

COMPREHENSIVE HOUSING MARKET ANALYSIS

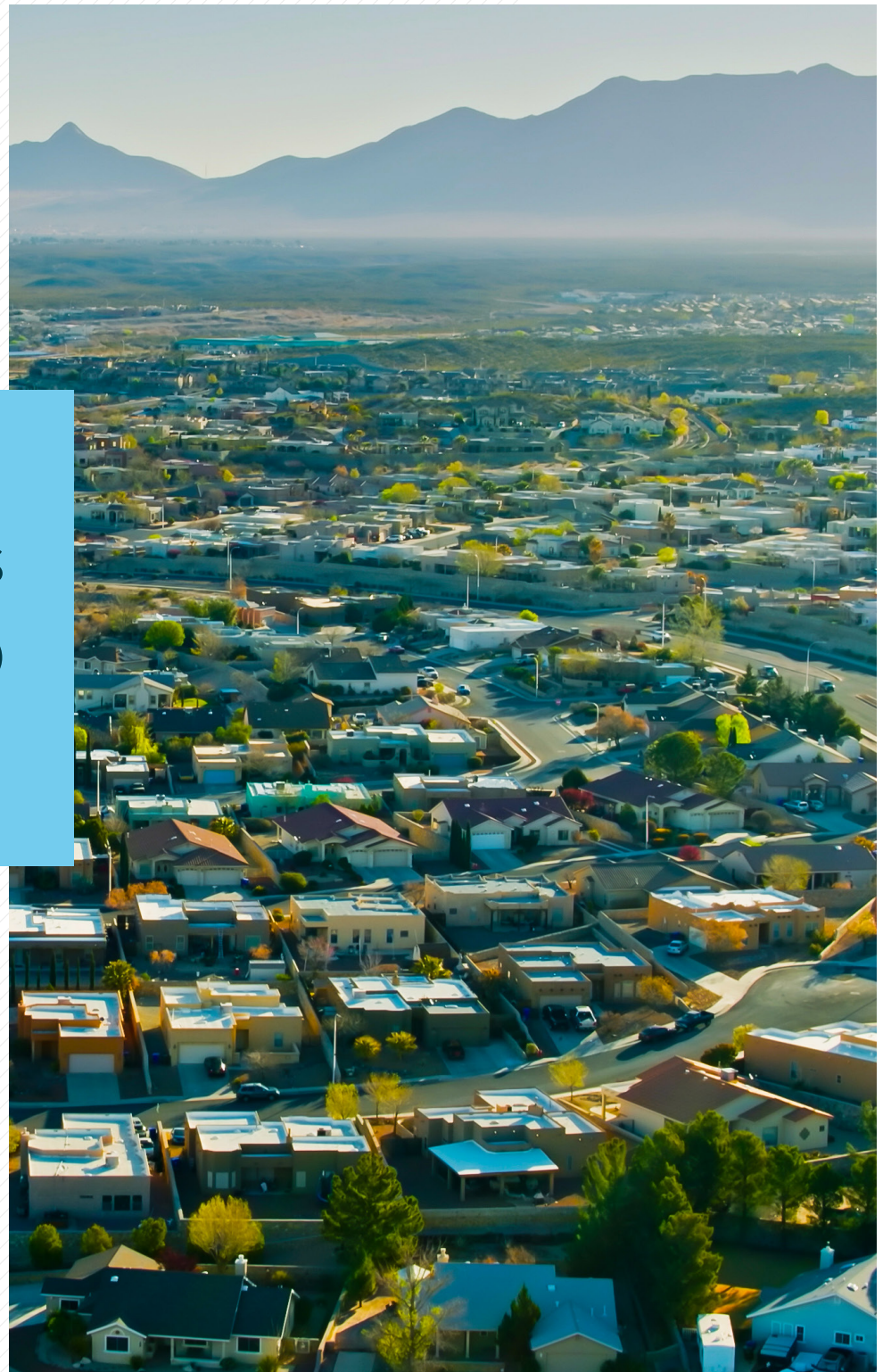
Las Cruces, New Mexico

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

As of April 1, 2022



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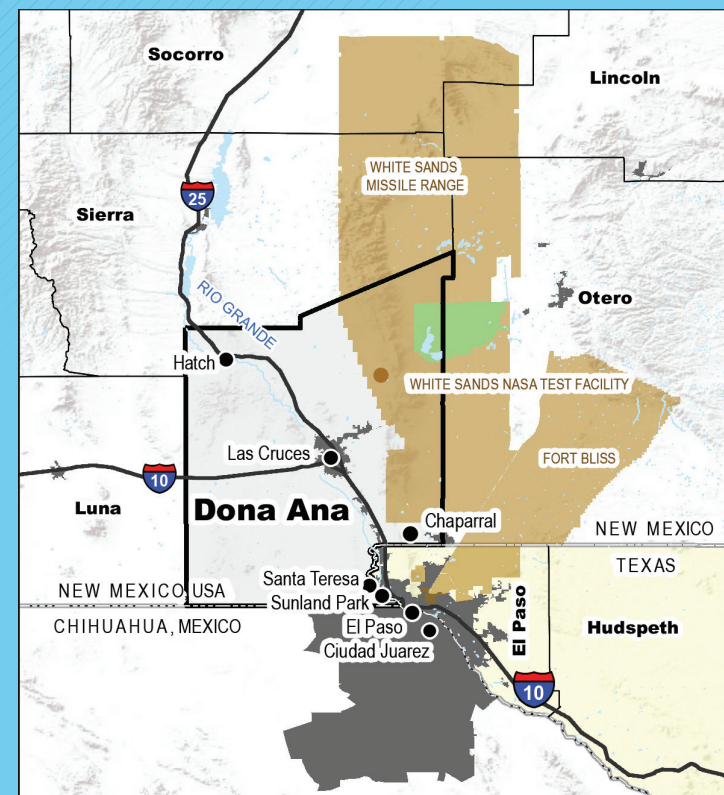
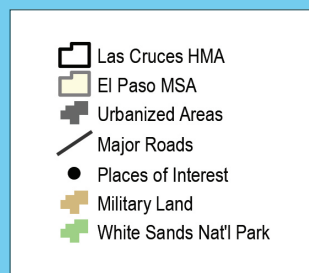
Executive Summary

Housing Market Area Description

The Las Cruces Housing Market Area (HMA) consists of Dona Ana County in southern New Mexico, and it is coterminous with the Las Cruces, NM Metropolitan Statistical Area (MSA). The Rio Grande River bisects the HMA from north to south, and most of the population resides along the flood plain of the river known as the Mesilla Valley. The southern portion of the HMA shares a border with the El Paso MSA.

The current population of the HMA is estimated at 223,000.

The HMA is home to New Mexico State University (NMSU) and part of the White Sands Missile Range. The town of Hatch, in the northern part of the HMA, is known as the chile capital of the world for growing many different types of chile peppers, including the state vegetable, the New Mexico chile. NMSU also has a chile pepper institute on its campus devoted to research on peppers.



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



Improving: On a monthly, non-seasonally adjusted basis, nonfarm payrolls in March 2022 had recovered 100 percent of the job losses sustained from April through July 2020.

Economic conditions in the Las Cruces HMA have continued to improve following the impact of the COVID-19-related downturn. During the 12 months ending March 2022, nonfarm payrolls totaled 73,400, an increase of 3,600, or 5.2 percent from the previous 12 months. Job gains occurred in 7 of the 11 employment sectors during the past 12 months, whereas the other 4 sectors remained unchanged. The unemployment rate is currently 6.2 percent, down from 8.0 percent a year earlier. During the 3-year forecast period, nonfarm payrolls are expected to increase by an average of 2.1 percent annually, with the strongest growth during the first year as the legalization of recreational marijuana on April 1, 2022, leads to a boost in local employment.

Sales Market



Slightly Tight: The average sales price of a home in the HMA during the 12 months ending March 2022 was \$256,400, an increase of \$29,600, or nearly 13 percent, from the previous 12 months (Zonda).

The sales housing market in the HMA is currently slightly tight, with a vacancy rate estimated at 1.0 percent, down from 1.8 percent in 2010. Home sales totaled 5,500 during the 12 months ending March 2022, an increase of 275, or slightly more than 5 percent, from the previous 12 months. During the 3-year forecast period, demand is estimated for 3,325 sales units. Demand is expected to be strongest during the first year of the forecast and decline slightly as interest rates are likely to continue to increase from the record lows that spurred home sales during 2020 and 2021. The 430 units currently under construction will satisfy a small portion of the forecast demand.

Rental Market



Slightly Tight: More than 53 percent of all occupied rental units in the HMA are either single-family homes or mobile homes. The apartment vacancy rate reached an all-time low of 1.2 percent during the first quarter of 2022 (CoStar Group).

The overall rental market is currently slightly tight, with an estimated 5.2 percent vacancy rate, down from 7.1 percent in 2010. The the overall rental market is slightly tight, whereas the apartment market, which constitutes 31 percent of the overall occupied rental housing market, is currently very tight. The average rent for an apartment in the HMA during the first quarter of 2022 was \$895, an increase of \$100, or nearly 13 percent, from the first quarter of 2021 (CoStar Group). This was the largest annual rent increase in the HMA since before 2000. During the 3-year forecast period, demand is estimated for 490 rental units, and the 100 units currently under construction will satisfy part of that demand.

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3-Year Housing Demand Forecast

Las Cruces HMA	Sales Units		Rental Units	
	Total Demand	3,325	490	
	Under Construction	430	100	

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of April 1, 2022. The forecast period is April 1, 2022, to April 1, 2025.

Source: Estimates by the analyst



Economic Conditions

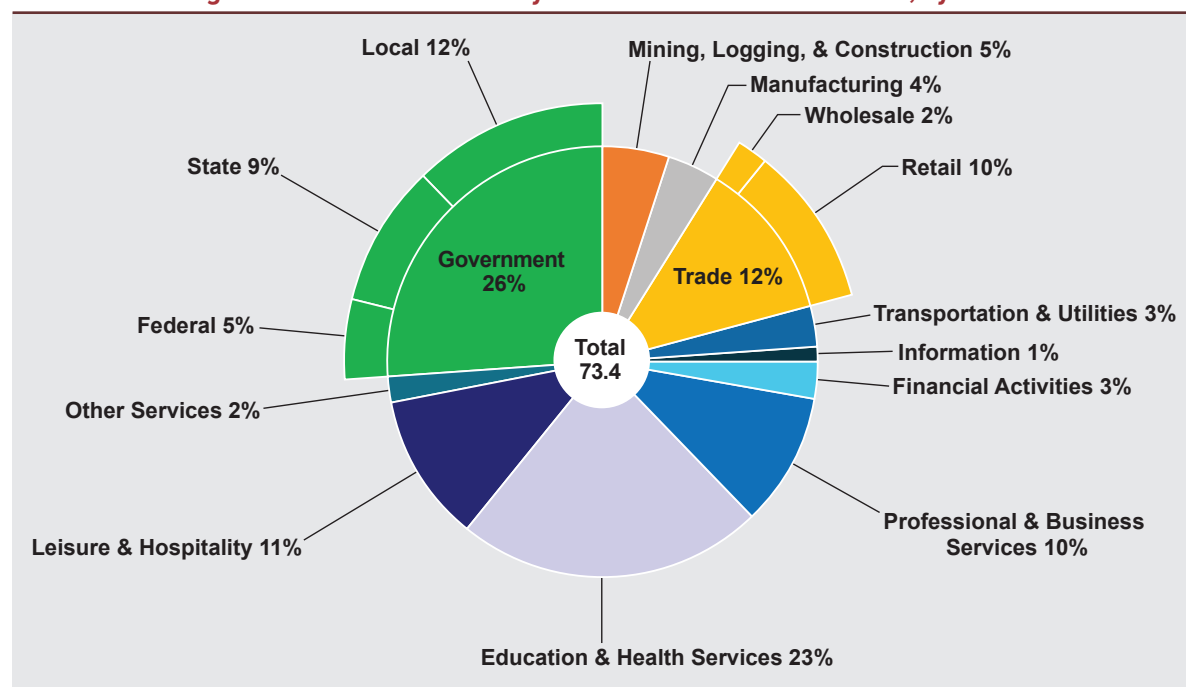
Largest Sector: Government

The government sector, with 19,200 jobs, is currently 12 percent lower than its all-time peak of 21,800 in 2010.

Primary Local Economic Factors

The government sector is the predominant economic engine of the Las Cruces HMA, currently accounting for more than 26 percent of all nonfarm payrolls in the HMA (Figure 1). Though still the largest sector, government sector payrolls, as a percentage of total jobs, are well below the most recent peak in 2001, when the sector accounted for slightly more than 33 percent of all nonfarm payroll jobs. The Las Cruces HMA is located in the northern reaches of the Chihuahuan Desert. Large swaths of the land are barren, rocky, and hard to develop, which led to the White Sands Missile Range (WSMR) being constructed in the northeastern section of the HMA in 1945. The WSMR is the largest military installation in the United States, covering nearly 3,200 square miles, which makes the base larger than the states of Delaware and Rhode Island combined. The WSMR is not wholly contained within Doña Ana County, spreading out into four other counties, but the employment centers relating to the range are located in the HMA. The WSMR is the largest employer in the HMA, with about 5,000 civilian employees and 350 full-time active-duty military members (Table 1).

Figure 1. Share of Nonfarm Payroll Jobs in the Las Cruces 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 March 2022. Source: U.S. Bureau of Labor Statistics

Table 1. Major Employers in the Las Cruces HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
White Sands Missile Range	Government	5,350
New Mexico State University	Government	1,000–4,999
Memorial Medical Center	Education & Health Services	1,000–4,999
Walmart Inc.	Wholesale & Retail Trade	1,000–4,999
City of Las Cruces	Government	1,000–4,999
Addus HomeCare	Education & Health Services	500–999
MountainView Regional Medical Center	Education & Health Services	500–999
Sunland Park Racetrack & Casino	Leisure & Hospitality	500–999
Peak Behavioral Health	Education & Health Services	500–999
Doña Ana Community College	Government	500–999

Notes: Excludes local school districts. Employment estimates at White Sands Missile Range include uniformed personnel, who are not included in nonfarm payrolls.

Sources: Mesilla Valley Economic Development Alliance; U.S. Army

According to an economic impact study for the military, the base has a \$1.9 billion annual impact on the economy of the HMA. Another government entity in the HMA is the White Sands Test Facility (WSTF), which is a rocket engine testing facility operated by the National Aeronautics and Space Administration (NASA) with 340 employees. New Mexico State University (NMSU) is also located in the HMA; the university has 13,900 students enrolled and more than 3,500 employees on its Las Cruces campus. According to the most recent economic impact study of the university, completed in 2010 by the Arrowhead Center at NMSU, the university has a \$900 million annual impact on the local economy.

With the HMA located on the US-Mexico border, trade is another historically important sector of the economy. The region that includes the Las Cruces HMA and the El Paso MSA in the United States and Ciudad Juarez in Mexico is known as the Borderplex, the largest bilingual, binational workforce in the western hemisphere. According to a report from the city of Las Cruces Economic Development Department, the Borderplex has an estimated population of 2.7 million.

The Santa Teresa Port of Entry (POE) is located in the HMA. A 2021 study done jointly by the NMSU Arrowhead Center and the Center for Border Economic Development showed that this POE and nearby logistics parks had a \$1 billion impact on the local economy during 2020. During 2021, there were 154,100 truck crossings at the Santa Teresa POE, up from 140,700 during 2020 and

78,900 during 2010. During 2021, there were 883,800 personal vehicle crossings at the Santa Teresa POE, up from the recent low of 697,800 in 2020 due to COVID-19-related travel restrictions, but well below the number in 2019, when more than 1.37 million passenger vehicles crossed the border.

Agriculture is another major component of the local economy, and the Las Cruces HMA is a major producer of chilies and pecans. The city of Hatch, in the northern part of the HMA, is renowned for the Hatch Chile. Every September, the city hosts the Hatch Chile festival, which, according to event organizers, attracts more than 30,000 visitors annually. During 2020, there were more than 54 million pounds of chilies harvested in the HMA (New Mexico Department of Agriculture). The Las Cruces HMA is also one of the top areas in the nation for producing pecans, with 56 million pounds of pecans harvested during 2020. According to the 2017 United States Department of Agriculture census of farms, there were 1,946 farms in the HMA encompassing 528,270 acres of farmland.

Current Conditions—Nonfarm Payrolls

During the 12 months ending March 2022, nonfarm payrolls totaled 73,400, up by 3,600 jobs, or 5.2 percent, from the previous 12 months (Table 2). During the most recent 12 months, none of the payroll sectors

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

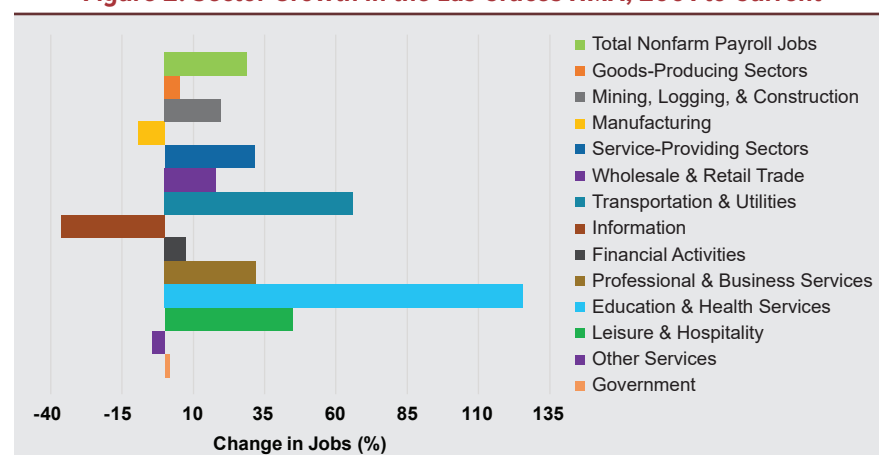
	12 Months Ending March 2021	12 Months Ending March 2022	Absolute Change	Percentage Change
Total Nonfarm Payroll Jobs	69.8	73.4	3.6	5.2
Goods-Producing Sectors	6.6	6.9	0.3	4.5
Mining, Logging, & Construction	3.8	4.0	0.2	5.3
Manufacturing	2.8	2.9	0.1	3.6
Service-Providing Sectors	63.2	66.6	3.4	5.4
Wholesale & Retail Trade	8.4	8.8	0.4	4.8
Transportation & Utilities	2.4	2.5	0.1	4.2
Information	0.5	0.5	0.0	0.0
Financial Activities	2.3	2.3	0.0	0.0
Professional & Business Services	7.0	7.0	0.0	0.0
Education & Health Services	16.1	16.7	0.6	3.7
Leisure & Hospitality	6.2	8.1	1.9	30.6
Other Services	1.4	1.4	0.0	0.0
Government	19.0	19.2	0.2	1.1

Notes: Based on 12-month averages through March 2021 and March 2022. Numbers may not add to totals due to rounding. Data are in thousands.
Source: U.S. Bureau of Labor Statistics



lost jobs. Seven sectors gained jobs, and four sectors remained unchanged. Job gains were led by the leisure and hospitality sector, which was up by 1,900 jobs, or 30.6 percent, to 8,100 jobs. The large gain was the result of this sector partially recovering from the 3,400 jobs lost during the COVID-19-related shutdowns in 2020. The education and health services sector had the second largest gain, increasing by 600 jobs, or 3.7 percent, from a year ago, continuing a trend of strong job growth in this sector, the fastest growing sector from 2001 to current (Figure 2).

Figure 2. Sector Growth in the Las Cruces HMA, 2001 to Current



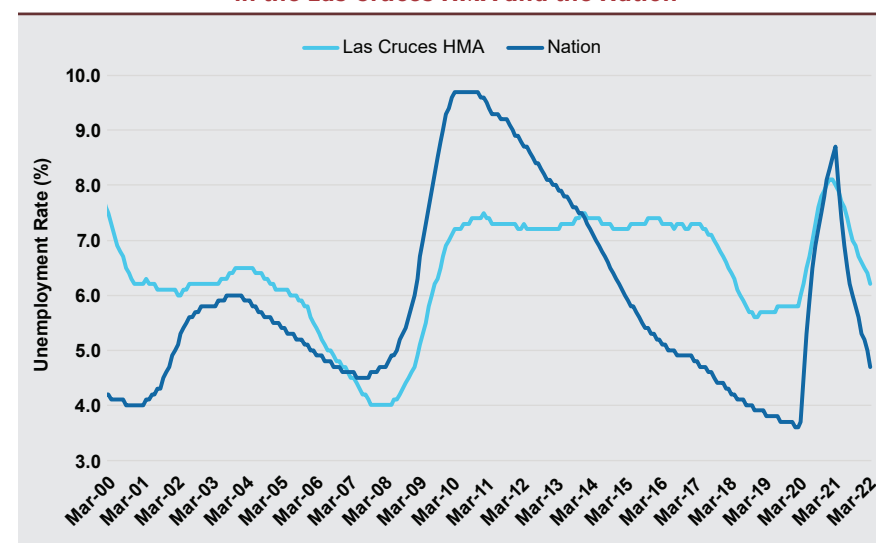
Note: The current date is April 1, 2022.
Source: U.S. Bureau of Labor Statistics

Current Conditions—Unemployment

The unemployment rate in the Las Cruces HMA during the 12 months ending March 2022 averaged 6.2 percent, down from 8.0 percent during the previous 12 months. The unemployment rate has declined rapidly as growth in resident employment has been much higher than growth in the labor force. The unemployment rate in the HMA is above the national average of

4.7 percent. Although the HMA unemployment rate is currently above the national rate, it did not rise as high as the national level during the peak level of unemployment during the pandemic. The unemployment rate for the nation peaked at 8.7 percent due to the COVID-19 downturn during the 12 months ending March 2021, whereas the unemployment rate in the HMA peaked at 8.1 percent during the 12 months ending February 2021. A similar trend happened during the Great Recession, when the national unemployment rate rose much higher than the local rate, but during the recovery, the national unemployment rate recovered more quickly. The large base of government employment in the HMA helps to lessen swings in the local unemployment rate. Figure 3 shows the 12 month average unemployment rate in the Las Cruces HMA and the nation since March 2000.

Figure 3. 12-Month Average Unemployment Rate in the Las Cruces HMA and the Nation



Note: Based on the 12-month moving average.
Source: U.S. Bureau of Labor Statistics

Economic Periods of Significance

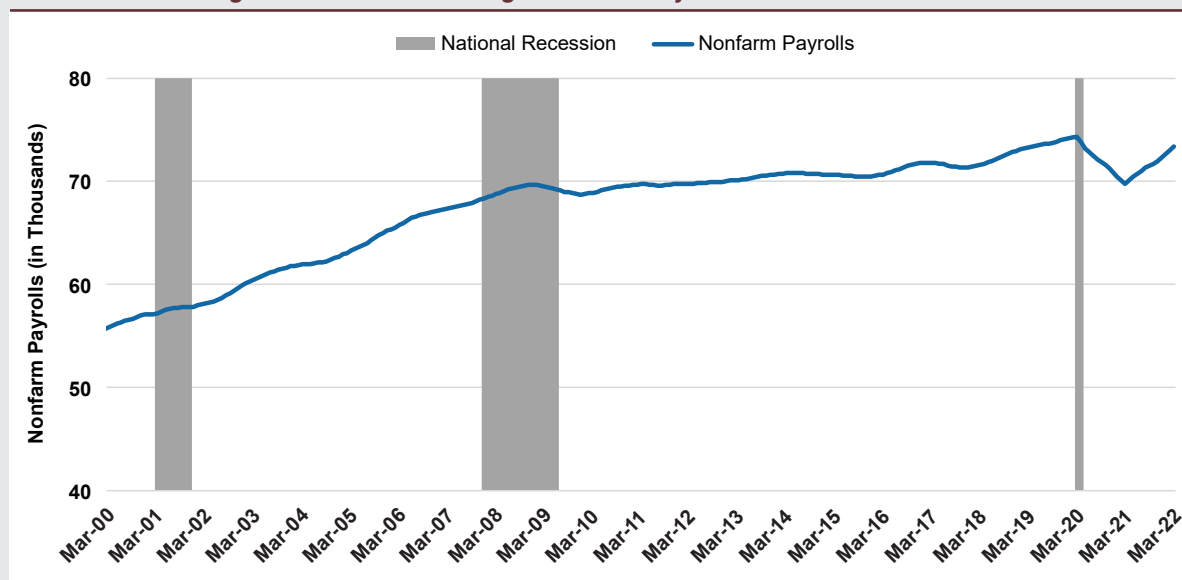
2001 Through 2008

From 2001 through 2008, nonfarm payrolls continuously expanded, increasing by an average of 1,600 jobs, or 2.5 percent annually (Figure 4). Strong population growth during these years contributed to widespread job gains across many sectors. During these years, there was no employment sector which lost jobs overall; 10 sectors added jobs, and the manufacturing sector remained unchanged. Job growth during these years was led by the education and health services sector, which increased by an average of 500, or 5.3 percent, annually, as an increasing population spurred demand for new jobs in this sector. Several new medical facilities contributed to job growth in this sector, including the MountainView Regional Medical Center, which opened in 2002, and the 40-bed Rehabilitation Hospital of Southern New Mexico, which opened in 2005.

2009

The local economy suffered through the effects of the Great Recession during 2009, and nonfarm payrolls declined by 900 jobs, or 1.3 percent, to 68,800. The mining, logging, and construction sector was the most severely impacted employment sector, declining by 600 jobs, or 14 percent, as residential construction slowed. As consumers cut back on spending during the

Figure 4. 12-Month Average Nonfarm Payrolls in the Las Cruces HMA



Note: 12-month moving average.

Sources: U.S. Bureau of Labor Statistics; National Bureau of Economic Research

downturn, job losses mounted in the wholesale and retail trade sector and the leisure and hospitality sector, which declined by 400 and 300 jobs, or 4.6 and 4.1 percent, respectively.

2010 Through 2013

A 4-year period of economic recovery followed the Great Recession, but job growth remained slow. From 2010 through 2013, nonfarm payrolls increased by an average of 500 jobs, or 0.7 percent, annually, well below the national average of 1.0 percent annually. The U.S. economy was recovering faster than the Mexican economy, which limited growth in the local economy due to the location of the HMA on the border. The wholesale trade subsector continued to decline during these years, losing an average of 100 jobs, or 3.8 percent, annually. Job growth during this period was led by the education and health services sector, which increased by an average of 500 jobs, or 3.9 percent, annually, as the aging population created more demand for health care services.

2014 Through 2015

From 2014 through 2015, nonfarm payrolls declined slightly, dropping by an average of 100 jobs, or 0.1 percent, annually, to 70,500 jobs in 2015. The government sector had the largest job losses, declining by 500 jobs, or 2.5 percent, all of which were concentrated in the state government sector because some state government jobs were moved out of the HMA as part of a restructuring of the state workforce. One of the major economic projects completed in the HMA during 2014 was the \$400 million Santa Teresa Union Pacific Intermodal Railyard. This facility, just north of the border with Mexico, allows for the quick transfer of goods from train to truck to move across the border or across the country. The completion of this project contributed to growth in the transportation and utilities sector and the wholesale trade subsector, which each increased by an average of 100 jobs, or 5.4 and 4.1 percent, respectively, annually.

2016 Through 2019

Nonfarm payrolls increased by an average of 900 jobs, or 1.3 percent, annually from 2016 through 2019 to 74,100, the strongest growth since

before the Great Recession. The manufacturing sector in the HMA added an average of 100 jobs, or 4.1 percent, annually. The most significant expansion in this sector was Stampede Meat, Inc., which opened a food processing facility that added 300 jobs in 2018. Nonfarm payroll growth was strongest in the education and health services sector, which increased by an average of 400 jobs, or 2.6 percent, annually.

2020

During 2020, nonfarm payrolls declined precipitously as the nation began to suffer from the impacts of the COVID-19 pandemic. Nonfarm payrolls declined by 3,200, or 4.3 percent to 70,900. The leisure and hospitality sector was the most severely impacted sector because stay-at-home orders limited travel and dining out, leading to a decline of 1,700 jobs, or 20.2 percent. The professional and business services sector had the second highest level of job losses, declining by 700 jobs, or 9.1 percent. Not every sector lost jobs during 2020. With more people staying home and ordering items for delivery, the transportation and utilities sector added 100 jobs, a 4.3 percent increase.

Forecast

During the 3-year forecast period, nonfarm payrolls are expected to increase by an average of 2.1 percent annually, with the strongest growth during the first year as the HMA continues to recover from the COVID-19-related downturn. Job growth should be strong in the retail trade sector, partly

because the state of New Mexico legalized the sale of marijuana for both recreational and medicinal use effective April 1, 2022. The education and health services sector is also likely to continue to grow. Electronic Caregiver, Inc., which specializes in medical alert devices, recently announced plans to add 120 jobs at its existing facility in the city of Las Cruces.



Population and Households

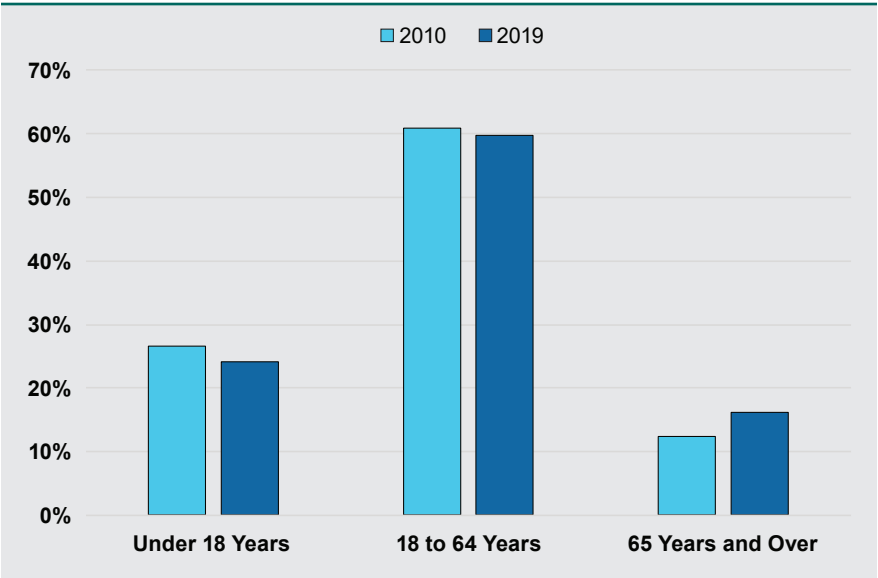
Current Population: 223,000

The Las Cruces MSA is the second largest MSA in the state of New Mexico after Albuquerque.

Population Trends

Population growth in the Las Cruces HMA has surged during the past few years, especially in the southern part of the HMA, which is receiving spillover growth from El Paso, Texas. Since 2019, the population of the HMA has increased by an average of 2,125, or 1.0 percent, annually, with net in-migration averaging 1,500 people per year. The current levels of in-migration are the highest levels in the HMA since the period from 2004 to 2011, when net in-migration averaged 1,875 people per year. The surge of in-migration has coincided with a slowdown in net natural change (NNC) in the HMA, due to declining birth rates and an aging population. Since 2019, NNC has averaged just 620 people per year, accounting for less than 30 percent of the population growth in the HMA. Part of this slowdown in NNC is the result of COVID-19 deaths in the HMA, which have averaged 350 annually according to *The New York Times*. The current level of NNC is well below the peak period from 2004 to 2011, when it averaged 2,125 people each year. The increase of in-migration to the HMA is significantly impacted by retirees from El Paso, Texas. There is no state income tax in Texas, whereas New Mexico has a state income tax, so people who are working are more likely to live in El Paso. However, the property tax rate on homes is much higher in Texas than New Mexico, so the recent trend has been for retirees to sell their homes in El Paso and buy homes in New Mexico as a cost-saving measure. In 2010, the population aged 65 and older accounted for 12.4 percent of the HMA population, rising to 16.1 percent by 2019 (Figure 5). With the general aging of the population and gains in the stock market increasing household wealth, there have been more people retiring, contributing to the highest levels of in-migration to the HMA since 2008. Table 3 provides population and household quick facts for the HMA.

Figure 5. Percentage of Population by Age Range in the Las Cruces HMA in 2010 and 2019



Source: 2019 American Community Survey 1-year data

Table 3. Las Cruces HMA Population and Household Quick Facts

Population Quick Facts	2010	Current	Forecast	
	Population	209,233	223,000	228,400
	Average Annual Change	3,450	1,150	1,800
	Percentage Change	1.8	0.5	0.8
Household Quick Facts	2010	Current	Forecast	
	Households	75,532	83,950	86,450
	Average Annual Change	1,600	700	830
	Percentage Change	2.4	0.9	1.0

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 (April 1, 2022) to April 1, 2025. Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by the analyst

From 2016 to 2019, population growth averaged 1,150 people, or 0.5 percent, annually, with net in-migration averaging only 75 people a year. By comparison, from 2011 to 2016, population growth in the HMA was slow, increasing by an



average of just 150 people, or 0.1 percent, annually. The slow population growth during this period was partly due to the declining rate of NNC, which averaged just 1,500 people a year, down nearly 30 percent from the pace from 2004 to 2011. From 2011 to 2016, net out-migration from the HMA averaged 1,350 people a year. Out-migration through the latter half of the 2000s was the result of robust population growth in the 1990s, resulting from an increasing birth rate locally. As these children aged and moved out of their family homes to either go to college or start new jobs, a large percentage of these young adults left the HMA. In 2000, 38.4 percent of all households in the HMA had a child under the age of 18, and by 2010, that share was down to 37 percent. By 2019, this number was down to 30.4 percent because young adults had fewer children (Table 4).

The strongest period of population growth in the HMA was from 2004 to 2011, when the population increased by an average of 4,000, or 2.0 percent,

Table 4. Selected Population and Household Demographics

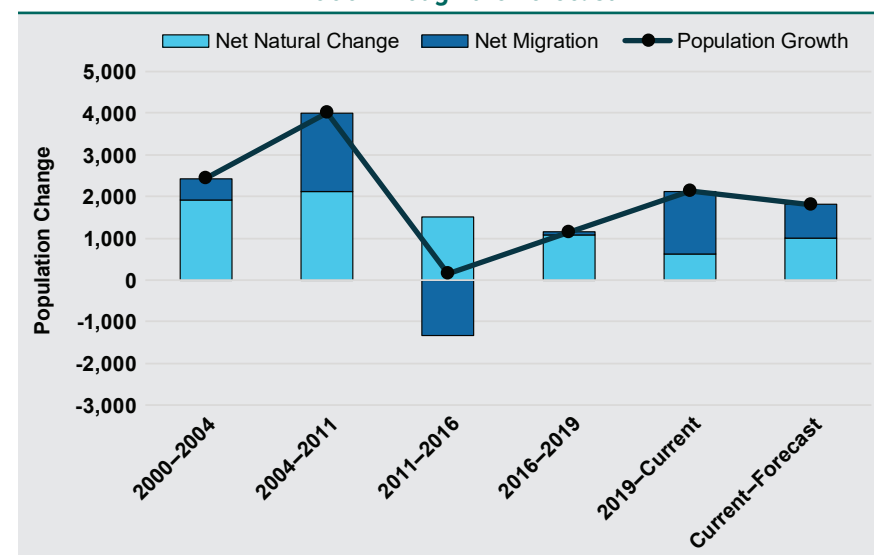
	Las Cruces HMA	Nation
Population Age 18 and Under	24.1%	22.2%
Population Age 65 and Over	16.1%	16.5%
Median Age	33.2	38.5
Foreign-Born	15.4%	13.7%
English Only Spoken at Home	49.1%	78.0%
Bachelor's Degree or Higher	27.2%	33.1%
Different House 1 Year Ago	13.3%	13.7%
Computer in House	90.1%	92.9%
Military Veteran	8.0%	6.9%
Median Household Income	\$43,038	\$65,712
Households With One or More Children Under Age 18	30.4%	29.9%

Source: 2019 American Community Survey 1-year data

annually. Net in-migration averaged 1,875 people per year and accounted for nearly 47 percent of the growth. During the early years of this period, strong economic growth attracted new residents to the HMA. In 2005, the Base Closure and Realignment Commission recommended a major expansion at Fort Bliss across the border in El Paso. As the El Paso MSA continued to grow along the Interstate 10 corridor and the west side of El Paso, growth in the southern part of the Las Cruces HMA accelerated.

From 2000 to 2004, population growth in the HMA averaged 2,425, or 1.4 percent, annually, with net in-migration of just 500 people annually. From 2000 through 2004, NNC accounted for more than 79 percent of population growth. Figure 6 shows the components of population changes in the HMA for 2000 through the forecast period.

Figure 6. Components of Population Change in the Las Cruces HMA, 2000 Through the Forecast



Notes: Data displayed are average annual totals. The forecast period is from the current date (April 1, 2022) to April 1, 2025.

Sources: U.S. Census Bureau; current to forecast—estimates by the analyst

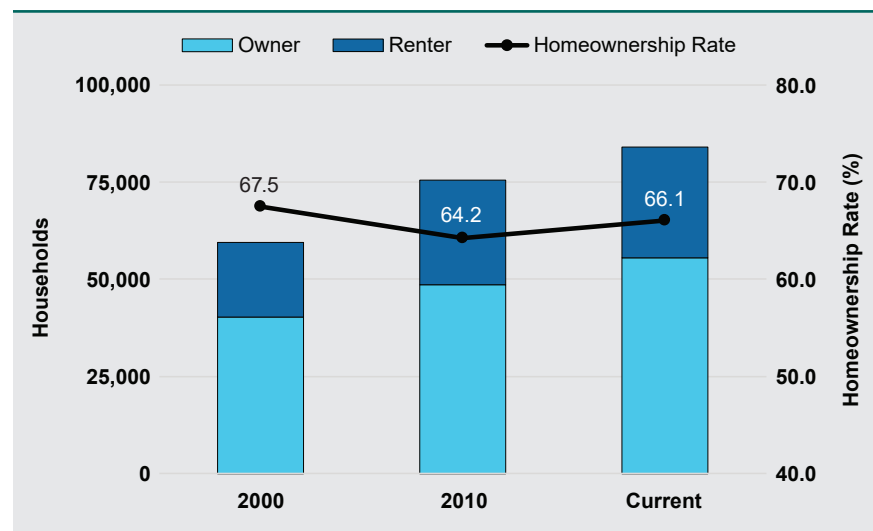
Age Cohort Trends

The median age in the Las Cruces HMA during 2019 was 33.2 years, up from 32.5 years of age in 2010 (2019 and 2010 American Community Survey [ACS] 1-year data). The median age in the HMA is rising, but at a slower rate than the national average, which went from 37.2 years of age in 2010 to 38.5 in 2019. Declining births and in-migration of retirees are increasing the median age of the HMA. During 2010, only 25.8 percent of all households in the HMA had a person age 65 or older living there, but by 2019, that share was up to 31.5 percent. In addition to an aging population, the percentage of residents who were foreign born has been decreasing. During 2010, residents of the HMA who were born in a foreign country accounted for 18.5 percent of the population, but by 2019 this portion was down to 15.4 percent. Although declining, the percentage of foreign-born residents in the Las Cruces HMA is still higher than the national average of 13.7 percent. With the HMA located on the border, there has historically been a significant number of people who have moved back and forth across the border, but this has been less prevalent during recent years. There are many families in the Las Cruces HMA with extended families across the border.

Household Trends

There are currently 83,950 households in the Las Cruces HMA, reflecting an average increase of 700, or 0.9 percent, annually since 2010. The homeownership rate in the HMA is currently estimated at 66.1 percent, up from 64.2 percent in 2010 but below the 67.5 percent rate in 2000 (Figure 7). The rate of household formation since 2010 has been significantly lower than the period from 2000 to 2010, due in part to much slower population growth. From the 2000 to 2010, the number of households increased by an average of 1,600, or 2.4 percent, annually. Household formations have been increasing at a faster rate than the population since 2000 due to a declining average household size in the HMA. As people age and children move out of their family homes, downward pressure on the average household size ensues.

Figure 7. Households by Tenure and Homeownership Rate in the Las Cruces HMA



Note: The current date is April 1, 2022.

Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by the analyst

Forecast

During the 3-year forecast period, population growth is expected to slow slightly from the most recent trends and to increase by an average of 0.8 percent annually. Population growth is likely to be evenly distributed between the southern portions of the HMA, which are close to the border with Texas, and the rest occurring around the city of Las Cruces, which is in the more central portion of the HMA. Household growth is expected to average 1.0 percent annually during the next 3 years. A continued downward trend in the average household size is predicted as the population continues to age, compounded by fewer households with children.

Home Sales Market

Market Conditions: Slightly Tight

The average sales price of a new home was up nearly 22 percent during the past 12 months (Zonda).

Current Conditions

The home sales market in the HMA is currently slightly tight, with a vacancy rate estimated at 1.0 percent, down from 1.8 percent in 2010 (Table 5). There are currently 4.5 months of inventory on the market as of March 2022, down from 5 months a year earlier and a 10-month supply in March 2017 (CoreLogic, Inc.). During the 12 months ending March 2022, home sales totaled 5,500, an increase of 275, or nearly 5 percent, from the previous 12 months (Zonda). The average sales price of a home was \$256,400 during the 12 months ending March 2022, up by \$20,800, or nearly 9 percent, from the previous 12 months. Figure 8 shows the share of overall sales by price range during the 12 months ending March 2022.

New Home Sales

During the 12 months ending March 2022, new home sales in the Las Cruces HMA totaled 830, an increase of 10, or more than 1 percent, from the previous 12 months. New home sales are below the levels from when population growth in the HMA was much stronger. In 2006, new

Table 5. Home Sales Quick Facts in the Las Cruces HMA

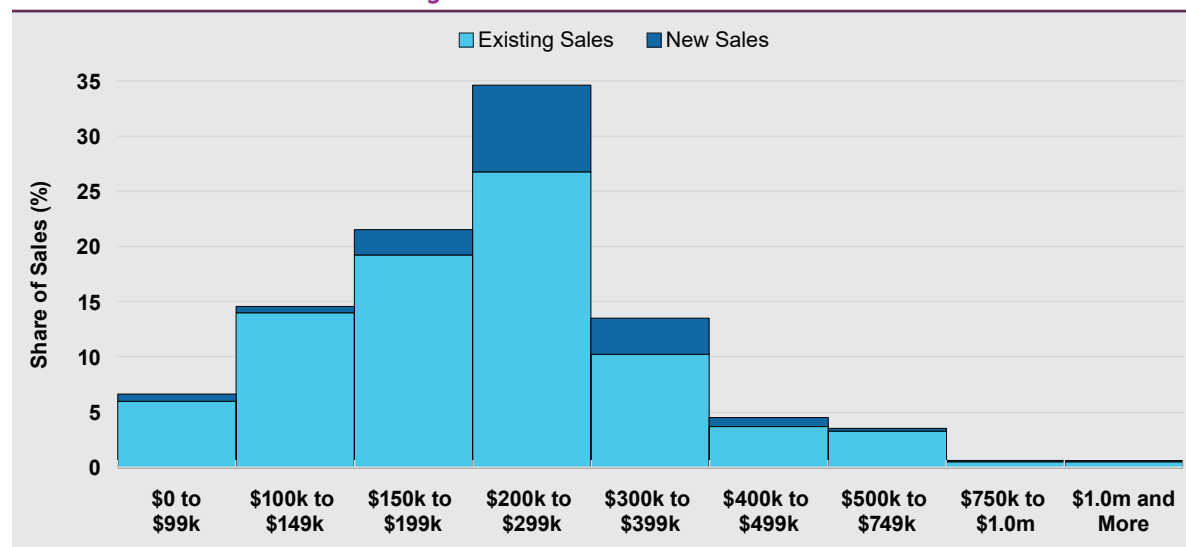
	Las Cruces HMA	Nation
Vacancy Rate	1.0%	NA
Months of Inventory	4.5	1.1
Total Home Sales	5,525	6,819,000
1-Year Change	6%	2%
New Home Sales Price	\$350,400	\$477,200
1-Year Change	46%	21%
Existing Home Sales Price	\$250,500	\$374,500
1-Year Change	7%	11%
Mortgage Delinquency Rate	1.6%	1.5%

NA = data not available.

Notes: The vacancy rate is as of the current date; home sales and prices are for the 12 months ending March 2022; and months of inventory and mortgage delinquency data are as of March 2022. The current date is April 1, 2022.

Sources: Vacancy rate—estimates by the analyst; months of inventory—CoreLogic, Inc.; HMA home sales and prices—Zonda; national home sales and prices—National Association of REALTORS® and U.S. Census Bureau/HUD

Figure 8. Share of Overall Sales by Price Range During the 12 Months Ending March 2022 in the Las Cruces HMA



Note: New and existing sales include single-family homes, townhomes, and condominium units.

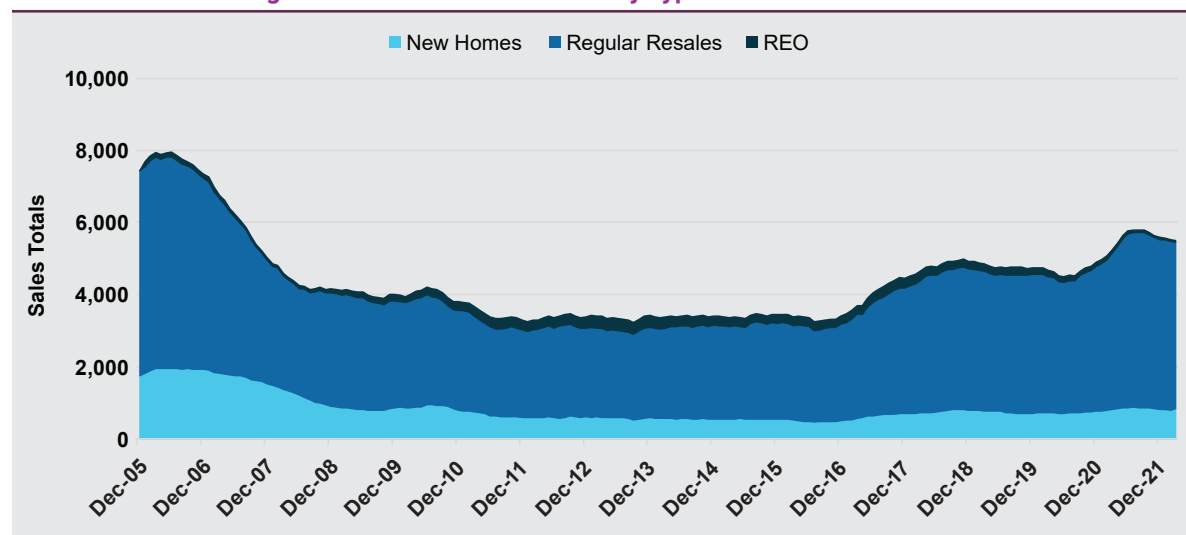
Source: Zonda

home sales peaked at 1,925, but slowing population growth, the Great Recession and housing crash, along with a slow economic recovery from the downturn, caused new home sales to trend downward. During the subsequent 10 years, new home sales declined by an average of 140, or 13 percent, annually, to just 500 new home sales in 2016. Following this low point, new home sales began to improve, and in 2018, as jobs increased at the fastest rate since before the Great Recession, new home sales totaled 800 sales, reflecting an average increase of 150 sales, or 27 percent, annually. During 2019, new home sales declined by 90, or 11 percent, to 710 sales, but sales then rebounded to 760 new home sales during 2020 as an increased rate of population growth, along with low interest rates, spurred demand for new housing. Figure 9 shows 12-month sales totals by type in the Las Cruces HMA.

Regular Resale Home Sales

During the 12 months ending March 2022, regular resale home sales totaled 4,625, an increase of 300 sales, or 7 percent, from the previous 12 months. This is the first time that regular resale home sales have exceeded 4,500 since 2005, when sales peaked at 5,675. Regular resale home sales declined from 2006 through 2011 by an average of 540, or 13 percent, annually, to just 2,425 sales during 2011. Regular resales began to recover slightly during 2012, but slow population and economic growth limited sales during the next 5 years. By 2016, regular resale home sales

Figure 9. 12-Month Sales Totals by Type in the Las Cruces HMA



REO = real estate owned.

Source: Zonda, with adjustments by the analyst

totaled 2,675, an average increase of 50, or 2 percent, annually, during the 5-year period. In 2017, the pace of regular resale home sales began to increase, and by 2020, sales totaled 4,025, reflecting an average increase of 340 sales, or 11 percent, annually.

Regular Resale Home Sales Prices

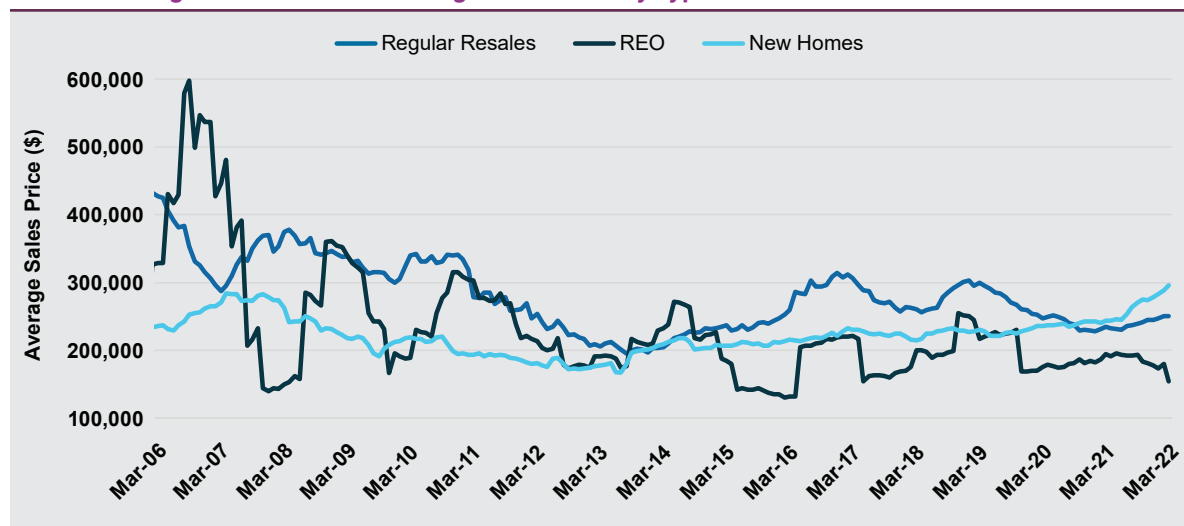
During the 12 months ending March 2022, the average sales price for regular resales was \$250,500, an increase of \$15,500, or nearly 7 percent, from 1 year earlier. Figure 10 shows the 12-month average sales price by type of sale in the Las Cruces HMA. The average sales price for regular resales can fluctuate wildly in a small HMA such as Las Cruces, depending on what is being sold. With a large agricultural presence, there are many farms or homes with acreage that are sold, and sales prices can vary. Recent resales in the HMA include an 1,800 square foot home on a quarter acre lot, a 2,500 square foot farmhouse on 12 acres of land with frontage and water rights to the Rio Grande River, and a 1,000-acre cattle ranch with a home on it. In 2005, the average sales price for a regular resale home reached an all-time peak of \$392,800, which included several home sales with large tracts of land. Since 2006, prices have generally fluctuated year-to-year depending on the composition and type of homes sold, but

prices were generally trending down. Large-scale ranches and farms made up less and less of the sales, and the impacts from the Great Recession were still affecting the market. By 2013, the average sales price for a regular resale reached a low of \$196,900, an average decline of \$24,500, or 8 percent, annually from 2006. In 2005, more than 3 percent of all regular resales were priced above \$2 million, but during 2013, less than 1 percent of all transactions reached that price point. During the next 6 years, home prices were generally trending up, and by 2019, the average sales price reached \$259,000, an average increase of \$10,350, or 5 percent, annually. During these years, the average sales price of a regular resale was above \$300,000; during 2016 and 2018, the number of home sales above \$2 million accounted for nearly 2 percent of all sales, whereas in the other years, transactions at these prices accounted for less than 1 percent of all sales. During 2020, the average sales price for a regular resale declined by \$29,900, or 12 percent, to \$229,100; part of this drop was due to high-priced sales reaching the lowest level on record. Uncertainty with farm incomes in the early stages of the COVID-19 pandemic limited high-price home sales.

New Homes Sales Prices

The average sales price of a new home rose significantly during the 12 months ending

Figure 10. 12-Month Average Sales Price by Type of Sale in the Las Cruces HMA



REO = real estate owned.

Source: Zonda, with adjustments by the analyst

March 2022 to \$295,800, an increase of \$52,400, or nearly 22 percent, from the previous 12 months. The price increase for a new home sale was the result of an increased number of retirees with large retirement accounts bidding up the price for the limited number of new homes. Unlike the regular resale of homes, there are very few new home sales in the HMA that include large tracts of property in the sales data. If a new home is built on a large tract of land that also has agricultural use, it will usually be built after someone has purchased the land, and the new home will be contracted directly with a builder as opposed to being listed with a real estate agent. In 2005, when population growth was the strongest in the HMA, the average sales price of a new home was \$243,400, increasing during the next 2 years by an average of \$17,750, or 7 percent, to \$279,000 in 2007. With the economic slowdown and the housing crisis impacting the HMA, the average sales price of a new home declined for the next 5 years by an average of \$21,050, or 9 percent, annually, reaching a low of \$173,600 in 2012. With the economy starting to recover from the housing crisis, the average sales price of a new home began to increase once more, and by 2020 the average sales price was \$243,200, an average increase of \$8,700, or 4 percent, annually, during the previous 8 years.

REO Sales and Delinquent Mortgages

The Las Cruces HMA has a significant agricultural presence, and when homes on acreage used for farming end up becoming real estate owned (REO) sales, they can cause average prices of REO sales to fluctuate wildly due to the limited number of such sales. During 2006, the average sales price of an REO sale reached a high of nearly \$600,000, but during 2007 it was less than \$150,000. The average sales price of an REO sale has continued to fluctuate but has not been above \$300,000 since 2011. In 2005, there were just 120 REO sales, but sales of this type climbed during the housing crisis, reaching a peak of 320 sales in both 2012 and 2013. Since the peak, the number of REO sales has steadily declined, and during the 12 months ending March 2022, REO sales totaled just 50, an all-time low, down nearly 44 percent from 90 the previous 12 months. In March 2022, 1.6 percent of home loans in the Las Cruces HMA were seriously delinquent (90 or more days delinquent or in foreclosure) or had transitioned into REO status; that percentage is down from 3.6 percent a year earlier and below the 4.6-percent peak rate in January 2010 (CoreLogic, Inc.).

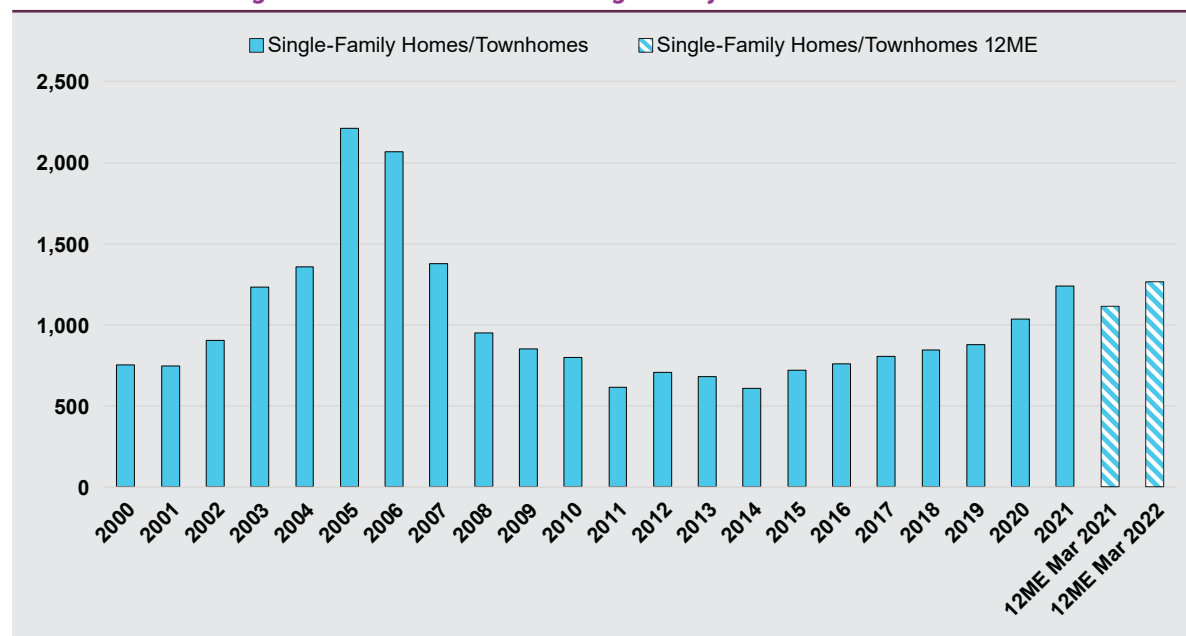
Sales Construction

During the 12 months ending March 2022, construction of new sales units, based on the number of homes permitted (see building permits), totaled 1,275, an increase of 150, or

more than 14 percent, from the previous 12 months (preliminary data, with adjustments by the analyst). The number of new sales units permitted surpassed 1,000 during 2020, the first time production has surpassed this level since 2007, as low interest rates and increased in-migration has recently caused an increase in demand.

During 2000 and 2001, an average of 750 sales units were permitted each year. Production then started trending up rapidly to a peak of 2,200 sales units permitted in 2005, an average increase of 370, or 31 percent, annually. Following this peak in 2005, production declined for the next 6 years by an average of 270, or 19 percent, annually, to 625 sales units permitted in 2011. From 2012 through 2015, an average of 680 homes were permitted annually, with the high being 720 in 2015. During 2016, production began to increase once more, and by 2020, there were more than 1,025 new homes permitted, an average increase of 70, or 8 percent, annually. Figure 11 shows the number of sales units permitted in the HMA since 2000.

Figure 11. Annual Sales Permitting Activity in the Las Cruces HMA



12ME = 12 months ending.

Sources: U.S. Census Bureau, Building Permits Survey; 2000–20—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

Recent Developments

Some recent developments in the Las Cruces HMA include the 93-home La Entrada development in Sunland Park, which started in 2021 and is more than 50 percent complete. Home prices in this subdivision start at \$234,990 with two-to-four-bedroom homes available. Red Hawk Estates is a 44-home development northeast of the city of Las Cruces, with home prices ranging from \$407,990 to \$524,990 for three-to-five-bedroom homes. Buildout for both developments is expected to be complete by the end of 2022.

Forecast

During the 3-year forecast period, demand is estimated for 3,325 new sales units, with demand likely to slow slightly in each year of the forecast period

due to slowing population growth and rising interest rates (Table 6). The 430 units currently under construction will satisfy a portion of the forecast demand. A portion of the 5,350 other vacant units may also reenter the market and satisfy a portion of the demand. It is estimated that about 30 percent of the forecast demand will be in the southern portions of the HMA that border the city of El Paso.

Table 6. Demand for New Sales Units in the Las Cruces HMA During the Forecast Period

Sales Units	
Demand	3,325 Units
Under Construction	430 Units

Note: The forecast period is from April 1, 2022, to April 1, 2025.
Source: Estimates by the analyst



Rental Market

Market Conditions: Slightly Tight

The average rent for an apartment increased nearly 13 percent during the past 12 months (CoStar Group).

Current Conditions and Recent Trends

The overall rental market, which includes apartments, single-family homes, and mobile homes, is currently slightly tight, with an estimated 5.2-percent vacancy rate, down from 7.1 percent in 2010 when conditions were balanced and 10.3 percent in 2000 when conditions were soft. Most renter households in the HMA currently are in single-family homes, which in 2019 accounted for 37 percent of all renter-occupied units, up from 30 percent in 2010 (Table 7). Apartments, which are in multifamily structures of five or more units, accounted for 31 percent of occupied rental units in 2019, down from 32 percent in 2010. With the vast majority of the rental stock being something

other than apartments in the HMA, there can be a wide disparity between the performance of the overall rental market and the apartment market. With NMSU located in the HMA, the student population has a large impact on the rental market. It is estimated that more than 10 percent of all renter households in the HMA are comprised of students living off-campus.

The apartment market is currently very tight, with a 1.2-percent vacancy rate during the first quarter of 2022, down slightly from the 1.3-percent rate during the first quarter of 2021 (CoStar Group). The apartment market has tightened further since the first quarter of 2020, when the apartment market was tight, with what was then an all-time low vacancy rate of 3.0 percent. The lack of apartment construction, along with an uptick in population growth since 2019, has resulted in the market tightening significantly. Figure 12 shows apartment rents and vacancy rates in the Las Cruces HMA.

Table 7. Rental and Apartment Market Quick Facts in the Las Cruces HMA

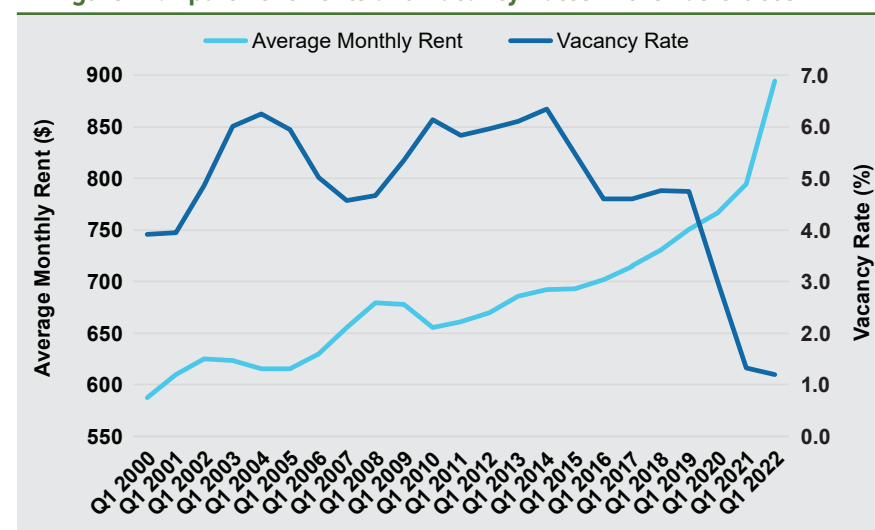
Rental Market Quick Facts		2010 (%)	Current (%)
	Rental Vacancy Rate	7.1	5.2
		2010 (%)	2019 (%)
	Occupied Rental Units by Structure		
	Single-Family Attached & Detached	30	37
	Multifamily (2–4 Units)	19	16
	Multifamily (5+ Units)	32	31
	Other (Including Mobile Homes)	19	16
Apartment Market Quick Facts		Q1 2022	YoY Change
	Apartment Vacancy Rate	1.2	0.1
	Average Rent	\$895	13%

Q1 = first quarter. YoY = year-over-year.

Notes: The current date is April 1, 2022. Percentages may not add to 100 due to rounding.

Sources: 2010 vacancy rate—2010 Census; current vacancy rate—estimate by the analyst; occupied rental units by structure—2010 and 2019 American Community Survey 1-year data; apartment data—Moody's Analytics REIS

Figure 12. Apartment Rents and Vacancy Rates in the Las Cruces HMA



Q1 = first quarter.

Source: CoStar Group

Historically, apartment market conditions have not been this tight. During the first quarter of 2000, the apartment market was slightly tight, with a vacancy rate of 3.9 percent, but by the first quarter of 2004, the apartment vacancy rate was up to 6.3 percent. Vacancy rates increased from 2000 to 2004 as above average levels of production of rental units helped to bring the market back into balanced conditions. Following this recent high in the vacancy rate, a period of strong economic growth and in-migration brought the apartment vacancy rate down to 4.6 percent in the first quarter of 2007. With the onset of the Great Recession in 2008 and deterioration of local economic conditions, the apartment market vacancy rate began to trend upward, reaching 6.1 percent by the first quarter of 2010. With improving economic conditions locally, and enrollment at NMSU reaching a peak in 2011, the apartment vacancy rate declined to 5.8 percent. With slow population growth, slight declines in enrollment at NMSU, and increasing levels of rental unit production, the apartment vacancy rate steadily climbed to reach an all-time peak of 6.4 percent during the first quarter of 2014. Developers responded to the increasing vacancy rates by scaling back the production of new units, and by 2017, the apartment market vacancy rate had declined to 4.6 percent. During 2018, the apartment vacancy rate had increased slightly to 4.8 percent as new units began to enter the market. The vacancy rate dipped only slightly during the first quarter of 2019 to 4.7 percent as additional units entered the market.

Rent Growth

During the first quarter of 2022 the average rent for an apartment was \$895, reflecting an increase of \$100, or nearly 13 percent, from the first quarter of 2021. The recent slowdown in production, coupled with an increasing rate of population growth, helped increase demand for apartments. The rent increase during the past year was larger than the average rent increase over the entire period from the first quarter of 2000 to the first quarter of 2010. In 2000, when the market was slightly tight, the average rent for an apartment was \$586, and it increased by an average of \$19, or 3 percent, annually, to reach \$625 in 2002. The average rent for an apartment started to decline slowly in 2003, and

by 2005 it was \$615, down an average of \$3, or less than 1 percent, annually. In 2006, the market began to tighten from population growth, and by the first quarter of 2008, the average rent was up to \$679, an average increase of \$21, or 3 percent annually. In 2009, as the impact from the Great Recession was felt in the HMA, the apartment vacancy rate began to slowly rise. In response, landlords cut rents to maintain occupancy, and by the first quarter of 2010, the average rent for an apartment was down to \$655, an average decline of \$12, or 2 percent, annually. In 2011, the average rent for an apartment began to increase once more, but with very limited population growth, the rent increases were minimal. By the first quarter of 2017, the average rent was up to \$715, an average increase of \$9 per year, or just 1 percent annually. In 2018 as market conditions began to tighten, the average rent began to steadily increase, and by the first quarter of 2021, the average rent was up to \$795, an increase of \$20, or 3 percent, annually.

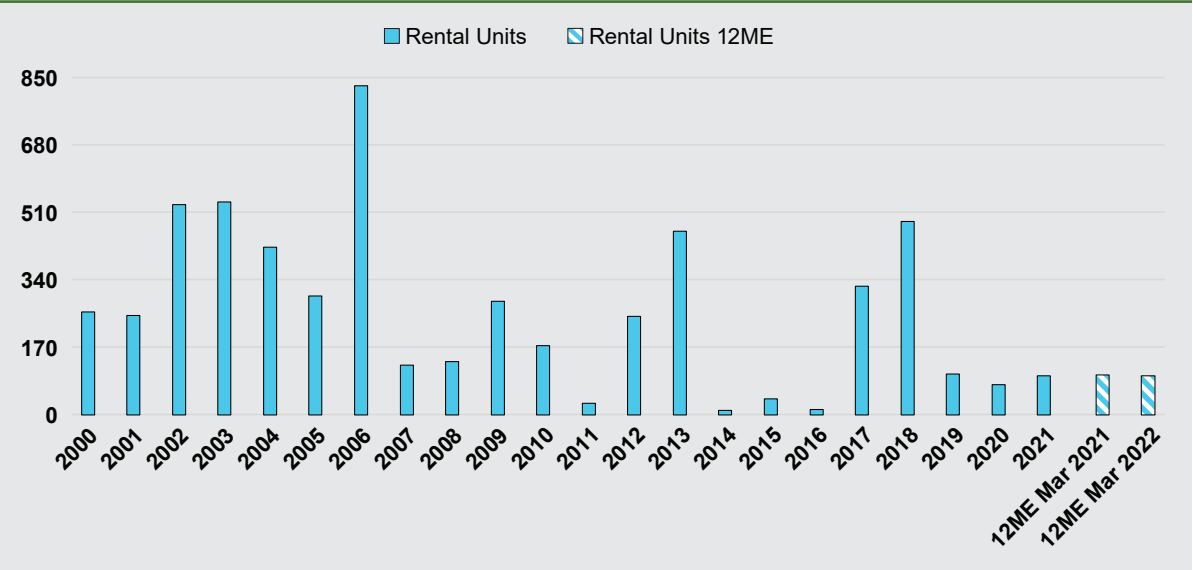
Rental Construction

Building activity, as measured by the number of rental units permitted, has been highly sporadic in the Las Cruces HMA since 2010 (Figure 13). The number of rental units permitted annually from 2011 to current is more than 50 percent lower than the average from 2000 through 2010. During the 12 months ending March 2022, a total of 100 rental units were permitted, unchanged from the previous 12 months. During 2000 and 2001, an average of 260 rental units were permitted annually, but production more than doubled as tight market conditions and steadily rising rents caused developers to increase to an average of 530 units permitted annually from 2002 through 2003. As vacancy rates began to increase, developers once more cut back production, and from 2004 through 2005, an average of 360 units were permitted annually. In 2006, rental production peaked, with 830 units permitted, as developers increased production and population growth in the HMA was reaching its strongest point. From 2007 through 2011, production was very limited, averaging just 150 units permitted annually and reaching a low of less than 30 rental units permitted in 2011, as the impact

from the housing crisis and resulting economic downturn affected the HMA. From 2012 through 2013, with an improving economy, developers ramped up production again, and an average of 360 rental units were permitted annually during these years. Though the economy was improving, this was still a period of slow population growth in the HMA. The developments permitted during 2012 and 2013 entered the market and contributed to an increase in vacancy rates. In response, production of rental units became almost nonexistent, with an average of just 20 rental units permitted annually from 2014 through 2016. This slowdown in production helped to bring the apartment vacancy rate down during 2017. Production again increased, and an average of 410 units were permitted annually from 2017 through 2018. After this surge in production, developers slowed production to allow these units to be absorbed, and during 2019 and 2020, an average of 90 units were permitted annually.

Some recently completed projects include the Willow Springs Apartment Community in the city of Las Cruces. This 200-unit development opened in 2018 and has one- and two-bedroom units with rents starting at \$1,115 per month. The Vue Apartments is a 32-unit development in the city of Las Cruces with 8 one-bedroom units that rent for \$1,363 per month and 24 two-bedroom units that rent for \$1,446 per month.

Figure 13. Annual Rental Permitting Activity in the Las Cruces HMA



12ME = 12 months ending.
Note: Includes apartments and units intended for rental occupancy.
Sources: U.S. Census Bureau, Building Permits Survey; 2000–20—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

Forecast

During the 3-year forecast period, demand is estimated for 490 new rental units. The 100 units currently under construction will satisfy a portion of that demand (Table 8). Most of the demand for new rental units will be concentrated around the city of Las Cruces and near NMSU.

Table 8. Demand for New Rental Units in the Las Cruces HMA During the Forecast Period

Rental Units	
Demand	490 Units
Under Construction	100 Units

Note: The forecast period is April 1, 2022, to April 1, 2025.
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.
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.
Existing Home Sales	Includes regular resales and REO sales.
Forecast Period	4/1/2022–4/1/2025—Estimates by the analyst.
Home Sales/ Home Sales Prices	Includes single-family, townhome, and condominium sales.
Net Natural Change	Resident births minus resident deaths.

Other Vacant Units	In this analysis conducted by the U.S. Department of Housing and Urban Development (HUD), other vacant units include all vacant units that are not available for sale or for rent. The term therefore includes units rented or sold but not occupied; held for seasonal, recreational, or occasional use; used by migrant workers; and the category specified as “other” vacant by the Census Bureau.
Regular 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 and include short sales.
Rental Market/ Rental Vacancy Rate	Includes apartments and other rental units such as single-family, multifamily, and mobile homes.
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.
2.	Urbanized areas are defined using the U.S. Census Bureau’s 2010 Census Urban and Rural Classification and the Urban Area Criteria.

C. Additional Notes

1.	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.
2.	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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