About this Report

September 2018 Border Summary

Business Cycle Index
Total Construction Values
Nonresidential Construction Values
Residential Construction Values
Employment Growth Rate
Mexico Maquiladora and Manufacturing Employment
Unemployment Rate
Total Private Employee Hourly Earnings
Real Peso per Dollar Exchange Rate
Total Import and Export Value

Housing

Housing Sales
Single-Family Housing Construction Permits
Total New Private Single-Family Construction Value
New Home Months of Inventory
Existing Home Months of Inventory
Brownsville Months of Inventory by Price Cohort
El Paso Months of Inventory by Price Cohort
Laredo Months of Inventory by Price Cohort
McAllen Months of Inventory by Price Cohort
New Home Days on Market
Existing Home Days on Market
New Home Median Sales Price
Existing Home Median Sales Price
New Home Median Price Per Square Foot
Existing Home Median Price Per Square Foot
Real Estate Center Housing Affordability Index
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, and Paige Woodson

Data current as of November 8, 2018

© 2018, Real Estate Center. All rights reserved.
September 2018 Border Summary

Improvements in the labor market maintained solid growth economic growth along the border. Historically low unemployment, however, failed to stimulate wages and weighed on the housing market through decreased affordability. Demand for homes priced less than $200,000 remained strong, but supply shortages and lackluster construction activity hindered activity. The trade outlook improved following the announcement of the U.S.-Mexico-Canada Trade Agreement (USMCTA). The unofficial pact calmed concerns of supply-chain disruptions and overall operating uncertainty, strengthening the value of the peso. Current trade continues under the North American Free Trade Agreement until the USMCTA is approved by all three governments next year.

Economy

Economic activity accelerated in the Texas border metros according to the Dallas Fed’s Business-Cycle Indices. Historically low unemployment and expanding payrolls lifted the Brownsville and El Paso indices by 5.3 and 3.9 percent, respectively, on a seasonally adjusted annualized rate (SAAR). Data revisions and strong retail sales supported 8.9 percent growth in the McAllen index, revealing an improved outlook from previous reports. Laredo’s index, however, contracted for the eighth consecutive month amid stagnant employment growth in the private sector and decreased wages.

Total border construction values flattened as momentum eased in the nonresidential sector. Hotel and motel activity slowed after several projects broke ground in El Paso and Brownsville to start the year. Additional investment is planned in the Rio Grande Valley in anticipation of the development of SpaceX’s launch site in Boca Chica Village. Decreased school construction in Laredo and McAllen also weighed on total construction values after local investment spiked last year. Residential construction ticked down due to single-family declines in El Paso and Brownsville. Decreased housing affordability pushed demand into the resale market, dampening the new-home construction on the border.

Nonfarm employment accelerated to a 1.6 percent SAAR, adding nearly 4,000 in the third quarter. El Paso and McAllen generated most of the increase with 2,200 and 1,100 quarterly jobs, respectively, but Brownsville led in terms of percentage growth at 2.3 percent SAAR. Texas’ southern-most metro extended an eight-month streak of net hiring, with large gains in retail trade and education/health services. In Laredo, an increase in government jobs helped stabilize the recent employment slide, but private sector payrolls remained stagnant.
Manufacturing and maquiladora employment\(^1\) rebounded for the second straight month, adding 6,900 jobs since May. Reynosa and Matamoros continued to drive growth south of the border. Employment was stable in Nuevo Laredo and Chihuahua City, adding 2,700 and 2,900 jobs YTD, respectively, while contractions continued in Juarez with 7,400 lost jobs over the past year.

The uptick in hiring on the U.S. side held unemployment rates around historical lows. Joblessness in El Paso balanced at 4.2 percent, while the Brownsville rate sank below 6 percent. McAllen maintained the highest rate of unemployment at 6.4 percent, down from double-digit levels in 2013. Despite the business-cycle and employment contractions, Laredo matched the national rate of unemployment at 3.7 percent.

Laredo’s labor-market tightness, however, failed to stimulate wages. Real private hourly earnings descended toward more typical levels after spiking nearly $1 above all border metros in 2016. Earnings flattened in the Rio Grande Valley, but McAllen maintain a $2.50 average wage premium relative to Brownsville. The earnings outlook improved in El Paso where growth surpassed 2 percent YOY.

Improvements in the U.S.-Mexico trade outlook pulled the real peso-per-dollar exchange rate to its lowest level since 2015. The stronger peso, however, failed to boost export activity. The total value of trade passing through the border metros fell 1.6 percent. Monthly exports dropped substantially in Brownsville but maintained an upward trend with YTD growth above 15 percent. Laredo posted its second straight monthly decline in total values but remained the primary trade hub, accounting for 63 percent of trade flows along the Texas border. The new U.S.-Mexico-Canada Trade Agreement provides stability to trade-related activities, which remain an integral component to the border economies.

Housing

Border housing sales dipped 6.4 percent on top of a slight contraction in August. Transactions corrected downward in McAllen after a 16 percent spike last month, while Laredo extended a yearlong downward trend amid softer demand at the lower-end of the market. El Paso activity slowed following a record high 749 sales in July. The lack of listings priced under $200,000 limited the expansion in far West Texas. In Brownsville, purchases of homes priced between $300,000 and $500,000 pushed total activity up 5.4 percent.

Single-family housing construction permits stepped back on the border after strong summer gains. The overall trend remained flat in Brownsville, El Paso, and Laredo with

---

\(^1\) 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.
minor fluctuations over the past five years. McAllen permits fell 4.4 percent YOY but maintained positive momentum. Private single-family construction values closely tracked permits with consecutive monthly declines in Brownsville, El Paso, and Laredo, and a 3.8 percent YOY correction in McAllen.

New listings slowed simultaneously with sales, balancing the border’s months of inventory (MOI). The Laredo MOI settled at 5.2 months after peaking at 5.6 in July. The supply of active listings is typically higher in the Rio Grande Valley and balanced at 8.6 and 7.9 months in Brownsville and McAllen, respectively. El Paso was the exception where inventories slid for the tenth consecutive month to a record low 4.2 MOI.

The average number of days on market (DOM) varied across the border metros. Laredo maintained the lowest DOM at just 57 days. Brownsville’s DOM remained elevated at 128 days due to a steady stream of activity at the upper-end of the market where homes typically take longer to sell. In El Paso and McAllen, the DOM increased for the third consecutive month to 102 and 93 days, respectively.

Changes in the distribution of housing sales accounted for most of the median price movements. A shift toward the upper-end of the market bumped the Brownsville and Laredo median price to record highs of $147,000 and $178,500, respectively, while supply constraints pushed the El Paso median up to $156,300. Price pressures, however, eased in McAllen amid ample supply and slightly softer demand. The McAllen median settled at $143,600 after surpassing $150,000 for the first time in May.

Decreased housing affordability weighed on the market for homes priced below $200,000 and inflated the magnitude of the distributional shift to higher-priced options. The Housing Affordable Indices approached decade lows everywhere but El Paso. Affordability in Brownsville, Laredo, and McAllen moved uniformly below the statewide and national level. The local indices settled at 1.3, indicating that families earning the median income in their respective region could afford homes priced 30 percent above the median sale price. Just five years ago, this metric reached 1.8 in Laredo and 2.0 in the Rio Grande Valley. El Paso, on the other hand, boasted the highest affordability in the state with an index of 1.7.
Economic Activity

Business Cycle Index
(Quarter-over-Quarter Percent Change)

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

Total Construction Values
(Index Jan 2008= 100)

Note: Real values are seasonally adjusted and detrended.
Source: Dodge Analytics
Note: Real values are seasonally adjusted and detrended.
Source: Dodge Analytics
Employment Growth Rate
(Quarter-over-Quarter Annualized Percent Change)

Note: Seasonally adjusted, 3-month moving average. September 2018 is preliminary.
For more information, see Employment Growth Rate.
Source: Bureau of Labor Statistics

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

Note: Seasonally adjusted and detrended.
Source: Instituto Nacional de Estadística y Geografía
Unemployment Rate

(Percemt)

Total Private Employee Hourly Earnings

(Year-over-Year Percent Change)

Note: Seasonally adjusted. September 2018 is preliminary. For more information, see Unemployment Rate.
Sources: Bureau of Labor Statistics and Real Estate Center at Texas A&M University

Notes: Inflation adjusted. September 2018 is preliminary.
For more information, see Total Private Employee Hourly Earnings.
Source: Bureau of Labor Statistics
Note: Deflated using the Texas Trade Weighted Value of the Dollar.
Source: Federal Reserve Bank of Dallas

Note: The total dollar value of exports and imports were seasonally and detrended for each port of entry.
Sources: Foreign Trade Division and U.S. Census Bureau
Housing

Housing Sales
(Index Jan 2007 = 100)

Note: Seasonally adjusted sales reported by MLS and detrended.
Source: Real Estate Center at Texas A&M University

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

Note: Seasonally adjusted and detrended.
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, seasonally adjusted and detrended.
Source: Dodge Analytics

New Home Months of Inventory
(Months)

Note: Seasonally adjusted and detrended.
Source: Real Estate Center at Texas A&M University
Existing Home Months of Inventory

(Months)

Brownsville
El Paso
Laredo
McAllen

Note: Seasonally adjusted and detrended.
Source: Real Estate Center at Texas A&M University

Brownsville Months of Inventory by Price Cohort

(Months)

$0-$99,999
$100,000-$199,999
$200,000-$299,999
$300,000-$399,999

Note: Seasonally adjusted and detrended.
Source: Real Estate Center at Texas A&M University
El Paso Months of Inventory by Price Cohort
(Months)

Note: Seasonally adjusted and detrended.
Source: Real Estate Center at Texas A&M University

Laredo Months of Inventory by Price Cohort
(Months)

Note: Seasonally adjusted and detrended.
Source: Real Estate Center at Texas A&M University
McAllen Months of Inventory by Price Cohort

Note: Seasonally adjusted and detrended.
Source: Real Estate Center at Texas A&M University

New Home Days on Market

Note: Seasonally adjusted and detrended. For single-family homes.
Source: Real Estate Center at Texas A&M University
Note: Seasonally adjusted and detrended. For single-family homes.
Source: Real Estate Center at Texas A&M University
Existing Home Median Sales Price

($)

- Brownsville
- El Paso
- Laredo
- McAllen

Note: Seasonally adjusted and detrended. For single-family homes.
Source: Real Estate Center at Texas A&M University

New Home Median Price Per Square Foot

($)

- Brownsville
- El Paso
- Laredo
- McAllen

Note: Seasonally adjusted and detrended. For single-family homes.
Source: Real Estate Center at Texas A&M University
Note: Seasonally adjusted and detrended. For single-family homes.
Source: Real Estate Center at Texas A&M University

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
Director

Gary W. Maler

Advisory Committee

Doug Jennings, Chairman
Fort Worth

Besa Martin, Vice Chairman
Boerne

Troy Alley, Jr.
DeSoto

Ted Nelson
Houston

Russell Cain
Port Lavaca

Doug Roberts
Austin

J.J. Clemence
Sugar Land

C. Clark Welder
Fredericksburg

Alvin Collins
Andrews

Jan Fite-Miller, Ex-Officio
Dallas