

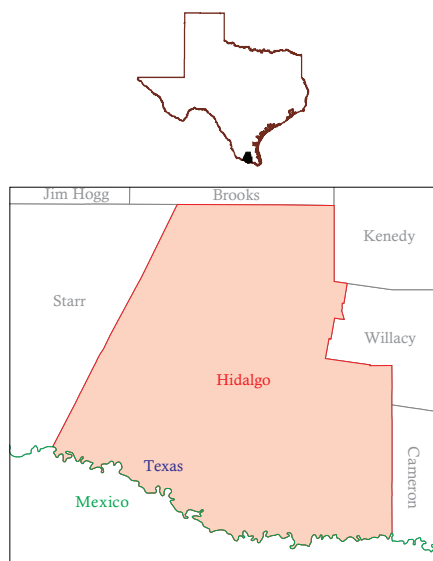


McAllen-Edinburg-Mission, Texas

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of April 1, 2014



Housing Market Area



The McAllen-Edinburg-Mission Housing Market Area (hereafter, McAllen HMA), approximately 5 miles north of Reynosa, Mexico, consists of Hidalgo County. More commonly known as the Rio Grande Valley, the HMA, with a current estimated population of 823,900, is the retail and healthcare center of southern Texas and northern Mexico. The McAllen Chamber of Commerce estimates that about 35 percent of all retail sales are to visitors from Mexico.

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Summary

Economy

Economic conditions in the McAllen HMA have improved continually since 2010. Nonfarm payrolls during the 12 months ending March 2014 increased by 5,000 jobs, or 2.2 percent, to 235,000 jobs. This increase follows an increase of 4,100 jobs, or 1.8 percent, during the previous 12 months. The unemployment rate in the HMA is currently 10.5 percent, which is down from the 11.0-percent rate a year earlier and down from the 12.1-percent rate recorded in both 2011 and 2012. During the 3-year forecast period, nonfarm payroll jobs are expected to increase 2.3 percent annually.

Sales Market

The sales housing market in the HMA is currently slightly soft, with an estimated 1.5-percent vacancy rate, down from 1.8 percent in April 2010. New and existing home sales in the HMA totaled 10,300 during the 12 months ending March 2014, down by 170 sales, or nearly 2 percent, from the previous 12 months (Metrostudy, A Hanley Wood Company). Demand is estimated for 9,475 new homes during the 3-year forecast period (Table 1). The 710 homes currently under construction and some of the 22,300 other vacant units that may reenter the market will satisfy a portion of this demand.

Rental Market

As of April 1, 2014, the rental housing market in the HMA is balanced, with an estimated 5.3-percent rental vacancy rate, which decreased from the 7.5-percent rate recorded in April 2010. Conditions in the apartment market are tight, with a current average rent of \$680, up nearly 2 percent during the 12 months ending March 2014. Demand is estimated for 3,075 new market-rate rental units during the 3-year forecast period (Table 1). The 540 units currently under construction will meet a portion of this demand.

Table 1. Housing Demand in the McAllen HMA* During the Forecast Period

	McAllen HMA*	
	Sales Units	Rental Units
Total demand	9,475	3,075
Under construction	710	540

*McAllen-Edinburg-Mission HMA.

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of April 1, 2014. A portion of the estimated 22,300 other vacant units in the HMA will likely satisfy some of the forecast demand. The forecast period is April 1, 2014, to April 1, 2017.

Source: Estimates by analyst

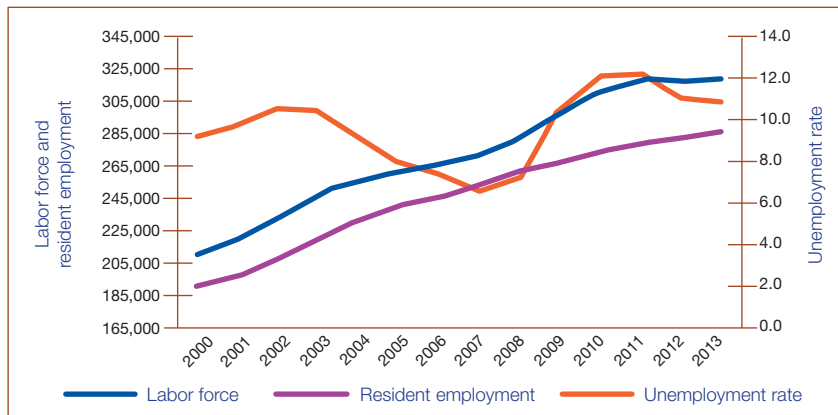
Economic Conditions

The economy in the McAllen HMA continued the trend of job growth that began in 2010. During the 12 months ending March 2014, nonfarm payrolls in the HMA increased by 5,000 jobs, or 2.2 percent, to reach a new all-time peak of 235,000. The unemployment rate in the HMA is currently 10.5 percent, which is down from 11.0 percent a year earlier. Figure 1 shows the trend in the labor force, resident employment, and the unemployment rate in

the HMA from 2000 through 2013. Table DP-1 at the end of this report provides additional employment data for the HMA.

The education and health services sector added the most jobs during the 12 months ending March 2014, increasing by 1,100 jobs, or 1.8 percent, to 60,600 (Table 2). This sector has been the strongest growing sector of the local economy since 2000, increasing 150 percent during that period (Figure 2). The education and health services sector is also the largest employment sector in the HMA and accounts for 26 percent of all nonfarm payroll jobs. Figure 3 shows the percentage of current nonfarm payrolls in the HMA by sector. Since 2000, the HMA has added 78,100 nonfarm payroll jobs; 36,300, or more than 46 percent, of all new jobs in the HMA were in the education and health services sector. Of the 10 largest employers in the HMA, 4 are in the education and health services sector. The Edinburg Regional Medical Center and McAllen Medical Center are the largest and third largest employers in the HMA, with 3,000 and 2,800 employees, respectively (Table 3). One of the most recent projects that contributed to employment in the education and health services sector was the construction of the Edinburg Children's Hospital, a \$25 million project that was completed in 2007 and added nearly 250 jobs. Strong job growth was also recorded in the leisure and hospitality sector during the 12 months ending March 2014, when the sector increased by 1,000 jobs, or 4.9 percent, to 21,400 jobs. This increase was the second largest percentage increase during the past 12 months, following the 5.0-percent, or 100-job, increase

Figure 1. Trends in Labor Force, Resident Employment, and Unemployment Rate in the McAllen HMA,* 2000 Through 2013



*McAllen-Edinburg-Mission HMA.

Source: U.S. Bureau of Labor Statistics

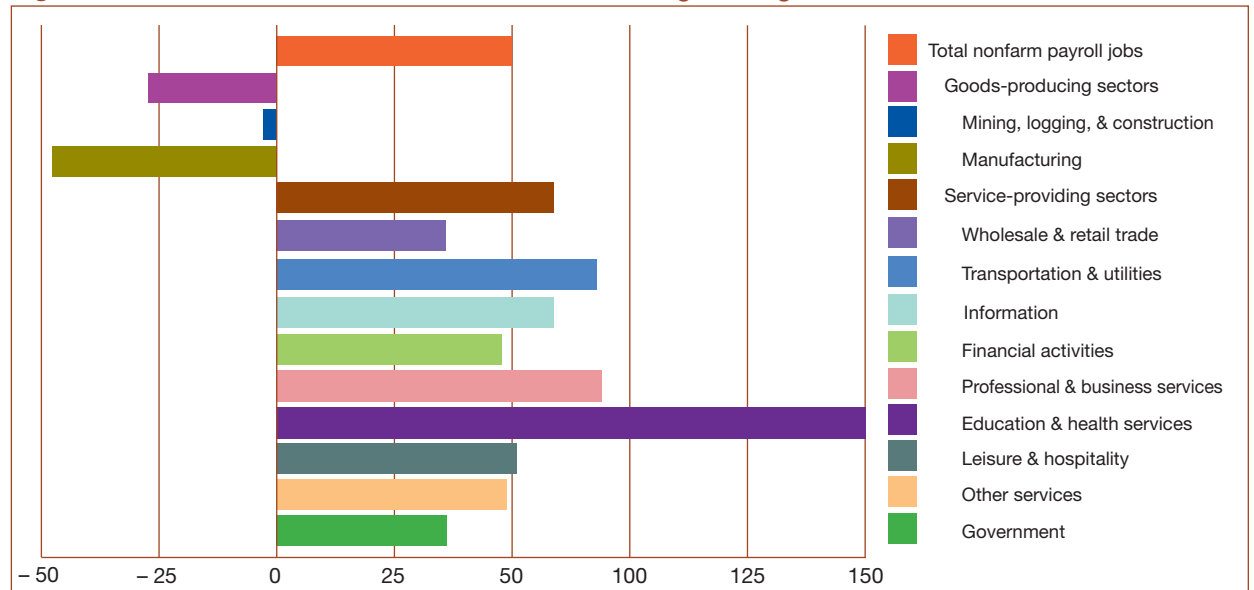
Table 2. 12-Month Average Nonfarm Payroll Jobs in the McAllen HMA,* by Sector

	12 Months Ending		Absolute Change	Percent Change
	March 2013	March 2014		
Total nonfarm payroll jobs	230,000	235,000	5,000	2.2
Goods-producing sectors	15,400	15,900	500	3.2
Mining, logging, & construction	9,100	9,500	400	4.4
Manufacturing	6,300	6,400	100	1.6
Service-providing sectors	214,600	219,200	4,600	2.1
Wholesale & retail trade	41,700	42,000	300	0.7
Transportation & utilities	7,700	8,000	300	3.9
Information	2,000	2,100	100	5.0
Financial activities	8,700	8,900	200	2.3
Professional & business services	14,800	15,300	500	3.4
Education & health services	59,500	60,600	1,100	1.8
Leisure & hospitality	20,400	21,400	1,000	4.9
Other services	5,900	6,100	200	3.4
Government	53,900	54,800	900	1.7

*McAllen-Edinburg-Mission HMA.

Notes: Numbers may not add to totals because of rounding. Based on 12-month averages through March 2013 and March 2014.

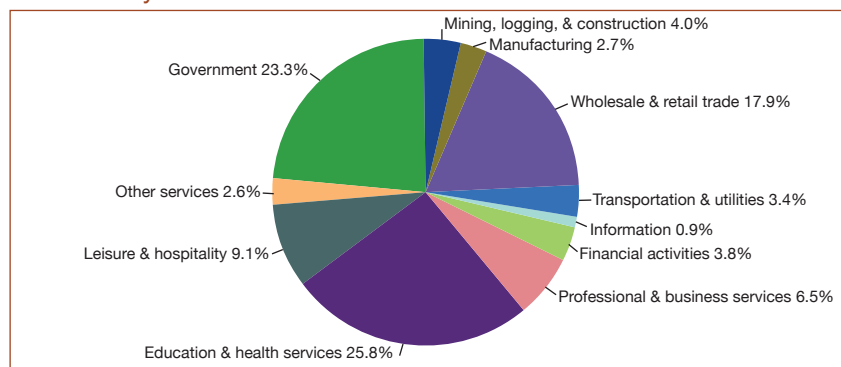
Source: U.S. Bureau of Labor Statistics

Figure 2. Sector Growth in the McAllen HMA,* Percentage Change, 2000 to Current

*McAllen-Edinburg-Mission HMA.

Notes: Current is based on 12-month averages through March 2014.

Source: U.S. Bureau of Labor Statistics

Figure 3. Current Nonfarm Payroll Jobs in the McAllen HMA,* by Sector

*McAllen-Edinburg-Mission HMA.

Note: Based on 12-month averages through March 2014.

Source: U.S. Bureau of Labor Statistics

Table 3. Major Employers in the McAllen HMA*

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Edinburg Regional Medical Center	Education & health services	3,000
University of Texas-Pan American	Government	2,850
McAllen Medical Center	Education & health services	2,800
Hidalgo County	Government	2,200
South Texas College	Government	2,200
City of McAllen	Government	2,000
Doctors Hospital at Renaissance	Education & health services	2,000
Rio Grande Regional Hospital	Education & health services	2,000
U.S. Customs and Border Protection	Government	1,600
BBVA Compass Bancshares, Inc.	Financial activities	1,500

*McAllen-Edinburg-Mission HMA.

Note: Excludes local school districts.

Source: McAllen Economic Development Corporation

in the information sector. No sector of the HMA economy recorded job losses during the past 12 months.

The government sector is the second largest employment sector in the HMA, with 54,800 nonfarm payroll jobs; it accounts for 23 percent of all nonfarm payroll jobs. Since 2000, this sector increased by 14,100 jobs, or 35 percent, overall. Major employers in this sector include the University of Texas Pan American, with 2,850 employees and 20,000 students, and Hidalgo County, with 2,200 employees. Local governments accounted for 11,000 new jobs, or 78 percent of all new jobs in this sector since 2000, because strong population growth from 2000 to 2010 increased demand for local government services. Most of the federal government employees in the HMA work for U.S. Customs and Border Protection, which monitors the flow of goods and people across the HMA's international points of entry, where a significant amount of traffic is recorded annually.

The North American Free Trade Agreement (NAFTA) has had a significantly positive impact on the economy of the McAllen HMA. Before the passage of NAFTA in 1994, the HMA's economy was based primarily on agriculture, and the HMA's unemployment rate was more than 22 percent in 1990. After the passage of NAFTA, the economy grew and diversified and the unemployment rate declined to 9.2 percent by 2000. As a result of the passage of NAFTA, the local economy achieved growth through international trade, healthcare services, and the retail trade business. McAllen Foreign Trade Zone #12, which opened in 1973 and was the first inland nonseaport trade zone in the United States, consists of more than 775 acres and houses companies from 42 countries. Five bridges cross into Mexico from the HMA to facilitate trade. Two of the bridges were constructed recently: the Anzalduas International Bridge opened in 2009 and cost nearly \$70 million to construct, and the Donna International Bridge opened in 2010 and cost \$30 million to build. The transportation and utilities sector has recorded the second greatest percentage increase in employment in the HMA since 2000; the sector increased by 3,300 jobs, or 71 percent, to 8,000 jobs currently. Most of these jobs involve transporting and distributing goods that flow across the border. Since 2000, more than 50 warehouses or distribution centers were newly constructed in the HMA for the storage or shipment of goods either into Mexico or farther into the United States.

Truck crossings, which are the number of commercial delivery trucks moving across the border, totaled nearly 1.05 million in 2013, which is

an increase of 49,300, or nearly 5 percent, compared with the number of crossings in 2012. During 2013, the United States exported more than \$11 billion of goods and imported nearly \$18 billion of goods that were transported through the McAllen HMA (U.S. Department of Commerce, Bureau of the Census, Foreign Trade Division). Many imports transported through the HMA are products that are assembled in maquiladoras across the border in the Mexican city of Reynoso. Maquiladoras are factories in free-trade zones along the border that import material and equipment to assemble, process, or manufacture products for export from Mexico. A 10-percent increase in maquiladora output leads to a 6.6-percent increase in employment in the McAllen HMA (Roberto Coronado, Assistant Vice President in Charge and Sr. Economist of the Federal Reserve Bank of Dallas, El Paso Branch: "The Economy of the Rio Grande Valley," presented November 22, 2013, at the University of Texas Pan-American in Harlingen, Texas, as part of the border economic development and entrepreneurship symposium).

Many people who live in Mexico cross the border to shop in the McAllen HMA. Vehicle crossings, excluding the crossing of large trucks, averaged 20,900 a day, and pedestrian crossings averaged 9,700 a day during 2013. A paper published by the Saber Research Institute in 2012, *The Spending Patterns and Economic Impacts of Mexican Nationals in A Twenty-County Region of South and Central Texas*, provided an estimate of how much cross-border traffic contributed to local economies. Of all retail sales in the HMA, 35 to 40 percent are from Mexican nationals who cross the border to shop (Saber Research

Institute, 2012). It was estimated that cross-border commerce creates nearly 9,650 jobs and contributes about \$767 million annually in total economic impact to the HMA. An estimated 3,600 people also live in the United States and cross the border daily to work in Mexico. These workers tend to be plant managers or engineers for American firms that have a manufacturing facility in Mexico.

After the implementation of NAFTA, nonfarm payrolls in the McAllen HMA increased by 5,750 jobs, or nearly 4.6 percent, annually from 1994 through 1999. Strong growth continued when nonfarm payrolls increased by 10,100 jobs, or nearly 6.9 percent, during 2000, which has been the single strongest year of job growth in the HMA since the passage of NAFTA. Growth slowed but was still robust when nonfarm payrolls increased by an average of 5,550 jobs, or 3.5 percent, annually during 2001 and 2002. Job growth in the HMA averaged slightly more than 8,850 jobs, or 5 percent, annually from 2003 through 2005. In addition to the previously mentioned strong growth in the education and health services sector, the financial activities sector increased by an average of 470 jobs, or 6.5 percent, annually during these years.

Nonfarm payroll growth slowed slightly from 2006 through 2008, to an average of 8,200 jobs, or 4 percent, annually. Strong job expansion occurred in the transportation and utilities sector, which increased by an average of 400 jobs, or 6.5 percent, annually from 2006 through 2008. During these years, more than 20 warehouse or distribution facilities were constructed, with the largest being a 400,000-square-foot facility for

HEB Grocery Company, LP, which created 60 new jobs in 2006. Nonfarm payrolls totaled 219,200 in 2008.

In 2009, the local economy declined slightly because the nation was in recession; nonfarm payrolls in the HMA declined by 1,700 jobs, or about 0.8 percent, to 217,500. The mining, logging, and construction sector suffered the most job losses, declining by 1,600 jobs, or 14.6 percent, to 9,300 jobs, with more than 75 percent of the job losses estimated to be in the construction subsector because housing construction slowed in the HMA. The downturn in the local economy was short lived and, by 2010, nonfarm payrolls increased to 219,300, which returned employment to prerecession levels. Nonfarm payrolls continued to expand, increasing by an average of 4,750 jobs, or 2.1 percent, annually during 2011 and 2012, to 228,800 jobs.

Several recently announced projects will contribute to employment growth during the next 3 years. Coronado Ventures is constructing a \$650 million power plant in Edinburg that will create more than 600 construction jobs and 30 full-time positions after it is complete. Grand Rapids Foam Technologies recently announced it will construct a \$2.5 million manufacturing facility in the HMA that will create 150 new jobs when complete.

During the forecast period, nonfarm payrolls are expected to increase by an average of 5,400 jobs, or 2.3 percent, annually. Employment growth should be strongest in the second and third years when the power plant will be under construction, which should contribute to strong growth in the construction subsector.

Population and Households

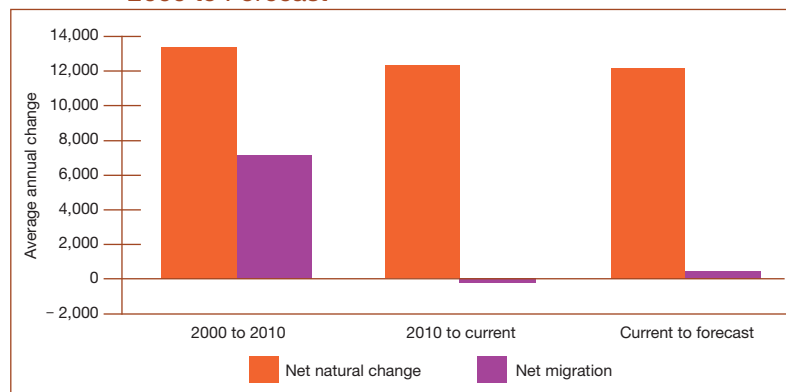
The population of the McAllen HMA was estimated to be 823,900 as of April 1, 2014, representing an average increase of 12,300, or 1.5 percent, annually since April 2010. The population growth since 2010 is significantly slower than in previous years. During 2001 and 2002, the population increased by an average of 18,650, or 3.2 percent, annually. Net in-migration averaged 6,375 people a year and accounted for 34 percent of the population growth during those years. In-migration peaked from 2003 to 2005 when strong job growth attracted many people to the HMA. Net in-migration during those years averaged 8,225 people a year, an increase of 1,850 people, or 29 percent. The net in-migration to the HMA accounted for more than 38 percent of total population growth, which increased by an average of 21,500, or 3.4 percent, annually from 2003 to 2005. When the rate of employment growth slowed from 2006 to 2008, after which the HMA recorded job losses in 2009, the rate of population growth also slowed. Population growth averaged 20,600 people, or 2.9 percent, annually from 2006 to 2009

when net in-migration declined by 1,475 people a year, or nearly 18 percent, to an average of 6,750 people per year and accounted for slightly less than 33 percent of the HMA's population growth.

The rate of population growth since 2010 has slowed as both net natural change (number of births minus number of deaths) and in-migration to the HMA have both diminished. Since 2010, net out-migration from the HMA represents a reversal of the earlier trends, with net out-migration averaging 50 people a year. The Eagle Ford Shale development, which is about 100 miles north of the HMA, contributed to the decline of net in-migration because many workers left the HMA to take relatively higher paying jobs in the oil fields. Net natural change steadily declined every year in the HMA after peaking in 2008 at nearly 14,150 people before dropping to 12,200 people during 2013. Figure 4 shows the components of population change since 2000 and for the 3-year forecast period.

The McAllen-Edinburg-Mission, TX Metropolitan Statistical Area (MSA), which is coterminous with the HMA, is one of the poorest MSAs in the nation, with a median family income of \$38,500. Many of the lower income residents of the HMA reside in colonias that are in the unincorporated areas of the HMA. The housing units in colonias usually lack basic infrastructure, such as electricity, water, and sewage hookups. The residents of colonias usually build their own homes as they acquire materials; professional builders are hardly ever used. Most properties in a colonia are purchased using a contract for deed, which is a financing arrangement in which

Figure 4. Components of Population Change in the McAllen HMA,* 2000 to Forecast



*McAllen-Edinburg-Mission HMA.

Notes: The current date is April 1, 2014. The forecast date is April 1, 2017.

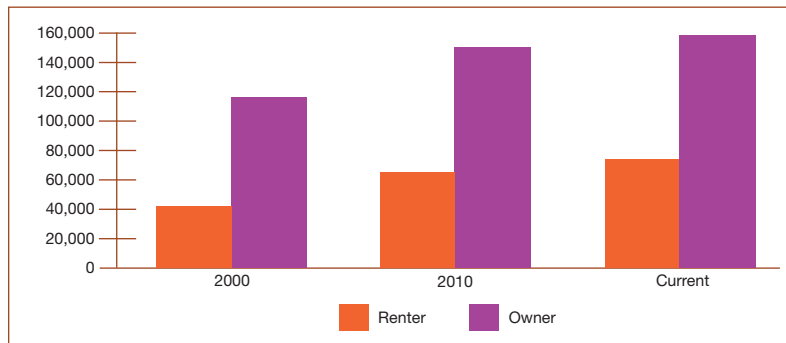
Sources: 2000 and 2010–2000 Census and 2010 Census; current and forecast—estimates by analyst

landownership often remains with the seller until the total purchase price is paid. Contracts for deed are usually not recorded with the county clerk, and, as such, the developer does not have to go through a foreclosure process if the person living in the colonia falls behind on his or her payments to repossess the property. Developers also can claim any improvements made on the property by the resident without compensation. It is estimated that nearly 156,200 people live in the nearly 950 colonias in the McAllen HMA (Senate Bill 99, 2010).

The McAllen HMA has a very young population. The median age in the HMA was 28.6 years compared with a national average of 37.4 years (2012 American Community Survey [ACS]). People who are less than 18 years old account for 34 percent of the HMA's total population compared with 24 percent nationally. About 50 percent of all households in the HMA have a child younger than 18, which is significantly higher than the national rate of 32 percent. The large percentage of the population that is less than 18 years old contributes to the extremely high household size of 3.6 people per household in the HMA, which compares with 2.6 people nationally (2012 ACS).

Slower population growth since 2010 has contributed to a sharp drop in household growth in the HMA. The number of households has increased by an average annual rate of 3,450, or 1.6 percent, since 2010, down from an average of 5,975, or 3.3 percent, annually from 2000 to 2010. An estimated 230,250 households are currently in the HMA. Figure 5 illustrates the number of households by tenure in the HMA for 2000, 2010, and the current date. During the next 3 years, the number of households is expected to increase by an average of 3,650, or 1.6 percent, annually, and the population is forecast to increase by 12,550, or 1.5 percent, annually. Figure 6 shows population and household growth in the HMA from 2000 to the forecast date. The homeownership rate in the HMA declined from 73.1 percent in 2000, to 70.0 percent in 2010, and to 68.9 percent as of April 1, 2014, because of tighter lending standards introduced in 2009 and the increased number of young people who formed households and chose to rent.

Figure 5. Number of Households by Tenure in the McAllen HMA,* 2000 to Current

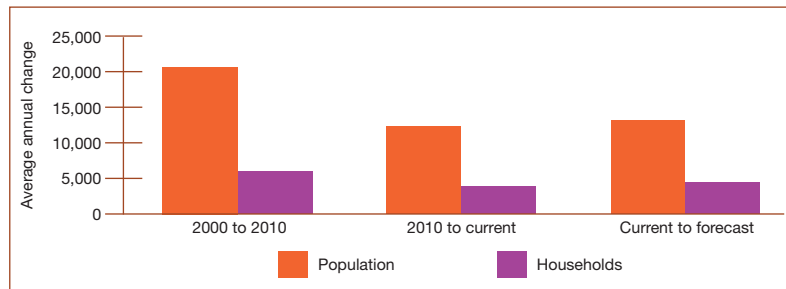


*McAllen-Edinburg-Mission HMA.

Note: The current date is April 1, 2014.

Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

Figure 6. Population and Household Growth in the McAllen HMA,* 2000 to Forecast



*McAllen-Edinburg-Mission HMA.

Notes: The current date is April 1, 2014. The forecast date is April 1, 2017.

Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by analyst

Housing Market Trends

Sales Market

The sales housing market in the McAllen HMA is currently slightly soft, with a 1.5-percent vacancy rate, which is less than the 1.8-percent rate recorded in April 2010. The sales market currently has 13.7 months of inventory, which is down from 13.8 percent a year ago (Real Estate Center at Texas A&M University). New and existing home sales (including single-family homes, townhomes, and condominiums) in the HMA totaled 10,300 during the 12 months ending March 2014, down by 170 homes sold, or nearly 2 percent, from the previous 12 months (Metrostudy, A Hanley Wood Company). The average home sales price during the 12 months ending March 2014 was \$120,900, an increase of \$7,300, or nearly 7 percent, from the 12 months ending March 2013. Slower population growth since 2006, coupled with tighter mortgage lending standards since 2009, has resulted in declining sales and decreased building activity that are well below the levels that existed before 2006, with the sale of new homes only recently beginning to increase.

The sale of new homes (single-family homes, townhomes, and condominiums) in the HMA increased slightly during the 12 months ending March 2014. New single-family home sales totaled 600 during the 12 months ending March 2014, an increase of 90 sales, or nearly 18 percent, from the previous 12 months. This recent increase of new home sales is a reversal of the most recent trend in the HMA of declining new home sales. During 2006, new homes sales peaked at 3,200 but declined every year by an average of 440 sales, or 25 percent, annually from 2007 through

2012, when only 560 new homes sold. The average sales price of a new home during the 12 months ending March 2014 was \$159,400, a decline of nearly \$6,700, or 4 percent, from the previous 12 months, when home sales prices peaked at \$166,100. From 2005 through 2008, the average sales price of a new single-family home increased by an average of \$11,550, or more than 8 percent, annually. Following the national downturn in the housing market, the sales price of new single-family homes in the HMA declined by an average of \$6,400, or 4 percent, annually during 2009 and 2010, to \$149,800.

Total existing homes sales (including single-family homes, townhomes, and condominiums) in the HMA were down more than 2 percent, or 240 sales, to 9,750 homes sold, during the 12 months ending March 2014 from the previous 12 months. The overall decline in existing home sales is the result of a drop in the number of real estate owned (REO) sales. Traditional market sales of existing single-family homes increased by 250 sales, or more than 3 percent, to 7,400 homes sold, while the number of REO sales declined by 490, or 17 percent, to 2,300 homes sold. As of March 2014, 4.4 percent of home loans in the HMA were 90 or more days delinquent, were in foreclosure, or transitioned into REO (Real Estate Owned) status, down from 5.1 percent a year earlier (Black Knight Financial Services, Inc.). The sale of existing single-family homes is down by 7,150 homes, or more than 42 percent, from the peak year of 2005 when 16,850 existing single-family homes sold. During 2006 and 2007, the sale of existing

Housing Market Trends

Sales Market *Continued*

single-family homes declined by an average of 1,600, or approximately 10 percent, annually, to 13,650 homes sold in 2007. From 2008 through 2012, an average of 10,300 existing single-family homes sold in the HMA. The average sales price of an existing single-family home during the 12 months ending March 2014 was \$118,900, an increase of nearly \$8,050, or 7 percent, from the previous 12 months. The current average sales price of an existing single-family home is still less than the average sales price of \$120,500 from 2006 through 2007. The average sales price declined by \$14,600, or 12 percent, to \$105,900, from 2008 through 2011.

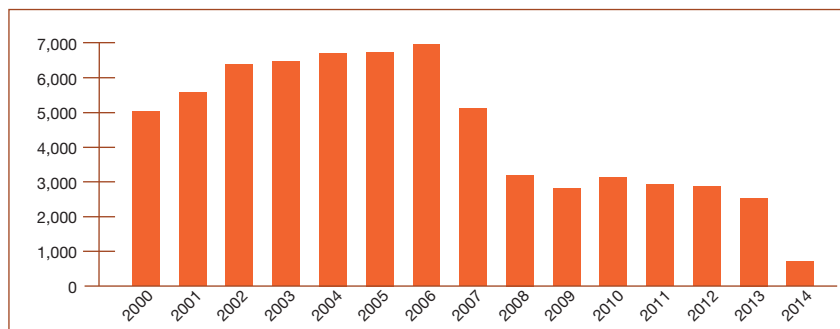
Single-family homebuilding activity, as measured by the number of single-family building homes permitted, totaled 2,600 homes during the 12 months ending March 2014, a decline of 50 homes, or nearly 2 percent, compared with the number permitted a year earlier. Following the trend of declining sales, homebuilding activity in the HMA is well below the peak level of 6,875 single-family homes permitted during 2006. From 2000 through 2005, the number

of single-family homes permitted increased every year and averaged nearly 6,175 homes permitted annually. The number of single-family homes permitted declined every year from 2007 through 2009, to 2,800 single-family homes permitted in 2009. During 2010, 300 additional single-family homes were permitted, a gain of slightly more than 10 percent, to 3,100 homes permitted. The number of homes permitted began to decline again in 2011 and averaged 2,900 single-family homes permitted annually during 2011 and 2012. Figure 7 shows the number of single-family homes permitted in the HMA since 2000.

Some of the more recent housing developments include Sharyland Plantation, which is a 2,000-home master-planned community in the city of Mission. The development is nearing final buildout, with only 80 lots available. Home sales prices in this development range from \$175,000 to \$2.8 million. The typical home size is a four-bedroom, two-bathroom home with more than 2,100 square feet and sales prices that range from \$240,000 to \$320,000. Another development under way is the La Floresta subdivision in the northern section of the city of McAllen. This 149-home development, which has home sales prices that start at \$150,000, is about 40 percent complete.

During the next 3 years, demand is estimated for 9,475 new homes (Table 1). Demand should increase slightly during each year of the 3-year forecast period. The 710 homes currently under construction will meet a portion of the forecast demand.

Figure 7. Single-Family Homes Permitted in the McAllen HMA,* 2000 to Current



*McAllen-Edinburg-Mission HMA.

Notes: Includes townhomes. Current includes data through March 2014.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Table 4. Estimated Demand for New Market-Rate Sales Housing in the McAllen HMA* During the Forecast Period

Price Range (\$)		Units of Demand	Percent of Total
From	To		
73,500	99,999	1,900	20.0
100,000	149,999	3,300	35.0
150,000	199,999	2,550	27.0
200,000	299,999	1,425	15.0
300,000	and higher	280	3.0

*McAllen-Edinburg-Mission HMA.

Notes: The 710 homes currently under construction and a portion of the estimated 22,300 other vacant units in the HMA will likely satisfy some of the forecast demand. The forecast period is April 1, 2014, to April 1, 2017.

Source: Estimates by analyst

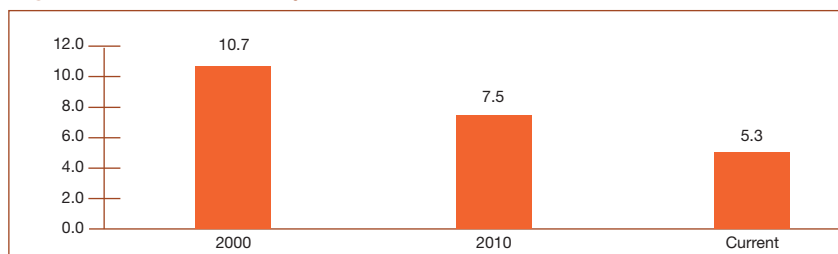
In addition, some of the estimated 22,300 other vacant units may reenter the market and satisfy part of the forecast demand. Sales prices for new three-bedroom, one-bathroom homes with about 1,500 square feet start at \$73,500. Table 4 presents detailed information on the estimated demand for new market-rate sales housing, by price range, in the McAllen HMA during the forecast period.

Rental Market

The rental housing market in the McAllen HMA is balanced, with an estimated 5.3-percent vacancy rate as of April 1, 2014, which is less than the 7.5-percent rate recorded during April 2010 (Figure 8). The rental market has been improving because of increased demand for rental housing, as a greater proportion of newly formed households are renter households, and because the production of rental units in the HMA slowed down from 2008 through 2012, partly because of slower population growth. In the HMA, 52 percent of all renter households reside in either single-family homes or mobile homes. As of April 1, 2014, the apartment market in the HMA is currently tight, with a 2.5-percent vacancy rate, which is less

than the 3.1-percent rate recorded a year earlier and the 6.1-percent rate recorded at the end of the first quarter of 2010 (Reis, Inc.). Slightly less than 21 percent of all renter households live in apartment complexes that consist of five or more units per structure (2012 ACS). The average apartment rent for one-, two-, and three-bedroom units is \$600, \$710, and \$800 respectively.

Multifamily construction, as measured by the number of multifamily units permitted, increased significantly during the 12 months ending March 2014. Because the apartment market has tightened since 2011, builders responded to local conditions and increased production during the past year. During the 12 months ending March 2014, 860 multifamily units were permitted, an increase of 390 units, or nearly 83 percent, (preliminary data). Multifamily construction is still well below the levels recorded from 2001 through 2007. An average of 1,325 multifamily units were permitted annually from 2001 through 2003, and that number increased nearly 55 percent, to an average of 2,050 annually, from 2004 through 2007. Slowing

Figure 8. Rental Vacancy Rates in the McAllen HMA,* 2000 to Current


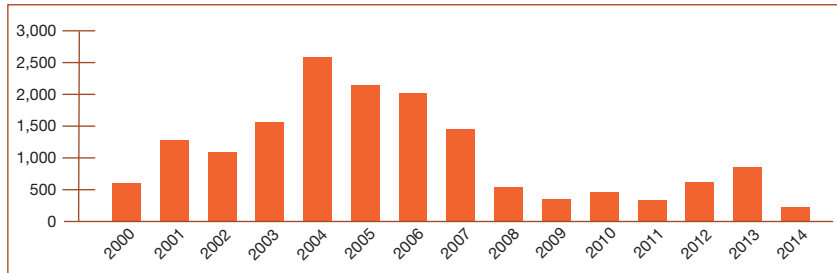
*McAllen-Edinburg-Mission HMA.

Note: The current date is April 1, 2014.

Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

population growth reduced demand and multifamily construction declined to an average of 430 units annually from 2008 through 2011. Figure 9 shows the number of multifamily units permitted annually in the HMA since 2000.

Figure 9. Multifamily Units Permitted in the McAllen HMA,* 2000 to Current



*McAllen-Edinburg-Mission HMA.

Notes: Excludes townhomes. Current includes data through March 2014.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Table 5. Estimated Demand for New Market-Rate Rental Housing in the McAllen HMA* During the Forecast Period

One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand
645 to 844	720	850 to 1,049	1,300	1,200 to 1,399	300
845 or more	230	1,050 or more	420	1,400 or more	100
Total	950	Total	1,725	Total	400

*McAllen-Edinburg-Mission HMA.

Notes: Numbers may not add to totals because of rounding. The 540 units currently under construction will likely satisfy some of the estimated demand. The forecast period is April 1, 2014, to April 1, 2017.

Source: Estimates by analyst

Some recent multifamily construction developments include The Residence at Edinburg, which completed construction in 2013. This 194-unit development has rents that average \$820 for one-bedroom units and \$1,085 for two-bedroom units. Another project under way is The Villages at Sugar Road, which consists of 168 units. The first two buildings of this project opened for occupancy in March 2014, and the complete buildout is expected by mid-June 2014. Rents range from \$645 to \$795 for a one-bedroom unit, \$850 to \$1,040 for a two-bedroom unit, and \$1,200 to \$1,245 for a three-bedroom unit.

During the 3-year forecast period, demand is estimated for 3,075 new market-rate rental units (Table 1). The 540 multifamily units currently under construction will meet a portion of this demand. Table 5 illustrates estimated demand for new rental housing in the HMA by price range and number of bedrooms.

Data Profile

Table DP-1. McAllen HMA* Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%)	
				2000 to 2010	2010 to Current
Total resident employment	191,542	272,907	286,400	3.6	1.5
Unemployment rate	9.2%	12.1%	10.5%		
Nonfarm payroll jobs	156,900	219,300	235,000	3.4	2.2
Total population	569,463	774,769	823,900	3.1	1.5
Total households	156,824	216,471	230,250	3.3	1.6
Owner households	114,580	151,533	158,700	2.8	1.2
Percent owner	73.1%	70.0%	68.9%		
Renter households	42,244	64,938	71,550	4.4	2.5
Percent renter	26.9%	30.0%	31.1%		
Total housing units	192,658	248,287	258,900	2.6	1.1
Owner vacancy rate	1.4%	1.8%	1.5%		
Rental vacancy rate	10.7%	7.5%	5.3%		
Median Family Income	\$28,000	\$33,200	\$38,500	1.7	5.1

*McAllen-Edinburg-Mission HMA.

Notes: Numbers may not add to totals because of rounding. Employment data represent annual averages for 2000, 2010, and the 12 months through March 2014. Median Family Incomes are for 1999, 2009, and 2012. The current date is April 1, 2014.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Data Definitions and Sources

2000: 4/1/2000—U.S. Decennial Census
 2010: 4/1/2010—U.S. Decennial Census
 Current date: 4/1/2014—Analyst’s estimates
 Forecast period: 4/1/2014–4/1/2017—
 Analyst’s estimates

The metropolitan statistical area definition in this report is based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated December 5, 2005, and does not reflect changes defined by the OMB Bulletin dated February 28, 2013.

Demand: The demand estimates in the analysis are not a forecast of building activity. They are the estimates of the total housing production needed to achieve a balanced market at the end of the 3-year forecast period given conditions on the as-of date of the analysis, growth, losses, and excess vacancies. The estimates do not account for units currently under construction or units in the development pipeline.

Other Vacant Units: In the U.S. Department of Housing and Urban Development’s (HUD’s) analysis, other vacant units include all vacant units that are not available for sale or for rent. The term therefore includes units rented or sold but not occupied; held for seasonal, recreational, or occasional use; used by migrant workers; and the category specified as “other” vacant by the Census Bureau.

Building Permits: Building permits do not necessarily reflect all residential building activity that occurs in an HMA. 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.

For additional data pertaining to the housing market for this HMA, go to http://www.huduser.org/publications/pdf/CMARtables_McAllen-Edinburg-MissionTX_14.pdf.

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This analysis has been prepared for the assistance and guidance of HUD in its operations. The factual information, findings, and conclusions may also be useful to builders, mortgagees, and others concerned with local housing market conditions and trends. The analysis does not purport to make determinations regarding the acceptability of any mortgage insurance proposals that may be under consideration by the Department.

The factual framework for this analysis follows the guidelines and methods developed by HUD’s Economic and Market Analysis Division. The analysis and findings are as thorough and current as possible based on information available on the as-of date from local and national sources. As such, findings or conclusions may be modified by subsequent developments. HUD expresses its appreciation to those industry sources and state and local government officials who provided data and information on local economic and housing market conditions.

For additional reports on other market areas, please go to
www.huduser.org/portal/ushmc/chma_archive.html.