

A Reprint from *Tierra Grande*



In a vibrant and flexible economy, individuals and families should have options to buy or rent residential properties to suit their circumstances. The advantages and disadvantages of buying a residential property rather than renting one depend on a number of factors such as homeownership costs versus rental costs, how long one plans to live in the same place and what value one places on the convenience, freedom and flexibility associated with renting.

The share of rental properties in a residential market depends on a number of socioeconomic factors. These include population growth rate, age structure of the population, degree of urbanization, regional concentration of the population, government housing policies, economic mobility and the relative cost of renting versus owning residential properties.

The function of the supply side of an economy is to meet demand for homeownership as well as demand for rental housing. The latest U.S. Census Bureau Community Survey shows that in Texas, renting continues to be an affordable alternative to buying a home.

Texas was home to more than 6.9 million renters in 2002, accounting for 32.7 percent of the state's population (Table 1). The state ranked ninth among the 50 states and the District of Columbia based on the percentage of the population renting (Table 1). The importance of the renter population is reflected in the percentage of rented housing units in the state's economy. Texas, which is the

third most populous state after California and New York, ranked third in percent of rented housing units.

In 2002, the average gross rent for specified renter-occupied housing units in Texas was \$629 per month; the state ranked 29<sup>th</sup> among states in average monthly gross rent (Table 2). The survey defines gross rent as the contract rent plus estimated average monthly utility costs (electricity, gas, and water and sewer) and fuel costs (oil, coal, kerosene, wood). Specified rental units include all renter-occupied (or vacant-for-rent) units except single-family houses on ten or more acres.

The difference between homeownership cost and rent is an important factor when deciding whether to rent or buy a residential property. Homeownership costs consist of mortgage costs (principal, interest and mortgage insurance), property taxes, property insurance, and costs of repair and maintenance.

Table 1. Percentage of Population Renting vs. Owning, 2002

Rank	State	Population			Percent	
		Total	Own	Rent	Own	Rent
1	District of Columbia	535,632	228,473	307,159	42.7	57.3
2	New York	18,571,545	10,795,742	7,775,803	58.1	41.9
3	California	34,292,871	20,121,887	14,170,984	58.7	41.3
4	Hawaii	1,208,537	712,903	495,634	59.0	41.0
5	Nevada	2,139,794	1,335,155	804,639	62.4	37.6
6	Rhode Island	1,030,762	680,369	350,393	66.0	34.0
7	Oregon	3,444,153	2,395,801	983,714	66.4	33.6
8	Alaska	624,252	417,178	207,074	66.8	33.2
9	<b>Texas</b>	<b>21,215,494</b>	<b>14,280,580</b>	<b>6,934,914</b>	<b>67.3</b>	<b>32.7</b>
10	Washington	5,930,307	4,040,139	1,890,168	68.1	31.9

Sources: U.S. Census Bureau and Real Estate Center at Texas A&M University

**Table 2. Average Monthly Gross Rent, 2002**

Rank	State	Rent (Dollars)
1	North Dakota	433
2	West Virginia	448
3	Montana	478
4	Kentucky	480
5	South Dakota	481
29	Texas	629
41	New York	727
42	Colorado	730
42	Connecticut	730
44	New Hampshire	732
45	Maryland	738
46	Alaska	761
47	Nevada	762
48	Massachusetts	799
49	New Hampshire	808
50	Hawaii	832
51	California	840

Sources: U.S. Census Bureau and Real Estate Center at Texas A&M University

**Table 3. Monthly Cost Differential, Owning vs. Rental**

Rank	State	Ownership Costs	Rent	Difference
1	West Virginia	\$ 430	\$448	\$ -18
2	Arkansas	565	497	68
3	Louisiana	576	495	81
4	Mississippi	594	511	83
5	Oklahoma	612	503	109
6	Iowa	612	498	114
7	North Dakota	558	433	125
8	South Dakota	631	481	150
9	Pennsylvania	729	577	152
10	New Mexico	683	528	155
11	Alabama	645	488	157
12	Texas	787	629	158
13	Kansas	706	545	161
44	Colorado	1,157	730	427
44	Maryland	1,165	738	427
46	Rhode Island	1,077	622	455
47	Washington	1,167	710	457
48	Connecticut	1,211	730	481
49	District of Columbia	1,177	693	484
50	California	1,340	840	500
51	New Jersey	1,350	808	542

Sources: U.S. Census Bureau and Real Estate Center at Texas A&M University

**Table 6. Percentage of Renter Population Major Texas Cities, 2002**

City	Total Population	Owners (Percent)	Renters (Percent)
Dallas	1,173,549	45.1	54.9
Houston	1,959,781	47.2	52.8
Austin	657,688	52.6	47.4
Arlington	346,988	58.9	41.1
Corpus Christi	273,758	61.2	38.8
El Paso	577,786	62.2	37.8
Fort Worth	545,423	62.2	37.8
San Antonio	1,161,847	63.3	36.7

Sources: U.S. Census Bureau and Real Estate Center at Texas A&M University

**Table 7. Major Texas Cities Ranked by Monthly Gross Rent**

City	Rent
El Paso	\$497
San Antonio	600
Corpus Christi	618
Fort Worth	620
Houston	638
Dallas	655
Arlington	708
Austin	802

Sources: U.S. Census Bureau and Real Estate Center at Texas A&M University

In all states except West Virginia, it is more expensive on average to own a housing unit than to rent one. The gap between homeownership costs and rental costs becomes wider as homes become more expensive.

In Texas, homeownership is more expensive than renting by an average of \$158 per month (Table 3). However, the cost differential between renting and owning residential properties is just one of several factors to consider. Although it costs more to own a home, homeownership costs are relatively predictable and stable, and homeownership offers tax and investment advantages.

Renter-occupied units with monthly gross rent between \$400 and \$1,250 accounted for 76.4 percent of total renter-occupied units in Texas in 2002, compared with 71.2 percent in the United States (Table 4). Rental units with a monthly

gross rent of less than \$400 made up 13 percent of total renter-occupied units in Texas, compared with 15.3 percent nationally. Housing units with a monthly rent of more than \$1,250 accounted for only 3.7 percent of total renter-occupied units in Texas, compared with 7.8 percent nationwide. Renter units occupied without payment of cash rent ("no cash rent" in Table 4) represented 7 percent of Texas units, compared with 5.7 percent of U.S. units. These comparisons show that the average rental cost per housing unit for the majority of Texas renters is lower than the national averages.

Rental units with gross monthly rents of less than 30 percent of renters' incomes accounted for 52.7 percent of renter-occupied housing units in Texas compared with 51.4 percent nationally in 2002 (Table 5). Rental units with gross monthly rents exceeding 50 percent of renters' incomes accounted for



**Table 4. Gross Rent Texas Renter-Occupied Housing Units, 2002**

	Number	Percentage
Total	2,671,730	100.0
No cash rent*	186,445	7.0
Less than \$100	15,895	0.6
\$100 to \$149	20,872	0.8
\$150 to \$199	49,481	1.9
\$200 to \$249	42,723	1.6
\$250 to \$299	47,853	1.8
\$300 to \$349	64,225	2.4
\$350 to \$399	103,629	3.9
\$400 to \$449	146,364	5.5
\$450 to \$499	178,997	6.7
\$500 to \$549	221,145	8.3
\$550 to \$599	228,051	8.5
\$600 to \$649	209,455	7.8
\$650 to \$699	180,513	6.8
\$700 to \$749	165,424	6.2
\$750 to \$799	145,090	5.4
\$800 to \$899	253,605	9.5
\$900 to \$999	134,109	5.0
\$1,000 to \$1,249	177,745	6.7
\$1,250 to \$1,499	54,113	2.0
\$1,500 to \$1,999	34,966	1.3
\$2,000 or more	11,030	0.4

\*No cash rent are renter units occupied without payment of cash rent given to apartment managers, relatives and others.

Sources: U.S. Census Bureau and Real Estate Center at Texas A&M University

18.7 percent of rental units in Texas, compared with the 20 percent nationwide average (Table 5). Again, comparisons show that rental housing is more affordable for many renters in Texas than for renters nationwide.

Dallas has the largest proportion of renter population among major Texas cities, followed by Houston and Austin (Table 6). Austin has the most expensive rental housing, followed by Arlington and Dallas (Table 7).

Dallas County has the largest proportion of renter population among Texas counties with populations of 250,000 or more, followed by Travis and Harris counties (Table 8). ➔

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**Table 5. Gross Rent as Percentage of Household Income Texas Renter-Occupied Units, 2002**

	Number	Percentage
Total	2,671,730	100.0
Less than 10.0 percent	114,337	4.3
10.0 to 14.9 percent	289,620	10.8
15.0 to 19.9 percent	397,602	14.9
20.0 to 24.9 percent	333,820	12.5
25.0 to 29.9 percent	272,316	10.2
30.0 to 34.9 percent	204,908	7.7
35.0 to 39.9 percent	152,818	5.7
40.0 to 49.9 percent	179,135	6.7
50.0 percent or more	500,125	18.7
Not computed*	227,049	8.5

\*Rent-free or otherwise

Sources: U.S. Census Bureau and Real Estate Center at Texas A&M University

**Table 8. Major Texas Counties Ranked by Percentage of Renter Population, 2002**

County	Total		Percent	Rental	Percent
	Housing Units	Owned			
Dallas	2,249,986	1,268,145	56.4	981,841	43.6
Travis	830,649	487,655	58.7	342,994	41.3
Harris	3,515,210	2,089,972	59.5	1,425,238	40.5
Nueces	308,893	195,645	63.3	113,248	36.7
El Paso	684,722	443,150	64.7	241,572	35.3
Bexar	1,409,834	915,189	64.9	494,645	35.1
Tarrant	1,504,081	994,307	66.1	509,774	33.9
Galveston	257,158	176,839	68.8	80,319	31.2
Cameron	349,327	243,937	69.8	105,390	30.2
Denton	479,425	335,903	70.1	143,522	29.9
Collin	563,463	428,399	76.0	135,064	24.0
Hidalgo	608,817	468,490	77.0	140,327	23.0
Montgomery	326,782	252,513	77.3	74,269	22.7
Williamson	285,064	234,875	82.4	50,189	17.6
Fort Bend	393,263	326,066	82.9	67,197	17.1

Sources: U.S. Census Bureau and Real Estate Center at Texas A&M University



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