

A Reprint from *Tierra Grande*

Rent or Own?

What Influences Decision

By Ali Anari



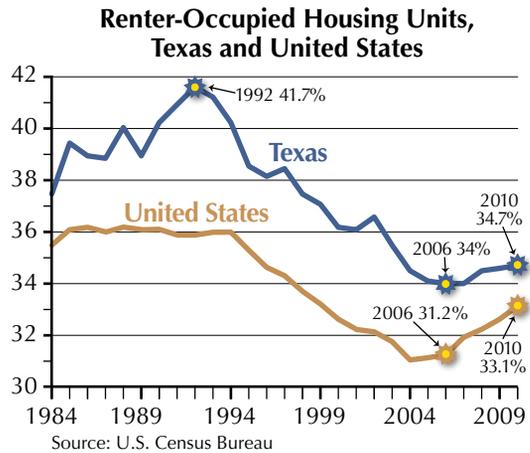
“Owner-occupied” and “renter-occupied” are the two largest segments of the U.S. residential housing market.

The percentage of owners versus renters is influenced by the benefits and costs of owning versus renting, demographic trends, housing policies and the state of the economy.

Center research found that three factors explain more than 70 percent of the variation in shares of renter-occupied housing across Texas’ metro areas: (1) college enrollment rate, (2) housing costs as a percentage of household income and (3) gross rent as a percentage of household income.

Texas Versus United States

In Texas, the percentage of housing units occupied by renters has been larger than the national average since 1984, the first year for which data are available (see figure). Rental units reached



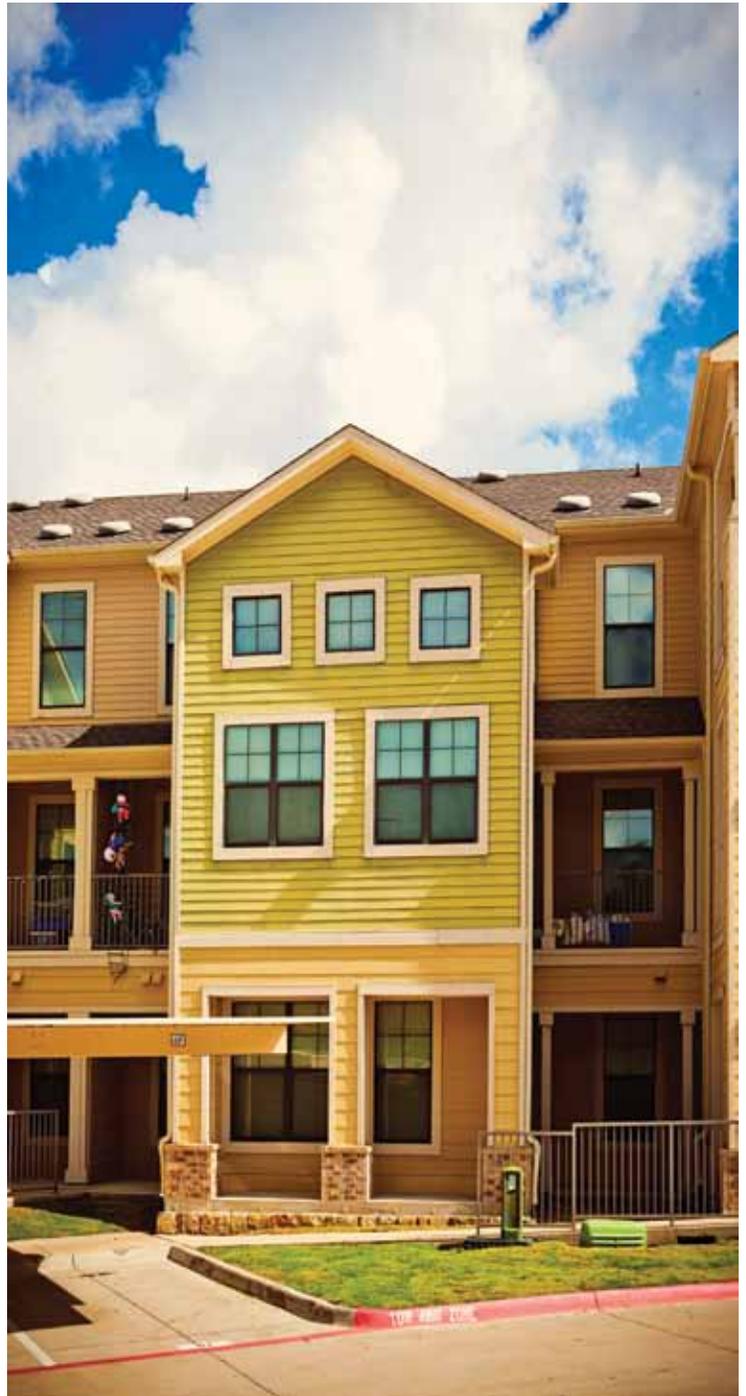
an all-time high share of 41.7 percent of the state's total housing units in 1992 and since then trended downward, falling to 34 percent in 2006. Since 2007, the trend has been slowly upward.

The nation's share of renter-occupied units increased from 31.2 percent in 2006 to 33.10 percent in 2010, partly because of the number of owned homes vacated through foreclosure. Because Texas' residential markets were much less affected by the housing downturn, the share of rented units did not change significantly during that time.

Shares of renter-occupied housing units in local housing markets varied across Texas metropolitan areas (see table). In 2010, College Station-Bryan had the largest share of renter-occupied housing units (48.2 percent), followed by Austin-Round Rock-San Marcos (42.6 percent), Killeen-Temple-Fort Hood (42.1 percent), Waco (41 percent) and Lubbock (42 percent). Midland had the smallest share of renter-occupied units (30.9 percent) followed by Texarkana (31.6 percent), Beaumont-Port Arthur (32.4 percent), and Brownsville-Harlingen (32.4 percent). All the state's metro areas except Midland, San Angelo, Texarkana, Victoria and Wichita Falls had increased shares of renter-occupied housing units from 2006 to 2010.

College Enrollment Effect

College Station-Bryan had the highest college enrollment rate and the largest share of tenant-occupied housing units in 2010. This research found a positive relationship between college enrollment rate and share of renter-occupied housing units. That is, the larger the rate of college enrollment as a percentage of population, the larger the share of renter-occupied units. Statistical analysis reveals that a 1 percent increase in college enrollment increases rental shares by 1 percent.



College enrollment varied from as high as 25.4 percent in College Station-Bryan to as low as 5 percent in Brownsville-Harlingen and Sherman-Denison (see table). College Station's share was followed by Lubbock (15.4 percent), Waco (10.9 percent) and Austin-Round Rock-San Marcos (9.7 percent). Brownsville-Harlingen and Sherman-Denison had the lowest rates of college enrollment, followed by Midland (5.1 percent), Texarkana (5.2 percent), Beaumont-Port Arthur (5.4 percent) and Longview (5.8 percent).

Shares of Texas Renter-Occupied Housing Units With Explanatory Factors (in Percent)

	Share of Rented Housing Units		College Enrollment	Housing Cost Share	Rent Share
	2010	2006			
Abilene	37.3	33.6	8.4	16.5	31.1
Amarillo	36.2	35.2	7.3	17.9	27.5
Austin-Round Rock-San Marcos	42.6	39.8	9.7	21.6	31.8
Beaumont-Port Arthur	32.4	30.4	5.4	16.3	29.9
Brownsville-Harlingen	32.4	30.6	5.0	18.0	35.9
College Station-Bryan	48.2	46.7	25.4	17.9	46.0
Corpus Christi	39.2	37.5	6.6	19.3	32.2
Dallas-Fort Worth-Arlington	38.3	36.4	6.8	21.2	29.7
El Paso	37.0	35.8	8.8	19.7	30.6
Houston-Sugar Land-Baytown	37.2	36.5	6.3	20.4	29.8
Killeen-Temple-Fort Hood	42.1	40.2	8.1	18.4	27.0
Laredo	40.2	34.8	6.6	21.3	34.2
Longview	29.9	29.3	5.8	16.1	29.6
Lubbock	42.0	41.1	15.4	18.2	35.7
McAllen-Edinburg-Mission	32.0	29.1	6.2	18.0	33.4
Midland	30.9	31.5	5.1	18.0	26.9
Odessa	37.6	28.2	6.0	15.8	27.6
San Angelo	32.6	33.5	8.5	18.1	33.3
San Antonio-New Braunfels	36.6	33.2	7.3	19.2	28.9
Sherman-Denison	32.2	27.8	5.0	19.0	28.2
Texarkana	31.6	34.3	5.2	15.7	29.4
Tyler	32.9	28.5	7.6	18.5	33.5
Victoria	32.3	34.3	3.3	17.4	32.6
Waco	41.0	37.9	10.9	18.6	34.2
Wichita Falls	34.2	35.6	6.4	18.8	30.8

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

Housing Costs and Household Income

Homeowners' housing costs as a percentage of household income are another factor that has a positive impact on the market share of renter-occupied housing units. These costs include mortgages, deeds of trust, debts on the property (including payments for the first mortgage, second or junior mortgages, and home equity loans); real estate taxes; insurance expenses for fire, hazard and flood insurance on the property; utilities (electricity, gas and water); and fuels (oil, coal, kerosene and wood). Owner costs also include, where appropriate, the monthly fee for condominiums and personal property taxes, site rent, registration fees and license fees for mobile homes.

The share of housing costs as a percentage of household income in Texas varied from as high as 21.6 percent in the Austin-Round Rock-San Marcos metro area to as low as 15.7 percent in Texarkana. Center research found a positive relationship between the share of housing costs in median household income and the share of renter-occupied housing units in total housing

in the state's metro areas. A 1 percent increase in the income share of owner costs leads to a 1.1 percent increase in the share of tenant-occupied units.

Gross rent as a percentage of household income also affects the distribution of owner-occupied and renter-occupied segments. According to the U.S. Census Bureau, gross rent is the monthly amount of rent plus the estimated average monthly cost of utilities (electricity, gas, water and sewer) and fuels (oil, coal, kerosene and wood). Gross rent as a percentage of income, often referred to as housing cost burden for renters, is the ratio of gross rent to household income.

The share of gross rent varied across the state's metro areas from as high as 46 percent in College Station-Bryan to as low as 26.9 percent in Midland.

Center research found a negative relationship between gross rent as a percentage of median household income and share of renter-occupied housing. That is, the higher the share of rent in income, the smaller the share of renter-occupied housing units in total number of houses in the state's metro areas. The research also found that an increase in the income share of rents by 1 percent reduces the share of renter-occupied units by 0.3 percent. ➔

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THE TAKEAWAY

The proportion of owned homes to rented housing units in Texas metro areas is influenced by three factors: college enrollment rate, housing costs as a percentage of household income, and gross rent as a percentage of household income.



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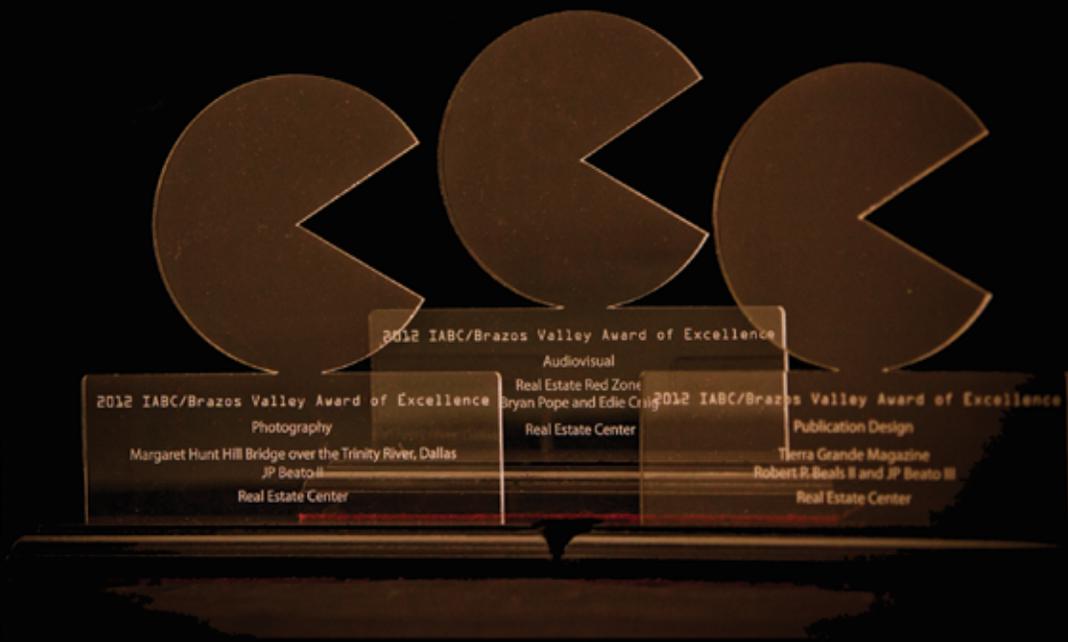
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