



TEXAS LAND MARKET DEVELOPMENTS FIRST HALF – 2004

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TECHNICAL REPORT

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Texas Land Market Developments: First Half 2004

By Charles E. Gilliland, John Robertson and Gregory Pettigrew

Prices paid for Texas rural land jumped sharply in the first half of 2004 compared to price levels in the first half of 2003. The weighted median price of Texas rural land rose to \$1,178 per acre, 8 percent higher than the 2003 median of \$1,093 per acre. From the Piney Woods to San Antonio to the Canadian Breaks, regional markets posted substantial increases in price per acre.

Markets continued to reflect strong demand from recreational buyers and investors, but farmers and ranchers reportedly have joined in buying activity. Expectations of rising interest rates and anemic returns on alternative investments undoubtedly contributed to these thriving markets. Markets surrounding Dallas-Fort Worth, Waco, San Antonio and College Station posted strong results. However, price pressures ranged higher in remote regions as well.

Volume of sales dropped from 4,243 in 2003 to 3,017 in 2004. The reduced volume may indicate a shortage of acceptable properties offered for sale. However, this apparent decline may diminish as more information becomes available.

Statewide

- Prices rose 8 percent from \$1,093 per acre through the first half of 2003 to \$1,178 per acre through the first half of 2004. One observer said, "It is so white-hot that the market has to slow down. But I would have

said that last year, and anyone who listened would have missed 20 percent appreciation."

- Except for the Crosstimbers area where prices barely budged, all areas with identifiable region-wide (statistically significant) price trends posted strong increases.
- The typical size of property sold was virtually unchanged at a median size of 108 acres.
- Recreational demand continued to dominate markets throughout most of the state.
- Investment demand continued as a strong driver of markets throughout Texas.
- Farmers and ranchers who are willing to pay prices above historical norms have appeared in some agricultural areas.
- Even remote areas are seeing active markets with rising prices (the Rolling Plains – North and Trans-Pecos for example), indicating a shift of buyers from higher-priced regions.
- Agents report a shortage of good quality land for sale in most areas.
- Low interest rates and a desire for a safe store of wealth continue to motivate buyers.

The following land market areas (LMAs) registered especially strong trends in the first half of 2003. The analysis explores some of the forces driving those trends.

LMA 1

- The 2003 median price per acre was down in this region, partly because of an increase in the proportion of larger properties in the 2003 market. However, 2004 sizes and prices returned to a more normal market.
- Additionally, rising milk prices have boosted demand for land to expand existing dairy farms or construct new facilities.
- Investment motives also recently have appeared with investors purchasing irrigated cropland hoping to benefit from appreciation.

LMAs 5 and 6

- Recreational buyers continue to flock to these areas in search of property. The market is flooded with buyers pursuing a limited supply of quality properties.
- Investment demand, combined with recreational demand, continues to put upward pressure on prices.

LMA 13, 14 and 15

- With increasing numbers of urban dwellers seeking retreats from pressures of city life, recreational demand for land continues to drive the market in this scenic area of Texas.
- Investment motives have also figured prominently in many purchases.

- The volume of sales may have slowed because of a shortage of properties for sale.

LMA 18

- Recreational demand and investment motives continue to dominate in this market.
- The recent start of construction on the Toyota plant has begun to influence land trades with prices near the site rising by about 20 percent.
- Substantial levels of development activity also continue to drive demand for raw land throughout this area.

LMAs 20 and 21

- As with most areas, wooded land with game populations continues to rise in price from recreational users in these two regions.
- Recently an influx of investors has also driven demand in this market.

LMA 23, 24 and 25

- The overflow of people in the Metroplex has led to an increase in demand for rural land throughout this region.
- People are moving outward from the cities in an attempt to accommodate the growing population, putting pressure on land prices.
- The recent increase in leasing for production of natural gas has also begun to put pressure on land prices in certain areas.
- Demand from investors and for 1031 Exchanges are also on the rise.

LMA 27

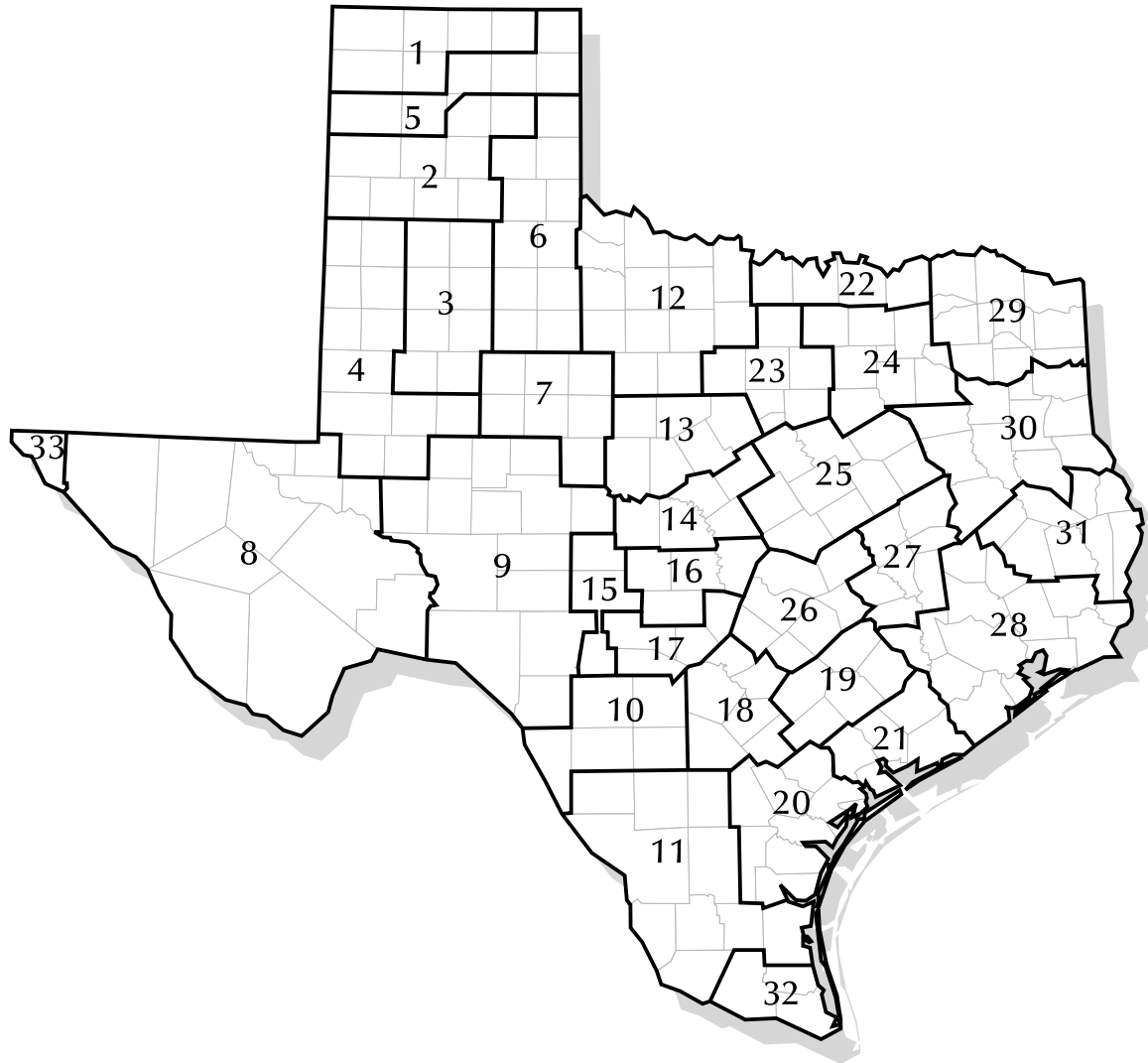
- The desire for rural land continues to be strong in all parts of this area for not only recreational use but residential development.
- New owners are transforming the land into high-fenced

hunting properties or weekend get-away retreats from the city life, or they develop residential areas. All of these uses support high prices for the vacant land.

LMA 31

- The problems and pressures of urban living continue to fuel demand for acreage in this Piney Woods region with buyers acquiring smaller properties at substantially higher prices.
- Recently sold Louisiana Pacific acreage is being purchased by investors and flipped several times, increasing the number of sales for the region.
- Recreation is also driving prices in this region.

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

**Statewide Trends in Texas Rural Land Markets Year 2003–2004
Year-to-Date as of June 30, 2004**

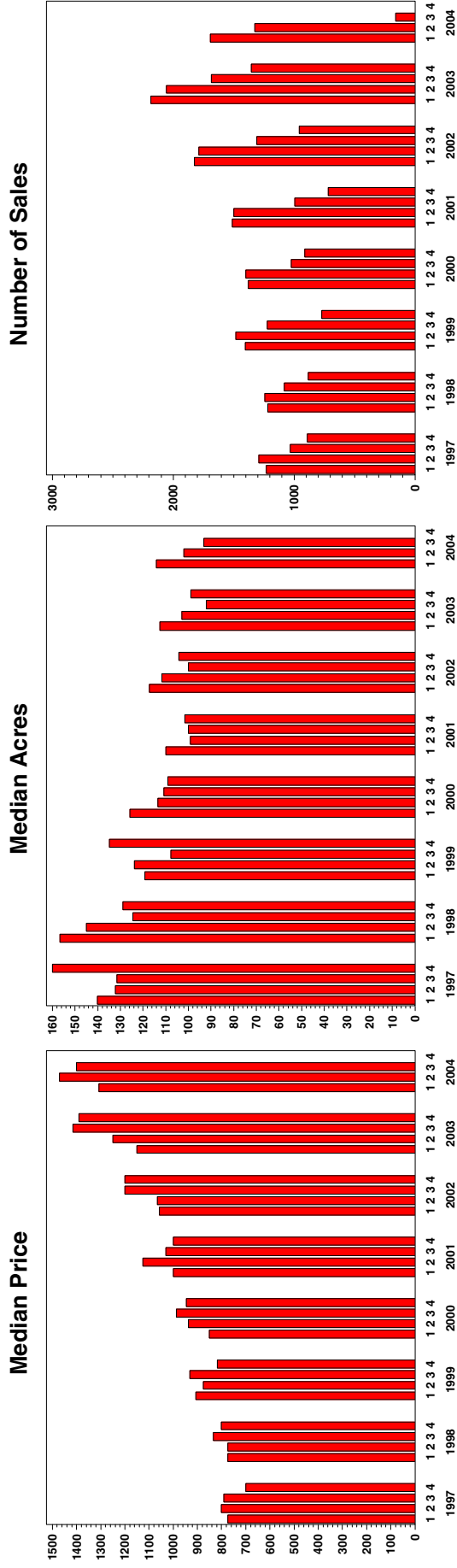
Land Market Area		Volume of Sales				Typical Size of Transaction				Typical Prices						
		2003	2004	Percentage	2003	2004	Percentage	TEST	Minimum	Maximum	2003	2004	Percentage	TEST	Minimum	Maximum
1	Panhandle–North	66	37	(44)	473	342	(28)		160	1,280	367	500	36	*	229	1,350
2	Panhandle–Central	127	67	(47)	321	323	1%		54	6,266	450	450	0		187	1,739
3	South Plains	146	100	(32)	223	190	(15)		10	3,404	515	500	(3)		205	7,505
4	Permian–West	239	104	(56)	296	267	(10)		29	3,310	550	571	4		206	5,102
5	Canadian Breaks	27	15	(44)	344	390	14		63	646	250	377	51	**	200	2,244
6	Rolling Plains–North	91	104	14	319	332	4		21	33,334	350	390	11	*	100	3,350
7	Rolling Plains–Central	113	100	(12)	159	166	5		12	13,440	513	510	(1)		174	3,827
8	Trans-Pecos	11	16	45	403	6,539	1,523		25	32,601	145	182	25		50	3,258
9	Edwards Plateau–West	160	98	(39)	236	338	44		15	10,956	583	600	3		57	6,047
10	Edwards Plateau–South	91	85	(7)	114	105	(8)		11	5,062	1,550	1,667	8		685	18,302
11	Rio Grande Plains	65	55	(15)	465	683	47		34	7,161	841	975	16		493	3,918
12	North Central Plains	213	180	(15)	156	166	6	**	10	21,926	600	625	4		230	8,929
13	Crosstimbers	240	239	(0)	116	135	17	*	12	3,847	1,037	1,050	1	*	234	8,769
14	Hill Country–North	181	123	(32)	172	190	11		20	4,837	1,200	1,373	14	**	750	3,033
15	Hill Country–West	39	28	(28)	258	186	(28)		33	2,797	1,100	1,388	26	*	700	5,513
16	Highland Lakes	69	91	32	99	66	(34)		10	1,694	2,950	3,100	5		1,210	18,571
17	Hill Country–South	73	70	(4)	99	54	(46)		10	748	4,300	4,196	(2)		1,392	22,000
18	San Antonio	195	158	(19)	63	55	(12)		10	1,133	1,876	2,234	19	*	785	22,325
19	Coastal Prairie–North	187	104	(44)	56	66	19		10	2,312	1,986	2,100	6		496	7,143
20	Coastal Prairie–South	122	68	(44)	126	196	55	**	26	1,625	1,000	1,200	20	*	523	4,168
21	Coastal Prairie–Middle	61	55	(10)	123	60	(51)	**	10	1,098	975	1,458	50	**	560	3,600
22	Texoma	88	69	(22)	83	96	16		25	1,065	1,950	2,041	5		350	8,481
23	Fort Worth Prairie	133	114	(14)	44	33	(25)	*	10	9,890	2,957	3,671	24	**	1,000	11,973
24	Dallas Prairie	112	80	(29)	52	40	(22)		10	1,760	2,557	2,900	13	*	377	21,500
25	Blacklands–North	356	204	(43)	98	100	2		10	3,208	1,361	1,525	12	**	549	20,302
26	Blacklands–South	256	143	(44)	40	51	28	**	10	1,415	3,195	2,570	(20)		500	23,761
27	Brazos	258	161	(38)	45	40	(12)		10	5,220	2,029	2,514	24	**	425	22,942
28	Houston	222	146	(34)	30	42	40		10	3,598	3,398	3,341	(2)		205	21,755
29	North East	99	83	(16)	69	100	45	**	11	6,846	850	863	2		299	4,500
30	Piney Woods–North	119	53	(55)	53	56	5		14	879	1,489	1,482	(0)		500	17,467
31	Piney Woods–South	21	22	5%	91	69	(24)		10	5,369	1,356	1,750	29	**	994	5,265
32	Lower Rio Grande Valley	62	45	(27)	21	31	44		10	910	2,719	2,995	10		595	10,000
33	El Paso	1	-	-	85	-	-	-	-	-	8,500	-	-	-	-	-
Texas		4,243	3,017	(29)	107	108	1		10	33,334	1,093	1,178	8	**	50	23,761

Notes: Test shows the result of a Mann-Whitnet test of the indicated changes;

(**) indicates significance at 99% level;

(*) indicates significance at the 95% level; all others showed no statistically verifiable trend

Land Market Area Texas Statewide





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