THE IndependenceVoice

From: MARK SPRAGUE, ITC State Director of Information Capital

Texas is one of only seven states to reach prerecession employment this past year. North Dakota, Alaska, New York, Oklahoma, Louisiana, and South Dakota were the other states. We've spent a lot of time talking about Austin, San Antonio, Houston, and Dallas, so this week we wanted to address growth in Texas's other metro areas. Much of this growth is attributable to the four major metros, but we wanted to look at the next tier of mid-sized cities in Texas, and determine their contribution to the state's economy.

Abilene

The Abilene housing market fared better in 2012 than in 2011. 2013 should continue to see growth. A natural gas boom has added more jobs for the area and should continue to be beneficial for the local economy. Home sales in the city were up in December 2012 compared with a year ago, but the average sales price went down, according to the Abilene Association of Realtors.

Abilene real estate agents sold 126 homes last month, 13 more than the same month last year. The average price was $129,383, compared to $135,597 in December 2011. The median price also dropped. It was $113,250 this December, compared to $122,500 in December 2011. Any boom in real estate, however, is unlikely as Abilene moves back into the sort of slow paced market it has been for years. As in other Texas markets, look for fewer sales and continued appreciation. New and used sales are slow and will continue through 2013.

Midland-Odessa

The entire Midland-Odessa area, including many of the smaller outlying towns, is seeing the classic real estate problems of oil and gas towns. There are very few rentals available, apartments are at 98.9% occupancy with long waiting lists, and good listings usually sell on the first day for more than the list price, and many times have multiple offers. The Permian Basin is booming. Many companies are hiring and people are moving here from all of the US to find the lucrative jobs that are available here.

Lubbock

For the first time in several years, the inventory of existing homes in December dropped below 1,300 homes, or 4½ months of supply, and officially transitioned from a buyer's to a seller's market, carrying last year's strong recovery trend into 2013.

Lubbock ranked 42nd of 365 metro areas in the country for economic and job growth, according to an annual analysis published by a trade magazine focused on site selection and facility planning. Growth at Texas Tech and a strong agricultural and medical industry play major roles in fueling Lubbock's economy. The US Census American Community Survey ranked Lubbock 11th among the Top 20 Southwest cities and 11th among Top 50 Mid-Size Cities in the country.

The positive ranking mirrors other strong economic indicators for Lubbock, including a 5.8-percent year-to-date average unemployment rate for the city, compared with 6.2 percent for the state and 7.8 percent for the country and a 5 percent increase in home sales prices last month.

Last year, during the fourth quarter, the Lubbock market had enough homes listed to supply the purchase demand for the next 6½ months. To date, we only have enough inventory to support approximately 4½ months of sales. That amounts to a decrease in inventory of about 30.8 percent.

Lubbock traditionally maintains a balanced market, but began tilting toward a buyer's market about 11 months ago due to increased inventory. With recent residential purchase increases, investor purchasing, low interest rates, and a good selection of available properties, that inventory supply has quickly decreased, resulting in a rapid climate change and the shift back to a seller's market.

The commercial segment of the Lubbock real estate market, often overshadowed by the residential sector, has echoed the residential recovery trend with significant increases in recent activity. Although the Lubbock market was down last year compared to previous years, on a whole it has been protected from the bulk of the national recession with a steady economy, better-than-average unemployment rate, and steady home sales. All the indicators seem to point to a strong 2013 housing market that has local insiders excited.

December residential property sales increased to 275, up 22.8 percent from 224 the same month last year. The median single-family home price increased 4.6 percent over the last year from $119,450 to $124,900.

El Paso

El Paso, on the US-Mexico border, is experiencing better economic times as a result of the 2005 Base Realignment and Closure Act. Since 2005, base closures have brought an additional 14,000 soldiers to Fort Bliss. By 2012, there will be an additional 13,000 soldiers, bringing the base's total military headcount to 38,000. Typically, servicemen will have a family of at least two to three people, let's say 2.6 people. So there has been an additional 33,800 people moving to El Paso in 2010 and 2011. This fast growing population has helped El Paso climb five notches on the Milken Institutes latest best performing cities index, ranking ninth out of the nation's 200 metro areas. El Paso did not see the boom price surges as the rest of Texas, so they have seen continued appreciation in new and resales. El Paso's home-sale prices increased in the third quarter, but at a slower pace than the national rate, new data shows.

El Paso's third-quarter median, or market midpoint, home-sale price increased 4.7 percent compared to the same quarter a year ago to $130,100, the Greater El Paso Association of Realtors (GEPAR) reported, with most areas of town continuing to see a surge in sales.

Killeen, Belton, and Temple

Another Texas metro area that benefited from the military realignment is the Killeen / Belton / Temple area, vis-a-vis Fort Hood. Fort Hood is one of the largest United States military installations in the world. A 340 square mile installation, Fort Hood is the largest active duty Army post in the United States, with some 55,000 uniformed personnel and the home of III Corps, 1st Cavalry Division, 13th Sustainment Command, First Army Division West, 3rd Armored Cavalry Regiment, 41st Fires Brigade, and many other military units.

According to the Texas comptroller's office, Fort Hood's economic impact exceeded $25 billion in Fiscal Year 2011. According to the study, 68,942 jobs were directly attributed to Fort Hood operations in fiscal 2011, up from about 67,000 jobs in fiscal 2007. Employees at Fort Hood consist of active duty military, federal civilian workers, contract personnel, and Killeen Independent School District workers. In addition, there are 79,454 family members supported by these jobs. Fort Hood was indirectly responsible for an additional 214,344 jobs throughout the state. In terms of payroll, Fort Hood paid its active duty military personnel and civilian workers more than $3.14 billion in 2011.

Central Texas was not hit as hard as the rest of the country, but there was definitely a period when being optimistic was a challenge. That changed in 2012.

Killeen area home sales have exceeded the previous year, for the first time since 2005. In fact, the numbers from the Fort Hood Association of Realtors and Temple-Belton Board of Realtors Multiple Listing Service show there were more homes sold in Central Texas through November of this year than there were in all of 2011. In 2011, there were 2,894 home sales in Central Texas. So far this year, the number is 3,091. Home sales probably won't reach 2005 levels, because those numbers were artificially inflated by the housing bubble. The impressive thing is that most of these sales are entry level, and home sales rose despite tighter lending practices.

Home starts in 2012 have stayed about even with the previous year and should continue with little reason to improve due to harsher lending requirements and Federal budget constraints.

One troubling trend of 2012 is how long houses were staying on the market before they sold. In 2012, the average home for sale stayed on the market for 133 days. In 2011, it was 127. In 2010, it was 112. There has not been a significant increase in the absorption rate, or the months of inventory. Inventory dropped in 2012 and averaged at 10.36 months of supply. So far in 2012, that number has dropped to 9.57 months, indicating a seller's market. Local realtors and builders are cautiously optimistic about 2013.

Laredo

On Texas's southern border, Laredo continues to see improvement in their unemployment rates, dropping to 6.3%, one of the lowest recent figures for the city. Laredo is also seeing the effects of the fracking boom given its location on the Eagle Ford Shale. In turn you see the cascade of benefits to the city as more money circulates creating more jobs in restaurants, hotels, trade, etc.

The home rental market is going strong, thanks to an influx of contracted government employees who prefer to rent. Laredo home sales increased 4.46 percent and the median price increased 8 percent in second quarter 2012, according to the Texas Quarterly Housing Report by the Texas Association of Realtors.

Local realtors say rental homes are flying off the market, a trend that has been seen elsewhere in Texas. Local apartment occupancy rate is at 97 to 98 percent. Another 400 to 450 units will be brought into the market over the next year, but there will still be a shortage. 2014, another 300 to 350 units are expected to go up and lease quickly.

McAllen

McAllen is the twentieth most populous city in Texas as well as the largest city in Hidalgo County. It is located at the southern tip of Texas in an area known as the Rio Grande Valley. Its southern boundary is located on the Rio Grande River across from the Mexican city of Reynosa, the Rio Grande River, and about 70 miles west of South Padre Island and the Gulf of Mexico. The 2010 census put the city's population at 129,877 and the McAllen–Edinburg–Mission metropolitan area at 774,769. However, the Reynosa–McAllen Metropolitan Area has a combined population of nearly 1.7 million, close to the size of Austin or San Antonio.

The introduction of the maquiladora economy and the North American Free Trade Association (NAFTA) led to a boom in international trade, cross-border commerce with Mexico and health care. McAllen's Medicare spending per capita has attracted national scrutiny due to a sharp increase from a national average in 1992 to a near national high by 2006.

McAllen is a regional retail destination for Northeastern Mexican states. While McAllen's total population is 20th among Texas cities, it ranked 12th in overall retail sales, and third in the state in total retail sales per household and per capita. The region is benefiting from its status as a gateway to Latin America and its youthful population. The median age in the region is just over 25.

However, McAllen's location has put pressure on its medical facilities. The public image of McAllen, Texas, took a severe beating in 2009 when The New Yorker revealed the city had the highest health care costs in the nation. The magazine described a local medical culture that encouraged waste. McAllen's recent growth was in part due to its vibrant – some would say overly vibrant – health care sector, local officials admitted. There was huge growth in the medical industry with an influx of privately owned, for-profit hospitals. It will be interesting to see what will happen here over the next year as Medicaid and Medicare go through their cuts.

McAllen ranks no. 3 among the least-expensive places to live in the United States, according the Council for Community and Economic Research (CCER). The quarterly cost-of-living index released by the CCER names Harlingen as the cheapest place to live in the nation followed by Wichita Falls.

At $39,547, McAllen's median household income is more than 20 percent lower than the statewide figure of $49,646 and the nationwide figure of $51,914, according to the U.S. Census Bureau. Also, at least 27 percent of people in McAllen live below the poverty line, compared with less than 17 percent across Texas and about 14 percent nationwide, Census Bureau figures show.

Over the past year, McAllen has become the fastest growing region in the country, according to the monthly ranking of the nation's 100 largest metro areas compiled by the Census Bureau. McAllen and its neighboring towns added nearly 8,000 jobs or 4 percent to its total in the past year and reduced its unemployment rate by a full 1.1 percentage points, to 10.4 percent. While unemployment there is still higher than the national average and the highest in the state, the local economy is clearly on the mend.

Housing in the McAllen–Edinburg–Mission continues to experience high rental occupancies at over 98%. However the home for sale market continues to be a challenged with over 14 months of inventory. That's well above the Texas average of nearly six months. The main reason is foreclosures and real estate owned (REO) sales which remain a drag on the market. Out of all existing home closings, foreclosures combined with REO closings made up 42.2% of closings in the area.

So what was the purpose of this exercise? Texas is doing great in comparison to the rest of the country. We are blessed to live in a state that is seeing great job creation and a better-than-national real estate market, However there are still areas in the state that remain challenged real estate wise.

I want to thank and recognize the Texas A&M Real Estate Center. They are an asset and treasure that most states do not have. The ability to go in and review many local markets at a glance is phenomenal. Although we rely on many sources, they are the touchstone we always come back to. If you haven't visited their website or read their publications, you need to.

Know this: real estate you look at today will be more expensive next year! There has never been a more affordable time to buy!

Independence Title

Explore www.IndependenceTitle.com

MARK SPRAGUE, State Director of Information Capital

Office: 512/454-4500 – Mobile: 512/563-4764 – Fax: 512/454-4559