

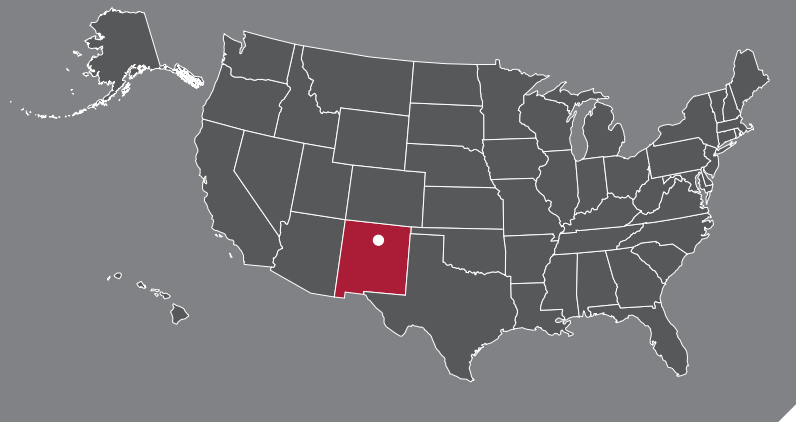
HUD PD&R Housing Market Profiles

Santa Fe, New Mexico



Quick Facts About Santa Fe

- Current sales market conditions: slightly tight
- Current apartment market conditions: tight
- The metropolitan area is home to the state capital and is a popular tourist destination, with numerous cultural and historical sites and skiing, mountain biking, and hiking venues. During 2022, 2.13 million people visited the metropolitan area (Santa Fe Data Platform).



By Randall Goodnight | As of August 1, 2023

Overview

The Santa Fe metropolitan area is coterminous with the Santa Fe, NM Metropolitan Statistical Area and includes Santa Fe County. The metropolitan area is approximately 60 miles northeast of the city of Albuquerque between the Sangre de Cristo Mountain Range and the Valles Caldera National Preserve. The city of Santa Fe was ranked second in the Top 15 Cities in the United States list in the 2023 *Travel + Leisure* magazine World's Best Awards. According to the magazine, the ranking was based on "sights and landmarks, culture, food, friendliness, shopping, and value."

- The current population of the metropolitan area is an estimated 156,500, representing an average increase of 500, or 0.3 percent, annually since April 2020 (U.S. Census Bureau decennial census count and estimates by the analyst), and net in-migration has averaged 980 residents annually and accounted for all of the population growth. By comparison, the population increased an average of 0.7 percent annually from April 2010 to April 2020, with net in-migration accounting for 84 percent of the population growth and averaging 900 people annually.

continued on page 2



continued from page 1

- The metropolitan area is a popular retirement destination. From 2020 to 2022, the population aged 60 years and older increased an average of 2.6 percent annually, and the remaining population declined an average of 1.0 percent annually (Census Bureau decennial census counts and population estimates as of July 1). By comparison, the population aged 60 and older increased an average of 4.4 percent annually from 2010 to 2020, and the remaining population decreased an average of 0.7 percent annually. The population aged 60 years and older accounted for 35.4

percent of the total population in the metropolitan area in 2022, compared with 33.5 percent in 2020 and 23.4 percent in 2010.

- Because of an increasing portion of the population aged 60 years and older in the metropolitan area, net natural increase slowed almost every year from 2010 to 2017 and averaged 230 residents annually. From 2017 to 2020, net natural change remained the same. Net natural decline has occurred each year since 2020, averaging 480 residents annually. Excess deaths attributed to the COVID-19 pandemic also contributed to net natural decline since 2020.

Economic Conditions

The economy of the Santa Fe metropolitan area has almost recovered from job losses caused by the COVID-19 pandemic. As of the 3 months ending July 2023, nonfarm payrolls were 1,300 jobs, or 2.0 percent, lower than the average number of jobs as of the 3 months ending July 2019, the most recent comparable period before the pandemic. From 2014 through 2019, nonfarm payrolls increased an average of 0.4 percent annually. Nonfarm payrolls declined 9.6 percent during 2020 because of restrictions to slow the spread of COVID-19. Those restrictions were lifted in 2021, which contributed to an increase in nonfarm payrolls of 3.1 percent.

As of the 3 months ending July 2023—

- Nonfarm payrolls increased by 1,200, or 2.0 percent, to 62,400 jobs, compared with a 3.2-percent increase a year earlier.

- Nonfarm payrolls increased in only 4 of 11 sectors, led by the education and health services sector, which increased by 800, or 7.9 percent, to 10,900 jobs. The sector is expected to continue to increase because of several hospital expansions. Nexus Health began construction on a new medical facility in April 2023. The facility is expected to be complete by July 2024 and include a staff of approximately 180 employees. CHRISTUS St. Vincent Regional Medical Center, the second largest employer in the metropolitan area, began construction on a new \$80 million hospital in June 2023. The hospital is expected to be complete in late 2024 and result in 100 new jobs.

- Job growth was also strong in the leisure and hospitality sector, which increased by 700 jobs, or 6.5 percent, to

continued on page 3

Nonfarm payrolls increased in the Santa Fe metropolitan area during the 3 months ending July 2023, with strong gains in the education and health services and the leisure and hospitality sectors.

	3 Months Ending		Year-Over-Year Change	
	July 2022 (Thousands)	July 2023 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	61.2	62.4	1.2	2.0
Goods-Producing Sectors	3.9	3.9	0.0	0.0
Mining, Logging, & Construction	3.1	3.1	0.0	0.0
Manufacturing	0.8	0.8	0.0	0.0
Service-Providing Sectors	57.4	58.5	1.1	1.9
Wholesale & Retail Trade	9.0	8.9	-0.1	-1.1
Transportation & Utilities	0.9	0.8	-0.1	-11.1
Information	1.0	1.0	0.0	0.0
Financial Activities	2.3	2.3	0.0	0.0
Professional & Business Services	5.8	5.9	0.1	1.7
Education & Health Services	10.1	10.9	0.8	7.9
Leisure & Hospitality	10.8	11.5	0.7	6.5
Other Services	3.8	3.5	-0.3	-7.9
Government	13.7	13.8	0.1	0.7
Unemployment Rate	3.8%	3.7%		

Note: Numbers may not add to totals due to rounding.

Source: U.S. Bureau of Labor Statistics



continued from page 2

11,500, compared with a 12.5-percent increase a year earlier. Increased tourism contributed to gains in the sector during the past 2 years. The hotel occupancy rate in the metropolitan area averaged 67.9 percent during the 12 months ending July 2023, compared with 65.8 percent a year earlier and 48.4 percent during the 12 months ending July 2021 (CoStar Group).

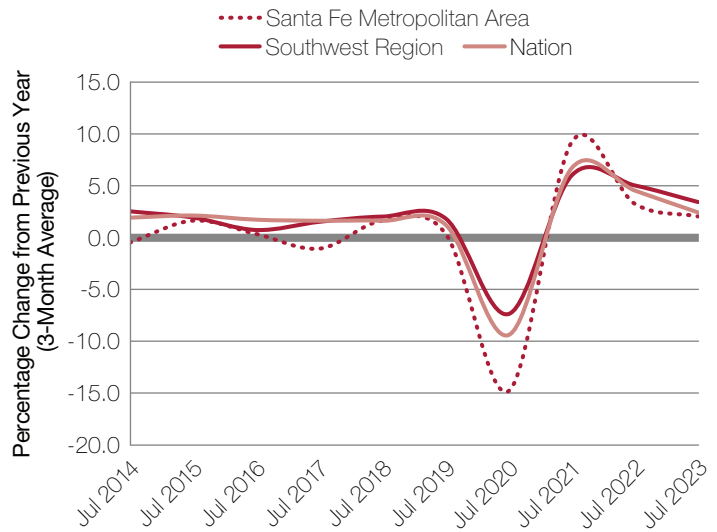
- Partly offsetting nonfarm payroll gains was a decline in the other services sector of 300 jobs, or 7.9 percent, to 3,500 jobs, compared with a gain of 300, or 8.6 percent, a year earlier.

The Santa Fe metropolitan area depends heavily on government-related activities. The government sector, with 13,800 jobs during the 3 months ending July 2023, is the largest sector in the metropolitan area and accounts for 22 percent 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 6,700 employees. The local government subsector, with 6,100 jobs, accounts for 44 percent of government sector jobs and 10 percent of nonfarm payrolls overall. The City of Santa Fe is the third largest employer in the metropolitan area, with 1,500 employees. Payrolls in the local government subsector in the metropolitan area include jobs in city, county, and tribal governments. The subsector also includes jobs in numerous industries, including public administration, education, healthcare, and industries associated with local tourism. Also included in the government sector is Los Alamos National Laboratory, a federally funded research and development center overseen by the National Nuclear Security Administration that employs approximately 14,050 workers in Los Alamos County, New Mexico, 35 miles northwest of the metropolitan area. About 3,450 of those workers reside in the metropolitan area and earn an average annual salary of \$111,600 per employee (Los Alamos National Laboratory).

Sales Market Conditions

Sales housing market conditions are slightly tight in the Santa Fe metropolitan area. The estimated sales vacancy rate is currently 1.3 percent, down slightly from 1.5 percent as of April 1, 2020. The inventory of unsold homes in July 2023 represented a 3.3-month supply, up from 2.6 months in July 2022 and 2.4 months in July 2021 (Redfin, a national real estate brokerage). By comparison, the supply of homes for sale was 3.1 months in July 2020 and averaged 5.3 months from 2015 through 2019. Sales housing market conditions eased slightly during the past year from tighter conditions during the previous 2 years, partly because of an increase in mortgage interest rates. The average interest rate for a 30-year fixed-rate mortgage in July 2023 was

Nonfarm payrolls in the Santa Fe metropolitan area have increased at a slower pace compared with the Southwest region and the nation since the 3 months ending July 2022.



Source: U.S. Bureau of Labor Statistics

Largest Employers in the Santa Fe Metropolitan Area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
State of New Mexico	Government	6,700
CHRISTUS St. Vincent Regional Medical Center	Education & Health Services	2,375
City of Santa Fe	Government	1,500

Note: Excludes local school districts.

Sources: New Mexico Partnership; U.S. Bureau of Labor Statistics

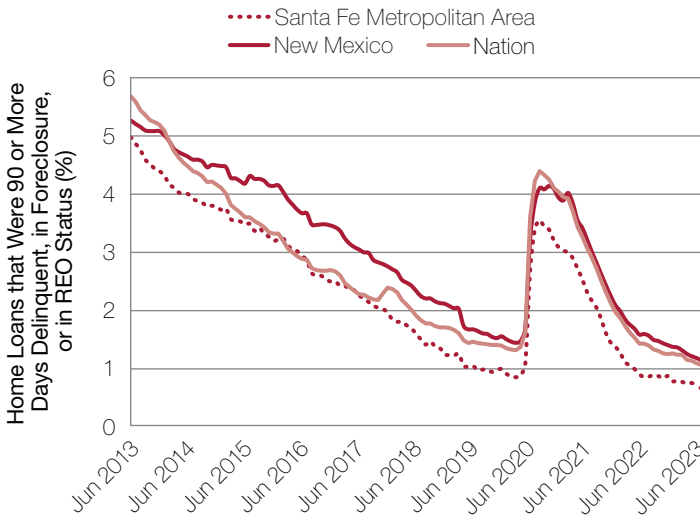
6.8 percent, compared with 5.4 percent a year earlier and 2.9 percent in July 2021 (Freddie Mac). As of June 2023, 0.7 percent of home loans were seriously delinquent or in real estate owned (REO) status, down slightly from 0.8 percent a year earlier (CoreLogic, Inc.). The percentage of seriously delinquent mortgages and REO properties in the metropolitan area reached a recent peak of 3.5 percent in August 2020, when weak economic conditions from the COVID-19 pandemic made it more difficult for many homeowners to stay current on mortgage payments, and a large number of home mortgages were in forbearance.

continued on page 4



continued from page 3

The share of seriously delinquent mortgages and REO properties in the Santa Fe metropolitan area has been consistently lower than the rate in New Mexico and lower than the national share since June 2017.



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

New and existing home sales in the metropolitan area decreased by 1,100, or 26 percent, to 3,125 homes sold during the 12 months ending June 2023, compared with a 6-percent decrease a year earlier. Increasing mortgage interest rates and strong home price growth contributed to the decrease in home sales during the past 2 years. Home sales in the metropolitan area reached a recent high during the 12 months ending January 2022, when 4,550 homes were sold, representing a 15-percent increase from a year earlier. Net in-migration, a recovering local economy, and historically low mortgage interest rates contributed to the recent high in home sales. From 2013 through 2019, home sales increased an average of 5 percent annually before decreasing 7 percent during 2020. The average price for new and existing homes during the 12 months ending June 2023 was \$532,300, reflecting an increase of \$38,350, or 8 percent, from a year ago, compared with a 10-percent increase a year earlier and home price growth of 15 percent during the 12 months ending June 2021. By comparison, the average home price increased an average of 3 percent annually from 2013 through 2019 before surging to a 9-percent increase in 2020. The relatively low inventory of homes available for sale since 2020 contributed to the strong increases in average home prices during the past 3 years.

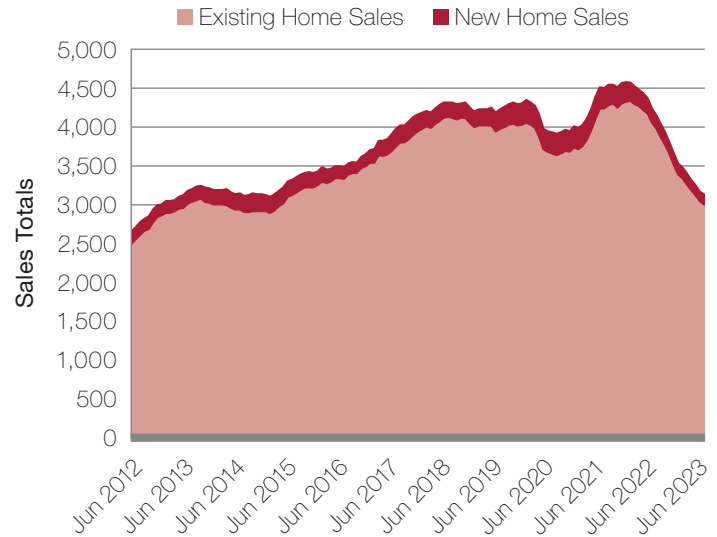
During the 12 months ending June 2023—

- New home sales decreased 33 percent to 130 homes, compared with a decline of 34 percent a year earlier. The average price for a new home increased 15 percent to \$581,300, compared with a 20-percent increase a year

earlier. New home sales averaged 180 homes annually from 2012 through 2016 before increasing to an average of 230 new homes sold annually from 2017 through 2019. New home sales declined an average of 7 percent annually during 2020 and 2021.

continued on page 5

Existing home sales in the Santa Fe metropolitan area have slowed since reaching a recent high in January 2022, and new home sales have moderated after peaking in May 2021.



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

New home sales prices in the Santa Fe metropolitan area increased in February 2023 at the fastest pace since at least 2001, and existing home sales price growth has slowed since reaching a recent high in August 2021.



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



continued from page 4

- Existing home sales, which include resales and distressed sales, decreased 26 percent to 3,000 homes, compared with a 4-percent decrease a year earlier. The average price for existing homes increased 7 percent to \$530,200, compared with a 10-percent increase a year earlier. Existing home sales fluctuated from 2013 through 2019 but increased an average of 5 percent annually during the period. Existing home sales decreased 7 percent in 2020 before increasing 16 percent in 2021.
- Resales decreased 27 percent to 2,870 homes, and the average price for resales was \$539,000, up 8 percent from a year earlier.
- Distressed home sales increased 8 percent to 130, and the average distressed sale price decreased 8 percent to \$330,400. Distressed home sales accounted for 4 percent of existing home sales, up from 3 percent a year earlier but down from the peak level of 22 percent in 2012.

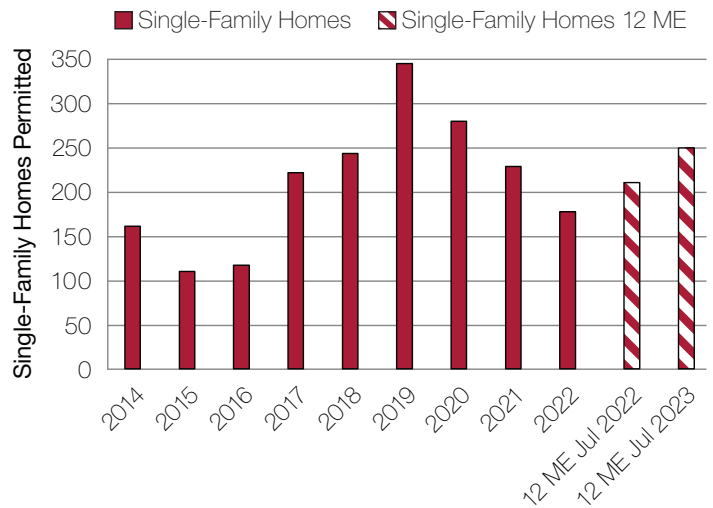
Single-family homebuilding activity, as measured by the number of single-family homes permitted and estimates by the analyst, increased by 40, or 19 percent, to 250 homes during the 12 months ending July 2023. That increase was due to home builders being slow to respond to rapidly increasing mortgage interest rates and a significant decrease in home sales demand. By comparison, single-family home construction declined 9 percent during the 12 months ending July 2022. An estimated 200 homes are currently under construction.

- From 2014 through 2016, homebuilding averaged 130 homes permitted per year, as homebuilders responded to moderate new home sales demand during the period.
- Single-family home construction was relatively strong from 2017 through 2019, when single-family home permits averaged 270 homes annually. Increased new home sales demand during much of the period contributed to the increase in single-family home construction.
- Home construction activity declined an average of 19 percent annually during 2020 and 2021 as homebuilders responded to decreased new home sales demand.

Availability and costs of building materials also contributed to decreased homebuilding during the period.

- Construction is nearly complete at the Villas de Las Soleras residential community in the city of Santa Fe, 7 miles southwest of downtown. The development offers three- and four-bedroom townhomes, ranging in size from approximately 1,500 to 2,100 square feet, with prices starting at about \$489,000. More than 180 new homes have sold, and an additional 7 homes are currently available. The community is expected to include approximately 200 homes at buildout.
- The Colibri residential community is currently under construction in the city of Santa Fe, 10 miles southwest of downtown. Two- to six-bedroom single-family detached homes, ranging in size from approximately 1,630 to 3,500 square feet, are offered at the community, with prices starting at \$542,990. Eighty-seven homes have sold at the community since opening in 2022, and 30 homes are available for sale. Colibri is expected to include 232 homes at buildout.

Single-family home construction activity in the Santa Fe metropolitan area has been relatively strong since 2017 compared with 2014 through 2016.



12 ME = 12 months ending.
Sources: U.S. Census Bureau, Building Permits Survey; 2014–22—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst



Apartment Market Conditions

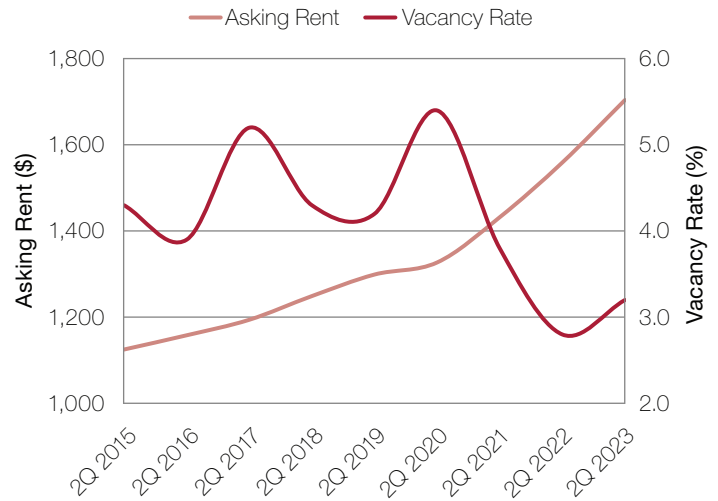
Apartment market conditions are currently tight in the Santa Fe metropolitan area and have been slightly tight to tight since 2015. During the second quarter of 2023, the average apartment vacancy rate was 3.2 percent, compared with 2.8 percent a year earlier, which represented the lowest rate since at least 2000 (CoStar Group). By comparison, the average apartment vacancy rate was 3.8 percent during the second quarter of 2021. A recovering local economy and net in-migration have contributed to relatively low apartment vacancy rates since the second quarter of 2021. Increasing mortgage interest rates during the past 2 years and strong home price growth during the past 3 years, which were impediments to potential homebuyers, also contributed to the low rates. By comparison, the apartment vacancy rate averaged 4.6 percent during the second quarters from 2015 through 2020, with average rates ranging from 3.9 percent during the second quarter of 2016 to 5.4 percent as of the second quarter of 2020.

As of the second quarter of 2023—

- The average apartment rent in the metropolitan area was \$1,704, up 9 percent from a year earlier. By comparison, the average apartment rent increased 9 and 8 percent annually as of the second quarters of 2022 and 2021, respectively, and increased an average of 3 percent annually from the second quarter of 2015 to the second quarter of 2020.
- The average vacancy rate for class A apartments decreased to 2.7 percent, compared with 3.5 percent a year earlier, and the average rent for class A apartments was \$1,919, up 8 percent from a year earlier.
- The average vacancy rate for class B and C apartments was 3.5 percent, up from 2.6 percent a year earlier, and the average rent for class B and C units increased 10 percent to \$1,611.
- The affordable apartment market was very tight, with an average vacancy rate of 1.8 percent, down from 3.3 percent a year earlier, and the average rent increased 12 percent to \$1,023.

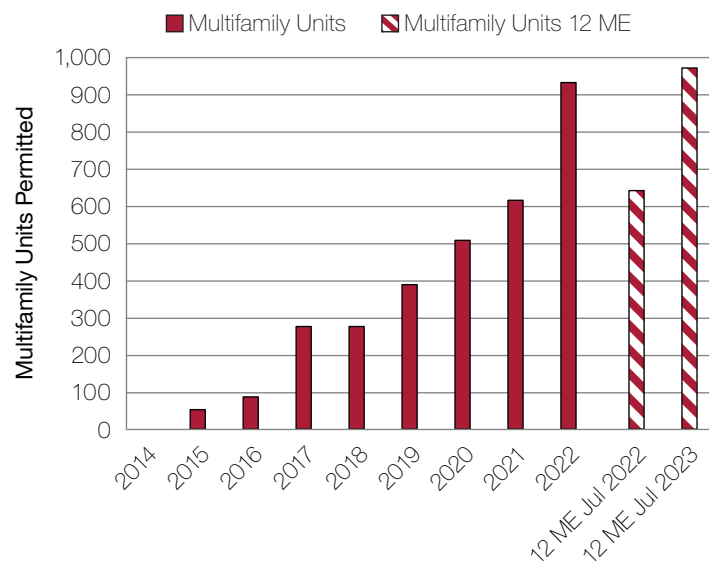
Multifamily construction activity in the Santa Fe metropolitan area, as measured by the number of multifamily units permitted and estimates by the analyst, averaged only 45 units annually from 2014 through 2016. Changes in zoning ordinances that the City of Santa Fe enacted in 2016 resulted in apartment construction becoming more economically feasible for developers and contributed to an increase in multifamily construction beginning in 2017. Multifamily construction activity in the metropolitan area increased an average of 48 percent annually from 2017 through 2021 as builders responded to strong apartment demand.

Apartment rent growth was strong in the Santa Fe metropolitan area during the past 3 years, and the average vacancy rate as of the second quarter of 2023 increased slightly from a year earlier when the rate was at the lowest level since at least 2000.



2Q = second quarter.
Source: CoStar Group

Multifamily construction activity in the Santa Fe metropolitan area has increased almost every year since 2015.



12 ME = 12 months ending.
Sources: U.S. Census Bureau, Building Permits Survey; 2014–22—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

- Multifamily construction activity in the metropolitan area increased 52 percent to 970 units during the 12 months ending July 2023 as developers responded to tight

continued on page 7



continued from page 6

apartment market conditions (preliminary data and estimates by the analyst).

- Approximately 1,325 multifamily units are currently under construction in the metropolitan area, all in the city of Santa Fe.
- Construction is almost complete on the 355-unit Madera Apartments approximately 8 miles southwest of downtown Santa Fe. Rents for one-, two-, and three-bedroom units at the community are expected to start at \$1,750, \$2,000, and \$2,395, respectively.
- Construction on the Arcadia apartment community, also in the southwest portion of the city of Santa Fe, is currently underway. Construction began on the development in December 2022 and is expected to be complete in 2024. Arcadia is expected to include 332 one-, two-, and three-bedroom units when complete.



Terminology Definitions and Notes

A. Definitions

Apartment Vacancy Rate/Apartment Rent	Data are for market-rate and mixed market-rate and affordable general occupancy apartment properties with five or more units, including only those that are stabilized. An apartment property is stabilized once an occupancy rate of 90 percent or above is reached, or at least 18 months pass since the property was completed.
Building Permits	Building permits do not necessarily reflect all residential building activity. Some units are constructed or created without a building permit or are issued a different type of building permit. For example, some units classified as commercial structures are not reflected in the residential building permits. As a result, the analyst, through diligent fieldwork, makes an estimate of this additional construction activity. Some of these estimates are included in the discussions of single-family and multifamily building permits.
Distressed Sales	Short sales and real estate owned (REO) sales.
Existing Home Sales	Includes resales, short sales, and REO sales.
Home Sales/Home Sales Prices	Includes single-family home, townhome, and condominium sales.
Net Natural Change	Resident births minus resident deaths.
Net Natural Decline	Resident deaths are greater than resident births.
Net Natural Increase	Resident births are greater than resident deaths.
Resales	These are home closings that have no ties to either new home closings (builders) or foreclosures. They are homes that were previously constructed and sold to an unaffiliated third party.
Seriously Delinquent Mortgages	Mortgages 90 or more days delinquent or in foreclosure.

B. Notes on Geography

1. The metropolitan statistical area definition noted in this report is based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated April 10, 2018.