Las Cruces, New Mexico

The Las Cruces metropolitan area, located in southern New Mexico and bordering both Texas and Mexico, is coterminous with Doña Ana County. As of April 1, 2011, the population of the metropolitan area is estimated at 213,300, an increase of 4,100, or 2 percent, from the previous year. This percentage increase compares with an average increase of 2.1 percent annually from 2005 to 2010. Leading employers in the area include White Sands Missile Range, with 3,150 employees, and New Mexico State University (NMSU), which employs more than 3,050 and has an enrollment of approximately 24,000 students at its Doña Ana County campuses.

Recent job growth indicates that the Las Cruces metropolitan area has started to recover, following an economic downturn that began in mid-2009. In the 12 months ending February 2011, the area gained 700 jobs, or 1 percent, compared with the previous 12-month period, when nonfarm payrolls declined by 800 jobs, or 1.2 percent. During the 12 months ending February 2011, the metropolitan area recorded significant payroll gains in the professional and business services and the education and health services sectors and in the retail trade subsector, adding approximately 500, 300, and 100 jobs, or 6.9, 2.6, and 1.1 percent, respectively. The government sector also added 100 jobs, an increase of 0.6 percent. With 21,700 total jobs, government is the largest sector in the area, currently accounting for 31 percent of all nonfarm payroll jobs compared with the national average of 17 percent. Partially offsetting employment gains, the manufacturing and financial activities sectors lost 200 and 100 jobs, respectively, or 5.5 and 3.8 percent. The mining, logging, and construction sector, which has been in decline since 2007, was flat in the 12 months ending February 2011 after losing 700 jobs, or 15.5 percent, during the previous 12-month period, driven by the declining real estate market. Union Pacific Railroad is expected to begin construction in June 2011 of a new intermodal facility in Doña Ana County, creating 3,000 construction jobs during the 4-year building phase and an additional 600 permanent jobs at the facility after it reaches full capacity in 2025. For the year ending February 2011, the average unemployment rate was 8.3 percent, up significantly from the 7.4-percent rate recorded during the previous 12 months and well above the 5.3-percent average monthly unemployment rate recorded from 2003 through 2008.

The weakened economy and tighter lending practices have resulted in soft home sales market conditions in the Las Cruces metropolitan area. During the 12 months ending February 2011, new and existing attached and single-family home sales were down 13 percent from the previous 12-month period to 2,600 homes, according to Hanley Wood, LLC, partially because of the expiration of the first-time homebuyer tax credit program. In comparison, attached and single-family home sales peaked from 2005 through 2007 and averaged 4,750 annually. According to the Las Cruces Association of REALTORS®, during the 12 months ending February 2011, sales prices averaged $184,800, down more than 1 percent from prices during the previous 12 months and down nearly 12 percent from $209,000 in 2008.

Single-family home construction, as measured by the number of building permits issued, declined considerably in recent years as a result of the soft housing market. Based on preliminary data, during the 12 months ending February 2011, the number of single-family permits issued was down 19 percent to 720 compared with the number issued during the previous 12 months and was well below the average of 1,725 annually from 2003 through 2007. Most of the more recent single-family development has taken place in the northeastern area of Las Cruces near US Route 70, where land is less expensive. New homes in this area typically start at around $170,000 for a 1,400-square-foot home. 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.

The home rental market in the Las Cruces metropolitan area has improved from the soft conditions of the past 3 years and is currently balanced. The current rental vacancy rate is estimated at 6 percent, down from 8 percent in 2009 and 10 percent in 2007. Average apartment rents are currently $620 for one-bedroom units, $725 for two-bedroom units, and $875 for three-bedroom units. NMSU students constitute more than 25 percent of all rental market households, with an estimated 20,000 or more students residing in off-campus housing. Developments in the area immediately surrounding the main NMSU campus in Las Cruces, such as Casa Bandera and The Grove, currently have lower vacancy rates (between 2 and 4 percent) and are occupied almost entirely by students.

Multifamily building activity, as measured by the number of units permitted, increased to 175 units during the 12 months ending February 2011 compared with the 50 units permitted during the previous 12 months.
These numbers are down considerably from the annual average of 370 multifamily units permitted from 2003 through 2007. The drop in building activity during the past 3 years has helped reduce the available inventory and allowed for the absorption of existing stock, resulting in the current balanced conditions.