

TEXAS BORDER ECONOMY



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SEPTEMBER 2020 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 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 P. Gaines, Dr. Luis B. Torres, Wesley Miller, Paige Silva, and Griffin Carter

Data current as of Sept. 21, 2020

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Border Summary



September 2020

Economic recovery along the Texas-Mexico border slowed in September as labor-market conditions backtracked. Employment declined in the metros except for in Laredo, where the increase was modest. Meanwhile, joblessness rose, and the number of residents in the local labor forces decreased. Construction values fell behind the pace of activity set in the first three quarters of last year, signaling a fall in groundbreakings along the border. Mexican manufacturing and maquiladora employment posted gains the previous month as U.S. manufacturing production and border trade values stabilized after the United States-Mexico-Canada Agreement (USMCA) reaffirmed North American commerce, and as the initial shock of the pandemic lessened.

The housing market remained one of the stronger components of the local economies, particularly in Brownsville and El Paso, where sales through Multiple Listing Services reached record highs. Shrinking inventory, however, pushed metro-level median sale prices up considerably, chipping away at gains in housing affordability from historically low mortgage interest rates. On the bright side, single-family building permits increased for the fifth straight month, supporting a more optimistic outlook for housing supply heading into 2021. COVID-19 remains the greatest headwind to the border communities remains COVID-19 as the recent surge of virus-related hospitalizations in El Paso has prompted another round of local shelter-in-place recommendations. These types of challenges are a persistent threat to public health and economic activity.

Economy

Worsening labor-market conditions limited the **Dallas Fed's Business-Cycle Indexes** as economic activity decelerated to 7.4 and 5.2 percent growth on a seasonally adjusted annualized rate (SAAR) in El Paso and Laredo, respectively. The Rio Grande Valley's metric flattened in Brownsville and fell 22.2 percent SAAR in McAllen. Retail sales, a component of the index, may be limited by restrictions on nonessential travel, which ban Mexican tourists from entering the U.S. These measures have been extended through Dec. 21, 2020. Pedestrian and personal vehicle traffic sank more than 60 and 40 percent year to date (YTD), respectively (Figures 1 and 2).

Border **nonfarm employment** contracted by 4,500 positions in September, ending the third quarter with payrolls 5.3 percent below year-end levels. El Paso shed 2,100 jobs, followed by Brownsville with 1,700 layoffs. McAllen employment also posted a net decrease, falling by 800 workers. In the aforementioned metros, losses in the local government sector offset gains in leisure/hospitality.

Laredo was the exception, hiring 100 employees with increases in state government and leisure/hospitality.

On the southern side of the border, **Mexican manufacturing and maquiladora employment**¹ regained another 13,600 positions in August, pulling levels up to the year-end reading. Juarez and Reynosa accounted for most of the increase, adding 6,500 and 2,900 jobs, respectively, and pushing employment up 4.4 percent YTD in the former. The metric in the other locales remained below year-end levels, although maquiladora payrolls expanded by 800 jobs in Matamoros and 500 in Nuevo Laredo during the month. Chihuahua City, however, extended a four-month decline, laying off 200 workers. U.S. manufacturing production flattened in September but rose 11.5 percent quarter over quarter (QOQ), while global economic growth also rebounded in 3Q2020, suggesting Mexican manufacturing and maquiladora hiring may continue in the coming months.

The **unemployment rate** increased along the border, jumping to 11.2 and 13 percent in Brownsville and McAllen, respectively. Joblessness rose to 9.7 percent in Laredo and 8.7 percent in El Paso. Another sign of weakening labor-market conditions, the number of residents in the labor force decreased in each metro. Initial unemployment claims declined during the first half of the month but ticked up the last week of September (Figure 3), suggesting a rocky recovery during the last quarter of 2020 amid a recent resurgence in COVID-19 cases in El Paso.

Annual growth in **average real private hourly earnings** slowed during layoffs, particularly in McAllen, where wages registered a modest decline in real terms. Brownville and El Paso earnings ticked up just 0.4 and 0.3 percent year over year (YOY), respectively. Laredo's metric increased 1.9 percent YOY as hiring continued; the rate of wage and job growth, however, decelerated.

Total construction values fell every month in the third quarter, sinking 13.4 percent in September due to declines in both residential and nonresidential activity. Decreased single-family construction in McAllen pulled down residential values, while reduced school construction in Brownville and El Paso offset a pickup in Laredo's school sector. Contractions in El Paso and McAllen store/restaurant capital investment were mainly responsible for the drop on the nonresidential side despite monthly improvements in El Paso and Laredo's warehouse sector.

In the currency market, the **peso per dollar exchange rate** dipped to 21.66 after the inflation-adjusted rate² stabilized the previous month. Nevertheless, the metric elevated 8.1 percent YOY in real terms, making domestic goods more expensive to Mexican buyers. Meanwhile, **total trade values** passing through the border slumped 0.6 percent in September as El Paso imports plummeted to one-fifth of the values reached the prior month. Reduced vehicular-related shipments dropped in particular. Total trade through the Rio Grande Valley ended a four-month increase, although the Brownsville metric rose 3.3 percent YTD. Laredo values jumped 4 percent

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. Its release typically lags the *Texas Border Economy* by one month.

but still remained slightly below year-end levels. The USMCA, which was implemented July 1, 2020, should reaffirm North American trade relationships, supporting the ongoing recovery.

Housing

Border housing sales accelerated 8.3 percent in September on top of an upward revision to the prior month's reading, bringing quarterly growth to 39.2 percent. El Paso's metric exceeded 1,000 for the first time ever with sales for homes priced between \$100,000 and \$400,000 increasing by about one-fifth. Activity in Brownsville also reached an all-time high after climbing 7.9 percent with sales in the \$200,000-\$300,000 price cohort doubling YTD. On the other hand, transactions in Laredo flattened while McAllen's metric decreased 2.4 percent with contractions in sales for homes priced less than \$200,000. Nevertheless, the trend extended an upward trajectory in all four metros.

Single-family housing construction permits climbed 8.3 percent, increasing for the fifth consecutive month to a post-Great Recession high. Issuance rose along the border uniformly, rebounding 10 and 8.4 percent in El Paso and Brownsville, respectively, after declining the previous month. McAllen permits jumped 6.5 percent, while Laredo's metric surged 7.4 percent for stable growth throughout the second and third quarters. On the other hand, **private single-family construction values** decreased 14 percent, although the trend was steady.

Strong sales and a dwindling supply of active listings pulled **months of inventory (MOI)** down to historic lows of 3.8 and 1.7 months in Brownsville and El Paso, respectively. Meanwhile, the McAllen MOI sank to 3.4 months. In contrast, the supply of active listings expanded in Laredo as sales slowed, pushing inventory up to 5.6 months.

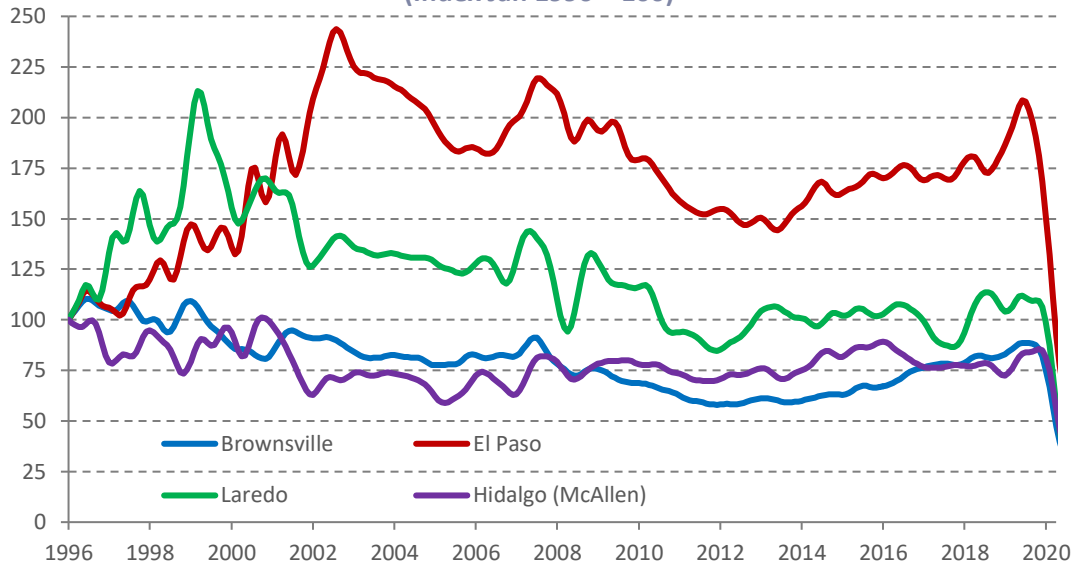
The **average number of days on market (DOM)** trended up in the Rio Grande Valley despite a monthly decrease to 108 days in Brownsville and 84 days in McAllen. Nevertheless, the metric remained below year-ago levels, indicating relatively robust demand. Laredo's DOM ticked up to 54 days, on par with last September's reading, while El Paso's average home sold after 60 days, extending a steady downward trend.

Annual home-price appreciation accelerated, bolstered by shrinking inventory during record sales activity. Brownsville's **median home price** increased to \$184,500, averaging 13.7 percent YOY growth in 2020. The metric in McAllen and El Paso also posted solid annual gains, rising to \$177,900 and \$182,800, respectively. Compositional changes in sales likely drove the YOY increases, similar to the statewide acceleration in median home price tempered by more modest growth in the Texas Repeat Sales Home Price Index. Laredo was the exception, with the median price dropping for the second consecutive month to \$180,900 as sales slowed and inventory expanded.

Historically low interest rates supported increased housing affordability in Texas' border metros during the third quarter, but elevated home prices slowed the upward climb established within the past year. El Paso was the most affordable border locale with an index of 1.8, indicating that a family earning the median income could afford a home 80 percent more than the median sale

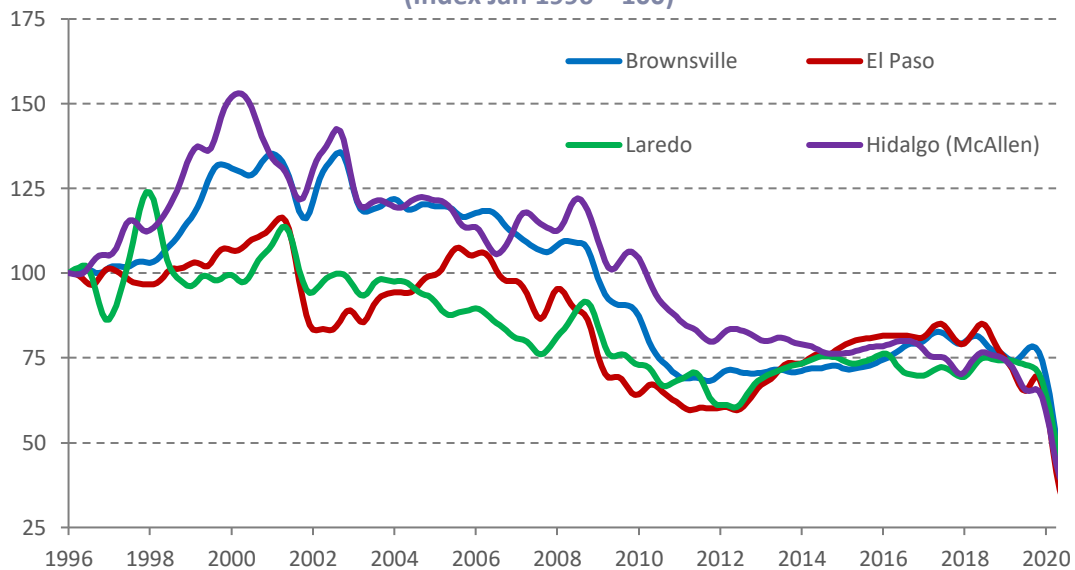
price. Laredo’s metric inched up to 1.7, while the Rio Grande Valley recorded indexes of 1.6 in both Brownsville and McAllen. Continued improvement is important to the border’s demographic advantages that have supported the region’s attractiveness compared with the rest of the state.

Figure 1. Pedestrian Crossings
(Index Jan 1996 = 100)



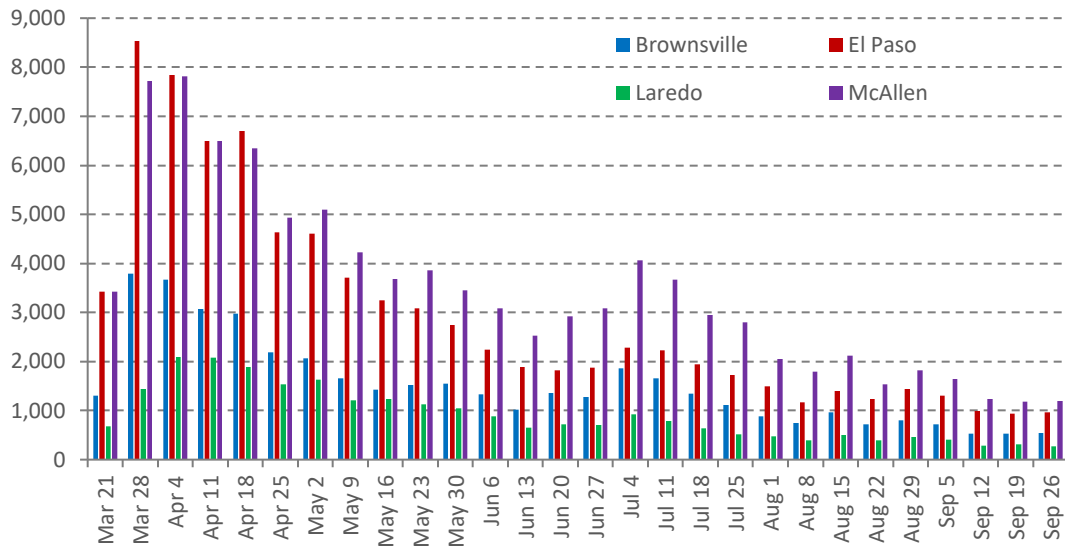
Note: Pedestrians entering the United States from Mexico. Data collected at ports of entry by U.S. Customs and Border Protection. Trend-cycle component.
Source: U.S. Bureau of Transportation Statistics

Figure 2. Personal Vehicle Crossings
(Index Jan 1996 = 100)



Note: Personal vehicles entering the United States from Mexico. Data collected at ports of entry by U.S. Customs and Border Protection. Trend-cycle component.
Source: U.S. Bureau of Transportation Statistics

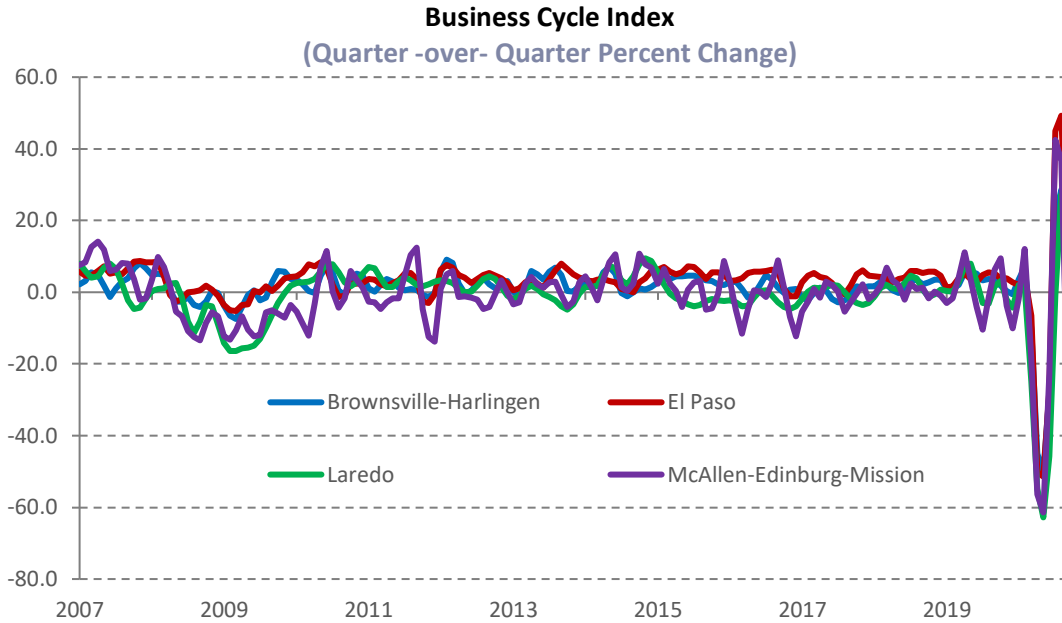
Figure 3. Border Metro Weekly Initial Unemployment Claims (2020)



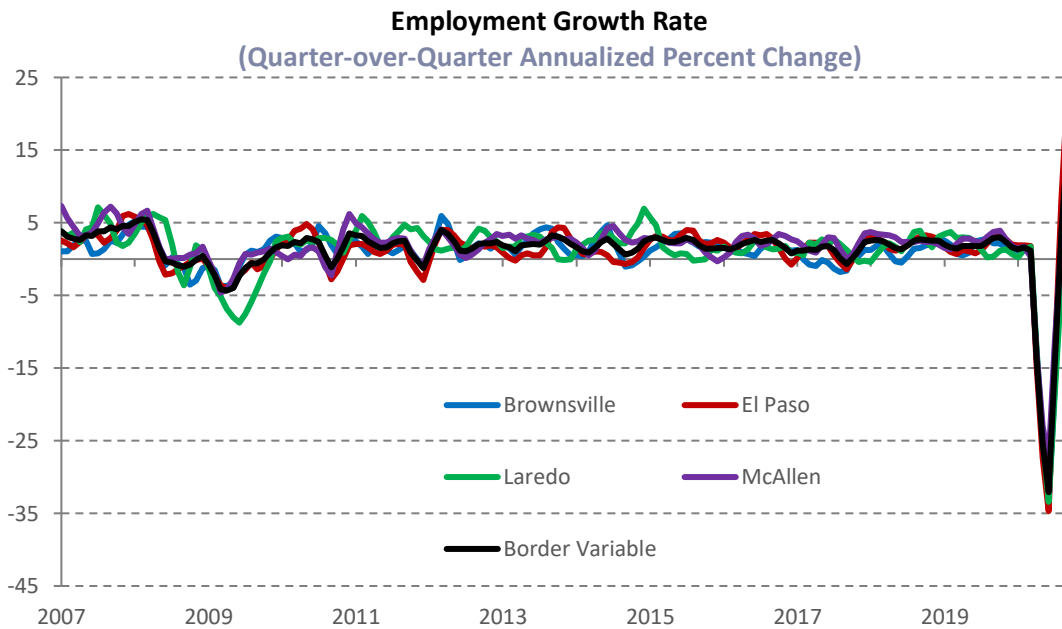
Note: Seasonally adjusted.

Sources: Texas Workforce Commission, U.S. Department of Labor Employment and Training Administration, and Real Estate Center at Texas A&M University calculations

Economic Activity

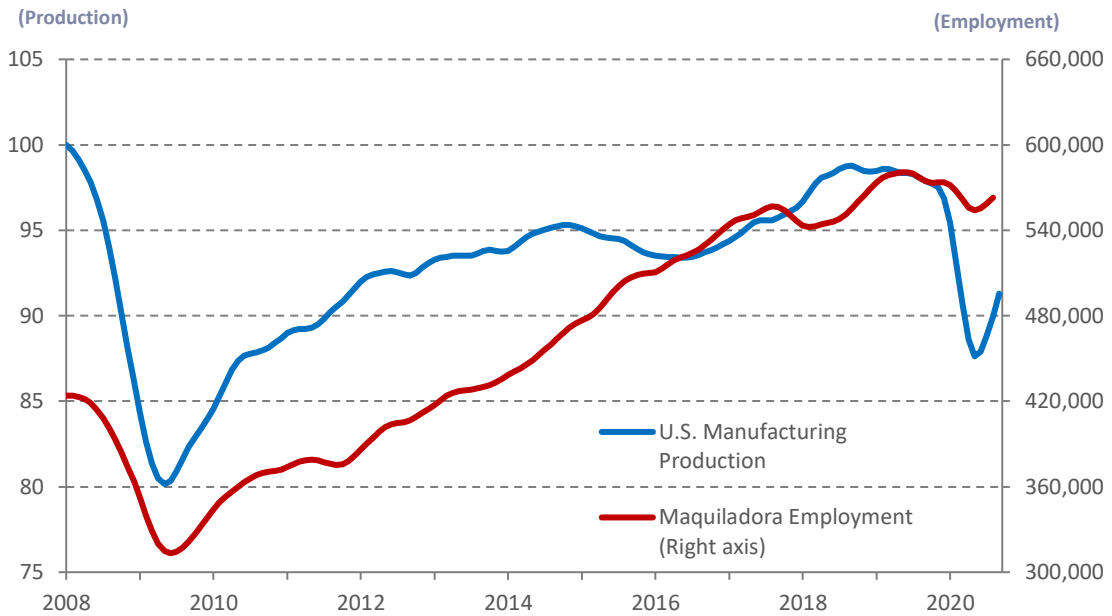


Note: Seasonally adjusted. For more information, see [Texas Business Cycle Index](#).
Source: Federal Reserve Bank of Dallas



Note: Seasonally adjusted, three-month moving average. September 2020 is preliminary.
For more information, see [Employment Growth Rate](#).
Source: Bureau of Labor Statistics

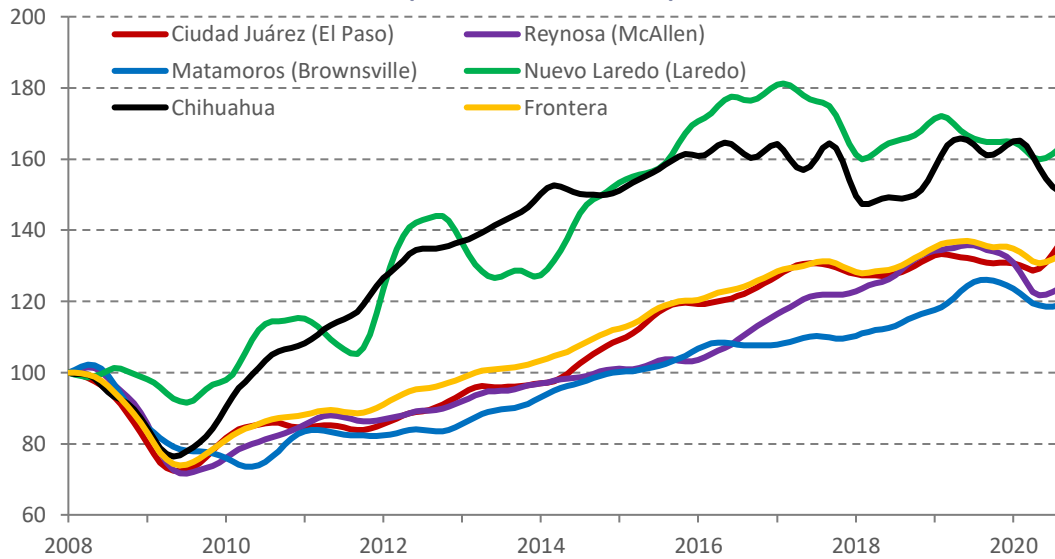
U.S. Manufacturing Production (Index Jan 2008 = 100; Number of Employees)



Note: Trend-cycle component.

Sources: Federal Reserve Bank of St. Louis and Instituto Nacional de Estadística y Geografía

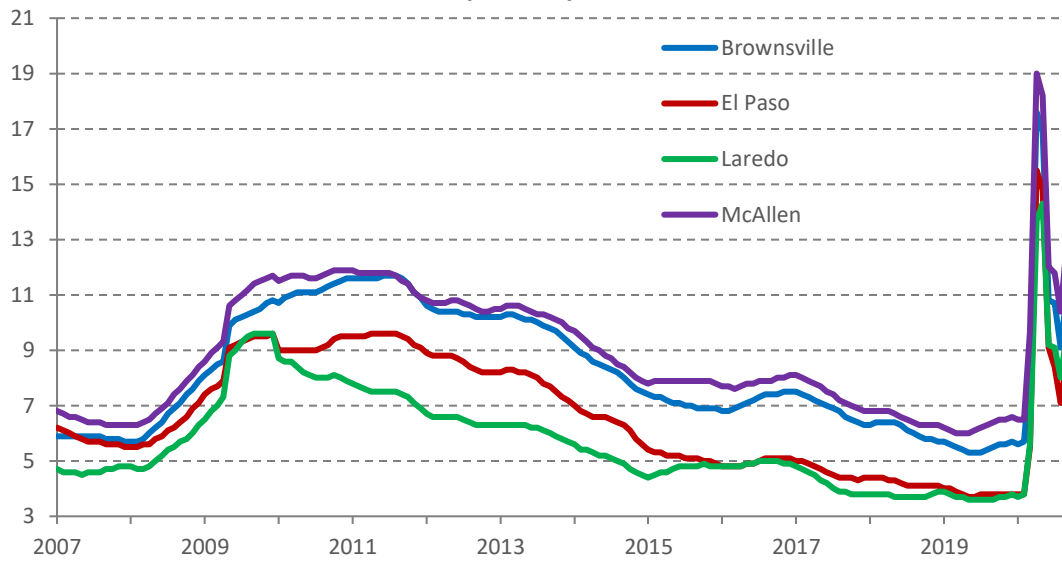
Mexico Maquiladora and Manufacturing Employment (Index Jan 2008 = 100)



Note: Trend-cycle component.

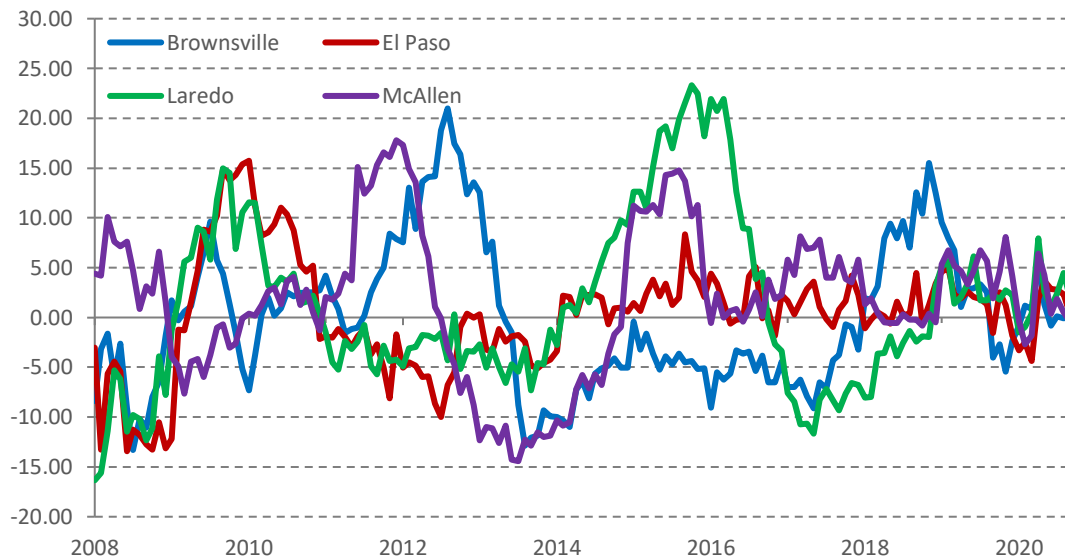
Source: Instituto Nacional de Estadística y Geografía

Unemployment Rate (Percent)



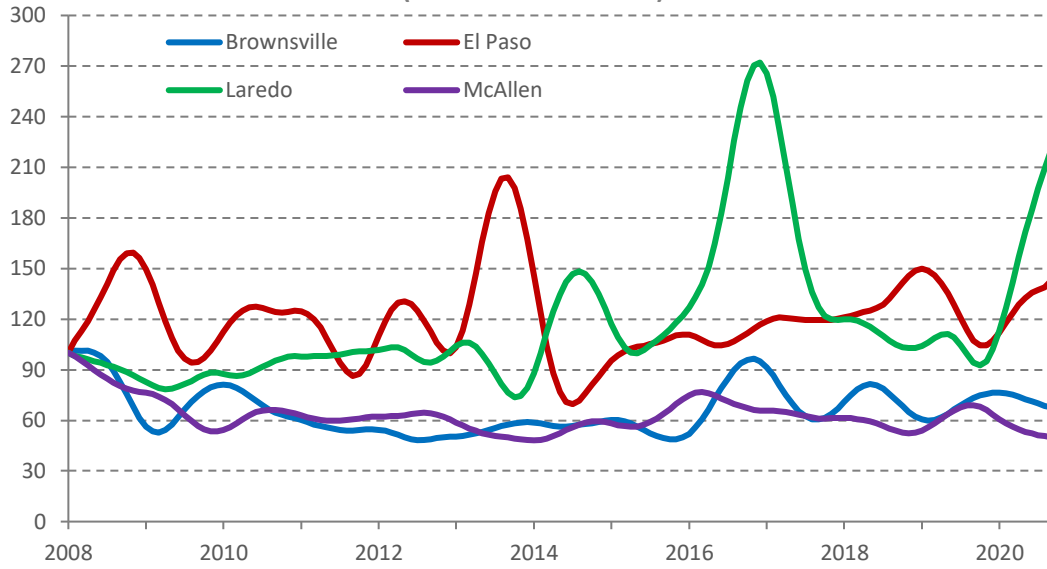
Note: Seasonally adjusted. September 2020 is preliminary. For more information, see [Unemployment Rate](#).
Sources: U.S. Bureau of Labor Statistics

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



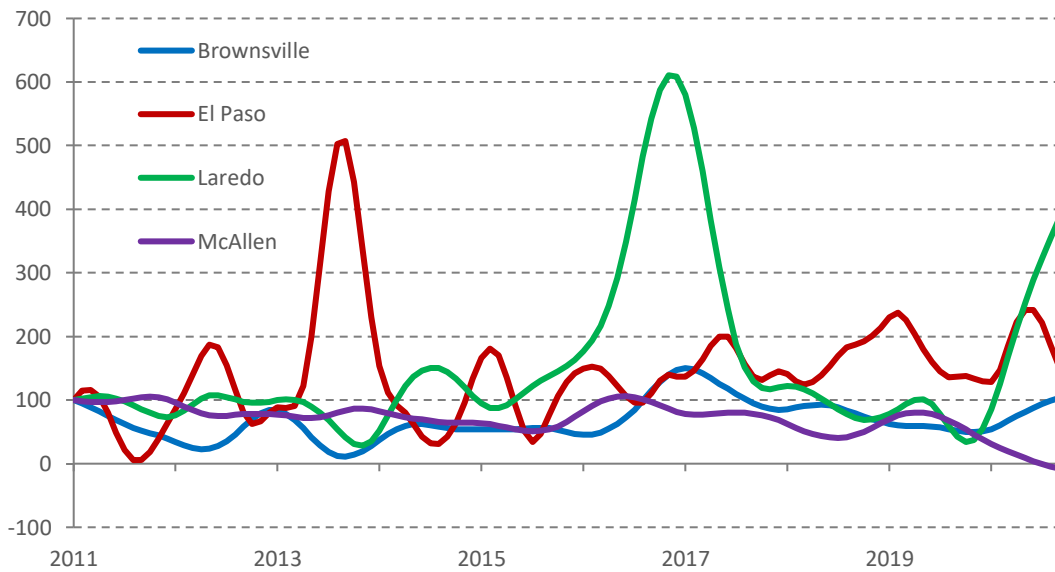
Notes: Inflation adjusted, seasonally adjusted. September 2020 is preliminary.
For more information, see [Total Private Employee Hourly Earnings](#).
Source: U.S. Bureau of Labor Statistics

Total Construction Values
(Index Jan 2008= 100)



Note: Inflation-adjusted. Trend-cycle component.
Source: Dodge Data & Analytics

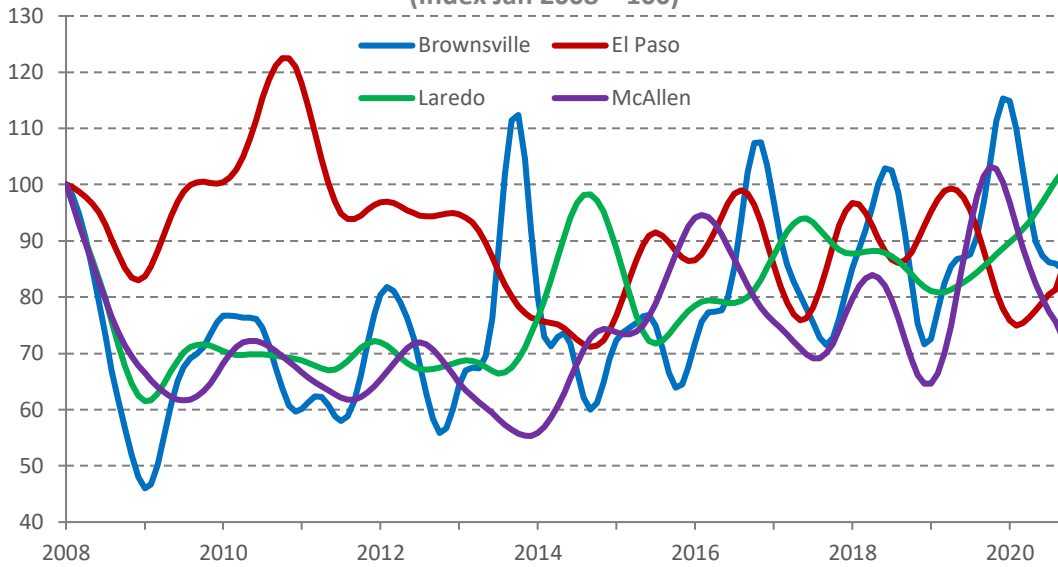
Nonresidential Construction Values
(Index Jan 2011 = 100)



Note: Inflation-adjusted. Trend-cycle component.
Source: Dodge Data & Analytics

Residential Construction Values

(Index Jan 2008 = 100)



Note: Inflation-adjusted. Trend-cycle component.
Source: Dodge Data & Analytics

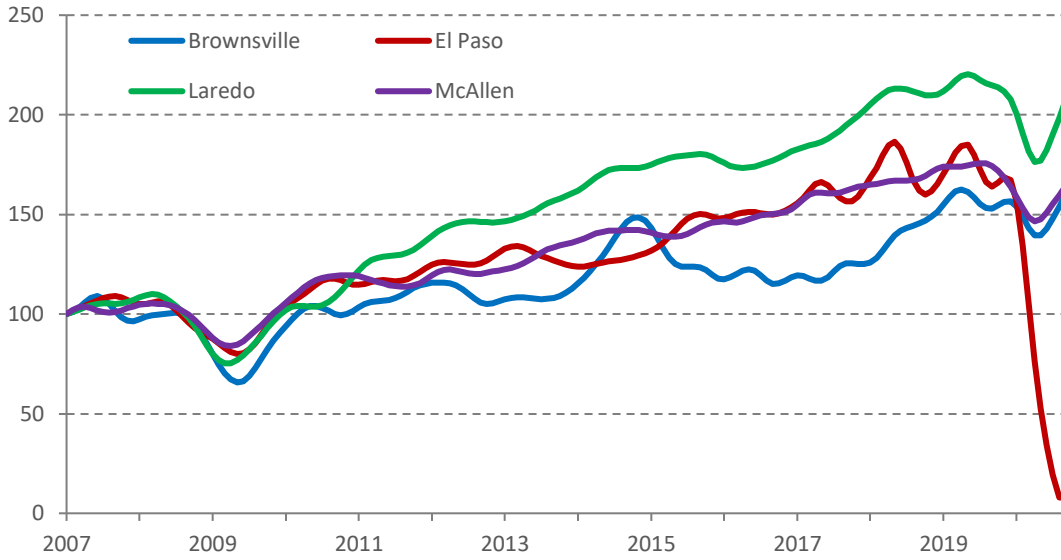
Real Peso per Dollar Exchange Rate

(\$)



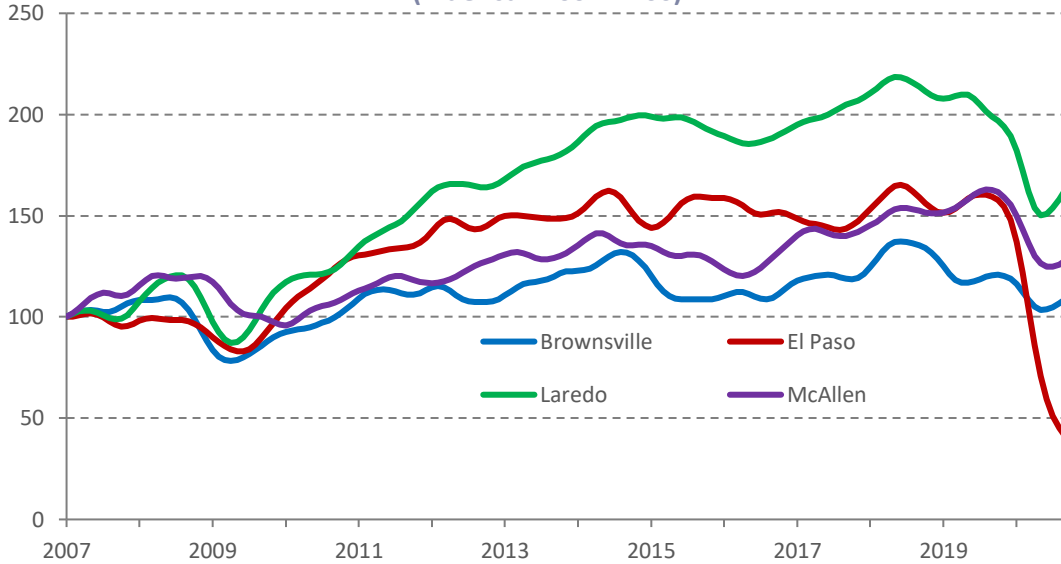
Note: Deflated using the Texas Trade Weighted Value of the Dollar.
Source: Federal Reserve Bank of Dallas

Import Values
(Index Jan 2007 = 100)



Note: Trend-cycle component.
Sources: Foreign Trade Division and U.S. Census Bureau

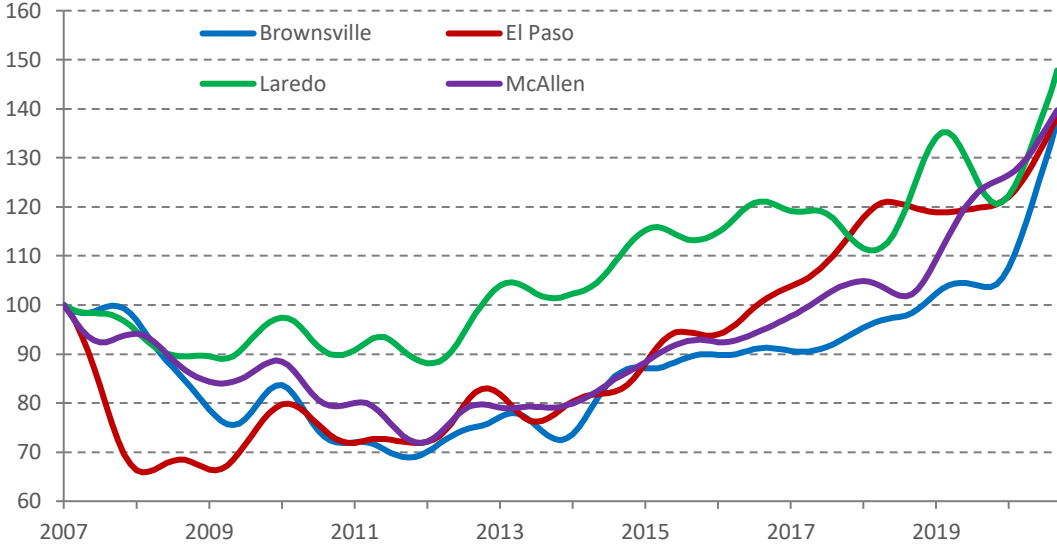
Export Values
(Index Jan 2007 = 100)



Note: Trend-cycle component.
Sources: Foreign Trade Division and U.S. Census Bureau

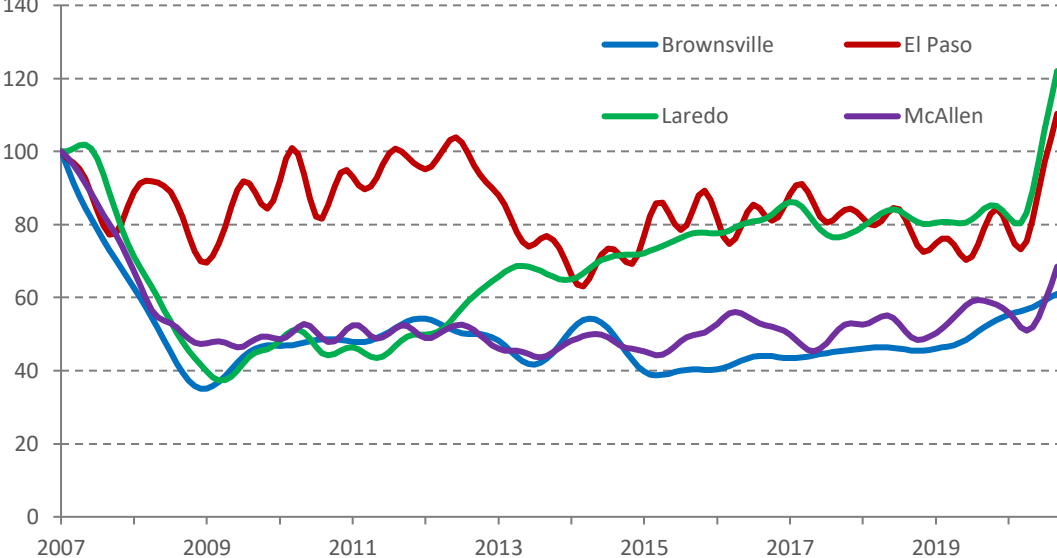
Housing

Housing Sales
(Index Jan 2007 = 100)



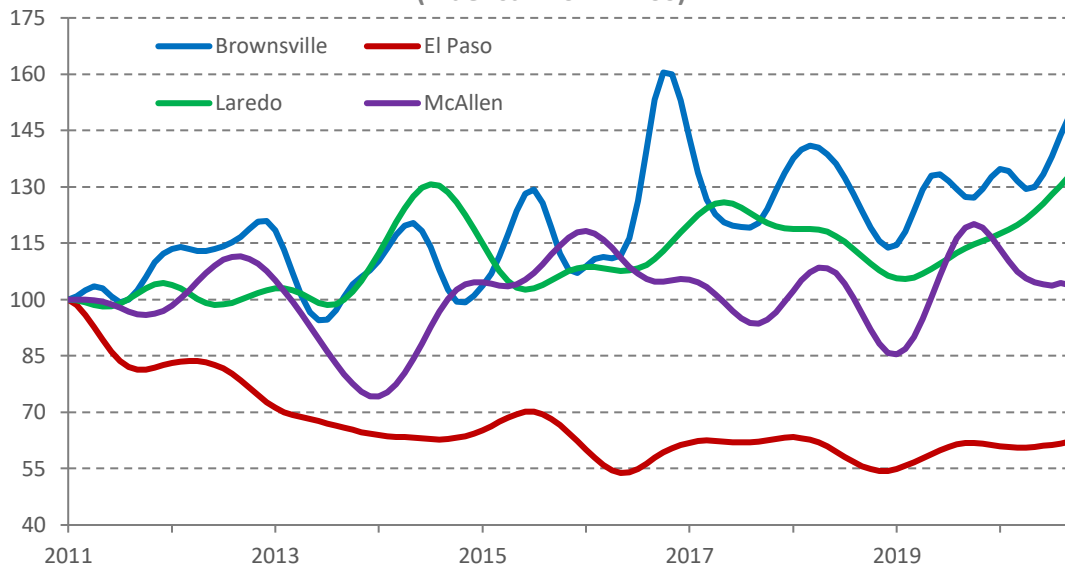
Note: Trend-cycle component.
Source: Real Estate Center at Texas A&M University

Single-Family Housing Construction Permits
(Index Jan 2007 = 100)



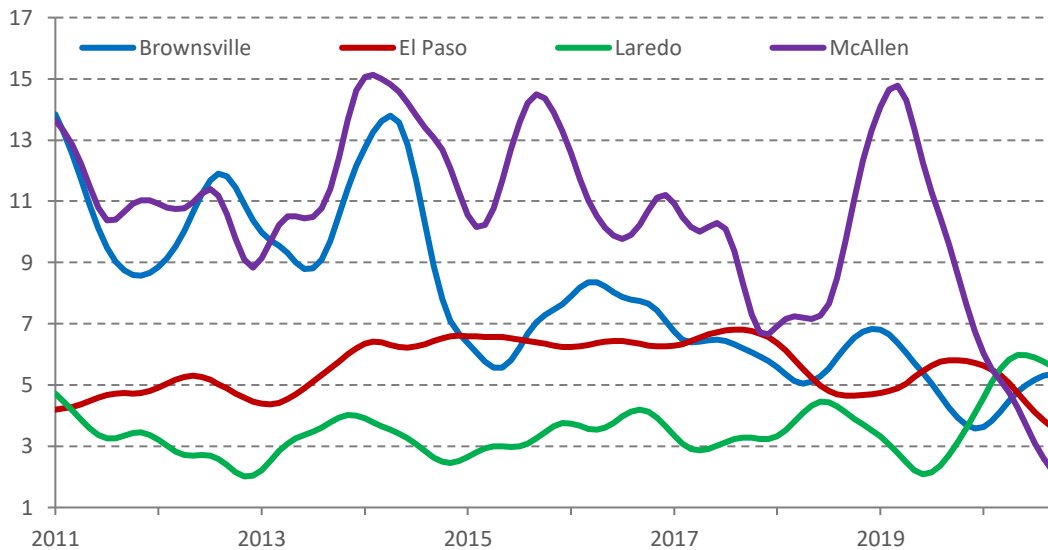
Note: Trend-cycle component.
Sources: U.S. Census Bureau and Real Estate Center at Texas A&M University

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



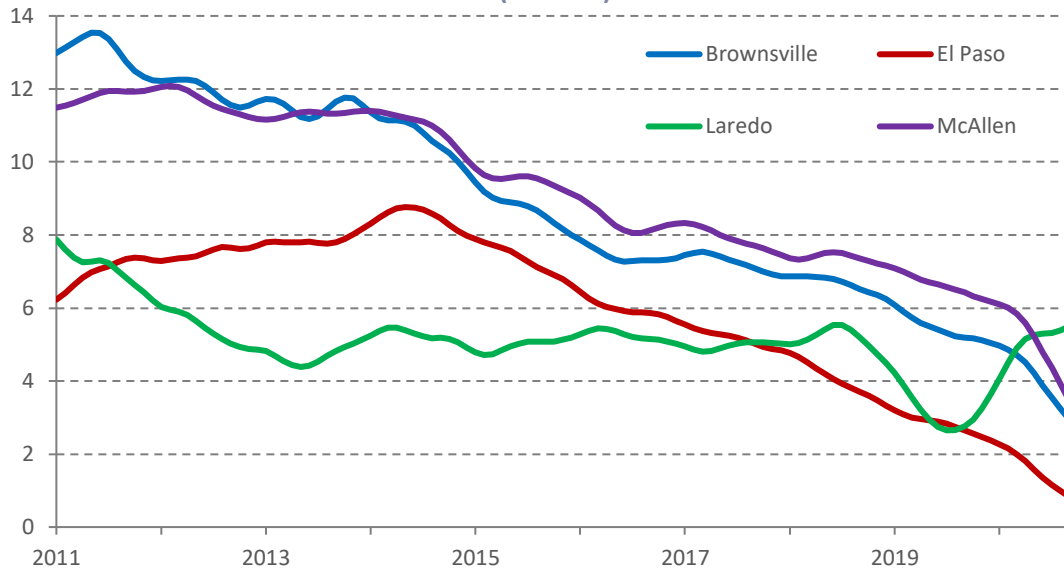
Note: Inflation adjusted. Trend-cycle component.
Source: Dodge Data & Analytics

New Home Months of Inventory
(Months)



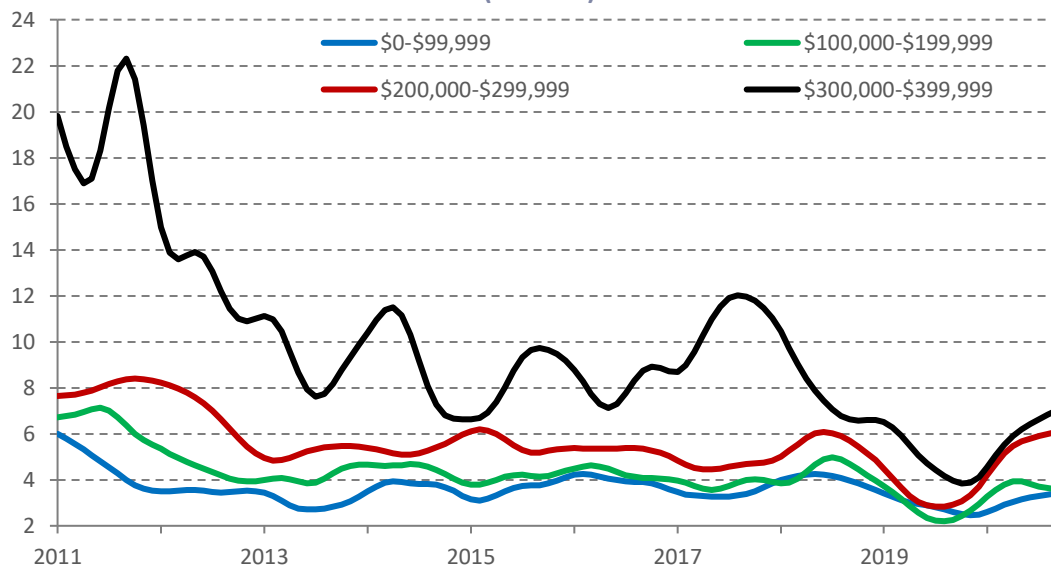
Note: Trend-cycle component.
Source: Real Estate Center at Texas A&M University

Existing Home Months of Inventory (Months)



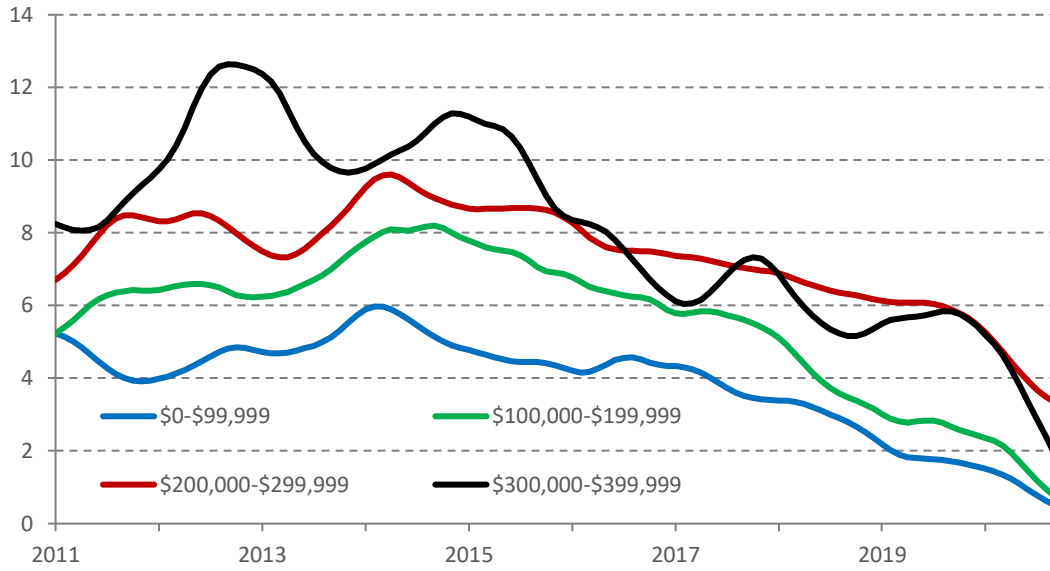
Note: Trend-cycle component.
Source: Real Estate Center at Texas A&M University

Laredo Months of Inventory by Price Cohort (Months)



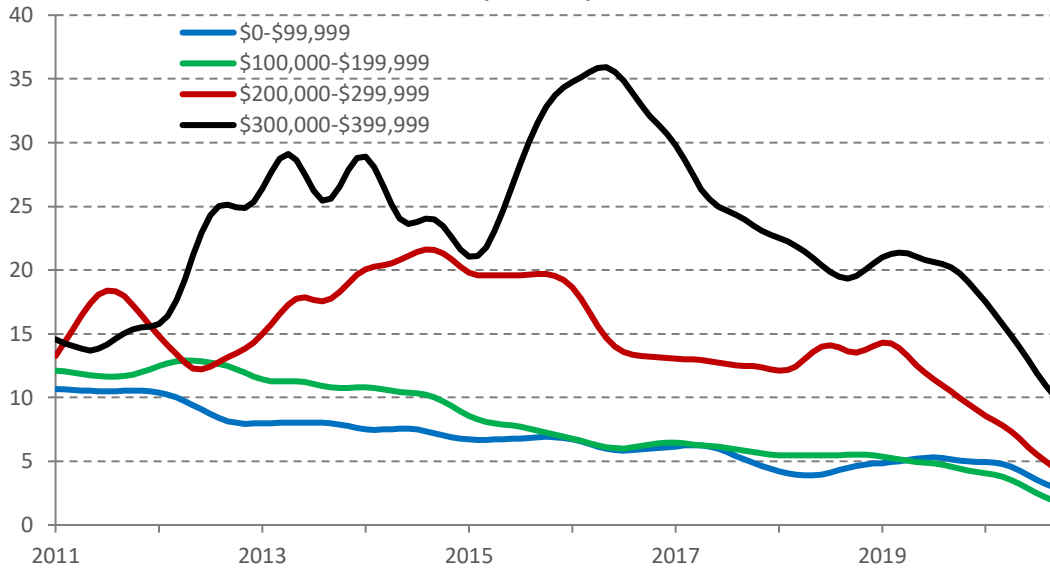
Note: Trend-cycle component.
Source: Real Estate Center at Texas A&M University

El Paso Months of Inventory by Price Cohort (Months)



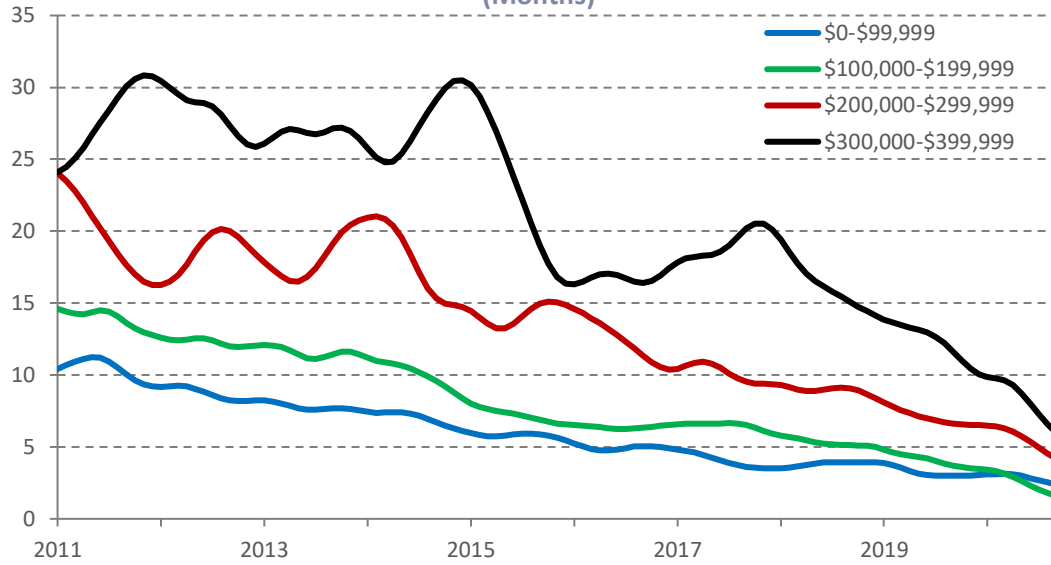
Note: Trend-cycle component.
Source: Real Estate Center at Texas A&M University

McAllen Months of Inventory by Price Cohort (Months)



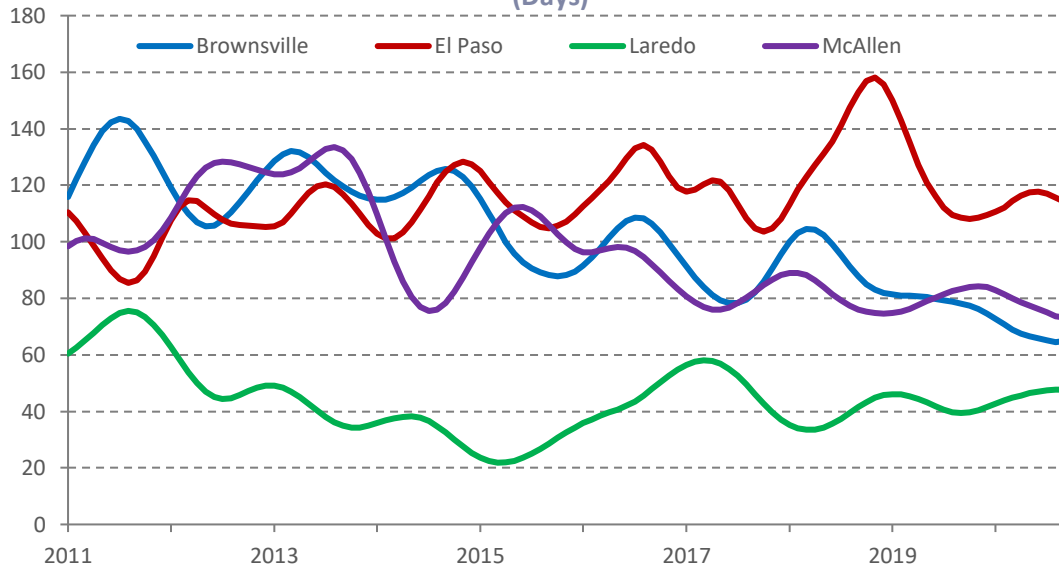
Note: Trend-cycle component.
Source: Real Estate Center at Texas A&M University

Brownsville Months of Inventory by Price Cohort (Months)



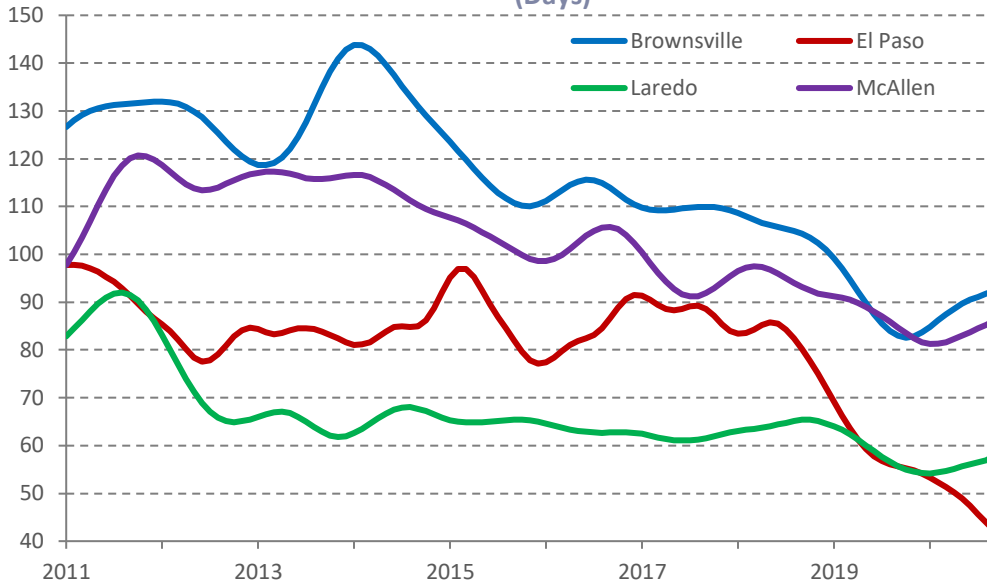
Note: Trend-cycle component.
Source: Real Estate Center at Texas A&M University

New Home Days on Market (Days)



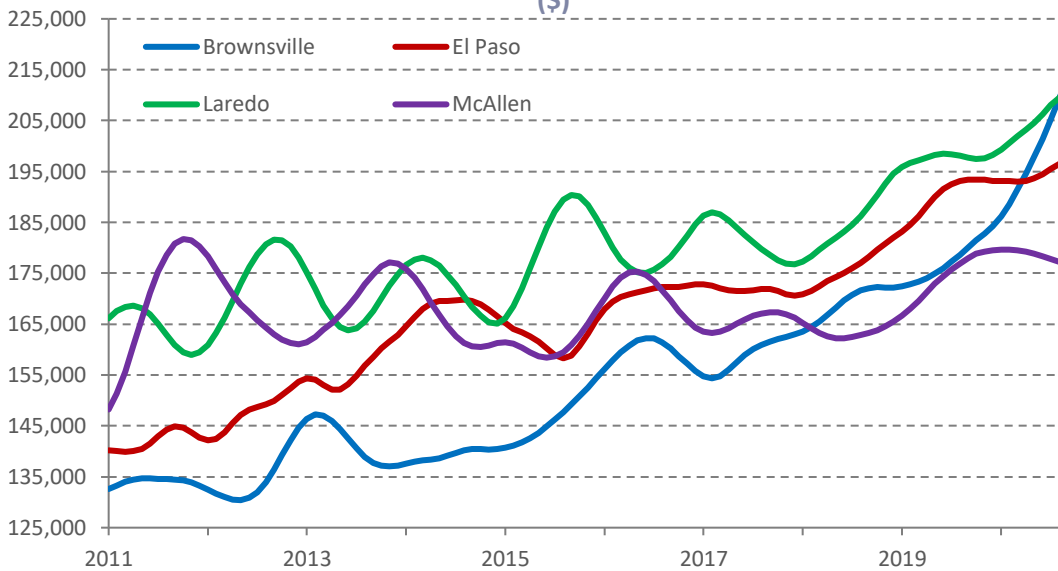
Note: Trend-cycle component. For single-family homes.
Source: Real Estate Center at Texas A&M University

Existing Home Days on Market (Days)



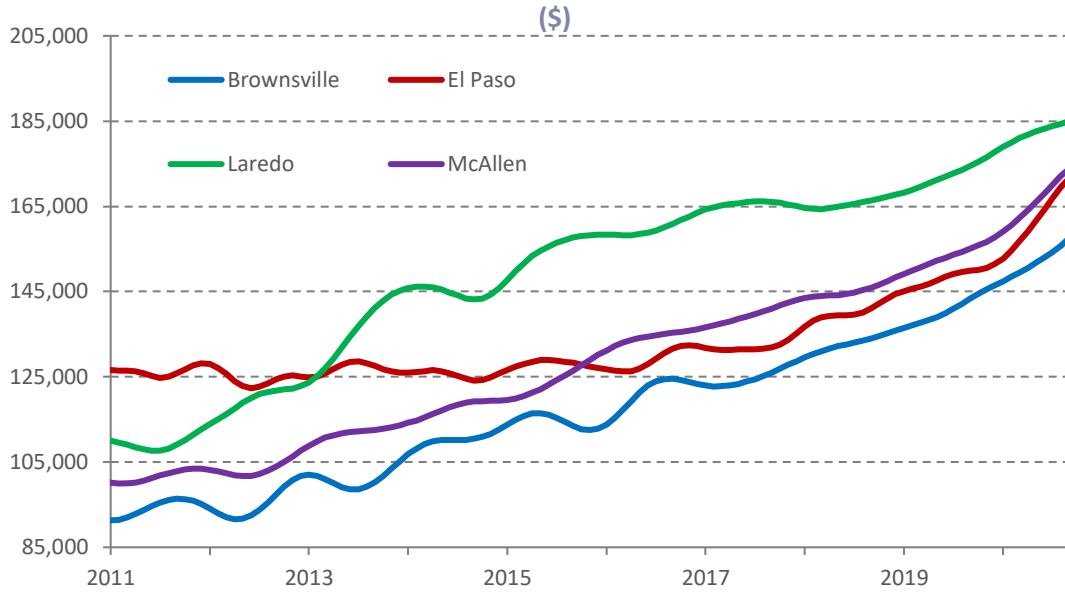
Note: Trend-cycle component. For single-family homes.
Source: Real Estate Center at Texas A&M University

New Home Median Sales Price (\$)



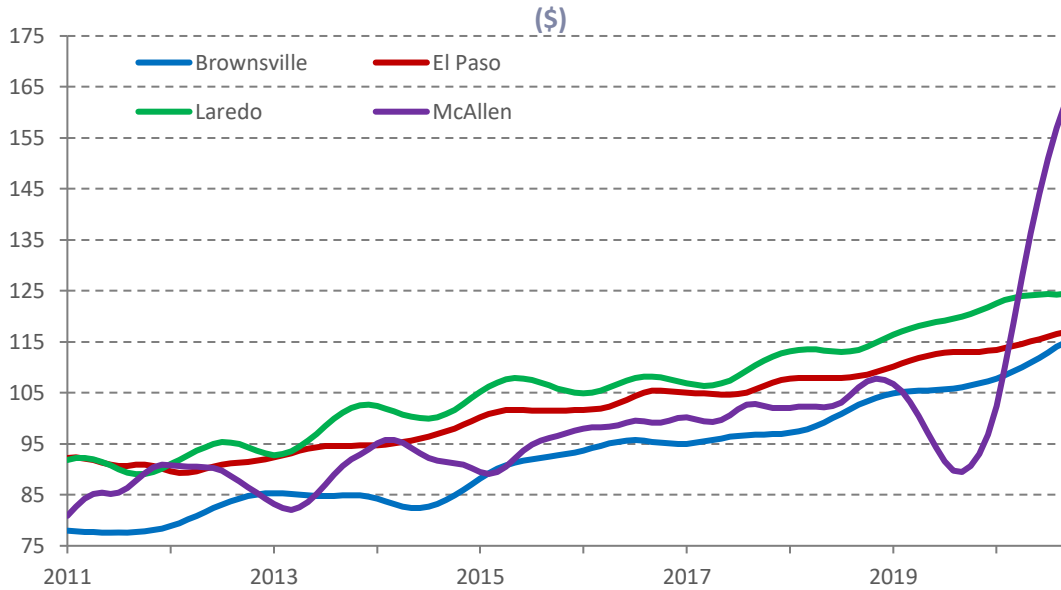
Note: Trend-cycle component. For single-family homes.
Source: Real Estate Center at Texas A&M University

Existing Home Median Sales Price



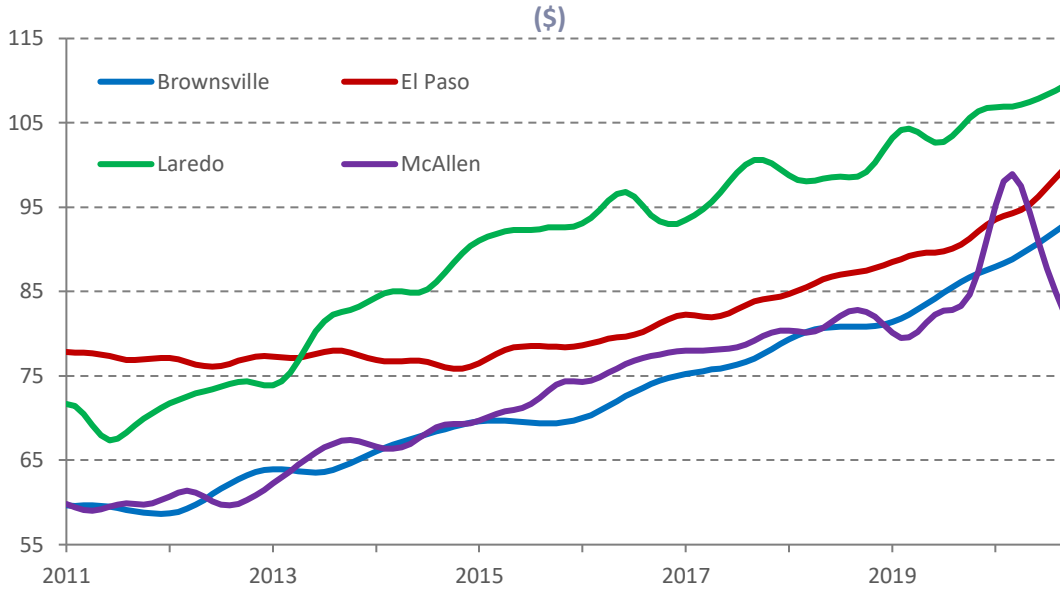
Note: Trend-cycle component. For single-family homes.
Source: Real Estate Center at Texas A&M University

New Home Median Price Per Square Foot



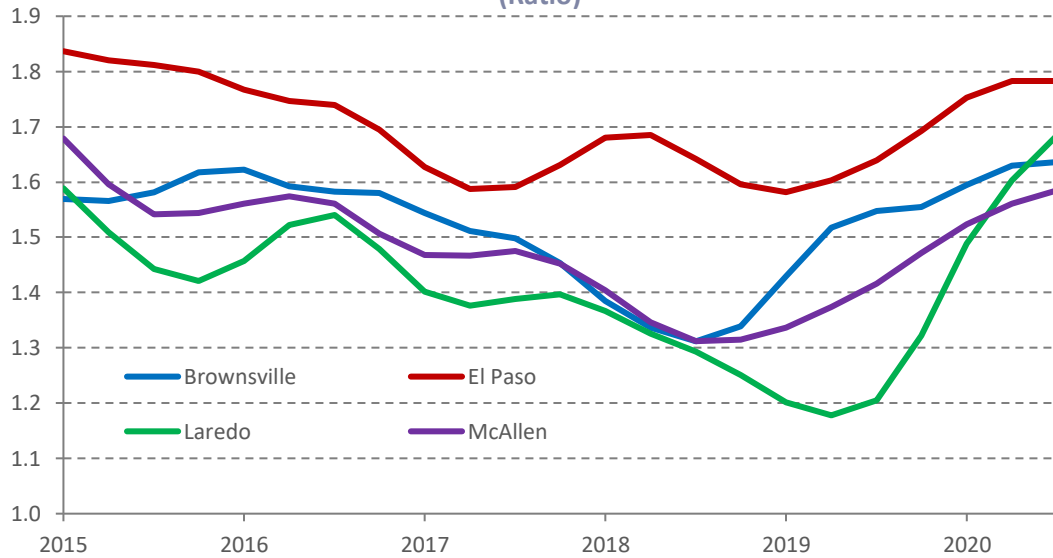
Note: Trend-cycle component. For single-family homes.
Source: Real Estate Center at Texas A&M University

Existing Home Median Price Per Square Foot



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

Housing Affordability Index (Ratio)



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



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