REAL ESTATE CENTER

TEXAS LAND MARKET DEVELOPMENTS THIRD QUARTER – 2004

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Prices paid for Texas rural land jumped sharply through third quarter 2004 compared with price levels in the first three quarters of 2003. The weighted median price of Texas rural land rose to $1,252 per acre, 15 percent higher than the 2003 median of $1,087 per acre. Twenty of the 33 land market areas (LMAs) posted a regionwide (statistically significant) increase in median price per acre with percentage increases ranging as high as 51 percent in the Canadian Breaks (LMA 5).

Markets continued to reflect strong demand from recreational buyers and investors. Expectations of rising interest rates and anemic returns on alternative investments undoubtedly contributed to these thriving markets. Markets surrounding the Hill Country–West (LMA15), the Panhandle–North (LMA 1), Trans-Pecos (LMA 8), Coastal Bend (LMAs 20 and 21), Brazos (LMA 27), and Piney Woods–South (LMA 31) posted strong results. This broad geographic distribution of strong price growth indicates the widespread nature of land market gains.

The volume of reported sales fell from 4,243 in the first three quarters of 2003 to 3,017 in 2004. Reduced volume sometimes indicates a cooling off of demand. However, observers indicate that any reduced volume in this market probably stems from a shortage of good-quality properties for sale. Further, this apparent decline may diminish as more third-quarter sales are reported to the Center.

Statewide Trends

- Prices rose 15 percent from $1,087 per acre through third quarter 2003 to $1,252 per acre through third quarter 2004.
- All areas with identifiable regionwide (statistically significant) price trends posted strong increases, ranging from 7 percent in the Blacklands–North (LMA 25, Waco) to 51 percent in the Canadian Breaks (LMA 5).
- The typical size of property sold remained virtually unchanged at a median size of 105 acres.
- Recreational demand continued to dominate markets throughout most of the state.
- Investment demand also continued as a strong driver of markets across Texas.
- Farmers and ranchers are increasingly willing to pay prices higher than historical norms in 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.
- Buyers continue to be motivated by low interest rates and a desire for a secure store of wealth.

The following LMAs registered especially strong trends compared with markets in the first half of 2003. The analysis explores some of the forces driving those trends.

Regional Texas Land Market Trends – Third Quarter 2004

LMA 1

- The 2004 median price per acre increased 36 percent compared with the 2003 price.
- Rising milk prices continue to boost demand for land as expanding dairy farms construct added facilities and grow cattle feed.
- Investment motives also 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 suitable 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.

LMAs 10 and 11

- While recreational demand remains the strongest factor, investors play an important role in increased demand within this region.
- Meager returns on CDs and in the stock market have pushed investors seeking higher returns into the land market.
- Dollar-per-acre increases for both regions are up 15 percent

LMA 12

- Metroplex buyers looking for recreational properties drive the demand for this region.
- Increase in hunting lease rates is enhancing the attractiveness of property ownership, thus increasing the demand.

LMAs 13–17

- With increasing numbers of urban dwellers seeking retreats from city life, recreational demand continues to drive the market in this scenic area.
- Investment motives have also figured prominently in many purchases.
- A limited supply of good land on the market is also creating upward pressure on prices.

LMA 18

- Recreational demand and investment motives continue to dominate in this market.
- Substantial levels of development activity also continue to drive demand for raw land.

LMAs 20 and 21

- As with most areas, wooded land with game populations continues to see rising prices from recreational users in these two regions.
- An influx of investors has also driven demand in this market.
- Dollar-per-acre price increases for third quarter 2004 are up 45 percent in LMA 20 and 38 percent in LMA 21.

LMAs 23, 24 and 25

- Urban sprawl is creating demand for land throughout this region.
- People are moving out of urban areas as they become more congested, putting pressure on land prices.

LMA 27

- The desire for rural land continues to be strong in all parts of this area not only for recreational use but also for residential development.
- New owners either transform the land into high-fenced hunting properties, weekend retreats or residential developments. These uses support high prices.

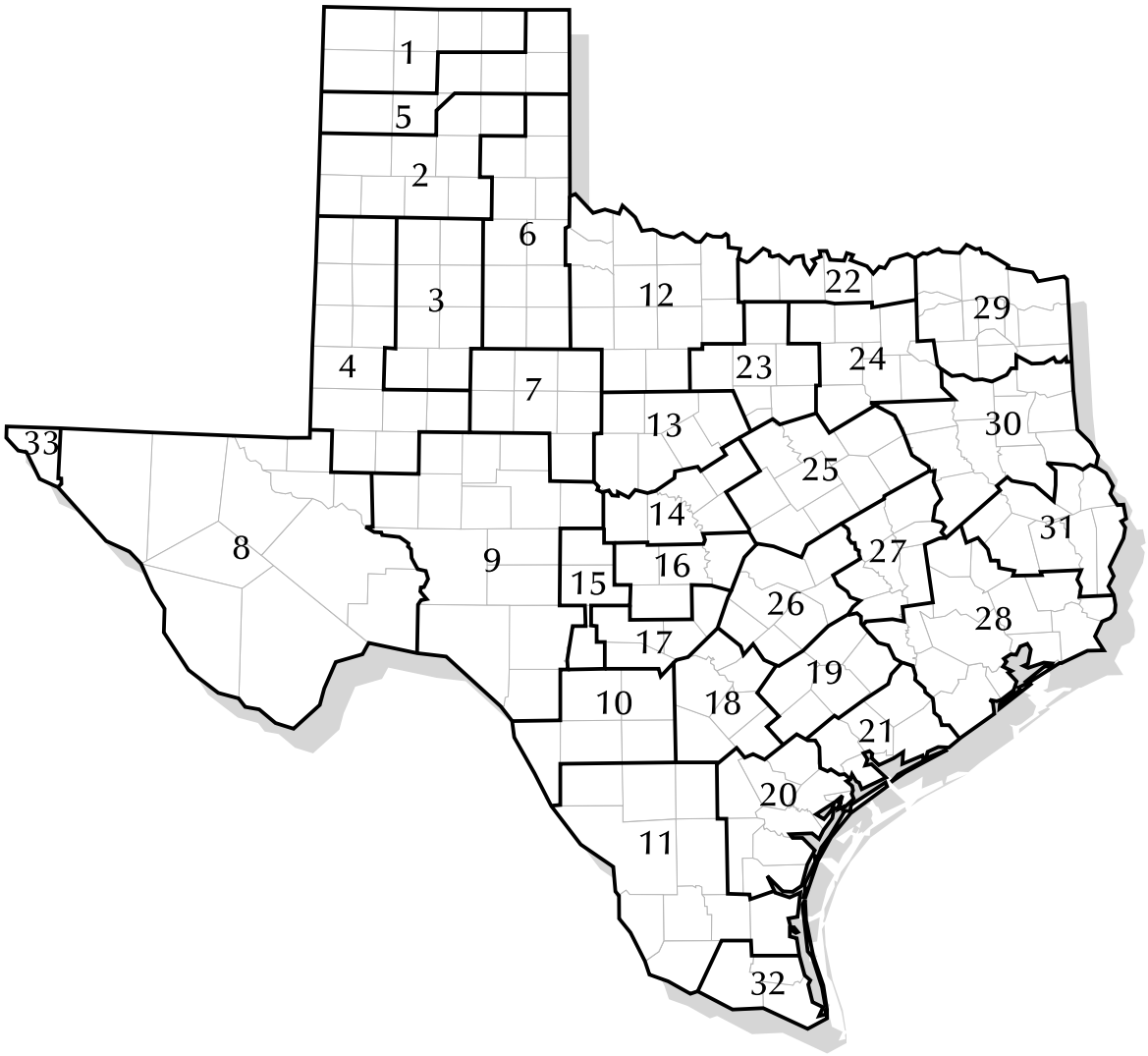
LMA 31

- The problems and pressures of urban living continue to fuel demand for acreage in the Piney Woods region with buyers acquiring smaller properties at substantially higher prices.
- Recreation is also driving prices in this region.

LMA 32

- Strong economic conditions and rapid urban growth have placed upward pressure on rural land prices leading to a 47 percent increase over 2003 market prices.
- Investors are purchasing property in the outlying areas hoping the population growth will continue and urban-style development will push prices up.
- Strong recreational demand and a shortage of good brush country has prompted some owners to purchase cropland neighboring on unimproved pasture to transform it into suitable recreational land.
- Farmers have made positive returns and entered the market searching for additional cropland.

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

Texas
Statewide Trends in Rural Land Markets Year-To-Date 2003-2004

Land Market Area		Volume of Sales			Typical Size of Transaction						Typical Prices					
					Acres per Sale		Change		Extremes		Dollar per Acre		Change		Extremes	
LMA	Description	2003	2004	Percentage	2003	2004	Percentage	Test	Minimum	Maximum	2003	2004	Percentage	Test	Minimum	Maximum
1	Panhandle--North	80	68	-15	424	547	29		34	3,814	379	516	36	**	200	3,645
2	Panhandle--Central	154	109	-29	320	320	0		49	9,586	443	450	2		187	4,929
3	South Plains	187	164	-12	178	191	7		10	3,404	510	500	-2		200	7,505
4	Permian--West	279	187	-33	280	223	-20		29	3,310	500	551	10		206	5,102
5	Canadian Breaks	32	17	-47	458	323	-30		63	646	250	377	51	**	200	2,244
6	Rolling Plains--North	127	162	28	240	333	39	**	21	33,334	350	411	17	**	100	3,350
7	Rolling Plains--Central	143	148	3	157	160	2	*	12	13,440	513	545	6		174	4,464
8	Trans-Pecos	19	22	16	173	4,847	2,695	*	25	32,601	154	225	46		50	3,258
9	Edwards Plateau--West	210	168	-20	319	306	-4		10	14,293	573	618	8		57	15,941
10	Edwards Plateau--South	141	130	-8	132	121	-8		10	21,029	1,440	1,663	15	*	525	18,302
11	Rio Grande Plains	88	77	-13	526	647	23		34	14,437	846	975	15	*	493	3,918
12	North Central Plains	311	255	-18	151	160	6	**	10	21,926	600	673	12	**	230	8,929
13	Crosstimbers	351	367	5	111	134	21	*	10	3,847	1,031	1,150	12	**	234	9,500
14	Hill Country--North	290	174	-40	172	180	5		16	4,837	1,235	1,400	13	**	126	8,040
15	Hill Country--West	72	56	-22	247	199	-20		13	2,798	1,098	1,397	27	**	700	8,363
16	Highland Lakes	98	151	54	100	61	-39	**	10	12,930	2,834	3,500	24	**	1,210	19,174
17	Hill Country--South	95	102	7	100	53	-47	*	10	748	4,000	4,448	11	*	1,392	22,000
18	San Antonio	283	257	-9	65	51	-21	*	10	1,528	1,864	2,089	12	*	783	22,325
19	Coastal Prairie--North	247	183	-26	55	73	32	*	10	2,312	1,995	2,150	8		400	12,529
20	Coastal Prairie--South	161	158	-2	139	148	6		12	2,698	1,000	1,450	45	**	466	12,137
21	Coastal Prairie--Middle	89	93	4	123	90	-27	*	10	1,294	975	1,341	38	**	560	4,190
22	Texoma	122	120	-2	79	92	17		12	1,065	2,000	2,000	-0		350	9,000
23	Fort Worth Prairie	186	178	-4	38	34	-11		10	9,890	3,175	3,714	17	**	717	14,323
24	Dallas Prairie	162	171	6	53	44	-17		10	1,760	2,443	2,677	10	*	377	21,500
25	Blacklands--North	496	326	-34	91	100	9		10	3,208	1,400	1,500	7	**	549	20,302
26	Blacklands--South	350	233	-33	42	50	19	*	10	1,415	3,082	3,000	-3		500	23,767
27	Brazos	382	268	-30	41	40	-1		10	5,220	2,134	2,748	29	**	425	22,942
28	Houston	341	209	-39	30	44	46	*	10	4,058	3,500	3,950	13		205	23,953
29	North East	130	114	-12	67	97	45	**	11	6,846	850	900	6		299	4,500
30	Piney Woods--North	175	101	-42	57	54	-6		10	2,197	1,427	1,503	5		500	17,467
31	Piney Woods--South	29	26	-10	92	56	-39		10	5,369	1,295	1,750	35	**	908	5,265
32	Lower Rio Grande Valley	97	88	-9	24	30	24		10	910	2,897	4,261	47	*	595	16,875
33	El Paso	1	1	0	85	117	37	-	117	117	8,500	7,800	-8	-	7,800	7,800
Texas		5,928	4,883	-18	101	105	4	*	10	33,334	1,087	1,252	15	**	50	23,953

Note 1: Test shows the result of a Mann-Whitney test of the indicated changes; (**) indicates significance at 99% level; (*) indicates significance at the 95% level; all others showed no statistically verifiable trend.
Note 2: The data in the volume, size and price columns are rounded. Percentage calculations are based on unrounded numbers.

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