



EL PASO, TX

PLUM LENDING MARKET SPOTLIGHT



PLUM LENDING MARKET SPOTLIGHTS ARE INTENDED TO GIVE INVESTORS AND BORROWERS A DETAILED OVERVIEW OF THE INFORMATION THAT IS ALLOWING PLUM TO PLACE COMMERCIAL REAL ESTATE DEBT IN GROWING MARKETS

PLUM MARKET SPOTLIGHT - EL PASO, TX

- El Paso is the largest metro area along the Texas-Mexico Border and serves as a major trade center. In 2019, more than \$106.9 BN in total trade passed between the El Paso and Santa Teresa ports of entry, representing the third largest trade volume between the U.S., Mexico, and Canada for the year (and 12th for all international trade).
- The El Paso MSA has a 2020 Census population of over 868,000 with a median age of 32.6 (2019).
- The median household income in 2019 was \$48,823, representing a 35.6% increase from 2010, a CAGR of 3.44%.
- The largest employer in El Paso is the Fort Bliss Army Base, which employs roughly 50,000 people in the MSA.
- The metro's industrial market has begun to receive recognition from large users and institutional investors. In Q4 2021, Amazon opened a new 625,000 SF fulfillment center in east El Paso.
- Despite its location at the U.S.-Mexico border, El Paso was ranked by AdvisorSmith as the 3rd safest large city in the USA. The city's large military base combined with its massive law-enforcement presence are some of the factors that make El Paso one of the safest cities in the country year after year.
- El Paso County holds an AA credit rating from Fitch
- *Recent Sale:* In Q4 2021, Terrance Hill Apartments sold for \$27,325,000 or approximately \$88,145/unit. The class C apartment complex consists of 310 units across 13 buildings.

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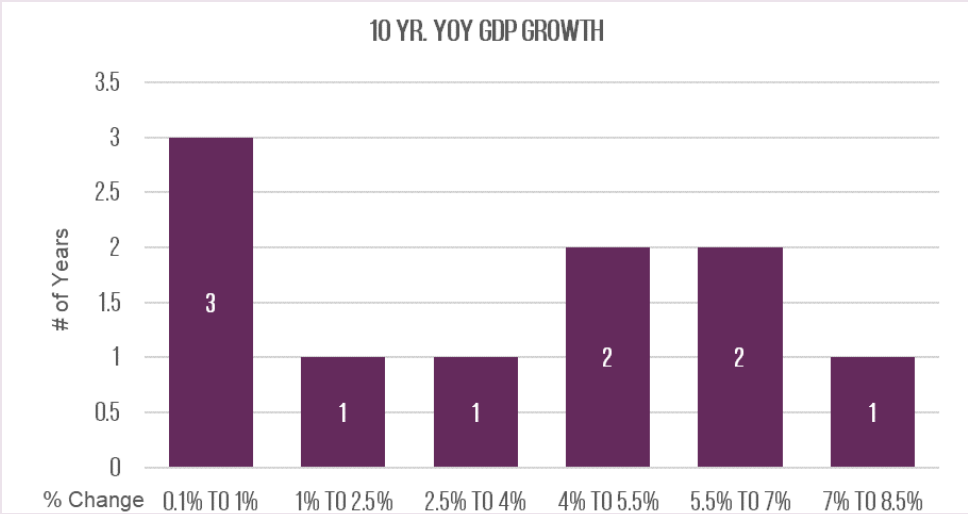
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MSA & Economic Overview:

The El Paso MSA is a major part of the six-county Upper Rio Grande region, which comprises over 21,700 square miles of western TX, and holds the sixth-largest city in Texas with El Paso (678,000+ population). Due to the MSA's proximity to the Rio Grande, residents can enjoy an outdoor lifestyle filled with activities such as whitewater rafting, canoeing, and fishing. Residents also have great hiking or rock climbing options through the Franklin Mountains (40 sq miles with over 100 miles of trail) and Hueco Tanks State Park. The metro is home to a number of events, including marathons, music festivals, and the college football Sun Bowl (attended by over 40,000 people).

El Paso's economy is anchored by cross-border manufacturing through the Maquiladora system, the metro's large government presence (Fort Bliss), and international trade with Mexico and other Latin American nations. The MSA's total GDP for the metro in 2020 was \$34.1 BN, with the government sector making up over 28% of the metro's GDP and FIRE industries capturing 16% of overall GDP. The metro has yet to experience a huge economic boom but has steadily forged ahead for decades. The largest employer in the MSA is the Fort Bliss Army Base, which employs roughly 50,000 people. Other major employers include El Paso Independent School District (~9,000), ADP, Becton Dickinson (market cap of \$75 BN), Tenet Health, Helen of Troy (market cap of over \$5 BN), and the University of Texas-El Paso (enrollment of 24,000+ students Fall 2020).



POPULATION	
MSA TOTAL POPULATION	868,859
10-YEAR POPULATION GROWTH	7.7%
POPULATION CAGR	0.74%
PLUM SELECT 80 RANK	29 OF 80
GDP ANALYSIS	
MSA TOTAL GDP	34,114,414,000
10-YEAR GDP GROWTH	40.9%
CAGR	3.49%
RANK	90 OF 384
PERSONAL INCOME	
MSA TOTAL EARNINGS	35,312,908,000
TOTAL EARNINGS FROM EMPLOYE	23,114,555,000
10-YEAR PER CAPITA GROWTH	45.1%
PER CAPITA CAGR	3.79%
RANK	89 OF 384



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MSA & Economic Overview:

Beginning as a rail junction, the city of El Paso is the largest city on the U.S.-Mexico border, with Union Pacific and BNSF still maintaining major rail yards in the city. Union Pacific's 2,200-acre state-of-the-art intermodal Santa Teresa hub in adjacent New Mexico has helped position the region as a key shipping center for the Southwestern U.S., providing a major connector with the Sunset Route that terminates in Los Angeles. With the ability to reach more than 110 MM North American consumers by truck within 24 hours, the metro provides key intersections for air, rail, and motor transit. The interstate highway system greatly enhances El Paso's position as a major transportation hub. Interstate 10 extends east from Houston to Jacksonville, and west from Phoenix to Los Angeles. Interstate 25 extends north from Albuquerque, Denver, and into Wyoming. Furthering the MSA's focus on trade, the City operates Foreign-Trade Zone 68, which is administered by El Paso International Airport, comprising of five regional sites spread across 3,443 acres. In 2019, over \$75 BN in U.S.-Mexico trade occurred through the El Paso port of entry. For YTD Nov. 2021, El Paso International Airport shuffled through 2.5 MM+ passengers and over 97,000 tons of freight.

As part of the Paso Del Norte region (2.7 MM+ residents) spanning from the border to NM, the MSA contains sizable healthcare infrastructure to serve the greater region, including University Medical Center of El Paso (the only Level 1 trauma center in a 280-mile radius), the Hospitals of Providence Transmountain Campus, and the recently redeveloped \$1.4 BN 1.3 MM SF William Beaumont Army Medical Center.

The El Paso metro has the largest bilingual and bi-cultural workforce in the Western Hemisphere. Due to this and a lower cost of living, El Paso has also become a haven for call centers and back-office work. Employers that have recently opened/expanded call centers in the city include Alorica, General Dynamics, and Charter Communications. Additionally, the MSA has begun to receive investment from major firms such as Amazon for fulfillment and distribution centers.

As of October 2021, the unemployment rate in the El Paso MSA was 5.2%, a significant decrease from a pandemic high unemployment rate of 14.3% in April 2020. While still affordable, the Real Estate Center at Texas A&M has reported YOY double-digit % increases in the Home Price Index quarterly for 2021 for the metro, showing a gradual upswing.

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Commercial Real Estate Trends:

Multi-Family: El Paso's multifamily market has enjoyed steady rent growth since 2010, typically growing at a rate of 1-2% per year. However, in the past year, asking rents in the market have grown at a much faster pace (closer to 10%). In 2021, asking rents in El Paso for 1-bedroom units eclipsed \$900 for the first time ever.

From 2000 to 2018, occupancy in the El Paso multi-family market hovered between 90% - 93%. In 2018, the market began to tighten significantly and occupancy increased from 91% (2018) to 97% (2021). Cap rates have compressed at a steady rate since 2010, and currently range from 6% - 7.5%, depending on asset characteristics.

The current construction pipeline doesn't appear to be large enough to have a negative impact on rents or occupancy, as only three properties are currently under construction in the city. These properties include North Loop Phase II (50 units), Jackie Robinson Memorial Redevelopment (186 units), and Kathy White Housing Complex (80 units).

Industrial: The industrial sector in El Paso is driven by logistics and labor. The city serves as the logistics hub for neighboring Ciudad Juarez, which is home to many of the world's top manufacturing companies, occupying over 70 million SF of industrial space and employing over 300,000 skilled workers. The El Paso/Ciudad Juarez region has five international ports of entry, three of which handle significant commercial traffic (Santa Teresa, Bridge of the Americas, and Ysleta-Zaragoza).

The MSA has seen an upswing in demand from users and institutional investors. Over 3 MM SF in larger-scale developments are underway, including a 1.7 MM SF distribution center being planned by TJX Cos. Notably, Amazon has also taken notice of the metro and opened its new 625,000 SF fulfillment center in east El Paso in Q4 2021, the company's first in the MSA.

The Industrial market vacancy rate in El Paso remains near record lows at approximately 3.1%. Asking rents are up on the year (rent growth around 9%), and typically range from \$5.00/SF - \$7.00/SF, depending on asset subtype and size.



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Sales Activity:

On November 17th, the CVS store located at 1780 Lee Trevino Blvd sold for \$7,864,676 (\$658/SF) on a 5.7% cap rate. The property was built in 2017 and there were 24 years remaining on the CVS lease at time of sale.

On November 1st, Terrance Hill Apartments sold for \$27,325,000 or approximately \$88,145/unit. The class C apartment complex consists of 310 units across 13 buildings and was approximately 95% occupied at time of sale.

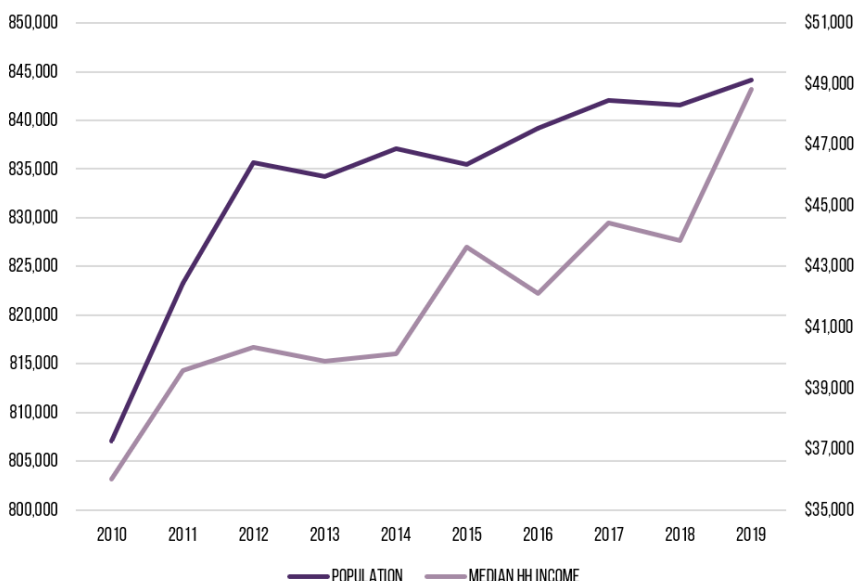
Lease Activity:

In December 2021, CultureSpan Marketing signed a lease at 7170 Westwind Dr for 2,950 SF of office space at a rental rate of \$13.50/SF (NNN).

Also in December, Innovative Trades signed a 36-month lease at 8555 Yermoland Dr for 4,761 SF of industrial space at a rental rate for \$7.75/SF (Modified Gross).

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