



Presidents Message

Board of Directors

Upcoming Events

About ASFMRA

Contributors

Market Region Guide

Market Report

Cattle Inventories and Drought Effects

Newly Accredited Member Highlight

Transition More Than

Members by County

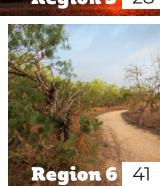
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TEXAS CHAPTER

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Ashley Lundy

PRESIDENT'S MESSAGE

A MESSAGE FROM THE 2022-2023 PRESIDENT OF THE TEXAS CHAPTER ASFMRA®



Bryan Bednarz, ARA President, Texas Chapter **ASFMRA**

■ he Texas Chapter of the American Society of Farm Managers and Appraisers is proud once again to present the Texas Rural Land Trends publication. We hope that you will share it with coworkers, clients, and anyone with an interest in rural land in Texas. Additional copies of this publication are available in either printed or PDF format through the Texas Chapter website at https://www. txasfmra.com/. In the past, these publications have been well received by real estate professionals and their clients across the State and we are pleased to make them available.

Thank you to our many sponsors and advertisers who make publishing this resource possible. A big thank you to our major sponsors Capital Farm Credit and Lone Star Ag Credit. Of course, most importantly, thank you to all the Texas Chapter members, who contribute their knowledge and

expertise of the rural land markets across the state of Texas. Also, a special thank you to Ad Valorem Legal Seminar, Inc., and the Martin family for their generous donation to the Texas Chapter ASFMRA Education Fund. This money will be used to help offset education expenses that are offered by the Texas Chapter. This year, in addition to our Spring and Fall continuing education offerings, we will be offering accreditation courses for appraisers who are working towards their Accredited Rural Appraisal designation. Texas is fortunate to have the best instructors in the country leading our educational offerings. We are pleased to offer both accreditation education and qualifying education for appraisers. And, as always, thanks to our Chapter Secretary/Treasurer. Carmen Bierschwale, who coordinates all aspects of this endeavor.

In the past, we traditionally have pointed to the population growth of Texas placing high demand on the rural areas of the State for both agricultural production and recreational and investment opportunities. That trend is still relevant in today's markets, but the added demand of local urban dwellers seeking an outlet outside of the cities has reached a level that has impacted the total demand in a significant way.

2022 was another interesting year in the Texas Real Estate Markets. Demand for rural property on a statewide level has continued an upward shift. We will see how that holds as we move through the remainder of 2023 facing higher inflation, supply chain issues, and anticipated interest rate hikes. We strive to provide current, useful insight into how the market is impacted across the State and we hope you find this publication a valuable tool.

This publication will be distributed to

over 400 attendees at the 32nd Annual Outlook for Texas Land Markets held by the Real Estate Center at Texas A&M University. We appreciate the Real Estate Center for providing this great conference and allowing the Texas Chapter to participate. During the conference, a panel of Texas Chapter members will update attendees on the most recent trends in rural land values within seven Texas regions. This panel presentation during the conference, along with this publication, provides an excellent opportunity to demonstrate to the public and the users of appraisal services that the members of ASFMRA continue to maintain the highest level of professionalism among rural property experts. Founded in 1929, the ASFMRA has

35 local chapters within seven regional districts throughout the U.S. The Texas Chapter is growing in membership and to date has 140 members. We were honored to receive the Patron Chapter status for 2022 at the National ASFMRA meeting in San Antonio. Part of the requirement to be a Patron Chapter is growing membership and having a young professional's network. The society provides an accreditation program for farm managers, appraisers, and consultants, giving them a strong competitive advantage over their competition in terms of knowledge, networking, and recognition as ethical qualified professionals. Please visit the national website at www.asfmra.org, or our Texas Chapter website at www. txasfmra.com for more information.

It has been an honor to serve as the Texas Chapter President this year and I encourage you to contact any of our members with questions about the report and the services they provide. If you are a real estate professional and are interested in joining our organization, please contact us.

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UPCOMING EVENTS 2023

TEXAS CHAPTER SPRING 2023 MEETING WITH APPRAISER QUALIFYING & CONTINUING EDUCATION

Sales Comparison Approach (A302)
Sales Database & Mapping Training
Texas Rural Land Value Trends Workshop
Lubbock, Texas
FEBRUARY 27-MARCH 3, 2023

ADVANCED APPRAISER EDUCATION

Integrated Approaches to Value (A304) Junction, Texas **JUNE 12-15, 2023**

2023 ASFMRA EDUCATION WEEK

Omaha, Nebraska JULY 12-22, 2023

TEXAS CHAPTER FALL 2023 MEETING & APPRAISER EDUCATION

Eminent Domain (A250), 20 hours Fort Worth, Texas OCTOBER 2023 (DATES TBD)

2023 ASFMRA 94TH ANNUAL CONFERENCE

Nashville, Tennessee NOVEMBER 10-17, 2023

LOOK FORWARD TO 2024:

The Texas Chapter will be hosting a series of advanced appraisal courses throughout the year. These are intended to assist appraisers working toward their Accredited Rural Appraiser (ARA) designation.

- Advanced Rural Case Studies (40 hours)
- Valuation of Conservation Easements and Other Partial Interests in Real Estate (24 hours)

We will also offer Appraiser Qualifying Education (Sales, Cost and Income Approach) for the appraiser trainee working toward their general certified appraiser licenses.

Check out **txasfmra.com** and **asfmra.org** for changes to the calendar, complete listing of course offerings and registration information.

You can also send an email to INFO@TXASFMRA.com to be added to our email list for regular updates and when classes get added to the schedule.

VICION

To be the most trusted resource for rural property professionals and the clients they serve.

MISSION

ASFMRA is the premier organization for rural property professionals, focused on advancing the standards of the disciplines we represent through an unparalleled level of expertise and integrity. We empower our members to provide best-in-class service with an invaluable balance of education, accreditation and support.

VALUE

Integrity: ASFMRA values ethical and professional service - ultimately holding the disciplines we represent to a higher standard

Expertise: ASFMRA is the conduit through which our members learns, maintain standards of professional service and ultimately advance their careers.

Support: ASFMRA connects members to a network of trusted and respected colleagues, providing expanded opportunities for professional and personal growth.

ABOUT ASFMRA:

The American Society of Farm Managers and Rural Appraisers® (ASFMRA®) is the largest professional association for rural property land experts, boasting over 2100 members in 31 chapters throughout the United States. Over 40 percent of ASFMRA's members hold a designation as an Accredited Farm Manager (AFM), Accredited Rural Appraiser (ARA), Real Property Review Appraiser (RPRA) or Accredited Agricultural Consultant (ACC).

ASFMRA was founded in 1929 and the average member has been part of the organization for over 17 years. Our Farm Managers and Agricultural Consultants are in strong demand, with over 40 percent of farmland in the United States currently being rented. Our Farm Managers and Agricultural Consultants on average manage 55 to 75 farms, consisting of 14,000 to 20,000 acres. They also have influence over more than just the farms they manage as a typical professional farm manager will work with a farm operator who is farming additional land. Farm Managers and Consultants typically work with 50 to 70 landowners, family members and their beneficiaries. Our Farm Managers and Consultants have influence on input and other production and marketing decisions on acreage representing millions of dollars.

ASFMRA's Appraisers and Review Appraisers represent individuals who have taken additional training beyond what is required, in order to gain specialized expertise in appraising rural and agricultural properties. Many of them are familiar with complex appraisal situations including eminent domain, conservation easements as well as appraising poultry facilities, grain elevators, wind farms, dairies, greenhouses and vineyards. When you utilize an ASFMRA trained appraiser or review appraiser know that they have been trained on the most up-to-date technologies and methodologies associated with valuation.

ASFMRA truly represents The Most Trusted Rural Property Professionals and is the organization for individuals who provide management, consultation, and valuation services, as well as real estate services on rural and agricultural assets. The land experts who hold membership in ASFMRA work under a professional code of ethics, which includes continuing education requirements. You can rest assured that if you're working with someone who is an accredited member of the Society, you are truly working with a competent land expert and agricultural professional who can assist you with all of your property, land and asset needs.

You should join ASFMRA if YOU:

- Have a passion and commitment to agriculture and the rural landscape.
- ▶ Are driven to be the best you can be at what you do.
- Want to distinguish yourself from others in the industry and prepare yourself for advancement in your career.
- Are just getting started in the business and want to improve your skills.
- Want to clearly demonstrate your commitment to selfimprovement, high ethical standards and professional development.
- Enjoy being among peers in the industry and having a nationwide network of professionals at your fingertips
- Value relationships with other industry professionals and enjoy networking opportunities to build your business.
- Would like the opportunity to share your industry on a state and national level.

BENEFITS OF MEMBERSHIP

As a member of the American Society of Farm Managers and Rural Appraisers (ASFMRA), you join a select group of professionals who share your passion for agriculture and the rural landscape – and for helping others understand and capture the value of the land and rural assets.

ASFMRA is the only professional society focused on the development and advancement of professionals in agricultural property management, appraisal and consulting. ASFMRA maintains high ethical and educational standards for its members, and, as a result, our members are The Most Trusted Rural Property Professionals.

Membership Includes:

- Access to the highest quality Management, Appraisal and Consulting Education at discounted member rates.
- A competitive advantage in the marketplace with ASFMRA Accreditations, providing you with the differentiation that you need in order to increase your client base and better serve your existing clients.
- Opportunities for Continuing Education to maintain licensure and/or your designation.
- Vast network of professionals via the ASFMRA Community and ASFMRA Members. ASFMRA members share comparable sales information and have access to data and expertise that you can't find via any other society or organization!
- National, regional and local leadership opportunities through education, conferences, chapters and committees.
- Membership Directory listing to strengthen industry contacts and gain access to other rural land expertise, including wide distribution to assist you in developing new business leads.
- Find a Land Expert Listing to provide landowners and potential clients the ability to find you and your expertise.
- Up-to-date industry information delivered weekly to your inbox via Weekly AgNews and Land Trends
- Access to individuals in your area via your National and Chapter membership.
- Access to The Journal of ASFMRA for information and or the opportunity to gain acclamation via article publications.
- Recognition of professional achievement through ASFMRA Awards, including Farm Manager of the Year, Appraiser Professional of the Year, the Early Career Award and more!
- Representation in Washington, DC keeping you abreast
 of issues affecting our industry, working to strengthen
 your presence on Capitol Hill via lobbying efforts and
 keeping you informed on industry, law, tax and legislative
 issues via Weekly AgNews.



AAC Accredited Agricultural Consultant
AFM Accredited Farm Manager
ARA Accredited Rural Appraiser
RPRA Real Property Review Appraiser

ASFMRA MEMBERSHIP CLASSIFICATIONS

- Accredited Members— Persons who have obtained the Accredited Farm Manager (AFM), Accredited Rural Appraiser (ARA), Real Property Review Appraiser (RPRA) and/or Accredited Agricultural Consultant designation(s).
- Associate Members— Persons, who manage, appraise or provide related valuation services, review appraisals, and/or consult for a fee that are working towards Professional or Accredited status and do not yet meet the additional criteria for those membership classifications.
- Affiliate Members—Persons and/or organizations who are not providing farm and ranch management, agricultural consulting, rural appraisal or related valuation services and/or appraisal review services on rural property belonging to others, but desire to be affiliated with the American Society of Farm Managers and Rural Appraisers.
- Academic Members—Persons whose work is primarily educational and who are devoting most of their time
 working at a college or university, in the agricultural consulting, farm and ranch management, rural appraisal
 and/or review appraisal field as an instructor, researcher, extension worker or administrator and have held that
 position for two or more years.
- **Student Members**—Persons who are full-time students or graduated and/or terminated their college enrollment within the past year. And who are currently not providing farm and ranch management, agricultural consulting, rural appraisal or related valuation services and/or appraisal review services on rural property belonging to others for a fee or salary.
- **Retired Members** Persons who have been members of ASFMRA and held the Accredited, Professional, Associate or Academic membership status for at least ten (10) years and who are no longer providing management, consulting, appraisal, valuation or appraisal review on property belonging to others for a salary or a fee.
- Honorary Members—Those members nominated by their Chapters whose service to their Chapter and the Society, as determined by and at the sole discretion of Council, merit special membership classification consideration.
- Inactive Members—Those members who no longer provide farm and ranch management, agricultural consulting, rural appraisal or related valuation services, and/or appraisal review services. Members need to return to active status within three years.

TEXAS CHAPTER ASFMRA

The Texas Chapter of the American Society of Farm Managers and Rural Appraisers (ASFMRA) was chartered in 1978 as an affiliate of the national ASFMRA organization. The Texas Chapter is a non-profit 501(c)(6) corporation. It supports the educational, ethical and professional standards set by national.

The **object** of the Chapter is to promote, without profit to itself, the professions of farm management and rural appraisal by holding meetings for the exchange of ideas, by conducting schools and other devices for disseminating information, by building and maintaining a code of business and professional ethics, and by other means approved by the Board of Directors.



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Superior Land Services - 25

Western Appraisal - 28

Stribling - Probandt Appraisals - 29

Jim Cowsert Appraisals - 29

Jackson RE Professionals - 31

Lewis & Seely Appraisals - 32

HomeLand Properties - 39

Gardner Appraisal Group - 43

Valbridge Property Advisors - 45

Robby Vann, Chas. S. Middleton - 48

Gipson Real Estate - 50

Bierschwale Land Company - 52

Kokel - Oberrender - Wood Appraisal - 52

TexAg Real Estate Services - Kokel - 53

Cultivate Real Estate - 55

ASFMRA National Conference - 63

Lone Star Ag Credit - 64

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Central Coastal Prairie

North Coastal Prairie

Bellville & Brenham Areas

REGION 5

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REGION 6

REGION 7

Southern Post Oaks Eastern Hill Country Vestern Hill Country

REGION 7

Southern Grand Prairie Central Basin Central Blacklands **Grand Prairie** North Central Post Oaks East Edwards Plateau Central Blacklands

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Gray

Hansford

Hartley

Hemphill

Hockley

Howard

Lamb

Lipscomb

Lubbock

Lynn

Martin

Midland

Moore

Ochiltree

Oldham

Parmer

Potter

Randall

Roberts

Sherman

Swisher

Yoakum

Hutchinson

REGION 3

Archer Childress Coke Collingsworth Concho Crockett Dickens Donley Edwards Foard Glasscock

Hardeman Haskell Irion Jack Jones King Kinney Knox Mitchell Motley Nolan Reagan Runnels Schleicher Scurry Shackelford Stephens Sterling Stonewal Sutton Taylor Throckmorton Tom Green Val Verde Wheeler

Wichita

Wilbarger

REGION 4

Angelina

Cherokee

Bowie

Camp

Cass

Collin

Cooke

Dallas

Delta

Denton

Franklin

Grayson

Harrison

Hopkins

Houston

Hunt

Jasper

Johnson

Kaufman

Lamar

Marion

Morris

Newton

Parker

Rains

Rusk Sabine

Shelby Smith

Somervell

Tarrant

Titus

Trinity

Tyler Upshur

Van Zandt Wise

Red River

Rockwall

San Augustine

Palo Pinto

Montague

Nacogdoches

Gregg

Hood

Anderson Brazos Henderson

Calhoun DeWitt Fayette Galveston Gonzales Hardin Jackson Lavaca Liberty Madison Robertson Victoria Walker

REGION 6

Aransas

Atascosa

Bee

Bexar

Brooks

Dimmit

Duval

Goliad

Guadalupe

Hidalgo

Jim Hogg

Kenedy

Kleberg

La Salle

Live Oak

Maverick

McMullen

Medina

Nueces

Refugio

Uvalde

Webb

Willacy

Wilson

Zapata

San Patricio

Frio

Cameror

Bosque

Coryell Eastland Kendal Lampasas McCulloch Menard San Saba

TEXAS LAND MARKET DEVELOPMENTS

CHARLES E. GILLILAND PHD · LYNN D. KREBS PHD

he fourth quarter of 2022 saw annual sales volume slip 26.26 percent to 6,677 from the same period year-over-year. Comparing quarterly volumes for the fourth quarter of 2022 to 2021, quarter only totals dropped from 1,283 in 2021 to 952 in 2022, a 25.80 percent slide. Furthermore, the fourth quarter 2022 volume was 57.43 percent below fourth quarter 2020 volume. In fact, this was the lowest fourth quarter volume since 2015 (973). Clearly, activity has slowed.

Fourth quarter activity confirmed the trends established in the third quarter. Sales volumes slowed significantly, while prices continued to rise at a more modest pace compared to last year. Reported demand for land reflected by rural brokers has noticeably cooled from the frenzied contest for land last year. Still prices increased 12.44 percent to \$4,446 per acre statewide. However, that pace dipped below the remarkable 27.18 percent posted in the first quarter, 23.85 percent in the second quarter, and 19.11 percent in the third quarter. Total dollar volume at \$3.2 billion, declined by 4.38 percent over the 2021 total down from a 9.12 percent increase in the third quarter of 2022. Market activity clearly trended lower in recent quarters and no longer exceeded prepandemic averages.

A total of 719,738 acres changed hands, down 14.96 percent over 2021. These results suggest that market activity has fallen to a more normal level at high prices. The typical size expanded 7.73 percent year over year to 1,406 acres. Rising prices coupled with diminished activity suggests that current buyers have focused on higher quality properties.

Excepting Far West Texas where price continued to fall substantially, the remaining regional prices increased by double-digit percentages. However, the four eastern regions (4, 5, 6, and 7) saw declines of greater than 30 percent in total acres sold; and all but the Far West saw double-digit percentage declines in the number of sales. This trend to rising prices and declining activity is suggestive of markets where demand is declining.

Panhandle and South Plains:

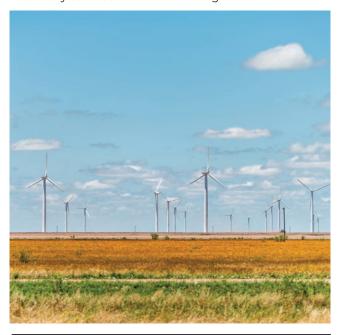
The number of sales dropped 12.82 percent to 510 transactions, but prices continued powerfully higher to \$1,527 per acre in this market. Fourth quarter prices rose 16.39 percent compared to the 2021 fourth quarter. A 12.62 percent increase in total acres sold to 171,924 acres accompanied the price surge with a 31.08 percent increase in total dollar volume to \$262.5 million. The decline in sales volume suggests that demand may have softened, though prices continued to rise. Size changed slightly, decreasing 3.51 percent to 364 acres.

Investors continue to search for cropland purchases but they face competition from farmers with funds to invest. Land with abundant, good quality groundwater remains in demand. Brokers report a slowdown in phone inquiries. However, drought took a heavy toll on crops with many farmers reported to have relied on insurance payments. Fourth quarter only sales volume fell 23.48 percent short of fourth quarter 2021 totals and 25.19 percent short of fourth quarter 2020 totals, but still 55.38 percent more than fourth quarter 2019 totals.



Far West Texas:

Industrial users and recreational buyers had driven prices in this region to new highs. Lower oil prices and the COVID virus combined to weaken demand for land here in 2020. A hostile lending environment has throttled demand by energy-related industries. Though the volume of sales picked up, the regional price dropped by a whopping 74.04 percent to \$474 per acre as markets focused on ranchland properties. Total dollar volume declined precipitously by 74.61 percent to \$18.12 million. The number of sales increased 8.16 percent with 23 transactions. Size expanded 10.38 percent to 9,883 acres. Total acres declined 2.2 percent to 38,233 acres. Lack of a sufficient volume of transactions makes it difficult to accurately estimate trends in this region.



West Texas:

Strong demand drove up prices in the region. At \$2,231 per acre, prices rose 14.59 percent year over year. Annualized sales volume declined 22.35 percent to 879 sales. Typical size remained nearly the same, dropping 0.33 percent to 431 acres. Total dollar volume at \$563.4 million increased by 25.71 percent. At 252,510 acres, total acreage rose 9.71 percent. Fourth quarter only sales volume fell 9.80 percent short of fourth quarter 2021 totals, 49.08 percent short of 2020 totals, but 14.05 percent above the 2019 fourth quarter sales total.

Northeast Texas:

Prices continue to rise in this region, up a 11.64 percent to \$7,527 per acre, a less drastic increase than last guarter. The number of sales declined 25.47 percent to 2,019 sales. In addition, total dollar volume dropped 30.15 percent to \$494.0 million. The size of transaction remained steady at 120 acres, down just 1.09 percent. Total acreage contracted 37.44 percent, falling to 65,627 acres. Quarter only sales volume fell 15.81 percent short of the same quarter in 2021 and 54.14 percent in 2020. In fact, fourth quarter only sales were below 300 for the first time since 2014.



Gulf Coast - Brazos Bottom:

Buyers pushed prices up 13.75 percent to \$9,546 per acre. Total dollar volume decreased 21.24 percent to \$356.3 million while the number of sales dropped 24.22 percent to 879 transactions. The typical size inched up just 1.36 percent to 146 acres. Total acres receded 30.76 percent to 37,326 acres. Listings appear to be increasing here with the number of transactions falling. Quarter only sales volume fell 36.05 percent short of fourth quarter 2021 totals and 65.30 percent compared to 2020 totals. Quarter only volume even dropped 25.71 percent below fourth quarter 2019 totals. This was the lowest fourth guarter total sales since 2012.

South Texas:

South Texas market prices rose 22.61 percent, settling at \$5,743 per acre, while the number of sales dropped 24.12 percent to 626 sales. Size decreased 9.11 percent to 293 acres. Total dollar volume dropped 30.66 percent to \$321.2 million. Total acres also retreated 43.45 percent to 55,926 acres. Fourth quarter only sales volume fell 27.94 percent short of fourth quarter 2021 totals, 51.24 percent compared to 2020 totals and 4.85 percent below fourth quarter 2019 totals.

Austin—Waco - Hill Country:

Land buyers in this region pushed prices up 24.32 percent to \$7,127 per acre. However, the number of transactions in Travis and Williamson Counties dropped while volumes in more remote locations increased. The number of sales declined 33.63 percent to 1.741 sales. Total dollar volume declined 26.79 percent to \$699.8 million. Size of transaction barely changed, down just 2.22 percent to 214 acres. Total acres sold fell 41.11 percent to 98,192 acres. Fourth quarter only sales volume fell 36.62 percent short of fourth guarter 2021 totals, 67.95 percent compared to 2020 totals, and 42.31 percent below fourth guarter 2019 totals. Market total transactions marked the lowest fourth quarter since 2013.



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Cattle Inventories and the Continued Effects of the 2022 Drought



MIKE LANSFORE AFM

he U.S. cattle industry is very complex, and contains many unknowns such as weather, short-term market moves, logistical challenges, input costs, capital constraints, as well as foreign and domestic trade pressures. All of which can change daily. Furthermore, it still remains to be seen what the long-term effects of the pandemic, coupled with the nearterm effects of wide spread drought and inflation, will be on supply and demand trends. The lingering effects on the domestic supply chains continue to impact local markets.

In January, 2022, it was discussed and published in many places that drought would be the key determinant of the overall cattle industry scenario in 2022. This has proven very true as we entered 2023. Widespread drought continued into last October across the Western Plains and the Southwest. Much of the 2022 drought was right on top of the largest beef cow states including TX, OK, MO, KS and NE. The widespread reduction of pasture quality and hay stocks forced early weanings this fall and large sell-offs in August and September. Large runs and mile long lines at the sale barns made the lead story for many local news networks. The large sell-offs further contributed to continued reduction of the domestic cow herd.

According to USDA statistics, the December I, 2022 hay stocks were over 16% below the previous 10-year average, and the lowest December 1st stock on record dating back to 1973. The limited hay coupled with the poor range conditions, gave producers no choice but to reduce the size of their herd.

Economists predicted that the domestic beef cow herd would likely be reduced by I million head or more by January I, 2023. The actual numbers proved to be I.065 million head less according to the USDA report released in late January. The domestic beef cow herd inventory of 28.9 million head is the lowest level in over fifty years. Many beef producers have been forced to sell out. Some of which will most likely not return to production. All of these complex factors will contribute to the reduced capacity in the near future. Record prices for both feeder cattle and live cattle are on the horizon. This large-scale reduction from all causes, will undoubtedly have noticeable impacts on the timing of feeder cattle and overall feedlot production. U.S. cattle slaughter will most likely decline for the next several years, which in turn will directly impact domestic beef production, and ultimately retail beef prices. This is a shift in the supply curve that has not been realized or felt in the retail beef market yet.





NEWLY ACCREDITED MEMBER HIGHLIGHT



STEVE ROBINSON ARA, MAI, CCIM

Steve Robinson was born in San Marcos, Texas and raised in Wimberley. He went to high school at Jack C. Hays High School in Buda and went on to earn a bachelor's degree in Animal Science and a master's degree in Land Economics and Real Estate from Texas A & M University. Upon graduation, he moved to Harlingen, where he has been a fee appraiser for the past 43 years. Steve earned an MAI designation in 1988, a CCIM designation in 1998, and in 2022, he was awarded an ARA designation, and he has been a licensed real estate broker in Texas since 1981. Throughout his career, he has appraised everything from houses to commercial and industrial to farms and ranches; however, his current focus is on complex rural appraisal assignments, and he specializes in UASFLA (Yellow Book) appraisals for government entities. Steve and his wife Cindy live in Harlingen, and they have a son, a daughter, and two grandsons. When he is not appraising, you can find Steve playing with his grandchildren or cooking on the King Ranch.





Transition More Than Assets

When we look at transitioning the assets & businesses through families, we tend to focus on the tangible "things" that pass from generation to generation. These passing assets are the land, the cattle, the equipment, the customers, or the wealth. We rarely focus on the concepts or ideals that built what the family business has become. My challenge to clients is to try and separate these schools of thought into what we "have" vs. what we "do".

The Estate Plan is the focus on transitioning what you "have". The physical assets you hold are easy to identify and value, with measurements of each are kept in your financial statements. Planning is performed with the help of an expert with legal & tax implications taken into consideration. This plan is also determined by the senior generation, and they are the gatekeepers of who is involved and how much of the plan is communicated. The solutions or actions are triggered at a predetermined time and the major transition occurs at retirement or at death. The core of this piece of transition is the to pass along the understanding of how and why financial ownership of assets.

plan. This is the process of creating psychological

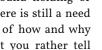
ownership in what you "do". The skills, decisions, and strategy of this piece are arguably the measure of the success of the business or ownership long term. Translating what you do and why you do it, requires collaboration between generations. These core ideals are much more difficult to identify & quantify than that of physical assets. Outside advisors can only help in the process, not solve it for you. Solutions to creating succession and psychological ownership happen over time and are discussed frequently between the family. I wish that I could tell you there was a cookie cutter method, however creating ownership and equity in what you "do" can be messy and result in conflict.

The families and enterprises that are successful in co-creating values, goals, and strategy have a much higher likelihood of withstanding the winds of change. Whether your family has one piece of land or has built a business around holding or utilizing farm and ranch land, there is still a need the business was built. Wouldn't you rather tell The converse side to this equation is the succession the story of what you "do" than explain what you



Ethan L. Smith. AFM Accredited Manager

pinion



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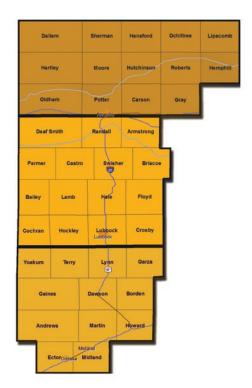
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REGION ONE, the most northerly region in Texas, is bordered on the west by New Mexico and by Oklahoma on the north and east. The upper third of the region is commonly known as the Panhandle, while the South Plains comprises the balance.

Highlights of the overall market precede brief discussions related to the sub-regions.

- Extreme drought conditions and triple-digit temperatures resulted in 65% to 70% of the region's 4.5 million cotton acres not being carried to harvest. The normal abandonment rate is 15% to 20%. Kody Bessent, Plain Cotton Growers CEO, summed it up this way in an interview with Farm Progress: The 2022 Panhandle and South Plains cotton crop was "one for the record, probably even more difficult than what we saw in 2011, which has been kind of the benchmark we've used for one of the worst years we've had on record." Thankfully, producers had good risk management tools through crop insurance that helped mitigate some of that risk. However, these conditions rippled throughout the industry's infrastructure to cotton gins, warehouses and merchants creating stress on all segments.
- 2022 began with much optimism among ag producers after a bumper crop and strong prices in 2021. Sales activity was strong though the first half of the year and tapered off as the year progressed, interest rates rose and drought conditions worsened. Thankfully, producers had good risk management tools through crop insurance that helped mitigate some of that risk. However, these conditions rippled throughout the industry's infrastructure to cotton gins, warehouses and merchants creating stress on all segments.
- Buyers tend to be existing producers looking to expand operations along with private investment groups and institutional investors. Distressed sales were virtually non-existent. The number of sales transactions were down from the prior year; however, sales prices, total acres sold and total dollar volume were significantly higher.
- Recreational ranches and small grazing tracts were in demand with the higher quality tracts with superior land features or live water are commanding higher prices. Good demand for cow-ready grass tracts with permanent fencing and developed water sources.
- For 2022, the all-milk price average was a record setting \$25.55 per cwt, an increase of \$7.02 or 38% from the 2021 all-milk price average of \$18.53 per cwt. There was a modest increase in overall production. Production increases for Texas are expected to continue as new processing plants are under construction in the Texas Panhandle and South Plains. Except for a few large dairy operators, dairy expansion in 2022 was limited. High operating costs and lower expected milk prices could limit dairy growth going forward.
- Irrigated cropland continued to be purchased by dairy operators for the purpose of forage production. These buyers have been the primary market makers in some areas of the Panhandle.



North Panhandle

Carson, Dallam, Gray, Hansford, Hartley, Hemphill, Hutchinson, Lipscomb, Moore, Ochiltree, Oldham, Potter, Roberts and Sherman Counties

Sales activity was stable for all land classes in 2022 with a sharp uptick in prices, especially larger irrigated farms with strong groundwater resources. Water volume and commodity prices continue to be the most important factor impacting irrigated farm land prices in this market. Water awareness has significantly increased with the North Plains Water District's imposition of the 1.5-acre foot limit on Ogallala pumping and that the limitation was, at least partially, responsible for the increased impact that water volume seems has had on land prices. There has been increased drilling to the Santa Rosa formation to supplement irrigation water that is being pumped from the Ogallala formation.

Cash leases for irrigated cropland are common in the northwest quadrant of the Panhandle and appear to be stable to higher in 2022. The improvement is directly attributable to higher commodity prices. A crop share lease is most prevalent in the eastern sector of the Panhandle.

Cash lease rates for grazing and hunting on native rangeland continued to be stable to increasing. Range conditions were average due to average rainfall.

CONTINUED ON PAGE 22





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Central Plains from Amarillo to Lubbock

Armstrong, Bailey, Briscoe, Castro, Cochran, Crosby, Deaf Smith, Floyd, Hale, Hockley, Lamb, Lubbock, Parmer, Randall and Swisher Counties

Overall, 2022 was a moderately active year for the Central Plains with prices trending slightly higher for most land types. Cotton production was far below average and corn production was limited to a few producers growing food grade corn on contract for local masa (cornmeal) plants or dairy producers growing corn for silage.

The land market for irrigated farms was active with modest price increases being noted. Light water farms were also active with slightly higher prices. Typical buyer profile is a local producer buying family or rented land to expand operations.

Demand for native and improved grass was strong with premiums typically being paid for cow-ready tracts with permanent fencing and water.

Crop share leases are the most common lease arrangement for both irrigated and dry cropland; rental rates and terms remain stable.

Drip irrigation continues to be installed throughout the region with the typical spacing being on 40" or 80" rows. Installation costs for drip irrigation projects have increased sharply over the past few years. Prices for land enrolled in the Conservation Reserve Program (CRP) are stable with moderated demand. In the southwest portion of the area, land enrolled in CRP is being purchased for conversion to organic irrigated cropland.

South Plains to the South of Lubbock

Andrews, Borden, Dawson, Ector, Gaines, Garza, Howard, Lynn, Martin, Midland, Terry and Yoakum Counties

This area is composed of a diverse land use mixture. The topography has rolling plains, broad valleys and flood plains. Most of the land in Garza,

Borden, Andrews, Midland, Ector and Howard counties is native range that is utilized for cattle grazing. Quite a bit of the native range was leased for hunting. Most cultivated farming utilizes dryland cultural practices due to inadequate groundwater. Sprinkler irrigation practices are typical due to the presence of sandy soils.

2022 was an active year for the South Plains region despite drought conditions and limited cotton production. Farming is localized geographically and is limited by soil types that are conducive to cultivation. Where there is adequate groundwater, crops include cotton, small grains and peanuts. The limited number of farmland buyers is typically composed of local farmers. Some expired CRP acreage being placed back into production, especially those with irrigation potential. Much of this land is being utilized to grow organic peanuts.

The number of sales and land prices both increased for cropland in the southern part of Region I. This is likely due to lower interest rates in the early part of the year along with substantial crop insurance proceeds.

In recent years, horizontal drilling for oil and gas has increased substantially in the southern portion of Region I. Horizontal drilling requires a lot of surface uses such as multi-well well pads for on-lease and off-lease locations, along with numerous easements for oil and gas pipelines and pipelines for produced water, caliche, and water. These activities create surface damages for the landowners. There is strong demand for water for drilling and fracking. Due to the demand, small water fields have been developed in most counties in the southern portion of Region I. Groundwater can be sketchy in this area being the southern portion of the Ogallala Aquifer and there may be 20 to 50 small water wells with submergible pumps on 100 to 160 acres of land. Farmland that used to command prices of \$400 to \$1,000 per acre are sometimes selling in the range of \$1,500 to \$4,000. Some listings in areas with irrigation wells are higher. The market tends to build this factor in to sale prices. Some of the price increase could be attributed to a business component, as some individuals who develop water have some insight to future well locations and demand. A new trend in Industrialized Ag Land in the South Plains is development of large solar farms such as a 3,600-ranch property developed to a solar farm.

North Panhandle

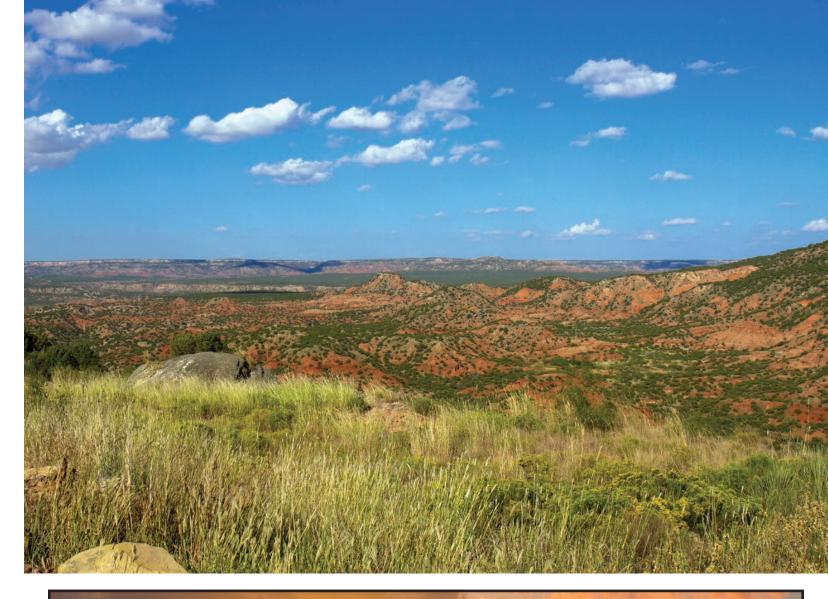
Land Use or Class	Value Ranges	Activity/Trend	Rental Range	Activity/Trend
Irrigated Cropland Good Water	\$3,000 to \$5,500	Stable/Increasing	\$150 to \$250	Stable/Stable
Irrigated Cropland Average Water	\$2,500 to \$3,000	Stable/Increasing	\$125 to \$175	Stable/Stable
Irrigated Cropland Weak Water	\$1,500 to \$2,500	Stable/Increasing	\$75 to \$125	Stable/Declining
Dry Cropland East	\$1,250 to \$1,850	Stable/Increasing	\$30 to \$45	Stable/Stable
Dry Cropland West	\$850 to \$1,100	Stable/Increasing	\$15 to \$35	Stable/Stable
Rangeland	\$750 to \$2,000	Stable/Increasing	\$7 to \$12	Stable/Stable
Conservation Reserve Program	\$850 to \$1,750	Stable/Increasing	\$25 to \$50	Stable/Stable

Value for irrigated cropland typically includes center pivot sprinklers. • Minerals are typically either not included or not a factor in the land classes listed above.

South Plains (Amarillo to Lubbock)

Land Use or Class	Value Ranges	Activity/Trend	Rental Range	Activity/Trend
Irrigated Cropland Good Water	\$3,000 to \$5,000	Stable/Increasing	\$175 to \$250	Stable/Stable
Irrigated Cropland Fair Water	\$1,500 to \$2,500	Stable/Increasing	\$100 to \$150	Stable/Stable
Drip Irrigation	\$2,500 to \$3,500	Stable/Increasing	1/3 Crop	Stable/Stable
Dry Cropland East	\$1,000 to \$1,500	Stable/Increasing	\$25 to \$45	Stable/Stable
Dry Cropland West	\$1,000 to \$1,500	Stable/Increasing	\$25 to \$45	Stable/Stable
Rangeland	\$600 to \$1,250	Stable/Increasing	\$7 to \$10	Stable/Stable
Conservation Reserve Program	\$1,000 to \$1,500	Stable/Increasing	\$30 to \$45	Stable/Stable

Value for irrigated cropland typically includes center pivot sprinklers. • Minerals are typically either not included or not a factor in the land classes listed above.





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South Plains (South of Lubbock)

Land Use or Class	Value Ranges	Activity/Trend	Rental Range	Activity/Trend
Irrigated Cropland Good Water	\$2,500 to \$3,200	Stable/Increasing	20%- 25% Crop	Stable/Stable
Irrigated Cropland Average Water	\$1,800 to \$2,500	Stable/Increasing	20% - 25% Crop	Stable/Stable
Irrigated Cropland Weak Water	\$1,300 to \$1,800	Stable/Increasing	20%- 25% Crop	Stable/Stable
Dry Cropland Cotton	\$1,000 to \$1,500	Stable/Increasing	20%- 25% Crop	Stable/Stable
Rangeland	\$600 to \$1,250	Stable/Increasing	\$4 to \$7	Stable/Stable
Conservation Reserve Program	\$1,000 to \$1,500	Stable/Increasing	\$25 to \$50	Stable/Stable

Value for irrigated cropland typically includes center pivot sprinklers. · Minerals are typically either not included or not a factor in the land classes listed above. Does not include water purchases in the southernmost part of the territory in the Permian Basin. • Expiring CRP contracts will likely renew at lower rental rates in 2021.

South Plains (Permian Basin)

Land Use or Class	Value Ranges	Activity/Trend	Rental Range	Activity/Trend
Irrigated Cropland Better Water	\$2,500 to \$4,000	Stable/Stable	20%-25% Crop	Stable/Stable
Irrigated Cropland Fair Water	\$1,500 to \$2,500	Stable/Stable	20%-25% Crop	Stable/Stable
Dry Cropland Cotton	\$650 to \$1,500	Stable/Stable	20%-25% Crop	Stable/Stable
Rangeland	\$600 to \$1,100	Stable/Stable	\$4 to \$7	Stable/Stable
Conservation Reserve Program	\$650 to \$1,000	Stable/Stable	\$30 to \$40	Stable/Stable
Industrialized Ag Land*	\$1,500 to \$4,000	Increase/Increase	Surface damages	No Rental Data

In recent years, horizontal drilling for oil and gas has increased substantially in the southern portion of Region 1. Horizontal drilling requires a lot of surface uses such as multi-well well pads for on-lease and off-lease locations, along with numerous easements for oil and gas pipelines and pipelines for produced water, caliche, and water. These activities create surface damages for the landowners. There is strong demand for water for drilling and fracking. Due to the demand, small water fields have been developed in most counties in the southern portion of Region 1. Groundwater can be sketchy in this area being the southern portion of the Ogallala Aquifer and there may be 20 to 50 small water wells with submergible pumps on 100 to 160 acres of land. Farmland that used to command prices of \$400 to \$1,000 per acre are sometimes selling in the range of \$1,500 to \$4,000. Some for sale listings in areas with irrigation wells are higher. The market tends to build this factor in to sale prices. Some of the price increase could be attributed to a business component, as some individuals who develop water have some insight to future well locations and demand. A new trend in Industrialized Ag Land in the South Plains is development of large solar farms such as a 3.600-ranch property developed to a solar farm.

REGION TWO encompasses far

West Texas and is bound on the north by the State of New Mexico and on the south by the Republic of Mexico. Andrews County forms a small portion of the region's north boundary and Ector County forms the northerly portion of the region's east boundary; both of these counties are in Region One (Panhandle and South Plains). The counties of Upton, Crockett and Val Verde; located in Region Three (South Central Texas), form the balance of the region's east boundary.

Guadalupe Peak, at 8,749 feet, is the highest point in Texas and is in Region Two, i.e., in Culberson County. In terms of land mass, the region includes the four largest Texas counties - Brewster, Hudspeth, Presidio and Culberson. It is noted that Loving County, the least populated county in Texas, is also in Region Two.

Highlights of the overall West Texas market precede brief discussions related to each sub-region.

- The region has a diverse land use mix. Topographically, the terrain ranges from mountainous expanses to broad valleys, rolling uplands and flood plains.
- The land area is predominately native rangeland and is utilized for cattle grazing. The grazing of both sheep and goats is inhibited by predator populations and the increased labor input required. Recreation of various types is also a major land use of the region.
- Native rangeland has typically been held by established ranching families. However, over the last several decades, low average income levels from cattle operations, an increased demand for recreational land use and pressure from individuals (and entities) with increasing disposable income from non-agricultural sources, have all served to effect changes in property ownership.
- · Another development has been the creation of "ranchettes", primarily for recreational purposes. It is expected that market pressure for these type of subdivisions will continue in certain areas.
- · Where practiced, irrigation of crops is by various methods including flooding, sprinkler and subsurface drip. The quantity and quality of the irrigation water supply, as well as the soil type of the land, are the primary factors determining the irrigation type. Center pivot sprinkler and buried drip systems have become more common and can be attributed to the ever increasing costs of pumping water and the necessary water conservation practices.
- · Supply and demand are often quite variable as the result of economic conditions in other regions, but are mostly dominated by both investors and recreationalists, with the market for all types of land being driven by water rights acquisitions by producers, public entities and



oil companies. Acquisition of various mineral rights, both surface (sand, caliche, etc.) and subsurface (oil, natural gas, etc.) are major influences on market value in specific areas of the region.

• It is noted that drought, which is common, is a limiting factor throughout the region.

Far West Texas

Culberson, El Paso and Hudspeth Counties

The sub-region identified as "Far West Texas" covers approximately 9,400 square miles. Decreasing amounts of acreage in the river valley bottoms and flood plains are cultivated under various irrigation practices. Many areas possess abundant supplies of groundwater, but the water quality varies greatly. The valley that is associated with the Rio Grande has irrigation districts and furnishes water based on adjudicated water rights.

In the El Paso Upper Valley, the market is generally driven by the investor with strong urban development pressure present. There is very limited cultivated land, dryland or irrigated, in the upper valley; the entire area now dominated by residential or commercial development, with a few scattered dairy operations or pecan orchards. In the El Paso Lower Valley, there is moderate urban pressure and the investor is again the primary market force with some producer acquisition impact. There were no reported sales in these two areas in 2022.

In the areas around Van Horn and Dell City, the market has been relatively stable and is typically producer-oriented. Water volumes in these areas remain an attractive factor, allowing another contributor for water rights to be speculation and acquisition for municipal uses by public utility entities. The number of properties available for purchase in these areas is the primary factor in the limited amount of data available. There has been some speculation and exploration in the Van Horn area for the development of frack sand for use in oil and gas production in the Permian Basin area, but that market has greatly diminished due to operational changes in the energy sector. There were no sales reported for either the Van Horn or Dell City cropland areas.

CONTINUED ON PAGE 26



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CONTINUED FROM PAGE 25

Big Bend

Brewster, Jeff Davis and Presidio Counties

The Big Bend area encompasses some 12,313 square miles and topographically is characterized as mountainous with broad rolling upland areas and canyon bottoms. The geology of the Big Bend is unique, as is the scenery and vegetation. Annually, the area attracts more than 450,000 recreational visitors.

Some lands in the valley along the Rio Grande were historically cultivated under irrigation utilizing adjudicated water rights from the river. Typical cash crops were alfalfa, onions, lettuce and melons. The amount of farmed acreage has steadily decreased over the last two decades due to reduced water supply, increased labor costs and decreased market availability. The farmland market continues to be essentially non-existent, with the major adverse factors being those mentioned previously, as well as increased operating costs and decreasing commodity prices.

In the areas that are associated with the Davis Mountains, demand for properties has remained strong; however, it is noted that only limited properties are generally available for purchase. The market has continued to be dominated by the investment-driven recreational buyer and/or conservationist. In the Highland's grassland area, the market is driven primarily by investment operators. Within the Desert Mountains, the market continues to be influenced by purchase for investment purposes, as well as for use as recreational properties. It is noted that only a limited number of sales were reported in the any of these sub-regions, which is not uncommon.

Trans-Pecos

Crane, Loving, Pecos, Reeves, Terrell, Ward and Winkler Counties

This multi-county sub-region covers approximately 12,905 square miles and is characterized as having rolling plains, broad valleys and flood

Prior to the 1970's, significant acreage in the Pecos River Valley was cultivated under irrigation. The area possesses abundant supplies of relatively poor quality underground water, along with large areas of relatively fertile alkaline soils. Numerous factors have contributed to the historic decline in farming operations; however, a very slight resurgence in crop production has occurred in the last decade. Most of these real estate transfers of agricultural properties are found in Pecos and Reeves Counties and involve lands currently or formerly cultivated under irrigation practices.

The specific agricultural base is a factor considered by most landowners in the area, as generally speaking, the area lacks scenic splendor, geologic uniqueness and varied recreational opportunities. The native rangelands in the higher elevations above the Pecos River are generally utilized for livestock grazing. With the exception of the southern part of Terrell County, there are very few acquisitions specifically for agricultural purposes in this particular sub-region. A major market impact in these areas is the exploration and production of oil and gas resources. All facets of this industry, from the leasing of mineral rights to the varied surface impacts involved, are a critical part of every land transaction. The price of domestic oil and gas, and the future of such prices, have a significant effect on the area's market. The most significant market influence on land prices in a majority of this sub-region in the past has been the acquisition of the surface estate of small and large land holdings by energy companies. Control of the surface estate benefits the oil and gas company by granting use of the underground water reserves, eliminating the payment of surface damages to a third party and providing leasing executive rights to lands where the mineral estate is owned by the State of Texas. These types of acquisitions have only continued in the last year on a very limited scale in some specific areas. Multiple acquisitions of smaller land parcels at elevated prices for use as service yards, compressor stations, tank farms and similar functions continued as a limited pace throughout most of the area. The number of these types of land acquisitions and the elevated prices paid for such continued a need for the inclusion of a "Special Purpose" entry in the data grid for this sub-region.

Far West Texas

Land Use or Class	Value Ranges	Activity/Trend	Rental Range	Activity/Trend
Rangeland	\$295 to \$799	Limited/Stable	\$0.70 to \$1.00	Stable/Stable
Dell City Irrigated Cropland*	None	No Activity	\$85 to \$120	Stable/Stable
El Paso Upper Valley Irrigated*	None	No Activity	n/a*	Limited Activity
El Paso Lower Valley Irrigated*	None	No Activity	n/a*	Limited Activity
Van Horn Irrigated Cropland*	None	No Activity	n/a*	Limited Activity

^{*} Little to no new (2022) data available

Big Bend

Land Use or Class	Value Ranges	Activity/Trend	Rental Range	Activity/Trend
Davis Mountains Rangeland*	\$1,450 to \$1,850	Slow/Stable	\$3.50 to \$5.00	Stable/Stable
Highlands Rangeland*	\$950 to \$980	Stable/Stable	\$2.50 to \$3.00	Stable/Stable
Desert Mountains Rangeland*	\$201 to \$385	Stable/Decreasing	\$1.00 to \$1.50	Stable/Stable

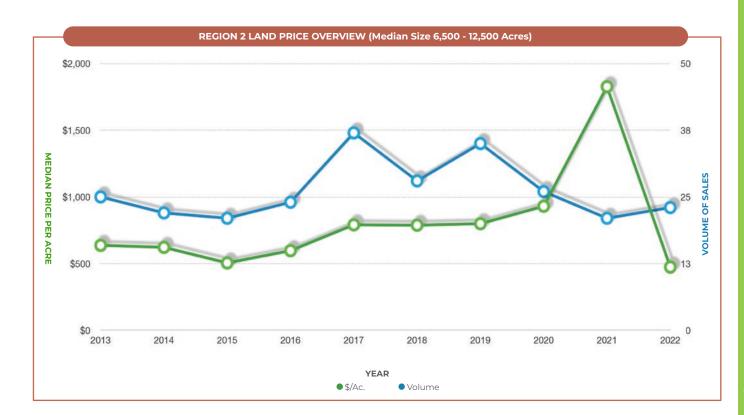
^{*} Very limited 2022 data available.

Trans-Pecos

Land Use or Class	Value Ranges	Activity/Trend	Rental Range	Activity/Trend
Rangeland-Agriculture	\$283 to \$420	Increase/Decrease	\$0.50 to \$1.25	Stable/Stable
Rangeland-Special Purpose **	\$715 to \$1,500	Decrease/Decrease	\$0 to \$0	No data available
Irrigated Cropland*	None	No Activity	None	No data available

^{**}Limited energy-related sales reported for 2022 * Little to no new (2022) data available.







REGION THREE encompasses a large area and stretches from the Texas-Oklahoma border, on the north, to the Rio Grande and Republic of Mexico, on the south. With the exception of Region Five, all of the other reporting regions abut at least a portion of Region Three. General highlights of the overall regional market are as follows.

General highlights of the overall regional market are as follows.

- It appears that prices in Region Three has been relatively stable for 2022. While there has been some slight increase in several of the land classes, the majority of increases were at the lower end of the value range rather than the upper end. The activity is basically stable to decreasing and the price trend has been stable to slightly increasing. The majority of the increase was in the North Texas Region or the South Central Texas Region.
- There continues to be urban sprawl around the major cities in this Region - Wichita Falls, Abilene and San Angelo.
- Farmland prices continue to be called stable throughout the Region. While there has been some increase in Central and South Central Texas, The increase has been slower than in past years. Dry crop continues to be stable as do most of the rangeland acreages.
- The area continues to see solar and wind farm options placed on several
- ·One solar farm in the San Angelo area is expanding as of late 2022. In addition to the solar and wind farms, there have been some options put forth for battery energy storage systems. These are ground leases of typically 2 acres to 10 acres located adjacent to an

electrical substation or transmission line. It appears that these battery energy storage systems are installed to purchase electricity during periods of low demand, at a cheaper price, and then selling the electricity back during periods of high demand, at a higher price. It would seem that this Region is finding favor with solar, wind and battery storage due to the number of powerlines in the Region, the proximity to major users and being in an area that has not seen the number and price of recreational land farther to the east.

- · Developers continue to purchase larger tracts throughout this Region with the intent of subdividing them into smaller tracts. It appears that some larger landowners in this Region are pushing back on subdivision into tracts of less than 100 acres.
- On March 2, 2022, the Edwards County Commissioner's Court held a public meeting to discuss changing the subdivision rules in Edwards County. The proposed changes included a minimum lot size of 100 acres, an 8 foot deer proof fence around the exterior boundary of the subdivision and all subdivision roads must be paved. It should be noted that Edwards County likely has as many



rural subdivisions as any other county in this Region. In discussions with a ranch owner in Edwards County, it appears the County started with these restrictions with the understanding that there would be some compromise before the final changes are finalized.

Leases appear to have risen somewhat. This has happened primarily in the Central and South Central Texas Regions.



North Texas

Archer, Baylor, Childress, Clay, Collingsworth, Cottle, Dickens, Donley, Foard, Hall, Hardeman, Jack, King, Knox, Motley, Throckmorton, Wheeler, Wichita, Wilbarger and Young Counties

Prices for irrigated cropland have seen a rise for tracts with lower amounts of water. The better irrigated farmland has remained stable at the higher end of the value range. The has been a slight increase in both good and fair dryland farmland. However, activity has been stable with fewer buyers throughout.

Rangeland has seen an increase in the lower end of the value range on tracts greater than 2,000 acres and tracts smaller than 2,000 acres. However, the top end of the range has not changed.

Lease prices have remained stable, for the most part, with some increase at the bottom end of the rental range for irrigated cropland. All leasing has been stable.

Central Texas

Coke, Concho, Fisher, Haskell, Jones, Kent, Mitchell, Nolan, Runnels, Scurry, Shackelford, Stephens, Stonewall, Taylor and **Tom Green Counties**

Central Texas also saw an increase on the higher end of the irrigated cropland and dryland has remained stable. There has been a decrease in activity for purchases for farmland, with the exception of Class IV and V dry cropland that has remained stable. This is likely due to the poor crop year for 2022.

Rangeland values were stable for properties over 2,000 acres and properties under 2,000 acres have seen an increase in value. It should be noted that there have been some new subdivisions developed in this Region.

Lease rates for irrigated cropland saw a significant increase, while dryland leases were stable to slightly increasing. Grazing leases appear to be stable.

South Central Texas

Crane, Crockett, Edwards, Glasscock, Irion, Kinney, Reagan. Schleicher, Sterling, Sutton, Upton and Val Verde Counties

Irrigated cropland continued to see an increase in prices in this Region. However, in Glasscock and Reagan Counties, this could be oil companies buying land instead of buying water from the landowners. Dry cropland also saw a significant increase and rangeland prices showed a lower increase.

Although the predominant value for tracts under 2,000 acres ranges between \$1,000 to \$2,500 per acre, there have been some rural subdivisions developed with smaller tracts, i.e., less than 100 acres. These tracts bring prices over \$5,000 per acre, but are typically owner financed sales with a 5% down payment. It appears that these subdivisions are moving west due to push back from counties from the east.

Lease rates have remained relatively stable for all classes of land in this

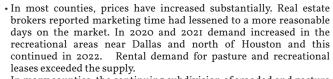
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• In many counties, the continuing subdivision of wooded and pasture tracts into rural residential or recreational tracts, almost eliminated sales that were larger than 300 acres. This subdivision has increased, and well located tracts with substantial road frontage continue to be sold for subdivision.

- · Wooded tracts, with good recreational qualities, consistently commanded prices on par with good pasture lands.
- In the North and Northeast Texas areas, most buyers were from the Dallas-Fort Worth metroplex.
- In the Piney Woods, the influence of the International Paper and Louisiana Pacific & Temple-Inland sell-offs has now moved to long term or end users with TIMOs (Timberland Investment Management Organizations) owning large timber tracts and acquiring others. Some of these end users have now re-sold their tracts at higher prices.

North Texas

Cooke, Ellis, Fannin, Grayson, Hunt, Kaufman, Montague, Rains, Somervell, and Van Zandt Counties

In that there is a total lack of rural lands in Dallas, Tarrant, Collin, Denton, Parker, Rockwall, Hood, Grayson and Johnson counties, these counties were not considered in the development of the sub-region's value trends. Beyond these counties, transitional land sales along highway,

tollway, and interstate corridors in all directions from the Dallas-Fort Worth Metroplex have not been reported due to developmental influences. These fringe counties and corridors are becoming an extension of the Dallas-Fort Worth metroplex and development is occurring rapidly.

In the North Texas rural land market, 2022 saw a continuation of increasing value trends, but decreasing number of sales. In early 2022 sales volume was steady from 2021 pace but began a downward trend about midyear with market participants citing lack of inventory, increasing interest rates, and economic concerns as reasons for the slowdown. Land tracts smaller than 100 acres continue to make up the bulk of the market within the North Texas sub-region, and average tract size continued its downward trajectory. Land values and number of sales for tracts less than 100 acres continued their upward trend in 2022 with strong demand. Land tracts larger than 100 acres showed more moderate, but still strong, value increases.

The North Texas land market is generally dominated by investors from the Dallas-Fort Worth metroplex in all segments and across all

CONTINUED ON PAGE 32



North Texas

Land Use or Class	Value Ranges	Activity/Trend	Rental Range	Activity/Trend
Irrigated Cropland	\$1,800 to \$2,600	Stable/Increasing	\$60 to \$90	Stable/Stable
Class II & III Dry Crop	\$1,100 to \$1,800	Stable/Increasing	\$30 to \$50	Stable/Stable
Class IV & V Dry Crop	\$900 to \$1,000	Stable/Increasing	\$18 to \$30	Stable/Stable
Rangeland > 2,000 Acres	\$800 to \$1,500	Stable/Increasing	\$8 to \$12	Stable/Stable
Rangeland < 2,000 Acres	\$1,200 to \$3,000	Stable/Increasing	\$8 to \$15	Stable/Stable
Hunting Lease Rangeland			\$6 to \$15	Stable/Stable

Rangeland lease rates per animal unit year long range from \$150 to \$240

Central Texas

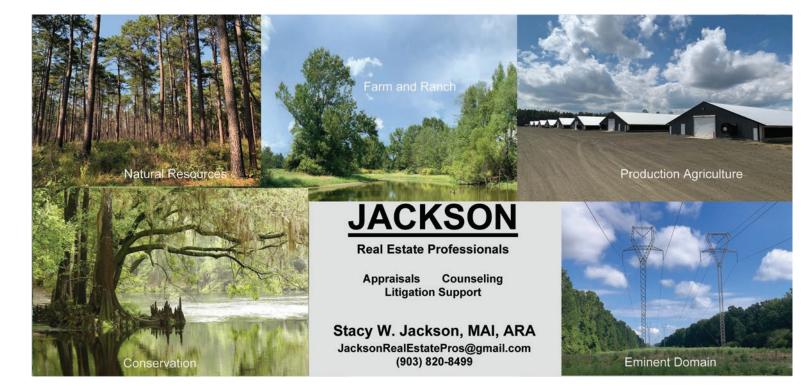
Land Use or Class	Value Ranges	Activity/Trend	Rental Range	Activity/Trend
Irrigated Cropland	\$1,500 to \$8,000	Decrease/Increasing	\$50 to \$175	Stable/Stable
Class II & III Dry Crop	\$1,100 to \$5,000	Decrease/Stable	\$40 to \$65	Stable/Increasing
Class IV & V Dry Crop	\$900 to \$2,500	Stable/Stable	\$20 to \$35	Stable/Stable
Rangeland > 2,000 Acres	\$950 to \$2,000	Stable/Stable	\$5 to \$15	Stable/Stable
Rangeland < 2,000 Acres	\$1,300 to \$4,000	Stable/Increasing	\$5 to \$15	Stable/Stable
Hunting Lease Rangeland			\$6 to \$20	Stable/Increasing

Rangeland lease rates per animal unit year long range from \$150 to \$240

South Central Texas

Land Use or Class	Value Ranges	Activity/Trend	Rental Range	Activity/Trend	
Irrigated Cropland	\$1,000 to \$4,000	Stable/Increasing	\$50 to \$75	Stable/Stable	
Dry Cropland	\$1,000 to \$2,000	Stable/Increasing	\$25 to \$55	Stable/Stable	
Rangeland > 2,000 Acres	\$800 to \$1,750	Stable/Increasing	\$4 to \$10	Stable/Stable	
Rangeland < 2,000 Acres	\$1,000 to \$2,500	Stable/Increasing	\$11 to \$11	Stable/Stable	
Hunting Lease (Rangeland)			\$2 to \$20	Stable/Increasing	

Rangeland lease rates per animal unit year long range from \$150 to \$200









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CONTINUED FROM PAGE 31

property types. Local producers provide a secondary market base which must compete with metroplex investors. Land values of the region are principally a function of proximity to the Dallas-Fort Worth metroplex or interstate and major highway corridors for ease of access to and from the metroplex. Secondly, investors commonly pay premiums for properties with enhanced recreational appeal in the form of above average topography, live water creeks, springs, lakes, or suitability to develop lakes and other surface water on the site. The emphasis on aesthetic and recreational appeal has negated the use of traditional land classes based on productivity. Highest value rural land in this market will typically have a mixture of multiple land types allowing the owner several different uses of the property. Production type properties which are exclusively cropland or open pastureland commonly lack aesthetic or recreational characteristics and therefore are the least desirable within the market. For these property types, sales activity is more stable but still trend with the general market.

Buyer motivation is typically for recreational pursuits and rural residential on either a permanent or temporary basis, coupled with investment. Most buyers will also conduct some sort of small-scale agricultural operation as a hobby farm or lease to an area producer to maintain tax exemptions. Rental rates for land are varied with many landlords requiring only property upkeep and maintaining the agricultural exemption while others report cash rates within the reported ranges.

Development growth was widespread around the entire DFW Metroplex in 2022 and activity surrounding development land was good. In addition to currently developing areas, areas such as Northern Ellis and Johnson Counties and Southeast Wise County have seen tremendous development growth. Recreational and full/part time residential users are forced to seek suitable properties outside the development corridors.

Northeast Texas

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Bowie, Camp. Cass. Delta. Franklin, Hopkins, Lamar, Marion, Morris. Red River, Titus, Upshur and Wood Counties

The Dallas-Ft. Worth metroplex, Longview, Tyler, Texarkana and Shreveport continue to be the primary source of new buyers for all classes except for larger crop land tracts. The increase in interest rates and the threat of a recession finally seemed to hit the market about mid year and the number of sales number of sales in most counties were down. Brokers started reporting a sharp decrease in potential buyers but the actual prices paid were still at all time highs.

After almost three years of appreciation rates of 25% to over 50% annually, sellers are slow to recognize the slow down and current asking prices are well ahead of the market which is another contributor to the decline in the number of sales.

As in the past, the first and second tier counties, (Wood, Upshur, and Marion, and to lesser degree, Morris and Cass) benefit from buyers out of Tyler-Longview and Shreveport, while Hopkins, Delta, and Lamar, benefit from the buyers from the Dallas metroplex. While it is too soon to prove with hard data, most participants feel the market is stable at the present time but are holding their breath against a decline.

The demand for good crop was stable during 2021 due to very strong commodity prices offset by a regional drought that reduced yields significantly. The most notable sale of the year was a crop land sale of over 7,000 acres at almost \$4,000 per acre.

Cattle prices were strong through 2022 and even higher at present but the lack of hay and high feed costs have forced some reduction in herd sizes.; however, as noted in previous years, there is very little direct correlation between cattle prices and land values at the price levels now prevalent in this area. The demand for pasture tracts is always fairly strong

and the number of reasonable listings is the primary limitation to sales. Lease rates on all land uses including hunting tracts were fairly stable and demand is still stable.

Subdivision of larger than average timber tracts into 20 to 40 acre

recreational tracts continued through most of 2022. As in the past few years, demand for recreational tracts of all sizes continued to be the most active segment of the rural land market. Varied terrain, rolling topography, surface water, flowing creeks or rivers and the availability of at least electricity and preferably rural water are all positive factors.

Only time will tell whether the market is just taking a breather and absorbing the interest rate increase or whether the economy slides into a recession and land values decrease; but, as long as the Dallas metroplex continues to grow, the long term outlook for this region is positive for land

Piney Woods North

Anderson, Cherokee, Gregg, Harrison, Henderson, Houston, Nacogdoches, Panola, Rusk, Shelby and Smith Counties

The Piney Woods North land market activity increased during 2021. Prices increased significantly over the prior year due to strong postpandemic demand, which has continued since 2020, together with a shrinking supply of available properties being offered for sale. Price appreciation is anticipated to continued into 2022.

Brokers have reported that post-pandemic marketing periods have tightened significantly over previous years, and buyers are plentiful but inventory is in short supply. Strong buyer demand is pushing prices higher for all property classes. Urban and sub-urban dwellers are seeking more affordable, small-acreage get-away and homestead properties, while high-net worth individuals and corporate buyers continue to seek out large-acreage tracts that exhibit premium recreational features. Many land investors are subdividing larger parent tracts into smaller, more affordable land units that achieve premium per-acre prices.

The areas in closer proximity to the Dallas-Fort Worth metroplex generally experience stronger demand and reflect higher prices than properties that are more distant from D/FW. Consequently, the northern counties within this sub-region generally reflect higher price levels than the counties situated in the southern portion of this sub-region, which also compares favorably to the Piney Woods South sub-region. Land classifications in the Piney Woods North sub-region include improved pastureland, native pastureland, upland pine timber, and bottomland hardwood timber. There is insufficient crop production in this sub-region to report a separate classification for cropland.

Recreation and hunting have historically dominated this region's rural land market, but life-style properties and hobby farms are becoming popular as well. Investors in timberland tracts are seeking dual-purpose properties suitable for both timber production and hunting, with good interior roads and water features being important property characteristics.

This strong demand, coupled with the decreasing number of acres available for lease, caused hunting lease rates to generally increase.

Pinev Woods South

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Angelina, Jasper, Newton, Polk, Sabine, San Augustine, Trinity and **Tyler Counties**

Angelina, Jasper, Newton, Polk, Sabine, San Augustine, Trinity and

The demand for pasture tracts in this region is from both out of the area and local. Demand for pasture remains strong; however, the supply of available tracts, in excess of 300 acres is limited. Both upland and bottomland pastures are in demand with mixed tracts being in particular demand. Large-acreage homesite use for pasture units in the northern part of the region is influencing prices.

The market for smaller properties increased substantially during 2022 which caused some market increase for the larger tracts. Developers are continually purchasing larger tracts for subdivision into smaller tracts for sale to the recreational buyer. The Piney Woods South market activity increased 2022, with prices showing a substantial increase. The demand for high quality recreational properties/timberland has increased. Sellers are asking more reasonable prices and as a result, these larger properties

CONTINUED ON PAGE 35



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North Texas

Land Use or Class	Value Ranges	Activity/Trend	Rental Range	Activity/Trend
Dry Cropland > 200 Acres	\$5,000 to \$12,000	Decrease/Increase	\$40 to \$60	Stable/Stable
Improved Pasture > 200 Acres	\$5,000 to \$12,000	Decrease/Increase	\$15 to \$25	Stable/Stable
Native Pasture > 200 Acres	\$5,000 to \$12,000	Decrease/Increase	\$10 to \$20	Stable/Stable
Hardwood Timber > 200 Acres	\$3,500 to \$5,500	Decrease/Increase	\$6 to \$12	Stable/Stable

These hardwood tracts reflect only fair timber quality and income is from hunting leases.

Dallas, Tarrant, Collin, Denton, Parker, Rockwall, Grayson, Hood and Johnson Counties - Not included in development of value trends due to there being almost a total lack of rural lands within the counties.

Northeast Texas

Land Use or Class	Value Ranges	Activity/Trend	Rental Range	Activity/Trend
Class II Dry Crop > 400 Acres	\$2,850 to \$5,000	Decrease/Increase	\$40 to \$100	Stable/Stable
Improved Pasture > 300 Acres	\$3,000 to \$6,000	Decrease/Increase	\$30 to \$40	Stable/Stable
Native Pasture > 300 Acres	\$3,000 to \$6,000	Decrease/Increase	\$15 to \$25	Stable/Stable
Hardwood Timber > 300 Acres	\$2,500 to \$3,500	Decrease/Increase	\$6 to \$15	Stable/Increase

These hardwood tracts reflect only fair timber quality and income is from hunting leases.

Piney Woods North

Land Use or Class	Value Ranges	Activity/Trend	Rental Range	Activity/Trend
Improved Pasture > 300 Acres	\$3,500 to \$7,500	Decrease/Increase	\$15 to \$30	Stable/Stable
Native Pasture > 300 Acres	\$3,500 to \$7,500	Decrease/Increase	\$12 to \$20	Stable/Stable
Upland Pine Timber > 300 Acres	\$2,000 to \$4,000	Decrease/Increase	\$8 to \$12	Stable/Increase
BottomlandHardwoodTimber>300Ac	\$1,500 to \$2,600	Decrease/Increase	\$8 to \$12	Stable/Increase

These pine timberland tracts reflect cut-over base land prices - merchantable timber is not considered.

These hardwood tracts reflect only fair timber quality and income is from hunting leases.

Piney Woods South

Land Use or Class	Value Ranges	Activity/Trend	Rental Range	Activity/Trend
Improved Pasture > 300 Acres	\$2,500 to \$5,000	Decrease/Increase	\$15 to \$30	Stable/Stable
Native Pasture > 300 Acres	\$2,500 to \$4,500	Decrease/Increase	\$12 to \$20	Stable/Stable
Upland Pine Timber > 300 Acres	\$1,700 to \$4,000	Decrease/Increase	\$8 to \$12	Stable/Stable
Bottomland Hardwood Timber > 300 Ac	\$1,400 to \$2,100	Decrease/Increase	\$8 to \$12	Stable/Stable

These pine timberland tracts reflect cut-over base land prices - merchantable timber is not considered.

These hardwood tracts reflect only fair timber quality and income is from hunting leases.

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have begun to sell. Brokers are reporting few listings of quality, reasonably priced tracts greater than 300 acres. Activity appears to have slowed substantially for properties greater than 3,000 acres. Only two sales are known which fall into this size bracket. One is in excess of 100,000 acres and was sold by a TIMO and was in Louisiana, Arkansas and this region in Texas. Buyers and sellers have begun to agree upon prices for which these larger tracts will sell.

The demand for properties in the Piney Woods South continued to be primarily from the Houston area buyer, and hunting and recreation dominate this region's rural land market. Purchasers continued to seek tracts of timberland with good interior roads, good surface water and woodland conducive to hunting. Owners who lease hunting land report an increase in the lease rates and report a preference in multi-type timber properties. Properties with upland and bottomland tend to command the highest lease rates. Multi species properties also tend to increase lease rates. When turkey and duck potential is added to the typical deer and hogs, the lease rate increases.

In this sub-region, there are significant timberland holdings which are controlled by Timberland Investment Management Organizations (TIMO's). The TIMO's typically identify and market portions of their ownerships which have a higher and better use than silviculture (HBU tracts).

Timber

Particularly for the southern Piney Woods North and all the Piney Woods South sub-regions, timber is an important component of value. The following is a comparison of general stumpage prices for merchantable timber products in these sub-regions from 2018 to 2021.

Pine Sawtimber prices have generally been relatively stable since 2019, even though lumber prices have soared in the last few years. As long as timber prices remain at these low rates, the overall price of land and timber for the very large tracts likely will remain relatively stable. The buyers of the smaller tracts, 300 to 500 acres, are more concerned with the recreational potential with timber being of a lesser concern.

Source: TimberMart South Annual Averages						
Product	2019 \$/Ton	2020 \$/Ton	2021 \$/Ton	2022 \$/Ton	% Change	
Pine Sawtimber	\$27.42	\$26.83	\$32.24	\$30.38	-5.80%	
Pine Chip-n-Saw	\$15.03	\$13.27	\$15.54	\$15.95	2.60%	
Pine Pulpwood	\$10.40	\$9.72	\$11.38	\$9.44	-17.00%	
Hardwood Sawtimber	\$29.46	\$31.14	\$33.14	\$35.58	7.40%	
Hardwood Pulpwood	\$13.05	\$6.50	\$7.65	\$8.12	6.10%	

Source: Texas A & M Forest Service Annual Averages							
Product	2019 \$/Ton	2020 \$/Ton	2021 \$/Ton	2022 \$/Ton	% Change		
Pine Sawtimber	\$27.48	\$24.47	\$30.33	\$27.70	-8.70%		
Pine Chip-n-Saw	\$14.68	\$12.19	\$11.62	\$11.69	0.60%		
Pine Pulpwood	\$8.55	\$7.44	\$8.07	\$6.43	-20.30%		
Hardwood Sawtimber	\$34.59	\$30.98	\$31.67	\$30.99	-2.10%		
Hardwood Pulpwood	\$13.56	\$8.00	\$6.34	\$5.83	-8.00%		



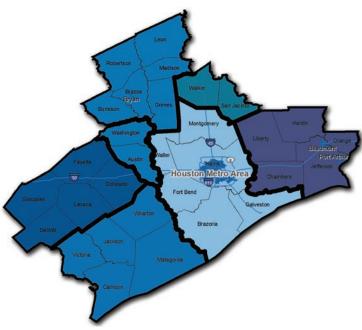
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REGION FIVE is one of two regions in the State of Texas that fronts the Gulf of Mexico. Houston, the largest city in Texas, is located within the region, in Harris County. The City of Houston, along with the Woodlands and Katy areas dominate the region.

Highlights for the overall market for the counties in Region Five precede brief discussions related to the each of the subregions.

- As has been the case for many years the City of Houston and nearby densely populated areas impact all properties within Region Five to a significant degree. In general, as you move north, northwest and west the most probable use of land, in the counties adjacent to Harris County, is end-user rural residential and holding for residential development. There are traditional agricultural areas east and southwest from Houston and the timber industry impacts the northeast, however not to the degree it has in the past.
- Due to the extremes found in land prices in both Harris and Galveston counties, they have not been included in the value/trend grid as has been the case for some time. While they have not been excluded from the analysis those counties that join Harris and Galveston Counties have become increasingly difficult to include in the analysis due to extremes in prices. The areas in those counties, with good proximity to employment centers, command prices that are certainly reflective of suburban areas. Over the last few years, the variance in land prices has tended to increase. In most cases it is more a factor of proximity to Houston than a wider dispersion within any land class. For example, the value of pasture in any one location is not necessarily selling for a wider range, but pasture near Houston is appreciating faster than similar pasture in a more remote part of the area, thus the extremes from high to low.
- · As the demand for recreational property in out-lying areas has increased, the differences associated with land types and uses, i.e., quality of pasture, etc., are having less impact on price. In most cases, native and improved pasture prices are tending to overlap significantly. While the individual factors are difficult to isolate, in aggregate they do have impact on price. More and more recreational properties can best be divided into poor, average and good. Factors that impact a properties appeal change from area to area and the challenge, from an appraisal standpoint, is to know what combination creates the greatest value in the area you are working. In general, those tracts with varied topography, water features, trees, and good access establish the upper end and those tracts that are flat, open with poor access establish the
- Individuals in and around Houston have purchased farms and ranches in out-lying counties for investment, recreation and use as weekend retreats. Historically a major motivation for the purchase was hunting, and while that is still a significant factor, "quality of life" issues have replaced hunting as the primary motivation for purchasing properties in the more scenic counties in the region.
- · Pasture lease rates have remained essentially constant over the last several years and appear to be disconnected from land value. Cropland prices and lease rates are once again on the rise as commodity prices (with emphasis on corn markets) have sharply increased since 2021. As was the trend in 2012-2014 when we saw that prior farming commodity price increase, the demand for cropland tracts in this region has sky-rocketed. Brokers are indicating they cannot keep inventory of cropland tracts available for sale because they are selling as soon as the first hint they are going to hit the market. Several recent irrigated cropland transactions in the Brazos Bottom which occurred during 2019-2022 suggests a recent upward trend in activity and price for cropland in this area relative to the prior several years.
- The discussion above has remained essentially unchanged for the last several years. As mentioned earlier, Houston and the surrounding area is the primary driver of values in this region of the State. As goes Houston, so goes the region. Typically if anything changes it is the radius of impact.
- In 2017, this region was undoubtedly one of the most widely impacted regions of the state when Hurricane Harvey came ashore near Rockport, Texas and left a path of flooding and destruction along the Texas Gulf Coast all of the way to Houston. Record rainfall amounts eclipsing 60" over the four-day period left its mark on the areas in closer proximity



to Houston and the aftermath has left its impact on the real estate markets through 2022. Properties located outside FEMA Floodplain map boundaries were not immune to flooding throughout the storm and as predicted, those properties suffered significant discounts in the year following the natural disaster, especially those properties with building improvements which were flooded. However, analysis of the sales within the region are showing some signs of a "short-term" memory for those properties located outside the traditional 100-year floodplain boundaries. Sales of those flooded properties which were purchased after the storm at a discount in late 2017 and early 2018, then were remodeled and resold are actually showing fairly strong resale rates, especially in those counties where the FEMA map boundaries have not been updated since Hurricane Harvey. As the short term effects of the major hurricane definitely showed some "post-storm decline," the intermediate to long term impacts on property values are still driven by location and physical features which were important to buyers prior to the storm. However, it should be noted that many of the listing descriptions and marketing packets reference whether or not a specific property flooded during Hurricane Harvey as a "high water mark" for buyers when making their purchasing decisions.

• Beginning in 2020, the entire country (as well as most of the world) has been in the midst of the global COVID-19 pandemic which has significantly altered our daily routines. Many of the day-to-day tasks we had taken for granted have now become different and unusual with shortages in household goods on a scale most of us have not seen in quite some time, if ever. Initially, the impact these changes had on market real estate prices did not appear to be moving prices in any sort of significant direction, however with a 30-40% reduction in the stock market in a very short time, many in the real estate market expected some sort of impact to land prices in 2020. The federal government reduced interest rates in an attempt to stabilize the downturn in markets which had triggered some re-financing opportunities in real estate. What was expected to be a likely "short-term fix" to the nationwide problem has in reality held real estate prices stable, if not increasing in most areas as it coincided with an increase in overall demand for rural properties. Oil and gas markets took a steep dive in the midst of oil price wars between Russia and Saudi Arabia in early 2020 to the point where we actually saw a negative price for oil on the commodities market in April 2020 which caused many production and service companies to scale back in attempts to weather the storm. The current administration implemented a change in federal government policy on oil production and exploration and as a result, the price being paid at the pump for a gallon of gasoline has seen a sharp increase in 2021, but ultimately stabilized in 2022 as a result of the administration using the strategic oil reserves to maintain supply ahead of the 2022 mid-term elections. In an effort to combat the impacts of inflation on the heels of the COVID-19 pandemic and subsequent federal stimulus payments to stabilize the nations economy, the federal reserve began raising interest rates over the course of 2022 which does appear to be slowing down the real estate market of the region somewhat. Going forward into 2023, there are still variables and uncertainty as to what



the long-term effects of increasing interest rates and lingering impacts of COVID-19 will have on this region which has remained relatively strong when compared to the entire State of Texas in recent years. Construction costs have skyrocketed over the past 36 months due to a limited supply of processed goods which could further curb the demand for new construction and in turn, also impact rural land throughout this region. We will continue to keep a keen eye toward the future to see where all the effects of this global pandemic surface.

Eastern Coastal Prairie and Southeastern Piney Woods

Chambers, Hardin, Jefferson, Liberty and Orange Counties

"Rural Residential/Agricultural" accounts for most of the tracts typically considered a small-to-large lifestyle farm. This type of property has been gaining in popularity as Houston continues to move east and Beaumont moves west. Drainage is often a critical factor in this category as much of the area is low lying. With the completion of Grand Parkway from Interstate Highway 45 to I-10 East, there has been an increase in activity in the area for the ease of access to the Houston market.

The booming downstream refining and petrochemical industries east of Houston have seemed to taper off. Momentum from rapid growth in the fracking boom has largely dissipated after two years of no job growth; the eastside petrochemical boom is ending; and upstream drilling jobs are not yet returning. However, demand for real estate in the area has remained relatively stable.

Cropland sales are very scarce and are not in the trend grid. Most of the tracts that were historically rice farms have been converted to pasture. It is noted there are a few transactions each year with existing producers expanding operations.

Some of the mid to smaller size timber tracts are being cutover or selectively cut and are then being sold as ranchette/recreational tracts.

The slowdown of the petrochemical industry has had a slight influence since 2019. There doesn't appear to be quite as many cash deals taking place, but demand does appear to be relatively stable. Regarding recreational land, as Houstonians look west and north for land there is competition from the San Antonio, Austin and the Dallas Metroplex. Growth will continue in this direction as there is still a considerable supply of "new land" that appears to be selling at reasonable prices relative to other areas.

Southwestern Piney Woods San Jacinto and Walker Counties

Price differential can seldom be attributed to improved pasture versus native. If there is a price difference, the buyers and sellers will likely say it was "prettier" as opposed to it had better grass. As mentioned earlier typically the purchase decision is a "quality of life" issue. There are very few large pasture tracts that sell in either county. It is difficult to establish a trend in pasture prices and for all practical purposes most pasture tracts would fit in the rural residential/ag category. Growth and commercial development along I-45 in and near Huntsville has been significant compared to years past. There was general improvement with essentially all categories of land in the area at the bottom end of the range. The upper end moved little.

The estimated contribution, if any, of standing timber continues to be difficult. It boils down to a highest and best use decision. If the area market and the size of the tract supports timber production, then the young timber will contribute value as a future income stream. But in areas that are becoming more recreational in nature and the tracts get smaller the trees are more of an aesthetic feature inherent in the land value. Some buyers show equal motivation for future appreciation and/or hunting as compared to timber prospects. Most tracts where timber is a deciding factor range from 150 and larger in acres. There is continued sentiment that timber is a "safe haven" for money.

The growth of the Woodlands and the surrounding area allows more individuals to live further north and still commute to work. The new and proposed residential developments near the Woodlands, Conroe and Huntsville will benefit this area as new residents search out residential and rural recreational tracts. The south end of the county in and around New Waverly is feeling the influence of Montgomery County and the Woodlands area most noticeably. Walker County has seen increased demand in comparison with San Jacinto County.

Brazos Bottom

Brazos, Burleson, Grimes, Leon, Madison and Robertson Counties

The Bryan / College Station area has seen increased development throughout the last decade in part influenced by the construction of significant healthcare facilities, particularly the Baylor Scott & White Hospital completed in August 2013. The five-story, 143-bed hospital is located along the Highway 6 corridor in south College Station. Significant commercial, multi-family, and residential subdivision growth has also continued in this area, further spurring demand for agricultural/rural residential tracts and lifestyle farms in Brazos County and surrounding counties. The growth in Brazos County along with decreasing supply has positively influenced outward demand for "cheaper" rural residential agricultural properties in surrounding counties (Grimes, Robertson, Burleson, Madison), as premium land prices required in Brazos County have become too expensive for the average buyer. Increasing demand in these counties have spurred significant market appreciation over the prior three years, particularly for rural residential / agricultural properties less than 100 acres. Market appreciation for agricultural / recreational properties greater than 100 acres is also recognized, although at a lesser rate relative to smaller agricultural / recreation and rural residential tracts.

Both the dry land and irrigated cropland markets are situated predominantly along the Brazos River Bottom, eastern Burleson County, and western Robertson County. Historically there has been very little activity in the bottom with land seldom changing hands. A majority of cropland transaction in this area occurs between family, families and / or adjoining property owners. The cultivated market has been reasonably stable, with the prices represented by the few arms-length transactions being fairly consistent to slightly increasing. Rents are for the most part at the same general levels, with a few higher rents noted for better quality, irrigated farms. Several recent irrigated cropland transactions in the Brazos Bottom which occurred during 2019 thru 2022 suggests a recent upward trend in activity and price for cropland in this area relative to the prior several years.

A majority of rural land transactions in the area is concentrated in the pastureland and rural residential / agricultural categories. Minimal price differences are observed in the area when comparing native pasture versus improved pasture, although a price premium for improved pasture is observed in few instances likely due to their more scenic qualities. Increasing activity accompanied by an increasing value trend for improved pasture and native range markets have been observed from the beginning 2015 thru the present, most notably for tracts comprising above-average scenic qualities, above-average road frontage, rolling topographical features with hilltop homesites, an ideal mix of wooded pasture land to open pasture land, and desirable water features. The most active rural land market with recent price increases is represented by the rural residential / agricultural category. This category represents 20 acre to 100 acre tracts suitable for residential and recreational uses. Brazos and Grimes Counties account for most of the higher priced land in this category, with tracts closer in proximity to Bryan/College Station typically requiring a premium as compared to areas $surrounding \, Brazos \, County \, as \, noted \, in \, the \, introduction. \, Increasing \, demand \,$ followed by an increasing value trend for rural residential / agricultural properties have been observed in Robertson and Burleson Counties over the last several years as the premium prices required in Brazos County have

become too expensive for the average buyer. Given the recent uptick in interests rates and market trends from September 2022 through the end of the year, prices have began to stabilize and this stabilizing trend is expected in the near future.

A recent wave of rural demand from urban buyers has been significant since the summer of 2020 due to Covid-19 concerns, civil unrest in urban locations, and out of state migration. Particularly for properties in the 10-50 acre range suitable for recreational / rural residential uses. The high demand for these type rural tracts chasing a decreasing supply has resulted in further market appreciation above typical norms during 2021 and throughout the first 3 quarters of 2022.

Houston Area

Brazoria, Fort Bend, Montgomery and Waller Counties

Land in this area is essentially one land class. Price is more a factor of location than type and aesthetic appeal determines whether a tract sells high or low.

There is essentially no cropland in the immediate vicinity of the Houston metropolitan area and, where it exists, it typically sells for prices more reflective of rural residential use or lifestyle farms. Rural land in this area tends to be classed as native land or land that has been "cleaned up" or improved. This could include interior roads, fences, improved pasture, selective clearing, ponds, etc. The more aesthetically appealing tracts, that have been somewhat "fixed up" or maintained, continued to command

a premium. All other types tend to fall into a different land class that is at lower price.

Fort Bend County and the far northern portions of Brazoria County continue to be a hot bed of residential development and urban expansion for the six counties included in this part of the study. The US Highway 59/Interstate 69 corridor in the area of Richmond/Rosenberg has seen substantial new commercial development over the previous five-year period and single-family residential subdivisions continue to show signs of new construction and development. However, for much of the remaining portions of these counties, the focus is on rural acreage homesites in the Needville, Beasley, Fulshear and Rosharon communities.

Brazoria County sales volume is noted as having increased slightly over 2022, with a fairly significant portion of this increase noted in the smaller size range of tracts represented by rural homesites being purchased. The demand for good quality tracts with strong aesthetic appeal continues to be strong and prices are stable to gradually increasing.

Waller County continued to show steady growth with most of the demand being for rural acreage home sites. Most of the activity was in proximity to FM 359 and also in the northern part of the county. Prices appear to be gradually increasing as they have been for several years, but have stabilized in the later portion of 2022 which coincided with the increase in interest rates.

Montgomery County continued to show strength for the same reasons as in the past. There are relatively few tracts greater than 50 acres in Montgomery County. When a large block sells it typically sells as a future development

Eastern Coastal Prairie and Southeastern Piney Woods

Land Use or Class	Value Ranges	Activity/Trend	Rental Range	Activity/Trend
Rural Residential/Ag 50–150	\$1,700 to \$19,500	Stable/Up	\$10 to \$15	Stable/Stable
Improved and Native Pasture	\$2,500 to \$9,600	Stable/Up	\$10 to \$20	Stable/Stable
Bottom Timber	\$1,000 to \$1,700	Slow/Stable	\$7	Stable/Stable
Upland Timber	\$1,700 to \$5,800	Stable/Up	\$7	Stable/Stable
Marsh	No Sales in 2022			

Southwestern Piney Woods

Land Use or Class	Value Ranges	Activity/Trend	Rental Range	Activity/Trend
Rural Residential/Ag 50-150	\$7,000 to \$16,500	Active/Up		
Improved and Native Pasture	\$2,400 to \$10,000	Active/Up	\$10 to \$15	Stable/Stable
Bottom Timber	\$1,300 to \$1,950	Slow/Stable	\$5 to \$10	Stable/Stable
Upland Timber	\$2,500 to \$4,500	Slow/Stable	\$5 to \$10	Stable/Stable

Brazos Bottom

Land Use or Class	Value Ranges	Activity/Trend	Rental Range	Activity/Trend
Irrigated Cropland	\$3,900 to \$4,500	Stable / Up	\$90 to \$130	Stable/Stable
Dry Cropland	\$3,200 to \$4,000	Stable / Up	\$60 to \$110	Stable/Stable
Improved and Native Pasture	\$4,100 to \$14,000	Active/Up	\$15 to \$25	Stable/Stable
Rural Residential/Ag 50–100	\$5,000 to \$21,000	Active/Up	\$15 to \$25	Stable/Stable

Houston Area

Land Use or Class	Value Ranges	Activity/Trend	Rental Range	Activity/Trend
Improved and Native Pasture	\$5,500 to \$16,600	Slow/Stable	\$15 to \$30	Stable/Stable
Rural Residential/Ag 50-100	\$4,000 to \$55,000	Stable/Stable		

Harris and Galveston Counties - Removed from grid as there is essentially no open land not impacted by development.



Central Coastal Prairie

Calhoun, Jackson, Matagorda, Victoria and Wharton Counties

This portion of the region has seen a continued "stair step" increase in overall land values starting in 2018 which has continued through 2022, with the area along US Highway 59/Interstate 69 showing the most significant increases. Cropland inventories available for sale are once again scarce and quality tracts that do appear for sale are quickly placed under contract. Lease rates for cropland have stabilized in recent years and the demand for these tracts appears to continue to be strong. Strong commodity prices seen in late 2021 and into 2023 have buyers "bullish" on cropland in the area and the demand for these tracts has sharply increased.

Rural recreational properties with strong aesthetic appeal and recreational hunting potential have also seen another "stair step" increase within the area and it is most notably attributed to continued demand increases with a relatively limited number of quality tracts coming onto the market available for sale.

In the southern part of this five-county area, two industrial plants in Calhoun County (Alcoa and Invista which are in the aluminum manufacturing industry) initiated large layoffs for a total of 800+lost jobs to the nearby communities in early 2016. Some of the workforce has been able to find new jobs in the area with plant expansions at Formosa and other area plants, while others were relocated to another Alcoa plant in the Midwest. In previous years, we had discussed some of the "lost industry" from low oil prices, however with the change in government policy with the current administration and unrest across the globe (Russia/Ukraine war), oil prices have increased sharply, and these oilfield service jobs are once again in high demand in this area. While there has been a slight reduction in the total sales volume in this area, rural real estate prices continue to be strong, especially for high quality tracts with good aesthetic appeal and recreational hunting potential.

Following a trend from previous years, it is noted that Houston is having a relatively significant influence on north and east Wharton County, most notably in the Hungerford and East Bernard areas. Wharton County is located along the U.S. Highway 59 corridor (future Interstate 69) and has shown a marked increase in the overall price per acre for acreage tracts within the immediate vicinity of this corridor, similar to what Fort Bend County (adjacent on its northeast border) has experienced over the previous

5-8 year period. Construction progress along the roadway continues to increase urban expansion influence throughout the area and is expected to be felt onward to Victoria in the coming years.

The improved and native range category is again combined. Many brokers from surrounding areas, where property available for sale is limited, continued to come into this area.

North Coastal Prairie

Colorado, DeWitt, Fayette, Gonzales and Lavaca Counties

There is limited cropland in the North Coastal Prairie region, with most concentrated in the far southeast portion of Colorado County. Sales volume in the region have remained relatively stable with most sales being tracts under 100 acres. Most of the demand is from people living in the Houston and Austin areas that are looking for a small weekend getaway or a recreational tract for hunting purposes. Also, land values are slightly lower than Washington and Austin Counties which leads buyers to this region. Rural recreational properties with recreational hunting potential along with aesthetic appeal are in demand due to the limited number of tracts coming on the market. Fayette and Colorado Counties account for most of the higher priced land in this 5-county region, with tracts closer in proximity to Round Top typically commanding a premium. However, Lavaca County is beginning to command a higher price with an increase in activity over the last few years.

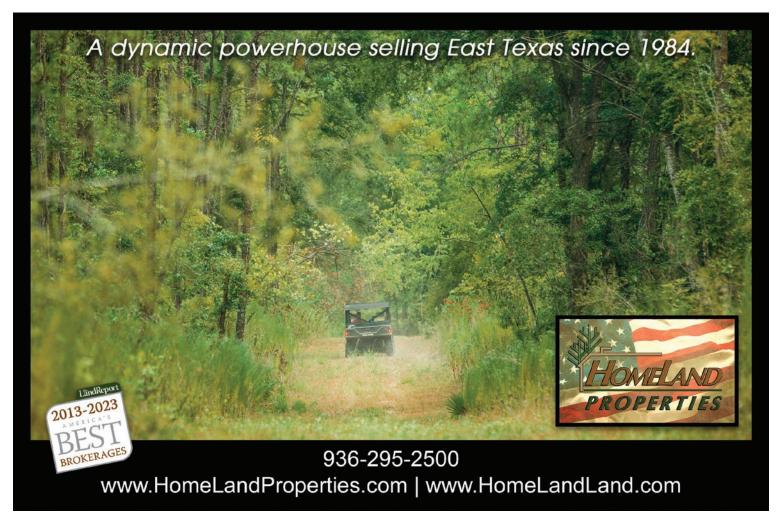
Oil and gas activity has been a significant factor in this region over the last few years and is expected to be a driving factor in terms of the industrial workforce for this area. The total sales volume has remained relatively stable in this area; however, prices continue to be strong, especially for above average tracts with good aesthetic appeal. Seldom do properties in this area transfer with minerals intact, but when they do the inclusion of minerals impacts price.

Bellville and Brenham Area

Austin and Washington Counties

Land in this area has essentially combined into one land class with price being determined by location and aesthetic appeal rather than land type.

CONTINUED ON PAGE 40





Driving forces creating value are tree coverage, significant amount of road frontage, hills and views. Buyers are willing to pay a premium for wellmaintained or "ready to go" properties. After pairing area sales, a desirable recreational tract can sell for twice as much as an adjoining property due to aesthetics. The Region Five grid has a scenic category that combines some or all of the characteristics and mainly encompasses the areas of Cat Springs, Chappell Hill and Burton. There have been several rural subdivisions developed in the Chappell Hill area which represent the higher values in this category. Overall, this area has remained relatively stable regarding total sales volume and prices continue to be strong for each land type.

The area around Sealy is predominantly flat, with less tree cover; this

area historically has sold for less than the lands to the north. However, due to proximity to I-10, SH 36 and the expansion of the Katy area, Sealy and the surrounding area has seen the biggest increase in activity along with values over the last several years. However, in in the last several years, the number of sales and values have remained relatively stable. The Interstate 10 expansion from the Brazos River through Sealy finally began in 2019 and is nearing its expected completion timeframe of three and a half years. The expansion of I-10 will increase commercial construction along this roadway and the area is being developed with new residential subdivisions all of which will further enhance the urban influence throughout the area. There has been more activity from investors purchasing larger tracts to hold for future development.



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Coastal Prairie - Central

Land Use or Class	Value Ranges	Activity/Trend	Rental Range	Activity/Trend
Irrigated Cropland	\$3,500 to \$5,400	Stable/Up	\$65 to \$90	Stable/Stable
Dry Cropland	\$3,500 to \$6,500	Active/Up	\$65 to \$95	Stable/Stable
Improved and Native Pasture	\$3,200 to \$7,800	Active/Up	\$15 to \$30	Stable/Stable
Rural Residential/Ag 50–100	\$3,800 to \$16,000	Stable/Up		

Coastal Prairie - North

Land Use or Class	Value Ranges	Activity/Trend	Rental Range	Activity/Trend
Irrigated Cropland	\$3,000 to \$6,500	Slow/Up	\$20 to \$60	Stable/Stable
Dry Cropland	\$3,000 to \$6,500	Slow/Up	\$20 to \$30	Stable/Stable
Improved and Native Pasture	\$3,700 to \$16,400	Stable/Up	\$15 to \$25	Stable/Stable
Rural Residential/Ag 50–100	\$4,500 to \$23,000	Active/Up		

Bellville and Brenham Areas

Land Use or Class	Value Ranges	Activity/Trend	Rental Range	Activity/Trend
Scenic Recreational Land	\$9,000 to \$30,000	Slow/Up		
Rural Residential/Ag 50–100	\$9,000 to \$38,000	Slow/Up		
Improved and Native Pasture	\$5,200 to \$25,000	Slow/Up		
Sealy Area	\$6,000 to \$35,000	Slow/Stable		



REGION SIX is the geographical region of Southern Texas. This area includes the southern fringe of the Edwards Plateau, portions of the **Coastal Plains and Coastal Bend, the South** Texas Brush Country, and the Rio Grande Valley. Counties within this region lie between Comal and Cameron Counties, on a north/south basis. and between Refugio and Maverick Counties, on an east/west basis. Region 6 is bound by the Gulf of Mexico along the east and the Rio Grande River/Republic of Mexico along the west/ southwest.

The following highlights the South Texas market.

- Market Activity the first approximate one-half of 2022 started with similar strong activity to the prior years of 2020 and 2021. However, beginning in the summer of 2022, market activity began to decrease and continued to decrease through the end of the year. The lessened activity was likely due to higher interest rates, satisfied demand, ongoing drought conditions, a lack of inventory, etc.
- · Demand for properties throughout the State of Texas under the approximate two to three million dollar price range was strong in the first half of 2022 and lessened the second half of the year. Higher priced farms and ranches, especially above ten million dollars, experienced strong demand in 2022. Buyers continue to have a strong desire for a rural property following past lock downs, outbreaks, etc. associated with the Coronavirus and past political unrest. Another reported demand driver for land across the State of Texas is individuals leaving other states with high taxes, unfriendly business policies, unpopular politics, etc. Low interest rates enhanced demand in the land market in the past; however, interest rates have been "on the rise" in an effort to slow inflation over the last several months.
- Eagle Ford Shale activity increased in 2022, particularly in proven locations, known for strong production. The average price of oil in 2022 was in the \$95 to \$100 per barrel range compared to the \$65 to \$70 range in 2021, the \$35 to \$45 per barrel range in 2020, and the \$50 to \$60 per barrel range in 2019. Drilling permit numbers were up by 417 in 2022 compared to 2021.



- Weather Conditions 2022 saw well below average rainfall for Region 6. The vast majority of the region experienced drought conditions in essentially all seasons.
- Land Values/Land Pricing Virtually all land class values in the region saw an overall increase in 2022; however most of the increase was in the early part of the year. Pricing seems to have stabilized in the later moths of 2022. Similar to 2021, the inventory of quality ranches was somewhat low due to previous strong demand. Marketing periods in the first approximate one half of the year were reasonable and properties with pricing aligned with market value sold within a fairly fast time frame. Marketing times notably increased in the second half of the year. 2022 pricing in South Texas was higher than 2021 levels and the levels from years past.
- Sellers Mostly long term owners and investors. The increase in pricing, particularly early in the year, motivated some owners "on the fence" about selling to move forward with marketing their property. In

CONTINUED ON PAGE 42





- the first one-half of the year there was some "flipping" of properties for a profit. The flipped properties were purchased at more reasonable pricing at some point in the past, cleaned up, and remarketed for sale. This trend decreased starting in the warmer summer months.
- Buyers End users continue to be the most prevalent land buyers. Energy funded buyers were active due to the strong pricing of oil and natural gas in 2022. 1031 tax deferred exchange buyers that sold a property and were looking for a replacement property were also active. Ranch investors looking for properties to divide, enhance, and resell were active, but appeared to be less active than in 2021.
- Demand for Ranches Recreational and investment demand accounted for most of the activity in 2022. Demand for recreational ranches with good amenities and within a moderate driving distance of South Texas cities remains better than the more remote ranches. Hunting ranches with improvements, established game management, and live water ranches continue to be the most desirable.
- Demand for Farmland The demand for farmland maintained strength in 2022 as in years past. Institutional investors/agricultural REIT's as well as established farmers show strong interest in farmland. The positive investment return provided by cropland income, possible appreciation, and potential tax benefits related to depreciation continue to drive the demand for farmland. Farmland pricing in South Texas increased in 2022. Demand is not necessarily commodity driven but investor driven. It is reported that rents are generally stable and there have been reports of somewhat lower cap rates in certain farming areas.
- Demand for Subdivision Development Land This market segment in 2022 was active, but less active than prior years. National home builders continue to develop new projects; however, with higher interest rates the buyer demand for the end product is less. Single family resi-

- dential home sales slowed in 2022 which has subsequently reduced demand for subdivision development land.
- Financing Low interest rates have enhanced demand in the land market in the past; however, interest rates have significantly increased in an effort to slow inflation over the last several months. While credit is available with standard underwriting, interest rates are far less attractive to farm and ranch buyers. The higher rates appear to have slowed buyer interest in small to mid-sized properties. Investors interested in sizable farms and ranches appear to be less impacted by rising interest rates.
- Border Wall/Illegal Immigration Changes in immigration policy and the cancellation of border wall construction has continued the unprecedented "surge" in illegal immigration in South Texas. Sizeable groups of "illegals" traveling by foot are common. Human trafficking and drug trafficking continue to be at an all-time high. "Bail outs", large drug seizures, etc. are an everyday occurrence. Border security and the associated safety concerns have likely impacted demand for certain properties in South Texas, particularly those farms and ranches in close proximity to the Rio Grande. Market resistance may reach as high as U.S. Highway 90 in many locations. It is understood that activity has lessened in select locations; however, illegal immigration, drug trafficking, and human trafficking continue to plague South Texas.
- Minerals have historically been difficult to acquire in the heart of the Eagle Ford Shale and other areas in Region 6. Most sellers in South Texas are reluctant to convey any minerals particularly in established mineral areas known for significant production. In marginal mineral areas where leases have expired or were never negotiated, some minerals may convey with the surface estate. If minerals are offered with the surface, the minerals raised the overall price per acre and decreased the marketing time of farms and ranches. The boundaries of the Eagle Ford Shale have become narrowly defined thus allowing

CONTINUED ON PAGE 44

Transition Zone

Land Use or Class	Value Ranges	Activity/Trend	Rental Range	Activity/Trend
Class I Irrigated Crop	\$4,000 to \$10,000	Active/Stable	\$75 to \$200	Stable/Stable
Class II Dry Crop	\$2,500 to \$7,500	Active/Stable	\$20 to \$50	Stable/Stable
Permanent Pasture	\$2,000 to \$3,500	Active/Stable	\$180/AU	Stable/Stable
Rangeland <2,000 Acres	\$2,000 to \$10,000	Active/Stable	\$165/AU	Stable/Stable
Rangeland >2,000 Acres	\$1,750 to \$5,000	Active/Stable	\$165/AU	Stable/Stable
Development Land	\$10,000 to \$60,000	Stable/Stable	n/a	n/a
Transferable Edwards Aquifer Water Rights	\$4,000 to \$5,000	Stable/Stable	\$100 to \$150	Stable/Stable
Hunting Lease			\$5 to \$25	Stable/Stable

Value ranges are generally reflective of partial mineral or surface only transactions.

Properties with water rights, live water features or turnkey improvements and infrastructure sell at higher achievable pricing throughout region than similar properties without these amenities.

Upper South Texas - Upper to Mid Brush Country

Land Use or Class	Value Ranges	Activity/Trend	Rental Range	Activity/Trend
Class I Irrigated Crop	\$3,500 to \$8,500	Active/Stable	\$50 to \$150	Stable/Stable
Class II Irrigated Crop	\$2,500 to \$4,000	Active/Stable	\$50 to \$125	Stable/Stable
Class II and III Dry Crop	\$1,750 to \$2,500	Active/Stable	\$20 to \$40	Stable/Stable
Permanent/Improved Pasture	\$1,750 to \$2,500	Active/Stable	\$180/AU	Stable/Stable
Rangeland < 2,000 Acres	\$1,500 to \$4,500	Active/Stable	\$150/AU	Stable/Stable
Rangeland > 2,000 Acres	\$1,200 to \$3,500	Active/Stable	\$150/AU	Stable/Stable
Hunting Lease (Rangeland)			\$10 to \$25	Stable/Stable

Value ranges are generally reflective of partial mineral or surface only transactions; few tracts sell with significant minerals in this market.

Properties with irrigation and turnkey improvements and infrastructure sell at higher achievable pricing throughout region than similar properties without these amenities.

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CONTINUED FROM PAGE 42

- certain buyers to acquire minerals. Drilling activity in the Eagle Ford, according to the Texas Railroad Commission, is detailed as follows: 26 drilling permits issued in 2008, 94 in 2009, 1,010 in 2010, 2,826 in 2011, 4,143 in 2012, 4,416 in 2013, 5,613 in 2014, 2,315 in 2015, 1,119 in 2016, 2,123 in 2017, 2,288 in 2018, 2,043 in 2019, 981 in 2020, 1,066 in 2021, and 1,483 in 2022.
- Water Region 6 has three major water sources which influence the rural land market. Each water source is unique to the sub-regions which comprise Region 6.
- The Edwards Aquifer, the only fully adjudicated ground water resource in the state occupies the bulk of the Transition Zone and is the primary source of both drinking and irrigation water.
- The Carrizo Wilcox Aquifer underlays the bulk of both the Upper and Lower South Texas zones and although not adjudicated like the Edwards is regulated by 12 individual Ground Water Conservation Districts (GCD's) each with different rules and requirements. The Carrizo is the primary aquifer for this entire sub-region but the Frio and Nueces Rivers are also a factor in the water picture for the area. An active water market is yet to emerge in this sub-region relative to the Carrizo aquifer.
- The Coastal Plains and Coastal Bend sub-regions are principally dependent on the Gulf Coast Aquifer system for the bulk of its water needs. Corpus Christi receives a significant portion of its water needs from the Nueces River via Lake Corpus Christi and Choke Canyon Reservoir. The principal regulatory entities for the sub-region are the nine GCD's which regulate the ground water and the Nueces River Authority which regulate the surface water use. Nueces County is not in a GCD and hence is unregulated as to groundwater issues. An active water market is yet to emerge in this sub-region relative to the Gulf
- The Rio Grande Valley sub-region is the only area of the region which is mostly dependent on surface water for both drinking and agriculture which is supplied by the Rio Grande River. The waters of the Rio Grande are fully adjudicated and an active water market has existed in the area since the adjudication was complete in the late 1960's. The Gulf Coast Aquifer is also a water source for those areas closer to the coast. A desalinization plant in the valley supplements the surface water supplies of drinking water in the Brownsville area.

Transition Zone between the Texas Hill Country and the Upper Brush Country

Atascosa, Bexar, Comal, Guadalupe, Medina, Wilson and Uvalde

Residential subdivision development, ranch division and recreation are the primary investment motives for large tracts within proximity to San Antonio and in counties adjoining Bexar County. Uvalde County is less influenced by subdivision pressure due to its more rural location being over one hour west of San Antonio and typically considered out of commuting range. Overall development activity throughout this area continues to be active but has lessened with higher lending interest rates. National residential development companies continue to have lot inventories and new house construction is ongoing.

Demand for recreational land is strong but has been less since mid-2022. Weekend recreational ranches are common in the Transition Zone due to the short driving distance to San Antonio. Live water features, improvements and proximity to San Antonio are the driving forces for these properties located along the edge of the Texas Hill Country. Irrigated and dry farmland, historically known for dove hunting, mostly in Medina County, have continued demand.

The South Central Mandatory Chronic Waste Disease (CWD) Sampling and Carcass Movement Restriction Zone is located in parts of Medina and Uvalde Counties. As in the past four to five years, there has been some market resistance to ranches located within defined zones; however, softer land pricing has yet to be seen. CWD zones may increase marketing

Demand for farmland in Bexar, Comal and Guadalupe Counties is active. Open farmland, in the San Antonio area is desirable for high density residential development as long as public utilities are nearby. Overall, western Medina County and Uvalde County generally have less intense land uses and good recreational appeal. Irrigated farmland has a good level of demand and strong pricing.

A clearly defined water rights market overlays the Edwards Aquifer area, with transferrable water rights selling separately from the land and the base water rights. The non-Edwards aquifers, with a few exceptions, have not seen significant water rights sales or marketing activity, which in part has been due to the lingering question regarding the authority of groundwater districts to restrict the export of water beyond the boundaries of the district. The completion of a large water line from Burleson County (in Central Texas) to San Antonio and the acquisition of water rights in this area has decreased the City of San Antonio's interest in acquiring Edwards Aquifer water rights the past two to three years. As such, it appears that the pricing of transferrable Edwards Aquifer water

Lower South Texas - Lower Brush Country

Land Use or Class	Value Ranges	Activity/Trend	Rental Range	Activity/Trend
Dry Cropland	\$1,500 to \$3,500	Active/Stable	\$20 to \$30	Stable/Stable
Rangeland < 2,000 Acres	\$1,200 to \$5,000	Active/Stable	\$150/AU	Stable/Stable
Rangeland > 2,000 Acres	\$1,000 to \$3,500	Active/Stable	\$150/AU	Stable/Stable
Hunting Lease (Rangeland)			\$10 to \$25	Stable/Stable

Value ranges are generally reflective of surface only transactions; few tracts sell with significant minerals in this market. Properties with turnkey improvements and infrastructure sell at higher achievable pricing throughout region than similar properties without these

Coastal Plains

Land Use or Class	Value Ranges	Activity/Trend	Rental Range	Activity/Trend
Class II & III Dry Crop	\$2,500 to \$4,500	Active/Stable	\$30 to \$65	Stable/Stable
Permanent/Improved Pasture	\$2,500 to \$4,500	Active/Stable	\$175/AU	Stable/Stable
Rangeland <2,000 Acres	\$3,000 to \$5,000	Active/Stable	\$175/AU	Stable/Stable
Rangeland >2,000 Acres	\$2,000 to \$4,000	Active/Stable	\$175/AU	Stable/Stable
Hunting Lease (Rangeland)			\$8 to \$15	Stable/Stable

Value ranges are generally reflective of partial mineral or surface only transactions; few tracts sell with significant minerals in this market. Properties with turnkey improvements and infrastructure sell at higher achievable pricing throughout region than similar properties without these

rights is slightly less than in years past. If drought conditions persist, the demand for Edwards Aquifer water rights may increase. Edwards Aquifer water rights price levels are currently around the \$4,000 to \$5,000 per acre foot for unrestricted water rights in larger blocks. Smaller amounts of I to IO acre feet currently trade in the \$8,000 to \$12,000 per acre foot range. Leasing activity is stable.

Upper South Texas (Upper to Mid Brush Country) Dimmit, Frio, La Salle, Live Oak, Maverick, McMullen, Webb and

Recreation is the primary source of demand for land in this sub region. The area has an excellent reputation for good trophy deer and upland bird hunting. Land stewardship practices are more focused on the balance of livestock, wildlife, and oil and gas production. However, certain ranch owners are abandoning traditional grazing of livestock and concentrating strictly on wildlife.

A number of ranches are high fenced and game managed. Deer breeding programs, along with trap and transport programs have significantly decreased in popularity with the discovery of chronic wasting disease; deer breeders are far more cautious than in years past. A trend toward the release of any pen raised deer still on ranches with former whitetail operations is significant. The Duval County Chronic Waste Disease (CWD) Sampling and Carcass Movement Restriction Zone is located in parts of McMullen County. Many ranches have an M.L.D.P (Managed Lands Deer Permit) through Texas Parks and Wildlife which allows for extended hunting seasons and gives land owners time to achieve wildlife management goals. Hunting lease prices remain level to increasing, especially for ranches with good game management.

The Eagle Ford Shale is the primary economic generator in South Texas and in this area. As the price of oil trends upward, mineral activity in South Texas increases and vice versa.

This location of South Texas has strong demand and subsequent strong pricing. The most desirable location is mostly within an hour to one and one-half hours of San Antonio. Farmland pricing is increasing in Upper South Texas. Inventory in this sub region is limited and pricing increased

Lower South Texas (Lower Brush Country) Brooks, Duval, Jim Hogg, Jim Wells, Starr and Zapata Counties

Lower South Texas has a similar source of demand as Upper South Texas. This is one of the most popular hunting areas in South Texas. Land prices increased in 2022 for both small and large ranches. Investors are willing to drive further to these good hunting areas, with hopes of finding lower land pricing and large blocks of native pasture. Most all of the area has experienced good demand for quality ranches.

Similar to other locations in Region 6, there is CWD concerns in this sub region. The Duval County Chronic Waste Disease (CWD) Sampling and Carcass Movement Restriction Zone is located in parts of Duval and Jim Wells Counties.

Farmland pricing (limited sampling) has likely increased in pricing at this location of South Texas but less than other, more popular farming areas. Farms adjoining low fenced brush properties offer limited recreational appeal. This area is south of the Eagle Ford Shale formation. However, there is oilfield activity out of other formations in the historic oil and gas producing areas.

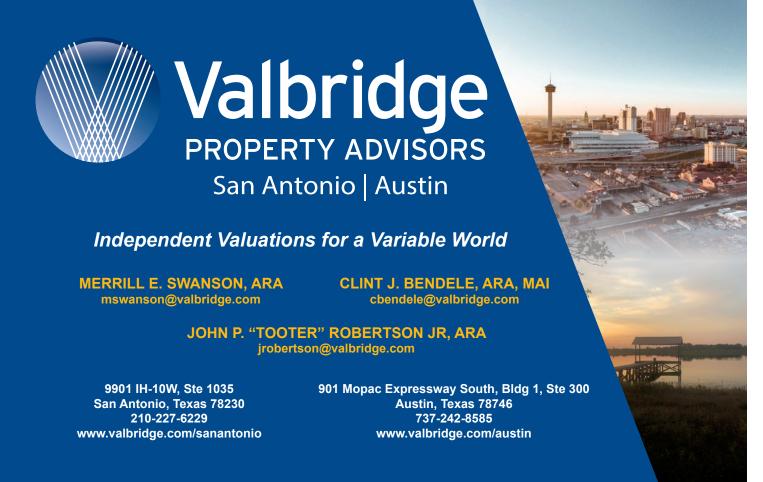
Coastal Plains

Aransas, Bee, Goliad, Karnes and Refugio Counties

This area is popular with Houston and Corpus Christi investors, with recreational lands being the most active category. Many Houston investors look closely at this area because of a shorter drive when compared to other portions of South Texas. The blend of live oaks and South Texas brush found in this area is very appealing to a large market segment.

Bee and Goliad are the most "in demand" Counties in this market. Karnes County mostly relates to local or San Antonio investors. It appears that land pricing has generally become consistent for the live oak covered portions of the area, from Bee and San Patricio Counties up to Jackson and Lavaca Counties (just north/northeast of Victoria). The market for land along the coast was good and increased in pricing in 2022.

CONTINUED ON PAGE 46







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Coastal Bend

Kenedy, Kleberg, Nueces and San Patricio Counties

The primary demand for rural land is for recreation and agricultural purposes. Only limited land holdings sale in the lower portion of this area due to large and closely held ownerships.

In 2022, the demand for farmland in the costal bend had continued strength. As typical, there were only a small number of farmland tracts of significance which traded throughout the year but those that did confirmed strong pricing and demand for row crop farmland. Investors typically are producers or agricultural investment groups. The best land rarely becomes available because most of the farmland ownership is by long-term tenure. As an alternative to securities, farmland is viewed as a long-term investment that has a return and appreciation potential. Rental rates for Coastal Bend farmland have remained stable. Many farmers have an interest in crop share leases as opposed to cash rents due to volatile

commodity prices, the rising price of input costs, etc. There is a noted transition in farmland located near the Port of Corpus Christi and along Corpus Christi Bay for industrial uses. Wind energy continues to expand in the Coastal Bend.

Rio Grande Valley

Cameron, Hidalgo and Willacy Counties

The rural portion of this tri-county area is largely production agriculture driven. Irrigated and dry farmland pricing appears to have been stable to increasing in 2022; however, there is limited sales in the Rio Grande Valley. The farmland is generally purchased by producers or large institutional investors; demand for the best irrigated land is typically equal to demand for the best dry cropland.

The volume of sales activity, in the irrigated and dryland property classes has remained low and the higher quality row crop farms continue to be very closely held. Sale activity in the larger farms in 2022 was very limited. The bulk of the sales were smaller tracts, mostly 40 to 80 acre

Coastal Bend

Land Use or Class	Value Ranges	Activity/Trend	Rental Range	Activity/Trend
Class I Dry Crop	\$3,500 to \$5,500	Active/Stable	\$65 to \$90	Stable/Stable
Class II Dry Crop	\$2,000 to \$3,000	Active/Stable	\$40 to \$60	Stable/Stable
Rangeland	\$2,000 to \$4,000	Active/Stable	\$200/AU	Stable/Stable
Hunting Lease (Rangeland)			\$8 to \$25	Stable/Stable

Value ranges are generally reflective of partial mineral or surface only transactions; few tracts sell with significant minerals in this market. Properties with turnkey improvements and infrastructure sell at higher achievable pricing throughout region than similar properties without these

Rio Grande Valley

Land Use or Class	Value Ranges	Activity/Trend	Rental Range	Activity/Trend
Class I Irrigated Crop	\$5,000 to \$12,500	Active/Stable	\$125 to \$150	Stable/Stable
Class II Irrigated Crop	\$4,000 to \$7,000	Active/Stable	\$75 to \$125	Stable/Stable
Class I Dry Crop	\$2,500 to \$3,500	Active/Stable	\$50 to \$100	Stable/Stable
Class II Dry Crop	\$2,000 to \$2,500	Active/Stable	\$30 to \$50	Stable/Stable
Permanent Pasture	\$2,000 to \$2,500	Active/Stable	\$200/AU	Stable/Stable
Rangeland	\$2,500 to \$7,500	Active/Stable	\$200/AU	Stable/Stable
Hunting Lease (Rangeland)			\$10 to \$25	Stable/Stable

Value ranges are generally reflective of partial mineral or surface only transactions; few tracts sell with significant minerals in this market. Properties with turnkey improvements and infrastructure sell at higher achievable pricing throughout region than similar properties without these amenities



tracts, and were often purchased as rural homesites. Typically, less than one or two quality farms, of 300 acres or over, change hands in a year, even in boom periods. Most realtors report numerous clients wanting to acquire farmland, but most observe that there was little inventory of quality larger irrigated or dryland properties.

The market for Rio Grande water rights is active. Municipalities are a major purchaser of water rights in the area. In some cases, a municipality will buy farmland to gain water rights, only to later sell the land as dryland. Water rights sales generally ranged around \$2,500 per acre for Class A rights and \$2,250 for Class B rights. Mining water lease rates have settled in the \$125/AF range and agricultural water rights are in the \$25 to \$40 per AF range.

The primary source of irrigation water for the Valley is the Rio Grande River. The water is supplied to the farming community through individually-held water rights or through water districts, which purvey water to land owners within the water district. Water is transported by a mix of above-ground ditches and underground pipes; the pipes emanate at diversion points on the river and gravity flow to the north away from the river delta. Irrigation is critical to agricultural endeavors in the Rio Grande Valley.

Recreational ranches have good demand and prices increased in 2022. It is noted that many of the Rio Grande Valley land investors are local





of the state's ecoregions, including Post Oak Savannah, Blackland Prairie, Cross Timbers, Edwards Plateau and Rolling Plains. From east to west, this land market transitions from productive Blackland Prairies along and east of the IH 35 corridor through the Edwards Plateau hill country before settling on the edge of the Rolling Plains at the region's northwestern limits. Average rainfall provides another defining characteristic within the region totaling as high as 44 inches on the northeast portion down to 23 inches through its western extents. While land diversity shapes the region's land supply, population densities within the region influence its demand. With over 1.3 million residents, Travis County is the most populated county in the region and has a population density of 1,300 people per square mile. In contrast, Menard County on the region's western edge has a population density of 2.2 people per square mile at about 1,980 residents.

REGION SEVEN covers the

central portion of the state, containing as

much diversity in land features as it does

in population and demand factors. The

land mass provides a sampling of five

Region 7's land resource diversity combined with population differences interact to form land values across the region. The IH-35 corridor from San Marcos to Waco has strong urban growth trends which are greatly influenced by availability of water and wastewater services along with multiple municipal governments. Rural land within the Austin MSA is in limited supply where strong urban growth over the past forty years continues to accelerate. Areas east of IH 35 tend to have





greater production appeal while locations to the west have greater recreational market appeal. Continued growth of the Austin-Round Rock, Killeen-Temple and Waco population centers provide not only strong urban demand for nearby locations, but also fuel the recreational get-away purchases beyond the city lights. Buyers from the Dallas-Fort Worth metroplex and Houston areas supplement demand for small tracts on Region 7's northern and eastern limits, further encouraging division of larger properties into smaller rural escapes.

Urban growth along the IH35 corridor has resulted in increasing demand for acreage homesites. The availability of rural water systems, historically funded through the USDA, has encouraged homesite development and uses throughout much of the region. The availability of water line capacity is of noted concern in those areas which have experienced the most population growth and especially within the areas closer to Austin.

West of IH 35's urban growth, the demand for native rangeland in the Edwards Plateau, Llano Basin and Grand Prairie areas is dominated by recreational and aesthetic resources. The income generated from agricultural production does not directly correlate to land values in the region. Driving distance to the region's employment centers strongly impacts land values.

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Observations for the Region Seven market area in 2022

- · An active market and upward price movement continued through the first half of the year.
- Rising interest rates contributed to dramatic declines in sales volumes for the second half of 2022.
- · A shift in sales activity and demand pressure was observed in some of the more remote and historically more affordable areas of the region as a result of higher prices in urban fringe markets.
- Subdivision of larger tracts into ±10-20 acre lots is showing up in outlying parts of the region previously inexperienced in this type of development. Expansion of fiber optic internet connectivity appears to have contributed to this trend.
- · Potable water availability matters.
- On-going drought conditions and rising interest rates are keeping ag producers on the sidelines in most sub-regions.
- · Marketing times are returning to time frames in line with historic
- Buyers are becoming more prudent in their purchase decisions.

Southern Grand Prairie

Callahan, Eastland, Erath, Coleman, Brown and Comanche Counties

This sub-region spans the northwest corner of Region 7, containing a combination of rolling terrain which varies from open pastures to wooded areas dominated by oak trees and cedar transitioning to mesquite pastures through its western extents. Proximity to Fort Worth plays a critical role in purchase decisions for this sub-market with the eastern counties benefitting in higher land values due to shorter metro-plex drive times. Tract sizes are typically smaller in the eastern part of the sub-region while larger rangeland properties dominate in the west. The demand for acreage home sites and get-away tracts is pronounced in the eastern portions of the region where urban influence is the greatest. Recreational motivations focused on water features and topography diversity continue to top most buyers' purchase criteria. Solar and wind energy uses continue to dot the landscape with completion of some recent renewable energy projects noted in Callahan County. Production agriculture is dominated by cattle operations while a few dairies remain active in Erath and

Comanche Counties. Pecan orchards play a significant agribusiness role in Comanche County, but are generally held by long-term producers and do not trade often. While some agricultural production motivations are noted, the greatest demand is from recreational, rural home site and longterm investment motivated buyers. Brown, Comanche and Erath Counties were the top producers in this sub-region in terms of sales volume and also carried a proportionately significant percentage of total sales activity for Region 7 as a whole. Total sales volume for the Southern Grand Prairie was down by 15% or more, depending on the county, while the median price for the sub-market climbed over 40% relative to 2021 figures.

Central Basin

McCulloch, San Saba, Mills, Hamilton, Lampasas and Llano Counties

Recreational users remain the primary drivers for land transactions in the Central Basin, with similar buyer pressure from the Dallas-Fort Worth Metroplex and the Austin area. Drive time from these urban centers is consistently noted as a strong buyer consideration in purchase decisions. Central Basin buyers are primarily looking for hunting tracts or

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Southern Grand Prairie

	1	1		
Land Use or Class	Value Ranges	Activity/Trend	Rental Range	Activity/Trend
Dry Cropland	\$1,750 to \$3,500	Active-Slowing/Increasing-Stable	\$20 to \$40	Slow-Moderate/Stable
Improved Pasture	\$2,000 to \$5,750	Active-Slowing/Increasing-Stable	\$10 to \$35	Slow-Moderate/Stable
Native Pasture - Open	\$2,250 to \$6,500	Active-Slowing/Increasing-Stable	\$4 to \$10	Slow-Moderate/Stable
Native Pasture - Wooded	\$2,500 to \$8,000	Active-Slowing/Increasing-Stable	\$4 to \$12	Slow-Moderate/Stable
Live Water - Recreational	\$4,000 to \$9,500	Active-Slowing/Increasing-Stable	\$5 to \$15	Owner or Shares
Pecan Groves - Improved	\$2,500 to \$7,000	Slow/Stable		
Hunting Leases			\$10 to \$25	Moderate/Stable

Central Basin

Land Use or Class	Value Ranges	Activity/Trend	Rental Range	Activity/Trend
Dry Cropland	\$1,700 to \$4,000	Active-Slowing/Increasing-Stable	\$20 to \$30	Moderate/Stable
Improved Pasture	\$2,250 to \$5,000	Active-Slowing/Increasing-Stable	\$15 to \$30	Moderate/Stable
Native Pasture - Open	\$2,250 to \$8,500	Active-Slowing/Increasing-Stable	\$8 to \$10	Moderate/Stable
Native Pasture - Wooded	\$2,500 to \$9,500	Active-Slowing/Increasing-Stable	\$8 to \$15	Moderate/Stable
Pecan Groves - Improved	\$4,000 to \$10,000	Active-Slowing/Increasing-Stable		Owner or Shares
Live Water - Recreational	\$6,000 to \$20,000	Active-Slowing/Increasing-Stable	\$10 to \$25	Owner Dominated
Transitional < 50 Acres	\$6,000 to \$38,500	Active-Slowing/Increasing-Stable		
Hunting Leases - Rangeland			\$7 to \$30	Moderate/Stable



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scenic weekend retreats. Live water properties demand significant price premiums over their upland counter-parts. The Colorado River bisects the Central Basin, forming at least one county line boundary for all counties in this area except Hamilton County. This river basin feeds the Highland Lakes starting with Lake Buchanan in northeastern Llano County. The remaining Highland Lakes within the Central Basin include the constantlevel Inks Lake and Lake LBJ. Properties near these lakes remain attractive to Austin buyers due to proximity. Other desirable water features in the area include the Llano, San Saba, Lampasas and Leon Rivers. Throughout the rest of the Central Basin, tracts with good land diversity, tree cover and elevation changes remain most desirable over properties dominated by one land type or relatively flat terrain. Production-oriented open pasture and cropland tracts tend to represent the low end of price ranges observed in this sub-market. Historically, these properties were held by long-term producers and traded infrequently. However, increased demand for acreage home sites and a limited supply of productive neighborhood soils has resulted in higher prices for this land class.

The proliferation of rural acreage home site subdivisions has expanded into areas like San Saba and Mills Counties where, historically, this phenomenon was rarely observed. As a result, county officials in these areas have been prompted to update their subdivision regulations, particularly as it relates to road quality standards, drainage and water availability studies in an effort to protect buyers and county tax payers from future infrastructure costs. Persistent drought conditions have curbed demand from most production-motivated buyers who previously may have considered expansion of their neighborhood agricultural operations. Overall, the number of land sales in 2022 for Central Basin Counties represents a ±30% decline over the previous year. Meanwhile, the median price per acre jumped about 25% over 2021 price levels for the sub-region.

Central Blacklands, Grand Prairie and Post Oaks within a 50-Mile Radius of Waco

Bosque, Hill, Navarro, Corvell, McLennan, Limestone, Freestone, Bell and Falls Counties

The Interstate 35 corridor bisects this subregion, linking the Dallas-Fort Worth metroplex to the north with San Antonio to the south. Over two-thirds of the state's population lies within the Dallas-Fort Worth, San Antonio and Houston triangle, and includes the Waco and KilleenTemple MSAs of this subregion. Not surprisingly, counties surrounding the Interstate 35 corridor have seen significant population growth in recent years. Buyers from the Dallas-Fort Worth Metroplex to the north, as well as the Austin MSA to the south, are significant drivers of the real estate scene in this sub-region. Properties in the north portion of this area are experiencing strong demand due to their proximity to the Dallas-Fort Worth Metroplex and growth of the Waco area. These buyers prefer attractive wooded recreational tracts, especially those with live water or good surface water; however, limited inventories of these properties have steered buyers toward historically less appealing, open land types. There is a sustained high level of demand for smaller ranchette tracts which reaches further into rural areas of the subregion as areas near urban centers sell out of inventory. Potable water supplies are a key ingredient to the success of new acreage home site developments, as the capacity of rural water systems is stretched and ground water availability can be patchy in certain areas.

In general, properties on the west side of Interstate 35 in Bosque, Coryell, McLennan and Bell Counties tend to sell for higher prices than those to the east. Within those counties, the strongest demand and highest prices are typically seen in Bosque County. In addition to the significant number of absentee land owners in Bosque County, an increasing number of landowners in the northern portion of the sub-region commute to employment in the Dallas-Fort Worth area. The relatively higher prices in Bosque County have spurred increased development of smaller ranchette-type tracts, both there and in adjoining Hill County, which also enjoys good proximity to the metroplex and Waco. Larger properties with recreational appeal, especially those exhibiting a variety of tree cover, elevation changes, views and live water, continue to experience strong demand. Although historically not as desirable for recreational and home site uses, other property types such as cropland and open pasture have experienced upward price pressure due to strong demand and limited purchase alternatives.

The Central Blacklands and Grand Prairie areas east of Interstate 35 feature different land types, being more open pasture and cultivated land which has historically been driven by agricultural producers. Farmers no longer represent the overwhelmingly dominate buyer group for this area, though they remain a prominent land owner class. High prices and limited supply of traditional recreation-oriented land classes have pushed

CONTINUED ON PAGE 53

Central Blacklands, Grand Prairie and North Central Post Oaks (+/- 50 Mile Radius of Waco)

Land Use or Class	Value Ranges	Activity/Trend	Rental Range	Activity/Trend
Dry Cropland - Good	\$5,000 to \$10,000	Active-Slowing/Increasing-Stable	\$40 to \$70	Moderate/Stable
Dry Cropland - Marginal	\$3,750 to \$5,500	Active-Slowing/Increasing-Stable	\$30 to \$50	Moderate/Stable
Improved Pasture	\$4,000 to \$8,000	Active-Slowing/Increasing-Stable	\$15 to \$30	Moderate/Stable
Native Pasture - Open	\$4,000 to \$7,000	Active-Slowing/Increasing-Stable	\$7 to \$15	Moderate/Stable
Native Pasture - Wooded	\$5,000 to \$15,000	Active-Slowing/Increasing-Stable	\$7 to \$15	Moderate/Stable
River Properties	\$8,000 to \$28,500	Active-Slowing/Increasing-Stable	\$15 to \$30	Moderate/Stable

East Edwards Plateau, Central Blacklands, and Southern Post Oaks – Austin Area

Land Use or Class	Value Ranges	Activity/Trend	Rental Range	Activity/Trend
Dry Cropland - Good	\$8,000 to \$30,000	Active-Slowing/Increasing-Stable	\$50 to \$80	Active/Stable
Dry Cropland - Marginal	\$5,000 to \$7,000	Active-Slowing/Increasing-Stable	\$30 to \$60	Active/Stable
Improved Pasture	\$5,500 to \$20,000	Active-Slowing/Increasing-Stable	\$20 to \$40	Active/Stable
Native Pasture - Wooded	\$4,500 to \$35,000	Active-Slowing/Increasing-Stable	\$8 to \$30	Moderate/Stable
Urban Fringe	\$20,000 to \$75,000	Active-Slowing/Increasing-Stable		
Ranchette < 50 Acres	\$10,000 to \$100,000	Active-Slowing/Increasing-Stable		

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Business Established in 1983



CONTINUED FROM PAGE 51

recreational and land investors to consider suitable open-landscape alternatives within these areas. Consequently, these productionoriented areas have experienced increases in demand and price trends similar to the broader region.

Cash rents for both pasture and cultivated tracts remained stable over the last year. Wooded pasture or recreational tracts tend to be purchased by owner-occupants with few being available for rent.

The 2021 pace of sales activity continued into 2022 but began a sharp downward trend around midyear due to the lack of inventory, increasing interest rates, and economic concerns. Still, price increases were observed across all land types. Land use trends toward acreage home sites and recreational retreats continue to contribute toward smaller average tract sizes.

East Edwards Plateau, Central Blackland and **South Post Oaks - Austin Area**

Burnet, Blanco, Hays, Travis, Williamson, Milam, Caldwell, Bastrop and Lee Counties

This sub-region is home to the Austin-Round Rock MSA which is the 4th largest metropolitan area in the state. The 2022 metro population is slightly above 2.4 million with growth rates consistently between two and three percent per year. Income generated in Travis, Williamson and Hays Counties permeates throughout the region as urban based buyers seek acreage home sites, recreational and investment properties. Most vacant land in these three counties is on the urban fringe and in transition from agrarian roots to urban sprawl. The ability to obtain water and wastewater services is a primary factor determining urban development potential in the Austin MSA. Land values in this subregion are highly sensitive to location and the availability of utilities with the highest values noted in proximity to the urban centers. Outside of urban influence, a property's aesthetic characteristics play a key role in land value formation across the region. Land values along the IH 35 corridor counties receive the greatest urban influence while adjacent counties make value strides stimulated by Austin's population increase, job growth and appetite for outdoor recreation.

Austin MSA employment netted almost 63,000 more jobs during the year, representing a 5% increase over 2021 employment numbers. While positive on the year, the jobs increase for 2022 occurred at a slower pace than the COVID-19 rebound observed between 2020 and 2021. The outlook for jobs appears positive, but is anticipated to continue on a slower paced trajectory. High-tech and manufacturing sectors led the Austin economy during the year through expansions of existing technology firms and relocations of Tesla, Apple and other major employers solidifying their positions within the MSA. Samsung began construction on its \$17 billion plant, spurring intense

construction activity near Taylor in east Williamson County. Tesla and Samsung are anticipated to generate numerous ancillary businesses, creating additional demand for area acreage. Construction has also been active on industrial and logistic warehouse facilities along the metro's IH-35 and SH 130 corridors. These industrial expansions have pushed development and land speculation throughout the Austin area.

The expanding workforce combined with quick-paced population growth sustained strong pricing for housing in the core urban areas of Travis, Williamson and northern Hays Counties. However, rising interest rates curtailed home sales during the latter part of 2022 resulting in rising home inventories and a reduction in new home construction. The lack of affordable housing in the core urban areas has encouraged suburban development outside the core cities along with acreage tract development in the rural areas. Asking prices remained strong during the year as sellers base price expectations on 2021 observations.

Consumer demand for recreational home sites remained persistent with buyers willing to travel further or employ telecommuting technologies to access lower cost land. Land prices in the western portions of the region have typically resulted in livestock production ranking low in buyer motivation behind recreational, home site and investment pursuits. The opportunity to maintain reduced ad valorem taxes through wildlife open space valuation has further reduced production-motivated buyers. The demand for ranchette home site properties remained strong through mid-year with interest rates suppressing buyer appetites for the last half of the year.

The demand for acreage in the eastern portions of the area, especially

CONTINUED ON PAGE 54



Eastern Hill Country

Land Use or Class	Value Ranges	Activity/Trend	Rental Range	Activity/Trend
Recreational with Live Water	\$10,000 to \$50,000	Active-Slowing/Increasing-Stable		
Recreational without Live Water	\$4,000 to \$22,500	Active-Slowing/Increasing-Stable		
Rangeland	\$3,000 to \$9,500	Active-Slowing/Increasing-Stable	\$4 to \$12	Moderate/Increasing
Hunting Leases - Rangeland			\$10 to \$30	Steady

Western Hill Country

Land Use or Class	Value Ranges	Activity/Trend	Rental Range	Activity/ Trend
Native Rangeland 50 - 500 Acres	\$2,250 to \$10,000	Active-Slowing/Increasing-Stable	\$4 to \$7	Moderate/Stable
Native Rangeland > 500 Acres	\$1,750 to \$7,000	Active-Slowing/Increasing-Stable	\$3 to \$7	Moderate/Stable
Native Rangeland - Live Water 50 - 500 Acres	\$9,000 to \$25,000	Active-Slowing/Increasing-Stable	\$5 to \$10	Moderate/Stable
Native Rangeland-Live Water > 500 Acres	\$4,500 to \$12,000	Active-Slowing/Increasing-Stable	\$15 to \$10	Moderate/Stable
Hunting Leases			\$15 to \$25	Moderate/Stable



eastern Williamson, northeast Travis and western Milam Counties continued to be strongly influenced by proximity to Austin as well as Samsung in Taylor. Purchase motivations range from buyers seeking land for use as acreage home sites to long-term investments. The investment-motivated buyer pool originates from not only the immediate neighborhood, but also other areas of the state and beyond the State of Texas. Sales volumes across the sub-region finished the year down by about 50% compared to the prior year with the greatest drop occurring in the second half of the year. Price levels stabilized after June but not before achieving about a 20% increase over 2021.

Eastern Hill Country

Gillespie, Kerr, Kendall, Real and Bandera Counties

Home to some of the most scenic areas of the state, Eastern Hill Country land continues to be a prized commodity among market participants who seek convenience of proximity to city employment centers, transportation flexibility, political stability, law enforcement, domestic supply availability, banking access, medical facilities and strong aesthetic qualities. Buyer profiles in this sub-market are heavily influenced by the San Antonio urban center supplemented by demand pressure from the Austin-Round Rock MSA and a steady number of out of state cash buyers.

Land resources in greatest demand include live water, hardwood tree cover and dramatic elevation changes, affording views of the surrounding neighborhood. The area's varied terrain drains toward multiple creeks and streams which contribute water to the Pedernales, Guadalupe, Medina, Sabinal and Frio Rivers.

While land production characteristics in the area are generally of secondary concern to market participants, an exception is found in vineyard and winery motivated buyers. The U.S. Highway 290 corridor in eastern Gillespie County serves as the epicenter for the Texas wine industry, as ground previously used for crop production and peach orchards transitions into viticulture. Wineries, breweries and distilleries continue to flourish along this scenic corridor, stimulating tourism throughout the sub-region and beyond. The neighborhood towns of Fredericksburg and Kerrville offer rural community atmosphere with good quality medical and shopping amenities. Investors seeking to capitalize on neighborhood tourism brought a number of small acreage short-term rental concepts online during 2022 which range from RV parks and "glamping" facilities to tiny home and historic dwelling conversions. These accommodations host area visitors booking through website portals such as Airbnb and VRBO.

With San Antonio's outward growth, the communities of Boerne and Bandera represent viable commuter options. Strong demand for estate ranches and acreage home sites in this five-county area will continue shaping land use patterns and promoting upward price movement on area land values as smaller average tract size leads to higher prices per acre. Investors from outside the state continue to be active participants in neighborhood land purchases. Acquisitions for new acreage home site developments remain a strong motivation.

The total number of 2022 Eastern Hill Country land transactions declined about 45% as compared to the previous year. By contrast, median prices in this sub-market climbed over 40%. While higher prices were observed across all land classes, the second half of 2022 seemed to signal price stability within the sub-region.

West Hill Country

Menard, Mason and Kimble Counties

Sales activity during 2022 fell by about one-third for the West Hill Country region compared to 2021 with prices stabilizing during the second half of the year. Supply of new land inventory continued to be short, with demand flattening out over the last half of the year, as well.

Buyers continue to move west to look for more affordable acreage; however, this became harder to accomplish with the low supply of new listings. Properties with live-water frontage along neighborhood rivers and creeks continue to top the market, while native rangeland lags behind these higher-priced tracts. Overall, prices continued to rise over the previous year, with new price levels being set in most land categories for properties located this far west of IH-35. Based on market trends observed during the second half of 2022, it appears the stabilization of values at this level is in store for the coming year.

Buyers in the region continue to seek properties with desirable "Hill Country" traits, and properties with multiple desirable characteristics continue to trend upward. Aesthetic views and rolling topography continue to drive the recreational market of the region. A market segment emerging in the sub-region is the small-acreage "rural residential" subdivision consisting of ±10-20 acre sized lots. Purchasers report intentions of utilizing these tracts to establish full-time residency, for weekend getaways and as land investments. Subdivisions of this type and scale represent a new land use pattern to the West Hill Country region which has historically sold in larger sized tracts of 50 acres or more. Purchase prices for lots in these developments have been reported between \$10,000 and \$25,000 per acre, depending on location and the amenities included with the site. Most properties are still purchased for weekend escapes or hunting ranches, with the allure of value appreciation always present in the minds of investment buyers.

REGION 7 THOUGHTS FOR 2023 AND FUTURE VALUE TRENDS:

- · Urban growth trends along the IH-35 corridor will continue
- controlling the extent of urban demand for land in Region 7.

 High speed internet availability and adoption of new technologies will continue to impact land use patterns in
- Limited land offerings should support price stability despite interest rate increases.
- Region 7 land values are likely to remain stable given its central location within the state and proximity to a high percentage of the Texas population.
- Asking prices remain high and are meeting some buyer resistance.





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ABOUT THIS PUBLICATION

T n the Spring 1998, the Texas Chapter ASFMRA met with Dr. Gilliland at Texas A&M University to see what we could do to enhance the Annual LOutlook for Texas Land Markets. The attendance had been dropping. The program had transitioned to more academics and less "real world". The Chapter proposed that in addition to Dr. Gilliland's macro report, the Chapter could do a more micro-type report based on input from the appraisers in each of the regions. Initially, the idea was not a hit. With some additional discussion, the Real Estate Center agreed. In the fall of 1998, during the Texas Chapter meeting, we had the first land value discussions for each of the areas. We adjusted the regions with input from all. The members from each region filled out worksheets and the Team Captains wrote the narrative portions. Together, Nardie and Lynda Vine prepared the maps and transferred the hand-written worksheets to Excel. Lynda created the cover and assembled the Texas Rural Land Value Trends. This document was forwarded to Dr. Gilliland for inclusion in the conference workbook. The Texas Chapter then printed reports to supply the chapter members as well as being available to anyone who wanted a copy. In the Spring of 1999, the Team Captains presented the report during the Outlook Conference and it was a real hit! The rest is history! Over the years, the information has developed into an invaluable resource tool for the industry with data compiled by experts who work in the field day-today, experiencing first hand valuation changes and the reasons behind them. The annual full color publication includes charts and comprehensive editorial coverage. The publication encompasses all of Texas' 254 counties.



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