

A Reprint from *Tierra Grande*

Money Well Spent

What Texans Pay for Homeownership

By M.A. Anari

Owning a home is not only a sound investment; it's a popular one as well. Two-thirds of the nation's households own their homes, while fewer than half own common stock. Home equity constitutes about one-third of all household wealth in the United States.

But despite its many benefits, homeownership is a costly, ongoing process. Closing costs on a home purchase, which generally range from 5 to 10 percent of the home's purchase price, are just the beginning. Homeowners make monthly payments toward the principal

and interest on the balance of the mortgage loan along with hazard insurance premiums, property taxes, and repair and maintenance costs. When they sell their homes, they pay commissions and other selling costs.

The good news for Texas homeowners is that, compared with many other states, homeownership costs do not consume a large proportion of their incomes. This was one of many interesting findings of the 2002 American Community Survey by the U.S. Census Bureau. The survey provides a wealth of information on homeownership in Texas.

Texas Survey Highlights

- More than 4.8 million housing units — 56.8 percent of the state's stock — were owner-occupied, compared with 59.8 percent nationwide.
- The median monthly ownership cost for housing units with a mortgage was \$1,096 compared with an average of \$1,168 nationwide.
- Units without a mortgage had average monthly costs of \$319 compared with the \$313 national average.
- In a ranking of states by homeownership costs, from least to most expensive, Texas ranked 29th for units with a mortgage and 34th for units without a mortgage (Tables 1 and 2).
- Monthly homeownership costs for 27.3 percent of housing units were less than \$999.
- Units with monthly costs between \$1,000 and \$1,249 accounted for 11.7 percent of owner-occupied housing units, compared with 12.3 percent nationwide.
- Only 2.2 percent of housing units had monthly costs of more than \$3,000, compared with 2.8 percent for the United States.



Table 1. 2002 Median Monthly Homeownership Costs, Housing Units With Mortgage

Rank	State	Cost
1	West Virginia	\$ 762
2	Arkansas	772
3	Mississippi	827
4	Oklahoma	832
5	North Dakota	852
6	Kentucky	870
7	Iowa	879
8	Louisiana	879
9	Alabama	892
10	South Dakota	895
11	Montana	908
12	Wyoming	913
13	Indiana	928
14	Missouri	946
15	Tennessee	962
16	New Mexico	963
17	Maine	971
18	Idaho	972
19	Nebraska	977
20	Kansas	988
21	South Carolina	995
22	Ohio	1,028
23	Pennsylvania	1,062
24	North Carolina	1,071
25	Vermont	1,082
26	Michigan	1,085
27	Wisconsin	1,088
28	Florida	1,091
29	Texas	1,096
30	Arizona	1,105
31	Georgia	1,125
32	Delaware	1,149
33	Utah	1,155
34	Minnesota	1,167
35	Oregon	1,217
36	Virginia	1,228
37	Nevada	1,267
38	Illinois	1,284
39	Rhode Island	1,305
40	Colorado	1,333
41	Alaska	1,363
42	Maryland	1,366
43	New Hampshire	1,377
44	Washington	1,405
45	New York	1,411
46	Connecticut	1,477
47	Massachusetts	1,486
48	District of Columbia	1,549
49	California	1,592
50	New Jersey	1,672
51	Hawaii	1,691

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

Table 2. 2002 Median Monthly Homeownership Costs, Housing Units Without Mortgage

Rank	State	Cost
1	West Virginia	\$212
2	Louisiana	224
3	Kentucky	230
4	New Mexico	234
5	Hawaii	239
6	Alabama	240
6	Arkansas	240
8	Mississippi	245
9	Tennessee	251
10	Wyoming	252
11	Oklahoma	255
12	Delaware	258
13	Idaho	261
13	South Carolina	261
15	North Carolina	264
16	Indiana	268
17	Montana	274
18	Missouri	275
19	North Dakota	276
20	Utah	280
21	Colorado	281
21	Iowa	281
23	Arizona	283
23	Georgia	283
25	Virginia	284
26	Minnesota	292
27	Kansas	294
28	Ohio	300
29	South Dakota	302
30	California	306
31	Michigan	316
32	Nebraska	317
33	Florida	318
34	Texas	319
35	District of Columbia	325
36	Oregon	326
37	Maine	329
38	Alaska	336
38	Pennsylvania	336
40	Maryland	339
41	Nevada	343
42	Wisconsin	371
43	Illinois	372
44	Washington	378
45	Vermont	412
46	Massachusetts	430
47	Rhode Island	434
48	New Hampshire	462
49	New York	470
50	Connecticut	492
51	New Jersey	605

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

- Homeowners without a mortgage accounted for 36.4 percent of housing units, compared with 30.1 percent nationwide.
- Units without a mortgage and with monthly homeowner costs less than \$700 accounted for 33.9 percent of total housing units while units with costs more than \$700 per month made up only 2.5 percent of total units.
- Units with a mortgage and with monthly costs of less than 30 percent of household income constituted 47 percent of total Texas units (Table 3).
- Units without a mortgage and with monthly ownership costs of less than 10 percent of household income accounted for 15.8 percent of total Texas units (Table 3).
- Among the eight largest Texas cities, Austin was the most expensive in median monthly homeownership costs (Table 4).
- Units with a mortgage and with monthly costs between \$1,000 and \$1,249 accounted for the largest number and percentage of housing units in Houston, San Antonio, Austin, Fort Worth and Corpus Christi.
- Units without a mortgage and with monthly costs between \$400 and \$499 accounted for the largest number and percentage of housing units in Houston, San Antonio and Austin.
- Dallas has the smallest percentage of homeowners with a mortgage who pay monthly homeownership costs of less than 10 percent of their household incomes (Table 5).

Table 3. Texas Monthly Ownership Cost as Percentage of Household Income, 2002

	Texas		United States	
	Number	Percent of Total	Number	Percent of Total
Total Housing Units	4,081,406	100.0	57,637,324	100.0
Units With Mortgage	2,596,524	63.6	40,298,685	69.9
Less than 10 percent	173,470	4.3	2,411,549	4.2
10 to 14.9 percent	451,364	11.1	5,990,408	10.4
15 to 19.9 percent	560,350	13.7	8,064,521	14.0
20 to 24.9 percent	434,183	10.6	7,035,925	12.2
25 to 29.9 percent	297,918	7.3	4,976,127	8.6
30 to 34.9 percent	181,634	4.5	3,271,580	5.7
35 to 39.9 percent	121,243	3.0	2,090,728	3.6
40 to 49.9 percent	118,663	2.9	2,347,844	4.1
50 percent or more	244,002	6.0	3,970,859	6.9
Not computed*	13,697	0.3	139,144	0.2
Units Without Mortgage	1,484,882	36.4	17,338,639	30.1
Less than 10 percent	646,875	15.8	7,926,193	13.8
10 to 14.9 percent	319,914	7.8	3,470,710	6.0
15 to 19.9 percent	165,883	4.1	1,952,585	3.4
20 to 24.9 percent	95,073	2.3	1,178,388	2.0
25 to 29.9 percent	68,367	1.7	712,536	1.2
30 to 34.9 percent	41,957	1.0	476,949	0.8
35 to 39.9 percent	26,131	0.6	321,507	0.6
40 to 49.9 percent	29,798	0.7	394,794	0.7
50 percent or more	73,248	1.8	753,360	1.3
Not computed*	17,636	0.4	151,617	0.3

*Cost and income data not available.

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

Table 4. Median Monthly Homeownership Costs for Major Texas Cities

Rank	City	Monthly Cost
1	San Antonio	\$ 697
2	El Paso	702
3	Corpus Christi	739
4	Fort Worth	772
5	Houston City	835
6	Dallas	847
7	Arlington	1,077
8	Austin	1,155

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

About the Survey

For purposes of the survey, a housing unit was defined as “a house, an apartment, a mobile home or trailer, a group of rooms or a single room occupied as separate living quarters. . . .” Homes included in the survey were owner-occupied, one-family houses on fewer than ten acres without a business or medical office on the property.

Ownership costs included in survey cost calculations were mortgage payments, deeds of trust, contracts to purchase, or similar debts on the property (including payments for first and second mortgages and home equity loans); real estate taxes; fire, hazard and flood insurance; utilities (electricity, gas, water and sewer); and heating fuels (oil, coal, kerosene and wood).

Where appropriate, costs also included monthly homeowner association fees and costs of purchasing and maintaining a manufactured home (installment loan payments, personal property taxes, site rent, registration fees and license fees).

- Units without a mortgage and with monthly ownership costs of less than 10 percent of the household income accounted for 17 percent of housing units in San Antonio (Table 5).

For additional information, see the online version of this article at <http://recenter.tamu.edu/>.

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Table 5. Percent of Total Housing Units by Percentage of Household Income Spent on Homeowner Costs, 2002

	Houston	San Antonio	Dallas	Austin	Fort Worth	El Paso	Corpus Christi
Housing Units With Mortgage	66.9	64.9	63.3	74.4	65.0	72.5	63.3
Less than 10 percent	6.5	4.5	3.3	3.8	4.2	4.1	8.5
10 to 14.9 percent	11.5	11.3	7.7	8.8	7.7	11.5	11.1
15 to 19.9 percent	12.2	13.0	12.3	16.6	10.2	12.4	10.6
20 to 24.9 percent	10.0	9.0	10.3	11.5	11.1	9.8	7.0
25 to 29.9 percent	7.2	8.1	8.1	10.1	9.0	7.6	8.9
30 to 34.9 percent	4.0	5.6	4.0	6.8	8.4	8.0	1.4
35 to 39.9 percent	3.3	3.3	2.7	3.9	2.4	6.3	1.2
40 to 49.9 percent	4.3	3.5	3.5	3.6	5.6	3.4	4.9
50 percent or more	7.9	6.6	10.4	9.4	6.3	8.3	9.6
Not computed*	0.1	0.2	1.1	0.0	0.2	1.1	0.0
Housing Units Without Mortgage	33.1	35.1	36.7	25.6	35.0	27.5	36.7
Less than 10 percent	14.8	17.0	13.5	12.1	12.7	12.7	16.4
10 to 14.9 percent	6.1	6.3	8.0	4.0	8.7	5.3	6.8
15 to 19.9 percent	4.1	3.2	3.7	3.8	3.6	3.7	5.6
20 to 24.9 percent	2.3	1.6	2.5	0.7	3.1	2.3	3.7
25 to 29.9 percent	1.4	2.1	1.2	0.8	2.2	0.9	0.7
30 to 34.9 percent	1.2	0.8	1.8	1.0	1.6	0.7	2.2
35 to 39.9 percent	0.6	0.9	0.9	0.5	0.3	0.2	0.0
40 to 49.9 percent	0.7	1.1	1.0	0.7	1.6	0.2	0.9
50 percent or more	1.6	2.0	3.8	2.0	1.0	1.5	0.3
Not computed*	0.4	0.1	0.3	0.0	0.1	0.0	0.0

*Cost and income data not available.

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



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Tierra Grande (ISSN 1070-0234), formerly *Real Estate Center Journal*, is published quarterly by the Real Estate Center at Texas A&M University, College Station, Texas 77843-2115. Subscriptions are free to Texas real estate licensees. Other subscribers, \$20 per year.

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