

TEXAS LAND MARKET DEVELOPMENTS FOURTH QUARTER – 2002

TECHNICAL REPORT

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Survey data show that Texas land markets leveled off during fourth quarter 2002 after the significant increase in the third quarter (see accompanying chart). Market dynamics indicate a steady to slightly increasing price level compared to 2001 with a record volume of sales. Other than some regional anomalies related to specific short-term influences, most local markets appear to have been increasing as 2002 ended.

Partitioning Texas land markets by tract size shows that larger and smaller properties continue to rise in price while mid-sized properties appear to be lagging. One explanation is that the market for mid-sized properties contains a large portion of tracts purchased primarily by agricultural producers to expand existing farms. These properties would most directly reflect the difficult financial conditions facing farmers prior to passage of the new farm program.

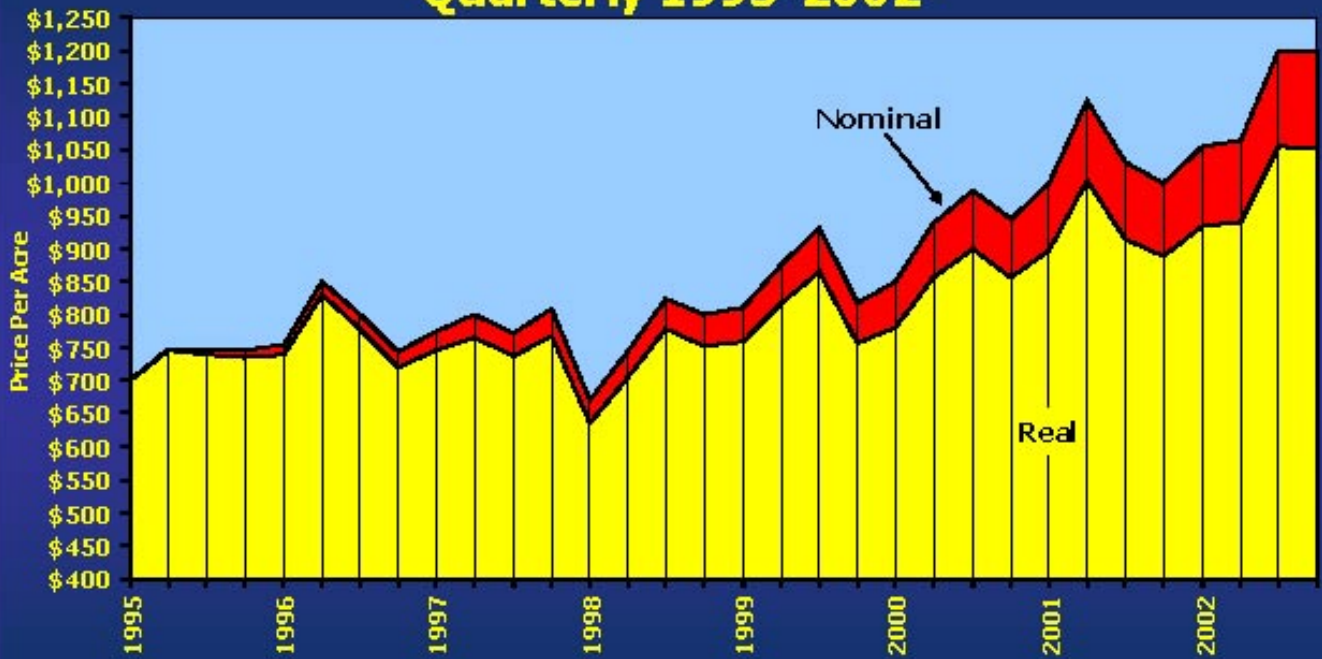
Analysis of the sales reported to the Center indicates the following:

Statewide

- For the second consecutive quarter, the size of sold properties increased compared with earlier years.
- The median tract size increased from 101 acres in the previous year to 106 acres.
- The median price per acre jumped significantly in the fourth quarter, increasing to \$972 per acre, up from \$945 last year. The third quarter price was \$934 per acre.
- Recreational demand continued to drive rural markets and is increasing even in more remote markets.
- Buyers appear to be resistant to high-priced land in traditionally hot markets, indicating a willingness to travel further to purchase lower-priced land.
- Low interest rates continue to attract more buyers.
- Trends were especially strong in the following land market areas.
 - Markets with increasing prices: LMA 1, LMA 6, LMA 9, LMA 14, LMA 15, LMA 18
 - Price increases for the Panhandle–North (LMA1) region resulted from a short supply of desirable land for recreational buyers.

- Some buyers in LMA 1 have been motivated by speculation for water rights.
- The 55 percent increase in LMA 1 indicated a hot market.
- Quail hunting was particularly important to recreational buyers in LMAs 1 and 6.
- A possible short supply of and high demand for ranch land contributed to price increases in LMA 9.
- Bargain hunters resisted high-priced land in the Kerrville and Fredericksburg regions and were willing to trade increased travel time for lower prices.
- In the Brady-Lampasas area, LMA 14, prices were still climbing, even as sales reflect a significant increase in size. However, sales volume lagged for the year.
- Both prices and sales volumes in LMA 15 and LMA 18 increased dramatically in 2002.
- Markets with weaker price trends: LMA 7 and LMA 12
 - LMA 7:
 - A significant increase in the size of tracts sold seemed to have resulted in a lower median per-acre price.
 - Observers indicated a solid underlying market, suggesting that the larger size was the cause of the current lower median price.
 - LMA 12:
 - Sales of unusually large parcels contributed to a lower median per-acre price.
 - Large acreages resulted from sales of ranches that had been held by the same owners for a number of years.
 - Despite the lower median price, observers indicated a solid underlying market.

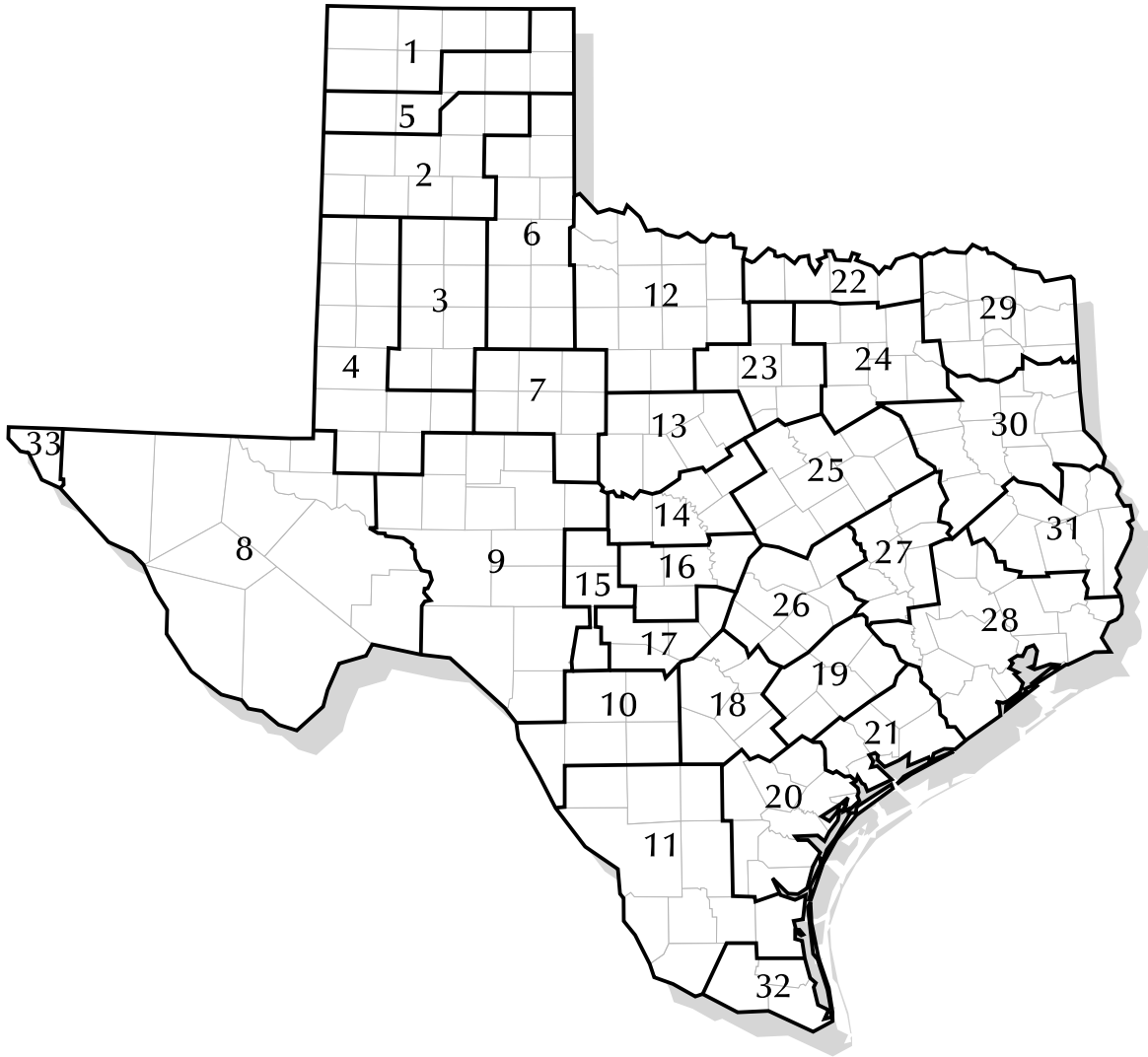
Texas Rural Land Prices Quarterly 1995-2002



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 4

Land Market Area	Median Price (\$/acre)		Trend Analysis			Distribution of Sales Analysis (\$/acre)			
			Change 2001–2002			2002 Price Quartiles		2002 Price Extremes	
	2001	2002	(\$/acre)	(%)	Test	Lower	Upper	Minimum	Maximum
1 Panhandle-North	304	469	165	54	**	347	781	150	1,675
2 Panhandle-Central	350	394	44	13		311	650	136	4,645
3 South Plains	475	450	(25)	(5)		375	659	100	2,992
4 Permian-West	422	415	(7)	(2)		344	650	90	3,470
5 Canadian Breaks	325	265	(60)	(18)		192	350	149	1,391
6 Rolling Plains-North	307	336	29	9	**	273	450	48	2,281
7 Rolling Plains-Central	454	401	(53)	(12)		358	539	225	2,475
8 Trans-Pecos	120	125	5	4		70	1,306	44	6,505
9 Edwards Plateau-West	493	550	57	12	**	411	750	70	7,810
10 Edwards Plateau-South	1,140	1,319	179	16		931	2,000	372	15,386
11 Rio Grande Plains	708	800	92	13		675	1,015	415	5,932
12 North Central Plains	596	556	(40)	(7)	*	350	775	171	3,970
13 Crosstimbers	996	963	(33)	(3)		756	1,336	296	10,808
14 Hill Country-North	1,100	1,200	100	9	**	900	1,600	442	9,558
15 Hill Country-West	800	970	170	21	*	795	1,452	340	6,081
16 Highland Lakes	2,836	2,764	(72)	(3)		2,000	4,756	885	17,089
17 Hill Country-South	3,248	3,500	252	8		2,180	5,027	665	19,316
18 San Antonio	1,333	1,536	203	15	*	1,000	2,558	351	15,775
19 Coastal Prairie-North	1,645	1,520	(125)	(8)		1,196	2,245	63	8,087
20 Coastal Prairie-South	1,001	1,111	110	11		800	1,458	500	8,811
21 Coastal Prairie-Middle	1,034	900	(134)	(13)		775	1,690	247	9,093
22 Texoma	1,772	1,736	(36)	(2)		1,002	2,500	398	12,489
23 Fort Worth Prairie	3,000	2,584	(416)	(14)		2,000	3,605	650	10,705
24 Dallas Prairie	2,000	2,000	0	0		1,400	3,700	384	18,543
25 Blacklands-North	1,300	1,266	(34)	(3)		800	2,000	401	17,233
26 Blacklands-South	2,320	2,626	306	13		1,575	4,801	422	21,000
27 Brazos	1,800	1,775	(25)	(1)		1,100	2,968	333	13,943
28 Houston	3,000	2,662	(338)	(11)		1,609	4,356	471	20,803
29 North East	970	851	(119)	(12)		600	1,250	295	5,764
30 Piney Woods-North	1,224	1,157	(67)	(5)		900	1,942	341	8,708
31 Piney Woods-South	1,300	1,382	82	6		913	1,896	625	9,250
32 Lower Rio Grande Valley	2,000	2,662	662	33		1,314	4,417	136	19,873
33 El Paso	NA	NA	NA	NA		NA	NA	NA	NA
State	962	972	10	1	**	651	2,112	44	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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