

EL PASO, TEXAS

Market Overview

2014

CBRE Global Research and Consulting



INTRODUCTION

El Paso, also known as “The Sun City,” is the sixth largest city in Texas and the birthplace of America’s Southwest. Today, El Paso is a thriving community with active investments across the area ranging from redevelopment to new infrastructures. Notable for being the safest city in the United States, El Paso is also a vital part to one of the largest borderplex metropolitan economies in the world as the focal point of more than \$85 billion dollars in annual trade between the United States and Mexico.

From the captivating relics of the historic Old West to the Franklin Mountains, El Paso has retained its unique history, celebrates its present prosperity, and looks eagerly toward a promising future.

Geography

El Paso is located at the western tip of the state where Texas meets the state of New Mexico and forms an international border with Mexico. Within minutes, El Paso commuters may visit one of two neighboring sister cities, one in a neighboring state and the other in a neighboring country. Las Cruces, New Mexico lies at 46 miles away, while Ciudad Juarez, Mexico is less than a two-mile commute from city center. Situated on the geographic center of the 2,000-mile United States / Mexico border, El Paso, Las Cruces, and Ciudad Juarez seamlessly blend diverse cultures and traditions.

Rising over 3,280 feet above the surrounding basin, the Franklin Mountains dominate the El Paso skyline and offer mountain biking, hiking, and rock climbing virtually any time of the year for outdoor enthusiasts. Located in the northern Chihuahuan Desert, El Paso features a great diversity of landscapes and is home to hundreds of species of unique plants and animals. The local region features a climate that averages 297 days of sun during the year, an average temperature of 95 degrees during the summer and 60 degrees during winter.

Population

Currently the nineteenth largest city in the United States and the sixth largest in Texas, the City of El Paso has a population just over 674,000. Its metropolitan statistical area, El Paso County, is home to over 827,000 individuals with a projection growth to nearly 910,000 by 2017. El Paso is among the fastest-growing metropolitan areas in the nation with an average growth per-decade of 21% from 1960 to 2010. In more recent time, El Paso has been ranked as one of the fastest growing cities since the recession with a growth of 12% since 2007. According to a recent report by the UTEP Border Region Modeling Project, El Paso is projected to reach a population just shy of one million by 2029.



When El Paso data are combined with data from sister city Ciudad Juarez whose population is over 1.3 million, and Las Cruces M.S.A. whose population exceeds 209,000, El Paso/Juarez / Las Cruces compose a combined statistical area of 2.4 million individuals in 2010. This U.S. – Mexico borderplex region is the most populous in Texas and second in the nation only to the San Diego – Tijuana borderplex over 700 miles away.

Crime Rate

El Paso is noted to be among the safest cities in the United States. In fact, the CQ Press has named El Paso as the safest city in the U.S. with a population greater than 500,000 five years in a row now. Prior to that El Paso ranked in the top three going back to 2007.

Economy

Regions like El Paso face influence not only from U.S. business cycles but also national business cycles in Mexico, as well as regional business patterns in the neighboring border city. Additionally, several topics of importance can be identified. Topics include business cycles transmissions, exchange rates, industrial development, and labor markets, just to name a few.

Cross-border trade is a significant component of economic conditions along the U.S. and Mexico border. It is of no surprise that because of factors such as geographical proximity and economic linkages, these two economies have progressed from competing with each other to being complements. Border economic research has become attractive in recent decades due in part to the acceleration in demographics, commercial, and industrial expansion as a result of trade liberalization and other forms of business deregulation between border economies. After the mid-1990s, perhaps when the North American Free Trade Agreement (NAFTA) was enacted, research shows that there was an escalation in economic integration between U.S.-Mexico border city-pairs. Published research by Chiquiar and Ramos-Francia from Banco de Mexico notes that after NAFTA, the correlation between Mexican and U.S. manufacturing output became stronger; a significant long-run link between them seems to have evolved; and their cyclical movements have inclined to become roughly contemporaneous.

Trade between these neighboring economies has evolved significantly with El Paso / Ciudad Juarez as a major corridor. From 1993 to 2003, total trade between the U.S. and Mexico increased by 189% from \$81.4 billion to \$235.5 billion. Through 2010, trade increased by an additional 53% to \$360.4 billion. In 2013, total annual trade between the U.S. and Mexico was more than \$411.6 billion.

2013 data from the Texas Center for Border Economic and Enterprise Development show that the El Paso district ports of entry account for 20.9%, or \$86.1 billion, of all trade with Mexico. The El Paso district is the second largest only after the Laredo / South Texas region which accounts for 59.1%.

Recession / Economic Growth

El Paso’s economy managed to weather the recession better than many other metropolitan economies in the country. Brookings’ Institute Rankings noted El Paso as one of the strongest metro economies during the recession. This may be attributable to a fairly stable housing market, the expansion of Fort Bliss, and the low cost of doing business in El Paso which is 22% lower than the national average. El Paso did in fact enter a recessionary period in early 2008, however, it has been on a steady recovery state since September of 2009 as illustrated by the upward trend in the Federal Reserve Bank of Dallas’ El Paso Metro Business Cycle Index (October 1980=100). The index summarizes the broad movements in nonagricultural employment, the unemployment rate, real wages, and real retail sales.

FIGURE 1: EL PASO METRO BUSINESS CYCLE INDEX



In addition, El Paso recorded a gross metropolitan product (GMP) of \$27.1 billion in 2013 (C\$). Moody’s Analytics also reports a steady growth in GMP at an average of 3.5% per year through 2018 and as much as 4.4% for the year 2015.

Residential Real Estate

The residential real estate market in El Paso continues to improve. According to most recent report by the Greater El Paso Association of Realtors, home sales continued on a healthy trend year-to-date 2014. The amount of units sold during the month June 2013 is up 23.9% from the same time last year, and up 8.6% year-to-date from the same period last in 2013.

Fort Bliss

Fort Bliss, one of the largest military complexes of the United States Army, lies to the east and northeast of the city. Covering a total area of 1.1 million acres, the post has transformed from an institutional training facility into a major mounted maneuver training post in recent years. It is estimated that in the last decade alone, Fort Bliss has tripled in size making it the biggest base transformation in history. According to the U. S. Department of Defense, Fort Bliss is currently home to 91,817 active duty, reservist, family members, and civilians. The post supports a population of over 170,000, including veterans, retirees, and family members.

Undeniably, Fort Bliss has become a vital component of the El Paso regional economy. A notable contribution is the recent \$5 billion Fort Bliss base expansion. Such investment to the region helped El Paso, according to CNN Money, “dodge the recession”. The Institute for Policy and Economic Development at UTEP estimates that an average of \$111.7 million in output, \$32.6 million in labor and household income, and an incremental 833 jobs have been generated in El Paso County over each of last three years, 2011-2013, due to construction expenditures on Fort Bliss and its William Beaumont Army Medical Center (WBAMC). Furthermore, the overall economic contribution that Fort Bliss and WBAMC, both direct and indirectly, make to the El Paso economy is estimated as follows:

FIGURE 2: FORT BLISS ECONOMIC IMPACT

Area Impacted	Impact
Business volume or output:	\$6.0 billion annually
Employment:	61,957 jobs
Compensation:	\$4.2 billion in compensation and labor income

Employment

With favorable demographics and regional accessibility, El Paso is a desirable destination for many nationally recognized firms. Today more than 75 of the fortune 500 companies have a presence in El Paso or Ciudad Juarez. One, Western Refining ranked at number 281, is headquartered in El Paso. El Paso currently has a civilian labor force of 323,600 of whom 300,750 are employed. According to Moody's Analytics' most recent report, El Paso's unemployment rate is projected to decline in the coming years narrowing the gap with pre-recession levels. Total employment is projected to grow at an average of 2.6% per year through 2018. In fact, Bloomberg Business Week recently ranked El Paso number 10 in “Forty Strongest U.S. Metro Economies”. Concurrently, Bloomberg ranked El Paso fifth in job growth since its peak). El Paso also ranked fourth on Forbes Magazine's “Best Mid-Size Cities for Jobs”.

FIGURE 3: EL PASO EMPLOYERS

Top El Paso Employers	# of Employees (000's)
Fort Bliss	34.4
El Paso I.S.D.	9.0
Ysleta I.S.D.	8.0
T&T Staff Management	5.0
Socorro I.S.D.	9.0
VF Jeanswear	4.6
Wal-Mart Stores Inc.	4.3
The University of Texas at El Paso	4.0
Tenet Hospital Ltd.	3.1
El Paso Community College	2.5
University Medical Center	2.5
Allegiance Healthcare Copr.	1.8
Dish Network	1.8
Alorica	1.8
Texas Tech Health Science Center	1.5
GC Services	1.5
Del Sol Medical Center	1.4
RM Personnel Inc.	1.4
El Paso Healthcare Systems Ltd.	1.3
Genpact	1.2
Sun Apparel of Texas Ltd.	1.2
Automatic Data Processing, Inc.	1.2
El Paso Electric Corp.	1.0
Visiting Nurses Association of El Paso	0.9
Las Palmas Medical Center	0.9
West Customer Management Group	0.8
Redcats USA Inc.	0.8
Union Pacific Railroad Co. Inc.	0.8
Western Refining	0.7
Datamark	0.6
Coca-Cola Enterprises	0.5

FIGURE 4: PUBLIC EMPLOYERS

Public Profile	Number of Employees
Federal	12.7
State	9.6
Local	46.4

FIGURE 5: LEADING INDUSTRIES

NAICS	Industry	Employees (000)
GVSL	State and Local Government	56.0

ML	Military Personnel	34.4
7225	Restaurants and other eating places	24.7
GVF	Federal Government	12.7
6216	Home health care services	10.2
5614	Business support services	6.4
4529	Other general merchandise stores	6.6
6221	General medical and surgical hospitals	6.6
5613	Employment services	5.6
4841	General freight trucking	5.6
6211	Offices of physicians	4.9
2382	Building equipment contractors	3.9
8111	Automotive repair and maintenance	3.4
4451	Grocery stores	3.5
4521	Department stores	3.4
	High-tech employment	7.8
	As % of total employment	2.4

Education

El Paso is a key regional center for higher education, which promotes future economic growth. El Paso's three larger school districts are among the largest employers in the area, supplying the region with more than 26,000 jobs. The University of Texas at El Paso (UTEP) is perhaps the most significant educational institution in the region with an annual budget over \$418 million, 4,000 employees, and close to \$80 million in annual research spending. Part of the University of Texas system, UTEP is a major research university with an annual enrollment over 23,000 students in their 71 bachelor's, 76 Master's and 20 doctoral degree programs. UTEP is currently celebrating its centennial anniversary in 2014. Also located in El Paso is the Texas Tech University Health Science Center, which is home to the only four-year medical School in west Texas / southern New Mexico. Furthermore, El Paso Community College employs 2,500 individuals, offers 160 programs of study to a student base of over 25,000, and has five campuses throughout the area with plans of a sixth.

New Mexico State University is located in neighboring city of Las Cruces with other campuses in the surroundings. NMSU has a total student base of 28,200 and has become a prime education institution in southern New Mexico. NMSU offers 89 bachelor's, 56 master's and 24 doctoral degree programs.

Additional institutions have an educational presence in the area. The University of Phoenix, Park University, Webster University, Southwest University, Howard Payne University, as well as many vocational and technical schools, to include Western Tech, Vista College, Kaplan College, and International Business College offer higher education opportunities to the region.

Universidad Autónoma de Ciudad Juárez, Instituto Tecnológico de Ciudad Juárez, Universidad Autónoma del Noreste, Universidad Tecmilenio are some of the higher educational institutions present in the Ciudad Juarez, Mexico region.

Retail Activity

The retail market in El Paso is expanding as El Paso continues to move out of the recession. In the last decade, with the exception of the recession years of 2008–2009, total retail sales have grown year on year after having been adjusted for seasonality and inflation (2014:Q1=100). With an annual average of \$10.7 billion in sales since 2010, El Paso's retail market experienced total sales of \$11.1 billion in 2013. This figure is up by 16.7% since 2009.

Today, El Paso's retail market is thriving with active investments across the area. Perhaps one of the most noticeable regional retail investments is the current \$70 million, 600,000 sq. ft. Fountains at Farah. The 60-80 tenant retail project opened its doors in late 2013 and has since attracted major retailers and fine dining tenants.

The Outlet Shoppes at El Paso, which opened in 2007, is a 380,000 sq. ft. retail outlet with \$150 million in sales. It was registered that the construction of the 85-95 retail spaces generated at least 350 jobs during construction and 1,200 permanent retail jobs. One cannot deny the success experienced by the outlet mall despite the recent recession. This may be highly attributable to the lack of similar outlet-mall style retail in our region at a 300-plus-mile radius. Recently, The Outlet Shoppes at El Paso announced a \$6 million, 43,900 sq. ft. addition with a major anchor retailer. The expansion will add 50 jobs during construction and 200 permanent retail jobs when completed.

One must note that El Paso's retail activity is not only subject to the demand of El Paso shoppers. Surrounding area residents of Ciudad Juarez, Las Cruces, and Chihuahua City all are located within the retail trade area of El Paso. People make way across the border, in both directions, on a daily basis to purchase goods and services. This is in response to differences in varieties and adjusted prices as well as laws, policies, and consumer safety regulations. It is estimated that El Paso exports 10-12% of retail sales to Mexican nationals, a vital figure that translates to more than \$1.3 billion annually.

Recent / Current / Future Initiatives

Recent growth is driving the need for investments across the area. Perhaps the most notable regional investments are the Quality of Life Bonds. The two bond measures include \$245 million for parks, recreation, open space and zoo improvements and \$228.25 for museum, cultural, multi-purpose performing arts and entertainment and library facility improvements. Equally prominent is the current downtown

redevelopment and revitalization plan. With a total public and private investment totaling more than \$241 million as of 2012, downtown is being reborn while preserving and emphasizing its rich history. The Downtown 2015 Plan includes investments to the Mills Building, downtown living space, the San Jacinto Plaza, and to the area of wayfinding.

Another essential investment in the center of town is the recently inaugurated downtown baseball park. The park is home to the El Paso Chihuahuas Triple-A baseball team which an affiliate to the San Diego Padres Major League team. The construction of the \$76.1 million ballpark will have an estimated economic impact (direct, indirect, and induced) of \$76.8 million, labor income of \$22.6 million and 612 jobs. Furthermore, event-related spending is expected to generate \$17.9 million annually. Since the first home game on April 28th, 2014, the El Paso Chihuahuas have had an outstanding support from the community. The 9,500 park capacity has been sold out 32 of 42 home games with a record attendance of 10,135 on July 3rd, 2014.

The University of Texas at El Paso is also undergoing major construction projects. Having invested over \$200 million in the past five-years on three new buildings, a recreation center, and a parking garage, UTEP recently began an in-campus quality-of-life project. The eight projects will aim to improve the aesthetical and pedestrian commuter experience by improving pedestrian walkways and green spaces to knit together campus buildings. The campus transformation project will have a cost of \$25 million.

Also part of the El Paso agenda is the renovation of The El Paso International Airport. The project is an expected \$139 million facility revamp. The project includes runway construction, a new taxiway, loading bridges, and a new car-rental facility.

El Paso has recently seen a surge in new hotel construction. From 2009 through 2011, there were more than 10 new hotel openings. Currently, there are two hotels scheduled to open on the East Side of town and one is Santa Teresa, NM. and two renovations for proposed hotels in Downtown. El Paso County hotel occupancy rate averaged 67.6% in 2011, 65.5% in 2012, and 64.2% in 2013.

It is of great worth noting the large volume of highway infrastructure projects across the city. There have been many completed within the last several years. One of which, Spur 601, had a price tag of \$367 million. As of the first week of August, 2014, The Texas Department of Transportation had 114 active projects in El Paso County with an estimated total cost of \$1.1 billion, up 37.5% from the same time in 2013. Even more projects are on the horizon, including the massive \$600 million Border Highway West project that will extend

Loop 375 seven miles from downtown El Paso to the city's west side and the already approved \$90 million dollar downtown streetcar project that carries an estimated economic impact above \$360 million.

Within Fort Bliss, Construction has begun on the \$648 million replacement of William Beaumont Army Medical Center. The project will consist of a seven-story hospital, two clinic buildings, administrative building, clinical investigation building with biosafety level three laboratories, and central utility plant. The 1.1 million sq. ft. project is projected to create 1,000 jobs during construction and should be completed by Fall 2016.

The new Union Pacific intermodal facility was officially delivered in May, one year ahead of schedule. The \$400 million, 2,200 acre rail facility connects the region to Houston, Chicago, and Los Angeles. The intermodal hub has an annual lift capacity of 225,000 containers as well as 1,266 container and trailer parking stalls, both of which will be expanded by the end of the 2014. The facility is located in Santa Teresa, NM which borders with San Jeronimo, MX located in the west region of the municipality of Juarez.

Ciudad Juarez has also undergone notable investments in highway infrastructures. One of the single largest, Periferico Camino Real was completed in 2007. The \$65 million highway extends 15 miles and connects the southern region of Ciudad Juarez with the north east region/west-El Paso/Santa Teresa. Efforts continue to urbanize a multi-phase project in San Jeronimo. San Jeronimo, MX located in the west region of the municipality of Juarez. The proposed \$35 million project will include developing industrial and commercial properties, as well as several thousand homes to meet the demand of in-migrating residents. The project is expected to begin late 2014 and continue through 2016 in two phases.



Rating and Rankings

El Paso #1

Lowest Crime Rate Ranking – Cities of 500,000 or more population
CQ Press – 2013, 2012, 2011

The Best Mid-Sized Cities For Jobs
Forbes – 2011

Ballpark of the Year
Baseballparks.com – 2014

El Paso #2

15 U.S. Cities' Emerging Downtowns
Forbes – 2013

Best Cities for Pet Lovers
Movoto Blog – 2013

El Paso #3

Top 10 Best Cities to Raise a Family in America
Movoto Blog – May 17, 2013

The 10 Cities Most Safe From Natural Disasters
U.S. News – September 2008

The Best Mid-Sized Cities For Jobs
Forbes – 2012

El Paso #4

The Best Cities For Home Buyers
Movoto Blog – 2013

El Paso #5

Best Places for Business and Careers – Cost of Business Rank
Forbes – August 7, 2013

Forty Strongest U.S. Metro Economies – Job Growth (since peak)
Bloomberg Businessweek – 2009

In Depth: America's 25 Strongest Housing Markets
Forbes – 2009

El Paso #7

National University Rankings - UTEP
Washington Monthly – 2013

El Paso #10

Forty Strongest U.S. Metro Economies – Overall Rank
Bloomberg Businessweek – 2009

El Paso #11

Best Places for Business and Careers – Job Growth Rank
Forbes – August 7, 2013



Area Offices

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