

2021

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, graphs 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 2020 in most cases, but 2019, 2018 or even 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 Community Housing Development Corporation, and Santa Fe Area Home Builders Association. Other sources were American Community Survey; ATTOM™ Data Solutions; U.S. Bureau of Labor Statistics; 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 Housing Authority; Economic & Planning Systems, Inc.; Environmental Systems Research Institute; Federal Housing Finance Agency; Federal Reserve Bank of St. Louis; Freddie Mac; Mortgage News Daily; National Association of Home Builders (NAHB); National Association of REALTORS® (NAR); New Mexico Mortgage Finance Authority; New Mexico Association of REALTORS®; University of New Mexico – Bureau of Business & Economic Research 2020 Santa Fe County Housing Data Report published July 2021; U.S. Census Bureau; and U.S. Housing and Urban Development (HUD).
- 7 Santa Fe Association of REALTORS® MLS refers to the Multiple Listing Service that 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 The report obtains rental data from the New Mexico Mortgage Finance Authority and the County of Santa Fe’s Fall 2020 Apartment Survey conducted by the University of New Mexico – Bureau of Business and Economic Research (UNM BBER).





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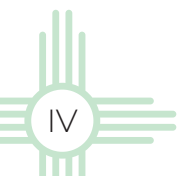


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STATE OF HOUSING IN SANTA FE MESSAGE

I am delighted to have the opportunity to introduce the 2nd Annual Santa Fe State of Housing Report to the Santa Fe community. It is key to recognize the team of committed and experienced housing experts who have worked diligently and thoughtfully to offer a report with valuable real estate and housing industry data that can strategically edify local housing policy. Data remains a valuable tool that can guide and illuminate issues that need our attention as well as track program successes.

The 2020 State of Housing Report identified the growing need for affordable housing funding to address a wide range of programs and projects. In response, the Santa Fe City Council passed a budget earmarking \$3M for affordable housing and the Santa Fe County Commission established a funding roadmap, these actions are commendable. Without action, housing insecurity and shortages will continue to have an adverse impact on the economy and our quality of life.

Housing affordability remains a key issue facing our community. According to a recent report commissioned by the National Association of REALTORS® "Housing is

Critical Infrastructure: Social and Economic Benefits of Building More Housing", the underbuilding gap in the U.S. totaled more than 5.5 million housing units in the last 20 years exacerbating the growing affordability housing crisis across the country.

The COVID-19 pandemic created even more housing challenges for the Santa Fe community. Local governments responded by working to protect homeowners and renters with moratoriums on payments accessing vital federal help provided through congressional action. This critical work and the shutdown of many businesses took a toll on many Santa Feans and the economy. As we emerge from the pandemic's grip, 2022 offers the promise of renewal and growth.

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

Roger Carson

President - Santa Fe Association of REALTORS®

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New Mexico Coalition to
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EXECUTIVE SUMMARY

HOUSING DEVELOPMENT & OCCUPANCY

Land sales in Santa Fe City and County increased by 6 percent in 2020 – a more modest increase likely due to the impact of the pandemic with government shutdowns and accompanying business slowdown. Land sales continued to climb in Santa Fe County during 2020 while Santa Fe City land sales dropped by 10 percent.

In Santa Fe City, multi-family developments have outpaced single family construction in the last three 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 and other flexible options. Total units increased from 1,717 in 2006-2009 to 2,533 units in 2018-2020 or by about a remarkable 47.5 percent.

Looking at building permits during the same timeframes in Santa Fe County, building permit growth slowed about 10 percent from 834 permits in the last housing boon of 2006-2009 to 757 in the last three years.

In Santa Fe County, approximately 71.4 percent of housing units are occupied by their owners. Within Santa Fe City, 64.9 percent of homes are owner occupied while 35 percent are renter occupied.

POPULATION & INCOME

Between 2015 to 2019, Santa Fe attracted more people from both domestic and international areas resulting in a positive net migration total of 2,850 people while New Mexico lost residents to other domestic areas. Santa Fe remains attractive to retirees and remote workers who come to the region to enjoy its climate, outdoor amenities, cultural attractions, art and history.

Santa Fe County median household incomes rose approximately 1.2 percent each year between 2000 and 2020. During that same period in New Mexico, median incomes only rose about .37 percent each year. Santa Fe City’s living wage law indexed to consumer price increases likely contributes to the overall higher wages in the area. In the last three years 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 of 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 2020, the Santa Fe rental vacancy rate was 3 percent and average rent prices totaled \$1,067. Both the City and County of Santa Fe's housing authorities launched new developments in 2020.

In 2020, Santa Fe City established further regulatory controls, including density limits, on short term rentals. As a result of the increasing regulatory control of short term rentals in Santa Fe City residential areas, commercially-zoned properties are converting to this use especially where commercially-zoned properties abut residential areas.

HOUSING SALES & PRICES

With historically low inventories, market pressures and buyer demand continued to drive up home prices in the Santa Fe area. In 2020, the Santa Fe County median price increased by 5 percent from the prior year to \$575,153 with over 840 homes sold. The Santa Fe City median home price hit a high at \$428,500 when looking back over the last decade with 998 units sold in 2020.

The market noted a significant reduction of lower-priced properties below \$250,000 with only 55 total sales reported. Sales increased in all price point ranges beginning at \$350,001 and above. With the ongoing stress on home prices, the high end market remained strong in 2020 with single family homes priced over \$750,001 making up the largest range of home sales reported.

Townhome and condominium sales dropped by 6 percent in 2020 with a median price of \$316,750, a 12 percent increase from the 2019 median. Units priced over \$450,001 saw the greatest increase in sales.



EXECUTIVE SUMMARY

MORTGAGE FINANCE

The COVID-19 pandemic significantly disrupted the U.S. economy and financial markets. The Federal Reserve responded forcefully using its interest rate policy to support the economy, took steps to stabilize financial markets and introduced other measures to support the flow of credit to many sectors of the economy. The 30-Year fixed Interest rate average hit a 10-year record low of 3.11 percent in 2020 under Federal Reserve COVID-19 pandemic policies

In 2021, Fannie Mae and Freddie Mac conforming loan limits increased from \$510,400 to \$548,250 for a single family residence. With the increase homebuyers can better leverage their borrowing power, enjoying the benefits from inexpensive borrowing costs with higher loan limits. At the same time, lumber prices nearly tripled and oriented strand board (OSB) prices were up more than 250 percent since the spring of 2020.

Foreclosures in mid-year 2021 totaled 65,082 down 61 percent from the same time period a year ago. According to RealtyTrac, the government's foreclosure moratorium and mortgage forbearance program have created an unprecedented situation - historically high numbers of seriously delinquent loans and historically low levels of foreclosure activity.

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 80 for the last three years. Historic low inventory is negatively impacting HAI for all housing options in the Santa Fe region.

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 ten years, 561 affordable housing units have been built to address housing affordability.

In 2020, Santa Fe's unemployment rate tracked more closely with the state of New Mexico as businesses shuttered in response to the COVID-19 pandemic with about 13 percent of Santa Fe County residents considered to be living in poverty. Homelessness remains a persistent concern in Santa Fe, exacerbated during the COVID-19 pandemic. The annual point-in-time count of homeless people in January 2021 found 723 people living without housing – a significant jump from 2020 data. With an affordable housing shortage and further shutdowns looming in the future, there remains work to be done to ensure everyone in Santa Fe has a safe and stable home.

VALUE OF HOUSING

Housing is a key economic driver in the Santa Fe community and across New Mexico. The real estate industry accounted for \$18.1 billion or 18.1 percent of the gross state product in 2020, up by 1.1 percent from 2019. Each home sold in New Mexico generates \$81,200 in additional economic value to the community.

COVID RESPONSE

In the Santa Fe region, the COVID-19 pandemic inspired the community to keep its population safe by taking a giant step toward ending housing instability with the use of local, state and federal funding.

Santa Fe City took several key steps including the conversion of existing dormitory rooms at the Midtown Campus for those in need, moving 50 plus people into the units and setting up Consuelo's Place to serve these residents. They also partnered with the Salvation Army to open a winter shelter to house 25 people adopting an encampment policy that focused on outreach and non-removal, except for health and safety reasons.

Santa Fe City and County utilized federal coronavirus relief funding to help finance the purchase of hotels to house people impacted by the pandemic. Santa Fe City leveraged \$2M CARES Act funds to subsidize the purchase of Santa Fe Suites, offering 122 studio units, located near transit, services, amenities. Santa Fe County purchased a 14-unit facility formerly known as Eagle Village Hotel, partnering with Pathways Shelter, to provide the first shelter for the homeless in northern Santa Fe County.

CONCLUSION & ECONOMIC OUTLOOK

As the cost of housing increases, Santa Fe continues to attract residents seeking a more predictable and sustainable climate, diverse housing, world-class cultural amenities, multi-faceted outdoor recreation and unique art attractions found in a well-established sense of place. Domestic and international in-migration can further impact the housing shortage as remote workers purchase housing in resort markets like Santa Fe as well as a growing number of early retirees attracted to the region.

In response to the increased need for more affordable housing and strong community advocacy, Santa Fe City set aside \$3M for affordable housing in both its 2020 and 2021 budgets. Santa Fe County adopted an Affordable Housing Plan to guide its work to better meet the growing housing needs of its citizens. 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 permanent stream of annual funding among other strategies to grow affordable housing.

Santa Fe, like the rest of the nation, will enter 2022 with continuing economic uncertainty due to the Covid-19 pandemic's looming presence as well as the real threat of near-term inflation. The housing market will continue to be stressed and it is unclear if construction will be able to step up to meet all the growing demand. With low housing inventories and interest rates, it may be a unique opportunity for Santa Fe to strategically foster a regulatory environment that can spark and sustain a robust, economic housing boon.

LAND DEVELOPMENT

Land sales in Santa Fe City and County increased by 6 percent in 2020 – a more modest increase likely due to the impact of the pandemic with government shutdowns and accompanying business slowdown (**TABLE 1**). The Santa Fe City and County overall median price for land sales in 2020 totaled \$122,000, an increase of 12 percent from the prior year. Land sales continued to climb in Santa Fe County during 2020 while Santa Fe City land sales dropped by 10 percent. (**GRAPH 1**)

TABLE 1: Total land sales in greater Santa Fe increased by 6 percent with Santa Fe County land sales growing from 246 in 2019 to 275 in 2020.

GRAPH 1: Overall land sales in Santa Fe City and County continue an upward trend since 2014 with a more modest increase in 2020 likely due to the impact of the pandemic.

GRAPH 2: Santa Fe City and County noted an increase in median land prices from 2019 to 2020 to \$143,350 in Santa Fe City and \$120,000 in Santa Fe County.



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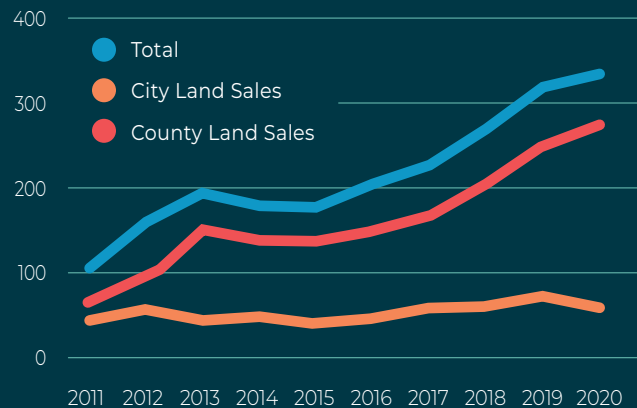
SANTA FE CITY & COUNTY LAND SALES

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%
2020	331	6%	\$122,000	12%

TABLE 1

Source: Santa Fe Association of REALTORS® MLS

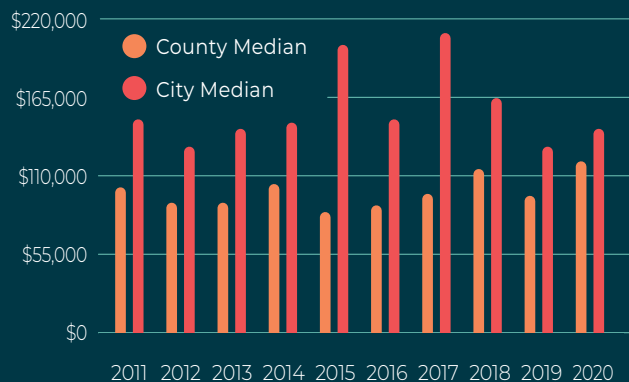
SANTA FE CITY & COUNTY LAND SALES



GRAPH 1

Source: Santa Fe Association of REALTORS® MLS

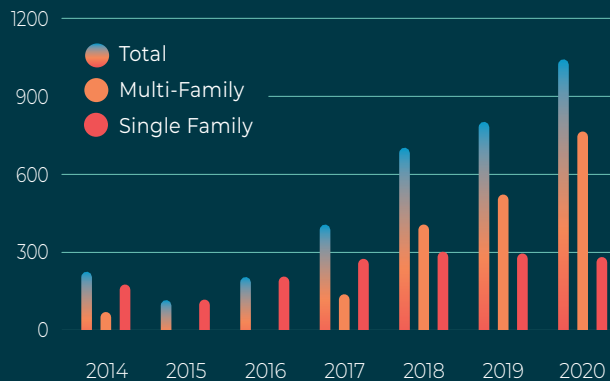
SANTA FE CITY & COUNTY MEDIAN PRICE LAND SALES



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 continuing to offer developers a “fee-in-lieu-of” option to a build requirement.

- ▼ Santa Fe City Council approved a multi-family development at Zia Station in May 2021 that will create affordable rental units.

PACE OF DEVELOPMENT

Single-family construction in Santa Fe City has remained relatively stable over the past three years ranging from 291 in 2018 to 283 in 2019 and 278 in 2020. In contrast, multi-family construction has jumped from 132 units in 2017 to 758 units in 2020 (**GRAPH 3**). Much of the growth of multi-family units in Santa Fe City can be attributed to the city’s affordable housing policies that provide 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’s inclusionary zoning program allows developers to pay a “fee-in-lieu-of” constructing low-income rental units and other flexible methods to meet affordable rental build requirements. In July 2020, Santa Fe City continued to increase these fees for multi-family developments further encouraging developers to consider other flexible methods resulting in the recent approval of 65 new affordable rental units. In Santa Fe County, the data suggests a positive trend in new construction over the last four years with more than 220 units permitted each year. With the pandemic shutdown and remote working mandates for government



HOUSING SUPPLY: DEVELOPMENT & OCCUPANCY

workers, Santa Fe County experienced a 15 percent dip in building permits in 2020 (**GRAPH 4**). In comparison, Santa Fe City was able to attract several multi-family projects increasing total housing units by 32 percent in 2020 to a total of 1,036 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**).

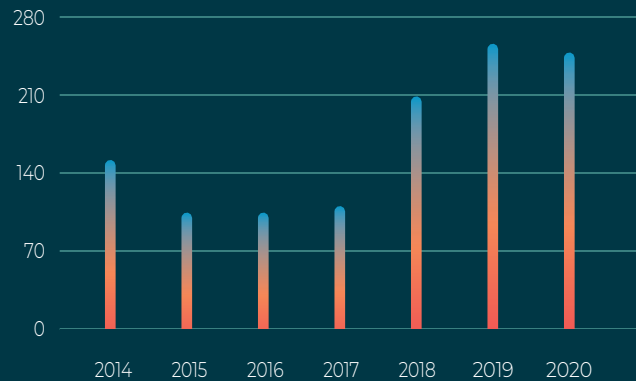
Tracking building permits in Santa Fe City over the last three years compared to 2006 through 2008 at the height of the housing boon, one finds the mix of housing has changed. In the most recent timeframe, Santa Fe City built more higher density multi-family units while single family housing slowed. Total units increased from 1,717 in 2006-2009 to 2,533 units in 2018-2020 or by a remarkable 47.5 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**).

GRAPH 4: Santa Fe County building permits dropped to 223 in 2020, a decrease of 40 units or by 15 percent when compared to 2019.

TABLE 2: Santa Fe County built slightly more Accessory Dwelling Units in 2020 than Santa Fe City even with the relaxation of city 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 2018-2020.

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

	2018	2019	2020
Santa Fe City	21	29	29
Santa Fe County	14	30	32

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 2018-2020

	2006-2008	2018-2020
Single Family	1391	856
Multi-Family	326	1677
Total	1717	2533

TABLE 3

Source: City of Santa Fe Land Use Department

SANTA FE COUNTY BUILDING PERMITS 2006-2008 VS 2018-2020

	2006-2008	2018-2020
All Building Permits	834	759

TABLE 4

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

SANTA FE CITY SUBDIVISION PRELIMINARY PLAT APPROVALS

	2016	2017	2018	2019	2020
City Subdivisions	5	5	9	6	6
City Residential Lots	100	351	139	100	545

TABLE 5

Source: City of Santa Fe Land Use Department

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

	2016	2017	2018	2019	2020
City Final Plat Residential Lots	133	323	319	92	119
County Final Plat Residential Lots*	147	98	14	37	10
County Subdivision Exemptions Residential Lots	78	30	39	48	24

TABLE 6

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

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 granted preliminary plat approval for six new residential subdivisions in 2020, totaling 545 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 about a 10 percent drop in building permits with 834 in 2006-2008 and just 757 in 2018-2020.

TABLE 5: Santa Fe City approved a five-year high of 545 residential lots in 2020.

TABLE 6: In 2016, Santa Fe County had the most final plat lots approved for construction with only 10 lots approved in 2020.



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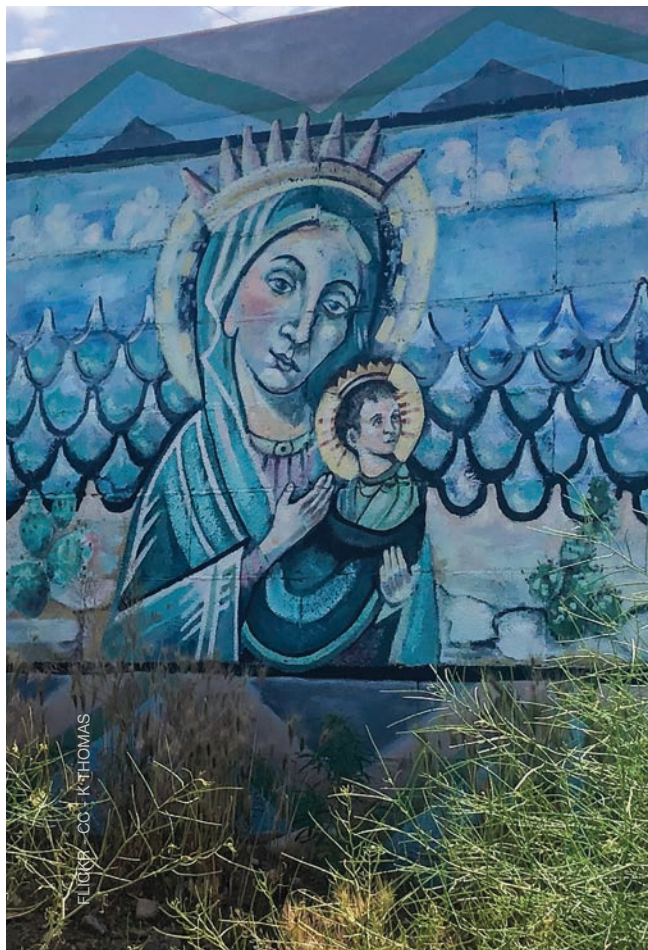
HOUSING SUPPLY: DEVELOPMENT & OCCUPANCY

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**).

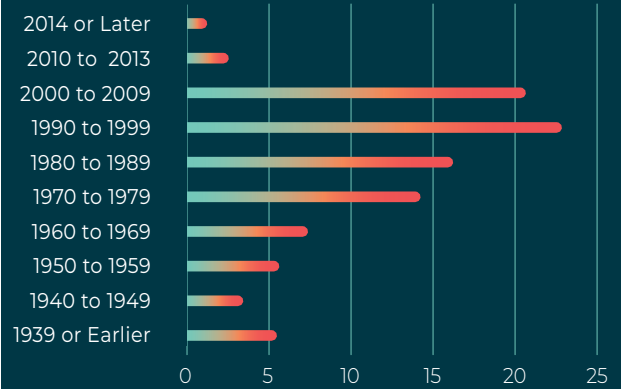
Of interest, is the mix of owner occupied and renter occupied housing in Santa Fe City and County. Santa Fe County has more owner occupied housing while Santa Fe City has more renter occupied units.

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 more rental units in the urban area.

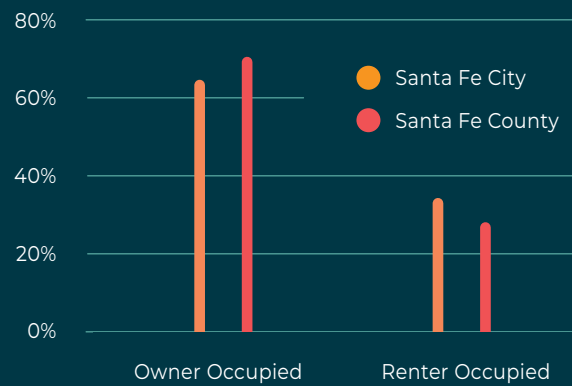


SANTA FE COUNTY HOUSING STOCK BY YEAR BUILT 2019



GRAPH 5 Source: U.S. Census Bureau, American Community Survey

OCCUPIED HOUSING UNITS BY TENURE 2019 BY PERCENTAGE



GRAPH 6 Source: U.S. Census Bureau, American Community Survey 1-Year Estimate



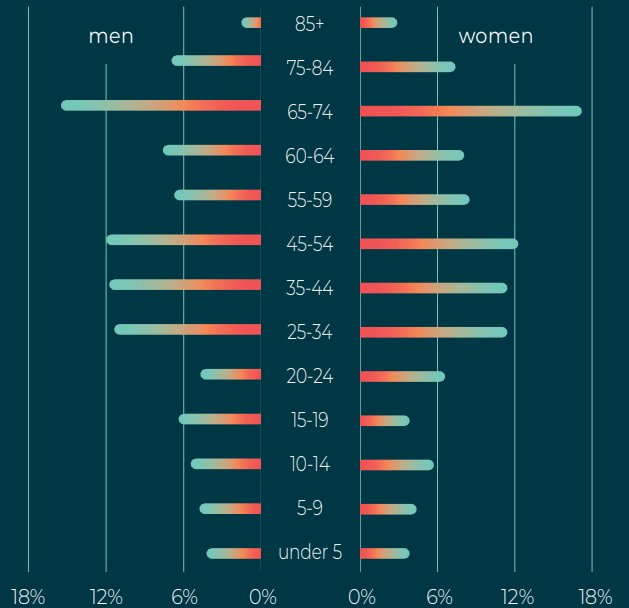
HOUSING DEMAND: POPULATION & INCOME

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 provided by the American Community Survey is from 2019 and is a year behind data on home sales and rentals. Santa Fe remains attractive to retirees and remote workers who continue to move to the area for its weather, ambiance, clean air, culture, outdoor activities, art and history.

GRAPH 7: The largest group of both men and women in Santa Fe County are aged 65 to 74 and the second largest group are men and women aged 45 to 54

SANTA FE COUNTY POPULATION PYRAMID BY AGE AND GENDER



GRAPH 7

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



TODD CLARKE

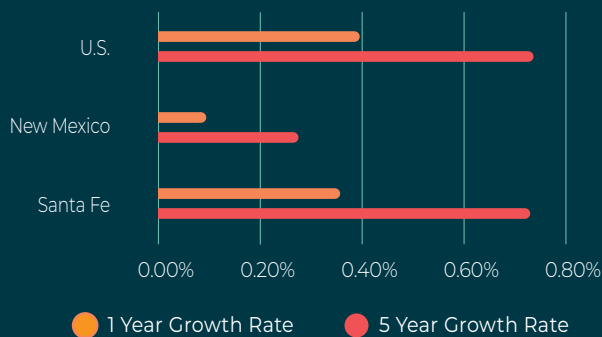
POPULATION DYNAMICS

Santa Fe County reached a total population of 154,823 in 2020 (TABLE 7) growing by 10,653 residents between 2010 or by 0.7 percent. Since 2000, growth has moderated in Santa Fe County and New Mexico while increasing slightly in Santa Fe City. In fact, Santa Fe City grew faster than Santa Fe County and New Mexico beginning in 2010 adding approximately 653 residents annually or by 0.8 percent. City annexation of county land during this period may have played a factor in this increased growth. In 2020, 87,505 or approximately 57 percent of residents lived in Santa Fe City and 67,318 or 43 percent lived in Unincorporated Santa Fe County (TABLE 7). Yet, when drilling down into overall population data updated through the US Census in 2020, over the last decade Santa Fe County is gaining population at a faster rate than New Mexico and tracking more closely with United States population growth (GRAPH 8).

TABLE 7: Santa Fe City grew at the fastest rate or 0.8 percent between 2010 and 2020.

GRAPH 8: Santa Fe County population growth at 0.36 percent is surpassing the State of New Mexico's growth rate of 0.10 percent in 2020.

SANTA FE, NEW MEXICO & UNITED STATES POPULATION GROWTH RATE 2020



GRAPH 8

Source: U.S. Census Bureau

SANTA FE CITY AND COUNTY POPULATIONS - NEW MEXICO - 2000-2020

POPULATION	2000	2010	2020	2000-2010	2000-2010	2000-2010	2010-2020	2010-2020	2010-2020
				TOTAL	ANN #	ANN %	TOTAL	ANN #	ANN %
Santa Fe City	76,058	80,974	87,505	4,916	492	0.6%	6,531	653	0.8%
Other SFC	53,324	63,196	67,318	9,962	996	1.7%	4,122	412	0.65%
Total Santa Fe County	129,292	144,170	154,823	14,878	1,488	1.1%	10,653	1065	0.73%
New Mexico	1,819,046	2,059,179	2,117,522	240,133	24,013	1.2%	58,343	5,834	0.28%

TABLE 7

Source: U.S. Census Bureau

HOUSING DEMAND: POPULATION & INCOME

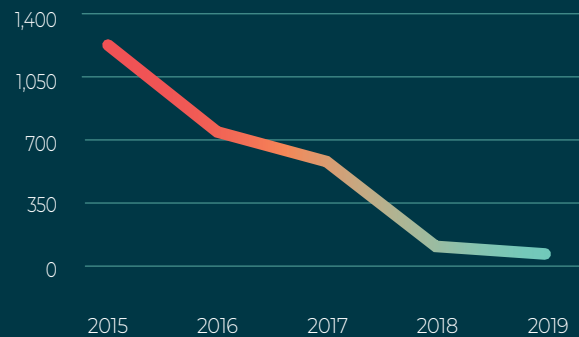
MIGRATION

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. Although in a downward trend, between 2015 and 2019, Santa Fe attracted more people from both domestic and international areas resulting in a positive net migration total of 2,850 people (GRAPH 9). In contrast, New Mexico lost 53,537 residents to other domestic (U.S.) areas during this same timeframe. 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 higher rents in the near term.

GRAPH 9: During 2015 to 2019, Santa Fe County attracted a total of 2,850 new residents.

GRAPH 10: The State of New Mexico lost 53,537 residents to other domestic areas in the U.S. from 2015 to 2019.

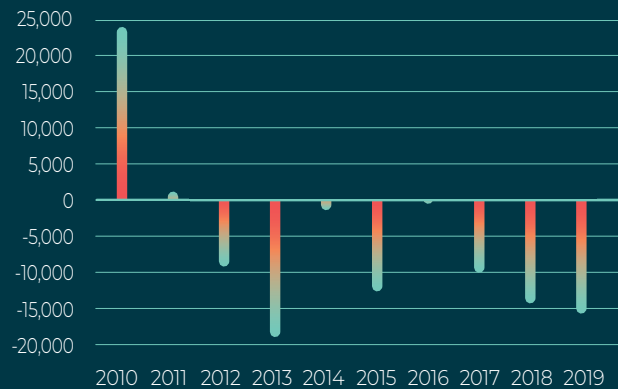
SANTA FE COUNTY DOMESTIC & INTERNATIONAL NET MIGRATION



GRAPH 9

Source: U.S. Census Bureau, Federal Reserve of St. Louis

NEW MEXICO DOMESTIC NET MIGRATION



GRAPH 10

Source: U.S. Census Bureau, American Community Survey State-to-State Migration Flows



DOMINA FLETCHER

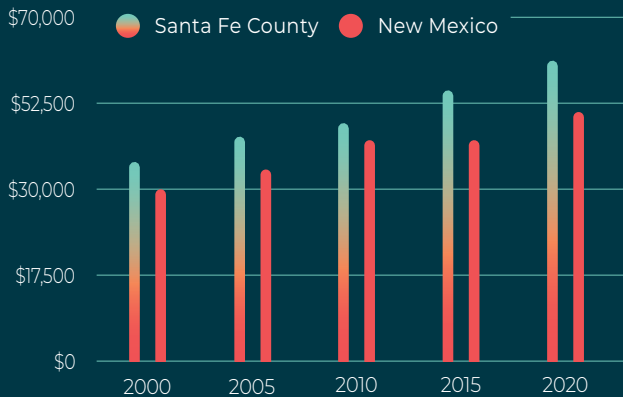
INCOME TRENDS

Concerning income trends, Santa Fe County median household incomes rose approximately 1.2 percent each year between 2000 and 2020. During that same period in New Mexico, median incomes only rose about .37 percent each year. In 2020, median household income in the State of New Mexico increased to \$50,822 while Santa Fe County's median income inched over the \$60,000 threshold to \$61,298. Of note, Santa Fe City has adopted a living wage ordinance indexed to consumer price increases which likely contributes to higher incomes in the area. Additionally, 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 state inching over the \$60,000 threshold in 2020.

GRAPH 12: More households in both New Mexico and Santa Fe County have median household incomes making less than \$20,000 annually.

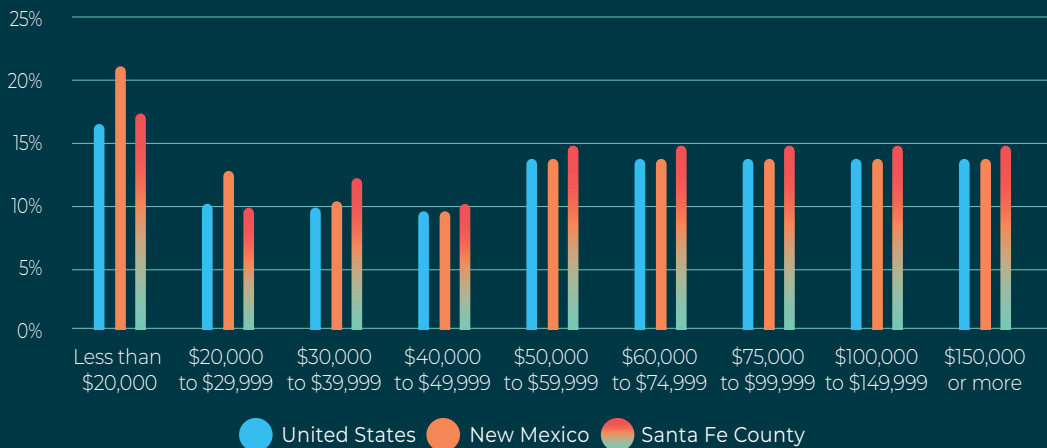
AREA MEDIAN INCOME 2000-2020 SANTA FE COUNTY & NEW MEXICO



GRAPH 11

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

2019 HOUSEHOLD INCOME RANGES



GRAPH 12

Source: U.S. Census Bureau; American Community Survey 1 Year Estimate

RENTAL HOUSING

RENTAL OCCUPANCY

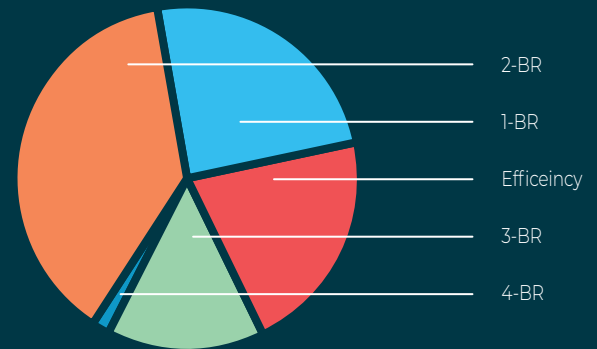
In response to the COVID-19 pandemic, local, state and federal governments' imposed moratoriums on evictions in March 2020 to help address the loss of income as businesses shut down or were impacted and more importantly, to help keep families healthy and safe during the pandemic. As a result of the moratoria, evictions across New Mexico dropped by half in 2020. However, landlords were able to continue to evict residents for other reasons, documented in a report titled "Evictions in the COVID-19 Era: Successes and Limitations of Moratoria to Keep People Housed and Healthy in Santa Fe," released by Human Impact Partners and Chainbreaker in April 2021.

In the fall of 2020, Santa Fe County contracted with the University of New Mexico Bureau of Business & Economic Research (UNM-BBER) to conduct a rental survey to better inform the county's affordable housing plan. Survey responses were recorded from 21 properties in Santa Fe which accounts for a total of 2,799 units. Seventeen of the 21 properties gave information about their unit count by type of apartment, which accounts for a total of 2,577 units. The most numerous apartment type was a two-bedroom with about 38 percent or 975 units of the total 2,577 units. Respondents to the survey reported a total of 73 vacant units, resulting in an overall vacancy rate of 2.61 percent (**TABLE 8**).

GRAPH 13: While two bedroom units made up the largest type of rental units counted, one-bedroom apartments were the second most common at about 24 percent, accounting for a total of 621 units.

TABLE 8: Vacancy rates were highest for efficiencies, at 4.52 percent. Three-bedroom and four-bedroom units were least likely to be vacant.

TOTAL UNITS* BY TYPE OF APARTMENT
SANTA FE COUNTY: FALL 2020



*count based on 16 properties.

GRAPH 13

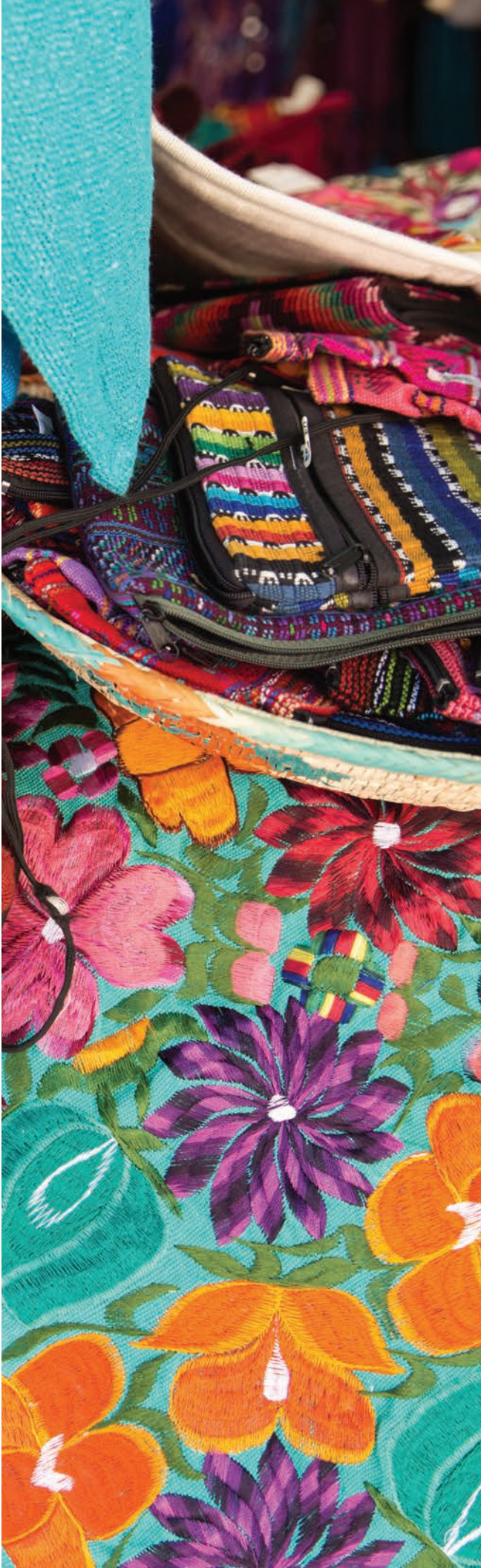
Source: Santa Fe County Housing Data 2020, Apartment Survey

WEIGHTED AVERAGE VACANCY RATES BY
APARTMENT TYPE IN SANTA FE COUNTY

	UNIT COUNT	VACANCY COUNT	VACANCY RATE
Efficiency	553	25	4.52%
1-BR	621	12	1.93%
2-BR	975	33	3.38%
3-BR	392	3	0.77%
4+BR	36	0	0.00%
Overall	2577	73	2.87%

TABLE 8

Source: Santa Fe County Housing Data 2020, Apartment Survey



RENTAL PRICES

Rental price data were tabulated for a subset of the Santa Fe County rental survey respondents. Some properties did not provide rental data while other properties were identified as receiving lump-sum subsidies that could not be allocated to individual units. Therefore, the rental tabulations were based on 15 properties, with a total of 2,345 units. The weighted average monthly rent, regardless of apartment type, was \$1,067 for Santa Fe County up from \$1,038 or by 3 percent annually from the rental price average reported by the New Mexico Mortgage Finance Authority in 2019.

According to the National Association of REALTORS® 2021 Case Studies on Repurposing Hotels/Motels Into Multifamily Housing, between 2010 to 2020 housing completions for single-family and multifamily housing were behind by 6.3 million units compared to the level of housing demand arising from household formation and to replace housing lost to demolition or obsolescence. Due to lack of supply, rental housing has become increasingly unaffordable especially for low-income households. In almost every state, low income households (earning less than 80 percent of the median household income) typically spent more than 30 percent of income on rent in 2019. Rental housing has become more expensive. In 2020, 22.7 percent of multifamily rental units rented for over \$2,000 compared to just 12.3 percent in 2017.

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 Seniors, one of its first projects, remains occupied at or above 98 percent and competes favorably with market units currently being built at a steep discounted rent for tenants. In 2020, the Santa Fe Civic Housing Authority received approval for a new infill affordable development project (Calla Resolana) close to parks, schools, jobs, and transportation that will add 11 project-based vouchers and 34 other units for

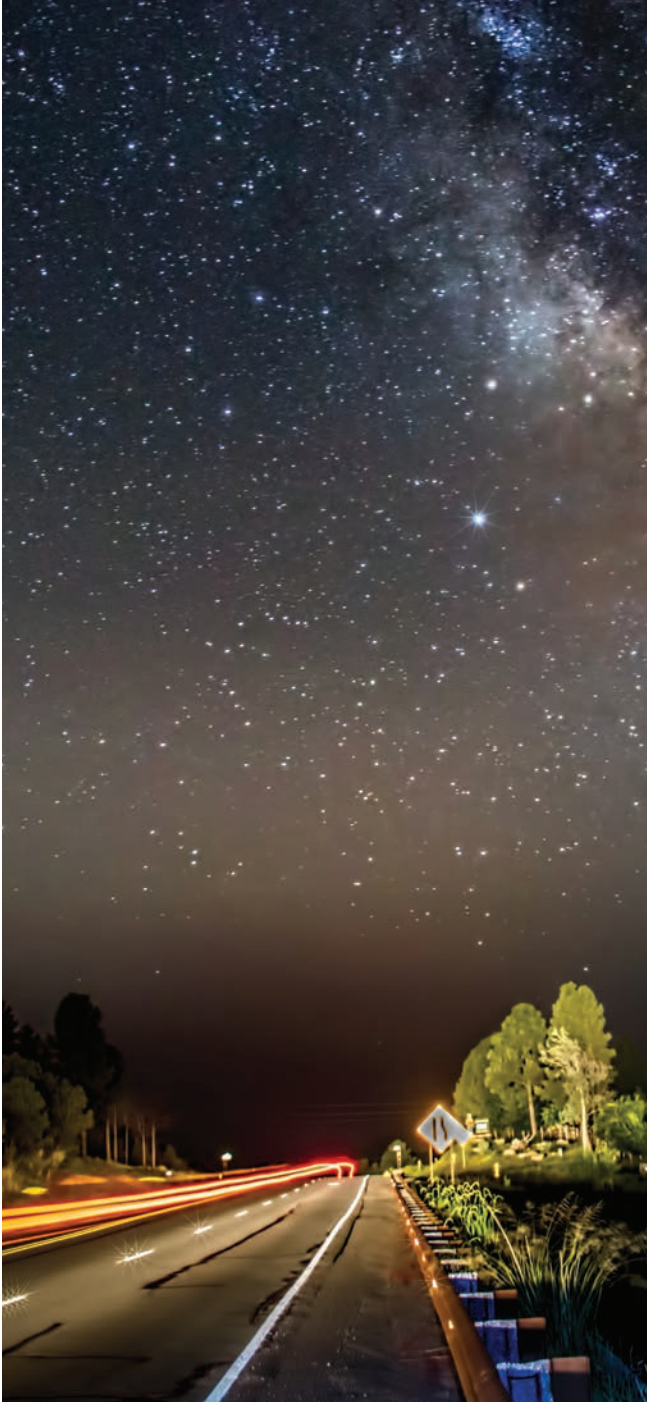
working families below 60 percent AMI. This project is approximately 60 percent complete as of August 2021 with anticipated completion by December 2021.

The County of Santa Fe Housing Authority procured architecture and engineering services in 2020 for its Camino de Jacobo 100-unit multifamily project. Additionally, the county housing authority strategically secured \$1.85M in outside funding for capital upgrades (reroofing, sidewalks, fencing and walls, rehabilitation and security installations) to existing public housing developments..

The City of Santa Fe's Affordable Housing Department offers rental assistance to eligible renter households. Since 2015, the City of Santa Fe has provided assistance to 921 renter households helping these renters remain in their rental properties or to get rehoused quickly when they have lost housing. The City and County of Santa Fe continues to support and sustain CONNECT, 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.



In 2020, the Santa Fe Civic Housing Authority received approval for a new infill affordable development project (Calla Resolana) now under construction with anticipated completion by December 2021.



SHORT TERM RENTALS

Short term rentals provide a unique stay option for many families and visitors in the Santa Fe region, energizing a green, local economy through the repurposing of existing buildings. Many property owners offer their casitas (a fond, local term for accessory dwelling units) or primary residences as short term rentals to tourists and temporary workers as the region has grown its tourism and film industry.

Short term rentals are robustly regulated by the City of Santa Fe with density controls and a 1000 limit on the number of annual permits in residentially-zoned districts. Short term rental operators are required to pay lodgers and gross receipt revenue taxes – an important revenue stream for the city. Additionally, the city revised its ordinance to direct lodger’s tax on rentals of 30 or more days toward the affordable housing trust fund. In 2020, Santa Fe City adopted further regulatory controls, including more stringent density limits, on short term rentals. Investors would be wise to engage city regulators when contemplating the purchase of a property for this use. As a result of the increasing regulatory control of short term rentals in Santa Fe City residential areas, commercially-zoned properties are converting to this use especially where commercially-zoned properties abut residential areas. Santa Fe County is currently creating a short term rental ordinance.

HOUSING SALES & PRICES

HOME SALES IN 2020

The Santa Fe real estate market demonstrated strong price growth during 2020 similar to other communities across the country. Second home markets were expected to flourish as Americans with the flexibility to work from home scooped up properties choosing to live where they can play. In Santa Fe City, the median price of a single family home increased by 14 percent in response to growing demand (**TABLE 9**). In Santa Fe County, the median price of a single family home increased by 5 percent in 2020 with sales up by about 6 percent (**TABLE 10**). Both Santa Fe City and County tracked above the national median single family home price in 2020. Historic low inventory is expected to continue to impact both prices and sales in 2021 (**GRAPH 14**).

TABLE 9: Santa Fe City experienced a significant 14 percent increase in the median price of a single family home in 2020.

TABLE 10: In the past three years, Santa Fe County median home prices have increased by more than 20 percent.

GRAPH 14: Santa Fe City and County median home prices tracked above the national median home price in 2020.

GRAPH 15: Median prices held steady in Santa Fe County from 2013 to 2014 then increased beginning in 2015 reaching a median inching above \$575,000 in 2020.

SANTA FE CITY | MEDIAN PRICE OF SINGLE FAMILY HOMES SOLD

YEAR	ANNUAL NUMBER OF SALES	MEDIAN PRICE	% CHANGE IN MEDIAN PRICE
2011	571	\$289,000	-4%
2012	694	\$274,855	-5%
2013	753	\$289,000	5%
2014	790	\$291,000	0.5%
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%
2020	998	\$428,500	14%

TABLE 9

Source: Santa Fe Association of REALTORS® MLS

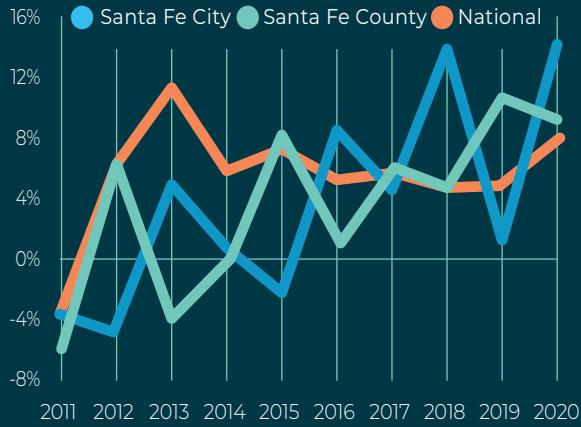
SANTA FE COUNTY | MEDIAN PRICE OF SINGLE FAMILY HOMES SOLD

YEAR	ANNUAL NUMBER OF SALES	MEDIAN PRICE	% CHANGE IN MEDIAN PRICE
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%
2020	842	\$575,153	5%

TABLE 10

Source: Santa Fe Association of REALTORS® MLS

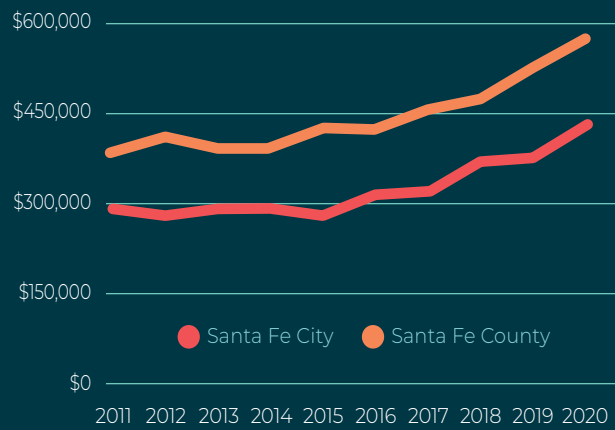
PERCENT CHANGE IN MEDIAN SALES PRICE



GRAPH 14

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

MEDIAN SALES PRICES OF HOMES SOLD



GRAPH 15

Source: Santa Fe Association of REALTORS® MLS



HOUSING SALES & PRICES

With record low inventories, market pressures continued to drive up prices. In 2020, homes sold at 96.5 percent of their list prices dropping slightly from 97 percent reported in 2019. This annual decline was likely caused by the market drop in the 2nd Quarter in response to the COVID-19 pandemic restrictions. (GRAPH 18).

New construction in Santa Fe City remained strong in 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 \$250,000 has been shrinking from a peak in 2014 with just over 50 single family homes sold in this price range during 2020. Meanwhile, the next three price range levels continue to grow with sales of high-end homes priced more than \$750,000 making up the largest share of homes sold in 2020 (TABLE 11). Of note, single family homes priced over \$1,000,000 or 275 units represented more than one half of these sales.

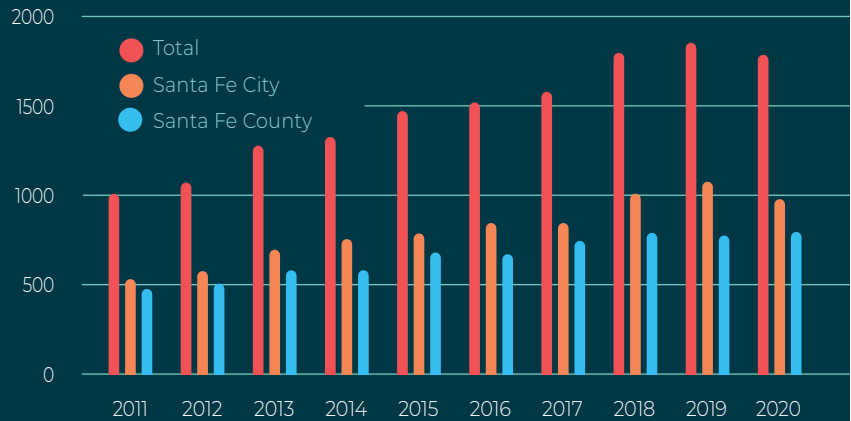
GRAPH 16: In 2020, Santa Fe City and County Single Family Home Sales increased with the total number of sales reaching over 1800 for the second time this decade.

GRAPH 17: Home sales took an unseasonal dip with the COVID-19 pandemic restrictions in Quarter 2, real estate sales rebounded in Quarters 3 and 4 in 2020.

GRAPH 18: Homes sold at an average of 96.5 percent of their list prices in 2020, dropping slightly in likely as a result of the market drop in the 2nd Quarter due to the COVID-19 pandemic.

TABLE 11: Home sales priced \$550,000 or less comprised 57 percent of the single family market in 2020.

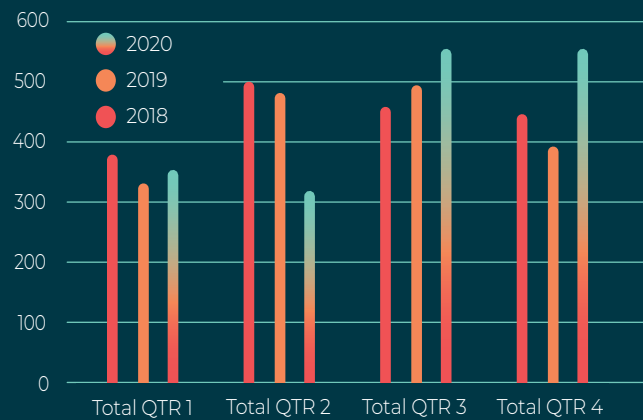
NUMBER OF HOMES SOLD



GRAPH 16

Source: Santa Fe Association of REALTORS®

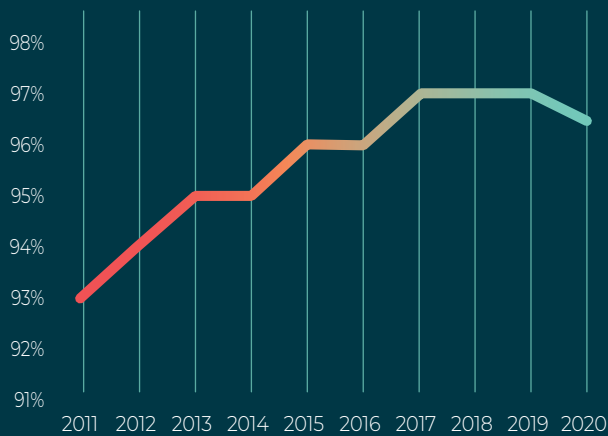
NUMBER OF SALES BY QUARTER



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	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	% of 2020 Total Sales
\$0-\$150,000	65	97	58	61	42	36	19	15	16	9	0.5%
\$150,001-\$250,000	257	324	337	349	358	310	333	230	129	46	2.5%
\$250,001-\$350,000	205	199	281	269	311	362	405	421	424	392	21.3%
\$350,001-\$450,000	151	184	201	182	213	230	266	293	323	343	18.6%
\$450,001-\$550,000	79	132	116	114	165	163	193	241	223	260	14.1%
\$550,001-\$650,000	59	73	69	95	89	114	139	137	163	184	10%
\$650,001-\$750,000	59	66	69	70	67	75	85	98	108	156	8.5%
\$750,001+	171	174	180	216	209	227	299	353	350	450	24.5%
TOTAL	1,046	1,249	1,311	1,356	1,454	1,517	1,739	1,788	1,736	1,840	100%

TABLE 11

Source: Santa Fe Association of REALTORS® MLS

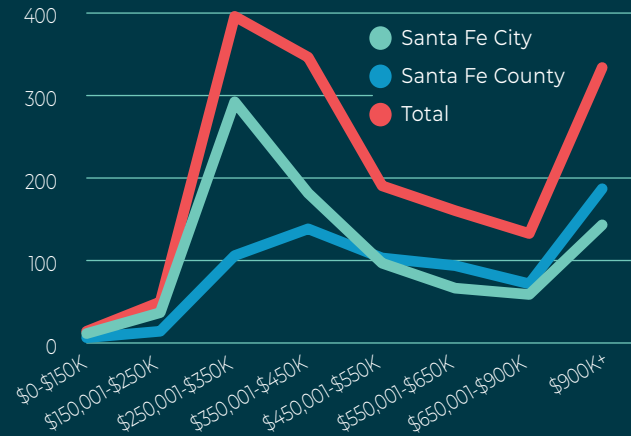
HOUSING SALES & PRICES

Conventional loans made up 53 percent of Santa Fe home sales while 27 percent were cash purchases (**GRAPH 20**). Buyers paying cash have a competitive advantage over other types of loans and continue to make up more than 25 percent 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 \$750,001 and higher price range in 2020.

GRAPH 20: Conventional (53 percent of all loans) and Cash (27 percent of all loans) made up 80 percent of the Santa Fe housing market.

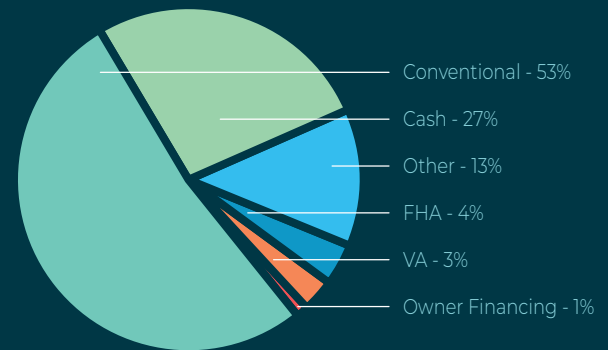
SALES PRICE DISTRIBUTION OF HOMES



GRAPH 19

Source: Santa Fe Association of REALTORS®

NUMBER OF SALES BY METHOD OF PAYMENT 2020



GRAPH 20

Source: Santa Fe Association of REALTORS®

SANTA FE CITY & COUNTY CONDOMINIUMS/ TOWNHOMES MEDIAN PRICE 2011-2021

YEAR	ANNUAL NUMBER OF SALES	MEDIAN PRICE	% CHANGE
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%
2020	536	\$316,750	12%

TABLE 12

Source: Santa Fe Association of REALTORS® MLS.

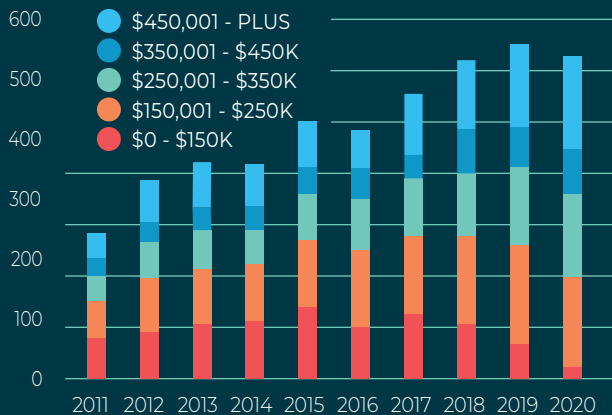
CONDOMINIUMS & TOWNHOMES

Sales of condominiums and townhomes dropped by 5.3 percent in 2020 (**TABLE 12**), While remaining a popular option for buyers due to their lower costs and attractiveness as a second home, inventories remain historically low in the Santa Fe market playing a factor in reduced sales. Units priced between \$150,001 and \$350,000 made up more than half of the 2020 Santa Fe area market share (**GRAPH 21**).

TABLE 12: The median price of condominiums and townhomes in 2020 increased by a 12 percent - the highest annual increase looking back ten years.

GRAPH 21: The highest number of sales per category was condominiums and townhomes priced over \$450,001 in 2020.

CONDO & TOWNHOME SALES BY PRICE



GRAPH 21

Source: Santa Fe Association of REALTORS® MLS.



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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 only two condominium units brought online and eight townhomes produced over the last three years. Single family home construction increased by a total of 110 units from 2018 to 2020 with prices growing by about 15 percent (**TABLE 13**).

SANTA FE CITY & COUNTY NEW CONSTRUCTION SALES 2018-2020

	2018		2019		2020		median% change over 3 years
	units	median	units	median	units	median	
Condos	1	\$1,325,000	0	\$0	1	\$599,000	-55%
Townhomes	2	\$329,000	0	\$0	6	\$455,445	38%
Family	32	\$493,237	47	\$482,000	31	\$557,883	13%

TABLE 13

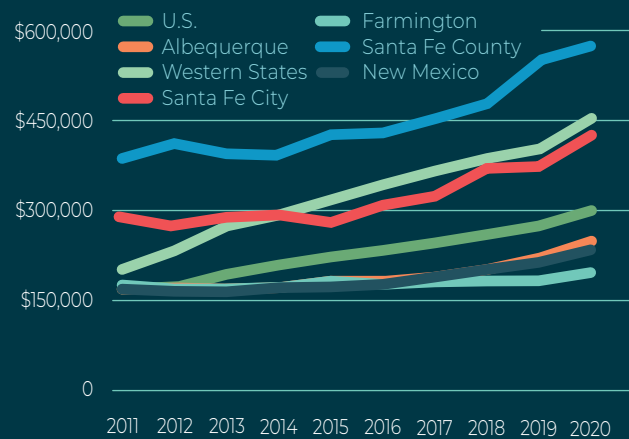
Source: Santa Fe Association of REALTORS® MLS

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**). As noted in 2020, Santa Fe County continues to track 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 in 2011 through 2013 where home prices began to fall lower than the Western States median before beginning to track more closely with Western States in 2018. Median home prices in New Mexico have tracked most closely with Albuquerque home prices remaining lower than median home prices across the United States.

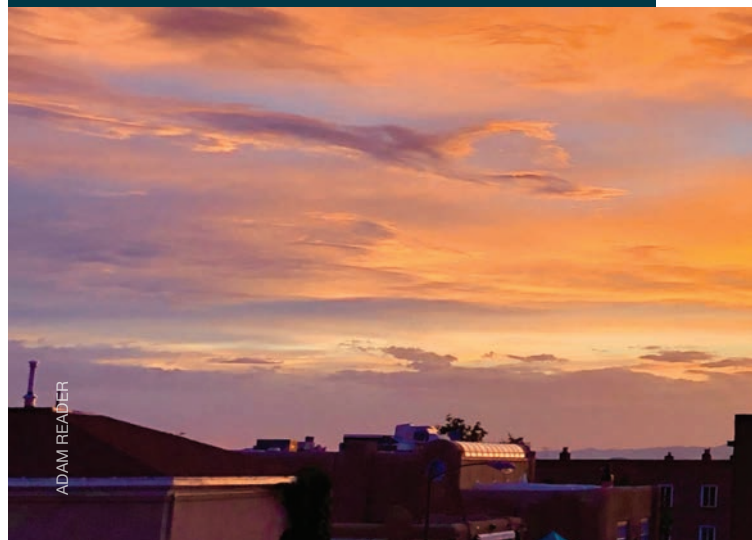
GRAPH 22: Median home prices in Santa Fe City continues to track more closely to Western States while Santa Fe County tracks well above all median home sales in the region and U.S.

SALES PRICE DISTRIBUTION OF HOMES SOLD

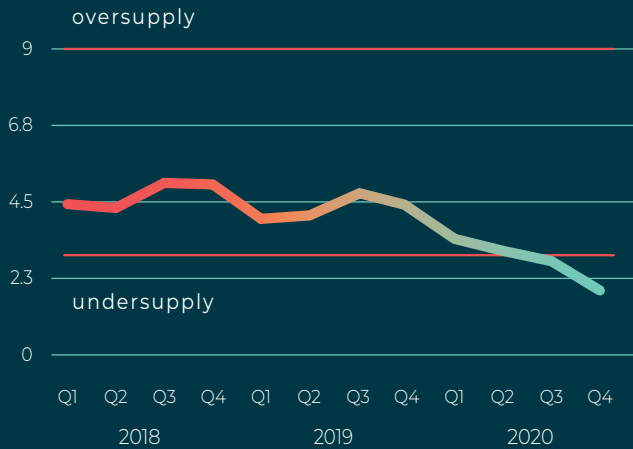


GRAPH 22

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® MLS

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 in 2020 started out just above the normal range but quickly dropped below in the 2nd Quarter of 2020. At the end of the year, the Santa Fe housing market had a 1.9 months supply of inventory, well below the norm demonstrating an under supply of housing for the region. (GRAPH 23).



INTEREST RATES

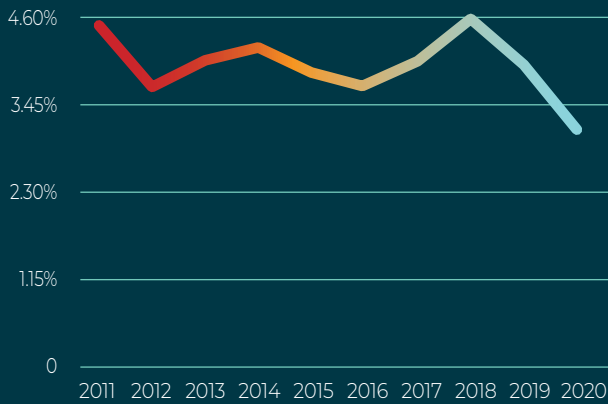
While primarily a health crisis, the COVID-19 pandemic significantly disrupted the U.S. economy and financial markets. In line with its mission, the Federal Reserve responded forcefully. During the initial several weeks of the crisis, the Fed used its interest rate policy to support the economy, took steps to stabilize financial markets, and introduced other measures to support the flow of credit to many sectors of the economy. These actions helped minimize harm to the economy and set the stage for economic recovery when the public health crisis has sufficiently subsided. In July 2021, Chair Jerome Powell announced that the Fed would hold interest rates near zero and continue government-backed bond purchases unabated. These two tools have fueled economic demand by making money cheap to borrow and spend. In response, mortgage interest rates tracked further downward in 2020. ([GRAPH 24](#)).

In 2021, Fannie Mae and Freddie Mac conforming loan limits increased from \$510,400 to \$548,250 for a single family residence. The increase will make the purchase of a mid-priced \$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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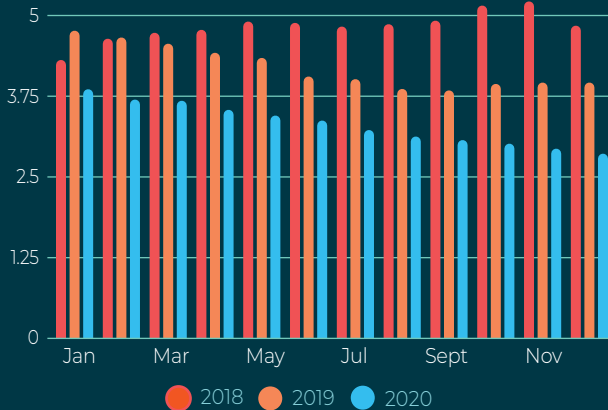
30 YEAR FIXED AVERAGE YEAR-END INTEREST RATES 2011-2020



GRAPH 24

Source: Freddie Mac

NEW MEXICO 30-YEAR CONVENTIONAL MORTGAGE RATES 2018-2020



GRAPH 25

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

COST OF CONSTRUCTION

In March of 2021, thirty-seven national housing organizations including the National Association of REALTORS® forwarded a letter to the U.S. Department of Commerce Secretary, Gina M. Raimondo, urging her office to examine the lumber supply chain, identify the causes for high prices and supply constraints, and seek immediate remedies to increase production. At that time, lumber prices had nearly tripled and oriented strand board (OSB) prices were up more than 250 percent since the spring of 2020. The spikes caused the cost of building an average new single family home to increase by more than \$24,000 since mid-April 2020 according to the National Association of Home Builders standard estimates of lumber used to build the average home. Additionally, the cost of the average new multifamily unit has increased by \$9,000 over the same period due to the surge in lumber prices.

GRAPH 24: 30-Year fixed Interest rate average hit a 10-year record low of 3.11 percent in 2020 under Federal Reserve COVID-19 pandemic policies.

GRAPH 25: In August 2020, 30-year fixed interest rates in New Mexico dipped below 3.0 percent and remained under 3.0 percent through the end of the year.



JENNINE FELLNER

IMPACTS OF MORTGAGE INSURANCE

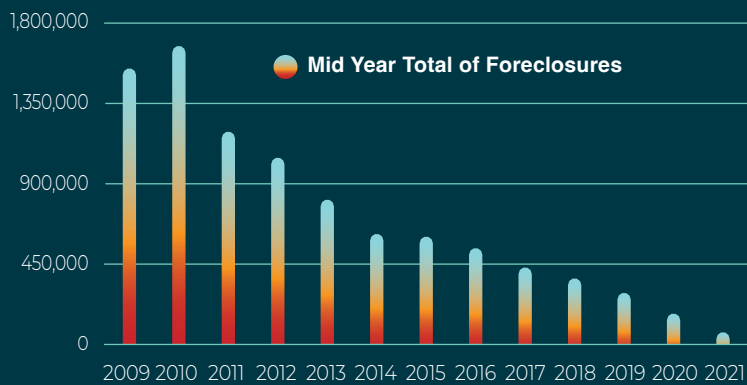
According to the Consumer Financial Protection Bureau, mortgage insurance lowers the risk to the lender of making a loan, so homebuyers can qualify for a loan that they might not otherwise be able to acquire. Typically, borrowers making a down payment of less than 20 percent of the purchase price of 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 an 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.

UNSPLASH - CC - NATE BELL

FORECLOSURES

ATTOM™, licensor of the nation's most comprehensive foreclosure data and parent company to RealtyTrac released its Midyear 2021 U.S. Foreclosure Market Report in July, which showed there were a total of 65,082 U.S. properties with foreclosure filings in the first six months of 2021. According to RealtyTrac, the government's foreclosure moratorium and mortgage forbearance program have created an unprecedented situation - historically high numbers of seriously delinquent loans and historically low levels of foreclosure activity. Once the moratorium ends, analysts will be able to get a more accurate read on the level of financial distress the pandemic has caused for homeowners across the country. Additionally, fewer bank repossessions may be a trend as rising home prices have provided most homeowners with enough equity to sell their homes at a profit, rather than lose them to a foreclosure or repossession.

JANUARY TO JUNE U.S. FORECLOSURE ACTIVITY BY YEAR 2009-2021



GRAPH 26

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

GRAPH 26: Foreclosures in mid-year 2021 totaled 65,082 down 61 percent from the same time period a year ago and down 78 percent from the same time period two years ago..

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 (DPA) can be a key factor contributing to a successful home purchase. DPA programs are especially important for households burdened by student loans, or first-time buyers without access to financial support from their families. 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 increasing demand on scarce resources.

TABLE 14: In 2021, the 100 percent Area Median Income (AMI) for a family of four in Santa Fe County was \$73,000.

AREA MEDIAN INCOME (AMI) FOR SANTA FE COUNTY 2021

	120% AMI	100% AMI	80% AMI	65% AMI	50% AMI
AMI 1 Person	\$61,400	\$51,150	\$40,900	\$33,250	\$25,550
AMI 2 Person	\$70,150	\$58,450	\$46,750	\$38,000	\$29,200
AMI 3 Person	\$78,900	\$65,750	\$52,600	\$42,750	\$32,850
AMI 4 Person	\$87,600	\$73,000	\$58,400	\$47,450	\$36,500
AMI 5 Person	\$94,700	\$78,900	\$63,100	\$51,300	\$39,450
AMI 6 Person	\$101,650	\$84,700	\$67,750	\$55,050	\$42,350

TABLE 14

Source: U.S. Department of Housing and Urban Development (HUD)



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HOME OWNERSHIP PROGRAMS

Santa Fe City and County provide a number of programs to address housing affordability. Briefly, the City of Santa Fe offers down payment assistance, rental assistance, and supports rehabilitation support for both homeowners and renters (TABLE 15). In addition to financial assistance and programming directly supported through the City's local trust fund and federal Community Development Block grant (passed through from U.S. Housing and Urban Development Department), approximately 800 potential homebuyers are provided extensive financial counseling and training services by nonprofit partners, Homewise and the Housing Trust. An additional 250 homeowners per year are assisted with financial counseling and refinancing 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 assisted the greatest number of renters in 2020 with the support of federal funding.

SANTA FE CITY & COUNTY HOUSING AFFORDABILITY PROGRAM RESULTS; 2016-2020

PROGRAMS	2016	2017	2018	2019	2020
Santa Fe City					
Down Payment Assistance	11	43	29	23	20
Home Rehab	13	22	24	25	29
Rental Assistance	170	61	208	88	306
Rental Rehab	2	28	9	100	0
Homeless Facility Improvements ¹	-	8	30	8	30
Santa Fe County					
Down Payment Assistance	2	10	6	8	4
Roof Repair	1	1	2	5	4
First Time Homebuyer	2	2	2	1	3

TABLE 15

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

¹ Santa Fe City tracks the number of beds provided through Youth and Family Services Transitional Living Program. The facility's roof was repaired in 2020 utilizing Community Block Grant funds.

HOUSING AFFORDABILITY

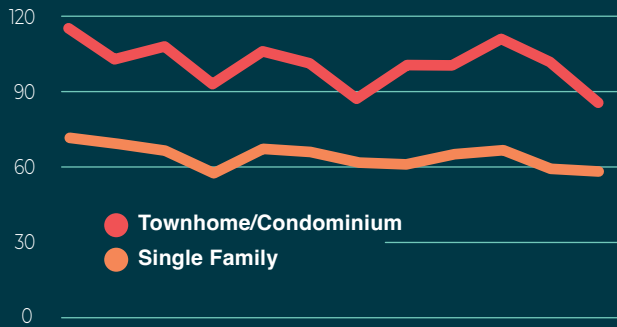
Housing affordability is a longstanding issue in the Santa Fe area with local governments implementing housing programs going back as far as the 1970s. Numerous factors contribute to the core of Santa Fe's housing issues: federal government resources meet the needs of about 20 percent of the lowest income 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; land use policies that are restrictive or outdated; limited development capacity; and a shortage of housing development to keep up with population growth. During the COVID-19 pandemic, housing affordability was further stressed.

Housing affordability is best expressed by the gap between wages and housing costs. An important gauge of local incomes is the U.S. Housing and Urban Development Median Family Income as this data most closely approximates income used to support housing payments. In 2020, the Housing and Urban Development Area Median Income rose to \$76,000 in Santa Fe, a 4 percent increase over 2019.



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2020 HOUSING AFFORDABILITY INDEX FOR SINGLE FAMILY & TOWNHOME/ CONDOMINIUM IN SANTA FE CITY & COUNTY



GRAPH 27

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 80 for the last three years (**GRAPH 27**) falling under 60 in the 3rd Quarter of 2020. The HAI for townhome and condominiums has tracked mostly below or near 100 through the 3rd Quarter of 2020 dropping below 80 in the 4th Quarter of 2020 for the first time. Townhomes and condominiums have generally offered a more affordable option for home buyers although condominiums have more limited financing options. Historic low inventory is negatively impacting HAI for all housing options in the Santa Fe region.

GRAPH 27: Beginning in the 3rd Quarter of 2020, the Housing Affordability Index (HAI) for single family homes and 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 28**). Renters and low-income households face the greatest cost burden in the Santa Fe County housing market. To put this in perspective, the 2020 median price of a single family home in Santa Fe County was \$575,153. A family would need an income of \$120,000 a year to afford a home at this price.

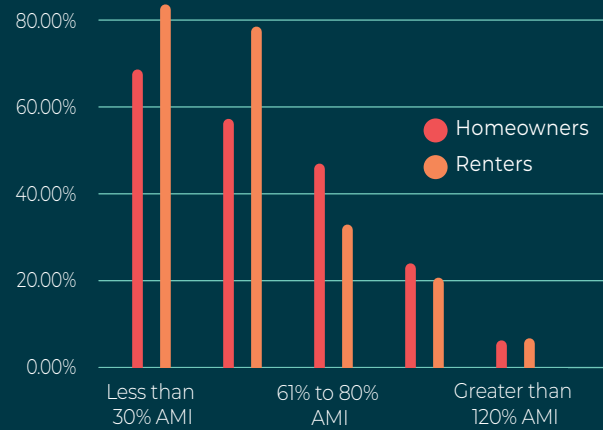
In Santa Fe City, 86 percent of renter households earning less than \$50,000 a year are cost burdened, a number that has risen by 13 percent between 2016 and 2018. This figure represents over 5000 renter households and demonstrates that low-to-moderate income renter households face the greatest cost burden in the Santa Fe housing market. 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 2020. Approximately 5,328 of 2020 renter households are eligible for down payment assistance.

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 ten years, 571 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 28: 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 28

Source: 2020 Santa Fe Housing Report, Economic & Planning Systems



Flickr - CC - KEVIN O'MARA

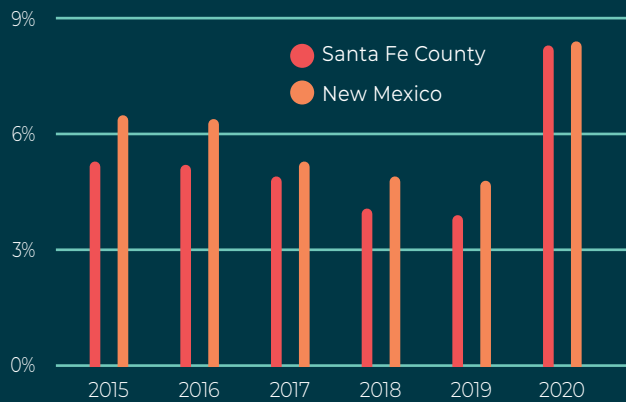
AFFORDABLE HOUSING UNITS BUILT IN SANTA FE CITY & COUNTY 2011-2020

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	TOTAL
Santa Fe City	52	92	36	32	12	12	37	22	4	10	309
Santa Fe County	60	28	60	0	5	2	2	1	91	13	262
TOTAL	112	120	96	32	17	14	39	23	95	23	571

TABLE 16

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

SANTA FE COUNTY UNEMPLOYMENT RATE 2015-2020



GRAPH 29

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 seeking employment. Santa Fe's unemployment rate along with the rest of New Mexico rose annually to over 8 percent in 2020 as businesses were negatively impacted by the COVID-19 pandemic (**GRAPH 29**). According to a 2021 analysis by the Urban Institute, 6.3 percent of Santa Fe County low-income workers lost their jobs as a result of the pandemic while the overall total worker job loss in the county was 5.7 percent.

GRAPH 29: Santa Fe County and New Mexico's unemployment rate tracked more closely in 2020 as businesses reacted to the COVID-19 pandemic.

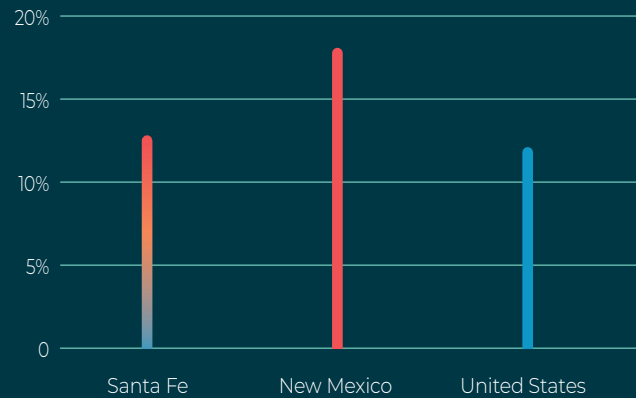
HOUSING AFFORDABILITY

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 13 percent of Santa Fe County residents were considered to be living in poverty (GRAPH 30). In contrast, a lower percentage or 12.3 percent of U.S. residents were living in poverty. A larger percentage of New Mexico residents were living in poverty in 2019 at 18.2 percent. In Santa Fe City, the poverty rate is slightly higher at 13.5 percent, representing over 11,430 people. At this income level, families cannot seek market rate housing placing them in situations of extreme housing insecurity and risk of homelessness.

GRAPH 30: More Santa Fe County and New Mexico residents were living in poverty in 2019 compared to U.S. residents.

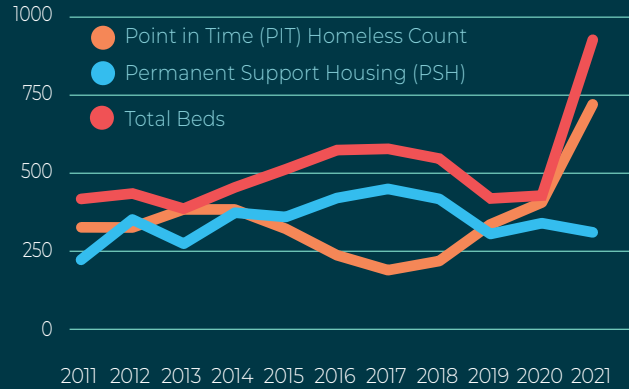
SANTA FE COUNTY POVERTY LEVEL VS NEW MEXICO & UNITED STATES



GRAPH 30 Source: U.S. Census Bureau, 2019 American Community Survey 1-Year Estimates



POINT OF TIME COUNT OF HOMELESS PEOPLE IN SANTA FE



GRAPH 31 Source: New Mexico Coalition to End Homelessness 2021

Santa Fe City leveraged \$2M CARES Act funds to subsidize the purchase of Santa Fe Suites, offering 122 studio units near transit, services and amenities, for workforce renters affected by COVID shutdowns, very-low income renters and those experiencing chronic homelessness.

HOMELESSNESS

Homelessness is a persistent problem in Santa Fe and the pandemic has only made this problem more pressing. With the cost of rental units rising and issues around pandemic-related unemployment affecting people in tandem, people are being priced out of their long-term homes with few options to move elsewhere at a comparable price-point.

The City of Santa Fe and its nonprofit partners recognize that supportive housing, where housing is combined with supportive services, and a focus on creating more affordable housing units, is essential to ending homelessness.

The pandemic has increased insecurity for low-income and at-risk individuals and families in Santa Fe. However, it has also increased awareness and interest in centering homelessness as a vital issue to address for our full community's well-being.

In response to the pandemic, the City of Santa Fe successfully leveraged \$2 million in federal coronavirus relief funding to help establish a new permanent supportive housing/mixed income housing complex - Santa Fe Suites. The suites offer units to chronically homeless individuals, individuals and families impacted by the pandemic and low-income individuals priced out of the rental market. The goal of a mixed income housing model is to transition people from chronic homelessness to stable, affordable living situations.

Alongside this, the New Mexico Coalition to End Homelessness partnered with the City of Santa Fe, who allocated funding for the upkeep and establishment of Consuelo's Place, an emergency housing complex at the former University of Art and Design Midtown Campus. Originally set up to quell the rise in homelessness due to the pandemic and as a safe and socially distanced place for those with COVID-19 to quarantine, the shelter has continued to run steadily and strongly throughout the past year.

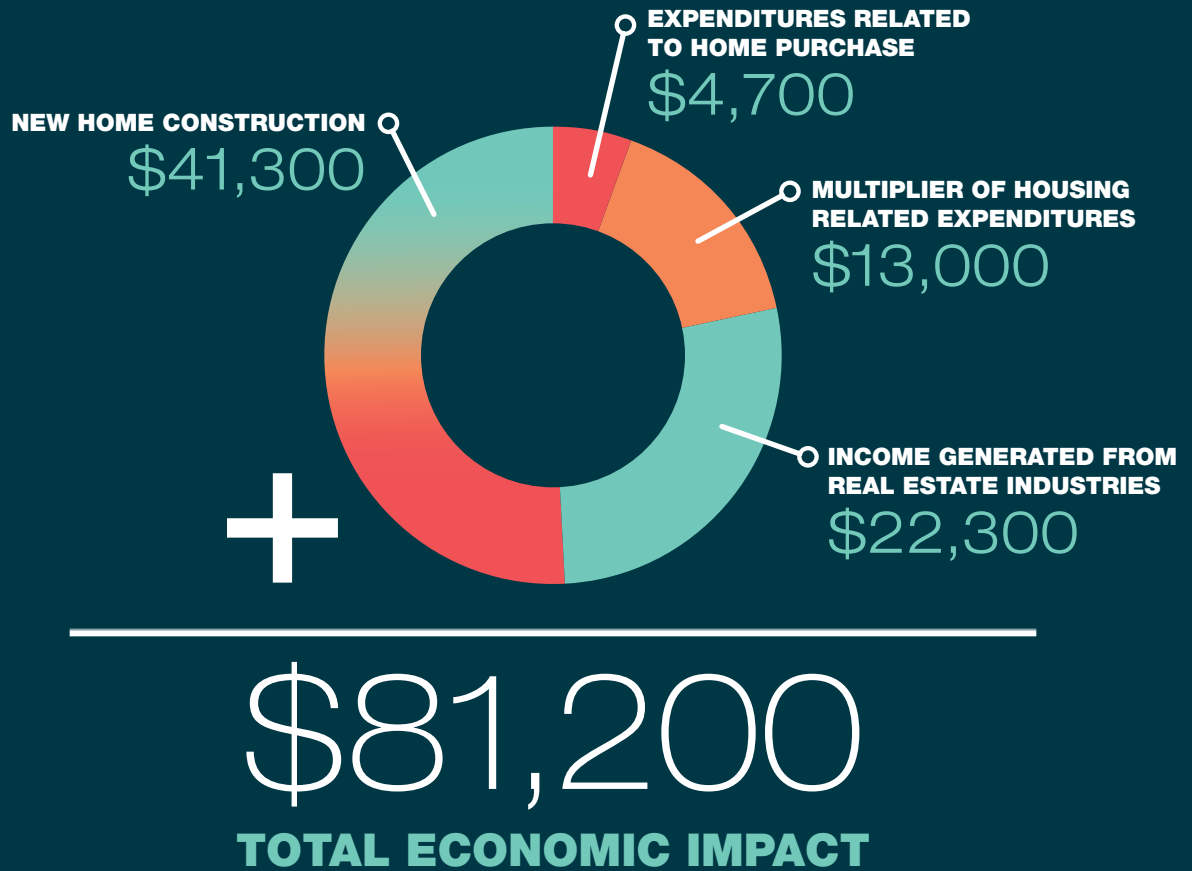
The chart below shows the annual Point in Time Count for January 2021 (**GRAPH 31**) representing the number of people who were homeless on a single day in January at 723, the number for those counted in permanent supportive housing at 310, and the total number of beds counted. Understandably but worryingly, there was a significant increase in the count from the previous year. Much of this increase can be attributed to the pandemic and might be temporary. These counts are likely an underestimation owing to a decrease in volunteer and count collaboration support due to the pandemic.

With an affordable housing shortage of over 5,000 units in the city and further shutdowns looming in the future, there is still work to be done to ensure everyone in Santa Fe has a safe and stable home to go back to. The increasing governmental, agency and community support and comradery around ending homelessness offers a boost towards needed pathways to make this happen.



THE ECONOMIC IMPACT OF A TYPICAL HOME SALE IN NEW MEXICO

Housing is a key economic driver in the Santa Fe community and across New Mexico. In fact, the real estate industry accounted for \$18.1 billion or 18.1 percent of the gross state product in 2020, up by 1.1 percent from 2019. According to the National Association of REALTORS® annual report on the “Economic Impact of a Typical Home Sale in New Mexico”, each home in New Mexico generates \$81,200 in additional economic value to the community, here’s the breakdown:



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 \$4,700 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 \$18.1 BILLION OR 18.1% OF THE GROSS STATE PRODUCT IN 2020

Sources: BEA, U.S. Census, NAHB, Macroeconomic Advisors, NAR



SANTA FE

1007

TODD CLARKE

COVID RESPONSE AND HOUSING

In the Santa Fe region, the COVID-19 pandemic inspired the community to keep its population safe, to take a giant step toward ending housing instability, and expand broadband access to rural areas to support work from home requirements.

At a minimum, there were 350 households unhoused in the region. Santa Fe City and County immediately recognized that the spread of COVID was likely in populations living in crowded conditions, unstably housed, experiencing homelessness or medically compromised. The State of New Mexico Governor's orders required population densities to be reduced to 25 percent at local shelters. The situation amplified the pre-pandemic gap in service deliveries as well as a lack in discharge options for people leaving an institutional setting, recovery program, detention facility or hospital stay.

In response, Santa Fe City took several key steps to ensure the safety of its citizens including the conversion of existing dormitory rooms at the Midtown Campus (formerly Santa Fe University of Art and Design) for those in need, moving 50 plus people into the units. With the help of funding from the CARES Act, Santa Fe City set up Consuelo's Place to serve these residents. Santa Fe City partnered with the Salvation Army to open a winter shelter to house 25 people during the coldest nights. Lastly, Santa Fe City created an encampment policy that focused on outreach and non-removal, except for health and safety reasons.

During the COVID-19 pandemic, affordable housing staff, elected leaders and housing advocates collaboratively mobilized local and federal funding for CONNECT, a social services portal operated through a joint agreement between Santa Fe City and County. The CONNECT program addresses the needs of individuals for housing, transportation, utilities, food, and other needs known as the social determinants of health. The CONNECT network of navigators at clinics, government programs, and community service organizations connects people to resources. The program proved particularly important during the COVID-19 pandemic, with additional funds made available to augment existing funding with providers, ultimately serving over 5,000 unique clients during the pandemic-nearly a 400 percent increase.

In the final quarter of 2020, CONNECT was allocated CARES Act funds to support individuals impacted by the COVID-19 pandemic. Over \$2.4M was spent with the majority of CARES Act funds used to support individuals with housing assistance, food assistance and utility support.

In addition to the CONNECT program support, Santa Fe County's Emergency Rental and Mortgage Assistance Program provided temporary, emergency rental and mortgage assistance grants to qualifying households to prevent evictions and foreclosures for households affected by the COVID-19 pandemic and expanded broadband service in Santa Fe County using CARES Act funding (Española crisis, youth & community centers; Cundivo; Nambe; and Chimayo).





HOTEL & MOTEL CONVERSIONS FOR HOUSING

According to the National Association of REALTORS® 2021 Case Studies on Repurposing Hotels/Motels Into Multifamily Housing, one obvious adaptive reuse of vacant hotels/motels is for multifamily housing. In 2020, the hotel occupancy rate plunged to 37 percent as the COVID-19 pandemic severely cut leisure and business travel and events. As part of the response to the COVID-19 pandemic, Santa Fe City and County took action to utilize federal coronavirus relief funding to help finance the purchase of a hotel or motel to house people impacted by the pandemic.

Santa Fe City leveraged \$2M CARES Act funds to subsidize the purchase of Santa Fe Suites, offering 122 studio units, located near transit, services, amenities. Forty-two units were set aside for workforce renters affected by COVID shutdowns; 40 units for renters with very-low incomes, potentially employed but not able to participate in Santa Fe's housing marketplace; and 40 units dedicated to Santa Fe's chronic and veteran homeless population.

Santa Fe County partnered with Pathways Shelter in Espanola to provide the first shelter for the homeless in northern Santa Fe County and Espanola. Santa Fe County purchased a 14-unit facility formerly known as Eagle Village Hotel, to provide housing units to individuals who may be at risk for housing insecurity and may be COVID positive, or at risk of contracting the COVID virus, and in need of shelter to safely quarantine and recover.

CONCLUSION & ECONOMIC OUTLOOK

CONCLUSION

The nation faces a severe and worsening housing affordability crisis that increasingly affects every state and nearly every major community in the nation including the Santa Fe region. The two most recent economic shocks, the Great Recession and the ongoing COVID-19 pandemic, profoundly exacerbated housing affordability across the country. As a result, it is now more important than ever for states, cities and local communities to take decisive action to support housing affordability in their jurisdictions, a goal that will likely require policymakers to recognize the need for a multipronged, or even all-of-the-above, strategy to meaningfully address the crisis¹.

While the nation needs and demands more housing, the growing cost of lumber increased the cost of building an average new single family home by more than \$24,000 since mid-April 2020 according to the National Association of Home Builders' standard estimates of lumber used to build the average home. The cost of the average new multifamily unit has increased by \$9,000 over the same period.

As the cost of housing increases, Santa Fe continues to attract residents seeking a more predictable and sustainable climate, diverse housing, world-class cultural amenities, multi-faceted

outdoor recreation and unique art attractions found in a well-established sense of place. Domestic and international in-migration can further impact the housing shortage as remote workers purchase housing in resort markets like Santa Fe as well as a growing number of early retirees attracted to the region.

Of special note, during the COVID-19 pandemic, Santa Fe City projected significant budget shortfalls with the severe reduction in tourism and associated loss of gross receipt taxes (GRT). Yet GRT collected from both residential and commercial projects helped offset part of the gaping budget hole demonstrating the value of construction. In fact, these projects propelled Santa Fe to be ranked 7th in the nation among metro areas in construction job growth in November 2020 with a 14 percent increase, adding 400 construction jobs over the previous November.

In response to the increased need for more affordable housing and strong community advocacy, Santa Fe City set aside \$3M for affordable housing in both its 2020 and 2021 budgets with unanimous support from its elected leaders. Monies to support the funding will be generated through increased GRT from construction and short term rentals, inclusionary zoning



fees, and city-owned property sales. Debate surrounding the need for more short term rental controls by elected officials raised the profile of the positive fiscal impact (estimated to be \$228M in 2019²) of short term rentals on the local economy.

As of mid-summer 2021, Santa Fe City is requiring participation in data collection for all contracts and agreements related to housing, shelter and services; is preparing to launch a mobile hygiene and street outreach project; has increased support for New Mexico Coalition to End Homelessness' capacity to operate coordinated entry system and rental assistance funds for its Homeless Early Intervention Project; added an additional year of funding for Consuelo's Place to continue running the Midtown Shelter; and is continuing to leverage of federal and state funds to meet ongoing needs (including foreclosure prevention and rental assistance) as well as the purchase of another motel property to be converted into housing.

Santa Fe County adopted 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; and outsourcing foreclosure prevention services. In 2020, Santa Fe County identified ways to fund housing programs that included short term rental GRT, bonds, general fund monies and potential new taxes on second homes.

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 permanent stream of annual funding which can be strategically leveraged to address Santa Fe's growing housing needs. New coalition strategies to grow affordable housing include setting annual housing goals; removing outdated zoning and land use regulations that impede housing starts; and streamlining development reviews.

1 State and Local Policy Strategies to Advance Housing Affordability, February 2021, Rosen Consulting Group on behalf of the National Association of REALTORS®

2 Summary of the Economic Impacts of Short Term Vacation Rentals in Santa Fe, NM, Prepared by Moss Adams LLP, October 2020



CONCLUSION & ECONOMIC OUTLOOK

ECONOMIC OUTLOOK

The Santa Fe community, much like the rest of the nation, will enter 2022 with continuing economic uncertainty due to the Covid-19 pandemic's looming presence. Foreclosures at mid-year hit record lows, but it remains unclear how many homeowners will begin to default on their mortgages even with unprecedented federal, state and local government aid. 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 remain vigilant to keep people in their homes. Federal funds available to the Santa Fe community can help with housing related costs and small business grants as Congress debates new affordable housing funding through the American Jobs Plan that will invest \$213 billion to produce, preserve, and retrofit more than two million affordable and sustainable places to live.

America is still in a seller's market when it comes to housing, and could stay there until next year. Prices are climbing at the fastest pace in more than three decades, and homes are frequently selling above their list price, according to the National Association of REALTORS®. While some buyers chose to persevere through bidding wars, escalation clauses, and line-out-the-door open houses in 2021, others decided

to put their home searches on hold and rent for the time being, only to find conditions much the same in the rental market.

Economists are predicting an increase in mortgage rates to a high of 4 percent by the end of 2022 that may effectively slow homes sales. The housing market will continue to be stressed and it is unclear if construction will be able to step up to meet all the growing demand. Inflation has risen for the near term and is expected to remain high through 2022 due to worker shortages, supply chain issues and the remaining uncertainty over the COVID-19 pandemic.

Santa Fe City and County will continue to receive federal funding to address the pandemic that may be used to address infrastructure and housing needs. Keen decision-making will be needed to ensure that funds are utilized strategically to position the region for a vibrant, economic recovery as the pandemic ebbs in the coming year. Decisionmakers should keep in mind that homeownership remains a significant way to grow wealth over time. According to the National Association of REALTORS®, the wealth comparison in 2020 between renters was \$6,870 versus \$278,300 for homeowners – a startling difference. There remains a unique opportunity for Santa Fe to collaboratively work to foster a regulatory environment that can spark and sustain a robust, economic housing boon.





DONNA REYNOLDS

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