

international appeal

Foreign Investors Buy Big

By Charles E. Gilliland and David Holland

The decline in the value of the U.S. dollar over the past few years has motivated foreign investors to buy significant amounts of land in the United States. Land market professionals suggest that foreign purchases have contributed to the strength of land markets on a broad base. But only part of that premise is accurate.

Foreign buyers of agricultural land in this country must register their purchases with the United States Department of Agriculture (USDA). USDA publishes an annual report, *Foreign Holdings of U.S. Agricultural Land*, which contains information about the geographic distribution of foreign holdings and the types of land foreigners have acquired.

Analysis of the report reveals that foreign ownership of U.S. land did indeed increase by more than 1.3 million acres in 2006, to a total of 16.4 million acres, about an 8.6 percent

Table 1. States with Most Foreign-Held Land Through February 2006

Rank	State	Acres
1	Maine	3,603,682
2	Texas	1,698,057
3	California	1,052,237
4	Florida	929,336
5	New Mexico	841,904

Source: United States Department of Agriculture Farm Service Agency



Table 2. Foreign-Held U.S. Land by Use Through February 2006

Type of Land	Percent	Acres
Timberland-Forest	49.7	8,168,772
Pasture	26.7	4,380,860
Cropland	14.6	2,400,325
Other Agricultural	5.6	926,515
Nonagricultural*	3.4	558,820
Total Land	100	16,435,292
Total Agricultural Land		15,876,472

Source: United States Department of Agriculture Farm Service Agency
 *Nonagricultural includes acreage such as homesteads, roads commonly reported as part of agricultural landholding or land that is idle now but was used for agriculture within the previous five years.

Table 3. States with Most Foreign-Held Forest Land Through February 2006

Rank	State	Acres in Forest
1	Maine	3,541,772
2	Georgia	625,150
3	Alabama	472,832
4	Florida	444,485
5	Texas	424,096

Source: United States Department of Agriculture Farm Service Agency

increase from 2005. Of that, 15.9 million acres were classified as agricultural.

Maine and Texas lead all states in foreign-owned land (Table 1). Foreign ownership in Maine stands at 3.6 million acres, 22.6 percent of all foreign-owned U.S. agricultural land. Texas is in second place with 1.7 million acres, 10.4 percent of all foreign-owned land.

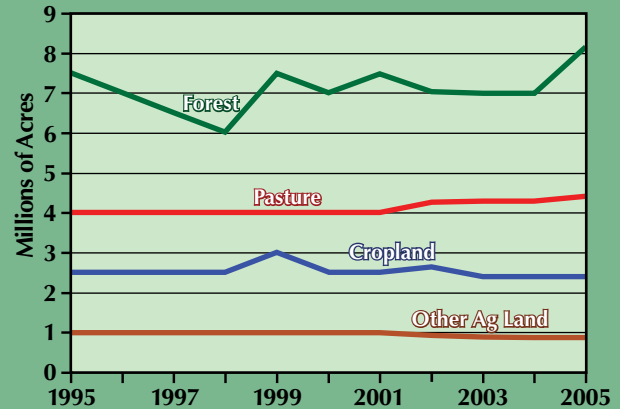
Foreign-owned agricultural holdings are divided into forest, cropland, pasture and other land categories (Table 2). For the most part, foreign holdings by type of land have changed little over the last ten years (see figure).

Clearly, much of the increase in foreign ownership of U.S. land through early 2006 occurred in forest holdings, which grew by 1.1 million acres, 34.5 percent of which were in Texas. In 2005, foreign investors owned roughly 308,000 acres of Texas cropland, 830,000 of pasture, and a meager 29,000 acres of forest land. By 2006, foreign-owned timber holdings in Texas increased 1,357 percent to over 424,000 acres.

The USDA reports eight companies, all of which are subsidiaries of the same Canadian parent company, were primarily responsible for this significant increase in forest ownership in Texas, Pennsylvania and Washington. According to the USDA, John Hancock Life Insurance and its subsidiaries are responsible for the majority of this activity.

John Hancock is indirectly owned by Manulife Financial, a leading Canadian-based financial services company. The main buyer of timberlands under this umbrella is the Hancock Timber Resource Group, one of the largest timber investment management organizations (TIMOs) in the United States. TIMOs' investors are primarily institutional and high-net-worth individuals or families. TIMOs are not publicly traded

Foreign Holdings of U.S. Agricultural Land by Type



Source: United States Department of Agriculture Farm Service Agency

and are essentially specialized timber private equity organizations. For TIMOs, timberland is a specialized real estate investment that happens to grow trees.

The recent increase in "foreign" ownership is actually attributable to TIMOs buying timberland from industrial owners. This activity vaulted Texas into the top five states with foreign-held timberland (Table 3).

Much East Texas timberland has changed hands in recent years as the major timber companies continue to sell their land holdings. In February 2007, the lone holdout, Temple-Inland, announced plans to sell 1.8 million acres of timberland in Texas, Louisiana, Alabama and Georgia.

With this additional acreage slated for the market, East Texas will see a lot of sales activity. While integrated timber companies seem to have lost interest in owning Texas timberland, a new segment of investors is coming in right behind them — TIMOs. ♣

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THE TAKEAWAY

Foreign buyers dramatically increased their holdings of Texas timberland in 2006. Temple-Inland plans to sell more than a million acres of Texas timberland in 2007.



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Tierra Grande (ISSN 1070-0234) is published quarterly by the Real Estate Center at Texas A&M University, College Station, Texas 77843-2115. Subscriptions are free to Texas real estate licensees. Other subscribers, \$20 per year. Views expressed are those of the authors and do not imply endorsement by the Real Estate Center, Mays Business School or Texas A&M University. The Texas A&M University System serves people of all ages, regardless of socioeconomic level, race, color, sex, religion, disability or national origin. Photography/Illustrations: Real Estate Center files, p. 1.