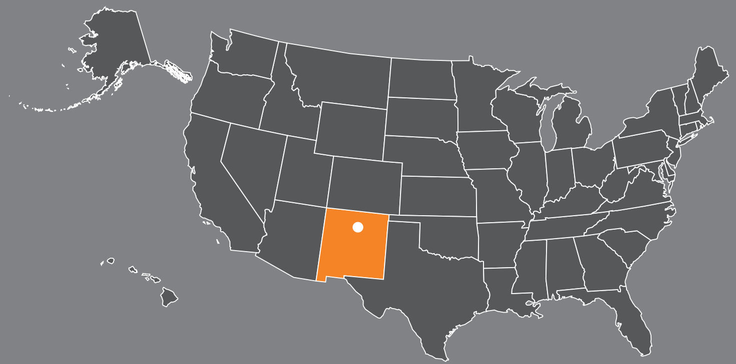
HUD PD&R **Housing Market Profiles**

Santa Fe, New Mexico

Quick Facts About Santa Fe

- **Current sales market conditions: slightly tight**
- **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. Before the COVID-19 pandemic, 2.66 million people visited the metropolitan area during 2019 (City of Santa Fe).**



By Randall Goodnight | As of May 1, 2021

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. The city of Santa Fe was ranked third in the Top 15 Cities in the United States list in the 2020 *Travel + Leisure* magazine World's Best Awards. According to the magazine, the ranking was based on "sights and landmarks, culture, cuisine, friendliness, shopping, and overall value."

- The current population of the metropolitan area is an estimated 152,600, representing an increase of 760, or 0.5 percent, annually since April 2010, with 85 percent of the population growth the result of net in-migration.
- The metropolitan area is a popular retirement destination. From 2010 to 2019, the population 60 years of age or older increased an average of 4.4 percent annually, and the remaining population declined an average of 1.0 percent annually (U.S. Census Bureau population estimates as of July 1). The population 60 years and older accounted for

continued on page 2

continued from page 1

33 percent of the total population in 2019, up from 23 percent in 2010 and 15 percent in 2000.

- Because of an increasing portion of the population 60 years of age and older in the metropolitan area, net natural increase (resident births minus resident deaths) slowed to an average of 230 residents annually from 2010 to 2017, compared with an average of 750 annually during the 2000s. Since 2017, net natural change has been negative each year, averaging an estimated 120 fewer resident births compared with resident deaths annually.

Economic Conditions

The economy of the Santa Fe metropolitan area has weakened significantly since the onset of COVID-19, which the World Health Organization declared a global pandemic on March 11, 2020. Beginning in late March 2020, the State of New Mexico issued stay-at-home orders and placed restrictions on business hours and capacity of nonessential businesses, as well as restrictions on visitors traveling to the state by air travel to slow the spread of COVID-19. Consequently, widespread layoffs occurred in the metropolitan area. During March and April 2020, nonfarm payrolls decreased by a combined 11,000 jobs, or 17.5 percent, compared with February 2020. More than one-half of jobs lost were in the leisure and hospitality sector, which declined by 5,700, or 50.4 percent. Some restrictions have since been lifted in the metropolitan area; this easing of restrictions allowed many businesses to reopen and contributed to a combined increase of 4,200 jobs during the months of May 2020 through April 2021. This increase represents a recovery of 38 percent of the jobs lost during March and April 2020. The leisure and hospitality sector recovered 1,900 jobs during the same period, or one-third of the jobs lost in the sector in March and April 2020.

Nonfarm payrolls in the metropolitan area reached a pre-Great Recession peak level of 65,700 jobs during 2007, before declining an average of 1.9 percent annually from 2008 through 2011 due to the housing crisis and Great Recession. The local economic recovery began in 2012, but job growth fluctuated from 2012 through 2019, with gains each year except 2014 and 2017, when nonfarm payrolls declined slightly by 0.5 and 0.6 percent, respectively. Nonfarm payrolls increased by an average of 300, or 0.5 percent, annually from 2012 through 2019 to a post-Great Recession peak of 63,300 jobs, or 3.7 percent below the 2007 peak level. The leisure and hospitality sector led job growth from 2012 through 2019, also increasing by an average of 300, or 3.2 percent, annually.

During the 3 months ending April 2021—

- Nonfarm payrolls declined by an average of 3,200 jobs, or 5.4 percent, to 55,900 jobs, compared with a 5.3-percent

continued on page 3

Year-over-year nonfarm payrolls decreased significantly in the Santa Fe metropolitan area during the 3 months ending April 2021, with the greatest job losses occurring in the leisure and hospitality sector.

	3 Months Ending		Year-Over-Year Change	
	April 2020 (Thousands)	April 2021 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	59.1	55.9	-3.2	-5.4
Goods-Producing Sectors	3.8	3.7	-0.1	-2.6
Mining, Logging, & Construction	3.0	2.9	-0.1	-3.3
Manufacturing	0.8	0.8	0.0	0.0
Service-Providing Sectors	55.3	52.1	-3.2	-5.8
Wholesale & Retail Trade	8.6	8.6	0.0	0.0
Transportation & Utilities	0.8	0.8	0.0	0.0
Information	0.8	0.8	0.0	0.0
Financial Activities	2.4	2.3	-0.1	-4.2
Professional & Business Services	5.2	5.1	-0.1	-1.9
Education & Health Services	10.2	9.8	-0.4	-3.9
Leisure & Hospitality	9.3	7.3	-2.0	-21.5
Other Services	3.0	3.2	0.2	6.7
Government	15.0	14.2	-0.8	-5.3
Unemployment Rate	6.4%	7.6%		

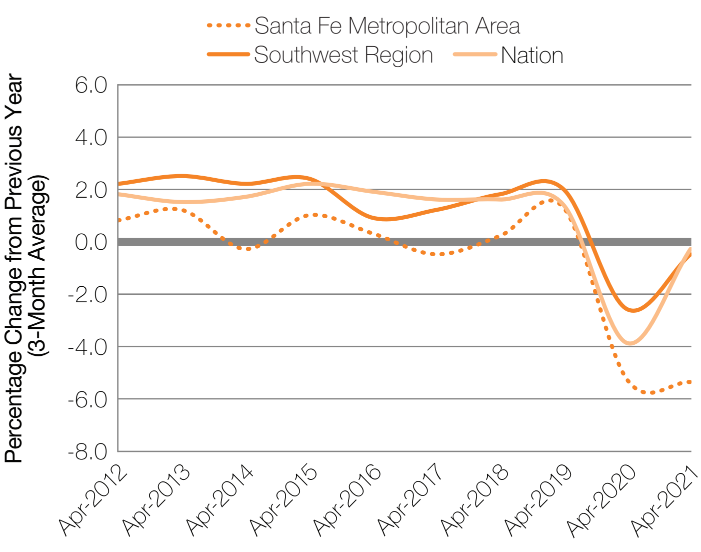
Note: Numbers may not add to totals due to rounding.
Source: U.S. Bureau of Labor Statistics

continued from page 2

decrease during the same period a year earlier and an increase of 1.3 percent during the 3 months ending April 2019.

- Nonfarm payroll declines were greatest in the leisure and hospitality sector, which decreased by 2,000 jobs, or 21.5 percent, to 7,300, accounting for 63 percent of all job losses. Widespread layoffs primarily stemming from efforts to slow the spread of COVID-19 contributed to the decline. The effects of COVID-19 nationally also contributed to decreased tourism in the metropolitan area. During the 12 months ending April 2021, the number of visitors decreased 38 percent to 1.51 million compared with a year earlier.
- Jobs also decreased significantly in the government sector, the largest employment sector, with 14,200 jobs, representing a decline of 800, or 5.3 percent. Losses in this sector occurred entirely in the local government subsector, which decreased by 1,100, or 15.7 percent, to 5,900. Contributing to job losses in the subsector were widespread layoffs among county, city, and Tribal governments.

Nonfarm payrolls declined in the Santa Fe metropolitan area at a much faster pace than the nation and the Southwest region during the 3 months ending April 2021 on a year-over-year basis.



Source: U.S. Bureau of Labor Statistics

- The other services sector was the only job sector in the metropolitan area to gain jobs, increasing by 200, or 6.7 percent, to 3,200.
- The average unemployment rate was 7.6 percent, up from 6.4 percent a year earlier and up from 4.1 percent during the 3 months ending April 2019.

The Santa Fe metropolitan area depends heavily on government-related activities. The government sector in the metropolitan area accounts for one-fourth of the total number of jobs. The metropolitan area is home to the state capital, and the State of New Mexico is the largest employer, with 7,400 employees. The local government subsector, with 5,900 jobs during the 3 months ending April 2021, accounted for 42 percent of government sector jobs and 11 percent of nonfarm payrolls overall. The City of Santa Fe is the third largest employer in the metropolitan area, with 1,450 employees. Payrolls in the local government subsector in the metropolitan area include jobs in city, county, and Tribal governments and in numerous industries, including public administration, education, and healthcare, as well as several industries associated with local tourism. Native American tribes own and operate four casinos in the metropolitan area, with a combined staff of 1,400 workers, whose jobs are included in the local government subsector. Also, Los Alamos National Laboratory (LANL) opened a new facility in the metropolitan area in March 2021, resulting in 500 new jobs with a combined annual payroll totaling $67.0 million (Los Alamos National Laboratory). LANL, a research and development center funded by the federal government and overseen by the National Nuclear Security Administration, employs 13,100 workers at its main facility in Los Alamos County, New Mexico, 35 miles northwest of the metropolitan area. According to LANL, a significant portion of these workers commute to work from the Santa Fe metropolitan area.

Largest Employers in the Santa Fe Metropolitan Area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
State of New Mexico	Government	7,400
CHRISTUS St. Vincent Regional Medical Center	Education and Health Services	2,125
City of Santa Fe	Government	1,450

Note: Excludes local school districts.
Source: New Mexico Partnership

Sales Market Conditions

Sales housing market conditions are slightly tight in the Santa Fe metropolitan area. The estimated sales vacancy rate is currently 1.5 percent, down from 2.6 percent as of April 1, 2010, when conditions were soft. The relatively tighter home sales market conditions compared with 2010 have been partly because of a decrease in the unsold home inventory available for sale. The inventory of unsold homes during the first quarter of 2021 was 214, down from 358 a year earlier and the

continued on page 4

continued from page 3

approximate inventory of 2,000 homes during the first quarter of 2010 (Santa Fe Association of REALTORS®). As of March 2021, 2.9 percent of home loans were seriously delinquent (90 or more days delinquent or in foreclosure) or in real estate owned (REO) status, up from 0.8 percent a year earlier but below the 5.4-percent peak rate in August 2012 (CoreLogic, Inc.). By comparison, the percentage of seriously delinquent mortgages and REO properties in March 2021 was 3.7 percent nationally, up from 1.3 percent a year earlier. The percentage of seriously delinquent mortgages in the metropolitan area increased significantly because weakened economic conditions during the COVID-19 pandemic made it more difficult for many homeowners to stay current on their mortgage payments. Home loans that were 90 or more days delinquent increased 241 percent in March 2021 compared with a year earlier, while the number of home loans that were in foreclosure and in REO status were down 21 and 57 percent, respectively. The number of loans in foreclosure or in REO status decreased partly because of a national moratorium on foreclosures for federally backed mortgages that has been in place since the spring of 2020. As of March 2021, 890 home loans, or 4.0 percent, were in forbearance in the metropolitan area.

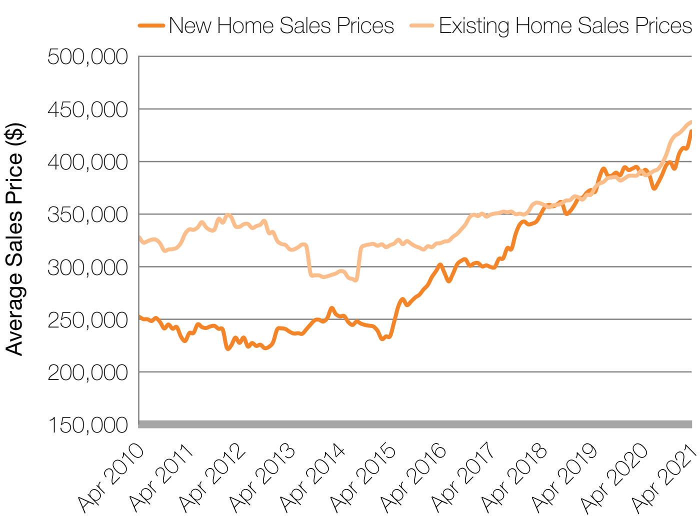
During the 12 months ending April 2021, new and existing home sales (including single-family homes, townhomes, and condominiums) totaled 3,725, down by 95, or 2 percent, from a year earlier (Zonda). By comparison, home sales declined 1 percent during the 12 months ending April 2020. From 2011 through 2019, home sales increased nearly every year, averaging a 6-percent increase annually. The average home price increased during the 12 months ending April 2021 by $46,250, or 12 percent, to $436,700, representing a record-level increase since at least 2006. Contributing to the relatively strong increase in the average home price was the recent decline in unsold inventory, which placed upward pressure on home prices. By comparison, the average home price increased 6 percent during the 12 months ending April 2020. The average price for homes fluctuated from 2011 through 2019, with price changes ranging from a 12-percent decrease during 2013 to an 11-percent increase during 2016. From 2011 through 2019, the average home price increased an average of 3 percent annually.

During the 12 months ending April 2021—

- Sales of new homes decreased 11 percent to 260 homes compared with a year earlier, and the average price for a new home increased 10 percent to $428,800. New home sales declined from 2011 through 2016 an average of 10 percent annually, before increasing 33 percent annually from 2017 through 2019, to reach 290 homes sold.
- Existing home sales, which include regular resales and REO sales, decreased 2 percent to 3,475, and the average price for existing homes increased 12 percent to $437,700. Sales of existing homes increased an average of 7 percent annually from 2011 through 2019, with year-over-year changes ranging from a 19-percent decline during 2014 to an increase of 32 percent during 2012.

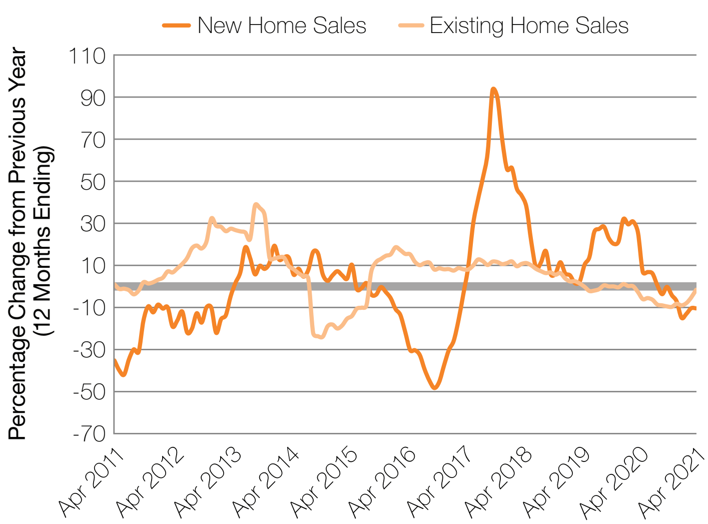
continued on page 5

Both new and existing home prices have fluctuated since 2010 in the Santa Fe metropolitan area but have generally increased since 2016.



Note: Includes single-family homes, townhomes, and condominiums.
Source: Zonda

New home sales in the Santa Fe metropolitan area have declined year-over-year since November 2020, and existing home sales have decreased since April 2020.



Note: Includes single-family homes, townhomes, and condominiums.
Source: Zonda

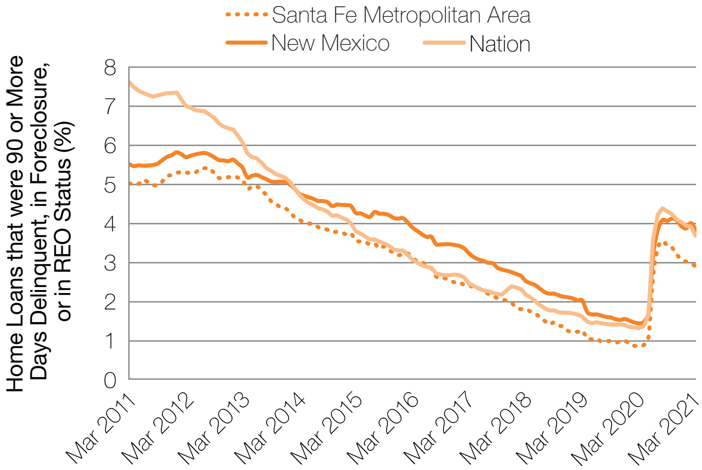
continued from page 4

- REO sales accounted for 4 percent of existing home sales, down slightly from 5 percent a year earlier and down significantly from a peak level of 17 percent in 2012.
- Absentee-owner home sales, which are primarily investment or second-home purchases, accounted for 33 percent of total home sales, down slightly from 34 percent a year earlier. By comparison, absentee-owner home sales accounted for 26 percent of total home sales nationally, down slightly from 27 percent a year earlier.
- New and existing condominium home sales decreased 3 percent to 570 homes, and the average price for a condominium increased 6 percent to $330,400. Condominium home sales have historically accounted for about 14 percent of all home sales.

Single-family homebuilding activity, as measured by the number of single-family homes permitted, decreased by 80, or 22 percent, to 290 homes during the 12 months ending April 2021 compared with a year earlier, as homebuilders responded to a decline in new home sales. Availability and costs of building materials have also contributed to decreased homebuilding during the past year. Approximately 90 homes are currently under construction.

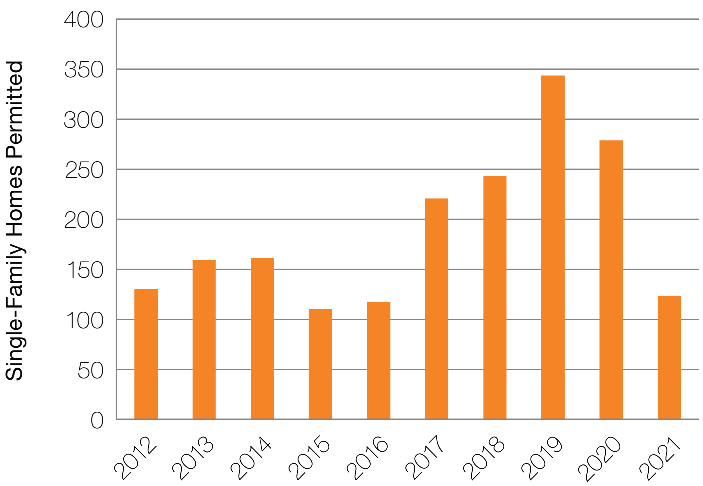
- From 2010 through 2016, homebuilding was slow, averaging 120 homes permitted per year, as homebuilders responded to year-over-year declines or only modest gains in new home sales during almost every year of the period.
- Single-family home construction was relatively strong from 2017 through 2019, when single-family home permits increased an average of 43 percent annually to approximately 340 homes. Increased new home sales and strong price growth during much of the period contributed to the uptick in single-family home construction.
- Construction is currently underway at the Villas de Las Soleras residential community in the city of Santa Fe, 10 miles southwest of downtown. Three- and four-bedroom townhomes, ranging in size from 1,400 to 2,100 square feet, are offered at the development, with prices ranging from $407,000 to $464,000. Since opening in 2020, 93 new homes have sold, and an additional 8 homes are currently available. Approximately 80 home sites remain available for construction at the development.

The rates of home loans that were 90 or more days delinquent, in foreclosure, or in REO status surged in the Santa Fe metropolitan area, the state of New Mexico, and the nation for several months beginning June 2020 but have decreased recently.



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

Single-family home construction activity in the Santa Fe metropolitan area has been relatively strong since 2017 compared with 2012 through 2016.



Note: Includes preliminary data from January 2021 through April 2021.
Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst

Apartment Market Conditions

Apartment market conditions are currently slightly tight in the metropolitan area, compared with softer conditions in 2010. During the first quarter of 2021, the average market-rate apartment vacancy rate was 4.8 percent, up from 3.0 percent a year earlier but down from 8.5 percent during the first quarter of 2010 (RealPage, Inc.). By comparison, the average apartment vacancy rate was 2.6 percent from 2011 through 2019, with rates ranging from 1.2 percent in 2013 to 4.2 percent in 2018.

continued on page 6

continued from page 5

Limited new apartment construction from 2010 through 2016, an increased preference to rent, and net in-migration contributed to a lower average apartment vacancy rate compared with 2010. Also contributing to relatively tighter apartment market conditions compared with 2010 is a large short-term rental market, which has resulted in many traditional apartment units being converted into short-term rental units. There are currently 1,550 active short-term rental units listed in the metropolitan area, up from 270 units in 2014 (AirDNA, LLC). Currently, 850 short-term rental permits are active in the city of Santa Fe (Santa Fe Reporter). In response to a growing short-term rental market, the City of Santa Fe increased the maximum number of short-term rental units permitted from 350 to 1,000 in 2016 (City of Santa Fe).

During the first quarter of 2021—

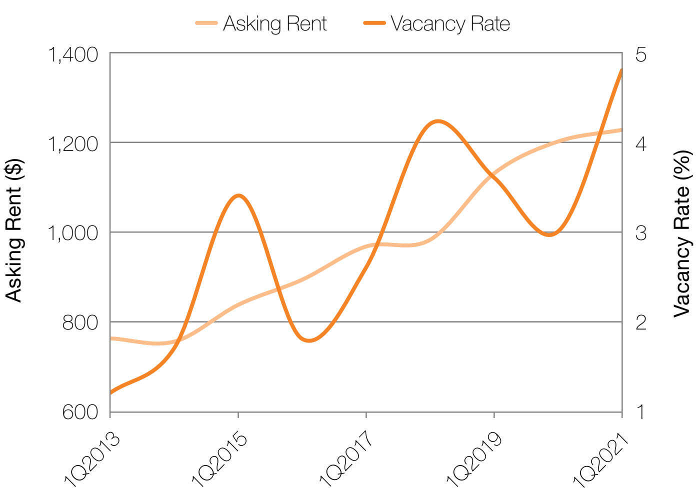
- The average apartment rent in the metropolitan area was $1,227, up 2 percent from a year earlier. By comparison, the average apartment rent increased 6 and 15 percent during the first quarter of 2020 and 2019, respectively, and increased an average of 5 percent annually from 2011 through 2018.
- The average vacancy rate for class A apartments in the metropolitan area, excluding units in lease-up, increased to 1.5 percent from 0.8 percent a year earlier, and the average rent was $1,688, up 3 percent from a year earlier. Three properties, with a combined 380 units, are currently in lease-up with an average vacancy rate of 36.0 percent.
- The average vacancy rate for class B/C apartments was 5.1 percent, up from 3.2 percent a year earlier, and the average rent for class B/C units increased 2 percent to $1,185.
- The affordable apartment market is very tight, with an average vacancy rate at income-restricted apartment communities of 0.9 percent, down from 1.4 percent a year earlier (ALN Apartment Data, Inc.). The average rent increased 2 percent during the same period to $805.

Multifamily construction activity, as measured by the number of multifamily units permitted, totaled 1,150 units during the 12 months ending April 2021, up from 930 units a year earlier (preliminary data, with adjustments by the analyst). By comparison, an average of 60 units were permitted annually from 2010 through 2016 before increasing to an average of 390 units annually from 2017 through 2019. Changes in zoning ordinances that were made by the City of Santa Fe in 2016 resulted in apartment construction becoming more economically feasible for developers and contributed to the increase in multifamily construction since 2017. Strong rent growth and low average vacancy rates during 2019 and 2020 also contributed to increased multifamily construction activity.

- Approximately 1,775 multifamily units are currently under construction in the metropolitan area, of which almost all are located in the city of Santa Fe.
- Construction began in March 2020 on South Meadows, an apartment community in the city of Santa Fe, approximately 7 miles southwest of downtown. The development is

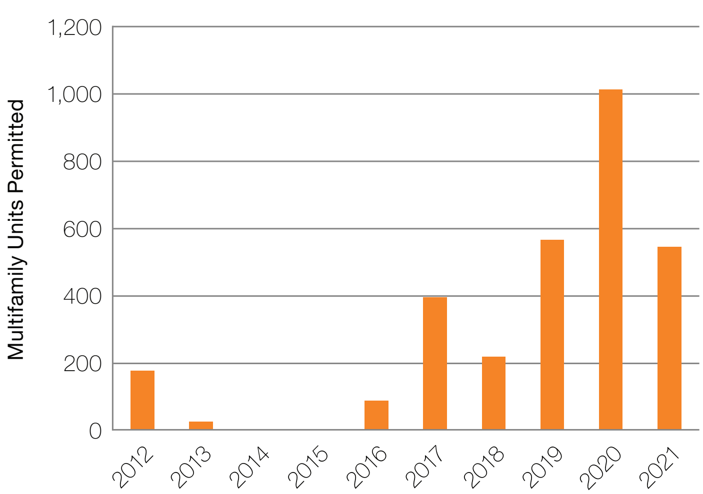
continued on page 7

Rent growth slowed in the Santa Fe metropolitan area during the past year following strong increases during 2019 and 2020, and the average vacancy rate has been below 5.0 percent every year since 2013.



1Q = first quarter.
Source: RealPage, Inc.

Multifamily construction activity in the Santa Fe metropolitan area has been relatively strong since 2017 compared with the previous several years.



Note: Includes preliminary data from January 2021 through April 2021.
Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst

continued from page 6

expected to be completed by the fall of 2021 and include 240 units. Rents are expected to range from $1,150 to $1,200 for one-bedroom units, $1,425 to $1,525 for two-bedroom units, and $1,800 for three-bedroom units.

- Also in the southwest portion of the city of Santa Fe, the Siler Yard apartment community, which is the first of two phases of the Siler Yard: Arts+Creativity Center, is currently under construction and expected to be completed in the fall of 2021. The 65-unit development is income-restricted and will cater to entrepreneurs whose trades are associated with various forms of the arts, including visual arts, music, theater, and dance. Rents at the apartment community will range from $412 to $824 for one-bedroom units, $494 to $988 for two-bedroom units, and $571 to $1,142 for three-bedroom units. The second phase of the center, which will include a community workspace and exhibition and venue spaces for tenants, is expected to begin in the fall of 2021 and be completed in the summer of 2022.