The analysis presented in this report was completed prior to the COVID-19 outbreak in the United States and therefore the forecast estimates do not take into account the economic and housing market impacts of the actions taken to limit contagion of the virus. At this time, the duration and depth of the economic disruption are unclear, as are the extent and effectiveness of countermeasures. HUD will continue to monitor market conditions in the HMA and provide an updated report/addendum in the future.

COMPREHENSIVE HOUSING MARKET ANALYSIS

El Paso, Texas

U.S. Department of Housing and Urban Development,
Office of Policy Development and Research

As of March 1, 2020

Share on:

Executive Summary

Housing Market Area Description

The El Paso Housing Market Area (hereafter, El Paso HMA), in far west Texas on the border of Mexico and New Mexico, is coterminous with the El Paso, TX Metropolitan Statistical Area, which consists of El Paso and Hudspeth Counties.

The current population is estimated at 846,000.

The HMA is home to Fort Bliss, the second largest installation in the U.S. Army since the 1st Armored Division was relocated from Germany, a result of the 2005 Base Realignment and Closure Commission (BRAC) recommendations. The base is located on the largest contiguous area of restricted air space in the continental United States.
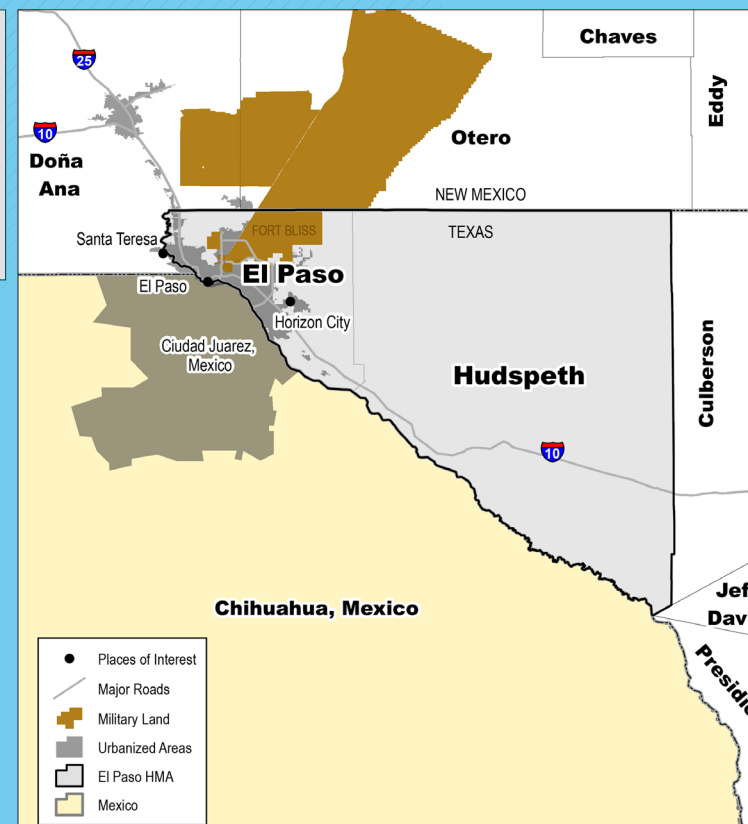
Tools and Resources

Find interim updates for this metropolitan area, and select geographies nationally, at PD&R's Market-at-a-Glance tool.
Additional data for the HMA can be found in this report's supplemental tables.
For information on HUD-supported activity in this area, see the Community Assessment Reporting Tool.

Market Qualifiers

Economy

Strong: Nonfarm payrolls increased 1.8 percent during the 12 months ending February 2020.

Economic expansion in the El Paso HMA continued during the past year, following 2 years of similar nonfarm payroll job growth. During the 12 months ending February 2020, nonfarm payrolls in the HMA increased by 5,800 jobs, or 1.8 percent, to 325,100 jobs; this followed an increase of 5,900 jobs, or 1.9 percent, during the previous 12 months. Nonfarm payrolls increased an average of 1.7 percent annually from 2012 through 2017, with annual growth ranging from 1.3 to 2.4 percent. During the 3-year forecast period, nonfarm payrolls are expected to expand at an average annual pace of 1.5 percent, with notable growth expected in both goods-producing and service-providing sectors.

Sales Market

Balanced: During the 12 months ending February 2020, the average sales prices for new and existing homes increased 9 and 5 percent, respectively.

The home sales market is balanced, with an estimated current vacancy rate of 1.6 percent, unchanged from April 2010. The inventory of single-family homes for sale fell to a 2.6-month supply in February 2020, down from 3.5 months a year earlier. New and existing home sales declined 1 percent during the 12 months ending February 2020, and the average price increased 4 percent to $185,600 (Metrostudy, A Hanley Wood Company). During the 3-year forecast period, demand is estimated for 5,675 additional sales units. The 650 units under construction are expected to meet a portion of demand during the first year of the forecast period.

Rental Market

Balanced: The average apartment rent in the HMA increased 3 percent from the fourth quarter of 2018 to the fourth quarter of 2019 to $830 a month.

Rental market conditions have remained balanced from 2010 to current. The rental vacancy rate was 4.4 percent in 2010 and has since fluctuated between an estimated 4.0 and 7.0 percent; currently, it is at an estimated 5.5 percent. Strong renter household growth has contributed significantly to maintaining a balanced rental market since 2010. Apartment market conditions in the HMA are also currently balanced, with an estimated rental vacancy rate of 4.5 percent. During the 3-year forecast period, demand is expected for 1,850 additional rental units. The 600 units presently under construction are expected to meet most of that demand during the first year of the forecast.

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3-Year Housing Demand Forecast		
	Sales Units	Rental Units
El Paso HMA Total Demand	5,675	1,850
Under Construction	650	600

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of March 1, 2020. The forecast period is March 1, 2020, to March 1, 2023.
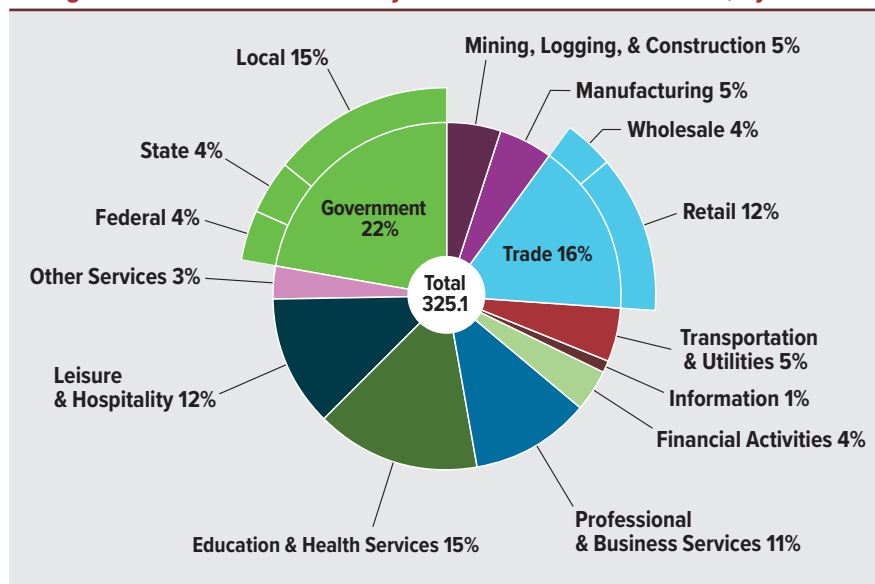Source: Estimates by the analyst

Economic Conditions
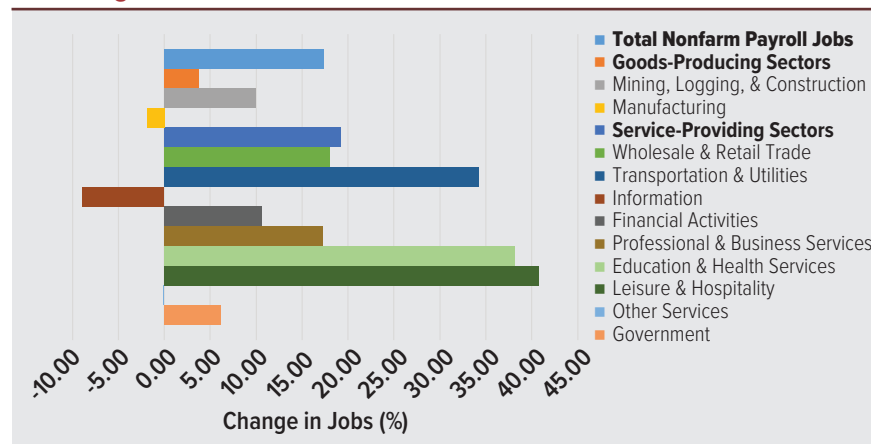
Largest Sector: Government

Leisure and hospitality, the fourth largest sector in the El Paso HMA economy (Figure 1), has been the fastest growing sector in the HMA since 2010 (Figure 2). The North American Borderplex, which includes the El Paso Metropolitan Statistical Area, Doña Ana County, New Mexico, and Ciudad Juárez, Mexico, with a combined population in excess of 2.5 million, is the largest population center for more than 300 miles, and as a result is a regional hub for tourism, retail trade, and medical services.

Figure 2. Sector Growth in the El Paso HMA, 2010 to Current

Note: The current date is March 1, 2020.
Source: U.S. Bureau of Labor Statistics

Primary Local Economic Factors

The largest employment sector in the El Paso HMA is the government sector, with 72,400 jobs accounting for 22 percent of all nonfarm payroll jobs in the HMA. Six of the 10 largest employers in the HMA are in the government sector, with Fort Bliss being the largest employer with about 48,300 employees, including about 35,600 military personnel who generally are not included in nonfarm payroll survey data (Table 1). According to the Texas Comptroller of Public Accounts, Fort Bliss has a $23.1 billion annual impact on the local economy (The Fort Bliss Impact on the Texas Economy, 2017). Another major contributor to the government sector is the University of Texas at El Paso (UTEP), which has 25,200 students, nearly 3,125 employees, and a $1.4 billion annual impact on the local economy (Economic Modeling Specialists International, 2013). Enrollment at UTEP has increased each year since 1998.

Current Conditions—Nonfarm Payrolls

Economic conditions in the HMA are currently strong, with average nonfarm payrolls during the 12 months ending in February 2020 at 325,100. Nonfarm

Figure 1. Share of Nonfarm Payroll Jobs in the El Paso HMA, by Sector

Notes: Total nonfarm payroll is in thousands. Percentages may not add to 100 percent due to rounding. Based on 12-month averages through February 2020.
Source: U.S. Bureau of Labor Statistics

Table 1. Major Employers in the El Paso HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Fort Bliss Army Base	Government	48,298
City of El Paso	Government	6,840
T&T Staff Management, Inc.	Professional & Business Services	5,461
The Hospitals of Providence	Education & Health Services	5,298
The University of Texas at El Paso	Government	3,114
El Paso Community College	Government	3,102
El Paso County	Government	2,980
University Medical Center of El Paso	Government	2,800
DATAMARK Incorporated	Professional & Business Services	2,500
Alorica Inc.	Professional & Business Services	2,500

Notes: Excludes local school districts. Data include 35,600 military personnel, who generally are not included in nonfarm payroll survey data.
Sources: El Paso Economic Development, Texas Comptroller of Public Accounts

Table 2. 12-Month Average Nonfarm Payroll Jobs (1,000s) in the El Paso HMA, by Sector

	12 Months Ending February 2019	12 Months Ending February 2020	Absolute Change	Percentage Change
Total Nonfarm Payroll Jobs	**319.3**	**325.1**	**5.8**	**1.8**
Goods-Producing Sectors	33.0	34.1	1.1	3.3
Mining, Logging, & Construction	16.2	17.1	0.9	5.6
Manufacturing	16.8	16.9	0.1	0.6
Service-Providing Sectors	286.4	291.0	4.6	1.6
Wholesale & Retail Trade	51.7	51.2	-0.5	-1.0
Transportation & Utilities	16.6	17.1	0.5	3.0
Information	4.5	4.8	0.3	6.7
Financial Activities	12.7	13.4	0.7	5.5
Professional & Business Services	36.0	36.8	0.8	2.2
Education & Health Services	46.5	48.1	1.6	3.4
Leisure & Hospitality	37.1	38.2	1.1	3.0
Other Services	9.2	9.2	0.0	0.0
Government	72.0	72.4	0.4	0.6

Notes: Based on 12-month averages through February 2019 and February 2020. Numbers may not add to totals due to rounding. Data are in thousands.
Source: U.S. Bureau of Labor Statistics

payrolls increased by 5,800 jobs, or 1.8 percent, during the most recent 12 months (Table 2), which followed an increase of 5,900 jobs, or 1.9 percent, during the 12 months ending in February 2019. The large portion of jobs within the government and the education and health services sectors, which combined represent 37 percent of nonfarm payrolls, provide a stable base for the local economy.

Nine of the 11 employment sectors added jobs during the 12 months ending February 2020. The education and health services sector led the growth, with a gain of 1,600 jobs, or 3.4 percent. Job gains in the education and health services sector were partly attributed to the continued expansion of the Texas Tech University Health Sciences Center El Paso. The $84 million Medical Science Building, when completed in 2020, will include nearly 220,000 square-feet of additional research facilities. The mining, logging, and construction sector added 900 jobs, or 5.6 percent, with job gains in that sector partly due to housing construction by the Housing Authority of the City of El Paso (HACEP),

which is in the process of replacing or substantially rehabilitating nearly 6,100 affordable housing units in the HMA. The leisure and hospitality sector had the second largest gain, up by 1,100 jobs, or 3.0 percent. Job gains in the HMA were partially offset by losses in the wholesale and retail trade sector, which declined by 500 jobs, or 1.0 percent.

Current Conditions—Unemployment

The unemployment rate averaged 3.7 percent during the 12 months ending February 2020, down from 4.2 percent during the previous 12 months and down from the recent peak of 9.5 percent during 2011 (Figure 3). During the most recent 12-month period, the respective rates for the state and the nation were 3.5 and 3.6 percent.
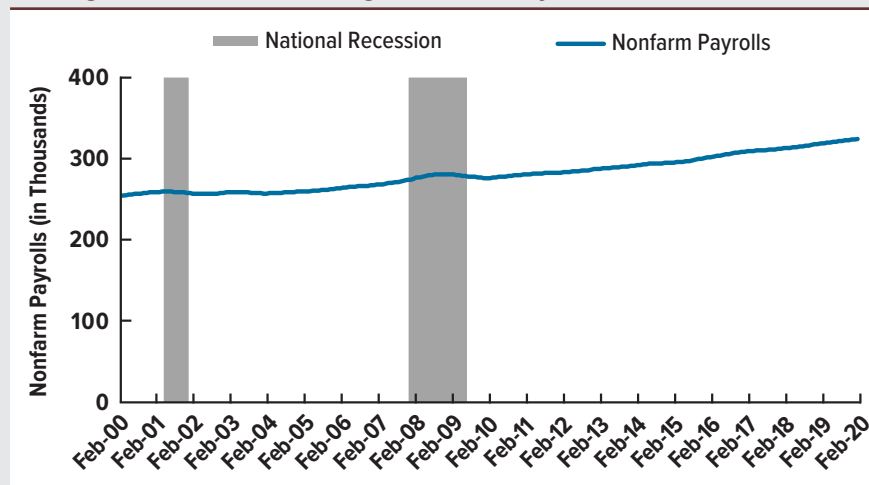
Figure 3. 12-Month Average Unemployment Rate in the El Paso HMA and the Nation
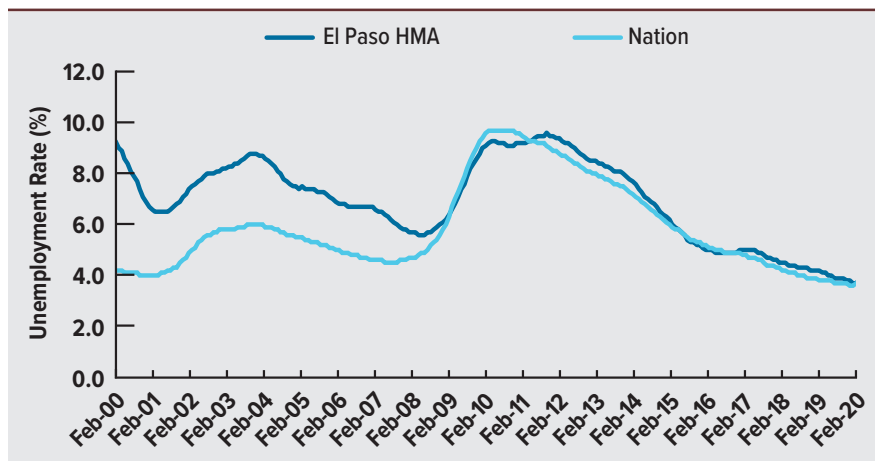
Note: Based on the 12-month moving average.
Source: U.S. Bureau of Labor Statistics

Figure 4. 12-Month Average Nonfarm Payrolls in the El Paso HMA

Note: 12-month moving average.
Sources: U.S. Bureau of Labor Statistics; National Bureau of Economic Research

Economic Periods of Significance

2001 through 2003

From 2001 through 2003, nonfarm payrolls in the HMA declined by an average of 500 jobs, or 0.2 percent, annually (Figure 4). Job losses in the goods-producing sectors offset job growth in the service-providing sectors during the period. Plant closures at Levi Strauss & Co. and VF Jeans resulted in the combined loss of 2,000 jobs, contributing to the average annual decline in the manufacturing sector of 3,800 jobs, or 11.4 percent, annually, during the period. The education and health services and the government sectors added an average 1,400 and 900 jobs, respectively, an increase of 5.5 and 1.5 percent annually.

2004 through 2008

The local economy began to recover during 2004 and expanded continuously through 2008 as nonfarm payrolls increased by an average of 4,700 jobs, or

1.8 percent, annually. The professional and business services and government sectors led job gains during this period, with each increasing by an average of 1,200 jobs, or 4.2 and 1.9 percent, annually, respectively. New home construction contributed to the average annual increase in the mining, logging, and construction sector of 800 jobs, or 6.0 percent, annually, during the period.

2009

The national economic recession, which began in December 2007 and ended in June 2009, was less severe in the El Paso HMA but resulted in job losses in 9 of 11 sectors during 2009. Nonfarm payrolls declined by 4,600 jobs, or 1.6 percent, during 2009, with the wholesale and retail trade sector leading job losses, declining by 3,300 jobs, or 7.1 percent. Like the nation as a whole, nonfarm payrolls in the HMA decreased in 2009, but the decline was less severe than the nation, which lost nonfarm payrolls at the rate of 4.3 percent. Government employment in the HMA increased by 2,400 jobs, or 3.6 percent, with an

increase in the federal government subsector of 900 jobs, or 8.0 percent, primarily due to base expansion on Fort Bliss. From September 2008 through September 2009, staffing at Fort Bliss increased from 22,750 to 25,100 people as part of the 2005 BRAC recommendations (Defense Manpower Data Center).

2010 through 2017
The local economy began adding jobs again in 2010, and by 2017 nonfarm payrolls in the HMA totaled 312,700 jobs, an average increase of 4,500 jobs, or 1.5 percent, annually during the period. All the gains during this period were in seven of nine service-providing sectors. The education and health services sector led job gains during these years, increasing by an average of 1,300 jobs, or 3.3 percent, annually. The second largest gains during this period were in the leisure and hospitality and the wholesale and retail trade sectors, which increased an average 1,000 jobs, or 3.3 and 2.2 percent annually, respectively. Revitalization of retail establishments, restaurants, and hotels as part of the city of El Paso Downtown 2015 Plan have remediated urban blight and contributed to the gains in these sectors.

Employment Forecast

Job growth is expected to continue in the HMA during the forecast period at a pace comparable with the rate of growth during the past year. During the next 3 years, payrolls are expected to increase an average of 1.5 percent annually.

The goods-producing and the service-providing sectors are both expected to contribute to payroll growth during the next 3 years. The $70 million renovations at the 350-room Hotel Paso Del Norte and the $78 million renovations at the 130-room Plaza Hotel Pioneer Park in downtown El Paso are expected to be complete in early 2020. The projects are part of a comprehensive redevelopment of downtown El Paso, which has included the construction of the Southwest University Park baseball stadium, parks, office space, retail, restaurant, mass transit, parking, and housing since 2012. The ongoing revitalization is expected to increase employment in both the construction subsector and the leisure and hospitality sector in the HMA during the next 3 years.

Population and Households

Current Population: 846,000

Net out-migration has diminished population growth in the El Paso HMA since 2012, reversing a trend of net in-migration that occurred from 2003 to 2011.

Population growth in the HMA has been primarily a function of migration patterns, which have been mostly dominated by out-migration with the exception of the periods impacted by troop movement as a result of the 2005 BRAC. Net natural change, which averaged 7,525 annually since 2012, has accounted for all of the annual population growth during that period, offsetting an average net out-migration of 6,175 annually (Figure 5).

Figure 5. Components of Population Change in the El Paso HMA, 2000 Through the Forecast
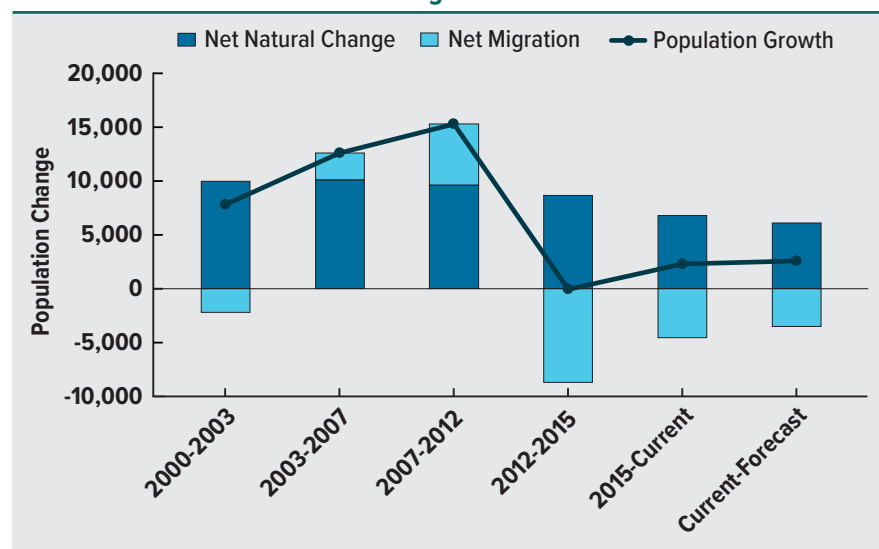
Notes: Net natural change and net migration totals are average annual totals during the time period. The forecast period is from the current date (March 1, 2020), to March 1, 2023.
Sources: U.S. Census Bureau; current to forecast—estimates by the analyst

Population growth was strongest from 2007 to 2012, when the 1st Armored Division was relocated from Germany to Fort Bliss and net in-migration occurred at an average pace of 5,750 annually. Total staffing at Fort Bliss has increased by 25,550 since 2008, which includes 16,300 military personnel. During these years, population growth averaged 15,350 people, or 1.9 percent, annually. From 2012 to 2015, net out-migration occurred at an average of 8,725 people a year, completely offsetting net natural change and resulting in a decline of an average of 75 people annually. During this period, the value of the U.S. dollar compared with the Mexican peso increased, subsequently increasing the affordability of living across the border in Ciudad Juárez for U.S. workers with dual citizenship. Net out-migration has slowed since 2015, averaging 4,525 people a year; net natural change also slowed to 6,800 people a year, resulting in average annual population growth of 2,275 or, 0.3 percent.

Household Trends

Household growth in the HMA remains below the average growth rate from 2000 to 2010. As of March 1, 2020, an estimated 288,900 households reside in the HMA, reflecting an average annual increase of 3,150 households, or 1.2 percent, since 2010. By comparison, from 2000 to 2010, households increased by an average of 4,650, or 2.0 percent, a year. An estimated 61.8 percent of current households, or 178,400 households, are homeowners, and the remaining 110,500 are renter households. The homeownership rate has declined compared with 2000 and 2010, when 63.7 and 63.1 percent of households were homeowners, respectively, due to a decrease in housing affordability.

Forecast

Population growth is expected to slow in the HMA during the 3-year forecast period, with the population reaching 853,800 by March 1, 2023, reflecting average annual growth of 2,575 people, or 0.3 percent (Table 3). All of the growth is expected to come from net natural change, which continues to slow as net out-migration continues.

Table 3. El Paso HMA Population and Household Quick Facts

Population Quick Facts		2010	Current	Forecast
	Population	804,123	846,000	853,800
	Average Annual Change	12,100	4,225	2,575
	Percentage Change	1.6	0.5	0.3

Household Quick Facts		2010	Current	Forecast
	Households	257,731	288,900	295,300
	Average Annual Change	4,650	3,150	2,150
	Percentage Change	2.0	1.2	0.7

Notes: Average annual changes and percentage changes are based on averages from 2000 to 2010, 2010 to current, and current to forecast. The forecast period is from the current date (March 1, 2020), to March 1, 2023.
Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by the analyst

As economic conditions remain strong and population growth continues, albeit at a slower pace, households in the HMA are expected to increase by an average of 2,150, or 0.7 percent, annually during the next 3 years, reaching 295,300 by March 1, 2023. Nearly 49 percent of the new household formations are expected to be renter households, which will result in a further decline in the homeownership rate.

Home Sales Market

Market Conditions: Balanced

Total home sales in the El Paso HMA declined 1 percent during the 12 months ending February 2020, but they remained well above the low levels of the late 2000s and early 2010s.

Current Conditions

The sales housing market in the HMA is currently balanced, with an estimated sales vacancy rate of 1.6 percent (Table 4), unchanged from April 2010. The inventory of homes for sale in the HMA fell from a 3.5-month supply in February 2019 to a 2.6-month supply in February 2020 (CoreLogic, Inc.). New and existing home sales in the HMA declined to 11,875 homes sold during the 12 months ending February 2020, down 1 percent compared with the previous 12 months, as the availability of lower-priced homes declined. During the same period, the average new and existing home sales price increased 4 percent to $185,600.

Table 4. Home Sales Quick Facts in the El Paso HMA

		El Paso HMA	Nation
Home Sales Quick Facts	**Vacancy Rate**	1.6%	NA
	Months of Inventory	2.6	2.5
	Total Home Sales	11,850	5,738,000
	1-Year Change	-1%	1%
	New Home Sales Price	$217,400	$413,000
	1-Year Change	9%	0%
	Existing Sales Price	$178,800	$315,600
	1-Year Change	5%	4%
	Mortgage Delinquency Rate	1.9%	1.3%

NA = data not available.
Notes: The vacancy rate is as of the current date; home sales and prices are for the 12 months ending February 2020; and months of inventory and mortgage delinquency data are as of February 2020. The current date is March 1, 2020.
Sources: CoreLogic, Inc.; Metrostudy, A Hanley Wood Company

Home Sales

Regular resale home sales in the HMA, which exclude REO home sales, peaked at 10,250 homes sold during 2006 before falling from 2007 through 2011, and with the exception of a brief decline during 2016, they have increased each year since then (Metrostudy, A Hanley Wood Company). From 2007 through 2009, regular resale home sales fell an average of 1,400, or 16 percent, annually. Sales continued to fall an average of 12 percent, or by 680 sales, annually during 2010 and 2011, to 4,725 sales. From 2012 through 2015, regular resale home sales rose by an average of 340, or 7 percent, annually, before declining by 370 sales, or 6 percent, during 2016. During 2017 and 2018, regular resale home sales rose by an average of 1,225, or 19 percent, annually. During the 12 months ending February 2020, regular resale home sales increased to 9,425, up 13 percent from the 8,300 sales recorded a year earlier. The recent increase in regular resale homes has coincided with a decline in new and REO home sales.

New home sales declined during the most recent 12 months after increasing for 2 years, as rising construction costs restricted home builders from producing lower-priced homes. The 1,750 new home sales during the 12 months ending February 2020 represented a decline of 39 percent from a year earlier and the lowest level of sales recorded, going back to 2005 (Metrostudy, A Hanley Wood Company). After peaking at 3,800 home sales in 2005, new homes sales declined during the next 2 years to 2,575 during 2007. New home sales subsequently increased by 5 percent during 2008, before declining during 6 of the following 8 years. From 2009 through 2016, new homes sales declined an average of 2 percent annually, with brief increases in 2012 and 2015. During 2017 and 2018, new home sales increased an average of 9 percent annually, when out-migration was slowing (Figure 6).

REO home sales in the HMA peaked at 1,275 homes sold during 2010 before falling during 2011, increased from 2012 through 2014, and have declined each year since then (Metrostudy, A Hanley Wood Company). During 2011, REO home sales fell by 190, or 15 percent, annually. Sales increased an average of 4 percent, or by 50 sales, annually from 2012 through 2014, to 1,250 sales. From 2015 through 2018, REO home sales declined by an average of 95, or 9 percent, annually. During the 12 months ending February 2020, REO home sales fell to 710, down 17 percent from the 850 sales a year earlier.

Figure 6. 12-Month Sales Totals by Type in the El Paso HMA
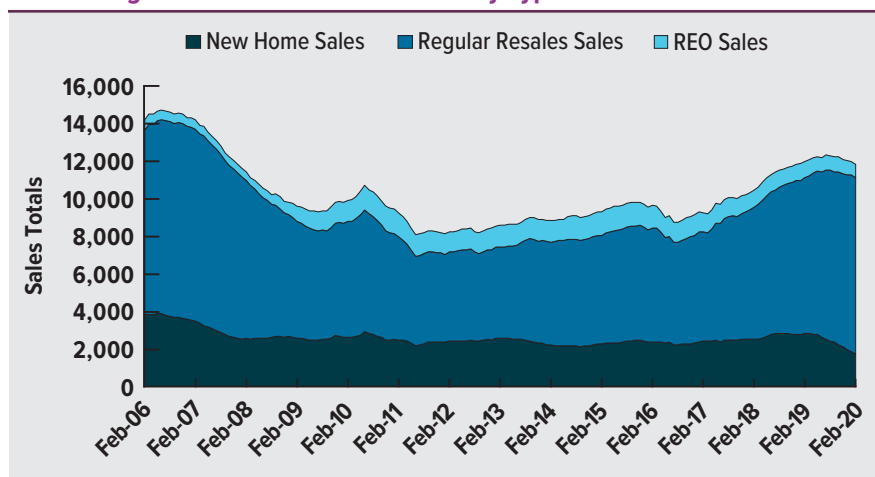
REO = real estate owned.
Source: Metrostudy, A Hanley Wood Company

Delinquent Mortgages and REO Properties

In February 2020, 1.9 percent of home loans in the HMA were seriously delinquent or had transitioned into REO status, down from 2.3 percent a year earlier and less than one-half of the peak 5.4-percent rate in January 2010 (CoreLogic, Inc.). By comparison, the national percentage of seriously delinquent mortgages and REO properties was 1.3 percent, down from 1.7 percent a year earlier and significantly below the peak rate of 8.6 percent in January 2010. The rate of seriously delinquent mortgages and REO properties in the HMA was below the national average from 2006 through July 2014, but it has been slower to recover from the peak, due in part to continued out-migration from the HMA.

Home Sale Prices

The prevalence of REO sales impacted home prices in the HMA during the late 2000s by providing a lower cost alternative to regular resale home sales, particularly from 2008 through 2010, when regular resale home prices declined an average of 3 percent, or $5,300, annually. The average sales price in the HMA for regular resale homes has increased during all but 2 years since 2011, as REO sales have generally become less common. From 2011 through 2015,

18 percent of existing sales were REO. The portion of existing sales that were REO declined to 15 percent from 2016 through 2017 and currently represent 7 percent of existing sales. From 2011 through 2013, following a period of stronger in-migration, the average regular resale home sales price increased 2 percent annually to $157,700. During 2014, when out-migration was strongest, the average regular resale home price declined 2 percent, to $155,300. From 2015 through 2018, when out-migration slowed, the average regular resale home sales price increased an average of 3 percent annually to $174,000, despite a brief decline during 2017. During the 12 months ending February 2020, the average sales price for regular resale homes was $181,000, up 4 percent from a year ago.
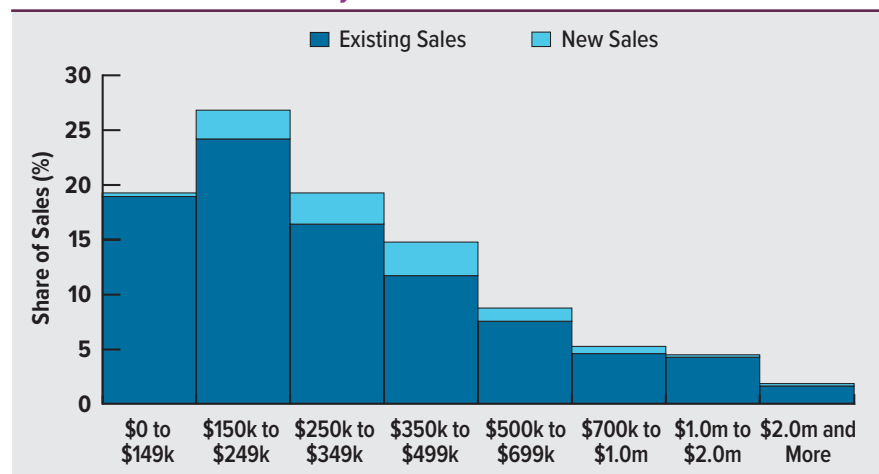
The average sales price for a new home during the 12 months ending February 2020 was $217,400, an increase of 9 percent from a year earlier. By contrast, the average new home sales price decreased 1 percent during the previous 12 months to approximately $198,900. From 2011 through 2018, the average sales price increased 4 percent annually (Figure 7). During the 12 months ending February 2020, more than 53 percent of new homes sold were in the $250,000-to-$499,999 price range (Figure 8).

Figure 7. 12-Month Average Sales Price by Type of Sale in the El Paso HMA
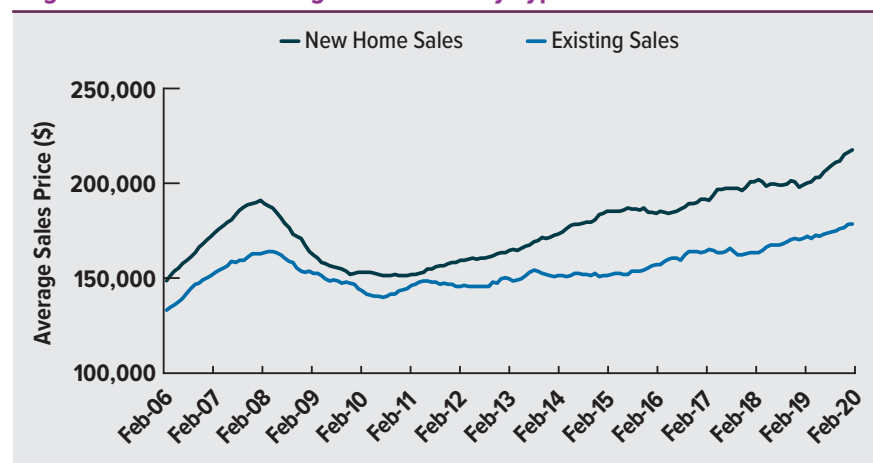
Source: Metrostudy, A Hanley Wood Company

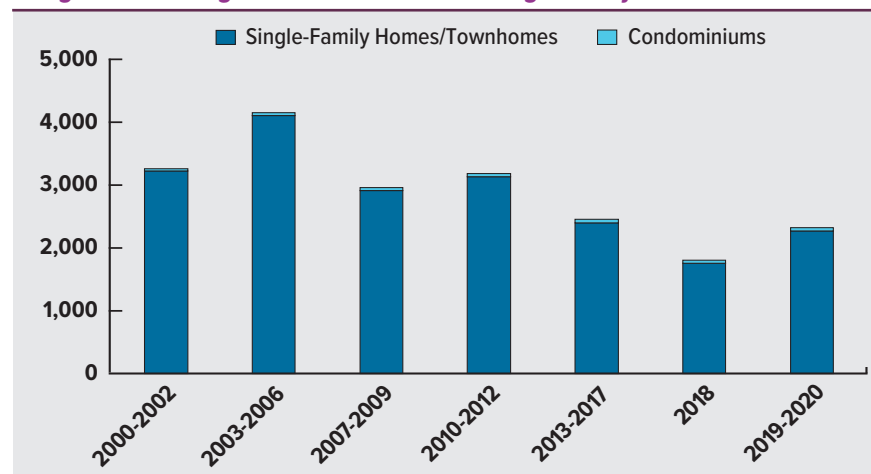### Figure 8. Share of Sales by Price Range During the 12 Months Ending February 2020 in the El Paso HMA

Note: New and existing sales include single-family homes, townhomes, and condominium units.
Source: Metrostudy, A Hanley Wood Company

Figure 9. Average Annual Sales Permitting Activity in the El Paso HMA

Notes: Includes single-family homes, townhomes, and condominiums. Data for 2020 are through February 2020.
Sources: U.S. Census Bureau, Building Permits Survey; 2000 through 2018—final data and estimates by the analyst; 2019 and 2020—preliminary data and estimates by the analyst

The average sales price for an REO home during the 12 months ending February 2020 was $143,800, an increase of 9 percent from a year earlier that coincided with a decline in the REO home sales portion of existing home sales. By contrast, the average REO home sales price decreased 1 percent during the previous 12 months to approximately $132,000. From 2011 through 2015, the average REO home sales price increased $400, or less than 1 percent, and then from 2016 through 2017 the average REO home sales price increased $2,725, or 2 percent, annually.

Sales Construction Activity

Beginning in 2007, builders responded to the decline in new home sales related to the housing crisis by decreasing home construction, as measured by the number of homes permitted (including single-family homes, townhomes, and condominiums), compared with the 2003 to 2006 period (Figure 9). New home construction was strong from 2003 through 2006, when an average of 4,150 homes were permitted annually. The housing crisis in the El Paso HMA began in 2007 and resulted in slower new home construction activity through 2012;

developers were hesitant to build while average new home prices continued to decline. Home construction fell an average of 12 percent annually from 2007 through 2009 to 2,650 units. New home construction increased an average of 7 percent annually from 2010 through 2012. Builders responded to out-migration with curtailed home construction activity beginning in 2013. From 2013 through 2017, an average of 2,450 homes were permitted annually. During 2018, 1,800 new homes were permitted, the lowest level since 1991. During the 12 months ending February 2020, the number of homes permitted rose 26 percent from the previous 12 months to 2,350 units permitted (preliminary data).

New Construction

Although new home construction is occurring throughout the HMA, most new home construction is concentrated in the eastern portion of the city of El Paso and in Horizon City, with limited new construction occurring in the western and central portions of the city of El Paso. Nearly 650 homes have been constructed in multiple subdivisions in Horizon City during the past year. New homes in Horizon City are currently priced at an average of $202,600, with

prices ranging from $108,000 to $670,000. Tierra Del Este, a subdivision in the eastern portion of the city of El Paso with more than 9,000 homes, added 160 new homes during the past year. New home prices in this development range from $140,000 to $460,000.

Housing Affordability

Homeownership in the HMA has historically been relatively inexpensive, but the affordability of buying a home in the area has declined since 2010, when a large number of distressed home sales entered the market during the foreclosure crisis. Excess inventory has since been absorbed, which has put upward pressure on sales prices. The National Association of Home Builders (NAHB) and the Wells Fargo Housing Opportunity Index (HOI) for the HMA, which represents the share of homes sold that would have been affordable to a family earning the local median income, was 52.4 during the fourth quarter of 2019, down from 60.5 during the fourth quarter of 2018 (Figure 10). During the most recent quarter, 194 metropolitan areas out of the 238 metropolitan

areas measured, or 82 percent of metropolitan areas in the nation, had greater housing affordability than the El Paso HMA. After reaching 71.0 during the fourth quarter of 2012, the index moderated through the first quarter of 2018 to a rating of 70.5, but has since declined, reaching the current low value. Since 2012, the percentage of existing home sales that were REO sales declined from a peak of 19 percent down to 7 percent. Since 2012, the HOI has trended downward, indicating a decline in affordability, because home prices have risen and lending standards have remained high, reducing the number of potential new homeowners in the HMA.

Rising home sales prices have acted as a barrier to entry into homeownership and have been particularly pronounced for heads of households aged 25 to 34 years, a prime age cohort for first-time homebuyers. From 2000 to 2010, the homeownership rate in the HMA declined 0.6 of a percentage point as a result of the national recession. From 2010 to 2018, the homeownership rate declined 2.0 percentage points despite improved economic conditions. During this period, homeownership for heads of households aged 25 to 34 years declined at a faster rate than total households as affordability concerns limited the ability of this group to purchase a home; from 2010 to 2018, homeownership in this age group fell 10.2 percentage points (Table 5). By comparison, nationwide, homeownership declined 1.2 percentage points during the 2010 to 2018 period. For heads of households aged 25 to 34, the national homeownership rate declined 3.7 percentage points during the same period.

Figure 10. El Paso HMA Housing Opportunity Index
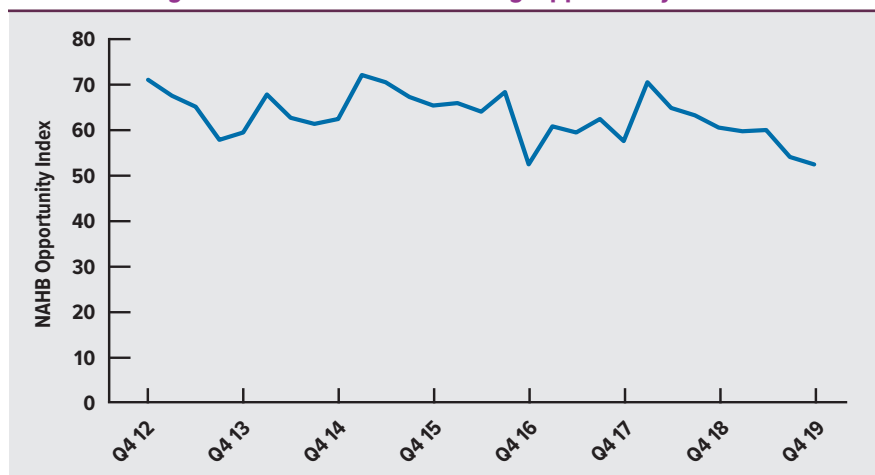
NAHB = National Association of Home Builders. Q4 = fourth quarter.
Sources: NAHB; Wells Fargo

Table 5. Homeownership Rates by Age of Householder

	El Paso HMA			Nation		
	2000	2010	2018	2000	2010	2018
Householder Age 25 to 34 Years	45.0	41.5	31.3	45.6	42.0	38.3
Householder Age 35 to 44 Years	62.4	62.2	58.0	66.2	62.3	57.9
Total Households	63.7	63.1	61.1	66.2	65.1	63.9

Sources: 2000 and 2010 Decennial Census; 2018 American Community Survey 1-year estimates

Forecast

During the 3-year forecast period, demand is expected for 5,675 new homes, with demand evenly distributed annually. This growth is primarily a result of strong economic conditions and steady population growth (Table 6). The 650 homes currently under construction will satisfy some of the demand during the first year of the forecast.

Table 6. Demand for New Sales Units in the El Paso HMA During the Forecast Period

Sales Units	
Demand	5,675 Units
Under Construction	650 Units

Note: The forecast period is from March 1, 2020, to March 1, 2023.
Source: Estimates by the analyst

Rental Market

Market Conditions: Balanced

> Rental construction activity in the El Paso HMA has been slower since 2016, compared with permitting from 2010 through 2015.

Current Conditions and Recent Trends

Overall rental housing market conditions (which include single-family rentals, townhomes, and mobile homes) in the HMA are currently balanced, with an estimated rental vacancy rate of 5.5 percent, up from 4.4 percent in 2010 (Table 7). Increased rental construction activity from 2010 through 2015 has contributed to stable vacancy rates and moderate rent increases during much of the period since 2009.

Table 7. Rental and Apartment Market Quick Facts in the El Paso HMA

		2010 (%)	Current (%)
Rental Market Quick Facts	Rental Vacancy Rate	4.4	5.5
	Occupied Rental Units by Structure		
	Single-Family Attached & Detached	37	43
	Multifamily (2–4 Units)	16	16
	Multifamily (5+ Units)	41	37
	Other (Including Mobile Homes)	6	4

Notes: The current date is March 1, 2020. Percentages may not add to 100 due to rounding.
Sources: 2010 and 2018 American Community Survey, 1-year data; Reis, Inc.

Single-Family Rental Market

Approximately 43 percent of renter households in the HMA live in single-family homes and townhomes, compared with 34 percent of renter households in the nation (2018 American Community Survey, 1-year data). Approximately 16 percent live in buildings with two to four units, and 41 percent live in larger buildings with five or more units. For professionally managed units, the single-family rental vacancy rate was 2.0 percent in February 2020, up slightly from 1.9 percent in February 2019, and the average rent for a single-family home increased nearly 3 percent to $0.80 per square foot (CoreLogic, Inc.). Rents for professionally managed units averaged $778, $901, $1,135, and $1,504 for one-, two-, three-, and four-bedroom homes, respectively.

Apartment Market

Apartment market conditions in the HMA are currently balanced, after slightly soft conditions in 2013, a result of increased multifamily construction in anticipation of the relocation of the 1st Armored Division at Fort Bliss. During the fourth quarter of 2019, the apartment vacancy rate was 4.5 percent, up from 4.0 percent during the fourth quarter of 2018 (Reis, Inc.). The vacancy rate increased during the past year when a significant portion of the 6,100 HACEP units being substantially rehabilitated or replaced under the Rental Assistance Demonstration program were completed (Figure 11). The average apartment rent increased nearly 3 percent from the fourth quarter of 2018 to the fourth quarter of 2019 to $830. By comparison, average annual rent growth was

Figure 11. Apartment Rents and Vacancy Rates in the El Paso HMA
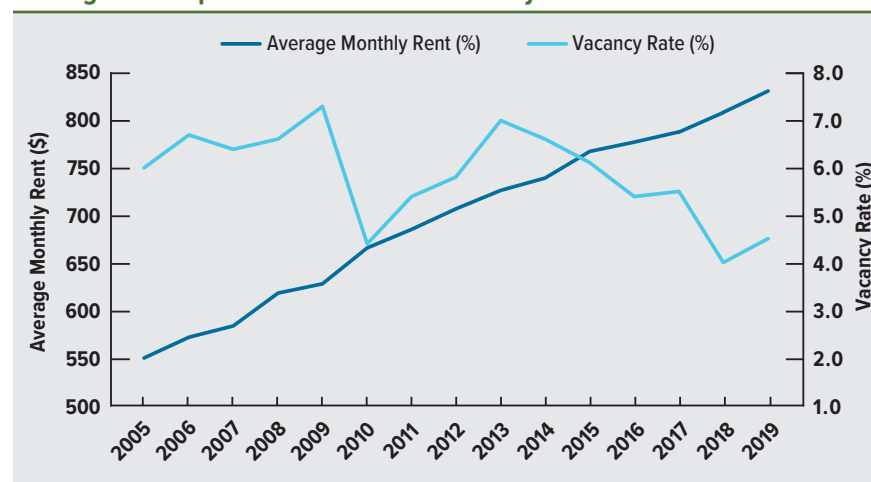
Source: Reis, Inc.

2 percent from 2010 through 2017. From 2009 to 2010, the apartment vacancy rate declined from 7.3 percent to 4.4 percent. The vacancy rate then increased through 2013 to reach 7.0 percent, when multifamily construction was strongest. From 2013 through 2017, slowing multifamily construction, with the exception of 2015, and increased demand for rental housing, resulted in the vacancy rate declining to 5.5 percent during the fourth quarter of 2017.

Rental Construction Activity

Rental construction activity in the El Paso HMA, as measured by the number of rental units permitted, increased significantly following the housing market collapse and remained elevated through 2015 (Figure 12). During the 12 months ending February 2020, approximately 660 rental units were permitted, up 35 percent compared with the 490 units permitted during the previous 12 months. From 2004 through 2009, an average of 800 rental units were permitted annually, followed by an average of 1,375 units permitted each year from 2010 through 2015. Builders have responded to the recent trend of out-migration

Figure 12. Average Annual Rental Permitting Activity in the El Paso HMA

Notes: Includes apartments and units intended for rental occupancy. Data for 2020 are through February 2020.
Sources: U.S. Census Bureau, Building Permits Survey; 2000—2018 final data and analyst estimates; 2019 and 2020 preliminary data and estimates by the analyst

with relatively low levels of rental construction since 2016. The number of rental units permitted declined to an average of 760 from 2016 through 2018.

Recently Completed Rental Properties

New rental construction activity in the HMA has occurred throughout the city of El Paso recently. Among several recently completed apartment developments is the 118-unit Villas at Sandstone, which opened in 2019 in the eastern portion of El Paso. The unit mix at Villas at Sandstone includes one-, two-, three-, and four-bedroom units, ranging in size from 754 to 1,386 square feet, with rents ranging from $594 to $917. Also built in 2019 was Alameda Palms, an income-restricted property in the southeastern portion of El Paso. The property is currently 100-percent occupied, with rents at 30, 50, and 60 percent of the area median income (AMI) for one-, two-, three-, and four-bedroom units. The 146-unit Medano Heights was recently completed in the northwestern portion of El Paso, with rents for one-, two-, and three-bedroom units at 30, 50, and 60 percent of AMI.

Housing Affordability: Rental

Rental housing is inexpensive in the El Paso HMA. The median gross monthly rent in the HMA rose 20 percent from $666 in 2010 to $800 in 2018. During the same period, the median household income for renter households increased 23 percent, from $24,386 in 2010 to $30,086 in 2018. As a result, the HUD Rental Affordability Index, a measure of median renter household income relative to qualifying income for the median-priced rental unit, has remained at or above 89.0 since 2010. The index was 94.0 during 2018 (using the latest data available), up from 89.0 in 2017, but below the high of 101.7 in 2015. Figure 13 compares year-over-year change in the median gross rent to the respective change in the median gross income.

During 2012 through 2016, 24.3 percent of all renter households in the HMA were cost burdened, spending between 30 and 49 percent of their income on rent, whereas 18.4 percent were severely cost burdened, spending more than 50 percent of their income toward rent (Table 8). Nationwide, the proportion of renter households that were cost burdened and severely cost burdened were 21.9 and 23.3 percent, respectively. However, cost burdens are particularly
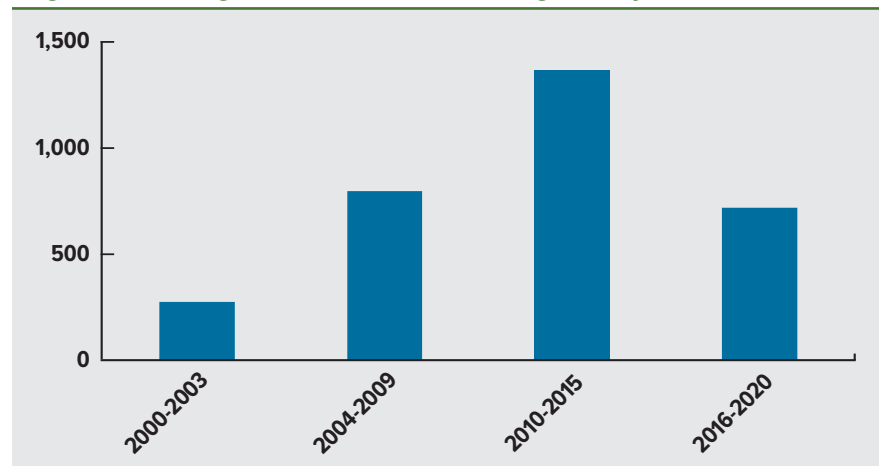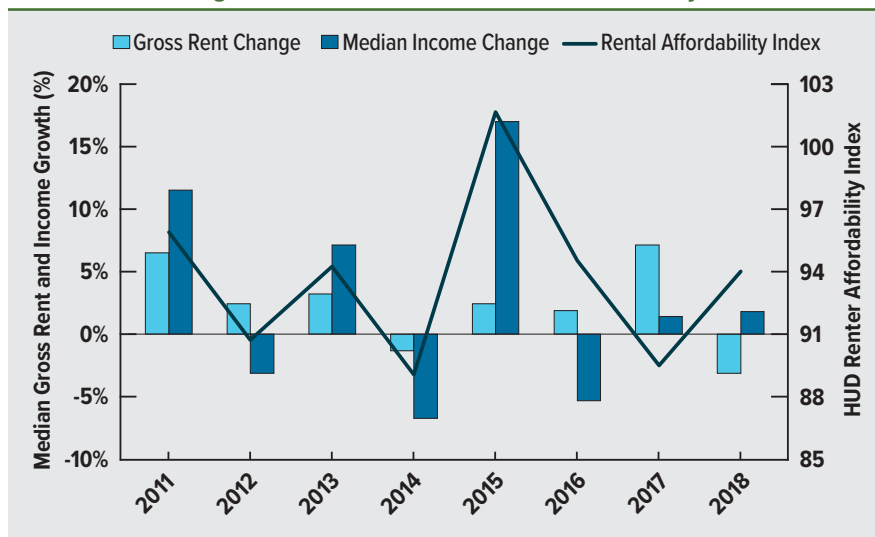
Figure 13. El Paso HMA Rental Affordability

MSA = metropolitan statistical area.
Note: Rental affordability is for the larger El Paso MSA.
Source: American Community Survey, 1-year data

Table 8. Percentage of Cost Burdened Renter Households by Income, 2016

	Cost Burdened: 30 — 49 Percent of Income Towards Rent		Severely Cost Burdened: More than 50 Percent of Income Towards Rent	
	El Paso HMA	Nation	El Paso HMA	Nation
Renter Households with Income <50% HAMFI	27.2	26.4	40.3	49.3
Total Renter Households	24.3	21.9	18.4	23.3

Source: Consolidated Planning/CHAS Data, 2016 American Community Survey 5-year estimates. (huduser.gov)

notable for lower-income renter households in the HMA. For renter households with incomes less than 50 percent of the Area Median Family Income, a higher proportion of 27.2 percent were paying between 30 and 49 percent of their incomes toward rent, but 40.3 percent of the households at this income level were severely cost burdened. By comparison, 26.4 percent of lower-income renter households nationwide were spending 30 to 49 percent of their income toward rents, and 49.3 percent were spending more than 50 percent of their income towards rent.

Forecast

During the 3-year forecast period, demand is estimated for 1,850 additional rental units in the HMA (Table 9). The 600 units currently under construction are expected to meet a portion of demand during the first year of the forecast. Demand is expected to be evenly distributed among all years of the forecast period, primarily a result of strong economic conditions and steady population growth.

Table 9. Demand for New Rental Units in the El Paso HMA During the Forecast Period

Rental Units	
Demand	1,850 Units
Under Construction	600 Units

Note: The forecast period is March 1, 2020, to March 1, 2023.
Source: Estimates by the analyst

Terminology Definitions and Notes

A.　Definitions

Building Permits	Building permits do not necessarily reflect all residential building activity that occurs in an HMA. 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.
Cost Burdened	Spending more than 30 percent of household income on housing costs.
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.
Distressed Sales	Short sales and real estate owned (REO) sales.
Forecast Period	3/1/2020–3/1/2023—Estimates by the analyst.
Home Sales/ Home Sales Prices	Includes single-family, townhome, and condominium sales.

Homes Permitted, Rental Units Permitted	**Building permits do not necessarily reflect all residential building activity that occurs in an HMA. 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.**
Net Natural Change	**Resident births minus resident deaths.**
Rental Market/ Rental Vacancy Rate	**Includes apartments and other rental units such as single-family, multifamily, and mobile homes.**
REO	**Real estate owned.**
Seriously Delinquent Mortgages	**Mortgages 90+ 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.**

C. Additional Notes

1.	**The NAHB Housing Opportunity Index represents the share of homes sold in the HMA that would have been affordable to a family earning the local median income, based on standard mortgage underwriting criteria.**

2.	**This analysis has been prepared for the assistance and guidance of 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.**
3.	**The factual framework for this analysis follows the guidelines and methods developed by the Economic and Market Analysis Division within HUD. 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.**

D.   Photo/Map Credits

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