowed to 1.5 percent annually as a result of weaker economic and housing market conditions that have contributed to doubling up of households and a delay in new house-

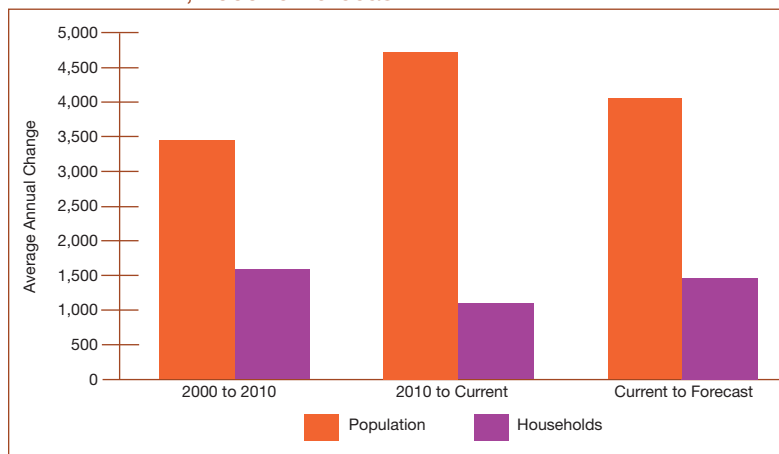
hold formation. During the 3-year forecast period, household formation is expected to average 1.9 percent, or 1,475 households annually, and total 81,300 households by July 2014. Figures 5 and 6 show population and household growth and the number of households by tenure in the HMA since 2000.

Figure 4. Components of Population Change in the Las Cruces HMA, 2000 to Forecast



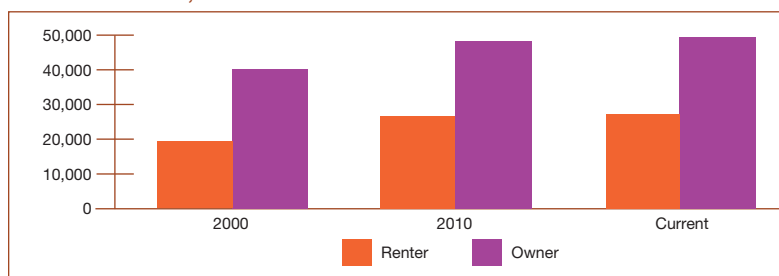
Sources: 2000 and 2010–2000 Census and 2010 Census; current and forecast—estimates by analyst

Figure 5. Population and Household Growth in the Las Cruces HMA, 2000 to Forecast



Sources: 2000 and 2010–2000 Census and 2010 Census; current and forecast—estimates by analyst

Figure 6. Number of Households by Tenure in the Las Cruces HMA, 2000 to Current



Sources: 2000 and 2010–2000 Census and 2010 Census; current—estimates by analyst

Housing Market Trends

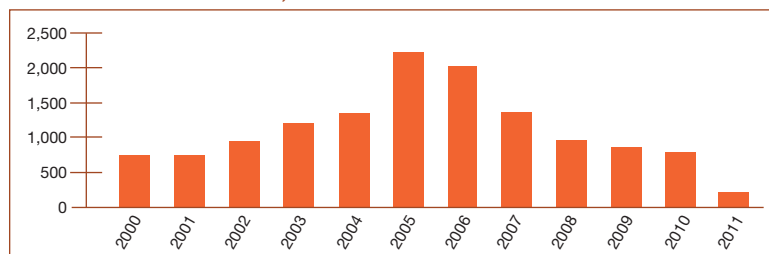
Sales Market

A weak economy and slower new household formation have resulted in a soft home sales market in the Las Cruces HMA. The current owner vacancy rate is estimated at 1.8 percent, unchanged from April 2010 but up from 1 percent reported in the 2008 American Community Survey (ACS). During the 12 months ending June 2011, new and existing single-family home sales were down 23 percent from the previous 12-month period to 2,550 homes, according to Hanley Wood, LLC, partially because of the expiration of the first-time homebuyer tax credit program. In comparison, new and existing home sales peaked from 2005 through 2007, averaging 5,040 annually. About 80 percent of the total sales decline during the 12 months ending June 2011 was in existing home sales, which declined by 610 homes, or 24 percent, to 1,875 homes sold. During the same period, the average sales price of new and existing homes increased by more than 3 percent, to \$186,500, from the previous 12 months but was up a more modest 2 percent from \$183,200 recorded in the 12 months ending June 2009. In comparison, the average home sales price from the beginning of 2006 through May 2008 was \$194,500. According to LPS Applied Analytics,

as of May 2011, 4.4 percent of loans in Doña Ana County were classified as 90 or more days delinquent, in foreclosure, or in REO (Real Estate Owned), down slightly from 4.5 percent in May 2010 and well below the May 2011 national rate of 7.8 percent.

Single-family home construction, as measured by the number of building permits issued, was down 26 percent to 670 permits issued during the 12 months ending June 2011, according to preliminary data. The current level of permits issued represents a decline of more than 64 percent from the annual average of 1,875 from 2006 through 2008 (see Figure 7). Most of the recent single-family housing development has taken place in the northeastern area of the HMA near U.S. Route 70, where land is less expensive. Some of the larger developments in the area include the Sonoma Ranch Golf Course Community, The Pueblos at Alameda Ranch, and Mesa Grande Estates. New single-family homes in these developments typically start at \$170,000 for a 1,200-square-foot home. In smaller developments in the area and elsewhere in the HMA, newly constructed single-family units start as low as \$120,000. The most recently constructed condominium units, built in 2007 and 2008, include 271 owner-occupied units in The Casitas at Morningstar and 70 more at Villa Esperanza Condominiums, where sales prices start at around \$110,000. Irrigation rights on the west side of the city, along the Rio Grande River, have made land prohibitively expensive for most potential homebuyers and developers.

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



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

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

Housing Market Trends

Sales Market *Continued***Table 4.** Estimated Demand for New Market-Rate Sales Housing in the Las Cruces HMA, July 1, 2011 to July 1, 2014

Price Range (\$)		Units of Demand	Percent of Total
From	To		
110,000	149,999	1,200	37.0
150,000	199,999	1,300	40.0
200,000	299,999	550	17.0
300,000	499,999	130	4.0
500,000	999,999	50	1.5
1,000,000	and higher	15	0.5

Notes: Excludes mobile homes. Some of the estimated demand will be satisfied by the 130 homes currently under construction. In addition, a portion of the estimated 3,000 other vacant units in the HMA will likely satisfy some of the forecast demand.

Source: Estimates by analyst

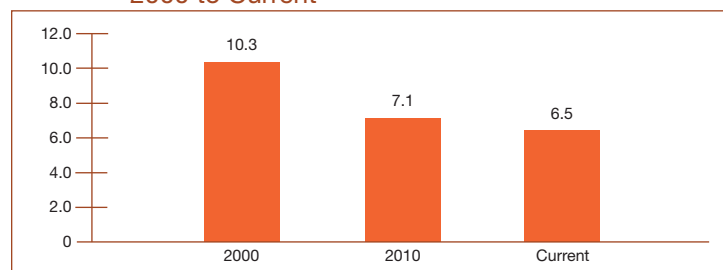
During the 3-year forecast period, demand is estimated for 3,250 new market-rate sales housing units and an additional 200 new mobile homes. Much of this demand, however, will not appear until the second and third years of the forecast period. The 130 units currently under construction will meet a portion of the demand. In addition, a portion of the 3,000 other vacant units may come back on the market and satisfy some of the forecast demand. Table 4 illustrates estimated demand for new market-rate sales housing in the HMA, by price range.

Rental Market

Although conditions in the Las Cruces HMA rental market are still soft, they have become more balanced during the past 2 years. The current rental vacancy rate is estimated to be 6.5 percent, down from 7.1 percent recorded in April 2010 and down from 9.3 percent in the 2008 ACS (see Figure 8). The recent improvement in rental market conditions is attributed to increased demand, because more households have become renters in response to tighter lending standards and lower multifamily construction levels. The estimated 20,000 or more NMSU students who live in off-campus housing constitute more than 25 percent of all rental market households in the HMA. Anticipated

increases in student enrollment will likely affect the surrounding rental market. Based on an analyst's survey, vacancy rates, which seem to be lower in projects close to NMSU than the HMA average rate, are probably between 3 and 5 percent. Average apartment rents in the HMA are currently \$620 for one-bedroom units, \$725 for two-bedroom units, and \$875 for three-bedroom units. Recent projects in the HMA include the 140-unit Copperstone Apartments Phase I, with rents starting at around \$800, and The Casitas at Morningstar, with 86 rental units starting at around \$750.

Multifamily building activity, as measured by the number of units permitted (Figure 9), increased to 180 units during the 12 months ending June 2011 compared with 60 units permitted during the previous 12 months. These numbers are down considerably from the average of 370 multifamily units permitted annually from 2003 through 2007, and the reduced construction has contributed to the improved rental market conditions.

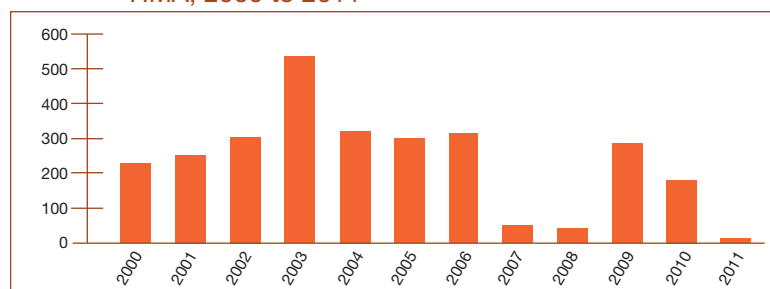
Figure 8. Rental Vacancy Rates in the Las Cruces HMA, 2000 to Current

Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

Housing Market Trends

Rental Market *Continued*

Figure 9. Multifamily Building Permits Issued in the Las Cruces HMA, 2000 to 2011



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

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

Demand is estimated for 760 new market-rate rental units during the 3-year forecast period. To allow the current surplus of available rental units to be absorbed, as well as the 100 units currently under construction, new units should not come on line until the second year of the forecast period. Table 5 shows estimated demand for new market-rate rental housing in the HMA categorized by rent level and number of bedrooms.

Table 5. Estimated Demand for New Market-Rate Rental Housing in the Las Cruces HMA, July 1, 2011 to July 1, 2014

Zero Bedrooms		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	Monthly Gross Rent (\$)	Units of Demand
600 to 799	25	700 to 899	170	820 to 1,019	170	950 to 1,149	85
800 or more	15	900 to 1,099	50	1,020 to 1,219	50	1,150 to 1,349	95
		1,100 to 1,299	25	1,220 or more	20	1,350 to 1,549	20
		1,300 or more	10			1,550 or more	10
Total	40	Total	260	Total	250	Total	210

Note: Some of the estimated demand will be satisfied by the 100 units currently under construction.

Source: Estimates by analyst

Data Profile

Table DP-1. Las Cruces HMA Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%)	
				2000 to 2010	2010 to Current
Total Resident Employment	71,730	86,005	86,050	1.8	0.1
Unemployment Rate	6.1%	8.2%	8.1%		
Nonfarm Payroll Jobs	57,000	69,300	69,100	2.0	-0.6
Total Population	174,682	209,223	215,100	1.8	2.2
Total Households	59,556	75,532	76,900	2.4	1.4
Owner Households	40,208	48,514	49,150	1.9	1.0
Percent Owner	67.5%	64.2%	63.9%		
Renter Households	19,348	27,018	27,750	3.4	2.2
Percent Renter	32.5%	35.8%	36.1%		
Total Housing Units	65,210	81,492	82,750	2.3	1.2
Owner Vacancy Rate	1.8%	1.8%	1.8%		
Rental Vacancy Rate	10.3%	7.1%	6.5%		
Median Family Income	\$33,200	\$43,000	\$43,200	2.6	0.2

Notes: Employment data represent annual averages for 2000, 2010, and the 12 months through June 2011. Median family incomes are for 1999, 2009, and 2011.

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

2010: 4/1/2010—U.S. Decennial Census

Current date: 7/1/2011—Analyst's estimates

Forecast period: 7/1/2011–7/1/2014—Analyst's estimates

Demand: The demand estimates in the 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_LasCrucesNM_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 www.huduser.org/publications/econdev/mkt_analysis.html.