

REAL ESTATE MARKET OVERVIEW

# McAllen- Edinburg- Mission

Jennifer S. Cowley  
Assistant Research Scientist

Laura K. Nobles  
Graduate Research Assistant

2001



REAL ESTATE CENTER

Market Report 1490

# **Real Estate Market Overview**

# **McAllen-Edinburg-**

# **Mission**

**Jennifer S. Cowley**  
Assistant Research Scientist

**Laura K. Nobles**  
Graduate Research Assistant



July 2001

© 2001, Real Estate Center. All rights reserved.



# Real Estate Market Overview

## McAllen-Edinburg-Mission

### Contents

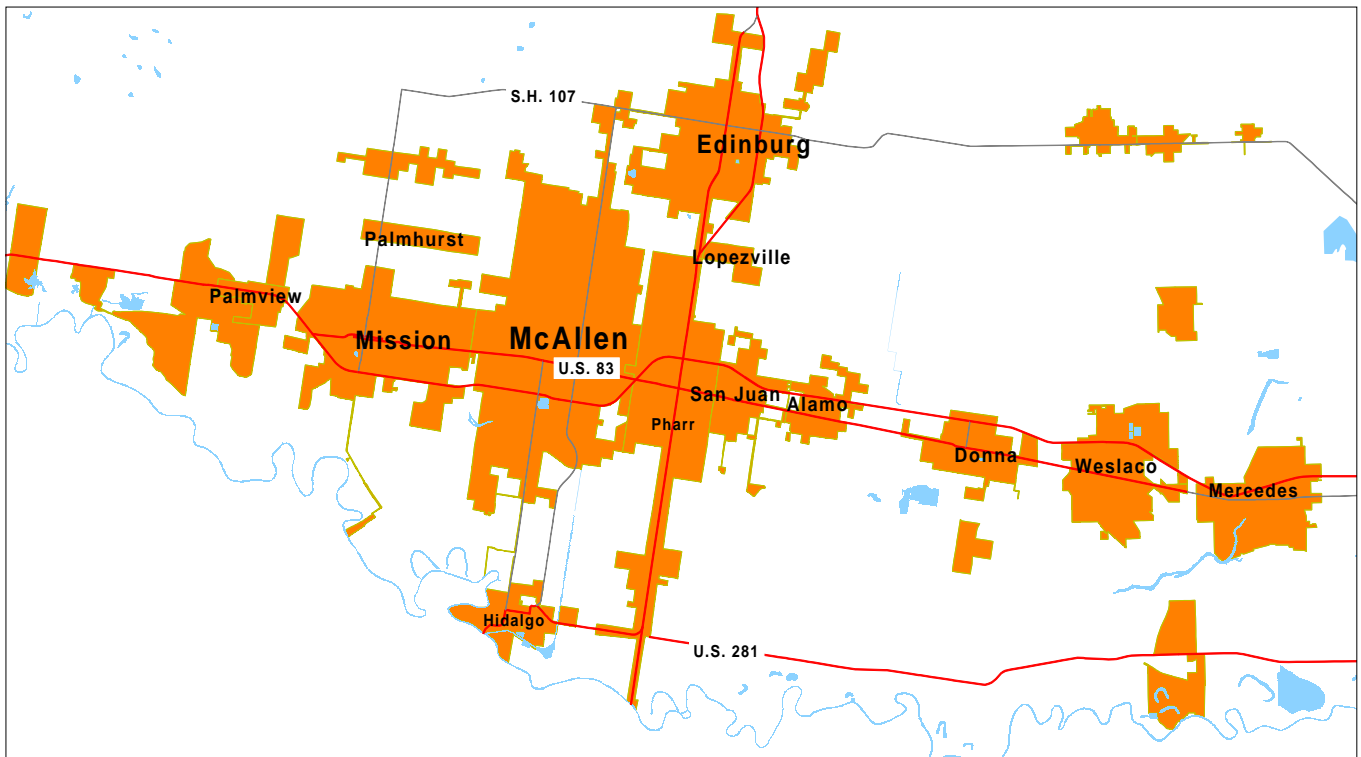
<b>2</b>	Population
<b>5</b>	Employment
<b>7</b>	Job Market
<b>8</b>	Major Industries Business Climate
<b>10</b>	Education
<b>11</b>	Transportation and Infrastructure Issues
<b>12</b>	Public Facilities
<b>13</b>	Urban Growth Patterns Map 1. Growth Areas
<b>14</b>	Housing
<b>17</b>	Multifamily
<b>18</b>	Manufactured Housing
<b>19</b>	Retail Market Map 3. Retail Building Permits
<b>20</b>	Office Market Map 4. Office Building Permits
<b>21</b>	Industrial Market Map 5. Industrial Building Permits
<b>22</b>	Conclusion

# Real Estate Market Overview

## McAllen-Edinburg-Mission

**Jennifer S. Cowley**  
Assistant Research Scientist

**Laura K. Nobles**  
Graduate Research Assistant



Area Cities and Towns				County	Land Area of McAllen MSA
Alamo	Hidalgo	Mercedes	Progresso Lakes	Hidalgo	1,583 square miles
Alton	La Joya	Mission	San Juan		<b>Population Density (2000)</b>
Donna	La Ville	Monte Alto	San Manuel		360 people per square mile
Edcouch	Linn	Palmhurst	Sullivan City		
Edinburg	Los Ebanos	Palmview	Weslaco		
Elsa	McAllen	Pharr			
Hargill	McCook				

**T**he City of McAllen, Texas, is in Hidalgo County at the intersection of U.S. Highways 83 and

281. Incorporated in 1911, it is the largest city in Hidalgo County. San Antonio is approximately 230 miles

north, Laredo is approximately 110 miles northwest and Corpus Christi is approximately 150 miles northeast.

McAllen has been recognized as the lowest cost city in the United States in which to do business by *Forbes Magazine* (1996), as one of the top three Texas cities in which to conduct business by *Outlook Magazine* (1999) and as the top mid-market city in the South

by *Southern Business & Development* (1998.)

Much of the McAllen-Edinburg-Mission Metropolitan Statistical Area's (MSA) success derives from its geographical and cultural link with Mexico. Thirty miles south of McAllen

lies Reynosa, Mexico, with a population of more than 750,000. The North American Free Trade Agreement (NAFTA) and the international bridge between McAllen and Reynosa make the two cities' economies dependent on each other for growth.

## POPULATION

### McAllen-Edinburg-Mission MSA Population

Year	Population
1990	386,777
1991	401,292
1992	420,042
1993	441,118
1994	460,297
1995	476,589
1996	489,948
1997	504,072
1998	519,661
1999	534,907
2000	569,463

Source: U.S. Census Bureau

### Area Cities With 10,000 or More Residents

City	2000 Population	Growth 1990–2000 (in percent)
McAllen	106,414	24.3
Edinburg	48,465	40.1
Pharr	46,660	33.5
Mission	45,408	47.2
Weslaco	26,935	5.93
San Juan	26,229	76.8
Donna	14,768	11.8
Alamo	14,760	56.8
Mercedes	13,649	1.8

Source: U.S. Census Bureau

The McAllen-Edinburg-Mission MSA was the fastest growing MSA in the state during the 1990s, growing by more than 4 percent per year. The MSA was the fourth fastest growing in the nation during this time, according to the U.S. Census

Bureau. In 2000, the area's population grew by 6.1 percent, up from 2.9 percent in 1999.

The MSA's population is expected to increase by nearly 34 percent during the next ten years, or by more than 16,300 per year, according to the

Texas State Data Center. The Texas Water Development Board predicts a growth rate of 3.1 percent per year through 2020. The MSA's expected percentage growth over the next 20 years is more than double the expected growth for the state.

### Texas Metropolitan Area Population Change, 1990–2000 (in percent)

<b>McAllen-Edinburg-Mission</b>	<b>48.5</b>	Galveston-Texas City	15.1
Austin-San Marcos	48.2	Tyler	15.5
Laredo	44.9	El Paso	14.9
Dallas	31.5	Corpus Christi	14.3
Brownsville-Harlingen-San Benito	28.9	Victoria	13.1
Brazoria County	26.1	Waco	12.9
Houston	25.8	Texarkana	9.4
Fort Worth-Arlington	25.1	Lubbock	9.0
Bryan-College Station	25.1	Wichita Falls	7.8
<b>Texas</b>	<b>22.8</b>	Longview-Marshall	7.7
Killeen-Temple	22.6	Beaumont-Port Arthur	6.6
San Antonio	20.2	Abilene	5.8
Sherman-Denison	16.4	San Angelo	5.6
Amarillo	16.2	Odessa-Midland	5.1

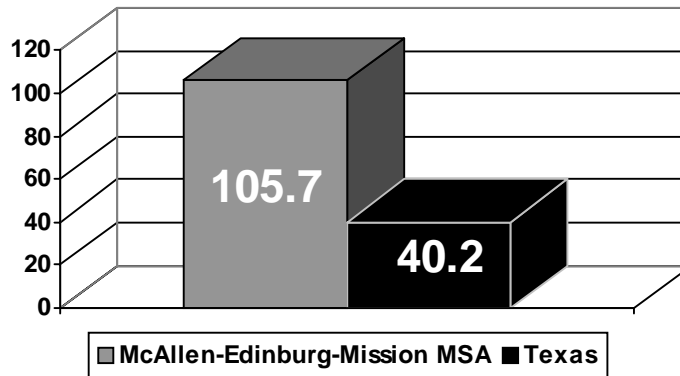
Source: U.S. Census Bureau

### McAllen-Edinburg-Mission MSA Projected Population

Year	Texas State Data Center	Texas Water Development Board
2005	709,686	—
2010	854,886	712,383
2015	1,003,868	—
2020	1,171,409	879,381

Sources: Texas State Data Center and Texas Water Development Board

## Projected Population Growth, 2000–2020 (in percent)



Source: Texas State Data Center

## Household Composition

	McAllen-Edinburg-Mission MSA	Texas
Median household size (1990)	3.71	2.73
Population younger than 18 (1999, in percent)	36.6	28.5
Population 65 and older (1999, in percent)	9.4	10.1

Source: U.S. Census Bureau

## Ethnic Distribution (in percent)

Ethnicity	Hidalgo County		Texas	
	1990	2000	1990	2000
White	14.3	10.4	60.8	52.4
Hispanic	85.0	88.3	25.3	32.0
Black	0.3	0.3	11.7	11.3
Asian	0.2	0.6	0.3	2.7
American Indian	0.3	0.1	1.8	0.3
Other	0.0	0.1	0.1	0.2
Two or More Races*	—	0.2	—	1.1

\*For the 2000 Census, the Census Bureau changed the “race” options, allowing people to report their race as “other” or as two or more races.

Source: U.S. Census Bureau

Hidalgo County’s Hispanic and Asian population has continued to increase between 1990 and 2000, while the black population remained constant. The large Hispanic population can be attributed to

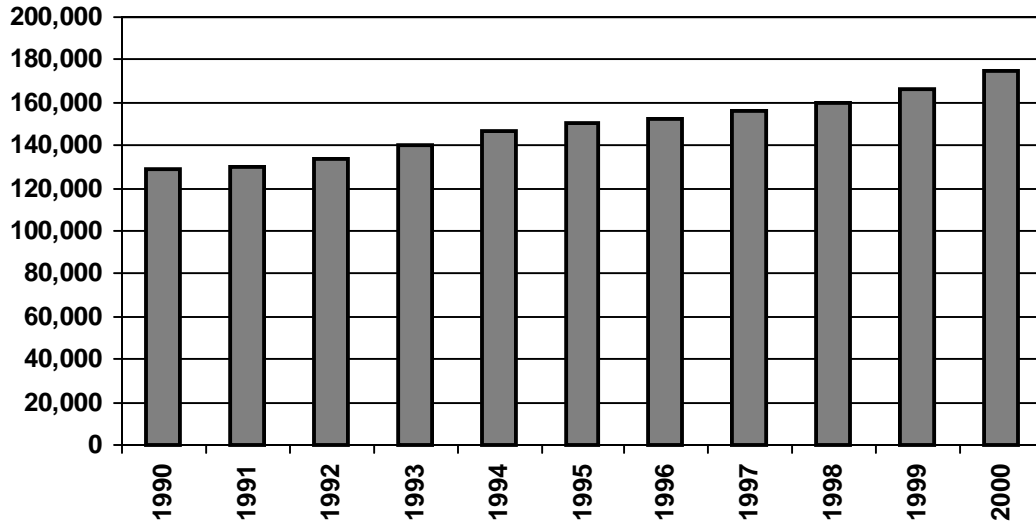
McAllen’s location on the Texas-Mexico border.

The area has a larger population younger than age 18 than does the state as a whole and has a larger than

average number of persons per household. The MSA’s 1999 median per capita income was \$13,339. The state average was \$26,834, according to the U.S. Bureau of Economic Analysis.

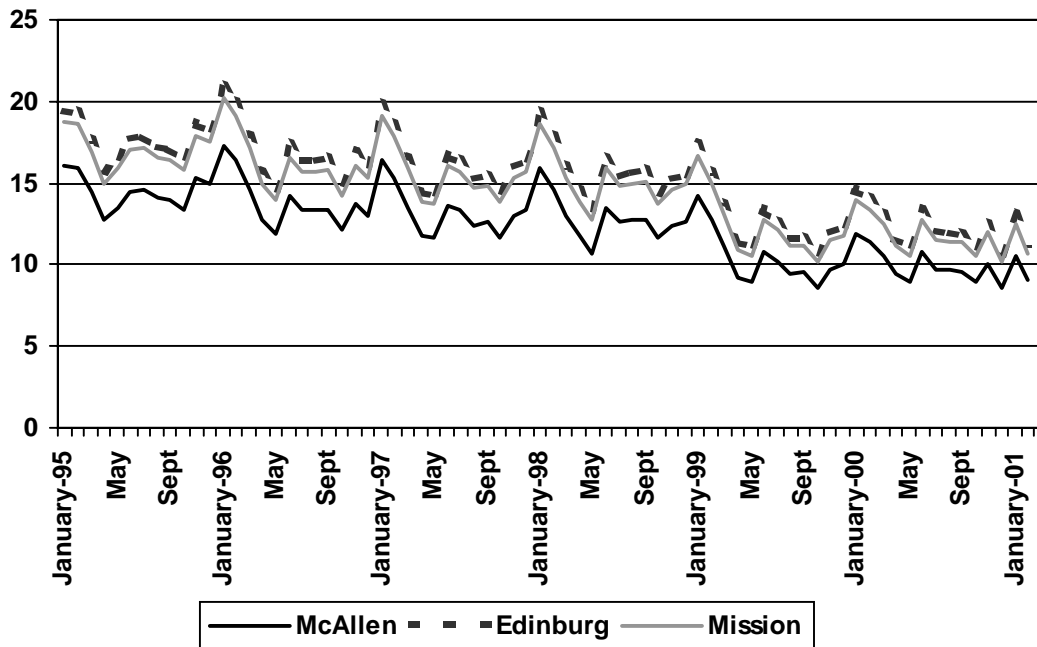
# EMPLOYMENT

## McAllen-Edinburg-Mission MSA Employment



Source: U.S. Bureau of Labor Statistics

## McAllen-Edinburg-Mission MSA Unemployment Rate (in percent)



Source: U.S. Bureau of Labor Statistics



## Largest Employers

McAllen	Edinburg	Mission
<b>McAllen Independent School District</b> Education 4,593 employees	<b>Edinburg Independent School District</b> Education 3,600 employees	<b>Mission Independent School District</b> Education 2,000 employees
<b>McAllen Medical Center</b> Health care 1,500 employees	<b>Hidalgo County</b> Government 1,800 employees	<b>Sharyland Independent School District</b> Education 675 employees
<b>City of McAllen</b> Government 1,200 employees	<b>University of Texas Pan American</b> Education 1,570 employees	<b>Mission Hospital</b> Health care 650 employees
<b>Columbia Rio Grande Regional Hospital</b> Health care 943 employees	<b>Haggar Clothing Company</b> Clothing manufacturer 645 employees	<b>Wal-Mart</b> Retail 500 employees
<b>South Texas Community College</b> Education 811 employees	<b>Edinburg Regional Medical Center</b> Health care 605 employees	<b>Sharyland Plantation</b> Produce 300 employees
<b>Wal-Mart</b> Retail 745 employees	<b>Tropical Texas MHMR</b> Health care 450 employees	<b>Vanity Fair</b> Apparel 210 employees
<b>H-E-B</b> Grocery 703 employees	<b>Wal-Mart</b> Retail 430 employees	<b>Mission Shippers</b> Produce packers 210 employees
<b>Vanity Fair Intimates</b> Apparel 450 employees	<b>IEC Electronics</b> Electronics 400 employees	<b>Albertsons Supermarket</b> Grocery 200 employees
<b>Texas State Bank</b> Bank 396 employees	<b>City of Edinburg</b> Government 380 employees	<b>Texas Citrus Exchange</b> Produce 170 employees

Sources: McAllen and Edinburg Chambers of Commerce and Mission Economic Development Corporation

Employment Growth by Industry	McAllen-Edinburg- Mission MSA	Texas
Employment growth, 2000 (in percent)	6.5	3.2
Unemployment rate (in percent)	13.6	4.3
New jobs in 2000	10,300	288,900
Employment growth by sector (in percent)		
Services	12.25	4.7
Trade	5.9	3.1
Manufacturing	-5.0	0.1
Mining	7.7	2.3
Finance, insurance and real estate	3.6	1.3
Construction	10.5	6.2
Government	3.7	1.7
Transportation, communications and public utilities	11.9	5.1

Source: Texas Workforce Commission

## Texas Metropolitan Area Employment Change, 1990–2000 (in percent)

Austin-San Marcos	58.8	El Paso	15.4
Laredo	40.3	Waco	14.3
<b>McAllen-Edinburg-Mission</b>	<b>35.8</b>	Lubbock	14.0
Dallas	30.4	Sherman-Denison	12.5
Brownsville-Harlingen-San Benito	30.1	Longview-Marshall	12.2
Bryan-College Station	29.2	Abilene	11.4
Killeen-Temple	28.7	San Angelo	10.7
San Antonio	28.6	Corpus Christi	10.3
Fort Worth-Arlington	23.7	Galveston-Texas City	8.2
<b>Texas</b>	<b>23.3</b>	Wichita Falls	7.8
Tyler	22.9	Odessa-Midland	6.5
Victoria	22.4	Texarkana	4.5
Houston	22.1	Beaumont-Port Arthur	3.5
Amarillo	18.6	Brazoria County	2.3

Source: U.S. Bureau of Labor Statistics, February 2001

The McAllen MSA's employment is growing faster than the state's. Employment growth for 2000 was 6.5 percent with more than 10,300 jobs added, bringing total employment to 157,300 according to the

Texas Workforce Commission (TWC). The U.S. Bureau of Labor Statistics reports civilian employment at 176,187 for 2000, up 6 percent from 1999. Unemployment fell 0.9 percentage points between 1999 and 2000. McAllen was

the third fastest growing MSA in the state for employment between 1990 and 2000. Government and health care are among the largest employers in the MSA.

## JOB MARKET

H &H Foods, Inc., in McAllen announced that it would hire as many as 50 new employees to support increased production. Panasonic opened a product renewal and service center in Sharyland Business Park, resulting in 100 new jobs.

Woodcrafters, a cabinet and furniture manufacturing company, plans to add 100 to 200 new jobs over the next five years. Approximately 450 jobs resulted from the expansion of LaPlaza Mall.

In the Owassa Lake Business Park, 140 jobs are expected to be added in the near future in conjunction with a new 100,000-square-foot clothing and sporting goods distributor's facility. The business park is located just west of U.S. 281 in Edinburg.

Rio Container Inc. expanded into Weslaco in September 2000 and will eventually employ 70 people. Hunter Douglas Wood Products hired 20 people in 2001 for its new Weslaco distribution facility.

In May 2000, Telesurveys Research Associates of Houston announced it would open a data collection center in Elsa. The center will create approximately 100 part-time and four full-time positions.

In Lasara in Willacy County, construction on a \$205 million newsprint plant began in the second quarter of 2000. The plant will employ 300 when it opens.

In January 2000, Ticketmaster opened a 35,000-square-foot, 420-employee call center in Pharr. A Western

Wireless Corporation call center opened in January 2000 in McAllen. Western Wireless added 115 employees in March 2000.

Across the border, Black & Decker power tools and accessories manufacturer plans to hire 2000 people within the next few years. Four hundred employees were hired when the new production facility opened in Reynosa in mid-2000.

McAllen also saw some layoffs in 2000. COSTEP, the McAllen-based Council for South Texas Economic Progress, which offers discounted loans, laid off 32 employees in late 2000. The U.S. Post Office closed an encoding center in August 2000, laying off 252. The closing of three clinics operated by Mission Hospital resulted in 15 layoffs.

## MAJOR INDUSTRIES

**M**cAllen's government and trade sectors are the MSA's two largest, representing 28 and 27 percent of the area's employment, respectively. Trade gained 2,500 jobs in 2000 while the government sector increased by 3.7 percent, or 1,500 jobs. The services sector represents a large percentage of the area's nonagricultural employment — 25 percent — and added 4,900 positions by the end of 2000. Manufacturing, accounting for 20 percent of area em-

ployment, decreased 5 percent in 2000. Manufacturing was the only sector that did not see growth in 2000 and actually lost 600 jobs.

Services and the transportation-public utilities sectors recorded the largest percentage growth in 2000. Transportation, communications and public utilities, which provides 4 percent of area employment, grew by 800 jobs, while construction grew by 900 jobs and provides 5 percent of the MSA's employment.

During 2000, Hidalgo County had \$214 million in agricultural receipts, according to the Texas Agricultural Extension Service. The largest crop was vegetables, representing 33.4 percent of receipts. Beef was the largest livestock product, representing 4.8 percent of receipts. Other major agricultural products included cotton, sugar cane and grapefruit. For 2001, agricultural receipts are expected to be \$222.4 million.

## BUSINESS CLIMATE

### Tax Rates, 2000

<i><b>McAllen</b></i>	<b>Tax Rate per \$100 Valuation</b>	<i><b>Edinburg</b></i>	<b>Tax Rate per \$100 Valuation</b>	<i><b>Mission</b></i>	<b>Tax Rate per \$100 Valuation</b>
<b>Taxing Entity</b>		<b>Taxing Entity</b>		<b>Taxing Entity</b>	
City of McAllen	\$0.42	City of Edinburg	\$0.64	City of Mission	\$0.62
South Texas Community College	0.09	South Texas Community College	0.09	South Texas Community College	0.09
Hidalgo County	0.50	Hidalgo County	0.50	Hidalgo County	0.50
Drainage District	0.04	Drainage District	0.04	Drainage District	0.04
McAllen ISD	1.58	Edinburg ISD	1.55	Mission ISD	1.53
<b>Total</b>	<b>\$2.63</b>	<b>Total</b>	<b>\$2.82</b>	<b>Total</b>	<b>\$2.78</b>

Source: Hidalgo County Appraisal District

## McAllen-Edinburg-Mission MSA Retail Sales

Year	Total Sales	Sales per Capita
1990	\$2,578,284,729	\$6,666
1991	2,852,499,640	7,108
1992	3,067,503,330	7,303
1993	3,281,334,705	7,439
1994	3,493,321,231	7,589
1995	3,155,659,635	6,621
1996	3,446,516,740	7,034
1997	3,595,914,796	7,134
1998	3,848,572,609	7,406
1999	4,472,712,579	8,362
2000	4,898,910,764	8,602
	State Average 2000	\$12,612

Source: Texas Comptroller's Office

## Exports to Selected Destinations – McAllen MSA (in thousands)

Market	1997	1998	1999	Percent of Trade
Canada	\$173,783	\$178,521	\$231,429	11.6
Mexico	1,612,180	1,504,409	1,660,379	83.4
Caribbean & Central America	2,105	6,383	17,491	0.9
South America	4,114	3,317	4,185	0.2
Europe	60,415	80,324	55,201	2.8
Asia	18,399	16,768	20,270	1.0
Africa	401	364	547	0.0
Near East	858	697	915	0.0
Australia	615	980	1,036	0.0
Total all Countries	\$1,872,870	\$1,791,764	\$1,991,454	100.0

Source: Office of Trade and Economic Analysis, International Trade Administration

Exports were up 26.9 percent between 1993 and 1999, from \$1.5 billion to \$1.9 billion. NAFTA has had a significant effect on exports to Canada, which have increased 268 percent since 1993. Exports to Mexico represent 83 percent of McAllen's exports, and were up 9.4 percent between 1993 and 1999. Exports to China were up the most during this period, rising 38,758 percent from \$4,000 to more than \$1.6 million.

The sales tax rate is 8.25 percent for all cities with a population of 10,000 or more in the county. The hotel-motel sales tax rate is 13 percent in McAllen but is as low as 10 percent in the county's smaller communities.

McAllen is home to Foreign Trade Zone No. 12. The trade zone is 783 acres at the McAllen CrossPort in southwest McAllen. The zone also includes the Sharyland Business Park. Approximately \$1.2 billion in products

move in and out of the zone annually, according to the McAllen Economic Development Corporation.

McAllen offers tax abatements and tax credits to qualified businesses. The city also has an enterprise and empowerment zone. The U.S. Department of Health and Human Services provides grant funds to be used to fund community and economic development in the zone.

# EDUCATION

## Educational Level, Persons Age 25 and Older (in percent)

Level of Education, 1990	McAllen-Edinburg- Mission MSA	Texas
High school graduate	19.6	25.6
Some college, no degree	12.8	21.1
Associate's degree	2.8	5.2
Bachelor's degree	7.7	13.9
Graduate or professional degree	3.7	6.5

Source: U.S. Census Bureau, 1990

## Local College and University Enrollment

School	Spring 2001	2005 (estimated)	2010 (estimated)
University of Texas – Pan American	12,210	14,014	15,627
South Texas Community College	11,358	13,384	15,314

Sources: Educational institutions and the Texas Higher Education Coordinating Board, January 2001

The University of Texas Pan American (UTPA) opened a three-story, \$17.2 million computer center in spring 2001. The 107,000-square-foot facility includes classrooms, labs and faculty offices for the math department as well as housing the university computer center.

South Texas Community College is developing a master plan to build new

facilities since it has outgrown the main campus and its satellite campuses.

In November 2000, six McAllen elementary schools received \$600,000 from a state grant for new computer laboratories. The schools purchased 377 computers, digital cameras, file servers, scanners, laser and ink-jet printers and video projectors.

Because of rapid growth, La Joya is spending \$90 million for new school facilities, including six new elementary schools, two new middle schools and a new ninth and tenth grade campus. All campuses are scheduled to be completed by 2002.

# TRANSPORTATION AND INFRASTRUCTURE ISSUES

## McAllen Airline Boardings

	1997	1998	1999	2000
McAllen-Miller International Airport	309,265	312,685	327,688	328,061

Source: McAllen-Miller International Airport

## Border Crossings, 2000\*

	Northbound	Southbound
Pedestrian	2,720,331	6,750,103
Truck	389,472	329,154
Vehicle	9,275,453	9,182,524

\*Includes McAllen-Hidalgo, Pharr and Progreso bridges

Source: Texas Center for Border Economic and Enterprise Development

The United States and Mexico are in the process of designing a \$60 million international bridge south of Mission. Construction on the Anzalduas International Bridge is set to begin in 2003. It is expected to be a major economic catalyst for the area.

The McAllen Economic Development Corporation reports that six large companies plan to build two million square feet of manufacturing facilities on the Mexico side of the new bridge and more than 500,000 square feet on the U.S. side. Development has begun at Sharyland Park in anticipation of the bridge's completion.

The City of McAllen's water comes from Rio Grande Valley surface impoundments. The city receives water allocations from Lake Amistad and Lake Falcon.

A new \$1.65 million water tower is under construction near the intersection of Tenth Street and Trenton Road.

Completion of the tower is expected by July 2001. The two-million-gallon tower will increase water pressure for residents in northeast McAllen.

Drainage improvements along a portion of South Tenth Street between Jackson and Houston Avenues should be finished by July 2001. Once completed, the new drainage system should keep the streets clear by reducing or eliminating the amount of water in the area. The project is expected to cost approximately \$423,000.

The City of Mercedes completed a sewer line expansion in 2000 and the City of Donna completed a new water treatment plant project.

North Alamo Water Supply Corporation supplies Edinburg. North Alamo is the third largest water supplier in the Valley behind McAllen and Brownsville.

A new Metro Bus transit system began running between Edinburg and McAllen in June 2000. The system

runs twice a week, Mondays and Wednesdays, making 42 stops.

A two-and-a-half year construction project that will extend Expressway 83 through Palmview began in September 2000. The \$33 million project will extend the roadway from Inspiration Road in Mission to Showers Road in Palmview by creating two limited access lanes in each direction as well as overpasses and frontage roads.

In March 2001, McAllen began expanding 29<sup>th</sup> Street from Business 83 to Six Mile Line Road. The project will include expanding the road to four lanes, installing a turning lane and traffic signals at several intersections and improving drainage. The \$5 million expansion should be completed by March 2004.

## PUBLIC FACILITIES

**E**cotourism is a big business in South Texas. It generates about \$100 million in revenue to the Valley each year. Approximately 200,000 tourists travel to the Santa Ana Wildlife Refuge annually to see more than 400 species of birds, 300 species of butterflies and 1,200 different kinds of plants.

The Welcome Pavilion and Discovery Pavilion at the McAllen International Museum should be completed by September 2001. Features of this second phase of the museum's expansion include several classrooms, a small theater, a café, a store and 6,000 square feet of hands-on exhibits and activity areas. The first phase of the \$5.5 million expansion was RioScape, a science-discovery interactive playground. The third phase of the project will consist of renovation of the current facility as well as the addition of a new exhibit storage facility and should be completed by the end of 2002.

In March 2001, Chihuahua Woods Preserve, located outside Mission, and Southmost Preserve, east of Brownsville, received \$1.95 million from 3M, a technology company, to expand and develop their wildlife habitats, create wetlands for birds and build and develop more nature trails.

The City of McAllen should move into the new Department of Public

Safety building located on the corner of Pecan and Bicentennial boulevards by April 2002. The \$10.3 million facility will house more than 360 employees including police officers, fire department administrators, municipal judges and city jailers. The 76,000-square-foot, two-story building sits on 8.5 acres.

Rio Grande Delta area residents have easier access to county and state officials and health services because of a facility that opened in October 2000. The 12,000-square-foot Hildago County Clinic and Justice of the Peace Courts, located on East Edinburg Road, houses county health services, Women, Infants and Children (WIC) benefits offices and offices of the justice of the peace and constable. The project cost \$1 million.

Mission opened a public safety facility on East 8<sup>th</sup> Street in July 2000. The \$6 million facility is expected to accommodate all the law enforcement needs of the city's growing population for the next two years.

A new post office located on South Jackson Road in Edinburg opened in June 2000. The \$4.5 million post office replaced the old one on East McIntyre and the substation on South Closner. The Edinburg Post Office contains 31,000 square feet and 3,348 mailboxes.

Construction began in December 1999 on a juvenile boot camp in Weslaco. The 11,000-square-foot camp was completed in fall 2000.

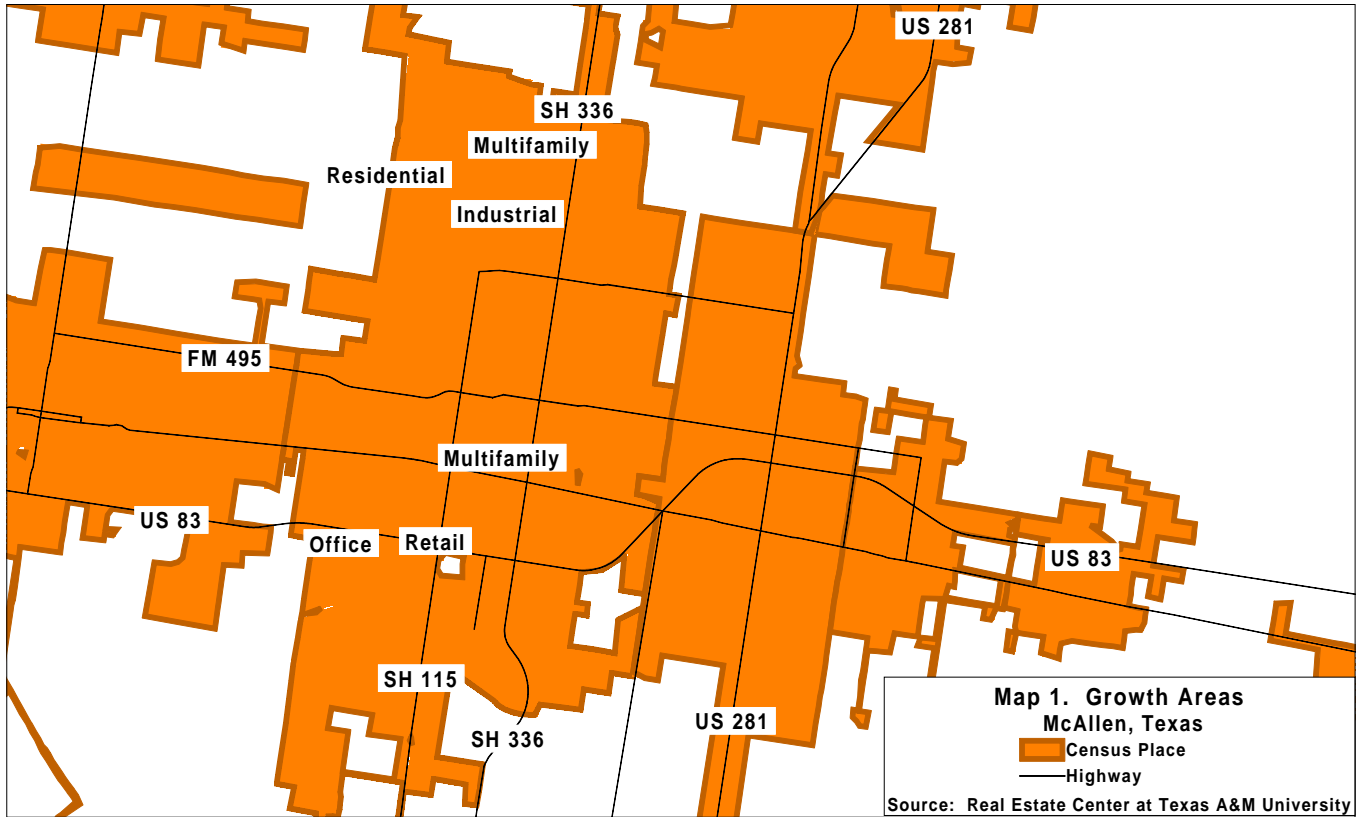
Edinburg is planning to develop a satellite birding center. The center will allow tourists to view and learn about birds native to the area. Additional birding centers are located throughout the Rio Grande Valley. Construction is expected to begin in October 2001 and will cost approximately \$1.5 million.

In February 2000, McAllen announced plans for a new \$30 million convention center to be located on 165 acres at the corner of Expressway 83 and Ware Road. City officials hope that the new facility will boost the local economy. Currently, officials think that the city loses 60,000 hotel room nights a year because it lacks a facility that can accommodate large conventions.

San Juan completed a new fire substation in 2001 at Raul Longoria Street and Encino Drive. Hidalgo County is constructing a 12,000-square-foot Head Start building and a 20-acre park in San Juan on Nolana Loop near Raul Longoria Street.

The Edinburg School District plans to spend \$4.1 million to renovate a 77,800-square-foot building on Eighth Street for administrative office space.

# URBAN GROWTH PATTERNS



Map 1 shows the growth corridors in McAllen. Most residential development has been in northwest McAllen. Southwest McAllen is also growing but to a lesser degree.

Residential growth is limited in the western parts of town because of the Texas-Mexico border. Office development is occurring just north of McAllen in the eastern section of Edinburg, near the hospital. Much of the retail devel-

opment is occurring in and around La Plaza Mall and along Tenth Street. Industrial growth is strongest in the Sharyland Business Park in Mission.



# HOUSING

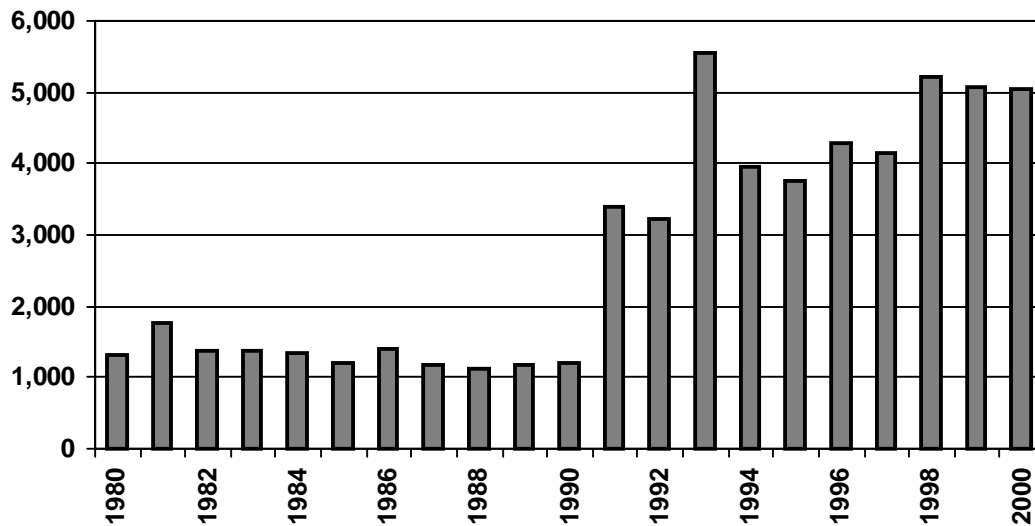
## Housing Affordability – Fourth Quarter 2000

	Percent of Households That Can Afford Median-priced Home	THAI*	THAI for First-time Homebuyers
McAllen MSA	50	1.00	.78

\*The THAI is the ratio of median household income to the income required to buy the median-priced home using currently available mortgage financing. Standard financing is a 30-year loan covering 80 percent of the cost of the home. A THAI of 1.00 indicates that the median household income is just enough to qualify for a loan sufficient to purchase the median-priced home.

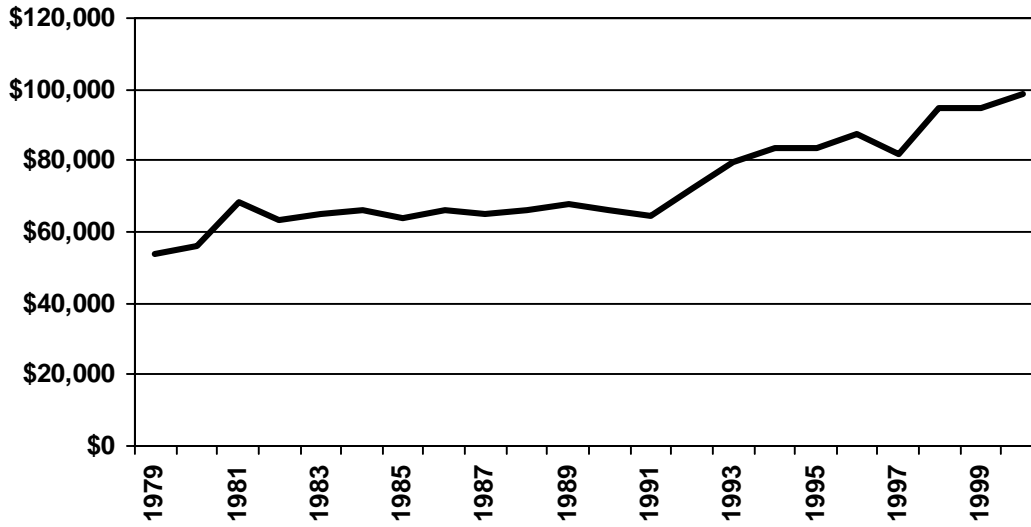
Source: Real Estate Center at Texas A&M University

## McAllen-Edinburg-Mission MSA Single-family Permits



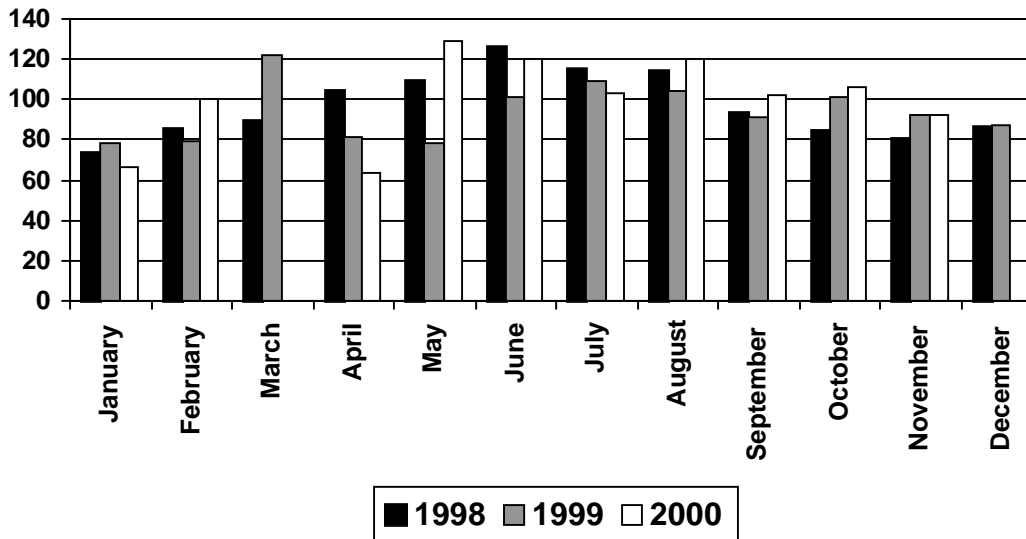
Source: U.S. Census Bureau

## Average Sales Price of Single-family Home, McAllen-Edinburg-Mission Area



Source: Real Estate Center at Texas A&M University

## Single-family Home Sales Volume, McAllen Area



\*December 2000 data not available.

Source: Real Estate Center at Texas A&M University

## Price Distribution of MLS Homes Sold in McAllen Area (in percent)

Price Range	1996	1997	1998	1999
\$59,999 or less	38.4	28.8	28.2	27.2
60,000–79,999	26.2	23.7	25.1	22.9
80,000–99,999	13.4	16.3	15.1	18.7
100,000–119,999	5.9	8.1	8.2	7.1
120,000–139,999	4.4	7.1	7.4	6.5
140,000–159,999	3.1	4.0	4.3	4.1
160,000–179,999	2.2	3.5	3.9	4.0
180,000–199,999	2.4	3.0	2.7	2.4
200,000–249,999	2.1	3.2	2.1	3.6
250,000–299,999	0.9	1.0	1.8	1.6
300,000 and more	1.1	1.3	1.6	2.0

Source: Real Estate Center at Texas A&M University

In 2000, 5,038 new homes were permitted in the MSA, down from 5,064 in 1999. The average value of a new home in 2000 was \$57,200 compared to \$59,700 in 1999. In the first quarter of 2001, 1,096 new homes were permitted.

The total number of existing homes sold through the MLS increased slightly from 1,123 in 1999 to 1,204 in 2000. From 1999 to 2000, the average sales price for MLS-listed houses reported sold increased to \$98,600. Months of inventory available for sale

was down to 13.1 in 2000 from 13.7 during 1999.

In June 2000, Edinburg officials approved the rezoning of more than 44 acres for an upscale, 133-lot residential subdivision to complement the city's new golf course. This is the first major housing development to connect with an entertainment venue in the area. The subdivision is north of Canton Road, just east of Raul Longoria.

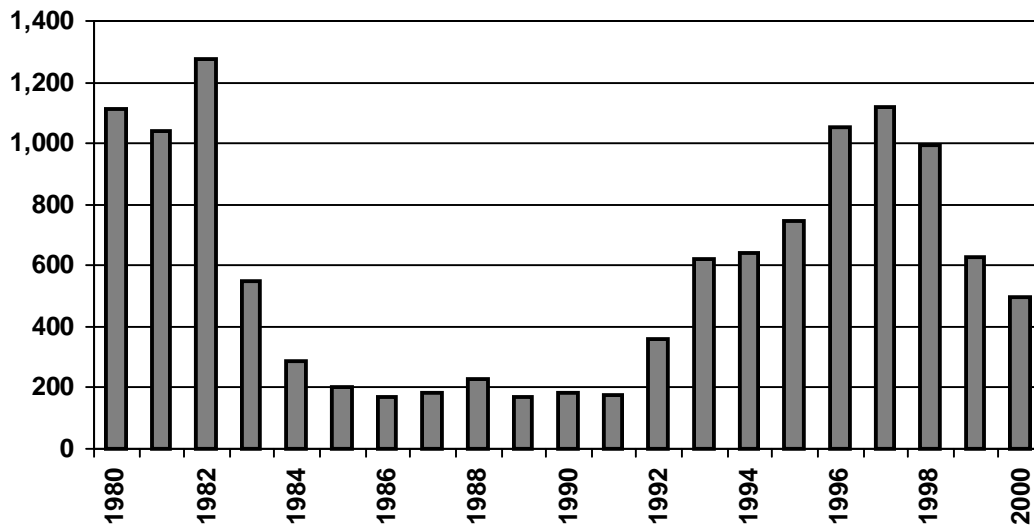
In Mission, Hunt Valley Development plans to build 300 to 400 homes

per year in the master-planned community named Sharyland Plantation. Demand for homes will be spurred by existing and planned commercial development in the community's business and industrial parks.

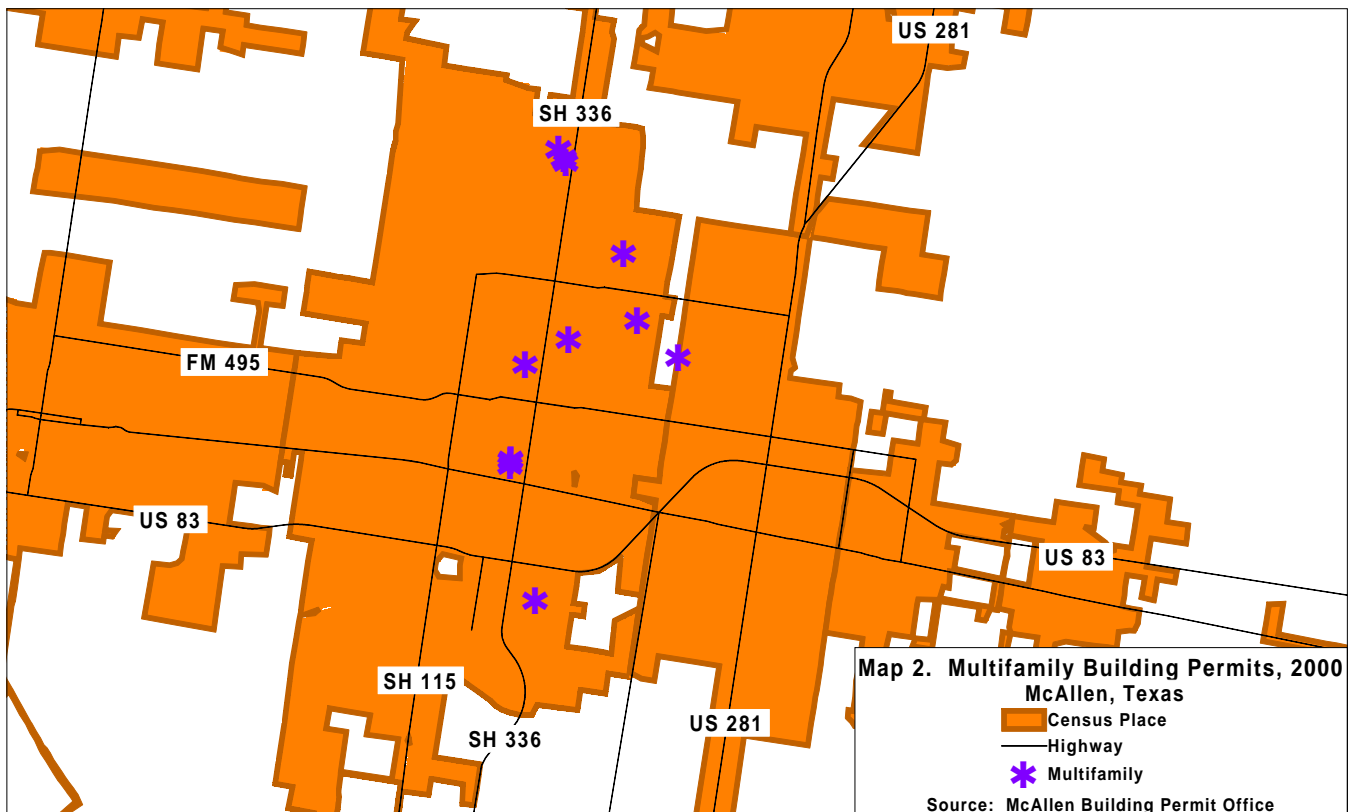
Proyecto Azteca, a nonprofit group that assists colonia residents in building homes, plans to build 40 three-bedroom, 816 square-foot homes in the San Juan area. Five homes were built in the first five months of 2000.

# MULTIFAMILY

## McAllen-Edinburg-Mission MSA Multifamily Building Permits



Source: U.S. Census Bureau



In 2000, 499 new multifamily units were permitted, down from 631 in 1999. In the first quarter of 2001, 152 new multifamily units were per-

mitted. McAllen was one of many Texas cities affected by overbuilding of apartments in the 1980s, but because of its rapid growth, McAllen has recov-

ered more quickly than other Texas cities. Map 2 shows the locations of multifamily building permits issued in McAllen in 2000.

Some small multifamily development (less than ten units) has occurred near the McAllen downtown area. Development of duplexes and fourplexes has occurred in various McAllen areas.

A 232-unit, \$10.2 million apartment complex is under construction on North McColl Road in McAllen and is expected to be completed by June 2001. Rincon Apartments will include controlled-access entry gates, an on-

site fitness center, a business center with computers and fax machines and other amenities.

La Posada on Lamar Street expanded its 40-unit complex by adding 34 units in September 2000. La Posada caters to elderly residents by offering rents that are discounted up to 75 percent.

A state program that gives tax credits to real estate developers who build apartment complexes for low-income

residents in the Rio Grande Valley was used in the development of a 192-unit, \$7.3 million apartment complex in southwest McAllen. Texas Regional Properties will rent 144 of the 192 apartments to families who earn less than \$28,000 per year in accordance with tax credit program requirements.

## MANUFACTURED HOUSING

### McAllen-Edinburg-Mission MSA Manufactured Home Sales

	Manufactured Homes Sold	Proportion of New Single-family Homes (in percent)
1997	1,053	21.3
1998	1,320	21.7
1999	1,325	22.9
2000*	791	18.2

\*Through September 2000

Source: Texas Manufactured Housing Association

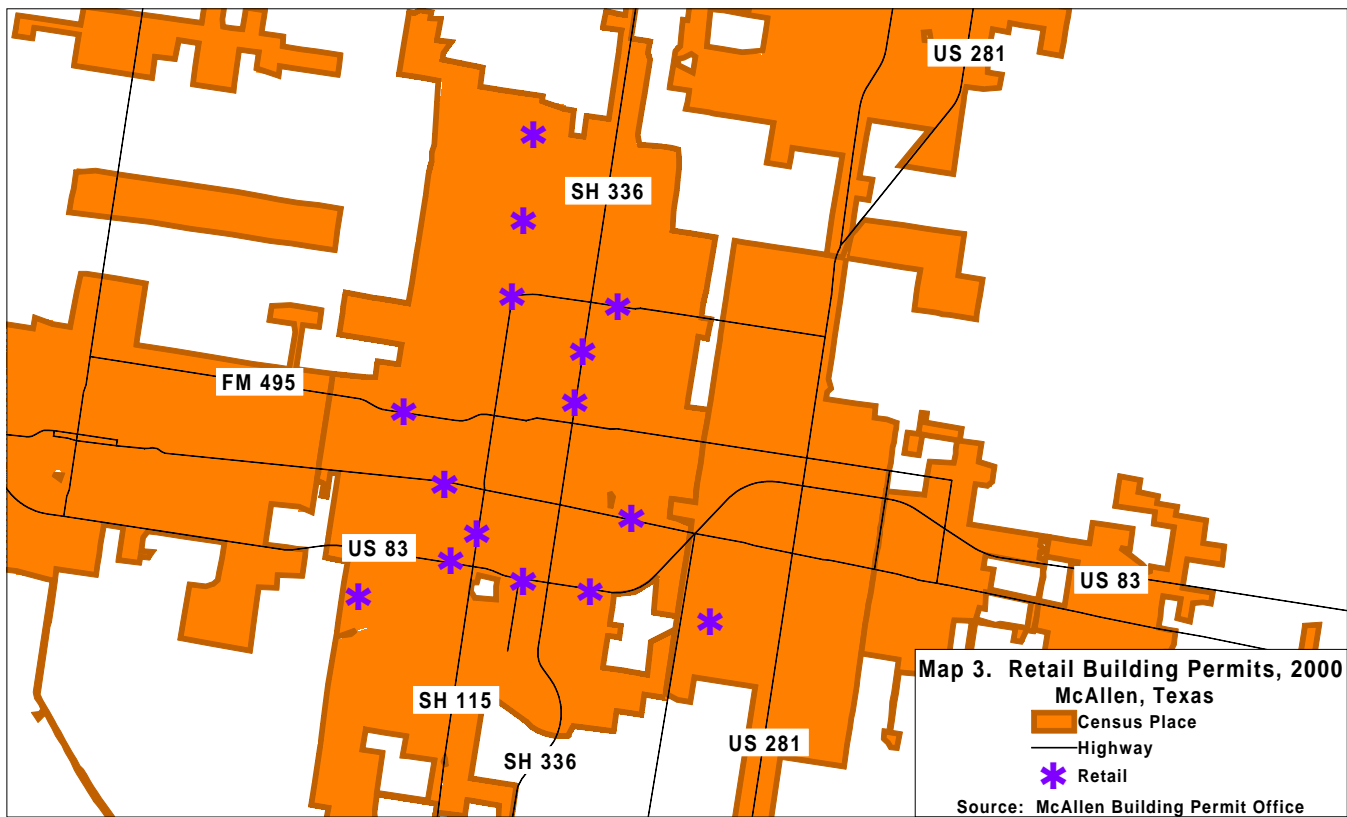
Winter Texans, people who spend the winter in South Texas to avoid colder climates, contribute significantly to the number of manufactured homes located in Hidalgo County.

# RETAIL MARKET

## Hotel Occupancy and Rental Rates

	1999		2000	
	McAllen MSA	Texas	McAllen MSA	Texas
Occupancy rate (in percent)	73.2	66.6	72.8	65.7
Average daily rental rate	\$63.23	\$85.11	\$72.61	\$86.45

Source: PKF Consulting



McAllen has one of the area's highest hotel occupancy rates. Hilton Hotels Corporation opened a new hotel in McAllen in summer 2000. The Hilton Garden Inn on Expressway 83 has 104 rooms. A Drury Extended Stay hotel is scheduled to open in 2001. A Fairfield Inn opened in 2001 on South Tenth Street.

In March 2000, Dillard's vacated its 140,000-square-foot building to move into a new 240,000-square-foot store. The new building is a freestanding

structure connected by a corridor to La Plaza Mall. The project cost \$15 million.

Map 3 shows the locations of retail building permits issued in McAllen in 2000. New commercial development located at the intersection of North 23<sup>rd</sup> Street and Dove Avenue will create 250,000 square feet of space in Kingwood Village Shopping center. McAllen Cleaners and CitiFinancial have committed to space in the center. McAllen National Bank opened a

branch bank at the Kingwood center in April 2001.

In November 2000, La Plaza Mall opened the new tenant corridor that has 30 additional retail stores. The multimillion dollar expansion added 205,000 square feet of retail space, 1,200 new parking spaces and 450 permanent jobs in the new stores. New retailers in the mall include Banana Republic, Guess?, Kirland's, Abercrombie & Fitch, Godiva Chocolate, bebe, Ann Taylor Loft, The

Children's Place, Helzberg's Diamonds, Pacific Sunwear and Victoria's Secret. FootAction, A'Gaci Too and Padre Style relocated to bigger spaces in the new corridor. Kay Jewelers also opened a new store at LaPlaza Mall in March 2001.

Staples Inc. opened a new store in April 2000 at the southwest corner of University Avenue and Sugar Road in Edinburg. The 23,942-square-foot superstore is expected to employ as many as 40 people.

Barrett Jaguar-Volvo opened the first dealership of its kind in the Rio Grande

Valley in February 2001. The new dealership, located on Expressway 83 in McAllen, is one of eight Texas Jaguar dealerships.

Albertsons opened a 62,000-square-foot supermarket in Weslaco in January 2000. The store, at the northeast corner of Texas Boulevard and Business 83, features the chain's first tortilleria in the Valley and also has a police substation. H-E-B now has a second store in Weslaco on the west side of town at the northeast corner of Business 83 and Westgate Drive. The

80,000-square-foot store opened in 2000.

A new McDonald's opened in Alamo in August 2000. A juniors, misses and plus women's apparel store, The Fashion Bug, opened in early November 2000 on North Jackson Road in Pharr.

Academy Sports and Outdoors moved its store to Las Tiendas Plaza shopping center in June 2001. The new store has 75,000 square feet on Expressway 83 in McAllen .

## OFFICE MARKET

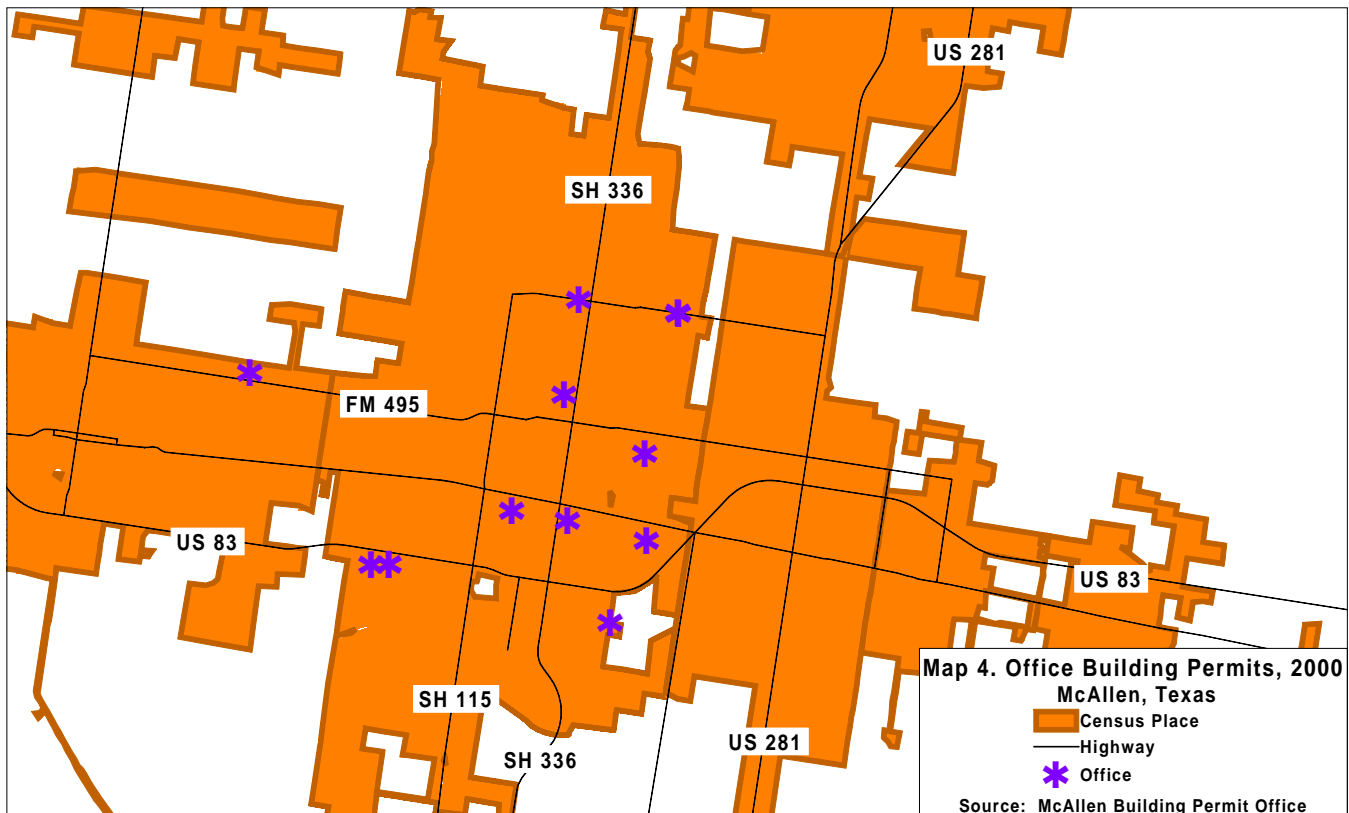
Map 4 shows the locations of office building permits issued in McAllen in 2000. The McAllen Chamber of Commerce broke ground in February 2001 on a new 16,000-square-foot, \$1.8 million facility that will house the chamber at 10 North Broadway. The new building

will likely have two stories, Spanish-style architecture and a 150-seat conference room, a large reception area, food service facilities, an expanded print shop and a visitor's center.

After completion of the new facility, the old building across Ash Avenue

will be demolished and converted into a parking lot for the new building.

Rio Grande Regional Hospital will begin construction on a \$50 million expansion and renovation in summer 2001. The hospital plans to add a five-story patient tower with 50 new beds



including intensive care beds, and nine new labor and delivery rooms. The expansion and renovation, which should be completed by 2004, also includes new parking and expansion of the pediatric services and emergency waiting rooms.

The owner of the McAllen Medical Center purchased McAllen Heart Hospital in February 2001. The purchase will create the largest heart program in the county and allow approximately 1,000 heart operations each year. The new owners plan to expand the hospital by adding 60 beds in the near future.

A new clinic opened in the McAllen Medical Plaza on Ridge Road in March

2001. The new Clinic for Children and Adolescents with Cancer and Blood Disorders will provide treatment for children with cancer.

Driscoll Children's Hospital will spend \$3 million to build a pediatric clinic. The 40,000-square-foot building will open in 2002 on Ridge Road.

The Pharr Economic Development Corp. purchased the 68,538-square-foot Wal-Mart building on East Highway 83 in October 2000 for \$1.2 million and plans to convert it to a job training center. Officials hope the center will draw new businesses to the area.

The Lakes Business Park, a \$16 million project that when fully developed

will include 174,000 square feet of space, is under construction on North McColl Road. The master plan has several phases of construction, including two 50,000-square-foot buildings in phase one, 31 building sites in phase two, each having a 4,000-square-foot building, and seven small lakes landscaped with grass and palm trees.

Because of increased health care costs and decreased funding from government sources, Mission Hospital closed all three of its rural health and school-based clinics in June 2000. The hospitals provided health care services to children younger than 18 and to area residents who could not afford health care.

## INDUSTRIAL MARKET

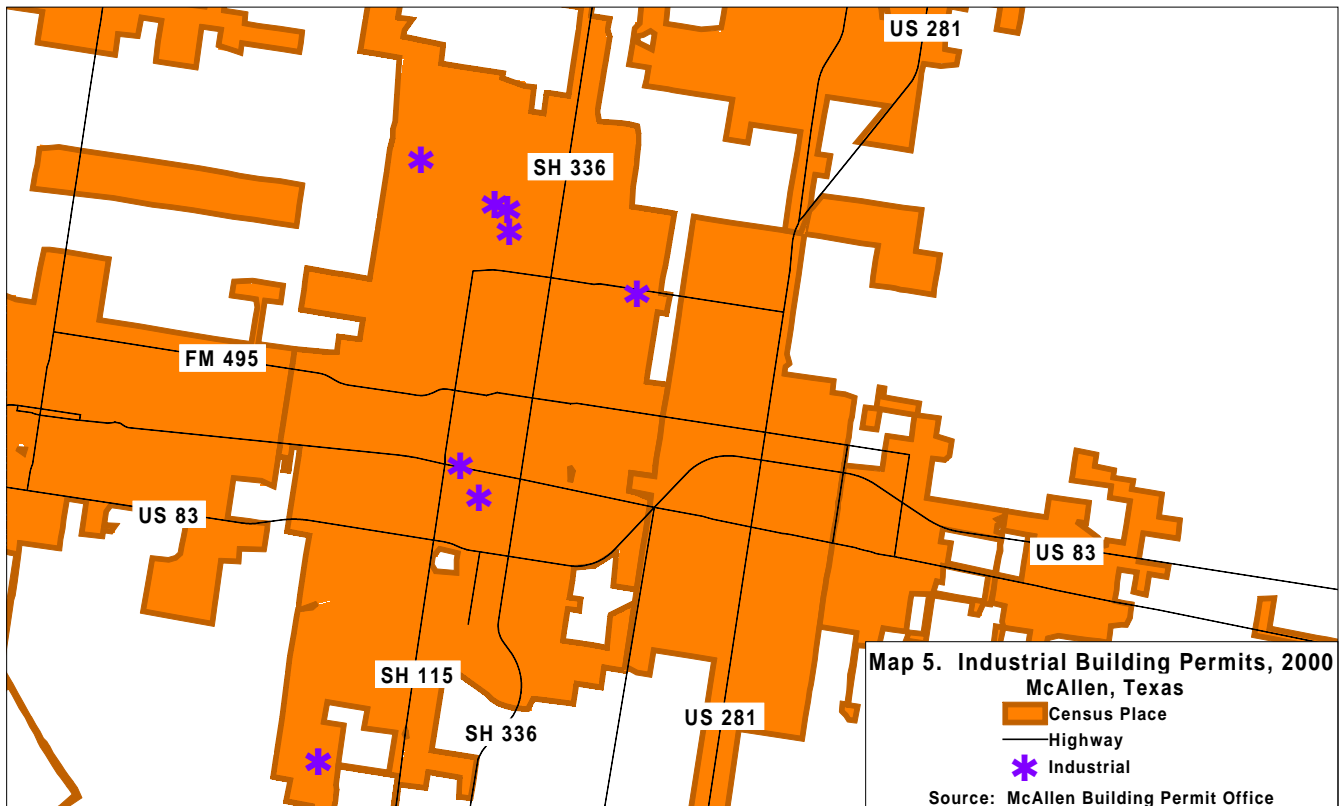
In December 2000, Woodcrafters/TAN'US, Inc., a cabinet and furniture manufacturing company, moved into the former Hagggar Manufacturing Co. building near Mid-Valley

Airport in Weslaco. Woodcrafters currently employs 400 but expects to create an additional 100 to 200 jobs within the next five years.

Map 5 shows the locations of indus-

trial building permits issued in McAllen in 2000.

Calpine Corporation broke ground on the \$350 million, 700-megawatt Magic Valley Electrical Generation





Plant in June 1999. The plant is in northwest Edinburg and is expected to open in 2001. The Calpine plant was the second power plant to begin construction in Edinburg. Duke Energy Hidalgo broke ground on a \$175-million, 500-megawatt power plant about two miles west of Magic Valley in 1999.

The Sharyland Business Park has 900 acres for manufacturing, distribution and other business uses. Mark III Rio Grande Valley began construction on a 120,000-square-foot manufacturing space in the park. Mark III is a commercial builder focused on the maquiladora industry and its suppliers. Officials plan to add between 600,000 and one million additional square feet of industrial space in the business park.

Symbol Technologies, Inc., expected to open its new 337,000-square-foot distribution center in

Sharyland Business Park by June 2001. The \$16 million distribution and warehouse facility for bar-code scanners and hand-held computers is expected to add 285 jobs to the area.

Construction of the new Owassa Lake Business Park west of U.S. 281 began in July 2000. The first building in the industrial park will be a 100,000-square-foot warehouse for a clothing and sporting goods distributor. The complex will be able to accommodate seven more businesses in the next few years.

Rio Container, Inc., a manufacturer of fiberboard boxes that opened in Donna in 1982, is expanding into Weslaco. The container store built a 70,000-square-foot factory on Expressway 83 near the Airport Drive exit. The new facility will eventually employ 70 workers.

Production of Black & Decker power tools and accessories began in mid-2000 at the 350,000-square-foot factory in Reynosa. The factory is Black & Decker's second largest manufacturing facility and is in Reynosa's Parque Industrial Villa Florida. Approximately 400 employees were hired, and the plant eventually plans to employ 1,700 to 2,000.

In September 2000, Sharyland Utilities L.P. and Hunt Power Corporation created a new power company that will furnish electricity to the planned 6,000-acre Sharyland Plantation residential and business community.

Hunt Power plans to construct a 75,000-square-foot business center in Sharyland Plantation. The building will be completed in early 2002.

---

## CONCLUSION

**N**AFTA continues to have a positive impact on the McAllen MSA economy. Mexico is Texas' largest export market, and Texas exports accounted for almost half of all U.S. trade with Mexico in 1996.

The McAllen MSA is expected to continue to grow over the next five years but not as rapidly as it has in recent years.

Industrial development and the housing market is expected to grow

with the population. Both sides of the border will continue to draw new manufacturing and retail business.