

See Ya Later, Next-Door Neighbor Urban Buyers Stampede to Rural Texas

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Measures intended to reduce the spread of COVID-19 hit Texas land markets hard in early 2020, sending brokers to the sidelines as their phones stopped ringing and buyers canceled pending transactions. Reports from across the state painted a picture of markets beset by uncertainty. The troubled summer with riots in urban areas added to people's concerns.

As the summer progressed, scattered reports suggested a wave of urban dwellers had begun descending on rural locations seeking small acreages away from the contagion and threatened violence in the cities. Many dismissed these reports as isolated incidents in normally quiet markets, not portents of an emerging trend. However, as the year drew to a close, sales data reported to the Texas Real Estate Research Center seemed to confirm the opposite. Led by high volume Austin-Waco-Hill Country (Region 7), rural areas in the state's land markets had a remarkable annual increase in total small property sales.

The Takeaway

Texas' rural land market posted strong sales in the latter part of 2020. Sales for small properties were especially high, possibly boosted by concerns over COVID-19 contagion and civil unrest in urban areas.

To gauge the strength of this phenomenon, the Center examined developments in the first size quintile (smallest 20th percentile of sales from 1966-2009) of rural land market sales for six of the state's seven regions. Table 1 shows each region's size boundaries for the first size quintile.

Table 1. Texas Small Property Rural Land Sizes

Region Number	Region Name	Lower Bound	Upper Bound
1	Panhandle and South Plains	10 acres	160 acres
3	West Texas	10 acres	95 acres
4	Northeast Texas	10 acres	35 acres
5	Gulf Coast-Brazos Bottom	10 acres	43 acres
6	South Texas	10 acres	45 Acres
7	Austin-Waco-Hill Country	10 acres	50 Acres

Source: Texas Real Estate Research Center at Texas A&M University

Small Properties' Sales Explosion

Latest data show sales of small properties in Austin-Waco-Hill Country's rural markets exploded in the third and fourth quarters of 2020 (Figure 1). In the third quarter, the region logged 1,103 reported sales, exceeding 1,000 sales in a quarter for the first time. Fourth quarter reports logged 978 sales for that quarter. Third quarter 2020 sales were up 85.1 percent over the same quarter in 2019, while fourth quarter sales were up 70.7 percent (Figure 2).

This remarkable growth occurred in a market where sales volume growth averaged 12.8 percent between 2015 and 2020. Third quarter 2020 growth was nearly double the previous high of 37.1 percent in first quarter 2015. However, that growth occurred when markets were on the upswing from the financial meltdown in the subprime mortgage industry that depressed market volumes for several years. The number of sales in third quarter 2020 nearly doubled the average number for the past six years. Clearly, activity rose to never-before-seen levels.

Sales volumes increased significantly in six regions (Region 2 was excluded due to the limited number of transactions) in third quarter 2020 (Table 2). In addition, third and fourth quarter numbers represent continued market growth.

In general, prices for small rural properties have trended up in all regions, with quarterly fluctuations associated with changes in the location of sales (Table 3). Fourth quarter 2020 results indicate price increases likely accompanied volume growth across most areas of Texas.

These results suggest the hypothesized flight to the countryside began in the third and fourth quarters of 2020. Experienced market observers who speculate about how long this phenomenon can continue should keep in mind some factors that contributed to the moves. First, social distancing measures caused restaurants and entertainment venues to close, making city

Figure 1. Small Property Sales Numbers Austin-Waco-Hill Country

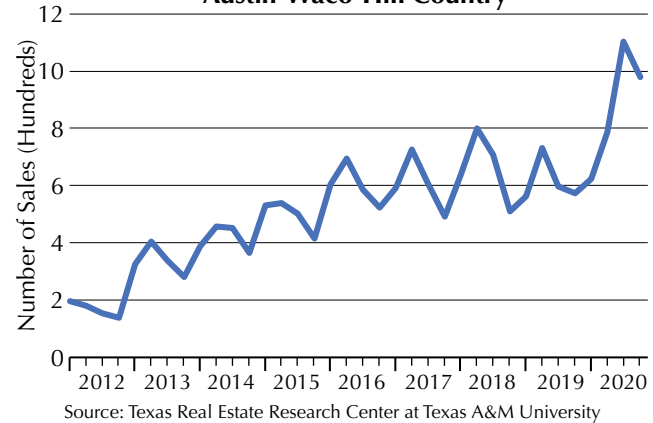


Figure 2. Annual Percent Change in Sales Numbers Austin-Waco-Hill Country

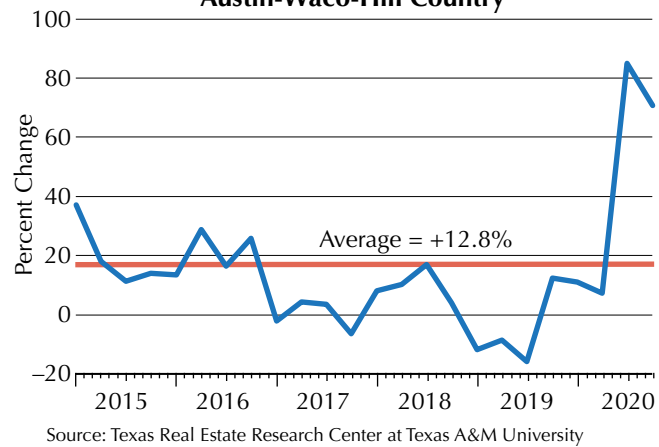


Table 2. Small Property Rural Land Sales Volume

Region Number	Region Name	3Q2020 Sales/Percent Change	4Q2020 Sales/Percent Change
1	Panhandle and South Plains	62 / 87.9%	45 / 73.1%
3	West Texas	275 / 59.0%	229 / 36.3%
4	Northeast Texas	871 / 36.1%	772 / 45.4%
5	Gulf Coast-Brazos Bottom	532 / 45.4%	511 / 78.0%
6	South Texas	294 / 61.5%	304 / 75.7%
7	Austin-Waco-Hill Country	1,103 / 85.1%	978 / 70.7%

Source: Texas Real Estate Research Center at Texas A&M University

Table 3. Texas Small Property Rural Land Sales Prices

Region Number	Region Name	3Q2020 Price Per Acre/Percent Change	4Q2020 Price/Percent Change
1	Panhandle and South Plains	\$4,001 / 32.93%	\$3,913 / 4.85%
3	West Texas	\$3,064 / -2.00%	\$3,184 / 1.88%
4	Northeast Texas	\$10,347 / 3.40%	\$10,568 / 5.24%
5	Gulf Coast-Brazos Bottom	\$11,508 / 2.14%	\$11,675 / 4.04%
6	South Texas	\$8,749 / 7.96%	\$8,926 / 7.96%
7	Austin-Waco-Hill Country	\$9,492 / -3.54%	\$9,769 / 0.06%

Source: Texas Real Estate Research Center at Texas A&M University

Table 4. Texas Large Property Volume of Rural Land Sales

Region Number	Region Name	3Q2020 Sales/Percent Change	4Q2020 Sales/Percent Change
1	Panhandle and South Plains	81 / -3.57%	135 / 107.7%
3	West Texas	256 / -6.92%	271 / 123.7%
4	Northeast Texas	681 / 48.7%	604 / 59.0%
5	Gulf Coast-Brazos Bottom	290 / 38.8%	317 / 115.7%
6	South Texas	167 / 25.6%	201 / 95.2%
7	Austin-Waco-Hill Country	704 / 57.1%	702 / 80.0%

Source: Texas Real Estate Research Center at Texas A&M University

life much less attractive. Second, urban living made social distancing more challenging. Finally, disorder in the streets of major cities prompted many to seek more remote settings.

Large Properties Also Impacted

The combined effect of the virus and political unrest appears to have impacted the large property market as well.

Large land sales, defined as acreage larger than the upper bound in Table 1, had similar large increases in activity (Table 4). All regions except 1 and 3 had substantial growth in activity in the third quarter. Fourth quarter numbers, meanwhile, show growth in all regions.

Investors seeking a safe haven for their capital in uncertain times flocked to this market. Some reportedly subdivided them into small properties, selling them quickly.

Back to 'Normal'?

Violent confrontations in cities quieted after summer 2020, and vaccines could be the harbinger of a return to a more normal social milieu, easing concerns about living in cities.

If 2020's concerns are allayed in 2021, fewer urban dwellers may feel a need to purchase rural land. However, the opening weeks of 2021 saw unrest reappear and created worries of more to come. On top of that, a core urban demographic longs for country getaways even in the absence of these concerns.

Ultimately, the strength and longevity of this uptick in demand for small rural properties depend on how the remainder of 2021 unfolds. 🍀

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