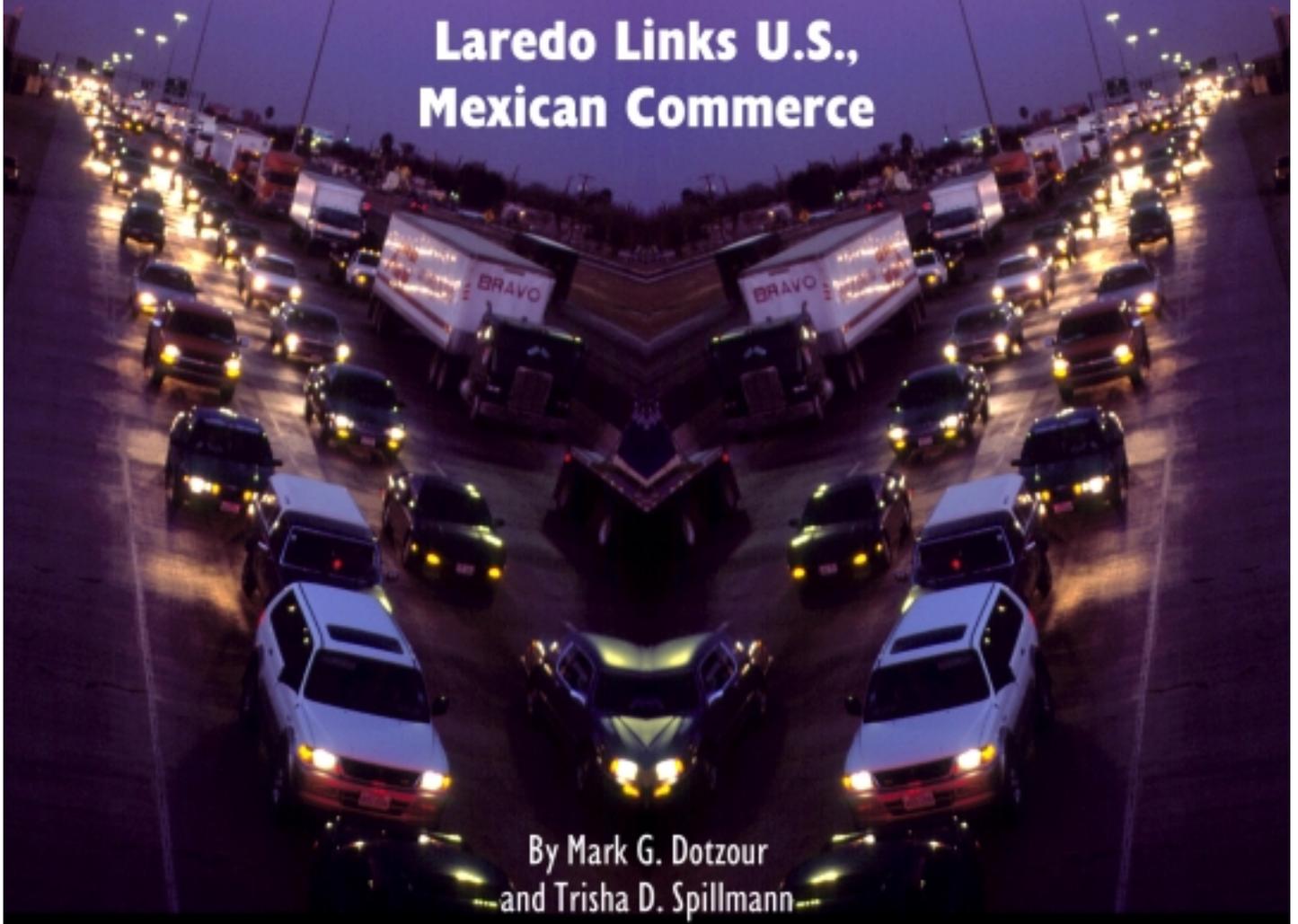


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INTERNATIONAL BRIDGE

Laredo Links U.S., Mexican Commerce



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Situated on the U.S.-Mexico border at the southern end of Interstate 35, Laredo is the vortex of an international trade tornado. Here all major land transportation systems in the United States meet Mexico's principal railroad and highway systems.

The Laredo Metropolitan Statistical Area (MSA) consists of a single county, Webb, and accounts for 1 percent of Texas' population and 0.7 percent of the state's non-farm employment. But Laredo's economic importance to the Texas economy is far greater than the proportion of Texas employment the area represents. Strategically located in the path of finished products and raw materials being shipped into and out of Mexico's industrial cities, including Monterrey, Saltillo and Torreon, Laredo is sometimes called the largest inland port in the United States.

Economic activity in the city is increasing at a feverish pace. The Census Bureau recently reported the Laredo MSA to have

the second-fastest-growing population in the United States in the 1990s, trailing only Las Vegas. Between 1990 and 1998, Webb County's population grew by 41.2 percent to 188,166. Across the Rio Grande River in Mexico, sister city Nuevo Laredo has a population of more than 650,000, according to the Laredo Development Foundation.

Transportation, trade and oil and gas extraction are major industries in the local economy, with the area's health-care industry recently emerging as a significant component. Not surprisingly, Laredo's economy is influenced greatly by its proximity to Mexico. Nuevo Laredo is home to approximately 90 maquiladoras, or foreign-owned factories, where Mexican

workers assemble imported parts into products for export. These plants provide about 20,000 manufacturing and assembly jobs, primarily for the automotive and electronic industries.

Trade with Mexico through Laredo consisted of \$79 billion in exports and \$94.7 billion in imports in 1998.

The number of trucks crossing the border into Mexico through Laredo increased from 548,409 in 1994 to 801,086 in 1998, with numbers continuing to rise in 1999. The dramatic increase in truck traffic has placed enormous burdens on traffic flow in the city. Truckers report that it can take eight hours or longer to get a truck through Laredo into Mexico. Access will improve in April 2000 when the Laredo Northwest International Bridge (Bridge IV) is completed. At that time, all trucks will be required to use Bridges III and IV exclusively, removing truck traffic from the downtown area.

Rail traffic, too, has increased significantly since the implementation of the North American Free Trade Agreement, increasing from 39,867 northbound cars in 1994 to 92,829 in 1998. The Texas-Mexican Railway Company opened a new rail yard in 1999 and a new rail bridge is proposed outside of Laredo.



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This growth in trucking and rail shipping has led to an industrial development explosion in the community in the past two years. World-class warehouse and distribution facilities have been completed in industrial parks in various parts of the city. City officials report the value of industrial and warehouse building permits in 1998 was nearly \$18.9 million,

up 31 percent from 1997. The pace of development accelerated in 1999 with more than \$32 million in new permits issued in the first nine months of the year.

The medical industry is another of Laredo's major employers. Mercy Hospital, APC Homemaker Service, Columbia Doctors Hospital and the Laredo Medical Group are among the city's ten largest private employers. These companies employed 2,848 people in March 1999. Both Mercy and Doctor's hospitals recently have constructed or expanded facilities, investing more than \$200 million in the projects.

Education also is a growing focus in Laredo's economy. The city is home to Texas A&M International University (TAMIU), which enrolled a record 3,220 students in fall 1999, an increase of 7.3 percent from the previous year. Enrollment is predicted to increase 25 percent by 2005 and 40 percent by 2010, according to the Texas Higher Education Coordinating Board (THECB). Laredo Community College enrolled 7,287 students in the spring of 1999; THECB expects this number to reach 9,000 by 2005. The growth in the college student population will create demand for additional apartment units in the next decade.

Laredo's unemployment rate reached an all-time low of 7.4 percent in September 1999, an impressive statistic in light of the area's struggle to recover from the 1994 devaluation of the Mexican peso. While still more than the state average of 4.4 percent, the positive employment trend reflects the strong overall U.S. and Mexican economic environments. Total workforce employment has grown from 61,710 in 1994 to 69,404 in October 1999. Between October 1998 and October 1999, Laredo's non-farm employment rose by 3.6 percent and the area ranked third in job growth rate among Texas MSAs.

Laredo is growing in every possible direction. The city cannot expand to the west beyond the physical barrier of the Rio Grande. Residential growth has been most prevalent in the southeast, south of Highway 359. Significant new home construction has been occurring in the northwest and northeast sectors of the city as well. During the first nine months of 1999, 1,048 single-family building permits were issued, a decrease from the 1,129 permits issued during the first nine months of 1998.

Manufactured home subdivisions also are growing. In 1998, 924 permits for manufactured homes were issued, a four-year high.

Texas Metropolitan Statistical Areas Ranked by Non-Farm Employment Growth Rate

Metropolitan Area	Employment Growth Rate (in percent) Oct. 1998 to Oct. 1999
1. Austin-San Marcos	4.1
2. Fort Worth-Arlington	3.8
3. Laredo, McAllen-Edinburg-Mission	3.6
4. Tyler	3.5
5. Dallas	3.3

Source: Texas Workforce Commission

Building permits for 48 multifamily units were issued during the first nine months of 1999, compared to 145 in 1998. Substantially more multifamily building permits were issued earlier in the 1990s, with a high of 1,019 units in 1995. A luxury apartment complex is under construction in the city's north side off Del Mar Boulevard. Construction may be completed as early as summer 2000.

Mexico has a tremendous effect on Laredo's retail sector because many Mexicans cross the border to shop. River Drive Mall is within walking distance of the border and has 41 stores, including many discount stores such as Dollar General and One Price Clothing. However, shopping and retail no longer are centralized in downtown. The major retail expansions have been farther north, around the 1.4-million-square-foot Mall Del Norte. National chains such as Office Depot, Old Navy and Outback Steakhouse will open soon along Interstate 35.

Laredo has 16 industrial parks and 3,450 acres in five Foreign Trade Zones. The majority of industrial growth is occurring in the northeast section of the city, along Mines Road and near the Union Pacific switching yard, in the northeast corner of the Bob Bullock Loop and Interstate 35 intersection. Many of Laredo's 200 trucking companies are located

in this area for convenience in transferring goods across the international border.

Warehouse and industrial building permits in 1998 were valued at \$18.9 million, an increase of 31 percent over 1997. Mattel, Costco, Wal-Mart and HEB all have opened new distribution and warehouse facilities in the area. These facilities are being used to service both U.S. and Mexican retailing outlets.

Rural land in the Laredo area is used predominantly for ranching. However, recreational land use is becoming more attractive each year. Ranchers often are finding it more profitable to raise deer than cattle. The Texas Agricultural Extension Service estimated hunting would account for more than 25 percent of total agricultural receipts in Webb County in 1999.

Laredo experienced significant growth and change during the decade of the '90s. Its strategic location ensures that it will continue to grow in tandem with the U.S. and Mexican economies. ♣

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