

A Reprint from *Tierra Grande*

An aerial photograph of El Paso, Texas, taken from a high vantage point on a hillside. The city is densely packed with buildings and streets, extending to the horizon. The sky is a mix of blue and orange, indicating sunset or sunrise. The foreground shows a rocky, sparsely vegetated hillside.

# *El Paso's* Home Field Advantage

By Harold D. Hunt

In baseball terms,  
El Paso has knocked one out of the park.

The latest round of Base Realignment and Closure (BRAC) proceedings along with other key military decisions stand to greatly benefit Ft. Bliss and the entire El Paso region.

One home run does not guarantee a victory, however, so El Paso is working to improve its batting average by strengthening other economic drivers as well. Expectations of a major league win for the area's real estate markets are running high.

## Being Proactive Reaps Benefits

BRAC commissions have not always been kind to El Paso. In 1995, 2,500 troops were transferred out of Ft. Bliss.

"That was a real wake-up call," recalls Richard Dayoub, president of the El Paso Chamber of Commerce.

After the loss, Dayoub says El Paso officials began a concerted effort to inform Congress and the Pentagon about the region's assets.

Those lobbying efforts paid off handsomely when the 2005 BRAC commission ranked Ft. Bliss first among all U.S. Army installations in terms of military value. About 17,000 active duty soldiers are stationed at Ft. Bliss, generating a \$1.7 billion regional economic impact annually or about \$100,000 per soldier.

"If the proposed troop increases occur, the military construction alone could be \$2 billion to \$3 billion. This could lead to the single largest construction project in the history of the Army," according to Bob Cook, president of El Paso's Regional Economic Development Corporation.

Although no official timetables have been established, more than 21,000 active duty troops and 33,000 dependents are expected to relocate to Ft. Bliss by 2011. Forecasts are that 60 percent of families will live off-post.

## High-Tech Job Potential

The Army has chosen Ft. Bliss as the location for the Future Combat System (FCS), which has been called the centerpiece of the Army's modernization program. FCS will connect a network of high-tech manned and unmanned systems to soldiers on the ground.

"The military is moving toward small, modular military units with an increasing amount of technology at their disposal," says Cook. "The FCS will be developing the most advanced technology in the world for soldiers to fight with."

By 2014, more than 3,000 soldiers are expected to be evaluating FCS technology at Fort Bliss.

A few defense contractors have already announced the establishment of regional offices in the El Paso area as a result of the FCS announcement. University of Texas at El Paso (UTEP) officials hope that the FCS program will produce more job opportunities for their engineering graduates.

Last September, *Hispanic Business* magazine named UTEP as the top engineering school in America for Hispanics. Together, UTEP and New Mexico State University in nearby Las Cruces graduate more than 1,000 mostly Hispanic scientists, health professionals and engineers annually.

## An Industrial Evolution

A 2005 report by the El Paso branch of the Dallas Federal Reserve Bank stated, "Texas/Mexico border cities have, in general, developed as complements, providing each other with unique goods and services, acting as a single urban area and spurring the growth of their respective neighbors."

The border region around El Paso operates as one interconnected industrial bloc, even though it resides within two U.S. states and two countries.

Several trends are strengthening the region's industrial sector.

- The improving U.S. economy has increased demand for manufactured goods.
- Employment in Juarez maquiladoras began to rebound in 2004 after declining more than 27 percent between 2000 and 2003.
- New maquiladoras are capitalizing on Mexico's global advantages.
- Companies are directing an increasing number of Asian-made components through Mexico for final assembly before being transported to the United States.



**ACTIVE DUTY MILITARY PERSONNEL** at Ft. Bliss are supported by 6,600 civilian employees, making the post one of the area's top five employers, along with the University of Texas at El Paso.



**MANY EL PASO BUSINESSES** use industrial flex space (left) for offices rather than leasing traditional office space.

- More suppliers are choosing to locate facilities in Juarez near the manufacturers they supply.
- Faster border crossings are being created.

According to Adin Brown, principal of Sonny Brown Associates, "Industrial vacancy is nearing 3 percent in Juarez while El Paso's vacancy rate has been hovering around the 10 percent level."

Some have argued that with smoother, more consistent border-crossing times into the United States from Mexico and an increasing number of Asian suppliers delivering components through Mexico, demand for warehouse space on the U.S. side of the border will be reduced. Although that is a possibility, it is still too soon to predict how U.S.-based warehouse-distribution space will fit into emerging Asia-Mexico-U.S. supply chains.

### Retail Details

Record new home construction is combining with the improving national economy and a stable peso to produce a strong retail market in El Paso. Local retail broker Richard Amstater of RJL Real Estate Consultants says this is the most active market he has seen in the last 30 years.

"Eighteen months ago, six big-box properties were vacant in El Paso. Today only one remains unoccupied," remarks Amstater. "The only missing retail component in El Paso is high-end retail."

National retailers have also tended to underestimate the value of Mexican shoppers, especially the high-end retail client.

"The recent arrival of Jos. A. Banks and Chico's is beginning to create more interest from national firms," according to Adam Frank, vice-president of River Oaks Properties, a local real estate development and management company.

River Oaks has half a dozen new retail projects under development in El Paso, five of which are on the city's booming east side.

Bob Ayoub is president of the region's other major retail development-management company, Mimco Inc. Ayoub, who also has several new developments underway, says that El Paso is really five distinct submarkets: west, northeast, central, east south of I-10 and east north of I-10.

### Nascent Office Market

El Paso's traditional office market is small, with many area companies choosing to carry out office activities in industrial flex space rather than conventional office space. Total office space in El Paso is less than seven million square feet.

Statistics from the Texas Workforce Commission reveal that professional and business services jobs increased by 15,400 from December 1995 to December 2005. As a percentage of total nonfarm employment, those office-related jobs increased from 7.4 percent to 12.2 percent in the El Paso metropolitan statistical area (MSA).

An office campus is planned around a Tom Fazio-designed golf course under construction on El Paso International Airport land. Patrick Abeln, director of aviation for the airport, envisions a high-end office campus with a few large office tenants, although no tenants have been secured to date. Abeln hopes to land a resort hotel for the golf course development by the end of the decade.

The downtown office sector has a vacancy rate exceeding 20 percent. However, that may be about to change according to Myrna Deckert, president of the Paso del Norte Group.

In early April, Paso del Norte announced its master plan for redevelopment of downtown El Paso and downtown Juarez. The group hired a private master-planning firm to identify the primary drivers for successful downtown areas worldwide. More than 50 cities were examined, allowing the group to analyze which economic drivers would work best for El Paso.

### Unique Apartment Market

The El Paso apartment market is a fairly balanced market according to Winston Black, senior investment advisor for Hendricks & Partners. Black has been doing multifamily deals in El Paso for several decades, and he believes the apartment market there operates differently than in other cities of similar size.

"Affordability and the Hispanic culture tend to favor single-family ownership in the El Paso region," says Black. "Also, building costs are pretty similar to other major metro areas in Texas that can command much higher rents."

**B**lack notes that no national apartment developers have attempted any developments in El Paso, and almost no institutional ownership of currently constructed units exists.

New construction in the last ten years has centered almost exclusively on developments at both ends of the spectrum, tax-credit properties and Class-A units. The El Paso Apartment Association reports the total apartment stock is nearing 25,000 units. More than 1,000 new units are currently in development.

The overall occupancy rate was 93.5 percent in December 2005, up from about 90.5 percent in December 2004. Average

are on a property-to-be-determined basis. Many buyers are being forced to wait for a new home to be built if they aren't interested in purchasing an existing one."

Hahn's average mortgage also increased about \$4,000 to \$96,000 in 2005.

"El Paso is behind other cities of similar size in lot availability," says Doug Schwartz, CEO of Southwest Land Development Inc. "We should be building about 8,000 to 10,000 homes a year in El Paso to keep up with the demand."

About 4,500 new homes were constructed in 2005 by Bowling's calculations. That was an increase of 50 percent over the 3,000 built in 2003.



*EL PASO'S SIZZLING SINGLE-FAMILY MARKET has shrunk the area's lot inventory and attracted a significant number of investor-buyers. The multifamily market (left), which is strongly influenced by Ft. Bliss troop arrivals and departures, is growing, too.*

rents ended 2005 at 67 cents per square foot per month. Black adds that he has seen more apartments change hands in the last three years than in the previous 15.

"California money, a lot of it 1031 exchanges, has driven about 60 percent of the apartment transactions in the last two years," he said.

Big deployments out of Ft. Bliss have an impact on the apartment market. The first Gulf War caused a 15 percent drop in occupancy within a few months when troops were sent to the Middle East.

## Rocking Residential Real Estate

The consensus is that El Paso is experiencing one of its strongest single-family markets ever.

"Lot supply is the lowest of any time in recent history," says Bobby Bowling IV, vice president of Tropicana Homes. "I would say that the average days-on-market citywide for new residential construction is no more than ten days. That's assuming the home isn't already sold before it's even finished."

Harold Hahn, president of Rocky Mountain Mortgage, concurs, reporting that "About half of our mortgage applications

"In the last six months of 2005, we probably sold 20 percent of our new homes to investors," says Bowling.

**T**he Greater El Paso Association of Realtors reported that the median price of homes sold through the local Multiple Listing Service (MLS) in 2005 was \$111,000, up 16.8 percent from 2004. Fifty percent of homes sold through the MLS sold within 30 days of being listed.

"Some brokers are telling me that they have never seen a stronger residential market," says Association Executive Terrie Todd.

Despite its growth and increasing interest from out-of-state investors, El Paso remains one of the country's most affordable housing markets.

Black reflects high hopes for El Paso's future, saying "It's nice to see El Paso discover itself just as the rest of the world is discovering it as well."

For an expanded version of this article, go to [www.recenter.tamu.edu/pdf/1767.pdf](http://www.recenter.tamu.edu/pdf/1767.pdf). ♣

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