REAL ESTATE CENTER

TEXAS LAND MARKET DEVELOPMENTS FIRST HALF – 2005

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Prices paid for Texas rural land posted another strong move up in the first half of 2005 compared with price levels in the first half of 2004. The weighted median price of Texas rural land rose 11 percent from the 2004 median of $1,238 per acre to $1,379 per acre. From the Piney Woods to the Hill Country to the North Central Plains, regional markets posted substantial increases in price per acre.

Markets continued to reflect strong demand from recreational buyers and investors, but farmers and ranchers also continued to participate in buying activity. Expectations of anemic returns on alternative investments undoubtedly contributed to these thriving markets. Markets in the Lubbock (LMA 3), Texarkana (LMA 30), Lake Texoma (LMA 22) and Kerrville (LMA 17) areas posted especially strong results. However, market pressures pushed up prices in most regions. The volume of sales for the first six months dropped from 4,711 in 2004 to 3,367 in 2005. This apparent decline will likely disappear as more complete reports of local sales arrive.

Unless otherwise indicated, data compare the first half of 2004 with the same period in 2005.

Statewide Trends

- Prices rose 11 percent from $1,238 per acre to $1,379 per acre.
- Except for the Permian–West (LMA 4) and Houston (LMA 28), where prices reportedly are down more than 19 percent, all areas with identifiable regionwide (statistically significant) price trends posted strong increases. After further investigation, the apparent price drops in LMA 4 and LMA 28 appear to result from statistical anomalies rather than a true trend in prices.
- The typical size of property sold dropped from 108 acres to 102.
- Investment demand continued to drive markets in the larger metro LMAs throughout Texas. Recent activity suggests investor interest in land may be increasing.
- Recreational demand continues to dominate throughout the state.
- Agents continue to report a shortage of good land for sale in most areas. The land that is available does not remain on the market. One observer noted, "If they bring me the land, I can sell it."
- 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. The analysis explores some of the forces affecting those trends.

LMAs 3 and 6

- Higher value recreational lands to the north continue to drive prices up.
- Flat lands to the south are seeing a much slower rate of increase.
- Sales volume remains active.

LMA 9

- Rural recreation is driving this market.
- In addition, 100- to 200-acre home sites are spreading throughout the area.
- One 30,000-acre sale with subsequent multiple splits accounts for a substantial part of the increases in price and sales volume here.

LMAs 12 and 13

- A recent slowdown in 1031 exchanges has led to a slight leveling off of prices after the sizable run-up earlier. However, the market should still increase 8 to 12 percent over the next year.
- Mineral right requirements associated with sales have caused a decline in sales of up to 30 percent.
- Prices here are driven primarily by agricultural buyers with some investors buying land in the southern counties nearer to Austin.

LMA 14

- The inventory of listings is slightly lower than usual.
- Rural recreation is the primary market driver.
- Recently, larger rural tracts have been split, producing 15- to 50-acre sites for use as retirement home sites.

LMAs 15 and 17

- The inventory of listings is low and available properties sell quickly.
- Prices are up substantially over this time last year.
- A lack of available recreational land is the primary cause of this increase.

LMA 26

- The market has swung back, and sales in populous Travis, Williamson and Hays counties are picking up.
- Investment opportunities are driving the purchases and increases in values.
- Heavy investments of 1031 money in Lee and Milam counties are responsible for the sizable price increase in these counties.

LMA 28

- The market is still very active, with higher prices than in second quarter 2004.
- There are two distinct market segments and buyer motivations. In the inner counties, investment and development potential drives the market. In the outer counties, rural recreational land use is the primary driver.

LMA 30

- As many as 1.5 million acres of timberland have hit the market over the past couple years. Absorption has been nearly 100 percent and has kept prices steady.
- Land has been turned over and split multiple times down to 100- to 5,000-acre parcels.
- Land purchases have been primarily for rural recreational use with an eye on future timber production.

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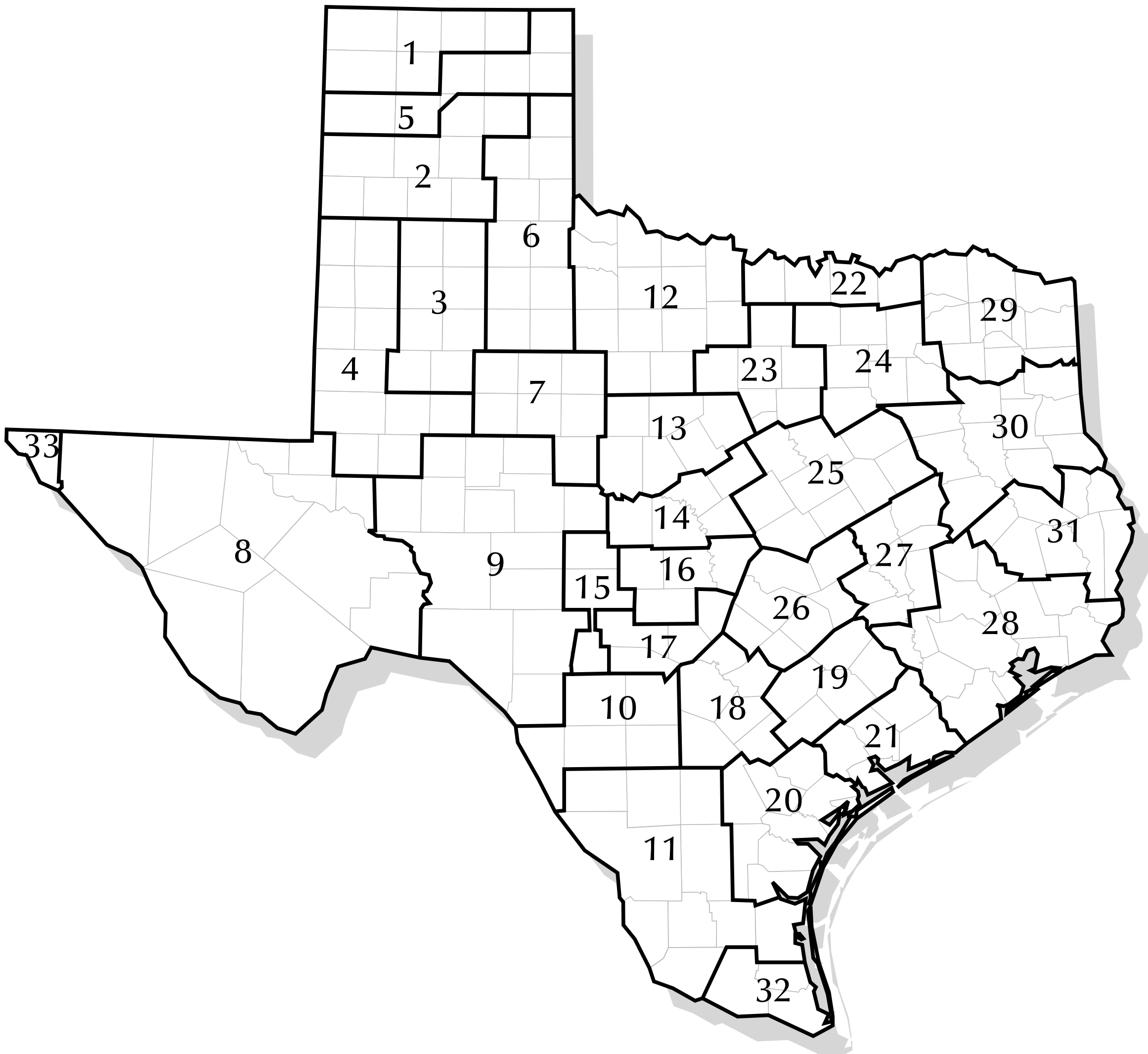
Texas Land Market Areas



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 Rural Land Texas Markets Through 2nd Quarter, 2004–2005

Land Market Area		Volume of Sales			Typical Size of Transaction						Typical Prices					
					Acres per Sale		Change		Extremes		Dollar per Acre		Change		Extremes	
LMA	Description	2004	2005	Percentage	2004	2005	Percentage	TEST	Minimum	Maximum	2004	2005	Percentage	TEST	Minimum	Maximum
1	Panhandle--North	71	38	-46	605	485	-20		153	1,987	516	425	-18		120	1,618
2	Panhandle--Central	115	86	-25	323	341	6		50	2,790	450	454	1		147	10,073
3	South Plains	170	141	-17	205	212	4		10	1,031	508	604	19	*	138	3,509
4	Permian--West	183	130	-29	308	302	-2		23	1,771	575	463	-19	*	130	1,538
5	Canadian Breaks	15	12	-20	390	642	65		20	2,240	377	389	3		176	4,975
6	Rolling Plains--North	136	72	-47	332	320	-4		20	14,994	400	480	20	**	129	2,768
7	Rolling Plains--Central	159	89	-44	160	198	23		18	5,583	535	588	10	*	222	10,389
8	Trans-Pecos	25	4	-84	4,810	2,148	-55		99	12,765	254	269	6		172	700
9	Edwards Plateau--West	161	182	13	306	316	3		40	15,267	625	794	27	**	160	5,080
10	Edwards Plateau--South	117	77	-34	140	78	-44		10	5,621	1,659	2,285	38	**	525	12,994
11	Rio Grande Plains	74	80	8	598	453	-24	*	20	14,471	895	1,050	17	**	457	4,000
12	North Central Plains	245	168	-31	167	160	-4		14	34,350	650	800	23	**	275	2,821
13	Crosstimbers	326	144	-56	134	146	9		11	5,421	1,098	1,346	23	**	569	6,977
14	Hill Country--North	189	181	-4	190	197	4		11	3,266	1,389	1,550	12	**	695	5,300
15	Hill Country--West	77	57	-26	300	150	-50	*	19	1,573	1,350	1,525	13	*	234	10,182
16	Highland Lakes	137	119	-13	79	67	-15		10	6,256	3,150	3,300	5		1,460	12,881
17	Hill Country--South	127	76	-40	63	50	-21		10	2,338	4,577	5,775	26	*	979	13,062
18	San Antonio	235	137	-42	58	53	-8		11	1,094	2,250	2,499	11		750	15,250
19	Coastal Prairie--North	188	117	-38	69	54	-22		10	1,305	2,200	3,208	46	**	900	12,518
20	Coastal Prairie--South	130	94	-28	123	94	-23		14	6,932	1,351	1,275	-6		750	22,144
21	Coastal Prairie--Middle	85	72	-15	88	106	20		10	2,380	1,341	1,264	-6		525	18,602
22	Texoma	101	96	-5	80	43	-47	**	10	1,170	2,156	2,778	29	**	900	16,032
23	Fort Worth Prairie	162	88	-46	37	35	-6		10	6,200	3,500	3,670	5		1,199	12,635
24	Dallas Prairie	138	128	-7	46	48	4		10	568	2,766	3,056	10		750	23,000
25	Blacklands--North	307	226	-26	98	87	-11		10	2,320	1,642	1,935	18		500	13,706
26	Blacklands--South	246	213	-13	46	40	-12		10	1,761	3,190	3,855	21	**	350	24,916
27	Brazos	252	183	-27	40	40	1		10	3,700	2,576	2,950	15	*	750	18,176
28	Houston	230	197	-14	40	50	24	**	10	3,882	3,869	3,003	-22	*	420	19,131
29	North East	97	26	-73	99	86	-13		10	1,396	879	920	5		400	3,140
30	Piney Woods--North	88	60	-32	58	56	-5		11	1,000	1,499	1,904	27	*	667	8,593
31	Piney Woods--South	32	10	-69	69	65	-6		28	135	1,750	1,761	1		1,176	3,371
32	Lower Rio Grande Valley	93	63	-32	30	23	-22		10	1,154	4,000	3,500	-13		874	19,500
33	El Paso	-	1	-	-	108	-	-	108	108	-	7,500	-	-	7,500	7,500
Texas		4,711	3,367	-29	108	102	-5		10	34,350	1,238	1,379	11	**	120	24,916

Note 1: 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.

Note 2: The data in the volume, size and price columns are rounded. Percentage calculations are based on unrounded numbers.

Source: Real Estate Center at Texas A&M University

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