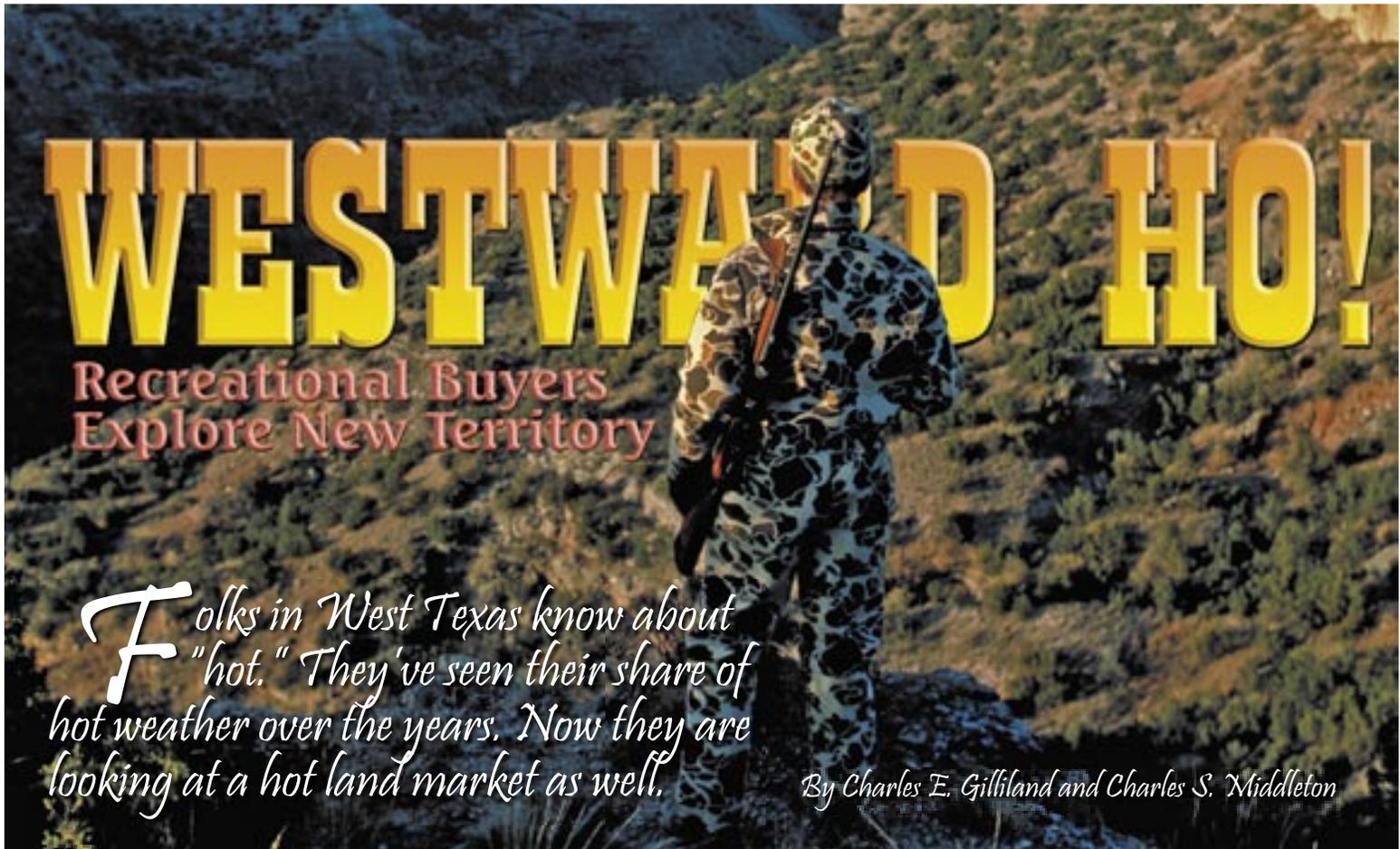


A Reprint from *Tierra Grande*

For years, conventional wisdom has held that agriculture was king from Abilene north to Lubbock and on to Amarillo. Crops and livestock dotted the prairie and drove local economies from Merkel to Muleshoe.

While farming and ranching remain important influences in the region, there are new bidders on the range. As a result, the Amarillo-Lubbock-Abilene region posted the hottest Texas land market through the first three quarters of 2003. Prices were substantially higher there than they were in 2002.

Nonagricultural buyers have discovered West Texas and have been the dominant buyers in recent months. Encouraged by low interest rates and meager returns on other forms of investment, these new land barons are putting their money into rural properties.

Because of high prices in the Hill Country and South Texas, recreational buyers have joined in the buying frenzy as they search for wide open spaces to hunt wildlife. Properties ignored by hunters in the past are receiving a second look, and buyers like what they see. Real estate brokers in the region face a rising volume of inquiries from both quail and deer hunters, especially from those potential buyers who live in Texas metropolitan areas.

These changes herald a transition. The highest and best use of ranch land on the Texas rolling plains and in the Panhandle is no longer cattle ranching. It's recreation.

The run-up of land values in counties surrounding major metropolitan areas has contributed to this shift. Recreational

users are turning to the Texas Rolling Plains and the Texas Panhandle, where they can still find land in the \$250- to \$350-per-acre range. That compares favorably with prices ranging from \$850 to more than \$3,000 per acre in South Texas, Central Texas and the Hill Country. This differential makes the high plains attractive to an increasing number of recreational buyers.

Most of the buyers are from the Dallas-Fort Worth Metroplex. These buyers are willing to drive several extra hours to take advantage of substantial cost savings. Typically, they want to spend from \$1 million to \$1.5 million.

A buyer from Houston recently bought a \$2 million ranch in the Texas Panhandle to replace his \$150,000-per-year hunting lease in South Texas. He had been leasing the same ranch for deer hunting for the past 18 years. However, every year or two the lease payment increased. Tired of the escalating price, he sought to purchase a property for hunting and at the same time capture the potential appreciation from increasing recreational demand.

Much of this activity has materialized because both white-tailed and mule deer populations have increased substantially in the past 25 years. In addition, the area has historically supported good quail populations.

Recreational buyers seem to have little or no interest in livestock, as increasing numbers of landowners are opting not to run cattle. Buyers' contracts now commonly include a 30-day due diligence period to allow biologists to survey the game situation.

Historically, few ranches in this area have had game management plans, but that is beginning to change. For example, a Dallas man who recently bought a 65,000-acre ranch is running no cattle and has placed more than 1,600 quail feeders on the property. The quail population appears to be exploding.

The emphasis on wildlife promises to change the countryside. Never seen in the past, game fences have appeared in the region with more recreational buyers considering them.

Water adds value to property. Quality well water is important to recreational buyers who want to build a home on the property. Springs and scenic ponds also contribute significantly to value in this area of Texas. One tract from a subdivided ranch in King County with a 30-surface-acre, spring-fed pond fetched a 25 percent premium over the \$300-per-acre price of similar tracts.

To the north, in Roberts County and other nearby areas, water rights are becoming valuable apart from the land. Recent sales indicate that the value of water rights equals or exceeds the value of surface rights. Most recent water-rights sales have been in the \$300- to \$350-per-acre range with the surface owner retaining domestic water rights. Ranch land in this

general area was selling for slightly more than \$200 per acre prior to the recent surge in interest in water rights.

Some ranchers now think that ranch land with water rights could be worth as much as \$600 per acre. However, the true commercial value of water rights may not be known for years to come. Because their main interest is hunting, recreational buyers still are willing to buy ranch properties without water rights. In fact, many such buyers are more interested in buying land without water rights at \$300 per acre than in buying the same property at \$600 per acre with water rights.

Recreational buyers continue to exert upward pressure on land prices throughout Texas. Now the demand is reaching farther into the countryside, supporting active markets even in the agricultural areas.

As hunting leases become more difficult to find and lease prices continue to climb, more potential buyers will add to the pressure. Ultimately, this trend will substantially change the rural communities of Texas. ♣

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*High prices in the Hill
Country and South Texas have
nonagricultural buyers searching
West Texas for bargains.*



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