

# El Paso 2024 Market Forecast

## MARKET SNAPSHOT

- AVERAGE RENT**  
**\$1,016** 4Q 2023  
**\$1,058** 4Q 2024
- 2024 RENT CHANGE**  
**4.1%**
- OCCUPANCY RATE**  
**94.7%** 4Q 2023  
**94.4%** 4Q 2024
- 4Q 2024 OCCUPANCY CHANGE**  
**-30 BASIS POINTS**
- EMPLOYMENT\***  
**339.8K** 2023  
**342.9K** 2024
- UNEMPLOYMENT RATE\*\***  
**4.5%** 2023  
**4.9%** 2024

\* Please note that these employment figures have been adjusted for seasonal variations and are based on Moody's Analytics forecast as of January 1, 2024.

\*\* Please note that these unemployment rates are estimates that have not been adjusted for seasonal variations, and they are derived from Moody's Analytics forecast as of January 1, 2024.

## KEY TAKEAWAYS

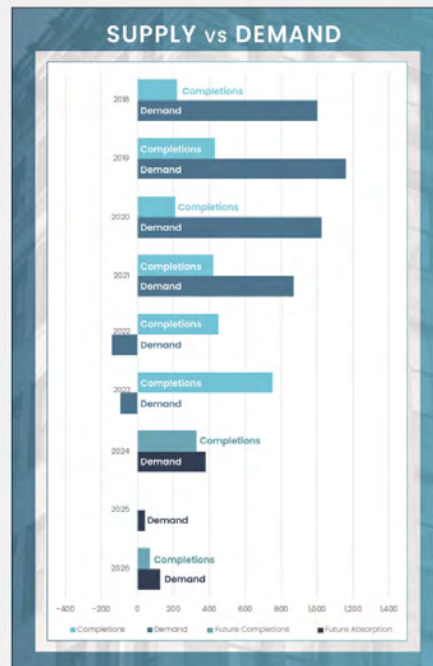
- Looking ahead to 2024, the El Paso multifamily sector is poised for a positive shift in absorption in 2024, with expectations for demand to slightly exceed the 328 new units slated for completion this year.
- The anticipated slowdown in El Paso's development activity, with no apartment projects scheduled for 2025, is expected to create a more favorable environment for rent increases due to the resulting constrained supply.
- With an average metro-wide rent of \$1,016, El Paso offers a considerable cost advantage not only over major Texan cities like San Antonio, Houston, Dallas, and notably Austin.
- The job market in El Paso is expected to continue its growth trajectory, albeit at a restrained rate, particularly in critical sectors such as transportation, warehousing, and the healthcare industries.

## Supply & Demand

### 2024 FULL YEAR FORECAST

- 381 Units**  
 FORECASTED ABSORPTION
- 328 Units**  
 FORECASTED NEW SUPPLY

## Annual Demand Vs Completions



### Demand / Occupancy Outlook

The El Paso multifamily market has demonstrated resilience despite experiencing negative absorption over the past two years, maintaining occupancy rates above the national average in recent quarters. Although there was a 110 basis-point decline in occupancies by the end of 2023, this trend mirrored a similar occupancy compression

### New Supply Outlook

As of December 2023, the apartment construction pipeline in El Paso represented a mere 0.7% of the existing inventory. This activity is notably concentrated within a few submarkets, with the West Side submarket leading by accounting for more than half of the ongoing units under construction. The remainder of the new supply is distributed

observed nationally during the same period.

Looking ahead to 2024, the El Paso multifamily sector is poised for a positive shift in absorption in 2024, with expectations to slightly exceed the 328 new units slated for completion this year. The presence of Fort Bliss, one of the largest Army bases in the nation, alongside burgeoning industries such as logistics and healthcare, is anticipated to sustain a steady demand for apartments in the region. Despite this optimistic outlook, the significant disparity between the volume of new units introduced in 2023 and the lag in demand is likely to exert a downward pressure on occupancy levels. By the end of 2024, this could result in a modest decrease in the occupancy rate, dropping by 30 basis points to a still robust 94.4%.

between the Socorro and Outlying El Paso County submarkets, collectively contributing 148 units to this year's completions. New apartment development in El Paso primarily cater to the mid-tier segment, reflecting the region's significant proportion of cost-conscious renters. Despite this, the area has seen the introduction of some highly amenitized Class A projects in recent years, adding diversity to the housing stock.

Looking ahead, the pace of development is expected to decelerate significantly, with no apartment projects scheduled for delivery in 2025 as of January 2024. This anticipated slowdown in development activity is likely to alter the market dynamics in El Paso beyond 2024, creating a more favorable environment for operators to increase rents due to the constrained supply.

# Occupancy & Rent Trends

## RENT VS OWN MONTHLY PAYMENT



**\$1,746**

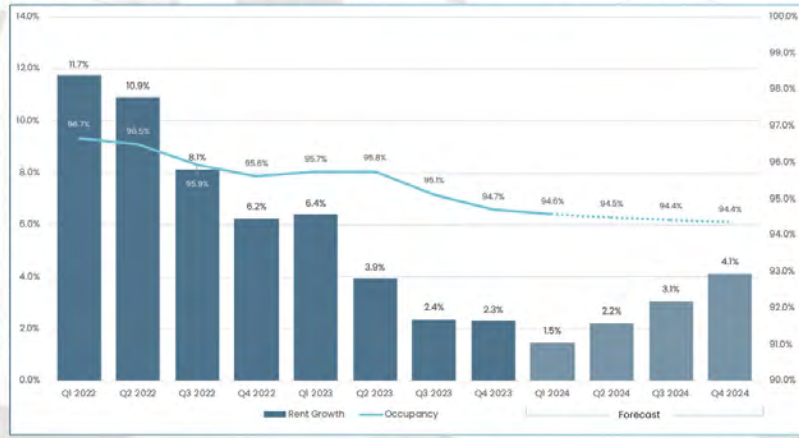
Average Monthly Mortgage Payment



**\$1,016**

Average Monthly Rent

## RENT vs OCCUPANCY



### 2024 RENT TRENDS OUTLOOK

Despite a year of weak absorption rates, El Paso's rental market has displayed resilience with a noticeable growth in rents. As of the final quarter of 2023, the region experienced a 2.3% increase in rents over the trailing 12 months, aligning closely with its historical average and outpacing the national trend. This indicates a healthy local rental market that has managed to thrive even in a challenging environment.

Looking forward, rent growth in El Paso is anticipated to stabilize as the market adjusts. The metro area remains attractive to renters, particularly due to its competitive asking rents. With an average metro-wide rent of \$1,016, El Paso offers a considerable cost advantage not only over major Texan cities like San Antonio, Houston, Dallas, and notably Austin. This affordability factor is crucial, especially as cost-of-living concerns persist and the Sun Belt metros, including El Paso, continue to attract migratory flows from other parts of the country. The relatively low asking rents in El Paso should therefore maintain the city's appeal to renters, supporting sustained interest in the local housing market, while the seasonally slow leasing period of the first quarter will likely see annual rent growth decelerate below 2% by the second half of the year, the El Paso rental market is expected to experience a notable upturn, with rent growth projected to accelerate, culminating in a 4.1% annual increase by year-end.

### Submarket Rent & Occupancy

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Submarket	Q4 2023 Stabilized Occupancy	Q4 2024 Stabilized Occupancy (f)	Annual Occupancy Change (2024/2023)	Q4 2023 Average Monthly Rent	Q4 2024 Average Monthly Rent (f)	Annual Rent Change (2024/2023)
Central	93.7%	93.2%	-0.4%	\$854	\$890	4.1%
Eastside North	96.0%	95.7%	-0.3%	\$985	\$1,026	4.1%
Eastside South	95.4%	95.2%	-0.2%	\$857	\$893	4.1%
Fort Bliss/Biggs Field	93.5%	93.1%	-0.4%	\$716	\$745	4.1%
Northeast	93.0%	92.6%	-0.5%	\$1,057	\$1,098	3.9%
Northwest El Paso County	96.8%	96.2%	-0.6%	\$1,252	\$1,305	4.2%
Outlying El Paso County	98.5%	98.3%	-0.3%	\$1,258	\$1,312	4.3%
Socorro	96.9%	96.6%	-0.3%	\$856	\$892	4.2%

Southeast El Paso County	96.1%	95.7%	-0.3%	\$885	\$923	4.4%
Westside	94.3%	94.0%	-0.3%	\$1,128	\$1,175	4.2%
<b>Market</b>	<b>94.7%</b>	<b>94.4%</b>	<b>-0.3%</b>	<b>\$1,016</b>	<b>\$1,058</b>	<b>4.1%</b>

Showing 1 to 11 of 11 entries

Previous Next

## Submarket Construction Pipeline

  
**46,733**

4Q 2023 Unit Inventory

  
**328**

Number of Units Under Construction

  
**328**

Number of Units UC Delivering in the Next 4 Quarters

Show  entries

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Submarket	Unit Inventory: 4Q 2023	Units Under Construction	% of Existing Inventory UC	% of Total UC	Units UC Delivering in the Next 4 Quarters
Central	8,234	0	0.0%	0.0%	0
Eastside North	11,459	0	0.0%	0.0%	0
Eastside South	4,266	0	0.0%	0.0%	0
Fort Bliss/Biggs Field	2,454	0	0.0%	0.0%	0
Northeast	4,591	0	0.0%	0.0%	0
Northwest El Paso County	425	0	0.0%	0.0%	0
Outlying El Paso County	2,733	80	2.9%	24.4%	80
Socorro	367	68	18.5%	20.7%	68
Southeast El Paso County	296	0	0.0%	0.0%	0
Westside	11,908	180	1.5%	54.9%	180
<b>Market</b>	<b>46,733</b>	<b>328</b>	<b>0.7%</b>	<b>100.0%</b>	<b>328</b>

Showing 1 to 11 of 11 entries

Previous Next

## Sales Activity

Preliminary figures from MSCI reveal that the closing months of 2023 witnessed a downturn in the sales volume of conventional multifamily properties valued above \$2.5 million. The year concluded with a total transaction volume of \$53.5 million, distributed across three individual asset sales. This marks a 23% reduction in dollar volume compared to the prior year. It's important to contextualize these figures within the specific market dynamics of El Paso. Given the market's relatively modest size, coupled with the \$2.5 million threshold and the non-disclosure norms prevalent in Texas, the transaction data we analyze can exhibit considerable variability. For perspective, the year 2022 saw five transactions in this value bracket, whereas 2019 stood out with a decade-high of ten transactions, totaling \$88 million in sales.

TRANSACTION VOLUME  
**\$53.5M (p)**

2023 Transaction Volume

**-23%**

Y-O-Y Change

**3 YTD**

Individual Transaction Count

**\$79.0k\***

Price Per Unit

**-5%**

Annual PPU Price Change

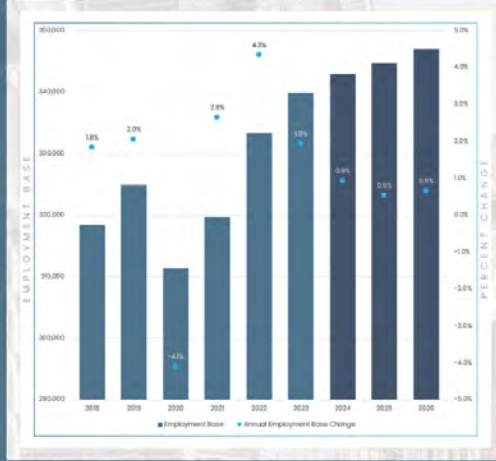
\* Trailing 4Q average PPU

\* Preliminary Data from RCA - Individual transaction \$2.5M +

P=Preliminary

# Employment Forecast

## EMPLOYMENT SECTOR FORECAST



## Forecasted 2024 Employment Sector Growth

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Sector	Employment Change 2023 to 2024	Percent Change
<b>Overall Employment</b>	<b>3,100</b>	<b>0.9%</b>
Manufacturing	(100)	-0.5%
Construction	300	1.0%
Trade, Transport, & Utilities	300	0.9%
Information	0	0.0%
Financial Activities	0	0.0%
Professional & Business Services	400	1.3%
Education & Health Services	1,200	1.3%
Government	800	0.9%
Leisure & Hospitality	(100)	-0.4%
Natural Resources & Mining	200	2.5%
Other Services	100	0.4%

Showing 1 to 12 of 12 entries [Previous](#) [Next](#)

## Economic Outlook

While the unemployment rate in El Paso is forecasted to see a slight increase in the coming years, the overarching sentiment regarding the local economy remains cautiously optimistic. Our Forecast points to the unemployment rate climbing to 4.9% in 2024. This uptick, however, is juxtaposed against a backdrop of moderate economic growth, albeit at a pace slower than the recent historical trend. The Gross Metropolitan Product (GMP) for El Paso is projected to exhibit modest growth, with a forecast of 0.2% in 2024, followed by a more notable increase of 1.6% in 2025. The job market in El Paso is expected to continue its growth trajectory, albeit at a restrained rate, particularly in critical sectors such as transportation, warehousing, and the healthcare industries.

On a more positive note, the population of El Paso County is on course to surpass 882,000 residents by 2025, propelled by significant developments on the eastern fringes of the county. A prime example of such growth catalysts is the Amazon Fulfillment Center, inaugurated in 2021 outside the city limits. This facility has become a major employment hub, contributing significantly to the local economy by providing jobs to several thousand individuals. This development, among others, underlines the dynamic elements within the El Paso economy that continue to foster growth and opportunity, despite the broader challenges.

Sources: Costar; Yardi Matrix; BLS; MSCI; Moody's Analytics

TO GAIN FURTHER INSIGHTS INTO THE EL PASO MARKET PLEASE REACH OUT TO OUR LOCAL TEAM



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