

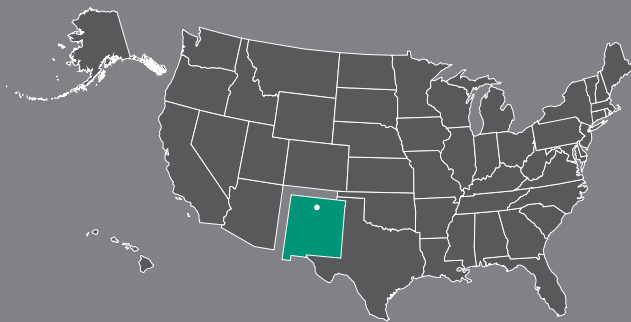
HUD PD&R Housing Market Profiles

Santa Fe, New Mexico



Quick Facts About Santa Fe

- **Current sales market conditions: balanced.**
- **Current apartment market conditions: slightly tight.**
- **The metropolitan area is a popular tourist destination, with numerous cultural and historical sites, as well as skiing, mountain biking, and hiking venues. In 2016, visitor spending totaled a record \$858.50 million, representing an average increase of 4.4 percent annually since 2011 (New Mexico Department of Tourism).**



By Randall Goodnight | As of February 1, 2018

Overview

The Santa Fe metropolitan area is coterminous with the Santa Fe, NM Metropolitan Statistical Area and consists of Santa Fe County. The metropolitan area is approximately 60 miles northeast of Albuquerque, between the Sangre de Cristo Mountain Range and the Valles Caldera National Preserve. *Travel + Leisure* magazine ranked the metropolitan area first in 2017 in Destination of the Year list. Also, the metropolitan area was the 2017 winner of the National Geographic Society World Legacy Award for Sense of Place. The award recognizes efforts to preserve cultural authenticity, historic monuments and archeological sites, and artistic traditions.

- The current population of the metropolitan area is an estimated 149,800, representing an increase of 720, or 0.5 percent, annually since April 2010, with 67 percent of the population growth the result of net in-migration. The current population of the city of Santa Fe is an estimated 85,000, or 57 percent of the total population of the metropolitan area.
- The metropolitan area is a popular retirement destination. Since 2010, the population 60 years of age or older is estimated

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to have increased an average of 4.9 percent annually, and the remaining population declined an average of 1.1 percent annually. The population 60 years and older currently comprises an estimated 31 percent of the total population, up from 23 percent in 2010 and 15 percent in 2000.

- The population growth of the metropolitan area since 2010 has been relatively steady year to year, with growth ranging from 0.3

percent in 2015 to 0.6 percent in 2016 (U.S. Census Bureau population estimates as of July 1). Net natural increase has declined nearly every year since 2010, however, because of an increasing portion of the population 60 years of age and older. Since 2016, net natural increase (resident births minus resident deaths) has averaged an estimated 150 residents annually compared with a net natural increase of 600 in 2010.

Economic Conditions

The economic conditions of the metropolitan area have fluctuated since 2000. Following an average annual increase in nonfarm payrolls of 1.8 percent from 2001 through 2007, the metropolitan area economy contracted significantly because of effects of the national recession. From 2008 through 2011, nonfarm payrolls in the metropolitan area decreased by an average of 1,200, or 1.9 percent, to 61,500 jobs. The local economic recovery began in 2012, and nonfarm payrolls increased by an average of 500 jobs, or 0.8 percent, annually from 2012 through 2015. Recently, the metropolitan area economy has contracted, albeit slightly. Nonfarm payrolls remain about 3,600 jobs, or 5.4 percent, below prerecession levels.

During the 3 months ending January 2018—

- Nonfarm payrolls decreased by 200, or 0.3 percent, to 62,800 jobs. By comparison, nonfarm payrolls declined 0.5 percent during the same period the previous year.
- Nonfarm payroll growth was greatest in the leisure and hospitality sector, which increased by 500 jobs, or 4.9 percent, to 10,700. A growing tourism industry contributed to job growth in this sector. Lodgers and convention center revenues increased 7 percent in 2017 compared with a year earlier (City of Santa Fe).

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Job losses in the government and the wholesale and retail trade sectors offset gains in the leisure and hospitality and the professional and business services sectors and contributed to an overall decline in nonfarm payrolls in the Santa Fe area.

	3 Months Ending		Year-Over-Year Change	
	January 2017 (thousands)	January 2018 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	63.0	62.8	- 0.2	- 0.3
Goods-producing sectors	3.6	3.8	0.2	5.6
Mining, logging, and construction	2.7	2.9	0.2	7.4
Manufacturing	0.9	0.9	0.0	0.0
Service-providing sectors	59.3	59.0	- 0.3	- 0.5
Wholesale and retail trade	9.6	9.2	- 0.4	- 4.2
Transportation and utilities	0.7	0.7	0.0	0.0
Information	0.9	0.8	- 0.1	- 11.1
Financial activities	2.5	2.4	- 0.1	- 4.0
Professional and business services	4.7	5.0	0.3	6.4
Education and health services	11.3	11.3	0.0	0.0
Leisure and hospitality	10.2	10.7	0.5	4.9
Other services	3.1	3.1	0.0	0.0
Government	16.3	15.8	- 0.5	- 3.1
	(percent)	(percent)		
Unemployment rate	5.2	4.7		

Note: Numbers may not add to totals because of rounding.
Source: U.S. Bureau of Labor Statistics



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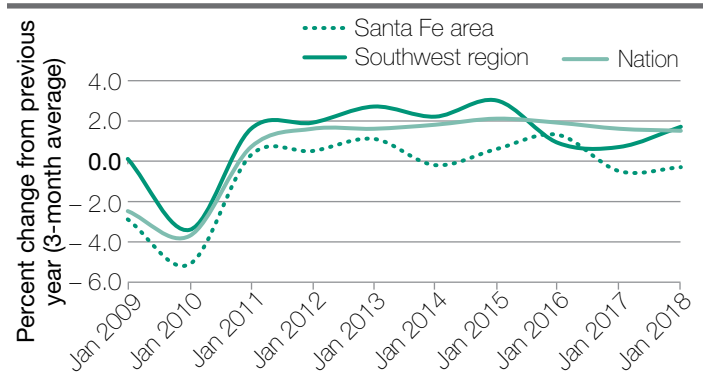
- Comprising more than one-fourth of all nonfarm jobs, the government sector is the largest job sector with 15,800 jobs. The city of Santa Fe is the state capital of New Mexico, and state government payrolls comprise more than one-half of all government sector jobs and 13 percent of nonfarm payrolls overall.
- The government sector sustained the greatest job losses, decreasing by 500 jobs, or 3.1 percent, with declines in each subsector—federal, state, and local government.

The metropolitan area economy is expected to benefit during the next several years from increased hiring in the leisure and hospitality sector because of the expansion of the Meow Wolf facilities (State of New Mexico, Office of the Governor). Meow Wolf, an immersive art gallery and production company in the city of Santa Fe, is expected to hire 250 additional employees during the next 5 years as a result of the expansion. Meow Wolf currently employs a staff of 200. The State of New Mexico and the City of Santa Fe are funding the \$1.10 million expansion via the State of New Mexico Local Economic Development Act. Jobs in the education and health services sector are expected to increase with the slated December 2018 opening of a new Presbyterian Healthcare Services hospital in the city of Santa Fe. The new hospital, which is partly in response to the needs of an increasing elderly population, is expected to staff 295 employees once completed (Presbyterian Healthcare Services). CHRISTUS Health is also expanding its existing medical center in the city of Santa Fe. The \$44.00 million expansion is expected to be complete in 2019.

Sales Market Conditions

The sales housing market in the metropolitan area is currently balanced, with an estimated vacancy rate of 1.2 percent compared with the rate of 2.6 percent in April 2010, when conditions were soft. The inventory of homes for sale represented a 5.9-month supply in December 2017, down from a 7.6-month supply a year earlier and nearly a 20.0-month supply in the spring of 2010 (Santa Fe Association of Realtors). Job growth, particularly from 2012 through late 2015, and the easing of home mortgage-lending standards contributed to improved sales market conditions compared with 2010. An increase in the number of retirees drawn to the metropolitan area has also contributed to improved sales market conditions. The share of seriously delinquent loans (loans that are 90 or more days delinquent or in foreclosure) and real estate owned (REO) properties was 1.9 percent in December 2017, down from 2.5 percent a year earlier and from a post-national-recession peak level of 5.4 percent in the summer of 2012 (CoreLogic, Inc.). New and existing home sales (including single-family homes, townhomes, and condominiums) increased by 310, or 9 percent, to 3,700 during 2017 compared with a year earlier, and homes sold for an average price of \$344,200,

Job growth in the Santa Fe area has fluctuated since 2010, with modest declines in nonfarm payrolls during the past 2 years.



Note: Nonfarm payroll jobs.
Source: U.S. Bureau of Labor Statistics

Largest employers in the Santa Fe area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
State of New Mexico	Government	8,500
CHRISTUS Health	Education and Health Services	2,150
City of Santa Fe	Government	1,475

Note: Excludes local school districts.
Source: New Mexico Career Development Association

down \$5,350, or 2 percent, from a year earlier (CoreLogic, Inc., with adjustments by the analyst). Home sales increased almost every year from 2011 through 2016, averaging 7 percent annually, and the average price for a home increased an average of 2 percent annually during the same period.

During 2017—

- New home sales increased by 20, or 17 percent, to 160 homes, and existing home sales totaled 3,550, an increase of 290, or 9 percent, compared with a year earlier.
- The average price for new homes increased by \$39,700, or 14 percent, to \$327,100 compared with the average price a year earlier, and existing homes sold for an average price of \$345,000, down \$7,150, or 2 percent, from a year earlier.
- REO sales and short sales accounted for 8 percent of existing home sales, down from 14 percent a year earlier and from a peak level of 21 percent in 2012. REO sales and short sales declined in 2017 by 160, or 36 percent, to 290 homes, and the average price increased 6 percent to \$275,600.

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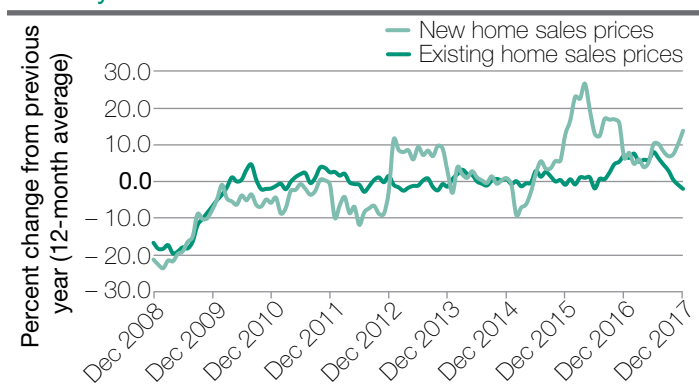


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- Absentee-owner home sales, a measure of investor and second-home buyer activity, comprised 31 percent of total sales, down from 32 percent a year earlier and from a peak level of 45 percent in 2013 (Metrostudy, A Hanley Wood Company).
- Condominium home sales increased 9 percent to 490 homes, and the average price for a condominium increased 19 percent to \$308,200. Condominium home sales have historically accounted for about 13 percent of all home sales.

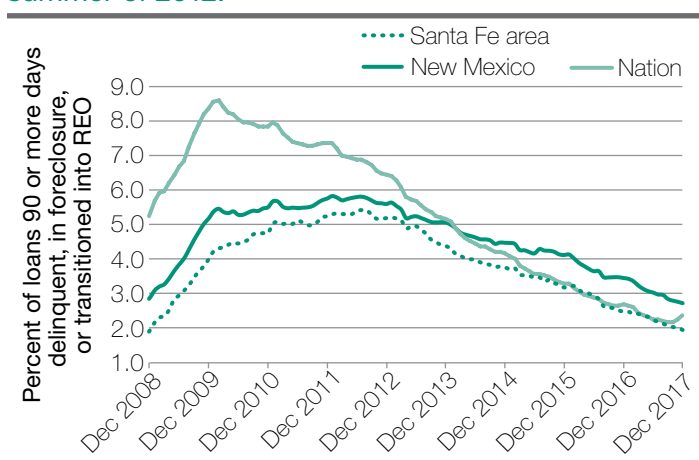
Increased new home sales in the metropolitan area during 2017 contributed to a rise in single-family home-building activity, as measured by the number of homes permitted during the 12 months

New home sales prices have increased year over year in the Santa Fe area since the summer of 2015, but the average existing home sales price declined recently.



Note: Includes single-family homes, townhomes, and condominiums. Source: CoreLogic, Inc., with adjustments by the analyst

Reflecting the trend in New Mexico, the percentage of home loans 90 or more days delinquent, in foreclosure, or recently transitioned to REO status in the Santa Fe area has trended downward since the summer of 2012.



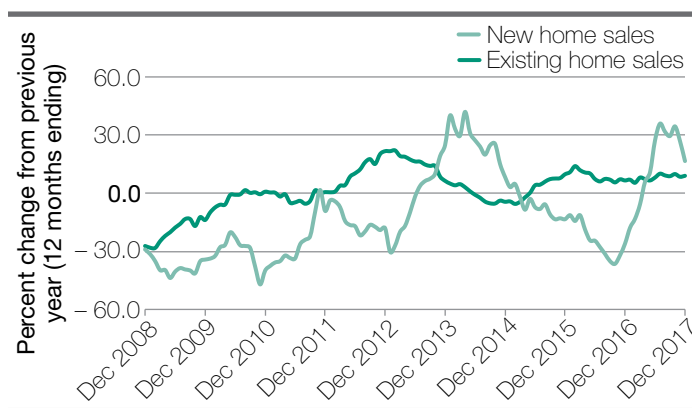
REO = real estate owned. Source: CoreLogic, Inc.

ending January 2018. Single-family home construction averaged 520 homes annually from 2000 through 2005, before declining an average of 26 percent annually from 2006 through 2011 to 95 homes in 2011 because of the national housing market crisis and recession. From 2012 through 2014, single-family homebuilding increased an average of 20 percent annually, partly because of increased demand for new homes from 2013 through 2014. A decline in new home sales in 2015 contributed to a 32-percent decrease in homebuilding during the same period.

- During the 12 months ending January 2018, single-family home permitting increased by 80, or 63 percent, to 210 homes compared with a 10-percent increase the same period the previous year (preliminary data).
- Construction is currently under way at the Cielo Azul residential community in the city of Santa Fe, 7 miles southwest of downtown. In total, 55 new three- and four-bedroom homes, ranging

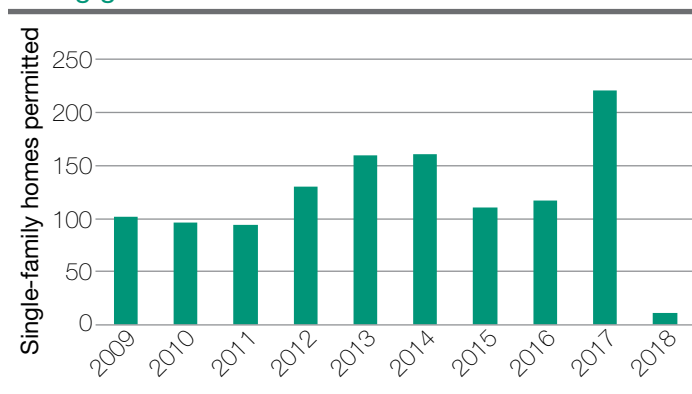
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New home sales in the Santa Fe area surged in the past several months after nearly 2 years of declines; existing home sales have increased since the spring of 2015.



Note: Includes single-family homes, townhomes, and condominiums. Source: CoreLogic, Inc., with adjustments by the analyst

Homebuilders in the Santa Fe area increased single-family home construction in 2017 in response to strong gains in new home sales.



Note: Includes preliminary data from January 2017 through January 2018. Source: U.S. Census Bureau, Building Permits Survey



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in size from 1,120 to 1,820 square feet, have sold for an average price of \$253,700. Approximately 45 home sites remain available for construction.

- Also in the city of Santa Fe, construction is under way at the Vistas de Las Soleras residential community, 8 miles southwest of downtown. Vistas de Las Soleras is within the Las Soleras

master-planned community, which includes numerous parks totaling a combined 125 acres and more than 5 miles of walking trails. Forty-five new homes, ranging in size from three to seven bedrooms and from 1,500 to 3,500 square feet, have sold at Vistas de Las Soleras for an average price of \$346,600 since June 2017. Approximately 55 home sites remain available for construction at this development.

Apartment Market Conditions

Apartment market conditions in the metropolitan area are currently slightly tight, with an average vacancy rate of 3.8 percent during the fourth quarter of 2017, up from 2.4 percent a year earlier but well below the decade-high rate of 11.8 percent during the first quarter of 2009 (Axiometrics, Inc.). Increased renter household growth, stemming from a greater propensity to rent, an expanding economy, and net in-migration, combined with limited new apartment construction, contributed to the decline in apartment vacancy rates compared with the late 2000s.

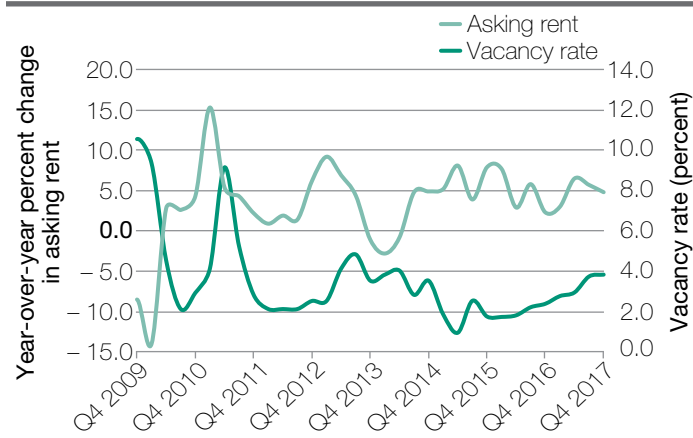
- During the fourth quarter of 2017, the average apartment rent increased 4.8 percent, to \$1,014, from a year earlier compared with an increase of 2.3 percent the previous year.
- From 2013 through 2015, the average apartment rent increased an average of 3.8 percent annually, and the average apartment vacancy rate was 2.8 percent during the same period, reflecting increased demand for apartments among renters.
- The average apartment rent is significantly greater in areas nearest to downtown Santa Fe, where employment centers and entertainment venues are more concentrated. The average

rent for apartments within 4 miles of downtown Santa Fe was 34 percent higher than the average rent in the remainder of the metropolitan area during the fourth quarter of 2017.

- Also contributing to tighter apartment market conditions compared with the late 2000s is a growing short-term rental market, which has resulted in many traditional apartment units being converted into short-term rental units. Currently, 750 short-term rental permits are active in the city of Santa Fe (Tourism Santa Fe). In response to a growing short-term rental market, the City of Santa Fe increased the maximum number of units permitted from 350 to 1,000 in 2016. More than one-half of active Airbnb, Inc. short-term rental listings in Santa Fe are for apartment units (Airbnb, Inc.).
- The metropolitan area apartment market has benefited from three universities with a combined enrollment of 1,600 students, one-half of which reside in the local rental market. Santa Fe University of Art and Design announced it will close at the end of the spring 2018 semester, however. Fall 2017 enrollment at Santa Fe University of Art and Design declined to 160 students compared with a fall 2016 enrollment of about 800 students.

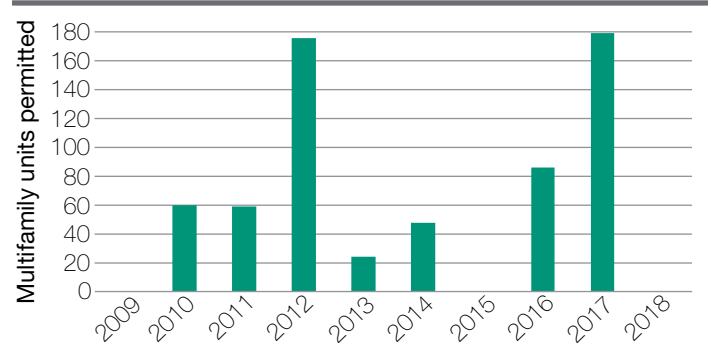
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The average apartment vacancy rate in the Santa Fe area has been at or below 4.0 percent since late 2013, and the average rent has increased since late 2014.



Q4 = fourth quarter.
Source: Axiometrics, Inc.

Multifamily construction has been moderate in the Santa Fe area for several years but increased significantly during 2017.



Note: Includes preliminary data from December January 2017 through January 2018.
Source: U.S. Census Bureau, Building Permits Survey, with adjustments by the analyst



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Multifamily construction activity, as measured by the number of units permitted, totaled 180 during the 12 months ending January 2018, up from 85 units a year earlier (preliminary data, with adjustments by the analyst). By comparison, an average of 60 units were permitted annually from 2010 through 2015 and an average of 150 annually during the 2000s. Apartment construction has accounted for only 55 percent of multifamily construction since 2010, and age-restricted developments and condominiums have comprised 13 percent and 32 percent, respectively.

- An estimated 180 multifamily units are currently under construction in the metropolitan area.
- Construction is under way at the 58-unit Railyard Flats in downtown Santa Fe. Railyard Flats is expected to be completed in May 2018 and offer studio, one-, and two-bedroom units at rents ranging from \$890 to \$1,195 for studio units, \$1,275 to \$1,395 for one-bedroom units, and \$1,775 to \$2,200 for two-bedroom

units. Amenities include onsite bike storage, reserved parking, and proximity to The Railyard, a 60-acre city-owned park that includes numerous art galleries, restaurants, retail stores, bike trails, and a theater.

- Construction is also under way at Las Soleras Senior Living, a 132-unit independent living community, in the city of Santa Fe, 7 miles southwest of downtown. Amenities at Las Soleras Senior Living include dining and concierge services and a health and fitness center. Construction is slated to be complete in late 2019.
- The most recently built apartment community was the Zocalo Luxury Leasing residential community, which was completed in 2016. In the foothills of the Sangre de Cristo Mountains 5 miles north of downtown Santa Fe, Zocalo Luxury Leasing offers a combined 54 two- and three-bedroom units at rents ranging from \$1,900 to \$2,975.

