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The Property Ladder in New Mexico – Working Paper

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Introduction

To have a healthy housing market that can serve all New Mexicans, every tier and type of housing from low-income rentals to luxury-owned homes must be available and affordable. Furthermore, the market must support moves between the housing tiers as people enter the housing market, renters move into homeownership and homeowners continue to build equity and reinvest in higher-priced homes.

In January 2024, Keith Flynn and Todd Clarke began to investigate the current state of New Mexico's housing market to determine how well it was meeting the current and future housing needs of all its residents. They chose to use a traditional "property ladder" model, which is often used in real estate discussions to describe the stages of property ownership. However, believing that rental housing is a key part of a healthy housing market, they expanded the property ladder model to include the "rungs" of rental housing.

The result is a New Mexico property ladder that provides a clear picture of the housing challenges in our state and issues a call to restore balance to the property ladder. It also provides a clear picture of where movement is stalled on the ladder and issues a call to restore balance and health to the state's housing market.

In this paper, you will find a graphic illustration of New Mexico's property ladder, which was built on data from the 5-Year American Community Survey, the Federal Reserve Bank of St. Louis, Zillow, and several other sources. It also includes an executive summary, detailed information on the property ladder and two case studies. The second section of the paper contains the charts, data and projections that were used to create New Mexico's property ladder.

Contents

Executive Summary (Option 1 – Update Data if chosen)

Based on likely job growth, New Mexico will need an additional 107,000 housing units by 2032. Assuming an average cost per unit of $300,000, New Mexico is facing a $32,100,000,000 housing problem.

Creating new housing creates affordable housing over time. Market-rate construction plays a key role in solving the housing shortage in New Mexico through filtering, the process by which properties depreciate and become naturally affordable over time. New Mexico's population is expected to continue growing through 2035, and without additional housing units for people to move into, the housing crisis will continue.

In 2019, an estimated 45 percent of renter households could qualify for a mortgage on the typical home in New Mexico. In 2024, due to housing cost increases, property tax increases, insurance premiums and the cost of financing, only 21 percent of renters in the state could qualify to purchase a typical home.

Those who were able to get onto the property ladder before the housing shortage experienced a significant growth in household wealth through equity buildup. However, given the current state of the housing market, it may be prohibitive for households to invest their equity in a larger home due to higher overall housing costs, which their household income cannot support.

New Mexico's housing market is at a bottleneck, denying the ability for neither affluent not non-affluent households to move easily. The state is staring down a frozen housing market, headed towards a broken housing market, and there are really only two solutions:

1. Increase the supply of housing in the state on any and all rungs of the property ladder
2. Increase household incomes at a rate that is superior to housing and rent appreciation

Due to the correlation between home values and employment growth and based on current employment projections and the associated population growth that comes with it, the typical single-family home in the state is likely to cost $406,087 in 2032, up from $306,014 in June of 2024. This would be an increase of 33% over the next eight years. Unless household incomes grow in the state, more renters will be priced out from purchasing a home.

The Globest highlights this point in an article, stating:

> "The number of renter households in the U.S. grew three times faster than the number of homeowner households in 2Q 2024, driven by the increasing disparity between rent payments and the rising cost of mortgages.
>
> The median apartment asking rent increased less than 1% year over year in June, while the median monthly mortgage payment jumped roughly 5%," according to a new Redfin analysis of Census Bureau data. "Asking rents were 23% above pre-pandemic (June 2019) levels, while mortgage payments were 90% above pre-pandemic levels.' Homeownership grew just 0.6% in the quarter to a record 86.3 million, and at the slowest pace since 2019."

If the state sees the same historical rent growth rates across the metro areas – which is likely, given multifamily valuation increases from rental appreciation and employment projections – then more renters are likely to be pushed further down the property ladder, staying in apartments that then cannot filter down into affordability. The filtering process, where properties depreciate into affordability and create the lower rungs of the ladder, reverses in areas with high growth. The filtering process is also reversed when there is not enough housing construction to satisfy demand. The housing built today will become affordable housing 40 years from now. Without new construction to provide housing for the volume of demand coming over the next 20 years, the housing crisis and housing affordability crisis will continue to deepen in New Mexico.

This paper does not delve into the impediments to creating housing. It is a call to action across the state to bring the property ladder back into balance.

Executive Summary (Option 2 – Update data if chosen)

New Mexico's housing market is at a bottleneck, denying the ability for both affluent and non-affluent households to move easily as housing needs arise. Due to property values increasing beyond income growth, renters are having an increasingly difficult time moving into homeownership, and higher-income households are not able to move up into high-end luxury homes. In addition, rising rental costs mean renters have fewer housing options and the filter-down creation of affordable housing is not occurring.

Consider:

- In 2019, an estimated 45 percent of renter households could qualify for a mortgage on a typical, $300,000 home in New Mexico. In 2023, due to housing and mortgage cost increases, only 21 percent of the renters in the state could qualify for the same home. Approximately 41,000 would-be homebuyers are now priced out of the market.
- The cost of a typical single-family home in the state is likely to increase by 33 percent over the next eight years. A home that cost $306,014 in June of 2024 will cost $406,087 in 2032.
- According to a new Redfin analysis, rents are 23 percent above pre-pandemic levels. That means more renters are likely to be pushed further down the property ladder. Furthermore, the natural filtering process whereby properties depreciate into affordability and support the lower rungs on the ladder, will not occur.

In addition to the increasing cost of housing, New Mexico's housing supply is inadequate. And because the state's population is expected to continue to grow through 2035, the supply problem is likely to get worse. Based on projected job growth, the state will need an additional 107,000 housing units by 2035.

Market rate construction on any level of the housing ladder is key to solving the current housing crisis. It would:

- Provide more first-time homeownership opportunities.
- Allow those who can afford to move up the ladder to do so.
- Create more affordable housing as properties depreciate over time.
- Free up the housing market so that the property ladder balances itself, promoting a healthy housing market.

New Mexico is staring down a frozen housing market and heading towards a broken housing market. The current situation of undersupply due to appreciation and hyper-demand has frozen the market, prohibiting easy movement in housing based on needs. There are really only two solutions:

- Increase the supply of housing in the state on all rungs of the property ladder
- Increase household incomes at a rate that is superior to housing and rent appreciation

This paper does not delve into the impediments to creating housing. It is a call to action across the state to bring New Mexico's property ladder back into balance.

Property Ladder Image

The New Mexico Property Ladder (Update Data)

The property ladder can be broken down into a demand side and a supply side for both ownership and rentership. The rungs of the ladder are defined by income levels and types of homes. The blue horizontal bars illustrate the gaps between demand and supply for each rung. Although the gaps vary by rungs, an increase in supply on any level would allow both homeowners and renters to move up or down the ladder, freeing up the market. Alternatively, increasing incomes to the point where they outpace home price appreciation would also allow movement up and down the housing ladder.

Due to price and interest rate increases associated with homeownership after 2019, the ownership side of the ladder has become frozen. In addition, those renters who were priced out of the homeownership market are now stuck as renters, and the renter side of the ladder has frozen as well. Renters in rungs one through four are also facing increased rental costs, which makes it even more difficult for them to become homeowners.

As property values increased beyond income growth, the bridge to move from the renter side of the ladder to the owner side of the ladder moved. Rung four, titled Workforce Housing Rentals, was the position on the ladder that allowed for the most movement from rentership to ownership prior to 2019. Today that bridge has moved to rung 5, pricing out 41,000 renters who could have been owners.

A Frozen Property Ladder

As we know, there is a direct correlation between job growth, population growth, and housing appreciation. As the value of a home increases, the equity built into that home increases exponentially. This increase in household wealth, although locked up in a physical asset, allows a household more flexibility in future housing choices. *As the ladder becomes tighter with increased job growth and population growth, supply must grow with it to ensure that New Mexicans on all income levels can experience a growth in wealth.*

Because housing appreciation has outstripped income growth for the last five years, both renters and homeowners are frozen on the housing ladder. To illustrate this effect, let's examine two typical New Mexican households of median income in 2019 and compare them to today. Both households are on rung four of the ladder.

In January 2020, household #1, a family of 2, was earning $51,243 and had saved up a 5 percent down payment to purchase a typical home in New Mexico for $197,242. With an interest rate of 3.95 percent on a mortgage balance of $187,380, they purchased a typical three-bedroom home that served their needs for five years.

Household #1 Income and Homeownership Costs ($)						
Year	**2020**	**2021**	**2022**	**2023**	**2024**	**Total**
Household Income	51,243	54,020	58,722	62,125	62,125	
Annual P&I	10,670	10,670	10,670	10,670	10,670	53,350
Annual Property Tax	1,972	2,032	2,093	2,155	2,220	10,472
Annual Insurance	789	879	1,009	1,115	1,169	4,961
Annual PMI	937	920	903	885	866	4,511
Total Housing Costs	14,368	14,501	14,675	14,825	14,925	73,294
Home Value	197,242	219,841	252,314	278,870	292,201	302,401
Mortgage Balance	187,380	184,051	180,589	176,987	173,240	169,343
Equity	9,862	35,790	71,725	101,883	118,961	133,058

Household #2, a family of 2, decided to rent a multifamily unit in Albuquerque for the foreseeable future while saving up to take a year off to travel the world. After five years of renting, they had paid $78,084 in rent. In addition, their rent had increased by 45 percent for the same unit in five years.

Household #2 Income and Homeownership Costs ($)						
Year	**2020**	**2021**	**2022**	**2023**	**2024**	**Total**
Household Income	51,243	54,020	58,722	62,125	62,125	
Monthly Rent	1,054	1,131	1,329	1,463	1,530	45.16%
Annual Rent	12,648	13,572	15,948	17,556	18,360	78,084

While household #1 and household #2 made very similar total housing payments over the past five years, household #1 has more than $133,000 in equity available in their home while household #2 does not.

Household #2, the renters, managed to save up just over $15,000 in 2024, and sat down to talk with their local lender in January 2025 about buying the home next door to household #1 (home 3).

After sitting down with a loan officer to discuss loan terms, they were informed that their total monthly payment for this home would be $2,366. Their housing payment on an annual basis would be 46 percent of their income in 2024.

Their lender let them know that they could not qualify for this home, and they needed to save up more, and had to lease another apartment, for another year.

Cost to Move from Rentership to Homeownership	
Purchase Price (Home 3)	302,401
Downpayment (5%)	15,120
Loan Amount	287,281
Interest Rate	7%
Principal and Interest (Monthly)	1,911
Property Taxes (Monthly)	120
Insurance (Monthly)	96
PMI (Monthly)	239
Total Monthly Payment	2,366
Total Annual Housing Costs	**28,394**

But the news was not good for household #1 either.

As household #1 began to look into purchasing a larger, four-bedroom home to accommodate their plans to expand their family, they put their home on the market for sale. Confident that their equity buildup would allow them to upgrade to a larger home. They talked to their local lender, who let them know that they could not qualify for this larger home. The total housing payment would be 43.25 percent of their household income.

The housing ladder has frozen for both the rental and homeownership households, making it impossible to move until one of the following happens:

- *Rates decrease*
- *Prices decrease (unlikely to happen)*
- *Incomes increase*

Cost to Move Up the Homeownership Ladder	
Sale Price (Home 1)	302,401
Closing Costs (8%)	24,192
Loan Balance	169,343
Equity at Sale	108,866
Purchase Price (Home 4)	411,326
Downpayment	108,866
Loan Amount	302,460
Interest Rate	7%
Principal and Interest (Monthly)	2,012
Property Taxes (Monthly)	126
Insurance (Monthly)	101
Total Monthly Payment	2,239
Total Annual Housing Costs	**26,869**

Case Studies from New Mexico's Frozen Housing Market

A. Young Homeowner

Rung Six, frozen

This 20-something homeowner purchased their first home in 2020, which secured them a place on the property ladder. For the past four years, their 2,200 square foot home has built equity. Combined with secure employment, this homeowner has established themselves on the property ladder and should have housing options in the years to come but is currently priced out of moving up the ladder.

B. Young Renter

Rung Four, frozen

This 20-something has been a renter since 2019. At that time, they were renting an 800 square foot, one-bedroom apartment for 30 percent of their income, which came from part-time employment. Now with a full-time job and secure employment, they are renting a 700 square foot, one-bedroom apartment that costs 30 percent of their income. Currently, they are priced out of the homeownership side of the property ladder.

C. Pre-Empty Nesters

Rung eight, could move, but will not

This couple is a pre-empty nester living in a 2,300 square foot, 70-year-old home. After their kids leave for college in five years, they would like to downsize to a 1,400-square-foot home that has a newer casita. However, due to the increases in value that all homes in New Mexico have experienced, they would be trading significantly less space for a significantly higher housing payment and would, therefore, likely not move.

D. Empty Nesters

Rung eight, mobile

This couple is an empty nester living in a 3,200 square foot, 40-year-old home. They bought their first home at 19-years-old and have had a lifetime of housing choices. They have compiled a portfolio of 60 rental housing units that are a source of equity that can be tapped into for their children's private and higher education. This couple continues to have many housing choices, but likes the location of their current home.

E. Semi-Retired Couple

Rung eight, could move but will not

This couple is close to retiring, and they have no children living at home. Having moved up and down the property ladder throughout their lives, they are currently in a 3,000 square foot home and are happy there. They are not interested in downsizing, because they want to have room for family members to stay with when they come to visit.

F. Low-Income Renter

Rung two, frozen

This low-income renter has seen a huge change in what they have been able to afford over the last four years. As rental costs continued to rise past their income, combined with increasing grocery, insurance, and healthcare costs, they qualified for housing assistance after a long time on a waitlist.

G. A Teacher

Rung four, frozen

A second-year teacher in Albuquerque, saddled with student debt but with a master's degree, earns $54,000 a year. Because they have been in school full-time, they have not been able to purchase a home. Unless they get significant assistance or find a partner who has a similar income, their chances of getting onto the ownership rung of the property ladder are low.

H. Two Minimum Wage Workers

Rung two, frozen

This Las Vegas household consists of two minimum wage gas station workers, each working about 30 hours a week. They have a combined salary of roughly $37,440 a year. After their landlord increased their rent last year, they looked for another place to live but could not find anything in their price range. When they then applied for subsidized housing in the city, they discovered that they earned $4,000 over the income limit for a household of two.

I. Elderly Couple

Rung three, could move but will not

This couple live in a home built in the 1950s on a quiet road in Central New Mexico. Over time, their home began to show signs of wear and tear, but as the couple aged, it became harder and harder for them to keep up with needed repairs. The couple's home is paid for, and they don't want to leave. But the water heater just went out and, because they are on a fixed income, they can't afford the insurance increases. Instead of moving somewhere that is more manageable for them and, in turn, making a naturally-occurring affordable home available, they stay, further tightening the market.

J. Military Service Member

Rung X

"".

K. Sandia Labs Professional

Rung six, mobile

With an income of more than $100,00 a year and a high-earning, secure career ahead of them, this professional has many housing options. After talking to a mortgage broker, they purchased the median-priced home, which is affordable for them.

L. Retired Veteran experiencing homelessness

Rung zero, frozen

After serving in Vietnam, this veteran is now homeless and in need of wraparound supportive services. They are currently housed at Veteran's Integration Center, but their housing choices are extremely limited.

M. Younger Gen-Z Couple

Rung four, mobile

This couple is living in a $1,200 per month, 1970s, two-bedroom apartment. One of them just landed a good job with the state, and the other works at the Apple Store. With their new job stability and a steady

work history, they are ready to enter the housing market but cannot afford to do so. Instead, they are looking at moving into a $2,400 per month, new construction, two-bedroom apartment. Since they figure that homeownership isn't going to happen anytime soon, they want to live in a nicer, newer place closer to where the action is.

The Point

All these people are interconnected. While they each have their own story and their own reasons for living where they are living, every decision they make impacts the others. The ones who got onto the ownership side of the ladder benefit from equity buildup and have the possibility of moving up the ladder. However, without flow or movement all the way up and down the ladder, there are pileups. The demand and supply for each rung of the property ladder are directly impacted by the rungs above and below it.

If the Sandia Labs Professional who is currently on rung six partners with someone making the same household income, they could move up to rung eight. However, since no new luxury housing is being built, there is a good chance that they would not be able to find a rung eight home to purchase. That means that their current home on rung six would not be vacated and made available to a household looking to move up from rung five. Standard moves like these up and down the property ladder typically allow for rebalancing to occur and are indicative of an overall healthy housing market.

The result of the current situation of undersupply due to appreciation and hyper-demand has frozen New Mexico's housing market, prohibiting easy, need-based movement among types and levels of housing. If the projected job growth in the state is accurate, housing construction needs to be underway now to create additional units and free up supply.

Frozen Property Ladder Case Study

#	Whom	Income Level	Living in 2019	Living in Today	Can they Move?
A	Young homeowner	Rung 4	Rung 4	Rung 6	No
B	Young renter	Rung 4	Rung 4	Rung 4	No
C	Pre-empty nester	Rung 7	Rung 7	Rung 8	Yes, but will not
D	Empty nester	Rung 7	Rung 7	Rung 8	Yes, but will not
E	Semi-retired couple	Rung 7	Rung 7	Rung 8	Yes, but will not
F	Low-income renter	Rung 2	Rung 2	Rung 2	No
G	A teacher	Rung 4	Rung 4	Rung 4	No
H	Minimum wage workers	Rung 3	Rung 3	Rung 2	No
I	Elderly couple	Rung 2	Rung 4	Rung 2	Yes, but will not
J	Military service member				
K	Sandia Labs professional				No
L	Retired veteran experiencing homelessness	Rung 6	Rung 5	Rung 5	
M	Younger Gen Z couple			Rung 0	Yes, and will

Unfreezing the Market

While housing in New Mexico has continued to become more expensive, home value growth in Dallas slowed after 2022 even with an additional 100,000 people employed in 2023. This demonstrates that an ample supply of housing keeps housing appreciation at bay while incomes catch up to the home price appreciation.

Dallas/ Fort Worth MSA	Population	Average Annual Employment	Occupied Housing Units	New Housing Starts	Typical Home Value	Median Income	Income to Value Ratio
2019	7,320,663	3,813,443	2,553,470	62,708	245,815	70,281	3.50
2020	7,451,858	3,691,503	2,615,579	60,812	252,772	72,882	3.47
2021	7,543,340	3,901,793	2,693,107	78,705	272,142	76,916	3.54
2022	7,673,379	4,104,644	2,759,356	77,927	326,590	83,398	3.92
2023	7,807,555	4,214,999	2,825,878	68,029	372,792	87,155	4.28
2024	**	4,290,928*	**	72,151	368,987	**	**
2025	**	**	**	**	368,397	**	**

Through November 2024

Conversely, New Mexico has continued to see home prices increase. And with substantial job announcements starting to materialize and significantly less housing inventory being added, home prices will continue to rise.

Even more crucially, home prices relative to the median income were significantly higher in New Mexico than in Dallas in 2023. And although incomes tend to go up over time, it is likely that the relative home prices will still be high in New Mexico in 2024 and 2025 if more housing is not built. To achieve the same level of building as Dallas and relieve the pressure of price increases from a continuing housing shortage, New Mexico would need to add 19,384 units per year.

New Mexico	Population	Average Annual Employment	Occupied Housing Units	New Housing Starts	Typical Home Value	Median Income	Income to Value Ratio
2019	2,092,454	908,458	780,249	5,020	186,382	49,754	3.75
2020	2,097,021	857,744	792,755	5,219	197,242	51,243	3.85
2021	2,109,366	875,980	797,596	7,753	219,841	54,020	4.07
2022	2,112,463	909,160	812,852	8,633	252,314	58,722	4.30
2023	2,114,768	928,908	825,021	8,511	278,870	62,125	4.49
2024	**	934,041*	**	7,588	292,201	**	**
2025	**	**	**	**	302,401	**	**

**Through November 2024*

ACS 5-Year Community Survey Tables: DP05, S1901, B25002, St Louis FRED, Zillow Housing Data, US Census Building Permits Survey

Supporting Data

The balance of this document contains charts, data, information and projections that were used to create New Mexico's property ladder. The data is divided into seven topic areas and includes data on New Mexico and the United States.

Sources cited in this section include but are not limited to:

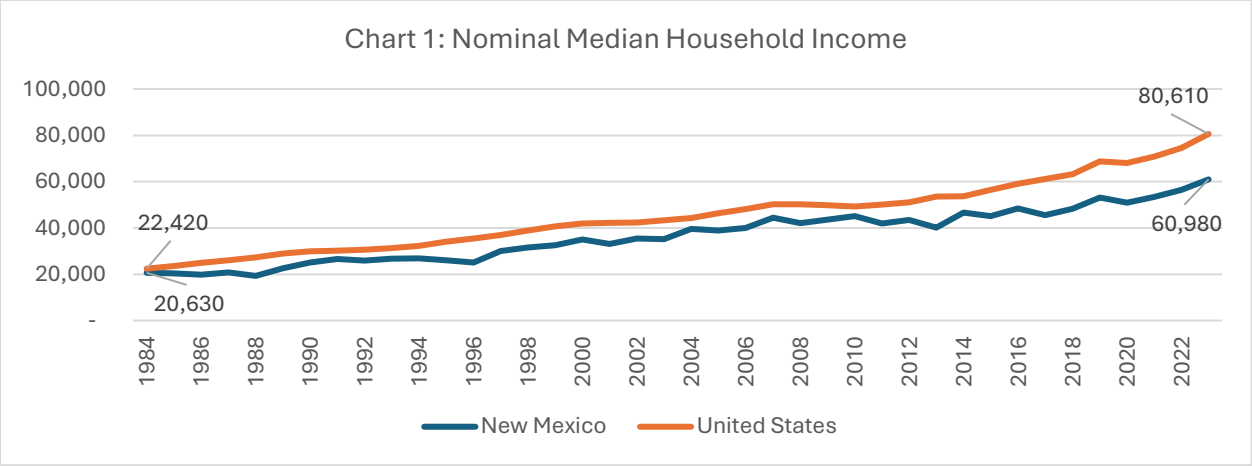
Federal Reserve Bank of St. Louis
American Community Survey
Office of Housing and Urban Development
New Mexico Workforce Connection
University of New Mexico
New Mexico Mortgage Finance Authority
New Mexico Economic Development District
US Census Bureau
New Mexico Association of REALTORS
Zillow
New Mexico Apartment Advisors
Bureau of Labor Statistics

Part 1: Income

The median household income in New Mexico has only risen 12 percent over the last 38 years after accounting for inflation, lagging behind the rest of the nation at 37 percent. One in five households live below the poverty line in the state. The median renter household income is almost half of the median homeowner household income.

Nominal Median Household Income since 1984

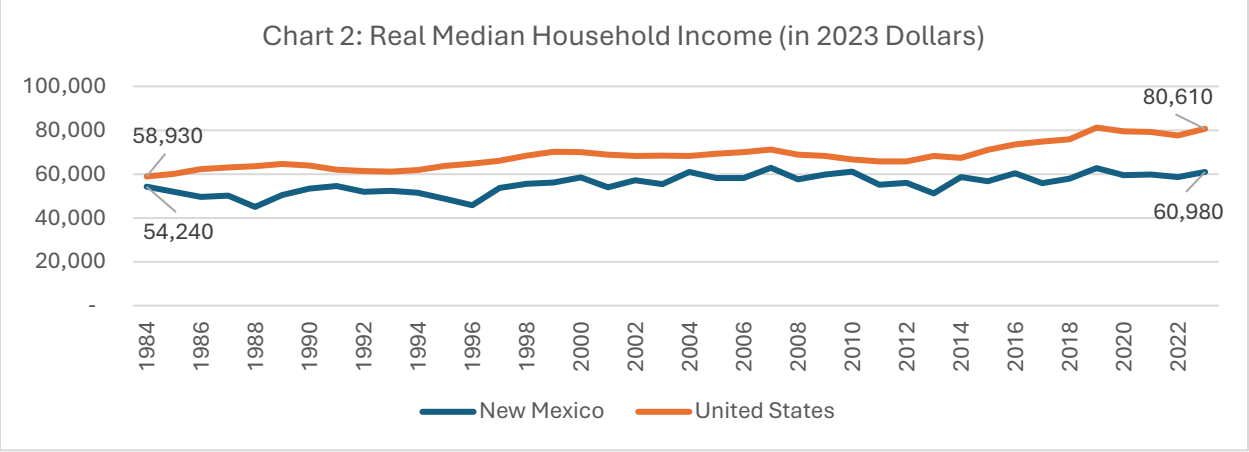
According to data from the Federal Reserve Bank of St. Louis, the median household income in New Mexico was $20,630 in 1984 and $60,980 in 2023, representing 196 percent growth over nearly 50 years. New Mexico's growth was significantly less than the national median household income, which grew 260 percent over the same time frame.



St. Louis FRED and *St. Louis FRED*

Real Median Household Income since 1984

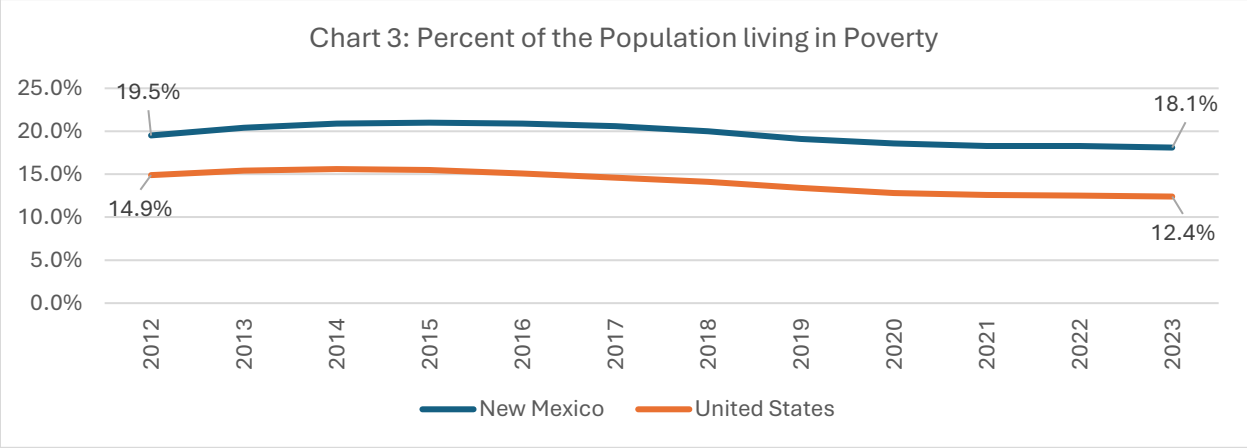
After accounting for inflation, the gain in median household income is even smaller than it originally seemed. According to data from the Federal Reserve Bank of St. Louis, the real median household income in New Mexico has only grown 12 percent when compared to 37 percent across the nation.



St. Louis FRED and *St. Louis FRED*

Poverty Rate in New Mexico

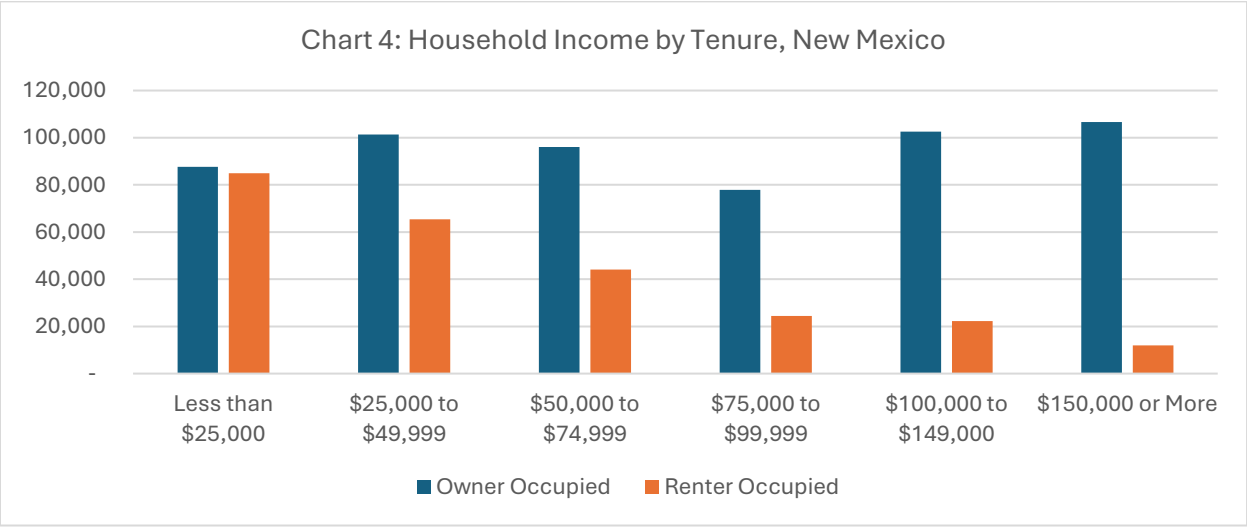
In addition to having a lower median household income than the rest of the nation, the poverty rate in New Mexico has historically been one of the highest in the nation. The ACS 5-year Survey estimates that, between 2012 and 2023, nearly one in five New Mexicans has consistently lived below the poverty line. In 2023, 18.1 percent of the population lived in poverty -- the lowest percentage since ACS started compiling their 5-year survey data -- compared to 12.4 percent nationally. The only two states with higher poverty rates in 2023 were Mississippi (19.1 percent) and Louisiana (18.9 percent).



ACS 2023 5-Year Community Survey, Table S1701

Homeowner and Renter Incomes in New Mexico

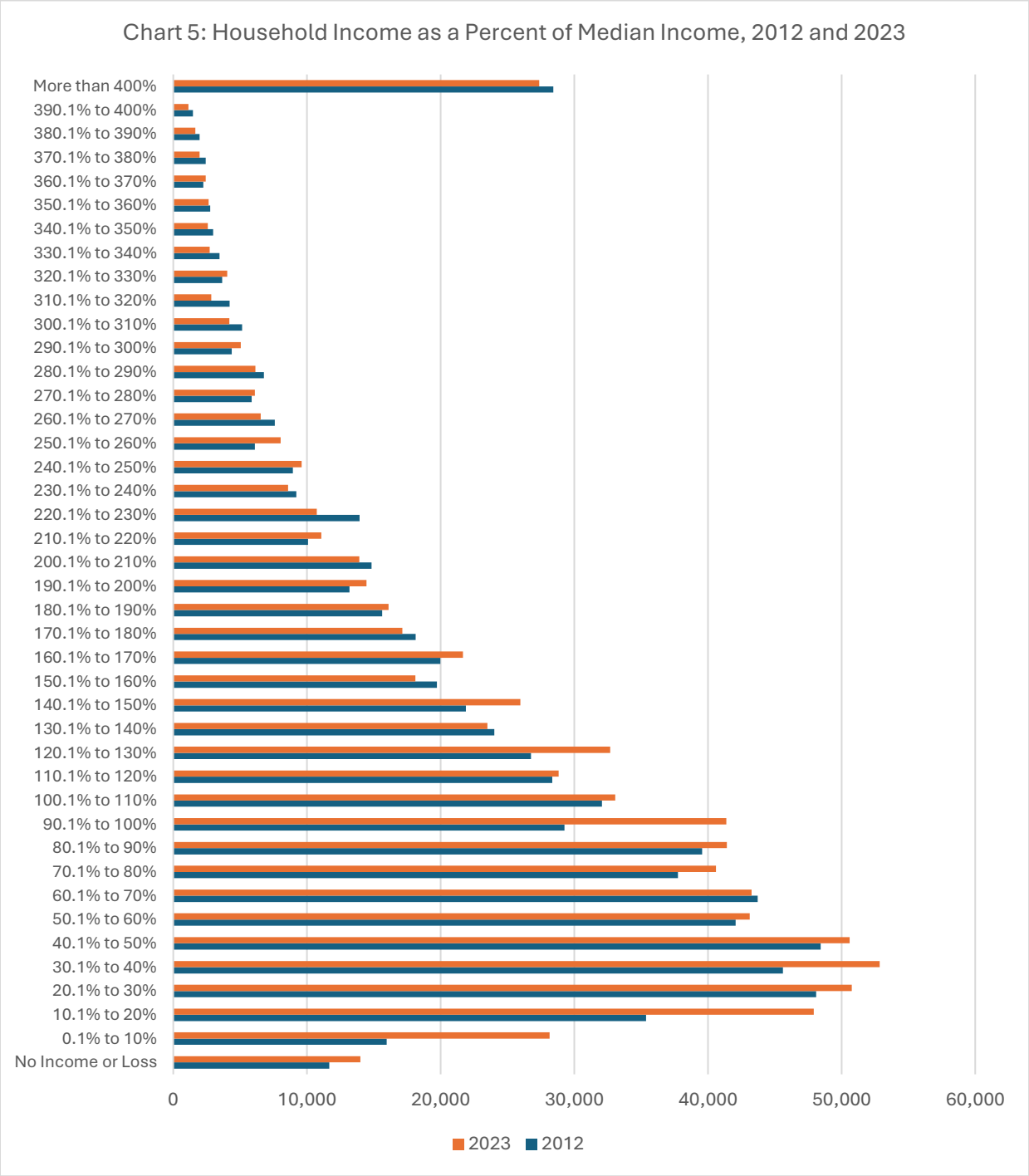
Renters are significantly more likely to have lower household incomes than those who own their own homes. In 2023, the median homeowner household income was $75,254 while the median renter household income was only $39,215. According to ACS data, New Mexico has a high homeownership rate at 69 percent. While nearly the same number of homeowner and renter households earned less than $25,000 in 2023, those with incomes higher than $25,000 per year were significantly more likely to be homeowners.



ACS 2023 5-Year Community Survey, Table B25118

Income Distribution as a Percent of the Median Household Income in New Mexico

To correct the impacts of inflation and determine the real change in household income over time, this paper breaks down household incomes into a percentage of the median household income through the ACS 5-Year Survey PUMS Data for 2012 and 2023. The state had 61,184 more households in 2023 than in 2012 – 56,556 below the median income and only 4,628 above the median income. The ACS 5-Year Survey estimates that the household median income was $62,125 in 2023 and $44,886 in 2012.



2012 ACS 5-Year PUMS and *2023 ACS 5-Year PUMS*

2025 Minimum Wage Across New Mexico

New Mexico's statewide minimum wage is $12 per hour for employees and $3 per hour for tipped employees. As of January 2025, some cities and counties have higher minimum wages than the state's.

Table 1: 2024 Minimum Wage *(Non-Tipped Employees)*	**Statewide**	**Santa Fe County**	**City of Las Cruces**
Per Hour	$12.00	$14.60	$12.65
Annualized, Part-Time (20 Hours per Week)	$12,480	$15,184	$13,156
Annualized, Full-Time (40 Hours per Week)	$24,960	$30,368	$26,312

New Mexico Department of Workforce Solutions

Low-Income Thresholds, 80% of the Area Median Income

The Department of Housing and Urban Development defines a household as Low-Income if it makes less than 80% of the area median income, adjusted for household size, determined on a county-level basis. In 2024, those levels, adjusted for family size, are as follows:

Table 2: 2024 Low-Income Thresholds in New Mexico (80% of AMI by County)	**Household Size**				
County	**1**	**2**	**3**	**4**	**5**
Albuquerque Metro Area *(Bernalillo, Sandoval, Torrance, Valencia Counties)*	$48,400	$55,300	$62,200	$69,100	$74,650
Santa Fe Metro Area *(Santa Fe County)*	$51,250	$58,600	$65,900	$73,200	$79,100
Las Cruces Metro Area (*Dona Ana County)*	$39,550	$45,200	$50,850	$56,500	$61,050
Farmington Metro Area *(San Juan County)*	$39,550	$45,200	$50,850	$56,500	$61,050
De Baca County	$41,950	$47,950	$53,950	$59,950	$64,750
Eddy County	$53,150	$60,750	$68,350	$75,900	$82,000
Grant County	$40,150	$45,900	$51,600	$57,350	$61,950
Harding County	$39,800	$45,450	$51,150	$56,800	$61,350
Lea County	$41,350	$47,250	$53,150	$59,050	$63,800
Los Alamos County	$68,500	$78,250	$88,050	$97,800	$105,650
Otero County	$39,800	$45,450	$51,150	$56,800	$61,350
Roosevelt County	$40,350	$46,100	$51,850	$57,600	$62,250
Taos County	$39,800	$45,450	$51,150	$56,800	$61,350
All Other Counties in New Mexico	$39,550	$45,200	$50,850	$56,500	$61,050

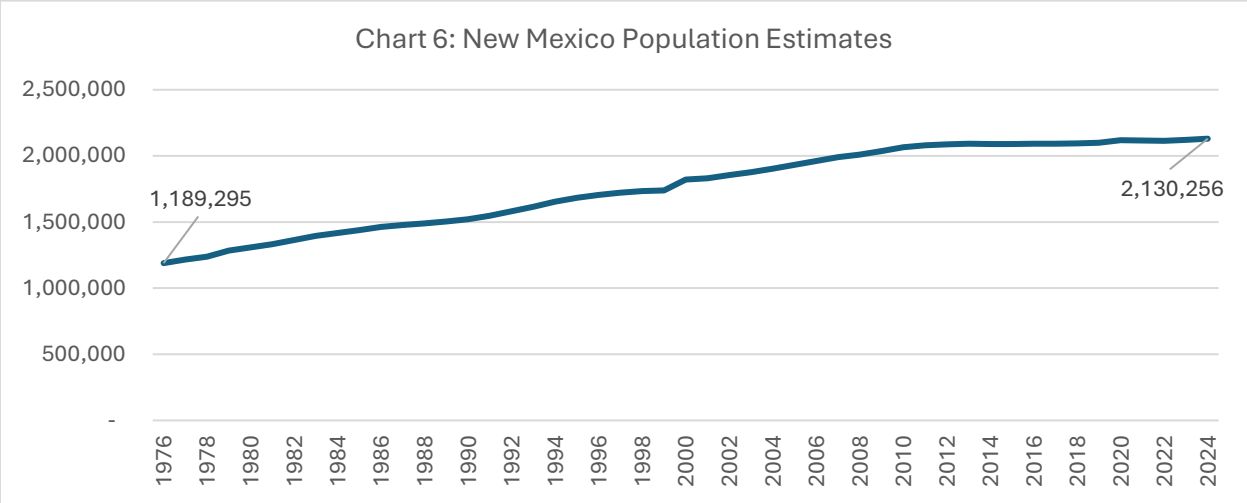
Housing and Urban Development 2024 Income Limits

Part 2: Population, Employment and Household Sizes in New Mexico through 2023

New Mexico's overall population growth rate declined after 2008, declining in some counties and growing in others. After the decline in employment in 2020, employment growth rebounded and pushed past pre-pandemic levels. The average household in New Mexico has shrunk by 0.12 people since 2012.

Population Estimates through 2024

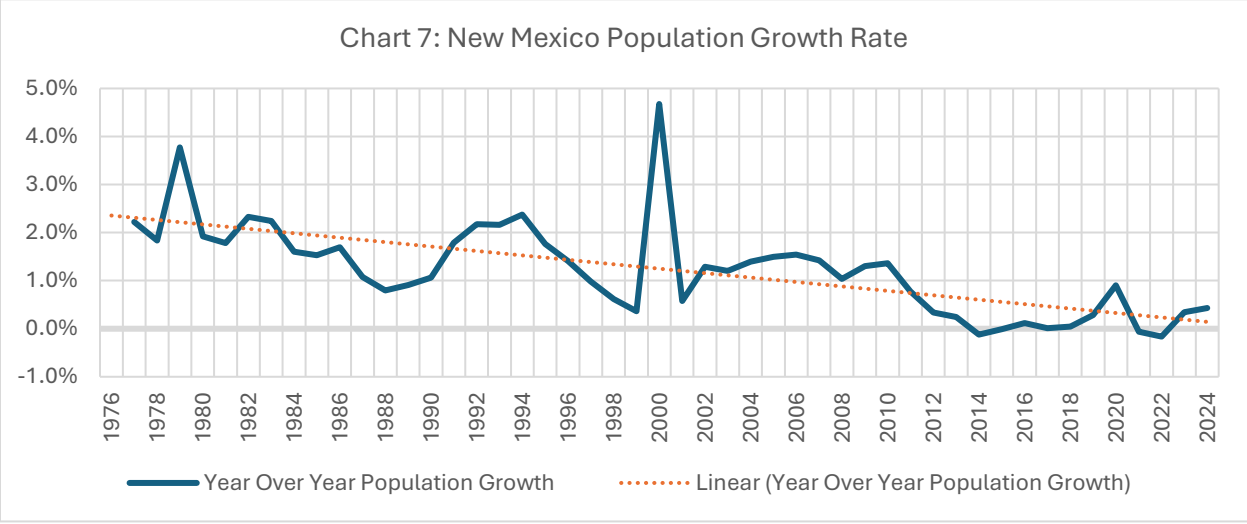
According to data from the US Census Bureau's Annual Estimates of the Population, New Mexico is estimated to have grown by 940,961 people between 1976 and 2023, with a current estimated population of 2,130,256.



St. Louis FRED

Population Growth Rate Estimates through 2024

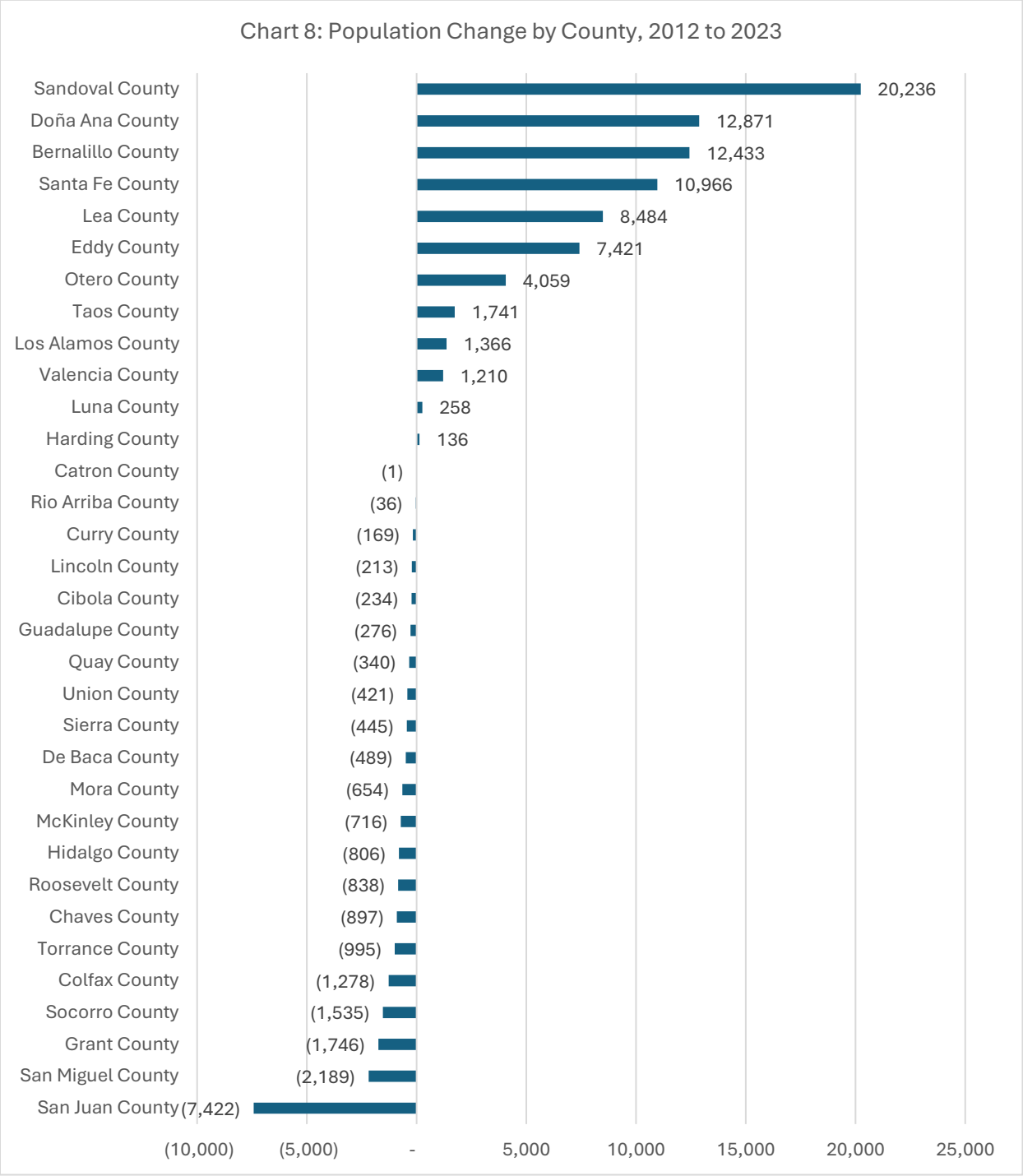
While the population has continued to grow in New Mexico, the rate of growth has declined, with two periods of population stagnation or loss year over year in 2014 and 2021.



Calculations based on: St. Louis FRED

Population Change by County, 2012 to 2023

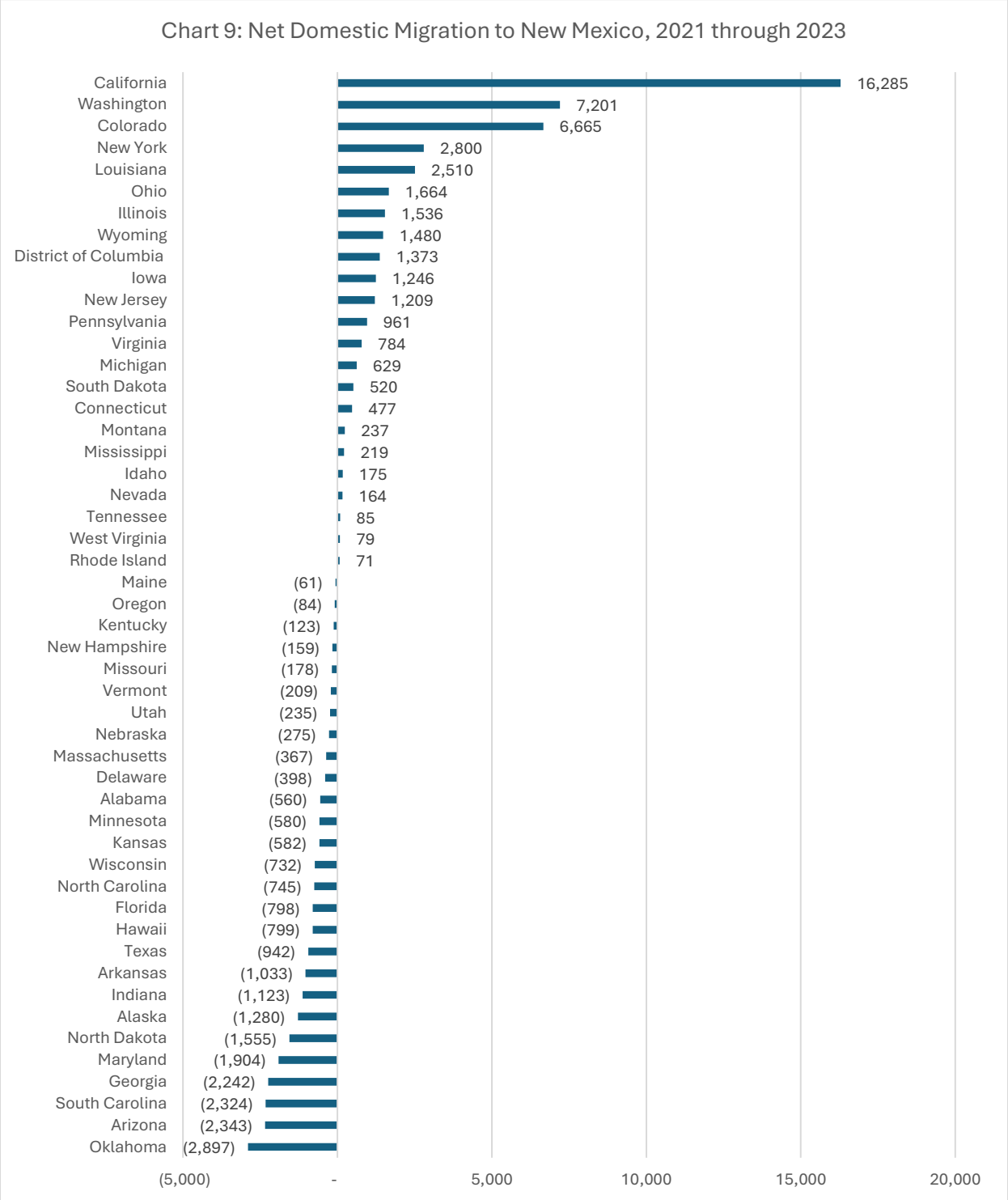
While the state's overall population growth was modest between 2012 and 2023, each county was impacted differently. In general, the metro areas and the energy plex region of the state gained population, while rural areas lost population. San Juan County was the notable exception of an urban area that lost population.



ACS 2023 5-Year Community Survey, Table DP05

State to State Migration

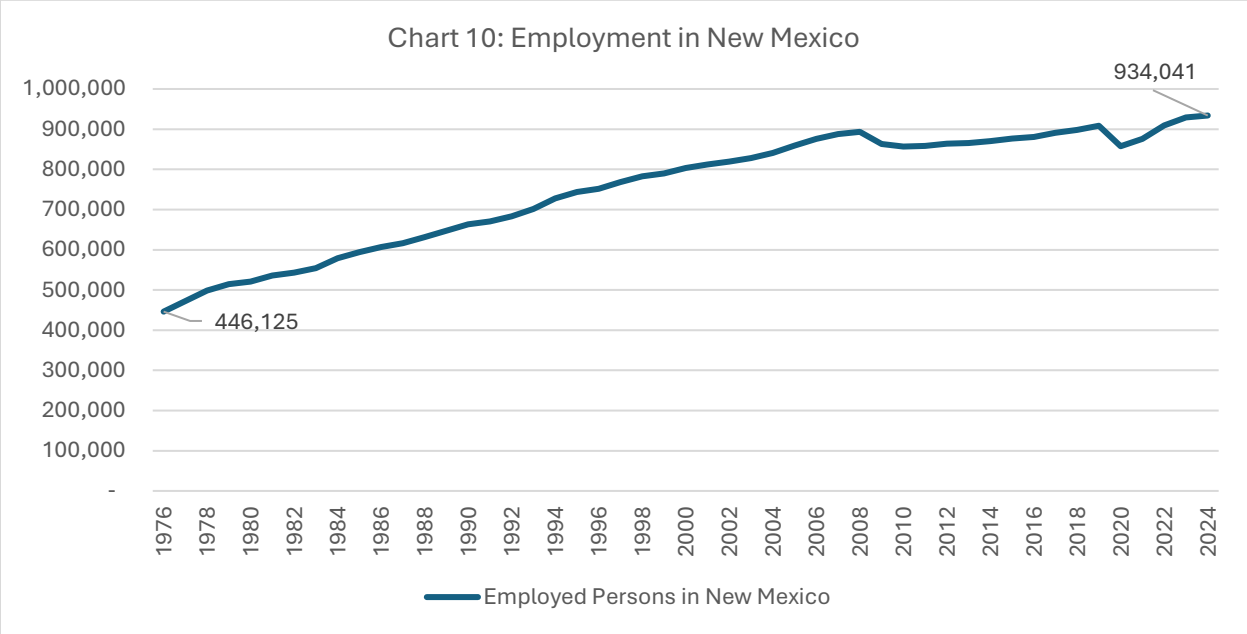
Since 2021, according to the Census Bureau, New Mexico's population increased by 23,842 through net domestic migration. The states that contributed to the largest number of relocations to New Mexico were California, Washington and Colorado.



Census Bureau State to State Migration Flows 2021-2023

Employment Growth through 2024

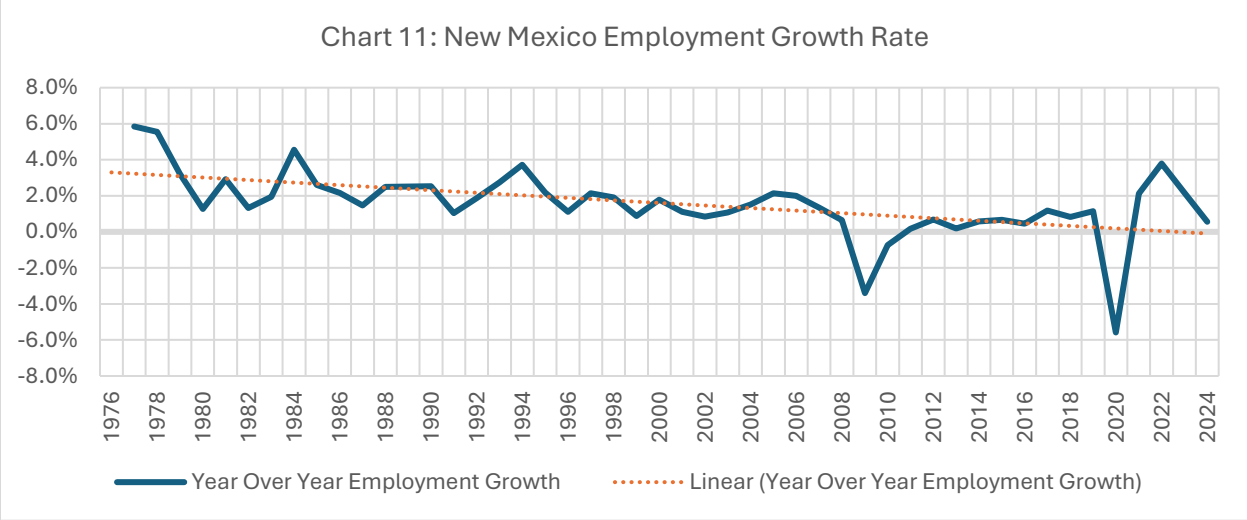
Employment growth is a key factor in population growth, driving population inflows and outflows. Using information from the US Bureau of Labor Statistics since 1976, we can look at the estimated number of employed persons by month, averaged out annually. Since 1976, the state has added more than 487,000 jobs, growing by 109 percent.



St. Louis FRED

Employment Growth Rate Estimates through 2024

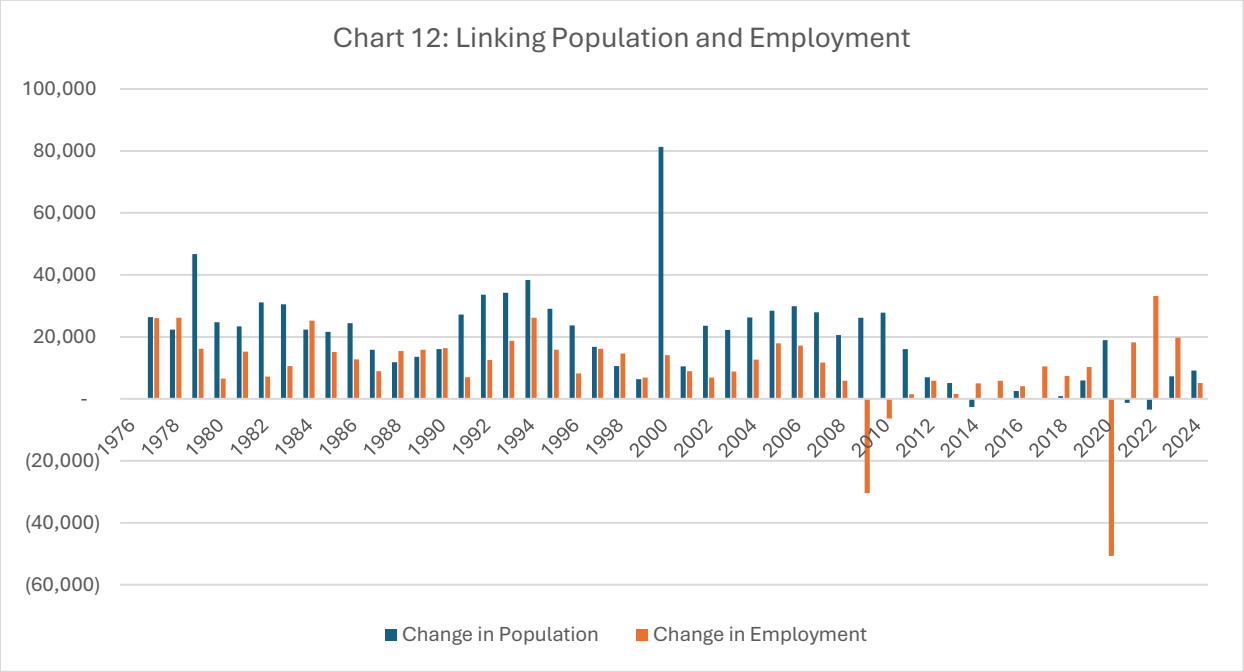
The growth rate in employment saw a significant decline between 2006 and 2008 and again in 2020. However, the rate of change in employment rebounded significantly in 2021 and 2022.



Calculations based on: St. Louis FRED

Linking Population and Employment

Since 1977, the population has grown by an average of 1.67 people for every additional employed person in the state. In 1977, the population-to-employment ratio was 2.57, but in 2024, that number was 2.28. After 2008, it took nearly 10 years for the number of employed people to reach a new high, but the population growth associated with employment growth pre-2008 did not happen.



Calculations based on: St. Louis FRED & St. Louis FRED

Population in Housing Units

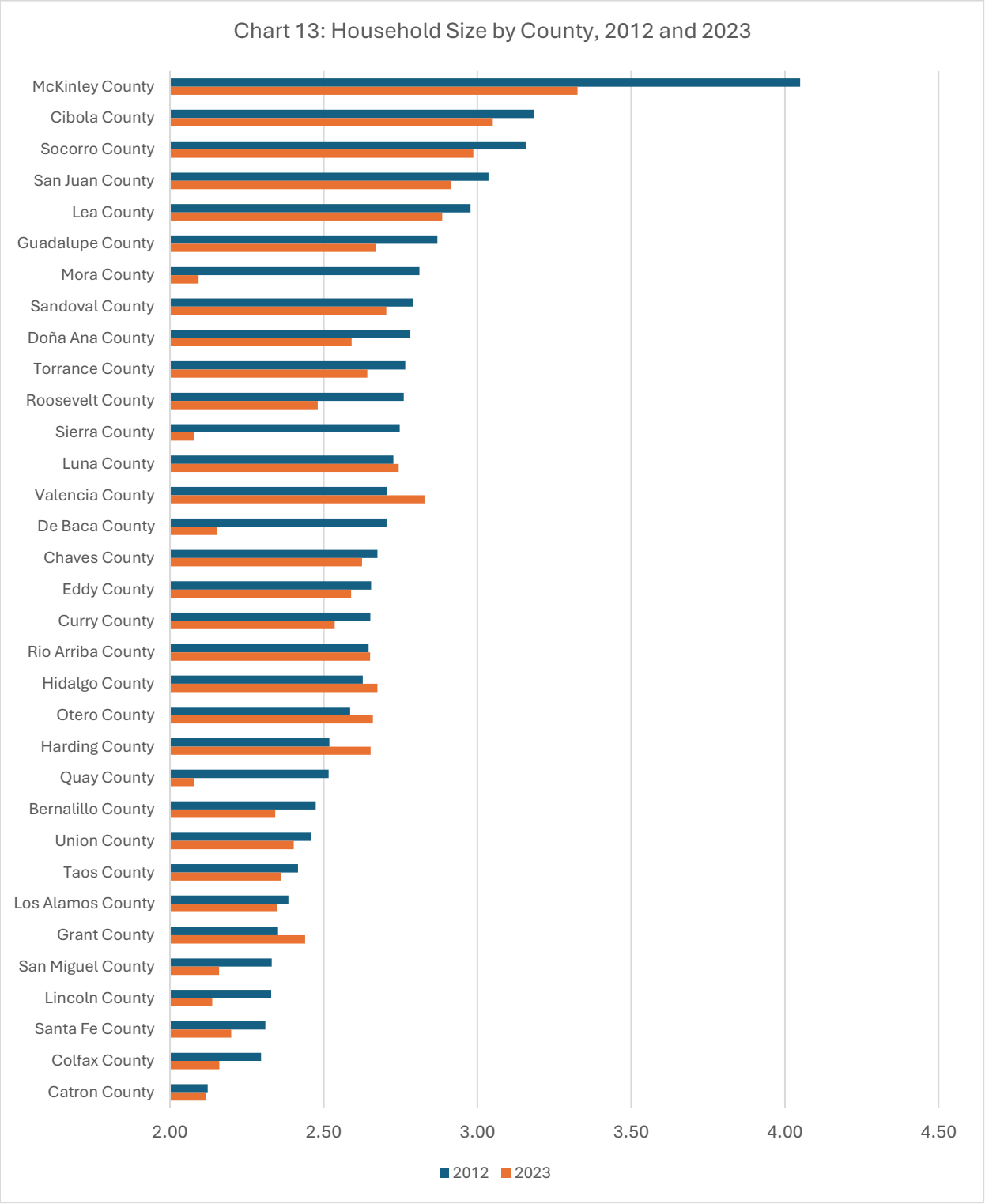
According to ACS 5-Year Survey data, the population in New Mexico grew by 59,481 between 2012 and 2023. Simultaneously, the average household size decreased, meaning that 61,177 more housing units were occupied between 2012 and 2023. A small change in household size can lead to a drastic change in the number of housing units demanded in any given area, paving the way for housing shortages, even if the population is not increasing.

	Table 3: Population in Housing Units	**2012**	**2023**	**Difference**
	Population Estimate	2,055,287	2,114,768	59,481
-	Population in Group Quarters	42,588	42,928	340
=	Population in Housing Units	2,012,699	2,071,840	59,141
	Total Housing Units	900,504	949,524	49,020
-	Vacant Housing Units	136,660	124,503	(12,157)
=	Occupied Housing Units	763,844	825,021	61,177
	Population per Occupied Housing Unit	2.63	2.51	(0.12)
	Vacancy Rate	15.18%	13.11%	(2.06%)

ACS 2023 5-Year Community Survey: Table DP05, Table B26001, and Table B25002

Household Size by County

Most counties in New Mexico saw a decrease in household size between 2012 and 2023, if these trends continue, housing demand may be positive in counties that have projected population loss.



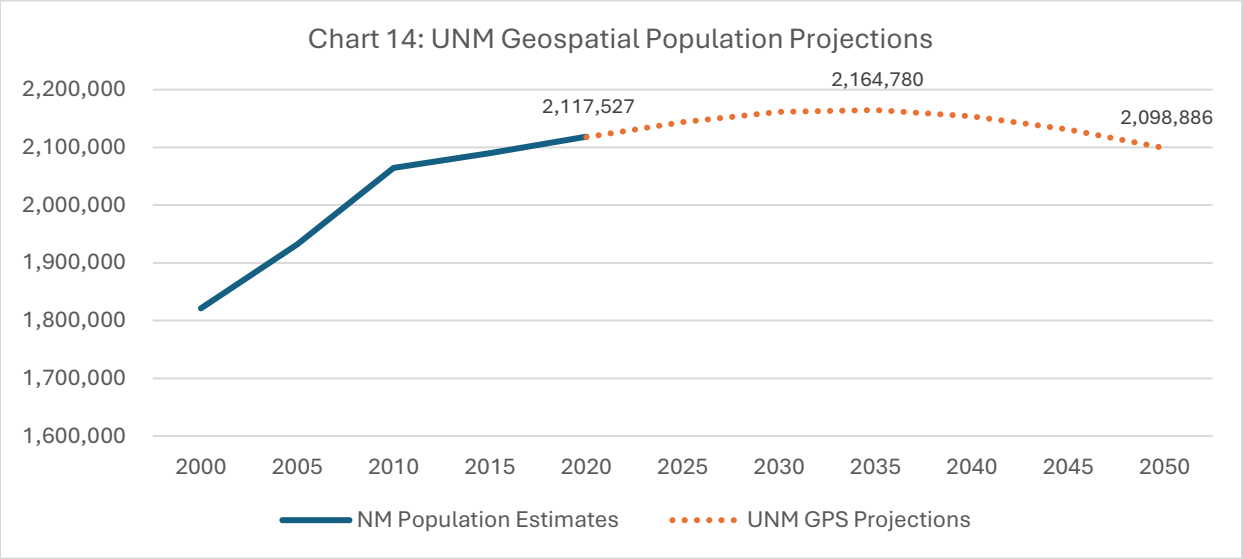
ACS 2023 5-Year Community Survey: Table DP05, Table B26001, and Table B25002

Part 3: Population, Employment, and Household Demand Projections

New Mexico's population is projected to peak in 2035, with population growth primarily driven by migration to that point. New Mexico's 10-year outlook on employment is projected to grow at a much higher rate than the population and imply a different story. The trends shifting population from rural areas to urban areas is expected to continue, implying outsized housing demand in urban areas, with housing demand in rural areas through 2035 primarily left to be determined by changing household sizes.

UNM Geospatial & Population Studies Department Projections

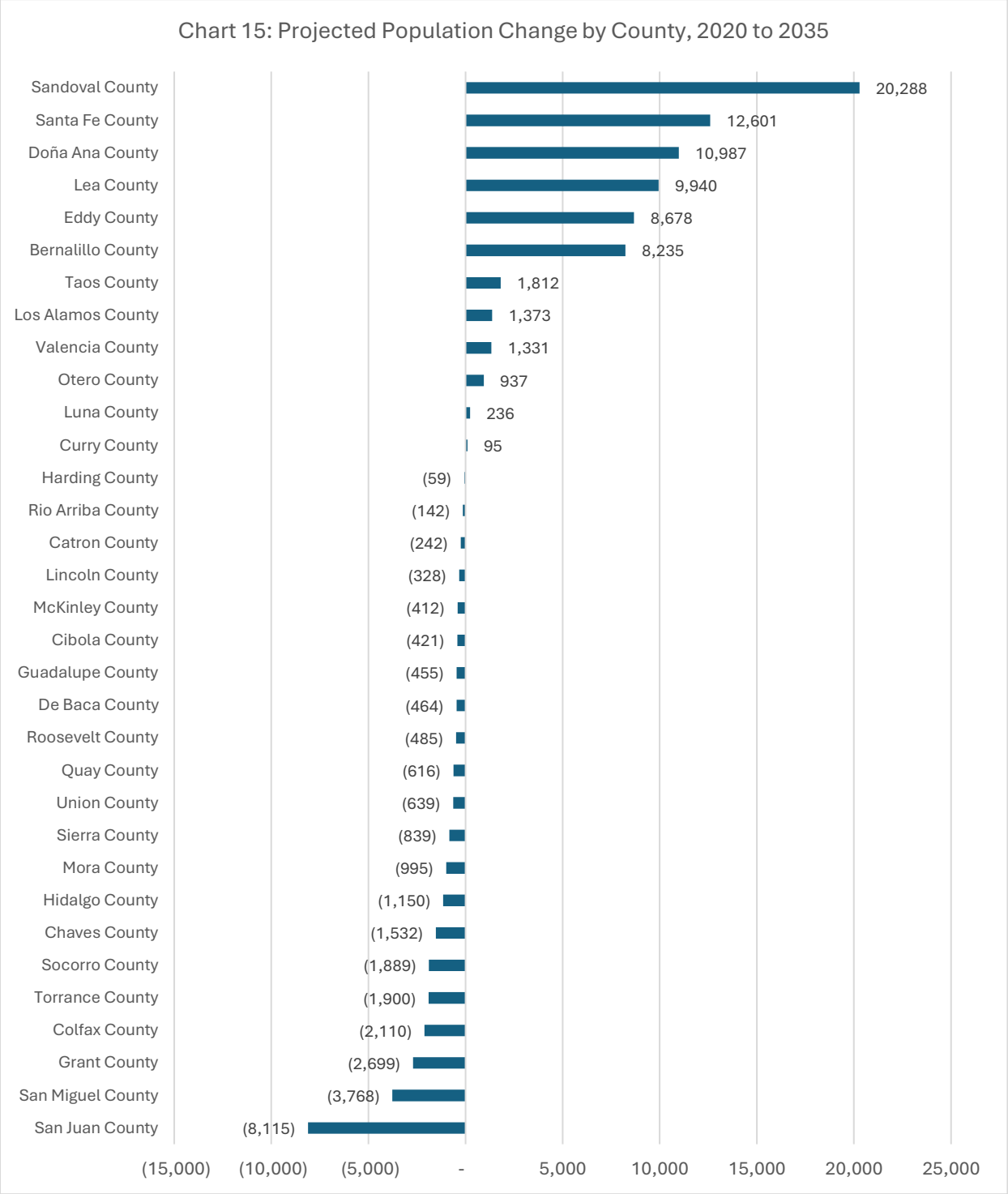
The UNM Geospatial & Population Studies Department produces population projections for the State of New Mexico through 2050 based on a standard cohort component method. The projections estimate a population plateau near 2.16 million in the 2030s, which is only 50,000 more people than were living in the state in 2020, according to the 2020 Census, but there is more to the picture.



St. Louis FRED and UNM Geospatial Population Studies Projections

Population Projections by County

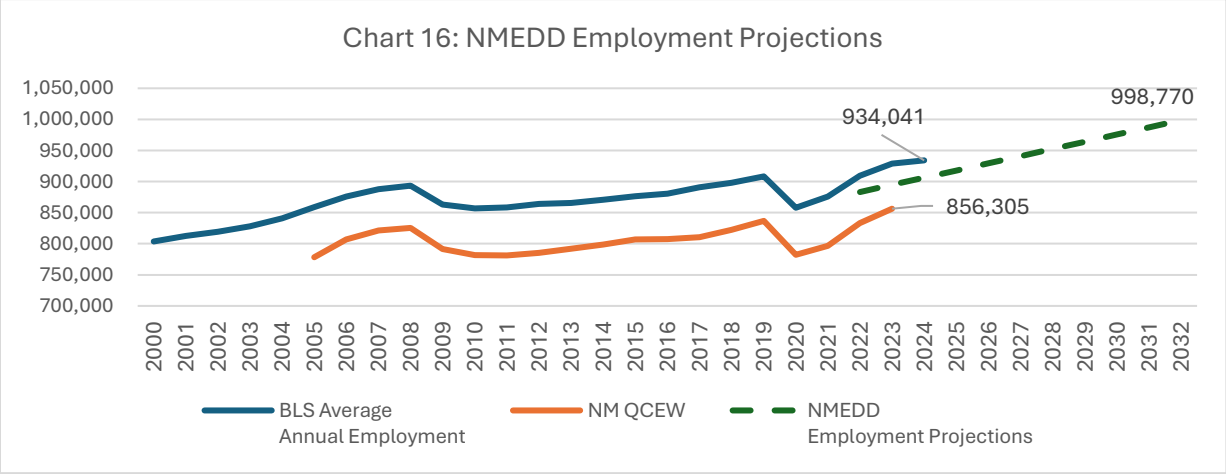
Even though the state's overall population is projected to continue growing through 2034, growth in each county is expected to vary, with continued growth in urban and semi-urban counties through 2040 and projected declines in rural counties.



UNM Geospatial Population Studies Projections

New Mexico Department of Workforce Solutions Employment Projections

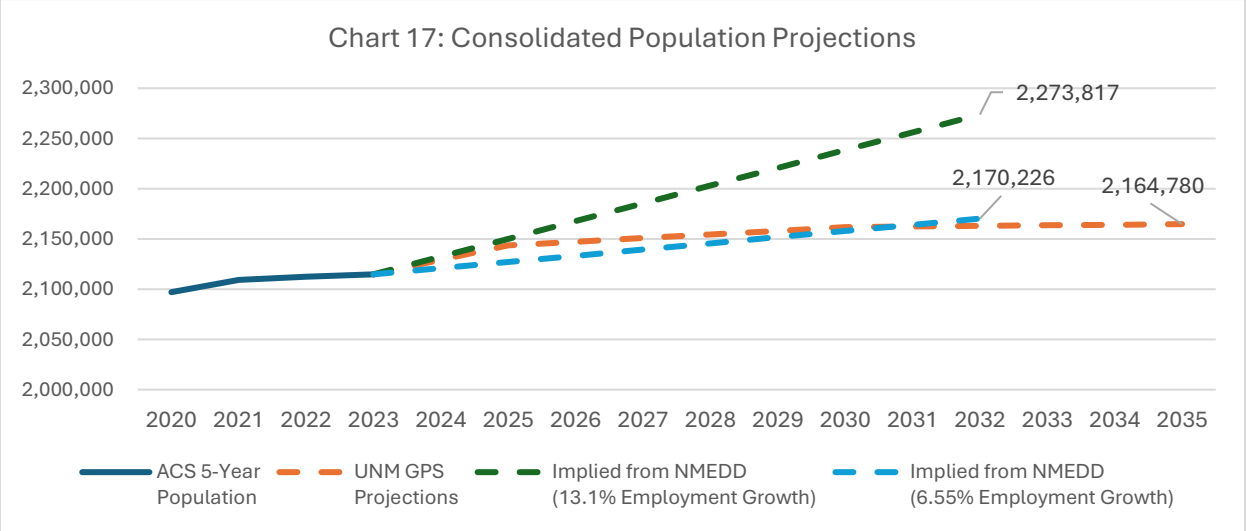
In 2024, the New Mexico Department of Workforce Solutions projected that the 2022 employment of 883,100 will grow to 998,770 by 2032. This represents a 13 percent increase, with 115,670 jobs added to the economy. Overlaying the Bureau of Labor and Statistics (BLS) Average Employment Data to the projections sheds more light on the subject, with employment growth rebounding from the 2020 lows and showing stronger than projected employment growth. The New Mexico Quarterly Census of Employment and Wages (NM QCEW) shows lower average employment numbers than the BLS Survey.



St. Louis FRED, *NM Economic Development Department*, *NM Workforce Connection*

Consolidated Population Growth Projections

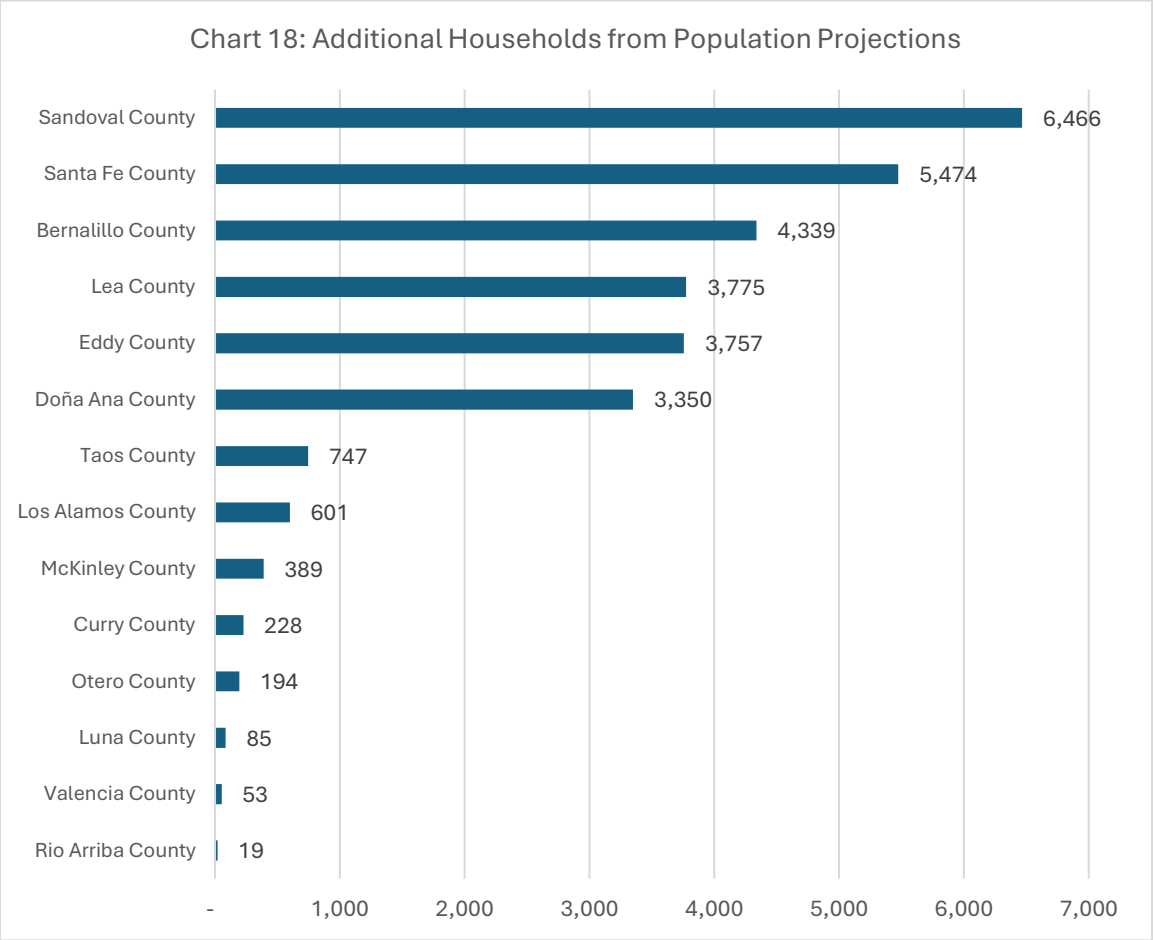
With a 2024 population-to-employment ratio of 2.28, calculated in Part 2, the projected job growth from NMEDD implies a statewide population of 2,273,817 by 2032. If the state achieved 6.55% employment growth, half of the NMEDD projections, the population is implied to be 2,170,226 in 2032. This aligns closer to the population projections from UNM's Geospatial Population Studies in 2035.



ACS 2023 5-Year Community Survey: Table DP05, *UNM Geospatial Population Studies Projections*, Calculations based on *NM Economic Development Department*

Household Demand from Population Projections

By taking the population projections from UNM's Geospatial Population Studies Department and accounting for the population living in group quarters, dividing by the 2023 household sizes for each county, the total number of additional households in counties with population growth can be estimated through 2035. It is worth noting that if the total household size in each county continues to decrease, these estimates are an understatement.



Calculations based on: UNM Geospatial Population Studies Projections, ACS 2023 5-Year Community Survey: Table DP05, Table B26001, and Table B25002

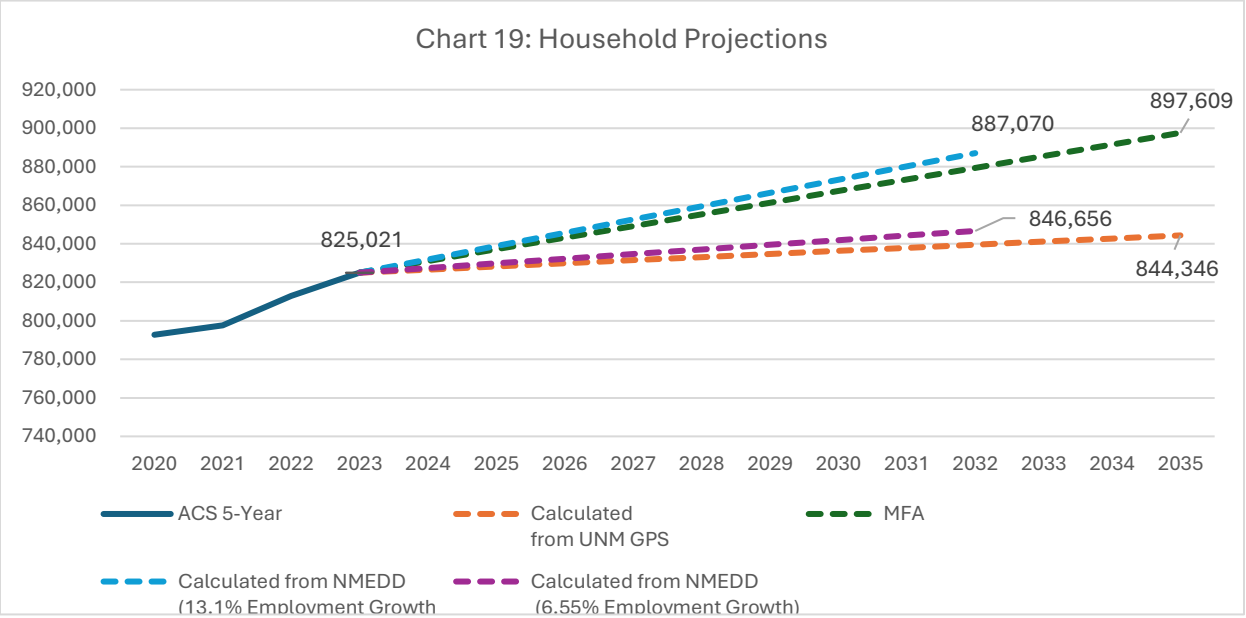
The Mortgage Finance Authority's 2022 Housing Strategy

The 2022 Housing Strategy report produced by the Mortgage Finance Authority (MFA) projected that the state would grow to 897,609 households by 2035 from 832,292 households in 2020. They called for the production of 5,100 units between 2022 and 2025 and 5,140 housing units per year between 2025 and 2030. They projected in 2022 that the state was 25,400 units short of need in 2025 need and 73,700 units short of the 2035 need after factoring in vacancy rates and replacement rates.

MFA also highlights the current shortage of affordable housing units for households earning below 30 percent of AMI. Across the state, 32,000 renter households are paying more than 30 percent of their income towards housing costs.

Consolidated Household Projections Based on Growth Projections

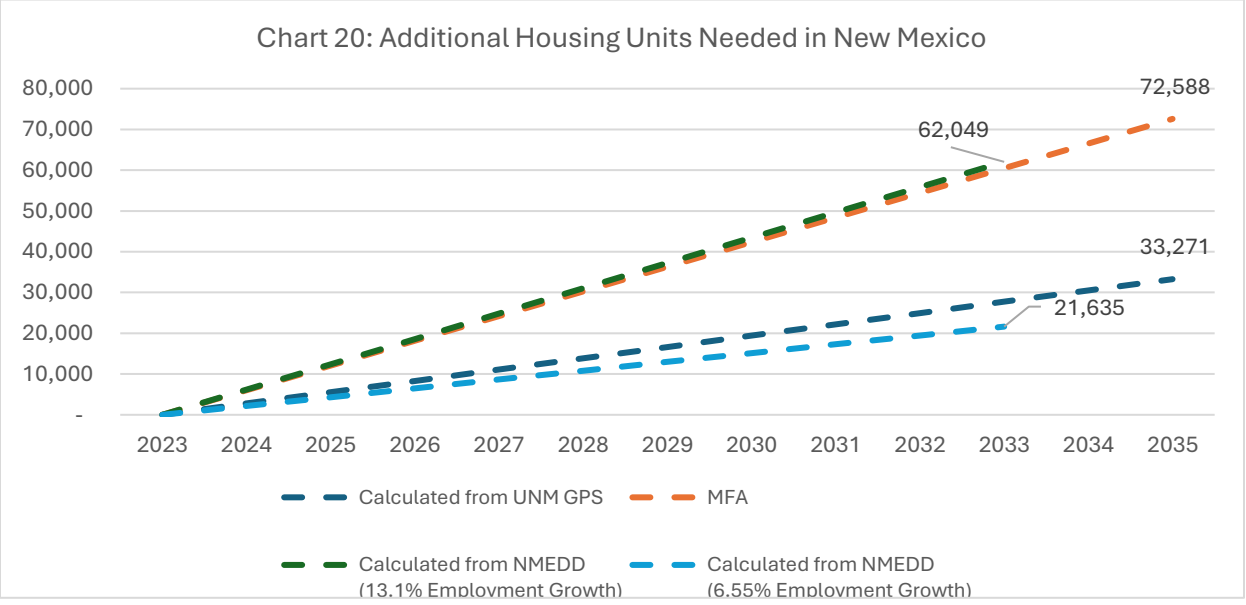
Keeping household size and the proportion of the population in group quarters consistent through 2035, the implied household growth across the state of New Mexico is outlined below.



ACS 2023 5-Year Community Survey: Table DP05, MFA's 2022 Housing Strategy Report, Calculations based on: NM Economic Development Department, UNM Geospatial Population Studies Projections

Additional Housing Units Needed by 2035

Household demand will be distributed unequally across the state. Maintaining an equivalent vacancy rate through 2035, the total number of new housing units needed across the state to incorporate the population changes will be between 2,164 per year and 6,205 per year.



Calculations

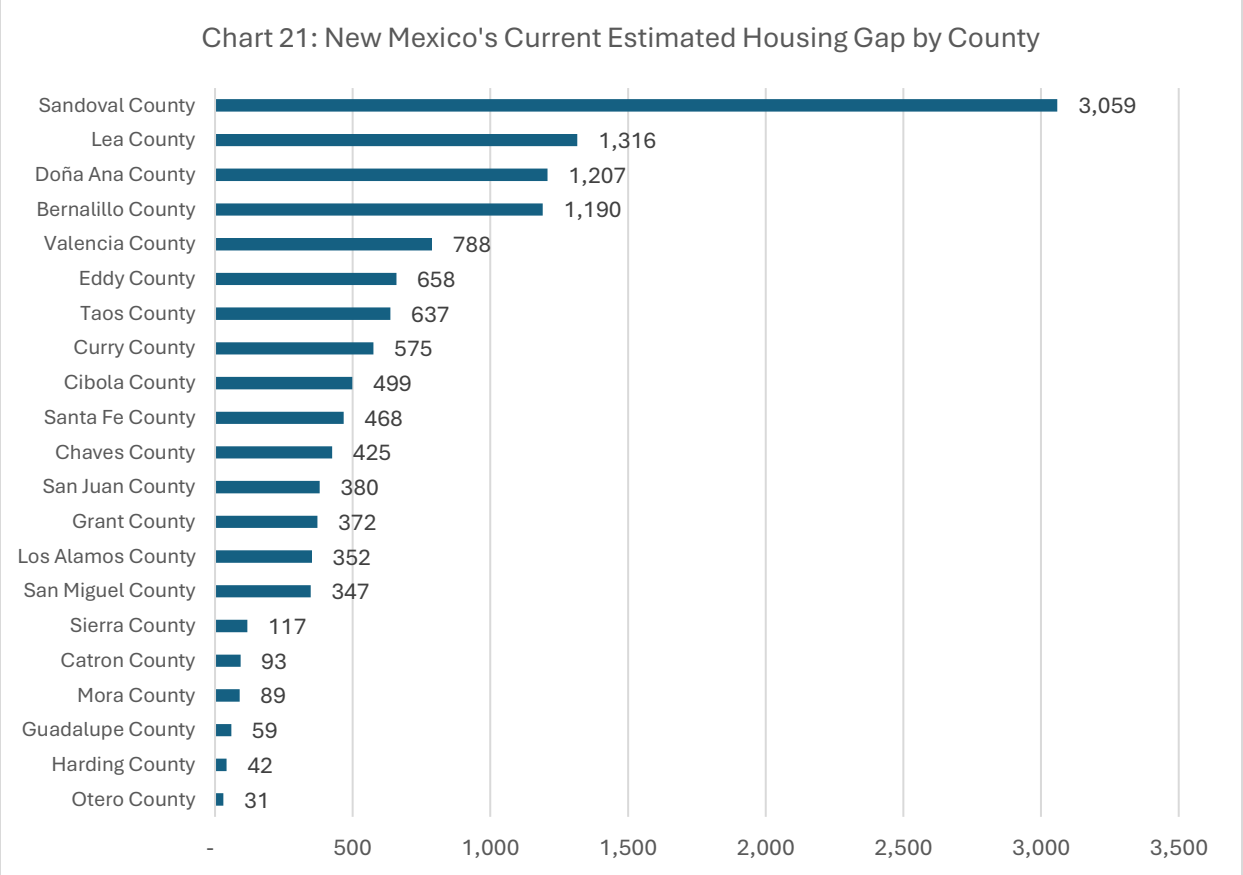
EBA Analysis in Albuquerque

Todd Clarke, CCIM, tracked employment announcements in the Albuquerque Area between 2020 and June 2024. By applying an economic base analysis to the announced employment growth, he has projected the following:

1. Albuquerque has seen an additional 10,307 new basic job announcements since 2020. These new job announcements can support 84,101 jobs across the county.
2. This employment growth can support a new population of 182,499 in the metro area, leading to roughly 72,420 additional households.

This leads to a current housing gap of 47,073 single-family residences and 20,809 multifamily residences.

The Current Shortage, as of June 2024:
Using an economic base analysis for all counties in New Mexico with job growth between 2023 and January through June 2024, this paper estimates the current housing shortage in each of these counties by factoring in historical population to employment ratio to project their estimated populations as of June 2024. The analysis then projects the estimated number of new households based on maintaining the same household size and vacancy rates in each county.



Calculations based on: ACS 2023 5-Year Community Survey: Table DP05, Table B26001, and Table B25002, BLS QCEW 2023 and 2024

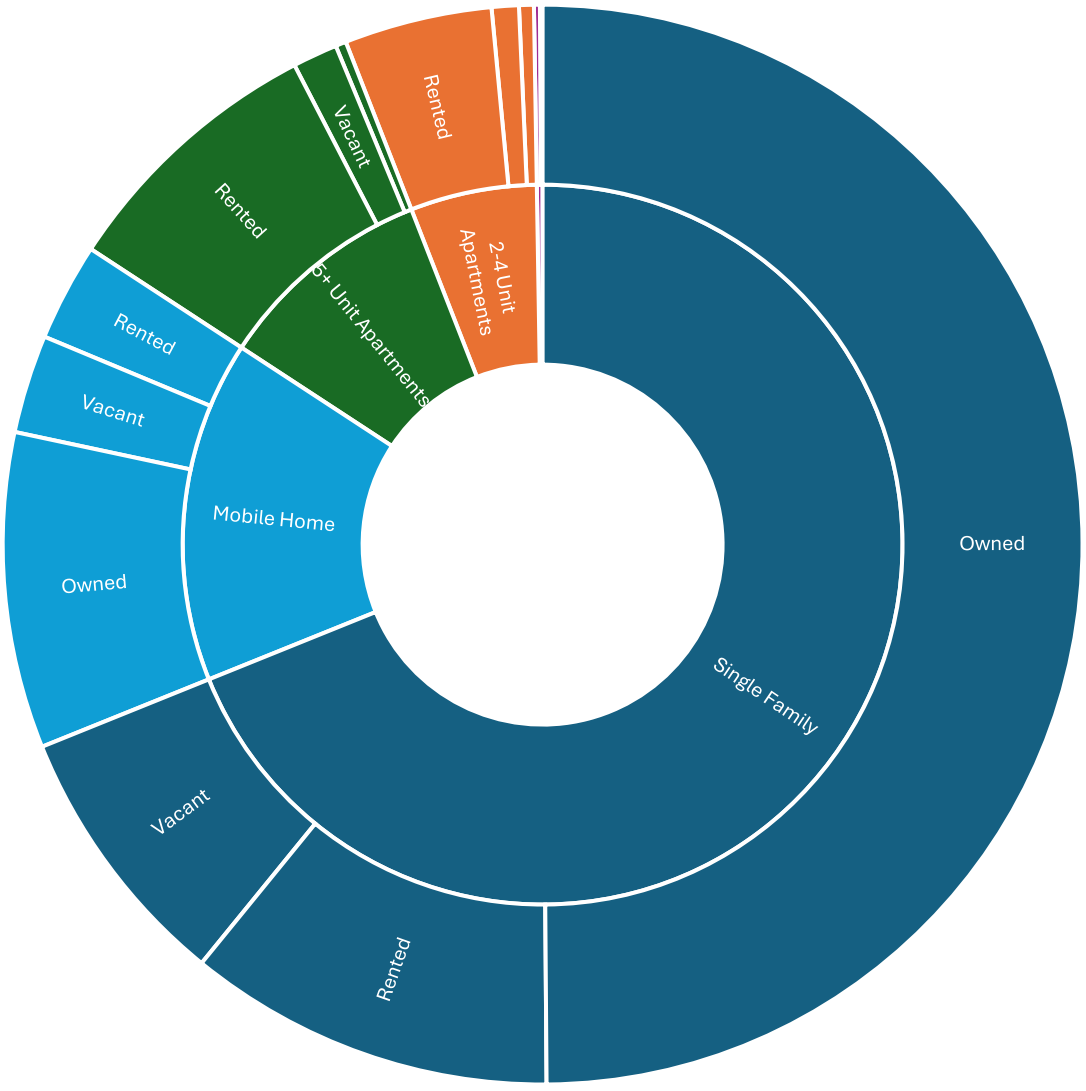
Part 4: Housing Stock in New Mexico

Most of New Mexico's current housing stock was built in the 1970's, and after 2008, very little housing has been built across the state. While the number of new home starts has recently picked up, it may not be enough. The state has a high homeownership rate, there are a substantial number of mobile homes, and 13 percent of the state's housing stock remains vacant, 26 percent of the vacant units lack complete plumbing or kitchens.

Tenure by Unit Type

According to 2023 ACS 5-Year PUMS Survey data, 69 percent of New Mexico's housing stock is single-family homes, and another 15 percent is mobile or manufactured housing. Multifamily housing with five or more units make up another 10 percent of the housing in the state, while two- to four-unit complexes make up just six percent of the housing in the state.

Chart 22: Tenure by Units in Structure



2023 ACS 5-Year PUMS Data

Vacancy

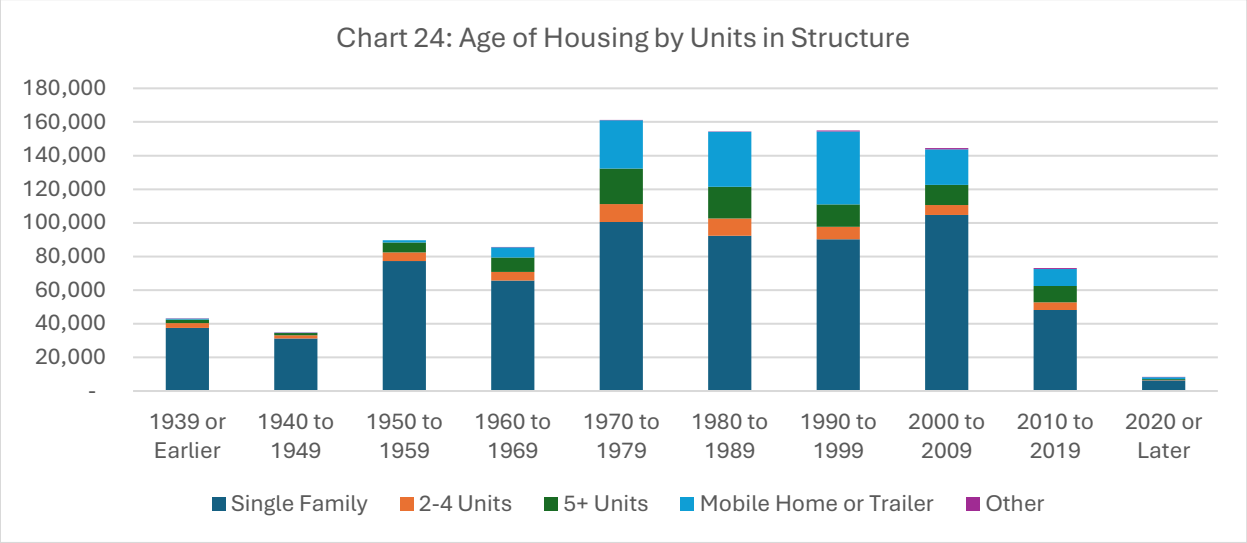
While 13.11 percent of New Mexico's housing units are vacant, the ACS 5-year survey estimates that 26 percent of the vacancies are for seasonal or recreational use, another 26 percent lack complete plumbing or kitchens, and 24 percent were listed for sale or rent.

Chart 23: Vacancy Reason by Complete Plumbing and Kitchen Facilities

2023 ACS 5-Year PUMS

Age of Housing

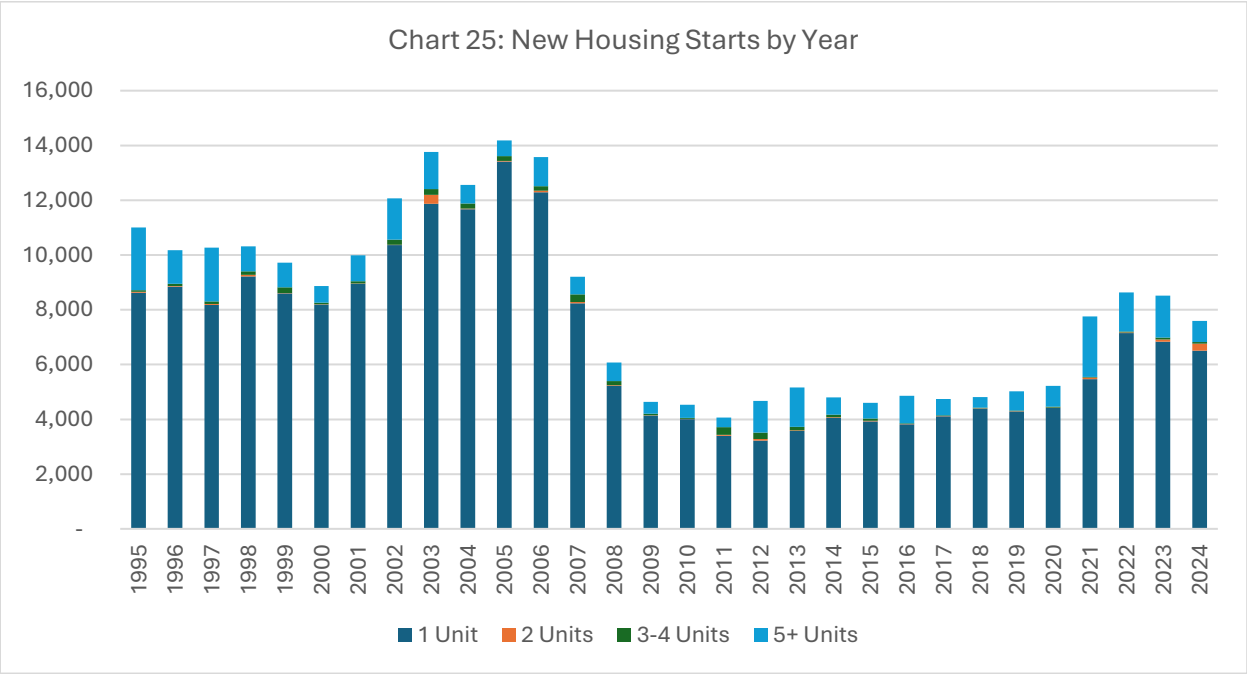
According to ACS PUMS Data, over half of the state's housing stock was built between 1970 and 1999. New Mexico only added 70,000 units between 2010 and 2019, the smallest number of units added since the 1950's.



ACS 2023 5-Year PUMS Data

New Housing Starts

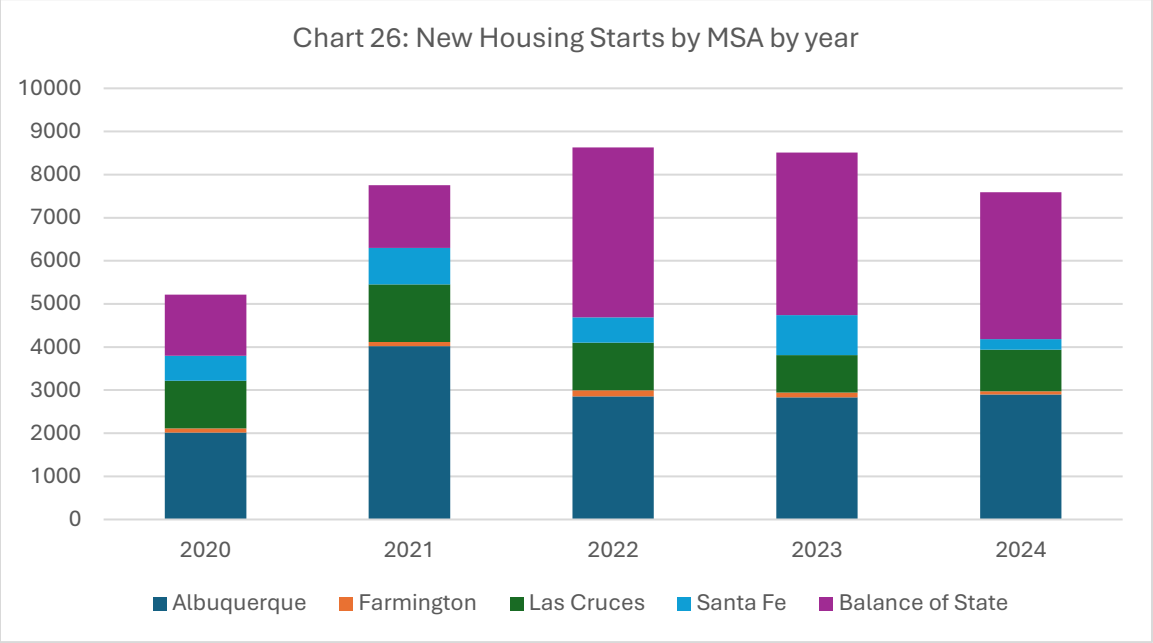
The US Census updates its Building Permit Survey on an annual basis, providing information on new construction starts annually starting in 1995. While there has been an uptick in construction across the state since 2020, only 4,000 and 5,000 units were started annually between 2009 and 2020.



US Census Building Permits Survey

New Housing Starts since 2020, by Metropolitan Statistical Area

The Census Building Permit Survey also breaks down new housing starts by Metropolitan Based Statistical Area through 2023. In 2024, they started using Core Based Statistical Areas, and in future years, building permit data will be available for areas with a population over 10,000.



US Census Building Permits Survey

Part 5: Home Values in New Mexico

Over the last 10 years, home values appreciation has outpaced income growth and inflation, making New Mexico homeowners wealthier while leaving renters poorer. The typical New Mexican home has more than doubled in value within the last twenty years.

Median Home Prices and Median Incomes

According to the New Mexico Association of Realtors, the median home price in 2012 was $167,000, but in 2023 it was $323,320. This represents a 94% increase in the median home value in New Mexico. During that same time, New Mexico's median household income only grew 38%.

Said another way, in 2012, the median home in New Mexico cost 3.72 times the median household's annual income. In 2023, that ratio increased to 5.20 times the median household's annual income.

Table 4: Median Home Price and Median Household Income

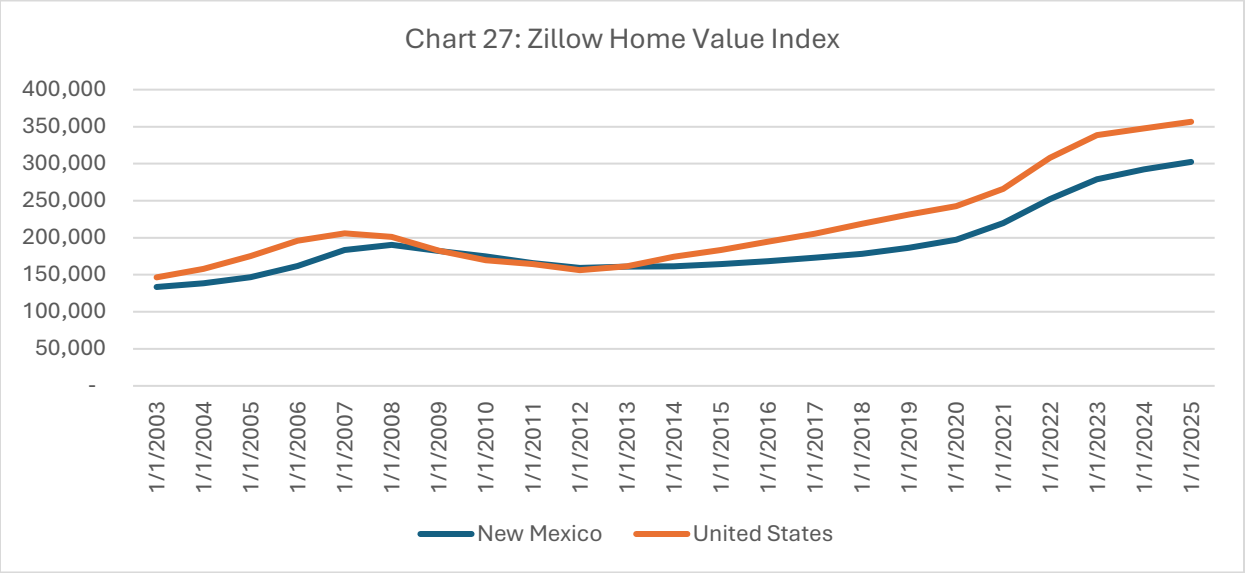
Year	Median Home Price	Median Household Income	Price to Income Ratio
2012	$167,000	$44,886	3.72
2013	$173,000	$44,927	3.85
2014	$175,000	$44,968	3.89
2015	$180,000	$44,963	4.00
2016	$187,000	$45,674	4.09
2017	$190,000	$46,718	4.07
2018	$200,000	$48,059	4.16
2019	$216,500	$49,754	4.35
2020	$239,900	$51,243	4.68
2021	$275,000	$54,020	5.09
2022	$306,000	$58,722	5.21
2023	$323,320	$62,125	5.20
2024 (Jan-Nov)	$345,000	**	**
% Change (2012 to 2023)	**93.60%**	**38.41%**	**39.78%**

New Mexico Association of Realtors Housing Trends, *ACS 5-Year Community Survey Table S1901*

**Data Not Yet Available*

Zillow Home Value Index

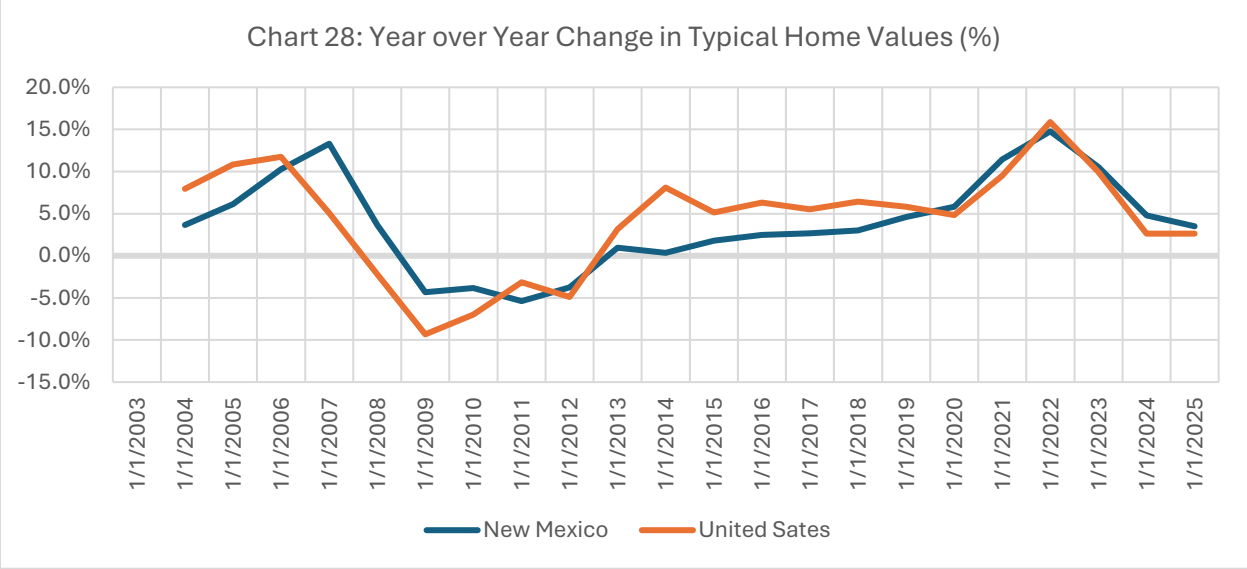
Zillow publishes its Zillow Home Value Index (ZVHI) monthly. The index represents the value of the typical home in New Mexico. Zillow defines the ZVHI as "a measure of the typical home value based on homes in the 35th to 65th percentile range." In January 2003, the typical New Mexican home had an estimated value of $133,536. As of January 1st, 2025, the typical value was $302,401, nearly $50,000 less than the typical home in the United States.



Zillow Housing Data

Year-over-Year Change

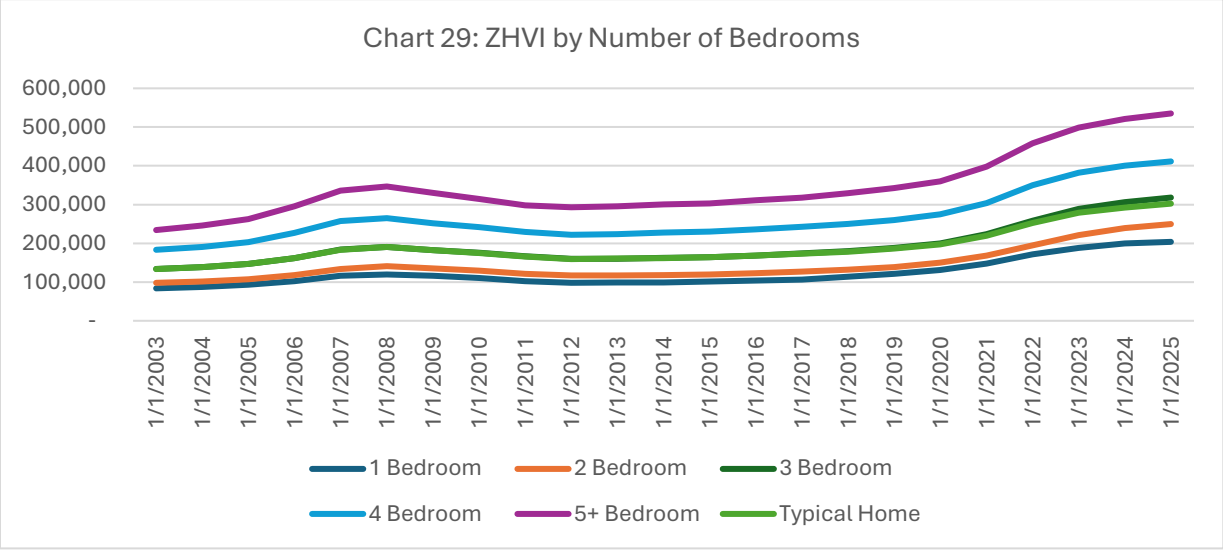
When looking at the percentage change year over year in home values, the state of New Mexico lagged behind the nation leading up to 2006. It was also slower to recover home values through 2020.



Zillow Housing Data

Zillow Home Value Index by Number of Bedrooms

Zillow also tracks home value estimates in New Mexico by the number of bedrooms in a single-family home. The number of bedrooms can be used a substitute for home size, as one- and two-bedroom houses are likely to be smaller than 5-plus-bedroom homes.



Zillow Housing Data

Correlation between the Typical Home Value and the Value by Number of Bedrooms

On average, the value of larger and smaller homes follow a close correlation to the value of the typical home. The average cost of a particular sized home compared to the typical home value since 2003 in New Mexico is included below.

Table 5: Value as a Percent of Typical Home Value	One Bedroom	Two Bedroom	Three Bedroom	Four Bedroom	Five or More Bedrooms
Value	64%	75%	101%	139%	182%

Calculations from Zillow Housing Data

Home Appreciation by Size, Adjusted for Inflation

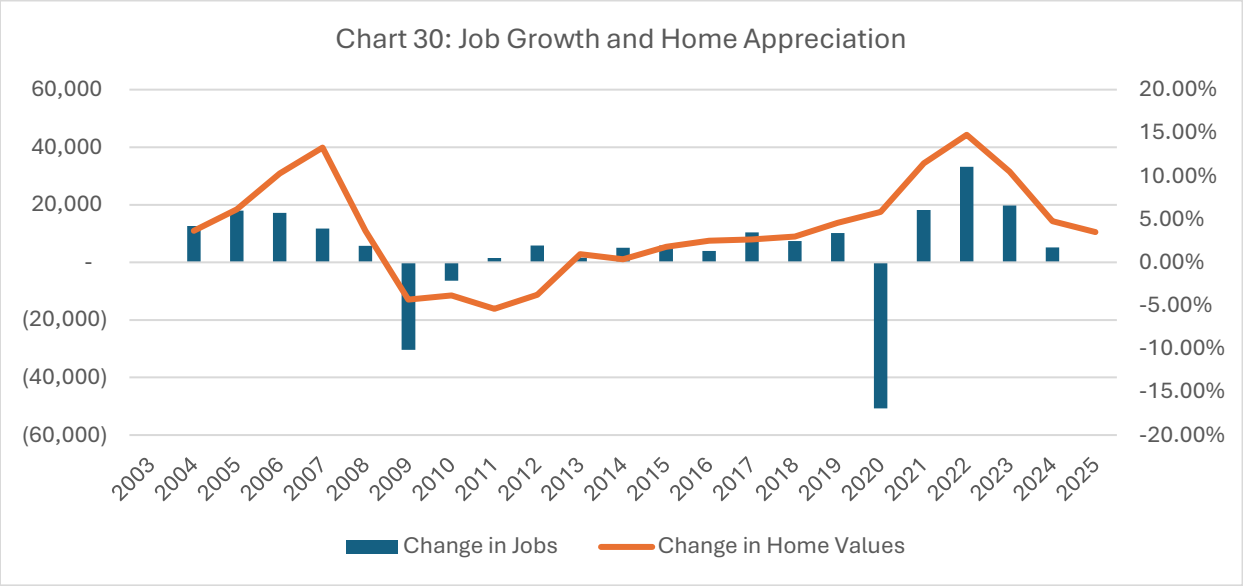
Using this information from the Zillow Home Value Index, we can look at the total percentage value change over the entire length of time that the index has been running and compare that to the rate of inflation during that same time period. A person who purchased a home in 2003 and stayed in that home would have seen its value increase by double or more. The typical home appreciated 30 percent after inflation was taken into account.

Table 6: Real Home Appreciation	January 2003 Value	In 2025 Dollars	January 2025 Value	Nominal Gain	Real Gain
Typical Home	$133,536	$231,946	$302,401	126%	30%

Calculations Based on: Zillow Housing Data, BLS Inflation Calculator

Job Growth and Home Appreciation

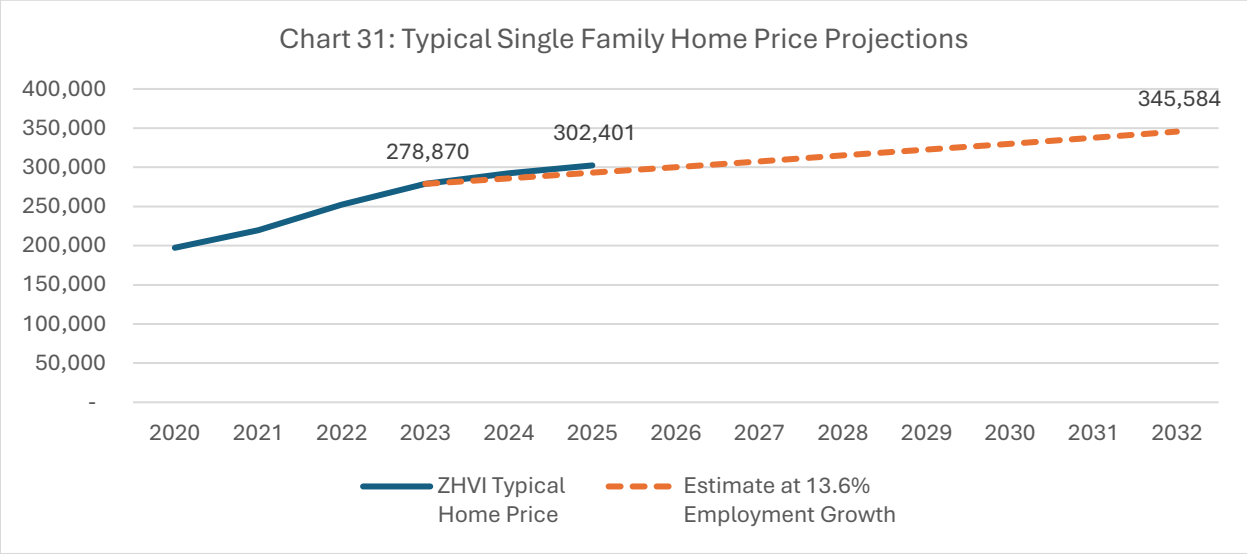
Since 2003, for every percentage point that employment changed year-over-year, home valuations changed by 1.96 times that. While many factors are at play regarding the number of households changing and inflation over that timeframe, this correlation gives a good guideline for estimating home appreciation in the future with employment projections.



Calculations based on: [Zillow Housing Data] and [St. Louis FRED]

Typical Home Price Projections through 2032

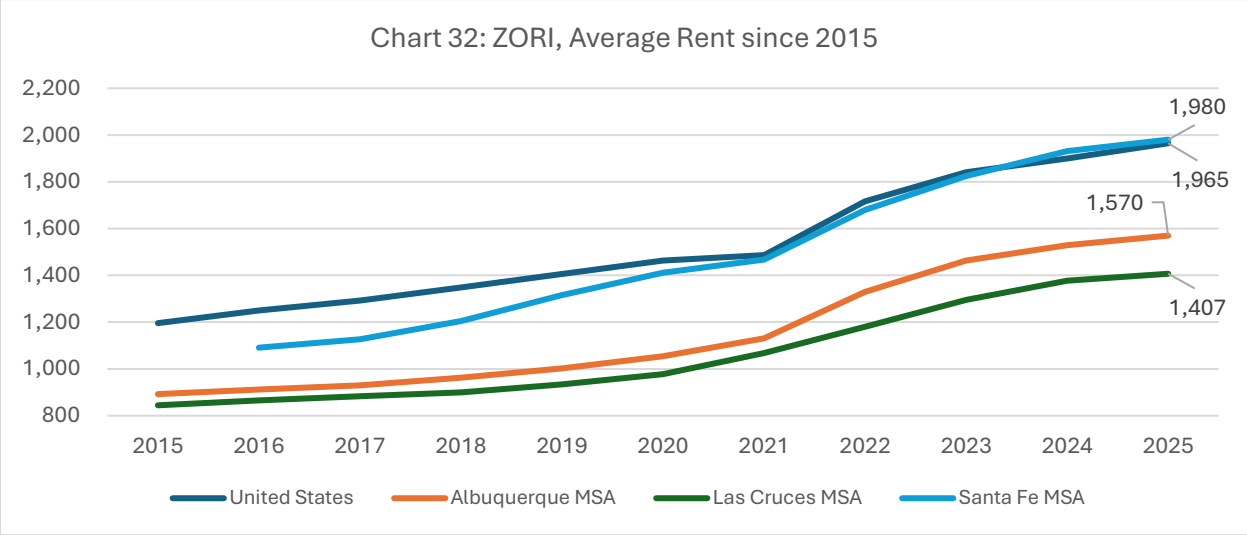
Taking the correlation between employment and home price change, and applying it to NMEDD's employment projections, we can project the typical home price in New Mexico in 2032 to be $345,584, a 24 percent increase from 2023, and a 14 percent increase from January 1, 2025.



[Zillow Housing Data], *Projections*

Historical Rental Costs

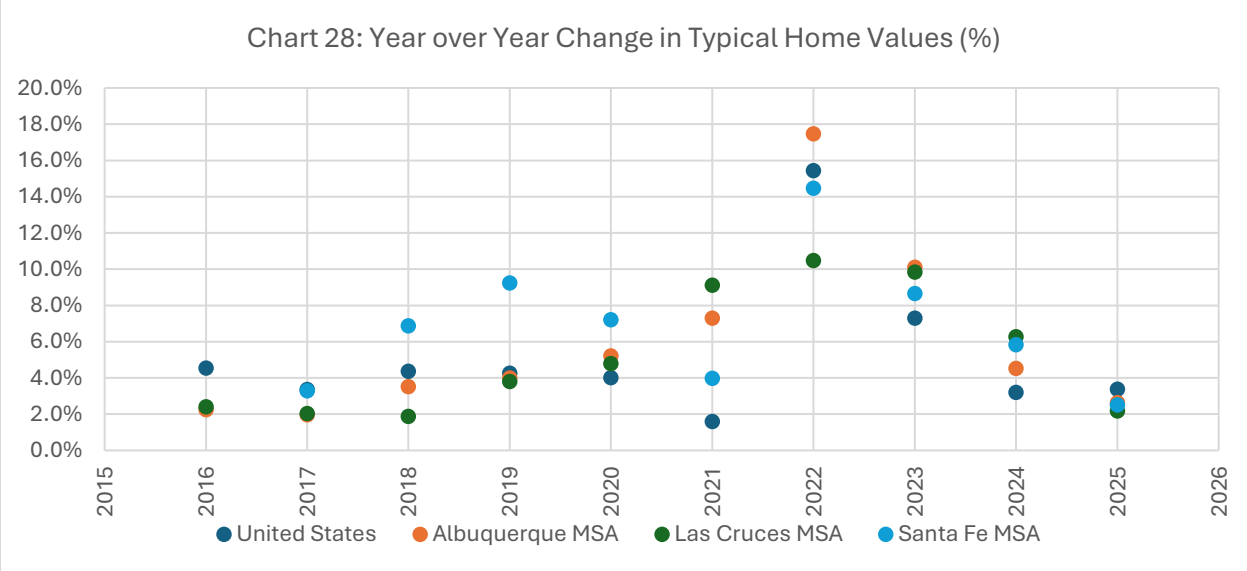
Zillow also tracks rental costs through its Zillow Observed Rent Index (ZORI). ZORI estimates the average rent for the 35th to 65th percentile of single-family and multifamily listed rents in a metro area. Since the beginning of 2015, which is the beginning of this dataset, rents have increased by 76 percent in the Albuquerque Metro Area and 67 percent in the Las Cruces Metro Area, compared to 64 percent nationally. Santa Fe saw a 76 percent increase since 2016, which is when their data first appeared in the index.



Zillow Housing Data

Rate of Rental Cost Increases

The year over year changes in rental costs are included below for the three metro areas. Rent increases for all areas peaked in 2022, with an 18 percent increase from 2021 in Albuquerque.

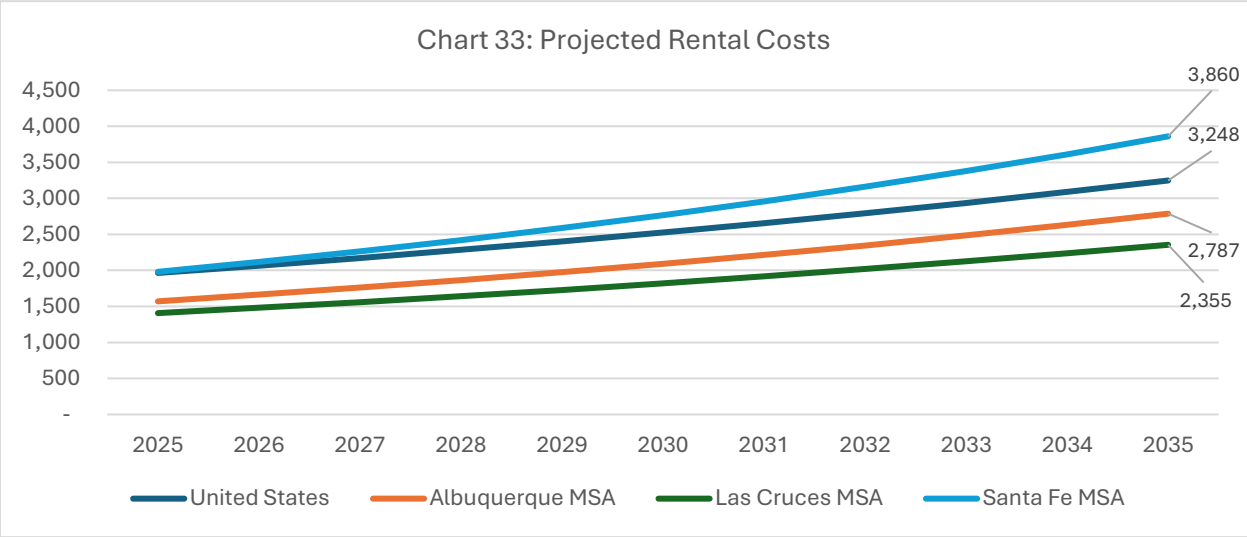


Calculations based on: Zillow Housing Data

Projected Rental Costs through 2035

Based on ZORI data, the typical rental cost has increased by an average of 5.91% percent per year in Albuquerque, 5.29% percent per year in Las Cruces, and 7.35% percent per year in Santa Fe. Nationally, rental costs increased by 5.15% percent per year.

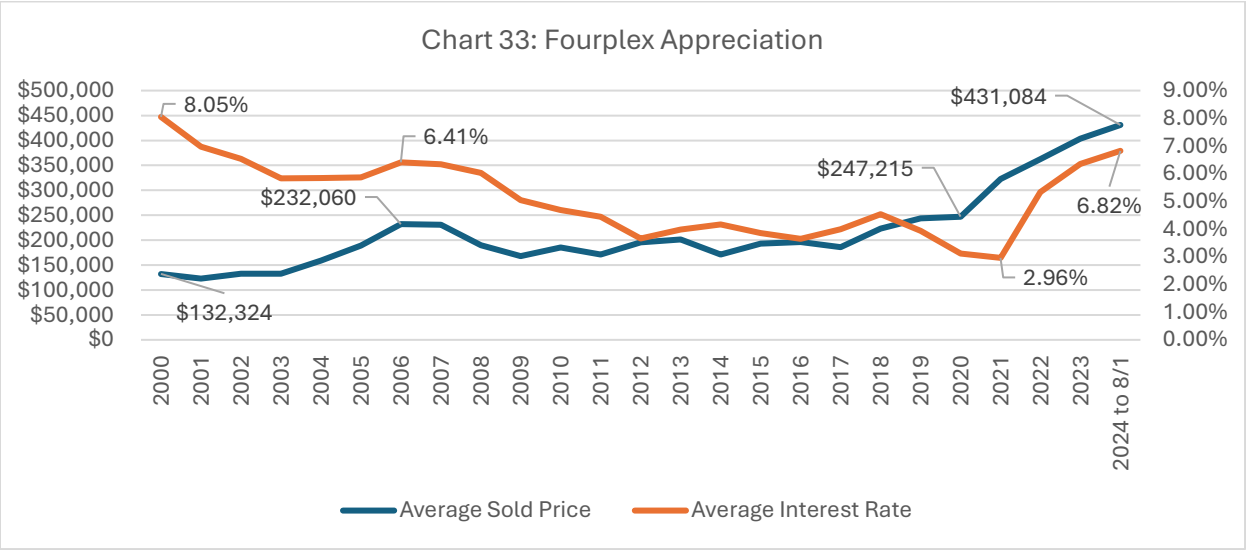
The chart below projects rental prices in 2035, if rents continue to increase at the same average historical rate per year in each metro area.



Calculations based on: [Zillow Housing Data]

Interest Rates and Fourplex Appreciation

The increase in rental costs has led to increased valuations for multifamily properties in New Mexico. New Mexico Apartment Advisors has tracked the appreciation in fourplex values in Albuquerque as well as the average market interest rates since 2000 as a key benchmark for the multifamily market.



NM Apartment Advisors

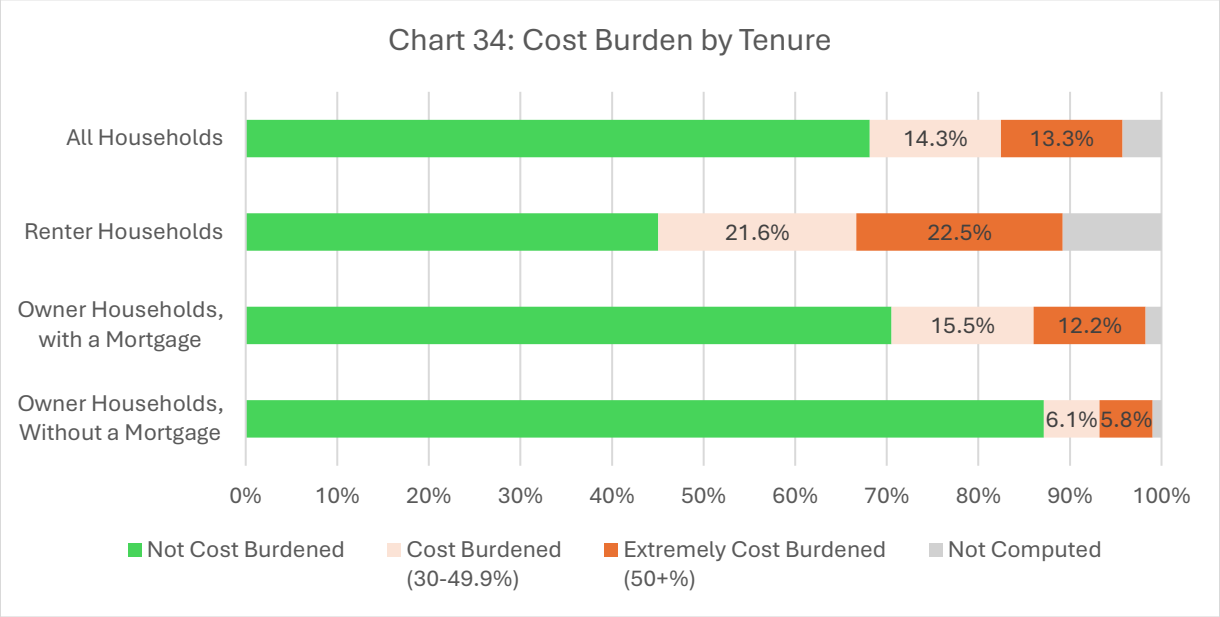
Part 6: Affordability

The standard of affordability is that no more than 30 percent of a household's income should be spent on housing costs. In New Mexico, 27.6 percent of all households, and 44.1 percent of renters pay more than 30 percent of their income toward housing costs. The combination of interest rate and housing appreciation has pushed the costs of renting and owning a home even higher.

Cost Burden

A household spending more than 30 percent of its income on housing costs is considered cost-burdened, and a household spending more than 50 percent of its income on housing costs is extremely cost-burdened. The ACS collects data on this for renters in the form of "Gross Rent as a Percentage of Household Income", where gross rent is defined as contract rent plus estimated utility costs. For homeowners, it is collected as "Selected Monthly Owner Costs as a Percentage of Household Income", which includes mortgages, property taxes, insurance, fees, and utilities. The Department of Energy estimates that low-income households at or below 200 percent of the poverty line spend 14 percent of their income on energy costs, while those above spend three percent.

The ACS estimates that 14.3 percent of New Mexico's households are cost-burdened, and 13.3 percent are extremely cost-burdened.



ACS 5 Year Community Survey, Table B25070 and Table B25091

Qualifying and Paying for a Mortgage in 2024

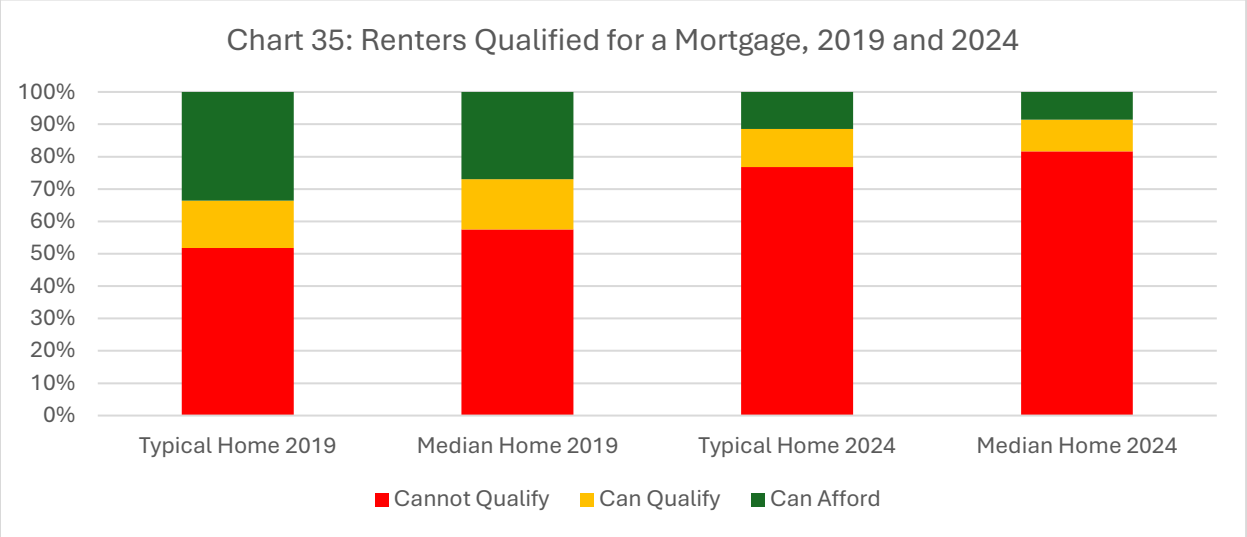
As home values have risen significantly – and interest rates, property taxes, and insurance premiums alongside them – the income needed to qualify and afford a mortgage payment has also risen. Using the Zillow Home Value Index and the Median Home Price to estimate the costs of getting into the typical home, we can look at the estimated monthly payments and corresponding income levels needed to qualify for a mortgage. Mortgage calculations are based on a 30-year fixed-rate conventional mortgage with a five percent downpayment, a seven percent interest rate, a one percent property tax assessment,

a half of a percent private mortgage insurance rate, and a four tenths of a percent insurance premium rate per year.

Table 7: Qualifying and Affordable Income Levels for a Mortgage on the Typical Home		**Typical Home 2019**	**Median Home 2019**	**Typical Home 2024**	**Median Home 2024**
Home Value		$186,382	$216,500	$302,401	$345,000
Downpayment	*5.0%*	$9,319	$10,825	$15,120	$17,250
Loan Amount		$177,063	$205,675	$287,281	$327,750
Interest Rate		*3.95%*	*3.95%*	*7.00%*	*7.00%*
Monthly Principal and Interest Due		$840	$976	$1,911	$2,181
Property Taxes	*1.0%*	$155	$180	$252	$288
Private Mortgage Insurance	*0.5%*	$74	$86	$120	$137
Home Insurance	*0.4%*	$62	$72	$101	$115
Total Monthly Payment		$1,131	$1,314	$2,384	$2,720
Annualized Payment		$13,577	$15,771	$28,605	$32,635
Qualifying Income Level	***43%***	**$31,575**	**$36,678**	**$66,524**	**$75,896**
Affordable Income Level	***30%***	**$45,258**	**$52,571**	**$95,352**	**$108,784**

Zillow Housing Data, *New Mexico Association of Realtors Housing Trends*, *Calculations*

In 2019, 34 percent of renter households could afford a mortgage on the typical New Mexican home, while 48 percent could qualify for the same mortgage. In 2024, only 11 percent of renters could afford the mortgage on the typical home.



2019 ACS 5-Year PUMS and 2023 ACS 5-Year PUMS

The Effects of Interest Rates on Home and Rental Affordability

Mortgage rates directly impact home affordability, with rates determining the monthly payment due to the lender. For every point that mortgage rates increase, a borrower must pay an additional $150 to $200 per month. This pushes the income needed to afford a property up by $7,000 per year per additional point.

Table 8: Interest Rate Impacts on Affordability – Ownership							
Property Value	300,000	300,000	300,000	300,000	300,000	300,000	300,000
Loan Amount	285,000	285,000	285,000	285,000	285,000	285,000	285,000
Interest Rate	4%	5%	6%	7%	8%	9%	10%
Principal and Interest	1,361	1,530	1,709	1,896	2,091	2,293	2,501
With Taxes, Insurance, & PMI	1,836	2,005	2,184	2,371	2,566	2,768	2,976
Qualifying Income Level	**51,227**	**55,952**	**60,941**	**66,171**	**71,616**	**77,251**	**83,053**
Affordable Income Level	**73,425**	**80,198**	**87,349**	**94,844**	**102,649**	**110,727**	**119,043**

Calculations

Interest rates also directly impact rental affordability. Apartment owners determine rents based on the costs of owning and operating an apartment complex. The chart below is based on the annual property operating data for a sample four-unit complex listed for sale in Albuquerque. In this case, for every additional point that interest rates increase, which is seven percent for this property, a new buyer would have to increase rents by $65 per month per unit to reach breakeven cash flow from operations.

Table 9: Interest Rate Impacts on Affordability - Rentals				
Purchase Price	547,944	547,944	547,944	547,944
Average Rent (4 Units)	1,033	1,033	1,033	1,033
Gross Rental Income (at 5% Vacancy)	**47,105**	**47,105**	**47,105**	**47,105**
Less: Operating Expenses	20,910	20,910	20,910	20,910
Net Operating Income	**26,195**	**26,195**	**26,195**	**26,195**
Loan Amount (80% of Value)	**438,355**	**438,355**	**438,355**	**438,355**
Interest Rate	5%	6%	7%	8%
Annual Debt Service	28,238	31,538	34,997	38,598
Cash Flow Before Tax	(2,043)	(5,343)	(8,802)	(12,403)
Rent Increase Needed Per Month Per Unit to Reach Break Even	**42.57**	**111.32**	**183.37**	**258.40**

New Mexico Apartment Advisors, Calculations

Annual Debt Service assumes a 30-year amortizing fixed payment

Part 7: Filtering

Filtering is the process by which properties age and depreciate into affordability for lower-income households. Building new housing units allows for filtering to take place. 52 percent of households earning less than 30 percent of the median income in the state live in housing units built before 1980, compared to 33 percent of households that earn more than 200 percent of the median income.

Rosenthal, 2014

In 2014, Stuart S. Rosenthal created a repeat income model to track the differences in household incomes for new and existing housing units through America Housing Survey Data between 1985 and 2011. He concluded that the real household incomes of occupants in owner-occupied housing filtered downward at a rate of -0.5% per year, while the real household incomes of occupants in renter-occupied housing units filtered downward at a rate of -2.5% per year.

By tracking the income levels of owners and renters moving across housing units, this is the first dataset that estimated the rate at which homes filter down in income level served as they age.

Under his methodology:

1. For owners - the real income of a newly arrived occupant in a 50-year-old home is 78% of the income of a newly arrived occupant in a newly built home.
2. For renters - the real income of a newly arrived occupant in a 50-year-old home is 28% of the income of a newly arrived occupant in a newly built home.

Liu, McManys, & Yannopoulous, 2021

Building on Rosenthal's repeat income model, in 2021, Liu, McMannus, & Yannopoulos further researched filtering rates for owner-occupied, single-family housing in 180 metropolitan statistical areas. In their analysis they note that, in some markets, properties filter upward instead of downward, as is the case in San Francisco, which had a +0.71 percent real annual filtering rate.

According to their research, Albuquerque had a downward filtering rate of -0.43 percent per year, meaning that a new occupant in a 40-year-old home had a household income that was 84.4% of the household income of a new occupant in a newly built home.

Spader, 2024

New research published in January 2024 by Johnathan Spader further added to the space and found that housing units filtered downward between 1985 and 1993 and between 2005 and 2013, but that the filtering rate either stalled or reversed between 1995 and 2003 and between 2015 and 2021, as housing markets tightened and price points increased. By analyzing the timeframes and metropolitan areas in greater detail, the findings indicate that the filtering rate was tied to the appreciation rate and unit growth, with upward filtering coinciding with periods of strong housing demand and appreciation.

Mast, 2024

To tie it all together, in March of 2024, Evan Mast, in conjunction with the Federal Reserve Bank of Minneapolis, quantified the effects of adding new market-rate housing in the Twin Cities on rental

opportunities. They found that there were roughly 70 new openings for renters in lower-income neighborhoods for every 100 new market-rate apartments that were built in Minneapolis.

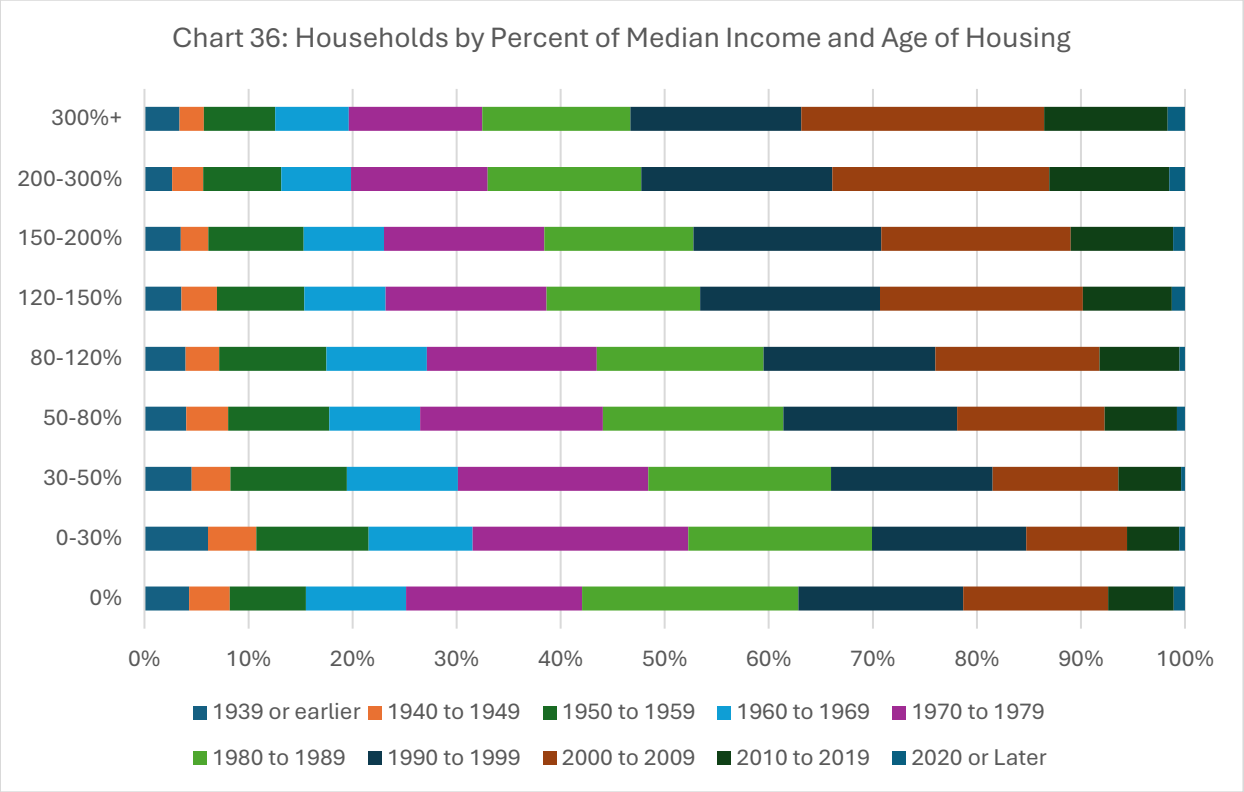
In addition, the research found that rent growth is slower in low-income neighborhoods after new market-rate apartments are built and that new units decrease rents in nearby units by around 6% relative to units slightly farther away.

Making Sense of Filtering Research

In a properly functioning housing market, older properties can filter downward into affordability over time as housing units are added to the mix. This process takes time through a chain of moves and benefits households across the income spectrum. If population growth increases housing demand, or if insufficient supply is built, upward filtering can occur, leaving lower-income households strained further through rent increases or locking owners into homes because they cannot afford to move elsewhere. Through downward filtering, the market-rate housing built today becomes naturally occurring affordable housing 30 to 40 years from now. Ensuring an adequate housing supply helps ensure that housing affordability can happen for all.

Filtering in Practice – Households by Percentage of the Area Median Income and Age of Housing

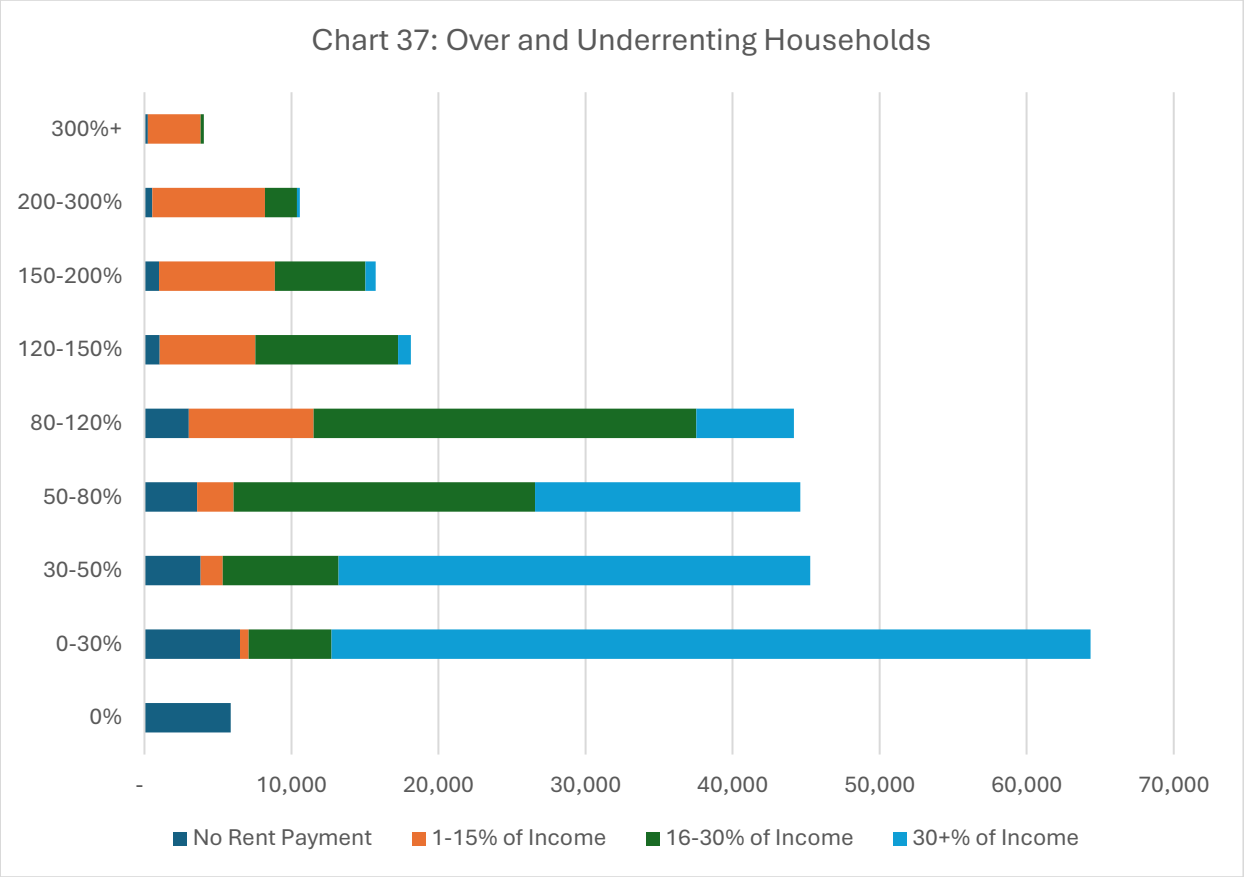
Filtering can be seen in New Mexico by analyzing the age of housing units by household income band. More than 52 percent of households with incomes between 0 and 30 percent of the median income live in units built before 1980. Only 33 percent of households with incomes above 200 percent of the median income live in housing units built before 1980.



ACS 5-Year PUMS Data

Over and Under-Renting Households

Using ACS PUMS Data, we can gather the gross rents for renter households in 2023 and compare that to their income levels. Those who pay less than 15% of their income toward rental costs may be able to move into higher-cost units and start a chain of moves that breaks free the rungs for lower-income households.



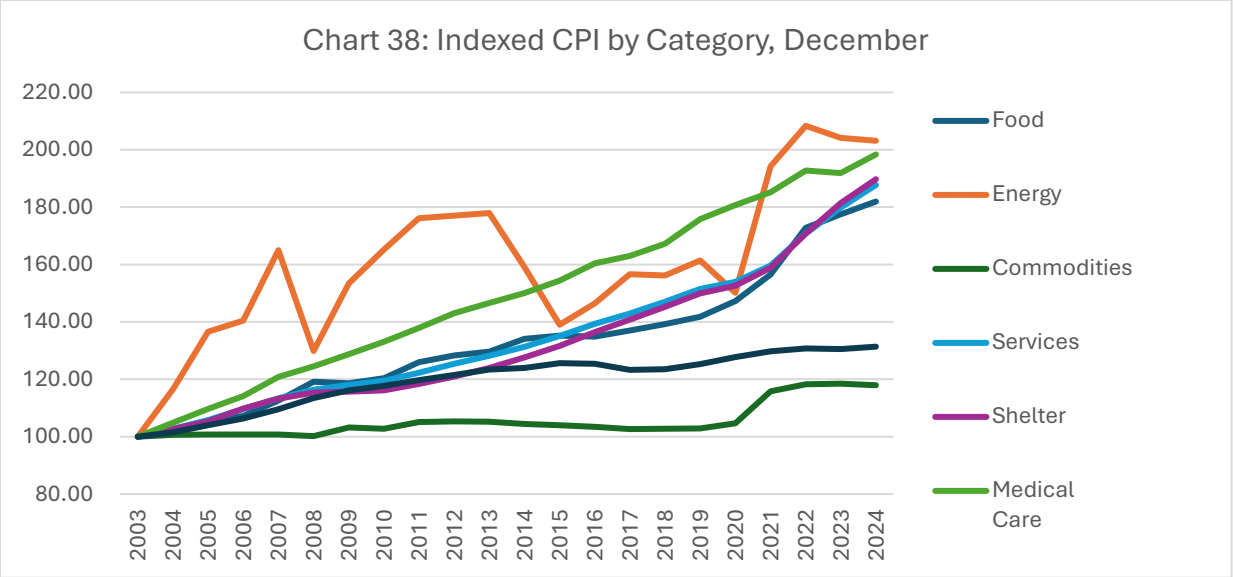
2023 ACS 5-Year PUMS

Part 8: Inflation, Savings Rates, and Debt Service Rates

Shelter costs increased by 190% between 2003 and 2024.

Inflation by Category

Inflation is a commonly used term when looking at the value of a dollar over time. The Consumer Price Index (CPI) produced by the Bureau of Labor Statistics (BLS) consolidates the changes in price of selected goods and items over time. By taking the December data for the past 20 years and breaking it down by component categories, we can look at the key drivers of inflation beginning in 2003.



Bureau of Labor Statistics

Owner's Equivalent Rent and Shelter Inflation

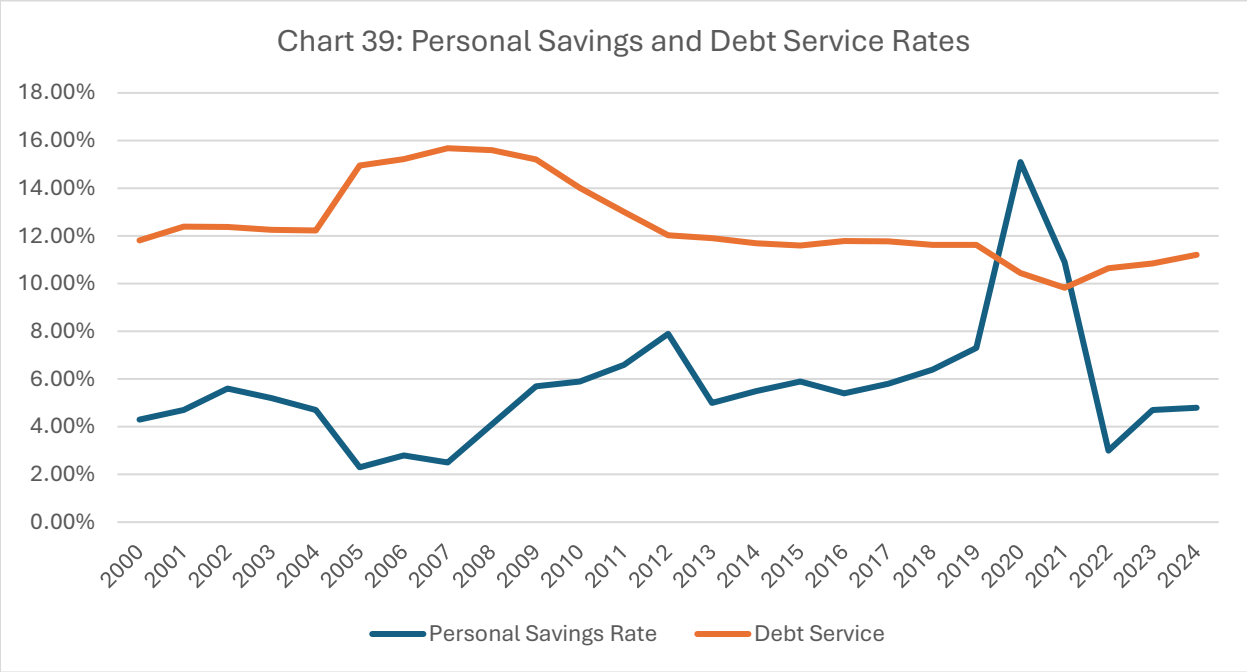
An article in the *Economist* published March 9, 2024, titled "Spent on Rent" notes that a large part of the CPI is made up of "owner's equivalent rent", a measure used to track how much shelter costs rise. The measure does not track single-family home prices through sales and instead surveys homeowners across the country on what they would pay in rent for their home. While direct rent for multifamily units makes up eight percent of the CPI, owner's equivalent rent makes up 25 percent of the index. By using a measure other than single-family home sales, the owner's equivalent rent metric may not reflect home price appreciation without bias.

Personal Savings Rate and Household Debt Service Payments

One indicator of financial health for households across the nation is the personal savings rate. While this data does not get calculated for New Mexico, the national data gives a broad overview of how much money households are saving as a percentage of their disposable personal income. The St. Louis FRED gathers this data monthly from the US Bureau of Economic Analysis. Since 2003, a long-term average of around five percent of disposable personal income has been saved. There was a large spike in the savings rate in 2020 from stimulus funding, with a corresponding fall as inflation and the cost of living increased in 2022.

In addition, The St. Louis FRED gathers data from the Federal Reserve Board of Governors about the percentage of disposable income used to make household debt service payments. This data is not available for New Mexico but is available on a national basis.

In general, as the proportion of debt service payments to household incomes rises, the household savings rate falls.



St. Louis FRED and St. Louis FRED

Additional Resources and Reading

During the course of writing this paper, Todd Clarke gathered several resources and reading materials that were