

TEXAS BORDER ECONOMY



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MARCH 2019 DATA

TECHNICAL REPORT

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About this Report

Real Estate Center economists continuously monitor many facets of the global, national, and Texas economies. *Texas Border Economy* is a summary of important economic indicators that help discern trends in the housing markets along the Texas-Mexico border. All monthly measurements are calculated using seasonally adjusted data, and percentage changes are calculated month-over-month, unless stated otherwise.

This monthly publication provides data and insights on the Texas border markets. We hope you find them useful. Your feedback is always appreciated. Send comments and suggestions to info@recenter.tamu.edu.

Dr. James Gaines, Dr. Luis Torres, Wesley Miller, Paige Woodson, and Griffin Carter

Data current as of May 18, 2019

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March 2019 Border Summary

The extended economic expansion bolstered housing sales and relaxed affordability pressures during the first quarter along the border communities. Residential construction and permit activity remained sluggish amid declining population growth; however, nonresidential construction values picked up. Increased wait times at the ports of entry continued to hinder trade activity despite peso appreciation. The greatest headwinds to the border economies include political uncertainty regarding immigration reform and trade, particularly with Mexico.

Economy

March data revealed healthy economic activity across the Texas border metros, as indicated by the **Dallas Fed's Business-Cycle Indices**. Supported by labor market improvements, the McAllen index boomed at 8.4 percent growth on a seasonally adjusted annualized rate (SAAR). Laredo's index broke a nine-month streak of negative growth amid an upturn in hiring. Brownsville and El Paso accelerated 1.9 and 2.0 percent, respectively, as unemployment continued to balance around historical lows, and employment maintained modest but steady increases.

Population growth remained suppressed on the border, rising just 0.4 percent in 2018 versus 1.3 percent statewide. Growth on the border has dampened since 2012. Prior to that year, the lowest annual growth rate occurred in 1988 at 1.5 percent in response to the struggling Mexican economy. The current bout of sluggish growth stems primarily from reduced domestic migration, a phenomenon stretching throughout the border region as economic opportunities expanded in larger Texas cities.

Nonresidential activity supported increased **total border construction values** for the second straight month. For the first time in nearly two years, nonresidential investment outpaced residential. Sustained office/bank and school building construction in El Paso accounted for most of the growth. On the residential side, a pause in apartment development in El Paso outweighed new multifamily activity in Brownsville.

The border metros added 6,900 jobs in **nonfarm employment** during the first quarter, accelerating to 2.4 percent SAAR. McAllen accounted for more than half of the border's growth, adding 3,800 jobs, the majority of which were in education and health services following fourth quarter contractions. In Brownsville, expansions in the same industry propelled growth of 1.1 percent. Laredo employment increased 3.3 percent in the first quarter, largely due to gains in retail. Retail improvements also occurred in El Paso but

served as corrections for yearend losses. The education/health and government sectors proved a more meaningful contribution to the 1,700 jobs created in the first quarter.

On the Mexican side of the border, **manufacturing and maquiladora employment**¹ increased for the eighth consecutive month, gaining 3,600 jobs in February. Following a labor strike in Matamoros, maquiladora employment added 500 jobs after shedding 2,300 in January. Juarez posted an all-time high while Chihuahua registered 1.5 percent growth, totaling 4,500 jobs added in the past three months. Growth stagnated in Reynosa following seven months of increases. Nuevo Laredo recorded a slight contraction after adding more than 1,100 jobs in January.

Unemployment rates remained low along the border amid steady hiring. Joblessness in Brownsville hovered just above the cycle's low of 5.8 percent, posting 5.9 percent. McAllen posted a historical low of 6.3 percent. El Paso unemployment recorded 4.2 percent through the first quarter while Laredo registered 3.9 percent for the second straight month.

Real private hourly earnings rose in the Rio Grande Valley, increasing 10.7 and 5.3 percent year-over-year (YOY) in Brownsville and McAllen, respectively. Brownsville wages still have yet to recover from a slide between 2013 and 2017, but earnings in McAllen are just below the record level. El Paso earnings stagnated YOY but maintained an upward trend. The exception was Laredo, where real wages registered a 28-month downturn. The data, however, show the rate of decline decelerating.

In the currency market, the **peso per dollar exchange rate** ticked up to 19.24 while the inflation-adjusted rate² decreased for the fourth consecutive month. Total trade values passing through the border metros flattened as decreased activity in El Paso weighed on already suppressed growth. The West Texas metro recorded an 8.3 percent decline in export values largely due to a decrease in natural gas exports to Mexico. Increased wait times at ports of entry is a threat to the border metros' trade activity, which remains an integral component to the local economies.

Housing

Although **border housing sales** registered a monthly decrease in March, improved economic conditions supported a 5.5 percent hike during the first quarter. Activity in Laredo boomed at 17.4 percent quarter-over-quarter (QOQ) as sales for homes priced

¹ Mexican manufacturing and maquiladora employment is generated by the Instituto Nacional de Estadística y Geografía. Its release typically lags the *Texas Border Economy* by one month.

² The real peso per dollar exchange rate is inflation adjusted using the Texas Trade-Weighted Value of the Dollar.

above \$200,000 extended an upward trajectory. McAllen posted an 11.8 percent QOQ increase as transactions in the lower price cohorts picked up. El Paso and Brownsville registered more modest quarterly growth at 0.7 and 0.6 percent, respectively.

On the supply side, the border metros issued a total of 1,800 **single-family housing construction permits** in the first quarter, increasing 9.2 percent. Most of the improvement corrected for depressed activity in El Paso the previous two quarters. The overall trend remained flat in the Rio Grande Valley with minor fluctuations over the past five years. Activity in Laredo took a step back after a cycle-high in February but maintained an upward trend. **Private single-family construction values** trended downward in Laredo and McAllen and tapered off in El Paso and Brownsville.

The **months of inventory (MOI)** of homes for sale fell along the border. After six straight increases, McAllen inventories decreased to 8.4 months. Brownsville and Laredo registered record lows of 7.7 and 4.3 months, respectively. El Paso was the exception, where, after 15 consecutive decreases, the MOI ticked up to 3.6 months.

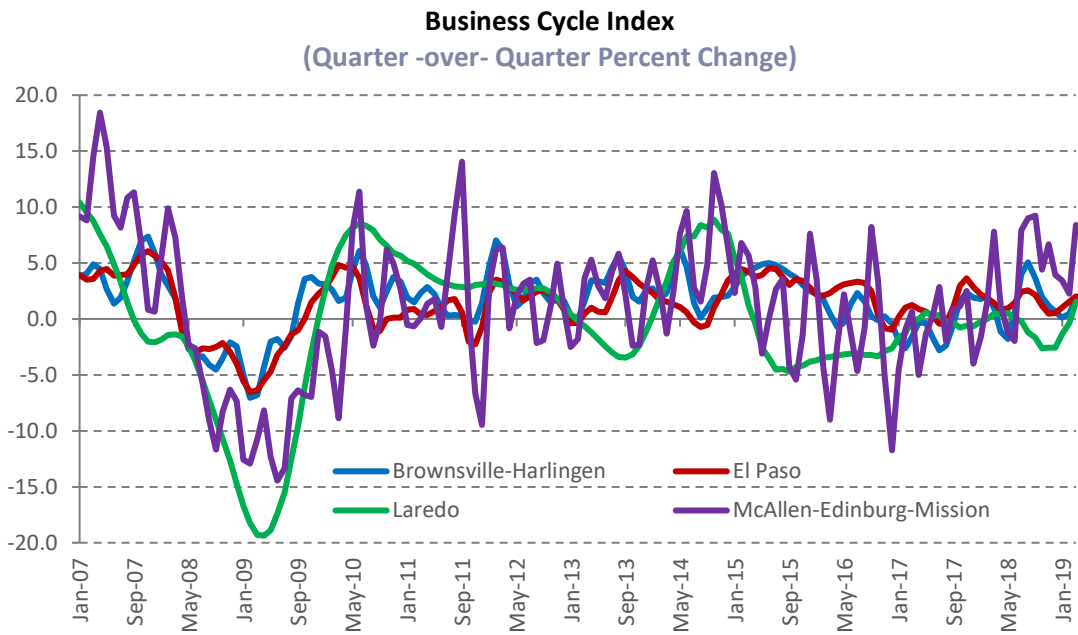
Amid an increase in quarterly sales, the **average number of days on market (DOM)** trended down across the border metros; however, monthly fluctuations varied. Homes in McAllen sold more than two weeks faster than a year ago, averaging 91 days on the market while homes in Brownsville posted a DOM of 112, more than three weeks less than last March. The El Paso metric dipped to the fewest number of days since 2007 at 76. The exception was Laredo, where the DOM increased more than a week to 70 days.

For the most part, the **median home price** along the border trended upward. Laredo led the border with a record high of \$191,800. The price in McAllen also posted an all-time high, reaching \$158,700, although the price per square foot decreased as the size rose among newly constructed homes. The median price in El Paso (\$160,600) fell as an influx of new listings hit the market after reaching a record high in February (\$166,400). The Brownsville market diverged from the other border metros as new listings kept pace with increasing demand for new homes, applying downward pressure on the median price (\$144,700).

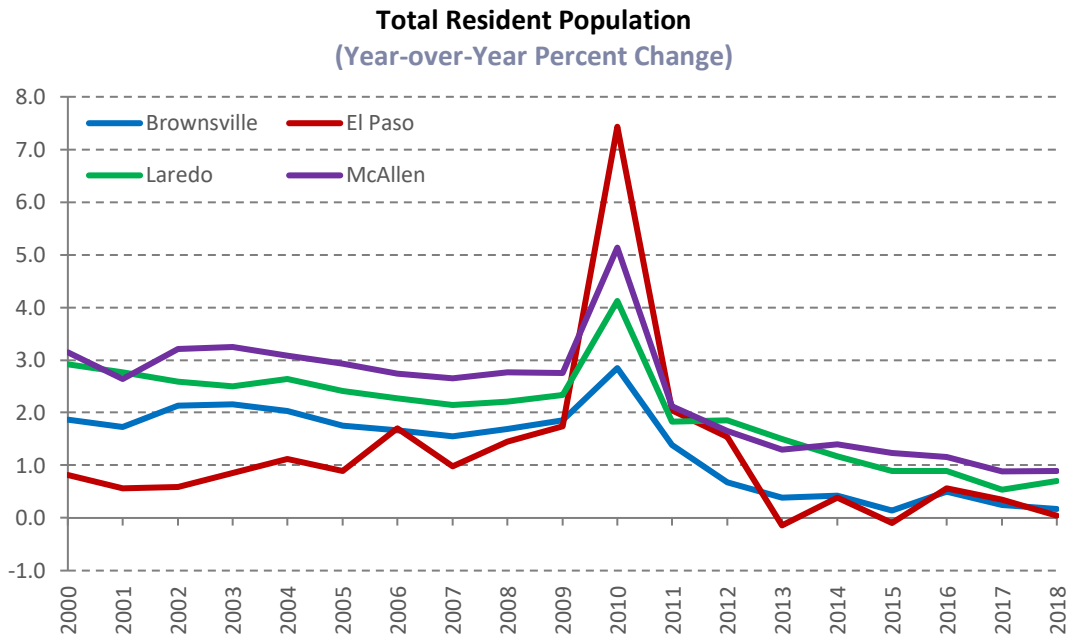
In the Texas border economies, lower-priced housing generally reflects below-average earnings, thereby managing affordability pressures as measured by the **Real Estate Center Affordability Indices**. Despite a setback this quarter, the El Paso index fared the best at 1.6, suggesting that families earning the median income in the metro could afford homes priced 60 percent more than the respective median sale price. This level, however, is below its peak of 1.8 in 2015. Amid rising wages in the Rio Grande Valley, the indices improved,

measuring 1.5 and 1.4 in Brownsville and McAllen, respectively. Laredo's index, impacted both by falling wages and increasing home prices, dropped to 1.2, the lowest since 2007.

Economic Activity

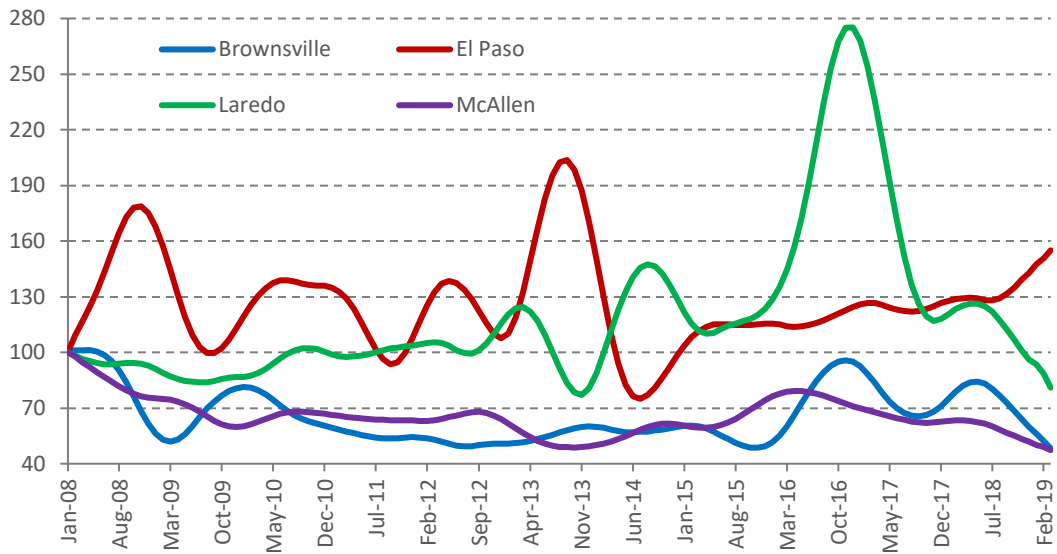


Note: Seasonally adjusted. For more information, see [Texas Business Cycle Index](#).
Source: Federal Reserve Bank of Dallas



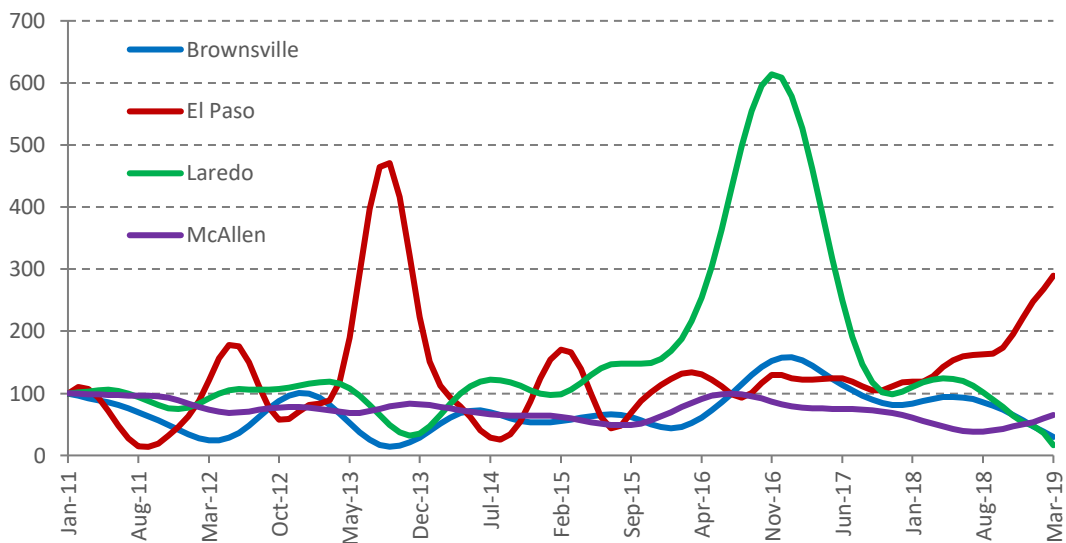
Note: Not seasonally adjusted.
Source: United States Census Bureau

Total Construction Values
(Index Jan 2008= 100)



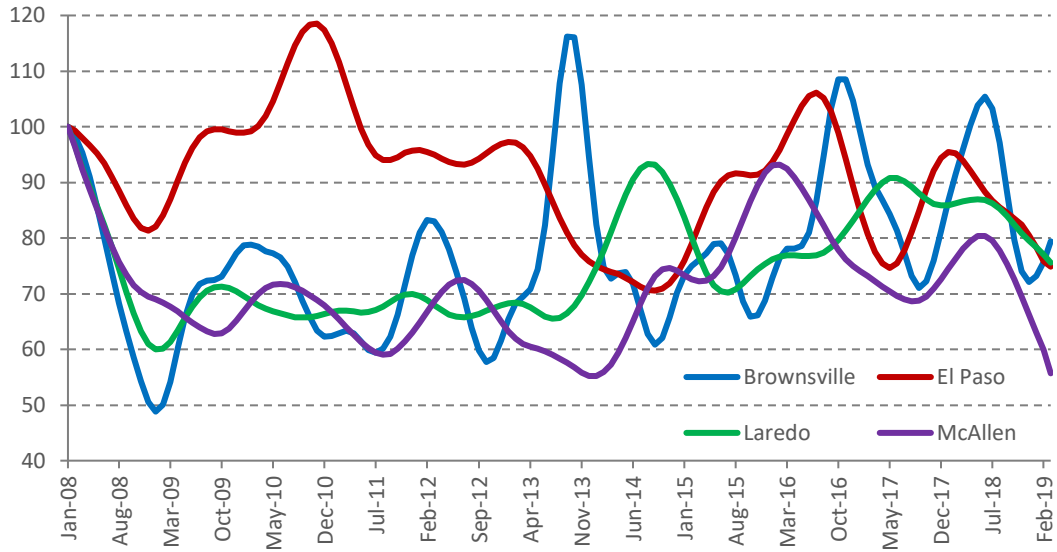
Note: Inflation adjusted trend-cycle component.
Source: Dodge Analytics

Nonresidential Construction Values
(Index Jan 2011 = 100)



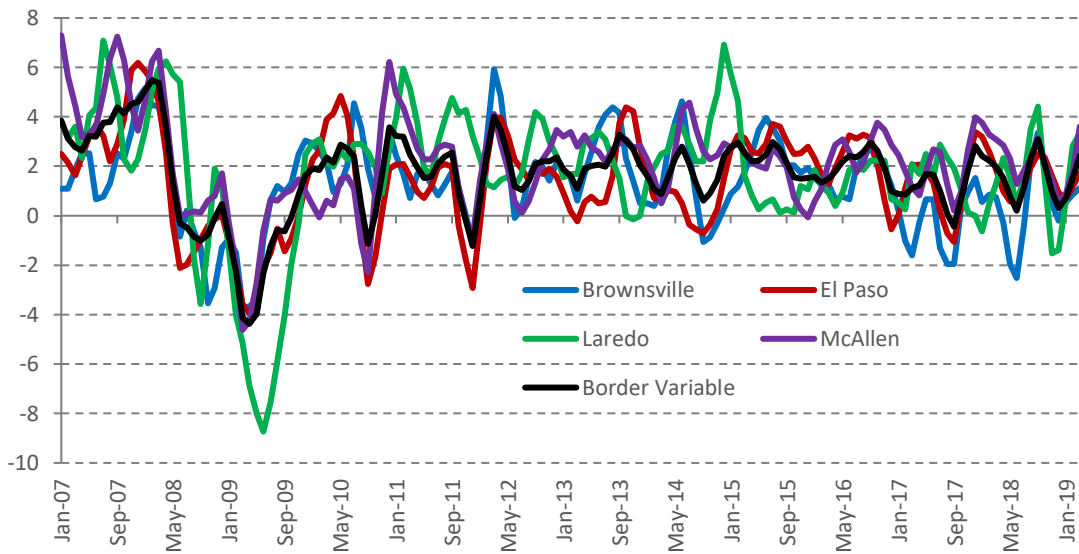
Note: Inflation adjusted trend-cycle component.
Source: Dodge Analytics

Residential Construction Values
(Index Jan 2008 = 100)



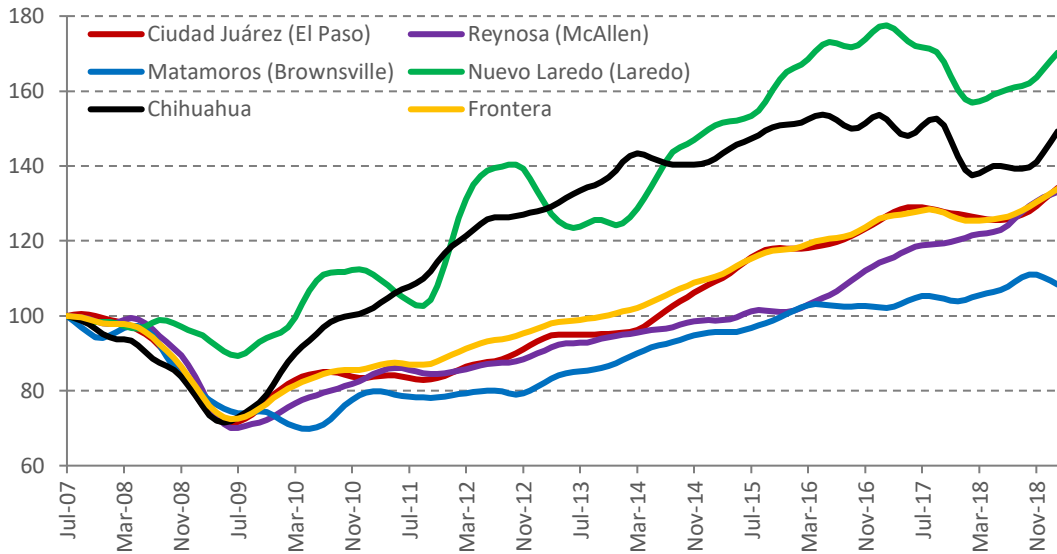
Note: Inflation adjusted trend-cycle component.
Source: Dodge Analytics

Employment Growth Rate
(Quarter-over-Quarter Annualized Percent Change)



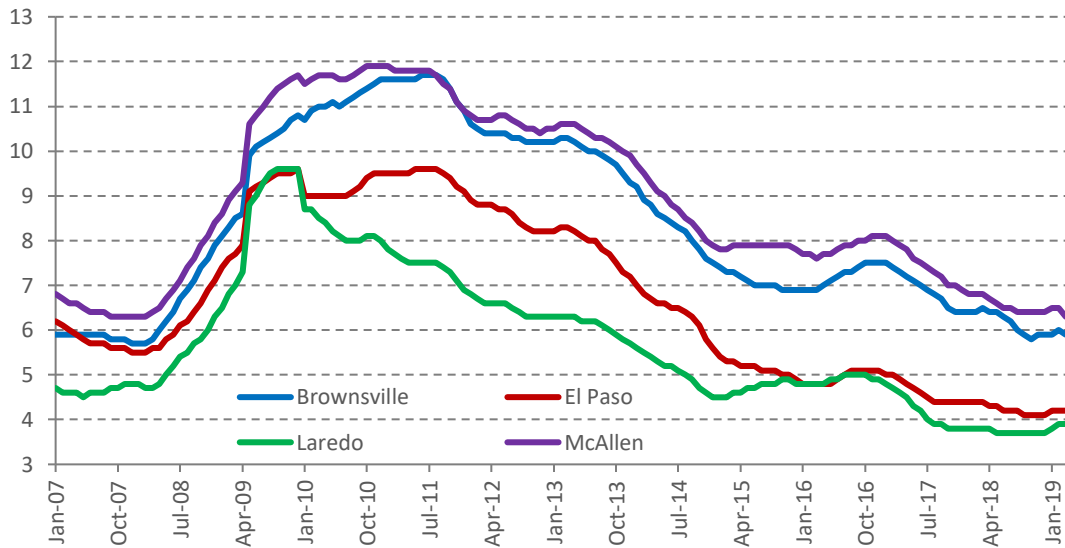
Note: Seasonally adjusted, 3-month moving average. March 2019 is preliminary.
For more information, see [Employment Growth Rate](#).
Source: Bureau of Labor Statistics

Mexico Maquiladora and Manufacturing Employment (Index Jul 07 = 100)



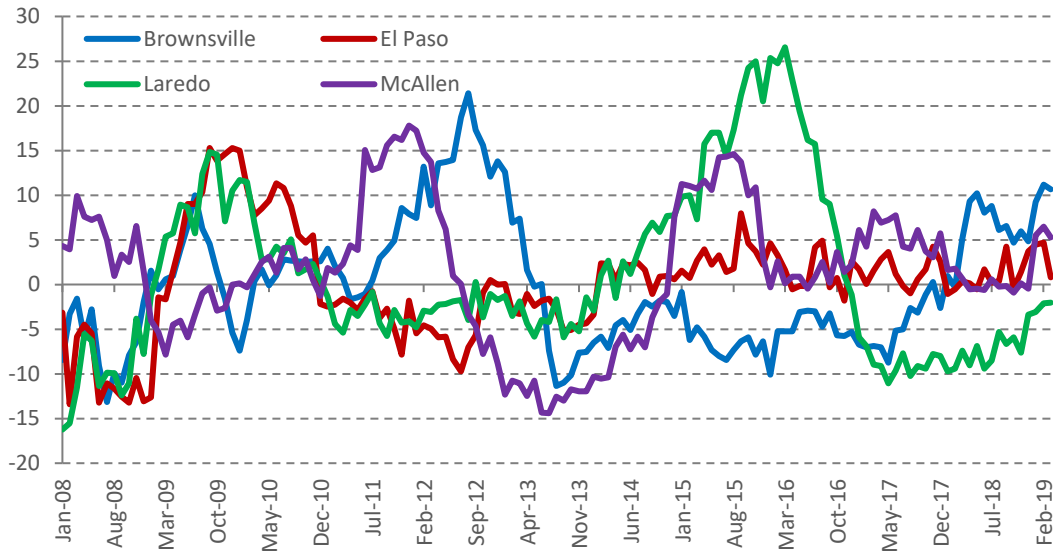
Note: Trend-Cycle Component.
Source: Instituto Nacional de Estadística y Geografía

Unemployment Rate (Percent)



Note: Seasonally adjusted. March 2019 is preliminary. For more information, see [Unemployment Rate](#).
Source: Bureau of Labor Statistics

Total Private Employee Hourly Earnings (Year-over-Year Percent Change)



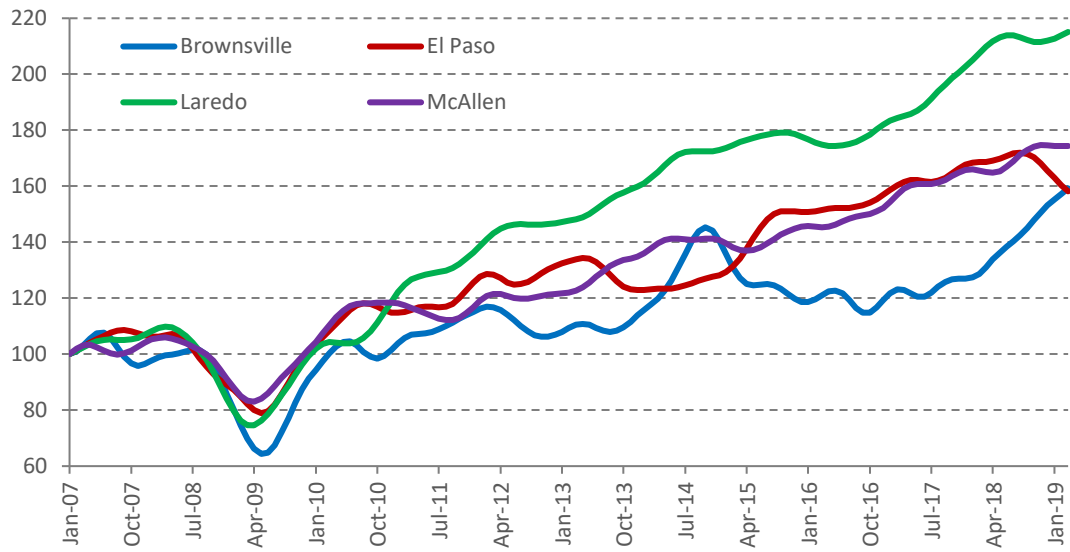
Notes: Inflation adjusted. March 2019 is preliminary.
For more information, see [Total Private Employee Hourly Earnings](#).
Source: Bureau of Labor Statistics

Real Peso per Dollar Exchange Rate (\$)



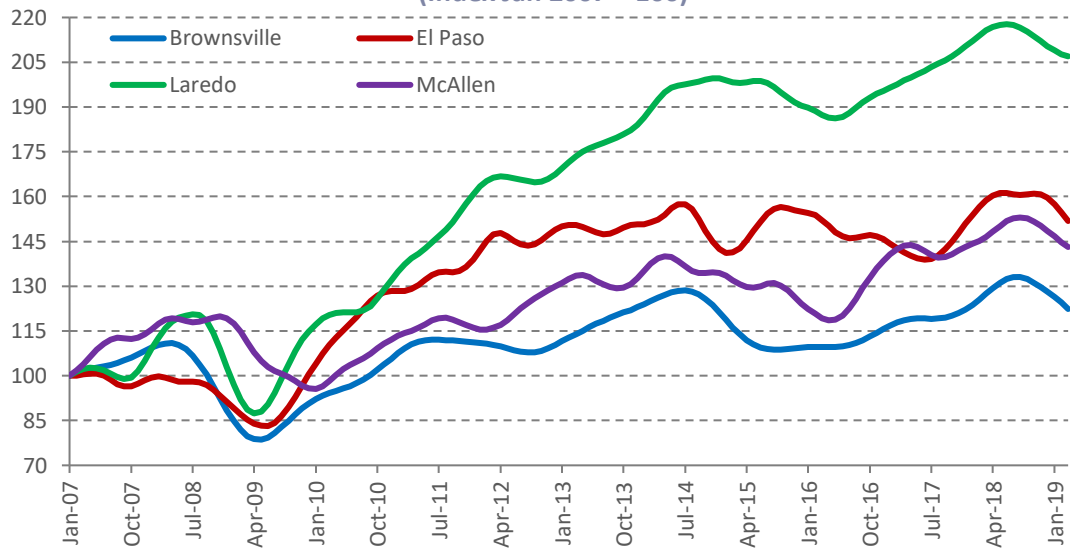
Note: Deflated using the Texas Trade Weighted Value of the Dollar.
Source: Federal Reserve Bank of Dallas

Import Values
(Index Jan 2007 = 100)



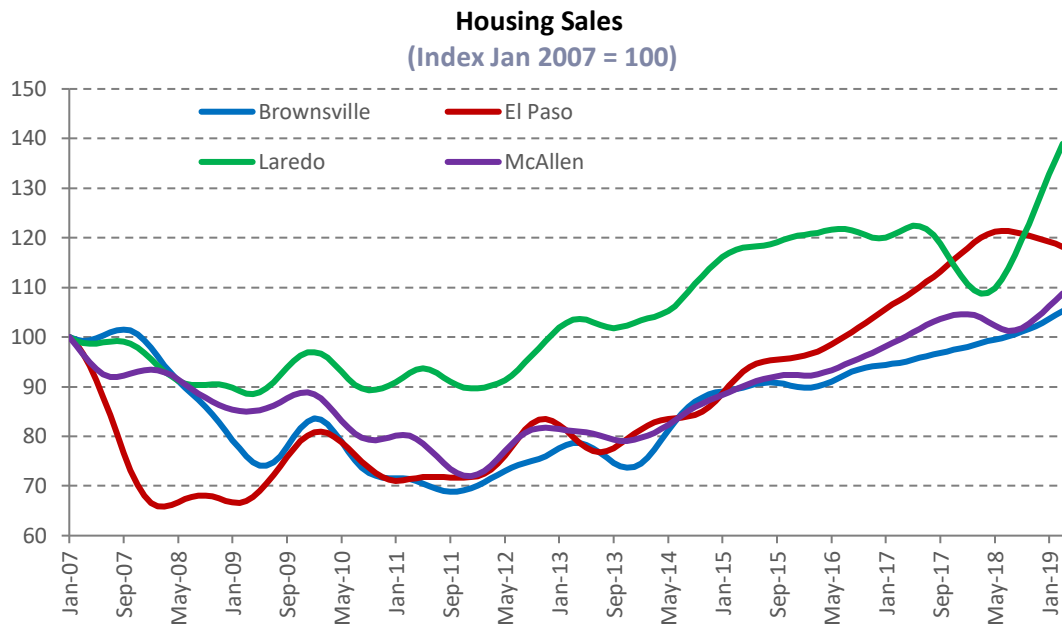
Note: Trend-Cycle Component.
Sources: Foreign Trade Division and Census Bureau

Export Values
(Index Jan 2007 = 100)

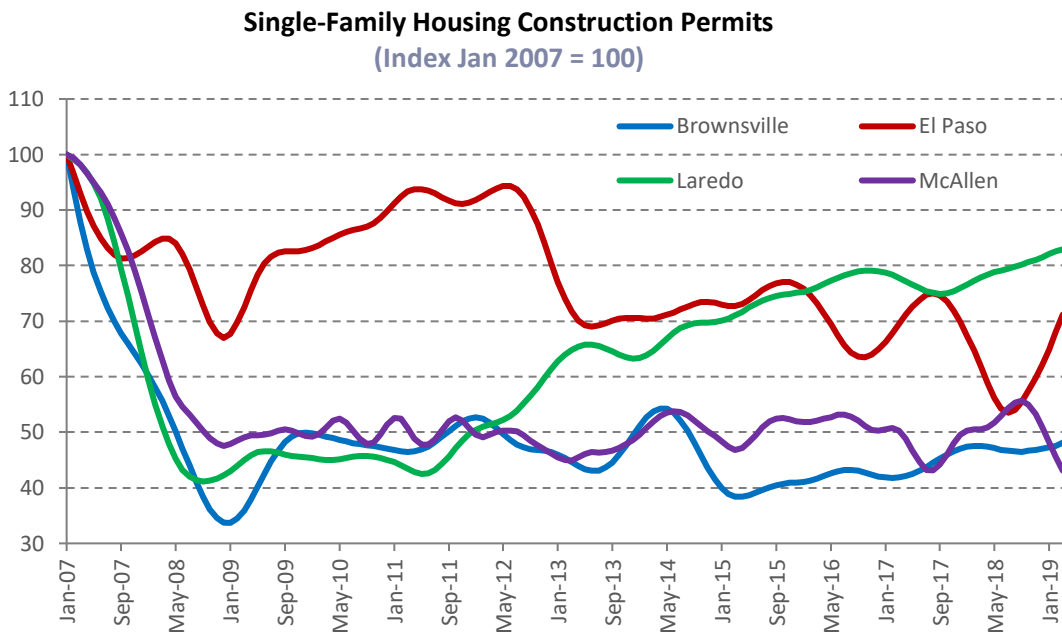


Note: Trend-Cycle Component.
Sources: Foreign Trade Division and Census Bureau

Housing

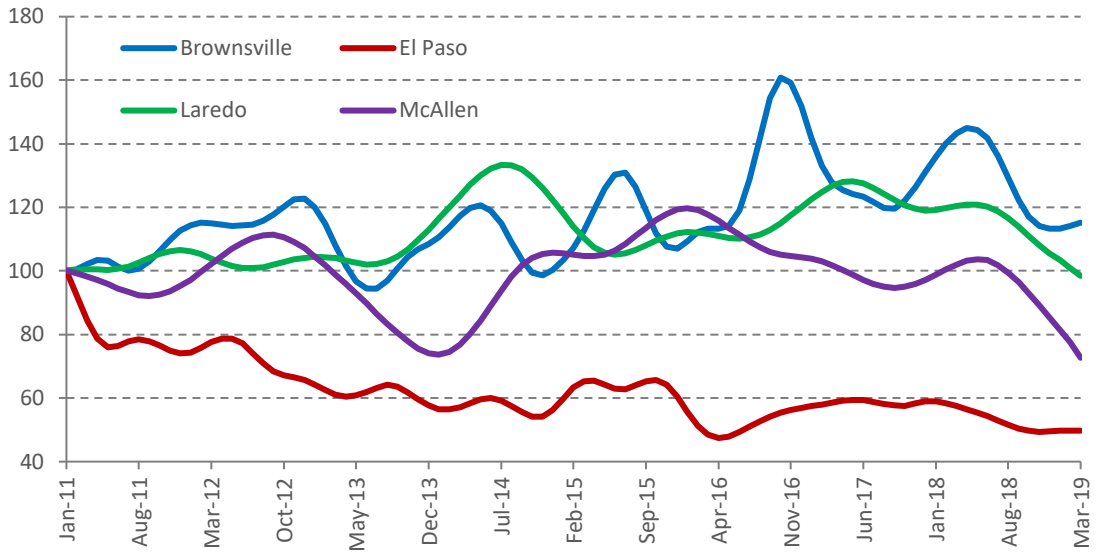


Note: Trend-Cycle Component.
Source: Real Estate Center at Texas A&M University



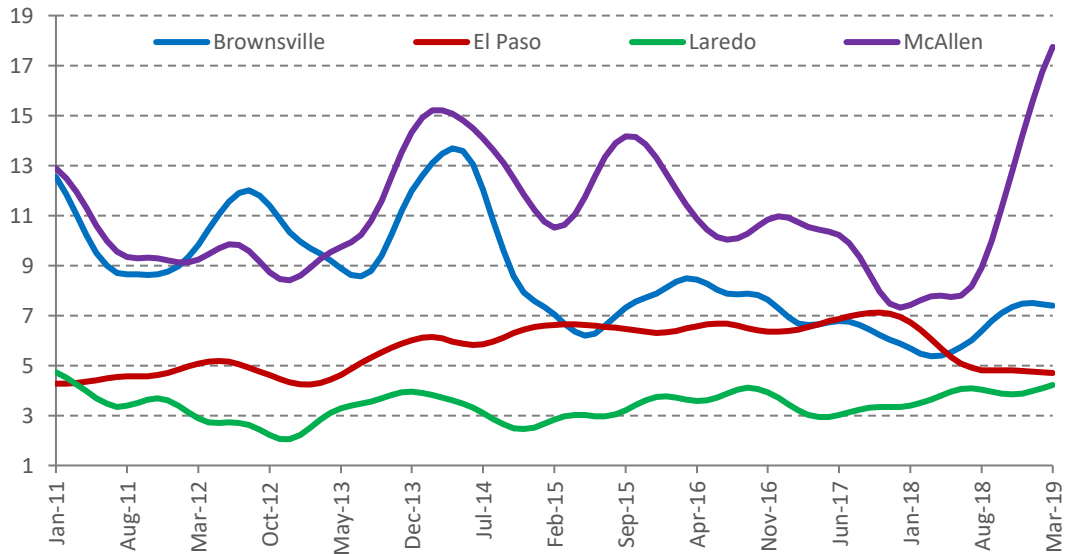
Note: Trend-Cycle Component.
Sources: U.S. Census Bureau and Real Estate Center at Texas A&M University

Total New Private Single-Family Construction Value
(Index Jan 2011 = 100)



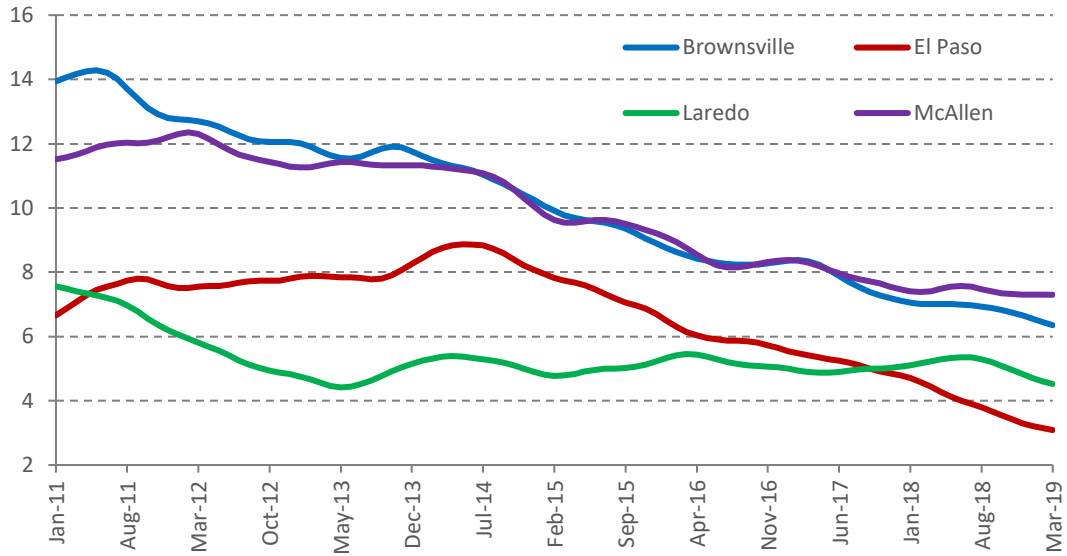
Note: Inflation adjusted. Trend-Cycle Component.
Source: Dodge Analytics

New Home Months of Inventory
(Months)



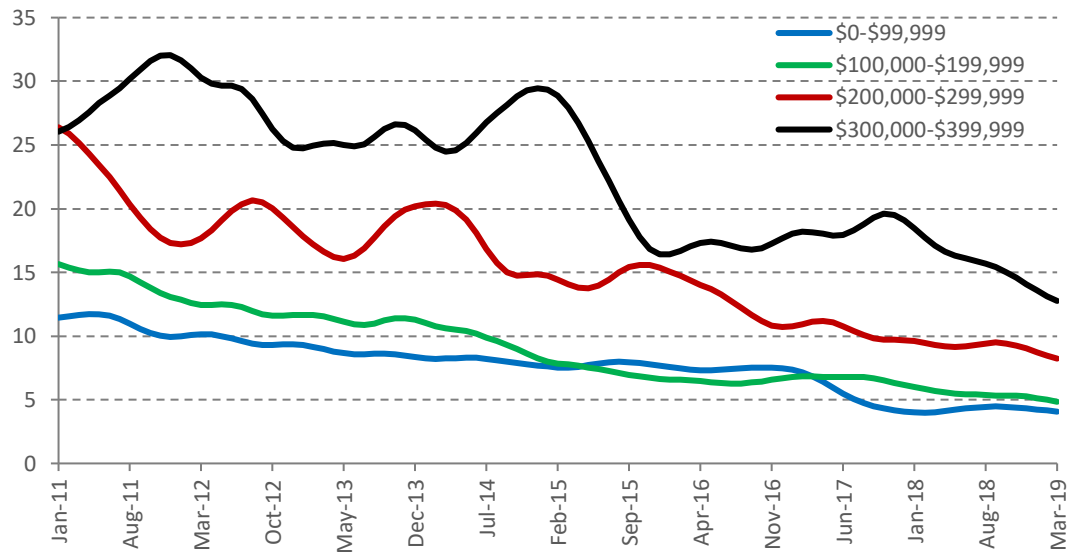
Note: Trend-Cycle Component.
Source: Real Estate Center at Texas A&M University

Existing Home Months of Inventory (Months)



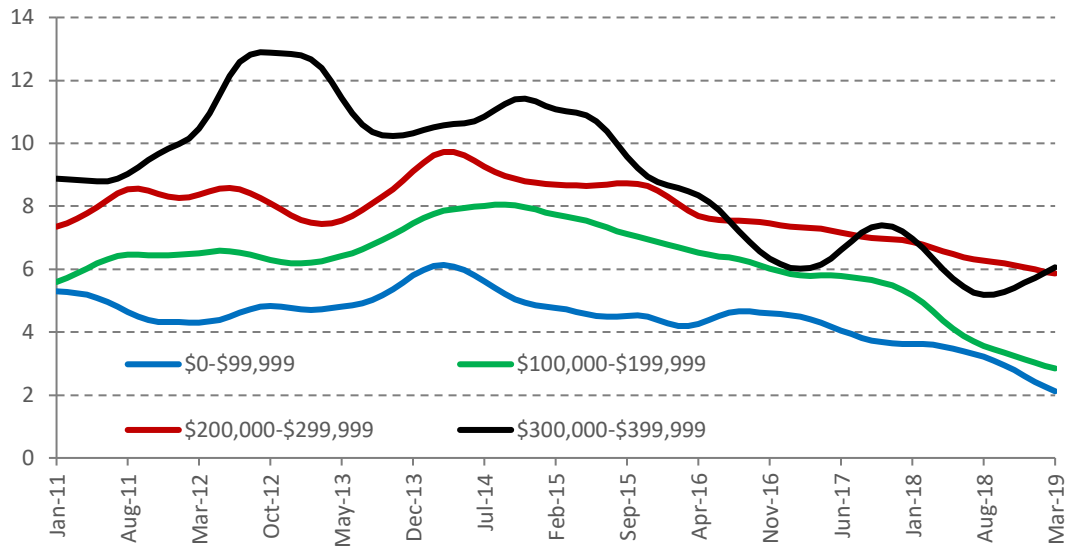
Note: Trend-Cycle Component.
Source: Real Estate Center at Texas A&M University

Brownsville Months of Inventory by Price Cohort (Months)



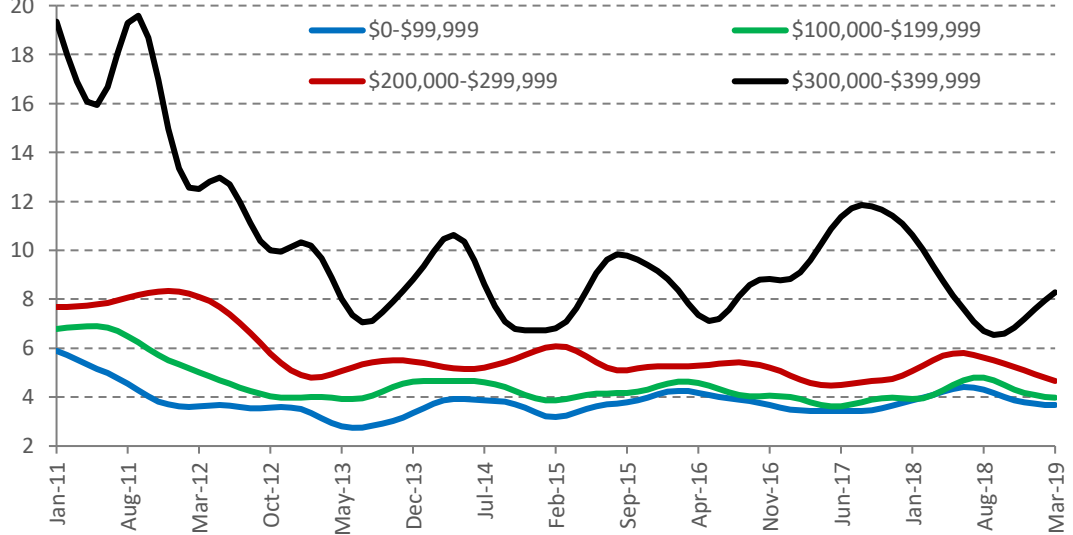
Note: Trend-Cycle Component.
Source: Real Estate Center at Texas A&M University

El Paso Months of Inventory by Price Cohort (Months)



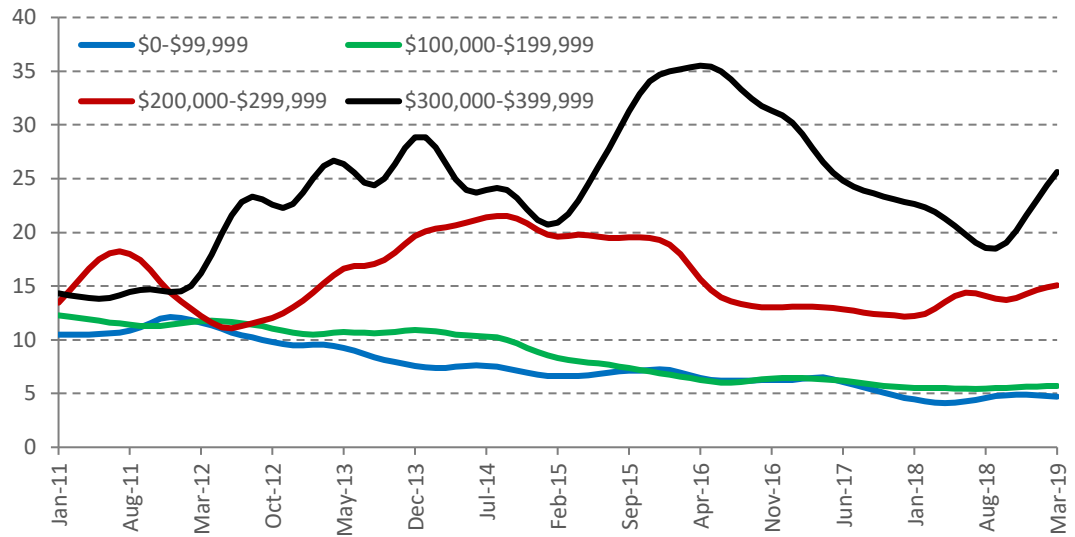
Note: Trend-Cycle Component.
Source: Real Estate Center at Texas A&M University

Laredo Months of Inventory by Price Cohort (Months)



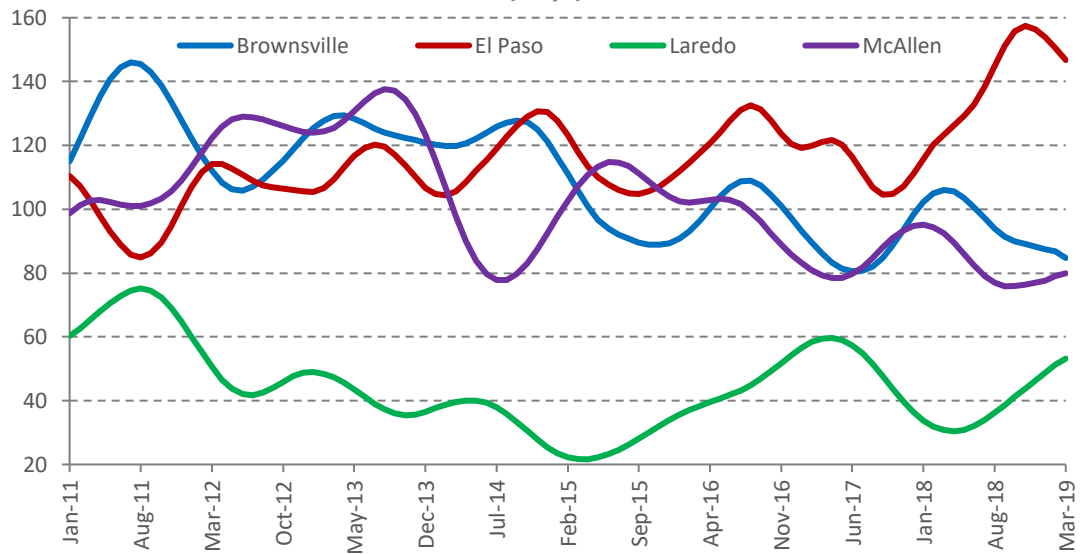
Note: Trend-Cycle Component.
Source: Real Estate Center at Texas A&M University

McAllen Months of Inventory by Price Cohort (Months)



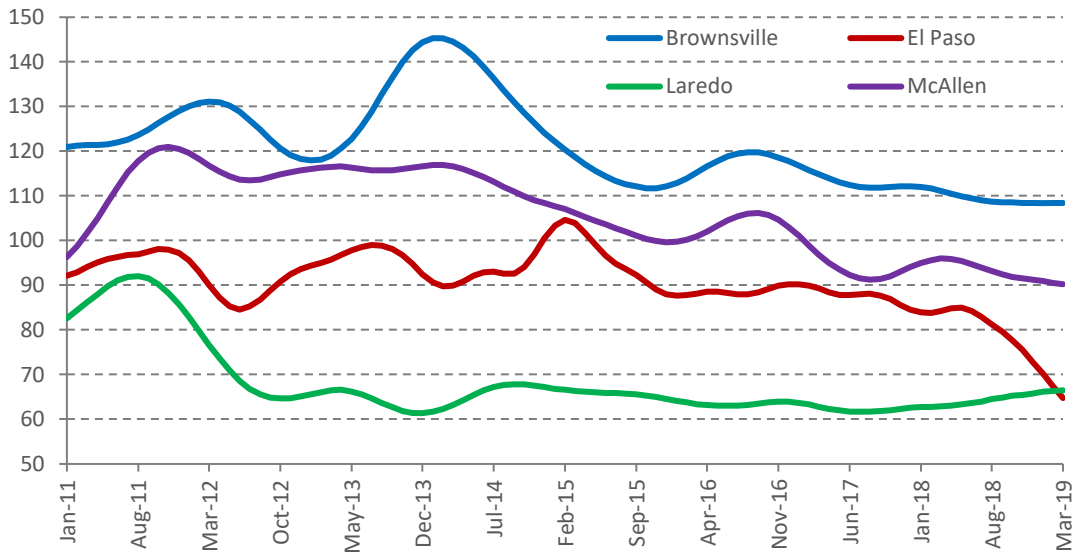
Note: Trend-Cycle Component.
Source: Real Estate Center at Texas A&M University

New Home Days on Market (Days)



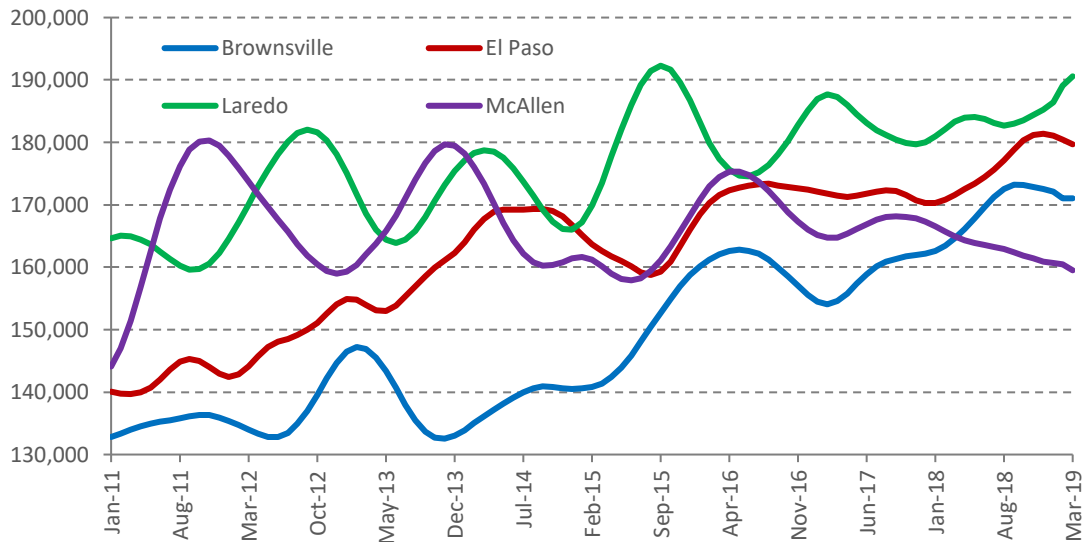
Note: Trend-Cycle Component. For single-family homes.
Source: Real Estate Center at Texas A&M University

Existing Home Days on Market (Days)



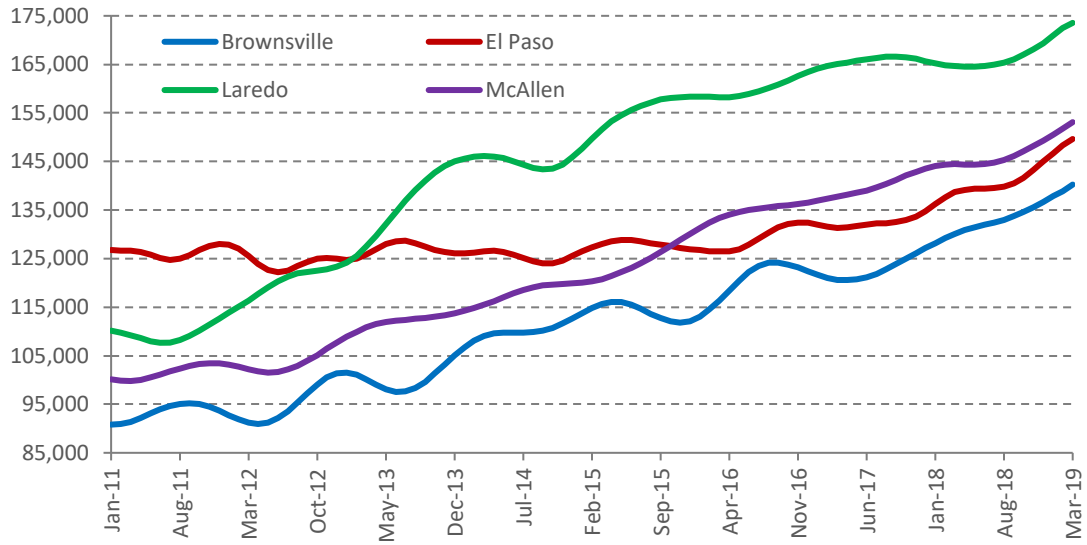
Note: Trend-Cycle Component. For single-family homes.
Source: Real Estate Center at Texas A&M University

New Home Median Sales Price (\$)



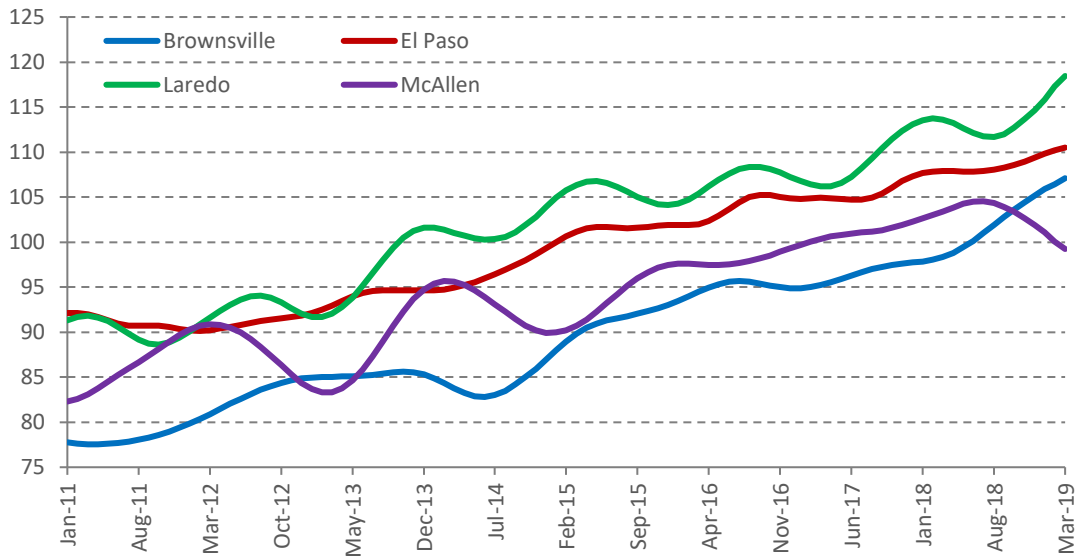
Note: Trend-Cycle Component. For single-family homes.
Source: Real Estate Center at Texas A&M University

Existing Home Median Sales Price (\$)



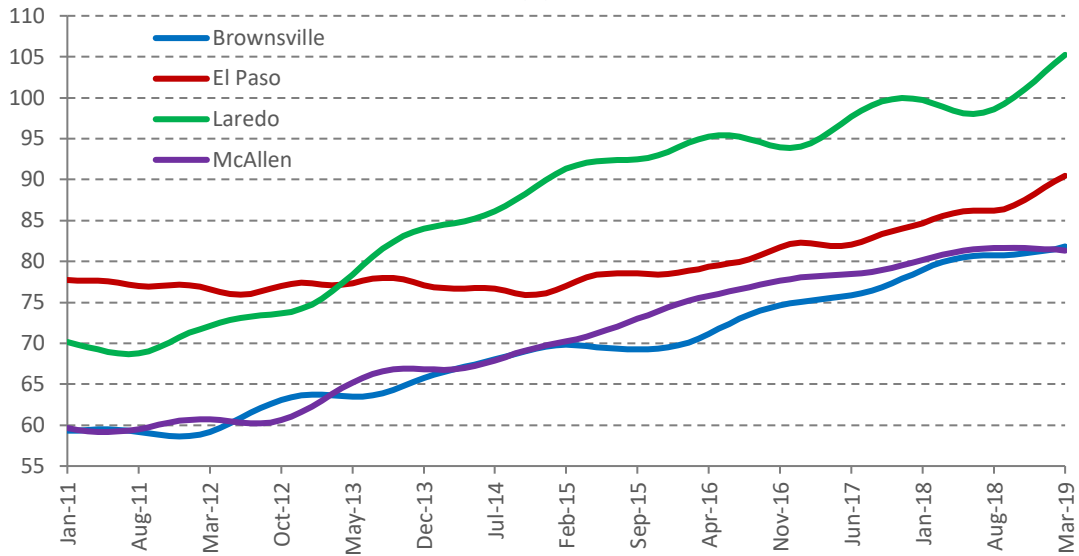
Note: Trend-Cycle Component. For single-family homes.
Source: Real Estate Center at Texas A&M University

New Home Median Price Per Square Foot (\$)



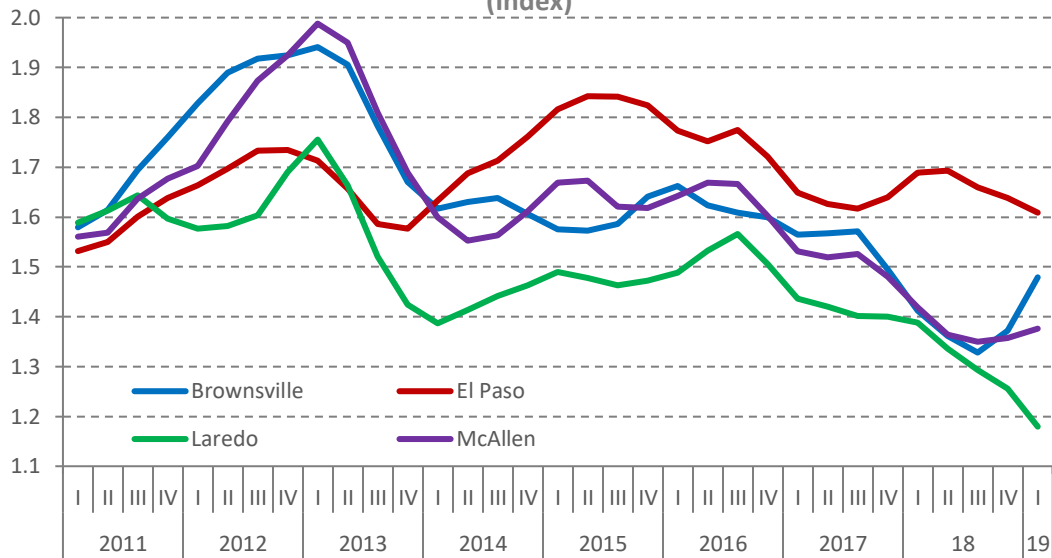
Note: Trend-Cycle Component. For single-family homes.
Source: Real Estate Center at Texas A&M University

Existing Home Median Price Per Square Foot (\$)



Note: Trend-Cycle Component. For single-family homes.
Source: Real Estate Center at Texas A&M University

Real Estate Center Housing Affordability Index (Index)



Note: Trend-Cycle Component. The Texas Housing Affordability Index (HAI) reflects the relationship between the current median family income in a locale and the computed amount required to purchase a median priced home.
Source: Real Estate Center at Texas A&M University



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