# Texas Rural Land Prices, 2003

By Charles E. Gilliland, John Robertson and Heath Cover

Recreation-based demand for rural Texas land mushroomed in 2003 resulting in an enormous increase in the volume of reported sales. Figure 1 shows the number of reported sales from 1982 through 2003. Sales ranged from a low of 3,097 in 1986 to a high of 7,332 in 2003. Most years after the recovery that began in 1994 had sales ranging from 3,933 to 4,880 annually. However, feverish activity in 2002–2003 substantially boosted sales volume to new highs.

The scramble to find and purchase rural real estate also propelled prices to all-time highs with the weighted average price of a representative acre of Texas land commanding $1,100. That 2003 price ranged well above the previous peak price of $865 per acre in 1995, which preceded the market collapse of 1986–1987. The Texas market first surpassed that 1985 peak in 2000, when prices topped $842 per acre. Continuing the upward climb, the 2003 nominal price represented a substantial 13 percent increase over the 2002 price of $974 per acre. Figure 2 shows the trend in prices of Texas rural land in both nominal amounts (prices actually paid) and real terms (prices after adjusting for inflation). Real prices are in 1966 dollars. Table 1 contains the detailed statistics from Figure 2. The 2003 real price reached $240 per acre, exceeding the 1986 real price of $232 per acre and roughly equalling prices in the 1974–1978 period.

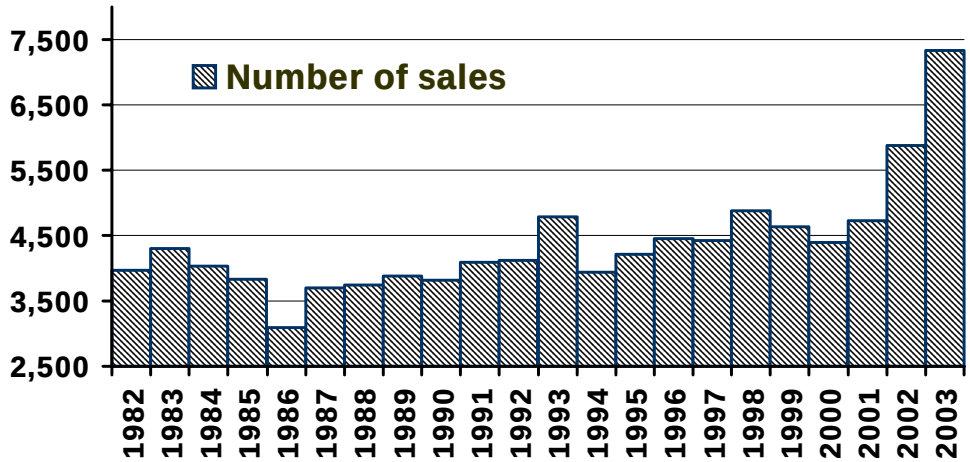
Coinciding with the 2003 price increase, the size of property transferred in the typical transaction declined in 2003 to 100 acres from 107 in 2002. As Figure 3 indicates, that drop continues a basic market trend of smaller tract sizes since the 1992 market reached a high of 145 acres. This trend undoubtedly results from the disparity between per-acre prices for larger versus smaller properties. Combining the size, numbers of sales and price per acre in each year demonstrates that the 2003 market at $799.3 million in total dollars substantially exceeded the $490.5 million volume posted in 1998 and even eclipsed the $612.8 million recorded in 2002. The 2003 land market registered never-before-seen levels of activity and represents a market that has recovered all of the value surrendered in the downturn of the late 1980s, when sales of foreclosed property inventories depressed prices.

The 2003 upward push was both strong and broad-based, with 18 of 33 local land market areas registering identifiable regionwide rising trends. As Figure 4 reveals, development pressures from urban areas drove land prices higher in areas surrounding most metropolitan areas while recreational demand drove prices up in more remote regions. Only in the Panhandle – North did land prices appear to falter in 2003. However, this region had surged upward by 53 percent from 2001 to 2002, so the 2003 median left the market well ahead of 2001 levels, and robust activity indicated an underlying strong market. The remainder of Texas also saw steady-to-rising regionwide price trends (Table 2).

Demand for recreational land and homesites dominated 2003 rural land markets as Figure 5 illustrates. Reporting responses from more than 70 land market professionals, the driving forces shaping price trends arose from land uses far removed from agricultural production. This list of driving factors highlights a contest between various end users for control of space throughout the Texas countryside.

Because the market has reached historic levels, market observers and participants have become restive. Their concerns have turned from focusing on the prospering market to worries that the market cannot sustain the current level of prices in the long-term. Some observers even report owners selling now with expectations of buying back into the market at lower prices in the future. However, Center studies of long-term

**Figure 1. Texas Land Market Volume**



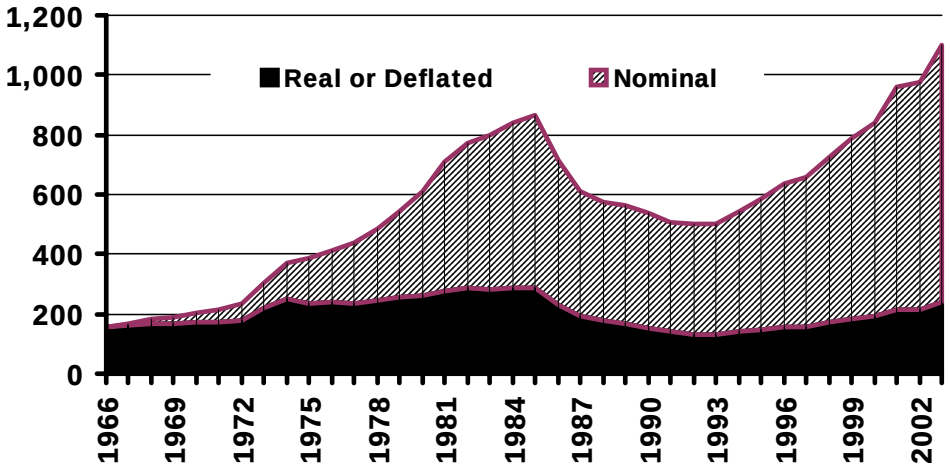

Source: Real Estate Center at Texas A&M University

land price trends linked to population changes over time suggest that the market continues to have upside potential. Specifically, if the relationship between population growth, interest rates and past land prices repeats the patterns observed since 1969, land prices should rise between 2 and 3 percent in 2004 with the prospect of an average 4 percent annual growth by 2008.

Recent market performance surpasses this projection, however, with 2001, 2002 and 2003 prices rising above projected levels. Indeed, the differences between projected trends and market prices have widened during that period, with 2003 prices ranging approximately 10 percent above the projection (Figure 6). Several times in the past, the market has either outperformed or underperformed expectations. Specifically, in 1973–1974, 1981–1982 and 1992–1993 the market weighted median exceeded market projections. In 1986–1987 the actual price underperformed when compared to projected prices.

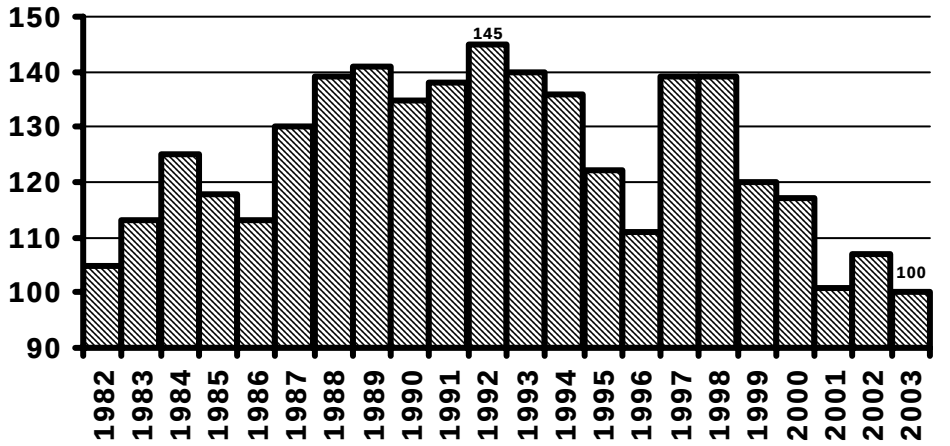
Each of these points coincided with fundamental social and economic changes in the underlying economy. The disparity suggests that perhaps the society and economy have changed in fundamental ways since the 2001 terrorist attacks and crisis of confidence in the securities markets. If that is the case, the land market may rise more quickly to higher levels of performance. If not, the market will likely return to the projected long-term rate of increase.

**Figure 2. Texas Rural Land Prices in Dollars per Acre**




Source: Real Estate Center at Texas A&M University

**Figure 3. Typical Tract Size (in acres)**




Source: Real Estate Center at Texas A&M University

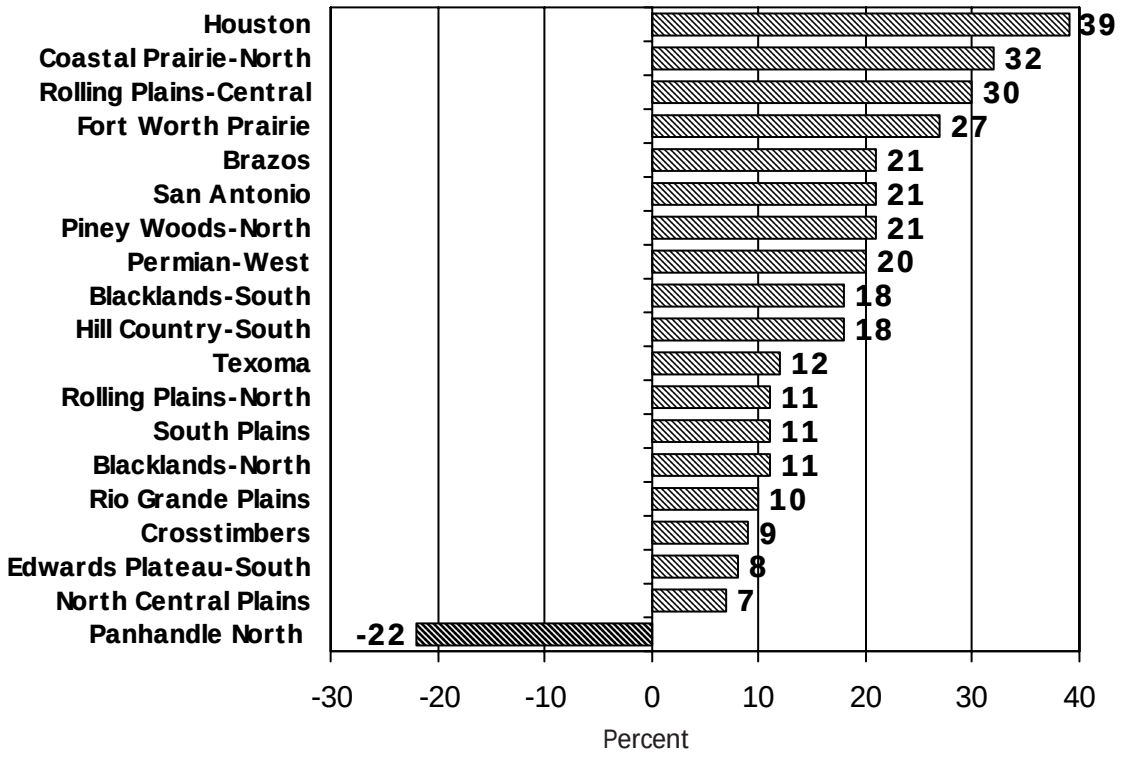
## Table 1. Nominal and Real Changes in the Weighted Average Price of Texas Rural Land, 1966–2003

| Year | Median Tract Size (acres) | Nominal | | | Real | | |
|---|---|---|---|---|---|---|---|
| | | Weighted Average Price per Acre | Year-to -Year Percentage Change | Annual Compound Pretax Growth Rate from 1966 | Deflated Weighted Average Price per Acre* | Year-to -Year Percentage Change | Annual Compound Pretax Growth Rate from 1966 |
| 1966 | 120 | $157 | **** | **** | $157 | **** | **** |
| 1967 | 110 | 169 | 8 | 8 | 164 | 4 | 4.5 |
| 1968 | 101 | 181 | 7 | 7 | 168 | 2 | 3.4 |
| 1969 | 100 | 190 | 5 | 7 | 168 | 0 | 2.3 |
| 1970 | 107 | 204 | 7 | 7 | 172 | 2 | 2.3 |
| 1971 | 110 | 213 | 4 | 6 | 171 | –1 | 1.7 |
| 1972 | 120 | 233 | 9 | 7 | 179 | 5 | 2.2 |
| 1973 | 153 | 304 | 30 | 10 | 221 | 23 | 5.0 |
| 1974 | 150 | 372 | 22 | 11 | 248 | 12 | 5.9 |
| 1975 | 126 | 384 | 3 | 10 | 235 | –5 | 4.6 |
| 1976 | 128 | 412 | 7 | 10 | 238 | 1 | 4.2 |
| 1977 | 121 | 436 | 6 | 10 | 237 | 0 | 3.8 |
| 1978 | 126 | 485 | 11 | 10 | 246 | 4 | 3.8 |
| 1979 | 132 | 544 | 12 | 10 | 255 | 4 | 3.8 |
| 1980 | 138 | 613 | 13 | 10 | 263 | 3 | 3.8 |
| 1981 | 124 | 708 | 15 | 11 | 278 | 6 | 3.9 |
| 1982 | 105 | 773 | 9 | 10 | 285 | 3 | 3.8 |
| 1983 | 113 | 796 | 3 | 10 | 283 | –1 | 3.5 |
| 1984 | 125 | 842 | 6 | 10 | 288 | 2 | 3.4 |
| 1985 | 118 | 865 | 3 | 9 | 287 | 0 | 3.2 |
| 1986 | 113 | 714 | –17 | 8 | 232 | –19 | 2.0 |
| 1987 | 130 | 611 | –14 | 7 | 193 | –17 | 1.0 |
| 1988 | 139 | 574 | –6 | 6 | 175 | –9 | 0.5 |
| 1989 | 141 | 562 | –2 | 6 | 165 | –6 | 0.2 |
| 1990 | 135 | 539 | –4 | 5 | 152 | –8 | –0.1 |
| 1991 | 138 | 508 | –6 | 5 | 139 | –9 | –0.5 |
| 1992 | 145 | 499 | –2 | 5 | 133 | –4 | –0.6 |
| 1993 | 140 | 503 | 1 | 4 | 131 | –2 | –0.7 |
| 1994 | 136 | 544 | 8 | 5 | 139 | 6 | –0.4 |
| 1995 | 122 | 586 | 8 | 5 | 146 | 5 | –0.3 |
| 1996 | 111 | 638 | 9 | 5 | 156 | 7 | 0.0 |
| 1997 | 139 | 657 | 3 | 5 | 158 | 1 | 0.0 |
| 1998 | 139 | 723 | 10 | 5 | 171 | 8 | 0.3 |
| 1999 | 120 | 786 | 9 | 5 | 184 | 8 | 0.5 |
| 2000 | 117 | 842 | 7 | 5 | 192 | 4 | 0.6 |
| 2001 | 101 | 945 | 12 | 5 | 211 | 10 | 0.8 |
| 2002 | 107 | 974 | 3 | 5 | 215 | 2 | 0.9 |
| 2003 | 100 | 1,100 | 13 | 5 | 240 | 12 | 1.2 |

*In 1966 dollars

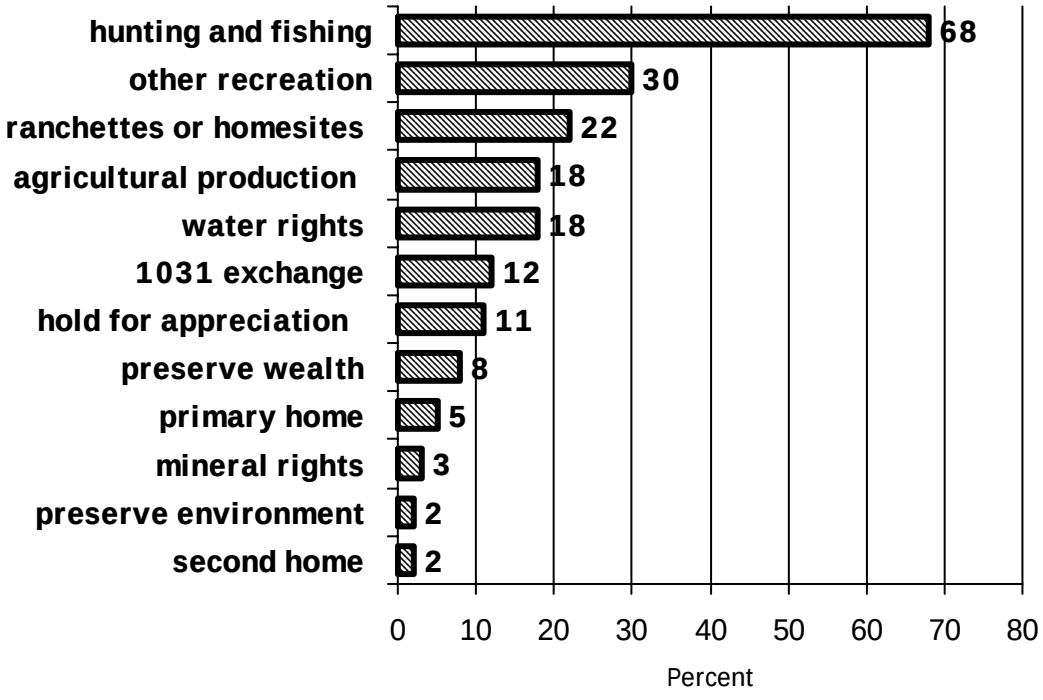
Source: Real Estate Center at Texas A&M University

## Figure 4. Significant Price Trends, 2003



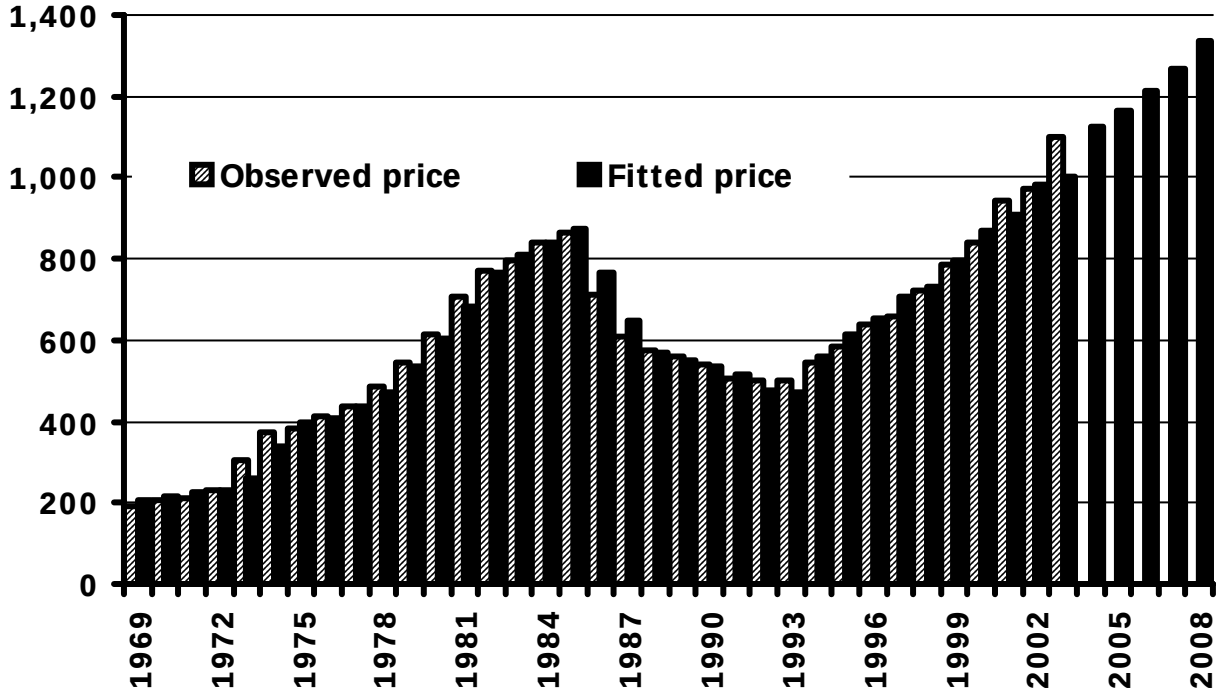

Source: Real Estate Center at Texas A&M University

## Figure 5. Dominant Buyer Motives Fall, 2003



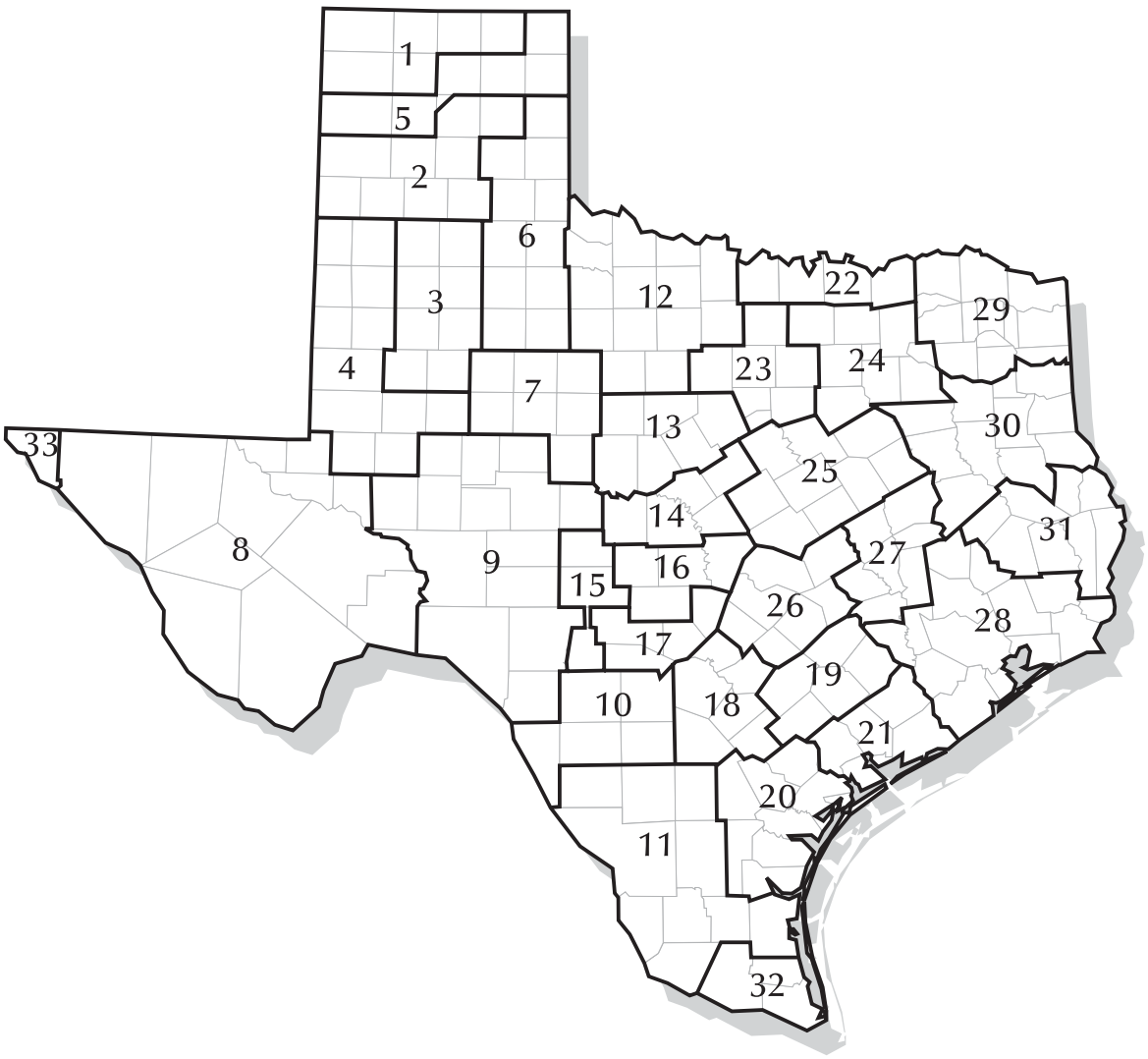

Source: Real Estate Center at Texas A&M University

## Figure 6. Fitted Trends in Texas Rural Land Prices
## Dollars/Acre




Source: Real Estate Center at Texas A&M University

# Texas Land Market Areas




| | | |
|---|---|---|
| 1 Panhandle–North | 12 North Central Plains | 23 Fort Worth Prairie |
| 2 Panhandle–Central | 13 Crosstimbers | 24 Dallas Prairie |
| 3 South Plains | 14 Hill Country–North | 25 Blacklands–North |
| 4 Permian–West | 15 Hill Country–West | 26 Blacklands–South |
| 5 Canadian Breaks | 16 Highland Lakes | 27 Brazos |
| 6 Rolling Plains–North | 17 Hill Country–South | 28 Houston |
| 7 Rolling Plains–Central | 18 San Antonio | 29 Northeast |
| 8 Trans-Pecos | 19 Coastal Prairie–North | 30 Piney Woods–North |
| 9 Edwards Plateau–West | 20 Coastal Prairie–South | 31 Piney Woods–South |
| 10 Edwards Plateau–South | 21 Coastal Prairie–Middle | 32 Lower Rio Grande Valley |
| 11 Rio Grande Plains | 22 Texoma | 33 El Paso |

Source: Real Estate Center at Texas A&M University

## Table 2. Regional Trends in Texas Rural Land Markets
## Price Per Acre, 2002–2003

| Land Market Area | Median Price ($/acre) | | Trend Analysis | | | Distribution of Sales Analysis ($/acre) | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | Change 2002–2003 | | | 2003 Price Quartiles | | 2003 Price Extremes | |
| | 2002 | 2003 | ($/acre) | (percent) | Test | Lower | Upper | Minimum | Maximum |
| 1 Panhandle–North | 469 | 364 | (105) | (22) | * | 291 | 708 | 108 | 4,875 |
| 2 Panhandle–Central | 394 | 450 | 56 | 14 | | 310 | 747 | 131 | 8,209 |
| 3 South Plains | 450 | 500 | 50 | 11 | * | 380 | 800 | 77 | 9,986 |
| 4 Permian–West | 415 | 498 | 83 | 20 | * | 342 | 775 | 116 | 15,810 |
| 5 Canadian Breaks | 265 | 267 | 2 | 1 | | 220 | 453 | 116 | 2,000 |
| 6 Rolling Plains–North | 336 | 372 | 36 | 11 | * | 300 | 466 | 170 | 1,136 |
| 7 Rolling Plains–Central | 401 | 520 | 119 | 30 | ** | 420 | 750 | 238 | 9,186 |
| 8 Trans-Pecos | 125 | 150 | 25 | 20 | | 77 | 1,450 | 40 | 3,168 |
| 9 Edwards Plateau–West | 550 | 558 | 8 | 1 | | 447 | 750 | 80 | 4,564 |
| 10 Edwards Plateau–South | 1,319 | 1,420 | 101 | 8 | * | 1,000 | 2,318 | 252 | 18,143 |
| 11 Rio Grande Plains | 800 | 881 | 81 | 10 | * | 760 | 1,000 | 260 | 5,673 |
| 12 North Central Plains | 556 | 597 | 41 | 7 | * | 399 | 850 | 200 | 3,639 |
| 13 Crosstimbers | 963 | 1,050 | 87 | 9 | * | 794 | 1,425 | 256 | 6,799 |
| 14 Hill Country–North | 1,200 | 1,256 | 56 | 5 | | 951 | 1,755 | 409 | 8,987 |
| 15 Hill Country–West | 970 | 1,100 | 130 | 13 | | 893 | 1,383 | 524 | 12,378 |
| 16 Highland Lakes | 2,764 | 2,950 | 186 | 7 | | 1,808 | 4,275 | 452 | 16,915 |
| 17 Hill Country–South | 3,500 | 4,132 | 632 | 18 | * | 2,307 | 6,100 | 1,147 | 18,880 |
| 18 San Antonio | 1,536 | 1,864 | 328 | 21 | ** | 1,200 | 3,450 | 349 | 19,667 |
| 19 Coastal Prairie–North | 1,520 | 2,000 | 480 | 32 | ** | 1,435 | 3,139 | 700 | 17,600 |
| 20 Coastal Prairie–South | 1,111 | 1,002 | (109) | (10) | | 825 | 1,449 | 469 | 7,436 |
| 21 Coastal Prairie–Middle | 900 | 1,000 | 100 | 11 | | 800 | 1,500 | 250 | 5,000 |
| 22 Texoma | 1,736 | 1,950 | 214 | 12 | * | 1,320 | 2,871 | 500 | 11,917 |
| 23 Fort Worth Prairie | 2,584 | 3,288 | 704 | 27 | ** | 2,000 | 4,742 | 23 | 13,818 |
| 24 Dallas Prairie | 2,000 | 2,435 | 435 | 22 | | 1,300 | 4,000 | 396 | 17,165 |
| 25 Blacklands–North | 1,266 | 1,400 | 134 | 11 | ** | 896 | 2,241 | 480 | 16,591 |
| 26 Blacklands–South | 2,626 | 3,105 | 479 | 18 | * | 1,827 | 5,669 | 495 | 24,476 |
| 27 Brazos | 1,775 | 2,143 | 368 | 21 | ** | 1,359 | 3,942 | 400 | 20,124 |
| 28 Houston | 2,662 | 3,705 | 1043 | 39 | ** | 2,228 | 6,007 | 106 | 24,286 |
| 29 North East | 851 | 850 | (1) | 0 | | 620 | 1,200 | 318 | 5,284 |
| 30 Piney Woods–North | 1,157 | 1,404 | 247 | 21 | * | 952 | 2,000 | 187 | 15,593 |
| 31 Piney Woods–South | 1,382 | 1,295 | (87) | (6) | | 1,021 | 1,800 | 350 | 5,006 |
| 32 Lower Rio Grande Valley | 2,662 | 2,900 | 238 | 9 | | 1,750 | 6,250 | 414 | 20,188 |
| 33 El Paso | NA | 8,500 | NA | NA | | 8,500 | 8,500 | 8,500 | 8,500 |
| State | 974 | 1,100 | 126 | 13 | ** | 750 | 2,518 | 23 | 24,476 |

Notes: Test shows the result of a Mann-Whitney test of the indicated changes; (**) indicates significance at the 99 percent level; (*) indicates significance at the 95 percent level; all others showed no statistically verifiable trend

Lower quartile is 25th percentile; Upper quartile is 75th percentile

Statewide prices are weighted averages of regional medians

Source: Real Estate Center at Texas A&M University