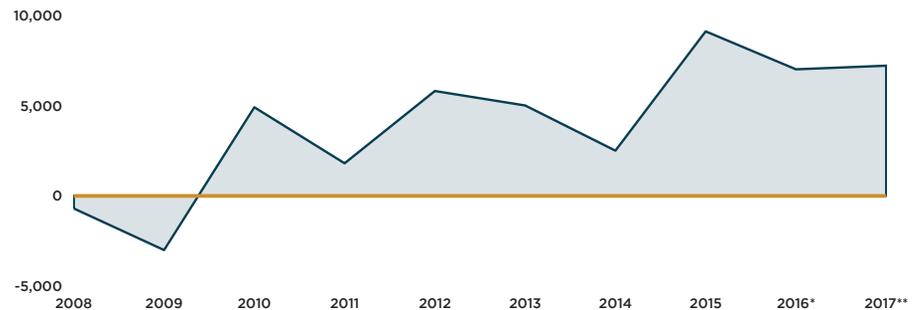


## 2016 REVIEW

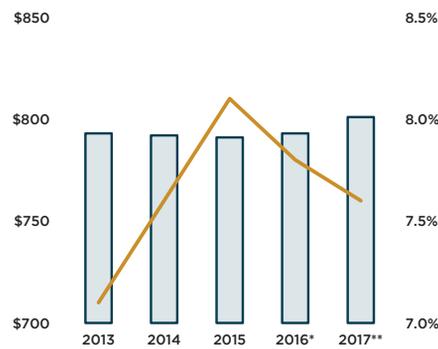
Sustained employment growth characterized the El Paso economy in 2016. Employers added 7,000 workers to local payrolls, a 2.3% year-over-year gain, following staffing increases of 9,100 employees in the prior year. Construction completed on two of six River Oaks retail centers, a continuation of a \$200 million investment announced in 2014 which is expected to create 420 jobs in total. The new shopping centers, which came online in March, contributed to the 2,400 new hires in the trade, transportation, and utilities sector. Leisure and hospitality companies expanded 4.7%, as 1,700 jobs were created. These newly filled positions were essential in supporting the tourism industry in El Paso, which hosts 2.96 million visitors annually, up 6.9% in the past five years. The continued economic expansion in the El Paso area supported leasing activity which exceeded the 350 units of new supply, compressing the vacancy rate 30 basis points to 7.8%. Tightening vacancy allowed operators to slightly lift rental rates to \$793 per month by December, a 0.3% year-over-year gain.

## EMPLOYMENT CHANGE



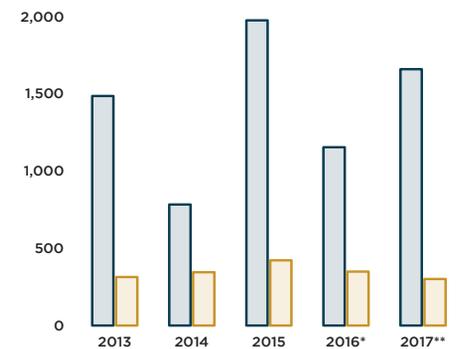
\*Estimate; \*\*Forecast | Source: Berkadia, Moody's Analytics

## ASKING RENT AND VACANCY



\*Estimate; \*\*Forecast | Source: Berkadia, Axiometrics, Moody's Analytics

## PERMITS AND DELIVERIES



\*Estimate; \*\*Forecast | Source: Berkadia, Axiometrics, Moody's Analytics

## 2016 PERFORMANCE HIGHLIGHTS

**EMPLOYMENT**  
**7,000**  
▲ 2.3% YOY

**UNEMPLOYMENT RATE**  
**5.1%**  
▼ 10 BPS YOY

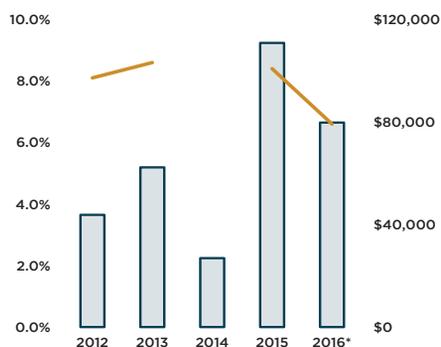
**VACANCY**  
**7.8%**  
▼ 30 BPS YOY

**ASKING RENT**  
**\$793**  
▲ 0.3% YOY

**CONCESSIONS**  
**2.1%**  
▲ 40 BPS YOY

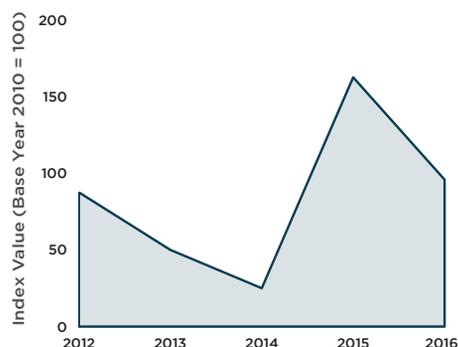
**CONSTRUCTION**  
**350 Units**  
▼ 17.3% YOY

## CAP RATE | PRICE PER UNIT



\*Estimate | Source: Berkadia, CoStar Group

## SALES ACTIVITY INDEX



\*Estimate | Source: Berkadia, CoStar Group

## MARKET FACTS

**POPULATION**  
**856,200**  
YE 2016 ▲ 1.4% YOY

**HOUSEHOLDS**  
**283,200**  
YE 2016 ▲ 1.4% YOY

**MEDIAN HOUSEHOLD INCOME**  
**\$40,751**  
YE 2016 ▲ 1.2% YOY

**RENT SHARE OF WALLET**  
**23.4%**  
YE 2016 ▼ 20 BPS YOY

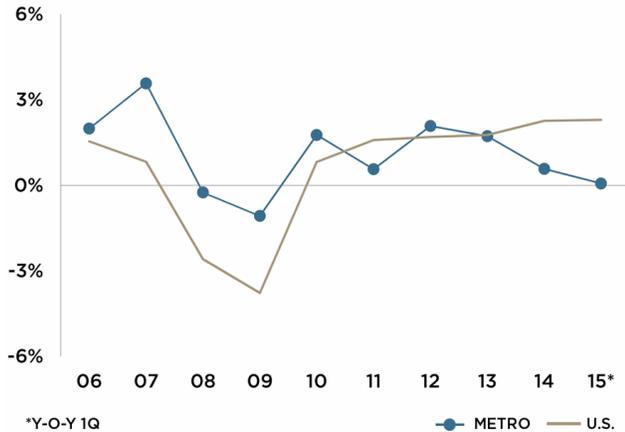
## 2017 PREVIEW

Employment growth in 2017 should mirror 2016, expanding by 2.3% as businesses are forecast to add 7,200 workers to their payrolls. The construction sector will be supported by the University of Texas at El Paso's new 150,000-square-foot, \$85 million research building scheduled to break ground in early 2017. Fort Bliss will continue base redevelopment, including construction on the \$1 billion, 1.13 million-square-foot medical facility scheduled to be finished in 2019 that replaces the 45-year-old William Beaumont Army Medical Center.

Confident in sustained economic growth and the resulting apartment demand in the near term, multifamily developers will ramp up planning activity 43.7% this year, requesting permits for 1,660 apartments. At the same time, an estimated 300 rentals will come online. The majority of the new inventory will be located at North Loop Apartments in southeast El Paso. Marketwide leasing will outpace completions over the next 12 months, resulting in the second-consecutive year of tightening vacancy. By year-end the vacancy rate will be 7.6%. Landlords are forecast to increase rental rates 1% to \$801 per month by December.



## EMPLOYMENT GROWTH



### JOBS GAINED | LOST

2005	5,300
2006	5,300
2007	9,700
2008	( 700)
2009	(3,000)
2010	4,900
2011	1,600
2012	5,900
2013	5,000
2014	1,700
2015*	200

\*Y-O-Y March 2015

### METRO

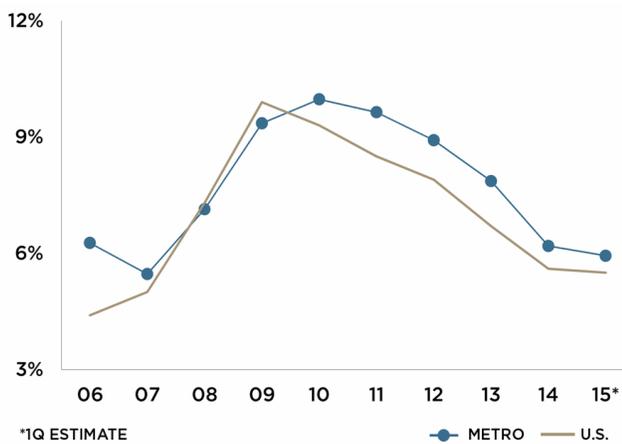
2014 TOTAL  
POPULATION

**842,500**

2014  
EMPLOYMENT BASE

**296,100**

## UNEMPLOYMENT RATE

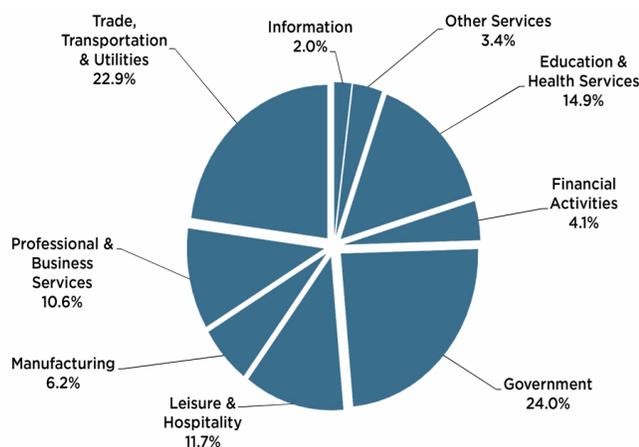


## ECONOMIC NEWS

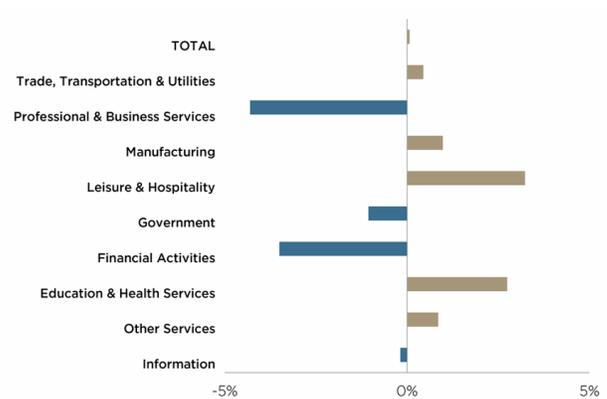
Employment inched up 0.1% since the first quarter of 2014 as local businesses added 200 workers to local payrolls through March of this year. The greatest growth was in the education and health services sector as 1,200 jobs were created. The leisure and hospitality segment recorded the highest rate of growth, a 3.2% expansion, with 1,100 new hires.

The professional and business services sector will be buoyed by aggressive hiring at ADP. The company is planning significant expansion, resulting in approximately 1,100 new jobs by 2020. Substantial growth is also anticipated for the retail and the leisure and hospitality segments in the next few years. Hundreds of new positions will be filled following the opening of the North Hills Crossing power center in northeast El Paso this summer. In eastern El Paso, hundreds of additional retail and hospitality jobs will be created after development of the 500,000-square-foot Montana Crossings shopping center is completed in late-2017 or early-2018.

## EMPLOYMENT DISTRIBUTION\*

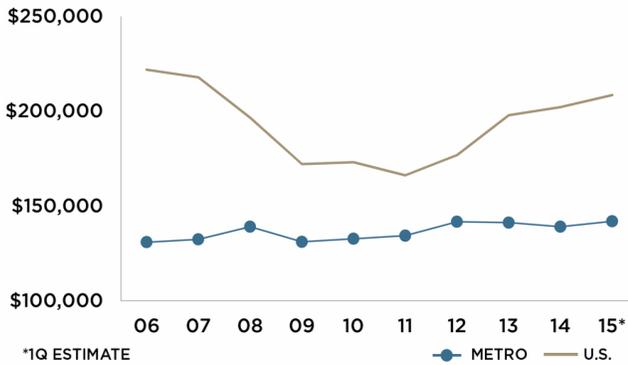


## EMPLOYMENT SECTOR TRENDS\*



\*Y-O-Y 1Q 2015 ESTIMATE

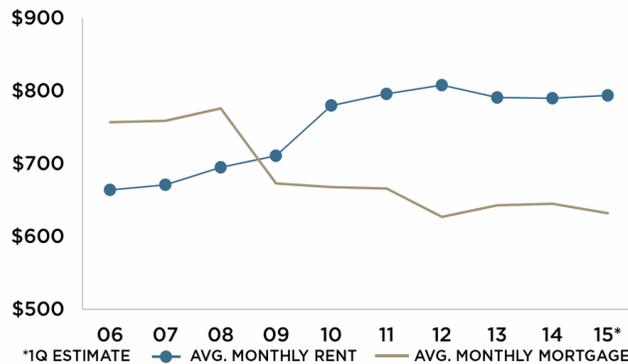
## MEDIAN HOME PRICE



In the first quarter of 2014, the median existing single-family home price was \$139,500, a 1.8% decline from the same period in 2013. During the most recent 12-month period, prices rebounded 1.8% to \$141,900 in March.

Sales of single-family homes advanced 5.8% since March of 2014 to 5,580 annualized homes at the end of the first quarter. In the prior year, sales velocity decreased 1.7%.

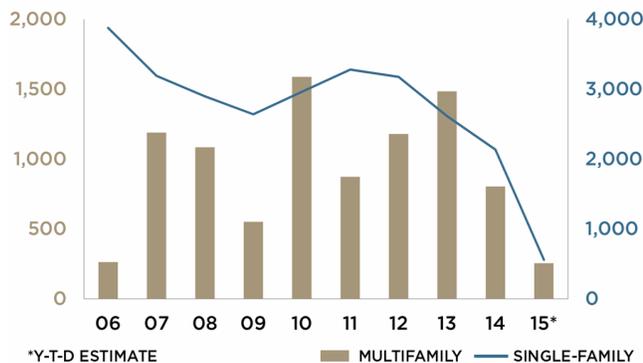
## RENT VS. OWN



The monthly cost of homeownership was greater than average rent from 2005 to 2008. The cost differential reversed in 2009. By March of this year, the cost of renting was \$162 higher per month than the average mortgage.

Metrowide vacancy was 7.6% at the end of the first quarter of this year, a 30-basis-point decline from the prior year. Sustained apartment demand led operators to curtail renter incentives as concessions decreased from 2% to 1.6% of asking rents. Meanwhile, asking rents rose 0.8% to \$794 per month.

## HOUSING PERMITS



Multifamily developers requested an average of 1,190 permits from 2010 to 2014. Annualized permitting activity in March of this year was scaled back to 1,020 units, down 19.8% from the first quarter of 2014.

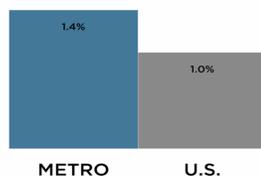
Single-family permits totaled 2,240 annualized homes in March of this year, a 1.5% decrease from the same time last year. Issuance averaged 2,830 permits in the prior five-year period.

## MEDIAN HH INCOME\*



\*1Q ESTIMATE

## POPULATION GROWTH\*



\*ANNUAL GROWTH 2010-2015

The median household income reached \$42,400 per year in the first quarter, a 3.5% annual gain. In the prior 12-month period, household earnings advanced 4.1%.

The metrowide population totaled 845,000 people in March, a 1.2% year-over-year increase. Over the next five years, annual population growth is forecast at 1.4%.