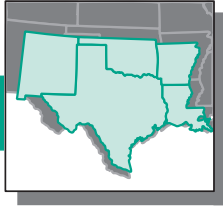


# Housing Market Profile

Southwest • HUD Region VI



## El Paso, Texas

The El Paso metropolitan area, located in western Texas along the Mexican border, consists of El Paso County. The metropolitan area is home to the University of Texas at El Paso (UTEP) and Fort Bliss, headquarters for the U.S. Army Air Defense Artillery School, the William Beaumont Army Medical Center, and the U.S. Army Sergeants Major Academy. As the leading employer in the area, with approximately 23,500 military and 7,000 civilian personnel, Fort Bliss has an annual estimated \$3.3 billion impact on the economy of the metropolitan area, according to the U.S. Army. UTEP, with 21,000 students and more than 2,550 faculty and staff, has an annual \$335 million impact on the metropolitan area economy, according to UTEP.

As of April 1, 2010, the estimated population of the metropolitan area was 756,100, representing an increase of 4,800, or 0.6 percent, since July 2009 compared with an average increase of 1.6 percent annually between 2007 and 2009. Between 2000 and 2007, net migration was negative, with an average of 2,600 people leaving the area each year. Since 2008, net migration has been positive, with an average of 1,500 people coming into the area annually, primarily because military personnel have been reassigned to Fort Bliss. Net in-migration is expected to continue during the next 3 years. As a result of Base Realignment and Closure legislation (BRAC), an additional 37,300 soldiers and their families are expected to relocate to the area during the next 3 years.

Nonfarm employment in the metropolitan area averaged 271,500 jobs during the 12 months ending February 2010, down 6,350 jobs, or 2.3 percent, from the number of nonfarm jobs during the same period a year earlier. The wholesale and retail trade and manufacturing sectors lost the most jobs, declining by 3,100 and 2,250 jobs, or 6.8 and 11.6 percent, respectively. Offsetting some of the losses, the education and health services sector grew by 1,850 jobs, or 5.5 percent, compared with the number a year earlier because new medical facilities opened. The El Paso area is the regional center in western Texas for medical services, medical research, and education. The government sector increased by 1,600 jobs, or 2.5 percent. Growth in the government sector was primarily in the federal and local government subsectors, which added 810 and 600 jobs, respectively. The additional federal jobs largely resulted from the \$5 billion expansion project at Fort Bliss, which consists of constructing new facilities and housing to accommodate incoming military personnel and their families. As a result of the economic downturn,

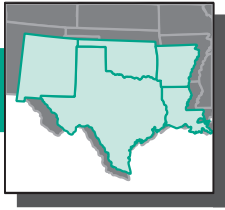
the average unemployment rate increased from 6.7 percent during the 12 months ending February 2009 to 9.2 percent during the 12 months ending February 2010.

Sales housing market conditions in the El Paso metropolitan area are currently soft, with an estimated vacancy rate of 2.2 percent, but they have improved compared with market conditions a year earlier. According to the Real Estate Center at Texas A&M University, during the 12 months ending February 2010, the number of new and existing single-family homes sold totaled 5,350, an increase of 12 percent from the 4,780 homes sold during the previous 12-month period. Home sales volume peaked at 7,250 homes in 2006. During the 12 months ending February 2010, the average sales price of an existing home was approximately \$151,800, down 5 percent compared with the average price recorded during the same period a year earlier. Prices for new 1,000-square-foot homes with two-car garages start at \$85,000. An estimated 4,000 military personnel own homes off base and approximately 31,700 retired military households live in the area.

The level of new home construction remained relatively unchanged during the past 12 months. In the metropolitan area, based on preliminary data, single-family home construction, as measured by the number of building permits issued, declined by about 60 homes to 2,600 homes during the 12 months ending February 2010, a 2-percent decrease compared with the number of homes permitted during the previous 12 months. Current construction levels are well below the peak reached in 2005, when 4,300 homes were permitted, and 43 percent below the average of 3,700 homes permitted annually from 2004 to 2007. An estimated 660 homes are currently under construction in the metropolitan area.

Rental housing market conditions in the El Paso metropolitan area are soft compared with the balanced conditions a year earlier. According to the El Paso Apartment Association (EPAA), the apartment vacancy rate is currently 9 percent, up from 7 percent in February 2009. Soft conditions can be attributed to the declining economy and to an increase in the number of single-family homes being offered as rental units. According to the EPAA, average effective apartment rents are \$600 for a one-bedroom unit, \$735 for a two-bedroom unit, and \$925 for a three-bedroom unit. About one-fourth of the apartment complexes are offering concessions that typically include 1 month's free rent, no security deposit, and no application fee.

Multifamily construction activity, as measured by the number of units permitted, declined during the 12 months ending February 2010 in the El Paso metropoli-



tan area. Multifamily construction totaled 540 units based on preliminary data, down 34 percent compared with the number of units permitted during the same period a year earlier. Multifamily development peaked in 2007, when 1,190 units were permitted. Nearly all of the multifamily development in the area consists of apartments, with an estimated 1,000 units currently under construction. New developments, primarily marketed to Fort Bliss soldiers, include The Bungalows at North Hills and Mountain Vista apartments, 342- and

160-unit apartment communities, respectively, which opened in late 2008. Effective average rents in these two developments range from about \$590 to \$680 for a one-bedroom unit, \$700 to \$820 for a two-bedroom unit, and \$995 for a three-bedroom unit. The Bungalows at Hueco Estates, a 431-unit complex under construction, is expected to be complete by the end of 2010. The average rents at this project are expected to be about \$675, \$750, and \$1,300 for one-, two-, and three-bedroom units, respectively.