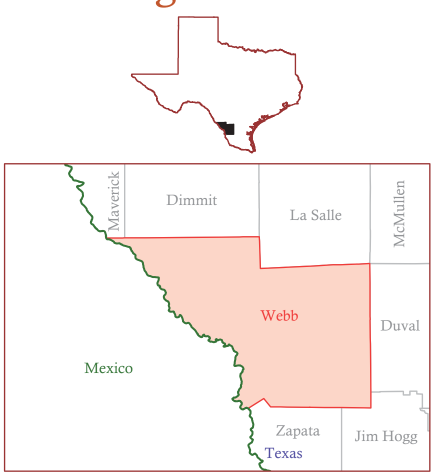
COMPREHENSIVE HOUSING MARKET ANALYSIS

Laredo, Texas

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of February 1, 2015

Housing Market Area



The Laredo Housing Market Area (HMA) is coterminous with the Laredo, TX Metropolitan Statistical Area, which consists of Webb County, Texas. In southern Texas on the border with Mexico, the Port of Laredo is the largest inland port in the United States.

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Summary

Economy

Job growth associated with oil and natural gas exploration and international trade has contributed to significant improvement in economic conditions in the Laredo HMA since 2010. Nonfarm payrolls increased 2.3 percent during the 12 months ending January 2015, unchanged from the rate of growth during the 12 months ending January 2014. The unemployment rate averaged 5.0 percent during the 12 months ending January 2015, down from 6.0 percent during the previous 12 months. Job growth is expected to average 2.5 percent annually during the 3-year forecast period. Table DP-1 at the end of this report provides employment data for the HMA.

Sales Market

The sales housing market in the HMA is currently balanced. The estimated sales vacancy rate is 1.4 percent, down from 1.9 percent in April 2010. The inventory of homes for sale declined from 5.9 months in January 2014 to 5.2 months in January 2015 (Real Estate Center at Texas A&M University). During the forecast period, demand is expected for 3,225 new homes, including 125 mobile homes (Table 1). The 290 homes currently under construction and a portion of the estimated 3,700 other vacant units that may come back on the market will satisfy part of the demand.

Rental Market

The rental housing market in the HMA is currently balanced. The overall rental vacancy rate is estimated at 6.6 percent, down from 7.8 percent in April 2010. Elevated building activity since 2012 has stabilized the rental market after an influx of workers associated with the Eagle Ford Shale oil and natural gas field resulted in a shortage of rental housing from 2010 to 2012. During the forecast period, demand is estimated for 1,300 market-rate rental units (Table 1). The 1,000 units currently under construction will satisfy most of that demand.

Table 1. Housing Demand in the Laredo HMA During the Forecast Period

	Laredo HMA	
	Sales Units	Rental Units
Total demand	3,225	1,300
Under construction	290	1,000

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of February 1, 2015. A portion of the estimated 3,700 other vacant units in the HMA will likely satisfy some of the forecast demand. Includes an estimated demand for 125 mobile homes. The forecast period is February 1, 2015, to February 1, 2018.

Source: Estimates by analysts

Economic Conditions

Economic conditions remain strong in the Laredo HMA as nonfarm payrolls continue to grow, a trend that began during 2010. During the 12 months ending January 2015, nonfarm payrolls reached a new peak of 98,500 jobs, an increase of 2,200 jobs, or 2.3 percent, compared with the number of jobs during the 12 months ending January 2014 (Table 2). The current rate of growth is unchanged from the 12 months ending January 2014. Job growth during the 12 months ending January 2015 was led by the leisure and hospitality sector, which increased by 600 jobs, or 6.1 percent, from the previous 12 months. The unemployment rate during the 12 months ending January 2015 averaged 5.0 percent, down from the 6.0-percent rate during the 12 months ending January 2014. After peaking at 8.5 percent in 2009, the unemployment rate is now only slightly above the previous low of 4.7 percent in 2007 (Figure 1). International trade and the Eagle Ford Shale development have been the major factors contributing to the growth in the HMA since 2010.

Because it is within 100 miles of the industrial center of Monterrey, Mexico, the HMA has an economic base in international trade, a trait that has strengthened since the implementation of the North American Free Trade Agreement (NAFTA) in 1994. Trade between the United States and Mexico, as measured by the dollar value of goods crossing the border, has increased more than 230 percent, after adjusting for inflation, since the passage of NAFTA. During 2014, $91.8 billion of U.S exports and $107.4 billion of U.S. imports passed through the Port of Laredo, both up 11 percent compared with the dollar value of exports and imports in 2013 and up from $58.1 billion and $68.3 billion in 2010 (U.S. Department of Commerce, Census Bureau, Foreign Trade Division). The increase in international trade increased demand for warehouse storage facilities. In 2014, 21 warehouses were permitted with a total value of $29 million, up significantly from the 6 warehouses permitted in 2010 with a total value of $6 million (city of Laredo building permit data). In addition to warehouse facilities contributing to the wholesale trade subsector, many people who live in Nuevo Laredo, Mexico, cross the border to shop in the Laredo HMA, supporting the retail trade subsector. Vehicle crossings, excluding large trucks, averaged

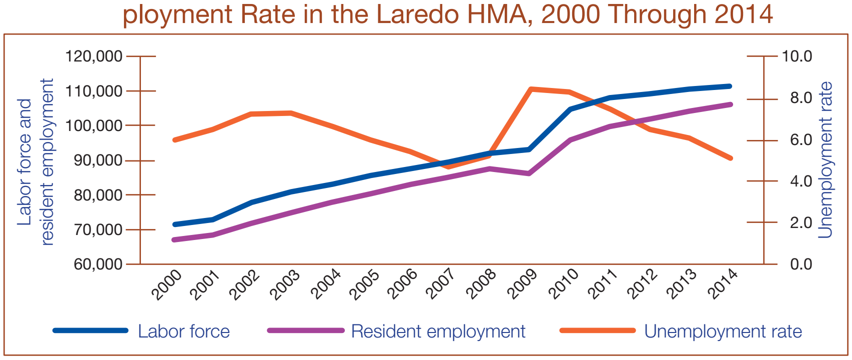
Table 2. 12-Month Average Nonfarm Payroll Jobs in the Laredo HMA, by Sector

	12 Months Ending January 2014	12 Months Ending January 2015	Absolute Change	Percent Change
Total nonfarm payroll jobs	96,300	98,500	2,200	2.3
Goods-producing sectors	5,500	5,600	100	1.8
Mining, logging, & construction	4,800	4,900	100	2.1
Manufacturing	800	700	– 100	– 12.5
Service-providing sectors	90,800	92,900	2,100	2.3
Wholesale & retail trade	15,800	16,000	200	1.3
Transportation & utilities	13,700	14,000	300	2.2
Information	700	700	0	0.0
Financial activities	3,800	3,800	0	0.0
Professional & business services	7,700	8,000	300	3.9
Education & health services	14,700	14,900	200	1.4
Leisure & hospitality	9,800	10,400	600	6.1
Other services	2,500	2,600	100	4.0
Government	22,200	22,500	300	1.4

Notes: Numbers may not add to totals because of rounding. Based on 12-month averages through January 2014 and January 2015.

Source: U.S. Bureau of Labor Statistics

Figure 1. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Laredo HMA, 2000 Through 2014



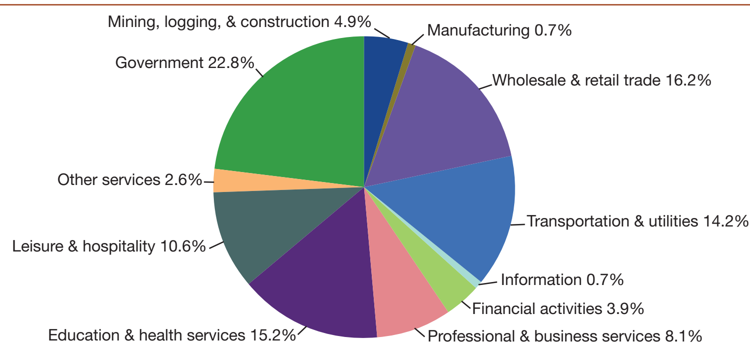
Source: U.S. Bureau of Labor Statistics

17,700 a day and pedestrian crossings averaged 17,300 a day during the 12 months ending September 2014 (the most recent data available). International trade supports many jobs in the wholesale and retail trade and the transportation and utilities sectors. The transportation and utilities sector currently accounts for 14.2 percent of all nonfarm payroll jobs in the HMA (Figure 2) compared with 4.1 percent in Texas and 3.7 percent nationally. Nonfarm payrolls in the transportation and utilities sector increased by 300 jobs, or 2.2 percent, to 14,000 jobs during the 12 months ending January 2015 compared with nonfarm payrolls during the previous 12 months. The wholesale and retail trade sector increased by 200 jobs, or 1.3 during the same period and benefited from an increase in the Mexican sales tax during 2014, which provided more of an incentive for shoppers from Mexico to cross the border for shopping in the HMA.

The proximity of the HMA to the U.S. border with Mexico also has a significant effect on the government sector, the largest sector in the HMA with 22.8 percent of all nonfarm payroll jobs during the 12 months ending January 2015. The Laredo Sector of the U.S. Border Patrol is currently one of the largest employers in the HMA, with 2,100 employees (Table 3). The number of border patrol agents working out of the Laredo field office nearly doubled from 2004 to 2010 as a result of the 2004 Intelligence Reform and Terrorism Prevention Act. The increase in border patrol agents contributed to average annual growth of 750 jobs, or 3.7 percent, in the government sector from 2004 through 2010. Since 2010, the number of jobs in the federal government subsector has been relatively unchanged in the HMA. During 2011 and 2012, revenue-constrained state and local government agencies contributed to a decline of 400 jobs, or 1.8 percent, annually in the government sector. Since 2012, state and local government agencies have recovered some of the jobs lost during the previous 2 years, and the government sector has increased by 150 jobs, or 0.7 percent, annually.

The Laredo HMA is within the Eagle Ford Shale formation, a large area of oil and gas drilling in southern Texas that extends more than 400 miles from Webb County in the west to Gonzales County in the east. Many of the firms in the oil and natural gas extraction industries are regional operations with central offices in Houston, San Antonio, or elsewhere and outstation transient workers who perform much of the

Figure 2. Current Nonfarm Payroll Jobs in the Laredo HMA, by Sector



Note: Based on 12-month averages through January 2015.
Source: U.S. Bureau of Labor Statistics

Table 3. Major Employers in the Laredo HMA

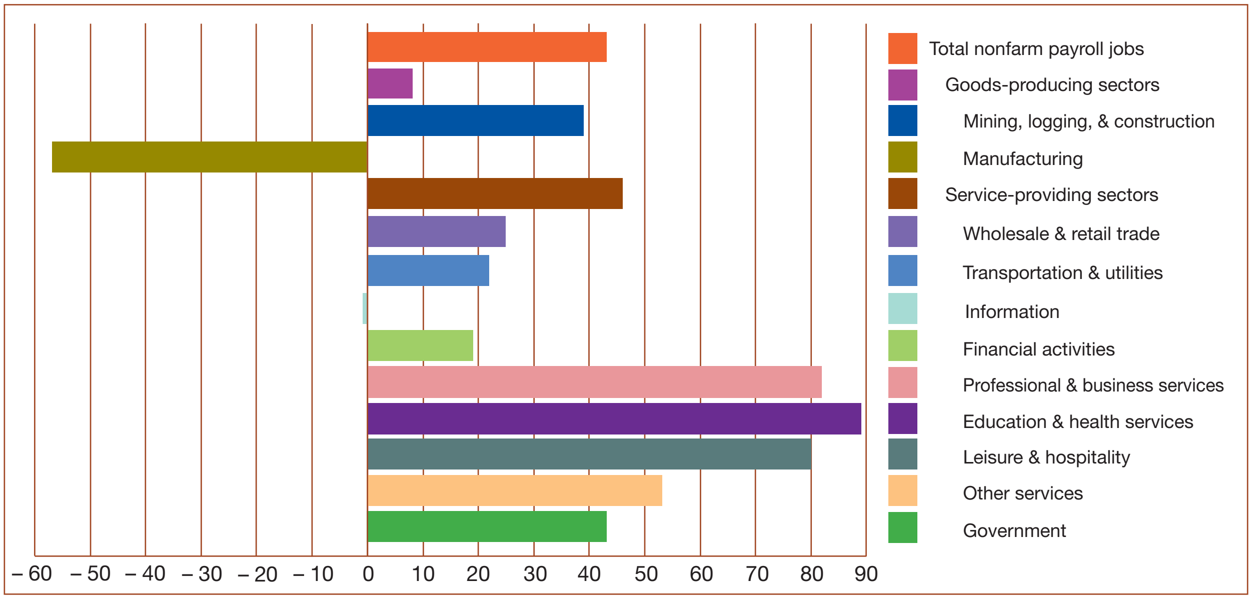
Name of Employer	Nonfarm Payroll Sector	Number of Employees
City of Laredo	Government	2,465
Laredo Sector of the U.S. Border Patrol	Government	2,100
HEB Grocery Company, LP	Wholesale & retail trade	1,800
McDonald’s Restaurant	Wholesale & retail trade	1,540
Laredo Medical Center	Education & health services	1,500
Webb County	Government	1,500
Texas A&M International University	Government	1,325
Wal-Mart Stores, Inc.	Wholesale & retail trade	1,175
Convergys	Information	940
Laredo Community College	Government	930

Note: Excludes local school districts.
Source: Laredo Development Foundation

work in the oil fields. Because these transient workers move from location to location working on the wells, many maintain a permanent residence near the regional office and may not be included in employment statistics in the counties where the wells are being drilled. The HMA, as the only metropolitan area in the southwestern portion of the Eagle Ford Shale development, was the closest location where workers in the oil field could get a hotel room or apartment at which to stay when they were on rotation in the oil fields in an adjacent county, which greatly reduced both hotel and apartment vacancy rates. During 2014 (the most recent data available), 3,125 people were employed in the natural resources and mining subsector, which is an increase of 225 jobs, or 8.0 percent, compared with the number of workers during the previous year and double the number of workers in 2010 (Quarterly Census of Employment and Wages [QCEW]). Despite recent employment gains, this subsector accounts for only 3 percent of total nonfarm payrolls in the HMA. As of February 1, 2015, 17 oil and natural gas rigs were operating within the HMA, down from 20 rigs operating on February 1, 2014, and an estimated peak of 40 in mid-2012. This drop is attributable to firms slowing exploration for natural gas and oil, initially because of the decline in natural gas prices and then because of the subsequent decline in crude oil prices. The development of the Eagle Ford Shale positively affected wages in the Laredo HMA despite slower wage growth nationally after the national economic recession that ended in June 2009. From 2010 through 2012, wages increased at a rate of 6.1 percent annually in the HMA compared with a national rate of 3.5 percent (QCEW). Since 2012, wage growth in the HMA has slowed to a rate of 1.9 percent on an annualized basis through 2014 (the most recent data available), a rate that is slightly lower than the national rate of 2.0 percent. This wage growth slowdown is primarily the result of job creation shifting away from higher paying oil- and gas-related jobs to trade, transportation, and leisure and hospitality jobs. The amount of sales subject to state tax, a measure of the oil and gas industries' effect on an area, increased in the HMA by an average of $186 million, or 9.5 percent, annually to $2.343 billion from 2010 through 2012. Since 2012, sales subject to state tax in the HMA have increased at a more modest 4.2 percent annually. Although growth is expected to be limited, employment from oil and natural gas extraction is expected to remain stable during the next 3 years, despite lower gas and oil prices.

Economic conditions in the Laredo HMA have improved significantly since a decline in nonfarm payrolls in 2009 because of increased trade and the oil and gas development in the Eagle Ford Shale, although the rate of job growth remains below the rate during much of the 2000s. From 2000 through 2008, nonfarm payrolls in the HMA increased by an average of 2,750 jobs, or 3.5 percent, annually, to 90,900 jobs. During this time, the government sector led job growth and added an average of 760 jobs, an increase of 6.5 percent, annually. The education and health services sector, which has been the fastest growing sector in the HMA since 2000 (Figure 3), added an average of 650 jobs, an increase of 4.1 percent, annually from 2000 through 2008.

Figure 3. Sector Growth in the Laredo HMA, Percentage Change, 2000 to Current



Note: Current is based on 12-month averages through January 2015.
Source: U.S. Bureau of Labor Statistics

Nonfarm payrolls declined by 3,000 jobs, or 3.3 percent, in 2009 as a result of the effects of the national recession. During that year, the transportation and utilities sector lost the most jobs, declining by 1,100 jobs, or 10.2 percent, primarily because of a 17-percent decline in the dollar value of goods traded between the United States and Mexico during 2009 compared with the value in 2008 (U.S. Department of Commerce, Census Bureau, Foreign Trade Division). Other sectors with large job losses during 2009 were the mining, logging, and construction sector and the retail trade subsector, which declined by 800 and 1,000 jobs, or 17.7 and 7.6 percent, respectively.

Job growth averaged 2.6 percent a year from 2010 through 2014, with job creation related to oil and natural gas exploration in the Eagle Ford Shale formation leading gains from 2010 through 2012. During 2013, as the price of natural gas declined, drilling activity began to leave the HMA and move to other areas of the formation that produced more crude oil. With the Eagle Ford Shale formation not providing as much of a boost to nonfarm payroll growth because of the drop in natural gas prices, employment sectors that are affected by oil and natural gas development started to have slower growth. From 2010 through 2012, nonfarm payroll gains in the mining, logging, and construction sector averaged 350, or 9.3 percent, annually before slowing to 300, or 6.8 percent, annually from 2012 through 2014. The professional and business services sector, also affected by oil and gas exploration activity, increased by 700 jobs, or 9.8 percent, annually from 2010 through 2012 before slowing to an increase of 150, or 2.0 percent, annually from 2012 through 2014. From 2012 through 2014, the leisure and hospitality sector increased by 600 jobs, or 6.3 percent, annually unchanged from the previous 2 years.

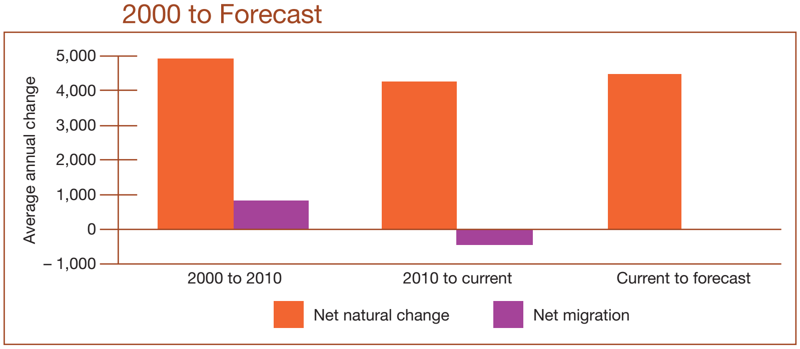
During the 3-year forecast period, nonfarm payrolls are expected to increase by an average of 2,500 jobs, or 2.5 percent, annually. Job growth is expected to be broad based across all employment sectors and increase during each year of the forecast period as international trade expands and despite slowing exploration for natural gas and oil in the Eagle Ford Shale. The El Portal Outlet mall, an $80 million project in the city of Laredo, will begin construction in the spring of 2015 and is expected to create more than 700 construction jobs and 500 permanent jobs when complete in 2017. The HMA is also expected to benefit from the development of the Cuenca de Burgos Shale Basin in Mexico, which is directly south of the Rio Grande River. With Mexico's recent decision to allow foreign development of its oil fields, many of the oil and gas firms in the HMA are likely to see increased demand for their services during the next 3 years.

Population and Households

The population of the Laredo HMA has increased since 2010 by an estimated 3,800, or 1.5 percent, annually, to 268,700. Population growth in the HMA since 2000 was greatest from 2000 to 2004 (Census Bureau July 1 estimates), when it averaged 5,825 people, or 2.9 percent, annually before dropping slightly to an average of 5,575, or 2.4 percent, annually from 2005 to 2010. Net in-migration averaged 890 people annually from 2000 to 2004 but declined 24 percent, to 680 annually, from 2005 to 2010. Since 2010, despite strong employment growth, the HMA has experienced net out-migration of 420 people annually, partly because many young people in the HMA move to larger metropolitan areas to attend college or for greater employment opportunities. In 2011, the most recent data available, more than 55 percent of people leaving the HMA are relocating to a larger city in Texas, with 21 percent moving to San Antonio (Internal Revenue Service migration data). The levels of net out-migration from the HMA were much higher during 2013 and 2014, when the number of people leaving the HMA remained fairly stable, but the number of people moving into the HMA declined as employment growth from the Eagle Ford Shale area slowed. Net natural increase (resident births minus resident deaths) has accounted for all the population increase since 2010. Net natural increase accounted for 85 percent of the population growth from 2000 to 2004 but increased to 88 percent from 2005 to 2010. Figure 4 shows the components of population change since 2000.

Similar to other metropolitan areas near the U.S.-Mexico border, the Laredo HMA has a very high average

Figure 4. Components of Population Change in the Laredo HMA, 2000 to Forecast



Notes: The current date is February 1, 2015. The forecast date is February 1, 2018.
Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by analysts

household size compared with the average size in the rest of the nation. Because a high percentage of the population growth has come from net natural change since 2000, the HMA includes many households with children younger than 18 years old, which contribute to the large average household size. In the HMA, 35.2 percent of the population is younger than 18 years of age, which is significantly higher than the national average of 24.0 percent and the Texas average of 27.3 percent (2010 Census). The city of Laredo has one of the youngest populations in the United States, with a median age of 27.9 years compared with the national median age of 37.2 years (2010 Census). Laredo ranks ninth for youngest median age among places with more than 100,000 inhabitants (Census Bureau). The cities that rank ahead of Laredo, such as Gainesville, Florida, Ann Arbor, Michigan, and Killen, Texas, all have a large university or military presence, which would tend to decrease the median age.

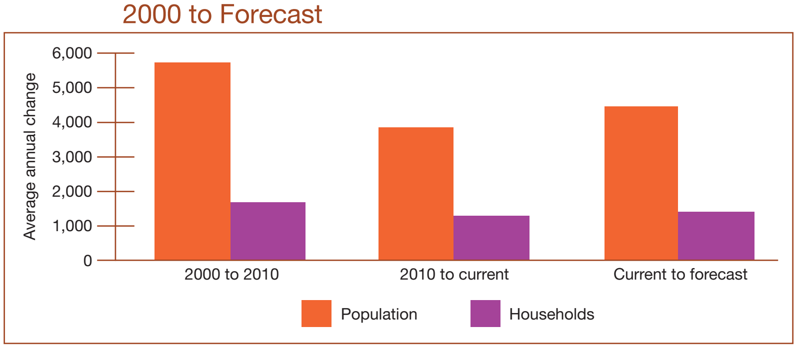
An estimated 73,100 households currently are in the HMA, which is an increase of 1,250 households, or 1.8 percent, annually since 2010. The number of households in the HMA increased by 1,625, or 2.8 percent, annually from 50,740 households in 2000 to 67,106 in 2010. The homeownership rate steadily declined in the HMA from 2000 to 2010, from 65.7 to 64.5 percent. This decline has continued from 2010 to the current date; the current homeownership rate is estimated at 62.0 percent. The decline in the homeownership rate has followed the national trend as lending institutions have tightened lending requirements and more people have chosen to rent rather than purchase a home. Figure 5 shows the number of households by tenure.

During the 3-year forecast period, population and household growth are expected to resemble the rates recorded from 2010 to the current date. The population is forecast to increase by an average of 4,400, or 1.6 percent, annually, and the number of households is expected to grow by an average of 1,375, or 1.9 percent, annually during the next 3 years. Figure 6 shows population and household growth in the Laredo HMA from 2000 through the forecast period.

Figure 5. Number of Households by Tenure in the Laredo HMA, 2000 to Current

Note: The current date is February 1, 2015.
Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analysts

Figure 6. Population and Household Growth in the Laredo HMA, 2000 to Forecast



Notes: The current date is February 1, 2015. The forecast date is February 1, 2018.
Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by analysts

Housing Market Trends

Sales Market

The sales housing market in the Laredo HMA is currently balanced. The sales vacancy rate is estimated at 1.4 percent, down from 1.9 percent in April 2010. The number of new homes sold (including single-family homes, townhomes, and condominiums) during the 12 months ending January 2015 totaled 510, down 9 percent from the nearly 560 homes sold during the 12 months ending January 2014 (Metrostudy, A Hanley Wood Company). New home sales are down 67 percent from the peak average of 1,580 sold annually during 2006 and 2007 and remain 31 percent less than the average of 640 homes sold annually from 2008 through 2012. The average sales price of a new home was $199,500 during the 12 months ending January 2015, up $8,700, or nearly 5 percent, compared with the sales price a year earlier. By comparison, the average sales price of new homes peaked at $203,400 during 2006 and 2007.

Existing home sales totaled 2,200 during the 12 months ending January 2015, an increase of slightly less than 1 percent compared with sales during the 12 months ending January 2014. Existing home sales are 24 percent less than the peak of 2,900 homes sold annually during 2005 and 2006 but are slightly more than the average of 1,725 homes sold from 2008 through 2012. The average sales price of an existing home was $153,300 during the 12 months ending January 2015, up $2,375, or more than 1 percent, compared with the sales price during the 12 months ending January 2014.

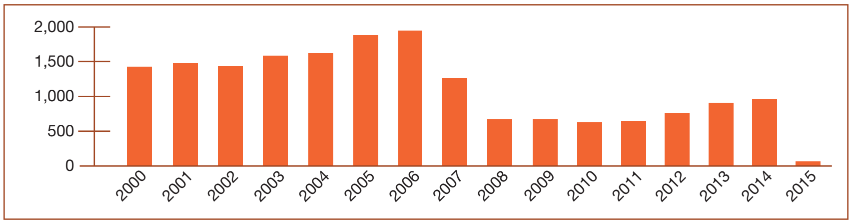
For the 12 months ending January 2015, real estate owned (REO) property sales totaled 350, or less than 12 percent of all home sales in the HMA, which is down from the 440 REO sales during the 12 months ending January 2014, when REO sales accounted for 14 percent of all existing single-family home sales. During 2005 and 2006, before the housing downturn, REO sales averaged 130 annually and accounted for approximately 3 percent of all home sales. The average sales price of an REO home is less than the average sales price of a non-REO home in the HMA, and the high percentage of REO sales, relative to recent history, continues to negatively affect existing single-family sales prices. The average sales price of an REO home was $115,600 during the 12 months ending January 2015, which is down more than 2 percent from $118,500 for the 12 months ending January 2014. The number of home loans in the Laredo HMA that were seriously delinquent (90 or more days delinquent or in foreclosure) or had transitioned into REO status decreased to 4.9 percent of total loans in January 2015, down from 5.2 percent in January 2014 (Black Knight Financial Services, Inc.). The current percentage of seriously delinquent loans and REO properties in the HMA compares with 3.7 percent in Texas, 4.5 percent nationally, and a local peak of 10.1 percent in January 2010.

Single-family homebuilding activity, as measured by the number of single-family homes permitted, has increased each year since 2011 but remains below prerecession levels. The number of single-family homes permitted during the 12 months ending January 2015 increased by 50, or 5 percent, to 960 single-family homes compared with the number of homes permitted during the 12 months ending January

2014 (preliminary data). The number of homes permitted peaked from 2004 through 2006, at an average of 1,825 homes permitted annually, but declined to an average of only 660 homes permitted annually from 2008 through 2010. Figure 7 shows the number single-family homes permitted by year since 2000. Single-family housing subdivisions currently in development include the 148-home Las Ventanas on the east side of the city of Laredo, which broke ground in 2012. Home prices at Las Ventanas start at $125,000, and the development is about 75 percent complete. Green Ranch, which broke ground in 2006, is on the northwest side of the city of Laredo and will have an estimated 350 homes when complete. The development currently has home prices starting at $149,900 and is about two-thirds complete.

During the 3-year forecast period, demand is expected for an estimated 3,100 new market-rate homes and an additional 125 mobile homes (Table 1). Demand is expected to be concentrated in the $130,000-to-$199,999 price range. Table 4 shows the estimated demand for new market-rate homes by price range. The 290 homes currently under construction and a portion of the 3,700 other vacant units in the HMA that may come back on the market will satisfy some of the demand.

Figure 7. Single-Family Homes Permitted in the Laredo HMA, 2000 to Current



Notes: Includes townhomes. Current includes data through January 2015.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analysts

Table 4. Estimated Demand for New Market-Rate Sales Housing in the Laredo HMA During the Forecast Period

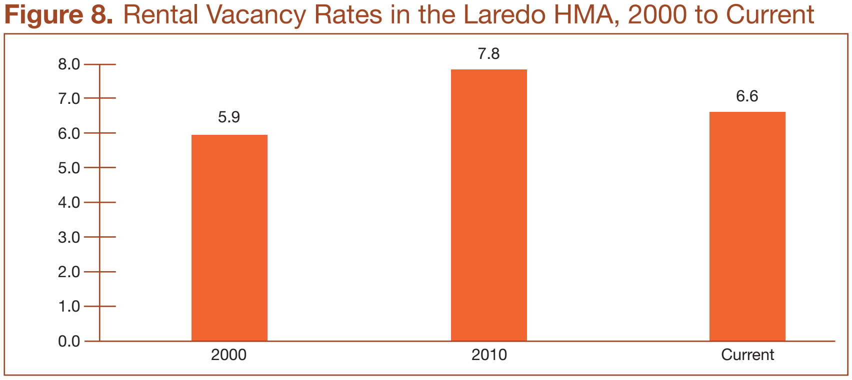
Price Range ($)		Units of Demand	Percent of Total
From	To		
130,000	149,999	870	28.1
150,000	199,999	900	29.0
200,000	249,999	710	22.9
250,000	299,999	370	11.9
300,000	and higher	250	8.1

Notes: The 290 homes currently under construction and a portion of the estimated 3,700 other vacant units in the HMA will likely satisfy some of the forecast demand. The forecast period is February 1, 2015, to February 1, 2018.
Source: Estimates by analysts

Rental Market

The rental housing market in the Laredo HMA is currently balanced, with increased multifamily construction activity stabilizing the rental market after a shortage of rental housing associated with the start of work in the Eagle Ford Shale oil and natural gas field in 2010. As of February 1, 2015, the rental vacancy rate, which includes single-family homes, mobile homes, and apartment units, is estimated at 6.6 percent, down from 7.8 percent in April 2010 (Figure 8). The apartment market is estimated to be slightly tighter than the overall rental market but also balanced. The apartment market had a vacancy rate of 6.4 percent as of January 2015, up from 4.6 percent the previous year and an estimated 5 percent in April

Figure 8. Rental Vacancy Rates in the Laredo HMA, 2000 to Current

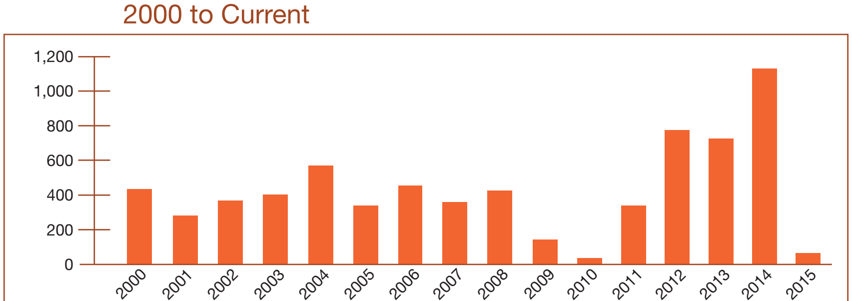


Note: The current date is February 1, 2015.
Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analysts

2010 (Reis, Inc.). During January 2015, apartment rents averaged $672, $823, and $1,009 for one-, two-, and three-bedroom units, respectively. Rent increases have averaged $40, $20, and $45, or 6, 3, and 5 percent, annually for one-, two-, and three-bedroom units, respectively, since 2010.

Beginning in late 2010, the overall rental market tightened significantly in response to the influx of workers into the Eagle Ford Shale area. The oil and natural gas field workers moved into the HMA fairly quickly and absorbed many of the available units, and no immediate increase in the number of available rental housing units was made to meet this demand; therefore, vacancy rates dropped and rents rose. Development of new rental units, which began in late 2011, began to balance the market, however. During the first quarter of 2013, when the rental market is estimated to have been the tightest, the apartment vacancy rate was 3.3 percent. A common schedule for workers in the Eagle Ford Shale consists of working for 3 weeks straight, followed by 2 weeks off. The individuals, or sometimes the firms they work for, lease housing units in the area. The workers are not considered residents because it is likely that they will return to their permanent place of residence when they are not working. Such workers are not included in the population or resident employment counts in the HMA, but they may be counted as being at the location of a regional office. Although these employees do not establish a permanent residence in the HMA, they have a significant effect on its rental housing market.

Figure 9. Multifamily Units Permitted in the Laredo HMA, 2000 to Current



Notes: Excludes townhomes. Current includes data through January 2015.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analysts

Multifamily development has increased substantially since the late 2000s and remains at record-high levels. During the 12 months ending January 2015, 1,125 multifamily units were permitted, up 47 percent from 760 units permitted during the previous 12 months, all intended for renter occupancy (preliminary data). The rate of building activity in 2014 was nearly double the 575 multifamily units permitted in 2004, which was the prerecession peak year for multifamily units permitted (Figure 9). From 2004 through 2008, the number of multifamily units permitted averaged 430 a year. The number declined to an average of only 95 multifamily units permitted annually during 2009 and 2010. An average of 740 multifamily units were permitted each year from 2011 through 2014.

Two developments currently under construction in the HMA are Cibolo Crossing Apartments and River Bank Crossing Apartments. The Cibolo Crossing Apartments is a 236-unit development consisting of one-, two-, and three-bedroom units with rents ranging from $850 to $1,675. River Bank Crossing Apartments is a 152-unit development consisting of one-, two-, and three-bedroom units with rents ranging from $800 to $1,175. Both projects are expected to be complete by the end of 2015.

Demand for an estimated 1,300 new rental units is expected during the 3-year forecast period (Table 1). The 1,000 units currently under construction will meet most of this demand; most of the units are expected to be complete during the first year of the forecast period. Demand is expected to be strongest for one-bedroom units with gross monthly rents ranging from $800 to $999 (Table 5).

Table 5. Estimated Demand for New Market-Rate Rental Housing in the Laredo HMA During the Forecast Period

Zero Bedrooms		One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand
650 or more	30	800 to 999	640	1,000 to 1,199	360	1,180 to 1,379	50
		1,000 to 1,199	75	1,200 to 1,399	70	1,380 or more	15
	0	1,200 or more	40	1,400 or more	25		
Total	25	Total	750	Total	450	Total	65

Notes: Numbers may not add to totals because of rounding. The 1,000 units currently under construction will likely satisfy some of the estimated demand. The forecast period is February 1, 2015, to February 1, 2018.

Source: Estimates by analysts

Data Profile

Table DP-1. Laredo HMA Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%) 2000 to 2010	Average Annual Change (%) 2010 to Current
Total resident employment	66,705	96,364	106,400	3.7	2.5
Unemployment rate	6.0%	8.2%	5.0%		
Nonfarm payroll jobs	68,900	88,700	98,500	2.6	2.6
Total population	193,117	250,304	268,700	2.6	1.5
Total households	50,740	67,106	73,100	2.8	1.8
Owner households	33,322	43,286	45,350	2.7	1.0
Percent owner	65.7%	64.5%	62.0%		
Renter households	17,418	23,820	27,750	3.2	3.2
Percent renter	34.3%	35.5%	38.0%		
Total housing units	55,206	73,496	79,400	2.9	1.6
Owner vacancy rate	1.4%	1.9%	1.4%		
Rental vacancy rate	5.9%	7.8%	6.6%		
Median Family Income	$29,394	$39,280	$42,773	2.9	2.2

Notes: Numbers may not add to totals because of rounding. Employment data represent annual averages for 2000, 2010, and the 12 months through January 2015. Median Family Incomes are for 1999, 2009, and 2013. The current date is February 1, 2015.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analysts

Data Definitions and Sources

2000: 4/1/2000—U.S. Decennial Census
2010: 4/1/2010—U.S. Decennial Census
Current date: 2/1/2015—Analysts' estimates
Forecast period: 2/1/2015–2/1/2018—Analysts' estimates

The metropolitan statistical area definition in this report is based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated February 28, 2013.

Demand: The demand estimates in the analysis are not a forecast of building activity. They are the estimates of the total housing production needed to achieve a balanced market at the end of the 3-year forecast period given conditions on the as-of date of the analysis, growth, losses, and excess vacancies. The estimates do not account for units currently under construction or units in the development pipeline.

Other Vacant Units: In the U.S. Department of Housing and Urban Development's (HUD's) analysis, other vacant units include all vacant units that are not available for sale or for rent. The term therefore includes units rented or sold but not occupied; held for seasonal, recreational, or occasional use; used by migrant workers; and the category specified as "other" vacant by the Census Bureau.

Building Permits: Building permits do not necessarily reflect all residential building activity that occurs in an HMA. Some units are constructed or created without a building permit or are issued a different type of building permit. For example, some units classified as commercial structures are not reflected in the residential building permits. As a result, the analysts, through diligent fieldwork, make an estimate of this additional construction activity. Some of these estimates are included in the discussions of single-family and multifamily building permits.

For additional data pertaining to the housing market for this HMA, go to huduser.gov/publications/pdf/CMARtables_LaredoTX_15.pdf.

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This analysis has been prepared for the assistance and guidance of HUD in its operations. The factual information, findings, and conclusions may also be useful to builders, mortgagees, and others concerned with local housing market conditions and trends. The analysis does not purport to make determinations regarding the acceptability of any mortgage insurance proposals that may be under consideration by the Department.

The factual framework for this analysis follows the guidelines and methods developed by HUD's Economic and Market Analysis Division. The analysis and findings are as thorough and current as possible based on information available on the as-of date from local and national sources. As such, findings or conclusions may be modified by subsequent developments. HUD expresses its appreciation to those industry sources and state and local government officials who provided data and information on local economic and housing market conditions.

For additional reports on other market areas, please go to huduser.gov/portal/ushmc/chma_archive.html.