



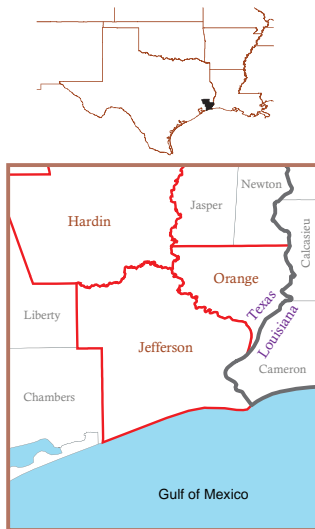
Beaumont-Port Arthur, Texas

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of June 1, 2008



Please note that the estimates and forecasts in this report were based on conditions that existed in the housing market area before the impact of Hurricane Ike on September 13, 2008. The Economic and Market Analysis Division at the Department of Housing and Urban Development will continue to monitor conditions in this housing market area. To obtain more recent information, please contact David Vertz in the Fort Worth Regional Office (see Contact Information at the end of this report).

Housing Market Area



The Beaumont-Port Arthur, Texas Housing Market Area (HMA), which is located along the Gulf of Mexico in southeastern Texas approximately 90 miles east of Houston, consists of Hardin, Jefferson, and Orange Counties. Jefferson and Orange, the easternmost counties in the HMA, border Louisiana. The principal cities of Beaumont and Port Arthur are located in Jefferson County.

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Summary

Economy

Economic conditions in the Beaumont-Port Arthur HMA have been stable during the past 12 months. The increase of 1,700 jobs, or growth of 1 percent, is primarily due to continued hiring in the oil and gas industries. During the forecast period, nonfarm employment is expected to grow by 1.2 percent annually. Construction related to rebuilding efforts following the destruction brought by Hurricane Rita in 2005 will subside during the next 3 years; however, hiring in the oil industry is expected to continue. Employment data for the HMA are provided in Table DP-1 at the end of this report.

Sales Market

The sales housing market in the HMA is tight, with a current overall vacancy rate of 1.5 percent due to a loss of inventory from Hurricane Rita in September 2005. According to the Real Estate Center at Texas A&M University, for the 12 months ending May 2008, the average sales price for new and existing homes in Beaumont was \$146,400, a 3-percent gain compared with the average price of \$142,100 for the 12 months ending May 2007. During the forecast period, employment growth is expected to

support demand for 4,680 new homes (see Table 1).

Rental Market

The rental housing market in the HMA is currently balanced due to an estimated 4,400 units taken off line as a result of damage from Hurricane Rita in 2005. The current rental vacancy rate is estimated to be 7 percent, approximately 4 percentage points lower than the rate recorded in 2000. During the next 3 years, demand is forecast for 1,350 new rental units. The forecast demand will be partially met by rebuilding efforts related to Hurricane Rita, including 450 rental units currently under construction (see Table 1).

Table 1. Housing Demand in the Beaumont-Port Arthur HMA, 3-Year Forecast, June 1, 2008 to June 1, 2011

	Beaumont-Port Arthur HMA	
	Sales Units	Rental Units
Total Demand	4,680	1,350
Under Construction	250	450

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of June 1, 2008.

Source: Estimates by analyst

Economic Conditions

Hurricane Rita made landfall in September 2005, when the economy of the Beaumont-Port Arthur HMA was contracting. From 1998 through 2004, resident employment decreased by a total of 4,900 workers. Since 2005, resident employment has increased by an average of 1,475 workers annually, or approximately 1 percent a year. For the 12-month period ending May 2008, the unemployment rate averaged 5.5 percent, a slight increase from the rate recorded for the same period ending May 2007 but less than one-half of the average rate recorded during the early 1990s. Figure 1 illustrates trends in labor force, resident employment, and unemployment rate in the HMA from 1990 to 2007.

Economic conditions have improved significantly in the HMA since 2005, following a 4-year period when more than 8,000 nonfarm jobs were lost due to declines in the oil and chemical manufacturing industries. Since 2005, nonfarm employment has increased by 2.4 percent a year, led by hiring in the natural resources, mining, and construction sector, which has increased by 4,100 jobs and has accounted for approximately 70 percent of total job gains in the past 3 years. Figure 2 illustrates nonfarm employ-

ment growth by sector in the HMA from 1990 through May 2008. Figure 3 illustrates current employment by sector in the HMA.

During the 12 months ending May 2008, nonfarm employment totaled 164,400 jobs, up 1 percent compared with the number of jobs recorded during the previous 12 months (see Table 2). During the most recent 12-month period, employment in the education and health services sector increased by 2.8 percent, or 600 jobs, after declining by 1,400 jobs between late 2005 and mid-2006 due to out-migration resulting from Hurricane Rita. The natural resources, mining, and construction sector accounted for 700 of the 1,700 nonfarm jobs added during the past 12 months. Construction industry gains stemmed partly from rebuilding efforts related to Hurricane Rita. According to the National Hurricane Center, Hurricane Rita caused \$11.3 billion of damage to the Gulf Coast in September 2005. A study published by URS Group, Inc., for the Federal Emergency Management Agency (FEMA) estimates that 89,600 housing units sustained at least wind and debris damage in the three-county HMA and that the communities of Beaumont, Port Arthur, and Orange sustained widespread

Figure 1. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Beaumont-Port Arthur HMA, 1990 to 2007

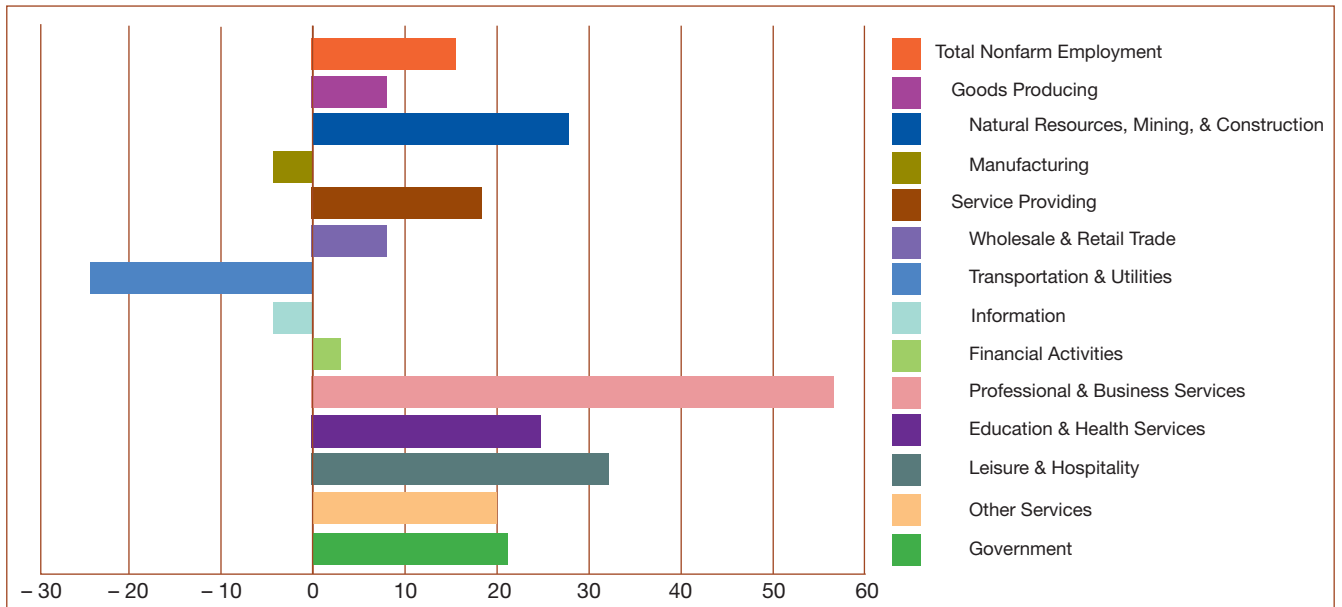


Source: U.S. Bureau of Labor Statistics

wind damage. Commercial construction jobs have also increased due to facility expansions, including developments in the oil and gas industries. Hiring at Valero Energy Corporation and Total Petrochemicals USA, Inc., contributed to the 1,000 new manufacturing sector

jobs, which accounted for more than one-half of the nonfarm job growth reported during the 12 months ending May 2008. Other oil companies in the area include Entergy Texas, Inc., the leading employer in the HMA (see Table 3), Exxon Mobil Corporation, and Huntsman Corporation.

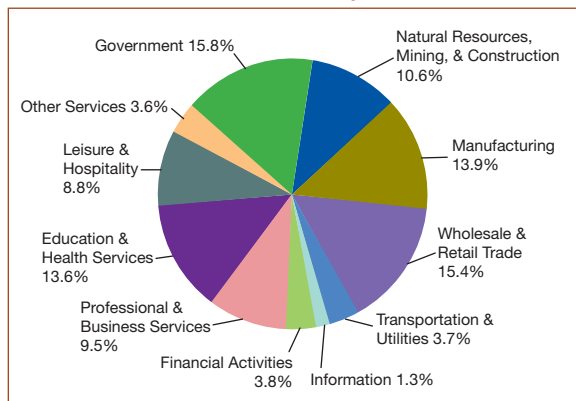
Figure 2. Sector Growth in the Beaumont-Port Arthur HMA, Percentage Change, 1990 to Current



Note: Current is based on 12-month averages through May 2008.

Source: U.S. Bureau of Labor Statistics

Figure 3. Current Employment in the Beaumont-Port Arthur HMA, by Sector



Note: Based on 12-month averages through May 2008.

Source: U.S. Bureau of Labor Statistics

Table 2. 12-Month Average Employment in the Beaumont-Port Arthur HMA, by Sector

	12 Months Ending May 2007	12 Months Ending May 2008	Percent Change
Total Nonfarm Employment	162,700	164,400	1.0
Goods Producing	38,700	40,400	4.4
Natural Resources, Mining, & Construction	16,800	17,500	4.2
Manufacturing	21,900	22,900	4.6
Service Providing	124,000	123,900	-0.1
Wholesale & Retail Trade	25,100	25,300	0.8
Transportation & Utilities	6,600	6,100	-7.6
Information	2,500	2,200	-12.0
Financial Activities	5,800	6,000	3.4
Professional & Business Services	15,500	15,700	1.3
Education & Health Services	21,800	22,400	2.8
Leisure & Hospitality	14,200	14,400	1.4
Other Services	6,100	6,000	-1.6
Government	26,400	25,900	-1.9

Notes: Based on 12-month averages through May 2007 and May 2008. Numbers may not add to totals because of rounding.

Source: U.S. Bureau of Labor Statistics

During the next 3 years, employment in the HMA is expected to grow by 1.2 percent, or 2,000 jobs, a year, led by hiring in the commercial construction and oil and gas industries and in the education and health services sector. During 2008, Motiva Enterprises LLC expects to continue progress on a 325,000 barrel-per-day refinery expansion. Motiva, a joint venture of Royal Dutch Shell and Saudi Refining, Inc., has already announced

plans to have the largest refinery in the United States and one of the largest in the world. The expansion is projected to generate more than 4,500 construction jobs and at least 300 new full-time jobs when it is completed in 2010. In Beaumont, the Memorial Hermann Baptist Beaumont Hospital is undergoing a \$51 million expansion that is expected to add 52 beds and create an estimated 100 full-time jobs by the spring of 2009.

Table 3. Major Employers in the Beaumont-Port Arthur HMA

Name of Employer	Employment Sector	Number of Employees
Entergy Texas, Inc.	Natural Resources, Mining, & Construction	13,475
Capital One Bank (USA)	Financial Services	6,487
CHRISTUS Hospital—St. Elizabeth	Education & Health Services	3,282
AT&T	Professional & Business Services	3,003
Beaumont Independent School District	Government	2,600
Crockett Street Dining and Entertainment District	Retail Trade	2,400
Texas State Bank	Financial Services	1,900
Talon Insurance Agency, Ltd.	Professional & Business Services	1,718
Port of Beaumont	Government	1,677
Port Arthur Independent School District	Government	1,309

Note: Table contains 2006 data; 2007 data are not available.

Sources: Greater Beaumont Chamber of Commerce; Port Arthur Chamber of Commerce

Population and Households

From 1990 to 2000, the population in the Beaumont-Port Arthur HMA grew an average of 2,400, or 0.6 percent, a year. Although moderate economic growth in the 1990s contributed to the population increase, nearly 80 percent of the gain resulted from net natural change (resident births minus resident deaths).

From 2000 to 2005, the total population decreased by 4,300, an annual average decline of 820, or less than 1 percent, due to net out-migration as a result of job losses in the area. According to Census Bureau estimates, from 2005

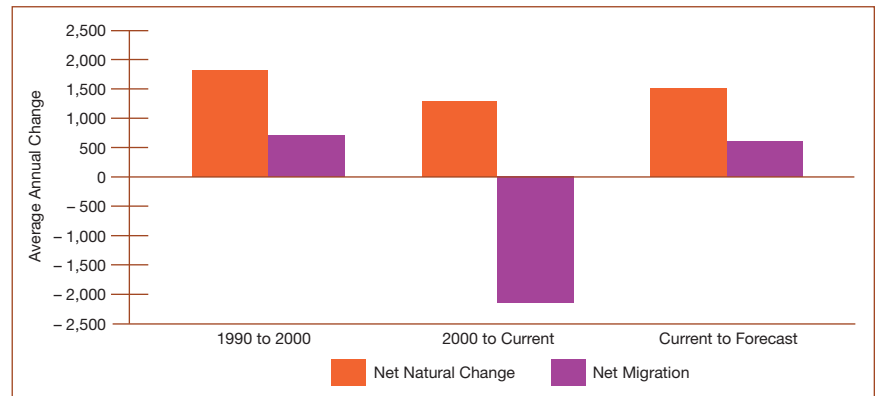
to 2006, the population decreased by 6,350, or 1.7 percent, due to displacement from Hurricane Rita. As of June 1, 2008, the population of the HMA is estimated to be 379,500, down by 0.2 percent, or 700, compared with the June 1, 2007, population estimate. During the forecast period, the population of the HMA is projected to increase by about 2,100 a year, because net out-migration is expected to diminish in response to forecast moderate employment growth. The population for the HMA is forecast to reach approximately 385,800 by

June 1, 2011. See Figure 4 for the components of population change in the HMA from 1990 to the forecast date.

The number of households in the HMA increased by approximately 800 a year during the 1990s. As a result of the population declines that have occurred since 2000, growth in the number of households has been negligible from 2000 to the current

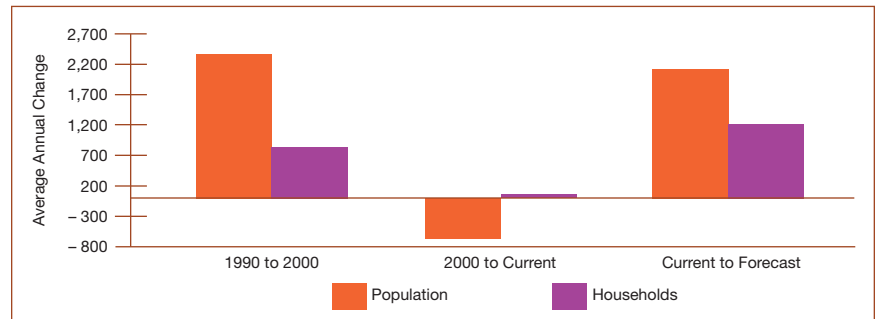
date. During the forecast period, as a result of expected population gains, the total number of households is estimated to grow by 1,200 a year (see Figure 5). By June 1, 2011, the number of households in the HMA is expected to total approximately 146,400. Figure 6 shows the number of households by tenure from 1990 through the current period.

Figure 4. Components of Population Change in the Beaumont-Port Arthur HMA, 1990 to Forecast



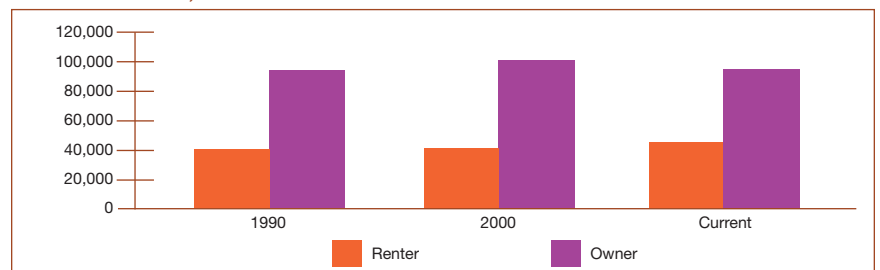
Sources: 1990 and 2000–1990 Census and 2000 Census; current and forecast—estimates by analyst

Figure 5. Population and Household Growth in the Beaumont-Port Arthur HMA, 1990 to Forecast



Sources: 1990 and 2000–1990 Census and 2000 Census; current and forecast—estimates by analyst

Figure 6. Number of Households by Tenure in the Beaumont-Port Arthur HMA, 1990 to Current



Sources: 1990 and 2000–1990 Census and 2000 Census; current—estimates by analyst

Housing Market Trends

Sales Market

Sales housing market conditions in the Beaumont-Port Arthur HMA are tight, with an estimated vacancy rate of 1.5 percent due to inventory loss from Hurricane Rita and recent employment growth. Hurricane Rita significantly impacted the housing stock in Port Arthur. According to a study conducted by URS Group, Inc., for FEMA, approximately 750 housing units in Port Arthur were destroyed and another 3,000 suffered major damage. At least 300 of the damaged single-family homes have been demolished since late 2005. The demolition program is expected to continue at a rate of approximately 150 homes annually during the forecast period and beyond, based on funding availability. During the next 2 years, the Port Arthur Housing Authority is expected to build 300 new single-family homes in the city for low-income families. According to the URS Group report, Hurricane Rita destroyed an estimated 10,650 single-family units and 8,900 mobile homes in the HMA.

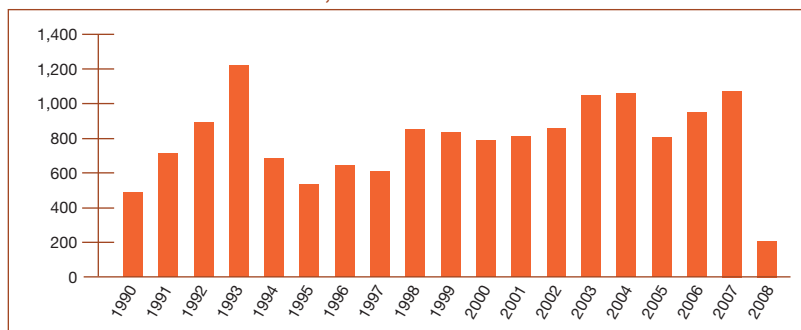
According to the Real Estate Center at Texas A&M University, during the 12 months ending May 2008, sales of existing homes in Beaumont reached 2,325 units, a decrease of 5 percent compared with the number sold

during the previous 12 months; this is the first decrease recorded since Hurricane Rita made landfall. Since the storm occurred, sales of existing homes have averaged 190 units a month compared with an average of 160 units a month between 2000 and 2004. The average sales price in Beaumont increased to \$146,400 for the 12 months ending May 2008, up 3 percent compared with the price recorded for the previous 12-month period. During the 12 months ending May 2008, sales of existing homes in Port Arthur totaled 990 units, a decrease of 1.2 percent compared with the previous 12-month total, while the price increased by 13 percent to \$129,400.

During the 12 months ending May 2008, new home construction activity, as measured by the number of building permits issued, remained virtually unchanged at 520 homes compared with the number of permits issued during the 12-month period ending May 2007 (based only on areas that report permit activity monthly). From 2000 to 2004, the number of single-family permits issued increased each year, reaching a peak of nearly 1,080. In 2005, the number of permits issued declined to 810 as single-family construction activity slowed after Hurricane Rita. Since 2005, the number of single-family permits issued has increased each year and once again totaled nearly 1,080 in 2007. Figure 7 illustrates the number of single-family building permits issued in the HMA from 1990 through May 2008.

During the past 24 months, new subdivisions built in the HMA have consisted primarily of small infill developments. The city of Orange has recently permitted 50 new homes

Figure 7. Single-Family Building Permits Issued in the Beaumont-Port Arthur HMA, 1990 to 2008



Notes: Includes only single-family units. Includes data through May 2008.

Source: U.S. Census Bureau, Building Permits Survey

Housing Market Trends

Sales Market *Continued*

slated for completion within the next year; the homes will be priced at an average of \$107,000. Developments in Beaumont are primarily in the city's west end and to the south toward

Port Arthur. During the next 12 months, approximately 20 new homes are expected to be built in Beaumont's west end, with prices starting at \$200,000.

Table 4. Estimated Demand for New Market-Rate Sales Housing in the Beaumont-Port Arthur HMA, June 1, 2008 to June 1, 2011

Price Range (\$)		Units of Demand	Percent of Total
From	To		
100,000	124,999	470	10.0
125,000	149,999	750	16.0
150,000	174,999	890	19.0
175,000	199,999	700	15.0
200,000	224,999	560	12.0
225,000	249,999	470	10.0
250,000	299,999	330	7.1
300,000	349,999	230	4.9
350,000	399,999	190	4.1
400,000	and higher	90	1.9

Source: Estimates by analyst

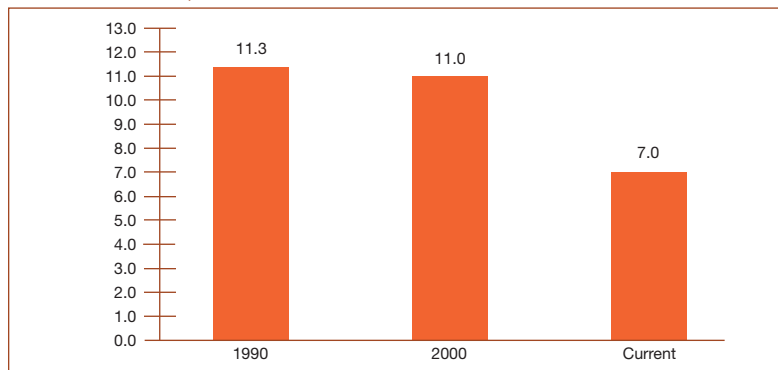
During the next 3 years, demand for 4,680 new single-family homes is forecast in the Beaumont-Port Arthur HMA. The demand will be met partially by the 250 homes currently under construction and the 300 homes planned by the Port Arthur Housing Authority. In addition, during the forecast period, demand is anticipated for 1,000 mobile home units with prices typically starting at \$15,900. Table 4 shows estimated demand for new market-rate sales housing in the HMA categorized by price range.

Rental Market

Rental housing market conditions in the HMA are currently balanced, primarily due to the permanent loss of 480 apartment units, according to URS Group, Inc., and another 4,400 rental units temporarily taken off line because of damage caused by Hurricane Rita. As of May 2008, the estimated rental vacancy rate in

the HMA is 7.0 percent, as shown in Figure 8; the rate has decreased 4 percentage points since 2000. Apartment construction activity, as measured by the number of multifamily units permitted, averaged 240 units from 2003 to 2004 while record-high levels of single-family construction were taking place. From 2005 to 2007, multifamily permits averaged 880 units due in large part to Hurricane Rita-related rebuilding efforts. During the 12 months ending May 2008, an estimated 860 multifamily units were permitted, a decrease of 39 percent compared with the number permitted during previous 12-month period due to the increased number of damaged units that were brought back on line. Figure 9 illustrates the number of multifamily units permitted in the HMA from 1990 through May 2008.

Figure 8. Rental Vacancy Rates in the Beaumont-Port Arthur HMA, 1990 to Current



Sources: 1990 and 2000—1990 Census and 2000 Census; current—estimates by analyst

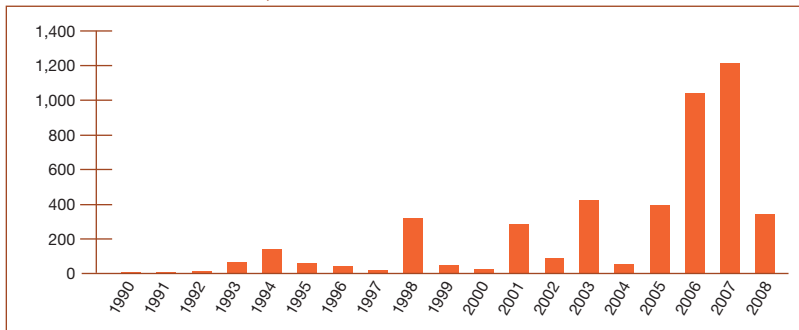
Housing Market Trends
 Rental Market *Continued*

Many apartment projects are expected to come on line during the next 3 years. Pointe North Apartments, formerly known as Magnolia Gardens, consists of 158 units and is being redeveloped by the Beaumont Housing Authority; completion is expected in July 2008. When the entire project is completed, the Beaumont Housing Authority is expected to replace Magnolia

Gardens with more than 300 mixed-income rental units. In Port Arthur, Willow Lake Apartments, a new market-rate project completed in May 2008, has recently begun lease-up. The complex consists of 370 units with one- and two-bedroom units that rent for an average of approximately \$950 to \$1,350, respectively.

Demand for 1,350 new rental units is forecast during the next 3 years. Currently, 450 multifamily units are under construction in the HMA; these units are being built to replace units damaged by Hurricane Rita and to meet demand for rental units stemming from the expansion of the oil and gas industries. Table 5 shows estimated demand for new market-rate rental housing in the HMA categorized by rent level and number of bedrooms.

Figure 9. Multifamily Building Permits Issued in the Beaumont-Port Arthur HMA, 1990 to 2008



Notes: Includes all multifamily units in structures with two or more units. Includes data through May 2008.

Source: U.S. Census Bureau, Building Permits Survey

Table 5. Estimated Demand for New Market-Rate Rental Housing in the Beaumont-Port Arthur HMA, June 1, 2008 to June 1, 2011

One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand
550	475	650	675	750	200
600	420	700	560	800	180
650	380	750	510	850	160
700	350	800	460	900	140
750	300	850	400	950	120
800	260	900	340	1,000	100
850	210	950	280	1,050	90
950	170	1,050	230	1,150	70
1,050	140	1,150	150	1,250	50
1,150	110	1,250	100	1,350	30
and higher		and higher		and higher	

Notes: Distribution above is noncumulative. Demand shown at any rent represents demand at that level and higher.

Source: Estimates by analyst

Data Profile

Table DP-1. Beaumont-Port Arthur HMA Data Profile, 1990 to Current

	1990	2000	Current	Average Annual Change (%)	
				1990 to 2000	2000 to Current
Total Resident Employment	156,860	164,878	169,500	0.5	0.4
Unemployment Rate (%)	7.5	6.5	5.5		
Nonfarm Employment	142,100	161,800	164,400	1.3	0.2
Total Population	361,218	385,090	379,500	0.6	- 0.2
Total Households	134,238	142,327	142,800	0.6	0.0
Owner Households	93,500	100,415	96,100	0.7	- 0.5
Percent Owner (%)	69.7	70.6	67.3		
Renter Households	40,738	41,912	46,700	0.3	1.3
Percent Renter (%)	30.3	29.4	32.7		
Total Housing Units	149,807	156,697	151,770	0.5	- 0.4
Owner Vacancy Rate (%)	2.4	1.6	1.5		
Rental Vacancy Rate (%)	11.3	11.0	7.0		
Median Family Income	\$30,910	\$42,788	\$49,019	3.3	2.0

Note: Median family income data are for 1989, 1999, and 2006. Employment data represent annual averages for 1990, 2000, and the 12 months through May 2008.

Sources: Estimates by analyst; U.S. Census Bureau; U.S. Department of Housing and Urban Development

Data Definitions and Sources

1990: 4/1/1990—U.S. Decennial Census

2000: 4/1/2000—U.S. Decennial Census

Current date: 6/1/2008—Analyst's estimates

Forecast period: 6/1/2008–6/1/2011—Analyst's estimates

Demand: The demand estimates in the analysis are not a forecast of building activity. They are the estimates of the total housing production needed to achieve a balanced market at the end of the 3-year forecast period given conditions on the as-of date of the analysis, growth, losses, and excess vacancies. The estimates do not account for units currently under construction or units in the development pipeline.

For additional data pertaining to the housing market for this HMA, go to www.huduser.org/publications/pdf/CMARtables_BeaumontTX.pdf.

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This analysis has been prepared for the assistance and guidance of the U.S. Department of Housing and Urban Development (HUD) in its operations. The factual information, findings, and conclusions may also be useful to builders, mortgagees, and others concerned with local housing market conditions and trends. The analysis does not purport to make determinations regarding the acceptability of any mortgage insurance proposals that may be under consideration by the Department.

The factual framework for this analysis follows the guidelines and methods developed by HUD's Economic and Market Analysis Division. The analysis and findings are as thorough and current as possible based on information available on the as-of date from local and national sources. As such, findings or conclusions may be modified by subsequent developments. HUD wishes to express its appreciation to those industry sources and state and local government officials who provided data and information on local economic and housing market conditions.

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