

# HUD PD&R Housing Market Profiles

## Brownsville-Harlingen, Texas



### Quick Facts About Brownsville

Harlingen, Texas

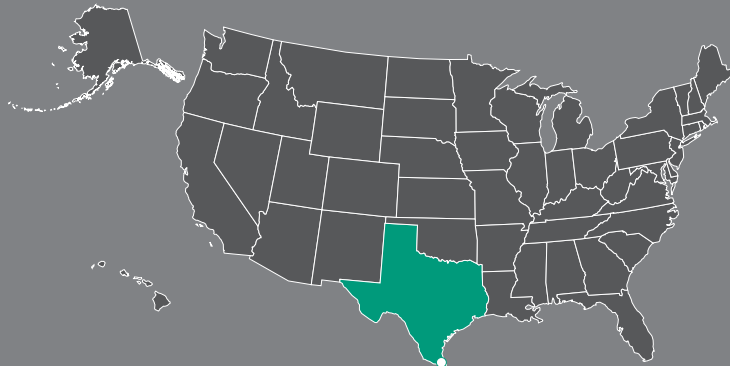
By Cameron Ney Ehrlich | As of April 1, 2021

- Current sales market conditions: slightly tight
- Current rental market conditions: slightly tight
- Space Exploration Technologies Corp. (SpaceX) began operations in the Brownsville-Harlingen Metropolitan Statistical Area (MSA) in 2014 and launched its first prototype test vehicle in 2019.

### Overview

The Brownsville-Harlingen MSA (hereafter, Brownsville metropolitan area) is coterminous with Cameron County, the southernmost county of Texas, along the Mexican border. Foreign Trade Zone (FTZ) No. 62 includes ports in Harlingen and Brownsville and five international border-crossing points. It is the largest foreign trade zone in the state of Texas and ranks second in the country for value of exports, with more than \$4.3 billion in exported goods in 2019 (U.S. FTZ Board annual report to Congress, November 2020). As such, trade continues to be a major component of the area economy. The Port of Brownsville, a deepwater seaport, provides linkage to the Gulf Intracoastal Waterway for barge transportation inland and is a hub of economic activity in the Rio Grande Valley, an area comprising Starr, Hidalgo, Willacy, and Cameron Counties, which lie along the Rio Grande at the southernmost tip of Texas. An economic impact study by Martin Associates in 2019 stated that the port is responsible for more than 51,000 jobs and \$3 billion in annual state economic activity, with more than 8,500 Rio Grande Valley workers directly or indirectly employed by activities of the port. Tourism is not limited to the southern border and includes “Winter Texans,”

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or Canadians and Americans from Northern and Midwestern states who spend several months in the metropolitan area, attracted by the warm weather, natural parks, and low cost of living. Approximately 100,000 Winter Texans come to South Texas every year, primarily residing in mobile home and RV parks, and spend approximately \$700 million in the Rio Grande Valley (University of Texas at Rio Grande Valley, 2018 Winter Texan Report).

- As of April 1, 2021, the population of the metropolitan area was estimated at 425,100—an increase of 1,725, or 0.4 percent, annually since 2010 (Census Bureau, with estimates by the analyst), compared with 1.9 percent from 2000 to 2010. Brownsville and Harlingen are the most populous cities in the metropolitan area and account for nearly 60 percent of the total population.
- Lower net natural change (resident births minus resident deaths), combined with net out-migration, has limited population growth in the area. Net out-migration from the metropolitan area has averaged 2,550 people annually since 2010—a reversal from net in-migration of 560 people annually from 2000 to 2010—due in large part to economic

declines in the manufacturing, construction, and trade sectors. Overall population growth has also been limited by a decline in net natural change to an average of 4,275 annually since 2010, compared with an average net natural change of 6,550 annually from 2000 to 2010.

- Approximately 61 percent of the current population in the Brownsville metropolitan area is of working age, or 15 to 64 years old, compared with 66 percent in the nation (2019 ACS 5-year estimate). In 2019, the median age in the metropolitan area was 31.7 years, compared with 38.1 years for the nation. Although the metropolitan area population is younger than that of the nation, the proportion of those younger than age 15 declined from 31.2 percent to 25.4 percent from 2010 to 2019 (2010 and 2019 ACS 5-year estimates).
- Much like the trend in the nation, the fastest growing age cohort in the metropolitan area during the past decade was residents aged 65 and older. That share of the population increased from 10.9 percent in 2010 to 13.2 percent in 2019. By comparison, the 65-years-and-older cohort for the nation increased from 12.7 percent to 15.6 percent during the same period.

## Economic Conditions

Economic conditions in the Brownsville metropolitan area deteriorated following the implementation of measures to control the spread of COVID-19. Nonfarm payrolls in April 2020 were down by 15,600 jobs from the number of jobs in February 2020 (monthly basis, not seasonally adjusted); as of April 2021, approximately 64 percent of jobs lost had been recovered.

During the first quarter of 2021—

- Nonfarm payrolls in the metropolitan area declined by an average 6,800 jobs, or 4.6 percent, to nearly 140,000, which follows an increase of 3,900 jobs, or 2.7 percent, during the 3 months ending March 2020. Only one sector, the professional and business services sector, increased during the first quarter of 2021, gaining 700 jobs, or 5.5 percent.
- Sectors with high levels of in-person interaction and those reliant on tourism were adversely affected disproportionately, as efforts to control the pandemic—such as stay-home orders, business capacity limits, and curfews—led to mass layoffs and business closures. The leisure and hospitality sector led job losses, declining by 2,000 jobs, or 12.2 percent, a reversal from the first quarter of 2020 when sector payrolls increased by 300 jobs, or 2.1 percent.
- The education and health services sector—the largest payroll sector in the metropolitan area—declined by 1,600

jobs, or 3.7 percent, compared with an increase of 2,600 jobs, or 6.4 percent, 1 year earlier.

- The trade sector declined by 1,300 jobs, or 6.3 percent, continuing declines in the sector, which have averaged 400 jobs, or 1.6 percent, annually since 2015. Before the pandemic led to travel and borderland crossing restrictions in March 2020, more than 3.1 million Mexican and American pedestrians crossed the border in 2019 (Bureau of Transportation Statistics, Brownsville Port of Entry annual data). Restrictions on nonessential travel to curb the spread of the virus have been extended almost every month since, with a few exceptions for trade, trucking, and critical supply chains.
- The unemployment rate averaged 10.5 percent—up from 6.5 percent during the same period a year ago. The monthly unemployment rate peaked in April 2020 at 16.2 percent, but before the pandemic, unemployment had generally trended downward since 2011.

The education and health services sector is the largest employment sector in the metropolitan area, with 41,900 jobs, accounting for nearly 30 percent of all nonfarm payroll jobs. Demand for health care from an aging population and the existence of many seasonal retirees has resulted in

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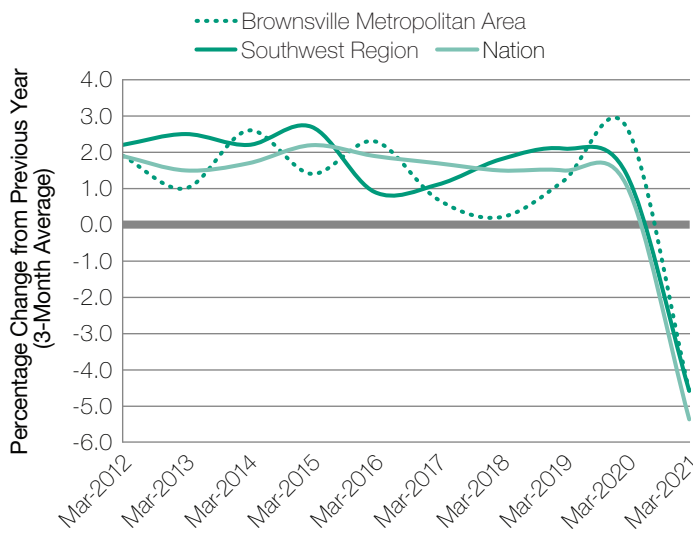
During the first quarter of 2021 in the Brownsville metropolitan area, 9 of the 11 sectors lost jobs relative to a year ago.

	3 Months Ending		Year-Over-Year Change	
	March 2020 (Thousands)	March 2021 (Thousands)	Absolute (Thousands)	Percent
<b>Total Nonfarm Payrolls</b>	146.8	140.0	-6.8	-4.6
Goods-Producing Sectors	9.5	9.1	-0.4	-4.2
Mining, Logging, & Construction	3.4	3.3	-0.1	-2.9
Manufacturing	6.1	5.8	-0.3	-4.9
Service-Providing Sectors	137.2	131.0	-6.2	-4.5
Wholesale & Retail Trade	20.5	19.2	-1.3	-6.3
Transportation & Utilities	4.7	4.7	0.0	0.0
Information	0.7	0.4	-0.3	-42.9
Financial Activities	4.9	4.7	-0.2	-4.1
Professional & Business Services	12.8	13.5	0.7	5.5
Education & Health Services	43.5	41.9	-1.6	-3.7
Leisure & Hospitality	16.4	14.4	-2.0	-12.2
Other Services	3.2	3.0	-0.2	-6.3
Government	30.6	29.1	-1.5	-4.9
Unemployment Rate	6.5%	10.5%		

Note: Numbers may not add to totals due to rounding.  
Source: U.S. Bureau of Labor Statistics

steady growth in this sector. The largest employer in the region, Valley Baptist Health System, has multiple locations in the cities of Harlingen and Brownsville and employs more than 4,050 people in the metropolitan area. To help meet the demand for medical professionals in the Rio Grande Valley, the Texas legislature

During the first quarter of 2021, nonfarm payrolls in the Brownsville metropolitan area declined less than those of the nation.



Source: U.S. Bureau of Labor Statistics

approved the creation of the University of Texas Rio Grande Valley (UTRGV) in 2013, consolidating the University of Texas at Brownsville–Texas Southmost College and the University of Texas–Pan American. In 2016, UTRGV opened its School of Medicine, enrolling 55 students in the first year. A 2018 study evaluating UTRGV spending identified the institution as responsible for the creation of 12,850 jobs since its creation in 2013, generating \$624 million in labor income and adding \$675 million in value added, for a total economic impact of \$1.3 billion to the Rio Grande Valley economy (Administrator’s Statement, submitted to the Office of the Governor and the Legislative Budget Board, 2020). In the fall of 2020, UTRGV had 32,600 students enrolled—an increase of 3,500 students, or 11.5 percent, from the previous year (UTRGV, Fall 2020 Estimates).

### Largest Employers in the Brownsville Metropolitan Area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Valley Baptist Health System	Education and Health Services	4,050
Southwest Key Programs, Inc.	Other Services	3,125
Space Exploration Technologies Corp. (SpaceX)	Manufacturing	3,000

Note: Excludes local school districts.

Sources: Cameron County Comprehensive Annual Financial Report, fiscal year ending September 2019; Brownsville Community Improvement Corporation, 2020





# Sales Market Conditions

The home sales market in the Brownsville metropolitan area is currently slightly tight, with an estimated vacancy rate of 1.2 percent—down from 1.8 percent in April 2010. As of April 2021, the number of active home listings represented a 1.5-month supply of homes available for sale—down from a 5.8-month supply 1 year ago and down significantly from a 7.0-month supply of homes for sale 2 years ago (Real Estate Center, Texas A&M University). During the 12 months ending March 2021, new and existing home sales (including short sales and real estate owned [REO] sales) of single-family homes, townhomes, and condominiums totaled 7,425 homes—a 14-percent increase from the 6,500 homes sold a year earlier (Zonda, with adjustments by the analyst). Despite decreased population growth since 2010 and relatively slower economic growth since 2012, the sales market tightened from 2018 through 2020 in response to already low inventory levels and increasing demand, particularly in 2020, as mortgage interest rates were at a record low.

The percentage of home loans in the Brownsville metropolitan area that were seriously delinquent (90 or more days delinquent or in foreclosure) or transitioned into REO status increased to 6.7 percent during March 2021—up from 2.0 percent a year earlier (CoreLogic, Inc.). By comparison, the rates for Texas and the nation during the same period were 4.6 and 3.7 percent, respectively. The recent increase in mortgage delinquencies was due to the number of home loans that are 90 or more days delinquent, which quadrupled from 1 year earlier, as the national moratorium on foreclosures for federally backed mortgages has allowed some homeowners to avoid foreclosure. Under the CARES Act, borrowers of federally backed loans affected by a COVID-19-induced hardship were entitled to request an initial forbearance of their monthly mortgage payments.

During the 12 months ending March 2021—

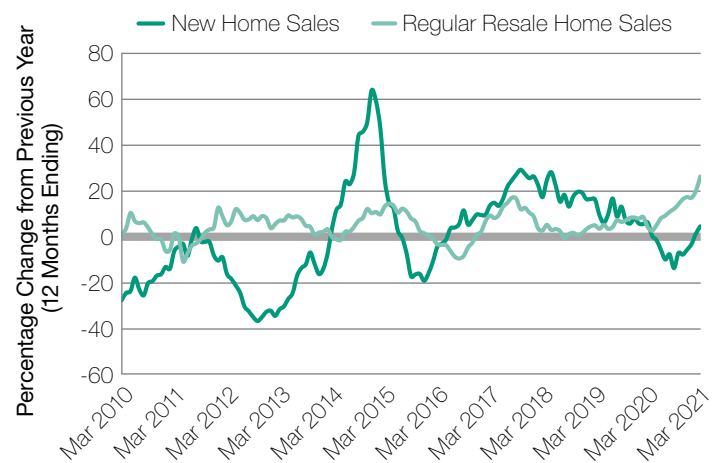
- New home sales totaled 460, an increase of 20 sales, or 4 percent, from the previous 12 months (Zonda, with adjustments by the analyst). New home sales increased by an average of 50 homes, or more than 15 percent, annually from 2015 through 2019.
- The average sales price of a new home was \$198,000—a 5-percent increase from \$188,000 during the previous 12 months. New home sales prices peaked in 2019 at \$188,300—up 15 percent from 2018.
- Regular resale home sales (which include short sales but exclude REO sales) increased by 1,425 homes, or nearly 26 percent, to 6,975 homes, and the average price for a regular resale home was \$173,400—up more than 13 percent

from the previous year, as falling mortgage rates increased demand and new construction did not keep pace; the current price is nearly 15 percent higher than the previous peak, during 2007, of \$151,400.

- REO sales accounted for 190 sales, or nearly 3 percent, of existing home sales—down from 4 percent a year ago and down significantly from a peak of 21 percent in 2010.

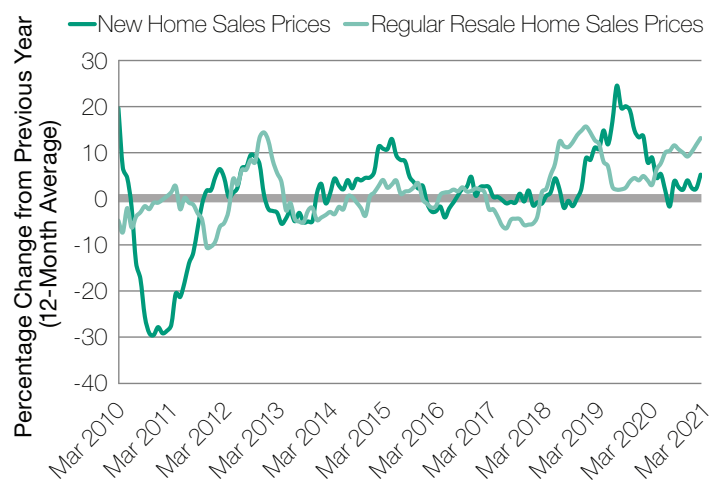
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**During the 12 months ending March 2021, average regular resale home sales in the Brownsville metropolitan area increased more than 20 percent—the largest increase in a decade.**



Notes: Home prices include single-family homes, townhomes, and condominiums. Regular resale home sales include short sales but exclude REO sales. Source: Zonda, with adjustments by the analyst

**New home sales price growth in the Brownsville metropolitan area exceeded 20 percent in late 2019 but has since moderated.**



Notes: Home prices include single-family homes, townhomes, and condominiums. Regular resale home sales include short sales but exclude REO sales. Source: Zonda, with adjustments by the analyst

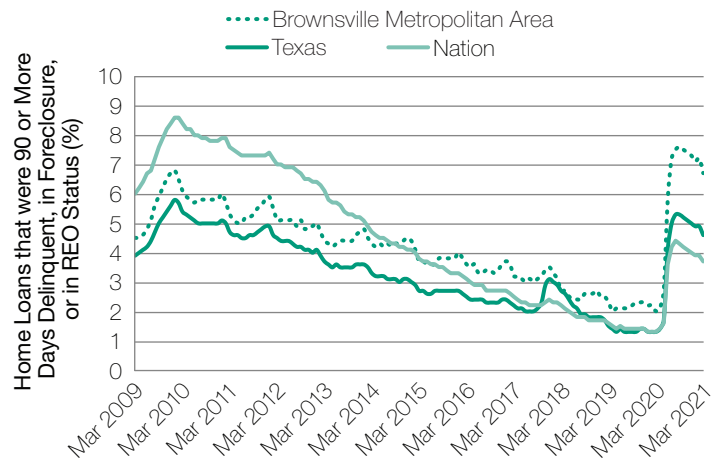


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Single-family homebuilding activity in the metropolitan area—as measured by the number of single-family homes permitted—decreased during the 12 months ending March 2021, as homebuilding slowed during 2020. Approximately 420 single-family homes are currently under construction.

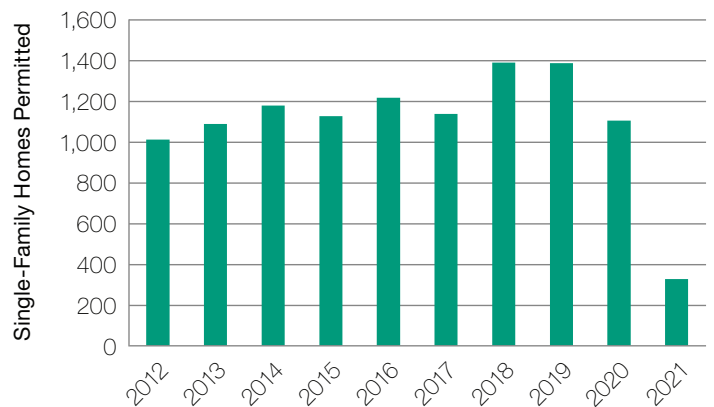
- The number of single-family homes permitted totaled 1,150 during the 12 months ending March 2021, declining by 180 homes, or nearly 14 percent, from the previous 12 months as supply chain delays extended construction timelines (preliminary State of the Cities Data Systems [SOCDS] data, with adjustments by the analyst). By comparison, nearly 1,400 homes were permitted annually from 2018 through 2019.
- Recent new home construction in the metropolitan area has been concentrated in the city of Brownsville, which accounted for nearly 70 percent of all single-family homes permitted in 2020.
- A notable recent development is the Palo Alto Groves community, a 220-acre, mixed-income community in the city of Brownsville, east of the Brownsville Sports Park. Sales at the development, which is expected to include 600 single-family homes when completed over the next several years, began in January 2021, with prices starting in the \$160,000s. Phase one of Palo Alto Groves will feature 129 single-family, three- to five-bedroom homes and is expected to be completed by 2022. Twenty-five to 30 percent of those homes will be targeted to low- and moderate-income buyers, who will have access to home-buying assistance through the Community Development Corporation of Brownsville.

The percentage of home loans 90 or more days delinquent, in foreclosure, or recently transitioned to REO status in the Brownsville metropolitan area have remained above the national percentage.



REO = real estate owned.  
Source: CoreLogic, Inc.

New home construction in the Brownsville metropolitan area peaked during 2018 and 2019, with those being the only years since 2007 in which production exceeded 1,350 homes.



Note: Includes preliminary data from January 2021 through March 2021.  
Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst

## Rental Market Conditions

The overall rental market in the Brownsville metropolitan area is currently slightly tight. The estimated vacancy rate for all rental units (including single-family homes, mobile homes, and apartments) as of April 1, 2021, is 5.5 percent—a significant decrease from 10.3 percent in April 2010, when conditions were soft. Single-family homes account for a large portion of the rental market. Approximately 42 percent of renter-occupied

units in the metropolitan area are single-family homes—unchanged from 2010 (ACS 1-year data).

- The apartment market in the Brownsville metropolitan area is currently tight, with a 2.4 percent vacancy rate—down from 3.6 percent 1 year earlier (Moody’s Analytics REIS). From 2012 through 2019, the first-quarter vacancy rate

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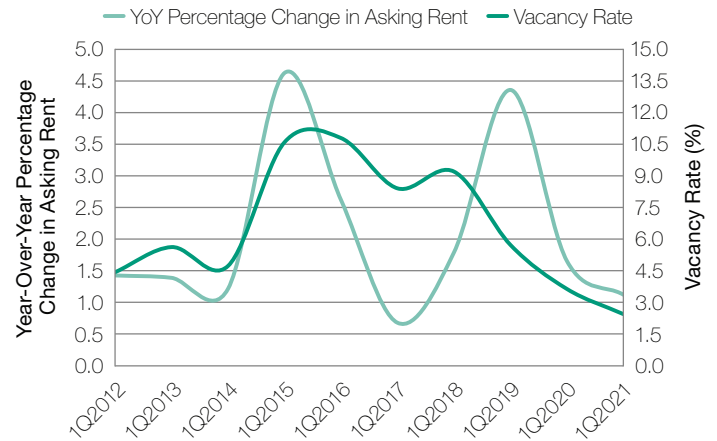
ranged from a low of 2.4 percent currently to a high of 10.8 percent in 2016.

- The average asking rent for an apartment is currently \$740—an increase of \$8, or 1 percent, from 1 year ago. By contrast, before the pandemic, rent growth was strong, averaging 3 percent annually from the first quarter of 2018 through the first quarter of 2020.
- Rents for studios and one-, two-, and three-bedroom units averaged \$512, \$654, \$746, and \$922, respectively, during the first quarter of 2021. Of the 275 metros surveyed by REIS, the Brownsville metropolitan area ranked 21st for the lowest rents in the country.

Multifamily home construction in the Brownsville metropolitan area, as measured by the number of units permitted, has slowed from an annual peak of 430 units in 2019. More than 76 percent of all multifamily construction since 2019 has been either affordable, age-restricted, or a combination of the two. The number of multifamily units permitted declined by more than one-half in 2020, compared with the number of units permitted in 2019, in large part because of the economic downturn brought on by the COVID-19 pandemic.

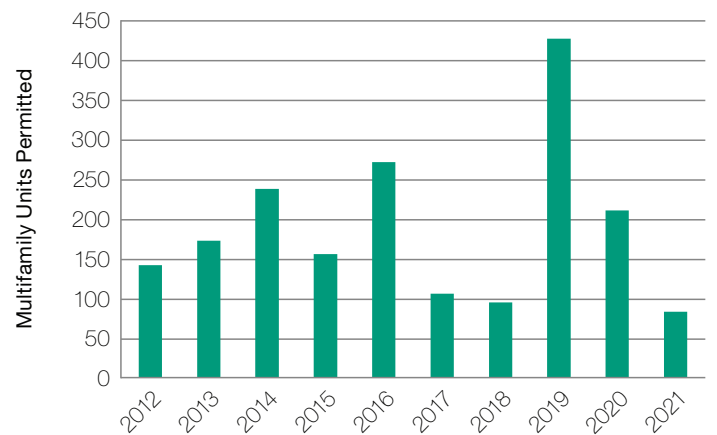
- During the 12 months ending March 2021, the number of multifamily units permitted totaled 240—a decline of 130 units, or 35 percent, from the previous 12 months (preliminary SOCDS data and estimates by the analyst). By comparison, an average of 170 units were permitted annually from 2012 through 2018.
- More than 40 percent of multifamily units permitted in 2020 were for two- to four-unit structures. By comparison, from 2013 through 2019, approximately 50 percent of multifamily units permitted were for two- to four-unit structures. Duplex, triplex, and quadplex units permitted peaked in 2012 and accounted for 73 percent of all units permitted.
- All of the approximately 200 multifamily units currently under construction are in the city of Brownsville.
- Recent developments include the 50-unit Casitas de Azucar apartments in Santa Rosa, an affordable housing development offering one-, two-, three-, and four-bedroom units with monthly rents ranging from \$362 to \$904; the property is currently in lease up.
- The 132-unit Huntington at Paseo de la Resaca development in Brownsville is also currently in lease up. The apartments

Rent growth was strongest in 2018 through 2019, as new, more expensive units hit the market.



1Q = first quarter. YoY = year-over-year. Source: Moody's Analytics REIS

Multifamily home construction in the Brownsville metropolitan area peaked in 2019 before slowing in 2020.



Note: Includes preliminary data from January 2021 through March 2021. Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst

are for seniors 55 years and older and offer one- and two-bedroom units with rents ranging from \$620 to \$1,100.

- The 144-unit Bella Vista II Apartments in the city of Brownsville was completed in 2017, offering one-, two-, and three-bedroom units with market-rate rents currently ranging from \$855 to \$1,215.

