

2020

SANTA FE HOUSING REPORT

*Today's knowledge, collective wisdom,
growing a Santa Fe to treasure for all*



READING NOTES

- 1 Unless otherwise noted, data presented in the tables, figures and text are for the City and County of Santa Fe or the Santa Fe Metropolitan Statistical Area.
- 2 All data sources are publicly available and statistically valid. The interpretation of the data may be subject to judgements and opinions based on the experience and expertise of the coordinating team members. If you disagree with an observation or opinion, please do not hesitate to contact the association (info@sfar.com) so that the report may continue to be improved over time.
- 3 While average and median prices are ways to help determine the central point of a market, in local areas, most Realtor® associations report the median home price due to the fact that as few as one or two very large or small home purchases can skew the data. A “median” can be more or less than an average which is the amount derived by adding all values being reported and dividing by the total number of individual values. Therefore, for the purposes of this report, we have used the median which is basically the point in the middle of all the properties. Literally, half the properties are less than the median price and half are greater than the median.
- 4 All data is the most recent available at the time of the completion of the report. For calendar year data, that is 2019 in most cases, but 2018 or 2017 when more recent figures are not yet available.
- 5 The American Community Survey collects data on an ongoing basis, January through December, to provide every community with the information they need to make important decisions. Data from the American Community Survey has a margin of error. The margin of error reflects uncertainty involved in the process of creating estimates from a representative sample of the population.
- 6 Research from this report was conducted by the Santa Fe Association of REALTORS®, County of Santa Fe, City of Santa Fe, New Mexico Coalition to End Homelessness, New Mexico Inter-Faith Housing Corporation, and Santa Fe Area Home Builders Association. Other sources were American Community Survey; BEA or U.S. Bureau of Economic Analysis; Annual Estimates of the Resident Population 2015-2019; ATTOM™ Data Solutions; Bureau of Labor Statistics (U.S.); City of Santa Fe Land Use Department; City and County of Santa Fe Affordable Housing Departments; County of Santa Fe Growth Management Department, County of Santa Fe Economic Development Plan 2019; County of Santa Fe Housing Authority; Economic & Planning Systems, Inc.; Environmental Systems Research Institute; Freddie Mac; Longitudinal Employer-Household Dynamics; Macroeconomic advisors; Mortgage News Daily; NAHB or National Association of Home Builders; NAR or National Association of REALTORS®; New Mexico Mortgage Finance Authority; New Mexico Association of REALTORS®; U.S. Census Bureau; and U.S. Housing and Urban Development or HUD.
- 7 Santa Fe Association of REALTORS® MLS refers to the Multiple Listing Service this is administered, operated, and paid for by the association's MLS members. The SFAR MLS® provides services to the City and County of Santa Fe, City of Espanola, Los Alamos County, and Rio Arriba County. The SFAR MLS® offers a platform for cooperation among Realtors® to share accurate and timely information about homes and real estate for sale or rent. The SFAR MLS® Committee and Board of Directors provides oversight to the Multiple Listing Service.
- 8 This report obtains rental data from the Coldwell Banker Richard Ellis (CBRE) Market Survey 2019, New Mexico Mortgage Finance Authority, and the University of New Mexico – Bureau of Business and Economic Research Rental Survey 2019 (UNM BBÉR).





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STATE OF HOUSING IN SANTA FE MESSAGE

It is with great pleasure that I have the opportunity to announce the 1st Annual Santa Fe State of Housing Report. It has truly been a labor of love for the team of committed and experienced housing experts who have worked diligently and arduously to provide a report that provides not only stellar real estate and housing industry data but provides a roadmap for growing smart. Growing smart will be key as we face the extreme housing and rental shortages in our community with limited resources to address the issue. Unless the shortages are fully addressed the lack of housing will continue to contribute to an adverse impact on the economy and quality of life.

Housing affordability is a key issue facing employers, prospective businesses, city leaders, state officials, and local Santa Feans. In the City Different, we hope this report will help reveal both opportunities and challenges that our community needs to address as we grow smart. Data is an asset and tool that can guide and illuminate issues that need our attention as well as track program successes.

I would also like to acknowledge and send our deep appreciation to the Missoula, Montana real estate association

and community for graciously sharing their housing report, funding history, and background with the Santa Fe team, giving them a wonderful model to emulate in our community – with a special shout out to Daniel Werwath for bringing the report to the association's attention.

In light of the COVID-19 pandemic, the team agreed to move forward with a normal baseline year for housing or 2019, recognizing that the housing data in 2020 will reflect the economic consequences of shutting down the country to ameliorate a spike in cases on the United States health system. I admire the work of the team in moving forward, especially our housing advocates, by continuing to prioritize the project while meeting unprecedented local housing challenges.

On behalf of the Santa Fe Association of REALTORS®, I want to thank the housing stakeholder team for its invaluable support, project funding, and expressed willingness to continue to advance similar reports in the future.

Susan Orth

President - Santa Fe Association of REALTORS®

INTRODUCTION OF HOUSING STAKEHOLDER TEAM

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Hank Hughes - Executive Director
New Mexico Coalition to End Homelessness



New Mexico Coalition to
End Homelessness



EXECUTIVE SUMMARY

HOUSING DEVELOPMENT & OCCUPANCY

In 2019, overall land prices dropped by 13 percent creating an opportunity for buyers and investors. Land sales continue to grow at a pace on average over the last four years of 16 percent annually.

In Santa Fe City, multi-family developments have outpaced single family construction in the last two years largely in part to Santa Fe City efforts to modify inclusionary zoning requirements for developers allowing a “fee-in-lieu” of building affordable rental units. During the last three years, Santa Fe County has approved a total of 797 residential building permits in comparison to the last housing boon years of 2006 to 2008 when 834 permits were approved.

Looking at future development, both Santa Fe City and County noted a decline in residential lots receiving final plat approval in 2019 compared to 2018. In Santa Fe City, approval lots decreased from 319 lots to 92 lots in 2019. During this same period, Santa Fe County saw a 38 percent decline in lots from 85 to 53 lots.

In Santa Fe County, approximately 70 percent of housing units are occupied by their owners. Within Santa Fe City, 62 percent of homes are owner occupied while 38 percent are renter occupied.

POPULATION & INCOME

In the last few years, Santa Fe has gained population at a faster rate of 0.4 percent than the rest of New Mexico at 0.2 percent. Santa Fe remains attractive to retirees who come to the area to enjoy its climate, outdoor amenities, cultural attractions, art and history. Between 2011 and 2017, 75 percent of Santa Fe’s increase in population came from domestic and international migration.

In- and out-commuting is a factor when analyzing housing data in Santa Fe. Santa Fe County had 37.8 percent of its workers in-commuting mostly from Albuquerque and Rio Rancho in 2017 due to the cost of housing. In contrast, a growing number of Santa Fe residents, slightly more than a third or 34.8 percent in 2017, commuted out of Santa Fe for employment with the highest percentage of out-commuting to Albuquerque and Los Alamos.

Between 2015 and 2019, Santa Fe County’s median income grew faster than in previous years at a rate of 4.1 percent compared to 2.8 percent statewide. Looking at median incomes of homeowners and renters in Santa Fe in 2018, renter incomes lagged significantly behind homeowner wages at a rate of 38.4 percent. Santa Fe City’s living wage law indexed to consumer price increases likely contributes to the overall higher wages in the area. More recently with an influx of federal funding at Los Alamos National Laboratory (LANL), the lack of housing options in Los Alamos County has led to a growing number LANL workers buying or renting properties in Santa Fe.

RENTAL HOUSING

There is an estimated shortage of 7,343 rental units in the Santa Fe Metropolitan Statistical Area with approximately 5,328 renter households eligible for down payment assistance. In 2019, Santa Fe rental vacancy rates were 2.3 percent and average rent prices totaled \$1,038. Since 2005, rental property conversions to condominiums have removed 551 moderately priced rentals from the Santa Fe rental market. Demand for Section 8 vouchers that subsidize rent to private landlords remains high for eligible participants with many waitlisted. Both the City and County of Santa Fe's housing authorities proposed new developments in 2019. According to the 2019 Coldwell Banker Richard Ellis (CBRE) Market Survey, Santa Fe's rental market supply and demand imbalance will be positively impacted by the 1800 new market units scheduled to come online in the next 2 years. The loss of legacy affordable rental housing stock and a lack of production means the need for income restricted rental housing exceeds the persistent shortage of over 2435 rental housing units serving low income families cited in the most recent 2016 City of Santa Fe Housing Needs Assessment.

HOUSING SALES & PRICES

With record low inventories, market pressure continued to drive up home prices in the Santa Fe area. In 2019, Santa Fe County set a new area median price record jumping to \$527,500 or over a half a million dollars with nearly 800 homes sold. Santa Fe City median home prices hit a high when looking back over the last decade to \$375,000 in 2019 with a modest drop of 1 percent in sales compared to 2018.

The market continued to see a reduction of lower-priced properties in the \$150,001 to \$250,000 range. Sales increased in several price point ranges beginning at \$250,001 and above. The luxury market remained strong in both 2018 and 2019 tracking at a minimum of 350 home sales annually in properties priced above \$750,001.

Townhome and condominium sales grew by 6 percent in 2019 with a median price of \$282,665. Units priced between \$250,001 to \$350,000 saw the greatest increase in sales.

EXECUTIVE SUMMARY

MORTGAGE FINANCE

In 2019, consumers along with the mortgage industry welcomed Federal Reserve Chairman Jerome Powell's actions to lower interest rates three times to help extend the longest economic expansion in our country's history. The U.S. average interest rate on a 30-year fixed mortgage at the beginning of 2019 hovered around 4.5 to 4.6 percent dropping to about 3.7 percent at the end of the year jumpstarting a refinance spree.

Fannie Mae and Freddie Mac increased conforming loan limits in 2020 from \$484,350 to \$510,400 for a single family residence. With attractive loan limits and low interest rates consumers faced a new growing concern, higher construction costs with lumber costs alone for an average single family home climbing by more than 170 percent according to the National Association of Home Builders.

With home foreclosures and housing inventory hitting record lows in 2020, access to housing has grown more difficult for homebuyers and renters. Down payment assistance and local homebuyer assistance programs are an important way to help low income households and first time homebuyers to purchase a home. To assist low income renters, City of Santa Fe's Affordable Housing program has enhanced its renter assistance program to include the rehabilitation of rental units and support for homeless facility improvements.

HOUSING AFFORDABILITY

The Housing Affordability Index (HAI) measures the ability of a family earning a median income to purchase a median-priced home. The HAI for Santa Fe City and County for a single family home has tracked under 100 for the last three years. Renters and low-income households face the greatest cost burden in the Santa Fe County housing market.

To help address housing affordability, Santa Fe City and County have programs to require the construction of housing units for low-income residents through inclusionary zoning policies. Over the last nine years, 548 affordable housing units have been built to address housing affordability.

In 2019, Santa Fe's unemployment rate hit a six-year low with about 12.8 percent of Santa Fe County residents considered to be living in poverty. Homelessness remains a persistent concern in Santa Fe. The annual point-in-time count of homeless people in January 2020 found 407 people living without housing. With the implementation of three homeless projects, the community is hopeful that these efforts will begin to reduce homelessness in Santa Fe to the point where homelessness is brief, rare and nonrecurring.

VALUE OF HOUSING

Housing is a key economic driver in the Santa Fe community and across New Mexico. The real estate industry accounted for \$17.7 billion or 17 percent of the gross state product in 2019. Each home sold each home in New Mexico generates \$72,103 in additional economic value to the community.

GROWING SMART

Take a look at three key ways to grow smart in the Santa Fe area through water conservation, walkability and wealth generation.

Housing can't happen without water in the high desert – Santa Fe leads the nation on creative and innovative methods to save and conserve our precious water.

Increasing walkability is a new way to grow housing, especially density, in communities across the country. Santa Fe is ready to utilize its walkability scores to jumpstart new housing. Accessory dwelling units (ADUs) are historically traditional ways to add units to existing neighborhoods in Santa Fe.

Casitas, as they are known locally, have been used by Santa Feans for decades to help support growing, extended families. In 2019, ADUs can be rented both long or short term adding to the housing stock. Short term rentals, regulated in Santa Fe City, along with accessory dwelling units are both new and old ways to create wealth through property ownership.

CONCLUSION & ECONOMIC OUTLOOK

Santa Fe remains an attractive destination, not only for tourists, but those looking for a sustainable climate, diverse housing, world class cultural amenities, outdoor recreation and art in a well-established sense of place. Housing affordability remains a key concern moving forward even with a record-setting pace of multi-family units coming on line. Elected officials have voiced the need for more affordable housing with plans to create more housing through regulatory changes and funding.

Santa Fe, like the rest of the nation, will enter 2021 with economic uncertainty due to the Covid-19 pandemic's looming presence. The housing market will continue to see-saw as waves of coronavirus infections pop up throughout the country. The Santa Fe Housing Action Coalition welcomes critical housing data to guide its work moving forward. With record low housing inventories and interest rates, it may be an ideal moment for Santa Fe to strategically foster a regulatory environment that can spark a robust, economic housing boom.

HOUSING SUPPLY: DEVELOPMENT & OCCUPANCY

LOT DEVELOPMENT

Land sales in Santa Fe City and County increased by 17 percent in 2019 (**TABLE 1**). During this same period, lot sales declined in price by 13 percent. Land sales continued to climb in 2019 in Santa Fe County while Santa Fe City land sales leveled. (**GRAPH 1**). Lower median land prices in 2019 was the result of offloading lots in a foreclosed development at well below market prices to an area affordable housing developer.

TABLE 1: Total land sales in greater Santa Fe increased by 17 percent with Santa Fe County lot sales growing from 202 in 2018 to 246 in 2019.

GRAPH 1: Overall land sales in Santa Fe City and County continue an upward trend since 2014.

GRAPH 2: Santa Fe City and County saw a reduction in median land prices from 2018 to 2019 to \$131,000 in Santa Fe City and \$97,000 in Santa Fe County.



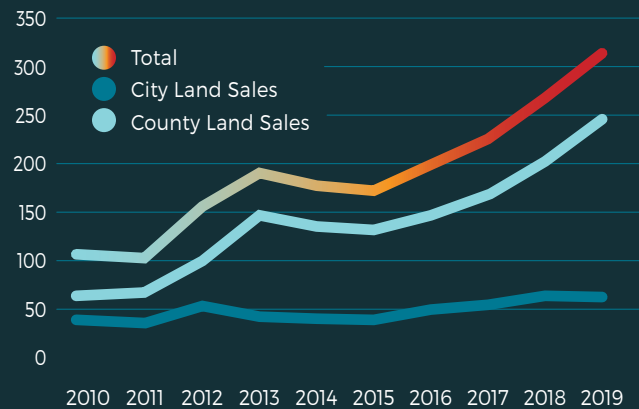
SANTA FE CITY & COUNTY LAND SALES

YEAR	LAND SALES	% CHANGE	MEDIAN PRICE	% CHANGE
2015	173	-3%	\$105,000	-5%
2016	199	15%	\$105,000	0%
2017	225	13%	\$105,000	0%
2018	267	19%	\$125,000	19%
2019	312	17%	\$109,000	-13%

TABLE 1

Source: Santa Fe Association of REALTORS® MLS.

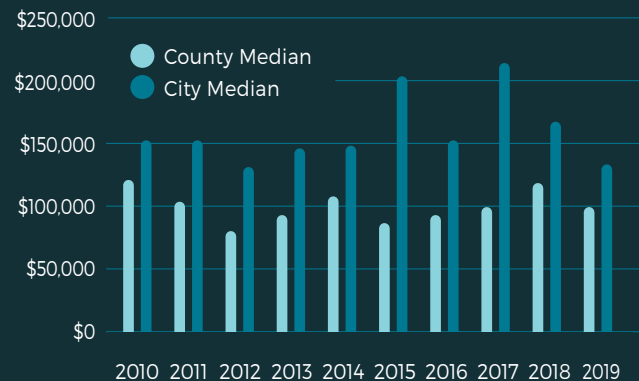
SANTA FE CITY & COUNTY LAND SALES



GRAPH 1

Source: Santa Fe Association of REALTORS® MLS

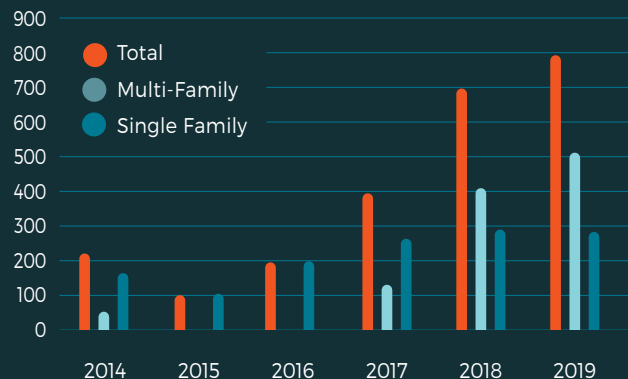
SANTA FE CITY & COUNTY MEDIAN PRICE LAND SALES



GRAPH 2

Source: Santa Fe Association of REALTORS® MLS

SANTA FE CITY RESIDENTIAL BUILDING PERMITS



GRAPH 3

Source: City of Santa Fe Land Use Department

GRAPH 3: Santa Fe City was able to increase multi-family units by offering a “fee-in-lieu-of” option to a build requirement.

▼ *Siler Yard Project Concept Approved by Santa Fe City Council in 2019, a unique low-income housing project for artists.*

PACE OF DEVELOPMENT

Single-family construction in the City of Santa Fe has remained relatively stable over the past three years ranging from 268 in 2017 to 283 in 2019. In contrast, Multi-family construction has jumped from 132 units in 2017 to 512 units in 2019 (**GRAPH 3**). Much of the growth of multi-family units in Santa Fe City can be attributed to the city’s affordable housing staff and elected leaders’ efforts to offer a fee-in-lieu option for multi-family unit development under its inclusionary zoning program. Inclusionary zoning policies are utilized to increase affordable housing in many communities across the country. In this case, Santa Fe City modified its inclusionary zoning program by allowing developers to pay a “fee-in-lieu-of” constructing low-income rental units. In December 2019, Santa Fe City increased these fees for multi-family developments and added other flexible methods of meeting the intent of its multi-family inclusionary zoning program. In Santa Fe County, the data suggests a growing trend in new construction over the last three years with 221 permits in 2017 compared to 263 in 2019 with nearly all of these permits for single-family



HOUSING SUPPLY: DEVELOPMENT & OCCUPANCY

construction (**GRAPH 4**). In comparison, Santa Fe City was able to attract several multi-family projects increasing total housing units by 82 percent in 2019 to a total of 795 units. Accessory Dwelling Units have been permitted in Santa Fe City to increase housing options for many years and more recently in Santa Fe County with the adoption of its Sustainable Land Use Code. In 2019, Santa Fe City relaxed some of the land use requirements for Accessory Dwelling Units to increase their construction and use for both long-term and short-term rentals (**TABLE 2**).

Tracking building permits in Santa Fe City over the last three years compared to 2006 through 2008 at the height of the housing boom, one finds the mix of housing has changed. In the most recent timeframe, Santa Fe City built more higher density multi-family units while single family housing slowed. Total units increased from 1,717 in 2006-2009 to 1,894 units in 2017-2019 or by about 10 percent (**TABLE 3**). Santa Fe City's Land Use Department is considering regulatory changes to grow housing that may result in more single family development in the future. Looking at building permits during the same timeframes in Santa Fe County, building permit growth slowed about 10 percent from 834 permits in 2006-2009 to 757 in the last three years (**TABLE 4**).

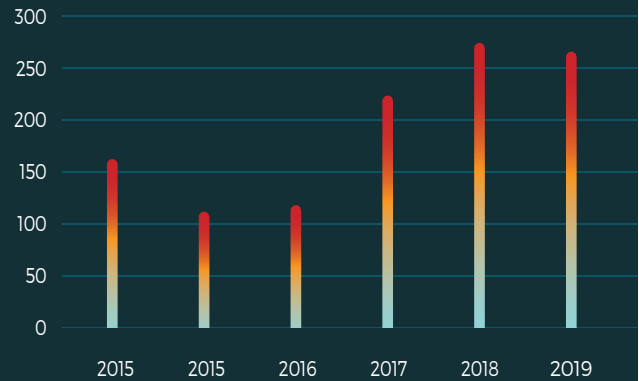
Preliminary plat approvals reflect the first step of the subdivision process, while final plat approvals indicate that the developer is ready to build. Santa Fe City

GRAPH 4: Santa Fe County noted a drop in building permits in 2015 and 2016 with a significant jump from 2017 through 2019.

TABLE 2: Santa Fe City may anticipate a growth in Accessory Dwelling Units with the relaxation of building regulations in 2019.

TABLE 3: The mix of housing flip-flopped in Santa Fe City from single family in 2006-2008 to multi-family in 2017-2019.

SANTA FE COUNTY RESIDENTIAL BUILDING PERMITS



GRAPH 4

Source: U.S. Census Bureau, County of Santa Fe Growth Management Department, Economic & Planning Systems, Inc.

SANTA FE CITY & COUNTY ACCESSORY DWELLING UNIT CONSTRUCTION

	2017	2018	2019
Santa Fe City	19	21	29
Santa Fe County	19	14	30

TABLE 2

Source: City of Santa Fe Land Use Department; County of Santa Fe Growth Management Department.

SANTA FE CITY BUILDING PERMITS 2006-2008 VS 2017-2019

	2006-2008	2017-2019
Single Family	1391	843
Multi-Family	326	1051
Total	1717	1894

TABLE 3

Source: City of Santa Fe Land Use Department.

SANTA FE COUNTY BUILDING PERMITS 2006-2008 VS 2017-2019

	2006-2008	2017-2019
All Building Permits	834	757

TABLE 4

Source: U.S. Census Bureau,
Economic & Planning Systems, Inc.

SANTA FE CITY SUBDIVISION PRELIMINARY PLAT APPROVALS

	2015	2016	2017	2018	2019
City Subdivisions	2	5	5	9	6
City Residential Lots	127	100	351	139	100

TABLE 5

Source: City of Santa Fe Land Use Department

SANTA FE CITY & COUNTY SUBDIVISIONS FINAL PLAT APPROVALS 2015-2019

	2015	2016	2017	2018	2019
City Final Plat Residential Lots	84	133	232	319	92
County Final Plat Residential Lots*	23	147	98	14	37
County Subdivision Exemptions Residential Lots	66	78	30	39	48

TABLE 6

Source: City of Santa Fe Land Use Department,
County of Santa Fe Growth Management Department

granted preliminary plat approval for six new residential subdivisions in 2019, totaling 100 residential lots (TABLE 5). In 2018, Santa Fe City noted a high of 319 residential lots ready for construction (TABLE 6). In Santa Fe County, most preliminary plats are submitted simultaneously with the final plat as no vested rights are conveyed with a Santa Fe County preliminary plat approval and an applicant must seek final plat approval within thirty-six months. Santa Fe County has a number of subdivision exemptions that contribute to the production of residential lots increasing overall housing totals (TABLE 6).

TABLE 4: Santa Fe County noted a 10 percent drop in building permits with 834 in 2006-2008 and just 757 in 2017-2019.

TABLE 5: Santa Fe City approved a high of 9 preliminary plats over the last five years.

TABLE 6: In 2016, Santa Fe County had the most final plat lots approved for construction with only 37 lots approved in 2019.



HOUSING SUPPLY: DEVELOPMENT & OCCUPANCY

In discussing new construction, it's valuable to review the existing age of Santa Fe County's housing in comparison to the rest of New Mexico. In New Mexico, the housing stock trends older with more homes built between 1950 and 1979 compared to Santa Fe County. Nearly sixty percent (59.8 percent) of Santa Fe County's housing stock was built between 1980 and 2009; however, with less than 4 percent constructed since 2010 (**GRAPH 5**).

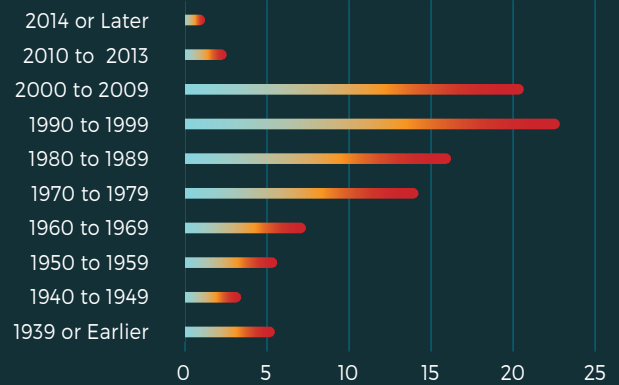
Of interest, is the mix of owner occupied and renter occupied housing in Santa Fe City and County. Santa Fe County has more owner occupied housing while Santa Fe City has more renter occupied units.

GRAPH 5: More than 20 percent of Santa Fe County housing stock was constructed between 1990 and 1999.

GRAPH 6: When viewing housing options combined in both Santa Fe City and County, one finds a balanced mix of owner occupied and renter occupied housing.



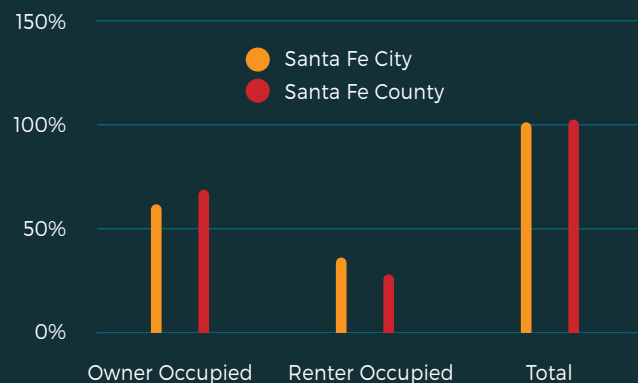
SANTA FE COUNTY HOUSING STOCK BY YEAR BUILT 2019



GRAPH 5

Source: American Community Survey, Santa Fe County Economic Development Plan 2019, Economic & Planning Systems, Inc.

OCCUPIED HOUSING UNITS BY TENURE 2018 BY PERCENTAGE



GRAPH 6

Source: American Community Survey



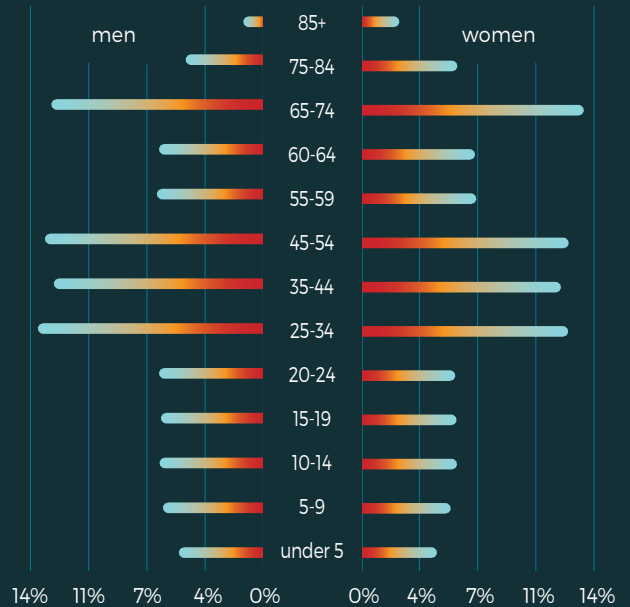
HOUSING DEMAND: POPULATION & INCOME

AGE DISTRIBUTION

The age and gender distribution of Santa Fe County is generally split between two groups – those aged 25 to 54 (comprising three age groups) and a similar-sized group from age 65 to 74 according to the most recent American Community Survey data (**GRAPH 7**). Keep in mind that data from the American Community Survey is from 2018 and is a year behind some of the other figures on home sales and rentals. Santa Fe is attractive to retirees who flock to the area for its weather, ambiance, clean air, culture, outdoor activities, art and history.

GRAPH 7: The largest group of men are aged 25 to 34 in contrast to the largest group of women aged 65 to 74.

SANTA FE COUNTY POPULATION PYRAMID BY AGE AND GENDER 2018



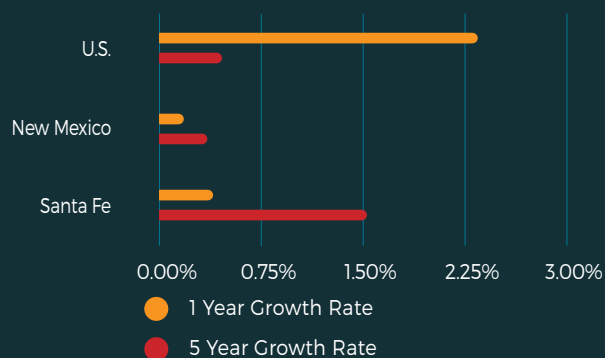
GRAPH 7

Source: U.S. Census, American Community Survey 5-year



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SANTA FE, NEW MEXICO & UNITED STATES POPULATION GROWTH RATE 2019



GRAPH 8

Source: Annual Estimates of the Resident Population 2015-2019

POPULATION DYNAMICS

Santa Fe County reached a total population of 151,515 in 2019 (TABLE 7) growing by 14,876 residents between 2000 and 2010 or 1.1 percent. Since 2010, growth has moderated, averaging 816 residents annually or 0.6 percent. Santa Fe City and the State of New Mexico have also experienced moderate growth rates of around 0.5 percent since 2010. From 2010 to 2019, the total population increased by 7,345. More percentage growth has occurred in Unincorporated Santa Fe County increasing its population by 3,431 or 0.6 percent. In 2019, approximately 84,888 or 56 percent of residents live in Santa Fe City and 66,627 or 44 percent live in Unincorporated Santa Fe County (TABLE 7). Yet, when drilling down into overall population data in 2019, Santa Fe County is gaining population at a faster rate than the rest of New Mexico and closer to the U.S. growth rate (GRAPH 8).

TABLE 7: Santa Fe County households have tracked at the same rate as the State of New Mexico from 2010 to 2019 or 0.5 percent.

GRAPH 8: Santa Fe County population growth of 0.40 percent is surpassing the State of New Mexico's growth rate of 0.20 percent in 2019.

SANTA FE CITY AND COUNTY POPULATIONS AND HOUSEHOLDS, NEW MEXICO, 2000-2019

	2000	2010	2019	2000-2010	2000-2010	2000-2010	2010-2019	2010-2019	2010-2019
POPULATION				TOTAL	ANN #	ANN %	TOTAL	ANN #	ANN %
Santa Fe City	76,058	80,974	84,888	4,916	492	0.6%	3,914	435	0.5%
Other SFC	53,324	63,196	66,627	9,962	996	1.7%	3,431	381	0.6%
Total Santa Fe County	129,292	144,170	151,515	14,878	1,488	1.1%	7,345	816	0.6%
New Mexico	1,819,046	2,059,179	2,159,832	240,133	24,013	1.2%	100,653	11,184	0.5%
HOUSEHOLD									
Santa Fe City	32,136	35,984	37,597	3,848	385	1.1%	1,613	179	0.5%
Other SFC	20,346	25,979	27,408	5,633	563	2.5%	1,429	149	0.6%
Total Santa Fe County	52,482	61,693	65,005	9,481	948	1.7%	3,042	338	0.5%
New Mexico	677,971	791,395	826,989	113,424	11,342	1.6%	35,594	3,955	0.5%

TABLE 7

Source: Environmental Systems Research Institute, American Community Survey, Economic & Planning Systems, Inc

HOUSING DEMAND: POPULATION & INCOME

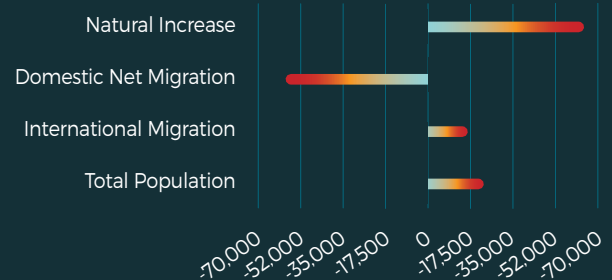
MIGRATION

Three key factors impact population fluctuations over time, the number of births, deaths and net migration. Net migration includes the number of people moving to an area added to the number leaving. Between 2011 and 2017, Santa Fe attracted more people from both domestic and international areas resulting in a positive net migration total of 3,077 people or 73 percent of the overall total population increase (**GRAPH 9**). In contrast, New Mexico lost 57,953 residents to other domestic (U.S.) areas while increasing international migration by 17,285 people. The positive net migration of individuals moving to Santa Fe from both domestic and international areas has resulted in a stronger demand for housing, and without sufficient housing inventory, more pressure on housing prices and rents in the near term.

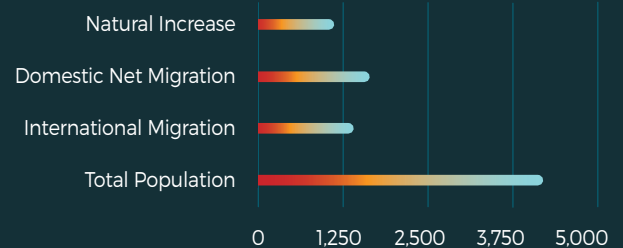
GRAPH 9: During 2011 to 2017, Santa Fe County attracted a total of 1,634 new residents while New Mexico lost 57,953 residents.

NET MIGRATION FOR NEW MEXICO AND SANTA FE 2011-2017

NEW MEXICO POPULATION DYNAMICS 2011-2017



SANTA FE POPULATION 2011-2017

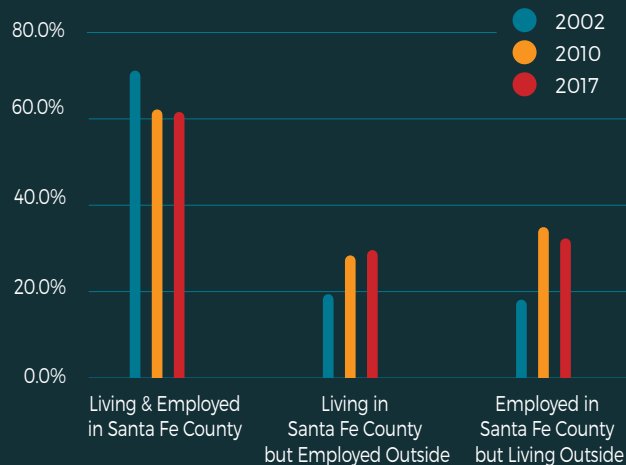


GRAPH 9

Source: National Association of REALTORS®, U.S. Census Bureau



IN AND OUT COMMUTING FROM SANTA FE COUNTY 2002, 2010 & 2017



Source: Longitudinal Employer-Household Dynamics; Santa Fe County Economic Development Plan 2019, Economic & Planning Systems, Inc.

GRAPH 10

IN & OUT COMMUTING

According to the U.S. Census data, approximately 62.2 percent of Santa Fe County jobs in 2017 were held by local residents compared to 37.8 percent who commute into the county for employment. The number of jobs held locally has declined from 76.5 percent in 2002 (**GRAPH 10**). The Santa Fe County Economic Development Plan 2019 states that that in-commuting is largely due to the cost of housing being unaffordable to a significant part of the workforce. Albuquerque and Rio Rancho are the location of residence for the largest percentage of in-commuters.

A growing number of Santa Fe residents commute out of Santa Fe County for employment. In 2017, 34.8 percent of employed persons worked outside the county, up from 25.2 percent in 2002. The percent of residents employed locally has dropped from 76.5 percent in 2002 to 62.2 percent in 2017. The highest percent of out-commuting is to Albuquerque and Los Alamos.

GRAPH 10: Out-commuting for employment in Santa Fe County increased from 25.2 percent in 2002 to 34.8 percent in 2017.



HOUSING DEMAND: POPULATION & INCOME

INCOME TRENDS

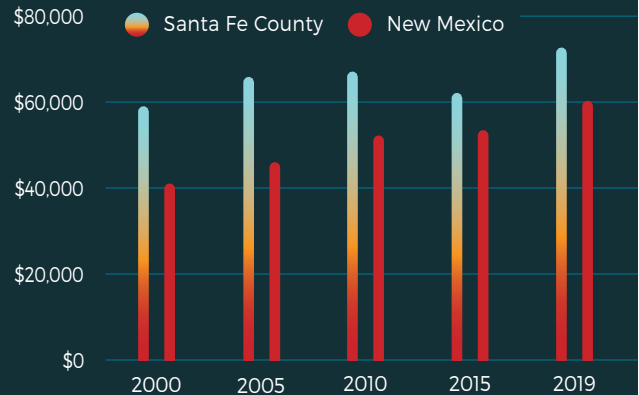
Concerning income trends, overall median household incomes in Santa Fe County grew at a 1.1 percent annually, slower than the 2.1 annual growth rate in New Mexico (**GRAPH 11**) from 2000 and 2019. However, between 2015 and 2019 Santa Fe County's median income grew faster than in previous years, growing at 4.1 percent annually compared to 2.8 percent statewide. Median incomes for all households in Santa Fe County outpaced statewide median incomes by 15 percent yet fall short of median incomes nationally by 7 percent (**GRAPH 12**).

When comparing the median incomes of homeowners versus renters, one finds renter incomes lagging significantly or 38.4 percent behind homeowners in Santa Fe County. While the median income of renters in Santa Fe County is 7.9 percent higher than the national median income for renters and 26.3 percent greater than statewide figures. Santa Fe City has adopted a living wage ordinance indexed to consumer price increases which likely contributes to higher incomes in the area. Additionally, as noted earlier in the report, out-commuting to Los Alamos National Laboratory (LANL) where incomes can be substantially higher may contribute to growing median incomes for residents of Santa Fe County. More recently, the lack of housing options in Los Alamos County has contributed to the growing number of LANL workers purchasing homes or renting properties in Santa Fe County.

GRAPH 11: Santa Fe County has a higher median income than the rest of the state and incomes have recently experienced growth.

GRAPH 12: The median income for renters in Santa Fe County is higher than median incomes in New Mexico and the United States.

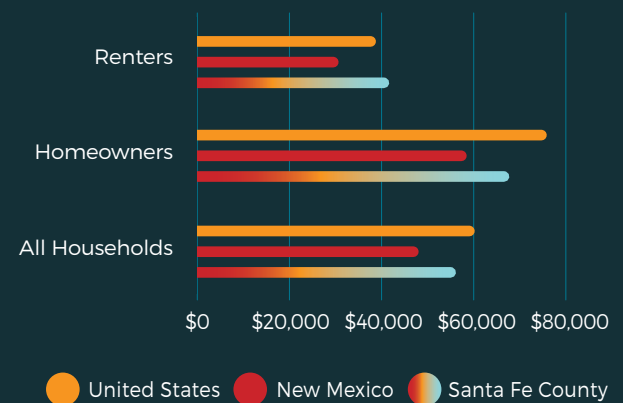
AREA MEDIAN INCOME 2000-2019
SANTA FE COUNTY & NEW MEXICO



GRAPH 11

Source: U.S. Housing and Urban Development Income Limits, Santa Fe County Economic Development Plan 2019

MEDIAN INCOME 2018 SANTA FE COUNTY,
NEW MEXICO & UNITED STATES



GRAPH 12

Source: U.S. Census Bureau; American Community Survey 5 Year



RENTAL HOUSING

RENTAL OCCUPANCY

According to the New Mexico Mortgage Finance Authority, there is an estimated shortage of 7,343 rental units in the Santa Fe Metropolitan Statistical Area in 2019. Approximately 5,328 of 2019 renter households are eligible for down payment assistance. In the September 2019 Coldwell Banker Richard Ellis (CBRE) Market Survey, there was a total of 23 multi-family communities in Santa Fe County numbering 3,685 rental units of which 52 percent, or 1,916, were considered affordable. The report, while valuable, only captures around 20 percent of total rentals as it omits non-reporting multi-family properties and many short- and long-term accessory dwelling, condominium, townhome and single-family rentals (TABLE 8). In 2019, rental vacancy rates were 2.3 percent for Santa Fe County in comparison to the New Mexico rental vacancy rate of 3.9 percent. A vacancy rate under 5% is considered a supply constrained market which can drive cost increases.

Of note, a market condition often overlooked is the number of rental properties that convert to condominium ownership over time. Since 2005, the three largest conversions at San Mateo de Santa Fe, Zia Vista, and Tierra de Zia have removed over 551 moderately priced rentals from the Santa Fe rental market. The loss of legacy affordable rental housing stock and a lack of production means the need for income restricted rental housing exceeds the persistent shortage of over 2435 rental housing units serving low income families cited in the most recent 2016 City of Santa Fe Housing Needs Assessment. In 2018, Santa Fe County lost 269 affordable rental units in two Low Income Tax Credit (LIHTC) projects as the properties reached their 15-year compliance period and were converted to market rate rentals.

TABLE 8: Of the 23 Multifamily properties reporting, the average property size was 160 units in 2019.

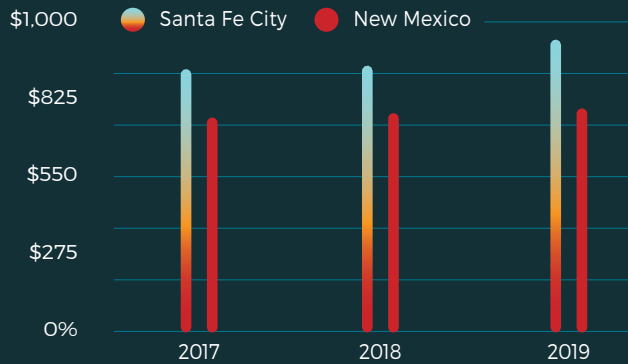
SANTA FE MULTIFAMILY PROPERTY STATISTICS SUMMARY

# of Properties Reporting	23
Total Units Reporting	3,685
Average Property Size	160 Units
Average Occupancy Rate	97.67%
Smallest Property	58 Units
Largest Property	416 Units
Earliest Year Built	1973
Latest Year Built	2018
Average Year Built	1995

TABLE 8

Source: Coldwell Banker Richard Ellis (CBRE) Market Survey 2019

AVERAGE COST OF RENT - SANTA FE & NEW MEXICO 2017 - 2019



GRAPH 13

Source: New Mexico Mortgage Finance Authority, Business and Economic Research Rental Survey

RENTAL PRICES

Average rent prices in Santa Fe County rose from \$930 in 2017 to \$1,038 in 2019 or by 11.7 percent. In contrast, average rent prices in New Mexico only rose by 4 percent between 2017-2019 or from \$763 to \$791 (**GRAPH 13**). According to the 2019 CBRE Market Survey, Santa Fe's supply/demand imbalance is continuing to resolve itself as the City of Santa Fe relaxes building requirements to ease the housing shortage with plans to deliver as many as 1800 new market rate units to the market in the next 2 years. All indicators continue to show that Santa Fe is still one of the tightest rental markets in the country according to the 2019 CBRE Market Survey.

GRAPH 13: Santa Fe rental prices consistently track at least \$150 above rentals in the rest of New Mexico. In 2019, average rents totaled \$791 in New Mexico compared to \$1,038 in Santa Fe.



RENTAL HOUSING

RENTAL ASSISTANCE

Housing choice vouchers make private-market housing affordable for low-income families and individuals by paying a portion of the family's rent. The Santa Fe Civic Housing Authority and Santa Fe County Housing Authority provide Section 8 vouchers that subsidize rent to private landlords for eligible participants. Demand for this type of rental assistance remains high in the area with applicants waitlisted. The total number of applicants waitlisted in Santa Fe County is 1,976 and Santa Fe City is 200 with the list closed. The Santa Fe Civic Housing Authority (SFCHA) has been the primary provider of affordable housing to citizens within Santa Fe City. Since 2010, SFCHA has completed six different tax credit projects providing 595 LEED platinum certified units within the City of Santa Fe. Cumulatively that represents approximately \$110 million dollars of investment in projects that are affordable to both moderate- and low-income families and seniors. Villa Alegre Family and Senior, one of its first projects, remains occupied at or above 98 percent and competes favorably with market units currently being built but at a steep discounted rent for tenants. In 2020, the Santa Fe Civic Housing Authority received approval for a new infill affordable development project (Calle Resolana) close to parks, schools, jobs, and transportation that will add 11 project-based vouchers and 34 other units for working families below 60 percent AMI. In Santa Fe County, a proposed development (Camino de Jacobo) will represent the first time the county has developed affordable rental housing in over three decades. Looking ahead, the Santa Fe County Housing Authority will be required to undertake major rehab of its existing and aged rental portfolio.



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The City of Santa Fe's Office of Affordable Housing makes funding available to nonprofit partners who provide rental assistance to income-eligible renter households. Since 2015, over 600 households have been assisted with payments for rent, utility, deposits, and arrears, helping these renters remain in their homes or secure new housing situations. In collaboration with the City of Santa Fe, the County of Santa Fe launched a new program called CONNECT which is a network of navigators at clinics, community organizations, and city and county programs. Navigators are community health workers, volunteers, or social workers who link people to services and resources including non-medical services such as secure housing through a shared technology platform enabling navigators to send and receive secure electronic referrals, address residents' social needs, and improve individual and community health.



HOUSING SALES & PRICES

HOME SALES IN 2019

The Santa Fe real estate market showed mixed growth in prices from the prior year along with slowed or flat sales. With record low housing inventories, fewer homes on the Santa Fe market impacted sales.

In Santa Fe City, the median price of a single family home increased by a modest 1 percent to \$375,000 with sales off 8 percent. In 2018, prices jumped by 12 percent from the prior year making it the largest increase since 2010. (TABLE 9).

In Santa Fe County, the median price of a single family home increased by 11 percent between 2018 and 2019, a solid jump with sales tracking nearly flat (TABLE 10).

While the nationally housing market recovered more quickly, the Santa Fe City and County markets lagged behind from 2012 to 2017. Santa Fe home prices have fluctuated both below and above the national median the last two years. Low inventory will continue to impact both prices and sales (GRAPH 14).

TABLE 9: While the median home price fluctuated between 2010 and 2015, from 2016 forward home prices have risen by 21.5 percent

TABLE 10: Santa Fe County noted a gain of 34 percent in home prices since 2014.

GRAPH 14: Santa Fe City and County median home prices increased more slowly generally tracking behind the national housing recovery

SANTA FE CITY | MEDIAN PRICE OF SINGLE FAMILY HOMES SOLD

YEAR	ANNUAL NUMBER OF SALES	MEDIAN PRICE	% CHANGE IN MEDIAN PRICE
2010	525	\$300,000	0%
2011	571	\$289,000	-4%
2012	694	\$274,855	-5%
2013	753	\$289,000	5%
2014	790	\$291,000	.5%
2015	839	\$285,000	-2%
2016	842	\$310,000	9%
2017	1,009	\$324,000	5%
2018	1,079	\$370,000	12%
2019	985	\$375,000	1%

TABLE 9

Source: Santa Fe Association of REALTORS® MLS

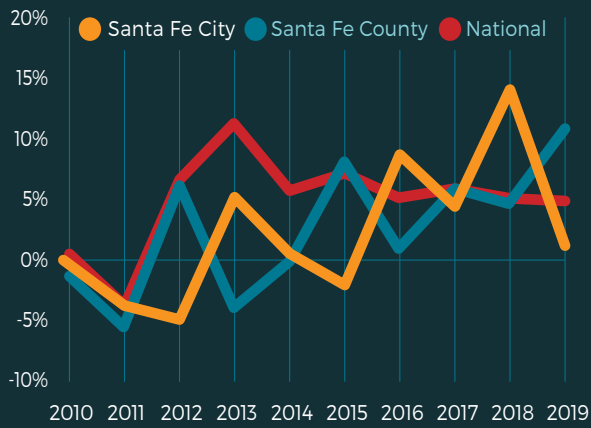
SANTA FE COUNTY | MEDIAN PRICE OF SINGLE FAMILY HOMES SOLD

YEAR	ANNUAL NUMBER OF SALES	MEDIAN PRICE	% CHANGE IN MEDIAN PRICE
2010	472	\$490,500	-1%
2011	502	\$386,250	-6%
2012	581	\$410,000	6%
2013	573	\$393,500	-4%
2014	687	\$393,000	0%
2015	667	\$425,000	8%
2016	740	\$428,875	1%
2017	788	\$454,816	6%
2018	776	\$475,000	5%
2019	797	\$527,500	11%

TABLE 10

Source: Santa Fe Association of REALTORS® MLS

PERCENT CHANGE IN MEDIAN SALES PRICE



GRAPH 14

Source: National Association of REALTORS®
Santa Fe Association of REALTORS®



HOUSING SALES & PRICES

With record low inventories, market pressures continued to drive up prices. For the last five years, homes have sold at an average of 96.6 percent of their original listing prices. In 2019, they sold at 97 percent of their listing prices (**GRAPH 18**).

New construction was on the rise in 2019 and expected to continue into 2020, but many experts note that the country is still not building enough new units to quench demand. In breaking out the housing market by price range over the last ten years, one can clearly see the ongoing erosion of housing affordability. Sales of housing priced under \$200,000 has been shrinking from a peak in 2014 with fewer than 200 single family homes sold in this price range during 2019. Meanwhile, the next three price range levels continue to grow with luxury sales of homes priced more than \$750,000 surging during this same timeframe. Only homes priced \$450,001 to \$550,000 saw a modest blip in 2019 (**TABLE 11**).

GRAPH 15: Since 2012, the median sales price of a Santa Fe City home has steadily increased. Median prices held steady in Santa Fe County from 2013 to 2014 then increased beginning in 2015 before hitting an over \$500,000 threshold in 2019.

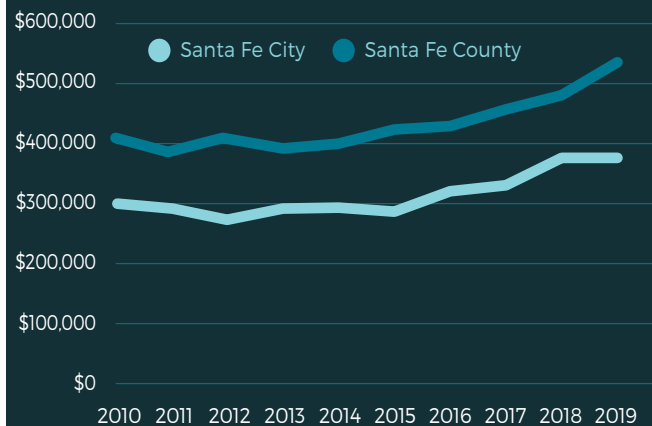
GRAPH 16: Santa Fe City and County Sales have tracked positively for the past ten years with only Santa Fe City noting a 10 percent decline in sales from 2018 to 2019 as a result of record low inventories.

GRAPH 17: Real estate sales were highest in Quarters 2 and 3 in 2019.

GRAPH 18: Homes sold at an average of 97 percent of their list prices in 2019.

TABLE 11: While home sales under \$250,000 dropped by 56 percent, home sales in the \$250,001 to \$350,000 price range held steady from 2018 to 2019.

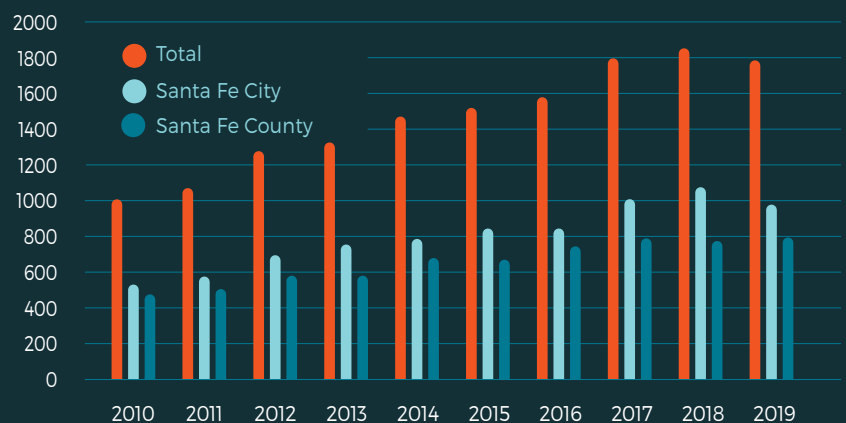
MEDIAN SALES PRICES OF HOMES SOLD



GRAPH 15

Source: Santa Fe Association of REALTORS®

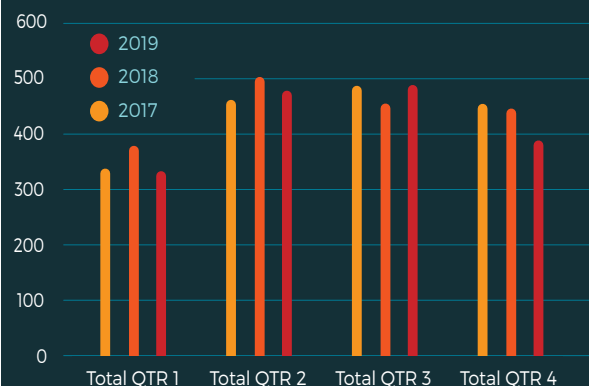
NUMBER OF HOMES SOLD



GRAPH 16

Source: Santa Fe Association of REALTORS®

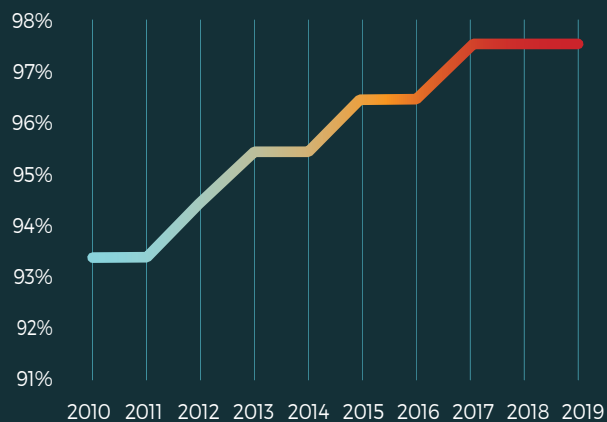
NUMBER OF SALES BY QUARTER



GRAPH 17

Source: Santa Fe Association of REALTORS®

ORIGINAL LIST TO FINAL SALES PRICE



GRAPH 18

Source: Santa Fe Association of REALTORS®

NUMBER OF SANTA FE CITY & COUNTY SALES ACCORDING TO PRICE POINT

PRICE RANGE	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
\$0-\$150,000	35	65	97	58	61	42	36	19	15	16
\$150,001-\$250,000	217	257	324	337	349	358	310	333	230	129
\$250,001-\$350,000	195	205	199	281	269	311	362	405	421	424
\$350,001-\$450,000	138	151	184	201	182	213	230	266	293	323
\$450,001-\$550,000	104	79	132	116	114	165	163	193	241	223
\$550,001-\$650,000	71	59	73	69	95	89	114	139	137	163
\$650,001-\$750,000	39	59	66	69	70	67	75	85	98	108
\$750,001+	143	171	174	180	216	209	227	299	353	350
total	942	1,046	1,249	1,311	1,356	1,454	1,517	1,739	1,788	1,736

TABLE 11

Source: Santa Fe Association of REALTORS® MLS

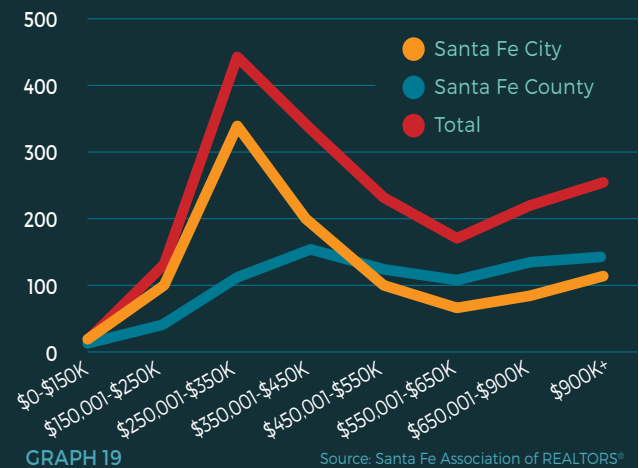
HOUSING SALES & PRICES

Conventional loans made up 50 percent of Santa Fe home sales while 30 percent were cash purchases. Buyers paying cash have a competitive advantage over other types of loans and continue to make up nearly a third of all home loans in the area. Federal Housing Administration (FHA) and Veterans' Affairs (VA) loans made up a total of 7 percent of all home loans.

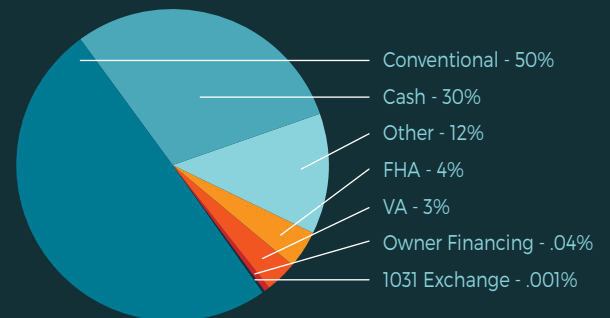
GRAPH 19: The largest portion of single family home sales occurred in the \$250,001-\$350,000 price range in 2019.

GRAPH 20: Conventional (50 percent of all loans) and Cash (30 percent of all loans) made up 80 percent of the Santa Fe housing market

SALES PRICE DISTRIBUTION OF HOMES



NUMBER OF SALES BY METHOD OF PAYMENT 2019



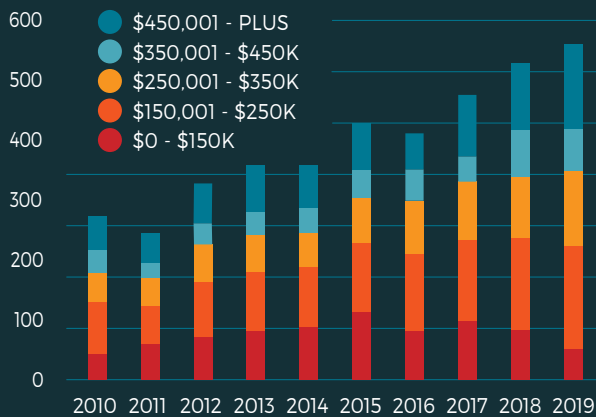
SANTA FE CITY & COUNTY CONDOMINIUMS/ TOWNHOMES MEDIAN PRICE 2010-2019

YEAR	LAND SALES	MEDIAN PRICE	% CHANGE
2010	277	\$259,000	9%
2011	245	\$239,688	-8%
2012	333	\$245,000	4%
2013	364	\$240,556	-2%
2014	380	\$239,250	0%
2015	427	\$223,336	-7%
2016	419	\$245,000	9%
2017	486	\$250,000	1%
2018	534	\$268,000	9%
2019	566	\$282,665	6%

TABLE 12

Source: Santa Fe Association of REALTORS® MLS.

CONDO & TOWNHOME SALES BY PRICE



GRAPH 21

Source: Santa Fe Association of REALTORS®

CONDOMINIUMS & TOWNHOMES

Sales of condominiums and townhomes grew by 6 percent in 2019 (**TABLE 12**), remaining a popular option for buyers due to their lower costs and attractiveness as a second home. Units priced between \$150,001 and \$250,000 made up the majority of the 2019 Santa Fe area market share (**GRAPH 21**).

TABLE 12: The median price of condominiums and townhomes has risen by 26 percent since 2016.

GRAPH 21: Sales of condominiums and townhomes increased by 5 percent in 2019.



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HOUSING SALES & PRICES

NEW CONSTRUCTION SALES

New construction over the past three years in Santa Fe City and County remains mixed with no additional condominium units brought online in the last three years and less than a handful of townhomes produced. Single family home construction increased by a total of 136 units from 2017 to 2019 with prices increasing by a total of 15 percent (**TABLE 13**)

SANTA FE CITY & COUNTY NEW CONSTRUCTION SALES 2017-2019

	2017		2018		2019		MEDIAN% CHANGE
	units	median	units	median	units	median	
Condos	0	0	1	\$1,325,000	0	0	0%
Townhomes	1	\$289,000	2	\$329,000	0	0	13.8%
Family	57	\$419,900	32	\$493,237	47	\$482,000	15%

TABLE 13

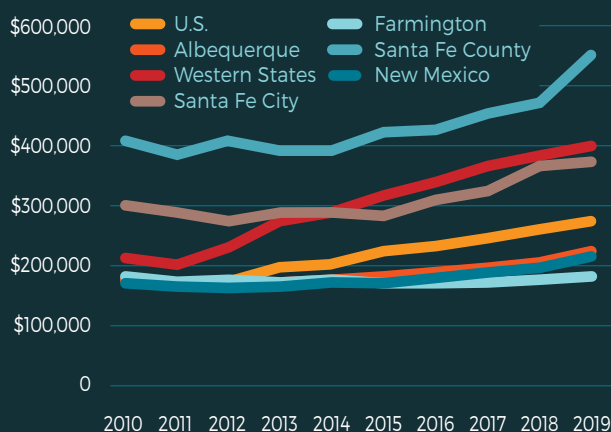
Source: Santa Fe Association of REALTORS® MLS

COMPARATIVE TRENDS IN HOME PRICES

In comparing Santa Fe area single family median prices over the same period to those found in the United States, Western States, New Mexico, Albuquerque and Farmington, one finds that home prices in Santa Fe County have consistently exceeded median prices in all categories (**GRAPH 22**). Remarkably, Santa Fe County has generally tracked approximately \$100,000 or more above both Western States and Santa Fe City. Santa Fe City home prices tracked above all other areas except for Santa Fe County beginning in 2010 through 2013 where home prices began to fall lower than the Western States median. Median home prices in New Mexico have tracked most closely with Albuquerque home prices remaining lower than median home prices across the United States.

GRAPH 22: Median home prices in both Santa Fe City and County have increased over time tracking consistently above median home prices in both New Mexico and the United States.

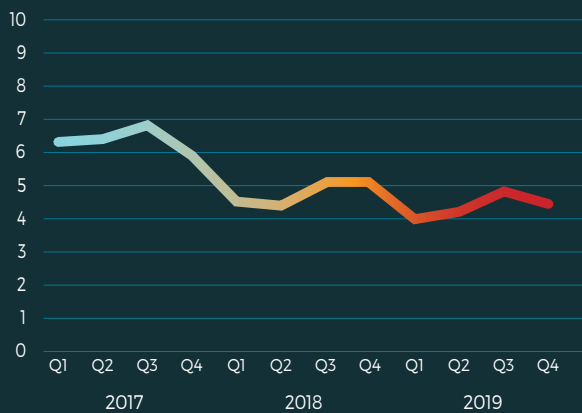
SALES PRICE DISTRIBUTION OF HOMES SOLD



GRAPH 22

Source: National Association of REALTORS® Santa Fe Association of REALTORS® New Mexico Association of REALTORS®

SANTA FE AREA TOTAL MARKET ABSORPTION



GRAPH 23

Source: Santa Fe Association of REALTORS®

PACE OF HOME SALES

The absorption rate is one of the best ways to figure out market supply as it measures the pace of home sales, taking into account both the days a house is on the market along with the number of available homes for sales. It is calculated by dividing the total number of available homes on the market by the number of homes sold in the prior month. The resulting absorption rate tells how many months' worth of inventory is listed for sales, indicating whether there's an undersupply or oversupply of listings.

For example, if an area had 20 listings and five sales in the last 30 days, the absorption rate would be four, meaning that, based on the market's prior activity, it would take four months to sell the supply of current inventory.

As a general rule the absorption rate defines various market conditions:

- Less than three months is an under-supply.
- Three to nine months is a normal market.
- Nine to twelve months is an over-supply.
- More than twelve months is an overloaded market.

The Santa Fe Area overall market absorption rate started out and remained in a normal market rate range during 2019 ending the year with a 4.5 months' supply of available inventory (**GRAPH 23**).



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INTEREST RATES

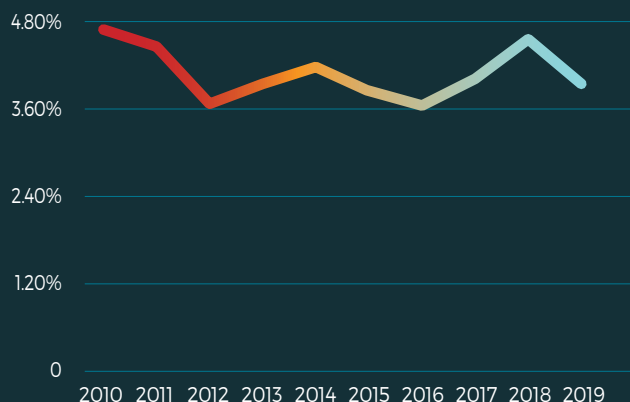
Under the leadership of Federal Reserve Chairman Jerome Powell, the Federal Reserve lowered interest rates three times in 2019 as part of an effort to sustain the economic expansion. The unexpected rate reductions after interest rate increases in 2018 were welcomed by consumers and the mortgage industry. The U.S. average interest rate on a 30-year fixed mortgage at the beginning of 2019 hovered around 4.5 to 4.6 percent dropping to around 3.7 percent by the end of the year, working to jumpstart a refinancing spree ([GRAPH 24](#)). Homeowners across the country took advantage of the rate reduction to lower their monthly payments keeping lending companies hustling to meet market demand. Some have attributed the refinance boon as a key contributor to the longest-running bull market in American history.

In 2020, Fannie Mae and Freddie Mac conforming loan limits increased from \$484,350 to \$510,400 for a single family residence. The increase will make the purchase of a \$500,000 home eligible for the lower conforming interest rate as opposed to the higher rates for jumbo or high-balance loans. Homebuyers can now leverage their borrowing power, enjoying the benefits from inexpensive borrowing costs with the new higher loan limits.



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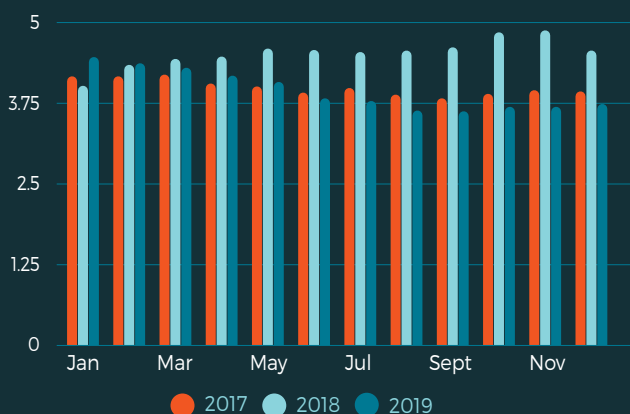
30-YEAR CONVENTIONAL MORTGAGE RATES 2010-2019



GRAPH 24

Source: Freddie Mac

NEW MEXICO 30-YEAR CONVENTIONAL MORTGAGE RATES VS MORTGAGE APPLICATIONS 2017-2019



GRAPH 25

Source: Mortgage News Daily:
Mortgage Rate Watch-New Mexico Mortgage Rates

COST OF CONSTRUCTION

According to the National Association of Home Builders (NAHB), the price of building materials increased 4 percent and 6.5 percent in 2017 and 2018 respectively with prices dropping ever so slightly or 0.2 percent in 2019. Looking ahead, from mid-April 2020 lumber costs for the average single family home have climbed more than 170 percent. An NAHB analysis on the rising cost of lumber finds that it has resulted in an increase of more than \$16,000 on the price of a new single family home. And for multi-family units the average cost increase is approximately \$6,107.

GRAPH 24: 30-Year fixed Interest rates have remained under 5 percent since 2010.

GRAPH 25: Beginning midyear, 30-year fixed interest rates in New Mexico tracked lower in 2019 than the two previous years.



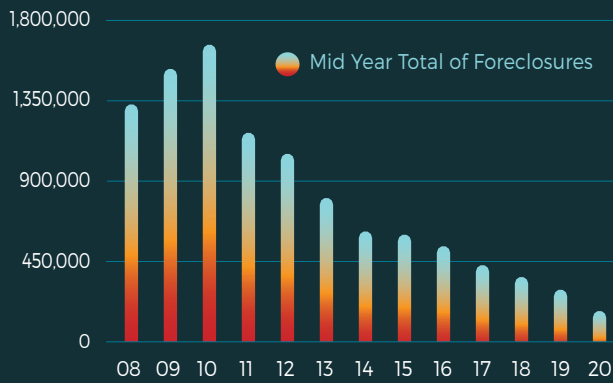
IMPACTS OF MORTGAGE INSURANCE

According to the Consumer Financial Protection Bureau, mortgage insurance lowers the risk to the lender of making a loan, so homebuyers can qualify for a loan that they might not otherwise be able to acquire. Typically, borrowers making a down payment of less than 20 percent of the purchase price of the home will need to pay for mortgage insurance. Mortgage insurance increases the cost of a mortgage loan and can be included in a homebuyer's monthly payment, closing costs, or both. There are several different kinds of loans available to borrowers with low down payments. Depending on what kind of loan, a homebuyer can pay for mortgage insurance in different ways. With a conventional loan, homebuyers may arrange for mortgage insurance through a private company (Private mortgage insurance or PMI) where rates may vary by down payment amount and credit score but are generally cheaper than FHA rates for borrowers with good credit. Most private mortgage insurance is paid monthly, with little or no initial payment required at closing. Under certain circumstances, homebuyers can cancel their PMI. With a FHA loan, a homebuyer's mortgage insurance premiums are paid to the Federal Housing Administration (FHA). FHA mortgage insurance is required for all FHA loans. It costs the same regardless of the individual's credit score, with only a slight increase in price for down payments less than five percent. FHA mortgage insurance includes both an upfront cost, paid as part of closing costs and a monthly cost, included in a homebuyer's monthly payment.

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JANUARY TO JUNE U.S. FORECLOSURE ACTIVITY BY YEAR 2008-2020



GRAPH 26

Source: National Association of REALTORS®, ATTOM™ Data Solutions

FORECLOSURES

In July 2020, the National Association of REALTORS® reported that foreclosure filings—including default notices, scheduled auctions or bank repossessions—dropped 44 percent in the first six months of 2020 from the same time period a year ago. Essentially, foreclosures were at a record low despite the global pandemic and skyrocketing unemployment. A total of 165,530 U.S. properties received a foreclosure filing in the first six months of 2020 (**GRAPH 26**). In Santa Fe County, RealtyTrac July 2020 data found that foreclosures represented 0.02 percent of prior year sales in contrast to a 0.01 percent for home sales across New Mexico and the U.S.

GRAPH 26: From a high of 1.6M mid-year foreclosures in 2010 in the U.S., foreclosures totaled 165,530 in 2020 during the same period.



MORTGAGE FINANCE

DOWN PAYMENT ASSISTANCE

In Santa Fe with the upward growth in median prices of homes, condominiums and townhomes, accumulating a 20 percent down payment has become more than challenging especially for first time homebuyers. Down payments can range anywhere from 3 percent to 20 percent for homebuyers. With some of the most expensive homes found in New Mexico, down payment assistance can be a key factor contributing to a successful home purchase. Down payment assistance programs can take the form of grants, loans and subsidies. The requirements can vary widely between programs with some demanding hands-on construction support from the homebuyer. Many of these programs utilize the Area Median Income (AMI) to determine eligibility and qualify applicants (TABLE 14).

Potential borrowers can work with their local lenders to find programs that are a good match for their home purchase. Many down payment assistance programs require homebuyers to complete a certified First Time Homebuyer course and that they save some of their own funds to put towards the purchase.

AMI numbers are used as a basis to qualify for means-tested housing programs. Higher AMI numbers mean that more households qualify for housing assistance programs. The downside is that higher AMI numbers mean that more families qualify for the housing programs, increasing demand on scarce resources.

TABLE 14: In 2019, the 100 percent Area Median Income (AMI) for a family of four in Santa Fe County was \$73,200.

AREA MEDIAN INCOME (AMI) FOR SANTA FE COUNTY

	120% AMI	100% AMI	80% AMI	65% AMI	50% AMI	30% AMI
AMI 1 Person	\$61,500	\$51,250	\$41,000	\$33,300	\$25,650	\$15,400
AMI 2 Person	\$70,250	\$58,550	\$46,850	\$38,050	\$29,300	\$17,600
AMI 3 Person	\$79,100	\$65,900	\$52,700	\$42,850	\$32,950	\$21,330
AMI 4 Person	\$87,850	\$73,200	\$58,550	\$47,600	\$36,600	\$25,750
AMI 5 Person	\$94,850	\$79,050	\$63,250	\$51,400	\$39,550	\$30,170
AMI 6 Person	\$101,950	\$84,950	\$67,950	\$55,200	\$42,500	\$34,950

TABLE 14

Source:

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HOME OWNERSHIP PROGRAMS

Santa Fe City and County provide a number of programs to directly support housing affordability. The City of Santa Fe uses its local trust funds and its federal Community Development Block Grant (CDBG) funds to support many housing programs that meet the full spectrum of housing needs from the homeless to the homeowner (TABLE 15). The City relies on a local network of nonprofit services providers to offer these programs which include: downpayment loans; rental assistance; home repair; energy efficiency retrofits; homeless facility repair; and rehabilitation of apartments. In addition, approximately 800 potential homebuyers per year are provided extensive financial counseling and homebuyer training by Homewise and the Housing Trust. An additional 250 homeowners per year are assisted with refinancing and financial counseling services, including reverse mortgages. These services are partially funded through administrative contracts with the City of Santa Fe. The County of Santa Fe offers several programs that include down payment assistance, roof repair, foreclosure prevention and first-time homebuyer support.

TABLE 15: Santa Fe City and County provided the most down payment assistance during 2017. Santa Fe City assisted the greatest number of renters in 2018.

SANTA FE CITY & COUNTY HOUSING AFFORDABILITY PROGRAM RESULTS; 2015-2019

PROGRAMS	2015	2016	2017	2018	2019
Santa Fe City					
Down Payment Assistance	27	11	43	29	23
Home Rehab	14	13	22	24	25
Rental Assistance	88	170	61	208	88
Rental Rehab	-	2	28	9	100
Facility Improvements (# of beds)	-	-	8	30	8
Santa Fe County					
Down Payment Assistance	9	2	10	6	8
Roof Repair	4	1	1	2	5
First Time Homebuyer	5	2	2	2	1

TABLE 15

Source: County of Santa Fe Affordable Housing Tracker, City of Santa Fe Affordable Housing Department

HOUSING AFFORDABILITY

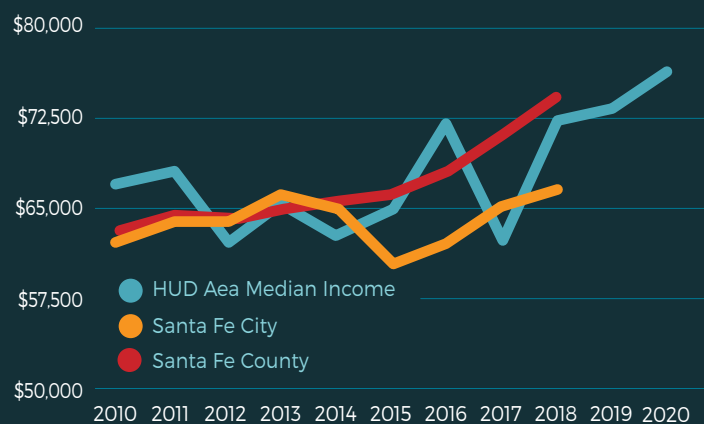
Housing affordability is a longstanding issue in the Santa Fe area with local governments implementing housing programs going back to the early 1990s. Three key factors contribute to the core of Santa Fe's housing issues: federal government resources meet the needs of about 20 percent of the lowest income households leaving an 80 percent gap that state and local governments must fill; a housing market that continues to attract second home, retiree and remote worker buyers who do not rely on local wages; and a shortage of housing development to keep up with population growth.

Housing affordability is best expressed by the gap between wages and housing costs. An important gauge of local incomes is the Census Median Family Income as this data most closely approximates income used to support housing payments. Median Family Income over the past 10 years has remained relatively flat for Santa Fe City with modest growth in Santa Fe County incomes (**GRAPH 27**). More recently according to U.S. Census rolls, over 1000 of the lowest income families have left the area skewing up income growth.

GRAPH 27: Median family income in Santa Fe City has increased about \$4,000 or 6 percent in the last 8 years.



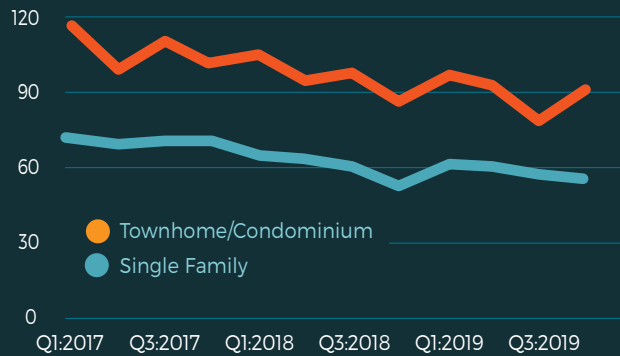
SANTA FE MEDIAN FAMILY INCOME TREND



GRAPH 27

Source: U.S. Census, American Community Survey 5-year Estimates, U.S. Department Housing and Urban Development

HOUSING AFFORDABILITY INDEX FOR SINGLE FAMILY & TOWNHOME/CONDOMINIUM IN SANTA FE CITY & COUNTY



GRAPH 28

Source: Santa Fe Association of REALTORS® MLS

HOUSING AFFORDABILITY INDEX

The Housing Affordability Index (HAI) measures the ability of a family earning a median income to purchase a median-priced home. An index value of 100 means that a household with a median income has exactly enough income to spend 28 percent of their income on a mortgage for a median-priced home. A value higher than 100 indicates the family has more than enough income to qualify for a mortgage on a median-priced home. In contrast, if the HAI is below, it indicates that a median-priced home would not be as affordable for that household.

The HAI for Santa Fe City and County for single family homes has tracked under 100 for the last three years (GRAPH 28). The HAI for townhome and condominiums has tracked somewhat above or close to 100 through the 3rd Quarter of 2018 offering a more affordable option for home buyers recognizing that condominiums have more limited financing options.

GRAPH 28: Beginning in the 4th Quarter of 2018, the Housing Affordability Index (HAI) for townhome and condominiums has tracked below 100.



HOUSING AFFORDABILITY

HOMEOWNER & RENTER AFFORDABILITY

Housing is considered affordable when a household spends no more than 30 percent of their income on housing costs. When households spend greater than 30 percent on housing, they are considered cost burdened. Seventy-eight percent of renters below 30 percent of Area Median Income (AMI) and 74 percent of renters between 31 percent and 60 percent of AMI are cost burdened in Santa Fe County (**GRAPH 29**), compared to only 23 percent of renter households between 80 and 120 percent of AMI and 5.6 percent of households above 120 percent of AMI. Renters and low-income households face the greatest cost burden in the Santa Fe County housing market. To put this in perspective, the 2019 median price of a single family home in Santa Fe County was \$527,500. A family would need an income of \$120,000 a year to afford a home at this price.

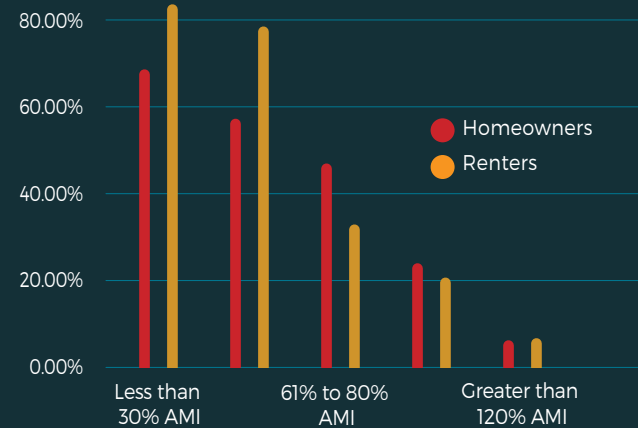
In Santa Fe City, 86 percent of renter households earning less than \$50,000 a year are cost burdened, a number that has risen by 13 percent between 2016 and 2018. This figure represents over 5000 renter households and demonstrates that low-to-moderate income renter households face the greatest cost burden in the Santa Fe housing market.

Santa Fe City and County have programs to require the construction of housing units for low-income residents through inclusionary zoning policies that offer developers various types of incentives. Over the last nine years, 548 affordable housing units have been built to address housing affordability (**TABLE 16**). Additionally, between 2006 and 2010 Santa Fe City constructed a total of 621 affordable housing units.

GRAPH 29: Santa Fe County residents with incomes greater than 120 percent of the Average Median Income remain cost-burdened by 5.3 percent.

TABLE 16: Santa Fe City and County have adopted inclusionary zoning policies to encourage the construction of affordable housing units in developments.

COST BURDENED HOUSEHOLDS, SANTA FE COUNTY 2019 HOMEOWNERS, RENTERS



GRAPH 29

Source: Santa Fe County Economic Development Plan 2019, Economic & Planning Systems

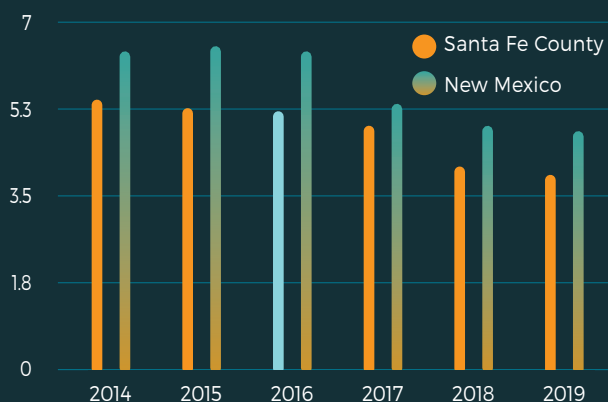
AFFORDABLE HOUSING UNITS BUILT IN SANTA FE CITY & COUNTY 2010-2019

	2011	2012	2013	2014	2015	2016	2017	2018	2019	TOTAL
Santa Fe City	52	92	36	32	12	12	37	22	4	299
Santa Fe County	60	28	60	0	5	2	2	1	91	249
TOTAL	112	120	96	32	17	14	39	23	95	548

TABLE 16

Source: City of Santa Fe Affordable Housing Department, County of Santa Fe Affordable Housing Department

SANTA FE COUNTY UNEMPLOYMENT RATE 2014-2019



GRAPH 30

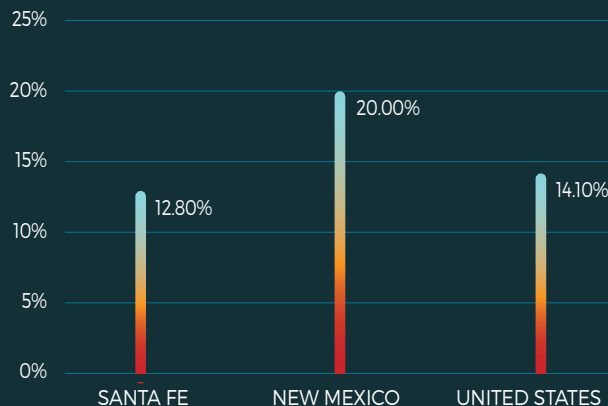
Source: U.S. Bureau of Labor Statistics

UNEMPLOYMENT

The unemployment rate is another key factor in determining the health of the local economy. This is defined as the percentage of the total labor force that is unemployed but still able to work and actively seek employment. Santa Fe's unemployment rate hit a six-year low in 2019, with a 3.9 percent unemployment rate (GRAPH 30).

GRAPH 30: Santa Fe County had an unemployment rate of 3.9 percent in 2019 compared to a higher rate of 4.8 percent in New Mexico.

SANTA FE COUNTY POVERTY LEVEL VS NEW MEXICO & UNITED STATES



GRAPH 31

Source: New Mexico Mortgage Finance Authority; American Community Survey 2014-2018 5-Year Estimates

POVERTY

To determine who is in poverty, the U.S. Census Bureau sets an income threshold under which an individual or family is deemed to be living in poverty. This threshold varies based on family size, living situation and age. In 2019, about 12.8 percent of Santa Fe County residents were considered to be living in poverty (GRAPH 31). In contrast, a higher percentage or 14.1 percent of U.S. residents and 20 percent of New Mexico residents were living in poverty in 2019. In Santa Fe City, the poverty rate is slightly higher at 13.5 percent, representing over 11,400 people. At this income level, families cannot seek market rate housing placing them in extreme housing insecurity and risk of homelessness.

GRAPH 31: More New Mexico and U.S. residents were living in poverty in 2019 compared to Santa Fe County residents.

HOUSING AFFORDABILITY

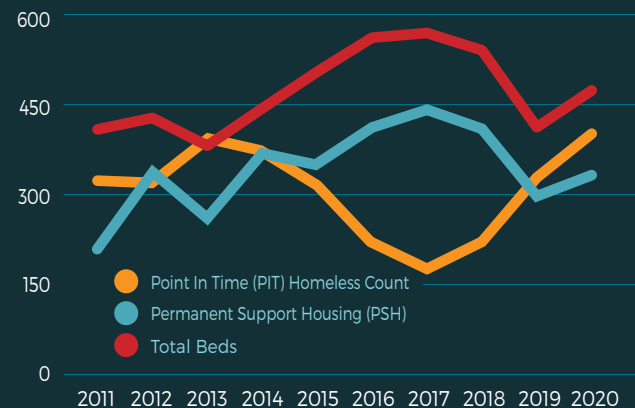
HOMELESSNESS

Homelessness is a persistent problem in Santa Fe. The City of Santa Fe and its nonprofit partners recognize that supportive housing, where housing is combined with supportive services, is the best solution to homelessness. Much has been done over the years to increase the amount of supportive housing that is available and there is a need for more.

The annual point in time count for January 2020 (GRAPH 32) showed that there were 407 homeless people in Santa Fe on a single night in January. This is an increase over previous years and continues an upward trend that started in 2018. At the same time, 428 formerly homeless people were living in supportive housing designated for people exiting homelessness. Of these, 340 were living in permanent supportive housing for people with disabilities and 88 were living in transitional housing or rapid rehousing for people without disabilities.

Santa Fe is participating in three national projects to reduce and end homelessness. First Santa Fe worked to reduce homelessness among veterans and was recognized in 2017 by the U.S. Interagency Council on Homelessness as having effectively ended veteran homelessness by creating a system where homeless veterans in Santa Fe could be rehoused within 90 days of becoming homeless.

POINT OF TIME COUNT OF HOMELESS PEOPLE IN SANTA FE



GRAPH 32

Source: New Mexico Coalition to End Homelessness 2020

RAY BELCHER is a professional fine art photographer and navy veteran. He had also been homeless off and on for years. As part of the City of Santa Fe's efforts to house all homeless veterans in partnership with the Veterans Administration, Ray was able to get an apartment in 2018.



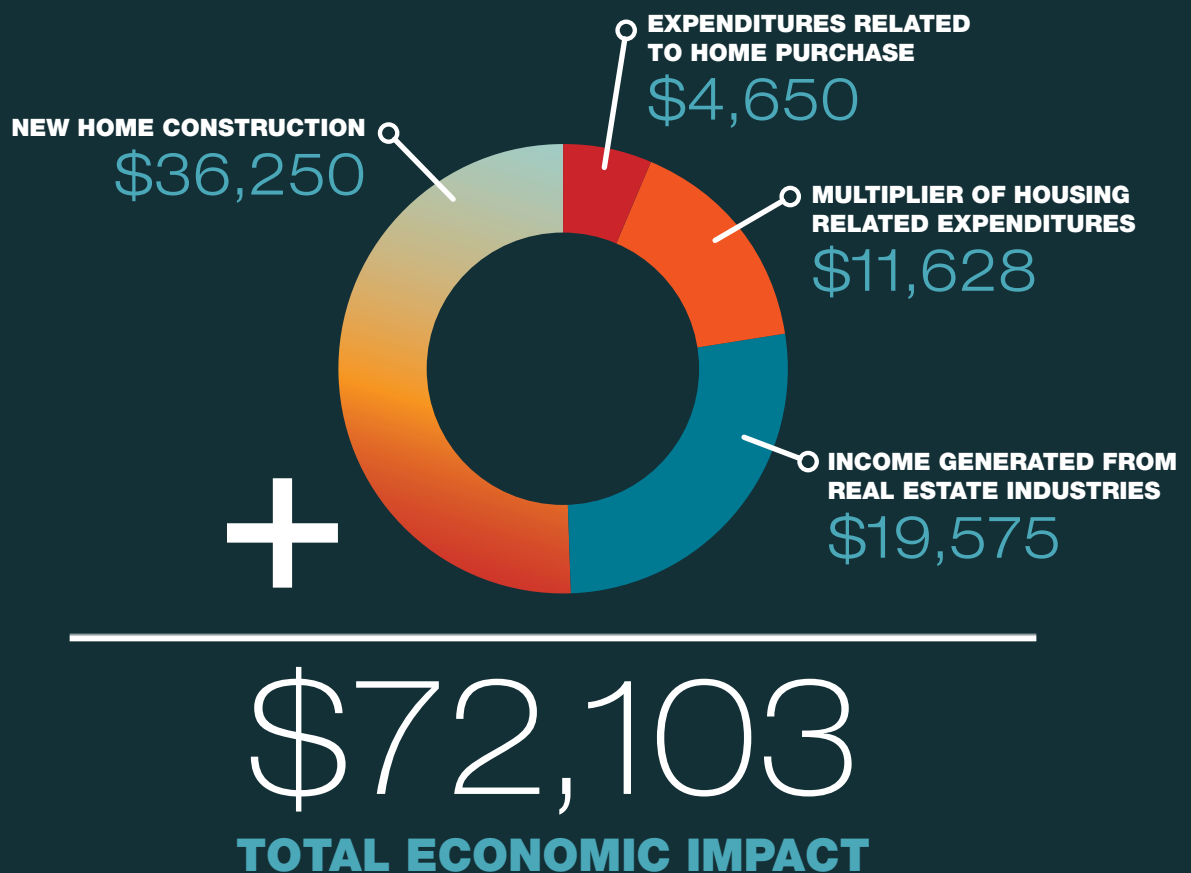
In 2018 and 2019 a group of young people with lived experience of homelessness held regular meetings to help plan how best to spend the federal Youth Homelessness Demonstration Program grant. Their input helped shape the program that is rolling out in 2020.

In 2019, Santa Fe joined the Built for Zero Movement to end chronic homelessness. This effort is aimed at housing the approximately 100 individuals in Santa Fe who have been homeless for a year or more and have a disabling condition. Santa Fe has created a by-name list of those who are chronically homeless and is currently working to expand outreach to keep the list current and developing additional permanent supportive housing that meets the needs of those who are chronically homeless.

In 2019, Santa Fe began a Youth Homelessness Demonstration Program as a partnership between Youth Shelters and Family Services, the New Mexico Coalition to End Homelessness and agencies representing the 14 counties in Northern New Mexico. A federal grant with state matching funds is fueling this effort to find and house the most vulnerable homeless youth in Northern New Mexico, with a goal of creating a system where any homeless youth can be rehoused within 30 days.



THE ECONOMIC IMPACT OF A TYPICAL HOME SALE IN NEW MEXICO



REAL ESTATE INDUSTRIES: We assume that commissions, fees and moving expenses, or income to real estate industries, associated directly with the purchase are about 9 percent of the median home price.

EXPENDITURES RELATED TO HOME PURCHASE: Furniture and remodeling expenses are about \$4,650 based on the NAHB figure.

MULTIPLIER EFFECT: The multiplier effect accounts for the fact that income earned in other sectors of the economy as a result of a home sale is then re-circulated into the economy.

NEW CONSTRUCTION: Additional home sales induce added home production. Typically, one new home is constructed for every six existing home sales. Thus, for every existing homes sale, 1/6 of a new home's value is added to the economy.

**THE REAL ESTATE INDUSTRY ACCOUNTED FOR
\$17.7 BILLION OR 17.0% OF THE GROSS STATE PRODUCT IN 2019**



GROWING SMART

The Santa Fe region is committed to growing smart by adopting policies and programs that conserve precious resources while encouraging active lifestyles, sustainability, and affordable housing options for its residents.

In 2016, Santa Fe City leaders adopted the Midtown Local Innovation Corridor (LINC) Overlay District as a creative way to keep infrastructure costs low while encouraging redevelopment in a key corridor. The Midtown LINC is designed to strengthen and animate the built environment within the demographic and geographic center of the city along St. Michael's Drive corridor. The Midtown LINC district incentivizes multi-family residential development, complementary non-residential uses, and can offer an enlivened, street-oriented pedestrian environment by freeing development capacity of existing under-developed land and buildings for these targeted uses. Increasing housing density in the LINC will help lower Santa Fe's carbon footprint and reduce climate impacts on water.

Located in the Midtown LINC District, Santa Fe's Midtown District is a transformative project proposed for redevelopment by the City. The 60-plus acre land parcel owned by the municipality will become a mixed-use development with both market rate and affordable housing, higher education, arts and culture, entrepreneurial businesses and innovations in technology, film and digital entertainment, and programmed open space. To learn more about the Midtown District project, visit <https://midtowndistrictsantafe.com/>

WATER CONSERVATION

HOUSING CANNOT HAPPEN WITHOUT WATER. Santa Fe is recognized nationally for its innovative water conservation efforts. Located in a high desert climate, the city began a "lead by example" water conservation program in 1997, resulting in Santa Feans reducing their water consumption by more than 39 percent since tracking began in 1995. The City of Santa Fe's proactive water conservation efforts has paved the way for a water wise city, resulting in a community that's committed to continually reduce its a community that's committed to continually reduce its annual water consumption. City leaders can draw on a diverse water portfolio that includes annual snowmelt in two reservoirs, a diversion from the Rio Grande, and a field of deep wells. The City of Santa Fe's water conservation is critical to managing the City's limited water resources for today and to ensure sustainability growing forward.

The City of Santa Fe offers rebate and incentive programs for high-efficiency toilets and clothes washers, rain barrels and cisterns, and water-free urinals, for both homes and businesses. The rebates are based on the cost of water saved, which makes the rebate amount typically higher than other rebate programs. The City's Long Range Water Supply Plan (Water Plan) is a road map on how the city will continue to provide a reliable and sustainable water supply to current and future water customers. To access the report and find out more about water conservation in the area, visit: <https://savewatersantafe.com/>

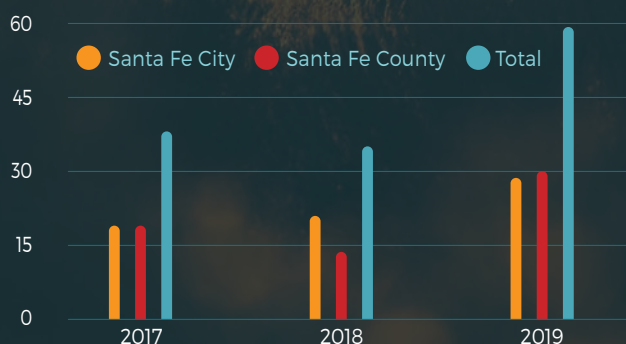
To encourage affordable housing, the city does not require the tender of water rights for housing units that meet the requirements of the Santa Fe's Homes Program. Additionally, the new Midtown LINC district offers a water incentive to developers by reducing water budget fees by nearly 18 percent.

WALKABILITY

Walkable neighborhoods are more popular among consumers than ever. According to research, people prefer to live in communities that allow them to walk to shops, parks and other destinations and will pay more for a home that allows them to do just that. Walkability offers surprising benefits for our health, environment finances and communities. According to Walkscore, the average resident of a walkable neighborhood weighs 6-10 pounds less than someone who lives in a sprawling neighborhood, and these neighborhoods are associated with higher levels of arts organizations, creativity, and civic engagement. Walkable cities with good public transit and access to amenities promote happiness.

WHY IS WALKABILITY IMPORTANT TO HOUSING? In Santa Fe City, a recent multi-unit land use proposal was successful in reducing its parking requirement based on its demonstrated access to city buses and Railrunner train. City land use officials are considering other incentives by allowing the reduction in parking for certain developments based on walkability scores. Additionally, residents of walkable neighborhoods are often spared the expense of owning and operating a vehicle which frees up income and reduces housing costs. Santa Fe City and County's extensive parks and trails systems are recognized by outdoor enthusiasts across the world while connecting its residents to key landmarks and amenities

SANTA FE CITY & COUNTY ACCESSORY DWELLING UNIT CONSTRUCTION 2017-2019



GRAPH 33

Source: City of Santa Fe Land Use Department, County of Santa Fe Growth Management Department

WEALTH GENERATION (ADUS & STRS)

Santa Fe City allows Accessory Dwelling Units (ADUs) by right. Casitas, as ADUs are more commonly called in New Mexico, are a venerable local tradition. These smaller units with many benefits for homeowners, communities and housing supply are not nearly as common as they could be. In 2019, the City of Santa Fe modestly relaxed regulations to encourage the construction and use of ADUs for both long- and short-term rentals under certain conditions to diversify housing options for residents and visitors. Efforts are underway to further incentivize ADUs by offering "fast track" design plans to make more feasible the construction of these units across the city. As a result, Santa Fe may experience a modest uptick in ADUs as the property owners build new units. Accessory Dwelling Units are permitted and regulated through construction process in Santa Fe County. A total of 59 ADUs were constructed in Santa Fe City and County in 2019 (**GRAPH 33**).

THE GIG ECONOMY GROWS IN SANTA FE. Not only can ADUs provide expanded housing options but they also allow Santa Fe homeowners to generate wealth. Many property owners have been offering their casitas or primary residences as short term rentals (STRs) to tourists as the City Different enhanced and grew its tourism industry over time. Short term rentals provide a unique stay option for many families and visitors while energizing a green, local economy through the repurposing of existing buildings. Short term rentals are robustly regulated by the City of Santa Fe which limits the number of annual permits to a total of 1000 in residentially-zoned areas. Short term rental operators are required by law to pay lodgers and gross receipt revenue taxes – an important revenue stream for the city. Santa Fe City regularly reviews and updates its laws governing STRs. Investors would be wise to engage city regulators when contemplating the purchase of a property for this use. Santa Fe County does not regulate short term rentals.

CONCLUSION & ECONOMIC OUTLOOK

CONCLUSION

While land sales are growing, prices fell in 2019 that may help offset the growing costs of construction, particularly, the price of lumber moving forward.

Santa Fe remains an attractive destination-not only for tourists-but those looking for a more predictable and sustainable climate, diverse housing, world-class cultural amenities, a myriad of challenging yet accessible outdoor recreation and art attractions offered in a well-established sense of place. Domestic and international in-migration is already occurring at a faster pace than across New Mexico and is likely to increase with a growing number of early retirees along with home-based workers impacted by the COVID-19 pandemic attracted to the region.

Housing prices continue to move upward in the backdrop of historically record low inventories in the Santa Fe housing market. Housing affordability remains a key market concern as both single-family home and condominium/townhome prices have increased. The median price for a single-family home in Santa Fe County hit a record figure of \$527,500 in 2019 and yet for the luxury home market, Santa Fe remains a bargain. Record-setting home sale prices are putting pressure on government officials to address the growing cost of housing. While mobile homes make of 12.1 percent of the overall housing market in Santa Fe County, they are not a workable solution for urban growth corridors.

Remarkably, with 17 apartment complexes in different stages of construction, Santa Fe landed in the Top 10 among the nation's 358 metropolitan areas with a 10 percent growth in construction jobs in July of 2019. Santa Fe's construction sector added 300 jobs in July to reach 3,300 jobs, the 10 percent growth rate placed Santa Fe at number 9 among the metro areas. Construction spending was up 7 percent over the previous year in April, May and June, according to the New Mexico Economic Development Department. Policies to encourage multi-family development by providing a fee-in-lieu option are paying off in new units across Santa Fe while adding approximately \$600,000 to the City of Santa

Fe's affordable housing trust fund fiscal year ending July 2020. It begs the question, what other land use strategies could local governments deploy to generate new housing across the income spectrum?

Elected officials in both the City and County of Santa Fe have voiced the need for more affordable housing. The City of Santa Fe plans to donate several tracts of City-owned land to incentivize the construction of affordable rental units. The City of Santa Fe Land Use Department is exploring a variety of innovative strategies to grow housing by amending their land use code to allow higher density and impact fee waivers for projects that meet sustainability and walkability goals. The County of Santa Fe has crafted an Affordable Housing Plan to guide its work over the next few years to better meet the growing housing needs of its citizens. New strategies include revisions to the county's inclusionary zoning rules pushing its program to become more flexible and responsive to market conditions; effectively utilizing county-owned land for housing projects; revamping down payment assistance and roof repair regulations; outsourcing foreclosure prevention services; and identifying new, reoccurring funds to support housing programs. These efforts are commendable.

To further address the housing crisis, Santa Fe Housing Action Coalition is working collaboratively with a wide range of business, community, housing and government interests to identify and advocate for a steady stream of annual funding which can be strategically leveraged to address Santa Fe's growing housing needs. Tapping existing local funding sources are likely to be explored first, such as infrastructure funding, housing bonds and short term rental gross receipts taxes-a relatively new funding source that began to be collected at the state level in 2018 through host platforms like AirBnb and VRBO. According to the New Mexico Mortgage Finance Authority, the agency has been able to successfully leverage its funding with a 25-to-1 return on the investment by attracting other funding as well as through the recycling of interest and principal payments.

ECONOMIC OUTLOOK

The Santa Fe community, much like the rest of the nation, will enter 2021 with economic uncertainty due to the Covid-19 pandemic's looming presence. As overall unemployment has remained relatively stable, wage loss and future unemployment will be key factors impacting housing looking ahead. Foreclosures at mid-year hit record lows, but it remains unclear how many homeowners will begin to default on their mortgages due to record unemployment even with unprecedented federal, state and local government assistance. Rental evictions which have been held at bay through moratoriums, will go up as these restrictions are eased. Local housing programs will be stressed to fill the gap and the Santa Fe community should act quickly to keep people in their homes. Federal CARES Act funding available to the Santa Fe community through December 2020 can help with housing related costs and small business grants but without any further federal action, it is unclear how the community will address ongoing Covid-19 pandemic-related economic stress.

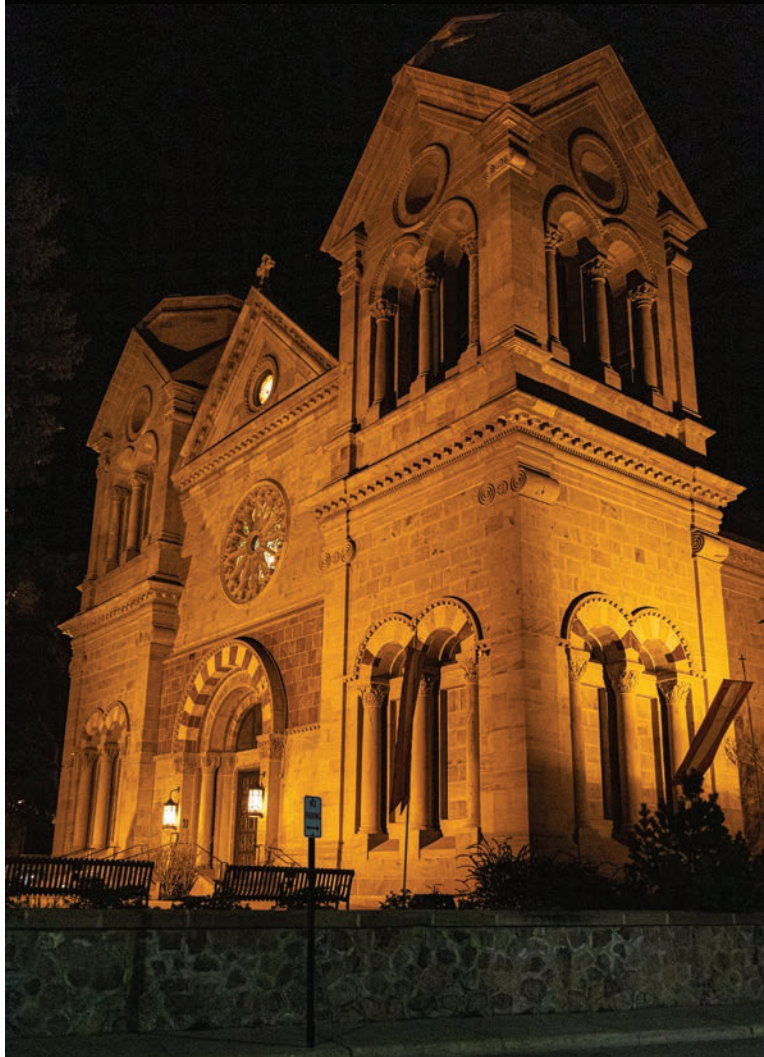
The National Association of REALTORS® expects home sales to rebound as virus-concerns wane with a later dip in sales. Rising infections and lingering unemployment will lead to a see-saw recovery with ups and downs. Home prices are projected to flatten, increasing just 1.1 percent for the remaining calendar year. With many sellers in a holding pattern and a decline in housing starts, inventory will remain constricted. Under normal market conditions, prices would be expected to skyrocket as inventory evaporates, but buyer demand is expected to see-saw as secondary waves of coronavirus infections pop up throughout the U.S. During these periods, sales are forecast to take a hit as sellers de-list properties and buyer demand abates.

Mortgage rates will remain attractive but qualifying criteria will be tougher than recent years as lenders seek to mitigate their own risks against economic uncertainty. This will mean buyers need more cash for

a down payment and higher credit scores in order to get a loan with many lenders. Shopping around for the best rates and terms will be particularly important. After extensive time spent at home, homebuyer preferences for space and quiet have gained renewed attention along with large metro shoppers looking for housing outside of their current metro area. With the broad expansion of work from home options, 68 percent of vacation homes on the market have sold in less than a month—a record looking back over the last twelve quarters.

National Association of REALTORS® Economist, Lawrence Yun, shares, "As home prices increase both too quickly and too significantly, first-time home buyers will increasingly face difficulty coming up with a down payment. Transforming raw land into developable lots and new supply are clearly needed to help tame the home price growth." With record low housing inventories and interest rates, it seems an ideal moment for Santa Fe to strategically foster a regulatory environment that can spark a robust, economic housing boon as Santa Fe recovers, along with the nation, from the Covid-19 pandemic.





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