

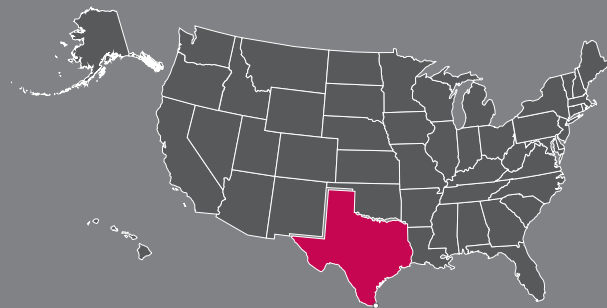
HUD PD&R Housing Market Profiles

Brownsville-Harlingen, Texas



Quick Facts About Brownsville-Harlingen

- Current sales market conditions: slightly soft.
- Current apartment market conditions: balanced.
- Boca Chica Village, in the southeastern corner of the metropolitan area, is the location of the SpaceX South Texas Launch Site. The \$100 million facility will be the world's first commercial orbital launch facility when complete in 2017. It is expected to have an annual economic impact of \$85 million and add 500 jobs to the metropolitan area.



By T. Michael Miller | As of September 1, 2016

Overview

The Brownsville-Harlingen, TX Metropolitan Statistical Area (hereafter, the Brownsville metropolitan area) is coterminous with Cameron County, the southernmost county in Texas. The metropolitan area, bordered by Mexico to the south and the Gulf of Mexico to the east, is home to the largest foreign trade zone in Texas and supports international trade through five international border-crossing points and the Port of Brownsville. During 2015, more than \$8.8 billion and \$7.5 billion in goods were exported and imported, respectively, through the metropolitan area.

- As of September 1, 2016, the estimated population of the metropolitan area is 425,000, an average annual increase of 2,925, or 0.7 percent, since 2010.
- During the 2000s, the population increased by an average of 7,100, or 1.9 percent, when net natural change (resident births minus resident deaths) accounted for more than 90 percent of the increase.

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- International net in-migration to the metropolitan area has declined from an average of 1,275 people annually during the 2000s to an average of 780 people annually since 2010. During

the same period, net domestic out-migration increased from 575 people annually during the 2000s to 2,825 people annually, a result of residents leaving to take higher-paying jobs in the Eagle Ford Shale area.

Economic Conditions

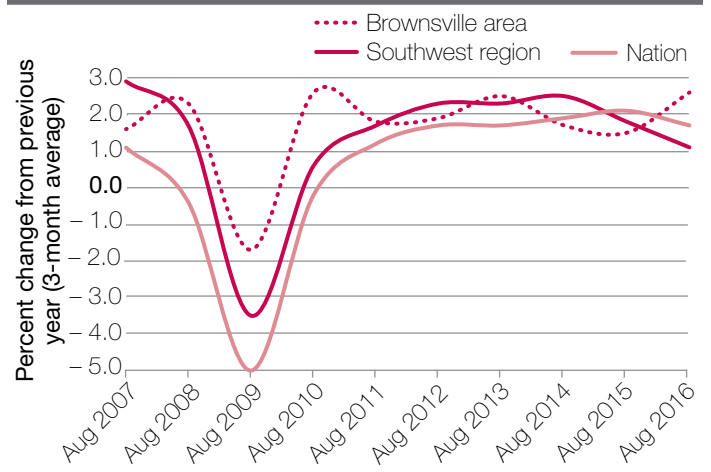
Nonfarm payrolls in the Brownsville metropolitan area have grown an average 1.9 percent annually since 2010, after job losses in 2009, when the national recession affected the economy of the metropolitan area. Payrolls have increased during the past 12 months, primarily the result of hiring in the education and health services, professional and business services, and leisure and hospitality sectors, which accounted for nearly 90 percent of the gains from a year ago.

During the 3 months ending August 2016—

- Nonfarm payrolls increased by 3,700 jobs, or 2.6 percent, from a year earlier to an average of 143,500 jobs.
- The education and health services sector led job growth, increasing by 1,600, or 4.4 percent, from the same 3-month period a year earlier. The University of Texas Rio Grande Valley School of Medicine opened in June 2016, enrolling 55 students in the first year.

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Nonfarm payroll growth has been strong in the Brownsville area since 2010 and surpassed the growth rate for the nation and the Southwest region during the past year.



Note: Nonfarm payroll jobs.
Source: U.S. Bureau of Labor Statistics

Nonfarm payrolls in the Brownsville area increased in 9 of 11 sectors, led by growth in the education and health services sector.

	3 Months Ending		Year-Over-Year Change	
	August 2015 (thousands)	August 2016 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	139.8	143.5	3.7	2.6
Goods-producing sectors	9.3	9.3	0.0	0.0
Mining, logging, and construction	3.3	3.2	-0.1	-3.0
Manufacturing	6.0	6.1	0.1	1.7
Service-providing sectors	130.5	134.3	3.8	2.9
Wholesale and retail trade	22.3	22.7	0.4	1.8
Transportation and utilities	4.4	4.5	0.1	2.3
Information	1.2	1.2	0.0	0.0
Financial activities	5.2	5.2	0.0	0.0
Professional and business services	11.4	12.2	0.8	7.0
Education and health services	36.7	38.3	1.6	4.4
Leisure and hospitality	15.3	16.1	0.8	5.2
Other services	3.8	3.6	-0.2	-5.3
Government	30.2	30.4	0.2	0.7
	(percent)	(percent)		
Unemployment rate	7.3	7.6		

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



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- A decline in new home construction since 2014 contributed to a decline in the mining, logging, and construction sector of 100 jobs, or 3.0 percent.
- The unemployment rate increased to an average of 7.6 percent from 7.3 percent during the same 3-month period a year earlier. A reduction in oil and gas exploration activity in nearby Eagle Ford Shale areas has resulted in workers returning to the metropolitan area in search of work.

Largest employers in the Brownsville area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Valley Baptist Medical Centers	Education and health services	3,234
Cameron County	Government	1,950
University of Texas Rio Grand Valley	Government	1,734

Note: Excludes local school districts.

Sources: Brownsville Economic Development Council; Harlingen Economic Development Corporation

Sales Market Conditions

The sales housing market in the Brownsville metropolitan area currently is slightly soft, with an estimated sales vacancy rate of 1.6 percent, compared with the rate of 1.8 percent in April 2010. The numbers of new and existing homes sold (including single-family homes, townhomes, and condominiums) declined during the 12 months ending July 2016, and the average sales price increased. Slower sales activity has not resulted in lower prices, primarily because new homebuilding activity and available existing home listings have declined with demand. The inventory of available homes for sale declined to a 9.9-month supply in August 2016, compared with a 10.7-month supply during August 2015 and down from a high of 15.7 months of supply in May 2011.

- During the 12 months ending July 2016, sales of new and existing homes decreased 4 and 15 percent, to 310 and 4,775, respectively, from the 12 months ending July 2015 (CoreLogic, Inc., with adjustments by the analyst).
- The average sales price for existing homes rose by \$6,175, or 5 percent, to nearly \$131,200 during the 12 months ending July 2016, up from \$125,000 during the previous 12 months. Existing home sales prices have fluctuated since reaching a high of \$131,600 during 2007.
- During the 12 months ending July 2016, the average sales price of a new home rose by \$2,400, or 2 percent, to \$122,000, up from \$119,600 during the previous 12 months. Since reaching a high of \$138,200 during 2007, new home sales prices also have fluctuated. Prices fell to \$93,400 during 2013, the lowest

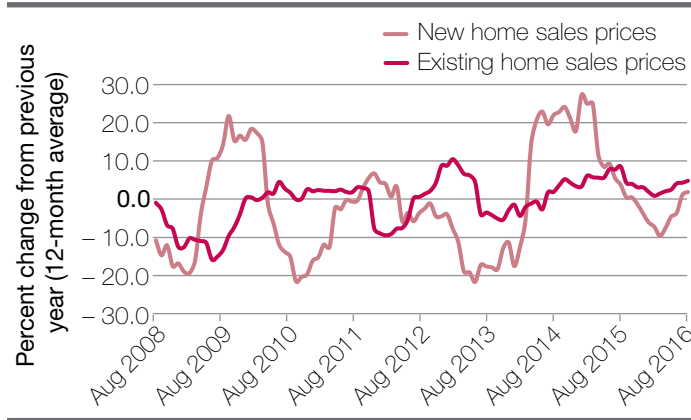
average price since 2002, primarily because of the decline of higher-priced homes coupled with an increase in lower-priced duplexes and townhomes.

- In July 2016, 3.3 percent of mortgage loans in the metropolitan area were seriously delinquent (90 or more days delinquent or in foreclosure) or had transitioned into real estate owned status, down from 3.6 percent in July 2015 and from the peak of 6.8 percent in January 2010 (CoreLogic, Inc.).

Single-family home construction activity, as measured by the number of single-family homes permitted, remained unchanged during the 12 months ending August 2016 compared with activity during the previous 12 months. Permitting remains below the average, from 2008 through 2014, and well below the peak years, from 2000 through 2007.

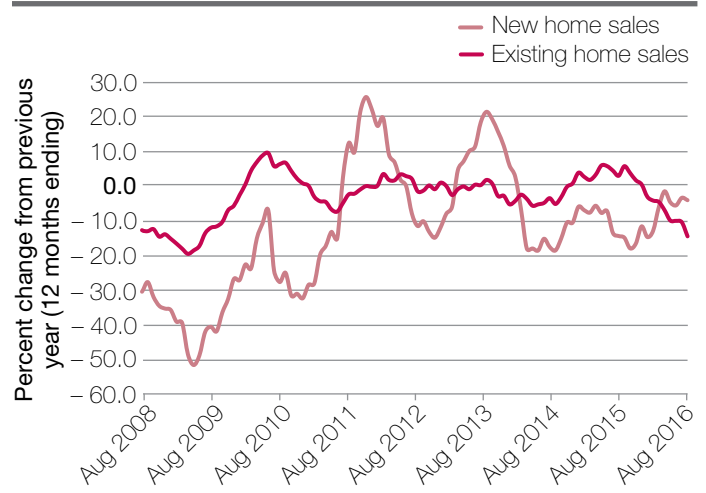
- During the 12 months ending August 2016, 790 single-family homes were permitted (preliminary data), unchanged from the previous 12 months.
- From 2008 through 2014, the number of single-family homes permitted averaged 1,050 annually, down significantly from an average of 2,800 homes permitted annually from 2000 through 2007.
- In the city of Harlingen, construction is under way at Woodland Oaks. Construction on the first phase of the subdivision began in 2014 and consists of 60 lots available for single-family homes starting at \$150,000. The subdivision is about 35 percent complete.

New home sales prices in the Brownsville area increased during the past 3 months, following a year of decline, but existing home sales prices have been increasing since mid-2014.



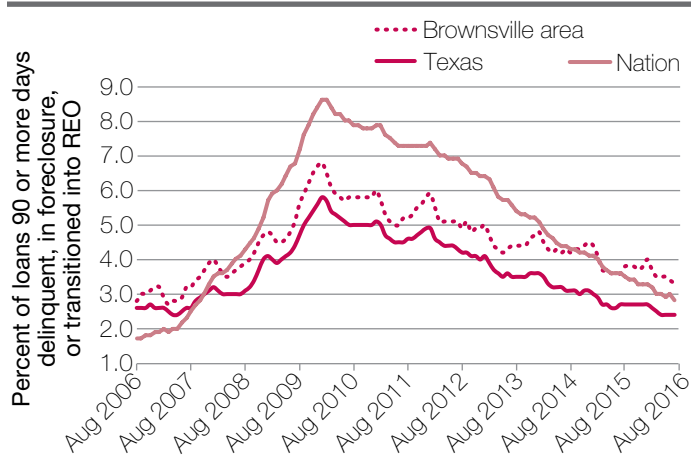
Note: Includes single-family homes, townhomes, and condominiums.
Source: CoreLogic, Inc., with adjustments by the analyst

Existing home sales in the Brownsville area declined during the past year, and new home sales have been declining since 2014.



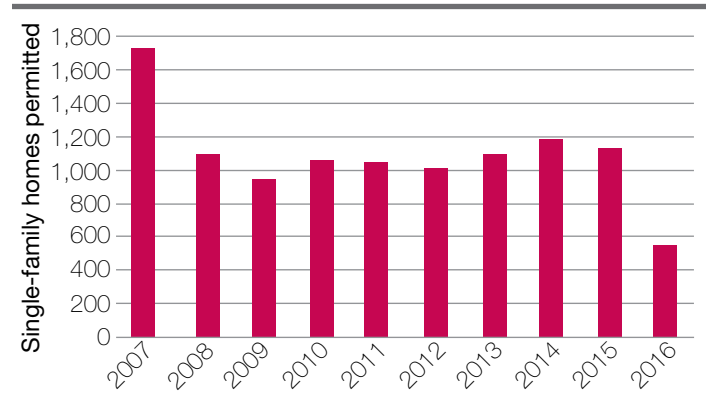
Note: Includes single-family homes, townhomes, and condominiums.
Source: CoreLogic, Inc., with adjustments by the analyst

The rate of seriously delinquent loans and REO properties in the Brownsville area has declined every year since 2010 but more slowly than the national rate.



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

Single-family home permitting activity in the Brownsville area decreased significantly in 2008 and has remained well below 2007 levels.



Notes: Includes preliminary data from January 2016 through August 2016.
Source: U.S. Census Bureau, Building Permits Survey

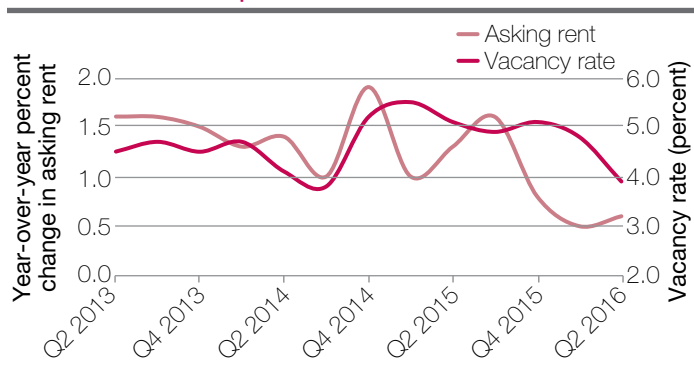
Apartment Market Conditions

The apartment market in the Brownsville metropolitan area currently is balanced, a result of decreased multifamily construction during the past 2 years and strong nonfarm payroll growth during the past year. An estimated 34.8 percent of all households in the metropolitan area currently are renters, compared with 32.8 percent in April 2010. Apartments account for 31 percent of renter-occupied units (2015 American Community Survey 1-year data).

During the second quarter of 2016—

- The apartment vacancy rate decreased to 3.9 percent compared with 5.1 percent during the second quarter of 2015 (Reis, Inc.).
- The average asking rent was \$642, up nearly 1 percent from the average rent during the second quarter of 2015; the rate of increase the previous year was similar.
- The asking rent, by number of bedrooms, averaged \$570, \$683, and \$736 for one-, two-, and three-bedroom units, respectively (ALN Systems, Inc.). By comparison, the average asking rent for units completed since 2010 was \$615, \$726, and \$746 for one-, two-, and three-bedroom units, respectively.

Since 2013, rents in the Brownsville area have increased at a moderate rate, and the vacancy rate has remained below 6 percent.

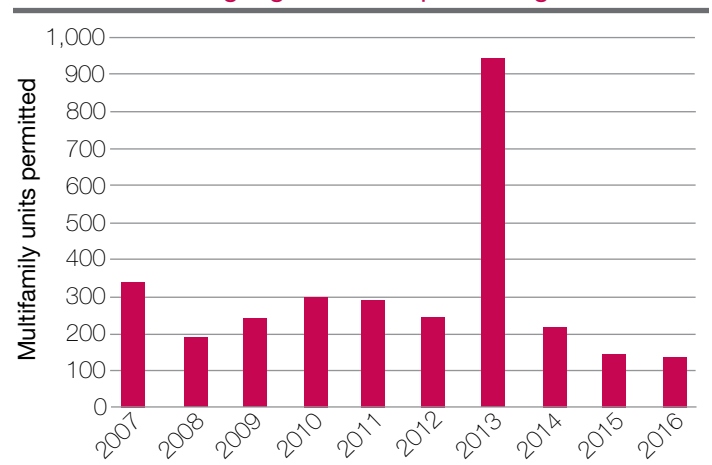


Source: Reis, Inc.

Multifamily home construction, as measured by the number of units permitted, totaled 150 during the 12 months ending August 2016 (preliminary data), down 40 percent from a year ago and down significantly from the average of 430 units permitted annually during the 2000s.

- During 2013, 940 multifamily units were permitted, a significant increase from the average of 275 units from 2010 through 2012. The increase in permitting occurred in response to a tightening rental market after a downturn in production that began in 2008.
- An estimated 150 multifamily rental units, including 50 apartment units, currently are under construction in the metropolitan area.
- The 80-unit Bella Terra, in the city of Brownsville, began leasing in May 2016. The complex offers one-, two-, and three-bedroom units at \$520, \$638, and \$737, respectively.
- The 128-unit Sunquest Apartments in Harlingen began leasing in 2015. One-, two-, and three-bedroom units start at \$422, \$627, and \$719, respectively.

Multifamily permitting in the Brownsville area has been reduced following high levels of permitting in 2013.



Note: Includes preliminary data from January 2016 through August 2016. Sources: U.S. Census Bureau, Building Permits Survey; analyst estimates