

Bulls in the Oil Patch

Rebounding Energy Boosts Land Market

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Remember collapsing oil prices followed by dwindling land prices in energy-dominated regions? Well, forget about all of that. The last half of 2017 saw remarkable reversals in several areas where unusual activity appeared to originate with bullish players in the oil patch.

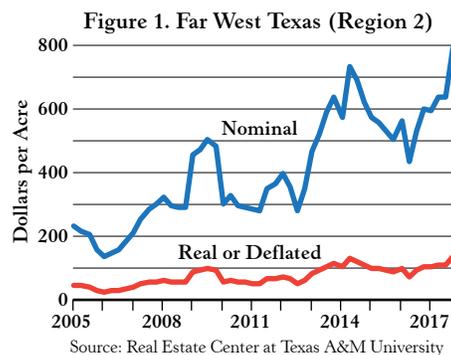
Far West Texas

Specifically, early in the summer, companies supplying sand for fracking operations in the Permian Basin quietly began acquiring rangeland that is poor in productivity but rich in previously worthless sand to establish sand-mining operations. Those purchases sent overall Trans-Pecos regional land prices soaring in an area where previous drilling-related acquisitions had already had an impact on price levels.

As oil exceeded \$60 per barrel, land prices rose dramatically in the second quarter, ratcheted up in the third quarter, and blasted off in the fourth quarter with a 32.5 percent price increase. Results for Far West Texas (Region 2) provide evidence of this remarkable spurt in activity (Figure 1).

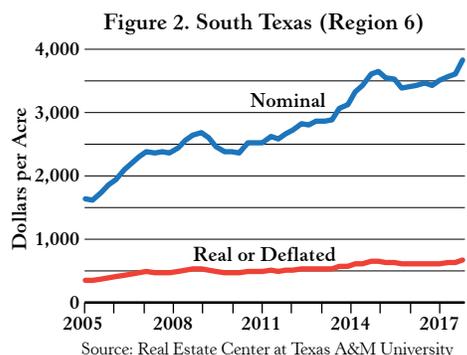
The Takeaway

While land market activity varied from region to region in 2017, transaction volume and total dollar volume for the state as a whole outpaced 2016. Rebounding activity in the state's energy sector helped boost overall land market conditions.



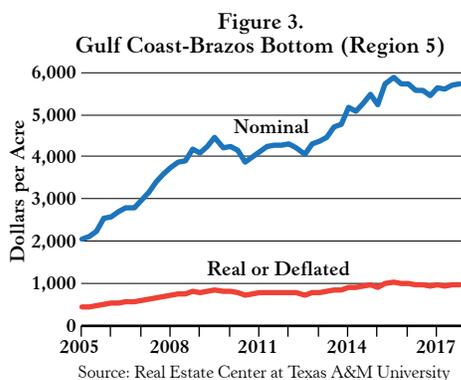
South Texas and Gulf Coast-Brazos Bottom

Closely following suit, South Texas (Region 6), hammered with declining prices from fourth quarter 2015 through third quarter 2016, posted moderate price gains in 2017 until the fourth quarter, which had a strong 12.1 percent increase (Figure 2). All of this accompanied a strong boost in the number of sales as well.



While no specific energy-related motivations emerged among observers, perhaps stabilizing oil prices contributed to this sizeable increase.

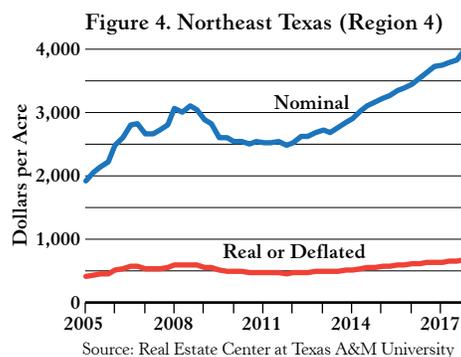
In addition, the Gulf Coast-Brazos Bottom (Region 5), home to energy capital Houston, reversed a trend toward negative prices and posted a respectable 5.2 percent increase (Figure 3). This price increase came despite devastation from Hurricane Harvey. However, transaction volume dropped by 11.6 percent, perhaps in response to the hurricane. On balance, these energy-rich regions may have benefited from rising oil prices.



Northeast Texas

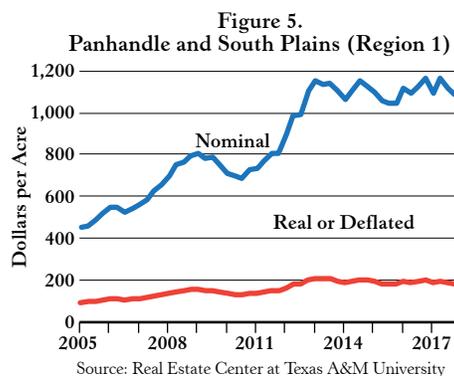
Prices in remaining regions continued positive trends, remained little changed, or shifted toward declines related to apparent weakening conditions in cropland markets. Markets in Northeast Texas (Region 4) weighed in with a healthy 6.7 percent price increase (Figure 4). Rising sales volumes and total dollar volume indicated

strong fundamentals continued to drive sales throughout this area.



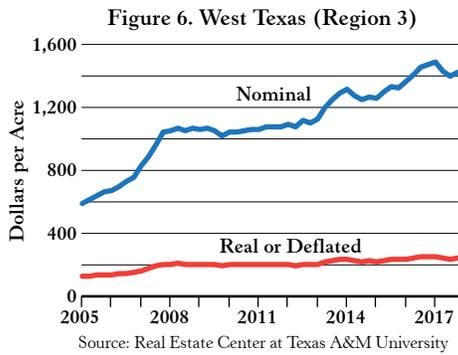
Panhandle and South Plains

At the opposite end, weak commodity prices appear to have taken a toll on land prices in the Panhandle and South Plains (Region 1) with a 6.3 percent drop from fourth quarter 2016 (Figure 5). Despite continued inconsistency, markets managed to rise after a substantial retreat for most of 2015 following the sustained drop in cotton and corn prices. However, the upward movement seesawed from quarter to quarter. After posting a negative result in first quarter 2017, buyers drove prices higher in the second and third quarters. The fourth quarter decline of 6.3 percent lowered prices below second quarter 2016 levels. That drop may signal the onset of a long-anticipated correction or merely be another of the fluctuations seen in this regional market.



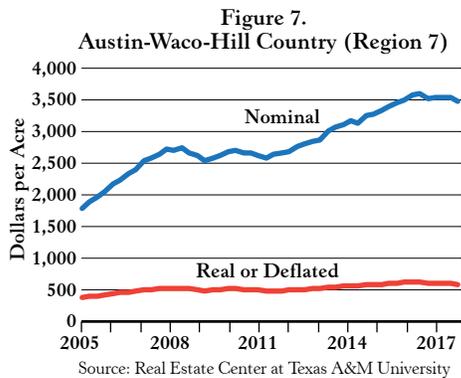
West Texas

West Texas (Region 3) somewhat dependent on cropland but not participating in the oil play, posted two consecutive quarters of declining prices (Figure 6). Overall, prices fell by 3.8 percent in the fourth quarter, dropping to early 2016 levels. However, both sales volume and total dollar volume increased, hinting that the weakness may have passed.



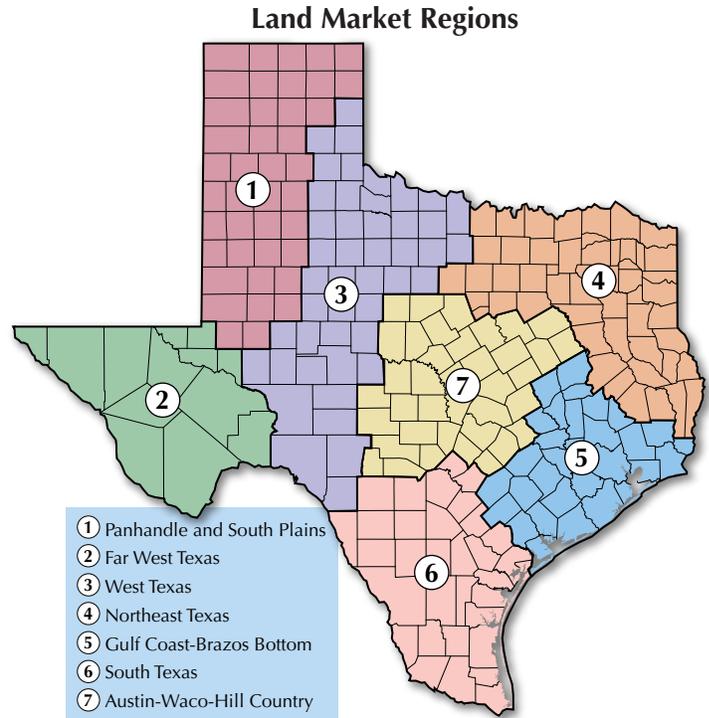
Austin-Waco-Hill Country

Austin-Waco-Hill Country (Region 7) continued to struggle, posting a 1.1 percent decline after modest declines in the second and third quarters (Figure 7). Prices settled near 2015 year-end levels with a strong upturn in both sales volume and total dollar volume. Strengthening urban economies promise to reverse this weakness, but the area has not yet recovered.

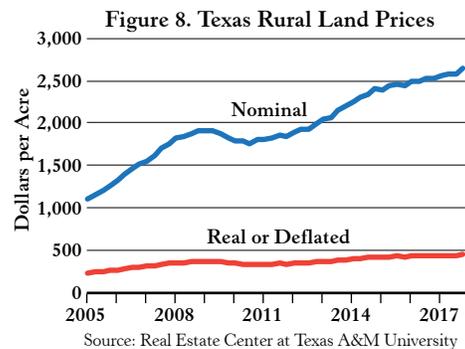


Statewide Trends

After weak second and third quarter price growth, statewide land markets posted a surprisingly strong fourth quarter buoyed by the rebounding activity in the energy sector (Figure 8). At \$2,644 per acre, Texas land prices surged 4.5 percent from fourth quarter 2016 levels. Those results represented the strongest growth since 2014. At 6,272 reported sales, transaction volume also outpaced 2016 results by 727 sales, a 13 percent increase. This upturn in volume coincided with a total dollar volume of \$1.217 billion, up 27 percent from \$954.7 million in



2016. Overall, Texas land markets continued to thrive; however, market improvements depended heavily on regional energy-related developments.



For the latest rural land data updates, see <https://www.recenter.tamu.edu/data/rural-land/>.

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