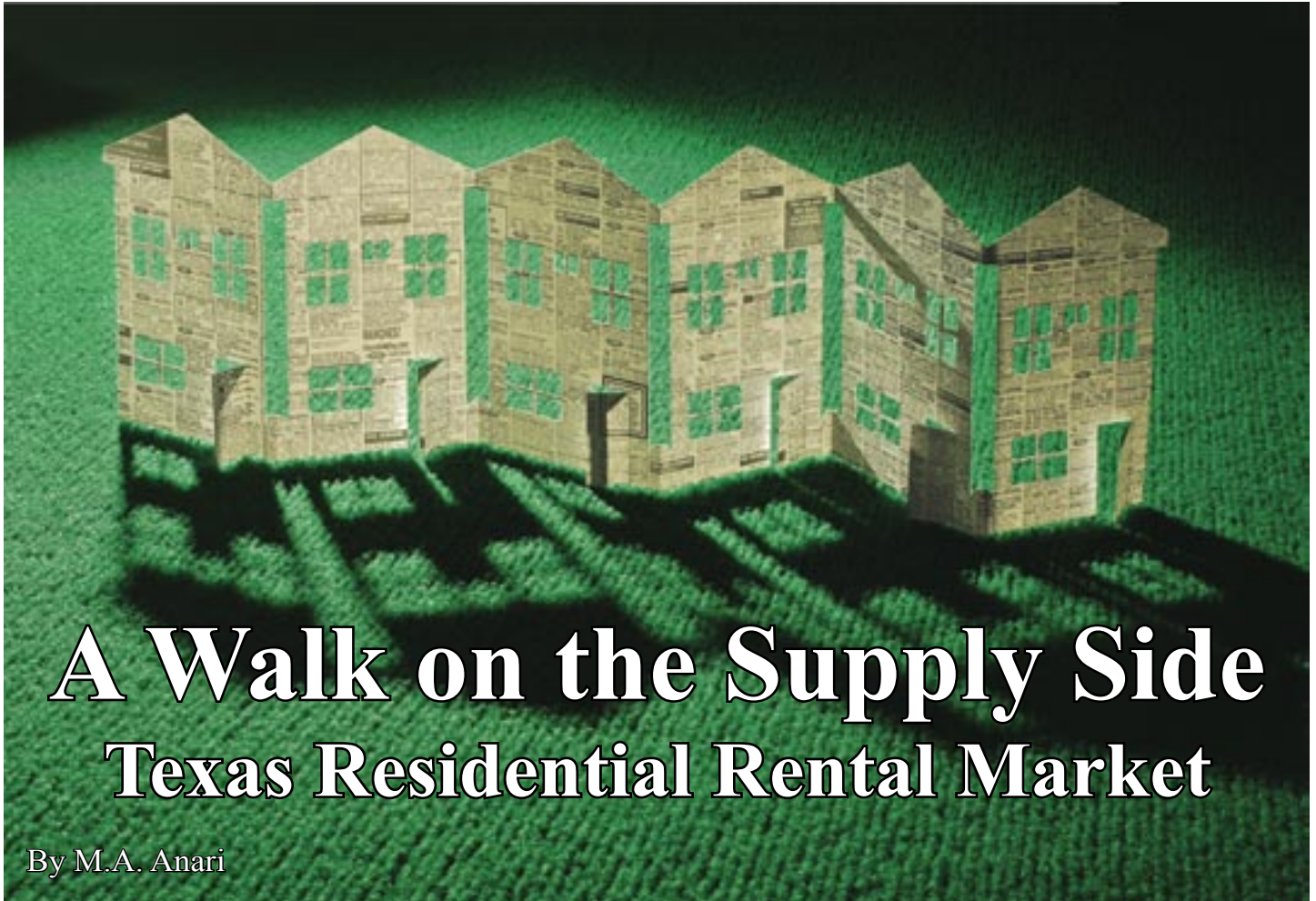


A Reprint from *Tierra Grande*

# A Walk on the Supply Side

## Texas Residential Rental Market

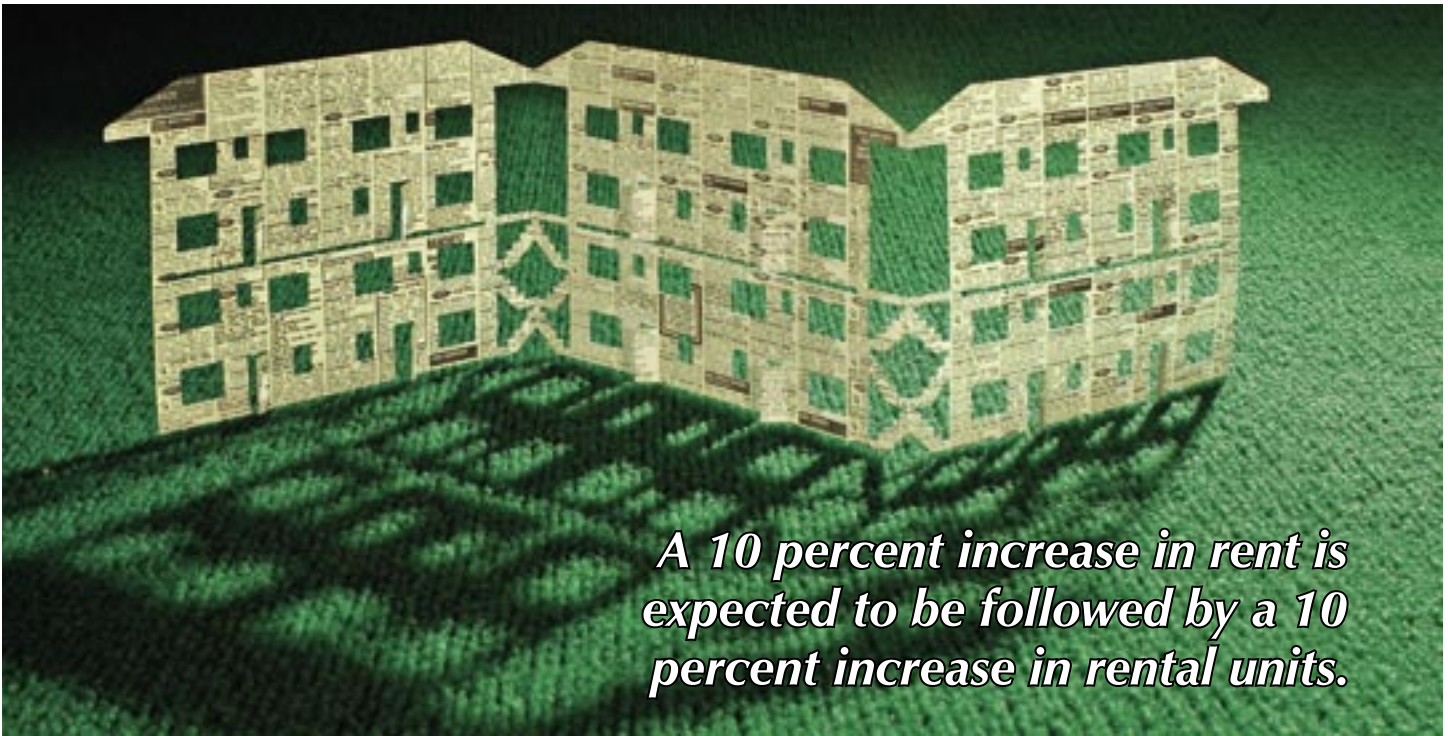
By M.A. Anari

The Texas residential rental market supplied **3,073,295** rental units in **2003**, up from **2,986,940** in **2002**, an annual growth rate of **2.8** percent. Occupied rental units numbered **2,716,903**, or **90.1** percent of total rental units compared with **90.3** percent in **2002**.

**A**partments (properties with more than five residential units), constituted the largest segment of the state's residential rental market, accounting for 48.8 percent of units in 2003. This compares with the national average of 44.2 percent (Table 1). Single-family attached or detached units made up 31.8 percent of the Texas residential rental market, close to the national average. But the state had a smaller proportion of two-to-four unit residential rental units (duplexes, triplexes, fourplexes).

Texas' rental market generated more than \$1.4 billion aggregate contract rent and more than \$1.7 billion aggregate gross monthly rent in 2003. Contract rent is the monthly rent agreed to or contracted for excluding costs of any furnishings, utilities, fees, meals or services that may be included. Gross rent is the amount of contract rent plus estimated average monthly cost of utilities.

The industry suffered a mild contraction in the economic slowdown of 2001-02 but is recovering. Total aggregate monthly gross rent fell to \$1,666.87



*A 10 percent increase in rent is expected to be followed by a 10 percent increase in rental units.*

**Table 1. Residential Rental Units, United States and Texas, 2003**

	United States		Texas	
	Total Units	Percent of Total	Total Units	Percent of Total
Renter occupied units	36,000,844	100.0	2,716,903	100.0
Single unit, detached or attached	10,836,403	30.1	863,869	31.8
Two to four units	7,587,774	21.1	398,744	14.7
Five or more units	15,896,297	44.2	1,324,617	48.8
Mobile home, boat, RV	1,651,362	4.6	128,062	4.7

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

Fort Worth and Austin (Table 3). These five metro areas account for more than 64 percent of total rental units in the state. Dallas has the largest proportion of apartments, followed by Houston and Austin. The McAllen-Edinburg-

million in 2002 from \$1,688.18 million in 2001, a decline of 1.2 percent.

Over the same period, the aggregate monthly gross rent for the United States rose slightly, from \$24,005 million to \$24,112 million, or an annual growth rate of 0.4 percent. The state's residential rental market accounted for 6.9 percent of the nation's residential market in 2003.

Apartments with five to 19 units produced the largest amount of rent income in Texas, accounting for 32.8 percent of total rents in 2003 compared with 24.9 percent for the United States. Single-unit housing units accounted for 32.4 percent of gross rents received compared with 30.4 percent for the nation (Table 2). Duplexes, triplexes and fourplexes produced 13.4 percent of rents for Texas and 20.6 percent for the United States.

### Texas Metro Areas' Residential Rental Markets

Houston has the largest number of residential rental units followed by Dallas, San Antonio,

Mission metro area ranks first in proportion of single-family rental units followed by Brownsville-Harlingen and Killeen-Temple. McAllen also has the largest proportion of mobile home rental units. Corpus Christi has the largest proportion of two-to-four unit properties followed by Killeen-Temple and Lubbock.

Major Texas metro areas produced the bulk of rent income from residential properties in 2003. Dallas-Fort Worth accounted for more than 31 percent of rent income, followed by Houston-Galveston-Brazoria, Austin-San Marcos and San Antonio (Table 4). These four metro areas accounted for 72.4 percent of total 2003 rental income.

**Table 2. Monthly Gross Rent by Source, United States and Texas, 2003**

	United States		Texas	
	\$Million	Percent of Total	\$Million	Percent of Total
Total gross rent:	24,965	100.0	1,728	100.0
Single unit, detached or attached	7,598	30.4	559	32.4
Two to four units	5,140	20.6	232	13.4
Five to 19 units	6,215	24.9	566	32.8
20 to 49 units	2,174	8.7	127	7.3
50 or more units	3,097	12.4	183	10.6
Mobile home, boat, RV	742	3.0	61	3.5

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

**Table 3. Rental Housing Units, Units per 1,000 Population and Average Monthly Rent, Texas Metro Areas, 2003**

Metro Area	Total Units	Percent of Total				Units per 1,000 Population	Average Monthly Rent
		Single Units	2 to 4 Units	5-plus Units	Mobile Homes		
Austin-San Marcos	198,748	21.4	14.0	60.9	3.7	148	\$667
Beaumont-Port Arthur	42,010	41.8	11.7	40.6	5.9	115	405
Brownsville-Harlingen	27,957	51.9	17.1	23.2	7.9	78	356
Corpus Christi	52,315	44.3	22.3	32.5	0.9	136	506
Dallas	506,117	21.4	12.0	63.7	2.9	135	614
El Paso	81,549	34.2	12.7	47.9	5.2	118	439
Fort Worth-Arlington	221,747	27.9	15.6	52.3	4.2	122	565
Galveston-Texas City	38,964	30.3	16.5	44.9	8.3	148	559
Houston	591,548	24.2	10.5	63.2	2.1	134	574
Killeen-Temple	44,371	48.4	21.2	23.7	6.8	149	513
Lubbock	43,356	31.9	21.1	40.5	6.5	180	461
McAllen-Edinburg-Mission	44,515	52.6	11.7	18.0	17.7	71	339
San Antonio	228,755	31.9	17.6	46.6	3.9	139	517

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

Apartments with five to 19 units produced the largest share of residential rental income in major Texas metro areas. They produced 39.6 percent of rental income in Houston, 38.2 percent in Dallas and 34.6 percent in Austin (Table 5). Single-unit attached or detached residential units generated the largest proportion of rent income in San Antonio and are the second highest source of rent income in Dallas, Houston and Austin. Duplexes, triplexes and four-plexes were the third highest source of rental income in Dallas and San Antonio.

Larger metro areas generally have higher average rent as well as higher ratios of rental units to population (Table 3). A Real Estate Center study of the relationship between the number of rental units per 1,000 population and average rent shows an increase of 10 percent in rent is expected to be followed by a 10 percent increase in the supply of rental units in the long run. Thus, higher rent growth rates in larger metro areas can be expected to have a positive impact on the supply of residential rental units. ➤

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**Table 4. Aggregate Monthly Gross Rent, Major Texas Metropolitan Areas, 2003**

Metro Areas	\$Million	Percent of Total
Dallas-Fort Worth	541	31.3
Houston-Galveston-Brazoria	416	24.1
Austin-San Marcos	154	8.9
San Antonio	141	8.1
El Paso	42	2.4
Corpus Christi	32	1.9
Killeen-Temple	26	1.5
Lubbock	23	1.3
McAllen-Edinburgh-Mission	20	1.2
Beaumont-Port Arthur	20	1.2
Brownsville-Harlingen	12	0.7
Other Metro Areas	301	17.4

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

**Table 5. Sources of Rental Income, Major Texas Metro Areas, 2003**

	Dallas	Houston	Austin	San Antonio
Single unit, detached or attached	25.4	27.2	24.8	35.8
Two to four units	13.0	9.6	13.0	15.5
Five to 19 units	38.2	39.6	34.6	32.0
20 to 49 units	9.1	6.8	13.5	5.7
50 or more units	11.7	15.4	11.3	8.6
Mobile home	2.6	1.4	2.9	2.4

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



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