

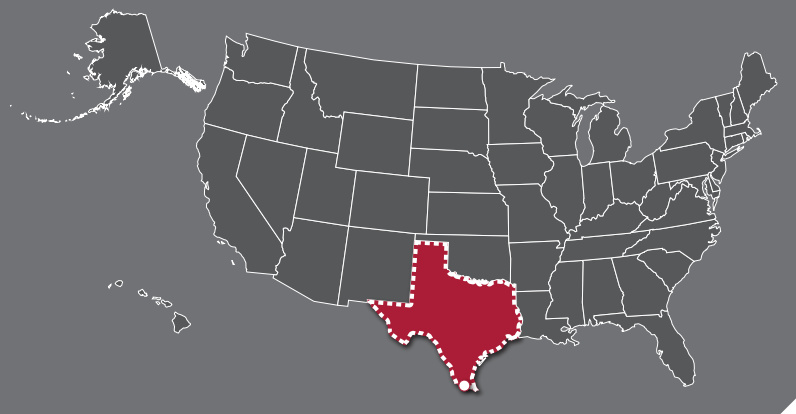
HUD PD&R Housing Market Profiles

McAllen-Edinburg-Mission, Texas



Quick Facts About McAllen

- Current sales market conditions: slightly tight but easing
- Current apartment market conditions: balanced
- The McAllen Foreign Trade Zone #12 houses more than 410 companies from 42 countries and facilitated more than \$5.15 billion in exports during 2021, up 21 percent from the previous year. The top five commodities exported from the McAllen-Edinburg-Mission Metropolitan Statistical Area during 2021 were electrical equipment, computer and electronic products, agricultural products, machinery, and transportation equipment (International Trade Administration, U.S. Department of Commerce).



McAllen, Texas

By [Cameron Ehrlich](#) | As of October 1, 2023

Overview

The McAllen-Edinburg-Mission Metropolitan Statistical Area (hereafter, McAllen metropolitan area) is coterminous with Hidalgo County, Texas, one of four counties that constitute the Rio Grande Valley region of South Texas. The McAllen metropolitan area is anchored by the cities of McAllen, Edinburg, Pharr, and Mission and is bordered by Mexico to the south. Historically rural and agricultural in character, the automobile-related manufacturing industries expanded in the McAllen metropolitan area and in the Mexican city of Reynosa after the introduction of the maquiladora economy in the 1960s and its expansion with the passage of NAFTA (North American Free Trade Agreement) in the 1990s. Several bridges and ports of entry serve as gateways for commerce with Mexico, supporting local economic activity.

- The population of the metropolitan area is estimated at 898,300 as of October 1, 2023, representing an average increase of 7,875, or 0.9 percent, annually since April 2020. Net in-migration averaged 1,125 people a year, and net natural change averaged 6,750 people annually during the same period.
- By comparison, the metropolitan area population increased by approximately 6,250, or 0.7 percent, annually from

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July 2016 to April 2020 (U.S. Census Bureau population estimates as of July 1 and decennial census counts). Net natural change averaged 9,675 people a year, with net out-migration averaging 3,425 people a year, impacting population growth during the period.

- Household growth was faster, averaging 4,750, or 1.8 percent, annually since April 2020 to an estimated 275,100 households currently. Household growth has exceeded

population growth partially because of an increase in single-person households and residents forming smaller households in general.

- The number of single-person households in the metropolitan area increased by an average of 1,150 each year, or 3.4 percent, from 2010 to 2016, before increasing by an average of 2,000 households, or 4.7 percent, from 2016 to 2022.

Economic Conditions

Economic conditions are strong in the McAllen metropolitan area. Payrolls in the metropolitan area exceeded prepandemic levels in September 2021 (monthly basis, not seasonally adjusted). During 2022, nonfarm payroll growth in the metropolitan area ranked eighth fastest in the nation, averaging an increase of 14,800, or 5.4 percent, after the reopening of the border to nonessential travel in November 2021 and the resumption of the Winter Texan season. As of the 3 months ending August 2023, nonfarm payrolls averaged 297,800 jobs, increasing by 11,400 jobs, or 4.0 percent, from the previous year. Nonfarm payrolls as of the 3 months ending August 2022 were up 4.9 percent year over year, following a 6.1-percent increase as of the 3 months ending August 2021. By comparison, year-over-year job growth in the Southwest region and the nation averaged 3.1 and 2.2 percent, respectively, as of the 3 months ending August 2023, and 4.9 and 4.3 percent, respectively, as of the 3 months ending August 2022.

As of the 3 months ending August 2023—

- The education and health services sector gained the most jobs and grew the fastest, increasing by 6,200, or 7.1 percent, to 93,100 jobs as the sector continued to strengthen from the most recent economic downturn. A large portion of the healthcare workforce in the metropolitan area, approximately 148 per 1,000 jobs, consists of home health and personal care aides, representing the largest concentration of home health workers in the state of Texas, which averages nearly 24 per 1,000 jobs (Occupational Employment and Wage Statistics, Bureau of Labor Statistics).
- Nonfarm payroll growth was also strong in the government and the wholesale and retail trade sectors, which increased by 1,400 and 1,300, or 2.4 and 2.8 percent, to 59,900 and 47,600 jobs, respectively. The Mexican peso strengthened against the dollar, partly because of strong remittances,

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As of the 3 months ending August 2023, 8 of the 11 nonfarm payroll sectors added jobs relative to a year ago in the McAllen metropolitan area.

	3 Months Ending		Year-Over-Year Change	
	August 2022 (Thousands)	August 2023 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	286.4	297.8	11.4	4.0
Goods-Producing Sectors	15.8	16.0	0.2	1.3
Mining, Logging, & Construction	8.7	8.7	0.0	0.0
Manufacturing	7.1	7.3	0.2	2.8
Service-Providing Sectors	270.5	281.8	11.3	4.2
Wholesale & Retail Trade	46.3	47.6	1.3	2.8
Transportation & Utilities	9.8	9.7	-0.1	-1.0
Information	3.0	3.0	0.0	0.0
Financial Activities	9.0	9.3	0.3	3.3
Professional & Business Services	22.6	23.3	0.7	3.1
Education & Health Services	86.9	93.1	6.2	7.1
Leisure & Hospitality	28.3	29.4	1.1	3.9
Other Services	6.1	6.4	0.3	4.9
Government	58.5	59.9	1.4	2.4
Unemployment Rate	6.8%	6.8%		

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

Source: U.S. Bureau of Labor Statistics



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rising interest rates, and inflation in the United States, contributing to an expansion in retail trade in the McAllen metropolitan area.

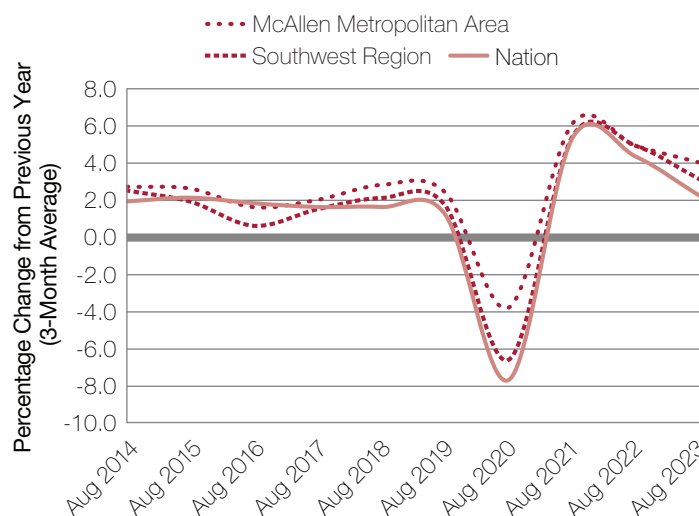
- The transportation and utilities sector was the only sector with a decrease in payrolls, falling by 100 jobs, or 1.0 percent, from a year earlier.
- The unemployment rate averaged 6.8 percent, unchanged from a year ago. The rate peaked at 15.8 percent during the 3 months ending June 2020 and has since declined.

The education and health services sector is one of the fastest growing sectors in the metropolitan area and is the largest payroll sector. The healthcare industry has an estimated economic impact of \$13.7 billion in the Rio Grande Valley, with nearly 80 percent of the total economic impact derived from home health, nursing homes, social services, and hospitals (Rio Grande Valley Partnership). Healthcare companies account for more than 12,000 jobs in the city of Edinburg alone (Edinburg Economic Development Corporation). Demand for health care from an aging population and a large seasonal presence of Winter Texans has resulted in steady growth in the sector. Major employers include Doctors Hospital at Renaissance, Ltd., and the Edinburg Regional Medical Center, with 5,325 and 2,850 employees, respectively (Hidalgo County). To help meet the demand for medical professionals in the Rio Grande Valley in 2013, the Texas legislature approved the creation of The University of Texas Rio Grande Valley School of Medicine, which opened in the city of Edinburg in 2016. In 2019, the 83,000-square-foot University of Texas Health Rio Grande Valley Biomedical Research facility opened in the city of McAllen, facilitating further expansion of high-skill health services positions in the area.

Sales Market Conditions

The sales housing market in the McAllen metropolitan area is slightly tight, but the pace of sales is slowing because the rapid price increases combined with higher mortgage interest rates during the past couple of years have resulted in relative unaffordability in for-sale housing compared with local incomes. The home sales market has a current estimated vacancy rate of 1.2 percent, practically unchanged from 2020 but up from 1.0 percent during 2022 when conditions were tight (estimate by the analyst, decennial census, and 2022 American Community Survey 1-year data). The inventory of homes for sale increased from 3.2 to 5.3 months of supply, and days to sell increased from 80 to 90 as of August 2023, compared with August 2022 (Greater McAllen Association of REALTORS®). Although the supply of homes was higher in August 2023, it is still lower than before the pandemic. In February 2020, the last month prior to the pandemic-induced downturn, listings represented a

The rate of job growth in the McAllen metropolitan area exceeded the rates of the Southwest region and the nation during the 3 months ending August 2023.



Source: U.S. Bureau of Labor Statistics

Largest Employers in the McAllen Metropolitan Area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
H-E-B Grocery Company, LP	Wholesale & Retail Trade	6,555
Doctors Hospital at Renaissance, Ltd.	Education & Health Services	5,325
Walmart Inc.	Wholesale & Retail Trade	5,100

Note: Excludes local school districts.

Sources: Hidalgo County 2021 Annual Report; McAllen Chamber of Commerce, 2022

6.0-month supply of inventory, but the supply fell to 3.4 months as of August 2020. The inventory of homes for sale declined further to a 2.2 month-supply as of August 2021, when the sales market was significantly tighter.

During the 12 months ending August 2023—

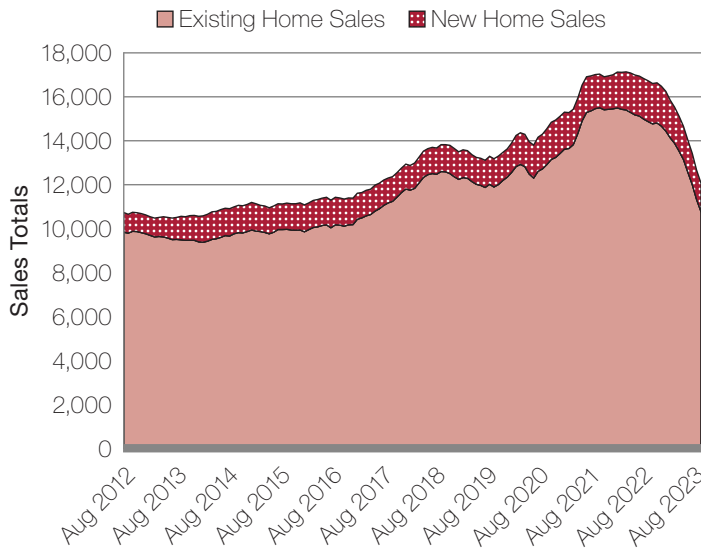
- New home sales totaled 1,225, representing a decrease of more than 32 percent from the previous 12 months, and the average sales price increased by \$20,000, or nearly 9 percent, to \$251,700 (CoreLogic, Inc., with adjustments by the analyst).
- Existing home sales totaled 10,200, reflecting a decline of 4,550, or nearly 31 percent, compared with a 5-percent decline a year earlier (CoreLogic, Inc., with adjustments by the analyst). The average sales price decreased by \$1,375, or less than 1 percent, to \$189,600.

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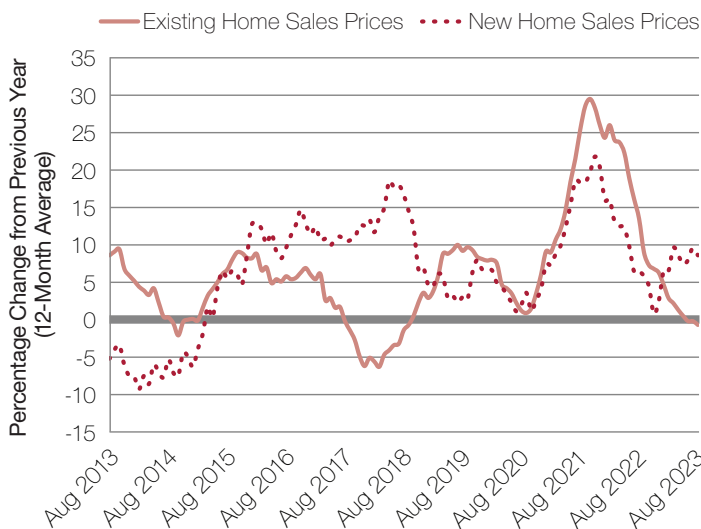
- Distressed sales increased to 610 homes, or approximately 6 percent of existing sales, up from 420 distressed sales during the 12 months ending August 2022, or 3 percent of existing sales during the period.

New and existing home sales in the McAllen metropolitan area are down 4 and 14 percent, respectively, from the 12 months ending August 2019—the most recent comparable period before the impacts of the COVID-19 pandemic.



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

Existing home sales price growth in the McAllen metropolitan area has been slowing since early 2022 and turned negative during the 12 months ending August 2023.



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

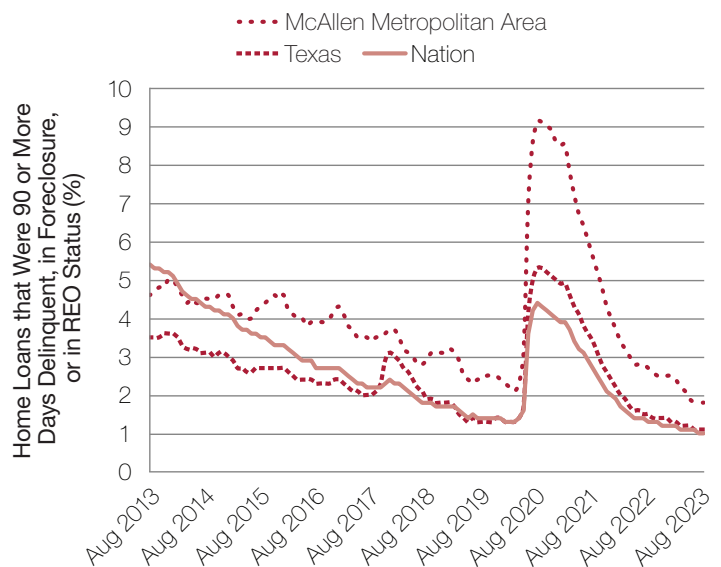
- Seriously delinquent mortgages in the metropolitan area declined after rising during 2020, following the onset of the COVID-19 pandemic. The rate of home loans that were 90 or more days delinquent, in foreclosure, or had transitioned to real estate owned status was 1.8 percent as of August 2023, down from 2.7 percent a year earlier and the recent high of 9.1 percent in August 2020. The decline in the rate since the recent high reflects a decrease in the number of loans that were 90 days or more delinquent, which increased temporarily in 2020 (CoreLogic, Inc.).

New home construction in the metropolitan area, as measured by the number of single-family homes permitted, declined by 630, or 14 percent, to 3,950 homes during the 12 months ending August 2023 as builders responded to weaker home sales demand.

- Following a low of 2,700 homes permitted in 2017, the number of homes permitted in the metropolitan area increased during 3 of the next 5 years, reaching a high in 2021, when 4,850 homes were permitted.
- During the 12 months ending August 2023, 1,950 single-family homes, or approximately 49 percent of all single-family homes permitted in the metropolitan area, occurred in the cities of Edinburg, McAllen, Mission, Weslaco, and Pharr, whereas 51 percent of all single-family housing was

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The share of seriously delinquent home loans in the McAllen metropolitan area have been consistently above both the state and national share since August 2014.



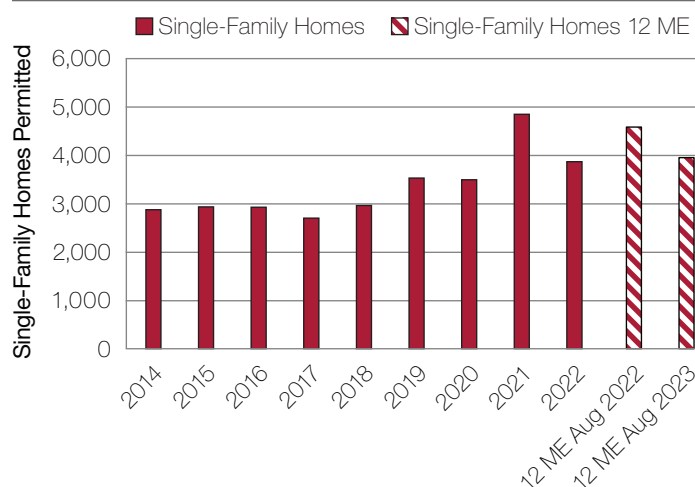
REO = real estate owned.
Source: CoreLogic, Inc.

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permitted in either unincorporated Hidalgo County or smaller cities within the metropolitan area.

- Located close to The University of Texas Rio Grande Valley campus and the Texas A&M Edinburg campus, Atwood Estates in the city of Edinburg has 26 lot sites available, ranging from 6,060 square feet to 8,455 square feet. Lot site prices range from \$58,200 to \$81,200, and buyers can choose from various builders, with prices expected to start at \$290,000.

The number of single-family homes permitted in the McAllen metropolitan area declined during the 12 months ending 2023 after peaking during 2021.



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

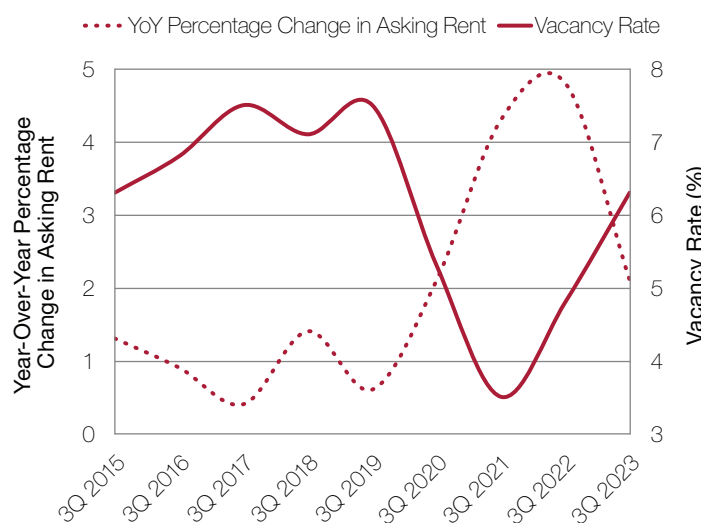
Apartment Market Conditions

Overall apartment market conditions in the McAllen metropolitan area transitioned to balanced as of the third quarter of 2023, compared with tighter conditions a year earlier and tight conditions during the third quarter of 2021. Current conditions eased partly because deliveries of new rental units increased the inventory by approximately 1,000 units, or 5 percent of existing inventory, since the start of the third quarter of 2022 (CoStar Group).

As of the third quarter of 2023—

- The average asking rent for an apartment in the metropolitan area was \$939, reflecting an increase of \$19, or 2 percent, from a year earlier. The apartment vacancy rate increased to 6.3 percent from 4.8 percent the previous year (CoStar Group).
- Of the eight CoStar Group-defined McAllen submarkets, the average apartment vacancy rates ranged from 3.7 percent in the East McAllen submarket to 7.4 percent in the North McAllen submarket. Only two submarkets, East McAllen and Northeast Hidalgo County, are currently tight, with the remaining six submarkets balanced. The Northeast Hidalgo County submarket has a generally smaller apartment inventory and lower rents when compared with other submarkets within the metropolitan area.
- Average apartment rents in the metropolitan area ranged from \$637 in the Northeast Hidalgo County submarket

As of the third quarter of 2023, rent growth slowed in the McAllen metropolitan area, and the apartment vacancy rate increased relative to a year ago.



3Q = third quarter. YoY = year-over-year.

Source: CoStar Group

to \$1,036 in the Mission-Alton submarket, and average monthly rents increased in all but two submarkets. In the South McAllen/Hidalgo County and the North McAllen submarkets, average monthly rents fell 2.0 and 1.0 percent, respectively, to \$917 and \$869.

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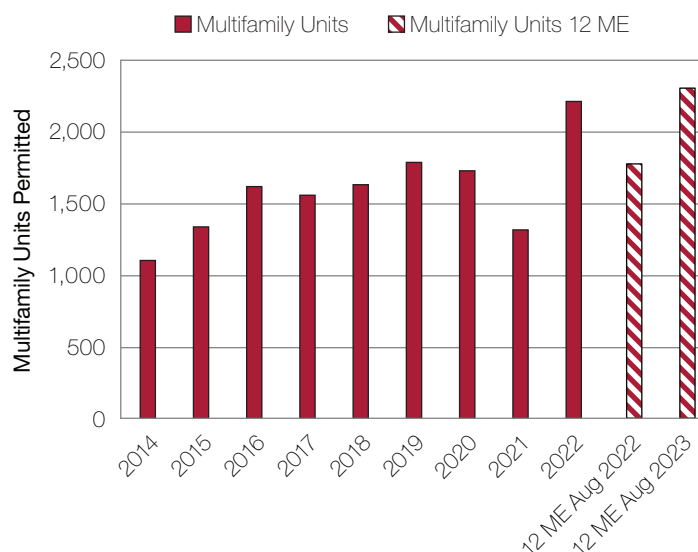
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- The largest average rent increases occurred in the Donna/Weslaco/Mercedes and the East McAllen submarkets, both up 5.0 percent to \$894 and \$859, respectively.

Multifamily construction activity in the metropolitan area, as measured by the number of multifamily units permitted, was relatively stable from 2016 through 2018, averaging 1,600 units a year before increasing to an average of 1,750 units a year during 2019 and 2020. A lack of building materials and skilled workers impacted overall multifamily construction during 2021, and multifamily construction declined to 1,325 units before increasing to 2,200 during 2022 as demographic and economic momentum stimulated more multifamily construction. Approximately 78 percent of all apartment construction since 2020 has been market-rate, a notable change from 2016 through 2019, when approximately 48 percent of all apartment construction was market-rate; the remaining 52 percent of apartment construction during the 2016-through-2019 period was affordable (estimates by the analyst).

- During the 12 months ending August 2023, multifamily permitting totaled 2,300 units, up 530 units, or 30 percent, from the previous 12 months. An estimated 1,525 apartments are under construction, with approximately 40 percent in the city of Edinburg, 40 percent in the city of Weslaco, and 15 percent in the city of McAllen.
- More than 75 percent of multifamily units permitted since 2020 were for two- to four-unit structures, which have gained more popularity among consumers. By comparison, approximately 47 percent of multifamily units permitted from 2014 through 2019 were for two- to four-unit structures.
- Recent developments include The Village, a 170-unit apartment complex in the city of Edinburg, which is

Multifamily permitting in the McAllen metropolitan area increased during the 12 months ending August 2023.



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

expected to be complete in December 2023. The market-rate development is preleasing one-, two-, and three-bedroom units with monthly rents ranging from \$1,200 to \$1,900. Units range in size from 787 to 1,214 square feet.

- Construction began on Heron's Landing in Spring 2023 in the city of Weslaco. The 298-unit development includes 61 fourplexes and 9 sixplexes ranging in size from 758 to 1,229 square feet, with one-, two-, and three-bedroom units expected to start at \$900 per month.

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.
Distressed Sales	Short sales and real estate owned (REO) sales.
Existing Home Sales	Includes resales, short sales, and REO sales.
Home Sales/Home Sales Prices	Includes single-family home, townhome, and condominium sales.
Maquiladora	Factories in Mexico, usually near the US-Mexico border and typically run by foreign companies, taking raw materials and assembling, manufacturing, or processing them and exporting the finished product, largely duty- and tariff-free.
Net Natural Change	Resident births minus resident deaths.
Remittances	Generally defined as money or goods sent back to families and friends in origin countries, typically by migrants and citizens abroad.
Rio Grande Valley	An area comprising Starr, Hidalgo, Willacy, and Cameron Counties, which lie along the Rio Grande at the southernmost tip of Texas.
Winter Texans	Canadians and Americans from Northern and Midwestern states who spend several months in the Rio Grande Valley, attracted by the warm weather, natural parks, and low cost of living.

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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