

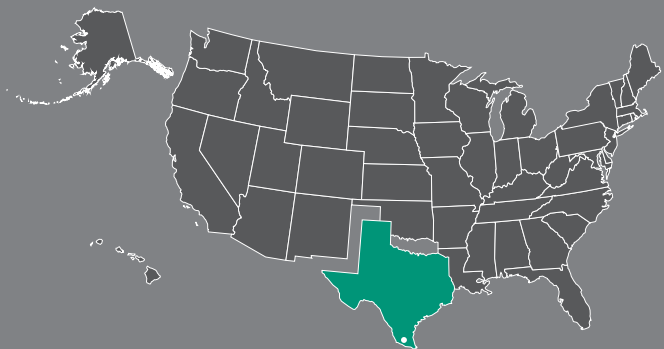
HUD PD&R Housing Market Profiles

McAllen-Edinburg-Mission, Texas



Quick Facts About McAllen-Edinburg-Mission

- **Current sales market conditions: slightly soft.**
- **Current apartment market conditions: slightly soft.**
- **The metropolitan area is the retail and health services center of South Texas and northern Mexico. About 35 percent of all retail sales in the metropolitan area are to visitors from Mexico (McAllen Chamber of Commerce estimates). During 2015 (the most recent data available), northbound border crossings of 4.6 and 2.5 million personal vehicles and pedestrians into the metropolitan area, respectively, were recorded (Texas Centers for Border Economic and Enterprise Development).**



By T. Michael Miller | As of March 1, 2017

Overview

The McAllen-Edinburg-Mission, TX Metropolitan Statistical Area (hereafter, McAllen metropolitan area) is coterminous with Hidalgo County, Texas, about 60 miles west of the Gulf of Mexico and bordered by Mexico to the south. The McAllen metropolitan area shares a border with Reynosa, Mexico, creating the McAllen-Reynosa area, home to nearly 2 million people. McAllen Foreign Trade Zone #12 houses about 410 companies from 42 countries, which facilitated more than \$30 billion in border trade during 2015 (McAllen Foreign Trade Zone Board; most recent data available).

- As of March 1, 2017, the estimated population of the McAllen metropolitan area is 858,700, an average annual increase of 12,150, or 1.5 percent, since 2010.
- During the 2000s, the population increased by an average of 20,550, or 3.1 percent, when net in-migration accounted for 35 percent of the increase compared with a slight net out-migration since 2010 offsetting population growth (2000 Census, 2010 Census, and estimates by the analyst).
- International net in-migration to the metropolitan area declined from an average of 3,375 people annually during the 2000s to an average of 1,525 people from April 2010 to July 2016. During the same period, domestic net migration reversed from an average net in-migration of 4,000 people annually to an average net out-migration of 1,875 people annually, a result of residents leaving to take higher-paying jobs in the Eagle Ford Shale area.



Total nonfarm payrolls in the McAllen area have increased year-over-year since 2010, despite continued losses in the goods-producing sectors during the past 2 years.

	3 Months Ending		Year-Over-Year Change	
	February 2016 (thousands)	February 2017 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	251.4	256.7	5.3	2.1
Goods-producing sectors	14.9	14.4	-0.5	-3.4
Mining, logging, and construction	8.2	8.0	-0.2	-2.4
Manufacturing	6.6	6.3	-0.3	-4.5
Service-providing sectors	236.5	242.3	5.8	2.5
Wholesale and retail trade	46.4	45.7	-0.7	-1.5
Transportation and utilities	8.6	8.6	0.0	0.0
Information	2.2	2.2	0.0	0.0
Financial activities	9.0	8.9	-0.1	-1.1
Professional and business services	16.0	16.6	0.6	3.8
Education and health services	66.8	70.2	3.4	5.1
Leisure and hospitality	23.6	24.3	0.7	3.0
Other services	5.5	5.6	0.1	1.8
Government	58.5	60.2	1.7	2.9
	(percent)	(percent)		
Unemployment rate	8.0	8.7		

Note: Numbers may not add to totals because of rounding.

Source: U.S. Bureau of Labor Statistics

Economic Conditions

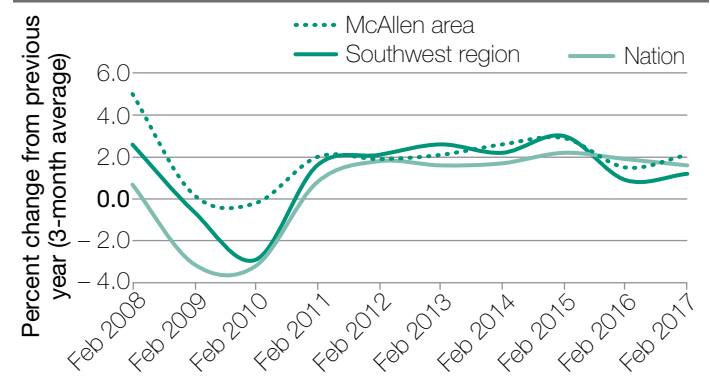
Nonfarm payrolls in the McAllen metropolitan area have grown an average of 2.1 percent annually since 2010, after job losses in 2009, when the national recession affected the economy of the metropolitan area. Payrolls increased during the past 12 months, primarily the result of hiring in the education and health services, government, and leisure and hospitality sectors, which accounted for 90 percent of the gains from a year ago.

During the 3 months ending February 2017—

- Nonfarm payrolls increased by 5,300, or 2.1 percent, from a year earlier to an average of 256,700 jobs.
- The education and health services sector led job growth, increasing by 3,400, or 5.1 percent, from the same 3-month period a year earlier. Two of the top three employers in the metropolitan area, Edinburg Regional Medical Center and McAllen Medical Center, are in the education and health services sector, which accounts for 27 percent of total nonfarm payrolls in the metropolitan area.

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



Source: U.S. Bureau of Labor Statistics

Largest employers in the McAllen area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Edinburg Regional Medical Center	Education and health services	3,000
University of Texas-Pan American	Government	2,850
McAllen Medical Center	Education and health services	2,800

Note: Excludes local school districts.

Source: McAllen Chamber of Commerce

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- A decline in the value of the Mexican peso compared with the U.S. dollar during the past year reduced the buying power of international shoppers and, as a result, contributed to a decline in the retail trade subsector of 900 jobs, or 2.4 percent.

Sales Market Conditions

The sales housing market in the McAllen metropolitan area is currently slightly soft, with an estimated sales vacancy rate of 2.0 percent compared with the rate of 1.8 percent in April 2010. The number of new homes sold (including single-family homes, townhomes, and condominiums) increased during the 12 months ending January 2017, but the number of existing homes sold declined. The average sales prices of both new and existing homes increased during the same period. The inventory of available homes for sale declined to an 8.9-month supply in February 2017 compared with a 9.6-month supply during February 2016, down from a high of 12.3 months of supply in March 2012.

- During the 12 months ending February 2017, sales of new homes increased 8 percent and sales of existing homes decreased 10 percent, to 1,700 and 8,925, respectively, from the 12 months ending February 2016 (CoreLogic, Inc., with adjustments by the analyst).

New home sales prices in the McAllen area have increased since late 2015 after nearly 6 years of decline, while existing home prices have increased since mid-2015.



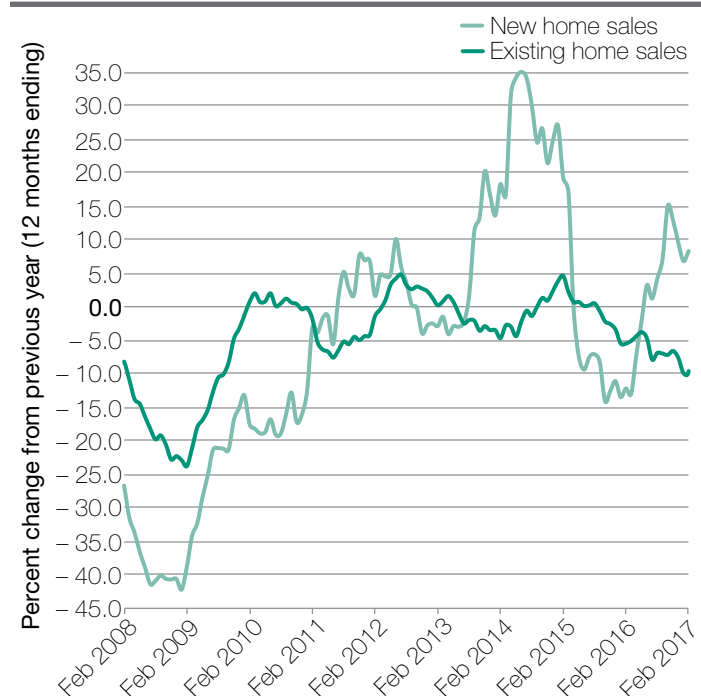
Note: Includes single-family homes, townhomes, and condominiums.
Source: Real Estate Center at Texas A&M University

- The unemployment rate increased to an average of 8.7 percent from 8.0 percent during the same 3-month period a year earlier. A reduction in oil and gas exploration activity in nearby Eagle Ford Shale area resulted in workers returning to the metropolitan area in search of work.

- During the 12 months ending February 2017, the average sales price for existing homes rose by \$9,000, or 8 percent, to \$128,700, up from \$119,700 during the 12 months ending February 2016. Existing home sales prices have increased since reaching a low of \$98,400 during 2012, following a decline from the previous high of \$120,300 during 2007.
- During the 12 months ending February 2017, the average sales price of a new home rose by \$10,100, or 9 percent, to \$108,600, up from \$99,500 during the 12 months ending February 2016. New home sales prices have fluctuated since reaching a high of \$141,500 during 2008. New home sales prices fell to \$90,200 during 2014, the lowest average price since 2004, primarily due to the decline in the sale of higher-priced homes coupled with an increase in the sale of lower-priced duplexes and townhomes.

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New home sales in the McAllen area increased during the past year following a year of decline, but existing home sales declined during the past 2 years.



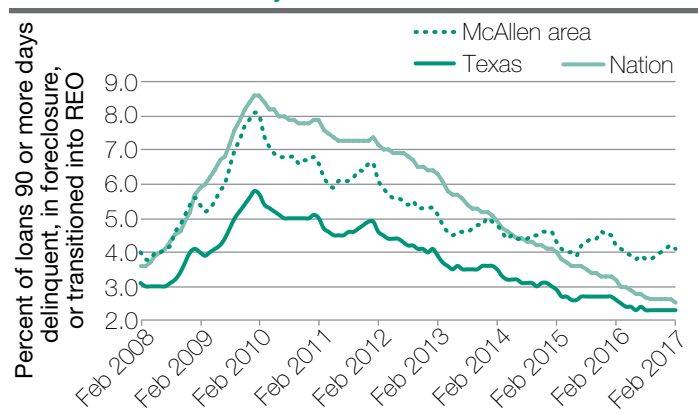
Note: Includes single-family homes, townhomes, and condominiums.
Source: Real Estate Center at Texas A&M University

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- In February 2017, 4.1 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 (REO) status, down from 4.2 percent in February 2016 and from the peak of 8.1 percent in January 2010. The seriously delinquent and REO rate has exceeded the national rate since 2014. (CoreLogic, Inc.).

Single-family home construction activity, as measured by the number of single-family homes permitted, increased by 3 percent during the 12 months ending February 2017 from the previous 12 months. Permitting is slightly above the average from 2008 through 2014 but well below the peak years from 2000 through 2007.

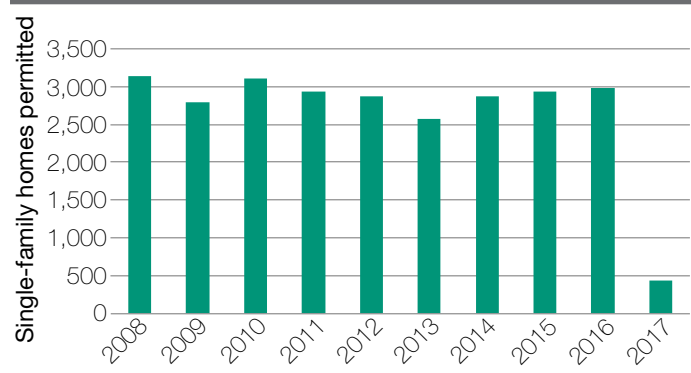
The rate of seriously delinquent loans and REO properties in the McAllen area has declined since 2010 but more slowly than the national rate.



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

- During the 12 months ending February 2017, 2,925 single-family homes were permitted (preliminary data), up 3 percent from the previous 12 months.
- From 2008 through 2014, the number of single-family homes permitted averaged 2,900 annually, down significantly from an average of 6,125 homes permitted annually from 2000 through 2007.
- In the city of Edinburg, construction is under way at Fairhaven Heights. Construction in the subdivision began in 2013 and consists of 310 lots for single-family homes starting at \$150,000. The subdivision is about 20 percent complete.

Single-family home permitting in the McAllen area has increased each year after a recent low during 2013.



Note: Includes preliminary data from January 2016 through February 2017.
Source: U.S. Census Bureau, Building Permits Survey

Apartment Market Conditions

The apartment market in the McAllen metropolitan area is currently slightly soft, a result of increased multifamily construction during the past 2 years and slightly slower nonfarm payroll growth during the past year. Currently, an estimated 30 percent of all households in the metropolitan area are renters, unchanged from April 2010. Apartments comprise 23 percent of renter-occupied units (2015 American Community Survey 1-year data).

During February 2017—

- The apartment vacancy rate increased to 4.6 percent compared with 3.7 percent during February 2016 (Reis, Inc.; monthly data not shown in figure).
- The average asking rent was \$726, up 3 percent from the average rent during February 2016; the average asking rent during the previous year was unchanged (Reis, Inc.). By comparison, the average asking rents for units completed since 2010 was \$1,014.

- The asking rents by number of bedrooms averaged \$621, \$771, and \$873 for one-, two-, and three-bedroom units, respectively.

Multifamily construction, as measured by the number of units permitted, totaled 1,500 units during the 12 months ending February 2017 (preliminary data), down 3 percent from a year earlier but up from the average of 1,325 units permitted annually from 2000 through 2007.

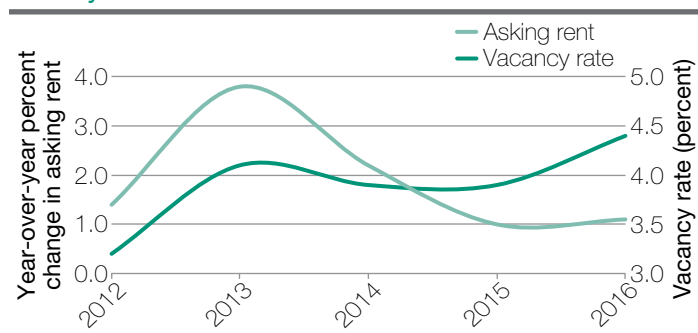
- From 2012 through 2014, an average of 590 multifamily units were permitted, a significant increase from the average of 350 units from 2008 through 2011 but well below the average of 1,550 units permitted during 2015 and 2016. The increase in permitting was in response to a tightening rental market following a downturn in production that began in 2008.
- An estimated 1,300 multifamily rental units are currently under construction in the metropolitan area, which includes 1,200 apartment units and a combined 100 duplex and quadplex units.

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- The 60-unit 2500 North McColl Apartments in the city of McAllen began leasing in 2016. This complex offers one- and two-bedroom units starting at \$850 and \$1,200, respectively.

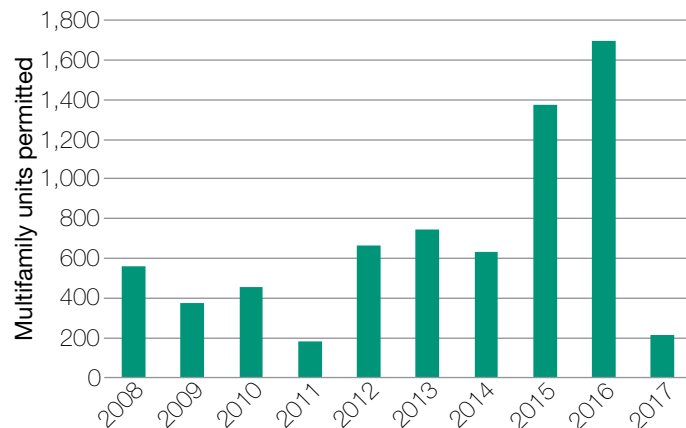
Since 2013, rents in the McAllen area have increased at a slower rate, and the vacancy rate has increased slightly, partly due to increased multifamily building activity.



Source: Reis, Inc., annual data

- The 288-unit Jackson Place Apartments in Pharr will begin leasing in May 2017. This complex will offer one-, two-, and three-bedroom units starting at \$908, \$1,150, and \$1,452, respectively.

Multifamily permitting in the McAllen area more than doubled during 2015 and 2016 compared to the average permitting during the previous 7 years.



Note: Includes preliminary data from January 2016 through February 2017.

Source: U.S. Census Bureau, Building Permits Survey