

Lay of the Land

Texas Land Market Observations

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December 6, 2021

Publication 2330



Conversations with Texas land market appraisers and brokers revealed a complex mix of buyer motivations fueling an active land market going into fall 2021.

Vigorous activity characterized market dynamics in nearly all areas of the state. Competition for a limited supply of land for sale pitted investors, developers, and end-users against each other, driving up prices.

The following is a synopsis of commentary by land market participants in specific regions of Texas.

Panhandle and South Plains

With operators (i.e., buyers, but specifically farmers) flush with cash from both government stimulus payments and strong commodity prices, sales increased dramatically in the second quarter. Sales this year will exceed those of 2016, the previous record-holder. Observers expect the high level of activity to continue with record-high land prices in the offing.

Takeaway

The dynamics that drove activity in each of Texas' seven land market regions in second quarter 2021 were as varied as the regions themselves.

Abundant water in Hutchinson, Moore, and Sherman Counties prompted dairies to acquire land to provide feed for their operations. In addition, farmers are harvesting good crops selling at high prices.

Larger transactions have taken a pause, although there was active bidding on the 6666 Ranch in Guthrie. The market for properties priced at \$20 million and up may be softening, but smaller sales are still hot.

Worries about inflation and tax law changes motivated many buyers and sellers.

Cropland sales slowed, but prices remained steady to increasing. Current high prices have prompted owners to offer land for sale.

Far West Texas

Oil and gas woes have dried up demand for large ranches in this region. However, with oil prices climbing, oil companies' activities have increased.

Although observers report an oversupply of land for sale at unrealistically high asking prices, the latest transactions have been around \$1,500 per acre.

Buyers pay cash in most deals, and there is a lot of subdivision activity and residential development.

Market participants are worried about changes in tax laws.

West Texas

Activity exploded in West Texas as buyers snapped up small, medium, and large properties. Many subdivided the large properties, quickly selling the smaller tracts.

Observers expect higher prices in the near future.

Northeast Texas

Waves of demand in the Metroplex meant strong activity in the region. Buyers eagerly purchased any properties for sale. Many of those buyers were investors, with a number of them subdividing large acquisitions and selling smaller tracts. Because of a dearth of properties for sale, some markets saw few sales. Observers anticipate an uptick in cropland sales.

Sawtimber prices have increased 45 percent over the last year, while pulp wood prices have remained steady.

Houston buyers have increasingly targeted land in Polk County. Sellers of \$200,000-\$250,000 properties frequently receive multiple offers.

Gulf Coast–Brazos Bottom

Demand from the urban centers drove Coastal Bend land markets as buyers prepared for growth.

Progress on the "Aggie Expressway" from Houston toward College Station spurred dramatic activity in Grimes County as investors anticipated future development.

Short supplies of listings restricted sales activity in some areas. Observers noted an increasing number of out-of-state buyers.

Overall, strong demand should cause prices to increase in the future.

South Texas

South Texas activity was marked by large properties that were subdivided and quickly sold as smaller parcels. Duval and Live Oak Counties were especially active.

Austin–Waco–Hill Country

Brokers have buyers lined up. This strong demand prompted active subdivision operations. National Land Partners has acquired more than 8,000 acres in various locations, breaking them into ten-acre tracts.

U.S. buyers are coming from as far away as Alaska and as near as Austin, Houston, and Dallas. Meanwhile, investors from India have an insatiable appetite for land near the City of Austin and in Williamson County. In many cases, these buyers make offers that exceed asking prices. Small properties sell within days of listing. The frenzied demand includes both cropland and rangeland.

The suburban market is strong as well. Investor activity in eastern Williamson County into Milam County defies fundamentals as investors have run up prices. This has propelled asking prices to record-high levels. Much land has transferred to non-end users, such as investors and speculators. Industrial land in Williamson County has tripled in price overnight. All markets are still escalating. "I would sell everything I have, but I don't know what to do with the money," said one seller.

In ranch markets farther from Austin, current pricing is testing the top of the market. Some ranch sales have failed. Wealthy individuals worried about inflation are typical buyers. 📍

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