

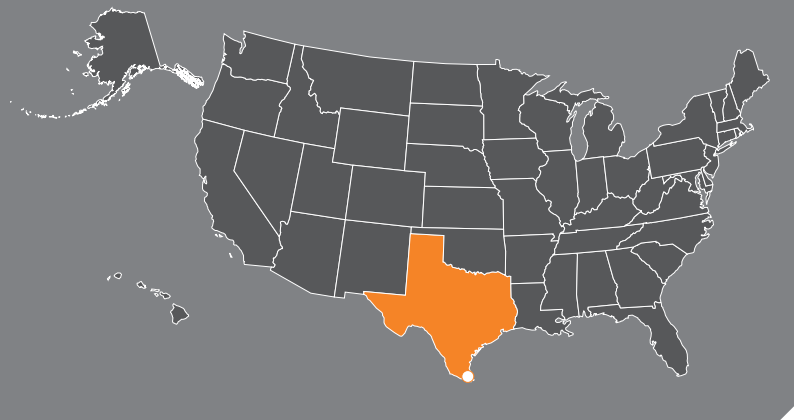
HUD PD&R Housing Market Profiles

Brownsville-Harlingen, Texas



Quick Facts About Brownsville

- Current sales market conditions: slightly tight
- Current apartment market conditions: slightly tight
- The Foreign Trade Zone Number 62 (FTZ No. 62) at the Port of Brownsville is the largest foreign trade zone in Texas and ranks second in the United States for the value of exports, with more than \$8.2 billion in the total value of exported goods in 2022, up from \$5.2 billion in 2021 (Port of Brownsville).



Harlingen, Texas

By Cameron Ehrlich | As of July 1, 2023

Overview

The Brownsville-Harlingen Metropolitan Statistical Area (hereafter, Brownsville metropolitan area) is coterminous with Cameron County, the southernmost county of Texas, along the Mexican border. FTZ No. 62 includes five international border-crossing points and ports in Harlingen and Brownsville. Trade is a major component of the economy in the area, and the Port of Brownsville, a deepwater seaport, provides linkage to the Gulf Intracoastal Waterway for inland barge transportation and is a hub for economic activity in the Rio Grande Valley. The port provides 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 in support of port activities (Port of Brownsville). Tourism is not limited to the southern border and includes “Winter Texans,” 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 \$825 million in the Rio Grande Valley

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(Welcome Home RGV Winter Texan Survey and University of Texas Rio Grande Valley, 2022).

- The population of the metropolitan area is estimated at 427,400 as of July 1, 2023, representing an average increase of 1,975, or 0.5 percent, annually since April 2020. Net out-migration averaged 25 people a year, and net natural change averaged 2,000 people annually during the same period.
- By comparison, the metropolitan area population increased by approximately 400, or 0.1 percent, annually from July 2016 to April 2020 (U.S. Census Bureau population estimates as of July 1 and decennial census counts). Net

natural change averaged 3,575 people a year with net out-migration averaging 3,175 people a year, which substantially impacted population growth during the period.

- The under-18 cohort remains the largest cohort in the HMA at an estimated 29.1 percent of all residents (2021 American Community Survey [ACS] 1-year data), contributing both to household growth in the HMA and domestic net out-migration; however, the number of residents aged 18 and younger declined by an average of 1,050 people, or 0.8 percent annually from 2010 to 2021, compared with the fastest growing age cohort, 65 and older, which increased an average of 1,225, or 2.4 percent, annually.

Economic Conditions

The economy in the Brownsville metropolitan area is strong, and payrolls in the metropolitan area exceeded prepandemic levels in April 2021 (monthly basis, not seasonally adjusted). During the second quarter of 2023, nonfarm payrolls averaged 159,600 jobs, increasing by 4,900 jobs, or 3.2 percent, from the second quarter of 2022. By comparison, payrolls during the second quarter of 2022 were up 4.1 percent year over year, following an 8.9-percent increase as of the second quarter of 2021. From the second quarter of 2016 through the second quarter of 2019, nonfarm payroll growth in the metropolitan area increased an average of 1.1 percent annually before declining an average of 5.9 percent as of the second quarter of 2020.

As of the second quarter of 2023—

- Job growth occurring in the metropolitan area was led by the education and health services sector, which increased by 2,300 jobs, or 5.0 percent, from a year ago to 48,300 jobs. Gains in the sector were bolstered by the expansion of Doctors Hospital at Renaissance (hereafter, DHR Health) in the metropolitan area, including the opening of a new DHR Health hospital in the city of Brownsville, adding 300 jobs in April 2023.
- The fastest growing sectors, the manufacturing sector and the professional and business services sector, increased by

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Nonfarm payroll growth occurred in 8 of the 11 employment sectors in the Brownsville-Harlingen metropolitan area during the second quarter of 2023.

	3 Months Ending		Year-Over-Year Change	
	June 2022 (Thousands)	June 2023 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	154.7	159.6	4.9	3.2
Goods-Producing Sectors	10.4	11.0	0.6	5.8
Mining, Logging, & Construction	3.5	3.6	0.1	2.9
Manufacturing	6.9	7.4	0.5	7.2
Service-Providing Sectors	144.3	148.6	4.3	3.0
Wholesale & Retail Trade	20.8	21.0	0.2	1.0
Transportation & Utilities	5.2	5.2	0.0	0.0
Information	0.7	0.7	0.0	0.0
Financial Activities	5.0	5.1	0.1	2.0
Professional & Business Services	16.0	17.1	1.1	6.9
Education & Health Services	46.0	48.3	2.3	5.0
Leisure & Hospitality	17.7	18.4	0.7	4.0
Other Services	3.4	3.6	0.2	5.9
Government	29.5	29.2	-0.3	-1.0
Unemployment Rate	5.6%	5.6%		

Note: Numbers may not add to totals due to rounding.

Source: U.S. Bureau of Labor Statistics



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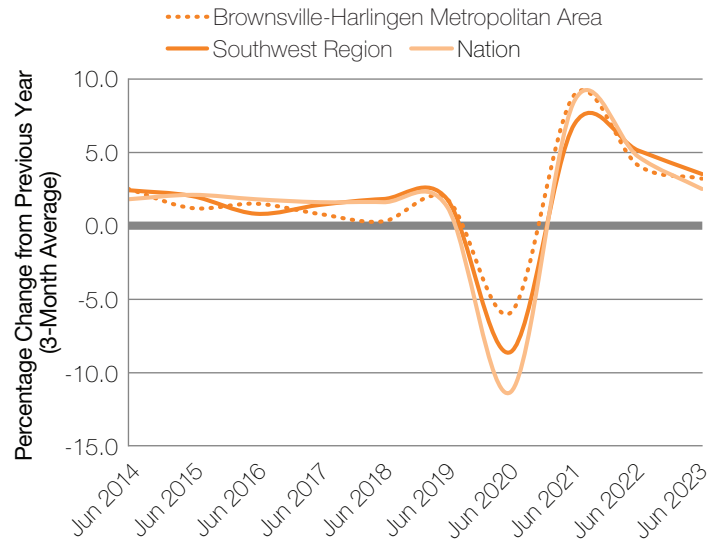
500 and 1,100 jobs, or 7.2 and 6.9 percent, respectively, from a year ago. With less than 5 percent of total nonfarm payrolls in the HMA, the manufacturing sector showed gains, partly due to new legislation incentivizing growth in the sector.

- The only sector to decline was the government sector, which decreased by 300 jobs, or 1.0 percent from the second quarter of 2022 because state and local government job recovery lagged overall in the HMA. Gains in the federal government subsector partly offset job declines by 200 jobs, or 3.8 percent, due in part to Border Patrol and other federal agencies concentrating enforcement along the border.
- The unemployment rate was 5.6 percent, unchanged from a year earlier and above the national rate of 3.4 percent. The unemployment rate reached a recent high of 14.1 percent during the second quarter of 2020.

The education and health services sector is the largest employment sector in the metropolitan area with 48,300 jobs, accounting for more than 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 steady growth in this sector. One of the largest employers, Valley Baptist Medical Center, has multiple locations in the cities of Harlingen and Brownsville and employs more than 2,100 people in the metropolitan area.

Job growth is expected to continue with several expansions underway in the metropolitan area. Current capital improvement projects underway or in planning include the Brazos Island Harbor Channel Improvement Project to deepen the Brownsville Ship Channel for the Rio Grande liquefied natural gas (LNG) terminal, which is anticipated to include the expansion of piers and the rehabilitation of docks. The \$12 billion first phase of the Rio Grande LNG facility at the Port of Brownsville is expected to break ground this year. The largest privately funded project in Texas, Phase 1 by NextDecade, is anticipated to generate more than 5,000 construction jobs during the next 8 years (Port of

Nonfarm payroll growth in the Brownsville-Harlingen metropolitan area was lower than the Southwest Region average but higher than the national average during the second quarter of 2023.



Source: U.S. Bureau of Labor Statistics

Largest Private Employers in the Brownsville-Harlingen Metropolitan Area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
H-E-B Grocery Company, LP	Wholesale & Retail Trade	2,678
Walmart Inc.	Wholesale & Retail Trade	2,452
Valley Baptist Medical Center	Education & Health Services	2,104

Note: Excludes local school districts.

Source: Cameron County, 2022 Comprehensive Annual Fiscal Report

Brownsville). In addition, Mexico-based Forza Steel anticipates completing the \$60 million first phase of a larger expansion, which is expected to be operational by the end of the year, at the Port of Brownsville, adding 150 jobs to the manufacturing sector.

Sales Market Conditions

Sales housing market conditions in the Brownsville metropolitan area are slightly tight, with a current estimated vacancy rate of 1.3 percent, down from 1.4 percent in April 2020, when the market was also slightly tight. As of June 2023, an estimated 4.3-month supply of homes was available for sale in the HMA, up from a 2.8-month supply a year earlier, when slowing sales greatly increased the supply (CoreLogic, Inc.). New and existing home sales in the Brownsville metropolitan area totaled 6,225 during the 12 months ending June 2023, down 24 percent from

the 8,150 homes sold during the 12 months ending June 2022. Home sales in the metropolitan area began slowing in early 2022, partly due to relatively high sales prices compared with median incomes in the metropolitan area. In addition, affordability was negatively impacted because mortgage interest rates increased, averaging 6.7 percent during June 2023 for a 30-year fixed-rate mortgage, up from the average of 5.5 percent during June 2022 and 3.0 percent during June 2021 (Freddie Mac). The average home sales price increased 6 percent, or by \$13,200,

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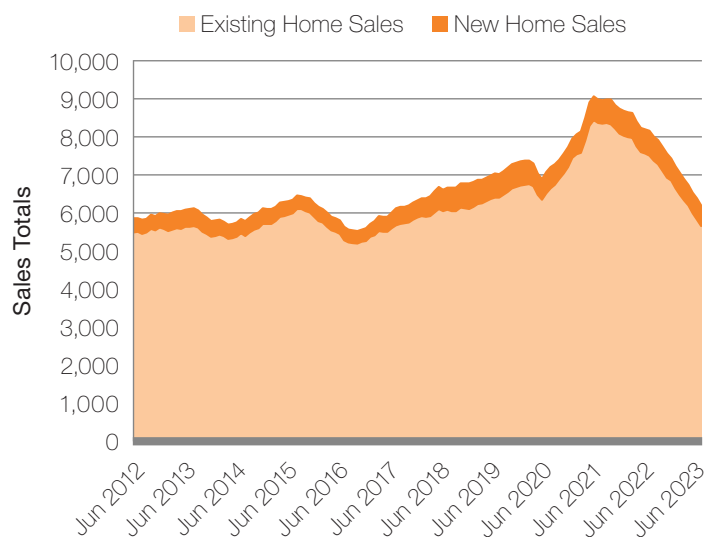
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to \$224,600 during the 12 months ending June 2023, compared with a 20-percent increase a year earlier.

During the 12 months ending June 2023—

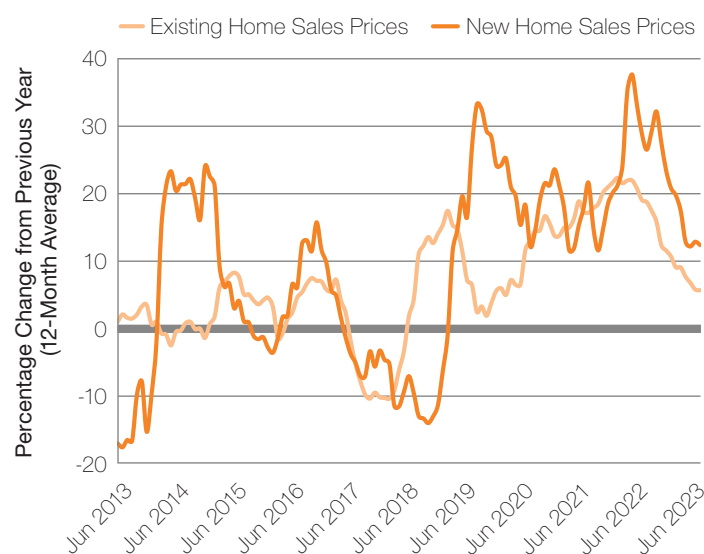
- New home sales totaled 550, reflecting a decrease of approximately 100, or nearly 16 percent, from the previous

The number of new and existing home sales decreased in the Brownsville-Harlingen metropolitan area during the 12 months ending June 2023.



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

In the Brownsville-Harlingen metropolitan area, new home sales price growth has slowed since peaking in April 2022.



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

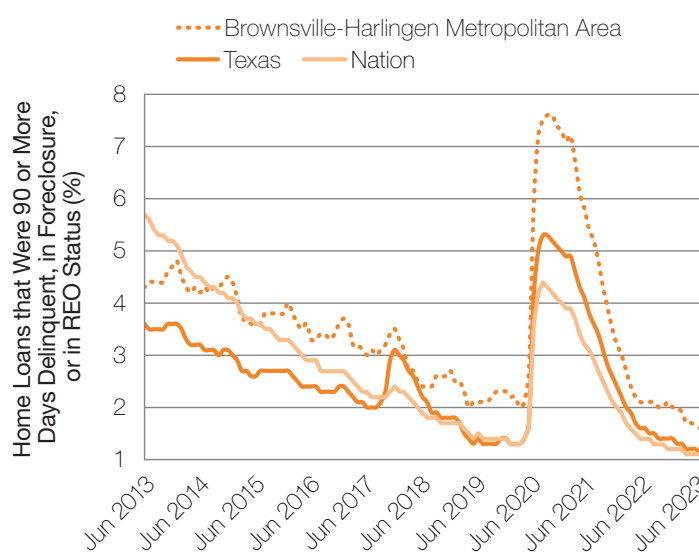
12 months, and the average sales price increased by \$29,000, or 12 percent, to \$265,500 (CoreLogic, Inc., with adjustments by the analyst). New home sales had stronger price growth, 29 percent, during the previous 12-month period.

- Existing home sales totaled 5,675, representing a decline of 1,850, or nearly 25 percent, compared with a 10-percent decline a year earlier. The average existing home price increased by \$11,400, or nearly 6 percent, to \$220,600.
- Cash sales, as a portion of total sales, declined. An average of 46 percent of total home sales during the second quarter of 2023 were estimated to be cash sales, down from an average of 52 percent a year ago (CoreLogic, Inc., with adjustments by the analyst).
- Seriously delinquent mortgages in the metropolitan area declined after rising during 2020, following the onset of the COVID-19 pandemic. The rate of home loans 90 or more days delinquent, in foreclosure, or transitioned to real estate owned (REO) status was 1.6 percent as of June 2023, down from 2.1 percent a year earlier and the recent high of 7.6 percent in October 2020 (CoreLogic, Inc.).

In response to rapidly rising mortgage interest rates during 2022, the demand for homes declined, contributing to the decline in sales construction activity, as measured by the number of single-family homes, townhomes, and condominiums permitted.

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The share of seriously delinquent home loans and REO properties in the Brownsville-Harlingen metropolitan area has been greater than in Texas since early 2018.

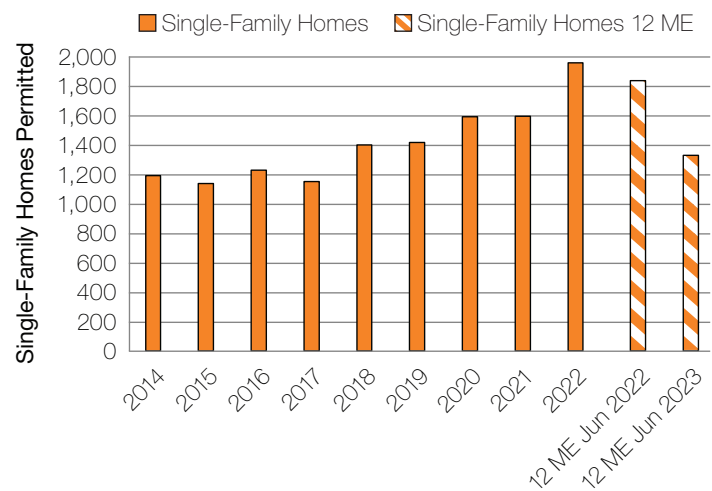


REO = real estate owned.
Source: CoreLogic, Inc.

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- During the 12 months ending June 2023, single-family permitting totaled 1,325 homes, down 510 homes, or 28 percent, from the previous 12 months (includes preliminary data). Approximately 45 percent of single-family permitting during the period occurred in the city of Brownsville, down from 51 percent from 2019 through 2021.
- Paso Real is a new construction community in the city of Harlingen with 15 ready-to-build plans. Sales began in late 2022, and the Phase I subdivision has 80 lots currently, with plans to expand to 212 lots in future phases; 46 of the 80 lots have sold. Prices start at \$227,990 for three- or more bedroom homes, ranging in size from 1,780 to 3,675 square feet.
- Palo Alto Groves, a 220-acre, mixed-income community in the city of Brownsville, continues construction on Phase II. Phase I sold out with 126 single-family homes; 40 of the 70 lots remain available in Phase II. Prices start at \$266,290 for three- to five-bedroom homes, ranging in size from 1,471 to 3,009 square feet.

The number of single-family homes permitted in the Brownsville-Harlingen metropolitan area has declined since a recent high in 2022.



12 ME = 12 months ending.

Sources: U.S. Census Bureau, Building Permits Survey; 2014–22—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

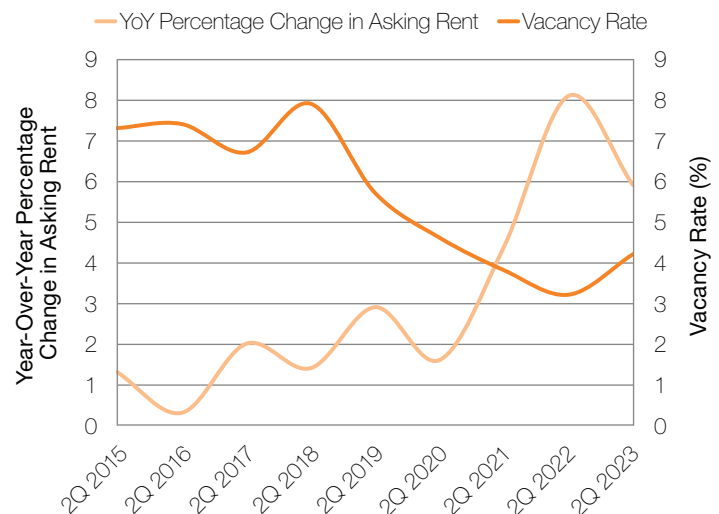
Apartment Market Conditions

Apartment market conditions are currently slightly tight, easing from tight conditions a year ago. The apartment vacancy rate averaged 4.2 percent as of the second quarter of 2023, up from 3.2 percent a year earlier (CoStar Group). The average rent as of the second quarter of 2023 was \$904, up by \$50, or nearly 6 percent, compared with the second quarter of 2022, when average rents increased more than 8 percent. From the second quarter of 2015 through the second quarter of 2020, average rent increases were nearly 2 percent annually. In the second quarter of 2021, the average rent was up 4 percent year over year, partly because the vacancy rate fell to 3.8 percent during the period, falling from the average vacancy rate of 4.6 percent during the second quarter of 2020. Average apartment vacancy rates ranged from 5.7 to 7.9 percent during the second quarter of 2015 through the first quarter of 2019.

As of the second quarter of 2023—

- The average asking rent was \$716, \$811, \$937, and \$1,102 for studio, one-, two-, and three-bedroom units, respectively. Rent growth ranged from 4, 7, 7, and 6 percent for studio, one-, two-, and three-bedroom units, respectively, from a year earlier.
- The average vacancy rates in the metropolitan area were 4.6, 4.2, 4.1, and 3.9 percent for studio, one-, two-, and three-bedroom units, respectively, up from 2.8, 3.4, 3.2, and 3.3 percent during the second quarter of 2022.

As new apartment units entered the market during the second quarter of 2022, vacancy rates increased and rent growth slowed in the Brownsville-Harlingen metropolitan area.



2Q = second quarter. YoY = year-over-year.

Source: CoStar Group

- The average vacancy rate for stabilized class A apartments in the metropolitan area declined to 2.5 percent, down from 3.8 percent a year ago (CoStar Group). The average rent was \$1,095, up 3 percent from the second quarter of 2022.

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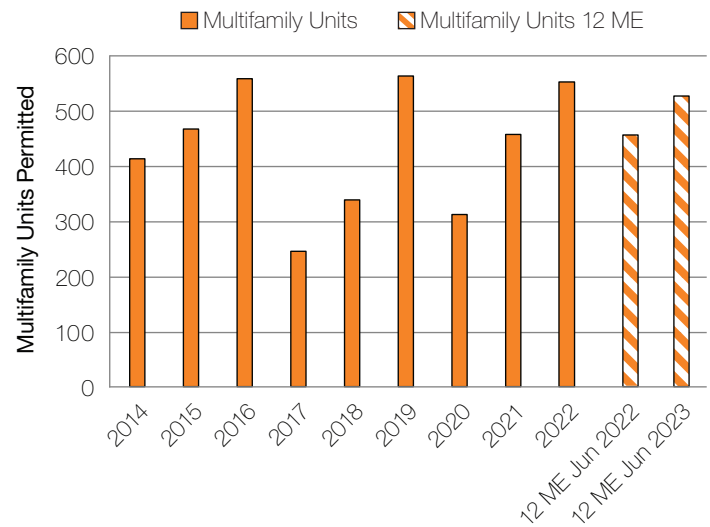
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- The average vacancy rates for stabilized class B and class C apartments were 4.6 and 4.1 percent, respectively, up from 3.0 and 3.5 percent a year earlier. The average asking rents for class B and class C units increased 8 and 5 percent to \$942 and \$819, respectively.

Multifamily construction in the Brownsville metropolitan area, as measured by the number of units permitted, has slowed from a recent high of 560 units in 2019. More than 80 percent of all apartment construction since 2020 has been either affordable, age-restricted, or a combination of the two.

- During the 12 months ending June 2023, multifamily construction totaled 530 units, up 70 units, or 16 percent, from the previous 12 months. An estimated 470 apartments are currently under construction, with approximately 65 percent in the city of Brownsville and the remaining 35 percent in the city of Harlingen.
- More than 35 percent of multifamily units permitted since 2020 were for two- to four-unit structures. By comparison, more than 50 percent of multifamily units permitted were for two- to four-unit structures from 2014 through 2019.
- Recent developments include the 144-unit Midtown Brownsville in the city of Brownsville, which is expected to be complete in the fall of 2023. The market-rate development is anticipated to offer one- and two-bedroom units, with monthly rents ranging from \$976 to \$1,690.
- El Jardin Hotel in the city of Brownsville is expected to undergo a \$18.7 million renovation into 44 affordable

The number of multifamily units permitted declined in 2020, largely because of the economic downturn caused by the COVID-19 pandemic.



12 ME = 12 months ending.

Sources: U.S. Census Bureau, Building Permits Survey; 2014–22—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

housing units, offering one-, two-, and three-bedroom units for renters who earn up to 30, 50, and 60 percent of the area median income. Anticipated amenities include a library, computer lab, garden area, annual health fairs, and access to various courses and activities for residents. It is expected to be complete in December 2024.

Terminology Definitions and Notes

A. Definitions

Apartment Vacancy Rate/Apartment Rent	Data are for market-rate and mixed (market-rate and affordable general occupancy) apartment properties with five or more units, including only those that are stabilized. An apartment property is stabilized once an occupancy rate of 90 percent or above is reached, or at least 18 months pass since the property was completed.
Building Permits	Building permits do not necessarily reflect all residential building activity. 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 analyst, through diligent fieldwork, makes an estimate of this additional construction activity. Some of these estimates are included in the discussions of single-family and multifamily building permits.
Existing Home Sales	Include resales, short sales, and real estate owned (REO) sales.
Home Sales/Home Sales Prices	Includes single-family home, townhome, and condominium sales.
Net Natural Change	Resident births minus resident deaths.
Rio Grande Valley	An area including Starr, Hidalgo, Willacy, and Cameron Counties along the Rio Grande at the southernmost tip of Texas.
Seriously Delinquent Mortgages	Mortgages 90 or more days delinquent or in foreclosure.

B. Notes on Geography

1.	The metropolitan statistical area definition noted in this report is based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated April 10, 2018.
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