Texoma Affordable Housing Study: A Rental Market Study 2008- 2012

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TEXOMA AFFORDABLE HOUSING: A RENTAL MARKET STUDY 2008-2012

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INTRODUCTION

Over the past decade, rising rent and utility prices in conjunction with small gains in renter-income resulted in decreased affordability across the Texoma Region. In all three counties, there was at least a 10% increase in the number and share of "cost-burdened" individuals that spend more than 30% of their income on housing. Though decreased affordability is the result of a long-term trend, the economic downturn exacerbated affordability issues as many individuals lost their homes and jobs.

Today, almost half of all renters in the Texoma region constitute as cost-burdened. Consequently, many renters throughout the Texoma region turn to project-based and voucher-based programs for assistance. The demand for Section 8 Housing Choice Vouchers and Public Housing properties far surpasses the capabilities of these programs in both Grayson and Fannin counties. For those unable to receive assistance, cost-burdened individuals spend a large portion of their income on rent, often disallowing a clear break from the cycle of poverty.

Composed of Grayson, Fannin and Cooke counties, the Texoma region contains three diverse economies. Each community had a unique reaction and response to the economic down-turn. The following report dissects the rental market of each county by renter population demographics and the rental housing stock, then analyzes subsequent needs.

TEXOMA COUNCIL OF GOVERNMENTS

Texoma Council of Governments (TCOG) is a voluntary organization of local governmental units in Cooke, Grayson, and Fannin Counties organized under the authority of Chapter 391 of the Texas Local Government Code.

With the goals of developing better cooperation, reducing duplication of efforts, and increasing efficiencies by taking advantage of the economies of scale, TCOG unites federal governmental programs with our community needs.

PURPOSE AND SCOPE

The Texoma Affordable Housing Market Study originated as a strategic plan, devised by TCOG, to better understand the rental market in the Texoma Region. The objective of the strategy was to assess the supply, demand and affordability of the rental housing market in Grayson, Fannin and Cooke counties. The subsequent measure of the gaps in the Texoma rental market is integral to understanding the effectiveness of current strategies that aim to address market needs. By dissecting the rental markets across the region, this study will provide evidence to regional policymakers of the need for creative solutions to the reality of the housing market. Additionally, this study serves as an invaluable tool for landlords, property management companies, investors and developers to make informed business decisions with the future of their capital assets. Ultimately, the purpose of this study is to ensure that the Texoma Region identifies housing gaps to ensure a future of safe and affordable housing for its community.

STUDY PARAMETERS AND REGION

The Texoma Region, composed of Grayson, Fannin and Cooke counties, straddles the border between Texas and Oklahoma. Although predominantly a rural area, the county contains the Sherman-Denison MSA.

METHODOLOGY

The statistics published in this report, unless otherwise noted, are derived from the 2010 Census and the American Community Survey (ACS) from 2000, 2007, 2008, 2009 and 2010. These sources contain the most recent information available for many of the demographics here written in this report.

The Texoma region has not witnessed the unparalleled growth of many suburban areas in Texas and it is likely that many of the current demographics are similar to those reported in 2010. Approach these statistics with caution when considering present market conditions.

It should be noted that these demographics are limited to renters only and do not refer to the entire population except when referring to employment. Employment statistics could not be analyzed by tenure.

For more information on the methodology of the census please visit the following website: **http://www.bebr.ufl.edu/category/subject-index/census-methodology**

For more information on the methodology of the ACS please visit:
http://www.census.gov/acs/www/methodology/methodology_main/

Additionally TCOG issued a survey by fax to apartment complexes and by mail to single family units. The survey does not contain a large enough sample size in all areas. It does, however, reflect many present market conditions. The trends elucidated by the survey contain disclaimers where necessary.

SPECIAL THANKS TO:

I would like to acknowledge a number of organizations with individuals who went above and beyond to supply information and data included in the survey:

Grayson County: The Grayson County Appraisal District, Sherman Economic Development Corporation, Sherman Economic Developmental Services, Sherman Housing Authority, Denison Housing Authority, Grayson County Housing Authority, Chapin Titles, Austin College and TCOG's 2-1-1 program and Community and Economic Development
Fannin County: Fannin County Appraisal District Bonham Chamber of Commerce, Fannin County District Clerk's Office, Cole Title;
Cooke County: Cooke County Appraisal District Gainesville Economic Development Corporation, W. W. Howeth Co.

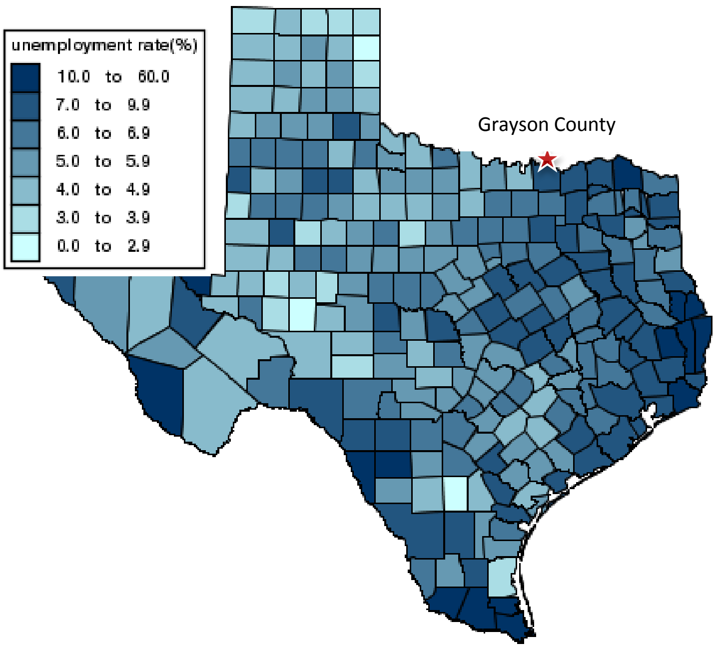


Figure 1- Unemployment Rate by County for May 2012
Source: United States Department of Labor, Bureau of Labor Statistics

Figure 2- Source: Grayson County map used by permission of the Texas Almanac; www.texasalmanac.com.

As the foreclosure and credit crisis continues to unfold, the Grayson County rental housing market is inundated with demand due to; a steady foreclosure rate, an increasing population and internal demographic shifts. If the increase in demand is not met with a corresponding increase in supply, rental prices will rise – resulting in a greater decline in affordability.

The acceleration of mortgage delinquencies and foreclosures resulted in a higher demand for the rental market in the years approaching the economic recession through 2009. The foreclosure and credit crisis continues to challenge a number of households. The years 2011 and YTD 2012 averaged 50 foreclosures each month.

The population growth in Grayson County was the highest in the Texoma region. The Texas Water Development Board anticipates a 4.9% increase in population between 2012 and 2014. This increase will require a subsequent housing stock of 2,555 additional owner-occupied units, and 756 projected rental units. These figures were based on a calculation that derived from Census data.

The economic recession altered the housing preferences of many households which resulted in a number of demographic shifts. As the Grayson County economy continues to improve, a number of households will readjust their preferences. As the employment rate improves, two significant trends will likely occur; households who "doubled up" meaning two or more households lived in one home (owned home/rental), will live independently and the individuals who forwent headship will form their own households.

Grayson County incurred a decade-long trend in decreased affordability and new market pressures threaten to further exacerbate existing affordability gaps. Without construction for new rental units, current market conditions could lead to a rental shortage by 2014.

GRAYSON COUNTY RENTER DEMOGRAPHICS

Between 2008 and 2009, the total number of renter-occupied units increased from 12,889 to 13,253. However, there was an unexpected shift in 2010. Almost 1,000 individuals left the homeownership market with only half of these families renting a home. The following explanation of demographic shifts by age and family type may help explain this trend.

GRAYSON RENTER HOUSEHOLDS: RACE

	Percent of Renters
White	76%
Hispanic or Latino	9%
African American	10%
Native American	1%
Other	4%

GRAYSON RENTER HOUSEHOLDS: AGE

One in four renters in Grayson County is an adult under the age of 34. This age group, hit particularly hard by the recession, struggled with higher unemployment and few new job opportunities. As a result, by 2010, over 30% of the homeowners aged 25-34 left the market. There was a slight decrease in renters for the same age group. Some individuals that had been independent households, moved in with parents or other relatives. Furthermore, an increasing number of young adults aged 15-34 forwent headship, or forming new households. As employment opportunities improve, these demographics will form new renter households and occupancy rates will increase.

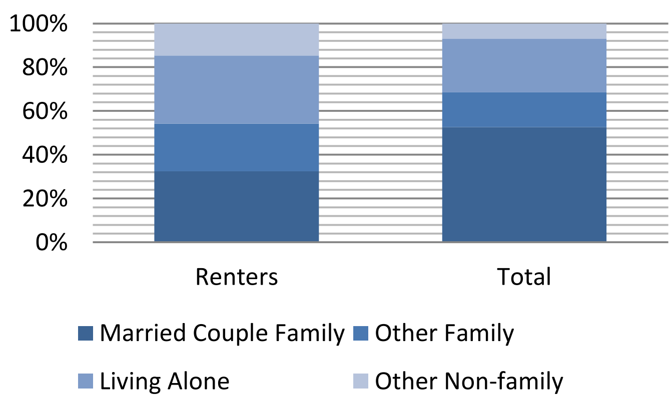
Baby Boomers represent another shifting demographic. An increasing number of middle-aged individuals choose to live alone. 52% of individuals that live alone are between the ages of 35 and 64. Higher divorce rates result in increased rental demand. Rather than live in one household, divorced families are divided into two households, frequently resulting in at least one renter household. Consequently, more one bedroom units will be necessary.

It is important to note that thirty-year fixed mortgage rates fell to a record low of 3.49% in July, 2012. Though the thirty-year fixed mortgage rate has increased in August, these low rates continue to encourage homeownership.

GRAYSON RENTER HOUSEHOLDS: FAMILY

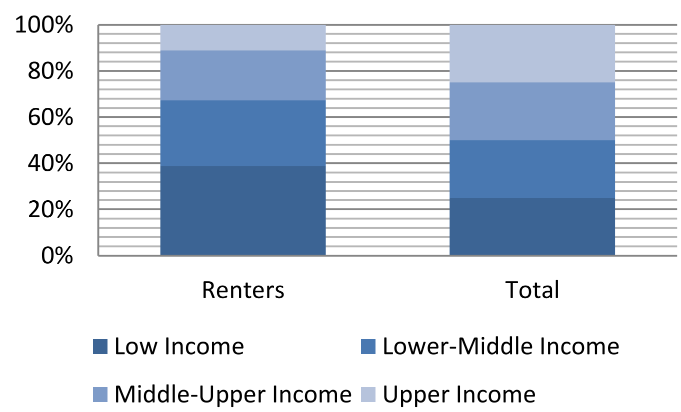
Homeownership rates increased in 2008, following the housing boom. Many married-couples under the age of 34 entered the homeownership market. However, by 2010 almost 1,000 married-

Figure 3- Households by Family Type



Source: 2010 ACS

Figure 4- Households Income Quartile



Source: 2010 ACS

couples families left the market. While there was an increase in renters for the same age demographic in 2010, those only accounted for half of these families.

There was also an increase in the number of "other families." "Other family" consists of one parent and one or more children. About 300 "other family" households entered the rental market which may indicate a spike in separation or divorce rates. This demographic is not as predictable as others, as these families are almost as likely to rent as they are to own.

There was an 11.7% increase in householders living alone from 2008 to 2010. Consequently, there is a higher demand for efficiency and single units. Over 50% of those who live alone are between 35-64 years, 19% are under the age of 35 and 29% are seniors.

GRAYSON HOUSEHOLD RENTER: EDUCATION

Figure 5- Renter Educational Attainment

	Percent of Renters	Percent Below Poverty
Less than high school graduate or equivalent	21%	24.3%
High school diploma or equivalent	32%	10.8%
Some College	33%	9.7%
Bachelor's Degree	14%	3.6%

Source: American Community Survey 2010

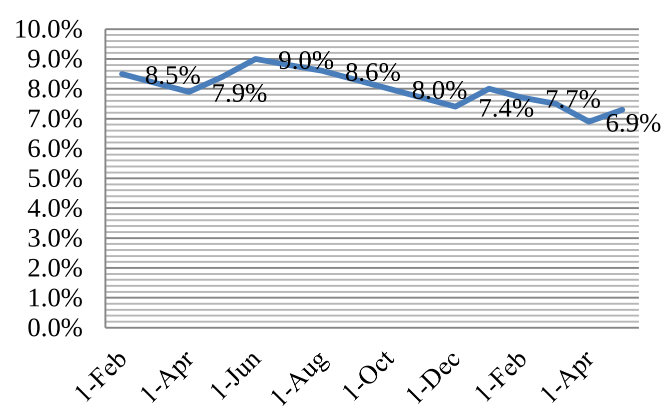
GRAYSON HOUSEHOLD RENTER: INCOME

Nationally, the 2001 economic downturn resulted in less annual income for renters. Renter's income levels failed to rebound, remaining at close to 1980 levels. While Grayson County saw some increases in renter's income from 2000 to 2010, renters only enjoyed half of the income gains that homeowners earned. Furthermore, renters suffered a $1,000 decrease in area median income (AMI) with the recent economic downturn. The lowest and second quintile suffered larger losses of $1,581 (a 12.7% decrease from 2008) and $2,083 (a 8.66% decrease from 2008) respectively. With more than 41.9% of renters earning less than $25,000 a year, an increasing number of renters seek assistance from subsidized housing programs.

From 2000 to 2010 rising utility costs and a steady rise in rent resulted in an increase in the number and share of cost-burdened households. Cost-burdened is defined as renters who spend more than 30% of their income on housing costs. In 2010, 45% of renters spent more than 30% of their income on housing, a significant increase from 35% of renters in 2000. Of the cost-burdened renters in 2010, nearly half were extremely cost-burdened, spending 50% or more of their income on housing. From 2000, the number of cost-burdened renters climbed 13.27% including a 5.35% increase in extremely cost-burdened renters.

Another measure of affordability includes the rent-to-income ratio. The rent-to-income ratio, ideally, should remain stable as rent should increase proportionally to income. However, the American Community Survey (ACS) recorded the rent-to-income ratio at 23.8% in the year 2000 increasing to 27.8% in 2010. This trend reveals a significant increase in rent relative to income. While low-income households make-up a large portion of the Grayson County rental market, 36% of renters fall into the middle-upper and upper class income bracket.

Figure 5- Unemployment Rate 2011-2012



Source: United States Department Bureau of Labor Statistics

GRAYSON (RENTER/HOMEOWNER) EMPLOYMENT

High unemployment remains an issue for many renters. The unemployment rate is a measure that calculates the percent of the population aged 16 and older who were available to work but not employed.

In May 2012, Grayson County's unemployment rate at 7.3% was slightly higher than that of the State of Texas at 6.9%. Both the county and state average improved their unemployment rates by 1% and 1.2% respectively. Grayson County's recovery in employment opportunities is on par with Texas as a whole.

Generally, individuals aged 16-34 and individuals nearing retirement suffer from higher unemployment rates. Typically they are the first to encounter lay-offs and the last to be hired. In 2010, 56.7% of those unemployed were between 16 and 35. Another 12.95% of those unemployed were nearing retirement, or between the ages of 55 and 64. In 2008, no individuals between 62 and 64 were retirement, or between the ages of 55 and 64. In 2008, no individuals between 62 and 64 were unemployed, but by 2010 almost 400 of these individuals were unemployed.

WORKFORCE POPULATION

In Grayson County, 56% of the population is employed, while approximately 38% are not currently in the workforce. The American Community Survey calculates the percent of the workforce in a given industry across Grayson County. MIT's Living Wage calculator identifies typical hourly wages of different professions among Grayson County residents. Living wages describes the wages a household must earn to support their self or family.

Chart 7a-c presents a comparison of the living wages in Grayson County compared to the percentage of workforce population per industry. Chart 7-a reveals that the largest industries in Grayson County are: Education, Health Care, Manufacturing and Retail

Trade. Chart 7-b reveals an occupational wage comparison between Grayson County and the State of Texas. Chart 7-c, reveals that while 41.4% of the

Figure 7A-7C Employment by Industry and Typical Wages

7A Industry	Percent
Agriculture	2.6%
Construction	8.6%
Manufacturing	15.3%
Wholesale + Retail Trade	14.9%
Transportation, Warehousing and Utilities	3.9%
Information	1.4%
Finance, Insurance, Real Estate, Rental & leasing	6.7%
Professional, Scientific, Management, Administrative Management and Waste Management	7.8%
Educational Services, Health Care and Social Services	24.3%
Arts, Entertainment, Recreation, Accommodation and Food Services	7.4%
Other Services except Public Administration	4.3%
Public Administration	3.0%

7B Occupational Area	Grayson Wage	Texas Wage
Food Preparation and Serving Related	$7.75	$9.48
Building and Grounds Cleaning and Maintenance	$8.79	$10.71
Personal care and Services	$8.10	$10.24
Sales and Related	$13.36	$17.80
Office and Administrative Support	$12.44	$14.30
Farming, Fishing and Forestry	$10.13	$11.75
Construction and Extraction	$14.12	$17.89
Installation, Maintenance and Repair	$15.83	$19.38
Production	$13.29	$16.02
Transportation and Material Moving	$12.29	$15.60

7C Hourly Wage	1 Adult	1 Adult 1 Child	2 Adult	2 Adult 1 Child	2 Adult 2 Child
Living	$8.09	$15.86	$12.67	$20.45	$26.82
Poverty	$5.04	$6.68	$6.49	$7.81	$9.83

Source: American Community Survey and MIT Living Wage Calculator

Disclaimer: 2010 statistics cannot accurately reflect the current market industries can financially support a single adult, not one industry can support a household with children. For the 35% of renters that live alone, the wages for the industries listed in 7-c are livable. However, 1 in every 3 renters has at least one child. The wages in these industries fail to support their needs.

ANALYSIS OF DEMAND

As the economy recuperates, a number of demographic shifts will again affect the demand for rental units. These shifts are as a result of the following factors: increases in renter incomes, improved employment rates, and educational attainment.

Income: Inadequate increases in incomes prevent renters from becoming homeowners. Additionally, many individuals will spend another two or three years renting while repairing their credit to meet mortgage requirements. Over 40% of the current renter population earns less than $25,000. To qualify for income based subsidized housing programs, income must be at or below 50% of the AMI. Over 3,500 renters in Grayson County meet this income qualification.

Employment: Lower unemployment rates will provide promise for the rental market. As young adults find new job opportunities, this demographic will likely begin to demand more rental units.

Educational Attainment: One factor that could prevent many low-income individuals from achieving homeownership is educational attainment. Over 1 in 3 of the 3,700 renters that did not graduate from high school are below the poverty line.

Age Demographics: In 2010, many individuals 15-34 forwent headship due to a lack of employment opportunities and low wages. 56.7% of all unemployed individuals are under the age of 35. As more positions are available to this age demographic, higher demand for the rental market will follow.

GRAYSON COUNTY HOUSING STOCK

In Grayson County, there are over 14,360 renter households. As discussed in the previous section, individual households vary widely by age, family type and income. Ideally the available housing stock should reflect the diverse needs of the community. However, affordability presents an issue for many renters.

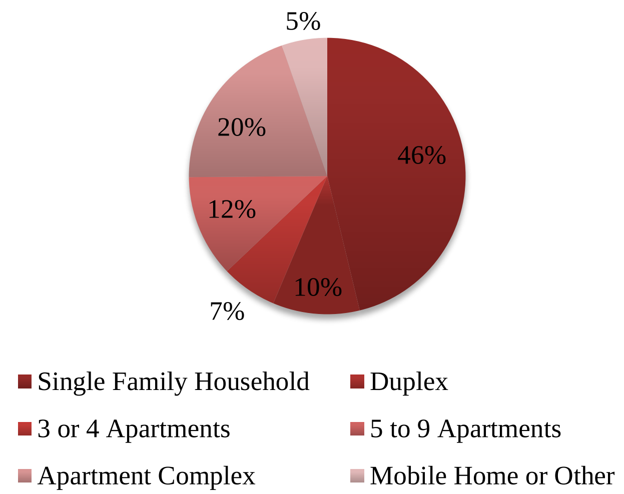
GRAYSON: TYPES OF HOUSING

There is a wide variety of types of rental units in Grayson County ranging from single family households and manufactured homes to duplexes and apartment complexes. The majority of rental properties, at 46%, are single family units. Additionally, apartment complexes account for another 20% of rental properties.

GRAYSON: SINGLE FAMILY UNITS

On average, Grayson County's housing stock is older than nearby suburbs such as McKinney or Frisco. The construction of the majority of single family homes took place between 1920 and 1970. Only 7% of all single family households were built from 2000-2010, and another 3% from 1990-1999.

Figure 8- Type of Housing Available in Rental Market



Source: ACS 2010

While some older communities have been well maintained, others suffer issues of neglect due to poverty or conversion to student rental. Regular building repair will be essential to maintain the integrity of these structures. Currently, very few rental units lack basic facilities including a complete kitchen (1%) or plumbing (.1%), though a number of rental units lack central air conditioning.

The older housing stock and unit sizes are reflected in the Grayson County appraisal district, appraisal values of the rental properties. A total of 72.7% of rental properties were appraised between $20,000 and $70,000. Another 8.8% have an appraisal value of less than $20,000. Only 6.2% of properties are appraised at $100,000 or higher. Another attribute linked to age is the size of rental units. 47.5% of homes range in size from 800 to 1300 square feet. Another 16.6% of single family units measure between 1300 and 1500 square feet.

Appraisal values and physical household size reveals that the housing stock caters mostly to lower to middle income renters, rather than to renters in a higher income quartile.

GRAYSON: DUPLEX UNITS

A significant increase in the construction of duplexes occurred from 2000-2010, particularly near Austin College. Duplexes are a viable option for both families and students as the rents are more affordable than single family units. Additionally, many duplexes are newer with more updated interiors. However, duplexes offer less space per unit and smaller lots.

The appraisal value for duplexes is significantly higher. Although this is to be expected because these structures house two households, newer construction is another obvious factor. Over one-half of duplexes in Grayson County have an appraisal value of $100,000 or more. One of the biggest issues with duplexes is the rate at which they depreciate after construction. Duplexes depreciate at a much faster rate than single family units.

GRAYSON: MANUFACTURED HOMES

Grayson County has a low manufactured home renter population which accounts for only 5% of all rental units. Two-thirds of rental manufactured homes were appraised at less than $30,000. The housing stock for manufactured homes reflects the 25 year lifespan of manufactured homes. The majority of these units were built between 1980 and 2000.

GRAYSON: APARTMENT COMPLEXES

Apartment complexes offer a variety of advantages to renters. In addition to on-site managers and maintenance, apartment complexes remain competitive in pricing with similar units. Compared to single family units, apartments are more likely to have air-conditioning, carpeting, garbage disposals and kitchen appliances. Additionally, most apartment complexes reported a variety of other amenities including a pool and laundry facility.

According to the survey issued by TCOG, 74% of apartment complexes reported zero vacancy for one bedroom/one bathroom units. 78% of apartment complexes surveyed reported one or fewer vacancies for two bedroom/two bathroom units. Despite the low vacancy rate, Cost of Living Index (COLI) data for Quarter 1 of 2012 reveals a decrease in rent from Quarter 1 of 2011. The survey issued by TCOG did not find that there was a corresponding decrease in demand for most Grayson

Figure 9- 2012 Contract Rent Relative to FMR

Bedrooms	Bathrooms	Weighted Average	HUD's FMR**
1	1	$500.21	$603
2	1	$550.87	$708
2	2	$635.73	$708
3	2	$725.00*	$930

* Weighted average is misleading and not significant, this average is not weighted ** Fair Market Rent calculates contract rent and utilities. The weighted average only includes contract rent.

Source: HUD and TCOG

County apartment complexes in 2011 to explain this trend.

Most of the units available for rent are one bedroom units. "Individuals living alone" is the largest family demographic for renters. Apartment complexes offset some but not all demand for one bedroom units.

GRAYSON: SUPPLY GAPS

The demand for one bedroom units far surpasses the quantity available. There are 5,017 single renters in Grayson County, but only 3,490 available one bed room units.

Furthermore there is a need for more units that are handicap accessible. Of the 1500 apartment units reported in our survey, only 81 units, or 5.4%, were handicap accessible with 51 of those units located at a high-end retirement village. Increased availability of handicapped accessible units is imperative as 31% of all seniors have an ambulatory disability.

There is a definite gap between the supply and demand of low-income rental units. There are several federally subsidized rental programs in Grayson County including; the TCOG Section 8 Voucher, Grayson County Section 8 Voucher, Texoma Housing Partners Public Housing, Denison Public Housing, Sherman Public Housing, Leonard Public Housing, and Whitesboro Public Housing Programs. Many of these programs receive an average of 20 calls per day requesting housing assistance with many waiting lists closed due to lack of availability. All told, there are 1,688 subsidized units available in Grayson County. There are over 3,015 renters who meet the income qualification of these programs which results in a deficit of affordable housing for **1,347** households. Additionally, there are another 3,450 cost-burdened renters who do not qualify for these subsidized housing programs.

GRAYSON: ASSESSING AFFORDABILITY

The recent recession led to a series of demographic shifts in the housing market economy. The shifts were a result of a number of factors that affected not only the preferences of households, but also their possibilities. These factors include: income levels, the employment rate, population growth, foreclosures and, more recently, consumer confidence in the homeownership market. As these factors change, affordability will fluctuate accordingly.

GRAYSON: INCOME LEVELS

There is an obvious severe supply gap between cost-burdened renters and an affordable housing stock. Cost burdened renters increased from 35% of renters in 2000 to 45% of renters in 2010. This long term trend can be explained by increases in rent and utilities and less significant gains in income. The median renters income increased by $5,000 since 2000. However, the lowest income quartile decreased by $1500 and $2080 respectively from 2008-2010. Although the steady increase in rent and utilities and limited gains in renter income reflects a long-term trend, the economic recession exacerbated affordability tensions for the lowest income demographicsAs the employment rate improves, affordability might rebound a few percent. There is no indication that it can or will return to 2000 levels.

GRAYSON: EMPLOYMENT

As discussed above, the unemployment rate indicates an improvement in the economy which spurred consumer confidence. The FDIC indicates employment growth of 1.5% since 2011. As employment statistics improve, more young adults that forwent headship will seek to rent. The “doubled up” households will likely separate, resulting in at least one renter household. Improved employment may also allow some individuals to leave the rental market and enter homeownership- it is likely that the individuals entering the market will offset or surpass in the next year.

GRAYSON: POPULATION GROWTH

Using the Texas Water Board projection, a simple interpolation predicts an increase in population of 4.9% from 2012 to 2014. A steady increase in growth will result in a higher demand for rental units and home units. Individuals that migrate to Grayson County will seek to rent before purchasing a home. A conservative estimate anticipates that by 2014, in-migration will require 756 rental units. Currently, there are an estimated 1,000 units available. If present demand for rental units remains the same, the vacancy rate could be below 2% by 2014. Construction for new rental units is necessary to prevent greater affordability issues.

GRAYSON: FORECLOSURES

Grayson County suffered over 3,100 foreclosures since the Great Recession began in 2008. Figure 10-a, on the following page, represents foreclosures by trustees deed. Texas Foreclosure laws do not require judicial interactions, therefore our data is limited to foreclosure situations in which a lien-holder has appointed a substitute trustee to handle the foreclosure. The graph reflects the judicial record of change in title by month. It is immediately evident that the worst month for foreclosures occurred in February of 2010 after the recession was said to have ended.

From 2008 to present, a linear trend line illustrates a slow decrease from about 60 foreclosures a month to about 55 foreclosures a month. Furthermore, there has been a decrease in Chapter 7 and Chapter 13 personal bankruptcy filings from 2.78 per 1,000 population to 2.17 per 1000 population in 2011.

While perhaps the worst for foreclosures has passed, the first quarter in 2011 remains about the same as the first quarter in 2012. The second quarter in 2012 was slightly higher than the second quarter in 2011, averaging three additional foreclosures a month. June and July of 2012 reveal a higher than average rate. It is important to note, this data does not illustrate seller finance agreements. These agreements allow buyers that do not meet the stringent credit requirements to avoid financing their property through the bank, or a real estate lending company. Furthermore, it enables owners to sell their properties more quickly. This agreement can be favorable for both buyers and sellers and consequently has become more popular over the last few years. Due to the lack of judicially recorded transactions, it is impossible to estimate situations in which individuals fail to make payments through these agreements. Also, the report may not include a deed in lieu of foreclosures or voluntary foreclosures in which a substitute trustee might not have been involved. As it stands, the foreclosure rate has not subsided and shows little indication that it will anytime soon.

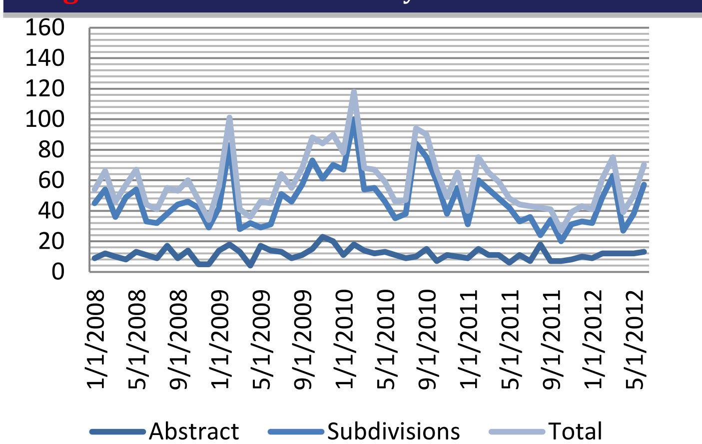
Typically a high number of foreclosures in a given area will keep rental demand high. Though this area has a low foreclosure rate relative to the state- many individuals will seek to rent in the next few years.

GRAYSON: HOME SALES

At the end of the fiscal year, an increase in foreclosures results in a simaltaneous decrease in home sales. It also appears that when foreclosures decrease there is a significant increase in sales. The current market tells a different story. Both sales and foreclosures are increasing. The increase in sales is good news for the economy and indicates a rise in consumer confidence. The median and average sales price for homes have risen, but there is an interesting trend with price distribution. According to the greater Texoma Association of Realtors and the Real Estate Center, there have been significant increases in the sales of homes in the following price ranges: $29,000 or less, $30,000-$39,000 and $40,000-$49,000. One possible explanation for this trend is the 3.5-5% down-payment requirement that was almost non-existant during 2006. Households and investors alike are taking advantage of historic low mortgage rates. One bank reported that in June, 2012 75% of their business fell in convenitonal home purchase loans. Local real estate lending companies suggested an increase in seller finance agreements. Any of these explanations could lead to a decrease in rental occupancy.

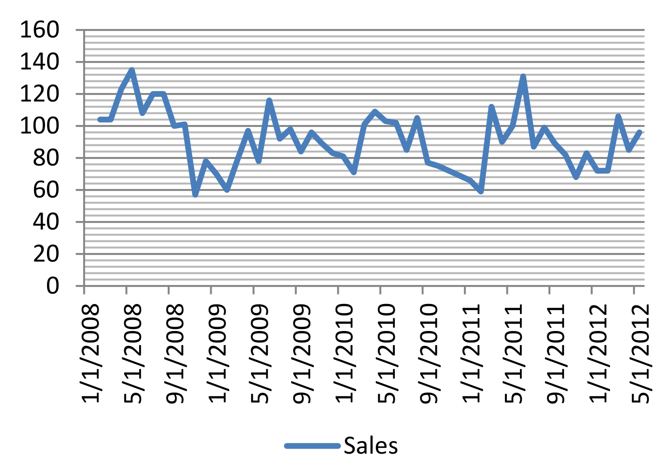
Regardless, a variety of factors may have influenced households toward renting. Real estate has become a less stable asset. Unemployment is still high, preventing many individuals from generating additional income for a down payment. A high foreclosure rate requires many households to spend the next few years repairing damaged credit. With no new construction of rental units, occupancy rates are likely to increase or remain high.

Figure 10–a Foreclosures by Trustee Deed



Source: Chapin Titles and Texoma Council of Governments

Figure 10 –b MLS Sales 2008-2012



Source: Real Estate Center at Texas A&M University

GRAYSON: KEY FINDINGS

- Grayson County's rental market faces a possible shortage in the next two years. 74% of apartment complexes reported zero vacancy for one bedroom/one bathroom units. 78% of apartment complexes survey reported one or fewer vacancies for two bedroom/two bathroom units.

- An annual in-migration of 2.45% translates to an estimated need for 375 rental properties each year. By 2014, without new construction for rental units, the occupancy rate will be dangerously high.

- In addition to in-migration, as the economy improves, young adults will likely rent more units-further threatening high occupancy rates. With the economic down-turn the number of individuals in the rental market below the age of 34 decreased significantly.

- Foreclosures for the Grayson County area are still high. By mid-July of this year foreclosures were already higher than total foreclosures for July of 2011. Therefore, a number of individuals will lose their homes, damage their credit and turn to the rental market-further increasing occupancy levels.

- As vacancy rates decline, a basic supply and demand model would suggest that prices for those units will increase, further endangering affordability indicators.

- In 2010, renters suffered a $1000 decrease in AMI. The poor were among the hardest hit. Individuals in the first and second quintiles*** lost $1,581 and $2,083 in AMI respectively.

- Though over 6,450 renters are cost-burdened, only 3,015 individuals qualify for rental assistance programs. Little more than half receive assistance.

- There was a significant increase in the number of individuals that qualified for these programs over the last decade. In 2000, only 35% of renters were cost-burdened, in 2010, 45% of renters qualified as cost-burdened. The number and share of extremely cost-burdened individuals increased by over 5%.

- The demand for such programs surpasses availability. Inundated with demand, among all voucher-based rental assistance in Grayson County, only one agency will accept applications for a total of 6 days in 2012. All project-based agencies also reported a waiting list.

- In addition to the need for more affordable housing or an increased budget for rental assistance programs, Grayson County lacks availability in one and two bedroom units and units that are accessible to individuals with ambulatory disabilities.

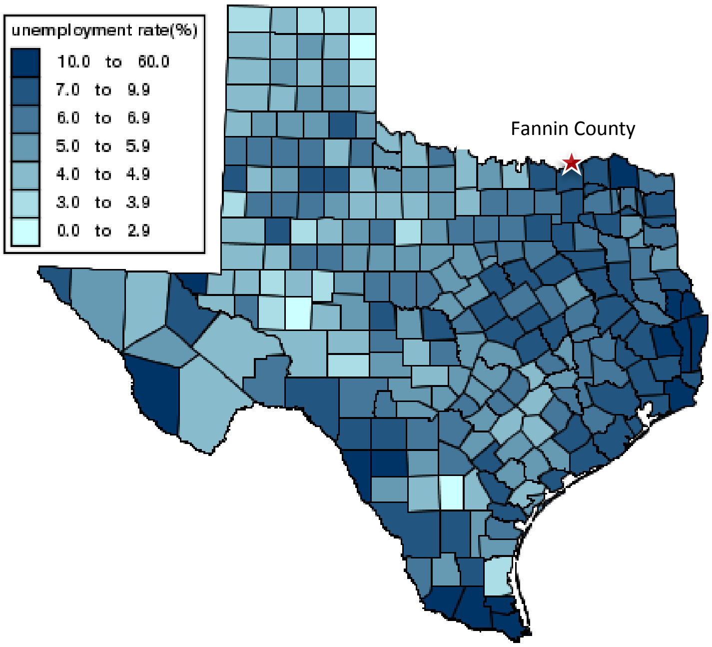


Figure 11- Unemployment Rate by County for May 2012
Source: United States Department of Labor, Bureau of Labor Statistics

Fannin County's high homeownership rate, at 74.7% reflects a high value in homeownership and little difference in affordability between the rental and homeowner markets. Fannin County's homeownership rate is about 4% to 5% higher than Grayson and Cooke Counties and about 10% higher than the Texas state homeownership rate. Consequently projected growth by 2014 immediately affects but does not strain the rental market.

With an increase of about 1.16% in annual population growth, 2014 anticipates the need for 84 more rental units (based on Texas Water Development Board projections). With an approximate 12% vacancy rate, or 370 units, population growth will decrease but will not exhaust the supply of rental units. However, not all units available are quality units. Without new construction of units or without required maintenance on current units, continued population growth will result in higher rental prices for quality units by 2015.

Over the last decade, there has been a significant increase in cost-burdened renters. Currently, 47% of Fannin County renters are cost-burdened, up 15.58 percentage points from 2000, including a 9% increase in extremely cost-burdened households. The recession did not lead to an increase in the total number of cost-burdened renters but did result in an increase in extremely cost-burdened renters.

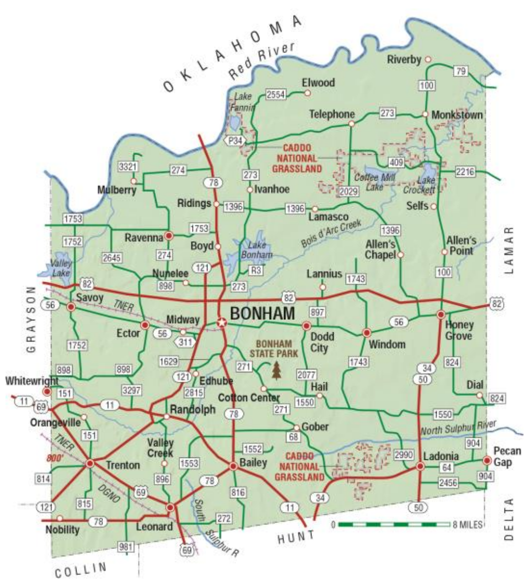


Figure 12-Source: Fannin County map used by permission of the Texas Almanac; www.texasalmanac.com.

There is a unique housing market in Fannin County. During the economic recession, many individuals took out new mortgages. Homeownership levels remained at or above pre-recession levels. And while home-owner households saw a fairly constant increase in AMI, the AMI for renter households dropped by over $5,000 from 2007 to 2010. Fannin County highly values homeownership over the rental market as evidenced by the high demand for homeownership despite the economic recession.

Between 2008 and 2010, the total number of occupied units remained fairly consistent. While there were internal demographic shifts, there was not a significant increase in renters as witnessed in many other counties. Unlike other markets, Fannin county is unique in that the total number of owner-occupied households and the homeownership rate remained at or above pre-recession levels.

DIVERSE HOUSEHOLDS: RACE DEMOGRAPHICS

	Percent of Renters
White	81%
Hispanic or Latino	10%
African American	9%

FANNIN RENTER: AGE DEMOGRAPHICS

The age demographic hit hardest by the economic recession was those aged 15-34 years. In the year 2000, one-third of renters were under the age of 34. Fewer individuals in this age demographic were likely to rent or own from 2008 to 2010. The number of renters aged 15 -24 years decreased by 50% in 2008-2010. The number of renters aged 25 to 34 years decreased by 25%. On the other hand, there was an increase in renters aged 55 to 64. In a market renters from this demographic may seem surprising, however, unemployment for this age group dramatically increased from 4 unemployed in 2008 to 155 unemployed in 2010

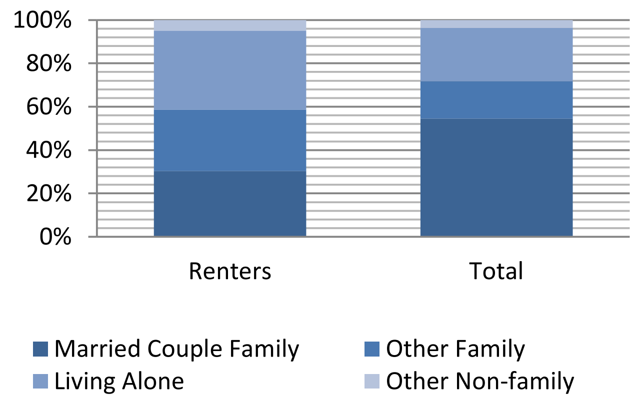
As individuals live longer, new needs are reflected in the rental market. While many seniors 65-74 prefer to own, and there is a consistent increase in these households, some older seniors return to the rental markets. There was an increase in renters aged 75 and older. (add increase)

FANNIN RENTER: FAMILY DEMOGRAPHICS

Each family type had a unique reaction to the housing bust. Overall there was a general decrease of married-couples in both markets. A total of 8.8% of married-couple families left the homeownership market. Married couples composed of young or nearly retired individuals were among the most affected.

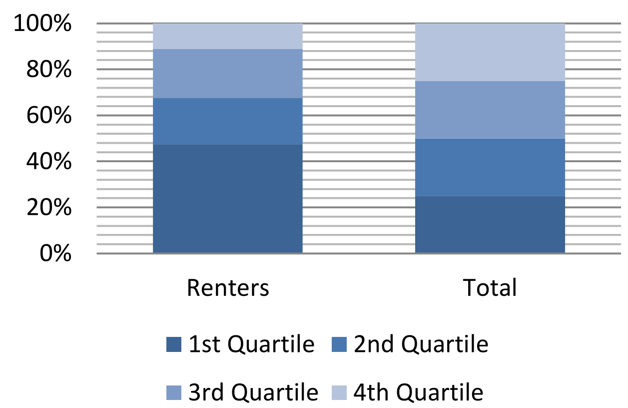
There was also a decrease in "other family" renters and an increase in "other family" home owners. Other family households, generally but not always consists of a single parent and children. It is unusual that in an economic downturn this demographic would seek to family households, generally but not always consists of a single parent and children. It is unusual that in an

Figure 13- Households by Family Type



Source: 2010 ACS

Figure 14- Household Income Quartile



Source: 2010 ACS

economic downturn this demographic would seek to enter the homeownership market. Typically this market is associated with higher costs. Though this is true, Fannin County has the lowest percent of cost-burdened home owners with a mortgage in the Texoma Region.

There was a significant increase in non-family households. A greater number of individuals lived alone in 2010 than in previous years. Between 2008 and 2010 there was an increase of over 365 individuals that chose to live alone, 88% of which rented. Of those living alone 52% are between the ages of 34 and 65. This represents a 10% increase from 2000 with only 9.6% below the age of 34. Between higher divorce rates and less affordability for young adults, it is not a surprise that this demographic shift occurred.

FANNIN RENTER: EDUCATIONAL ATTAINMENT

Figure 15- Renters Educational Attainment

	Percent of Renters	Percent Below Poverty
Less than high school graduate or equivalent	26%	27.3%
High school diploma or equivalent	41%	12%
Some College	27%	9.2%
Bachelor's Degree	6%	2.9%

Source: American Community Survey 2010

FANNIN RENTER HOUSEHOLD INCOME LEVELS

The onset of the economic downturn negated the income gains renters enjoyed from 2000 through 2007 and by 2010 resulted in a decrease of over $5,000 to the AMI. Conversely, during this same time period, owner-occupied households continued to see a steady increase in income. Despite this trend, the renter AMI was only $1,500 above the original 2000 AMI. Owner occupied households continued to see a steady increase in income.

It is evident that renters were hardest hit. Despite renters losses all three of the lowest quintiles*** saw improvements in their mean household income. The only possible explanation is that unemployment most affected renters-or that those affected turned to the rental market. With more than 43.9% of renters earning less than $20,000 a year in 2010 and another 9.4% earning between $20,000 and $25,000, over half of the renter population earns low wages.

The U.S. Housing Department and Urban Development (HUD) sets income limits for its assistance based programs based on income and family size. HUD calculates four types of income limits. Important here are the very low income limits and extremely low income limits. The AMI, at $54,200 in 2012, assumes a four person household in its calculation. Consequently, 50% of the AMI, for a one person household is only $19,000. At minimum, 1,630 renters meet the income qualification regardless of family size, including at least 1,235 renters who qualify as extremely low income. Renters with low incomes typically spend more than 30% of their income on housing, and therefore also constitute a cost-burdened household.

From 2000 to 2010 rising utility costs and a steady rise in rent resulted in an increase in the number and share of cost-burdened individuals. In 2010, 47% of renters spent more than 30% of their income on housing, a significant increase from 35% of renters in

2000. Of the cost-burdened renters in 2010, nearly three-quarters were extremely cost-burdened, spending nearly 50% or more of their income on housing. The number of extremely cost-burdened individuals climbed 7.4 percentage points from 2000 levels.

Another measure of affordability includes the rent-to-income ratio. This measure calculates the median gross rent as a percent of income. The American Community Survey recorded the median gross rent as percentage of income at 28.5% in 2010, up 5.1 percentage points from 23.4% in 2000. This measure fluctuated drastically from 2007 to 2010. In 2008, the measure stood at a high during the economic downturn of 29.5% which decreased to 24.3% in 2009 and back to 28.5% in 2010. The fluctuating measure is a result of changes in rent prices, employment and shifting demographics between the homeownership and rental markets.

As noted, the median gross rent as a percent of income is less than 30% for all four years. While low-income renters make-up a large portion of the Fannin County rental market a number of renters fall between the third and fourth quartile. About 11% of renters earn $35,000-$50,000, most of which fall into the third quartile.

FANNIN: EMPLOYMENT

High unemployment remains an issue for many renters. The unemployment rate is a measure that calculates the percent of the population aged 16 and older who were not employed, available to work and had made an effort to find work. Relative to the Texoma region, Fannin County's unemployment rate is the highest. However, the last year reveals significant improvement. Though the FDIC reported -1.3% in job growth for 2011, the unemployment rate decreased from May of 2011 at 10% to 8.6% in May of 2012.

It is possible to track employment by age group from 2008-2010. In 2010, 36.4% of those unemployed were individuals between the ages of 16-25. Another 16.8% were between the ages of 30-34. While the hardest hit demographic is typically below the age of 35, individuals between the ages of 25 and 29 only represent 2.6% of those unemployed. Those nearing retirement also experienced some difficulties. Individuals aged between 55 and 59 account for 11.9% of those unemployed. Typically these demographics are the first to encounter lay-offs and the last to be hired.

FANNIN: WORKFORCE POPULATION

In Fannin County, 54% of the population is employed, while approximately 42% are not currently in the workforce. The American Community Survey calculates the percent of the workforce in a given industry across Fannin County. MIT's Living Wage calculator identifies hourly wages typical of different professions among Fannin County Residents. Living wages describes the wages a household must earn to support their self or family.

Chart 18a-c (next page) presents a comparison of the living wages in Fannin County, compared to the percentage of workforce population per industry. Chart 18-a reveals that the largest industries in Fannin County are: Education, Retail trade, Manufacturing and Construction. Chart 18-b reveals an occupational wage comparison between Fannin County and the State of Texas. Chart 18-c, reveals that while 39.9% of the industries can financially support a single adult, not one industry can support a household with children. For the 30% of renters that live alone, the wages for the industries listed in 18-c are livable. However, 1 in every 3 renters has at least one child. The wages in these industries fail to support their needs.

Figure 16- Unemployment Rate 2011-2012

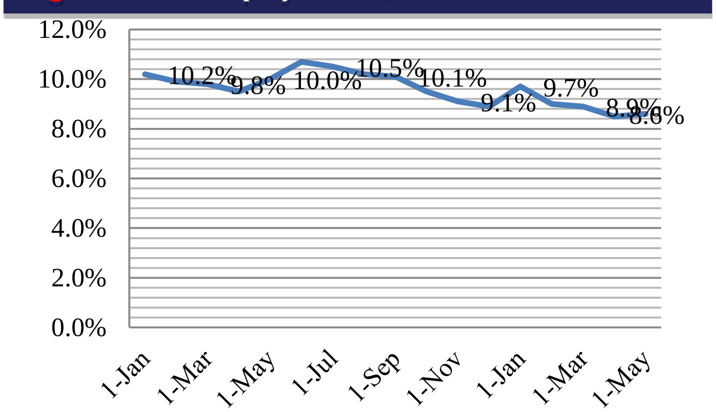
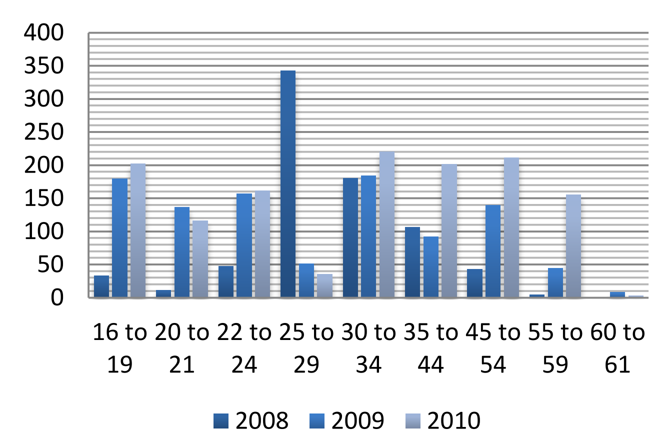


Figure 17- Unemployed by Age during the Recession



FANNIN: LIVING WAGES

It is significant that almost 40% of the labor force works in an industry with typical wages that cannot support one adult and one child. This statistic is general and applies both to those who rent their home and home owners. To quantify the amount of renters that earn these wages, one can compare the income demographics by tenure. Although renters only make up only one quarter of all occupied units, almost half of the individuals earning these wages are renters. 16-c also reveals that the cost of labor is not as high in Fannin County as in other areas of Texas.

FANNIN: ANALYSIS OF DEMAND

As the economy slowly recuperates, a number of demographic shifts will, again, alter the reality of rental demand. In accordance with the American Dream, Fannin County highly values homeownership. Relative to this market, the rental market is an inferior good. The increasing amount of mortgages through-out the Great Recession reveals that Fannin County was no less hesitant to value a home as an asset.

Educational Attainment: One factor that could prevent many low-income individuals from achieving homeownership is educational attainment. More than 1 in 4 renters that did not graduate from high school are below the poverty line.

Income Levels: Currently, over half of the renter population earns less than $25,000. To qualify for income based subsidized units or housing vouchers, most programs require that the individual's income is at or below 50% of the AMI. 40% of current renters meet this qualification. As employment opportunities arise, renter-income gains can increase.

Employment: Employment levels for Fannin County continue to improve. However, the even distribution of low-income jobs between renters and homeowners is disconcerting. Renters compose only 25% of all households.

Age Demographics: In 2010, many individuals 15-34 forwent headship due to a lack of employment opportunities and low wages. As more positions are available to this age demographic, more demand for the rental market will ensue. The aging Baby boomers demographic will also continue to demand affordable rental units as well.

Figure 18A-18C Employment by Industry and Typical Wages

18A Industry	Percent
Agriculture	3.7%
Construction	9.4%
Manufacturing	13.6%
Wholesale + Retail Trade	16.2%
Transportation, Warehousing and Utilities	6.4%
Information	1.6%
Finance, Insurance, Real Estate, Rental & leasing	6.6%
Professional, Scientific, Management, Administrative Management and Waste Management	5.8%
Educational Services, Health Care and Social Services	21.3%
Arts, Entertainment, Recreation, Accommodation and Food Services	4.1%
Other Services except Public Administration	4.0%
Public Administration	7.2%

18B Occupational Area	Fannin Wage	Texas Wage
Food Preparation and Serving Related	$7.43	$9.48
Building and Grounds Cleaning and Maintenance	$8.62	$10.71
Personal care and Services	$7.81	$10.24
Sales and Related	$11.25	$17.80
Office and Administrative Support	$11.44	$14.30
Farming, Fishing and Forestry	$9.04	$11.75
Construction and Extraction	$13.83	$17.89
Installation, Maintenance and Repair	$15.16	$19.38
Production	$12.34	$16.02
Transportation and Material Moving	$11.48	$15.60

18C Hourly Wage	1 Adult	1 Adult 1 Child	2 Adult	2 Adult 1 Child	2 Adult 2 Child
Living	$6.74	$13.18	$10.62	$17.04	$22.30
Poverty	$5.04	$6.68	$6.49	$7.81	$9.83

Source: American Community Survey and MIT Living Wage Calculator
Disclaimer: 2010 statistics cannot accurately reflect the current market

FANNIN COUNTY HOUSING STOCK

In Fannin County, there are over 3,060 renter households. As the demographics reflect, Fannin County has diverse renter characteristics, though many renters are low-income. Ideally, the housing stock accommodates the needs of community. But the amount of cost-burdened individuals reveals that affordability is an issue. Additionally, a number of units are not of "quality" which reduces availability for HCV Section 8 clients or higher-income renters.

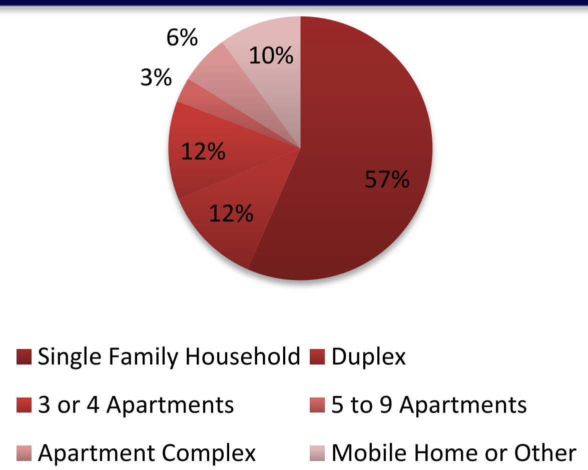
FANNIN: TYPES OF HOUSING

There is a wide variety of types of rental units in Fannin County ranging from single family households and manufactured homes to duplexes and apartment complexes. The majority of rental properties, at 57%, are single family households. Duplexes and 3 or 4 apartments account for 12% each. Additionally, manufactured homes account for another 10% of rental properties.

FANNIN: SINGLE FAMILY UNITS

Like Grayson County, Fannin County's housing stock is older than nearby suburbs. The construction of the majority of single family homes took place between 1920 and 1970. Only 7% of all single family households were built from 2000-2010, and another 5% from 1990-1999. While some older communities have been well maintained, others retain fundamental issues as a result of neglect due to poverty or age of unit. Regular building repair will be essential to maintain the integrity of these structures. Some rental units lack basic facilities including a complete kitchen (2.9%) or plumbing (5.2%). A number of rental units also lack air conditioning.

Figure 19- Type of Housing Available in Rental Market



Source: ACS 2010

The older housing stock and unit sizes are reflected in the appraisal values of the rental properties. The Fannin County Appraisal District assigns values to properties. Over half of rental properties were appraised at below $30,000. The appraisal values of an additional 24.3% of units is between $30,000 and $50,000. Only 3.9% of rental properties are appraised at $100,000 or higher. Another attribute linked to age is the size of units. Two of every three rental homes is less than 1300 square feet. Another 12.5% of single family units are between 1300 and 1500 square feet.

Appraisal values and physical household size reveals that the housing stock caters mostly to lower to middle income renters, rather than to renters in a higher income quintile.

FANNIN: DUPLEX UNITS

To rent a duplex is often more affordable than single family households, though they often offer less space per unit and sit on smaller lots. There appear to be three main periods of duplex production: 1940s the 1960s and the early 2000s. With many new duplex units from the last decade, a number of complexes will have more updated interiors than traditional single family units.

The appraisal value for duplexes is significantly higher. Although this is to be expected because these structures contain two households, newer construction is another obvious factor. Half of duplexes have an appraisal value of $80,000 or more.

One of the biggest issues with duplexes is the rate at which they depreciate after construction. Duplexes depreciate at a much faster rate than single family rental units.

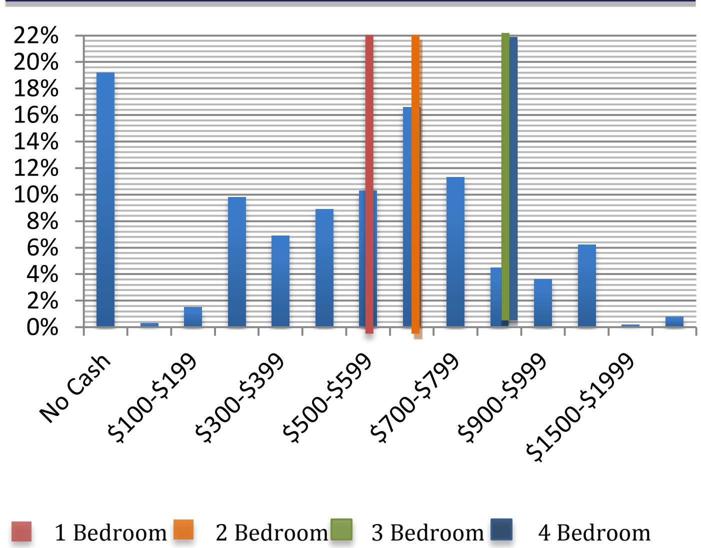
FANNIN: MANUFACTURED HOMES

Fannin County has a high manufactured home renter population which accounts for 10% of all rental units. One of Fannin County's large employers is Clayton Homes; a construction company that designs and builds innovative, prefabricated homes. The median value for manufactured homes increased significantly from 2000 to 2007 by approximately $9,000. The housing stock for manufactured homes reflects the 25 year lifespan of manufactured homes. The majority of these units were built after 1980. However, manufactured homes for rent are not likely to be new. All of the units from our survey were built before or during 2000. These results were not significant.

FANNIN: APARTMENT COMPLEXES

Apartment complexes offer a variety of advantages to renters. In addition to on-site managers and maintenance, apartment complex prices remain competitive with similar units. Most apartment complexes were built since the 1980s so all units should include complete kitchen and plumbing facilities. Survey respondents all reported central air conditioning and carpeting. Many apartment complexes also reported a variety of amenities including a pool and laundry facility. However, these findings are not statistically significant.

Figure 20- Gross Rent Relative to HUD FMR



Source: HUD and ACS 2010

FANNIN: SUPPLY GAPS

As affordability became an issue for many low-income renters, there was a high demand for efficiency apartments. Despite the decrease in demand for single bedroom units, there was an increase in demand from individuals living alone or downsizing. More than 300 new individuals sought no bedroom apartments from 2008 to 2010. About 100 fewer people sought one bedroom apartments as a result. Unlike Grayson County, there is not a lack of one bed rooms, but there is a lack of affordable apartments. Many individuals cut costs and downsized during the recession.

All voucher and project-based agencies in the area reported a waiting list. Long term rental assistance programs including HCV Section 8 and Public Housing Programs have about 440 available vouchers or project-based units. Other subsidized apartments in the area have at least 106 additional units, but these units are available to a limited clientele based on age income and disability. All responding apartments also reported a waiting list.

Combined, these programs amount to assistance for over 546 households. If 2 in 5 renters are extremely cost-burdened and spend more than 50% of their income on housing, than almost 1235 renters meet the income qualification for all programs. Therefore there is a gap of **689** before acknowledging renters that are only cost-burdened.

Furthermore there is a need for more units that are handicap accessible. Considering that 30.6% of all seniors have an ambulatory disability, it is important for more of these units to exist. As the baby boomers age there will be a greater increase in need.

FANNIN ASSESSING AFFORDABILITY

The Great Recession led to a series of shifts in the housing market economy. The shifts affected not only the preferences of households, but also the possibilities. Shifts in income levels, family demographics and the employment rate were influential in shaping the preferences of homeowners and renters alike. The increase in mortgages during the recession relative to the decrease in renters reveals the general preference toward homeownership as well as acknowledges the general trend of multi-generational homes.

FANNIN RENTER: INCOME LEVELS

There is an obvious severe supply gap between cost-burdened renters and an affordable housing stock. Cost burdened renters increased from 35% of renters in 2000 to 47% of renters in 2010. This long term trend can be explained by increases in rent and utilities and less significant gains in income. The 2010 median renter income was only $1,500 greater than 2000 levels. However, the lowest income of quintiles*** increased by $1,660 from 2008-2010. It is likely that many renters sought employment in retail and manufacturing industries. A decrease in sales during this period, also led to a decrease in jobs. As sales rise, employment rates can improve and affordability might rebound a few percent.

FANNIN: EMPLOYMENT

As discussed above, the unemployment rate indicates an improvement in the economy. The civilian labor force has also increased in the last year. The FDIC indicated employment growth of 1.4% in 2010 following the introduction of Kwal Paint and 19 other businesses to the region. The FDIC reported negative growth for 2011. Fortunately, in the last six months, the unemployment rate decreased by 1.4%. BEDCO continues to work with a number of companies such as LS Powers and TXDOT that promise both permanent and temporary jobs. With 16% of jobs tied to retail, greater job diversification will be important to prevent high unemployment rates in future economic downturns.

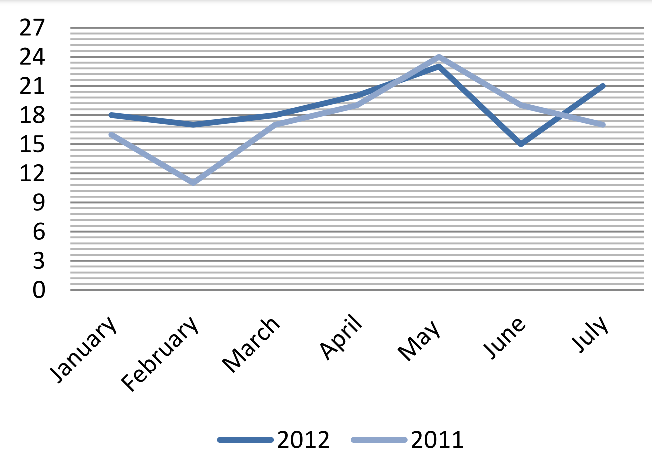
FANNIN POPULATION GROWTH

Using the Texas Water Board projection, a simple interpolation predicts an increase in 2.3% from 2012 to 2014. A small increase in growth will result in a higher demand for rental units and home units depending on the demographics of the growth. The in-migration will likely be low-income individuals due to the lack of higher educational opportunities. Businesses that relocate to the area are more likely to attract lower-wage jobs. Regardless, many migrating individuals will seek to rent before purchasing a home.

FANNIN FORECLOSURES

Relative to the state of Texas, there are significantly fewer foreclosures in the Texoma region. In Fannin County the foreclosure rate is about 0.06, about 0.05 points lower than Texas. This is the equivalent of about 550 properties. Though it may seem as if this is low-impact, 550 households will likely not reenter the home-owners market for several years. This year,

Figure 21- Foreclosures for 2012 Quarter 1 and 2



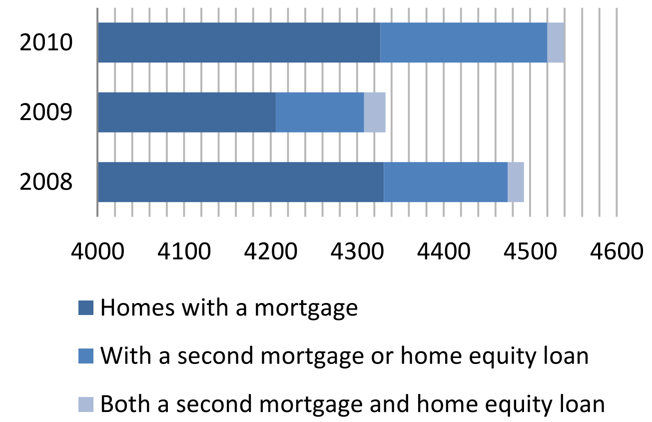
Source: Munson, Munson, Cardwell & Tillett there has been a slightly higher rate of foreclosure. Graph 19 represents the first and second quarter of 2011 and 2012.

FANNIN MORTGAGE RATE

Despite a downturn economy, 645 individuals moved into their homes between 2008 and 2010. In other words, despite the housing bust, there was a 7.3% increase in the owner-occupied market.

Approximately half of owner-occupied homes do not have a mortgage. It is likely a number of households without a mortgage generationally inherited their home. Figure 20 illustrates an obvious decrease in mortgages in 2009, but 2010 reveals an immediate increase, returning to pre-recession levels. An increase in second mortgages or equity loans is also evident. It appears the consumer confidence occurred with employment growth in 2010.

Figure 22- Mortgages during the Recession



Source: ACS 2008, 2009, 2010

FANNIN KEY FINDINGS

- The homeownership rate for Fannin County is 10% higher than the state average. The homeownership rate remained at or above pre-recession levels. It is evident that residents of Fannin County strongly value homeownership and that it is an affordable option with the fewest cost-burdened homes with a mortgage in the Texoma region in 2010.
- A 1.16% annual growth for Fannin County, requires 42 or more additional rental units each year. Though the vacancy rate is still on par with the State average, no new construction permits have been filed. This could potentially threaten to increase rent prices in 4 or 5 years.
- When consumer confidence increases and the number of 15-34 year olds whom left the market can afford to return, vacancy rates will decrease. A rental market inundated with demand could also threaten rent prices.
- Renters were hard hit by the economic recession. The overall renter AMI decreased by $5,000. The total mean household income for the lowest income demographic improved, despite the lower renter-AMI.
- 50% of the total AMI is $19,000- 1,630 renters qualify for voucher or project-based assistance with their income. Only ¼ receive assistance. All programs reported a waiting list.
- According to MIT's living wage calculator, almost 40% of jobs available have typical wages that cannot support one adult and one child.
- A number of rental units available lack basic facilities including 5.2% without plumbing and 2.9% without a complete kitchen.
- The FDIC reported negative employment growth for 2011 and YTD 2012. The unemployment rate improved in the last 6 months.

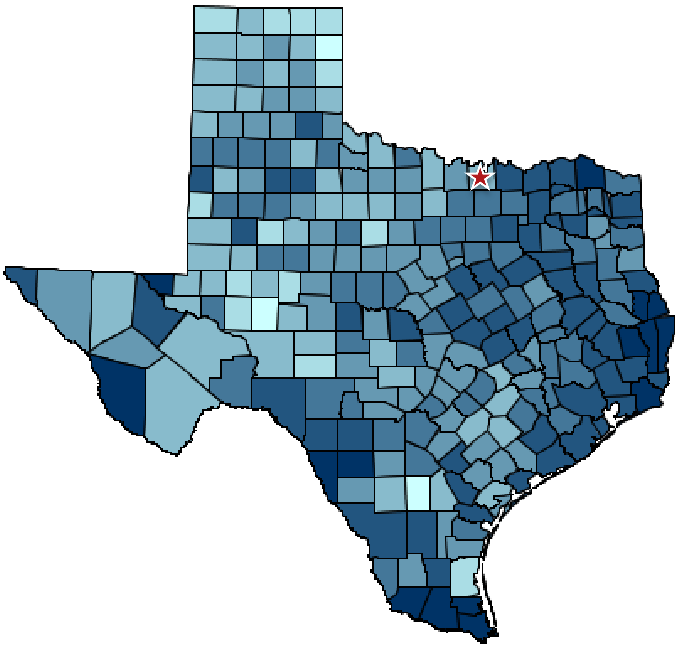


Figure 23- Unemployment Rate by County for May 2012
Source: United States Department of Labor, Bureau of Labor Statistics

Figure 24- Source: Cooke County map used by permission of the Texas Almanac; www.texasalmanac.com.

Despite the economic downturn, affordability for renters residing in Cooke County steadily improved from 2007 to 2010. In 2007, the renter AMI remained below 2000 levels. Recent years brought much improvement as annual employment growth surpassed that of the State of Texas in 2008, 2010 and 2011.

A number of measures indicate an increase in affordability. Renter income gains increased by 23.2 percentage points or from $25,485 in 2007 to $31,386 in 2010. Furthermore the rent to income ratio, representing the median gross rent as a percent of income, greatly improved. In 2007, the rent to income ratio was incredibly high at 36% which steadily declined to 28.1% in 2010. The number and share of cost-burdened renters also decreased by 2.7%.

Although affordability measures showed significant improvement over the past few years, the percent of cost-burdened renters is still very high. In 2010, 48% of renters spent more than 30% of their income on housing compared to only 30.7% in 2000. In 2007, 57.7% of renters spent more than 30% of their income on housing.

Furthermore Cooke County's vacancy rate is dangerously low. From 2007 to 2010 the rental vacancy rate decreased from 5.69% to 2.96%. With an annual population growth rate of 1.3% per year (Texas Water Board Projection), there was a need for more rental units than available by this year. With only one construction permit filed for a multi-family complex, the demand pressure placed on rental units caused an artificial price increase in rental units.

Fortunately, consumer confidence and low mortgage rates will lead to an increase in homeownership this year- a substitute good in this economy.

COOKE RENTER DEMOGRAPHICS

In Cooke County, there are over 4,510 renter households. As the economy suffered from negative employment growth in 2009, 600 households moved to the rental market, an increase of 15.7%. Vacancy rates diminished. Ideally, the housing stock accommodates the needs of community. Unfortunately there are not enough rental units to accommodate the quickly growing workforce. Consequently many individuals commute, spending their capital in areas other than Cooke County.

COOKE RENTER: RACE DEMOGRAPHICS

	Percent of Renters
White	87%
Hispanic or Latino	9%
African American	2%
Asians	1%
Native Americans and Alaskans	1%
Pacific Islanders	1%

COOKE RENTER: AGE DEMOGRAPHICS

The age demographics of the rental market appear counter-intuitive to the national trend. While many young adults move into a family home, Cooke County individuals aged 15 to 24, purchased homes. More young adults also rented homes than in prerecession levels. Adults between 25 and 34 also purchased more homes between 2009 and 2010. It is likely that these individuals saw no alternative to homeownership. Without available rental units, but a plethora of job opportunities, many young adults entered 30-year mortgages. There was also an increase in individuals aged 60-74 whom both purchased and rented homes.

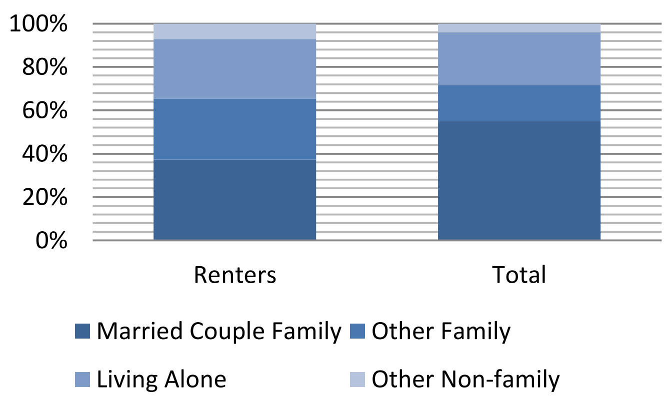
Unlike other counties in the Texoma region, the age demographic is not likely to alter demand without the creation of more rental units. Demand for the rental market surpasses available units.

COOKE RENTER: FAMILY DEMOGRAPHICS

Both the rental and homeownership market witnessed increases in demand between 2009 and 2010. Some family types saw increases in both the home ownership and rental markets, For example a number of married couples between the ages of 35 and 64 left the homeownership market. In the rental market there was a 300 family increase for ages 35 to 64.

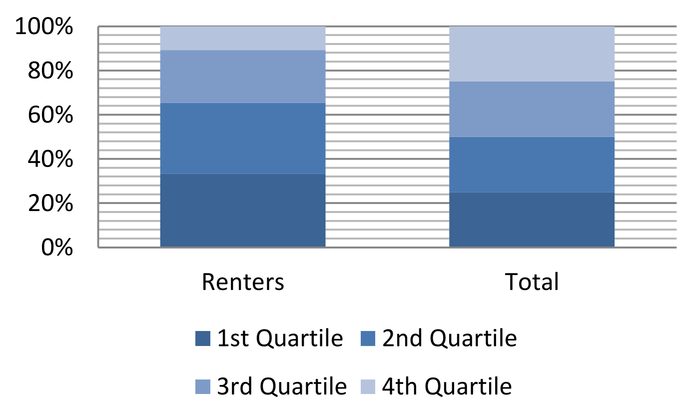
The homeownership market saw a significant increase in "other family". Other family consists of a

Figure 25- Households by Family Type



Source: ACS 2010

Figure 26- Household Income Quartile



Source: ACS 2010

single parent and one or more children. It is likely that many individuals that left the homeownership market had jobs in the energy industry. When oil reached a low of $38/barrel, many companies in the oil industry laid off employees until oil prices rebounded. "Other families" may or may not have preferred to rent but only one of these preferences was an option.

The homeownership and rental market also saw an increase in individuals living alone. It is also a bit peculiar that 370 more individuals living alone chose to purchase a home, while only 115 more individuals living alone sought rental homes. It is true that more individuals live alone own rather than rent in Cooke County, but a disproportionate amount chose home ownership. Again, it is likely that a limited number of rental units shaped this preference.

The family type demographics reveal a few interesting things about the rental market. In conjunction with an extraordinarily low vacancy rate, it appears that homeownership is a more viable option regardless of family type. A greater stock of homes is necessary.

COOKE RENTER: EDUCATIONAL ATTAINMENT

	Percent of Renters	Percent Below Poverty
Less than high school graduate or equivalent	23%	28.2%
High school diploma or equivalent	31%	10.2%
Some College	35%	7%
Bachelor's Degree	11%	3%

Figure 26: source American Community survey 2010

COOKE RENTER: HOUSEHOLD INCOME LEVELS

In 2007 renter AMI remained at or below the 2000 level. Owner-occupied households saw an increase in AMI by almost $18,000 during this time. With the economic downturn, renter income gains in the other two counties decreased by about $1,000-$5,000 respectively. Cooke County acted as an exception to this general trend. From 2007 to 2010, Cooke County saw a $6,000 increase in renter AMI.

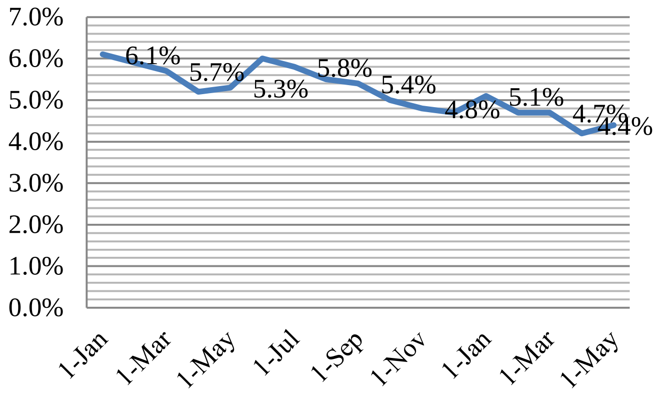
Mr. Kent Sharp, Executive Director of the Gainesville Economic Development Corporation explained that in 2007 and 2008 the composition of jobs changed. New companies entered the Cooke economy, relocating their corporate national or regional headquarters to Cooke County. These opportunities offered higher paying hourly wages. Additionally, a new class of renter entered the market. Drawn to Cooke County with professional and management opportunities, a number of young individuals with $50,000-$60,000 annual salaries sought to rent rather than own. Both of these factors explain the significant increase in renter AMI.

By 2010 Cooke County's Renter AMI surpassed the other counties in the Texoma region, but significant improvement does not paint a complete picture. In 2010, 48% of renters spent more than 30% of their income on housing, a significant increase from 30% of renters in 2000. Of the cost-burdened renters in 2010, nearly 3 out of 5 were extremely cost-burdened, spending 50% or more of their income on housing. The number of extremely cost-burdened individuals doubled from 2000 levels. Though 48% is comparable to both Grayson and Fannin Counties, a limited supply of rental units and a high demand typically results in an increase in market prices.

Another measure of affordability includes the rent-to-income ratio. This measure calculates the median gross rent as a percent of income. The American Community Survey recorded the median gross rent as percentage of income at 28.1% in 2010, down 7.9 percentage points from 36% in 2007. In Cooke County, this measure declined drastically from 2007 to 2010. As Mr. Sharp suggested, the declining measure is likely a result of a new job composition, including a new class of renter.

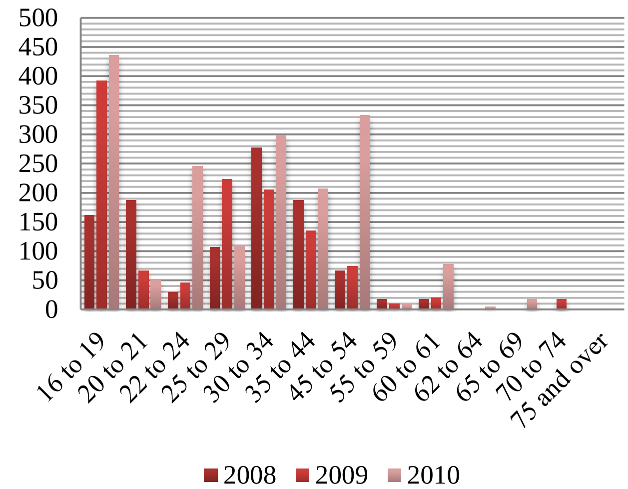
The median gross rent as a percent of income was higher than 30% until 2010. While low-income renters make-up a large portion of the Cooke County rental market a number of renters fall between the third and fourth quartile. Nearly one quarter of

Figure 27- 2011-2012 Unemployment Rate



Source: United States Department of Labor

Figure 28- Unemployed by Age during the Recession



Source: ACS 2008, 2009, 2010

renters are in the third income quartile, and earn an annual salary between $48,825 and $81,616. Another 12% are in the top quartile.

COOKE: EMPLOYMENT

The unemployment rate is a measure that calculates the percent of the population above the age of 16, were available to and had made an effort to work. Relative to the Texoma region, Cooke County's unemployment rate is the lowest. In May of 2012, Cooke County's unemployment rate was 2.5 percentage points lower than the average for the State of Texas. According to the FDIC, despite the economic recession, the years 2008, 2010 and 2011 enjoyed positive employment growth. 2009 did encounter a high negative employment growth rate.

Figure 28 reveals unemployment by age, during the recession. It is immediately evident that the hardest hit were between 16 and 19 years. Many jobs held by this demographic are tied to retail. According to the GEDC, in 2008 and 2009 retail sales, measured by local sales tax suffered losses of 17.05% and 21.21%. Since the economic recession, sales increased to higher than pre-recession levels. Many of these jobs were restored. Another initiative by the GEDC included a GEDC issued grant that outfitted welding labs at the North Central Texas College in 2007 and 2008. The grant required the college to provide welding training classes that targeted high school juniors and seniors. Out of high school, adults whom took advantage of the program earned an annual salary of $42,000-$45,000. Though this age demographic suffered during the recession, the same employment statistics are not applicable today.

Also immediately evident is the loss of jobs for 30-34 and 45-54 year olds. This was likely the result of jobs in the energy industry. When oil prices plummeted to $38/barrel little drilling took place. As a result many employees were laid off until oil prices rebounded. Though these age groups likely worked in different. positions in the energy industry, both felt its ramifications.

One of the main reasons, Cooke County maintained annual employment growth despite the recession, was the continuous expansion of Winstar Casino. Winstar Casino employs over 4,000 individuals. The majority of its employees reside in Gainesville. At the height of the recession, Winstar's continuous construction and job expansion mitigated some economic hardship and allowed for a quicker recovery.

The GEDC aims to expand the diversification of available jobs. A number of opportunities have emerged from existing companies.

COOKE: WORKFORCE POPULATION

In Cooke County, 59% of the population is employed, while approximately 35% are not currently in the workforce. The American Community Survey calculates the percent of the workforce in a given industry across Cooke County. MIT's Living Wage calculator identifies typical hourly wages of different professions among Cooke County residents. Living wages describes the wages a household must earn to support their self or family.

Chart 29a-c presents a comparison of the living wages in Cooke County compared to the percentage of workforce population per industry. Chart 29-a reveals that the largest industries in Cooke County are: Education, Health Care, Manufacturing and Retail Trade. Chart 29-b reveals an occupational wage comparison between Cooke County and the State of Texas. Chart 29-c, reveals that while 45% of the industries can financially support a single adult, not one industry can support a household with children. For the 30% of renters that live alone, the wages for the industries listed in 29-c are livable. However one-third of renters have at least one child. The wages in these industries fail to support their needs.

COOKE: ANALYSIS OF DEMAND

Unlike other counties in the Texoma region, many demographics will not likely alter demand without the creation of more rental units. Demand for the rental market surpasses available units. Consequently many individuals that may have otherwise rented, own their homes or seek housing outside of Cooke County and commute to work. Though low-income renters struggle with affordability- there are few solutions other than to create more housing of all types.

The creation of one new multi-unit structure will hardly offset the low vacancy rate. It is likely that the unit will fill quickly, and with little effect on rental prices. Though 150 units seems substantial, the number of individuals commuting to work, the in-migration, and young age demographics that would prefer to rent short-term will still surpass the limitations of the supply. Hopefully low mortgage rates will encourage some individuals in the rental market to purchase homes. If 300 to 400 households left the rental market rental vacancy rates will still be low but far more manageable.

Figure 29A-C Employment by Industry and Typical Wages

29A Industry	Percent
Agriculture	7.8%
Construction	6.6%
Manufacturing	17.1%
Wholesale + Retail Trade	15.1%
Transportation, Warehousing and Utilities	5.6%
Information	0.6%
Finance, Insurance, Real Estate, Rental & leasing	3.0%
Professional, Scientific, Management, Administrative Management and Waste Management	6.3%
Educational Services, Health Care and Social Services	17.5%
Arts, Entertainment, Recreation, Accommodation and Food Services	10.4%
Other Services except Public Administration	6.4%
Public Administration	3.5%

29B Occupational Area	Cooke Wage	Texas Wage
Food Preparation and Serving Related	$7.43	$9.48
Building and Grounds Cleaning and Maintenance	$8.62	$10.71
Personal care and Services	$7.81	$10.24
Sales and Related	$11.25	$17.80
Office and Administrative Support	$11.44	$14.30
Farming, Fishing and Forestry	$9.04	$11.75
Construction and Extraction	$13.83	$17.89
Installation, Maintenance and Repair	$15.16	$19.38
Production	$12.34	$16.02
Transportation and Material Moving	$11.48	$15.60

29C Hourly Wage	1 Adult	1 Adult 1 Child	2 Adult	2 Adult 1 Child	2 Adult 2 Child
Living	$6.68	$13.55	$10.76	$17.41	$22.70
Poverty	$5.04	$6.68	$6.49	$7.81	$9.83

American Community Survey and MIT Living Wage Calculator **Disclaimer: 2010 statistics cannot accurately reflect the current market**

COOKE COUNTY HOUSING STOCK

In Cooke County, there are over 4,600 renter households. As the demographics reflect Cooke County has diverse renter socio-economic characteristics. Ideally, a housing stock accommodates the needs of a community. In Cooke County the amount of available rental units is disproportionate to the amount of individuals demanding them. Consequently until the supply increases, rent prices will likely remain high.

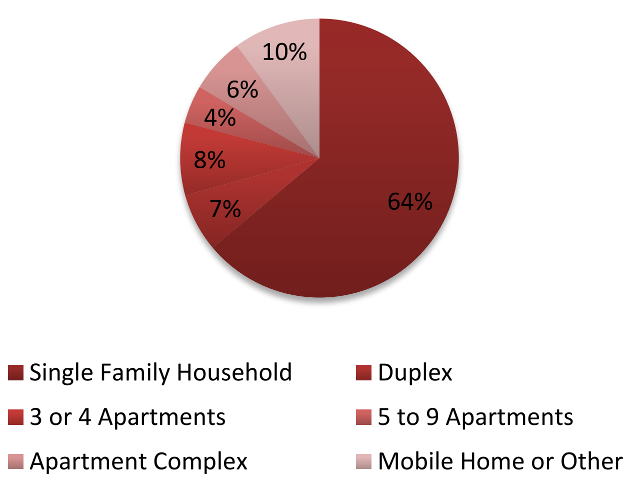
COOKE: TYPES OF HOUSING

There is a wide variety of types of rental units in Cooke County ranging from single family households and manufactured homes to duplexes and apartment complexes. The majority of rental properties, at 64%, are single family households. Small apartment complexes consisting of 3-9 units account for 12.4%. Larger apartment complexes represent another 6%. Duplexes make up 6.8%. Last, manufactured homes account for another 10% of rental properties.

COOKE: SINGLE FAMILY UNITS

Like Grayson County, Cooke County's housing stock is older than nearby suburbs. The construction of the majority of single family homes took place between 1920 and 1970. Only 6.8% of all single family households were built from 2000-2010, and another 2.4% from 1990-1999.

Figure 28 Type of Housing Available in Rental Market



Source: ACS 2010

While some older communities have been well maintained, others retain fundamental issues as a result of neglect due to poverty. Regular building repair will be essential to maintain the integrity of these structures. Very few rental units lack basic facilities including a complete kitchen (1.8%) or plumbing (0.5%). Some rental units lack central air conditioning.

The older housing stock and unit sizes are reflected in the appraisal values of the rental properties. The Cooke County Appraisal District assigns values to properties. Only 29.3% of rental properties were appraised below $30,000 in 2012. The appraisal values of an additional 40% of units are between $30,000 and $50,000. Only 3% of rental properties are appraised at $100,000 or higher. Another attribute linked to age is the size of units. Almost 70% of units are between 900 and 1300 square feet. Another 13% of single family units are between 1300 and 1500 square feet.

It is interesting to note that 1 in every 4 renters is in the third income quartile, or considered middle-upper income relative to their community. The appraisal values and physical household size do not reflect this market. Rather individuals are paying more for homes appraised at lower rates than in typical markets.

COOKE: DUPLEX UNITS

To rent a duplex is often more affordable than single family households, though they often offer less space per unit and sit on smaller lots. There appear to be two main periods of duplex construction: 1940s and the early 2000s. 1 in 4 duplexes was built in or since 2000 while about 18% was built in 2010. With many new duplex units from the last decade, a number of complexes will have more updated interiors.

The appraisal value for duplexes is generally higher. While this is true in Cooke County, if the appraisal rate was divided by the number of units- each unit would have a similar or lesser value than a single family unit of the same size. Less than half of duplexes are greater than $70,000.

One of the biggest issues with duplexes is the rate at which they depreciate after construction. Duplexes depreciate at a much faster rate than single family rental units.

COOKE: MANUFACTURED HOMES

Cooke County has a high renal population in manufactured homes. Manufactured homes compose 10% of all rental units. According to the American Community Survey, the median value for manufactured homes decreased significantly from 2007 to 2010 by approximately $26,500. In 2010 the median value for a manufactured unit home was less than the median value of $44,400 in 2000.

It is likely that new manufactured homes are not in high demand- and the lesser median value is a reflection of an older modular home stock. Of the units surveyed, all but one were built before 2000. However, these results were not significant.

COOKE: APARTMENT COMPLEXES

Apartment complexes offer a variety of advantages to renters. In addition to on-site managers and maintenance, the contract rents typically remain competitive with similar units. However, apartment complexes compose only 6% of the rental housing available. About ¼ of apartment complexes in the area cater to only a specific demographic, whether low-income or elderly. With a consistently high occupancy rate over the last three years, it is a wonder that only one development company took interest in building new multi-family units.

COOKE: SUPPLY GAPS

Cooke County suffers from a rental housing shortage with all occupancy rates at between 98% and 99%. It is difficult for renters to find homes with few quality units available. A number of companies have spurred the in-migration of engineers and other professional occupations. Much of this in-migration results in higher rental demand. Individuals would rather rent for some time before committing to a thirty year mortgage. Unfortunately many of these individuals must reside in homes outside Cooke County. As a result, much of the income generated by commuter salaries is spent in neighboring counties. Development of additional units is crucial. The GEDC announced that a multi-family complex consisting of 150 units to be built next year. Expansion of this unit will be a possibility in future years.

Because demand for rental units is so high, market rent can be set at a higher price. Despite the fact that 900 individuals qualify for rental assistance, none of the voucher and project-based agencies in the area reported a waiting list. Long term rental assistance programs including Section 8 and Public Housing Programs have the capacity to assist 612 households. Other subsidized apartments in the area have over 250 units, but these units are available to a limited clientele based on age income and disability. None of the apartments reported a waiting list.

COOKE RENTER DEMOGRAPHICS

Diversification of jobs in Cooke County led to a series of shifts in the housing market economy which shaped the preferences of households, but also limited the possibilities. Unfortunately with less rental units available than demanded, many individuals enter mortgages or seek homes in other counties As the market for job opportunities continues to grow, an increase in rental demand will ensue.

COOKE: INCOME LEVELS

Though income levels are generally improving, an obvious supply gap between cost-burdened renters and an affordable housing stock still exists. Cost burdened renters increased from 30% of renters in 2000 to 48% of renters in 2010. The 2007 median renter income was less than 2000 levels. However, by 2010 the median renter AMI had improved by $6,000. New job opportunities increased typical wages for diverse skill sets.

COOKE: EMPLOYMENT

Though a great deal of job diversification took place since 2008, the Cooke County economy is still somewhat reliant on oil. Many of the jobs available in the energy industry ceased when the price of oil dropped in 2009. As a result, the annual employment growth was -5.7%. In recent years an increase in manufacturing jobs led to increases in annual employment growth. The FDIC reported employment growth for almost all years but 2009. Cooke County felt the economic recession only briefly, due to an increase in employment opportunities. The unemployment rate remains incredibly low.

COOKE: POPULATION GROWTH

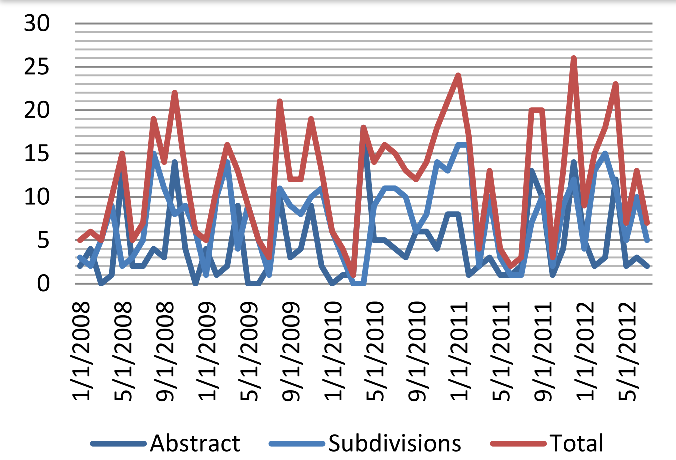
Using the Texas Water Board projection, a simple interpolation predicts an increase in 2.6% from 2012 to 2014. This figure was created in **2000** cannot fairly embody the economic development that occurred starting in 2007. The GEDC estimates a higher annual growth rate at about 5%. Many migrating individuals will seek to rent before purchasing a home.

COOKE: FORECLOSURES

Cooke County suffered over 650 foreclosures since the Great Recession began in 2008. Figure 29 represents foreclosures by trustees deed. Texas Foreclosure laws do not require judicial interactions; therefore our data is limited to foreclosure situations in which a lien-holder has appointed a substitute trustee to handle the foreclosure process. The graph reflects the judicial record of change in title by month. It is immediately evident that the worst month for foreclosures occurred in December of 2011. The ramifications of the housing bust are still felt with an average of about 40 foreclosures per quarter.

The FDIC reports Chapter 7 and Chapter 13 personal bankruptcy filings per 1000 people. This rate rose from 0.89 per 1,000 population in 2008 to 1.69 per 1000 population in 2009. In 2011 and 2012, all quarters were mostly consistent in the amount of foreclosures by trustees deed, with one exception 2011 Quarter 2. The second quarter in 2011 was significantly lower than the second quarter in 2012. As it stands, the foreclosure rate has not subsided. In

Figure 29- Foreclosures by Trustees Deed



Source: W.W. Howeth CO. and Texoma Council of Governments

Note: This data neglects to illustrate seller finance agreements or voluntary foreclosures in which a substitute trustee might not have been involved.

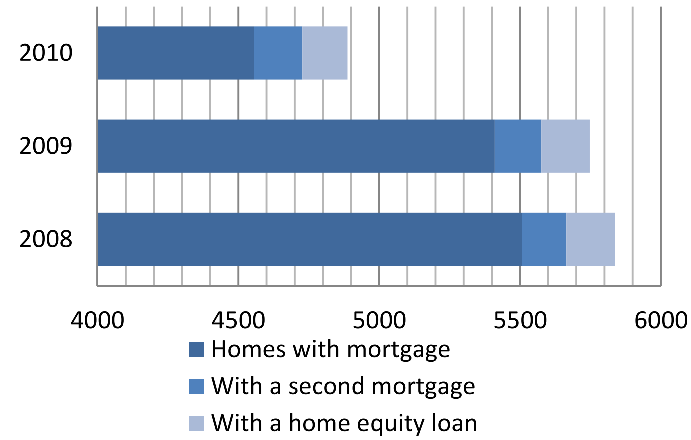
the graph, foreclosures appear as if they decreased in July. If the foreclosure rate continues its cyclical trend, foreclosures will likely rebound in August or September.

COOKE: MORTGAGE RATE

In 2010 the number of lower-income homeowners with a mortgage increased. The percent of individuals with a household income of $35,000 or less increased by 5%. A number of explanations may explain this trend. From 2007 to 2010, there was a decline in homeowner's income. Or with little option between owning and renting, more individuals that may have otherwise chosen to rent purchased cheaper households. Last, a series of temporary layoffs may have caused individuals to look for jobs with a pay-cut. Any or all of these scenarios may explain this trend.

Figure 30, illustrates a decrease in mortgages during the recession. A drop in sales in 2008 and 2009 reveals the economic impact of the recession on consumer confidence. It is likely that the decline in mortgages is a result of continued uncertainty amidst a high foreclosure year.

Figure 30- Mortgages during the Recession



Source: ACS 2008, 2009, 2010

COOKE KEY FINDINGS

- Cooke County suffers from a dangerously low vacancy rate. In 2010 the vacancy rate was less than 3%- driving rental prices upward. A number of employment opportunities increased in-migration and further depleted the rental stock in recent years.
- The high occupancy rate for the rental market shaped the preferences of households. Age demographics and family type were less likely to determine demand than in most markets.
- Limited rental supply required renters to seek rental homes outside of Cooke County.
- Industries such as energy and retail were among the hardest hit, resulting in job losses for specific age groups including: 16-19, 30-34 and 45-54. These jobs were restored by 2010-2011 a year in which sales surpassed those before the recession.
- Cooke County had positive employment growth during 2008, 2010 and 2011. Diversification of jobs allowed the county to recover quickly from the recession. The renter AMI actually increased by $6,000 during this period.
- In 2007 Renter AMI was below renter AMI in 2000. The rent to income ratio was incredibly high at 36% meaning that the median gross rent as a percent of income was 6% above "cost-burdened."
- Though affordability measures began to improve in 2007, 900 renter households still qualify for rental assistance regardless of family size.
- Though 900 households qualify for voucher-based and project-based rental assistance, none of the programs reported a waiting list.

CONCLUSION

As this report reveals, each county of the Texoma Region contains a unique economy with a diverse set of housing needs. The Economic Recession impacted the entirety of the Texoma region, but each county felt its ramifications in different ways. While Grayson and Fannin County saw a decrease in Renter AMI and threatened affordability, Cooke County improved by all measures of affordability. However, low vacancy rates in both Grayson and Cooke County place an upward pressure on rents as the economy improves. Without continued construction, both counties suffer from an inevitable rental shortage in the near future, an issue that could deter economic growth and further exacerbate the affordability issue.

In Grayson County, the rental housing market is inundated with demand due to a steady foreclosure rate, an increasing population and internal demographic shifts. If the increase in demand is not met with a corresponding increase in supply, rental prices will rise – resulting in a greater decline in affordability. Without new construction of rental units, occupancy rates are likely to increase or remain high.

Fannin County's rental market is unique in that despite a growing number of foreclosures, many individuals sought to take out a mortgage during an economic recession. The number of individuals pursuing the rental market due to foreclosure was offset by an even greater number of individuals that left the rental market. Those that left the rental market were mostly young adults. As sales improve, many young individuals will once again enter the retail industry. Job creation for this young demographic will likely encourage higher demand for the rental market. If only half of the young adults that left either market reentered the rental market, the vacancy rate would be closer to 5.5%. It is impossible to say whether or not the vacancy rate might further damage affordability in the next few years. It depends on three factors: (1) Restoration of employment opportunities for young adults, (2) Construction opportunities that encourage in-migration and; (3) Proper maintenance of the current housing stock.

In the wake of the economic recession, Cooke County improved all measures of affordability from 2007 to 2010. Continuous employment expansion resulted in a lower and more favorable rent-to-income ratio. Today, dangerously low vacancy rates threaten to diminish all improvements made in affordability. Demand for the rental market exasperates the existing supply, resulting in artificially high rent prices. There is also a spill-over affect, in which a number of individuals rent in other counties. Without an increased supply affordability will decline.

Though these counties share a geographic region, their individual economies reveal that universal policy cannot accommodate their diverse housing needs. Creative solutions to affordability issues are essential to curb the fact that almost half of renters in Texoma region spend more than 30% of their income on housing.

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