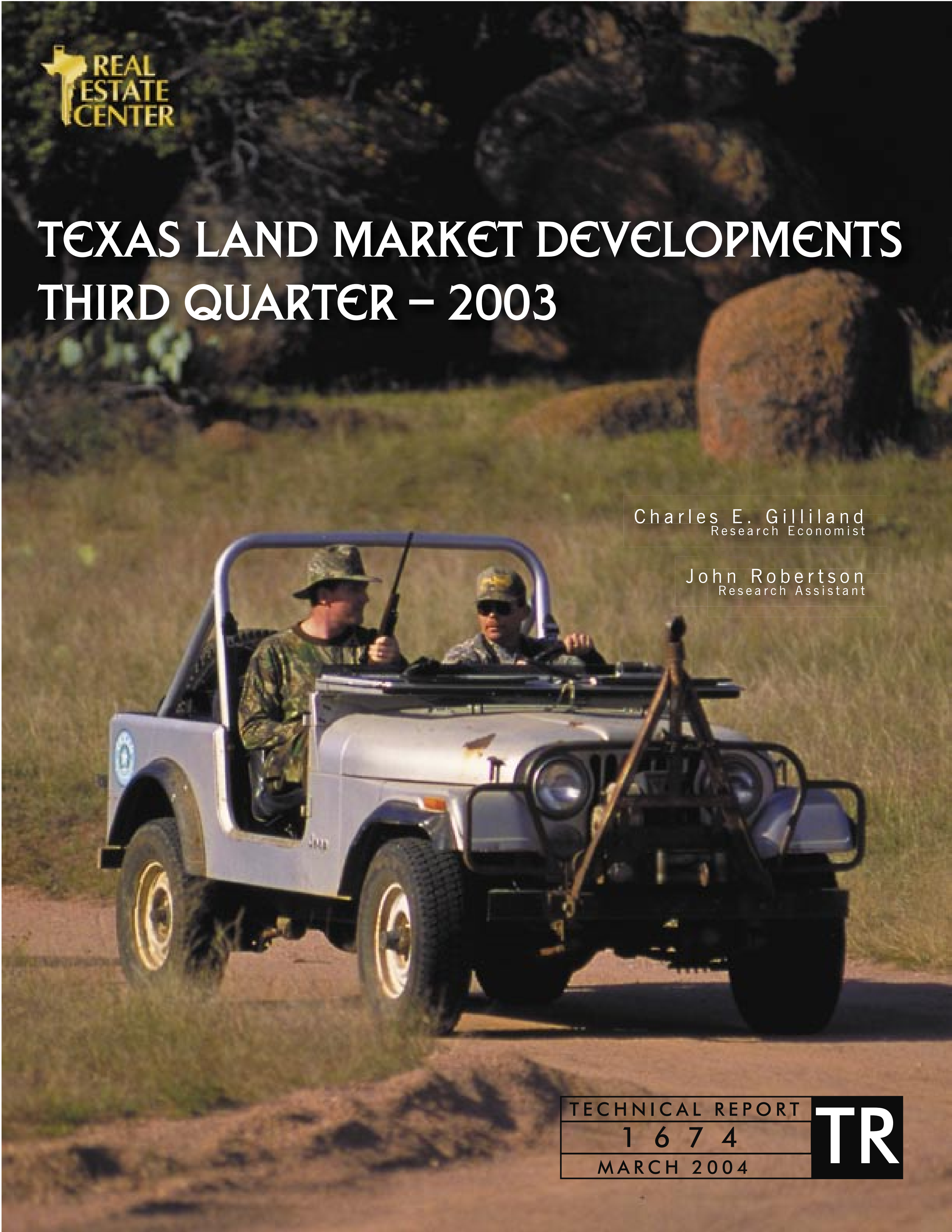

REAL ESTATE CENTER

TEXAS LAND MARKET DEVELOPMENTS THIRD QUARTER – 2003

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Texas Land Market Developments Third Quarter–2003

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Texas Land Market Developments Third Quarter–2003

Prices paid for Texas rural land continued to rise strongly through the third quarter compared with price levels in 2002. Recreational buyers and investors inspired the strong performance. Low interest rates and meager returns on other investments continued to work in favor of rural land as a viable alternative investment. Recreational buyers, primarily those seeking places to hunt wildlife, continued to buy land, especially in the Panhandle and West Texas. Those areas have been shielded from the resistance to high prices Hill Country sellers are facing. Buyers in all areas continue to find it difficult to locate suitable properties at affordable prices. As a result, buyers are looking at properties in areas passed over by hunters in the past. These forces have combined to continue remarkable price increases as shown in the following tables.

Statewide Trends

- Prices (as measured by the year-to-date weighted median price per acre) rose 12 percent from $974 per acre through the third quarter of 2002 to $1,092 per acre through the third quarter of 2003.
- All areas with identifiable regionwide price trends posted strong increases.
- The typical size of propety sold dropped slightly statewide.
- In two areas (land market areas [LMAs] 6 and 29) strong price pressure in the first two quarters appeared to ease slightly in the third quarter.
- Investment demand continued to drive markets across Texas.
- Recreational demand also figured prominently in the third quarter.
- Recreational demand is on the increase in remote markets as buyers appear to be resisting high-priced land in traditionally hot markets. Buyers 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 LMAs registered especially strong trends compared with markets in first half 2002.

LMA 1

- The 2003 median price per acre remains below the 2002 price in this region. As mentioned in the second quarter 2003 report, prices increased dramatically between 2001 and 2002. This apparent drop in 2003 represents an adjustment from that large jump. This region's dynamics continue to reflect the same forces influencing the remainder of the Panhandle (LMAs 2–6).

LMAs 2 through 4

- Recreational demand for land, a new concept for this region, continues to drive the market in the Panhandle with buyers flocking to the region searching for hunting properties.
- Many recreational buyers have abandoned hunting leases in other regions seeking more control of their hunting venues.
- Brokers continue to face a rising volume of inquiries from quail and deer hunters living in metropolitan areas of Texas.
- Sparked by low returns on alternative investments, some buyers are parking capital in land, adding to the total demand in this region.
- The 2002 Farm Bill eased possible negative pressure on farmland prices.

LMA 7, 9 through 11

- Recreational demand continues to drive this market.
- Individuals with tremendious buying power from the Metroplex, Austin and even Houston are providing the demand for the property.
- Buyers want the land for bird and white-tailed deer hunting.
- The property is being bought in large tracts of two and three thousand acres, divided into smaller tracts and resold. This activity is occurring most frequently in Taylor and Coleman Counties.
- The demand is sufficiently great that there is not enough product to be sold to all the interested parties.
- In anticipation of the coming hunting season, recreational buyers flooded this market to secure their hunting grounds.

LMA 18, 19

- Prices in the Hill Country have spiraled to such high levels that buyers are shifting their focus to overlooked alternatives. Areas where local buyers traditionally populated markets now have competition from outsiders ferreting out hunting properties. Karnes, Live Oak and Bee Counties are seeing prices rise to new highs.

- Anticipation of development resulting from the Toyota plant has had a significant impact on land prices south of San Antonio.
- Bird hunting has emerged as an important influence in this region.

LMA 23

- The overflow of people in the Metroplex has led to an increase in demand for rural land.
- People are moving outward from the cities in an attempt to accommodate the growing population.

LMA 26

- Despite slower activity in Travis and Hayes Counties, the number of sales in Bastrop, Lee, Caldwell, Milam and eastern Williamson Counties has increased.
- Sales in these counties continue to put upward pressure on the median price per acre in this region.

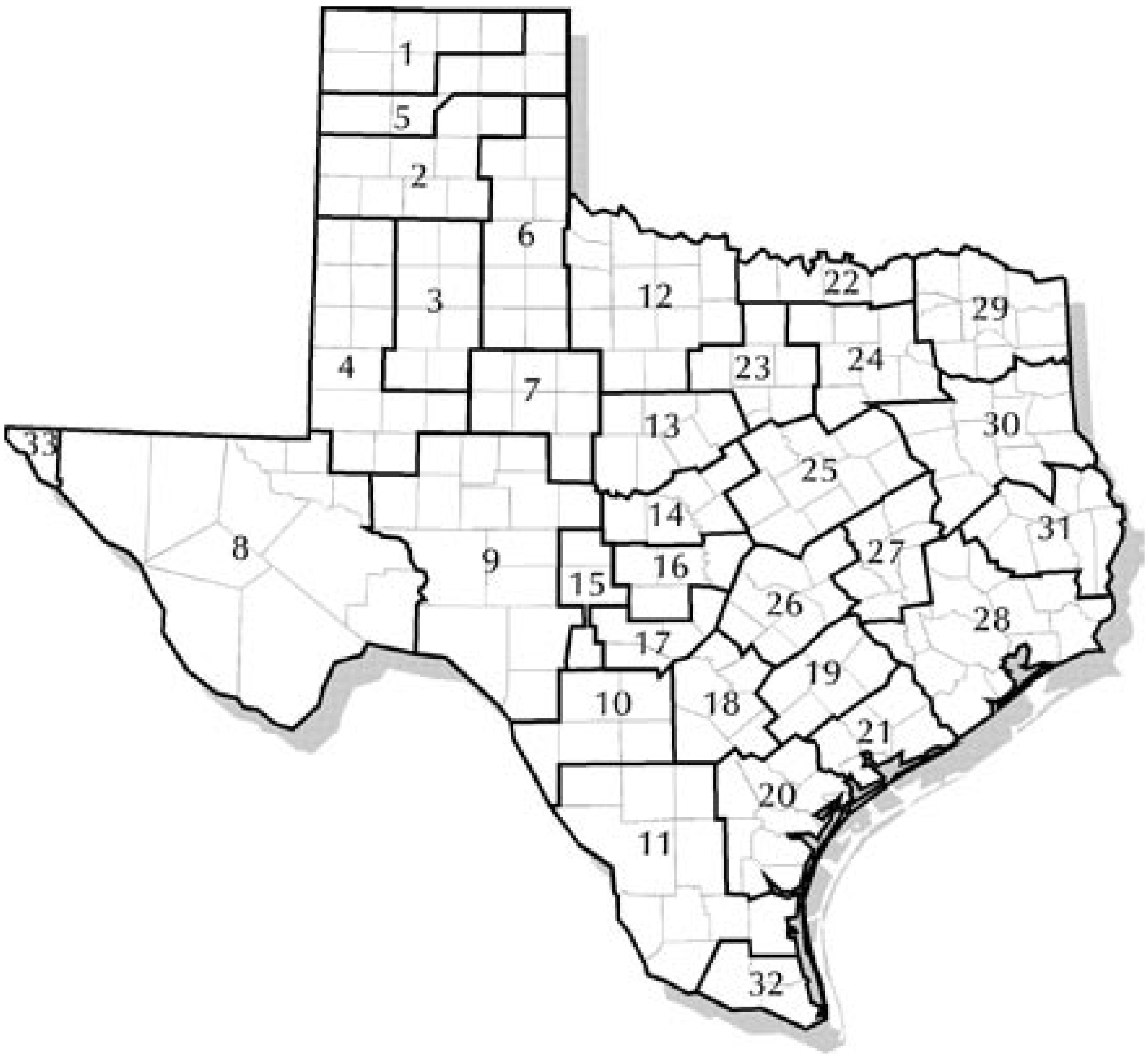
LMA 27

- The desire for recreational land is on the rise in all parts of this area.
- Counties in the southern and eastern part of the region, such as Madison, Grimes and Brazos, have posted increased sales volume and higher prices. This trend stems from an influx of demand from both the Bryan–College Station and Houston areas.
- New owners are transforming the land into high-fence hunting properties and weekend get away retreats.

LMA 28

- People continue to seek out areas free from the problems and pressures of urban living. They are flocking to the countryside in this region, sparking a substantial increase in land prices.

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 2002–2003
Prices Year-to-Date through 3rd Quarter 2003

Land Market Area	Median Price ($/Acre)		Trend Analysis: Change from 2002–2003			Distribution of Sales Analysis ($/acre): 2003 Price Quartiles		2003 Price Extremes	
	2002	2003	($/acre)	(%)	Test	Lower	Upper	Minimum	Maximum
1 Panhandle–North	480	395	(85)	(18)	*	285	806	108	4,875
2 Panhandle–Central	394	451	57	14	*	316	750	131	5,250
3 South Plains	450	505	55	12	**	399	800	77	9,986
4 Permian–West	400	500	100	25	88	349	794	116	3,401
5 Canadian Breaks	282	250	(32)	(11)		214	339	116	2,000
6 Rolling Plains–North	324	350	26	8	*	293	459	170	1,130
7 Rolling Plains–Central	401	490	89	22	**	421	731	238	9,186
8 Trans-Pecos	209	150	(59)	(28)		80	2,500	40	3,168
9 Edwards Plateau–West	560	600	40	7	*	492	779	80	4,564
10 Edwards Plateau–South	1,275	1,455	180	14	*	1,000	2,400	252	18,143
11 Rio Grande Plains	770	841	71	9		716	986	260	5,673
12 North Central Plains	565	600	35	6		400	800	200	3,639
13 Crosstimbers	958	1,030	72	8		794	1,500	256	6,799
14 Hill Country–North	1,200	1,243	43	4		929	1,692	409	8,987
15 Hill Country–West	1,000	1,094	94	9		875	1,300	626	12,378
16 Highland Lakes	2,700	2,578	(122)	(5)		1,690	3,663	452	16,915
17 Hill Country–South	3,721	3,425	(296)	(8)		2,184	5,345	1,147	18,880
18 San Antonio	1,445	1,864	419	29	**	1,214	3,450	349	18,750
19 Coastal Prairie–North	1,521	1,986	465	31	**	1,400	3,010	813	13,774
20 Coastal Prairie–South	1,100	1,000	(100)	(9)		835	1,382	469	6,567
21 Coastal Prairie–Middle	900	1,000	100	11		825	1,798	250	5,000
22 Texoma	1,800	1,723	(77)	(4)		1,149	2,817	500	8,900
23 Fort Worth Prairie	2,584	3,176	592	23	*	2,000	4,583	131	13,692
24 Dallas Prairie	2,000	2,500	500	25		1,408	4,000	477	17,165
25 Blacklands–North	1,287	1,375	88	7	*	877	2,166	480	16,591
26 Blacklands–South	2,681	3,190	509	19	*	1,900	5,793	495	21,558
27 Brazos	1,766	2,097	331	19	**	1,295	3,695	400	20,124
28 Houston	2,662	3,500	838	31	**	2,204	5,869	125	24,286
29 North East	830	850	20	2	*	614	1,271	318	5,284
30 Piney Woods–North	1,200	1,436	236	20		980	2,078	187	15,593
31 Piney Woods–South	1,345	1,371	26	2		1,100	1,775	350	3,000
32 Lower Rio Grande Valley	2,750	2,646	(104)	(4)		1,428	4,096	414	17,266
33 El Paso	NA	8,500	NA	NA		8,500	8,500	8,500	8,500
State	974	1,092	118	12	**	750	2,500	40	24,286

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 25^{th} percentile; Upper quartile is 75^{th} percentile.

Source: Real Estate Center at Texas A&M University

Trends in Texas Rural Land Markets 2002–2003
Sizes Year-to-Date through 3rd Quarter 2003

Land Market Area	Median Size (Acres/Sale)		Trend Analysis			Distribution of Tract Size Analysis (acre)			
			Size Change			2002 Size Quartiles		2002 Size Extremes	
	2002	2003	(Acre/Sale)	(Percentage)	Test	Lower	Upper	Minimum	Maximum
1 Panhandle–North	640	480	(160)	(25)		300	749	100	37,256
2 Panhandle–Central	320	323	3	1		265	640	80	3,882
3 South Plains	177	177	0	0		143	320	11	3,520
4 Permian–West	246	242	(4)	(2)		160	469	17	2,558
5 Canadian Breaks	462	480	18	4		307	649	40	7,706
6 Rolling Plains–North	190	250	60	32	*	160	686	20	33,648
7 Rolling Plains–Central	172	159	(13)	(8)	*	80	279	17	3,816
8 Trans-Pecos	999	151	(848)	(85)		41	2,589	10	13,849
9 Edwards Plateau–West	200	203	3	2		102	639	18	17,103
10 Edwards Plateau–South	114	100	(14)	(12)		46	453	11	5,116
11 Rio Grande Plains	635	611	(24)	(4)		223	1,501	29	7,431
12 North Central Plains	160	152	(8)	(5)	**	80	231	10	3,381
13 Crosstimbers	120	118	(2)	(2)		66	212	14	1,534
14 Hill Country–North	178	165	(13)	(7)		94	291	11	2,462
15 Hill Country–West	163	205	42	26		92	308	23	1,573
16 Highland Lakes	84	95	11	13		42	184	12	1,065
17 Hill Country–South	72	108	36	50		50	216	10	2,137
18 San Antonio	72	66	(6)	(8)	*	28	136	10	2,398
19 Coastal Prairie–North	64	53	(11)	(17)	*	26	104	10	1,325
20 Coastal Prairie–South	130	138	8	6		60	324	10	3,063
21 Coastal Prairie–Middle	121	135	14	12		51	304	10	1,723
22 Texoma	65	76	11	17		41	161	16	823
23 Fort Worth Prairie	53	37	(16)	(30)	*	20	123	10	497
24 Dallas Prairie	51	51	0	0		27	100	10	751
25 Blacklands–North	80	100	20	25	**	47	195	10	1,907
26 Blacklands–South	45	40	(5)	(11)	*	22	97	10	2,140
27 Brazos	50	42	(8)	(16)	*	24	102	10	1,019
28 Houston	40	32	(8)	(20)	*	19	75	10	465,000
29 North East	77	69	(8)	(10)		41	137	13	1,622
30 Piney Woods–North	60	51	(9)	(15)		33	99	10	1,000
31 Piney Woods–South	72	80	8	11		36	149	19	202
32 Lower Rio Grande Valley	38	24	(14)	(37)		15	100	10	1,092
33 El Paso	NA	85	NA	NA		85	85	85	85
State	108	103	(5)	(5)	**	42	245	10	465,000

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.

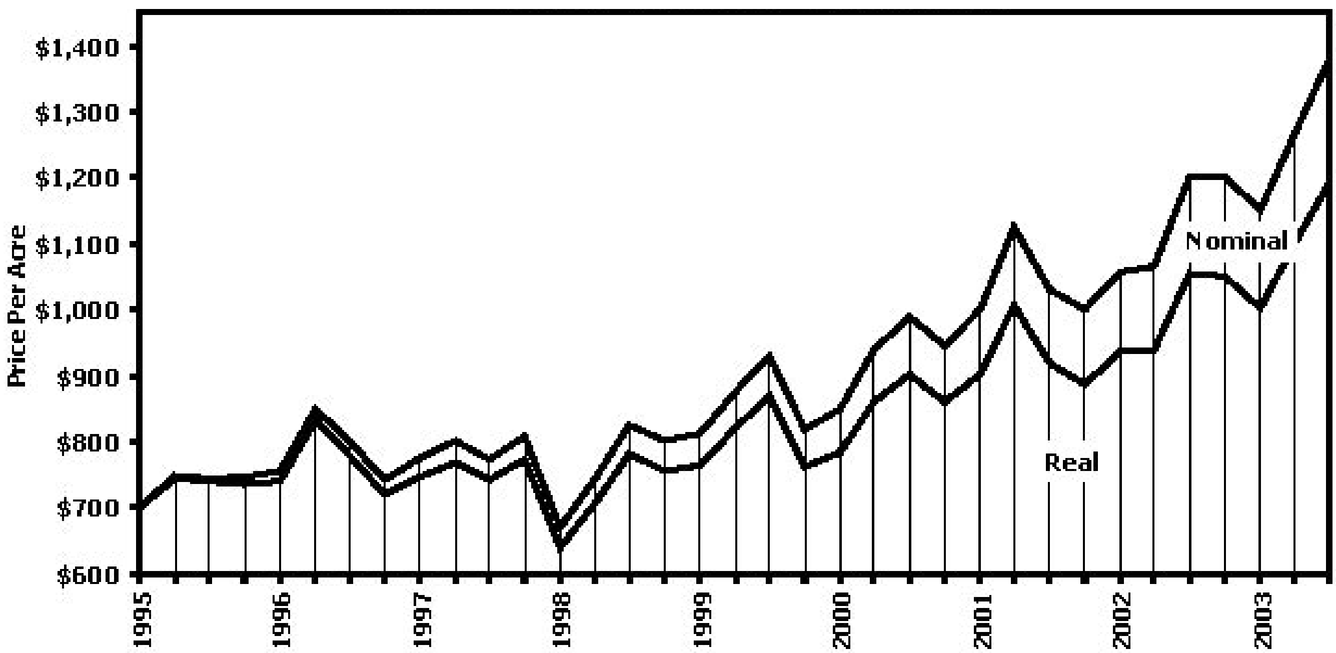
Source: Real Estate Center at Texas A&M University

Trends in Texas Rural Land Markets 2002–2003
Volume of Sales Year-to-Date through 3rd Quarter 2003

Land Market Area	Number of Sales		Trend Analysis Change 2002–2003	
	2002	2003	(#)	(%)
1 Panhandle–North	73	71	(2)	(3)
2 Panhandle–Central	203	129	(74)	(36)
3 South Plains	173	139	(34)	(20)
4 Permian–West	249	258	9	4
5 Canadian Breaks	29	30	1	3
6 Rolling Plains–North	142	83	(59)	(42)
7 Rolling Plains–Central	65	96	31	48
8 Trans-Pecos	11	16	5	45
9 Edwards Plateau–West	183	143	(40)	(22)
10 Edwards Plateau–South	148	110	(38)	(26)
11 Rio Grande Plains	81	66	(15)	(19)
12 North Central Plains	209	246	37	18
13 Crosstimbers	236	199	(37)	(16)
14 Hill Country–North	194	178	(16)	(8)
15 Hill Country–West	48	47	(1)	(2)
16 Highland Lakes	104	74	(30)	(29)
17 Hill Country–South	98	74	(24)	(24)
18 San Antonio	259	226	(33)	(13)
19 Coastal Prairie–North	265	175	(90)	(34)
20 Coastal Prairie–South	148	118	(30)	(20)
21 Coastal Prairie–Middle	85	59	(26)	(31)
22 Texoma	131	92	(39)	(30)
23 Fort Worth Prairie	96	100	4	4
24 Dallas Prairie	190	142	(48)	(25)
25 Blacklands–North	470	365	(105)	(22)
26 Blacklands–South	266	202	(64)	(24)
27 Brazos	194	332	138	71
28 Houston	178	236	58	33
29 North East	101	120	19	19
30 Piney Woods–North	135	129	(6)	(4)
31 Piney Woods–South	62	16	(46)	(74)
32 Lower Rio Grande Valley	98	43	(55)	(56)
33 El Paso	NA	1	NA	NA
State	4,924	4,315	(609)	(12)

Source: Real Estate Center at Texas A&M University

Texas Rural Land Quarterly Prices
Third Quarter 1995–2003



Source: Real Estate Center at Texas A&M University

Note: Real prices are in first quarter 1995 dollars

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