

TEXAS BORDER ECONOMY

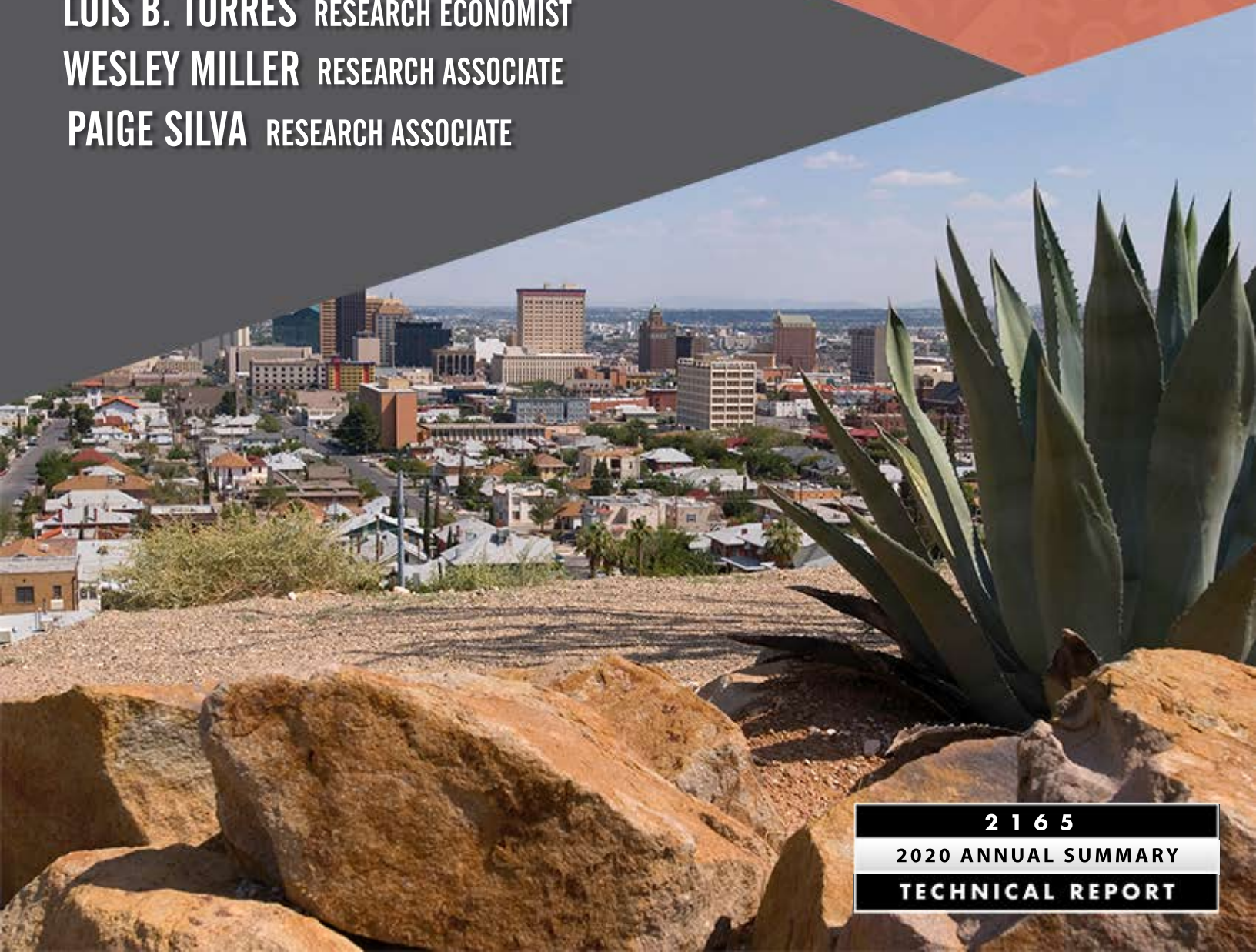


TEXAS A&M UNIVERSITY

Texas Real Estate Research Center



LUIS B. TORRES RESEARCH ECONOMIST
WESLEY MILLER RESEARCH ASSOCIATE
PAIGE SILVA RESEARCH ASSOCIATE



2 1 6 5

2020 ANNUAL SUMMARY

TECHNICAL REPORT

About this Report	2
2020 Annual Border Summary	3
Economic Activity	8
Gross Domestic Product	8
Business Cycle Index.....	8
Employment Growth Rate.....	9
U.S. Manufacturing Production	9
Mexico Maquiladora and Manufacturing Employment	10
Unemployment Rate.....	10
Total Private Employee Hourly Earnings	11
Total Construction Values.....	11
Nonresidential Construction Values.....	12
Residential Construction Values.....	12
Real Peso per Dollar Exchange Rate	13
Export Values.....	13
Import Values	14
Housing	15
Housing Sales	15
Single-Family Housing Construction Permits.....	15
Total New Private Single-Family Construction Value	16
New Home Months of Inventory.....	16
Existing Home Months of Inventory	17
El Paso Months of Inventory by Price Cohort.....	17
Brownsville Months of Inventory by Price Cohort	18
McAllen Months of Inventory by Price Cohort.....	18
Laredo Months of Inventory by Price Cohort	19
New Home Days on Market.....	19
Exiting Home Days on Market	20
New Home Median Sales Price.....	20
Existing Home Median Sales Price.....	21
New Home Median Price Per Square Foot	21
Existing Home Median Price Per Square Foot	22
FHFA House Price Index.....	22
Housing Affordability Index	23



About this Report

Texas Real Estate Research 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 annually, 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. Luis Torres, Wesley Miller, and Paige Silva

Data current as of Feb. 23, 2021

© 2021, Real Estate Research Center. All rights reserved.



TEXAS A&M UNIVERSITY

Texas Real Estate Research Center

2020 Annual Border Summary¹



The Texas-Mexico border economies started 2020 with solid growth before the COVID-19 pandemic pulled global economic activity to a halt. Supply-chain disruptions were prevalent throughout the year after worldwide factory shutdowns in the spring. Longer wait times at the border amid enhanced security during nonessential travel restrictions also contributed to a sizeable decrease in trade passing through the border ports. Meanwhile, overall payrolls contracted at a greater rate than the state average.

On the bright side, manufacturing and maquiladora employment on the southern side of the border recovered from depressed 2019 levels, although positive momentum may wane after North American manufacturing output slowed at the end of the year. Construction, particularly for warehouses, picked up as the pandemic accelerated the shift to e-commerce from brick-and-mortar shopping. Single-family construction remained strong compared with the multifamily sector as home sales rose 12.7 percent in 2020. Housing affordability, however, flattened as rising home prices offset historically low mortgage interest rates. The pandemic remains the greatest hurdle in 2021, with an added challenge being the underwhelming response to the virus in Mexico, where the border communities have strong ties.

Economy

Recently released 2019 real **gross domestic product** (GDP) data revealed Texas' border economies expanded before the COVID-19 pandemic. Brownsville led in growth terms for the second straight year with a 2.8 percent annual increase. McAllen maintained steady improvement with the metro's GDP, rising 1.8 percent after adjusting for inflation. Real GDP in Laredo rebounded 2.3 percent after declining in 2018. El Paso's metric rose for the fifth consecutive year but decelerated to just 1.1 percent growth.

The border extended its economic expansion at the start of 2020 as the United States-Mexico-Canada Agreement (USMCA) was approved by all three North American countries. The COVID-19 pandemic, however, disrupted global manufacturing and trade and weakened labor-market conditions, pulling the **Dallas Fed's Business-Cycle Indexes** down on an annual basis. The indexes in McAllen and Laredo plummeted 13.1 and 12.1 percent, respectively, while Brownsville's metric fell just 4.8 percent as real wage improvement softened declines in other parts of the metro's index. In El Paso, where payrolls registered a below-average contraction, the index decreased 4.0 percent.

¹ All measurements are calculated annually, unless stated otherwise.

Retail sales, a component of the index, may be limited by the ban on nonessential travel in North America, which prohibits Mexican tourists from entering the U.S. These measures have been extended through March 21, 2021. Pedestrian and personal vehicle traffic from Mexico fell more than 55 and 41 percent, respectively, in 2020 (Figures 1 and 2).

Border **nonfarm employment** decreased by 34,900 jobs, or 4.1 percent, greater than the statewide 3.4 percent contraction. Laredo shed 5,800 positions, the steepest drop in percentage terms (5.3 percent) among the border metros. Leisure/hospitality contributed about half of the total losses, followed by business/professional services. The same sectors dominated the overall 12,700-job decline in El Paso. In the Rio Grande Valley, leisure/hospitality still topped the list in number of layoffs but was followed by the retail sector in Brownsville, where a total of 6,650 workers were discharged. McAllen cut payrolls by 9,800 employees, with sizeable reductions in leisure/hospitality and goods-producing industries offsetting modest hiring in education/health services.

On top of sluggish growth in 2019, **Mexican manufacturing and maquiladora employment**² contracted by 31,100 workers in the first half of 2020 in the midst of economic and factory shutdowns worldwide. Steady job growth the rest of the year, however, pulled November payrolls up 3 percent year to date (YTD). Most of the improvement was attributable to 8.1 percent YTD growth in Juarez. Maquiladora employment ticked up 1.9 percent YTD in Nuevo Laredo but flattened in Reynosa. Meanwhile, Matamoros and Chihuahua City's metrics declined 4.7 and 3.9 percent YTD, respectively. U.S. manufacturing production sank 6.6 percent annually in 2020, with the second-half recovery dwindling out at year-end, suggesting weakening manufacturing conditions in Mexico as well.

The Texas border metros tend to report joblessness at higher rates than the state as a whole. This remained true in 2020, with the **unemployment rates** in El Paso and Laredo averaging 8.5 percent compared with 7.7 percent statewide. Meanwhile, Brownsville and McAllen metrics surpassed their Great Recession peaks, increasing to 10.5 and 11.9 percent, respectively.

Improvement in **average private hourly earnings** decelerated as labor-market conditions weakened. McAllen remained the highest-paying border metro, with earnings averaging \$19.79 per hour in 2020, but the metric lagged the state average by more than seven dollars. The gap between the border's and state's wages widened relative to the previous year, reflecting how disparate impacts of the pandemic and its economic aftermath. Both McAllen and El Paso's hourly earnings (\$19.62) flattened in real terms on average. On the other hand, inflation-adjusted wages rose 1.4 and 1.1 percent in Laredo (\$18.29) and Brownsville (\$16.54), respectively.

Total construction values along the border approached \$2.3 billion after surging 10.2 percent in real terms, approximating 2013 levels when nonresidential activity doubled. The nonresidential sector also contributed the majority of the overall increase in 2020 as warehouse values in El Paso and Laredo skyrocketed, offsetting reduced school and hospital construction in the Rio Grande

² 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. Data is seasonally adjusted.

Valley. Moreover, inflation-adjusted residential values rose for the third straight year to a record-high (series starting in 2008). Single-family construction improved across the board, although groundbreaking normalized in McAllen's two-family sector after elevating levels the prior two years. Apartment activity decreased in the other border metros.

The **peso per dollar exchange rate** averaged 21.50 in 2020, elevating 6.5 percent after adjusting for inflation, and making domestic goods more expensive to the Mexican buyer. The **total value of border trade activity** plummeted 21.8 percent to \$286.3 billion as global manufacturing activity slowed and wait times at the border increased amid extra border security during nonessential travel restrictions. Trade through each border port registered about one-tenth less than 2019 levels, except for the El Paso hub, where values dropped 62 percent. Machinery products and vehicular-related merchandise were the main contributors to the declines.

The passage of the USMCA reaffirmed North American trade relationships; there are some concerns, however, that the pact's regulatory mandates may hurt the U.S. automobile industry and curtail vehicular-related trade, which comprises a fifth of total border trade values. Long-term ratifications of the trade pact are as of yet unknown, especially since two extra years were granted to automakers to reach duty-free origin and labor requirements (three-fourths of the product must originate from North America, and workers must earn at least \$16 per hour) due to the pandemic. Trade remains an integral component to the border economies.

Housing

Border housing sales rose 12.7 percent in 2020, surpassing statewide and national growth for the fourth consecutive year. Gains were concentrated for home sales priced more than \$100,000 due to rising housing costs and depleted inventory for lower-priced homes. Activity in Brownsville and El Paso accelerated 21.2 and 12.8 percent, respectively. Amid steep payroll contractions, Laredo posted the softest sales growth out of the border metros but still increased an impressive 6.8 percent. The 8.8 percent jump in McAllen sales accounted for more than half of the border's total improvement despite the rate decelerating from an 18 percent climb the previous year.

On the supply side, **single-family housing construction permits** skyrocketed 17.1 percent annually, exceeding 8,900 permits. Issuance increased for the fifth straight year in Brownsville, while the El Paso metric rose 19.4 percent. Activity in Laredo and McAllen surged 22.6 and 13.3 percent respectively with record-high monthly permits to end the year.

The number of homes hitting the market declined as homeowners were cautious about listing their properties on the market and hosting in-person showings during the pandemic. Combined with robust housing demand, **months of inventory (MOI)** of homes listed for sale plummeted along the border. The metric fell by more than half in Laredo and Brownsville to 2.0 and 2.8 months, respectively. McAllen's MOI slid to 3.5 months, while El Paso inventory dropped below the statewide average (1.7 months) to 1.6 months.



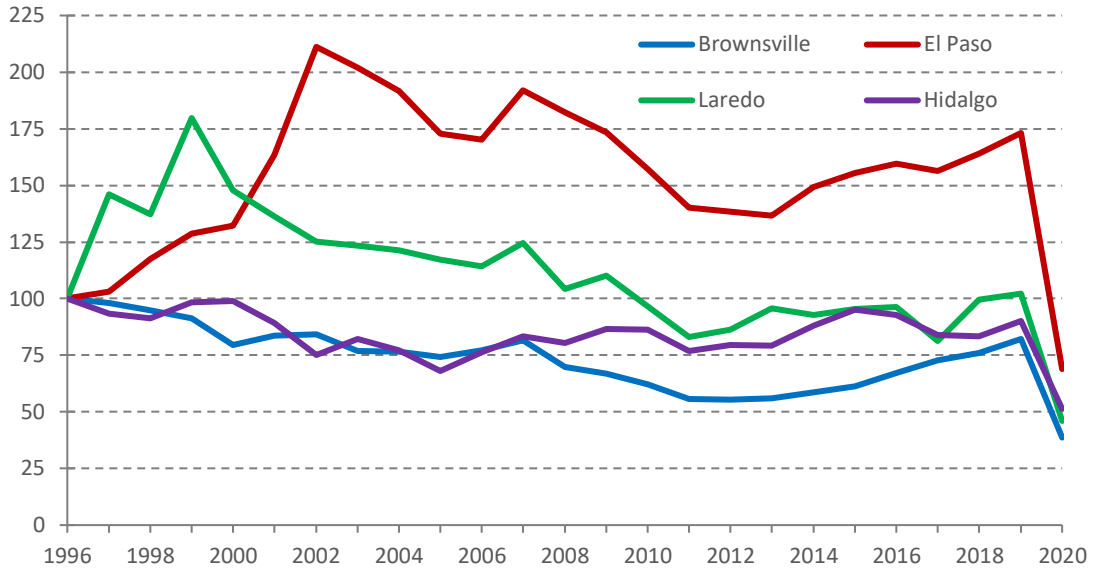
Remote work-and-school directives strengthened the desire for additional space a house can offer, pulling the **average number of days on market (DOM)** down for the second straight year to all-time lows. The average home in Laredo sold after just 52 days, while El Paso shed more than a week of its DOM, which landed at 63 days. In the Rio Grande Valley, where the DOM usually hovers higher than the rest of the state, the metric still fell to 81 and 103 days in McAllen and Brownsville, respectively.

The shift in sales composition toward higher-priced homes applied upward pressure on the **median home price** along the border. As transactions priced more than \$200,000 comprised more than a third of total sales for the first time in series history, Brownsville's median home price elevated 15.3 percent to \$173,000. Meanwhile, the metric in McAllen (\$170,000) and El Paso (\$177,700) surged 9.7 and 9.1 percent, respectively. Nevertheless, the median home price remained highest in Laredo at \$187,000 after jumping 6.8 percent.

The **Federal Housing Finance Agency's House Price Indexes**, which measure the average price changes in repeat sales or refinancings, corroborated an upward trend in values, albeit at a slower pace. Brownsville's index increased 5.7 percent annually while the McAllen metric jumped 4.2 percent. Contrary to the median price data, Laredo's index slowed to 2.9 percent growth from 5.7 percent the previous year. On the other hand, the El Paso metric rose 4.8 percent, corroborating the Texas Real Estate Research Center's El Paso Repeat Sales Home Price Index, which shot up 5.4 percent.

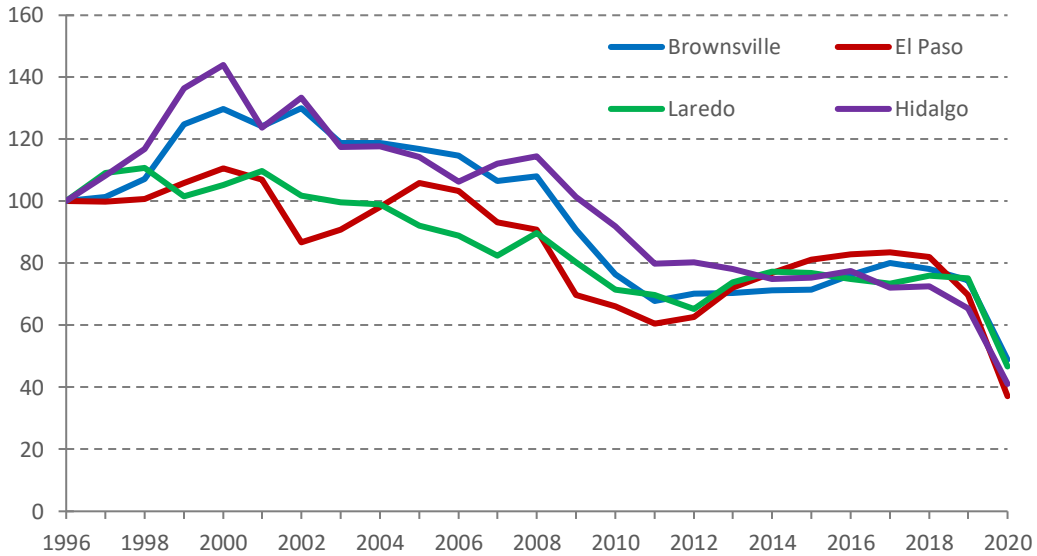
In Texas' border economies, lower-priced housing generally offsets below-average earnings, thereby managing affordability pressures. Elevated home prices, however, offset unprecedented low mortgage rates during fourth quarter 2020, capping gains in the **Texas Real Estate Research Center Affordability Indexes** after strong improvement in 2019. Still, El Paso was the most affordable border metro with an index of 1.8, indicating that a family earning the median income could afford a home costing 80 percent more than the median sales price. Brownsville and Laredo's index ticked down to 1.6, matching McAllen's metric, which flattened for the second straight quarter. Favorable housing affordability has historically been a draw to the local communities and is important to the border's economic prosperity.

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



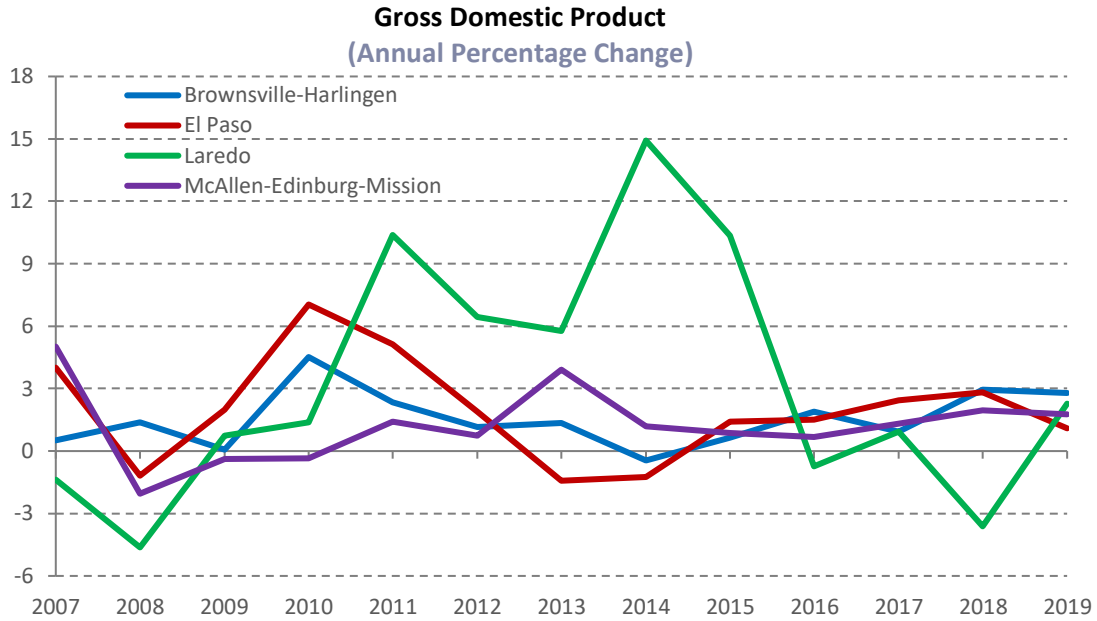
Note: Annual sum. Pedestrians entering the United States from Mexico. Data collected at ports of entry by U.S. Customs and Border Protection.
Source: U.S. Bureau of Transportation Statistics

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

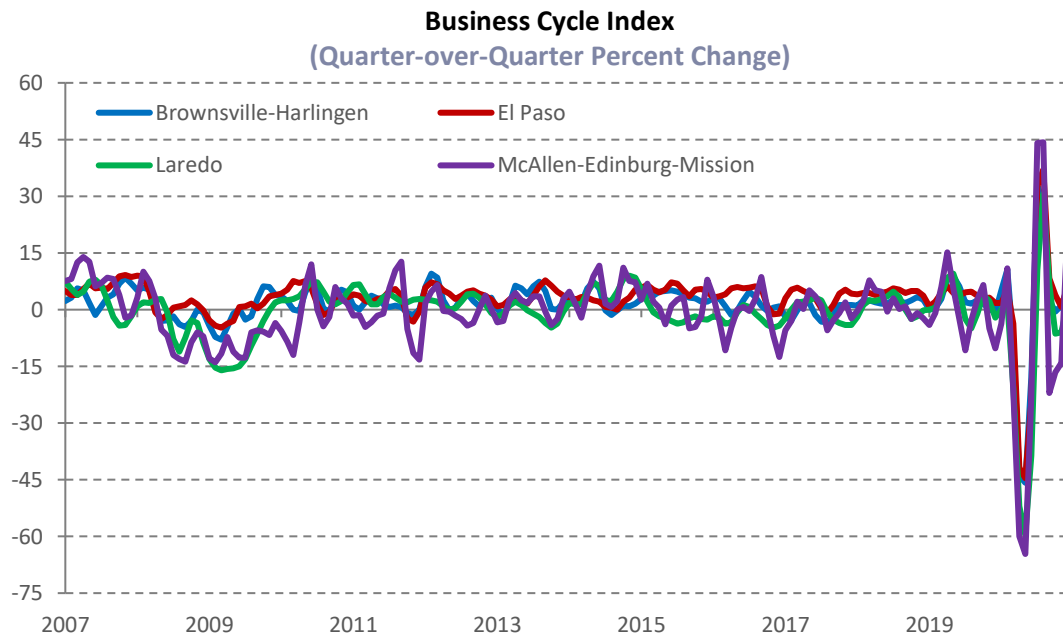


Note: Annual sum. Personal vehicles entering the United States from Mexico. Data collected at ports of entry by U.S. Customs and Border Protection.
Source: U.S. Bureau of Transportation Statistics

Economic Activity

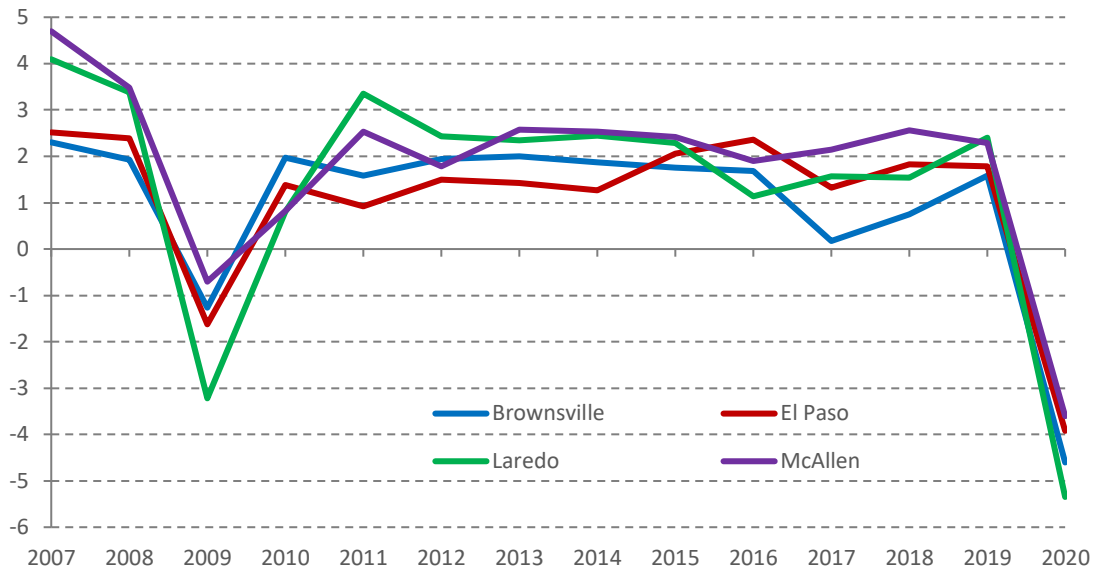


Note: Annual. Not seasonally adjusted.
Source: Bureau of Economic Analysis



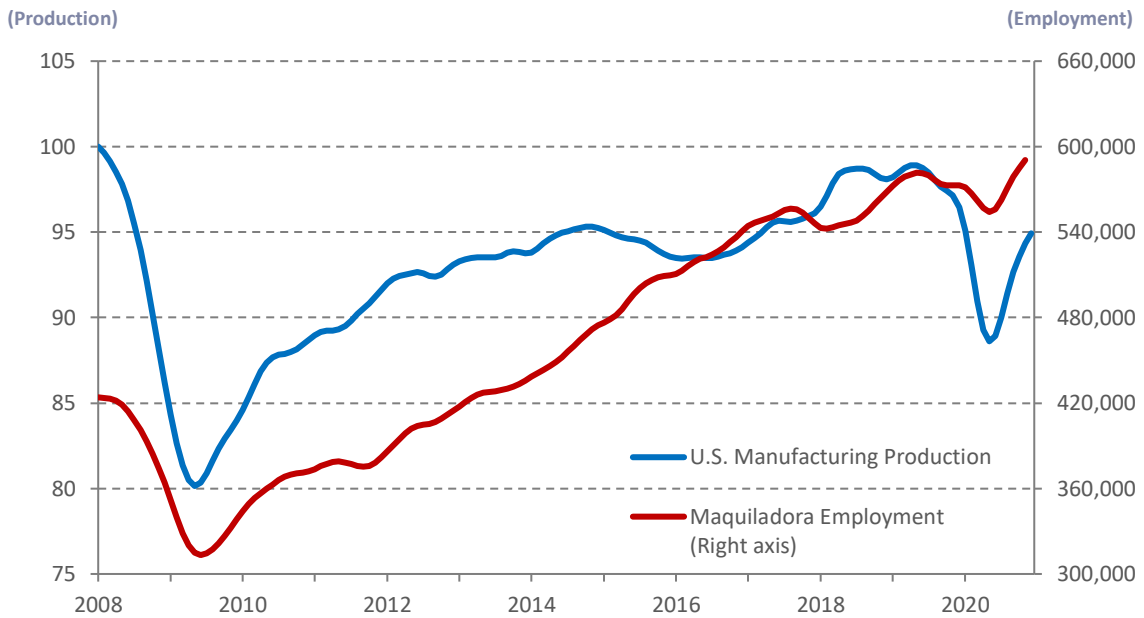
Note: Seasonally adjusted. For more information, see [Texas Business Cycle Index](#).
Source: Federal Reserve Bank of Dallas

Employment Growth Rate (Annual Percentage Change)



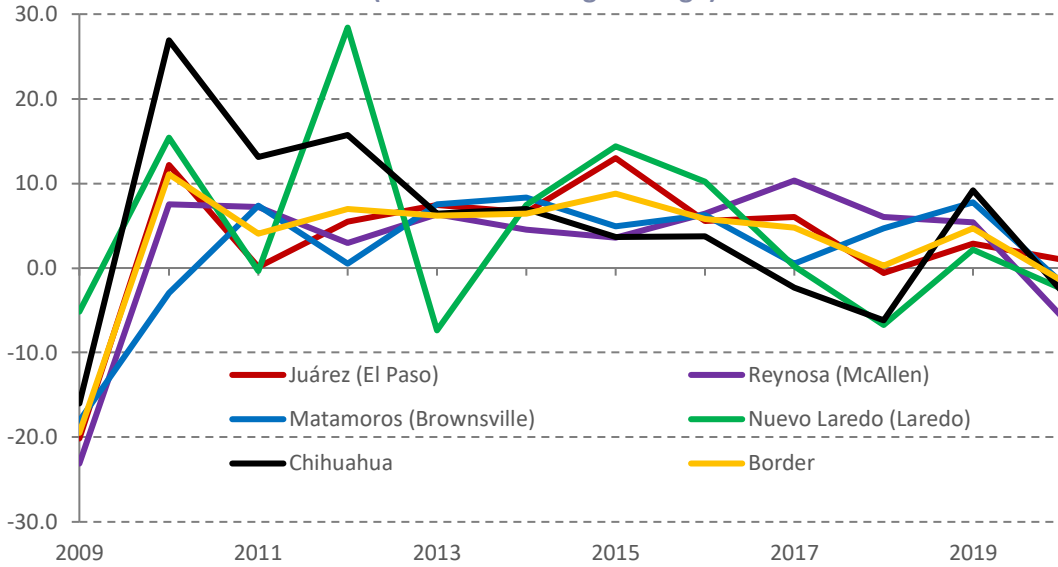
Note: Annual average. December 2020 is preliminary.
 For more information, see [Employment Growth Rate](#).
 Source: Bureau of Labor Statistics

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



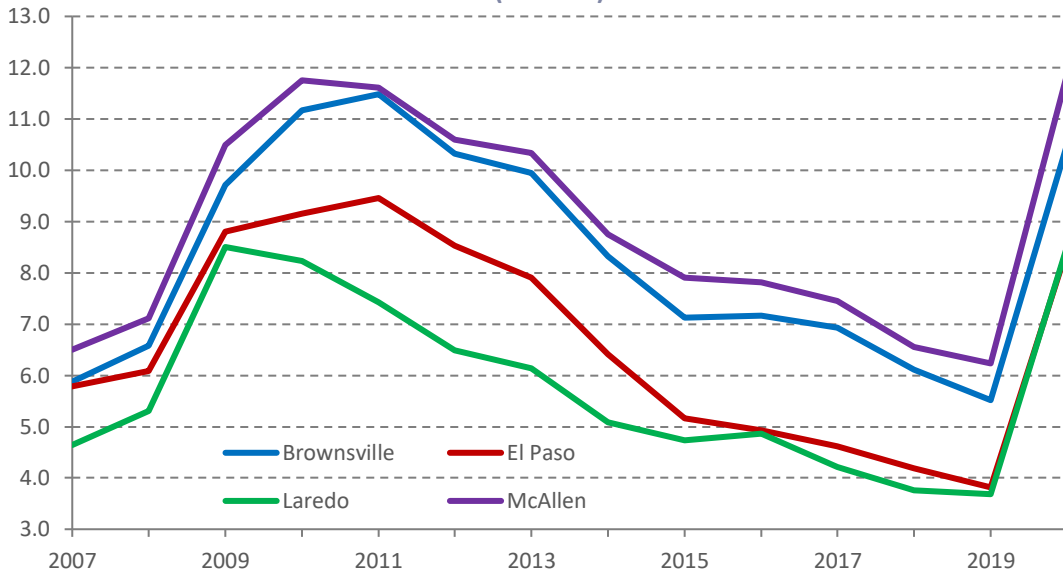
Note: Trend-cycle component.
 Sources: Federal Reserve Bank of St. Louis and Instituto Nacional de Estadística y Geografía

Mexico Maquiladora and Manufacturing Employment (Annual Percentage Change)



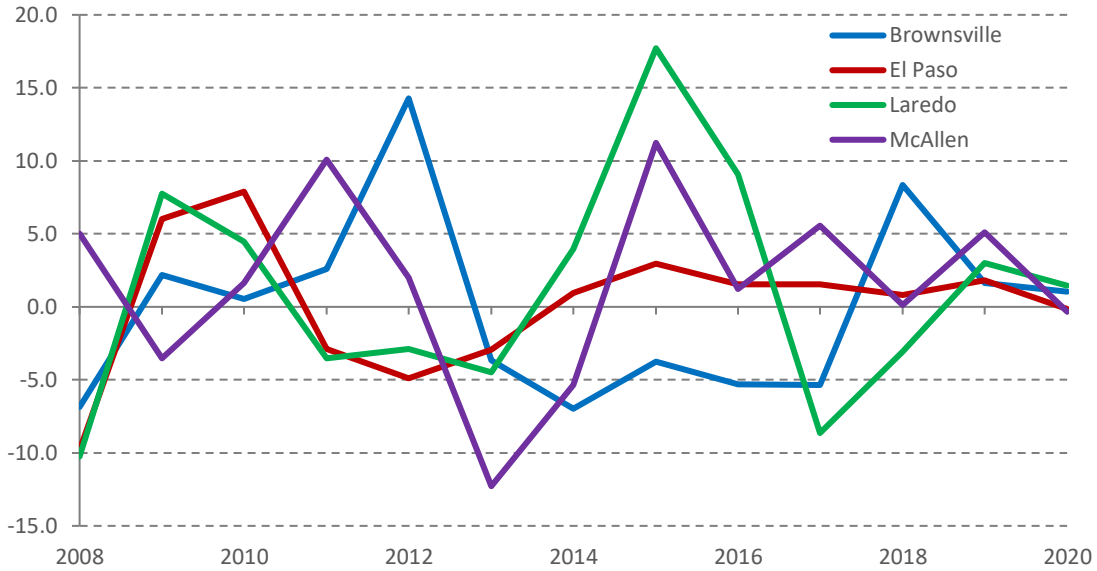
Note: Annual average. December not included in 2020 average.
Source: Instituto Nacional de Estadística y Geografía

Unemployment Rate (Percent)



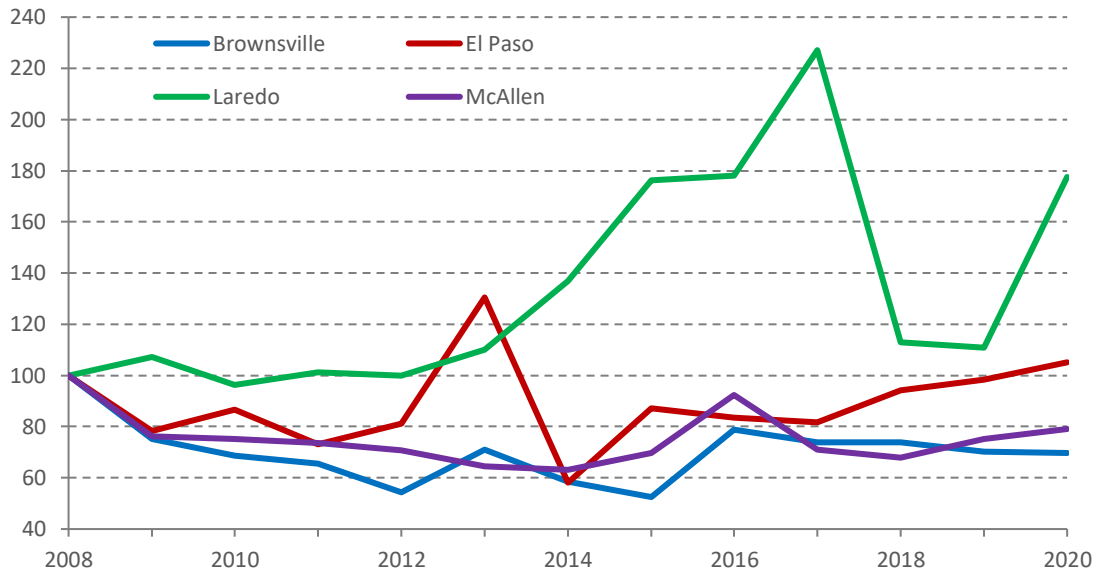
Note: Annual rate. December 2020 is preliminary. For more information, see [Unemployment Rate](#).
Sources: Bureau of Labor Statistics and Real Estate Research Center at Texas A&M University

Total Private Employee Hourly Earnings (Annual Percentage Change)



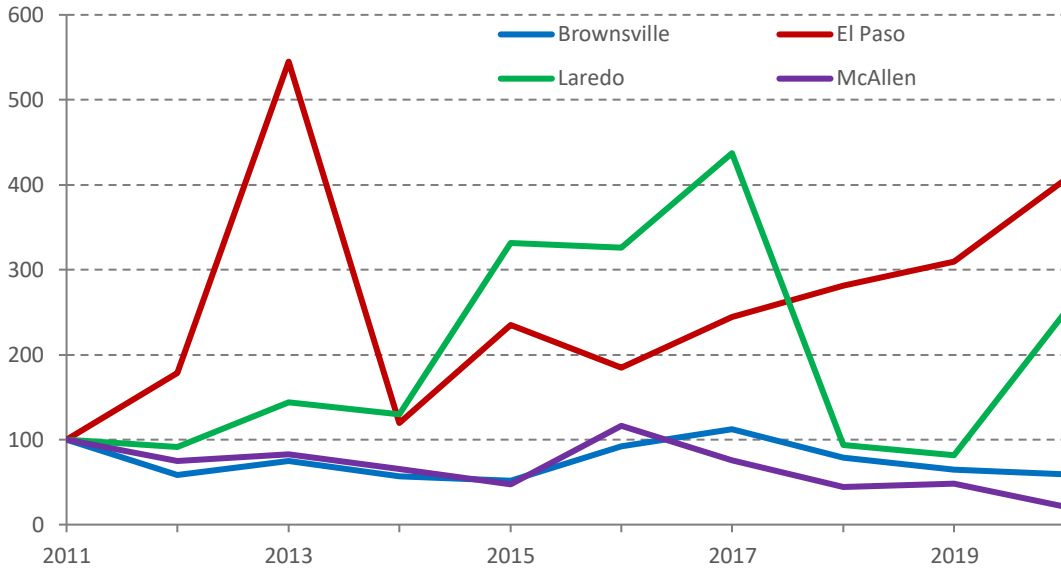
Note: Annual average. December 2020 is preliminary.
 For more information, see [Total Private Employee Hourly Earnings](#).
 Source: Bureau of Labor Statistics

Total Construction Values (Index Jan 2008= 100)



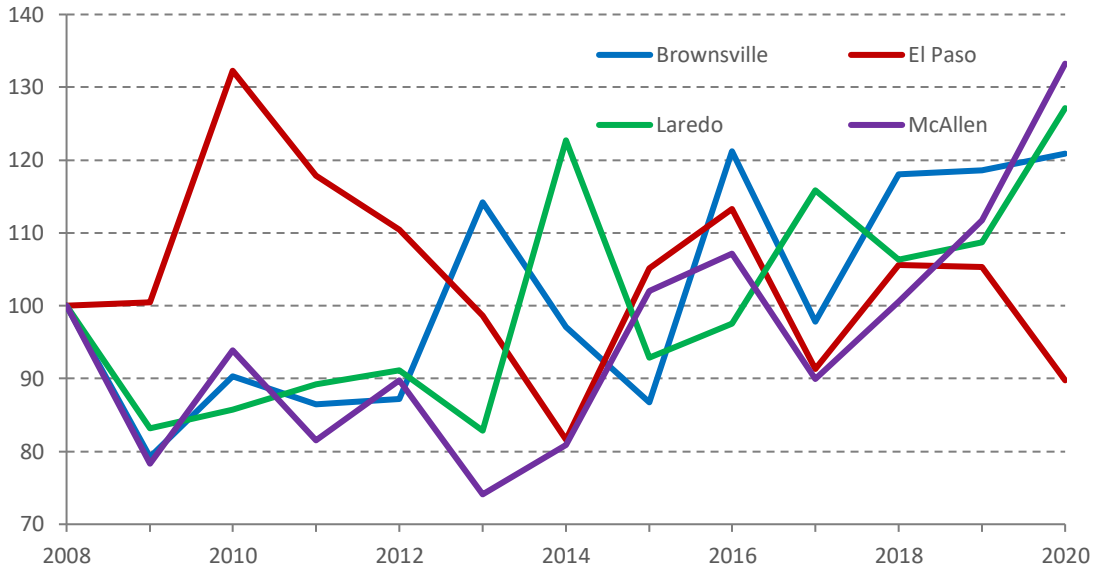
Note: Inflation adjusted. Annual sum.
 Source: Dodge Analytics

Nonresidential Construction Values (Index Jan 2011 = 100)



Note: Inflation adjusted. Annual sum.
Source: Dodge Analytics

Residential Construction Values (Index Jan 2008 = 100)



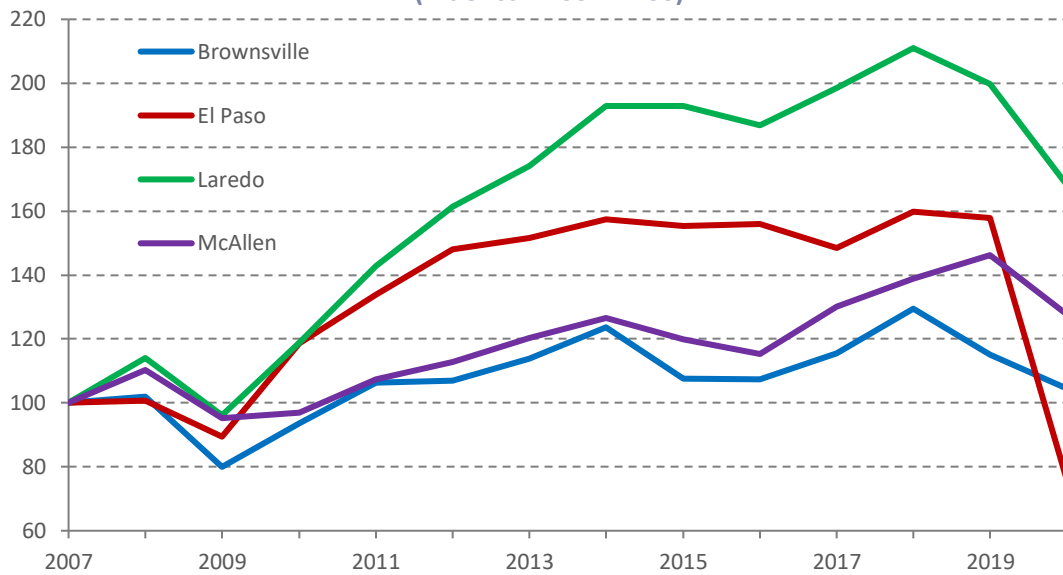
Note: Inflation adjusted. Annual sum.
Source: Dodge Analytics

Real Peso per Dollar Exchange Rate



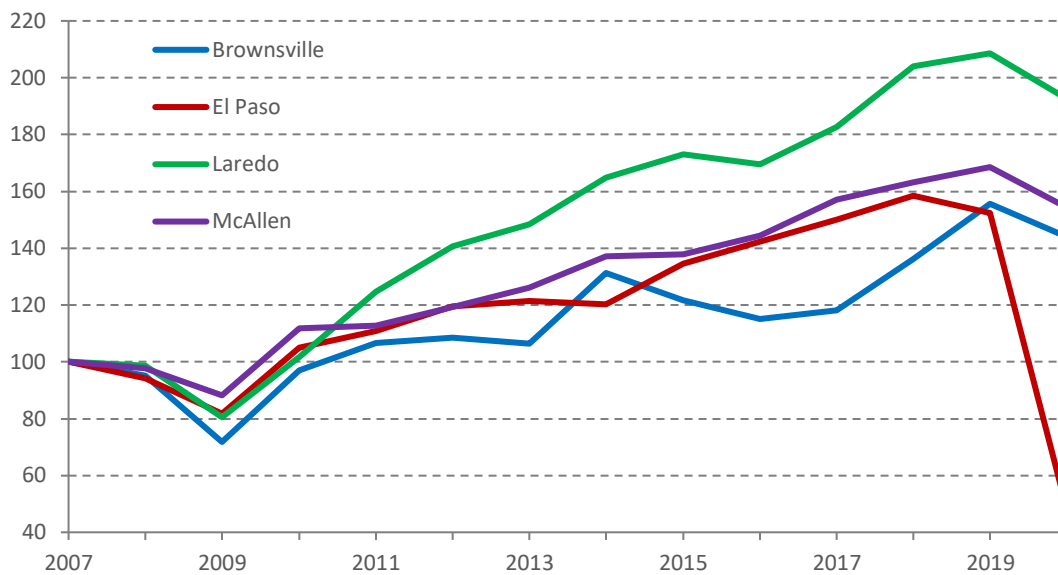
Note: Deflated using the Texas Trade Weighted Value of the Dollar.
 Source: Federal Reserve Bank of Dallas

Export Values (Index Jan 2007 = 100)



Note: Annual sum.
 Sources: Foreign Trade Division and U.S. Census Bureau

Import Values (Index Jan 2007 = 100)



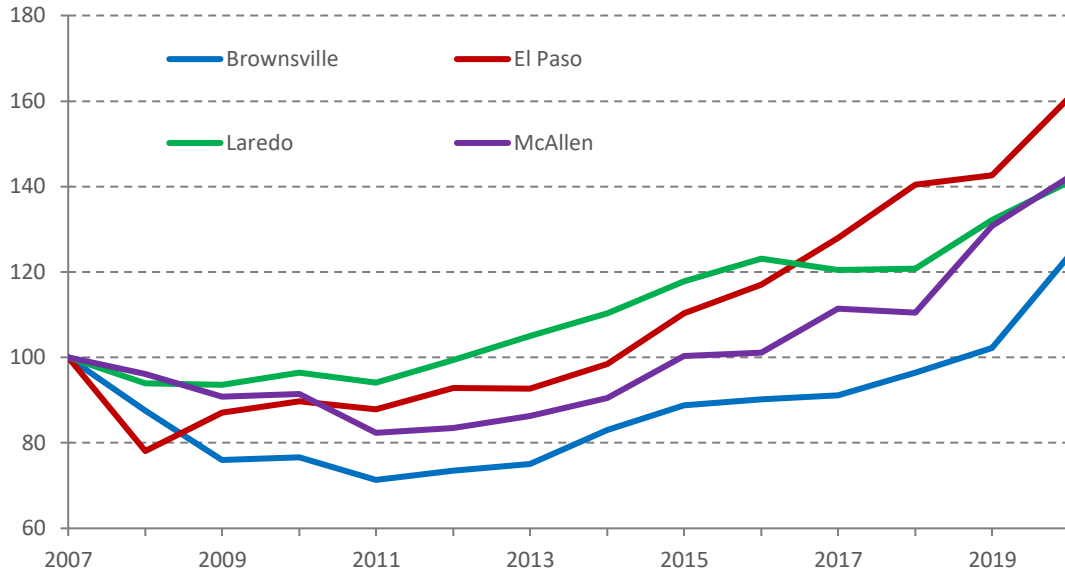
Note: Annual sum.

Sources: Foreign Trade Division and U.S. Census Bureau



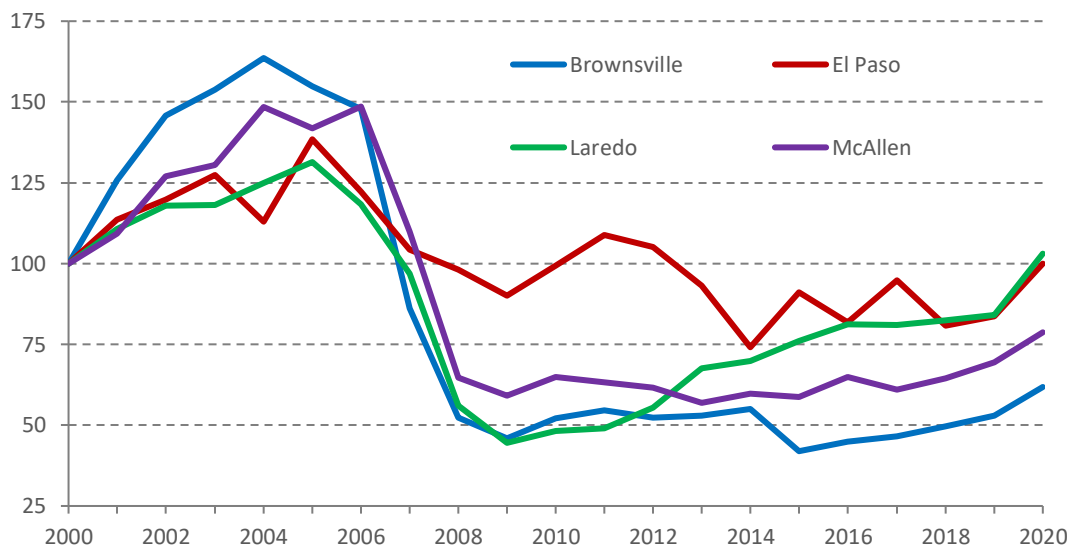
Housing

Housing Sales
(Index 2007 = 100)



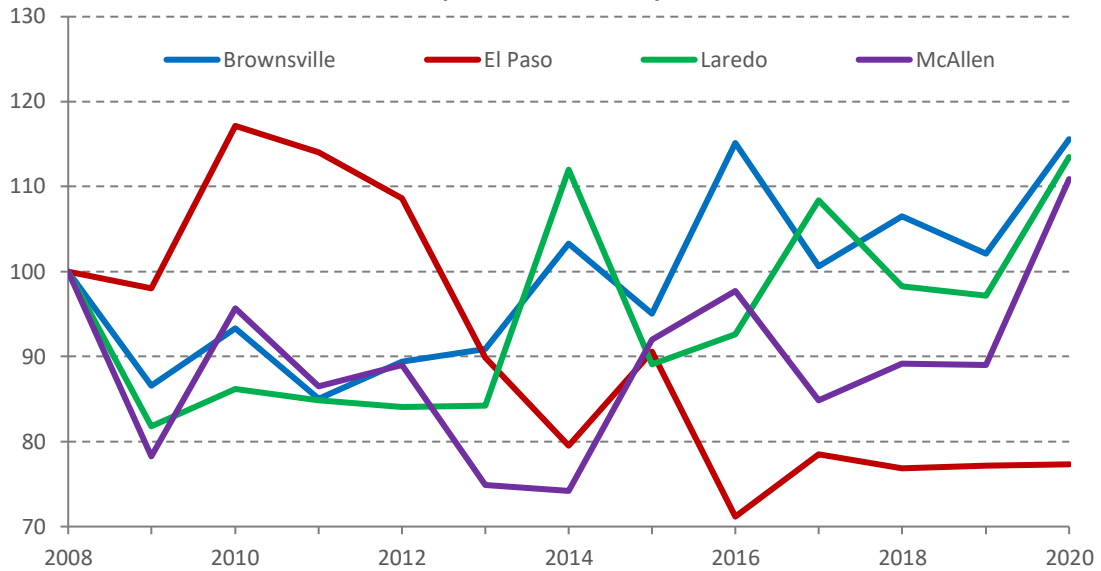
Note: Annual sum.
Source: Texas Real Estate Research Center at Texas A&M University

Single-Family Housing Construction Permits
(Index 2000 = 100)



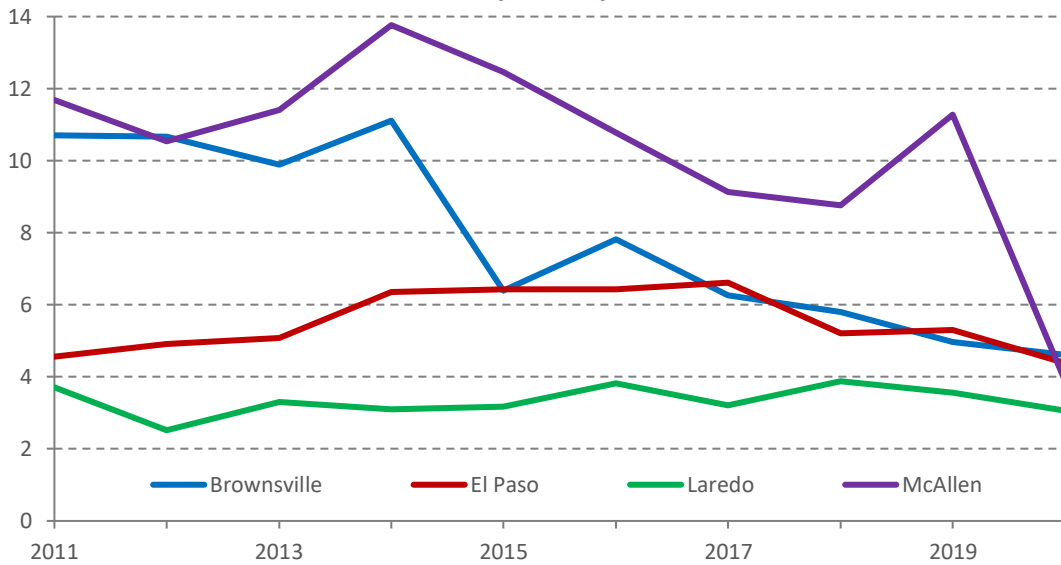
Note: Annual sum.
Sources: U.S. Census Bureau and Texas Real Estate Research Center at Texas A&M University

Total New Private Single-Family Construction Value
(Index 2008 = 100)



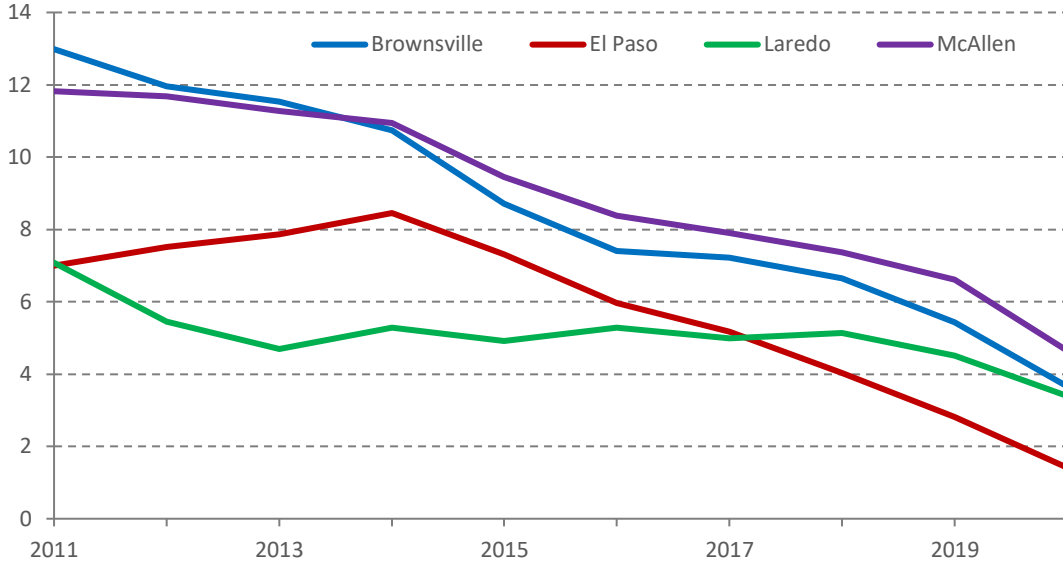
Note: Inflation adjusted. Annual sum.
Source: Dodge Analytics

New Home Months of Inventory
(Months)



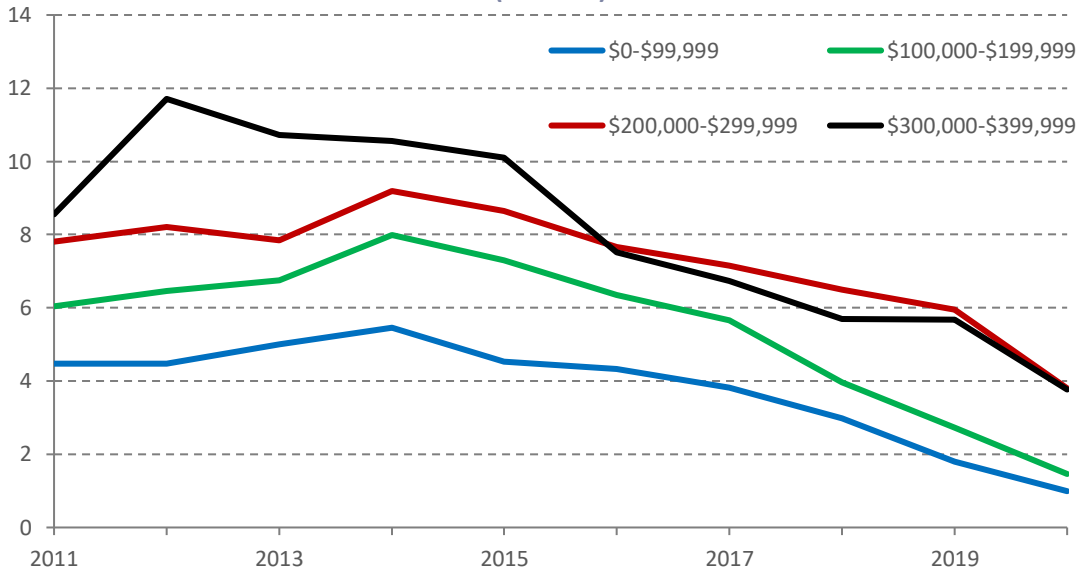
Note: Annual average.
Source: Texas Real Estate Research Center at Texas A&M University

Existing Home Months of Inventory (Months)



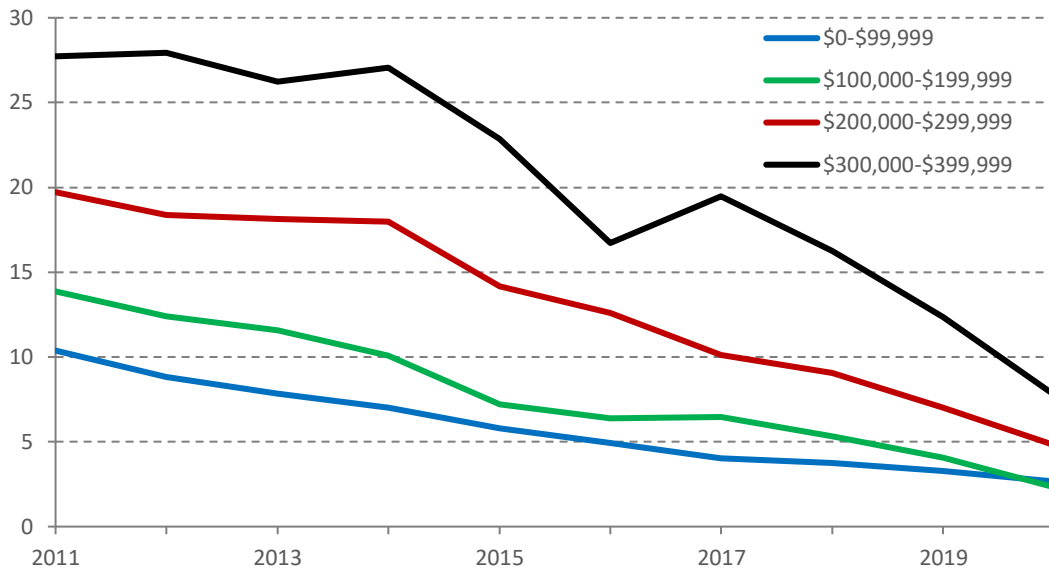
Note: Annual average.
Source: Texas Real Estate Research Center at Texas A&M University

El Paso Months of Inventory by Price Cohort (Months)



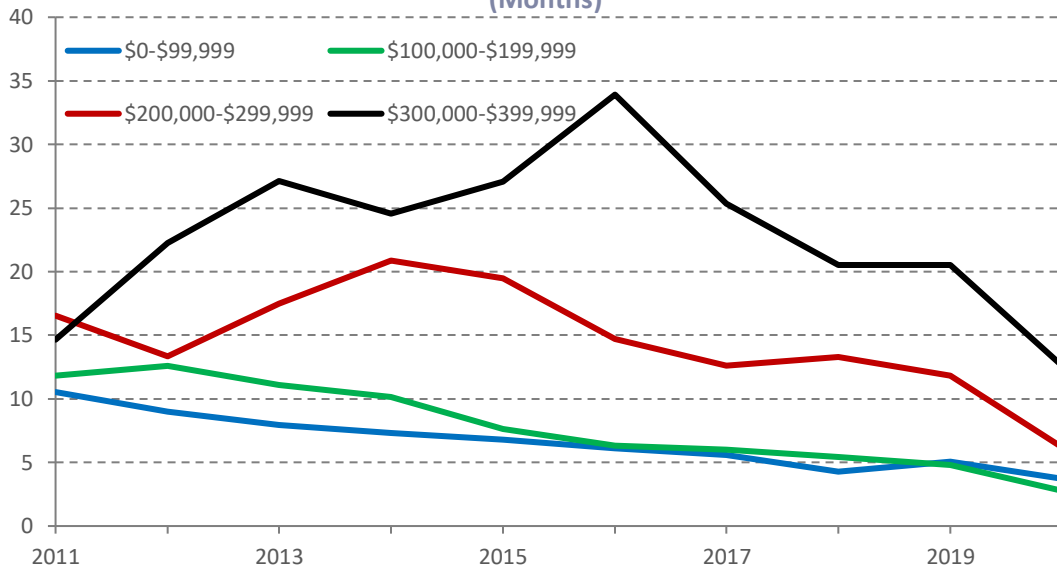
Note: Annual average.
Source: Texas Real Estate Research Center at Texas A&M University

Brownsville Months of Inventory by Price Cohort
(Months)



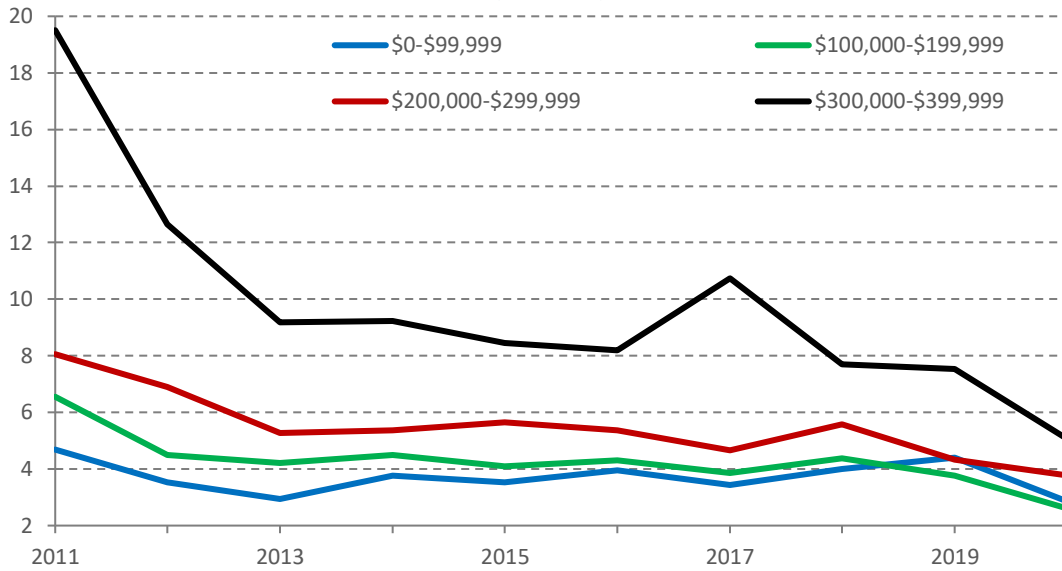
Note: Annual average.
Source: Texas Real Estate Research Center at Texas A&M University

McAllen Months of Inventory by Price Cohort
(Months)



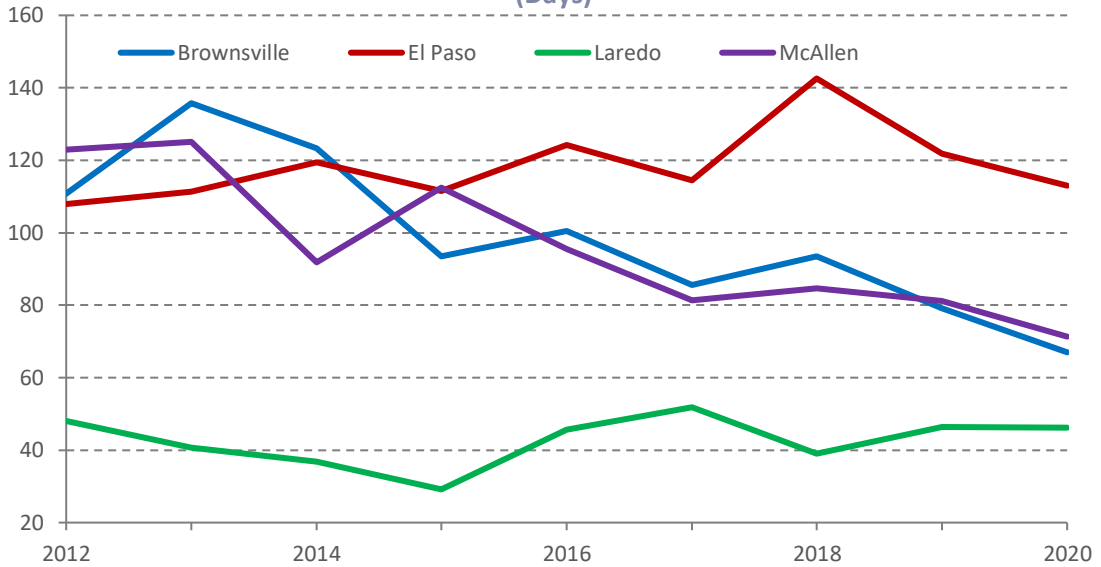
Note: Annual average.
Source: Texas Real Estate Research Center at Texas A&M University

Laredo Months of Inventory by Price Cohort (Months)



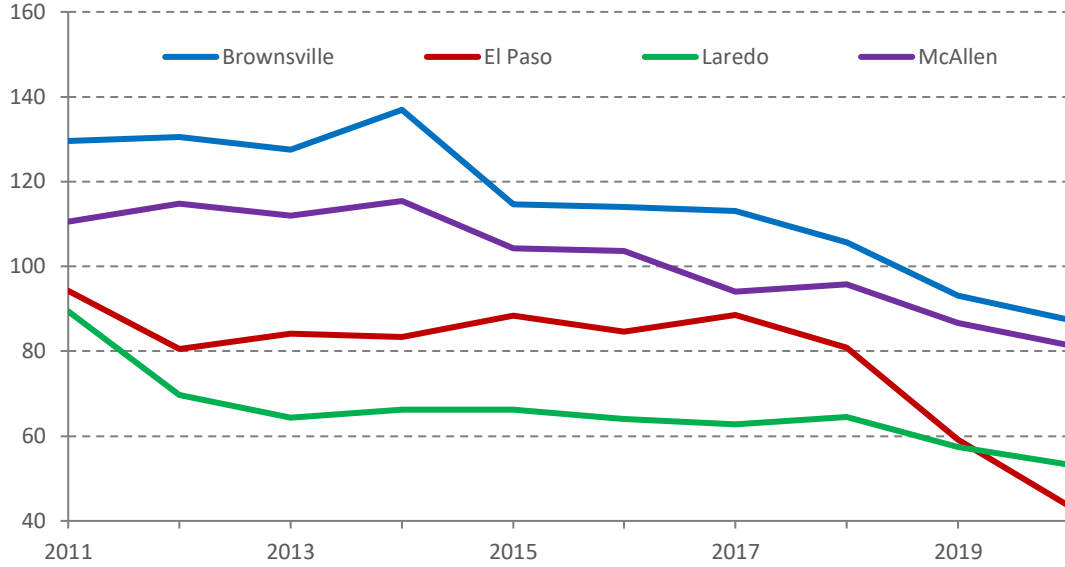
Note: Annual average.
Source: Texas Real Estate Research Center at Texas A&M University

New Home Days on Market (Days)



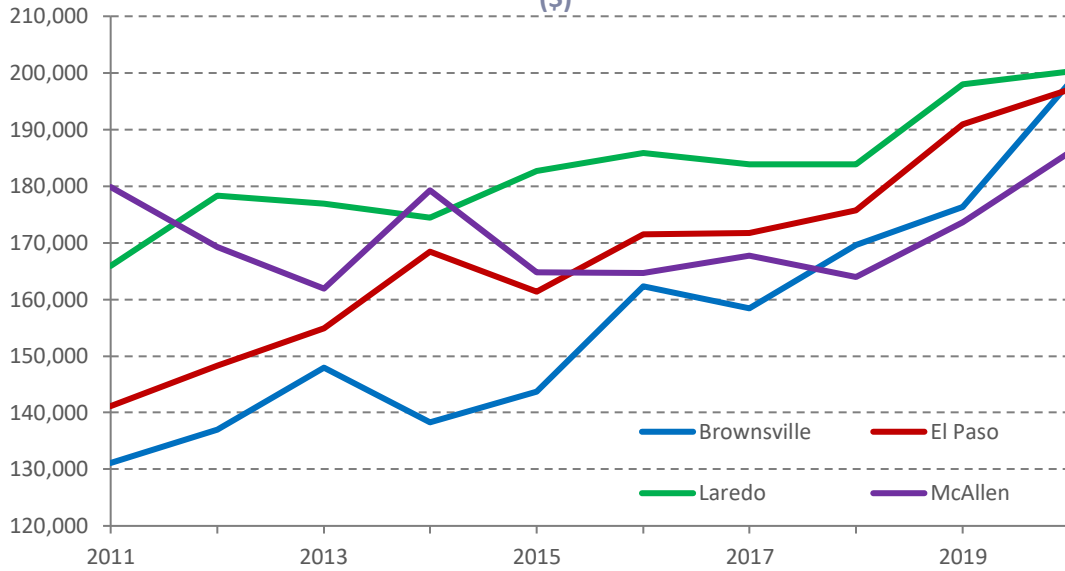
Note: Annual average. For single-family homes.
Source: Texas Real Estate Research Center at Texas A&M University

Existing Home Days on Market (Days)



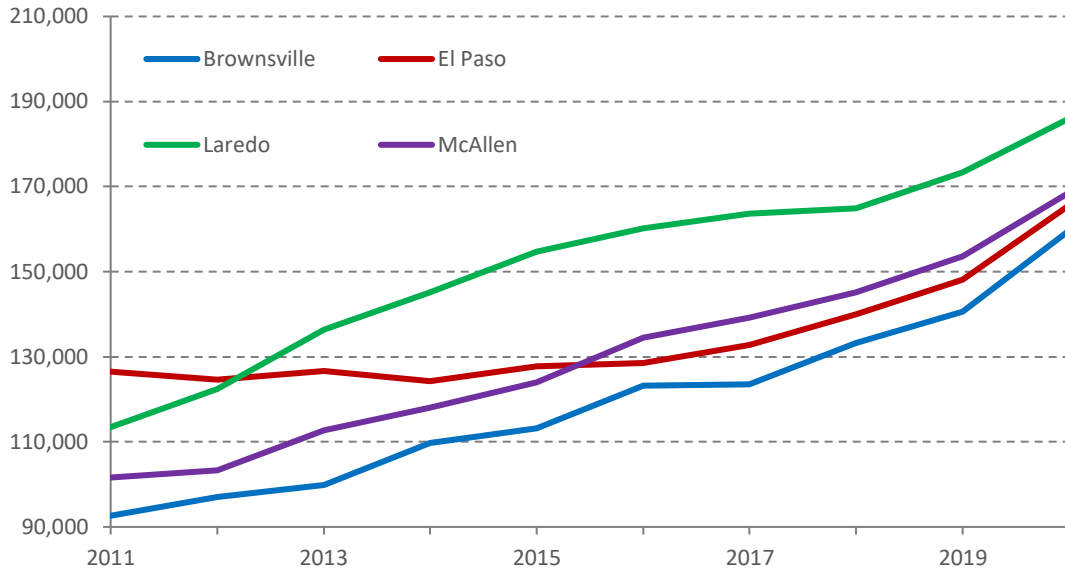
Note: Annual average. For single-family homes.
Source: Texas Real Estate Research Center at Texas A&M University

New Home Median Sales Price (\$)



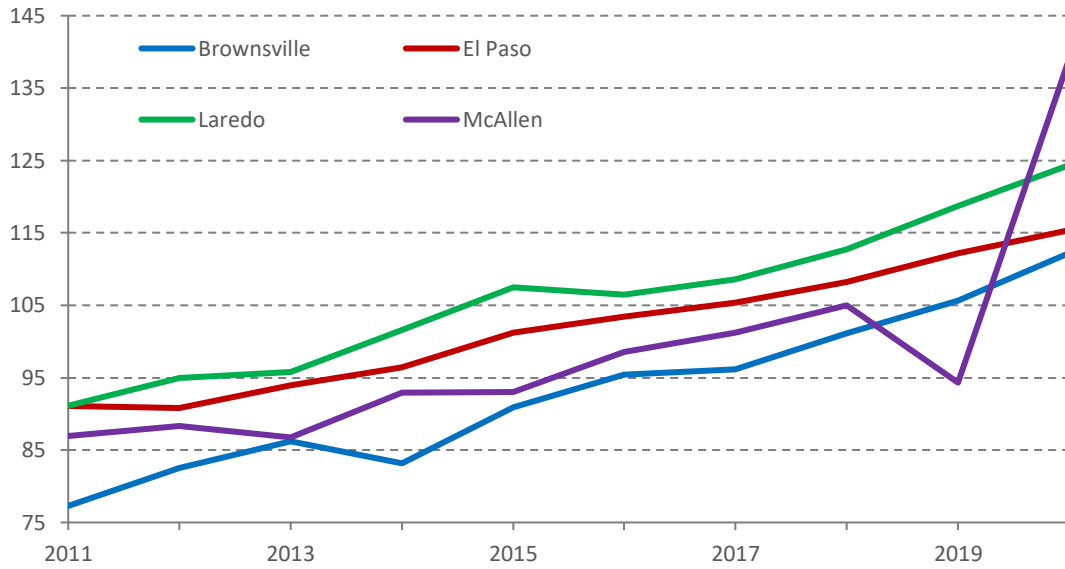
Note: Annual average. For single-family homes.
Source: Texas Real Estate Research Center at Texas A&M University

Existing Home Median Sales Price (\$)



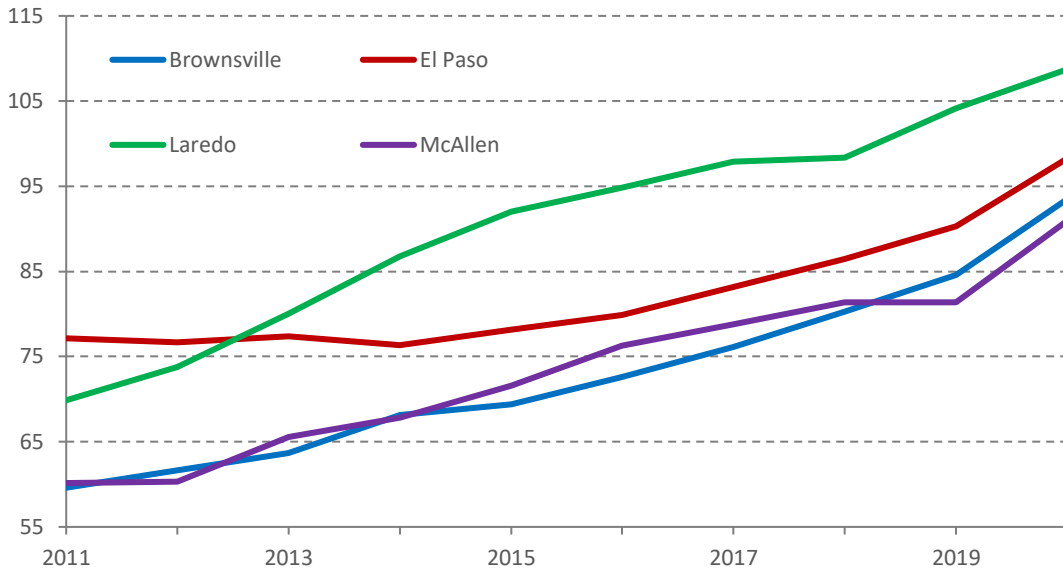
Note: Annual average. For single-family homes.
Source: Texas Real Estate Research Center at Texas A&M University

New Home Median Price Per Square Foot (\$)



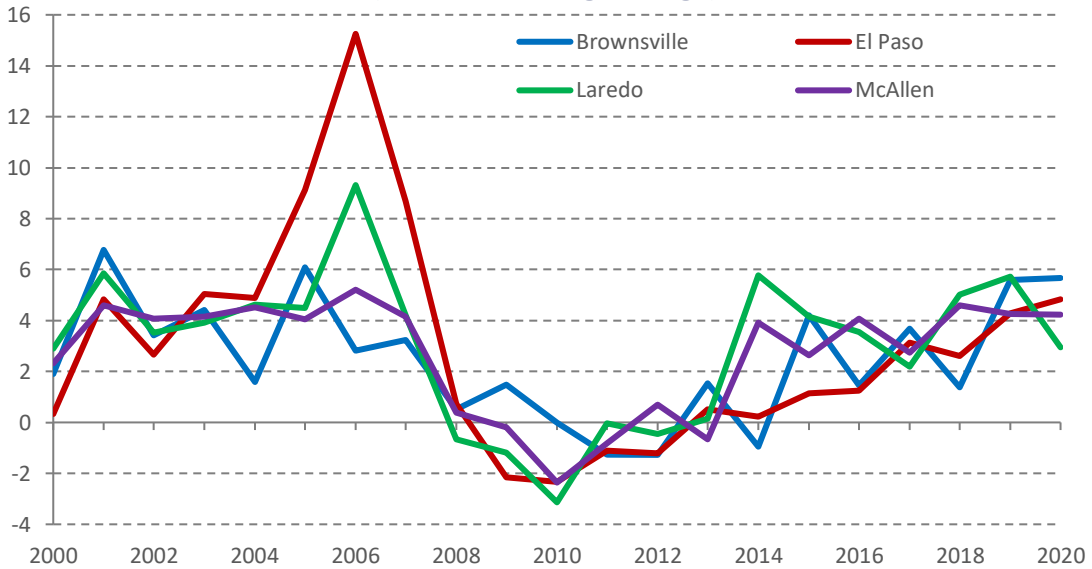
Note: Annual average. For single-family homes.
Source: Texas Real Estate Research Center at Texas A&M University

Existing Home Median Price Per Square Foot (\$)



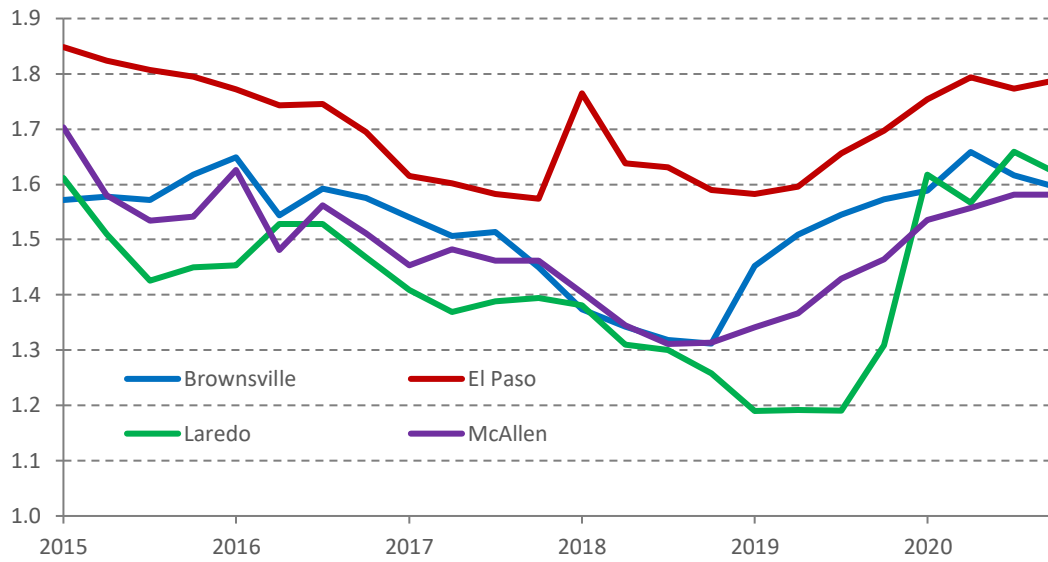
Note: Annual average. For single-family homes.
Source: Texas Real Estate Research Center at Texas A&M University

FHFA House Price Index (Annual Percentage Change)



Note: Annual average.
Source: Federal Housing Finance Agency

Housing Affordability Index (Ratio)



Note: Seasonally adjusted.

Source: Texas Real Estate Research Center at Texas A&M University



TEXAS A&M UNIVERSITY

Texas Real Estate Research Center

MAYS BUSINESS SCHOOL

Texas A&M University
2115 TAMU
College Station, TX 77843-2115

<http://recenter.tamu.edu>
979-845-2031

DIRECTOR

GARY W. MALER

ADVISORY COMMITTEE

TROY ALLEY, JR. CHAIRMAN
DeSoto

RUSSELL CAIN DOUG JENNINGS
Port Lavaca Fort Worth

JJ CLEMENCE BESA MARTIN
Sugar Land Boerne

DOUG FOSTER TED NELSON
Lockhart Houston

VICKI FULLERTON BECKY VAJDAK
The Woodlands Temple

JAN FITE-MILLER, EX-OFFICIO
Dallas



LinkedIn
[linkedin.com/company/recentertx](https://www.linkedin.com/company/recentertx)



Instagram
[@recentertx](https://www.instagram.com/recentertx)



YouTube
[YouTube.com/realestatecenter](https://www.youtube.com/realestatecenter)



Facebook
[@recentertx](https://www.facebook.com/recentertx)



Twitter
[@recentertx](https://www.twitter.com/recentertx)