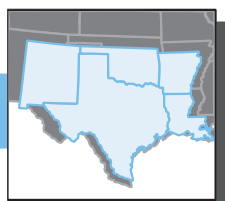


Housing Market Profile

Southwest • HUD Region VI



McAllen-Edinburg-Mission, Texas

The McAllen-Edinburg-Mission metropolitan area, located in Texas along the United States-Mexico border, is coterminous with Hidalgo County. The metropolitan area, commonly referred to as the Rio Grande Valley, is a retail and healthcare center for south Texas. As of December 1, 2009, the estimated population of the metropolitan area was 748,100, an increase of 21,500, or 3 percent, compared with the population in December 2008. The rate of population growth in the area has remained relatively constant during the 2 years preceding December 2009. Since 2006, about 70 percent of the increase has been attributed to net natural increase (resident births minus resident deaths).

Employment growth in the metropolitan area was much slower during the 12 months ending November 2009 compared with the previous 12 months; only 1,600 jobs were added, up 0.7 percent to 219,900 jobs. By comparison, job growth averaged 3.5 percent during the 12 months ending November 2008 and 4.7 percent during the 12 months ending November 2007. During the most recent 12-month period, the government sector had the greatest employment growth, adding 3,100 jobs, an increase of 5.9 percent, followed by the education and health services sector, which added 2,100 jobs, an increase of 4.2 percent. A large portion of overall job gains were offset by losses of more than 6 percent in both the goods producing sectors and the professional and business services sector. The increase in jobs in the education and health service sector was led by hiring at several hospitals and the addition of several small clinics and outpatient surgical centers. Combined, the government and the education and health services sectors currently account for nearly 50 percent of nonfarm employment in the area and all of the job growth during the past 12 months. Edinburg Regional Medical Center, with 3,000 employees, followed by McAllen Medical Center, with 2,500 workers, are the top two private employers in the metropolitan area. With the slower job growth observed recently, the average unemployment rate has risen to 10.4 percent during the 12 months ending November 2009, up from 7.1 percent during the previous year.

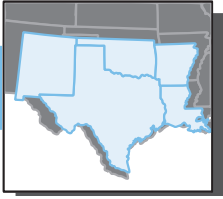
As a result of tight lending standards and the slower economy, the market for existing single-family homes in the McAllen-Edinburg-Mission metropolitan area

is soft. According to the Real Estate Center at Texas A&M University, sales of existing homes in McAllen during the 12 months ending November 2009 totaled 1,925 homes, a decrease of 10 percent, or 200 units, when compared with the sales of existing homes in the previous 12 months. Along with the decline in sales volume, the average sales price in McAllen decreased to \$119,100 for the 12 months ending November 2009, down nearly 6 percent, or \$7,000, from the average sales price in the previous 12 months. According to data from First American CoreLogic, Inc., foreclosures increased from 1.1 percent of outstanding mortgage loans to 1.7 percent from October 2008 to October 2009. According to the same source, nearly 7 percent of mortgage loans in October 2009 were 90 days or more delinquent, compared with 4.6 percent for the same period a year ago.

In response to the soft sales market conditions, home builders have reduced new home construction activity. Based on preliminary data for the 12 months ending November 2009, single-family construction activity, as measured by the number of building permits issued, totaled 2,825 homes, representing a decrease of 14 percent compared with the number of permits issued during the previous 12 months. By comparison, during the period from 2004 through 2007, an average of 6,700 single-family homes a year were permitted in the metropolitan area. Current construction activity is primarily characterized by infill instead of new, large subdivisions. Home builder D.R. Horton is currently offering specials in several communities, with new homes starting at \$80,000 for an 1,100-square-foot, one-story home in eastern Hidalgo County near Weslaco, with prices increasing to \$180,000 for a 3,000-square-foot, two-story luxury home in Edinburg.

Condominiums have become increasingly popular among homebuyers in the metropolitan area. Latitude 360, a 192-unit development, is currently in the planning stages; prices for new units are expected to start at \$90,000. New, high-end condominiums are in the planning stages as well. The Luxe Gallery, a \$16-million proposed development in McAllen will consist of 88 units, ranging from 1,450 square feet to 1,900 square feet. The least expensive unit will cost \$230,000, nearly double the average home price in the metropolitan area. Construction of the Luxe Gallery is anticipated to begin in the spring of 2010.

The McAllen-Edinburg-Mission metropolitan area rental market is currently soft, with an estimated vacancy rate of 12 percent; however, the apartment vacancy rate is significantly lower. According to the



Rio Grande Valley Apartment Association, the apartment vacancy rate was 8 percent as of June 2009, the latest period for which data are available. According to the 2008 American Community Survey (ACS), nearly one-half of the renter-occupied units were either single-family or mobile homes, with units in two- to four-unit structures accounting for another 27 percent. Units typically considered apartments—those in structures with five or more units—accounted for only 23 percent of the total renter-occupied units. The 2008 ACS also reported that only 5,700 of the 42,000 total vacant rental units were in apartments. Concessions of 1 month's free rent are currently prevalent in the market. Apartment rents in the area average \$640 for a one-bedroom unit, \$800 for a two-bedroom unit, and \$940 for a three-bedroom unit.

Apartment construction in the metropolitan area has generally been characterized by low-income housing

tax credit (LIHTC) projects. According to the Texas Department of Housing and Community Affairs, since 2000, 3,750 LIHTC units have been awarded, which represents approximately 40 percent of all multifamily permits in the metropolitan area. Based on preliminary data, apartment construction, as measured by the number of multifamily units permitted, decreased to 280 units permitted during the 12-month period ending November 2009, compared with 500 units permitted during the previous 12-month period. During the past 2 years, multifamily construction has remained well below the annual average of 1,475 units permitted between 2004 and 2007. Soft rental market conditions are likely to persist through 2010 due to the abundance created by the approximately 300 rental units currently under construction and the planned 128-unit apartment complex in Mission, which builders expect to complete within the next 2 years.