

TEXAS LAND MARKET DEVELOPMENTS THIRD QUARTER – 2002

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TECHNICAL REPORT

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JANUARY 2003

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January 2003

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Texas Land Market Developments

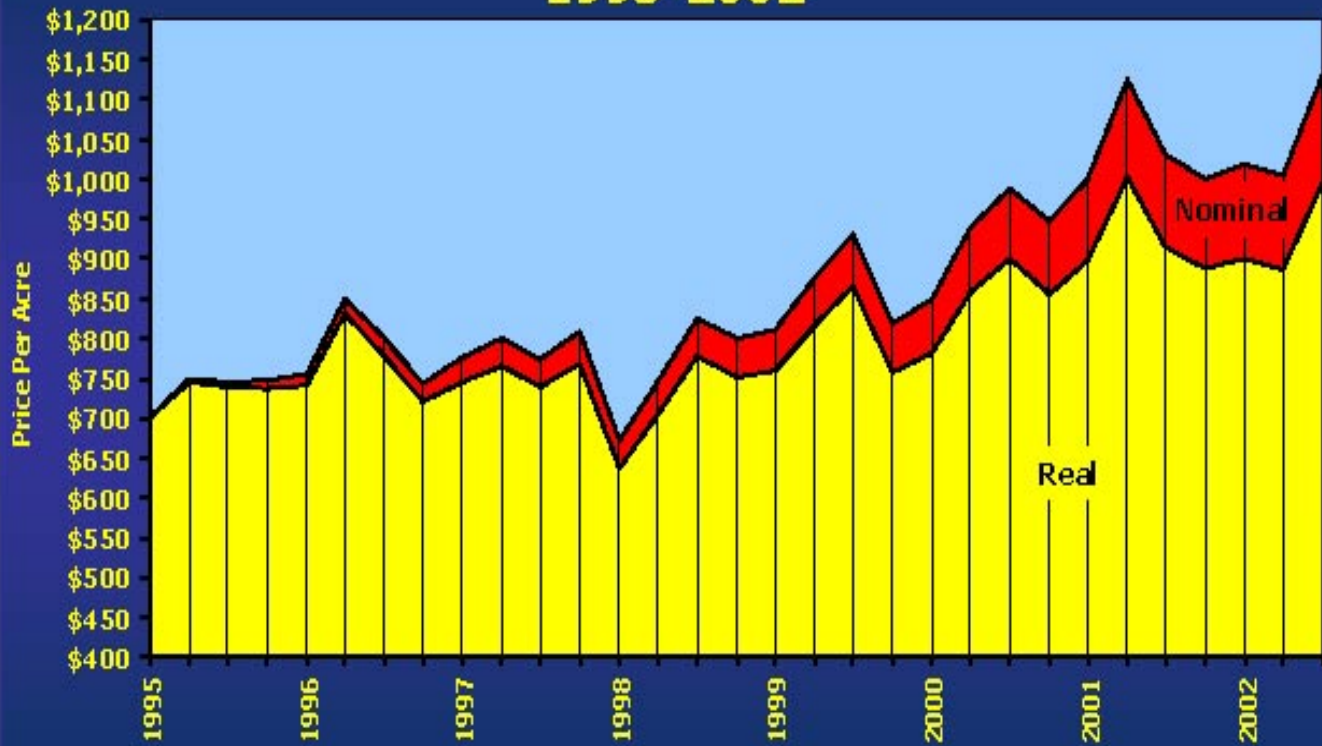
Third Quarter–2002

Texas land markets regained momentum in the third quarter after registering an uncharacteristic dip in the second quarter (see chart). Market dynamics indicate a steady-to-increasing 2002 market with a normal volume of sales. Other than some regional anomalies related to specific short-term influences, land prices in most local markets were on the increase through fall 2002. This is an analysis of the sales reported to the Real Estate Center.

Statewide

- In the first and second quarters, tract size of sold properties increased, leading to lower per-acre prices.
- The size increase led to an uncharacteristic dip in the second quarter per-acre price.
- Third quarter sizes were more typical, restoring higher per-acre prices.
- Recreational demand continues to drive rural land markets.
- Recreational demand is increasing in more remote markets. Buyers appear to be resisting high-priced land in traditionally hot markets. They are willing to travel farther for lower priced land.
- Agents report a shortage of good land for sale in most areas.
- Low interest rates continue to attract buyers.
- The following land market areas (LMAs) registered especially strong trends.
 - Increasing prices: (LMA 1, LMA 6, LMA 9, LMA 14 and LMA 15. See map.)
 - Increasing prices in the Panhandle–North (LMA 1) resulted from a short supply of desirable land for recreational buyers.
 - Speculative purchases of land to acquire water rights also contributed to the upward trend.
 - With a 40 percent increase in prices, Panhandle–North ranked as one of the hottest markets in Texas.
 - The quest for quail hunting retreats drove much of the activity in Panhandle–North and Rolling Plains–North (LMA 6).
 - A short supply of and high demand for rangeland contributed to price increases in Edwards Plateau–West (LMA 9).
 - Buyers are resisting high prices in Kerrville (LMA 17) and Fredericksburg (LMA 16) regions, preferring to trade off increased travel time for cheaper land prices.
 - Prices rose throughout the Hill Country–North (LMA 14), but sales volume lagged.
 - Both prices and sales volumes in Hill Country–West (LMA 15) rose dramatically.
- Weaker prices (LMA 12, LMA 23 and LMA 30)
 - North Central Plains (LMA 12):
 - Sales of unusually large properties contributed to a decline in median per-acre price.
 - Large acreage sales resulted from the sale of ranches held by the same owners for a number of years.
 - Despite the decline in median price, observers indicate a solid underlying market.
 - Fort Worth Prairie (LMA 23):
 - Weakness in this area stems from anticipated annexations by the City of Fort Worth. The resulting uncertainty has had a chilling effect on land markets. This effect should be temporary, easing when plans become more certain.
 - Recreation purchases remain strong in Parker and Wise Counties.
 - Piney Woods–North (LMA 30):
 - Price deterioration in this area results from poor economic conditions in the timber business.
 - Despite lower timber contributions to prices, the underlying land value has reportedly increased.
 - Excess supplies of large acreages offered by major timber companies have contributed to the decline in price per acre.
 - Large tract buyers are cutting them into smaller tracts for resale.
 - The decline carried over into Louisiana.

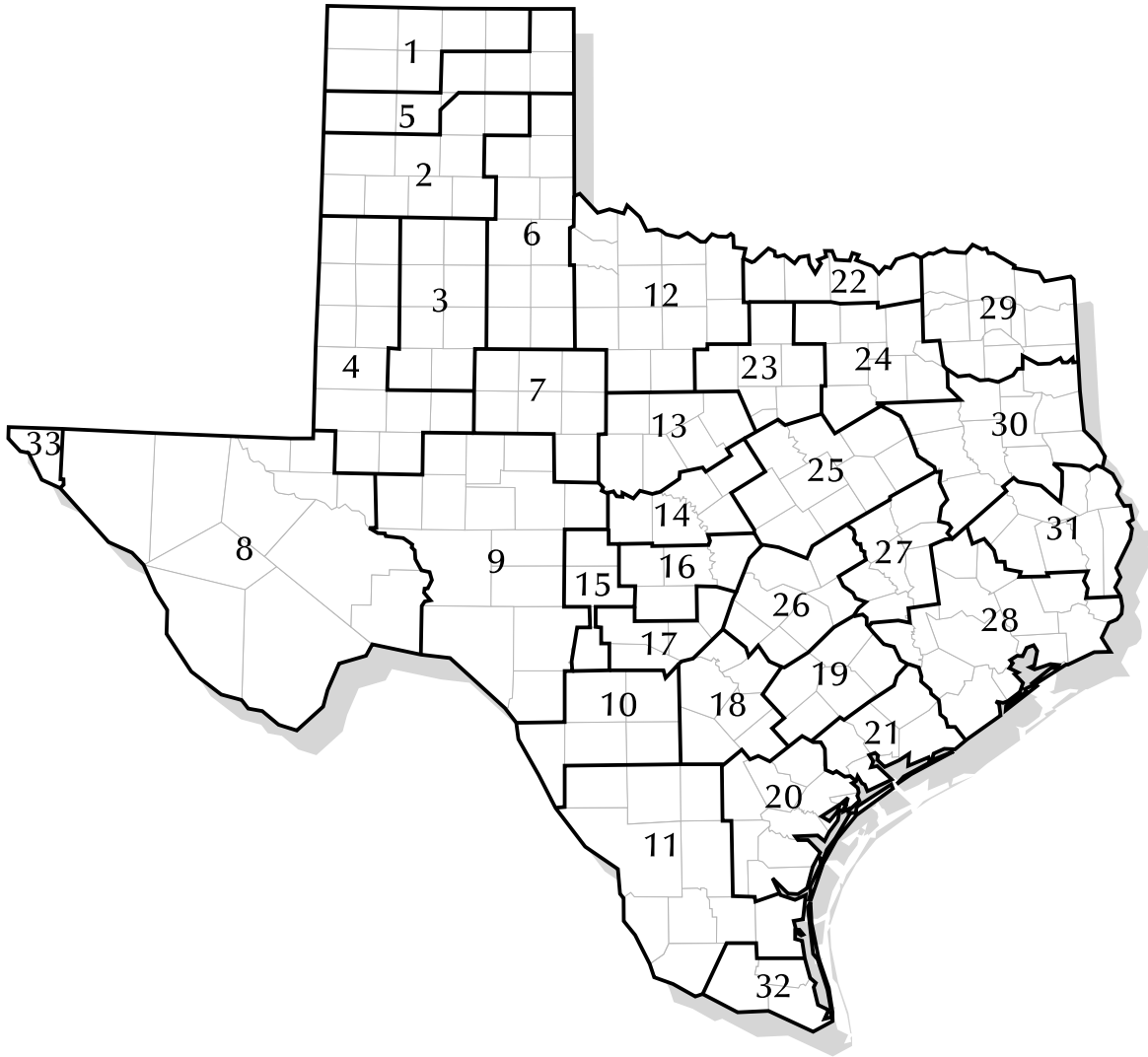
Quarterly Texas Rural Land Prices 1995-2002



Source: Real Estate Center at Texas A&M University

Note: Real prices are in first quarter 1995 dollars

Texas Land Market Areas



1 Panhandle–North	12 North Central Plains	23 Fort Worth Prairie
2 Panhandle–Central	13 Crosstimbers	24 Dallas Prairie
3 South Plains	14 Hill Country–North	25 Blacklands–North
4 Permian–West	15 Hill Country–West	26 Blacklands–South
5 Canadian Breaks	16 Highland Lakes	27 Brazos
6 Rolling Plains–North	17 Hill Country–South	28 Houston
7 Rolling Plains–Central	18 San Antonio	29 Northeast
8 Trans-Pecos	19 Coastal Prairie–North	30 Piney Woods–North
9 Edwards Plateau–West	20 Coastal Prairie–South	31 Piney Woods–South
10 Edwards Plateau–South	21 Coastal Prairie–Middle	32 Lower Rio Grande Valley
11 Rio Grande Plains	22 Texoma	33 El Paso

Source: Real Estate Center at Texas A&M University

Trends in Texas Rural Land Markets 2001–2002
Prices Year-to-Date through Quarter 3

Land Market Area	Median Price (\$/ac)		Trend Analysis			Distribution of Sales Analysis (\$/ac)			
			Change 2001–2002			2002 Price Quartiles		2002 Price Extremes	
	2001	2002	(\$/ac)	(%)	Test	Lower	Upper	Minimum	Maximum
1 Panhandle-North	308	432	124	40	**	347	721	150	1,675
2 Panhandle-Central	350	378	28	8		291	650	136	1,736
3 South Plains	500	450	(50)	(10)		370	613	100	2,992
4 Permian-West	448	399	(49)	(11)		327	625	90	3,470
5 Canadian Breaks	350	291	(59)	(17)		250	350	149	649
6 Rolling Plains-North	304	325	21	7	**	273	450	48	2,281
7 Rolling Plains-Central	445	401	(44)	(10)		360	526	225	1,145
8 Trans-Pecos	125	125	0	0		75	1,306	55	5,843
9 Edwards Plateau-West	483	525	42	9	*	402	750	70	2,149
10 Edwards Plateau-South	1,178	1,206	28	2		930	1,890	372	15,386
11 Rio Grande Plains	700	774	74	11		675	1,000	485	5,932
12 North Central Plains	600	554	(46)	(8)	*	350	774	171	3,970
13 Crosstimbers	981	875	(106)	(11)		771	1,167	403	10,808
14 Hill Country-North	1,100	1,192	92	8	**	899	1,600	442	6,975
15 Hill Country-West	738	997	259	35	**	785	1,533	340	6,081
16 Highland Lakes	3,549	2,700	(849)	(24)		2,000	4,600	885	17,089
17 Hill Country-South	3,427	3,609	182	5		2,400	5,084	665	11,602
18 San Antonio	1,319	1,253	(66)	(5)		900	2,176	442	13,733
19 Coastal Prairie-North	1,668	1,506	(162)	(10)		1,196	2,190	63	8,053
20 Coastal Prairie-South	1,013	1,089	76	8		800	1,398	500	8,811
21 Coastal Prairie-Middle	1,044	915	(129)	(12)		774	1,800	247	5,143
22 Texoma	1,794	1,642	(152)	(8)		1,000	2,200	500	12,489
23 Fort Worth Prairie	3,000	2,364	(636)	(21)	**	1,868	2,900	850	10,705
24 Dallas Prairie	2,000	2,073	73	4		1,425	4,133	384	18,543
25 Blacklands-North	1,300	1,225	(75)	(6)		800	2,101	401	17,233
26 Blacklands-South	2,480	2,698	218	9		1,621	4,548	422	21,000
27 Brazos	1,784	1,635	(149)	(8)		1,048	2,818	421	13,943
28 Houston	2,998	2,672	(326)	(11)		1,776	4,412	532	20,803
29 North East	993	830	(163)	(16)		600	1,250	295	5,764
30 Piney Woods-North	1,345	1,157	(188)	(14)	*	857	1,854	341	8,708
31 Piney Woods-South	1,210	1,434	224	19		902	2,000	625	9,250
32 Lower Rio Grande Valley	2,002	2,250	248	12		1,314	4,333	136	19,873
33 El Paso	NA	NA	NA	NA		NA	NA	NA	NA
State	962	934	(28)	(3)		606	2,000	48	21,000

Notes: Test shows the result of a Mann-Whitney test of the indicated changes; (**) indicates significance at the 99 percent level; (*) indicates significance at the 95 percent level; all others showed no statistically verifiable trend
Lower quartile is 25th percentile; Upper quartile is 75th percentile

Source: Real Estate Center at Texas A&M University



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