



# TEXAS LAND MARKET DEVELOPMENTS – 2004

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## Summary of Texas Land Market Developments – 2004

- Prices rose 16 percent from \$1,097 per acre in 2003 to \$1,273 per acre.
- All 21 areas with identifiable regionwide (statistically significant) price trends posted strong increases with a range from 5 percent in the Blacklands–South to 40 percent in the Canadian Breaks.
- The typical size of property sold inched upward by 1 percent, making the median size 102 acres.
- Volume of sales increased from 7,283 in 2003 to 8,073 in 2004. The increased volume reflected strong demand with many observers noting buyers coming from other parts of the country.
- Recreational demand continued to dominate markets throughout most of the state.
- Investment demand appears to have gained momentum 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 (the Rolling Plains–North and Trans-Pecos for example) are seeing active markets with rising prices, 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.
- Prospects for 2005 appear to be mostly positive.

Focusing on recreation and investment, Texas land buyers bid 2004 prices into the stratosphere. The price of an acre of rural Texas soared 16 percent, from \$1,097 per acre in 2003 to \$1,273 per acre in 2004 (Figure 1 and Table 1). That surge is the largest single-year percentage increase since 1972–74 and the third highest annual gain in the past 38 years.

At \$273 per acre, real prices adjusted to reflect 1966 dollars reached 1980–81 price levels, settling below the 1984 peak of \$288 per acre. Nominal prices in Figure 1 represent amounts paid in the years shown while real prices reflect those prices after adjusting for inflation to 1966 dollars. This strong performance represents a 62 percent five-year gain in nominal prices since 1999. That is a 10 percent annual compound return from 1999 to 2004.

These developments resulted from feverish land-buying activity with market volume rising to 8,073 reported sales, outpacing the 2003 record volume of 7,283 by 10 percent. Figure 2 shows annual reported sales volume from 1982 to 2004, and reveals a dramatic increase in sales activity since 2001.

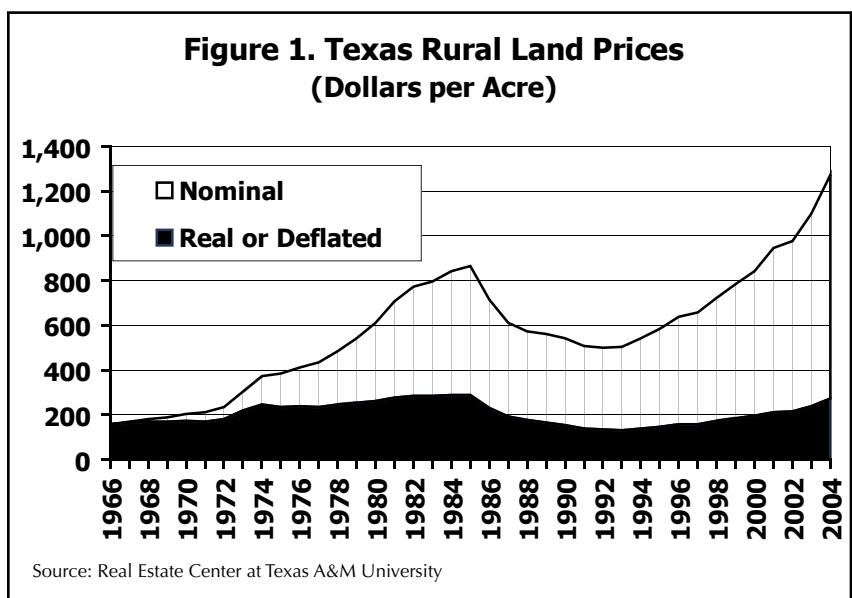
## Tract Size

The typical size of properties sold declined. Typical tract size in 2004 was 102 acres, continuing a trend toward sales of smaller properties statewide that established the new norm of approximately 100 acres sales in 2001 (Figure 3).

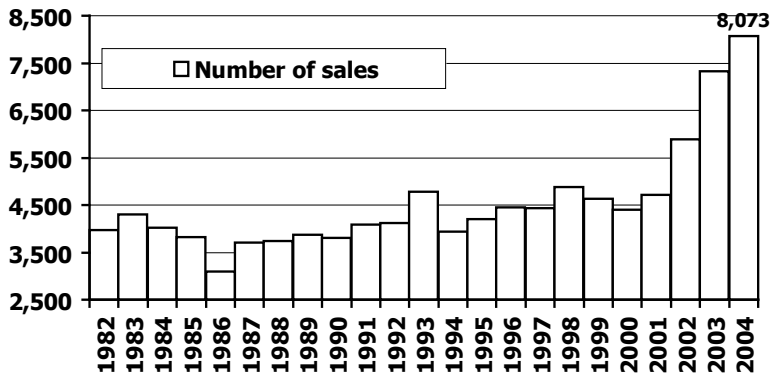
Nevertheless, the 2004 market produced increasing activity for large tracts as well. Sales of properties of more than 5,000 acres doubled between 2003 and 2004. Volume of sales for these larger properties increased from 29 in 2001 to 46 in 2003 (Figure 4). However, the volume of large property sales increased to 87 in 2004, a noticeable gain in activity for that segment of the market. Volume of sales of properties smaller than 150 acres accelerated from 1,864 sales in 2001 to 3,009 sales in 2004. Both segments of the market exhibited a substantial increase in activity during 2004, confirming feverish activity in Texas land markets.

## Nonagricultural Purchases Expand

In past decades, land prices tended to reflect the soil's capacity to produce agricultural income. As Texas has evolved to an urban-based society, nonfarm buyers have flocked to the countryside, buying acreage for recreation and investment. In the past decade, these nonagricultural buyers have come to dominate market activity. Market trends comparing agricultural and nonagricultural income patterns confirm that nonagricultural income has an increasingly important influence on land prices.



**Figure 2. Texas Land Market Volume**



Source: Real Estate Center at Texas A&M University

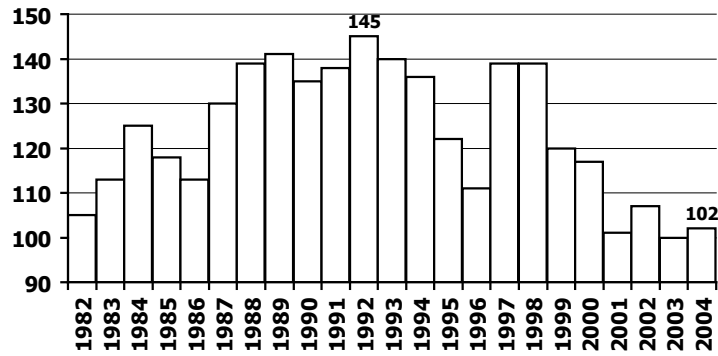
Figure 6 shows the correlation of land prices with cash income to farms, net farm income and personal income. Cash income and net farm income provide a measure of profitability and prosperity in farming and ranching in Texas. The latter series (personal income) measures prosperity in the general economy of the state. The correlation coefficients shown in the chart are statistical measures of the relationship between their underlying numbers. They indicate the strength of the association between those related quantities. A coefficient of one indicates a perfect positive association between the two data series and indicates that each time one series increases the other series increases as well. A correlation of zero indicates that increases in one series have no effect on the other series. Amounts between zero and one show the relative strength of association between the two data series. A correlation of 0.25 represents a relatively weak connection while a correlation coefficient of 0.75 indicates a strong relationship.

Correlations can also be negative. For example, a correlation of  $-1$  indicates that each time the number in one series increases, the item in the second series falls by an equivalent amount. For example, one might expect a high negative correlation between unemployment rates and total income.

Figure 6 shows the results of correlating Texas land prices with the previously mentioned income quantities between 1969 and 2004. The 0.672 coefficient for cash income to farms shows the degree of association between that quantity and median Texas land prices. That correlation is greater than that for net farm income, which registered a correlation coefficient of 0.573. Net farm income is the residual from cash income to farms after adjusting for depreciation, nonpaid labor and various other items. Cash income to farms represents the net cash flow to farms while net farm income represents the real income after adjusting for long-term

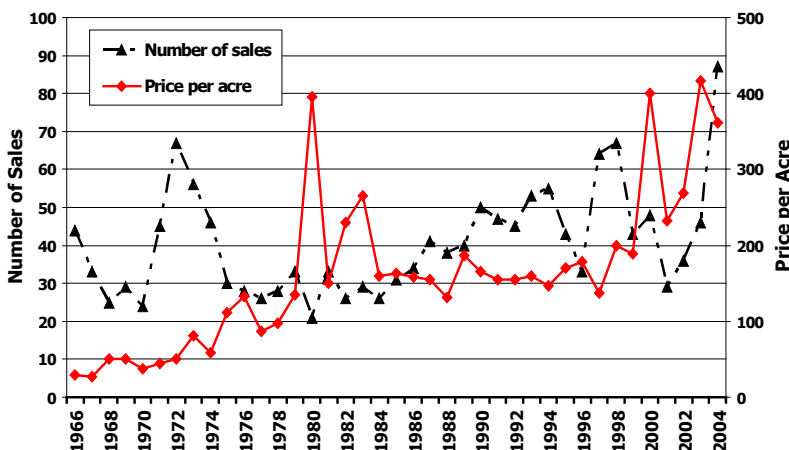
liabilities. The results indicate that land prices are related more to cash flow than to the net wealth position of farms.

**Figure 3. Typical Tract Size**



Source: Real Estate Center at Texas A&M University

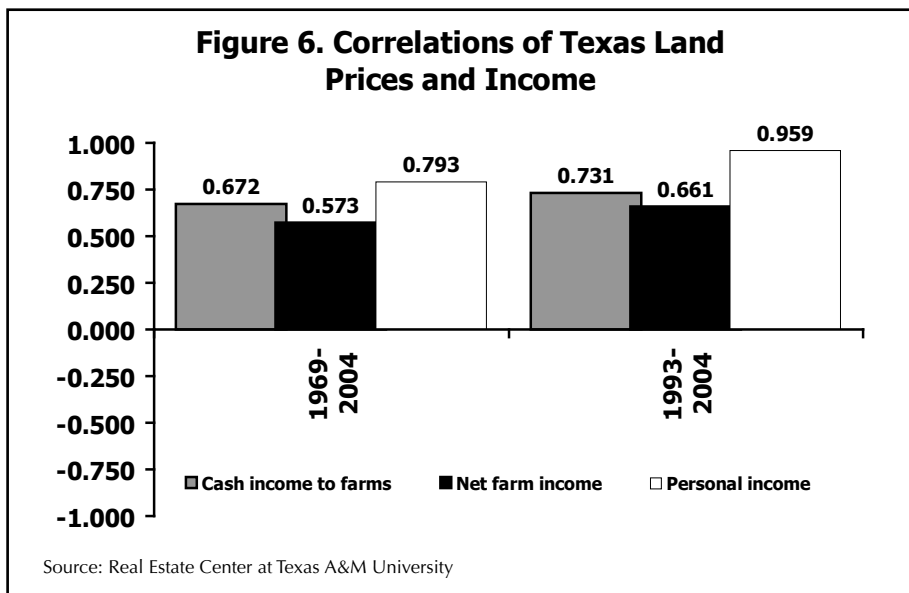
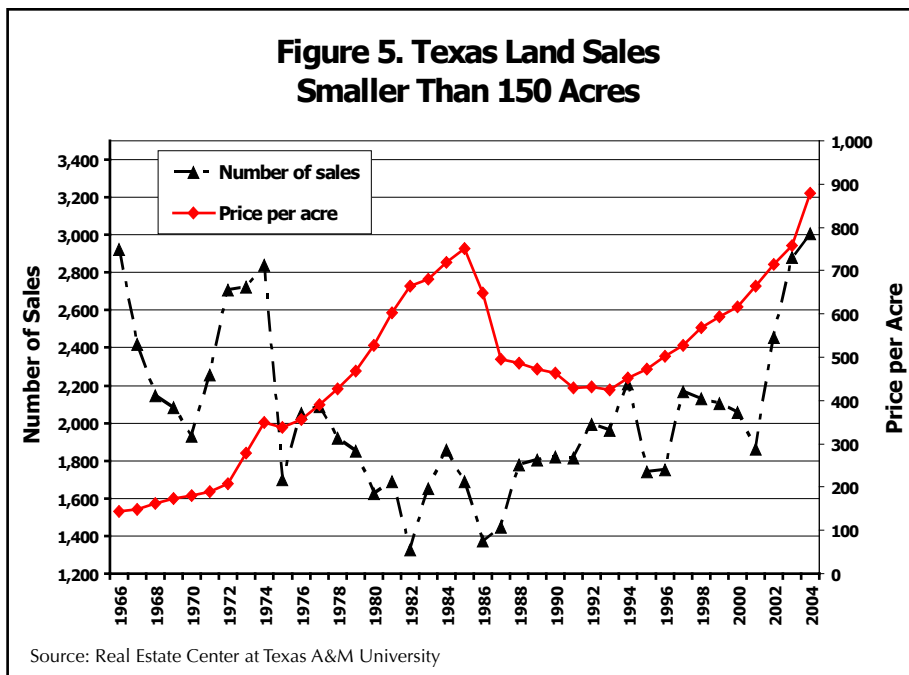
**Figure 4. Texas Land Sales Greater Than 5,000 Acres**



Source: Real Estate Center at Texas A&M University

The correlation coefficient for land prices and personal income was 0.793, revealing a much stronger relationship than for either of the farm-related income indicators during that time. Examining these relationships reveals a much stronger relationship between personal income and land prices (0.959) in the 1993 to 2004 period than over the entire 35-year period. This result confirms the fact that nonfarm prosperity is more heavily linked to price changes in rural land markets after 1993 than over the 35-year span. Further, the 0.959 coefficient substantially surpasses the correlations with cash income to farms (0.731) and net farm income (0.661). In both time frames, land markets were more closely related to nonfarm income than to farm income.

In fact, only during the 1986 to 1992 period, when many nonagricultural buyers avoided the land markets, did the land price-farm income relationships exceed those for Texas personal



income. This suggests that the link between personal income and land prices is even stronger now than it was during the past 35 years. Analysis and anecdotal evidence indicate nonfarm buyers are dominating rural land markets like never before.

### Regional Land Market Developments

The 2004 market saw regional median prices rise sharply across Texas. From the high-priced corridor stretching from Houston through Austin west into the Hill Country to the lower-priced areas of the Panhandle and Trans-Pecos areas, markets thrived in 2004. No regions registered a lower median price per acre in 2004 than in 2003. Ironically, Land Market Areas (LMAs) 1 and 5 registered two of the largest percentage increases while their cropland neighbors, LMAs 2 and 3, saw prices remain steady. However, most areas saw prices climb in 2004.

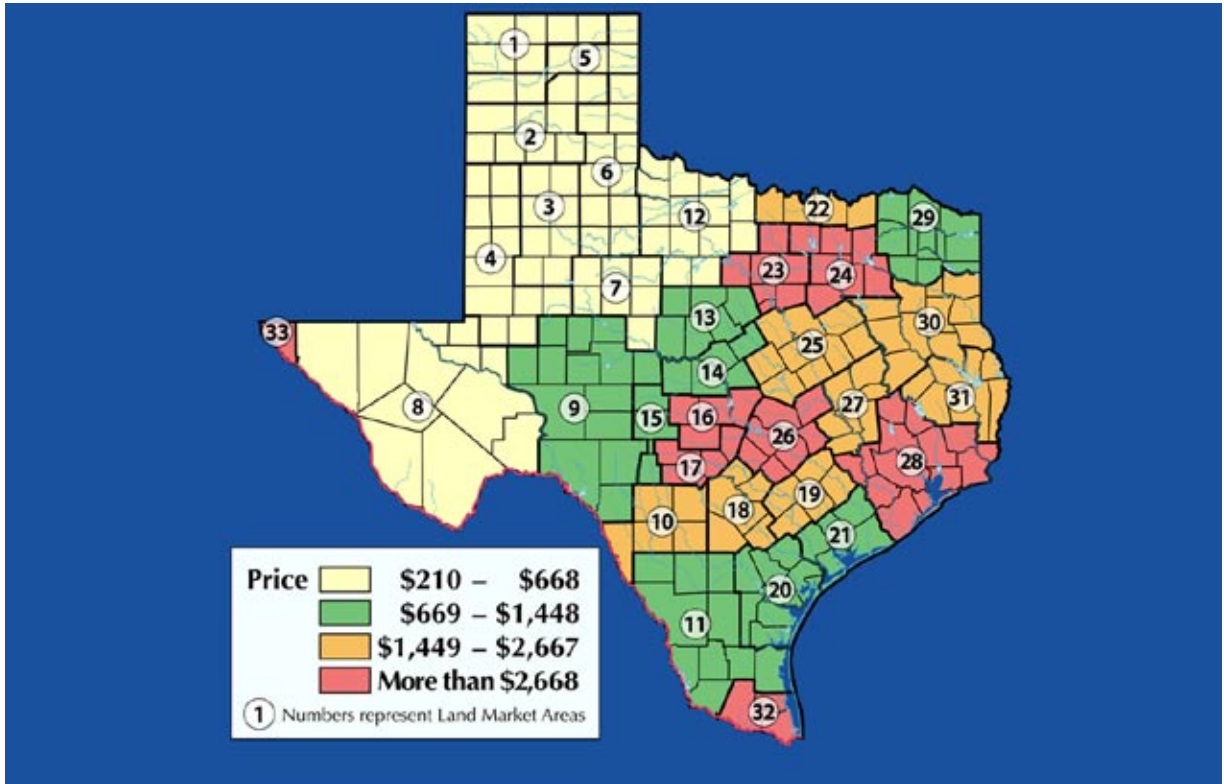
Figures 7 and 8 show regional 2004 prices and percentage changes from 2003 to 2004. Highest regional prices prevail in bands from Dallas to Fort Worth, Houston to Kerrville, the Rio Grande Valley and El Paso. The lowest prices are found in the Trans-Pecos area and the Panhandle and high plains. Table 1 contains the statistics reflected in these regional maps.

### Prospects for 2005

The forces propelling prices upward in 2004 continue to push 2005 markets even higher. A general lack of alternative investments makes land acquisition more and more attractive. Low interest rates continue to attract buyers in all real estate markets. Recession does not appear to be on the immediate horizon, as the economy continues to thrive.

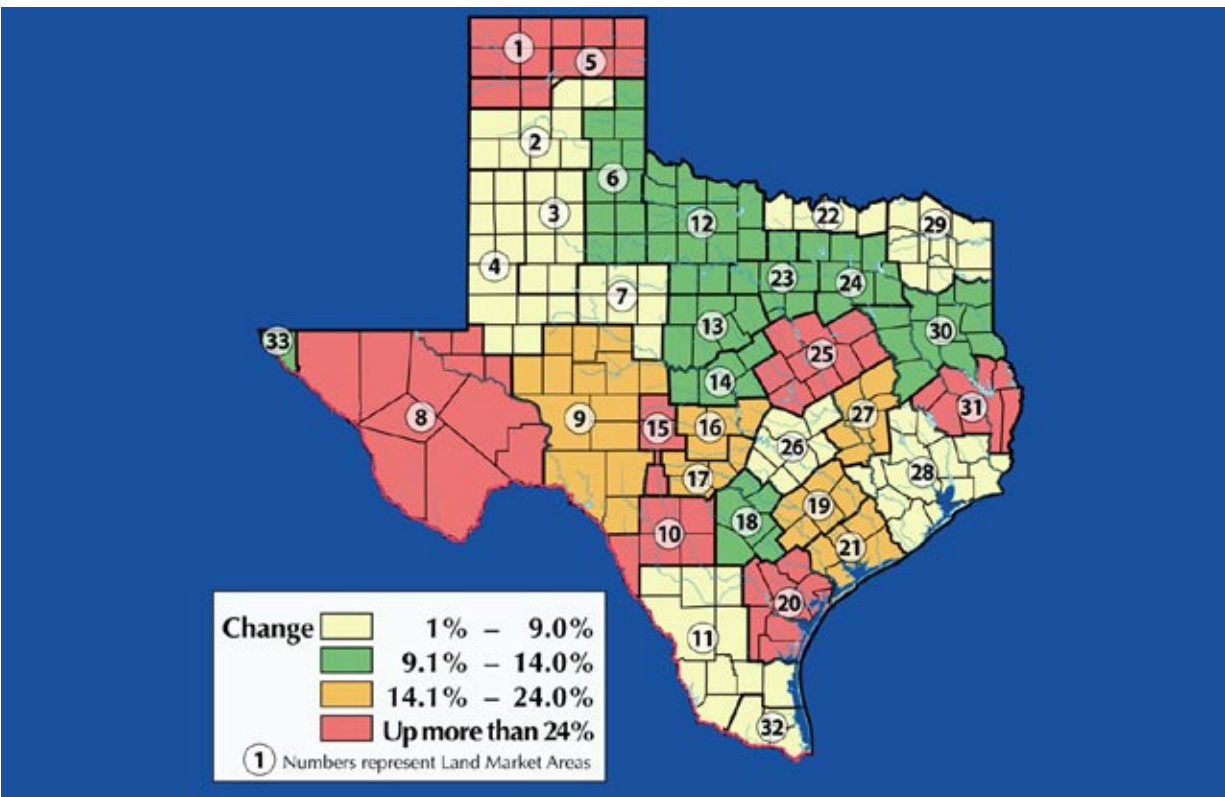
Nevertheless, danger signs have appeared. Oil prices stubbornly refuse to drop. Continued high oil prices may sabotage

Figure 7. Texas Rural Land Prices, 2004



Source: Real Estate Center at Texas A&M University

Figure 8. Percent Change in Texas Rural Land Prices, 2004–2005



Source: Real Estate Center at Texas A&M University

economic recovery. Future interest rate hikes may also take a toll. Still, economists are calling for robust farm income in Texas in 2005, and nothing has dampened enthusiasm for Texas land. Despite some anecdotal evidence of emerging price resistance, 2005 is shaping up to be another strong year in Texas land markets. By 2006, land prices may post another sizable increase.

## Regional Developments

The following land market areas (LMAs) registered especially strong trends compared with markets in 2003.

### LMAs 1, 5 and 6

- Recreational land market continues to be strong. Inventory is low, making good properties difficult to find and driving up prices.
- Much of the demand for these properties is coming from investors wanting a safe place to park their money. Additionally, 1031 Exchanges are keeping demand high.
- Water speculation and water rights issues are affecting sales (e.g. Roberts County)
- Some buyers are moving to Texas because of the state's tradition of strong protection of property rights.

### LMAs 9, 10, 11, 16, 17, 18, 19, 20 and 21

- Prices are continuing to climb steadily, rising at a half percent per month rate.
- Recreational and investment purchases are driving prices.
- There is no impetus for acquisition of agricultural land.
- Since the fourth quarter of 2004, large (5,000 to 8,000 acre) tracts have become scarce.
- Buyers tend to shy away from properties when the total price rises to \$2.5 million.

### LMAs 12, 13 14 and 15

- Everything is up, including farmland for the first time in a long time.
- Owners had a good cotton crop in what turned out to be an extremely wet year.
- There was a relatively low number of sales, but the quality of the land sold was high.
- Recreation-wildlife influence is stronger closer to Dallas-Fort Worth.
- The 2005 market looks strong.

### LMAs 23, 24 and 25

- The Metroplex continues to see low interest rates leading to an influx of "money looking for deals."
- Population growth continues due in large part to the expansion of downtown, including the proposed Trinity River Vision, Montgomery Ward building redevelopment and the new Radio Shack campus.
- Buyers appear to be positioning purchases to be in the path of development in the next two to three years.

### LMA 26, 27, 28, 29, 30, and 31

- Timberland markets may still be roiled by the sell-off of large timber company holdings.
- Log prices on the remaining harvestable tracts are relatively flat, but buyers continue to bid up smaller tracts for recreational use.
- Outlook remains strong but could change quickly depending on interest rates.
- Overall values up are up substantially. City center values are increasing at a higher rate than rural properties.
- Timberland prices continue to rise.
- Prospects look good.

**Table 1. Trends in Texas Rural Land Markets Through 4th Quarter 2003–2004**

Land Market Area	Volume of Sales				Typical Size of Transaction				Typical Prices							
	LMA	Description	Acres per Sale		Change		Extremes		Dollar per Acre		Change		Extremes			
			2003	2004	Percentage	2003	2004	Percentage	TEST	Minimum	Maximum	2003	2004	Percentage	TEST	Minimum
1	Panhandle–North	92	105	14	407	370	-9		12	3,814	364	500	37	**	153	10,500
2	Panhandle–Central	179	181	1	320	320	0		49	9,586	450	445	-1		166	4,929
3	South Plains	220	260	18	178	200	12		10	3,404	500	501	0		150	22,998
4	Permian–West	310	265	-15	240	240	-0		29	5,055	498	543	9		83	5,102
5	Canadian Breaks	37	25	-32	480	390	-19		63	1,921	267	373	40	**	200	2,244
6	Rolling Plains–North	151	214	42	250	320	28	*	21	33,334	372	414	11	**	100	3,350
7	Rolling Plains–Central	179	281	57	157	166	6	**	12	13,440	520	550	6		174	4,464
8	Trans-Pecos	24	45	88	298	3,582	1,101	*	15	47,982	150	210	40		50	4,018
9	Edwards Plateau–West	269	295	10	223	255	15		10	30,934	560	694	24	**	115	15,941
10	Edwards Plateau–South	188	199	6	106	140	32		10	21,029	1,420	1,779	25	**	525	18,302
11	Rio Grande Plains	122	146	20	442	570	29		34	16,580	881	950	8	*	475	7,750
12	North Central Plains	401	414	3	152	160	5	**	10	21,926	598	668	12	**	230	8,929
13	CrossTimbers	449	489	9	108	136	26	**	10	3,847	1,050	1,196	14	**	234	9,500
14	Hill Country–North	348	348	0	163	160	-2		14	4,837	1,265	1,448	14	**	126	10,333
15	Hill Country–West	86	114	33	247	240	-3		13	12,031	1,098	1,397	27	**	559	8,363
16	Highland Lakes	125	255	104	97	57	-41	**	10	12,930	2,867	3,552	24	**	945	19,174
17	Hill Country–South	115	193	68	101	60	-40	**	10	2,728	4,132	4,910	19	**	550	22,000
18	San Antonio	361	433	20	65	58	-11		10	1,756	1,864	2,133	14	**	675	22,325
19	Coastal Prairie–North	316	319	1	58	67	16		10	2,312	2,000	2,387	19	**	400	21,267
20	Coastal Prairie–South	182	231	27	144	128	-11		12	2,995	1,002	1,352	35	**	143	12,137
21	Coastal Prairie–Middle	110	144	31	124	103	-17		10	2,926	1,000	1,219	22	**	398	7,917
22	Texona	149	178	19	78	75	-4		11	1,830	1,950	2,033	4		350	9,000
23	Fort Worth Prairie	243	252	4	37	40	7		10	9,890	3,256	3,710	14	**	717	14,940
24	Dallas Prairie	190	262	38	51	48	-6		10	1,760	2,435	2,780	14	*	377	21,500
25	Blacklands–North	583	518	-11	92	96	5		10	3,744	1,400	1,750	25	**	494	21,643
26	Blacklands–South	429	424	-1	43	44	4		10	1,415	3,100	3,259	5	*	500	23,767
27	Brazos	465	436	-6	40	38	-6		10	5,220	2,143	2,667	24	**	425	22,942
28	Houston	435	434	0	30	40	33	*	10	4,058	3,675	4,012	9	*	205	23,953
29	North East	147	130	-12	71	88	25		10	6,846	850	926	9		299	9,231
30	Piney Woods–North	209	152	-27	60	53	-11		10	2,197	1,404	1,588	13	*	498	17,467
31	Piney Woods–South	47	42	-11	80	65	-20		10	5,369	1,295	1,700	31	**	522	5,265
32	Lower Rio Grande Valley	121	287	137	21	40	92	**	10	2,064	2,900	3,112	7		595	24,345
33	El Paso	1	2	100	85	94	11		72	117	8,500	9,400	11		7,800	11,000
Texas		7,283	8,073	11	100	102	1		10	47,982	1,097	1,274	16	**	50	24,345

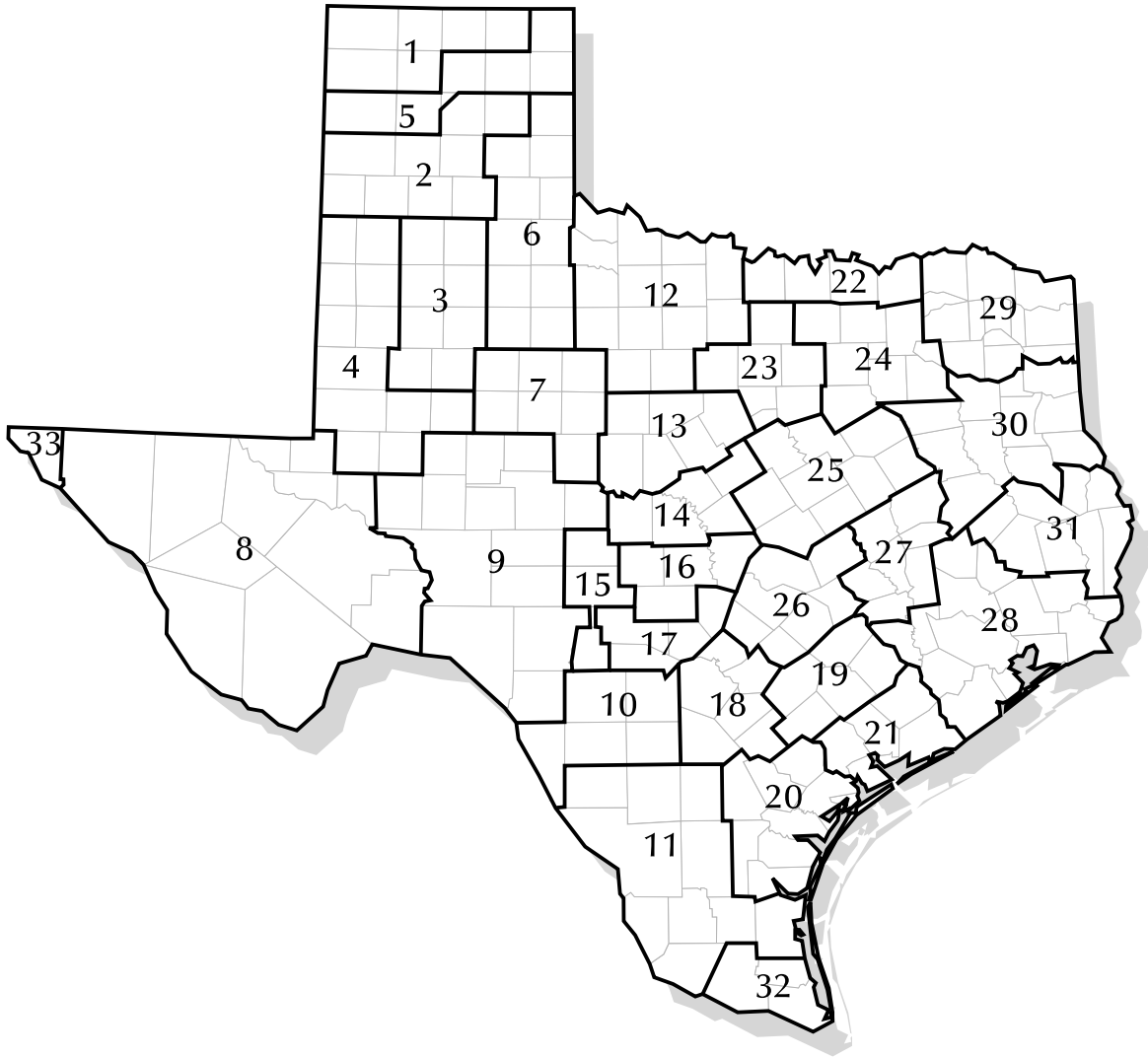
Source: Real Estate Center at Texas A&M University

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: Test data in the volume, size and price columns are rounded. Percentage calculations are based on unrounded numbers.



# Texas Land Market Areas



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

Source: Real Estate Center at Texas A&M University

# Texas Market Areas and Counties

## Land Market Area 1

Dallam  
Hansford  
Hartley  
Moore  
Ochiltree  
Sherman

## Land Market Area 2

Armstrong  
Briscoe  
Carson  
Castro  
Deaf Smith  
Gray  
Parmer  
Randall  
Swisher

## Land Market Area 3

Borden  
Crosby  
Dawson  
Floyd  
Garza  
Hale  
Lubbock  
Lynn

## Land Market Area 4

Andrews  
Bailey  
Cochran  
Ector  
Gaines  
Hockley  
Howard  
Lamb  
Martin  
Midland  
Terry  
Yoakum

## Land Market Area 5

Hemphill  
Hutchinson  
Lipscomb  
Oldham  
Potter  
Roberts

## Land Market Area 6

Childress  
Collingsworth  
Cottle  
Dickens  
Donley  
Hall  
Kent  
King  
Motley  
Stonewall  
Wheeler

## Land Market Area 7

Fisher  
Jones  
Mitchell  
Nolan  
Runnels  
Scurry  
Taylor

## Land Market Area 8

Brewster  
Crane  
Culberson  
Hudspeth  
Jeff Davis  
Loving  
Pecos  
Presidio  
Reeves  
Terrell  
Ward  
Winkler

## Land Market Area 9

Coke  
Concho  
Crockett  
Edwards  
Glasscock  
Irion  
Kinney  
Reagan  
Schleicher  
Sterling  
Sutton  
Tom Green  
Upton  
Val Verde

## Land Market Area 10

Frio  
Maverick  
Medina  
Uvalde  
Zavala

## Land Market Area 11

Brooks  
Dimmit  
Duval  
Jim Hogg  
Kenedy  
La Salle  
McMullen  
Starr  
Webb  
Zapata

## Land Market Area 12

Archer  
Baylor  
Clay  
Foard  
Hardeman  
Haskell  
Jack  
Knox  
Shackelford  
Stephens  
Throckmorton  
Wichita  
Wilbarger  
Young

## Land Market Area 13

Brown  
Callahan  
Coleman  
Comanche  
Eastland  
Erath

## Land Market Area 14

Hamilton  
McCulloch  
Mills  
Lampasas  
San Saba

## Land Market Area 15

Kimble  
Menard  
Real

**Land Market Area 16**

Burnet  
Gillespie  
Llano  
Mason

**Land Market Area 17**

Bandera  
Blanco  
Kendall  
Kerr

**Land Market Area 18**

Atascosa  
Bexar  
Comal  
Guadalupe  
Karnes  
Wilson

**Land Market Area 19**

Colorado  
DeWitt  
Fayette  
Gonzales  
Lavaca

**Land Market Area 20**

Aransas  
Bee  
Goliad  
Jim Wells  
Kleberg  
Live Oak  
Nueces  
Refugio  
San Patricio

**Land Market Area 21**

Calhoun  
Jackson  
Matagorda  
Victoria  
Wharton

**Land Market Area 22**

Cooke  
Fannin  
Grayson  
Montague

**Land Market Area 23**

Hood  
Johnson  
Palo Pinto  
Parker  
Somervell  
Tarrant  
Wise

**Land Market Area 24**

Collin  
Dallas  
Denton  
Ellis  
Hunt  
Kaufman  
Rains  
Rockwall  
Van Zandt

**Land Market Area 25**

Bell  
Bosque  
Coryell  
Falls  
Freestone  
Hill  
Limestone  
McLennan  
Navarro

**Land Market Area 26**

Bastrop  
Caldwell  
Hays  
Lee  
Milam  
Travis  
Williamson

**Land Market Area 27**

Brazos  
Burlleson  
Grimes  
Leon  
Madison  
Robertson  
Washington

**Land Market Area 28**

Austin  
Brazoria  
Chambers  
Fort Bend  
Galveston  
Hardin  
Harris  
Jefferson  
Liberty  
Montgomery  
Orange  
San Jacinto  
Walker  
Waller

**Land Market Area 29**

Bowie  
Camp  
Cass  
Delta  
Franklin  
Hopkins  
Lamar  
Marion  
Morris  
Red River  
Titus  
Upshur  
Wood

**Land Market Area 30**

Anderson  
Cherokee  
Gregg  
Harrison  
Henderson  
Houston  
Nacogdoches  
Panola  
Rusk  
Shelby  
Smith

**Land Market Area 31**

Angelina  
Jasper  
Newton  
Polk  
Sabine  
San Augustine  
Trinity  
Tyler

**Land Market Area 32**

Cameron  
Hidalgo  
Willacy

**Land Market Area 33**

El Paso



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