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Measuring Texas Real Estate Wealth

By Ali Anari

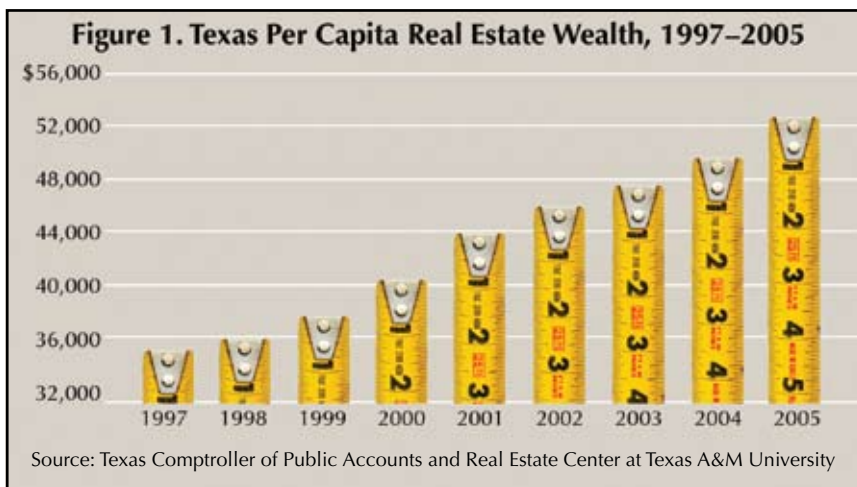


Real estate properties constitute the biggest slice of the American pie. In 2005, these properties comprised more than 84 percent of the value of U.S. households' total tangible assets, which include real estate, equipment and software, and consumer durable goods.

Real estate also is the largest segment of the tangible assets of corporate and noncorporate organizations. Shares of the total value of real estate properties owned by corporate and noncorporate organizations, which include single proprietorships,

partnerships and residential rental entities, in 2005 were 56.7 percent and 92.3 percent, respectively, according to the Federal Reserve Bank.

Thanks to an increasing population, an abundant supply of land and other natural resources, and a robust economy, Texas' wealth in real estate properties is burgeoning. Real estate wealth includes single-family and multifamily residential units, commercial and industrial properties, land and structures used for extracting oil and natural gas, and utility production, rural lands and vacant lots.



Total Value, Per Capita Wealth

The total value of Texas real estate wealth in 2005 was more than \$1.2 trillion, up 8.3 percent from 2004 and 74.6 percent from 1997 (Tables 1 and 2). The largest increase in the state's real estate wealth since 1997 occurred in 2001 when it increased 11.6 percent (Table 1).

Per capita wealth is an important indicator of national wealth. Texas per capita real estate wealth rose from \$35,059 in 1997 to \$52,874 in 2005, a 50 percent increase (Figure 1).

Residential Wealth

The total value of Texas single-family residences in 2005 stood at \$688.2 billion, accounting for 56.9

Table 1. Texas Real Estate Wealth, Taxable Value in \$Billions and Percent of Total

Property Type	1997		1998		1999		2000		2001		2002		2003		2004		2005	
	Value	% of Total	Value	% of Total	Value	% of Total	Value	% of Total	Value	% of Total	Value	% of Total	Value	% of Total	Value	% of Total	Value	% of Total
Single-family	\$338.3	48.9	\$362.2	50.1	\$394.7	51.4	\$444.7	52.7	\$497.9	52.9	\$548.0	54.8	\$593.7	56.5	\$638.1	57.2	\$688.2	56.9
Multifamily	34.1	4.9	37.0	5.1	41.6	5.4	46.2	5.5	50.9	5.4	53.6	5.4	55.3	5.3	56.6	5.1	61.6	5.1
Commercial	110.3	15.9	122.7	17.0	136.9	17.8	152.2	18.0	164.8	17.5	169.0	16.9	174.8	16.6	178.6	16.0	193.5	16.0
Industrial	54.2	7.8	56.2	7.8	56.6	7.4	62.4	7.4	70.4	7.5	70.4	7.0	67.4	6.4	67.1	6.0	68.4	5.7
Oil, gas, minerals	37.1	5.4	35.0	4.8	24.8	3.2	28.3	3.4	44.2	4.7	40.9	4.1	39.5	3.8	51.9	4.6	67.4	5.6
Utilities	48.5	7.0	48.3	6.7	47.8	6.2	40.6	4.8	39.1	4.2	41.1	4.1	38.9	3.7	39.8	3.6	39.9	3.3
Vacant lots	19.8	2.9	20.4	2.8	21.5	2.8	22.9	2.7	24.9	2.6	25.8	2.6	27.4	2.6	28.3	2.5	30.5	2.5
Rural	49.7	7.2	41.8	5.8	44.3	5.8	46.1	5.5	49.0	5.2	51.8	5.2	53.8	5.1	56.1	5.0	59.2	4.9
Total	\$692.1	100.0	\$723.5	100.0	\$768.1	100.0	\$843.3	100.0	\$941.1	100.0	\$1,000.6	100.0	\$1,050.7	100.0	\$1,116.5	100.0	\$1,208.7	100.0

Source: Texas Comptroller of Public Accounts and Real Estate Center at Texas A&M University

percent of the aggregate value of the state's real estate wealth (Table 1). The aggregate value of multifamily residences in 2005 stood at \$61.6 billion or 5.1 percent of the state's aggregate real estate wealth. From a national perspective, the total value of Texas residential units (single-family and multifamily) in 2005 was 5.4 percent of the aggregate value of residential fixed assets in the United States.

The total value of Texas single-family properties increased by 7.8 percent from 2004 to 2005 and by 103.4 percent from 1997 to 2005 (Table 2). The state's single-family residential market posted its largest value growth rate in 2001 when total value of the state's single-family residential units rose 12 percent.

The aggregate value of Texas multifamily properties rose 8.8 percent from 2004 to 2005 and 80.7 percent from 1997 to 2005

Utilities

The total value of Texas real estate in utilities, the only component of the state's real estate wealth to contract in the last ten years, was \$39.9 billion in 2005, down 17.7 percent from 1997 (Tables 1 and 2). The share of the state's properties used for utilities fell from 7 percent in 1997 to 3.3 percent in 2005 (Table 1).

Rural Properties

The value of the state's rural properties rose from \$49.7 billion in 1997 to \$59.2 billion in 2005, a 19.1 percent increase (Tables 1 and 2). Rural properties' share of total Texas real estate decreased from 7.2 percent in 1997 to 4.9 percent in 2005 (Table 1). The highest growth rate of rural real estate occurred

Table 2. Annual Growth Rates of Taxable Values of Texas Real Estate Properties and 1997–2005 Growth (Percent)

Property Type	1997–98	1998–99	1999–2000	2000–01	2001–02	2002–03	2003–04	2004–05	1997–2005
Single-family	7.0	9.0	12.7	12.0	10.1	8.3	7.5	7.8	103.4
Multifamily	8.5	12.3	11.1	10.3	5.2	3.1	2.5	8.8	80.7
Commercial	11.2	11.5	11.2	8.3	2.6	3.4	2.2	8.4	75.4
Industrial	3.7	0.6	10.3	12.9	-0.1	-4.2	-0.5	1.9	26.1
Oil, gas, minerals	-5.6	-29.1	13.9	56.3	-7.4	-3.6	31.5	29.9	81.6
Utilities	-0.6	-0.9	-15.0	-3.9	5.1	-5.3	2.3	0.4	-17.7
Vacant lots	2.9	5.6	6.6	8.5	3.9	6.0	3.4	7.6	54.1
Rural	-15.9	6.0	4.0	6.3	5.7	4.0	4.2	5.5	19.1
Total Real Estate Wealth	4.5	6.2	9.8	11.6	6.3	5.0	6.3	8.3	74.6

Source: Texas Comptroller of Public Accounts and Real Estate Center at Texas A&M University

(Table 2). From 1998 to 1999, the state's multifamily residential market value grew at its highest rate — 12.3 percent (Table 2).

Commercial Properties

Commercial properties are the second most important segment of Texas real estate wealth. The total value of the state's commercial properties in 2005 was \$193.5 billion, accounting for 16 percent of the total value of Texas real estate properties that year (Table 1). The total value of Texas commercial properties rose 8.4 percent from 2004 to 2005 and 75.4 percent from 1997 to 2005 (Table 2).

Industrial Properties

Valued at more than \$68 billion, industrial properties made up 5.7 percent of the aggregate value of Texas real estate wealth in 2005 (Table 1). This value rose 1.9 percent from 2004 to 2005 and 26.1 percent from 1997 to 2005 (Table 2).

Mining Properties

The value of real estate wealth in oil, gas and other minerals in 2005 was \$67.4 billion, 5.6 percent of the total value of Texas real estate wealth (Table 1). The value of Texas real estate in oil and gas extraction activities is volatile and depends on international oil prices. The aggregate value of Texas mining real estate has increased by 81.6 percent since 1997, mainly the result of oil price hikes over the past two years (Table 2).

from 2000 to 2001, when the value of rural properties increased by 6.3 percent (Table 2).

Vacant Lots

Real estate categorized as vacant lots grew in value from \$19.8 billion in 1997 to \$30.5 billion in 2005, a 54.1 percent increase (Tables 1 and 2). Vacant lands' share in total Texas real estate wealth has been relatively stable at around 2.5 percent (Table 1). The largest growth rate of vacant lots occurred between 2000 and 2001, when the value increased by 8.5 percent (Table 2).

Real estate professionals no doubt are aware that their industry has a major impact on the Texas economy. These data shed light on the magnitude of each of the state's real estate segments. ➤

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THE TAKEAWAY

The total taxable value of Texas real estate wealth increased 74.6 percent from 1997 to 2005. Texas per capita real estate wealth rose from \$35,059 in 1997 to \$52,874 in 2005, a 50 percent increase. The value of single-family residences made up more than 56 percent of total Texas real estate wealth in 2005.



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