Analysis of the

MCALLEN-PHARR-EDINBURG, TEXAS HOUSING MARKET

as of February 1, 1971

A Report by the
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
FEDERAL HOUSING ADMINISTRATION
WASHINGTON, D. C. 20411

July 1971

FHA Housing Market Analysis

McAllen-Pharr-Edinburg, Texas, as of February 1, 1971

Foreword

This analysis has been prepared for the assistance and guidance of the Federal Housing Administration in its operations. The factual information, findings, and conclusions may be useful also to builders, mortgagees, and others concerned with local housing problems and trends. The analysis does not purport to make determinations with respect to the acceptability of any particular mortgage insurance proposals that may be under consideration in the subject locality.

The factual framework for this analysis was developed by the Economic and Market Analysis Division as thoroughly as possible on the basis of information available on the "as of" date from both local and national sources. Of course, estimates and judgments made on the basis of information available on the "as of" date may be modified considerably by subsequent market developments.

The prospective demand or occupancy potentials expressed in the analysis are based upon an evaluation of the factors available on the "as of" date. They cannot be construed as forecasts of building activity; rather, they express the prospective housing production which would maintain a reasonable balance in demand-supply relationships under conditions analyzed for the "as of" date.

Department of Housing and Urban Development
Federal Housing Administration
Economic and Market Analysis Division
Washington, D. C.

FHA HOUSING MARKET ANALYSIS
MCALLEN-PHARR-EDINBURG, TEXAS, HMA
AS OF FEBRUARY 1, 1971

The McAllen Housing Market Area (HMA) is defined as Hidalgo County, Texas which conforms to the Bureau of the Budget definition of the McAllen-Pharr-Edinburg Standard Metropolitan Statistical Area. Hidalgo County, with a February 1971 population of 182,200 persons, is located in the Rio Grande Valley in south Texas.

Declining population and household numbers during the first half of the 1960's resulted in increasing vacancies and a generally soft housing market through about 1967. Agricultural and related food processing employment, the basic economic support for the area, fell during the 1960 to 1965 period and substantial out-migration occurred. Between 1966 and 1969, employment in the food products industry increased, however, and this fact, together with increased tourist activity was reflected in job gains in construction, trade, services and government and in population growth. Agricultural and related employment fell in 1970, generally depressing local business. Some improvement was evident near the end of 1970, but the housing market, with a net available vacancy rate of 4.3 percent, still had an excess of both sales and rental vacancies.

Anticipated Housing Demand

Based on an anticipated recovery in economic growth, current market conditions, and anticipated replacement needs generated by losses in the housing inventory during the next two years, demand for new nonsubsidized housing will total about 550 units annually including 400 single-family homes, 100 units in multifamily structures and 50 mobile homes. A distribution of the annual demand for single-family houses by sales price groups is shown in table I. The multifamily units should be concentrated in one- and two-bedroom apartments at close to the minimum achievable rents for the area.

Occupancy Potential for Subsidized Housing

Federal assistance in financing costs for new housing for low- or moderate-income families may be provided through a number of different programs administered by FHA: monthly rent supplements in rental projects financed under Section 221(d)(3); partial payment of interest on home mortgages insured under Section 235; partial interest payment on project mortgages insured under Section 236; and federal assistance to local housing authorities for low-rent public housing.

The estimated occupancy potentials for subsidized housing are designed to determine, for each program, (1) the number of families and individuals who can be served under the program and (2) the proportion of these households that can reasonably be expected to seek new subsidized housing during the forecast period. Household eligibility for the Section 235 and Section 236 programs is determined primarily by evidence that household or family income is below established limits but sufficient to pay the minimum achievable rent or monthly payment for the specified program. Insofar as the income requirement is concerned, all families and individuals with income below the income limits are assumed to be eligible for public housing and rent supplement; there may be other requirements for eligibility, particularly the requirement that current living quarters be substandard for families to be eligible for rent supplements. Some families may be alternatively eligible for assistance under more than one of these programs or under other assistance programs using federal or state support. The total occupancy potential for federally assisted housing approximates the sum of the potentials for public housing and Section 236 housing. For the McAllen HMA, the total occupancy potential is estimated to be 980 units annually.

Section 235 and Section 236. Subsidized housing for households with low- to moderate-income may be provided under either Section 235 or Section 236. Moderately priced, subsidized sales housing for eligible families can be made available through Section 235. Subsidized rental housing[1/] for the same families may be alternatively provided under Section 236; the Section 236 program contains additional provisions for subsidized rental units for elderly couples and individuals. Using regular income limits,[2/] it is estimated that for the February 1971-February 1973 period there is an occupancy potential for 115 subsidized family units annually utilizing either Section 235 or Section 236, or a combination of the two programs. In addition, there is an annual potential for 30 units of Section 236 rental housing for elderly couples and individuals. It is estimated that about 30 percent of the households which are prospective occupants of Section 235 housing may require units with four or more bedrooms.

1/ Interest reduction payments may also be made for cooperative housing projects. Occupancy requirements under Section 236 are identical for tenants and cooperative owner-occupants.

2/ The occupancy potential for families would be increased to 860 units annually if exception limits are used. The elderly potential would remain the same.

As of February 1, 1971, the McAllen HMA had a total of 86 completed housing units which had been marketed under the provisions of Section 235 and construction had begun on about 35 units; 56 units of multifamily rental housing were under construction under Section 236.

Low-Rent Public Housing and Rent Supplement. These two programs serve households in essentially the same low-income group. The principal differences are in the eligibility requirements and in the manner in which net income is computed. For the McAllen HMA, the annual occupancy potential for public housing is estimated at 850 units, including 725 units for families and 125 units for elderly couples and individuals. Because such a large proportion of the current rental inventory is in relatively poor condition, the potential for rent supplement units is the same as that for public housing.

There are 1,030 units of low-rent public housing under management in the McAllen HMA, including 225 units for elderly persons. McAllen, Pharr, and Edinburg account for 475 units with the remaining 555 distributed in six municipalities scattered throughout Hidalgo County. No rent-supplement units have been marketed in the McAllen HMA and none were planned in February 1971.

As of February 1, 1971, a total of 500 additional low-rent public housing units had been approved for development or were under construction; 250 are intended for families and 250 are designed for elderly occupants. The planned units for the elderly will fulfill the projected potential for the February 1971-February 1973 forecast period. Further approvals of low-rent housing for the elderly to be completed during the forecast period should be restricted pending occupancy experience of the currently planned units.

Housing Market. The population decline during the first half of the decade was reflected in decreased demand for new sales units. From 1960 to 1967, single-family house production dropped from 802 units to 376 units yearly. An increasing rate of household formation late in the decade stimulated demand, and volume increased to 629 houses in 1968 and 419 houses in 1969. While 461 houses were authorized by building permits in 1970, about 85 of them were intended for occupancy under the Section 235 program. The homeowner vacancy rate, which had reached very low levels by 1967, increased somewhat thereafter and reached 1.6 percent in April 1970. Some improvement has occurred in the last ten months and the current 1.5 percent rate is considered to be only slightly high for the area. However, eight of the low-priced units intended to be closed under Section 235 remained unsold for more than six months.

Recent sales have been concentrated in the $25,000 to $30,000 price range. Most of these units are in scattered small groups and are built on a contract basis. Demand is, and is expected to remain, strong in this range.

Tract developments, including small groups of three and four houses, are all located in the McAllen-Pharr-Edinburg area in the southern part of Hidalgo County. A few higher-priced custom homes are being constructed, but the market for units priced above $35,000 is very shallow.

While new rental units in the moderate price ranges ($130 to $150 a month for a two-bedroom unit and $160 to $180 for a three-bedroom unit, excluding utilities) have been absorbed readily, the rental vacancy rate in the area has remained high, increasing from 7.1 percent in April 1960 to 10.5 percent in April 1970. The excess vacancies are concentrated in older units (primarily low-quality single-family structures) which are no longer competitive in the market, although many are in sound condition.

Economic, Demographic, and Housing Factors

The projected demand for new, nonsubsidized housing in the HMA is based on the current conditions and trends discussed in the economic, demographic, and housing sections which follow.

Economic Factors. The McAllen HMA economy is based largely on agriculture and related food processing and wholesaling. Agricultural production has increased substantially over the last five years and has created some additional jobs in agriculture. As a result of the adaption of mechanical harvesting methods, however, this expansion has resulted in only minor expansion in the agricultural work force. The one-year jump in the job total in 1969 was the result of an extraordinary conjunction of good weather and good prices for both citrus fruits and vegetables. While the same circumstances resulted in a boom in food processing jobs in 1969, there has been more real growth in this sector of the economy. Job gains in the food processing industry accounted for nearly two thirds of the increase in manufacturing employment over the past five years.

Nonagricultural wage and salary employment trends in this area closely follow trends in agricultural output. Job increases averaged 1,994 annually from 1965 to 1969, but there was a loss of 295 from 1969 to 1970. Food processing and packaging firms account for more than half the manufacturing employment in the HMA, and food wholesalers provide a large segment of wholesale trade employment. In the 1965-1969 period, manufacturing firms responded to increasing levels of food production; an average of 516 jobs a year in manufacturing were added, most of them in the food and kindred products category. In 1970, food and kindred products employment fell by 860 jobs causing a severe downturn in total manufacturing employment.

The McAllen HMA benefits from its position as a trade, service, and government center for a large area of the Rio Grande Valley and nearby areas of Mexico. Nonmanufacturing employment has grown continuously over the last five years by an average of nearly 1,300 jobs annually, although 1969-1970 nonmanufacturing growth was just 525 jobs.

While the level of agricultural output is somewhat unpredictable, some increase in the agricultural employment is expected, perhaps 100 jobs a year. Nonagricultural wage and salary employment is expected to resume an upward movement. Increases in total employment during the February 1971-February 1973 forecast period are forecast at about 1,600 jobs annually. Manufacturing, mainly because of the expected labor needs in the food processing industry, will account for an average of 350 new jobs a year and jobs in nonmanufacturing will increase by 1,150 a year. Recovery of employment in wholesale trade and continued expansion in retail trade, services, and government will provide most of the projected jobs.

In 1971, the median annual income of all families in the McAllen HMA, after deduction of federal income tax, was $4,650; the median after-tax income of renter households of two or more persons was $3,950. In 1959, the median income of all families was $2,675 and the median renter income was $2,350. Detailed distributions of all family and renter household income in 1959 and 1971 are shown in table IV.

Demographic Factors. In February 1971, there were 182,200 persons in the McAllen HMA (see table V). Out-migration was substantial and population declined during the first half of the 1960-1970 decade as several severe crop failures caused large losses. From 1965 to 1969, economic growth resulted in large population increases and there was a net gain in population of 630 persons over the decade. Growth slowed considerably during 1970 to an annual rate of increase of about 800. During recent years, out-migration has slowed considerably, a trend which is expected to continue through the forecast period. During the February 1971-February 1973 forecast period, projected population growth will average about 1,100 persons annually (see table V).

There were 44,100 households in the McAllen HMA in February 1971. Household growth averaged 276 annually during the 1960-1970 decade. The number of households has increased rapidly in the last five years, but growth slowed to an annual rate of 450 during the April 1970-February 1971 period. Coincident with expected economic growth, households are expected to increase by 575 a year during the forecast period. The McAllen-Pharr-Edinburg area, which occupies a relatively small geographic portion of Hidalgo County, will get about 450 of the projected 575 household increase.

Housing Factors. The housing inventory in the McAllen HMA totaled about 50,950 units on February 1, 1971, including 30,875 owner-occupied units, 13,225 renter-occupied units, and 6,850 vacant housing units. From April 1960 to February 1971, the housing inventory increased by about 3,250 units resulting from the construction of 8,050 units, the addition of 500 mobile homes, and the loss of 5,300 units through demolitions and other causes. There were about 150 units under construction in February 1971, including 80 homes and 70 units in multifamily structures. Of the homes under construction, about 35 are expected to be sold to families qualifying for subsidy under Section 235. Fifty-six of the 70 multifamily units under construction are included in a Section 236 project.

Residential construction volume declined every year but one from 1960 through 1967; building permit authorizations totaled 920 units in 1960 and dropped to 401 by 1967. Substantial excess vacancy created during the early part of the decade was gradually absorbed during the 1965-1967 period. Building volume has recovered somewhat since 1967, but relatively low incomes and rising mortgage costs have reduced effective demand for new nonsubsidized units. It should also be noted that about 19 percent of the single-family units authorized in 1970 were closed under Section 235.

There were about 2,000 vacant housing units in the HMA as of February 1, 1971. About 475 were for sale and 1,525 were for rent, indicating homeowner and renter vacancy rates of 1.5 percent and 10.3 percent, respectively. Of the 2,000 available vacancies, about 400 sales vacancies and 875 rental vacancies had all plumbing facilities. The February 1971 vacancy rates represent a slight improvement from the 1.6 and 10.5 percent rates reported in the April 1970 Census.

Table I

Estimated Annual Demand for New, Nonsubsidized Single-Family Housing
McAllen-Pharr-Edinburg, Texas, HMA
February 1971-February 1973

Sales price	Number of units	Percent of total
Under $15,000	20	5.0
$15,000 - 17,499	40	10.0
17,500 - 19,999	55	13.8
20,000 - 24,999	100	25.0
25,000 - 29,999	110	27.4
30,000 - 34,999	55	13.8
35,000 and over	20	5.0
Total	400	100.0

Table II

Estimated Annual Occupancy Potential for Subsidized Rental Housing
McAllen-Pharr-Edinburg, Texas, HMA
February 1971-February 1973

	Section 236[a/] exclusively	Eligible for both programs	Public housing exclusively	Total for both programs
A. Families				
1 bedroom	20	-	100	120
2 bedrooms	50	-	270	320
3 bedrooms	30	-	210	240
4+ bedrooms	15	-	145	160
Total	115	-	725	840
B. Elderly				
Efficiency	5	10	75	90
1 bedroom	10	5	35	50
Total	15	15	110	140

a/ Estimates are based on regular income limits.

Table III

Labor Force Trends
McAllen-Pharr-Edinburg, Texas, HMA
1965-1970

	1965	1966	1967	1968	1969	1970
Total labor force	53,480	56,255	59,070	59,945	62,870	61,660
Unemployment	3,400	3,110	3,485	3,460	3,700	3,935
Percent unemployed	6.4	5.5	5.9	5.8	5.9	6.4
Total employment	50,080	53,145	55,585	56,485	59,170	57,725
Nonagricultural wage & salary	31,245	33,770	36,170	37,955	39,220	38,925
Manufacturing	3,065	3,020	4,070	4,520	5,130	4,310
Durable goods	395	435	470	530	560	490
Machinery, except elect.	120	150	200	220	210	165
Electrical machinery	40	45	40	50	80	75
Other durable goods	235	240	230	260	270	250
Nondurable goods	2,670	2,585	3,600	3,990	4,570	3,820
Food & kindred products	1,615	1,465	2,500	2,890	3,320	2,460
Apparel	355	375	320	350	460	510
Paper	220	200	220	240	270	310
Printing & publishing	205	215	220	230	230	240
Other nondurable goods	275	330	340	280	290	300
Nonmanufacturing	28,180	30,750	32,100	33,435	34,090	34,615
Agri., for., & fisheries	305	240	200	130	255	405
Mining	870	875	895	920	915	955
Contract construction	2,775	3,495	3,105	3,195	3,430	3,755
Trans., comm., & util.	1,380	1,445	1,540	1,580	1,600	1,610
Trade	12,685	13,675	14,840	15,450	14,770	14,150
Fin., ins., & real estate	1,000	1,020	1,040	1,085	1,140	1,215
Services	3,450	3,615	3,530	3,595	3,690	3,825
Government	5,715	6,385	6,950	7,480	8,290	8,700
All other nonagricultural	6,600	6,640	6,495	5,970	6,050	5,875
Agricultural employment	12,235	12,735	12,920	12,560	13,900	12,925

Source: Texas Employment Commission.

Table IV

Percentage Distribution of All Families and Renter Households by Estimated Annual Income After Deduction of Federal Income Tax McAllen-Pharr-Edinburg, Texas, HMA, 1959 and 1971

Annual income	1959 All families	1959 Renter households[a]	1971 All families	1971 Rental households[a]
Under $2,000	36	43	17	21
$2,000 - 2,999	19	19	12	16
3,000 - 3,999	14	14	13	13
4,000 - 4,999	8	8	11	10
5,000 - 5,999	8	5	8	7
6,000 - 6,999	5	3	6	7
7,000 - 7,999	3	2	5	5
8,000 - 8,999	2	1	5	5
9,000 - 9,999	2	1	4	3
10,000 - 12,499	1	)	7	6
12,500 - 14,999	2)	4)	5	3
15,000 and over	)	)	7	4
Total	100	100	100	100
Median	$2,675	$2,350	$4,650	$3,950

a/ Excludes one-person renter households.

Source: Estimated by Housing Market Analyst.

Table V

Population and Household Trends
McAllen-Pharr-Edinburg, Texas, HMA
April 1960-February 1973

	April 1960	April 1970	February 1971	February 1973	Average annual change 1960-1970	1970-1971	1971-1973
Population							
HMA total	180,904	181,535	182,200	184,400	63	800	1,100
McAllen	32,728	37,636	38,100	39,650	491	550	775
Pharr	14,106	15,829	15,950	16,400	172	150	225
Edinburg	18,706	17,163	17,350	17,850	-154	225	250
Remainder of HMA	115,364	110,907	110,800	110,500	-446	-125	-150
Households							
HMA total	40,963	43,722	44,100	45,250	276	450	575
McAllen	8,298	9,956	10,150	10,700	166	230	275
Pharr	3,115	3,706	3,750	3,900	59	50	75
Edinburg	4,271	4,247	4,300	4,500	- 2	65	100
Remainder of HMA	25,279	25,813	25,900	26,150	53	105	125

Sources: 1960 and 1970 Censuses of Population and Housing; 1971 and 1973 estimated by Housing Market Analyst.

Table VI

Trend of Residential Construction Activity
McAllen-Pharr-Edinburg, Texas, HMA
1960-1970

	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
HMA total[a]	920	760	762	874	752	644	500	401	746	463	532
Single-family	802	701	734	601	554	546	455	376	629	419	461
Multifamily	118	59	28	273	198	98	45	25	117	44	71
McAllen	385	222	227	178	219	232	191	148	326	186	146
Single-family	294	195	201	162	138	174	153	125	215	160	109
Multifamily	91	27	26	16	81	58	38	23	111	26	37
Pharr	138	103	100	70	56	61	51	44	45	36	50
Single-family	113	103	98	70	50	55	49	44	43	36	50
Multifamily	25	-	2	-	6	6	2	-	2	-	-
Edinburg	94	109	116	79	127	127	111	86	119	119	123
Single-family	94	105	116	79	103	116	106	84	119	103	113
Multifamily	-	4	-	-	24	11	5	2	-	16	10
Remainder of HMA	303	326	319	547	350	224	147	123	256	122	213
Single-family	301	298	319	290	263	201	147	123	252	120	189
Multifamily	2	28	-	257	87	23	-	-	4	2	24

a/ Excludes 531 units of low-rent public housing completed during the 1960-1970 period. Also excludes an estimated 300 units completed outside building permit jurisdictions.

Source: U.S. Bureau of the Census and local building inspectors.

Table VII

Tenure and Occupancy in the Housing Inventory
McAllen-Pharr-Edinburg, Texas, HMA
April 1960-February 1971

Tenure and occupancy	April 1960	April 1970	February 1971
Total housing supply	47,711	50,719	50,950
Occupied housing units	40,963	43,724	44,100
Owner-occupied	26,673	30,804	30,875
Percent of all occupied	65.1%	70.5%	70.0%
Renter-occupied	14,290	12,920	13,225
Percent of all occupied	34.9%	29.5%	30.0%
Vacant housing units	6,748	6,995	6,850
Available vacant	1,440	2,001	2,000
For sale	342	490	475
Homeowner vacancy rate	1.3%	1.6%	1.5%
For rent	1,098	1,511	1,525
Rental vacancy rate	7.1%	10.5%	10.3%
Other vacant[a/]	5,308	4,994	4,850

a/ Includes seasonal units, vacant dilapidated units, units rented or sold awaiting occupancy, and units held off the market for absentee owners or other reasons.

Sources: 1960 and 1970 Censuses of Housing; 1971 estimated by Housing Market Analyst.

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