

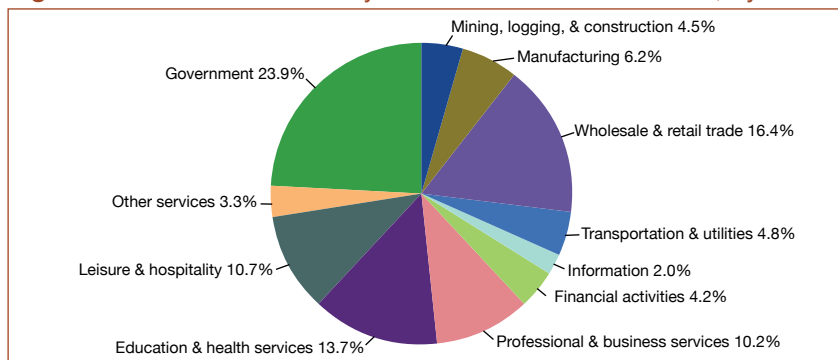
The El Paso HMA, one of the primary entry points for trade and population flows between Mexico and the United States, derives a significant economic benefit from its proximity to Mexico. Mexican nationals spend \$4.5 billion per year in Texas border retail, approximately 10 to 15 percent of which is spent in the city of El Paso (The Borderplex Alliance). The 47,200 jobs currently in the wholesale and retail trade sector account for 16 percent of all jobs in the HMA, a substantial number of which result from the economic interaction between the two countries.

The largest sector in the HMA is the government sector, which accounts for nearly 24 percent of total nonfarm payrolls (Figure 1). The HMA is home to Fort Bliss Army Base, headquarters of the William Beaumont Army Medical Center and the U.S. Army Sergeants Major Academy. As the leading employer in the HMA, with approximately 28,650 troops and 8,350 civilian personnel, Fort Bliss has an estimated \$3.1 billion annual economic impact on the HMA (U.S. Army). The 2005 Defense Base Closure and Realignment (BRAC) Commission Report positively affected Fort Bliss. The base was transformed into a heavy armor training post that included 11,500 new troops

from the 1st Armored Division (previously stationed in Germany) and units from Fort Sill, Oklahoma, and Fort Hood, Texas. An estimated 15,900 military jobs and 380 civilian jobs transferred to Fort Bliss, bringing the total number of troops stationed at Fort Bliss to 35,000 by 2013. In addition, the U.S. Air Force is in the process of moving the newly configured Security Forces Regional Training Center to Fort Bliss, the military's preferred site for the training operation. When complete, the move would bring between 8,000 and 10,000 airmen to Fort Bliss each year for security forces training, beginning in September 2015.

The state government subsector accounts for nearly 15 percent of all government sector employment in the HMA. UTEP is a major contributor to the HMA economy, with 23,000 students enrolled and about 3,700 faculty and staff employed. The university has an estimated annual economic impact of \$1.3 billion on the HMA (Institute for Policy and Economic Development at UTEP). The HMA is also home to another large state education institution, the Texas Tech University Health Sciences Center El Paso campus, a 4-year medical school that enrolls approximately 420 students and 250 residents. The school employs 1,200 faculty and staff and has a \$205 million operating budget. The large government presence in the HMA helped insulate the local economy from the sustained economic downturn that occurred across most areas of the country from late 2007 through mid-2009. Table 2 provides a list of the largest employers in the HMA; two of the top three are in the government sector.

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



Note: Based on 12-month averages through March 2014.
Source: U.S. Bureau of Labor Statistics

Total nonfarm payrolls in the El Paso HMA have increased by an average of 2,350 jobs, or 0.9 percent, a year since 2000. From 2004 through 2008, nonfarm payrolls in the HMA increased by an average of 4,625 jobs, or 1.8 percent, annually, to an average of 278,100 jobs in 2008. During this period, the professional and business services, the government, and the mining, logging, and construction sectors led job growth, with average annual increases of 1,200, 1,100, and 800 jobs, or 4.2, 1.9, and 6.1 percent, respectively. The economy of the HMA began to decline in 2009, when payrolls decreased by 4,600 jobs, to 273,500.

Job losses during 2009 were concentrated primarily in the manufacturing and the wholesale and retail trade sectors, which lost 2,400 and 2,000 jobs, or 12.2 and 5.7 percent, respectively. The decline in manufacturing was primarily a result of jobs relocating across the border to Mexico. During 2010 and 2011, nonfarm payrolls began to improve and increased by 3,150 jobs, or 1.1 percent, annually, to 279,800 jobs. Growth during the period was partially a result of significant employment gains in the education and health services, leisure and hospitality, and government sectors, which increased annually by 1,300, 1,050, and 700 jobs, or 3.5, 3.7, and 1.0 percent, respectively.

Table 2. Major Employers in the El Paso HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Fort Bliss Army Base	Government	37,000
T&T Staff Management, Inc.	Professional & business services	4,400
University of Texas at El Paso	Government	3,700
Sierra Providence Health Network	Education & health services	3,075
RMPersonnel	Professional & business services	1,950
Dish Network Corporation	Information	1,800
Alorica Inc.	Professional & business services	1,750
ReadyOne Industries	Manufacturing	1,300
GC Services Limited Partnership	Professional & business services	1,200
Texas Tech University Health Sciences Center	Government	1,200

Notes: Excludes local school districts. Fort Bliss employment includes 28,650 military personnel who are not included in the nonfarm payroll data.

Source: El Paso Regional Economic Development Corporation

Table 3. 12-Month Average Nonfarm Payroll Jobs in the El Paso HMA, by Sector

	12 Months Ending		Absolute Change	Percent Change
	March 2013	March 2014		
Total nonfarm payroll jobs	284,900	287,400	2,500	0.9
Goods-producing sectors	30,800	30,600	-200	-0.6
Mining, logging, & construction	12,800	12,800	0	0.0
Manufacturing	18,000	17,800	-200	-1.1
Service-providing sectors	254,000	256,800	2,800	1.1
Wholesale & retail trade	45,800	47,200	1,400	3.1
Transportation & utilities	13,300	13,700	400	3.0
Information	5,800	5,900	100	1.7
Financial activities	12,400	12,100	-300	-2.4
Professional & business services	29,500	29,400	-100	-0.3
Education & health services	38,800	39,500	700	1.8
Leisure & hospitality	30,300	30,800	500	1.7
Other services	9,600	9,600	0	0.0
Government	68,600	68,700	100	0.1

Notes: Numbers may not add to totals because of rounding. Based on 12-month averages through March 2013 and March 2014.

Source: U.S. Bureau of Labor Statistics

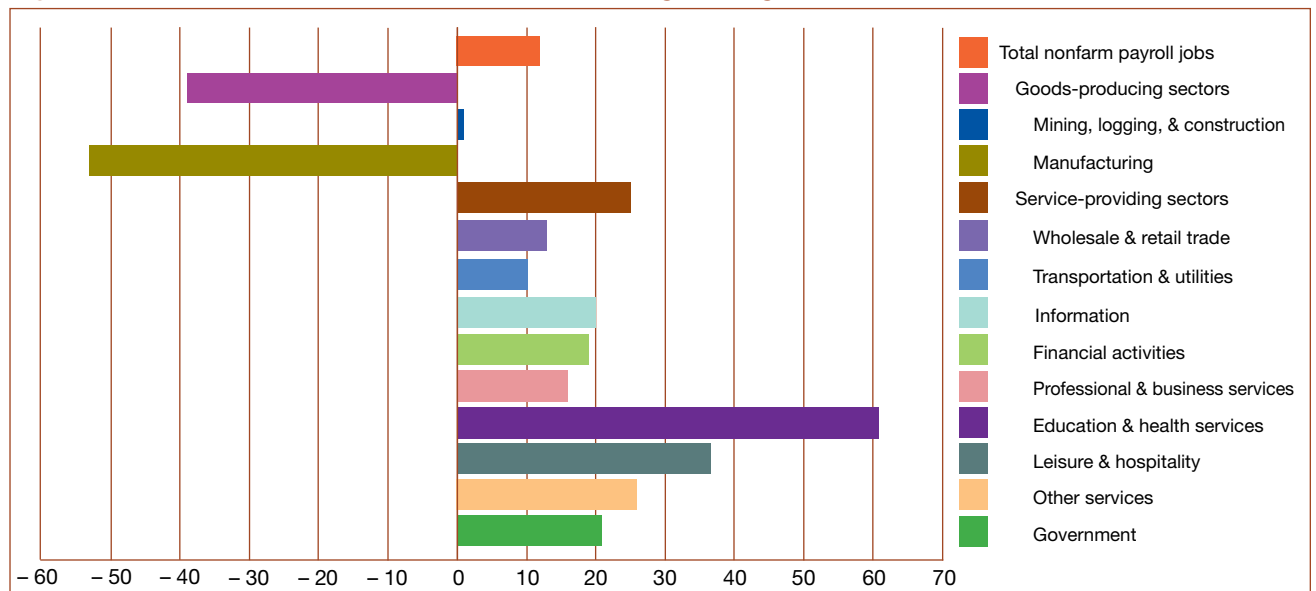
Nonfarm payrolls in the HMA totaled 287,400 jobs during the 12 months ending March 2014, an increase of 2,500 jobs, or 0.9 percent, compared with the number of jobs recorded during the 12 months ending March 2013 (Table 3). During the 12 months ending March 2014, hiring was strongest in the wholesale and retail trade sector, which added 1,400 jobs, a 3.1-percent increase. Much of the growth in this sector is a result of an increase in the retail trade subsector, which added 1,225 jobs. Some of the growth is attributed to Wal-Mart Stores, Inc., which opened a new supercenter that added 300 jobs. The education and health services sector, which accounts for approximately 14 percent of all nonfarm jobs in the HMA, added 700 jobs, an increase of 1.8 percent, during the 12 months ending March 2014. The job increases in this sector are partially the result of expansions at a number of medical facilities, including El Paso Children's Hospital. The HMA is the leading medical

services provider in the west Texas region and is becoming a regional center for healthcare research and education because of the numerous aforementioned hospital expansions and the construction of the Gayle Greve Hunt School of Nursing at the Texas Tech University Health Sciences Center El Paso campus, which is expected to employ 600 nurses when complete. The leisure and hospitality sector also recorded strong growth during the past year. During the 12 months ending March 2014, the leisure and hospitality sector added 500 non-farm payroll jobs, a 1.7-percent increase, primarily because new restaurants and hotels opened in the HMA. The 146-room TownePlace Suites by Marriott® opened in the HMA in March 2014, and the 101-room Hampton Inn Suites, currently under construction, is expected to be complete in early 2015.

Despite the overall improvement in nonfarm payroll jobs, three sectors recorded job losses during the 12 months ending March 2014. The financial activities sector declined by 300 jobs, or 2.4 percent. Much of the decline in

this sector is a result of State Farm Mutual Automobile Insurance Company closing its city of El Paso office and laying off 162 employees. The manufacturing sector, which declined by 200 jobs, or 1.1 percent, to 17,800 jobs during the 12 months ending March 2014, is the only sector to have experienced a net decline in the number of jobs since 2000 (Figure 2). The loss of jobs was widespread across various subsectors within the manufacturing sector. The Boeing Company closed two buildings and laid off 160 workers, and Leviton Manufacturing Company, Inc., is in the process of closing its plant in the HMA and has already laid off 138 workers, with 262 more employees expected to lose their jobs by the end of the year. During the 12 months ending March 2014, the professional and business services sector lost 100 jobs, or 0.3 percent, falling to 29,400 jobs. This decrease was because The Hoover Company plant in the HMA closed its call center, leaving 200 people without jobs. Partially offsetting the loss, Alorica, a call center and customer management outsourcing

Figure 2. Sector Growth in the El Paso HMA, Percentage Change, 2000 to Current



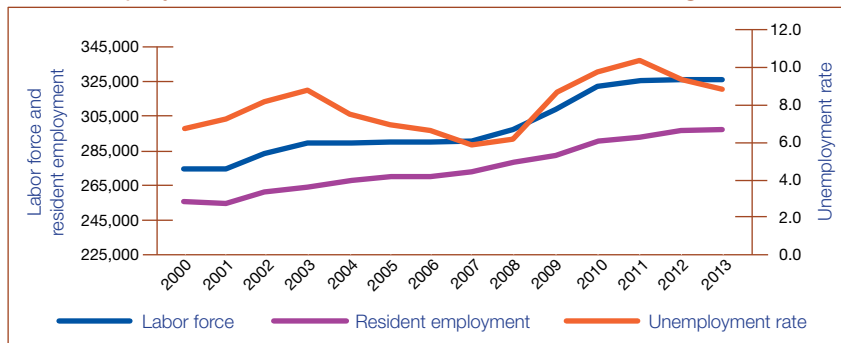
Note: Current is based on 12-month averages through March 2014.

Source: U.S. Bureau of Labor Statistics

solutions company, hired 100 people in response to client growth and employee promotions. Despite the losses in these three sectors, the unemployment rate averaged 8.5 percent during the 12 months ending March 2014, down from 9.3 percent during the previous 12-month period; from 2005 through 2008, the unemployment rate averaged 6.5 percent. Figure 3 illustrates trends in the labor force, resident employment, and the unemployment rate in the HMA from 2000 through 2013.

During the 3-year forecast period, non-farm payrolls are expected to increase an average of 0.9 percent a year. Job growth during the forecast period is expected to continue in the wholesale and retail trade, education and health services, and leisure and hospitality sectors. Expected job expansions during the forecast period include a \$6 million Hennes & Mauritz (or H&M) store, which will result in a 43,000-square-foot addition to the 95-store The Outlet Shoppes mall in the city of El Paso. The expansion is expected to add 200 jobs by the end of 2014. In addition, Sierra Providence Health Network and the Texas Tech University Health Sciences Center, El Paso campus, are working together on a multimillion-dollar hospital in northwest El Paso. The hospital will have up to 140 beds and offer training to about 75 medical residents. Construction is scheduled to begin in the fall of 2014 and to be complete in the fall of 2016.

Figure 3. Trends in Labor Force, Resident Employment, and Unemployment Rate in the El Paso HMA, 2000 Through 2013

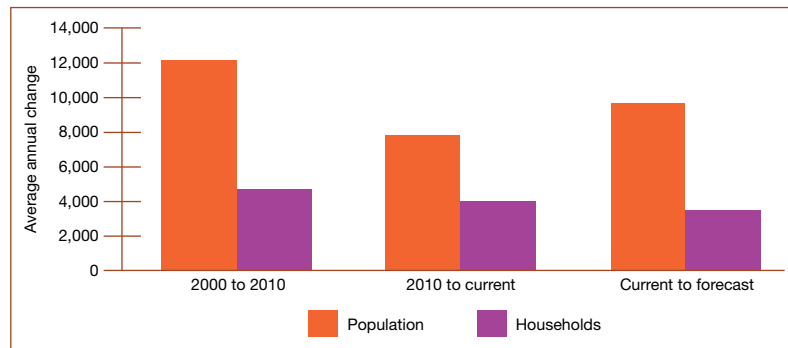


Source: U.S. Bureau of Labor Statistics

Population and Households

The current population of the El Paso HMA is an estimated 831,900, which reflects an average

Figure 4. Population and Household Growth in the El Paso HMA, 2000 to Forecast

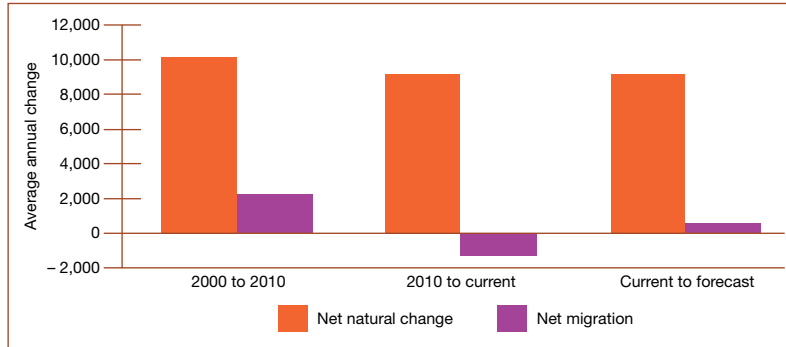


Notes: The current date is April 1, 2014. The forecast date is April 1, 2017.

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

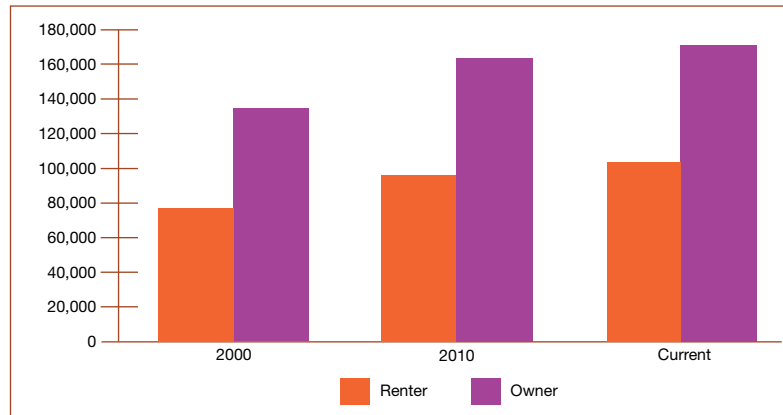
annual increase of about 7,825, or 1.0 percent, from the April 2010 census population of 800,647. From 2000 to 2010, the population grew by an average of 12,100, or 1.7 percent, annually (Figure 4). Net in-migration during that decade accounted for slightly more than 20 percent of the population gain; the remainder of the growth came from net natural change (resident births minus resident deaths). Population growth in the HMA was strongest from 2006 to 2009, when the population increased by an average of 14,650, or 2.0 percent, annually. The growth peaked at about 16,800 people in 2009.

Figure 5. Components of Population Change in the El Paso HMA, 2000 to Forecast



*Notes: The current date is April 1, 2014. The forecast date is April 1, 2017.
Sources: 2000 and 2010–2000 Census and 2010 Census; current and forecast—estimates by analyst*

Figure 6. Number of Households by Tenure in the El Paso HMA, 2000 to Current



*Note: The current date is April 1, 2014.
Sources: 2000 and 2010–2000 Census and 2010 Census; current—estimates by analyst*

Net in-migration has been positive since 2007, averaging 5,800 people annually, primarily because of military personnel being reassigned to Fort Bliss and growth in the number of military retirees (Figure 5).

An estimated 272,300 households reside in the HMA, which is an increase of 3,925 households, or 1.5 percent, annually since 2010. The number of households in the HMA increased by 4,650, or 2.2 percent, annually from 210,022 households in 2000 to 256,557 households in 2010. The homeownership rate in the HMA decreased from 2000 to 2010, from 63.6 to 63.0 percent (Figure 6). The homeownership rate, which has decreased slightly since 2010, is currently estimated at 62.3 percent.

During the 3-year forecast period, the population is expected to increase by an average of 9,600, or 1.1 percent, annually. By April 1, 2017, the total population is projected to be 860,700. The number of households is expected to grow by 3,400, or 1.2 percent, annually to reach approximately 282,500 by April 1, 2017. Additional demographic data on the HMA appear in Table DP-1 at the end of this report.

Housing Market Trends

Sales Market

The sales housing market in the El Paso HMA is currently balanced, with an estimated 1.5-percent sales vacancy rate. Approximately 5,875 new and existing single-family homes sold during the 12 months ending March 2014, up 3 percent compared

with the 5,725 homes sold during the previous 12 months but still 3 percent less than the average of 6,200 homes sold annually during the peak home sales years of 2005 through 2007. By comparison, current single-family home sales are 8 percent more than

the average number of homes sold from 2010 through 2011. The available inventory of new and existing homes in the HMA averaged about a 7.8-month supply during the 12 months ending March 2014, an increase from the 7.4-month supply averaged during the same period a year earlier (Real Estate Center at Texas A&M University). During the 12 months ending March 2014, the average sales price for new and existing homes increased 1 percent, to \$158,800, compared with the average price of \$157,000 during the previous 12 months. Single-family home prices were up 7 percent from the average sales price of \$149,100 from 2010 through 2011. Despite recent improvement, the current average sales price for homes in the HMA was 1 percent less than the peak price of \$160,900 recorded during 2008. Sales prices in the HMA for new homes with approximately 1,000 square feet and two-car garages start at \$100,000.

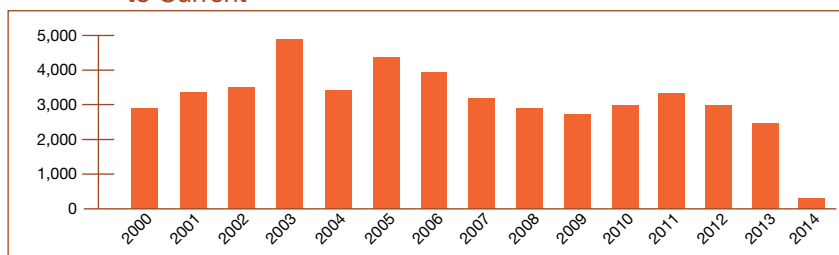
For the 12 months ending March 2014, REO (Real Estate Owned) home sales totaled 1,350, down more than 2 percent from the 1,385 REO sales during the 12 months ending March 2013. The level of REO sales has been relatively unchanged since 2010. The average sales price of an REO home was \$120,700 during the 12 months ending March 2014, which was down 3.2 percent from the average price of \$124,600 for such homes during the

12 months ending March 2013. The rate of distressed mortgages in the HMA remains below the national average of 5.2 percent. The number of home loans in the HMA that were 90 or more days delinquent, were in foreclosure, or transitioned into REO status represented 4.3 percent of total home loans in March 2014, down from 4.6 percent in March 2013 (Black Knight Financial Services, Inc.).

New home construction, as measured by the number of single-family homes permitted, decreased 27 percent from about 2,950 homes during the 12 months ending March 2013 to 2,150 homes during the 12 months ending March 2014 (preliminary data). The current level of permitting activity is 27 percent less than the average of 2,950 homes permitted annually from 2008 through 2012, but it remains much less than the average of 3,925 homes permitted annually from 2003 through 2007. Figure 7 shows the number of single-family homes permitted in the HMA from 2000 to the current date.

The construction of Sandstone Ranch, a newer subdivision in northeast El Paso, was recently completed. The subdivision has about 200 homes ranging in size from 1,200 to 2,700 square feet, with asking prices ranging from \$100,500 to \$211,700. Tierra Del Este, a subdivision currently under construction in eastern El Paso, is expected to include 300 homes when complete, with prices ranging from \$123,000 to \$177,000. Completion of this subdivision, which has already finished about 190 homes, is expected by late 2014. In July 2014, development is expected to begin at Rio Valley Estates, a new subdivision in El Paso's Upper Valley at the corner of Westside Drive and Borderland Road, with plans to

Figure 7. Single-Family Homes Permitted in the El Paso HMA, 2000 to Current



Notes: Includes townhomes. Current includes data through March 2014.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Housing Market Trends
Sales Market *Continued*

build about 351 homes by late 2016. The homes are expected to range in size from 1,450 to 2,500 square feet, with prices ranging from \$180,000 to \$250,000.

Demand is estimated for 9,175 new homes in the HMA, including 500 mobile homes, during the 3-year

forecast period (Table 1). The 560 homes currently under construction and some of the estimated 6,200 other vacant units that could become available for sale will satisfy a portion of the demand during the forecast period. Demand for new homes is expected to be strongest in the \$130,000-to-\$200,000 price range (Table 4).

Table 4. Estimated Demand for New Market-Rate Sales Housing in the El Paso HMA During the Forecast Period

Price Range (\$)		Units of Demand	Percent of Total
From	To		
100,000	119,999	870	10.0
120,000	129,999	1,300	15.0
130,000	149,999	2,175	25.0
150,000	199,999	1,725	20.0
200,000	249,999	1,300	15.0
250,000	299,999	870	10.0
300,000	399,999	260	3.0
400,000	and higher	170	2.0

Notes: The 560 homes currently under construction and a portion of the estimated 6,200 other vacant units in the HMA will likely satisfy some of the forecast demand. Excludes an estimated demand for 500 mobile homes. The forecast period is April 1, 2014, to April 1, 2017.

Source: Estimates by analyst

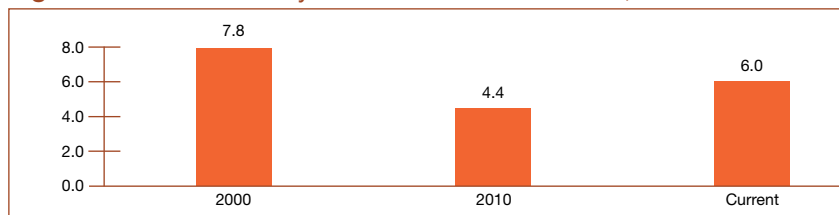
Rental Market

Rental housing market conditions in the El Paso HMA are currently balanced, with an estimated overall rental vacancy rate of 6.0 percent, up from 4.4 percent in April 2010 (Figure 8). The apartment market is also balanced. The apartment vacancy rate was 6.6 percent during the first quarter of 2014, up slightly from 6.4 percent a year earlier (Reis, Inc.). As of the first quarter of 2014, market-rate apartment rents in the HMA averaged \$645 for a one-bedroom unit, \$776 for a two-bedroom

unit, and \$943 for a three-bedroom unit. The average rent for an apartment in the HMA is \$730, up \$18, or 2.5 percent, from the first quarter of 2013. Apartments account for approximately 35 percent of all rental units in the HMA; the remainder of the rental stock consists primarily of single-family and mobile homes.

The number of multifamily units permitted decreased by 150, or 10 percent, to 1,350 units during the 12 months ending March 2014 compared with the number permitted during the same period in 2013 (preliminary data). By comparison, multifamily construction averaged 1,700 units permitted annually in the HMA from 2010 through 2011. Despite the recent decrease, the level of building activity remains well above the 640 units permitted

Figure 8. Rental Vacancy Rates in the El Paso HMA, 2000 to Current



Note: The current date is April 1, 2014.

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

Housing Market Trends

Rental Market *Continued*

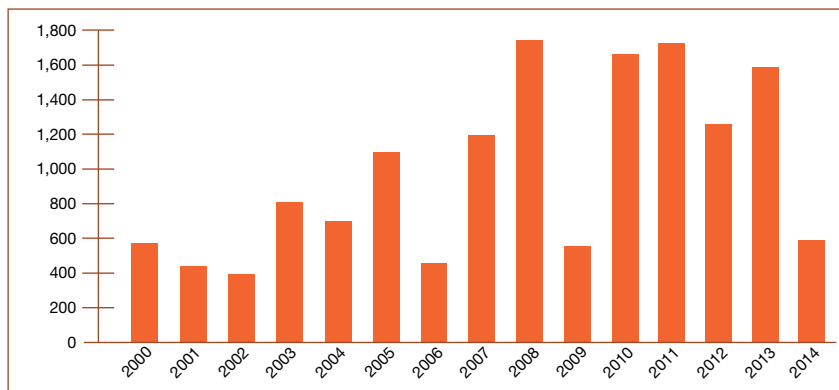
annually from 2000 through 2006. The number of units permitted spiked in 2007 and 2008 after the implementation of the 2005 BRAC, averaging 1,475 multifamily units before declining to a low of 550 in 2009 as previously constructed units were absorbed (Figure 9).

Recent developments in the HMA include The Venue at Montecillo, a 290-unit apartment complex in western

El Paso that was completed in late 2013 and is currently in lease up, with rents starting at \$880 and \$1,010 for one- and two-bedroom units, respectively. Two apartment communities, Santi Apartments at Montecillo, with 263 units, and Las Torres Apartments, with 168 units, are among the developments completed in early 2014. Effective rents at these two communities start from \$900 for a one-bedroom unit and \$1,200 for a two-bedroom unit. Three other projects are currently under construction and expected to be complete by 2015: Ardent Quest, Sandstone Ranch, and Retreat at Montecillo Senior include 120, 150, and 149 units, respectively. Rents in these communities begin at \$870 and \$1,035 for one- and two-bedroom units, respectively. In addition, UTEP has a 352-bed student housing development currently under construction that will consist of two four-story buildings scheduled to open in the fall of 2015.

During the 3-year forecast period, demand is estimated for 2,975 additional market-rate rental units (Table 1). The 1,175 rental units currently under construction will meet a portion of this demand. Table 5 shows estimated demand for new market-rate rental housing in the HMA categorized by rent level and number of bedrooms.

Figure 9. Multifamily Units Permitted in the El Paso HMA, 2000 to Current



Notes: Excludes townhomes. Current includes data through March 2014.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Table 5. Estimated Demand for New Market-Rate Rental Housing in the El Paso HMA During the Forecast Period

One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand
870 to 1,069	800	1,000 to 1,199	1,300	1,200 to 1,399	360
1,070 or more	90	1,200 to 1,399	250	1,400 or more	90
		1,400 or more	80		
Total	890	Total	1,625	Total	450

Notes: Numbers may not add to totals because of rounding. The 1,175 units currently under construction will likely satisfy some of the estimated demand. The forecast period is April 1, 2014, to April 1, 2017.

Source: Estimates by analyst

Data Profile

Table DP-1. El Paso HMA Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%)	
				2000 to 2010	2010 to Current
Total resident employment	256,110	291,048	297,500	1.3	0.7
Unemployment rate	6.8%	9.8%	8.5%		
Nonfarm payroll jobs	256,400	277,200	287,400	0.8	1.1
Total population	679,622	800,647	831,900	1.7	1.0
Total households	210,022	256,557	272,300	2.0	1.5
Owner households	133,624	161,695	169,700	1.9	1.2
Percent owner	63.6%	63.0%	62.3%		
Renter households	76,398	94,862	102,600	2.2	2.0
Percent renter	36.4%	37.0%	37.7%		
Total housing units	224,447	270,307	287,600	1.9	1.6
Owner vacancy rate	1.5%	1.6%	1.5%		
Rental vacancy rate	7.8%	4.4%	6.0%		
Median Family Income	\$34,100	\$39,700	\$41,700	1.5	1.7

Notes: Numbers may not add to totals because of rounding. Employment data represent annual averages for 2000, 2010, and the 12 months through March 2014. Median Family Incomes are for 1999, 2009, and 2012. The current date is April 1, 2014.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Data Definitions and Sources

2000: 4/1/2000—U.S. Decennial Census
2010: 4/1/2010—U.S. Decennial Census
Current date: 4/1/2014—Analyst’s estimates
Forecast period: 4/1/2014–4/1/2017—Analyst’s estimates

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.

Other Vacant Units: In the U.S. Department of Housing and Urban Development’s (HUD’s) analysis, 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.

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.

For additional data pertaining to the housing market for this HMA, go to http://www.huduser.org/publications/pdf/CMARtables_ElPasoTX_14.pdf.

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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.

The factual framework for this analysis follows the guidelines and methods developed by HUD’s Economic and Market Analysis Division. 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.

For additional reports on other market areas, please go to www.huduser.org/portal/ushmc/chma_archive.html.