

REAL ESTATE MARKET OVERVIEW

El Paso

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 REAL ESTATE CENTER
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Real Estate Market Overview

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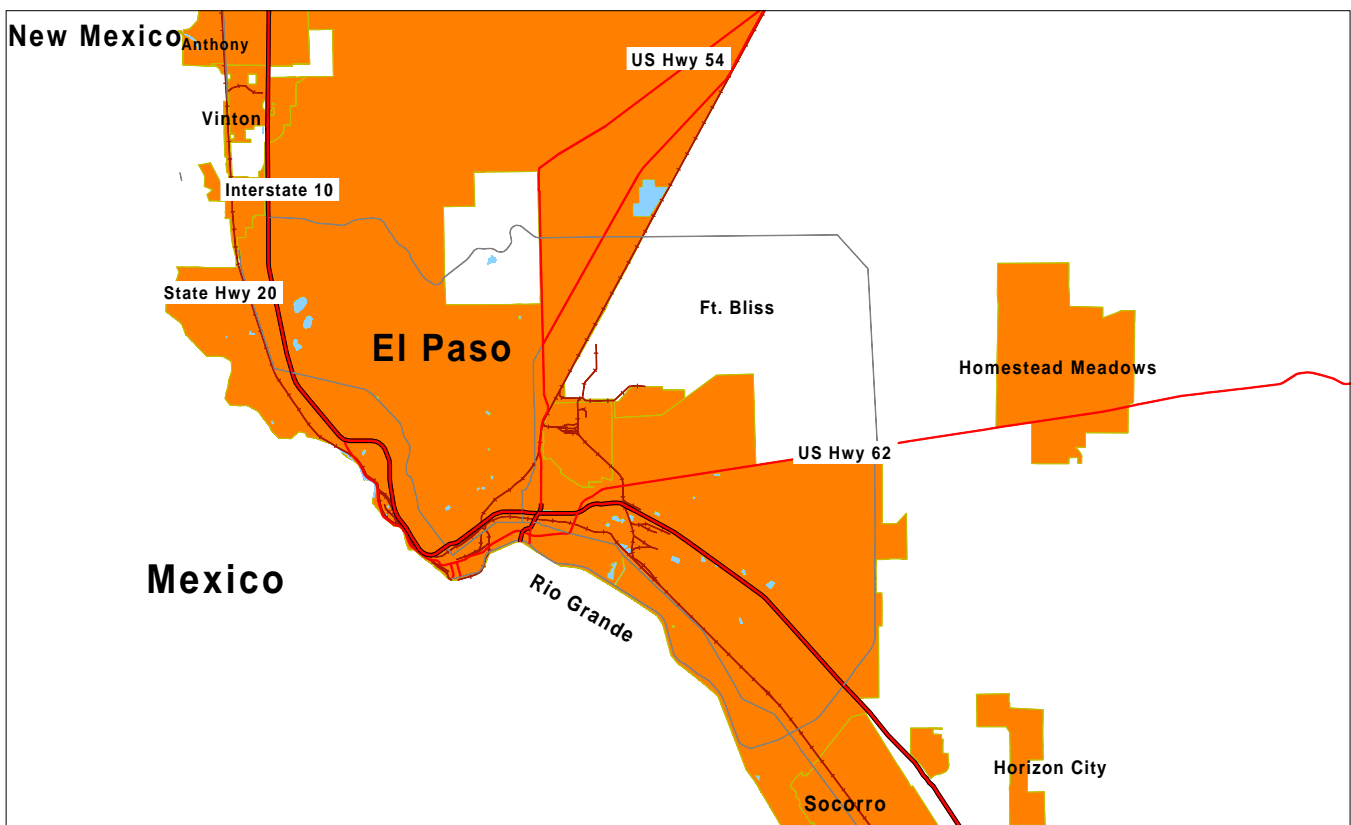
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Area Cities and Towns

Anthony	Horizon City
Canutillo	San Elizario
Clint	Socorro
El Paso	Terrillo
Fabens	

County

El Paso

Land Area of El Paso MSA

1,015 square miles

Population Density (2000)

670 people per square mile

According to the El Paso Chamber of Commerce, the El Paso-Juarez community is the largest international border community in the world. Nestled at the foot of the Franklin

Mountains, the City of El Paso is bordered by Mexico on the south and New Mexico to the north. With a 2000 population of 563,622, El Paso is the

fifth largest Texas city and the 17th largest city in the United States. Across the Texas-Mexico border from El Paso lies Juarez, with a population of 1.3 million.

POPULATION

El Paso MSA Population

Year	Population
1990	595,965
1991	611,299
1992	624,906
1993	642,744
1994	657,866
1995	668,890
1996	674,005
1997	685,388
1998	694,603
1999	701,908
2000	679,622

Source: U.S. Census Bureau

Area Cities With 10,000 or More Residents

City	2000 Population	Growth 1990–2000 (in percent)
El Paso	563,662	9.4
Socorro	27,152	18.5

Source: U.S. Census Bureau

The population in the El Paso MSA increased 14.9 percent from 1990 to 2000. El Paso's growth rate was slower than growth in the state as a whole during the 1990s and is expected to only slightly exceed

Texas' growth rate through 2020, according to the Texas State Data Center. Population projections forecast an average growth rate of slightly more than 2.7 percent per year through 2020, ac-

ording to the Texas State Data Center. The Texas Water Development Board projects a growth rate of 2.6 percent per year. Juarez, Mexico, is expected to grow to 1.6 million by 2010.

Texas Metropolitan Area Population Change, 1990–2000 (in percent)

McAllen-Edinburg-Mission	48.5	Galveston-Texas City	15.1
Austin-San Marcos	48.2	Tyler	15.5
Laredo	44.9	El Paso	14.9
Dallas	31.5	Corpus Christi	14.3
Brownsville-Harlingen-San Benito	28.9	Victoria	13.1
Brazoria County	26.1	Waco	12.9
Houston	25.8	Texarkana	9.4
Fort Worth-Arlington	25.1	Lubbock	9.0
Bryan-College Station	25.1	Wichita Falls	7.8
Texas	22.8	Longview-Marshall	7.7
Killeen-Temple	22.6	Beaumont-Port Arthur	6.6
San Antonio	20.2	Abilene	5.8
Sherman-Denison	16.4	San Angelo	5.6
Amarillo	16.2	Odessa-Midland	5.1

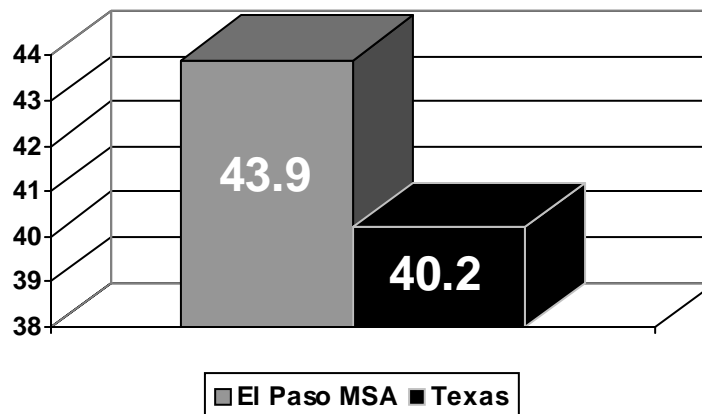
Source: U.S. Census Bureau

El Paso MSA Projected Population

Year	Texas State Data Center	Texas Water Development Board
2005	842,104	—
2010	922,878	921,780
2015	990,456	—
2020	1,058,703	1,082,445

Sources: Texas State Data Center and Texas Water Development Board

Projected Population Growth, 2000–2020 (in percent)



Source: Texas State Data Center

Household Composition

	El Paso County	Texas
Median household size (1990)	3.22	2.73
Population younger than 18 (1999, in percent)	32.4	28.5
Population 65 and older (1999, in percent)	9.5	10.1

Source: U.S. Census Bureau

Ethnic Distribution (in percent)

Ethnicity	El Paso County		Texas	
	1990	2000	1990	2000
White	25.7	17.0	60.8	52.4
Hispanic	68.8	78.2	25.3	32.0
Black	3.9	2.7	11.7	11.3
Asian	1.1	1.0	0.3	2.8
American Indian	0.5	0.3	1.8	0.3
Other	0.0	0.1	0.1	0.1
Two or more races*	-	0.7	-	1.1

*For the 2000 Census, the Census Bureau changed the "race" options, allowing people to report their race as "other" or as two or more races.

Source: U.S. Census Bureau

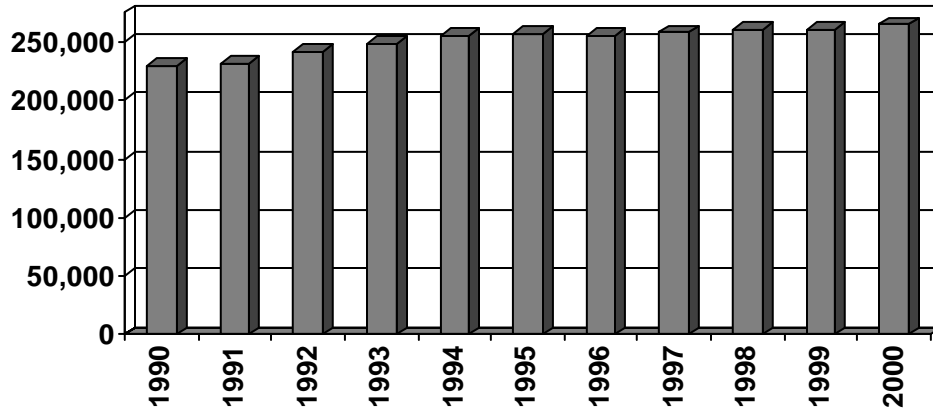
A relatively large portion of El Paso County's population is age 18 and younger. El Paso's

Hispanic population, like the state's, has increased. The average per capita income in the El Paso MSA was

\$17,216 in 1999, according to the U.S. Bureau of Economic Analysis. The state average was \$26,834.

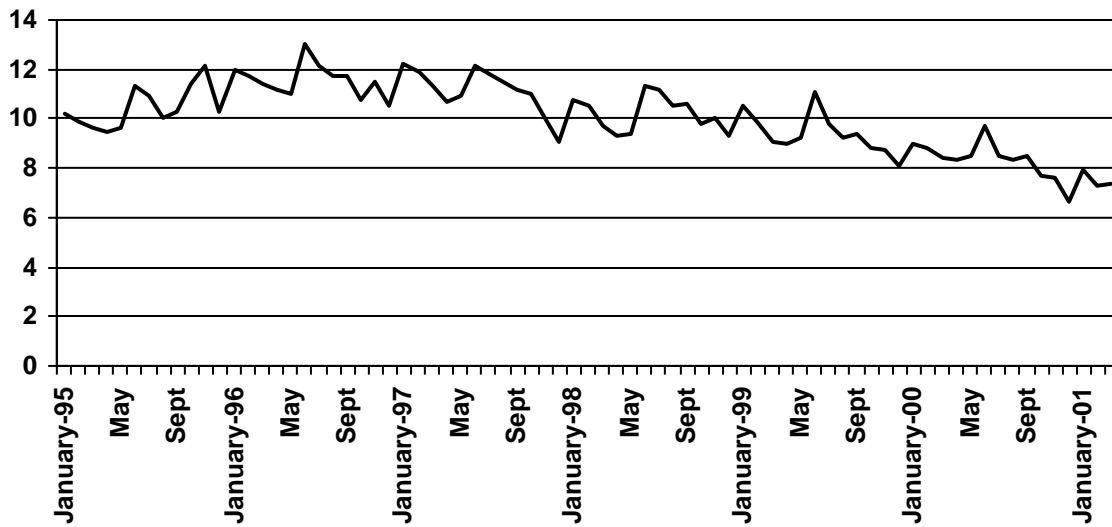
EMPLOYMENT

El Paso MSA Employment



Source: U.S. Bureau of Labor Statistics

El Paso MSA Unemployment Rate (in percent)



Source: U.S. Bureau of Labor Statistics

Top Ten Employers	Top Ten Private Employers
Fort Bliss, Military and Civilian Government 18,035 employees	Sierra Providence Health Network Health care 4,000 employees
Ysleta Independent School District Education 8,243 employees	Columbia Healthcare West Texas Health care 2,442 employees
El Paso Independent School District Education 8,209 employees	Wal-Mart Retail 2,200 employees
City of El Paso Government 5,904 employees	Wrangler Menswear Division Apparel 2,026 employees
Socorro Independent School District Education 4,135 employees	Eureka Vacuum cleaner manufacturing 1,800 employees
Sierra Providence Health Network Health care 4,000 employees	Furr's Inc. Grocery 1,600 employees
El Paso Community College Education 3,317 employees	The Lee Company Apparel 1,500 employees
University of Texas at El Paso Education 3,256 employees	The Boeing Company Aerospace 1,208 employees
Colombia Healthcare West Texas Health care 2,442 employees	Elcom Wire harnesses 1,100 employees
Wal-Mart Retail 2,200 employees	Westel Marketing Call center 1,100 employees

Source: El Paso Office of Economic Development

Ten Largest Maquiladoras in Ciudad Juarez
Philips Consumer Electronics
Thomson Consumer Electronics
General Motors
Yazaki/North America
Favesa Lear Seating Corporation
Sinomex, Inc.
Allied Signal
Zenith Electronics Corporation
Delphi Automotive Systems
Ford Motor Company

Source: City of El Paso Department of Economic Development

Employment Growth by Industry	El Paso MSA	Texas
Employment growth, 2000 (in percent)	1.5	3.2
Unemployment rate (in percent)	8.3	4.3
New jobs in 2000	4,300	288,900
Employment growth by sector (in percent)		
Services	2.3	4.7
Trade	3.0	3.1
Manufacturing	-4.0	0.1
Mining	n/a	2.3
Finance, insurance and real estate	1.0	1.3
Construction	0.8	6.2
Government	2.5	1.7
Transportation, communications and public utilities	6.1	5.1

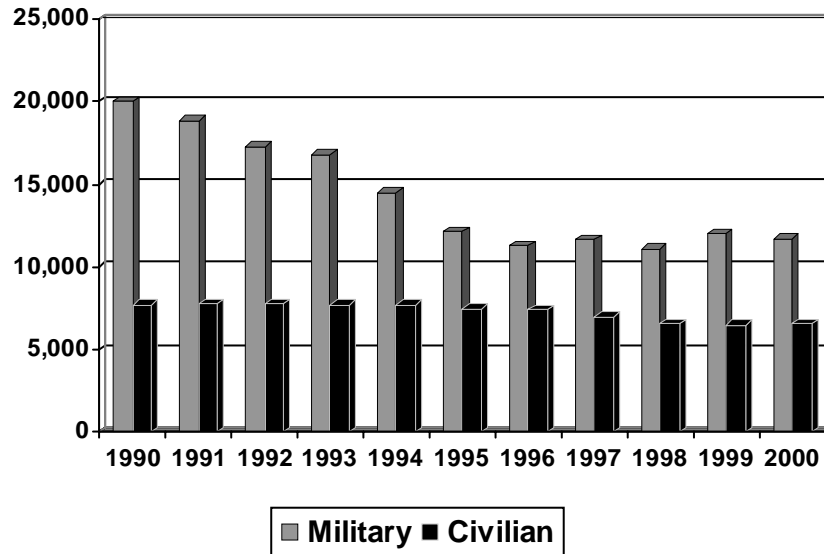
Source: Texas Workforce Commission

Texas Metropolitan Area Employment Change, 1990–2000 (in percent)

Austin-San Marcos	58.8	El Paso	15.4
Laredo	40.3	Waco	14.3
McAllen-Edinburg-Mission	35.8	Lubbock	14.0
Dallas	30.4	Sherman-Denison	12.5
Brownsville-Harlingen-San Benito	30.1	Longview-Marshall	12.2
Bryan-College Station	29.2	Abilene	11.4
Killeen-Temple	28.7	San Angelo	10.7
San Antonio	28.6	Corpus Christi	10.3
Fort Worth-Arlington	23.7	Galveston-Texas City	8.2
Texas	23.3	Wichita Falls	7.8
Tyler	22.9	Odessa-Midland	6.5
Victoria	22.4	Texarkana	4.5
Houston	22.1	Beaumont-Port Arthur	3.5
Amarillo	18.6	Brazoria County	2.3

Source: U.S. Bureau of Labor Statistics, February 2001

Fort Bliss Employment



Source: City of El Paso

Nonagricultural employment in El Paso increased 1.5 percent during 2000, a faster rate than the 0.2 percent increase during 1999, according to the Texas Workforce Commission (TWC). Employment growth in the area was slower than employment growth across the state as a whole. Nonagricultural employment increased by 4,300 jobs in 2000 to

255,700, according to the TWC. The average number of civilians employed increased from 260,542 in 1999 to 261,318 in 2000, according to the U.S. Bureau of Labor Statistics. Unemployment declined to 8.3 percent for 2000, down from 9.4 percent in 1999.

The University of Texas at El Paso (UTEP) predicts employment growth of 2.1 percent during 2001, slightly

slower than the previous year. UTEP also projects total employment to reach 337,800 in 2001, compared with 330,800 during 2000. Most of these new jobs will be in communications, retail trade, health care services and business services. These numbers are larger than those reported by the TWC because of differences in the types of jobs counted.

JOB MARKET

The El Paso area continues to see new call center development. In March 2001, Providian Financial Corporation opened a customer service center and plans to eventually employ 1,100 people. Southwestern Bell opened a call center in April 2001 and will create 500 new jobs. Cingular

Wireless will establish an accounting center in Southwestern Bell's former call center and will create 400 jobs over two years.

ADC Telecommunications established an equipment fabrication plant in El Paso, creating 500 new jobs. Columbus Industries Texas will create

108 jobs with the opening of a new facility to produce and distribute air filtration systems.

Kohl's Department stores is opening two new stores in August 2001 that will create 308 jobs. Lowe's Home Center opened a store in May 2001 that will eventually employ 162.

In February 2001, the TWC gave a \$652,267 skills development grant to El Paso Community College for its workforce training division. The grant will create 285 jobs as well as upgrade the skills of the current employees of the six companies that make up the El Paso Plastics Consumer Products Training Consortium. Those six companies are Eureka, Falcon Plastics, Flexaust, Millenium Plastics, Plastic Source and United Plastics Group.

Heinz Pet Products closed its factory in June 2000, resulting in the loss of

350 jobs. The company moved its operations to Topeka, Kansas. Epson, a printer ribbon cassette manufacturer, closed its factory in November 2000, resulting in the loss of 230 jobs.

Acer America Corporation closed its plant in June 2000, laying off 200 people. Action West, an El Paso jean manufacturing company, laid off 84 workers in November 2000 because of a slowdown in clothing orders.

In summer 2001, El Paso Natural Gas will move its headquarters to

Colorado Springs, Colorado. Approximately 230 jobs will be lost.

Boeing Co. had two rounds of layoffs in 2000. In June 2000, the company eliminated 95 jobs because of changes in orders for military and aerospace products. In November 2000, the company laid off 175 workers because of program delays and shifts in program schedules.

MAJOR INDUSTRIES

Services is the largest employment sector in El Paso. Health care and business services are the largest components of this sector. The services sector added 1,600 jobs in 2000 and is expected to continue to generate new jobs as a result of growth in El Paso.

Retail and wholesale trade is the second largest employment sector in the El Paso area, making up 24 percent of area employment. This is partly a result of Mexican nationals shopping in the United States. This sector added 1,800 jobs during 2000.

The El Paso area has a large percentage of government employees, approximately 22 percent, because of Ft. Bliss and border-related agencies. The military is a major industry in the area. The number of active military and ci-

vilian employees declined between 1990 and 1996 but has stabilized since then.

Ft. Bliss was established as a cavalry post in 1848. The base serves as a training facility for foreign military forces as well as for U.S. Army troops. The number of personnel at the base varies from month to month depending on the number of troops training there. In 2001, the base had more than 14,000 active duty military personnel.

Today, manufacturing is a declining sector of the El Paso economy but is growing across the border in Mexico. During 2000, a total of 1,600 jobs were lost in this sector. The North American Free Trade Agreement (NAFTA) has resulted in a loss of nondurable goods manufacturing. A large number of

clothing, plastic components and electronics manufacturing plants remain in the El Paso area. Across the Texas-Mexico border in Juarez there are approximately 330 maquiladora plants employing 196,000. Many of the maquilas are subsidiaries of American companies, and many Mexican manufacturers have distribution centers in the El Paso area.

In 2000, El Paso County had \$86.1 million in agricultural receipts, down from \$100 million in 1999. Milk is the largest agricultural product, representing 36 percent of receipts. Other major products are cotton and pecans. For 2001, agricultural receipts are expected to be \$86.7 million.

Tax Rates, 2000

Taxing Entity	Tax Rate per \$100 Valuation
City of El Paso	\$0.66
El Paso ISD	1.55
Community College	0.13
Hospital District	0.19
El Paso County	0.36
Total	\$2.89

Source: El Paso County Appraisal District

El Paso MSA Retail Sales

Year	Total Sales	Sales per Capita
1990	\$3,715,519,888	\$6,234
1991	3,887,381,397	6,359
1992	4,261,821,814	6,820
1993	4,564,646,078	7,102
1994	4,963,735,614	7,545
1995	4,871,535,643	7,283
1996	5,259,832,815	7,804
1997	5,050,367,254	7,569
1998	5,311,682,622	7,959
1999	5,884,485,241	8,644
2000	6,272,730,284	9,230
	State Average 2000	\$12,612

Source: Texas Comptroller's Office

The City of El Paso offers tax abatements, property tax exemptions, industrial revenue bonds, enterprise zones, empowerment zones and freeport exemptions. An area in El Paso County covering approximately 3,000 acres is designated as Foreign Trade Zone No. 68. It is a general-purpose zone and includes 21 contiguous industrial sites within the El Paso Port of Entry. El Paso has three large enterprise zones, the maximum number that the state of Texas allows a city to have. They are the West-Central, Northeast and East zones and are tied to large industrial parks.

Santa Teresa, New Mexico, is just a few miles from El Paso. Many people choose to live in New Mexico to avoid Texas' property taxes. Living in New Mexico can save \$100 a month in property taxes on an \$85,000 home. However, New Mexico has an 8.2 percent state income tax, so the total tax bill for many people would be the same in either state.

The sales tax rate in the area varies from 7.75 percent to 8.25 percent. El Paso assesses a sales tax of 8.25 percent. The hotel-motel tax rate is 14 percent.

The El Paso Housing Authority received a \$1 million federal grant in 1999 and plans to use \$700,000 to aid 13 low-income residents in starting or expanding businesses in 2001. The \$1 million grant is part of the national Hope VI HUD program, which allocated \$35 million to the authority in 1995.

In January 2001, the City of El Paso granted property tax abatements to Kohl's Department Stores and Lowe's Home Center. Both companies will open stores in 2001 and are the first retail outlets that have received such abatements from the city.

El Paso MSA Top Exports, 1999
(in thousands)

Product	Export Value	Percent of Total Exports
Electric and electronic equipment	\$2,641,694	33.9
Industrial machinery and computers	808,468	10.4
Rubber and plastic products	806,224	10.3
Textile mill products	569,301	7.3
Primary metals	539,834	6.9
Apparel	417,054	5.4
Fabricated metal products	409,536	5.3
Scientific and measuring instruments	268,878	3.5
Transportation equipment	262,009	3.4
Paper products	255,868	3.3

Source: Office of Trade and Economic Analysis, International Trade Administration

Exports to Selected Destinations – El Paso MSA
(in thousands)

Market	1998	1998	1999	Percent of Trade
Canada	\$663,773	\$624,933	\$920,062	11.8
Mexico	4,771,999	5,504,922	6,303,239	80.9
Caribbean and Central America	17,783	15,478	15,955	0.2
South America	79,335	23,419	36,133	0.4
Europe	156,981	184,219	275,757	3.5
Asia	131,023	176,185	227,938	2.9
Africa	1,115	1,112	800	0.0
Near East	4,655	4,762	4,442	0.0
Australia	7,267	9,531	8,841	0.1
Total all countries	\$5,883,929	\$6,544,562	\$7,793,167	100.0

Source: Office of Trade and Economic Analysis, International Trade Administration

Top Import and Export Products in El Paso, 2000

Top Ten Exports		Top Ten Imports	
Product	Export Value	Description	Import Value
Digital monolithic integrated units	\$961,790,123	Ignition wiring sets and other wiring sets	\$2,457,235,075
Articles of plastics	787,038,596	TV receivers, color, including monitors	1,623,944,314
Television picture tubes	569,807,291	Transmission apparatus for radiotelephony	1,397,299,507
Electric conductors	447,000,498	Parts of seats	1,314,908,001
Television receiver parts	448,300,587	Special transactions and commodities	1,169,682,466
Articles of iron or steel	437,302,567	Motor vehicles (not public transportation)	923,599,077
Electrical circuit apparatus	380,221,220	Digital processing units	573,754,467
Parts of electrical apparatus for switching	358,803,483	Radio broadcast receivers	525,488,341
Hybrid integrated circuits	344,950,818	Trousers, bib and brace overalls, women's or girls'	495,178,748
Electric plugs and sockets	310,501,114	Parts of automatic data processing machines	485,325,394

Source: Border Trade Institute

Exports are a major part of the El Paso economy. Only Laredo exports more to Mexico, according to the Border Trade Institute. El Paso's number one export is electric and electronic equipment, representing almost 34 percent of exports. Exports rose 163

percent between 1993 and 1999. Since NAFTA took effect in January 1994, exports to Canada and Mexico have increased significantly. Since 1993, exports to Canada have increased 356 percent, and exports to Mexico are up 145 percent. Mexico is the country to

which El Paso exports the largest value of products, a total of \$6.3 billion in 1999. Exports to countries that were part of the former Soviet Republic increased the most from 1993 to 1999, rising 23,782 percent from \$3,000 to \$724,000.

EDUCATION

Educational Level, Persons Age 25 and Older (in percent)

Level of Education	El Paso	Texas
High school graduate	13.0	25.6
Some college, no degree	11.8	21.1
Associate's degree	2.9	5.2
Bachelor's degree	6.3	13.9
Graduate or professional degree	2.8	6.5

Source: U.S. Census Bureau

Local College and University Enrollment

School	Fall 2000	2005 (estimated)	2010 (estimated)
El Paso Community College	18,850	21,173	24,124
University of Texas at El Paso	14,695	16,068	17,921
Texas Tech Health Science Center	101	n/a	n/a

Sources: Educational institutions and the Texas Higher Education Coordinating Board, January 2001

The University of Texas at El Paso (UTEP) has several projects planned, including a new \$5 million to \$6 million academic services building and a \$6 million expansion of the school's engineering-science complex. A new \$15 million apartment project is scheduled to be completed by fall 2001 and will house 425 students. Once the housing project opens, Kell Hall dormitory will close.

In November 2000, UTEP completed a renovation and 5,000-square-foot expansion of its swimming and fitness center. Currently, the campus' union building is undergoing renovations to include a coffeehouse, performance stage and an outdoor amphitheater. Completion is set for fall 2001.

A \$9 million, 60,000-square-foot sports complex is under construction on UTEP's Sun Bowl property. The project, the Larry K. Durham Sports Complex, is expected to be completed by spring 2002 and will be used by UTEP student athletes. The complex will feature a 10,000-square-foot

strength and conditioning center, locker rooms and coaches' offices.

El Paso Community College plans to purchase the former Tonka Toys factory on Viscount Drive for \$6.9 million and convert it to an administration complex for its support services. The new facility will include offices and a 500- to 700-seat auditorium. Renovations are expected to cost \$3 million.

El Paso residents have access to New Mexico State University in Las Cruces, which has an enrollment of more than 23,000. Dona Ana Community College, with a main campus in Las Cruces, completed a \$3.6 million, 25,000-square-foot building for its Anthony branch in January 2001. Western Technical Institute opened a campus in July 2001 in the former Bag and Save Warehouse on Diana Drive.

There are nine independent school districts in El Paso County. Three of these, El Paso ISD, Ysleta ISD and Socorro ISD, serve the City of El Paso.

El Paso ISD opened its fifth charter school on Lomaland, serving students

in grades nine through 12. Construction on a sixth campus with six classrooms, a library, a study hall and two computer rooms is under way on Argal.

Socorro ISD is experiencing rapid growth and opened three new campuses in 2000 with plans to open nine more. The number of students in the district has more than doubled since 1980.

In fall 2000, San Elizario Independent School District opened Excell Academy, a new alternative school that serves at-risk students in grades six through 12. The \$1.1 million campus is located adjacent to San Elizario High School on Socorro Road. The school district is also constructing a new elementary school that should be completed by August 2001.

Clint Independent School District is constructing a new \$8.5 million middle school on Horizon Boulevard, east of Carroll T. Welch Middle School. The school will ease overcrowding in the rapidly growing district. Construction should be completed by summer 2002.

TRANSPORTATION AND INFRASTRUCTURE ISSUES

El Paso Airline Boardings

	1997	1998	1999	2000
El Paso International Airport	1,633,458	1,635,282	1,657,517	1,688,134

Sources: El Paso International Airport

Border Crossings at El Paso

Type of Crossing	1998	1999	2000
Pedestrian			
North	6,340,000	6,602,353	7,002,240
South	4,890,000	5,302,702	5,503,418
Vehicle/Truck			
North	8,090,000	8,543,131	8,987,499
South	5,370,000	5,309,746	5,678,778

Source: Texas Center for Border Economic and Enterprise Development

El Paso is served by four international border crossings, the newest of which was added in 1995. New Mexico also has a border crossing at Santa Teresa, 11 miles west of El Paso. In October 2000, the Artcraft Road link to the Santa Teresa Port of Entry was completed, resulting in an increase in truck traffic. In November 1999, 2,267 commercial trucks crossed into the United States, compared with 2,709 in November 2000, a 20 percent increase. The link provides a direct, four-lane highway from the port of entry across the New Mexico-Texas border and on to I-10.

El Paso is served by a number of different rail lines, including Santa Fe-Burlington Northern, Union Pacific-Missouri Pacific, National Railway of Mexico, Chihuahua Pacific and Amtrak. These rail lines provide access to rail terminals throughout Texas and Mexico.

Eight major airlines provide service to El Paso International Airport: American, Delta, Southwest, Frontier, Continental, Trans World Airlines (TWA),

America West and Aerolitoral. Approximately 267 nonstop and direct flights arrive and depart daily from El Paso. Direct service is provided to Albuquerque, Atlanta, Austin, Chicago, Chihuahua (Mexico), Dallas, Houston, Las Vegas, Los Angeles, Lubbock, Midland-Odessa, Phoenix, San Antonio, San Diego and Tucson.

The El Paso International Airport has received a \$6.7 million grant to expand an air cargo ramp and a taxiway. Construction will start in August 2001.

Several road improvement projects have been proposed. A \$17.4 million overpass at the Zaragoza and Montwood interchange of Loop 375, renovations of Alameda Avenue from Lee Trevino to Loop 375 and an extension of Border Highway from Loop 375 to the Fabens port of entry make up a \$44 million package proposed by the El Paso Metropolitan Planning Organization.

The City of El Paso receives its water from both the Hueco Bolson River and the Rio Grande. The city plans to expand its current reuse of municipal

wastewater, and the New Mexico Channel Improvements Project will desalt groundwater and supplement the water supply by 2030, according to the Texas Water Development Board.

Approximately \$90 million was spent to upgrade reservoirs, which will improve flood control in the city. Phase four of the Northwest Water Reclamation Project was completed in early 2001 at a cost of \$2.9 million. It included construction of a pump station and a reservoir on Mesa Hills Drive. The project takes recycled water from the Northwest Treatment Plant to large water users such as golf courses, parks and schools.

The El Paso County Water Authority is building a \$6.5 million water treatment plant to serve the rapidly growing Horizon City area. The plant will include a \$1.5 million reverse-osmosis desalination system that will provide Horizon City with four million gallons of drinkable water daily. Completion was scheduled for May 2001.

El Paso Water Utilities is planning a \$52 million desalination plant to extend the city's water supply beyond 2030, the year in which the Hueco Bolson River is expected to run dry if current water-use patterns continue. The plant would produce 20 million gallons of drinkable water per day, about one-fifth of the city's current water needs. The city is hoping to partner with Ft. Bliss, which has already designed a \$27 million plant capable of producing nine million gallons of drinkable water per day.

Juarez, Mexico, could run out of drinking water in five years if a new source is not developed. The city primarily pumps groundwater from the Hueco Bolson aquifer, a source shared with El Paso. El Paso Water Utilities is looking for funds to develop a regional water plan for Juarez, El Paso and southern New Mexico. El Paso has proposed treating water allocated to Juarez farmers and returning the treated water to Juarez. Juarez does not have a large-scale water treatment plant.

In January 2001, El Paso Electric Company began construction of two towers to hold wind-powered turbines for generating electricity. The \$2.2 million project will begin generating electricity for commercial use in summer 2001 and will generate enough electricity to power approximately 500 El Paso homes. The venture is the company's first wind-power project.

PUBLIC FACILITIES

El Paso County is renovating the 60-year-old El Paso County Coliseum. The \$1.4 million first phase of the project was completed in January 2001 and included wider halls, a new ticket office, new restrooms and a large meeting room. The coliseum, which seats approximately 6,000, is home to the El Paso Buzzards hockey team. Future phases of the \$6 million renovation will include a new heating and cooling system, electrical system and refurbishment of the building's west side.

A new downtown arena and a 5,000-seat soccer stadium and outdoor sports complex are proposed for a location near the County Coliseum. The arena alone is estimated to cost \$66 million. The county will form a sports commission to study the proposal.

The El Paso Lighthouse for the Blind, located on Washington Drive in central El Paso, completed a \$1 million renovation project in January 2001. The project, funded by a Community Development Block Grant, included an independent living skills apartment, a technology center and a new radio broadcast room.

Three new fire stations are under construction in El Paso: west side's Station 27, east side's Station 29 and Station 30 in northeast El Paso. The \$1 million Station 29 was expected to be completed in June 2001 and is located on Pellicano. Another fire station is planned at Belfry Park Drive and Nolan Richardson Drive. The project is expected to be completed in 2004.

A \$5.3 million swimming pool and library complex is being constructed on El Paso's south side. The complex is located on East Seventh Street, and completion is scheduled for spring 2002. It is funded primarily by a Community Development Block Grant and U.S. Department of Housing and Urban Development funds.

El Paso is home to the El Paso Buzzards minor league hockey team, El Paso Diablos minor league baseball team and the El Paso Patriots soccer team. The UTEP Miners athletic teams also offer numerous events for sports enthusiasts.

The El Paso Coalition for the Homeless broke ground in February 2001 on a \$470,000 center for the homeless.

URBAN GROWTH PATTERNS

Map 1 shows the major growth corridors within El Paso. Industrial and heavy commercial activity is expected to continue along the border and I-10. New retail development is occurring along Zaragoza and Redd Road and at the intersection of Redd Road and I-10 on the city's west side.

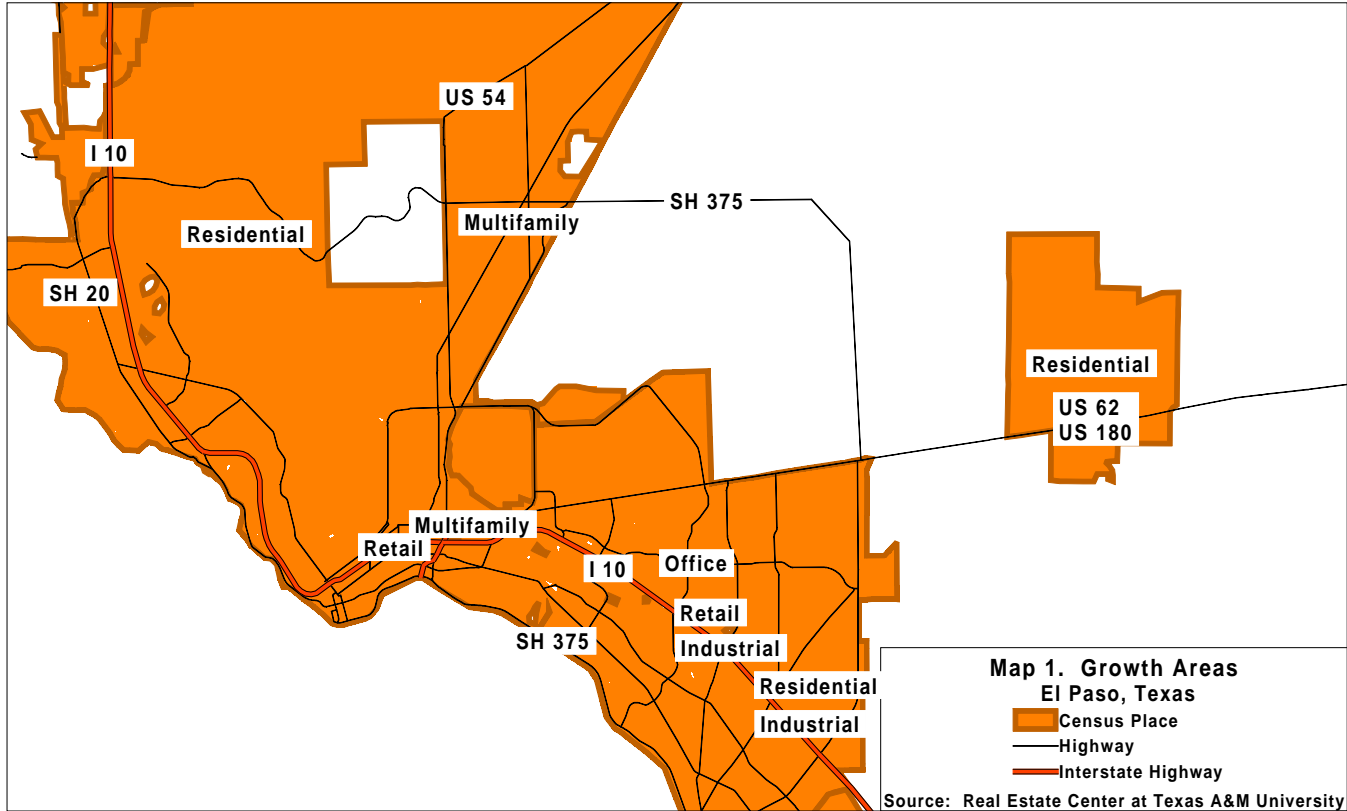
The west side of El Paso is one of the city's fastest-growing areas. According to the City Planning Department, the

west side will have about 208,000 people by 2025. In 2000, the area had 90,600 residents. The area's growth rate is almost 50 percent more than that of the city's east side.

Residential development is expected to begin in the newly annexed area bordered by Loop 375, Montana and Zaragoza on the city's east side. The city's upper-end residential market is located mostly in the city's west side, which is experiencing major growth.

Some redevelopment activity is occurring in El Paso. The city is working on a \$13.5 million "streetscape project" that includes landscaping, brick roadways and sidewalks. The area known as Union Plaza is part of the city's downtown revitalization project.

Cities such as Socorro on El Paso's far east side are seeing rapid growth both in commercial and residential development.



HOUSING

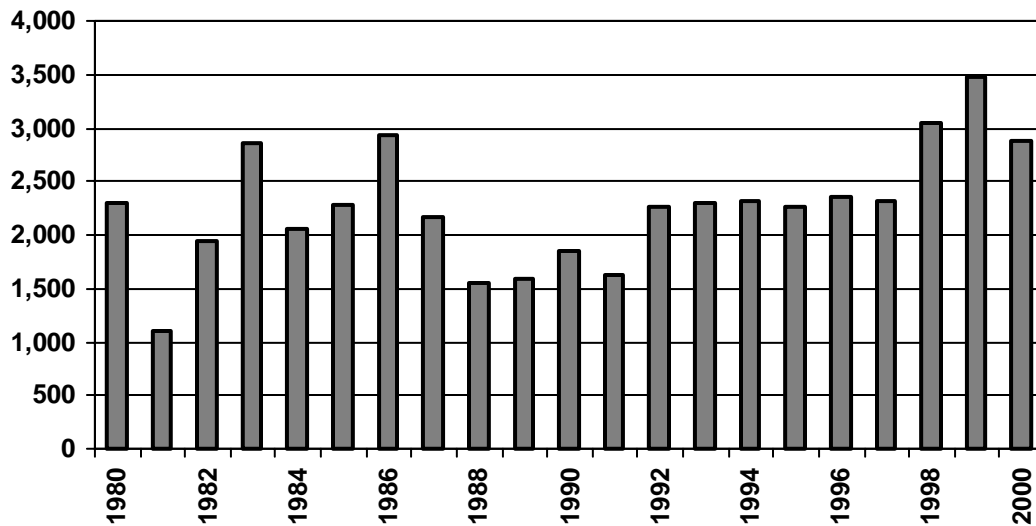
Housing Affordability – First Quarter 2001

	Percent of Households That Can Afford Median-priced Home	THAI*	THAI for First-time Homebuyers
El Paso	65	1.43	1.09

*The THAI is the ratio of median household income to the income required to buy the median-priced home using currently available mortgage financing. Standard financing is a 30-year loan covering 80 percent of the cost of the home. A THAI of 1.00 indicates that the median household income is just enough to qualify for a loan sufficient to purchase the median-priced home.

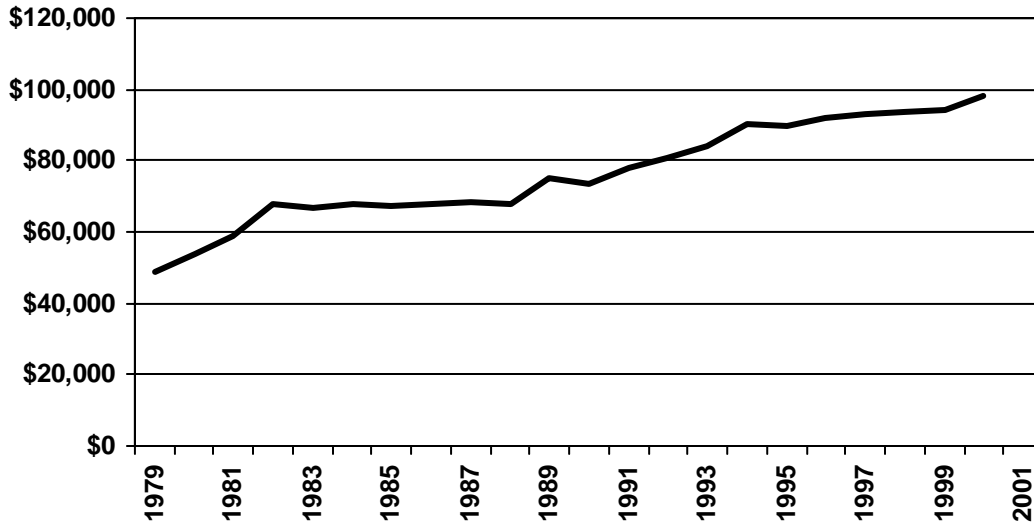
Source: Real Estate Center at Texas A&M University

El Paso MSA Single-family Permits (in units)



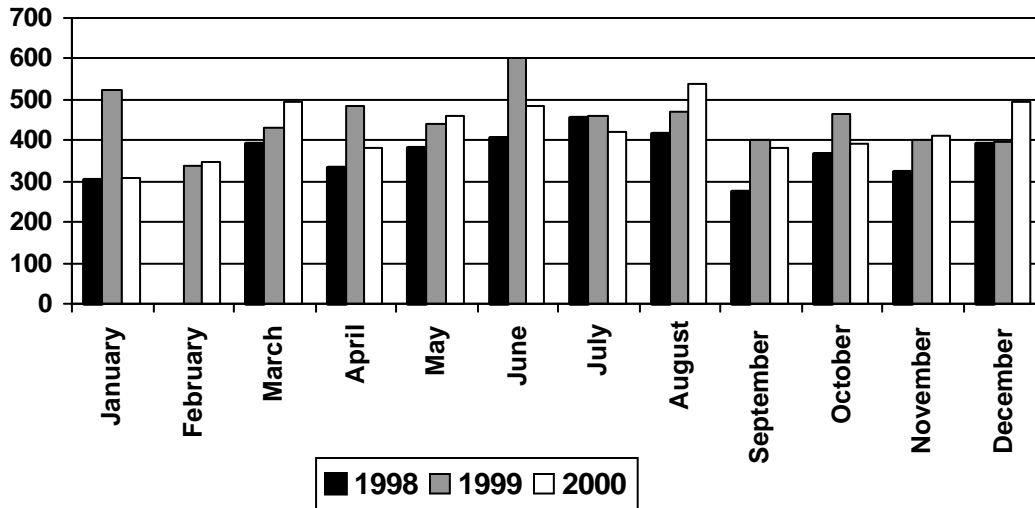
Source: U.S. Census Bureau

Average Sales Price of Single-family Home, El Paso Area



Source: Real Estate Center at Texas A&M University

Single-family Home Sales Volume, El Paso Area



Source: Real Estate Center at Texas A&M University

Price Distribution of MLS Homes Sold, El Paso Area (in percent)

	1998	1999	2000
Less than \$60,000	22.5	21.4	19.7
60,000 - 79,999	31.6	31.6	30.1
80,000 - 99,999	17.4	19.2	19.6
100,000 - 119,999	8.7	8.9	8.4
120,000 - 139,999	6.9	4.6	6.6
140,000 - 159,999	4.2	4.1	4.4
160,000 - 179,999	2.7	3.4	3.3
180,000 - 199,999	1.4	1.9	2.1
200,000 - 249,999	2.5	2.6	3.0
250,000 - 299,999	1.0	1.2	1.4
300,000 or more	1.3	1.2	1.3

Source: Real Estate Center at Texas A&M University

In 1999, a total of 3,472 single-family home permits were issued in the MSA at an average value of \$51,600. In 2000, 2,879 single-family homes were permitted at an average value of \$53,300. In the first quarter of 2001, 885 new homes were permitted.

In El Paso, the number of homes sold through the MLS during 2000 was down 7.9 percent from 1999. A total of 4,989 existing homes sold through the MLS during 2000 with an average price of \$98,300. In 1999, 5,415 homes sold with an average price of \$94,200. Most homes are priced between \$60,000 and \$79,999. Approximately 70 percent of El Paso area homes sell for less than \$100,000.

A total of 1,900 new single-family residential lots were recorded in 2000. In September 2000, Vista Del Sol in east El Paso received approval for 252 lots; the development will eventually

have 480 lots. The same developer plans more lots at Loop 375 and Montana.

Other subdivisions in east El Paso with new lots approved in 2000 were Corrales Estates (72 lots), Kennedy Estates (174 lots), Las Palmas (136 lots), Montana Palms (141 lots) and Sun Ridge (183 lots).

North Hills, Parkland East and Sun Valley Ranch, all located in northeast El Paso, were approved for 60, 41 and 126 lots, respectively, in 2000.

Cumbre Estates subdivision is located along Stanton Street in the Franklin Mountains in northwest El Paso. The 61-lot gated community has homes in the \$200,000 to \$700,000 price range.

The YWCA of El Paso has plans for a 436-acre, mixed-use community surrounding its Hueco Conference and

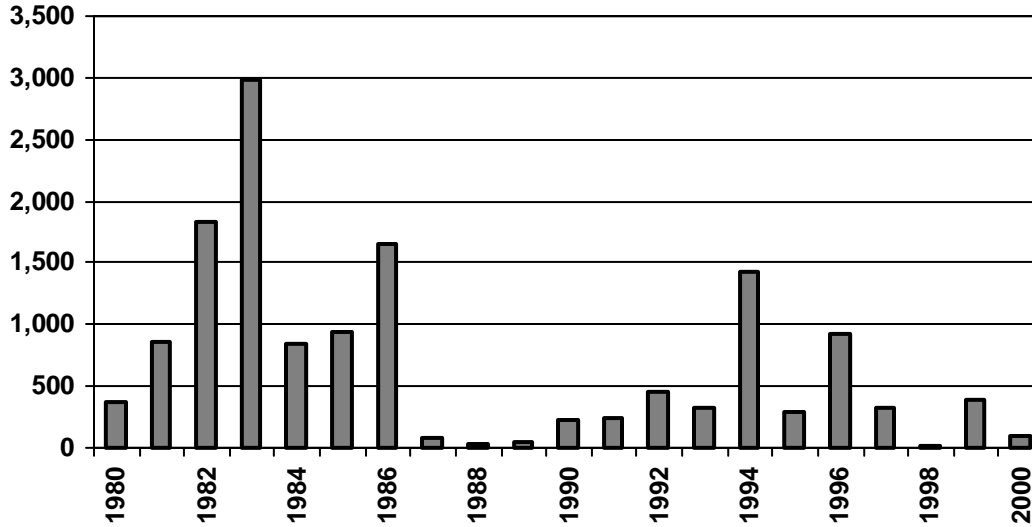
Recreation Center. Plans call for 2,000 housing units, including apartments, moderate-income homes and higher priced custom homes. The center includes a nine-hole golf course.

The Lower Valley Housing Corporation is building Rancho los Mesquites, a 100-home subdivision on Burgundy Drive near Betel. In 2000, 53 lots were approved.

Santa Teresa in New Mexico attracts residential construction because the property tax rate is lower in New Mexico cities. In Elephant Butte, New Mexico, a multimillion-dollar housing and golf course development is to be built on the lake's north shore. Leyenda will include two 18-hole golf courses. The first phase is expected to be completed by 2002. Minimum home prices will be \$600,000 with lots no smaller than two acres.

MULTIFAMILY

El Paso MSA Multifamily Building Permits (in units)



Source: U.S. Census Bureau

El Paso Apartment Statistics, January 2001

	El Paso	Texas Metro Average
Average rent per square foot	\$0.63	\$0.75
Average rent for units built since 1990	\$0.74	\$0.96
Average occupancy (in percent)	93.1	95.7
Average occupancy for units built since 1990 (in percent)	96.6	95.4

Source: Apartment MarketData Research

Apartment occupancy rates in the El Paso area rose slightly between January 2000 and January 2001. The rates rose 0.1 percent overall and 2 percent for apartments built since 1990. Rents per square foot increased by one cent both

overall and for units built since 1990. In 1999, a total of 396 new multifamily units were permitted in the MSA. In 2000, that number fell to 92 units. In first quarter 2001, 31 multifamily units were permitted. The most expensive apartments can be found in northwest

El Paso, while the least expensive are in the lower valley, according to Best Real Estate. Map 2 shows areas where multifamily permits were issued in 2000.

Colinas del Sol completed its final phase in west El Paso. The \$6.5 million

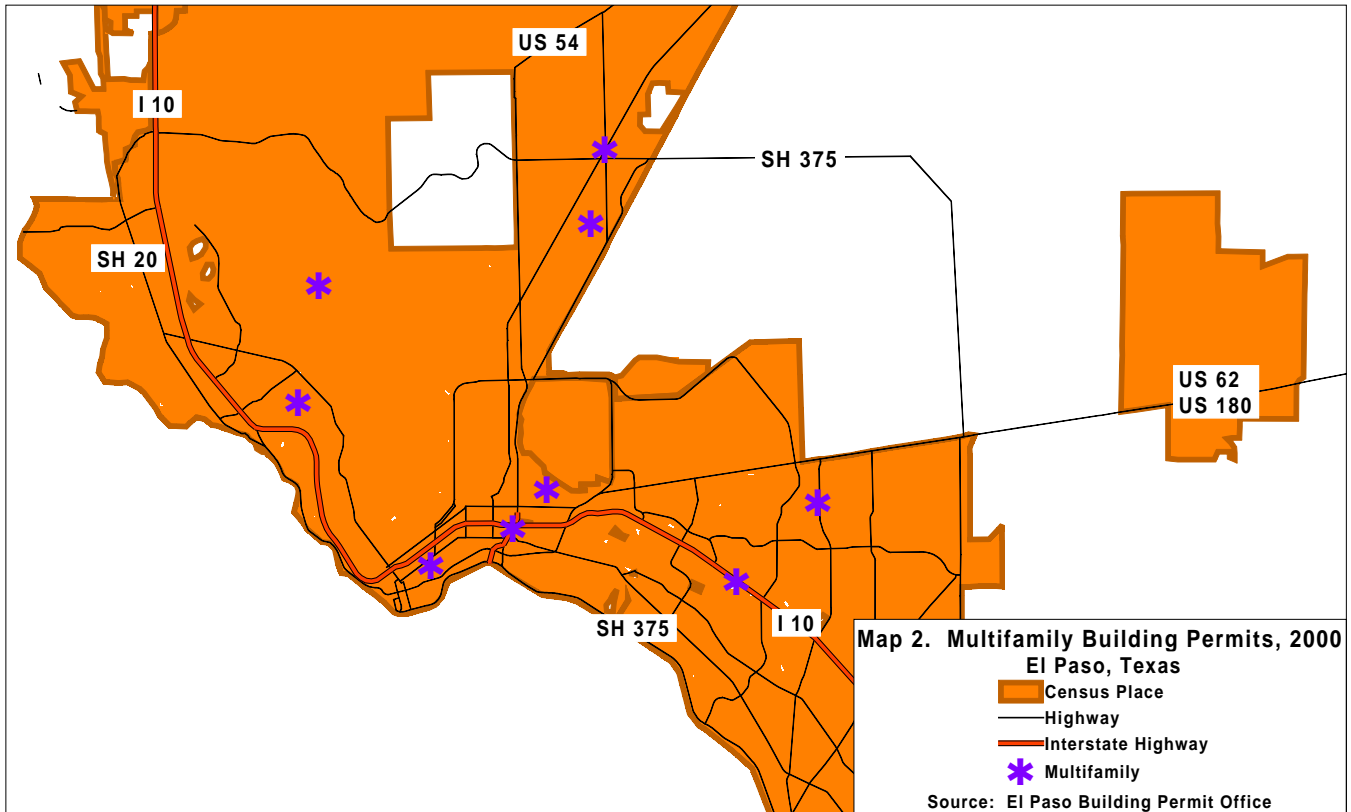
project is located at I-10 and Sunland Park and has 156 units.

The El Paso Housing Authority is developing a 174-unit low-income housing project next to the Kennedy Brothers community on South Zaragoza. Named the Kennedy Estates, the \$35 million project will include 50 pri-

vately owned homes that will be sold to Kennedy residents who qualify. Prices for the three- and four-bedroom homes will range from \$30,000 to \$60,000 and completion is set for December 2001.

Two downtown apartment complexes are under construction. An

eight-unit complex on Texas Avenue will include two-, three- and four-bedroom apartments for low-income families. The other complex contains 150 units in nine apartment buildings that are being rehabilitated in the historic Magoffin district.



MANUFACTURED HOUSING

El Paso MSA Manufactured Home Sales

	Manufactured Homes Sold	Proportion of New Single-family Homes (in percent)
1997	788	25.4
1998	817	21.2
1999	663	16.8
2000*	444	19.7

*Through third quarter 2000

Source: Texas Manufactured Housing Association

Esccondido Trailer Park in the Lower Valley had 116 new lots approved in 2000. Affordable housing is in demand in the El Paso

area and manufactured housing provides an affordable alternative for many lower-income residents.

SENIORS HOUSING

The El Paso area has a large number of retirees, primarily associated with Fort Bliss. More than 32,000 retirees live in the city, according to the City of El Paso Planning De-

partment. The city's ten assisted-living communities are a response to the demand of its large retiree market. In October 2000, a west side low-income senior community opened with one- and

two-bedroom units on North Resler. The complex was partially funded by a \$1 million grant from the Texas Department of Housing and Community Affairs.

Hotel Occupancy and Rental Rates

	1999		2000	
	El Paso	Texas	El Paso	Texas
Occupancy rate (in percent)	64.4	64.1	66.4	65.8
Average daily rental rate	\$56.77	\$84.23	\$58.58	\$86.61

Source: PKF Consulting

Hotel Submarkets, 2000

Location	Occupancy (in percent)	Average Daily Rate
Central business district	61.7	\$51.47
Airport	68.0	\$60.82

Source: PKF Consulting

Rents for new retail space in the El Paso area have been increasing. At the beginning of 2000, rents were at \$15 per square foot. In 1999, new space ranged from \$12 to \$13 per square foot, according to Rick Amstater of RJL Real Estate Consultants.

El Paso is a regional retail center attracting shoppers from surrounding U.S. towns and from Juarez. The city is in the midst of a shopping center boom. Map 3 shows retail building permits issued during 2000.

According to the Texas Restaurant Association, restaurant sales in El Paso are expected to increase 5.8 percent during 2001, reaching \$632 million. Several restaurants opened in the Las Palmas development in 2000, including Logan's Roadhouse, Outback Steakhouse, Cheddar's Casual Café and Furr's Cafeteria. IHOP will open a restaurant in September 2001 at Sunland Park and Mesa Hills Drive.

In northeast El Paso, The Pavillion Shopping Center opened and includes Stein Mart. Las Palmas Marketplace is

located at Zaragoza and I-10 and includes a Bed, Bath and Beyond, Michaels, a Tinseltown Theater and Office Depot. The 500,000-square-foot project is expected to be completed in 2001.

The east side of El Paso is seeing significant retail activity. Bed, Bath and Beyond opened a store in March 2001. Walgreens opened a 24-hour store at the intersection of Lee Trevino and Trawood in June 2001. The store replaces an older store across the street.

On the west side of El Paso at Redd and I-10, Albertsons opened a new 57,000-square-foot supermarket. The 24-hour store opened in January 2001 and includes a Starbucks.

Renovations to Sierra Court Shopping Center in west El Paso were completed in May 2001. Located at the intersection of North Mesa and Remcon, the center now has an additional 15,000 square feet of store space. The center is anchored by Stein Mart's second El Paso store. Big 5 Sporting Goods moved from its location on Mesa Hills

and opened a store in Sierra Court. Mesa Street Antique Mall, a long-time tenant of the center, moved out of Sierra Court and into a smaller adjacent space.

In May 2001, Lowe's Home Centers opened a store at the intersection of Patriot Freeway and Trans Mountain Road in Northeast El Paso and one on the West Side at the intersection of I-10 and Redd Road. An east side store at Rojas and George Dieter Road is under construction with completion expected in June 2001. Lowe's fourth store in Las Cruces is expected to open in fall 2001. The stores will each have approximately 115,000 square feet with an adjacent 28,000-square-foot lawn and garden center.

In August 2001, Kohl's Department Stores will open two stores. The east side store will be at I-10 and George Dieter Road and the west side store will be at I-10 and Redd Road. Foley's will open its first El Paso store in the former Montgomery Ward space in Cielo Vista Mall in 2002.

Downtown, several warehouses and other buildings are expected to be redeveloped into retail stores as part of the Union Plaza area redevelopment project. The Union Plaza area has had millions of dollars invested to transform it into a cultural, entertainment and shopping district.

By summer 2001, the Hilton Camino Real hotel will open in downtown El Paso with 359 rooms. Aside from the Camino Real, little new hotel development is forecast for the El Paso MSA during 2001. A \$3 million motel

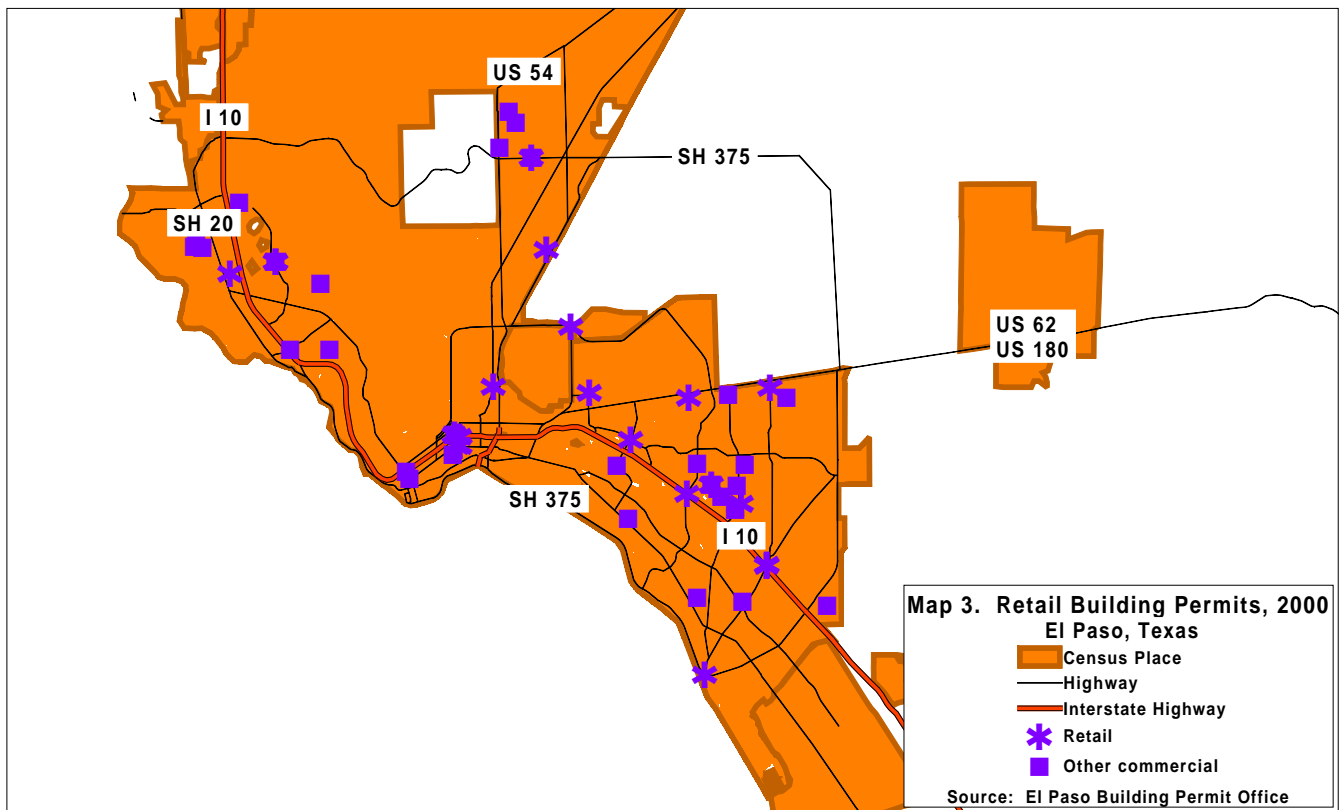
project broke ground in January 2001 on Piper Court.

El Paso lost three major retailers during early 2001. Saks Off Fifth Warehouse Store closed its location in the Bassett Center in January 2001. Dillard's vacated its location in Bassett Center in February 2001. Montgomery Ward closed its Cielo Vista Mall location in April 2001 as part of the company's plan to close its 125 stores nationwide.

Another major retailer, Bealls Department Stores, closed three of its five El Paso stores in early 2001 as part of

its national reorganization plan. The closed stores were located on North Mesa Drive, North Yarbrough and North Zaragoza. Bealls' remaining locations are on Dyer Road and Lee Trevino.

Home Base, Inc., was to close its two El Paso stores in June 2001. The stores are located on North Lee Trevino Drive and on Mesa Hills Drive.



OFFICE MARKET

Office Property Statistics

	1997	1998	1999	2000
Central business district				
Inventory	2,705,157	2,643,497	2,763,497	2,774,097
Occupancy (in percent)	81.0	77.9	77.6	77.0
Net Absorption	-73,404	N/A	85,692	192,092
Suburban				
Inventory	3,880,409	4,206,897	4,409,553	4,990,913
Occupancy (in percent)	93.3	93.4	92.7	87.9
Net Absorption	207,404	N/A	158,107	302,728
Total				
Inventory	6,585,566	6,850,394	7,173,050	7,765,010
Occupancy (in percent)	88.2	65.8	86.9	84.0
Net Absorption	134,000	N/A	243,799	494,820
Rental Range (per square foot)	\$9-\$15.50	\$9-\$15	\$9-\$15	\$8-\$18

Source: Keller-Koch Realtors

The El Paso market currently has almost eight million square feet of office space. Class A space rents for an average \$13.50 per square foot in the suburban areas of El Paso. In the central business district, office space rents for \$14 per square foot for Class A space, according to Keller-Koch Realtors. Class B space rents for \$9 in the suburbs and \$10 in the central business district. Map 4 shows office building permits issued in 2000.

In January 2001, Morgan Stanley Dean Witter opened a new 11,330-square-foot, three-story downtown office building on North Stanton.

In March 2001, the 74-year-old Cortez Building in downtown El Paso was purchased with only 45 percent of its space leased. The new owners hope to lease the building's vacant space to tenants at cheaper rents than other downtown office space. The building's low occupancy rate can be attributed to the departure of Merrill Lynch and Nationsbank in 1998. Current tenants include The El Paso Foundation, Verizon and Pike Street Market.

United Bank of El Paso del Norte opened two new locations in March

2001—one in the former Discovery Zone building at the intersection of McRae and I-10 and another location at the intersection of Mesa and Mesa Hills.

First National Bank opened a branch on El Paso's west side in March 2001. The \$1 million, 3,000-square-foot bank is on South Resler and has four drive-through lanes.

In April 2001, the El Paso Area Teachers Federal Credit Union broke ground on a 20,000-square-foot building located on Rojas Street. Completion of the \$1.6 million building is set for December 2001. It will be twice the size of the current main building, which will remain open on Continental Drive.

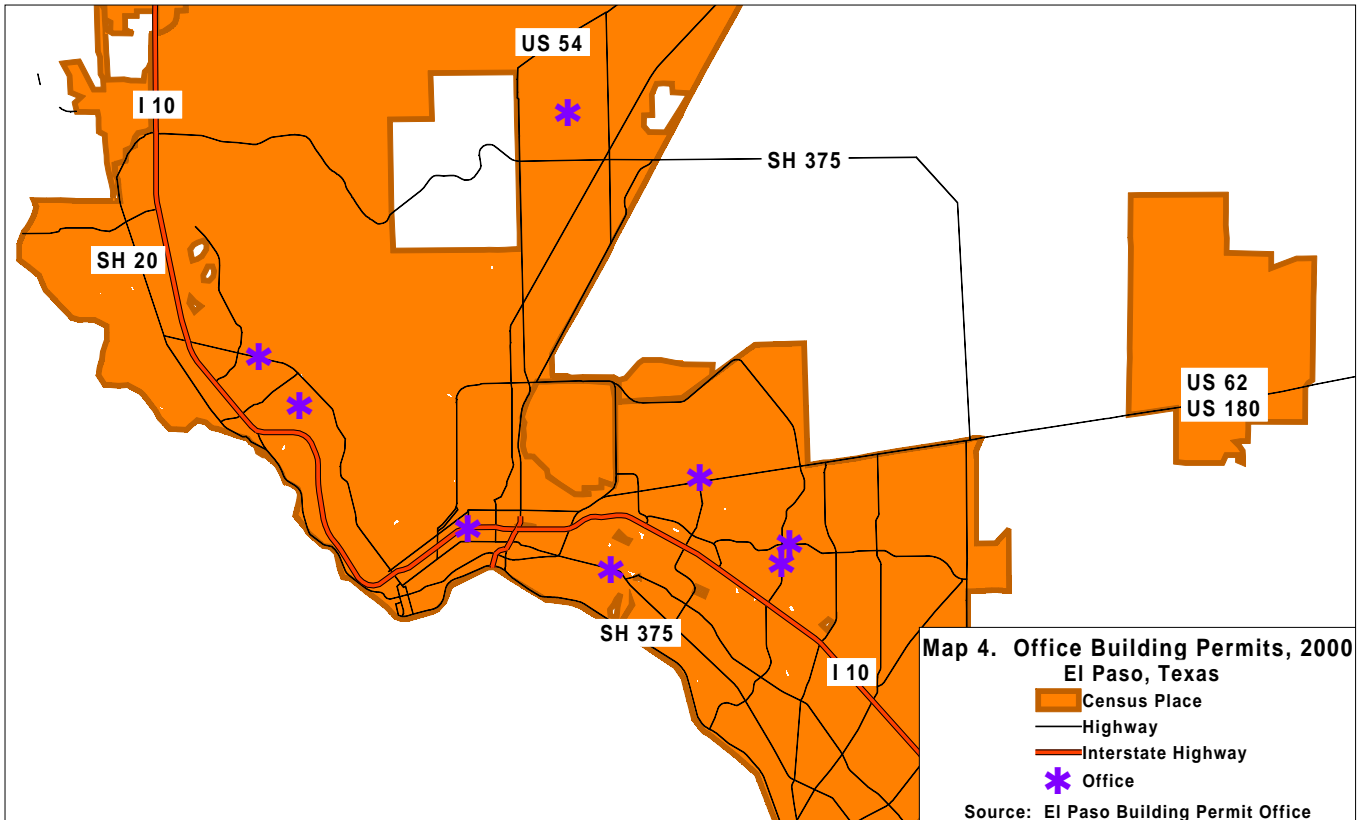
Wells Fargo plans to add four branches to its ten current El Paso locations. A branch on South Zaragoza road is already under construction and is expected to open by December 2001. Locations on Redd Road and on Transmountain Road are also expected to be completed by December 2001. A fourth branch on North Lee Trevino

Road is expected to open in spring 2002.

Del Sol Medical Center is undergoing a \$31.6 million expansion and renovation project at its east side hospital and at a nearby facility. Completion is set for spring 2003 and will feature a 23-bed critical care unit, a 16-bed coronary-care unit and four labor and delivery rooms. The nearby facility, located on Vista del Sol, will be the site of a \$1.56 million women's imaging center. In April 2000, the hospital completed a \$7.4 million expansion to increase its number of critical care beds from 18 to 39.

Del Sol Medical Center has a contract pending to buy the former Best Buy store, located a block from the hospital, for future expansion. The hospital is also studying the feasibility of building on another site, near I-10 and Sumac Drive, to serve the east side's growing population.

Centro Sam Vicente Health Clinic has begun a \$4.8 million expansion. The 26,000-square-foot addition will be completed in April 2002.



INDUSTRIAL MARKET

Industrial Property Statistics, El Paso

	1997	1998	1999	2000
Inventory (square feet)	43,230,651	46,374,204	48,568,185	51,110,287
Occupancy (in percent)	94.1	91.7	92.7	91.9
Net Absorption	1,553,796	1,878,159	2,503,038	1,904,577
Rental Range (per square foot)	\$3.25–\$3.40	\$3.15–\$5	\$3.15–\$5	\$3.20–\$5

Source: Keller-Koch Realtors

Industrial Property Statistics, Juarez, Mexico

	1997	1998	1999	2000
Inventory (square feet)	24,543,268	27,951,486	29,053,853	30,305,853
Occupancy (in percent)	98.6	96.1	94.1	95.1
Net Absorption	1,666,056	N/A	480,104	1,481,000
Rental Range	\$5-\$6	\$5-\$7	\$5-\$7	\$5-\$6

Source: Keller-Koch Realtors

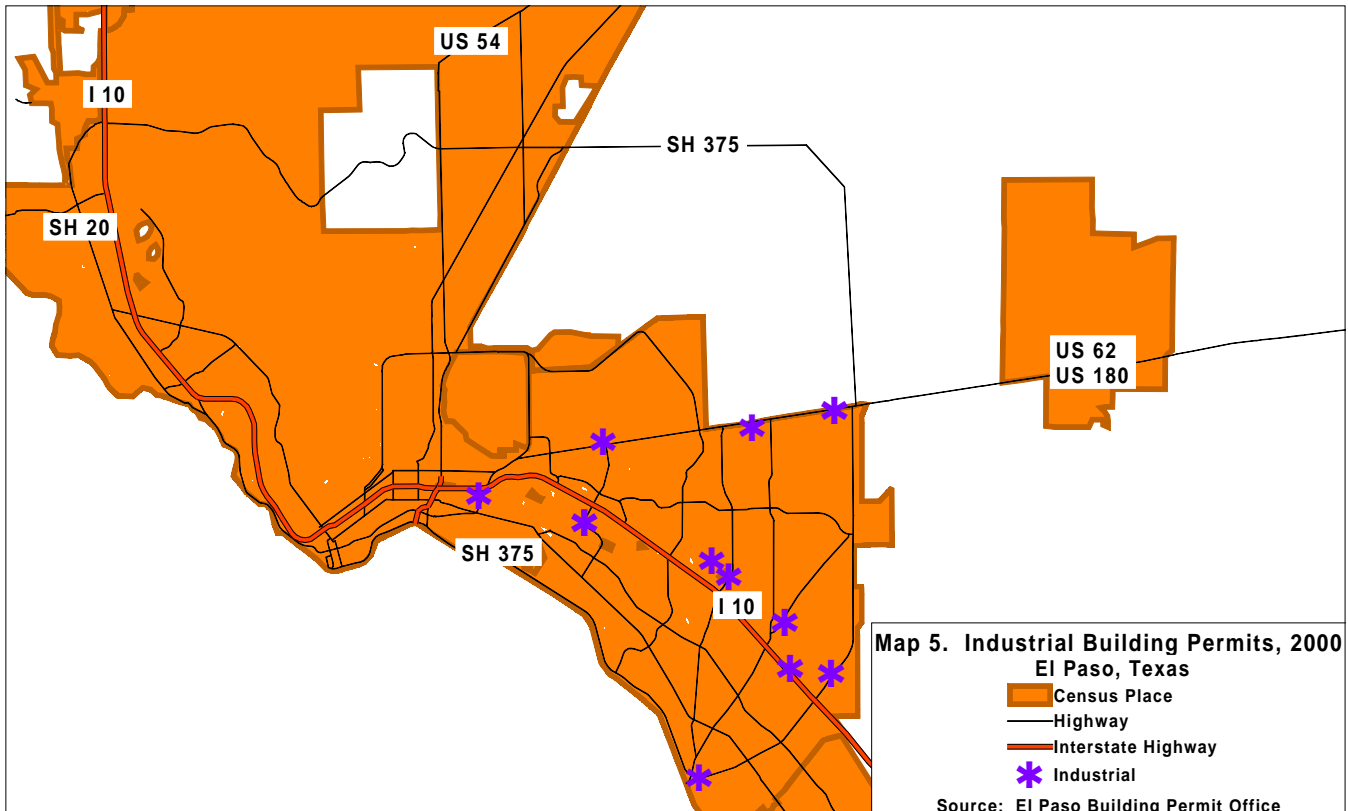
The El Paso industrial market has approximately 51 million square feet of space. During 2000, 1.9 million square feet of building space was absorbed. The vacancy rate rose from 7.3 percent to 8.1 percent, according to Keller-Koch Realtors. In 1999, 1.1 million square feet of industrial space was under construction. In 2000, 1.3 million square feet of industrial space was under construction. Map 5 shows industrial building permits issued in 2000.

Lear Corporation moved into a new \$11 million, 351,000-square-foot building recently completed at Rojas and Loop 375. In the Northwest Corporate Center, Home Products International moved into a 404,000-square-foot plant.

In 2001, ADC Telecommunications opened a \$43.5 million network equipment fabrication facility on Northwestern Road. Columbus Industries Texas is

constructing \$260,000 worth of improvements to its existing building on Spur Drive. The company is also constructing a \$3.5 million facility for the production and distribution of air filtration systems.

Plastic Molding Technology, Inc., will establish an insert-molding plant in El Paso that will be operating by summer 2001. The facility is located in Rojas Commerce Park on Miriam Road.



CONCLUSION

The El Paso area is expected to continue growing, with population expected to increase an average of 2 percent per year. This growth should fuel construction in all real estate areas.

Demand for affordable housing is strong. The retail sector has seen strong

construction over the past year with many projects planned. Planned office and industrial projects are expected to move into construction in the next year.

Since losing approximately 12,000 apparel industry jobs to lower labor costs across the Texas-Mexico border,

El Paso has begun to diversify, with employment increases in distribution and international trade. The city's advanced telecommunications infrastructure and its growing back-office operations, including call centers, will support continued economic growth for the city.