

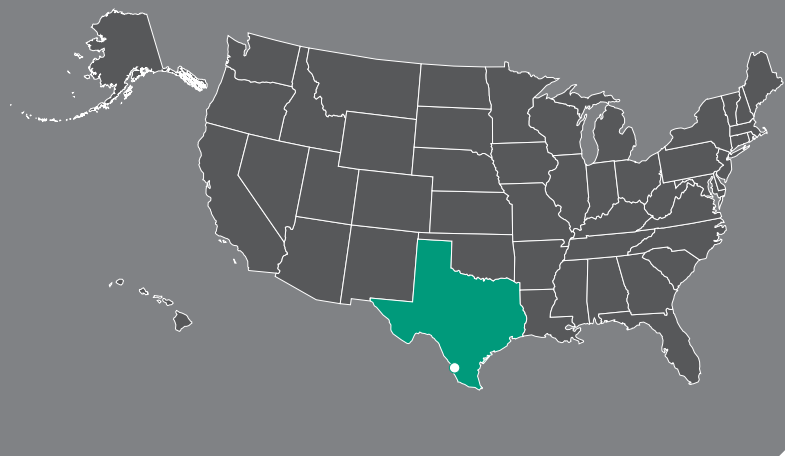
# HUD PD&R Housing Market Profiles

## Laredo, Texas



### Quick Facts About Laredo

- Current sales market conditions: slightly tight
- Current apartment market conditions: tight
- Laredo is home to the largest inland port in the United States, with an estimated \$299.4 billion in global trade passing through the port in 2022. An estimated 5,547,000 trucks passed through the border in 2022, making it the third busiest port in the nation (Laredo Economic Development Corporation).



By Andrew Cross | As of April 1, 2023

### Overview

The Laredo Metropolitan Statistical Area (hereafter Laredo metropolitan area) is in south Texas and is coterminous with Webb County. The economy in the Laredo metropolitan area is heavily dependent on international trade. The city of Laredo shares a border with Mexico, approximately 160 miles south of San Antonio via Interstate 35 (I-35), and it is 3 hours north of the manufacturing hub of Monterrey, Mexico. I-35 begins in Laredo and ends in Duluth, Minnesota, making it a vital shipping route in the United States. Four bridges for vehicle traffic and one rail bridge facilitate trade across the border. The border with Mexico necessitates a large presence of border patrol and border customs agents in the Laredo metropolitan area.

- The Laredo metropolitan area population is currently estimated at 268,500 and is the 12th most populous metropolitan area in Texas.
- Since 2020, population growth has averaged 450 people, or 0.2 percent annually, entirely due to net natural increase, with net out-migration averaging 1,775.
- U.S. Customs and Border Protection is the largest employer in the metropolitan area, with 3,025 employees helping regulate people and goods passing in and out of the Port of Laredo.



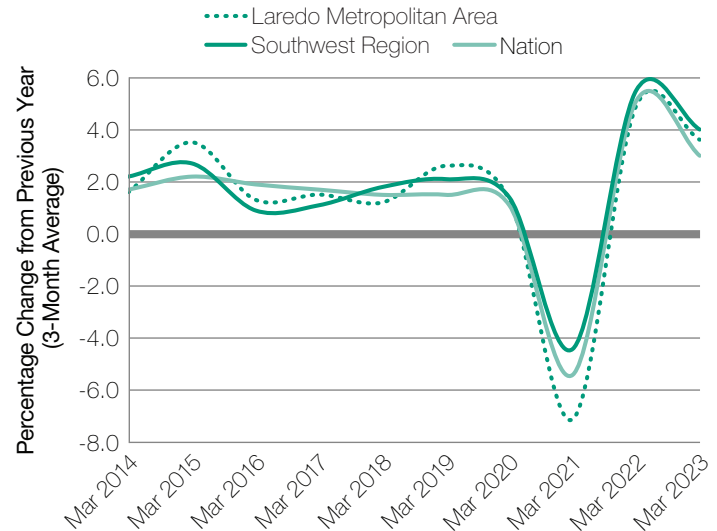
## Economic Conditions

Economic conditions are currently strong in the Laredo metropolitan area. During the first quarter of 2023, nonfarm payrolls totaled 108,400, increasing by 3,800, or 3.6 percent, from 1 year ago. Nonfarm payrolls have increased following a sharp decline of 13,200 jobs in March and April 2020 due to the COVID-19-related downturn. An increase in cross-border traffic fueled the recovery, and by the fourth quarter of 2022, nonfarm payrolls exceeded the prepandemic levels during the fourth quarter of 2019. The government sector, which accounts for nearly 23 percent of all jobs in the metropolitan area, is the largest employment sector, with 24,500 jobs during the first quarter of 2023, up by 700 jobs, or 2.9 percent, from a year ago.

During the first quarter of 2023—

- The transportation and utilities sector added 900 jobs, or 5.3 percent, from a year earlier because cross-border commerce increased. From March 2020 to November 2021, the southern border was closed for all nonessential travel and trade to help prevent the spread of COVID-19.
- The education and health services sector added 800 jobs, or 4.7 percent, compared with a year ago. Expansions at the Laredo Medical Center and Primary Care Associates of Laredo, which opened a clinic in December 2022, supported gains in the sector.
- The leisure and hospitality sector increased by 700 jobs, or 6.5 percent, to 11,500 jobs, returning to prepandemic levels because demand for these services increased along with border crossings.

**Nonfarm payroll losses were more severe in the Laredo metropolitan area than in the region and nation during the COVID-19-related downturn because travel restrictions diminished trade.**



Source: U.S. Bureau of Labor Statistics

- The mining, logging, and construction sector added 300 jobs, or 10 percent, compared with the previous year because construction that began in 2022 to expand I-35 continues, along with continuing construction of more than 2 million square feet of warehouse space helping facilitate foreign trade.

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**During the first quarter of 2023, total nonfarm payrolls increased in 9 of the 11 employment sectors in the Laredo metropolitan area.**

	3 Months Ending		Year-Over-Year Change	
	March 2022 (Thousands)	March 2023 (Thousands)	Absolute (Thousands)	Percent
<b>Total Nonfarm Payrolls</b>	104.6	108.4	3.8	3.6
Goods-Producing Sectors	3.8	4.2	0.4	10.5
Mining, Logging, & Construction	3.0	3.3	0.3	10.0
Manufacturing	0.8	0.9	0.1	12.5
Service-Providing Sectors	100.8	104.2	3.4	3.4
Wholesale & Retail Trade	15.6	15.9	0.3	1.9
Transportation & Utilities	17.1	18.0	0.9	5.3
Information	0.6	0.6	0.0	0.0
Financial Activities	3.5	3.6	0.1	2.9
Professional & Business Services	9.8	9.5	-0.3	-3.1
Education & Health Services	17.2	18.0	0.8	4.7
Leisure & Hospitality	10.8	11.5	0.7	6.5
Other Services	2.4	2.6	0.2	8.3
Government	23.8	24.5	0.7	2.9
<b>Unemployment Rate</b>	4.8%	4.6%		

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

Source: U.S. Bureau of Labor Statistics

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- In percentage terms, the manufacturing sector had the biggest gain, increasing 12.5 percent, or by 100 jobs. A 40,000-square-foot expansion at Fontaine Modification contributed to gains, providing post-production truck services, including electrification packaging.
- The average unemployment rate was 4.6 percent, a decrease from 4.8 percent 1 year ago.

Laredo includes the largest inland port in the United States, and it is the foundation of economic activity in the metropolitan area. Approximately 58 percent of all trade in Texas with Mexico comes through the port of Laredo, with an estimated \$75.99 billion of goods and services passing through the port in 2022 (Laredo Economic Development Corporation). With so much trade moving through Laredo, the transportation and utilities sector is the second largest employment sector in the metropolitan area. The transportation and utilities sector

### Largest Employers in the Laredo Metropolitan Area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
U.S. Customs and Border Protection	Government	3,025
City of Laredo	Government	2,700
Walmart Inc.	Wholesale & Retail Trade	2,500

Note: Excludes local school districts.

Source: Laredo Economic Development Corporation

accounts for more than 16 percent of all nonfarm payroll jobs in the metropolitan area—well above the national and state averages of 4.5 and 5.1 percent. During the first quarter of 2023, an average of approximately 242,200 inbound trucks crossed the border from Mexico, an increase of 7 percent from the first quarter of 2022, contributing to the gains in the transportation and utilities sector.

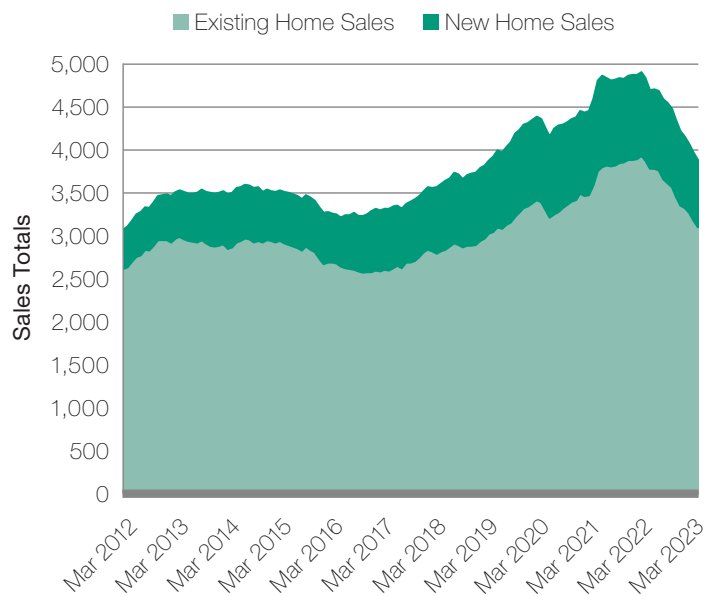
## Sales Market Conditions

The sales market in the Laredo metropolitan area is currently slightly tight, with an estimated vacancy rate of 1.6 percent, down from 1.9 percent in April 2010, when the home sales market was balanced. During March 2023, a 3.1-month supply of for-sale inventory was available in the metropolitan area, compared with a 1.6-month supply in March 2022 (Real Estate Center at Texas A&M University). The months' supply of inventory remained at less than 3 months for 28 months before increasing to just 3.2 months in November 2022. Home sales totaled 3,875 during the 12 months ending March 2023, a decrease of 950, or 20 percent, from the 12 months ending March 2022, and remain elevated (CoreLogic, Inc., with adjustments by the analyst). The percentage of home loans in the Laredo metropolitan area that were seriously delinquent or transitioned into real estate owned (REO) status dropped to 2.4 percent in March 2023 from 3.4 percent in March 2022 (CoreLogic, Inc.). The current rate is greater than the 1.2-percent rate for Texas and the 1.1-percent rate for the nation.

During the 12 months ending March 2023—

- New home sales totaled 790, a decrease of 180, or 19 percent, from the previous 12 months because rising interest rates dampened demand.
- The average sales price of a new home was \$274,000, an increase of \$13,950, or 5 percent, from 1 year earlier because limited inventory in recent years put upward pressure on prices.
- Existing home sales totaled 3,100, a decrease of 770, or 20 percent, from the previous 12 months because interest rates and home prices increased.

### Existing home sales have slowed recently after peaking in 2022 but remain at levels higher than those before the pandemic.



Note: Sales are for single-family homes, townhomes, and condominiums.

Source: CoreLogic, Inc.

- The average sales price of an existing home increased by \$2,350, or 1 percent, to \$219,400 from a year earlier because limited inventory continued to limit price gains.

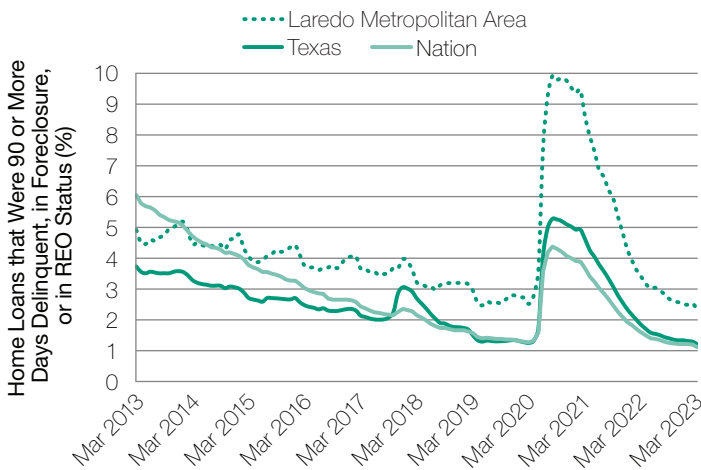
The number of single-family homes permitted increased in the Laredo metropolitan area beginning in 2019, averaging

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In the Laredo metropolitan area, the percentage of home loans 90 days or more delinquent, in foreclosure, or recently transitioned has been consistently above the statewide and national average since September 2014.

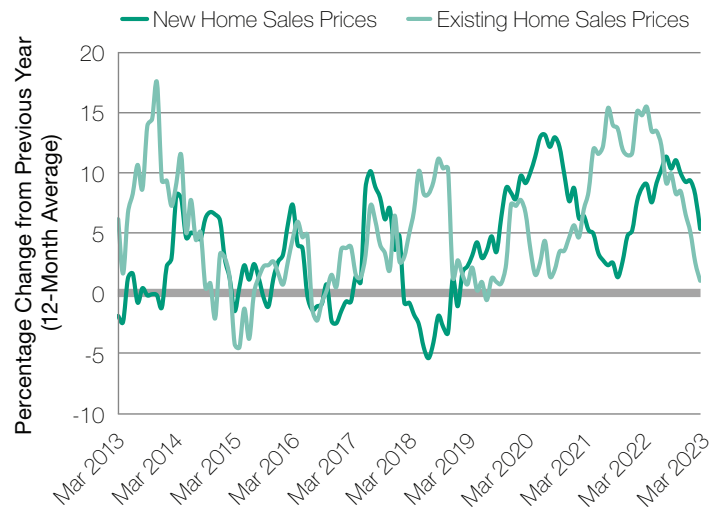


REO = real estate owned.  
Source: CoreLogic, Inc.

1,350 homes annually through 2022. However, home builders pulled back from record production levels in 2021 because rising interest rates and slow population growth since 2020 have contributed to declining demand. In 2022, single-family permitting decreased by 200 units, from 1,475 units permitted in 2021 to 1,275.

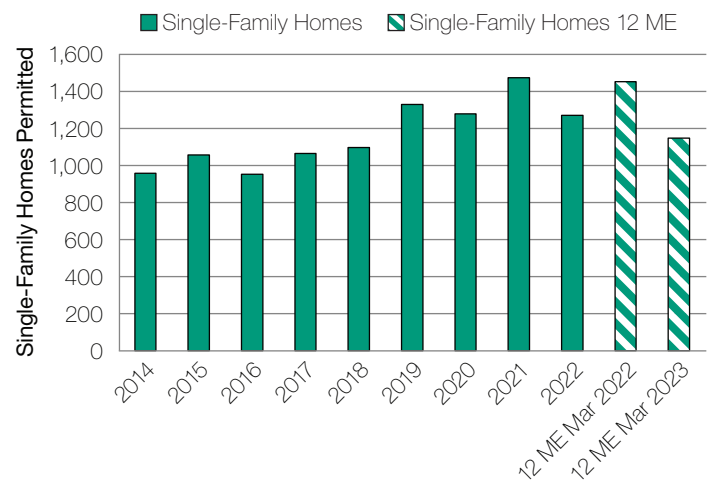
- Based on preliminary data, 1,150 homes were permitted during the 12 months ending March 2023, down from 1,450 during the 12 months ending March 2022.
- By comparison, the number of single-family homes permitted in the metropolitan area averaged 1,025 homes annually from 2014 through 2018.
- Shiloh Highland is a new housing development in the city of Laredo, on the north side, offering two options: a 2,095-square-foot house with three bedrooms, at a starting price of \$301,000, and a 2,398-square-foot house with four bedrooms, at a starting price of \$313,000.

Existing home sales price growth slowed in the Laredo metropolitan area during the past year as for-sale inventory rose.



Note: Prices are for single-family homes, townhomes, and condominiums.  
Source: CoreLogic, Inc.

Single-family permitting peaked during 2021 to meet demand because home sales reached their highest levels in recent history.



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

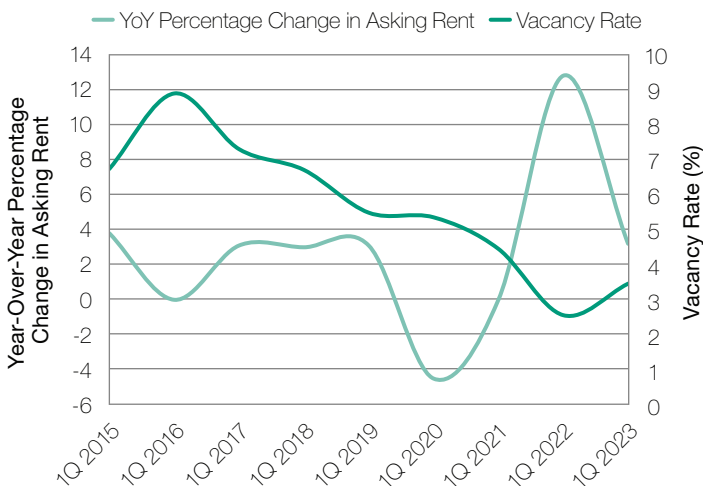
## Apartment Market Conditions

Apartment market conditions in the Laredo metropolitan area are currently tight; however, vacancies trended upward after a low of 2.6 percent in the first quarter of 2022. The increasing vacancy rate during the past 12 months has tempered the local rent growth rate. Despite slow population growth and net out-migration from the Laredo metropolitan area since 2020, vacancies have remained near historical lows due to increased household formation. The number of people living alone in the Laredo metropolitan area increased by 2,775 people, or nearly 24 percent, from 2019 to 2021 as people began to work again and received financial aid through COVID-19 relief packages, contributing to tight apartment conditions (2021 American Community Survey [ACS] 1-year data).

During the first quarter of 2023—

- The apartment vacancy rate was 3.5 percent, up from 2.6 percent during the first quarter of 2022 (CoStar Group).
- The average rent for an apartment was \$1,034, an increase of \$30, or 3 percent, from the first quarter of 2022.
- The average asking rent by bedroom size was \$897, \$1,057, and \$1,331 for one-, two-, and three-bedroom units, respectively.
- The vacancy rates for one-, two-, and three-bedroom apartments were 3.2, 3.4, and 3.9 percent, respectively.

After reaching a historic low during the first quarter of 2022, the apartment vacancy rate has steadily increased despite a sharp slowdown in asking rents.

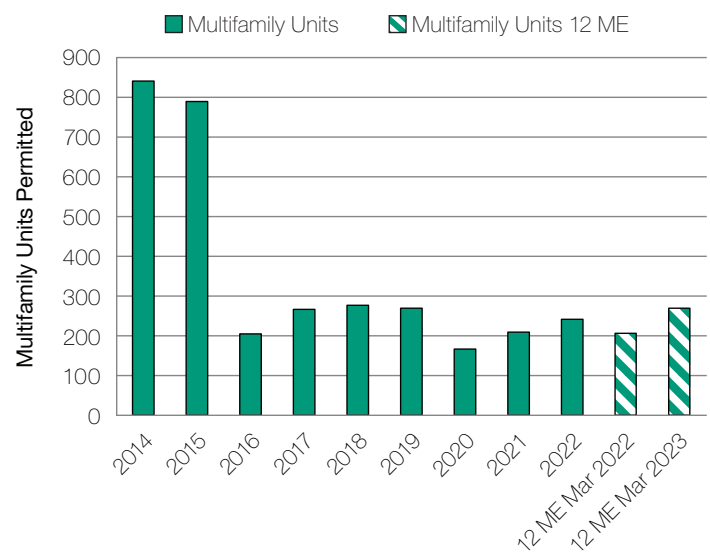


1Q = first quarter. YoY = year-over-year.  
Source: CoStar Group

Multifamily construction surged during 2014 and 2015, with an average of 820 units permitted annually, compared with an average of 480 units permitted annually from 2010 through 2013, because oil field workers came into the metropolitan area due to exploration and extraction of oil and natural gas from the Eagle Ford Shale during the period. With a downturn in the price of oil beginning in 2014, oil exploration slowed, and workers left the area, contributing to softening market conditions in 2015. Developers responded to softening apartment market conditions by slowing production, with no more than 300 units permitted annually in any year since 2015.

- From 2016 through 2019, multifamily permitting decreased, averaging 250 units permitted annually. From 2020 through 2022, permitting further declined, averaging 210 units permitted annually, despite tightening market conditions.
- Based on preliminary data, 270 multifamily units were permitted in the metropolitan area during the 12 months ending March 2023, increasing by 65 units, or 31 percent, from the previous 12 months.
- The International Apartments, in the city of Laredo, opened in the spring of 2022. The 26-unit property is currently 96 percent occupied, with an average asking rent of \$950.

Multifamily permitting activity in the Laredo metropolitan area has declined substantially since its peak in 2014.



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

## Terminology Definitions and Notes

### A. Definitions

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	Includes resales, short sales, and REO sales.
Home Sales/Home Sales Prices	Includes single-family home, townhome, and condominium sales.
Net Natural Increase	Resident births are greater than resident deaths.
Apartment Market/ Apartment Vacancy Rate	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 greater is reached, or at least 18 months have passed since the property was completed.
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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