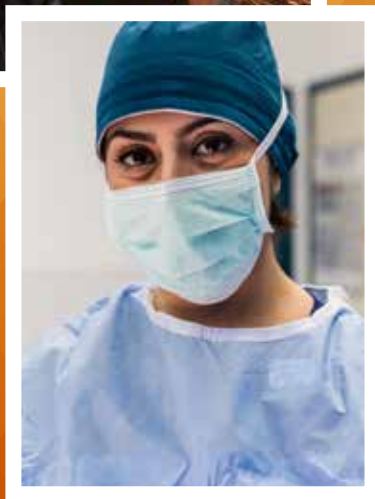
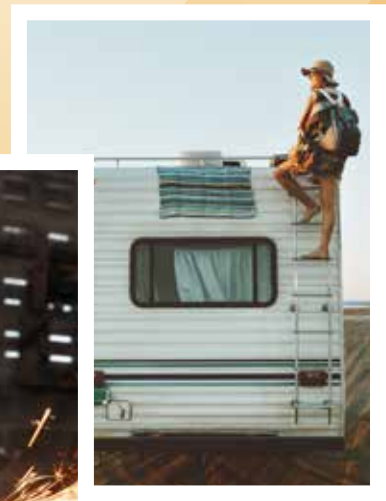
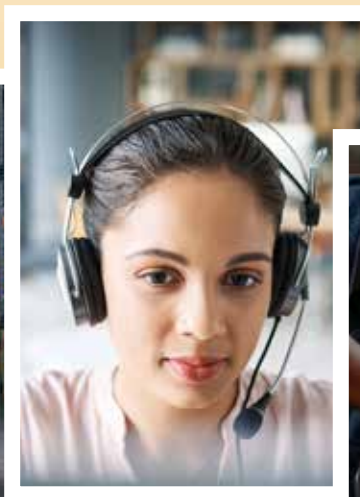


TEXAS BORDER ECONOMY

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TECHNICAL REPORT

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2021 ANNUAL DATA

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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 using seasonally adjusted data, and percentage changes 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.

Joshua Roberson, Wesley Miller, Weiling Yan, and Rajendra Patidar

Data current as of March 2, 2021

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Border Summary

BORDER EMPLOYMENT
▲ 3.0% ANNUALLY

DEC. MAQUILADORA EMPLOYMENT
▲ 13,660 jobs

TOTAL TRADE VALUES
▲ 17.8% ANNUALLY

HOUSING SALES
▲ 6.5% ANNUALLY

2021 Annual Border Summary

Indicators along the Texas-Mexico border pointed toward economic progress during 2021, boosted by solid employment growth and increased construction values. Supply-chain disruptions prevailed throughout the year, leading to decreased manufacturing worldwide. Longer wait times at the border amid enhanced security and non-essential travel restrictions contributed to a sizeable decrease in trade passing through Texas' overland ports. Construction activity and trade values accelerated despite persistent input-price pressures caused by supply-chain disruptions. Labor markets improved in the border Metropolitan Statistical Areas (MSAs) as payrolls expanded on a yearly basis combined with reductions in unemployment claims. Home sales increased, and the average days on market indicated robust demand. Depleted inventory and accelerating home prices, however, threatened affordability and challenged the region's housing market and the economy more broadly.

Economy

The economy continued its steady recovery as indicated by the **Dallas Fed's Business Cycle Indexes** despite ongoing supply-chain problems. McAllen's metric accelerated by 2.1 percent in 2021 amid solid payroll expansions. Laredo's index sank 1 percent annually. Meanwhile, Brownsville and El Paso's indexes increased 6.7 and 4 percent, respectively. Pedestrian crossings stagnated while personal-vehicle crossings grew 14.6 percent (Figures 1 and 2) over 2020, when crossings declined due to travel restrictions and lockdowns.

Border nonfarm employment added 24,617 jobs in 2021, resulting in 3 percent growth. McAllen and Brownsville led the border metros with 9,700 and 6,167 net new positions, respectively. Laredo added 1,975 positions, led by gains in government and transportation. El Paso rebounded from last year's decline by adding 6,775 jobs.

On the southern side of the border, **Mexican manufacturing and maquiladora employment**¹ increased by 13,656 workers during 2021 amid supply-chain issues caused by COVID-19-related restrictions. Steady job growth was recorded during the rest of the year, pulling November payrolls up by 2.3 percent year to date (YTD). Most of the improvement was attributable to 9.7 percent YTD growth in Reynosa. Maquiladora employment ticked up 4.8 percent YTD in Nuevo Laredo but

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. Data is seasonally adjusted.



flattened in Juarez. Juarez's metric is peculiar because it accounted for the majority of employment growth in 2020. Meanwhile, Matamoros and Chihuahua City's metric elevated by 3.5 and 1 percent YTD. U.S. manufacturing production sank 6.6 percent annually in 2021, with the second half recovery petering out at year-end, suggesting weakening manufacturing conditions in Mexico as well. U.S manufacturing production gained momentum during the first two quarters of the year but started to decline after that. The pandemic and the Mexican government's response to the virus remain significant factors concerning the country's future growth and trade with Texas' border economies. Accelerated hiring along the border pulled **unemployment rates** downward. Joblessness declined in border areas compared with 2020, but they remained above pre-pandemic levels. El Paso and Laredo had unemployment rates of 6.5 and 6.6 percent, respectively, while the metrics in the Rio Grande Valley held higher at 9.7 and 8.6 in McAllen and Brownsville, respectively. Additionally, the labor force participation rate increased throughout the year as the economy strengthened (Figure 3).

Improvement in **average private hourly earnings** decelerated as labor-market conditions weakened. El Paso remained the highest-paying border metro, with earnings averaging \$20.05 per hour in 2021, but the metric lagged the state average by more than \$8. The gap between the border's and state's wages widened relative to the previous year, reflecting the disparate impacts of the pandemic and its economic aftermath. On average, El Paso's and McAllen's hourly earnings (\$19.42) flattened in real terms. Meanwhile, wages declined to \$18.05 in Laredo and increased to \$17.01 in Brownsville. Annual wage growth trended below pre-pandemic levels across the border.

Total construction values had mixed results along the border. The Rio Grande Valley saw impressive growth in total construction values after a decline in 2020. Nonresidential and residential values for McAllen rebounded from last year's all-time low, while residential values surged in Brownsville in 2021 but nonresidential values declined. Residential construction expanded in Laredo and El Paso amid significant increases in single-family activity, but values declined in the nonresidential sector.

The **peso per dollar exchange rate** averaged \$20.28 in 2021, a 2.4 percent annual decrease after adjusting for inflation, indicating domestic goods became more affordable to the Mexican buyer in real terms. Despite ongoing COVID-19 outbreaks and continued supply-chain bottlenecks, total trade values jumped 17.8 percent along the border after last year's decline. At the metropolitan level, imports rose 13 percent due to accelerated activity in McAllen and Laredo, where annual growth exceeded 17 and 18 percent, respectively. Exports increased by 25 percent along the border areas. Brownsville and McAllen exports increased 47.8 and 44.8 percent, respectively. Export values accelerated 23.8 percent in Laredo and 3.7 percent in El Paso. The border's trade sector remains an integral component of the local economies. Ongoing supply-chain disruptions uniquely affected El Paso as its international commerce is largely dependent on products that contain semiconductors. These products mainly came from Asia, and the backlogged ships stuck at the Port of Long Beach in California, prevented timely transportation and contributed to the lagged recovery.

Housing

Border housing sales rose 6.5 percent in 2021, surpassing statewide and national growth for the fifth consecutive year. The border growth rate, however, decelerated substantially from the 12.8 percent increase in 2020. McAllen continued registering impressive sales growth of 10.8 percent in 2021. Activity in Brownsville and El Paso accelerated 6.2 and 5.8 percent, respectively. Laredo posted the softest sales growth at 0.6 percent.

On the supply side, **single-family housing construction permits** increased 8.8 percent annually, with more than 9,700 permits. Permits in McAllen and Brownsville rose by 20.2 and 14.3 percent, respectively, while El Paso reported reductions of 5.8 percent. Laredo maintained positive permit growth at 4.6 percent after leading the border in 2020. The private single-family construction values posted favorable YTD and month-over-month growth throughout 2021. While construction values corroborated positive levels of the current supply-side activity, the limited count of permits suggests long-term supply challenges.

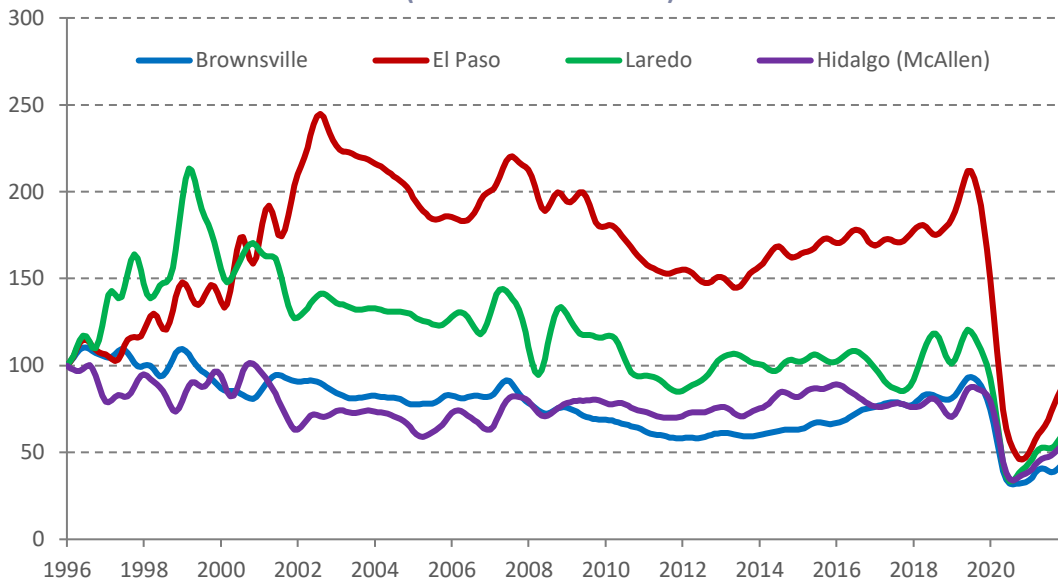
While a balanced housing market typically has a **months of inventory (MOI)** closer to six months, the **MOI** along the border remained much lower than this benchmark. The metric fell in Laredo and Brownsville to 1.8 and 1.5 months, respectively. McAllen's MOI slid to 2.4 months, while El Paso's inventory dropped below the statewide average (1.2 months) to 1.1 months. The low inventory is a result of the significant drop in active listing and low supply.

Remote work-and-school directives along with low mortgage rates strengthened the desire for additional space a house can offer, pulling the **average number of days on the market (DOM)** down for the third straight year to all-time lows. The average home in Laredo sold after just 37 days, while El Paso landed at 63 days. In the Rio Grande Valley, where the DOM usually hovers higher than the rest of the state, the metric still sank to 59 and 69 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, Laredo's median home price elevated 9.1 percent to \$204,000. Meanwhile, the metric in McAllen (\$195,000) and El Paso (\$200,000) surged 14.7 and 12.5 percent, respectively. Nevertheless, Brownsville's median home price remained highest at \$215,000 after jumping 24.3 percent. Sales of houses priced below \$200,000 decreased on an annual basis, while the homes priced above \$200,000 increased across all border metros.



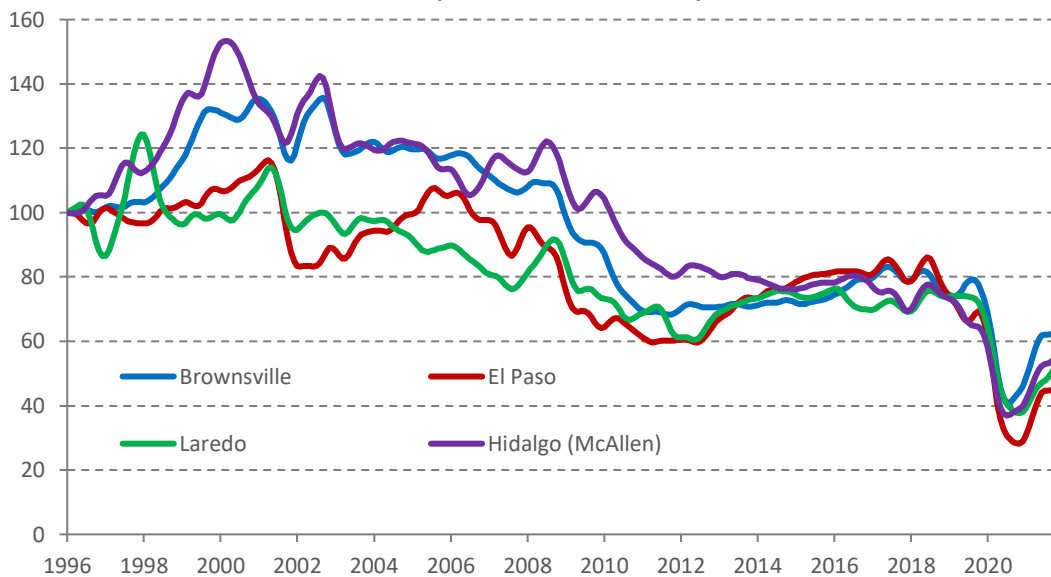
Figure 1. Pedestrian Crossings
(Index Jan 1996 = 100)



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

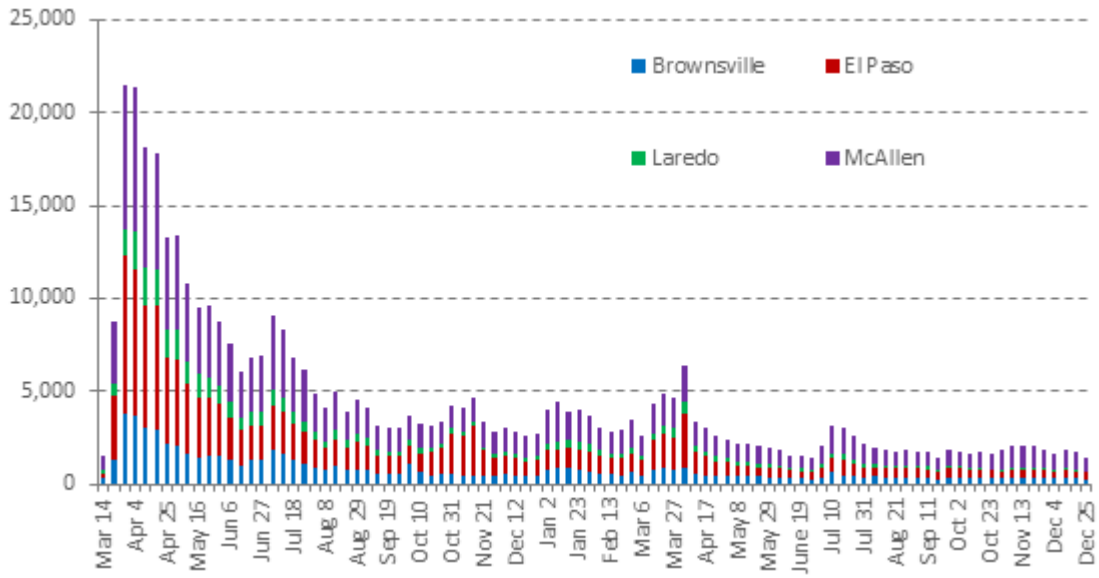
Figure 2. Personal Vehicle Crossings
(Index Jan 1996 = 100)



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

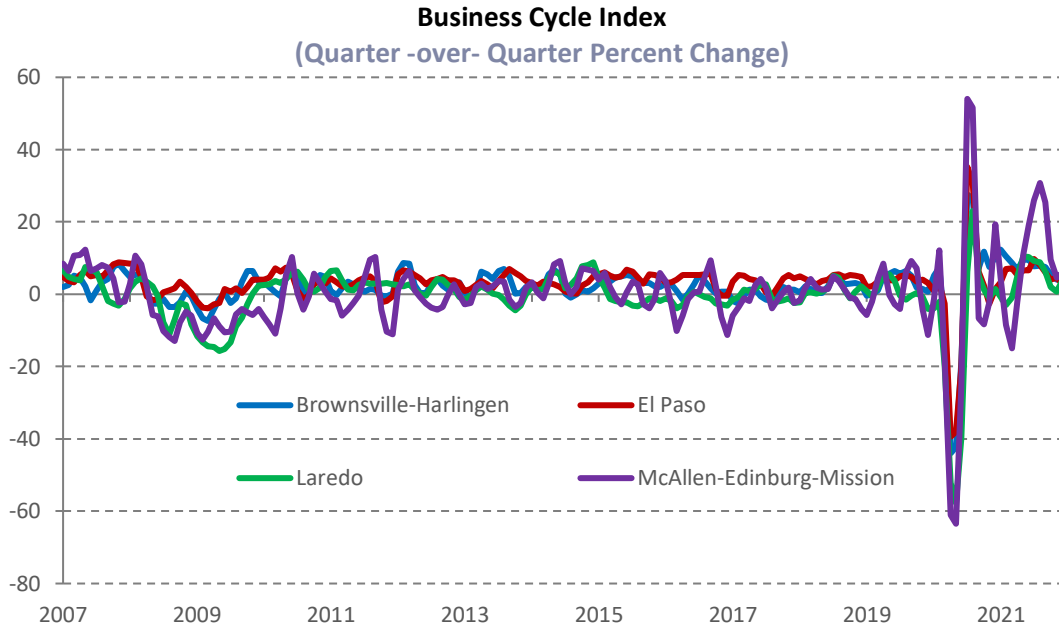
Figure 3. Border Metro Weekly Initial Unemployment Claims (2020-21)



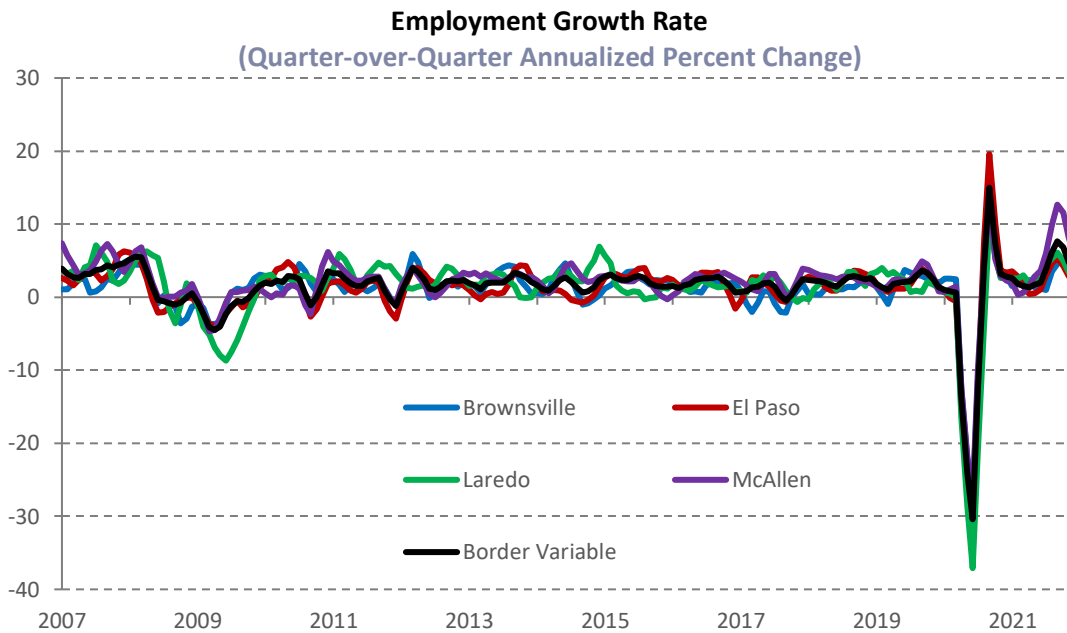
Note: Seasonally adjusted.

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

Economic Activity

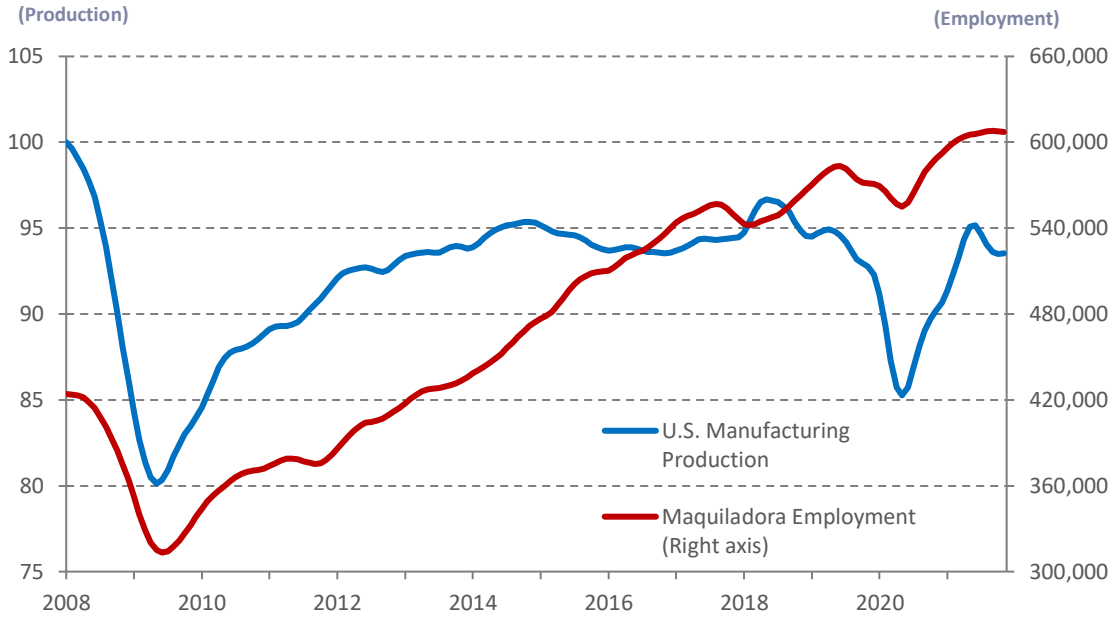


Note: Seasonally adjusted. For more information, see [Texas Business Cycle Index](#).
Source: Federal Reserve Bank of Dallas



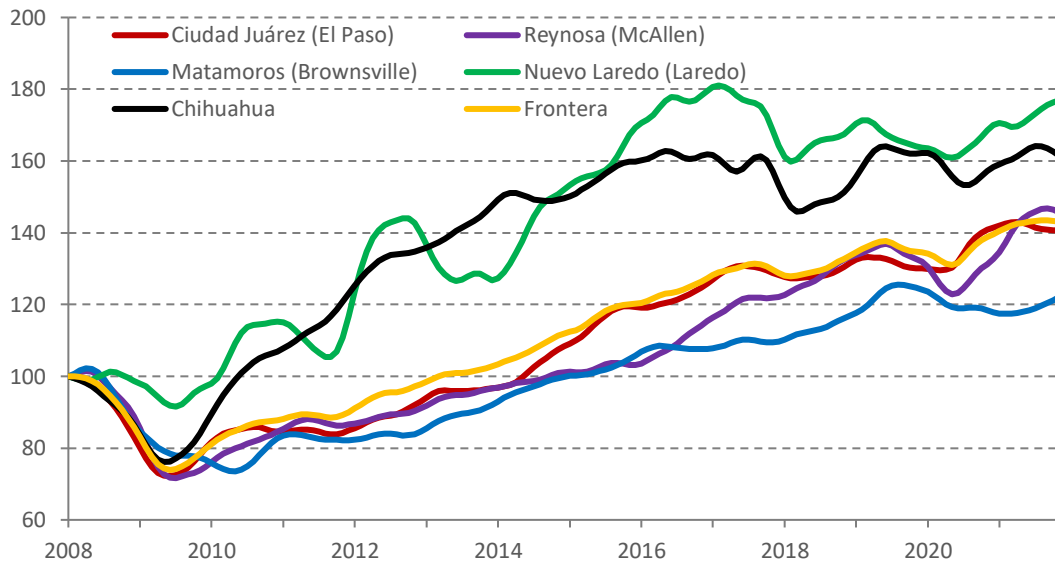
Note: Seasonally adjusted, three-month moving average. April 2021 is preliminary.
For more information, see [Employment Growth Rate](#).
Source: Bureau of Labor Statistics

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



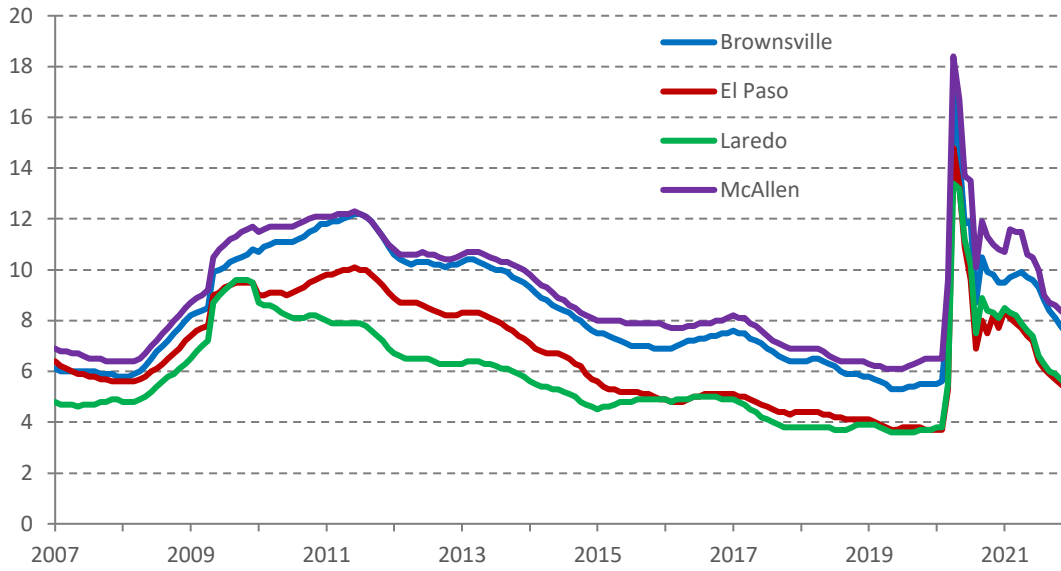
Note: Trend-cycle component.
Sources: Federal Reserve Bank of St. Louis and Instituto Nacional de Estadística y Geografía

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



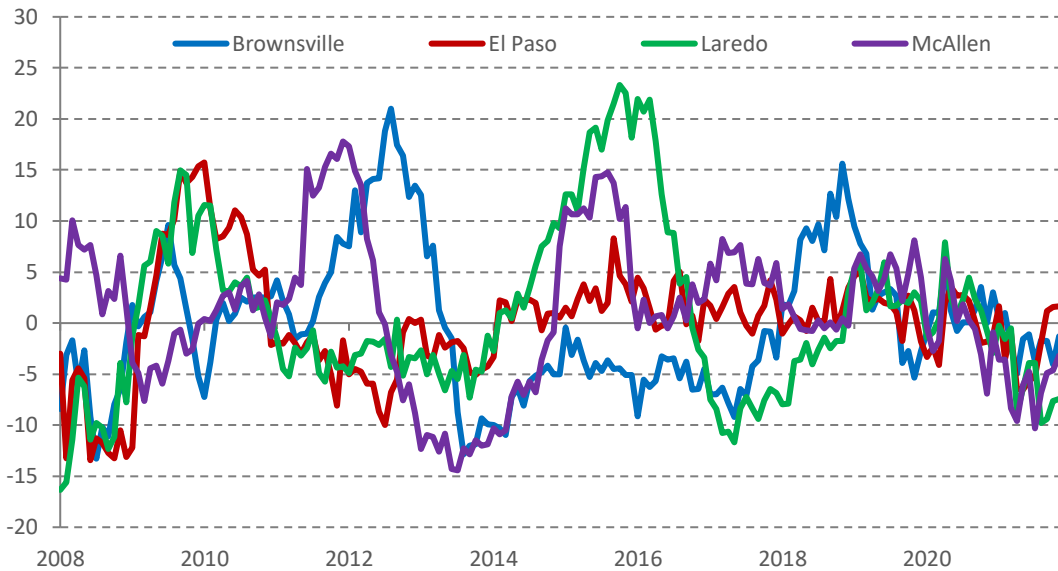
Note: Trend-cycle component.
Source: Instituto Nacional de Estadística y Geografía

Unemployment Rate (Percent)



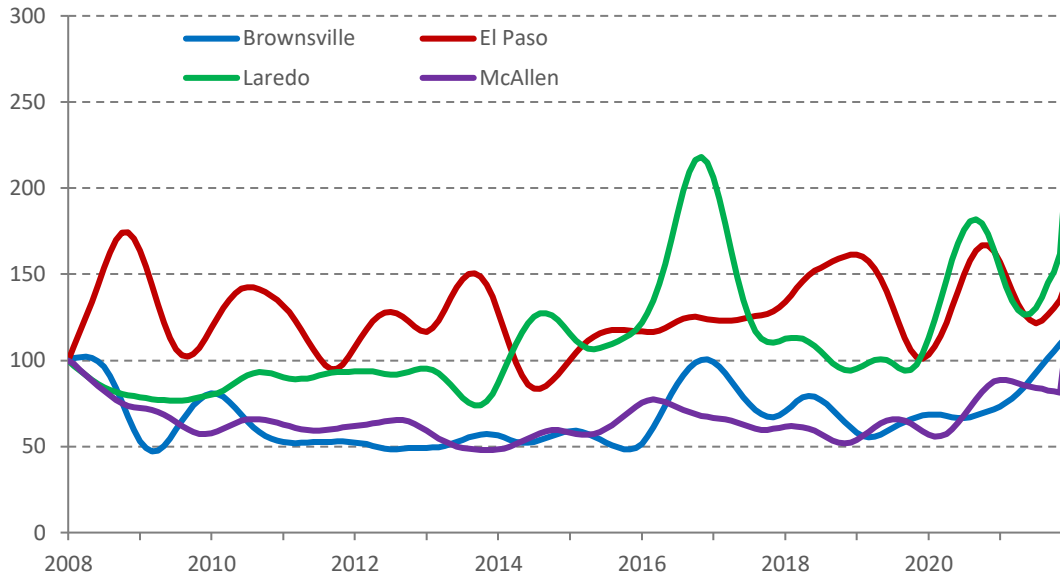
Note: Seasonally adjusted. April 2021 is preliminary. For more information, see [Unemployment Rate](#).
Source: Bureau of Labor Statistics

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



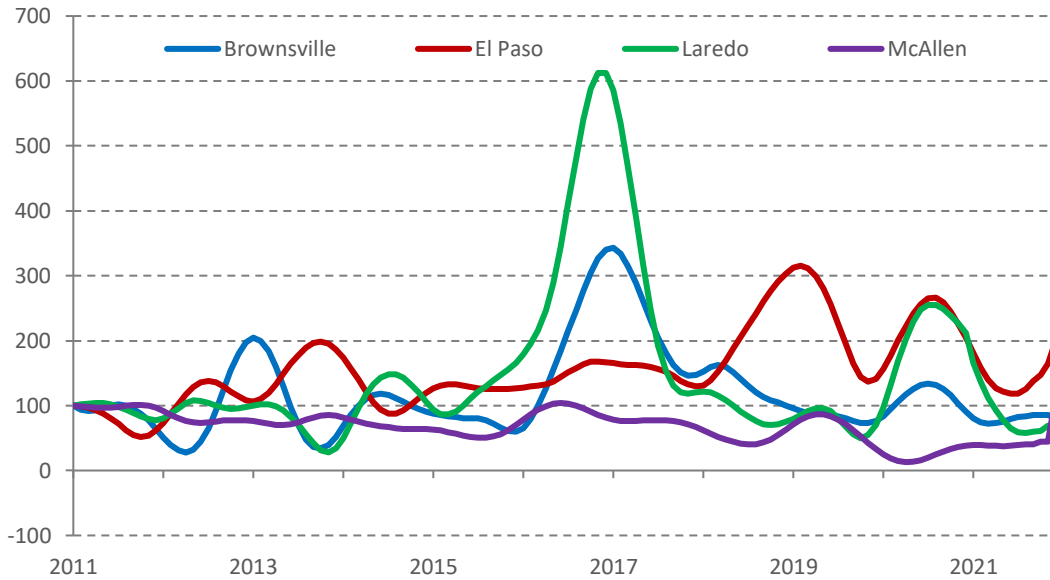
Notes: Inflation adjusted, seasonally adjusted. April 2021 is preliminary.
For more information, see [Total Private Employee Hourly Earnings](#).
Source: Bureau of Labor Statistics

Total Construction Values
(Index Jan 2008= 100)



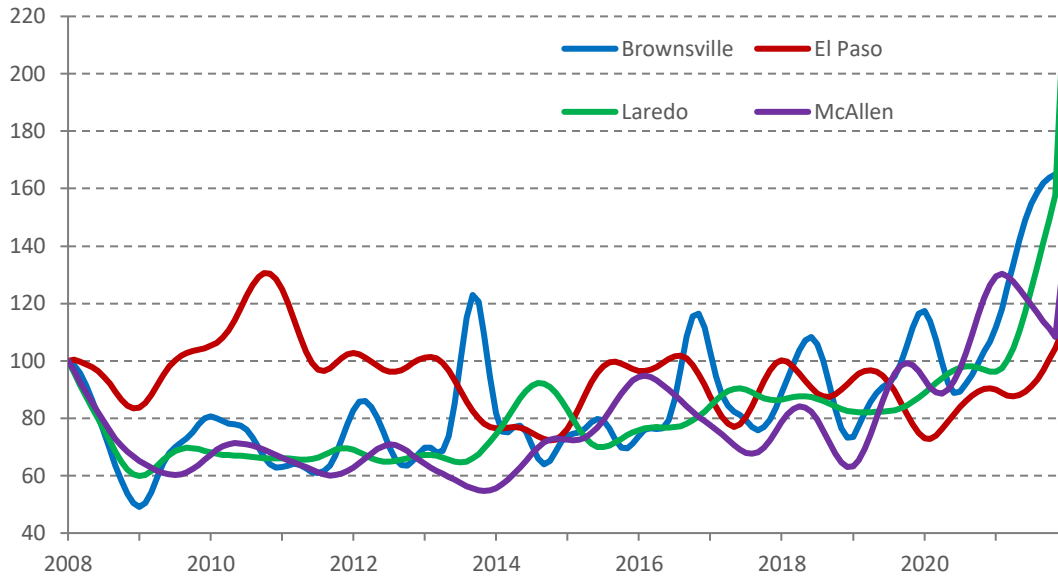
Note: Inflation-adjusted. Trend-cycle component.
Source: Dodge Data & Analytics

Nonresidential Construction Values
(Index Jan 2011 = 100)



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

Residential Construction Values (Index Jan 2008 = 100)



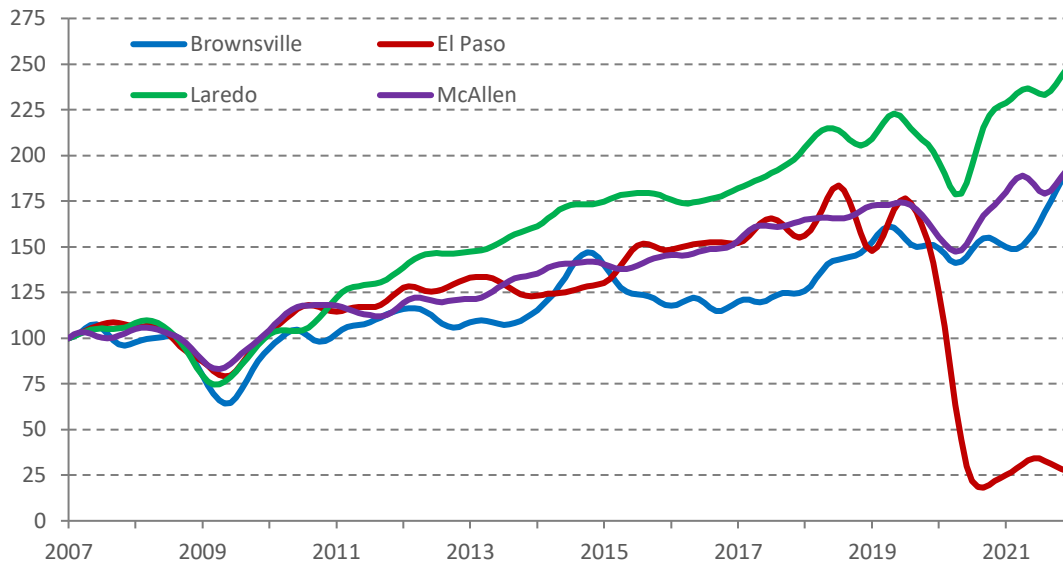
Note: Inflation-adjusted. Trend-cycle component.
Source: Dodge Data & Analytics

Real Peso per Dollar Exchange Rate (\$)



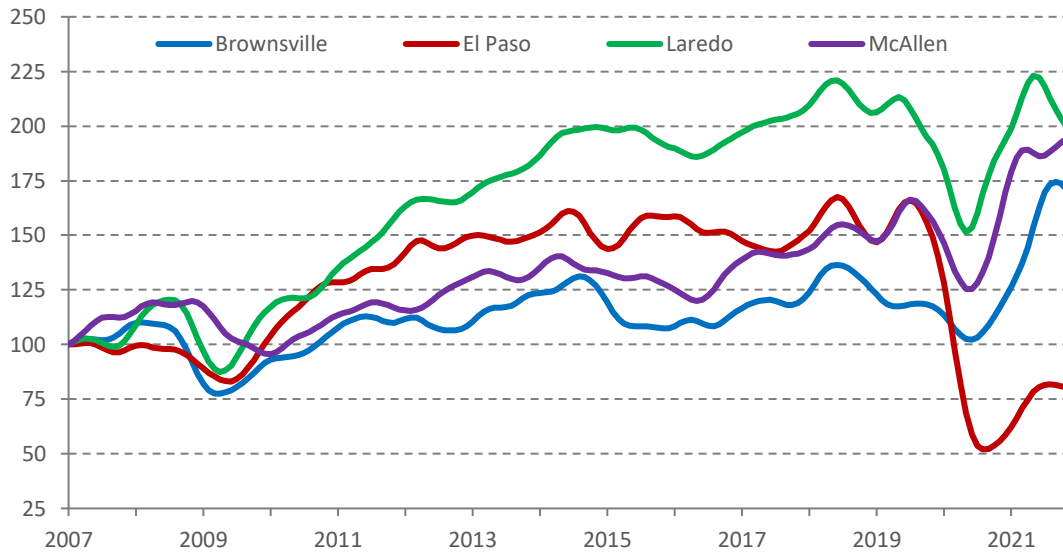
Note: Deflated using the Texas Trade Weighted Value of the Dollar.
Source: Federal Reserve Bank of Dallas

Import Values (Index Jan 2007 = 100)



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

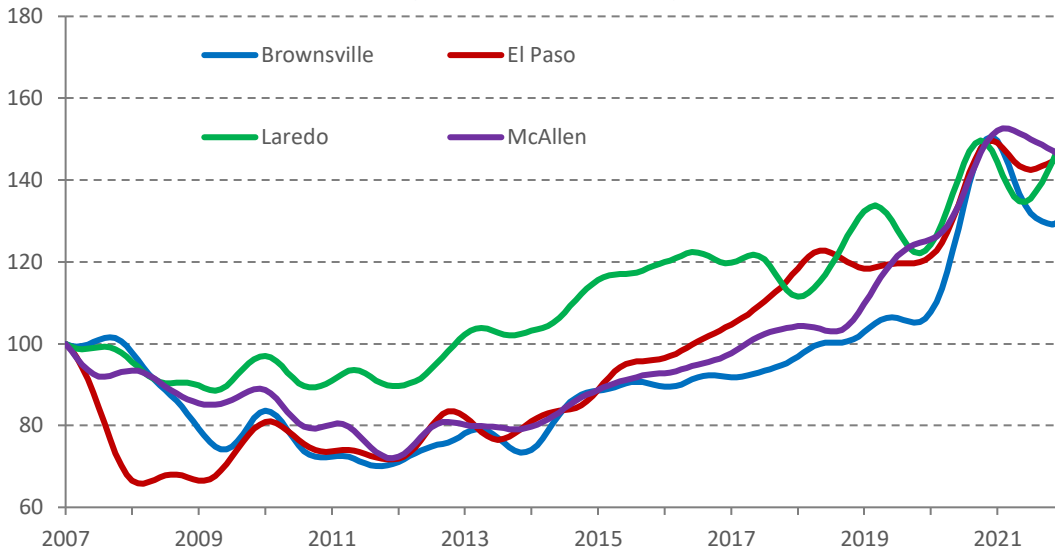
Export Values (Index Jan 2007 = 100)



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

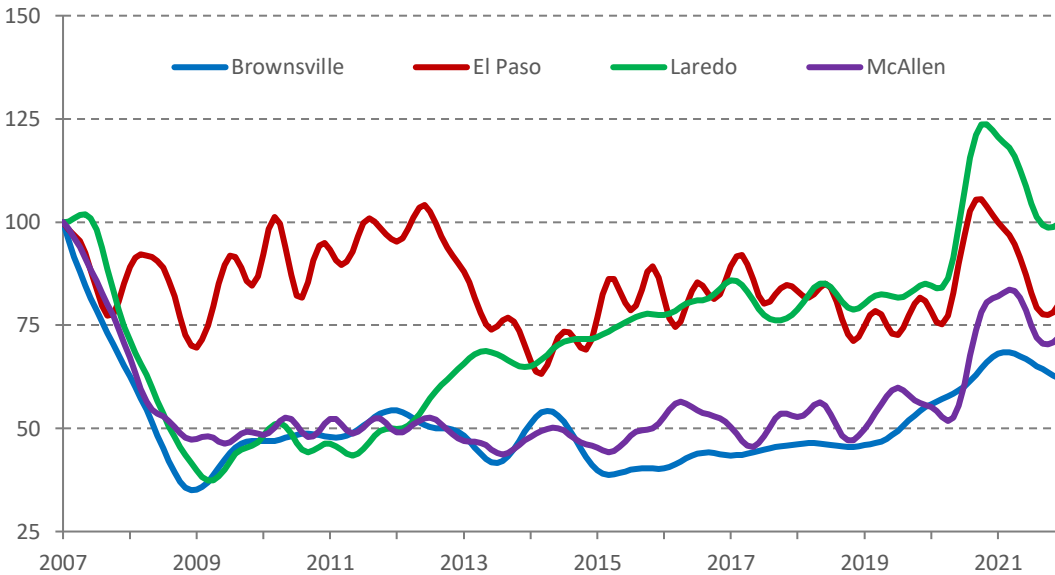
Housing

Housing Sales
(Index Jan 2007 = 100)



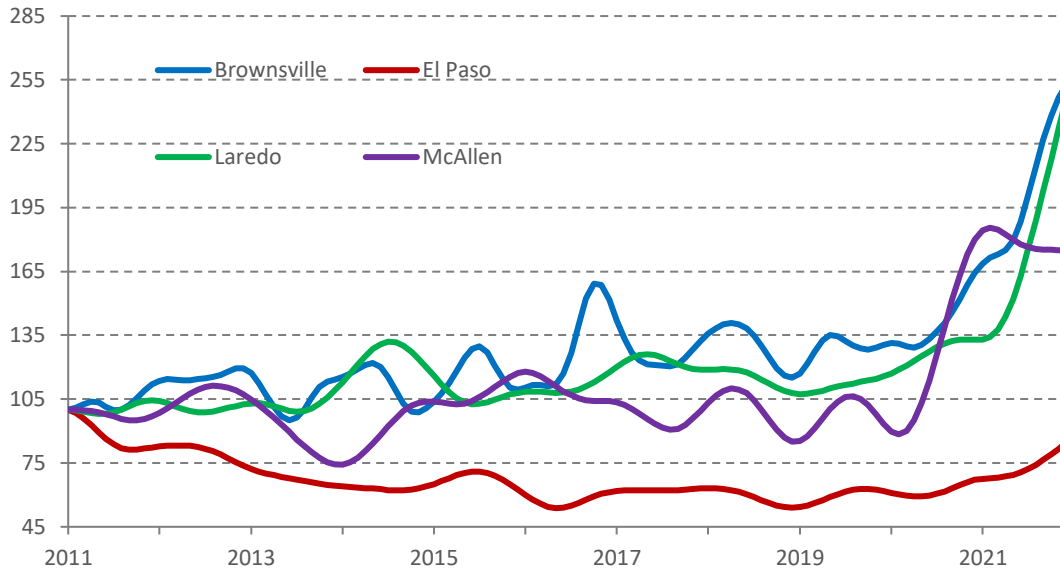
Note: Trend-cycle component.
Source: Texas Real Estate Research Center at Texas A&M University

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



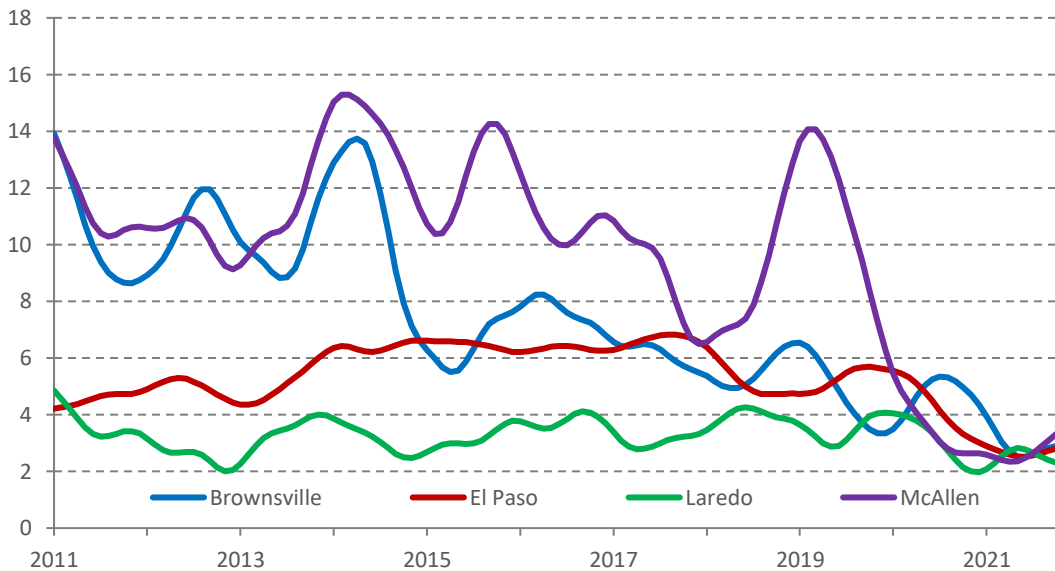
Note: Trend-cycle component.
Sources: U.S. Census Bureau and Texas Real Estate Research Center at Texas A&M University

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



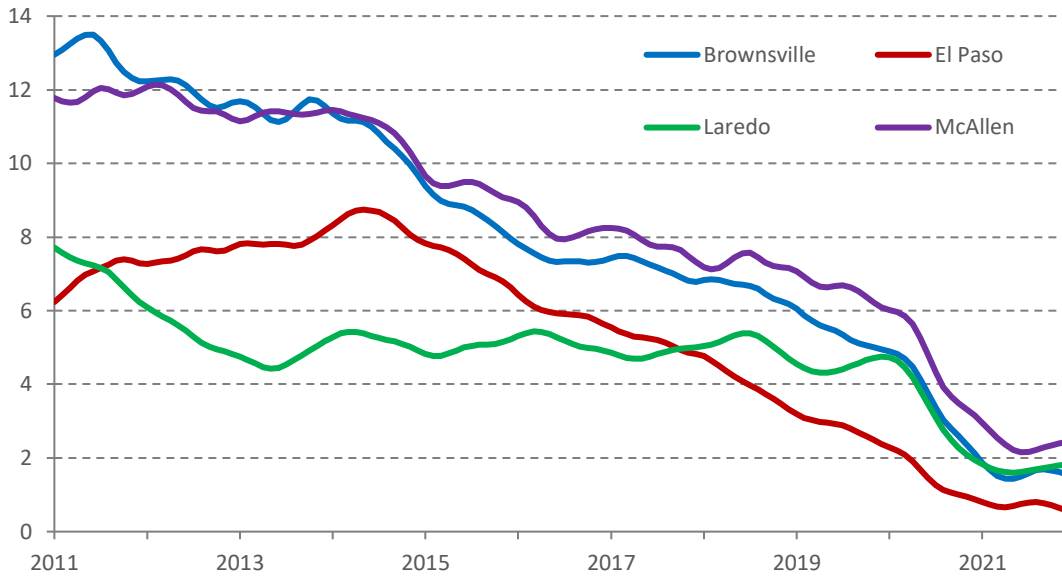
Note: Inflation adjusted. Trend-cycle component.
Source: Dodge Data & Analytics

New Home Months of Inventory
(Months)



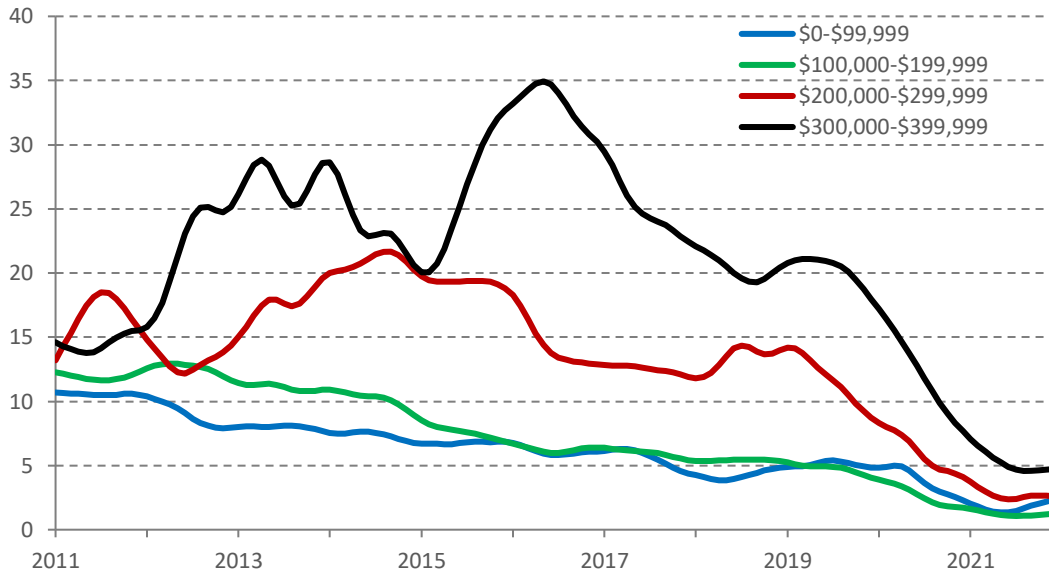
Note: Trend-cycle component.
Source: Texas Real Estate Research Center at Texas A&M University

Existing Home Months of Inventory (Months)



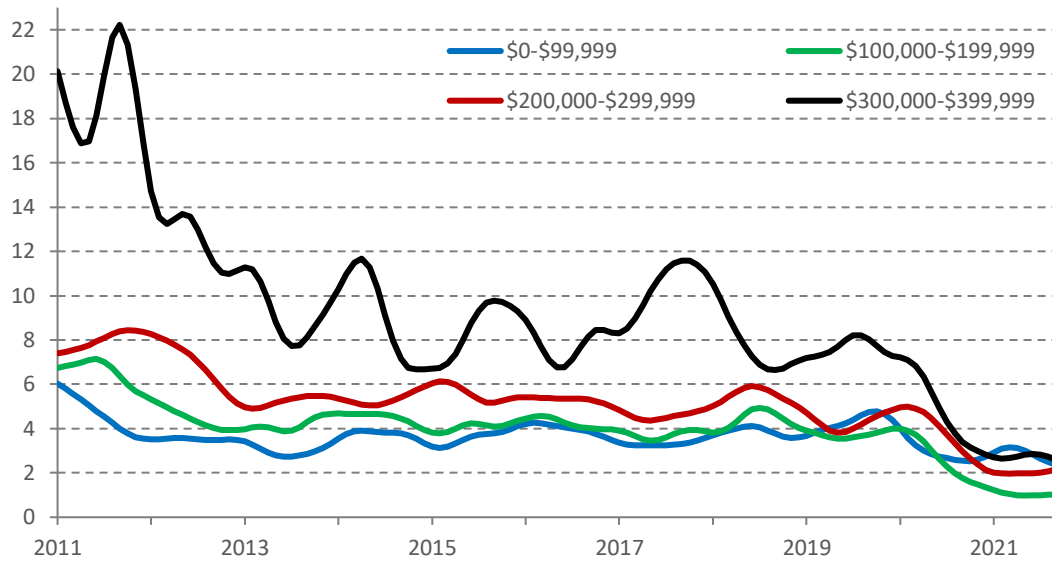
Note: Trend-cycle component.
Source: Texas Real Estate Research Center at Texas A&M University

McAllen Months of Inventory by Price Cohort (Months)



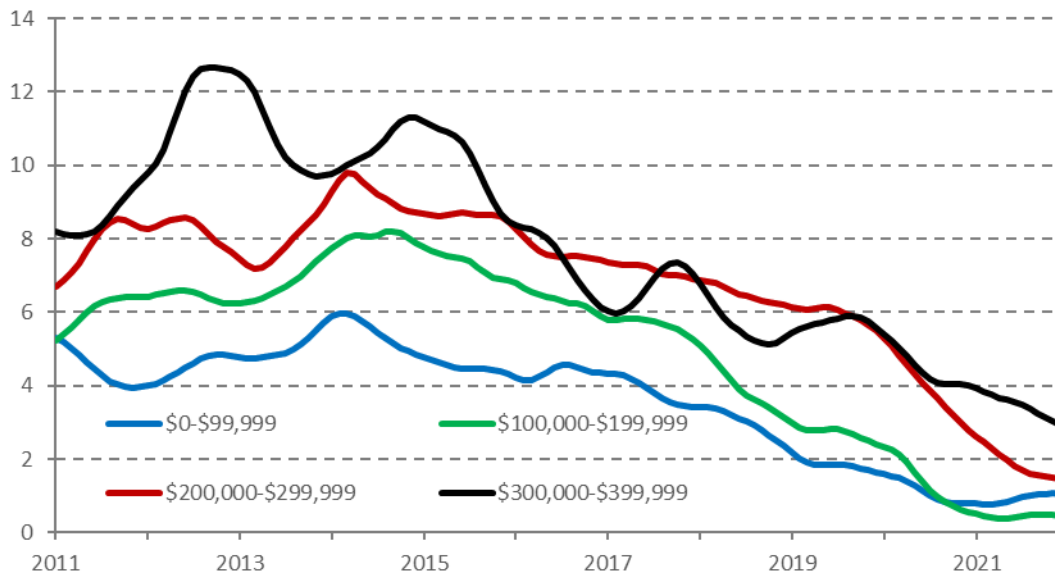
Note: Trend-cycle component.
Source: Texas Real Estate Research Center at Texas A&M University

Laredo Months of Inventory by Price Cohort (Months)



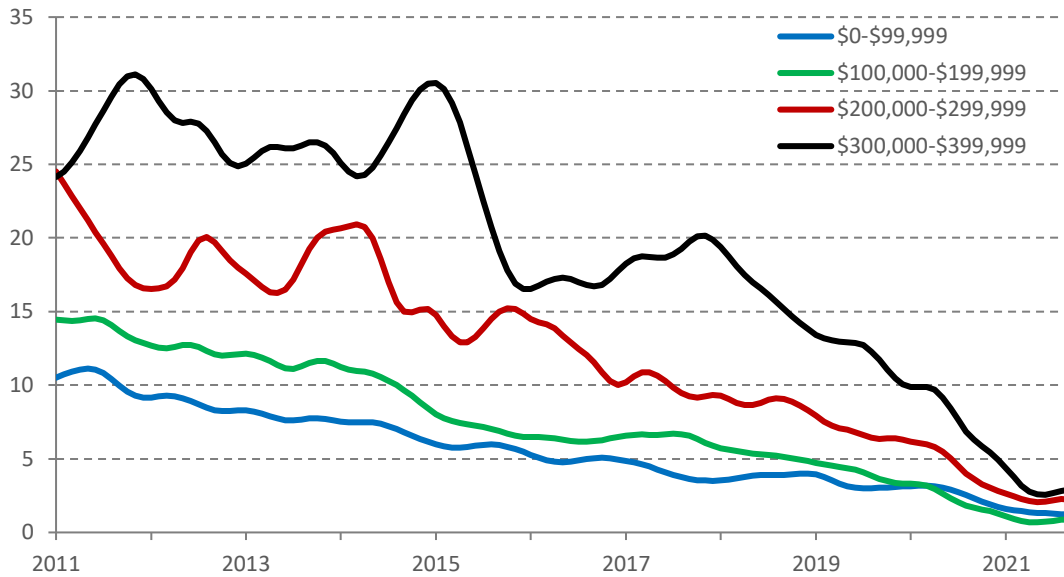
Note: Trend-cycle component.
Source: Texas Real Estate Research Center at Texas A&M University

El Paso Months of Inventory by Price Cohort (Months)



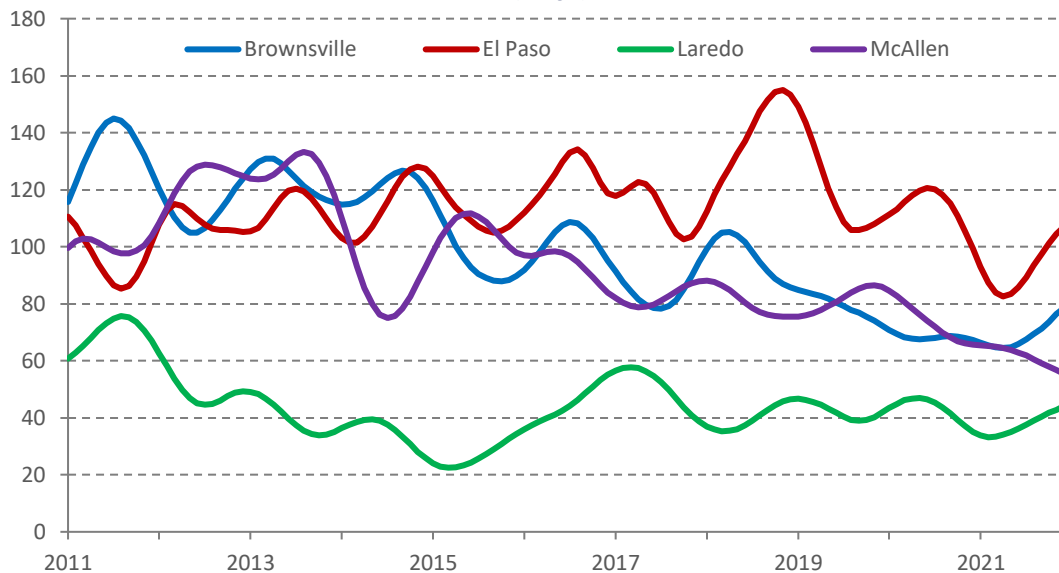
Note: Trend-cycle component.
Source: Texas Real Estate Research Center at Texas A&M University

Brownsville Months of Inventory by Price Cohort (Months)



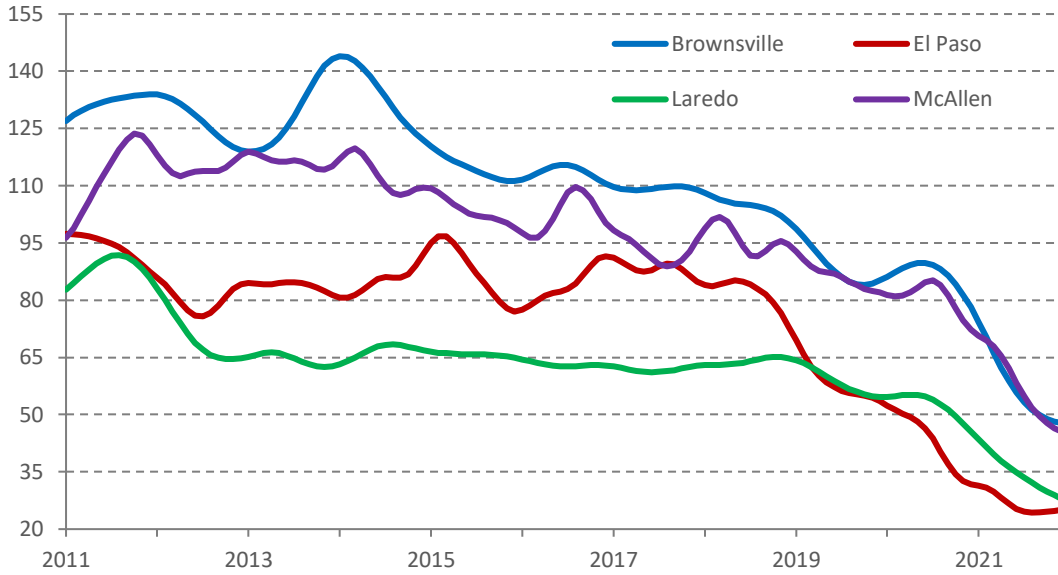
Note: Trend-cycle component.
Source: Texas Real Estate Research Center at Texas A&M University

New Home Days on Market (Days)



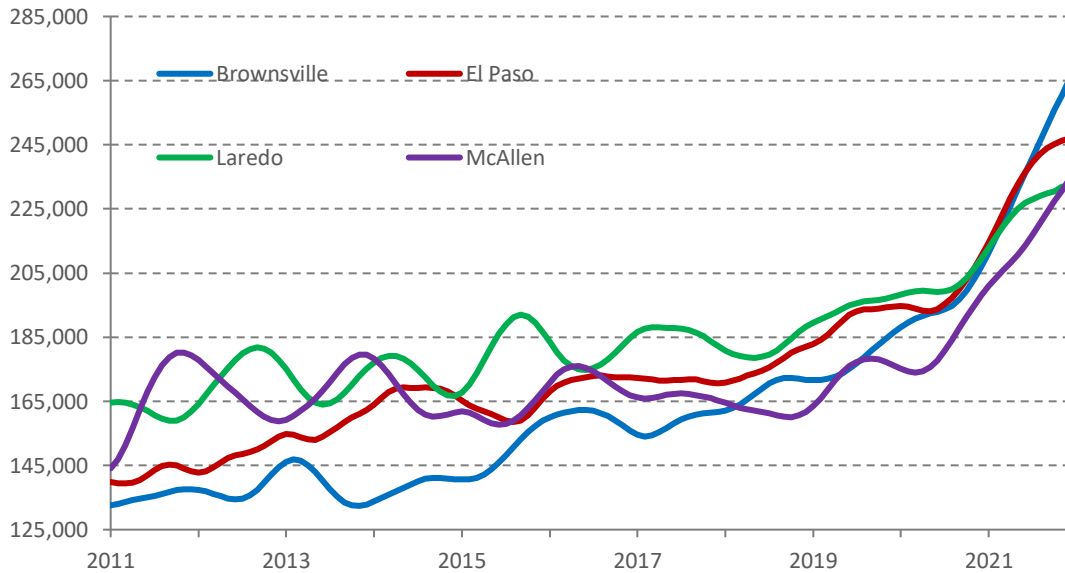
Note: Trend-cycle component. For single-family homes.
Source: Texas Real Estate Research Center at Texas A&M University

Existing Home Days on Market (Days)



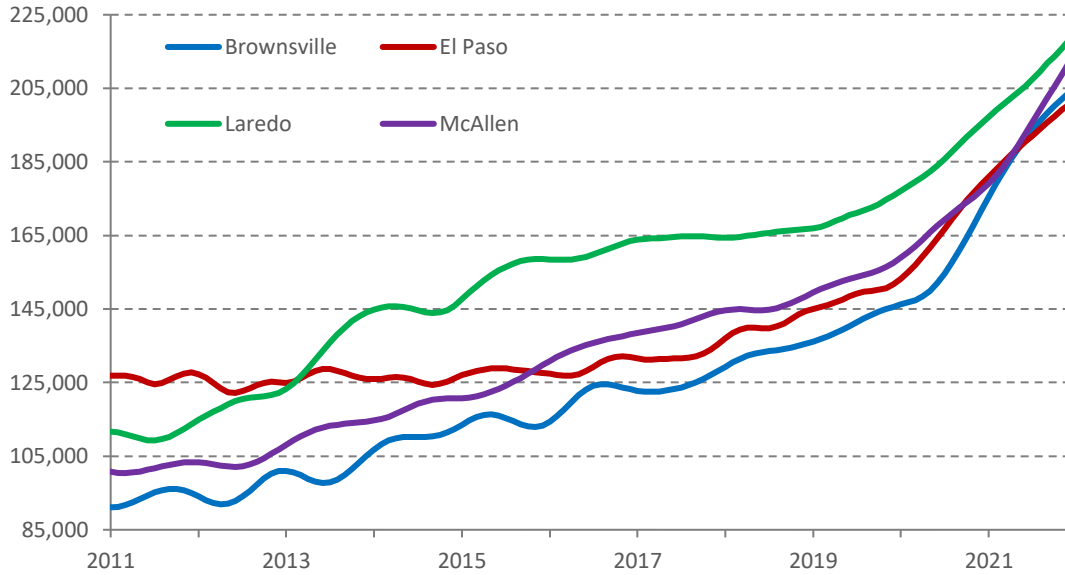
Note: Trend-cycle component. For single-family homes.
Source: Texas Real Estate Research Center at Texas A&M University

New Home Median Sales Price (\$)



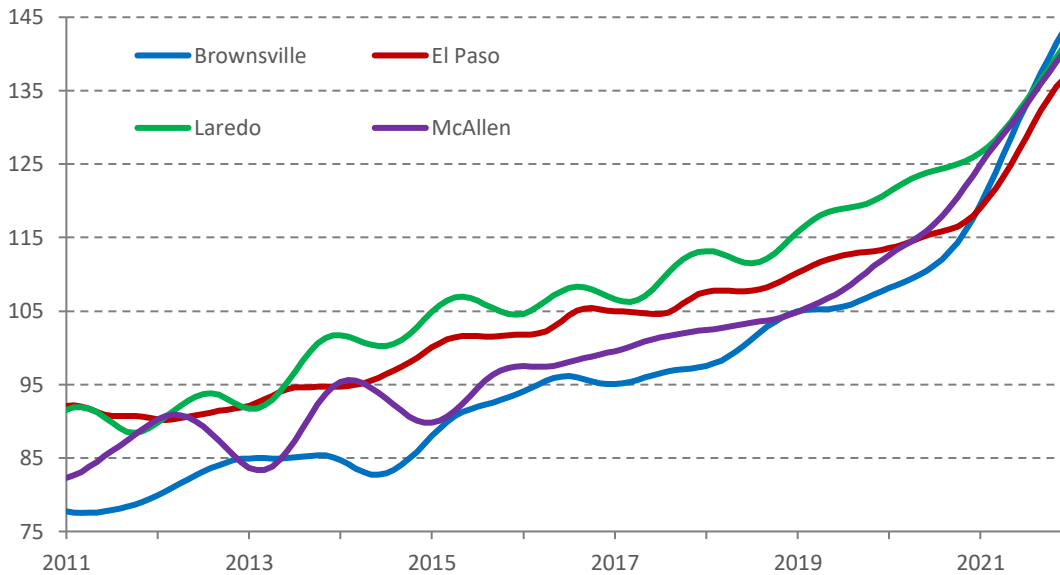
Note: Trend-cycle component. For single-family homes.
Source: Texas Real Estate Research Center at Texas A&M University

Existing Home Median Sales Price (\$)



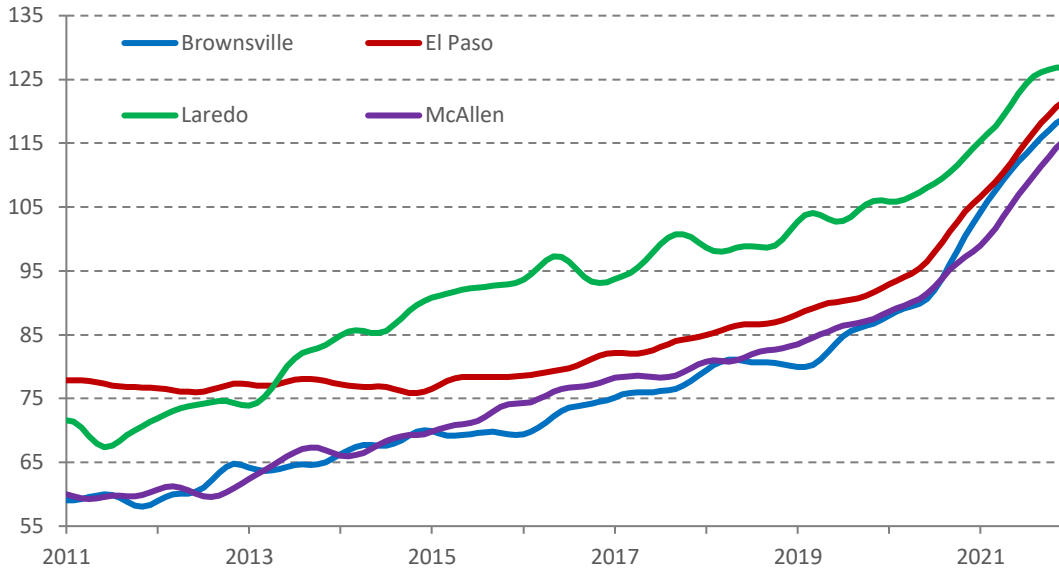
Note: Trend-cycle component. For single-family homes.
Source: Texas Real Estate Research Center at Texas A&M University

New Home Median Price Per Square Foot (\$)



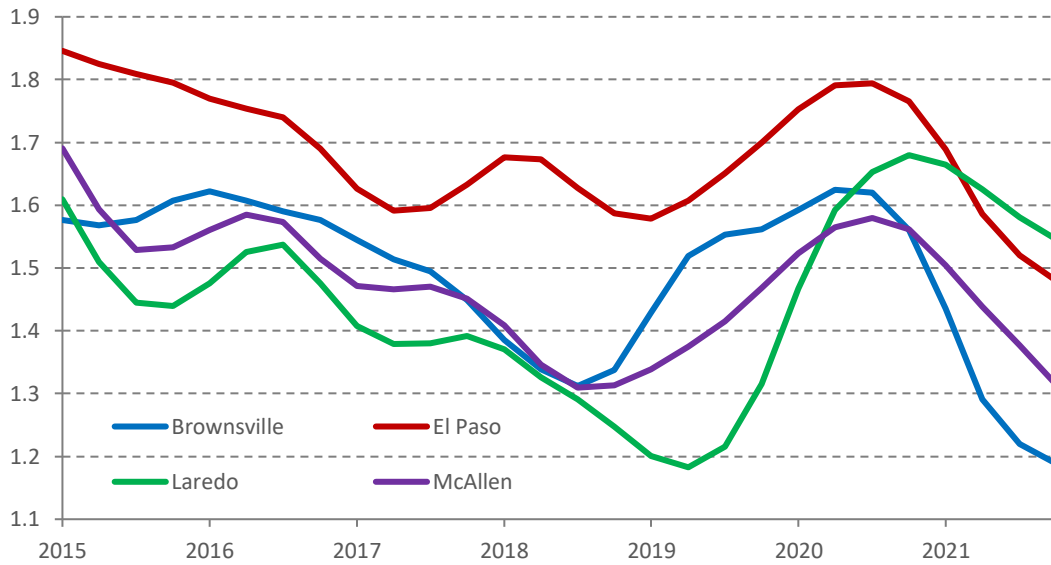
Note: Trend-cycle component. For single-family homes.
Source: Texas Real Estate Research Center at Texas A&M University

Existing Home Median Price Per Square Foot (\$)



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

Housing Affordability Index (Ratio)



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



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