

Texas Land Markets

Third Quarter 2017

Charles E. Gilliland and Tian Su
November 16, 2017

Publication 2186

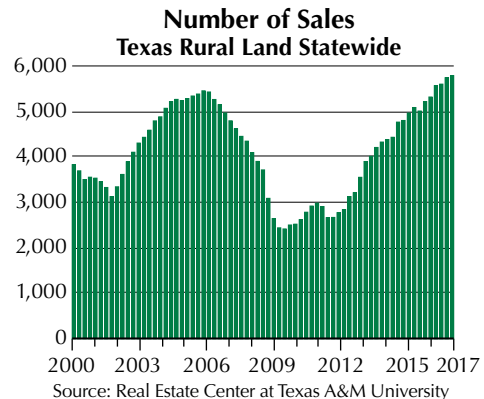
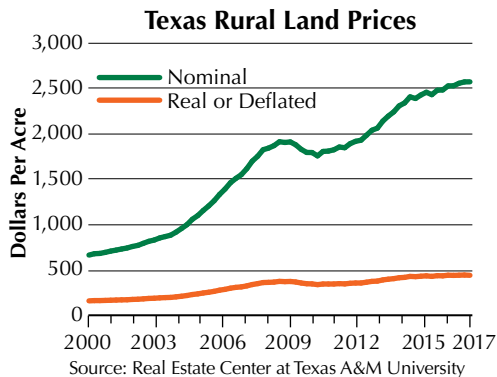


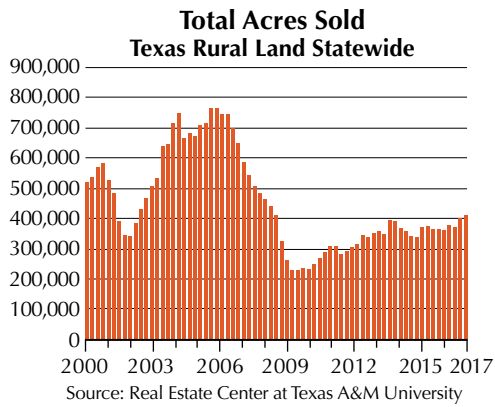
Texas land markets seemed headed for a breather in the third quarter after rebounding for the three preceding quarters. While the trend continued upward, the 1.78 percent statewide gain marked the lowest year-over-year price increase since fourth quarter 2015. The muted expansion confirmed much slower Texas rural land price appreciation compared with 2013–15 levels. The 5,766 transactions represented an active market compared with totals in past third quarters. The price settled at \$2,575 per acre, well ahead of \$2,530 per acre

The Takeaway

In third quarter 2017, Texas land markets recorded the lowest year-over-year price increases since fourth quarter 2015.

in third quarter 2016 and virtually matched the second quarter 2017 price of \$2,574 per acre.



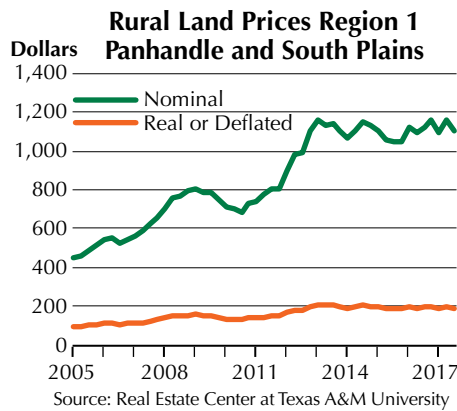


Overall, Texas land markets continued to grow on an annual basis. However, quarterly prices changed little since the first quarter. In addition, market conditions in various regions diverged, with three regions expanding and four showing emerging weakness.

Regional Market Developments

Panhandle and South Plains

The second quarter market rebound in this region appears to have diminished in the third quarter as prices inched up 1.51 percent in year-over-year comparisons.

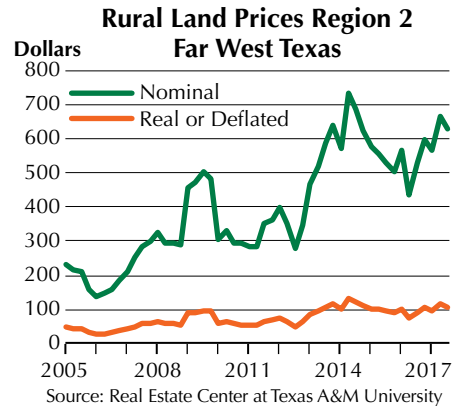


At \$1,140 per acre, the third quarter price fell short of the second quarter of \$1,164 per acre. The 369 sales continued the robust pace, exceeding 2016 third quarter sales by 23 percent. Total acres expanded to the largest total since fourth quarter 2014. Dairy farmers' purchases, which contributed to strength earlier in the year, appear to have waned.

Far West Texas

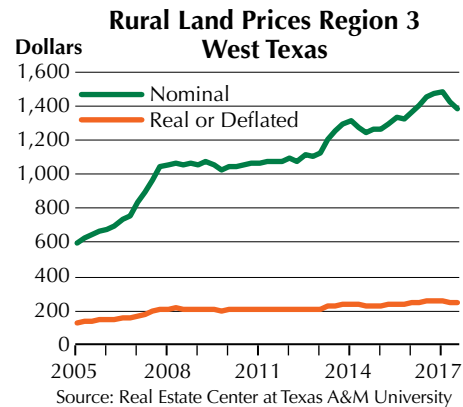
The boom in oil exploration and production continued to drive prices in this region. Some buyers reportedly purchased ranches at high prices to gain access to sand for fracking wells in the drilling boom. Although slightly off second-quarter highs, overall prices continued to exceed those in 2016 by substantial margins. High bonus payments for mineral leases and purchases of land to secure

water rights for municipalities put pressure on prices. The region continued to record a low level of activity, which limits the level of confidence in indicated prices.



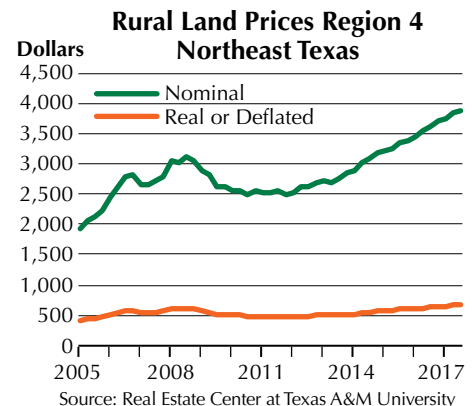
West Texas

Price growth in the West Texas region came to a halt in third quarter 2017, retreating 4.40 percent. The price decline coincided with an uptick in activity. The 599 sales exceeded the 566 sales a year earlier. This market gave up all of its 2017 gains, falling below 2016 second-quarter levels. The decline produced a price of \$1,391 per acre compared with \$1,481 in the first quarter.



Northeast Texas

Continued strong price growth in Northeast Texas boosted prices 6.59 percent above third quarter 2016. The 1,906 sales were 135 more than



Trends in Texas Rural Land Prices

Date	Nominal			Real			Volume of Sales	Average Size	Total Acres
	Price Per Acre	Annual Percentage Change	Five-Year Growth Rate	Deflated* Price Per Acre	Annual Percentage Change	Five-Year Growth Rate			
2008QI	1,826	17.73	16.08	361	15.34	13.26	4,330	1,295	481,772
2008QII	1,844	14.04	15.72	363	12.04	12.94	4,080	1,335	463,675
2008QIII	1,871	10.06	15.66	366	7.96	12.79	3,886	1,250	440,385
2008QIV	1,914	9.12	15.78	374	7.16	13.03	3,700	1,208	411,015
2009QI	1,906	4.38	14.90	371	2.77	12.24	3,077	1,108	325,167
2009QII	1,912	3.69	14.08	373	2.75	11.66	2,634	1,044	262,131
2009QIII	1,880	0.48	12.85	367	0.27	10.55	2,431	1,009	229,659
2009QIV	1,830	-4.39	11.09	356	-4.81	8.92	2,407	1,053	228,505
2010QI	1,796	-5.77	9.93	348	-6.20	7.84	2,493	1,055	234,468
2010QII	1,795	-6.12	8.90	346	-7.24	6.88	2,511	1,041	231,370
2010QIII	1,758	-6.49	7.61	338	-7.90	5.76	2,610	1,101	247,524
2010QIV	1,807	-1.26	7.23	345	-3.09	5.39	2,773	1,072	268,556
2011QI	1,811	0.84	6.18	345	-0.86	4.41	2,908	1,073	288,139
2011QII	1,825	1.67	5.45	345	-0.29	3.77	2,971	1,304	309,711
2011QIII	1,856	5.57	4.80	349	3.25	3.10	2,897	1,377	308,179
2011QIV	1,848	2.27	4.06	346	0.29	2.33	2,653	1,739	281,331
2012QI	1,893	4.53	4.01	353	2.32	2.41	2,659	2,068	292,764
2012QII	1,919	5.15	3.44	356	3.19	1.89	2,763	1,841	303,264
2012QIII	1,931	4.04	2.56	356	2.01	0.98	2,831	1,763	314,764
2012QIV	1,986	7.47	2.49	365	5.49	0.90	3,116	1,646	344,617
2013QI	2,041	7.82	2.23	374	5.95	0.71	3,200	1,556	337,410
2013QII	2,064	7.56	2.26	377	5.90	0.76	3,538	1,568	352,163
2013QIII	2,142	10.93	2.71	390	9.55	1.27	3,884	1,721	357,875
2013QIV	2,197	10.62	2.77	398	9.04	1.25	3,998	1,399	347,955
2014QI	2,243	9.90	3.27	404	8.02	1.71	4,192	1,204	395,068
2014QII	2,310	11.92	3.80	414	9.81	2.09	4,310	1,233	389,346
2014QIII	2,342	9.34	4.42	418	7.18	2.61	4,365	999	367,909
2014QIV	2,409	9.65	5.54	429	7.79	3.75	4,415	1,167	356,097
2015QI	2,391	6.60	5.76	426	5.45	4.07	4,747	1,084	339,543
2015QII	2,430	5.19	6.10	431	4.11	4.42	4,783	1,087	337,787
2015QIII	2,460	5.04	6.78	435	4.07	5.08	4,945	1,161	369,767
2015QIV	2,433	1.00	5.99	429	0.00	4.38	5,067	1,055	374,583
2016QI	2,482	3.81	6.35	437	2.58	4.76	4,990	1,261	364,092
2016QII	2,485	2.26	6.22	435	0.93	4.66	5,197	1,267	363,157
2016QIII	2,530	2.85	6.24	442	1.61	4.75	5,297	1,384	361,306
2016QIV	2,531	4.03	6.34	440	2.56	4.84	5,545	1,478	377,200
2017QI	2,559	3.10	6.07	442	1.14	4.52	5,579	1,340	370,012
2017QII	2,574	3.58	5.92	444	2.07	4.44	5,720	1,357	400,171
2017QIII	2,575	1.78	5.80	441	-0.23	4.31	5,766	1,190	410,198

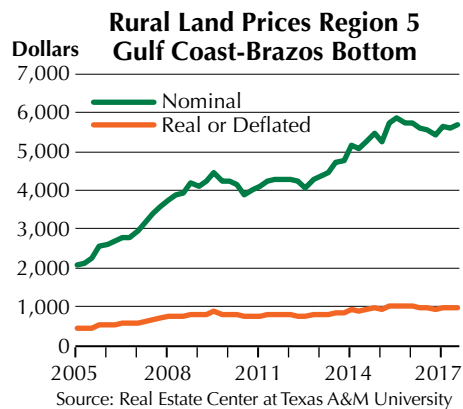
*Real values are in 1966 dollars.

Source: Real Estate Center at Texas A&M University

2016. The \$3,864 per-acre regional price reached an all-time high. Renewed interest in the Haynesville Shale and robust recreational demand gave this area the strongest performance in Texas.

Gulf Coast–Brazos Bottom

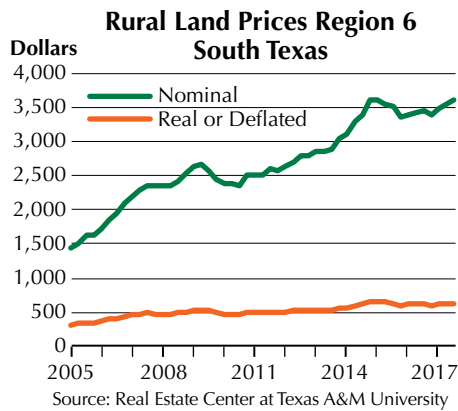
Optimism born in the energy sector propped up markets in this region, reversing price declines with a 1.88 percent increase over third quarter 2016 despite Hurricane Harvey. At \$5,679 per acre, sales in the region recovered



to early 2016 levels. The sales volume of 674 dropped slightly from third quarter 2016 totals, perhaps reflecting a decline in the wake of Hurricane Harvey. Past flooding events suggest there will likely be a notable decline in activity for several quarters with little impact on prices. However, Harvey's flooding reached unprecedented levels, so this market may face some turbulence.

South Texas

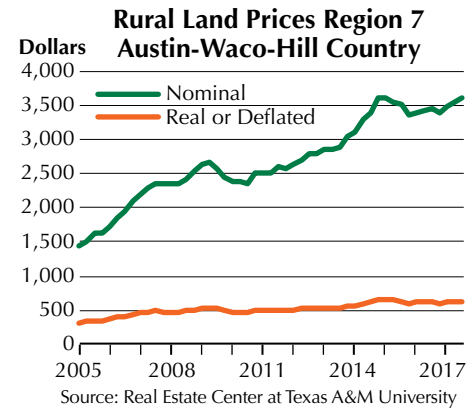
Land markets in this area posted a solid 4.60 percent price increase during the third quarter, continuing a positive trend that began with fourth quarter 2016. Those increases ended four quarters of declines caused by turmoil in the energy industry. The \$3,614 per-acre price coincided with a sizable expansion in activity at 561 sales, an increase of 124. Despite the gain in volume, observers suggest a dearth of properties for sale has contributed to strengthening prices.



Austin–Waco–Hill Country

The Central Texas market retreat slipped further into negative territory in the third quarter, falling 1.87 percent.

This decline continues a five-quarter trend of increasingly smaller price changes. At \$3,525 per acre, prices surrendered all of the gains posted in the first and second quarters. Sales volume expanded slightly with 1,637 sales compared with 1,519 in third quarter 2016. 📍



Dr. Gilliland (c-gilliland@tamu.edu) is a research economist and Su a research assistant with the Real Estate Center at Texas A&M University.

© 2017. Real Estate Center. All rights reserved.

