

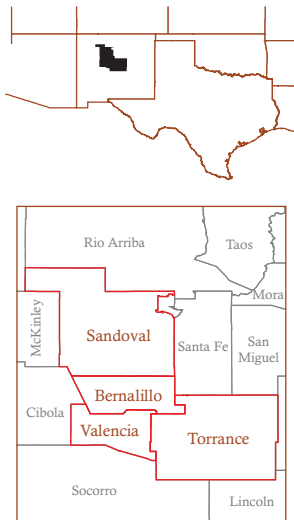


Albuquerque, New Mexico

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of July 1, 2006



Housing Market Area



The Albuquerque, New Mexico Housing Market Area (HMA) consists of four counties: Bernalillo, Sandoval, Valencia, and Torrance. The city of Albuquerque is in Bernalillo County, where an estimated 60 percent of the population of the HMA lives. With 730,300 residents, the HMA accounts for 40 percent of the state population and half the jobs in the state.

Market Details

- Economic Conditions2
- Population and Households4
- Housing Market Trends5
- Data Profile8

Summary

Economy

Kirtland Air Force Base (AFB) and the University of New Mexico (UNM) provide stable sources of employment in the Albuquerque HMA. High-technology industries such as Sandia National Laboratories and Intel Corporation attract a highly skilled workforce. During the past 12 months, total nonfarm employment in the HMA increased by 9,200 jobs, or 2.5 percent, led by an estimated 2,400 jobs in the construction industry.

During the 3-year forecast period, job growth is expected to increase by 2 percent annually, primarily in service-providing sectors that support tourism and population growth. An estimated 4 million tourists visit the HMA annually. Employment in the education and health services sector is expected to increase in response to the growing retiree population.

Sales Market

The sales housing market conditions remained balanced in the HMA through June 2006, although construction activity has moderated because of an increased inventory of unsold homes. As a result of strong homes sales activity during the 12 months ending June 2006, the average sales prices of an existing condominium and single-family home increased by 14 and 15 percent,

respectively. Demand for new sales housing during the 3-year forecast period is expected to total 20,900 units, as indicated in Table 1.

Rental Market

The apartment rental market in the HMA is balanced with a current vacancy rate of 6 percent and marginal rent increases during the past year. Recent declines in apartment construction activity and fewer properties offering concessions indicate that rental market conditions may tighten during the forecast period. During the 3-year forecast period, demand for rental housing is expected to increase as a result of steady net in-migration prompted by improving employment opportunities and relocating retirees who are attracted to the Southwest culture, climate, and lifestyle. Demand for rental housing during the 3-year forecast period is shown in Table 1.

Table 1. Housing Demand in the Albuquerque HMA, 3-Year Forecast, July 1, 2006 to July 1, 2009

	Albuquerque HMA	
	Sales Units	Rental Units
Total Demand	20,900	570
Under Construction	2,500	360

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of July 1, 2006.

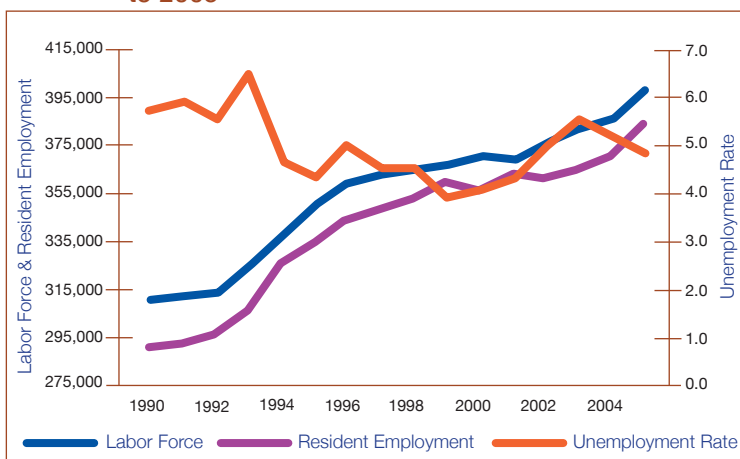
Source: Estimates by analyst

Economic Conditions

Since 2000, the economy of the Albuquerque HMA has maintained stable growth, although at a slightly lower rate than it did during the 1990s. In the past 24 months, employment has increased in all sectors except for the information sector. The natural resources, mining, and construction sector led all sectors in job growth. Significant

increases were recorded in the construction industry primarily because of increased single-family housing production. Job growth also occurred in the education and health services and leisure and hospitality sectors. In comparison, during the 1990s, the information and professional and business services sectors were mainstays of the economy. Figure 1 shows trends in labor force, resident employment, and unemployment that have occurred in the HMA since 1990. Figure 2 shows the percentage of change in each employment sector from 1990 to the current date.

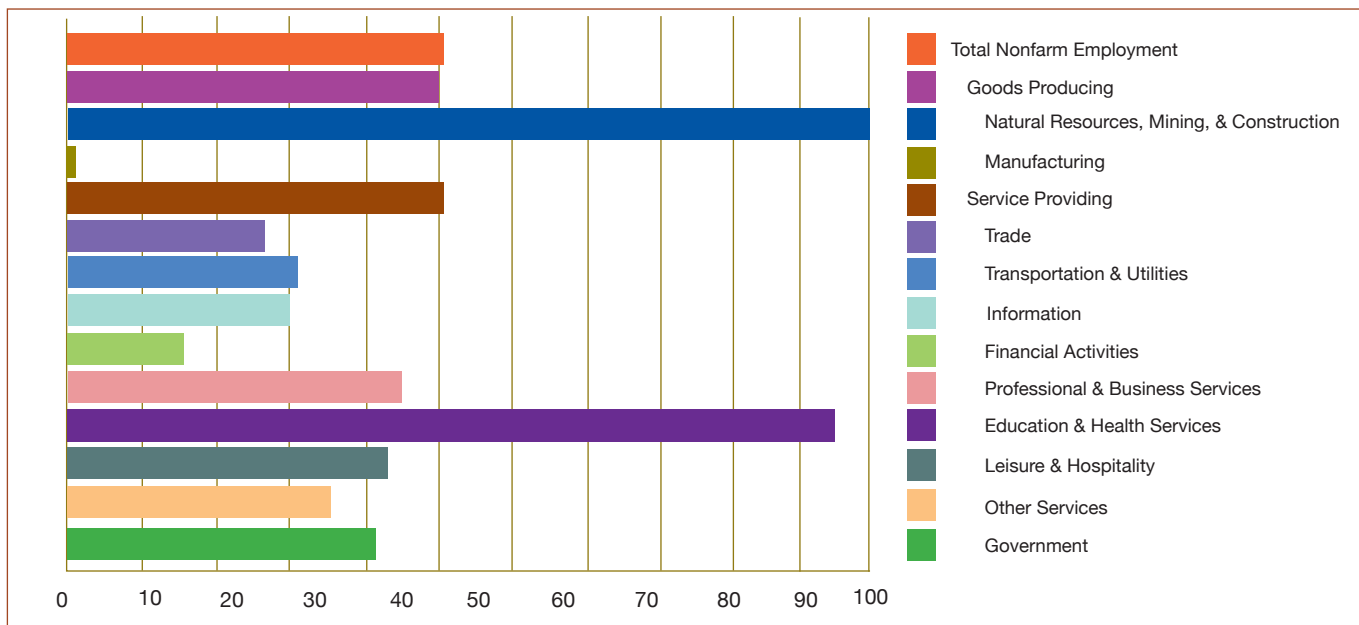
Figure 1. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Albuquerque HMA, 1990 to 2005



Source: U.S. Bureau of Labor Statistics

Enrollment at UNM's main campus in Albuquerque totaled 24,850 students in the spring of 2006. Enrollment at the campus has increased 30 percent during the past 4 years and is expected to total 30,000 students in the next 4 years. More than 30,000 Central New Mexico Community

Figure 2. Sector Growth in the Albuquerque HMA, Percent Change, 1990 to Current



Note: Current is based on 12-month averages through June 2006.

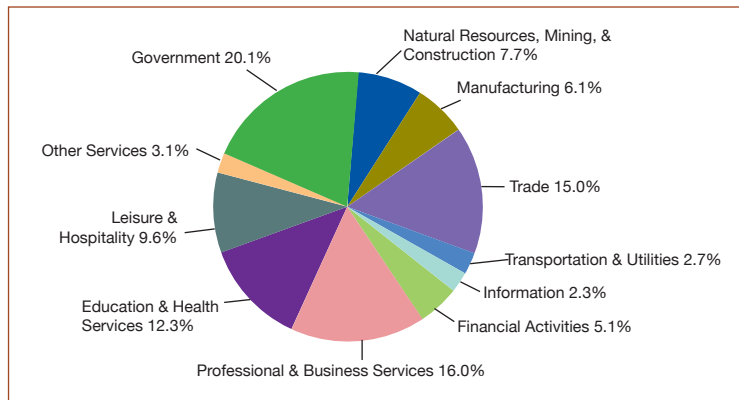
Source: U.S. Bureau of Labor Statistics

(CNM) College students are enrolled at four campuses in the HMA. UNM and CNM have a combined annual economic impact of \$2 billion, according to the Bureau of Business & Economic Research at UNM. In 2003, operations at UNM facilities, including the Health Sciences Center and its affiliated hospitals, accounted for \$1.2 billion in expenditures and 19,439 full- and part-time jobs.

The economy of the HMA relies heavily on governmental facilities and institutions such as Kirtland AFB, Sandia National Laboratories, UNM, and the Albuquerque Veterans Affairs Medical Center. According to the Greater

Albuquerque Chamber of Commerce, Kirtland AFB, the leading employer in the area, has an estimated annual economic impact on the HMA of nearly \$3.5 billion. The base includes 5,200 active-duty military and 3,200 part-time reserve personnel. Sandia National Laboratories, a government research and development facility, works with more than 20 companies involved in microtechnology and nanotechnology research and development. It is the largest organization in the Kirtland AFB complex. Adjacent to the complex is Sandia Science & Technology Park, which is attracting other related high-technology industries to the HMA. The government sector accounts for a little more than 20 percent of nonfarm employment (see Figure 3).

Figure 3. Current Employment in the Albuquerque HMA, by Sector



Note: Based on 12-month averages through June 2006.

Source: U.S. Bureau of Labor Statistics

Table 2. Major Employers in the Albuquerque HMA

Name of Employer	Employment Sector	Number of Employees
Kirtland Air Force Base	Government	21,000
University of New Mexico	Government	19,500
Albuquerque Public Schools	Government	11,700
Presbyterian Hospital	Health Services	5,800
Intel Corporation	Manufacturing	5,500
Lovelace Sandia Health System	Health Services	5,400

Source: New Mexico Department of Labor

Other major employers in the HMA include Intel Corporation, Presbyterian Hospital, Lovelace Sandia Health System, PNM Gas and Electric Services, and several large call center operations. Tourism—part of the leisure and hospitality sector—is also an important contributor to the economy of the HMA; four major hotel-casinos with conference centers employ approximately 5,000 people. Manufacturing employment is expected to improve as a result of expansion in aircraft manufacturing and the addition of a Tempur-Pedic mattress plant. In the southern portion of the HMA, economic development in the South Valley and Southwest Mesa areas of the HMA includes high-technology research and development enterprises such as Advent Solar, Inc., a solar cell manufacturer that has begun construction on a 74,000-square-foot research, development, and manufacturing plant that will employ about 1,000 people. The South Valley is 20 miles south of the city of Albuquerque and is expected to benefit from light rail service in 2007. Table 2 provides a list of the major employers in the HMA. Table 3 shows employment trends by sector for the past two 12-month periods.

Employment growth is expected to strengthen in the manufacturing, professional and business services, education and health services, and leisure and hospitality sectors in the next 3 years.

Table 3. 12-Month Average Employment in the Albuquerque HMA, by Sector

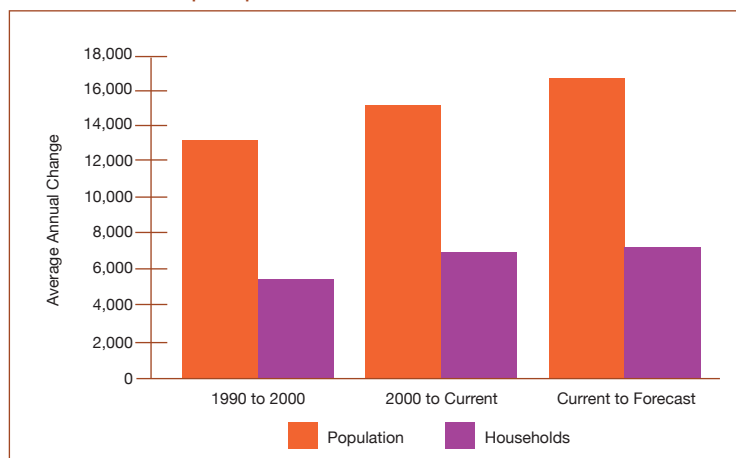
Employment Sector	12 Months Ending June 2005	12 Months Ending June 2006	Percent Change
Total Nonfarm Employment	373,500	382,700	2.5
Goods Producing	50,000	52,700	5.4
Natural Resources, Mining, & Construction	27,200	29,600	8.8
Manufacturing	22,800	23,200	1.8
Service Providing	323,500	330,000	2.0
Trade	56,100	57,500	2.5
Transportation & Utilities	10,400	10,400	0.0
Information	9,000	8,700	-3.3
Financial Activities	19,200	19,400	1.0
Professional & Business Services	60,000	61,100	1.8
Education & Health Services	45,800	47,100	2.8
Leisure & Hospitality	36,000	36,900	2.5
Other Services	11,800	12,000	1.7
Government	75,400	76,800	1.9

Notes: Numbers may not add to totals due to rounding. Based on 12-month averages through June 2005 and June 2006.
Source: U.S. Bureau of Labor Statistics

Population and Households

As of July 1, 2006, the population of the Albuquerque HMA was estimated at 826,200. The population has increased by an average annual rate of 2 percent since 1990 and by an average

of 15,350 annually since 2000 compared with an annual average increase of 13,100 from 1990 to 2000. Continued economic growth is anticipated to support a 2-percent annual population gain of 16,700 during the forecast period. Figure 4 shows population and household growth in the HMA from 1990 to the forecast date. Net in-migration is expected to account for 60 percent of the growth during the forecast period, slightly higher than during the 1990s when net in-migration accounted for 55 percent of the total growth. Included among the migrants are retirees attracted to the HMA because of the drier climate, high-quality health care, abundant cultural opportunities, and affordable housing. People aged 62 years and older currently make up an esti-

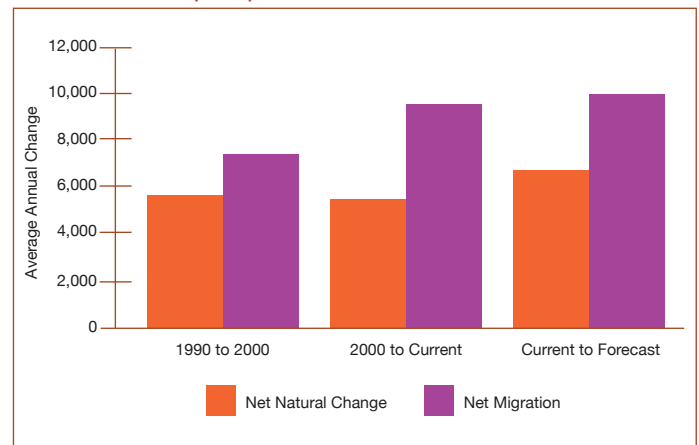
Figure 4. Population and Household Growth in the Albuquerque HMA, 1990 to Forecast

Sources: 1990 and 2000—U.S. Census; current and forecast—estimates by analyst

mated 16 percent of the total population. Figure 5 shows components of population change in the HMA from 1990 to the forecast date.

As of the 2000 Census, 281,052 households were in the HMA. Since 2000, the number of households has increased by an average annual rate of 7,000, or 2.3 percent, compared with an annual increase of 5,576 households, or 2.2 percent, from 1990 to 2000. The number of households is anticipated to increase by 7,200, or 2.2 percent, annually to 346,200 by July 1, 2009.

Figure 5. Components of Population Change in the Albuquerque HMA, 1990 to Forecast



Sources: 1990 and 2000—U.S. Census; current and forecast—estimates by analyst

Housing Market Trends

Sales Market

Conditions in the sales market remain balanced in the Albuquerque HMA. In the past 12 months, 14,050 home sales were recorded, a 15-percent increase compared with 12,180 sales recorded during the previous 12 months. In the 12 months ending June 2006, the average sales price of a single-family home increased 15 percent from the previous 12 months to \$218,600 and the average sales price of a condominium increased 14 percent to \$149,000.

Residential construction, as measured by building permits, declined 1.5 percent during the 12 months ending in June 2006 compared with the previous 12-month period but remains at a high level. Construction has already begun on the 13,000-

acre Mesa del Sol mixed-use development in the southeastern portion of the HMA. The development will include schools, stores, an estimated 38,000 new homes, and as much as 18 million square feet of office and industrial space when it is completed during the next 10 years. Prices for new homes will start at \$120,000. Two age-restricted communities totaling 350 units are also under construction in the HMA, with prices starting at \$200,000 and \$300,000. Figure 6 provides data on the number of single-family building permits that have been issued in the HMA since 1990.

Homeownership has increased steadily in the HMA since 1990, as shown in Figure 7. As of the current date, 70 percent of the households in the HMA were

Housing Market Trends

Sales Market *Continued*

homeowners compared with 68 percent in 2000 and 64 percent in 1990. The rise in homeownership reflects the in-migration of retirees as well as the significant growth in income as a result of economic expansion. The growth in median family incomes since 1990 is shown in Table DP-1. Other factors contributing to increased homeownership levels include recent low mortgage interest rates, ample supplies of available developable land, and the relative affordability of homes priced as low as \$100,000.

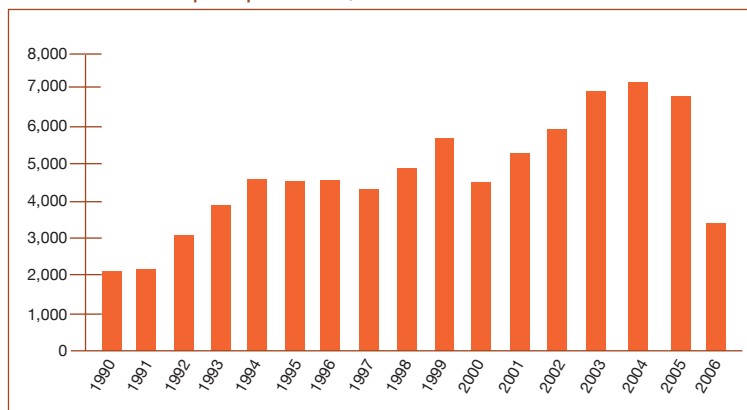
As of the current date, the vacancy rate for sales housing in the HMA is estimated at 2.1 percent, slightly higher than the 1.9-percent rate recorded in 2000, due to rising inventories of unsold homes. Estimated demand for new market-rate sales housing in the HMA is shown in Table 4.

Table 4. Estimated Demand for New Market-Rate Sales Housing in the Albuquerque HMA, July 1, 2006 to July 1, 2009

Price Range (\$)		Units of Demand	Percent of Total
From	To		
90,000	99,999	630	3.0
100,000	119,999	1,670	8.0
120,000	139,999	1,680	8.0
140,000	159,999	3,280	15.7
160,000	179,999	3,770	18.0
180,000	199,999	3,140	15.0
200,000	249,999	2,100	10.0
250,000	299,999	1,660	7.9
300,000	349,999	1,360	6.5
350,000	399,999	520	2.5
400,000	449,999	400	1.9
450,000	499,999	380	1.8
500,000	and higher	310	1.5

Source: Estimates by analyst

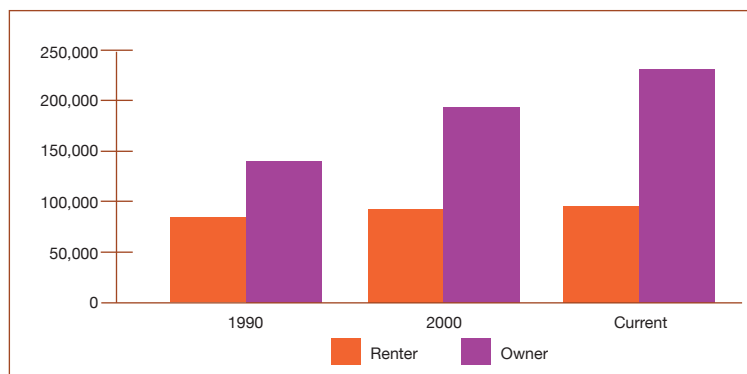
Figure 6. Single-Family Building Permits Issued in the Albuquerque HMA, 1990 to 2006



Notes: Includes single-family units. Includes data through June 2006.

Source: U.S. Census Bureau, Building Permits Survey

Figure 7. Number of Households by Tenure in the Albuquerque HMA, 1990 to Current



Sources: 1990 and 2000—U.S. Census; current—estimates by analyst

Rental Market

The apartment market is balanced as of the current date, with few or no concessions and a vacancy rate of approximately 6 percent. Vacancies are most prevalent in smaller rental properties and in single-family home rentals that typically are older and have difficulty competing with amenities found in newer multifamily rental properties. Nearly 25 percent of rental units in the HMA consist of single-family homes and units in smaller three- and four-story structures. The overall rental vacancy rate in the HMA is estimated at 11.0 percent as of the current date (see Figure 8).

Multifamily construction activity, as measured by building permits, has been cyclical. In the early 1990s, the production of multifamily housing averaged approximately 300 units annually. Given the rapid economic growth that began in 1994, building permit activity increased dramatically, rising to 1,630 units annually through 1997. The ensuing overproduction led to increased vacancies and a softer rental market, resulting in lower levels of multifamily housing production toward the end of the decade. Since 2000, apartment construction activity has averaged 650 units

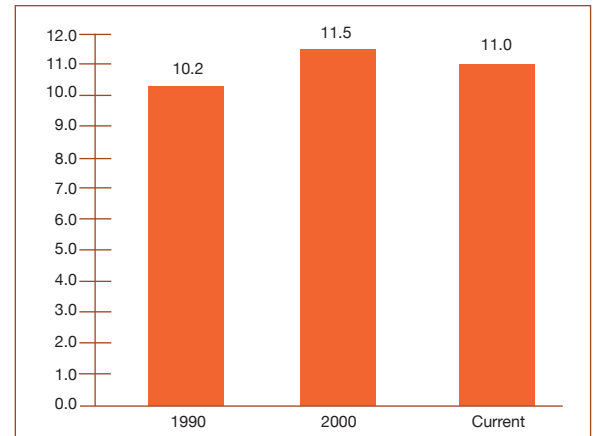
Housing Market Trends

Rental Market *Continued*

annually. As of June 2006, an estimated 360 rental units were under construction. Trends in multifamily building permit activity in the HMA from 1990 to the current date are presented in Figure 9.

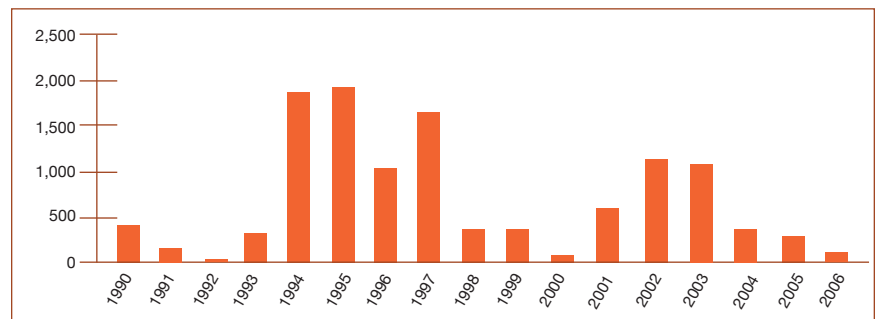
Demand is estimated at 570 units during the 3-year forecast period. Table 5 provides forecast demand for rental housing in the HMA broken down by rent level and number of bedrooms.

Figure 8. Rental Vacancy Rates in the Albuquerque HMA, 1990 to Current



Sources: 1990 and 2000—U.S. Census; current—estimates by analyst

Figure 9. Multifamily Building Permits Issued in the Albuquerque HMA, 1990 to 2006



Notes: Includes all multifamily units in structures with two or more units. Includes data through June 2006.

Source: U.S. Census Bureau, Building Permits Survey

Table 5. Estimated Demand for New Market-Rate Rental Housing in the Albuquerque HMA, July 1, 2006 to July 1, 2009

1 Bedroom		2 Bedrooms		3 or More Bedrooms	
Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand
550	270	700	255	900	45
600	240	750	210	950	40
650	220	800	195	1,000	35
700	200	850	170	1,050	30
750	170	900	150	1,100	25
800	145	950	130	1,150	20
850	120	1,000	110	1,200	20
900 and higher	95	1,050 and higher	90	1,250 and higher	10

Notes: Distribution above is noncumulative. Demand shown at any rent represents demand at that level and higher.

Source: Estimates by analyst

Data Profile

Table DP-1. Albuquerque HMA Data Profile, 1990 to Current

	1990	2000	Current	Average Annual Change (%)	
				1990 to 2000	2000 to Current
Total Resident Employment	288,040	358,000	388,000	2.2	1.3
Unemployment Rate (%)	5.7	4.0	4.2		
Nonfarm Employment	271,400	349,300	382,700	2.6	1.5
Total Population	599,416	730,329	826,200	2.0	2.0
Total Households	225,289	281,052	324,600	2.2	2.3
Owner Households	145,517	190,981	231,300	2.8	3.1
Percent Owner (%)	64.6	68.0	71.3		
Renter Households	79,772	90,071	93,300	1.2	0.6
Percent Renter (%)	35.4	32.0	28.7		
Total Housing Units	246,561	305,840	350,700	2.2	2.2
Owner Vacancy Rate (%)	1.9	2.0	2.1		
Rental Vacancy Rate (%)	10.2	11.5	11.0		
Median Family Income	\$33,700	\$48,300	\$53,200	3.7	1.6

Note: Median family income data are for 1989, 1999, and 2006.

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

Data Definitions and Sources

1990: 4/1/1990—U.S. Decennial Census

2000: 4/1/2000—U.S. Decennial Census

Current date: 7/1/2006—Analyst's estimates

Forecast period: 7/1/2006–7/1/2009—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.

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

For additional reports on other market areas, please go to www.huduser.org/publications/econdev/mkt_analysis.html.

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This analysis has been prepared for the assistance and guidance of the U.S. Department of Housing and Urban Development (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 wishes to express its appreciation to those industry sources and state and local government officials who provided data and information on local economic and housing market conditions.