

TEXAS

Rural Land Value Trends 2016



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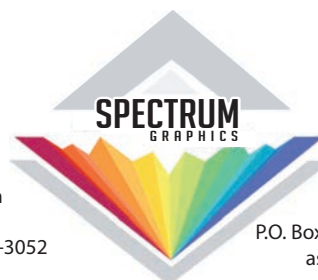
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PRESIDENT'S MESSAGE

A MESSAGE FROM THE 2016-2017 PRESIDENT OF THE TEXAS CHAPTER ASFMRA®

The Texas Chapter of the ASFMRA is proud to present the Texas Rural Land Value Trends for 2016 for you to share with your clients and other real estate professionals. Additional printed copies can be obtained from the Texas Chapter website where you can also download a pdf version. Thank you to our many advertisers who make publishing this resource possible, especially our major sponsor Capital Farm Credit, a member of the Farm Credit System. Thank you to The Junction Eagle, a local newspaper in Junction, Texas. Their graphic designer provided the skills needed to make this magazine a professional publication. This project would not be complete without the help of the Texas Chapter members who contribute their knowledge and expertise of the rural land markets across the state of Texas.

This year, we are highlighting two Texas Chapter members, the late James B. "Nardie" Vine, ARA and Dr. Ivan W. Schmedemann. Nardie was the consummate valuation professional, holding national and state ASFMRA leadership positions, authoring and educating, as well as mentoring others in the industry. Dr. Schmedemann retired from teaching Agricultural Economics classes at Texas A&M and opened the door for many to see the possibilities that exist in our industry. Both men had an enormous influence on students and associates, as witnessed by the numbers of agricultural professionals whose paths they crossed.

This publication will once again be distributed to the 400 plus attendees at the 27th 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.

The Texas chapter is growing in membership and is one of the largest ASFMRA chapters in the nation. I encourage you to take advantage of the wealth of expertise within our membership by contacting a member with questions about rural property values or management. If you are a real estate professional and are interested in becoming a part of our great organization, I encourage you to join the ASFMRA. If you have any questions or would like more information, please contact us.

The ASFMRA was founded in 1929 and has 31 local chapters within seven regional districts throughout the U.S. 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. Membership boasts leading managers, appraisers, review appraisers, and consultants; as well as agricultural academic communities. For more information offered by ASFMRA please visit the national website at www.ASFMRA.org or our Texas Chapter website at www.TXASFMRA.com.

A handwritten signature in dark ink that reads "Patricia Weber". The script is fluid and cursive.

Patty Weber, ARA
Texas Chapter President

ABOUT ASFMRA

The American Society of Farm Managers and Rural Appraisers (ASFMRA) is recognized as the premier organization for rural property professionals, providing excellent education, networking opportunities and legislative representation for its members. The ASFMRA members protect and serve the rural property owner with trustworthy valuation, management, consulting and marketing services.

ASFMRA offers education for pre-licensing and certified general education, continuing education and advanced designation education for rural property professionals. The society also provides an accreditation program for farm managers, appraisers, reviewers and consultants, giving them a strong competitive advantage over their competition in terms of knowledge, networking and recognition as an ethical qualified professional.

The American Society was founded in 1929 and has 31 local chapters within seven regional districts throughout the U.S. Membership boasts leading managers, appraisers, review appraisers and consultants; as well as agricultural academic communities. For information on the many opportunities offered by ASFMRA, please visit www.ASFMRA.org.

ASFMRA Accredited Designations

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

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BENEFITS OF MEMBERSHIP

As a member of the ASFMRA, you will become a member of a premier organization for professionals who provide management, consultation and valuation services on rural and agricultural assets. The Society provides members with the resources, information and leadership that enable them to provide valuable services to the agricultural community.

The ASFMRA strives to:

- Protect and promote the interest of members before government, regulatory bodies and other organizations.
- Enhance member opportunities for professional development and interaction with peers through meetings, publications and educational offerings.
- Improve ethics, standards and quality of service offered by members.
- Promote awareness and confidence in the integrity, objectivity, competence and professionalism of the ASFMRA's Accreditation program.
- Recruit and maintain a highly qualified, professional membership.

Membership Service Programs Include:

- Meetings—Membership, Governance, Regional and Chapter meetings.
- Publications—Newsletters, Journal, Directory, Education Catalog, press releases and collateral materials available to membership.
- Education and Continuing Education Programs—farm management, rural appraisal, appraisal review, consulting education and on-line education offered through the ASFMRA.
- Voice in government issues via representative in Washington, DC.
- In addition to the AFMs, ARAs, RPRA's and AACs there are professional and student members along with Associate, Academic, Affiliate, Retired, Inactive and Honorary members in the American Society.



ASFMRA MEMBERSHIP CLASSIFICATIONS

- **Accredited Members**—This classification includes the Accredited Farm Manager (AFM); the Accredited Rural Appraiser (ARA); the Real Property Review Appraiser (RPRA); and the Accredited Agricultural Consultant (AAC). Accredited members are highly educated, thoroughly seasoned and experienced farming and rural valuation experts who have taken years of training to earn a designation.
- **Professional Members**—Those who manage, appraise, and/or consult for a fee or salary rural properties belonging to others and who have completed all work and education requirements.
- **Associate Members**—Those who manage, appraise or related valuation services (such as valuation for taxation), consult and/or review appraisals of rural properties belonging to others for a fee or salary and are eligible to advance to the Accredited or Professional classifications once all requirements have been met.
- **Academic Members**—Those whose work is primarily educational and who are devoting a major portion of their time working at the college level in agricultural consulting, farm and ranch management, rural appraisal, and/or appraisal review as instructors, researchers, extension workers or administrators and who have held such positions for two or more years.
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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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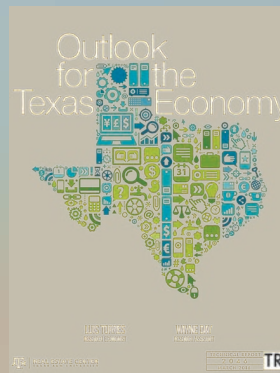


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DEVELOPMENTS IN 2016 TEXAS LAND MARKETS

Despite weak prices for agricultural commodities and oil, Texas statewide land markets posted a modest price gain in 2016, moving up 5.0 percent to \$2,554 per acre from the 2015 price of \$2,433 per acre. The Statewide typical size, at 1,633 acres, moved up 578 acres from the 2015 size. The 5,552 sales moved transaction volume exceeded 2015 totals by 485 sales.

The statewide price gain masked regional differences in land market dynamics. The Panhandle and South Plains saw prices rise despite disappointing crop prices for farmers and ranchers. However, that rise reflected some aggressive buying by a number of dairy operations trying to lock-in future feed supplies. Slack demand overall led to a slide in the volume of sales with fewer transactions suggesting that prices could slip in the future. The West Texas Region showed similar trends.

Northeast Texas posted strong price increases largely dependent on recreational buyers despite bad timber prices. Houston, Dallas, and even San Antonio buyers influence

this market. There may be an emerging pushback on prices because of low oil prices.

Oil price declines finally struck the Gulf Coast – Brazos Bottom and South Texas regions sending prices down throughout the year. South Texas prices did firm up in the fourth quarter however, the Eagle Ford remained very quiet. Volume of activity remained stagnant in the Gulf Coast – Brazos Bottom but South Texas volume increased.

After posting robust results since 2012, the Austin – Waco – Hill Country region saw price increases falter in the fourth quarter. Total dollar volume also seemed to drift lower throughout the year. Observers noted prices flattening out.

The overall statewide Texas market indicators appear to be searching for a sustainable positive trend. Regional variations reveal some weakening in specific locales.

Charles E. Gilliland, Ph.D.



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ASFMRA TEXAS CHAPTER

UPCOMING EVENTS 2017

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BEST IN BUSINESS ETHICS
February 27, 2017
Kerrville, Texas

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LAND MARKETS**
April 20-21, 2017
San Antonio, Texas

ASFMRA SUMMER EDUCATION WEEK
July 17-21, 2017
Omaha, Nebraska

ASFMRA LEADERSHIP INSTITUTE
September 10-15, 2017
Washington, DC

**TEXAS CHAPTER FALL MEETING &
CONTINUING EDUCATION**
October 11-13, 2017
Lubbock, Texas

**AGRONOMICS / ASFMRA 88TH ANNUAL
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MARKET REGIONS

REGION 1

North Panhandle
South Plains

REGION 2

Far West Texas
Big Bend
Trans-Pecos

REGION 3

North Texas
Central Texas
South Central Texas

REGION 4

North Texas
Northeast Texas
Piney Woods North
Piney Woods South

REGION 5

Eastern Coastal Prairie
Southeast Piney Woods
Southwestern Piney Woods
Brazos Bottom
Houston Area
Central Coastal Prairie
North Coastal Prairie
Bellville & Brenham Areas

REGION 6

Transition Zone
Upper South Texas
Lower South Texas
Coastal Plains
Coastal Bend
Rio Grande Valley

REGION 7

Southern Grand Prairie
Central Basin
Central Blacklands
Grand Prairie
North Central Post Oaks
East Edwards Plateau
Central Blacklands
Southern Post Oaks
Eastern Hill Country
Western Hill Country

COUNTY GUIDE

REGION 1

Andrews
Armstrong
Bailey
Borden
Briscoe
Carson
Castro
Cochran
Crosby
Dallam
Dawson
Deaf Smith
Ector
Floyd
Gaines
Garza
Gray
Hale
Hansford
Hartley
Hemphill
Hockley
Howard
Hutchinson
Lamb
Lipscomb
Lubbock
Lynn
Martin
Midland
Moore
Ochiltree
Oldham
Parmer
Potter
Randall
Roberts
Sherman
Swisher
Terry
Yoakum

REGION 2

Brewster
Crane
Culberson
El Paso
Hudspeth
Jeff Davis
Loving
Pecos
Presidio
Reeves
Terrell
Ward
Winkler

REGION 3

Archer
Baylor
Childress
Clay
Coke
Collingsworth
Concho
Cottle
Crockett
Dickens
Donley
Edwards
Fisher
Foard
Glasscock
Hall
Hardeman
Haskell
Irion
Jack
Jones
Kent
King
Kinney
Knox
Mitchell
Motley
Nolan
Reagan
Runnels
Schleicher
Scurry
Shackelford
Stephens
Sterling
Stonewall
Sutton
Taylor
Throckmorton
Tom Green
Upton
Val Verde
Wheeler
Wichita
Wilbarger
Young

REGION 4

Anderson
Angelina
Bowie
Camp
Cass
Cherokee
Collin
Cooke
Dallas
Delta
Denton
Ellis
Fannin
Franklin
Grayson
Gregg
Harrison
Haskell
Hood
Hopkins
Houston
Hunt
Jasper
Johnson
Kaufman
Lamar
Marion
Montague
Morris
Nacogdoches
Newton
Palo Pinto
Panola
Parker
Polk
Rains
Red River
Rockwall
Rusk
Sabine
San Augustine
Shelby
Smith
Somervell
Tarrant
Titus
Trinity
Tyler
Upshur
Van Zandt
Wise
Wood

REGION 5

Austin
Brazoria
Brazos
Burleson
Calhoun
Chambers
Colorado
DeWitt
Fayette
Fort Bend
Galveston
Gonzales
Grimes
Hardin
Harris
Jackson
Jefferson
Lavaca
Leon
Liberty
Madison
Matagorda
Montgomery
Orange
Robertson
San Jacinto
Victoria
Walker
Waller
Washington
Wharton

REGION 6

Aransas
Atascosa
Bee
Bexar
Brooks
Cameron
Comal
Dimmit
Duval
Frio
Goliad
Guadalupe
Hidalgo
Jim Hogg
Jim Wells
Karnes
Kenedy
Kleberg
La Salle
Live Oak
Maverick
McMullen
Medina
Nueces
Refugio
San Patricio
Starr
Uvalde
Webb
Willacy
Wilson
Zapata
Zavala

REGION 7

Bandera
Bastrop
Bell
Blanco
Bosque
Brown
Burnet
Caldwell
Callahan
Coleman
Comanche
Coryell
Eastland
Erath
Falls
Freestone
Gillespie
Hamilton
Hays
Hill
Kendall
Kerr
Kimble
Lampasas
Lee
Limestone
Llano
Mason
McCulloch
McLennan
Menard
Milam
Mills
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San Saba
Travis
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HEADWINDS FOR THE BEEF SECTOR?



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Introduction

Every cow-calf producer likely remembers November, 2014. Calf prices were at record levels and then began a nearly two year downtrend. The strong run up in cattle prices that began in 2009 further accelerated in 2013. Several factors can be identified as contributors to this rally including excess feedlot capacity, low cow inventory, and a feed grain market that was off its highs of a couple years earlier. A relatively weak dollar also influenced export demand for U.S. Beef. Calf prices in the U.S. peaked in November of 2014, and by the time the downtrend ended in October 2016 (Figure 1), a 550 pound steer had lost as much as \$900 per head of gross value.

Moving Forward

Moving forward in 2017, several factors will create a headwind for a recovery of prices. The cow cycle is a measurable phenomenon that has been monitored for decades. The U.S. beef cow herd had been constricting since 2007, reaching a low of 29.1 million cows in 2014 (Table 1.). While the U.S. cow herd posted only a modest level of growth in 2015 (0.7 percent) the level of replacement heifers increased by 10 percent, suggesting that expansion of the herd was underway. Relatively large percentage increases of the U.S. cow herd, as measured in January of 2016 and 2017, followed. Texas cow numbers have also increased, but they have not yet reached levels seen before the drought of 2011. An expanding cowherd means an increasing supply of beef which must be consumed domestically or exported. These herd expansions typically continue until the increasing supplies of beef force prices to drop below levels where producers are willing to produce calves, and they begin to sell off cows.

Consumers worldwide enjoy American beef. U.S. Beef exports had remained very strong during this period of high U.S. prices (2009-2015), though the carcass weight of exports peaked in 2011 and has trended down since. The recent decline of U.S. beef prices makes our beef more competitive in the global market. Unfortunately, the value of the U.S. dollar has increased substantially since 2014 (Figure 2). A strong dollar makes any U.S. export product more expensive, and may limit beef exports in the years ahead.

Uncertainty about future trade and trade pacts (Trans-Pacific Partnership) and the possible re-negotiation of existing trade pacts (NAFTA) could impact U.S. agricultural exports including beef.

Beef also experiences intense domestic competition from other proteins at the retail level; namely chicken and pork. The U.S. poultry industry is projecting steady (uninterrupted) annual growth into the foreseeable future. This continued production growth is also reflected in the U.S. per capita consumption of poultry. 2015 marked the first time that the per capita consumption of poultry (chicken and turkey), 102 lbs., surpassed the combined consumption of beef (51.5 lbs.) and pork (46.8 lbs.). Pork production is also forecast to increase. By 2026, pork production is expected surpass U.S. beef production.

Summary

Increased beef production and a climate where increasing beef exports may be difficult, imply increased domestic consumption. Aside from a

Figure 1. U.S. 550 LB Steers, Jan. 2007 – Mar. 2017.

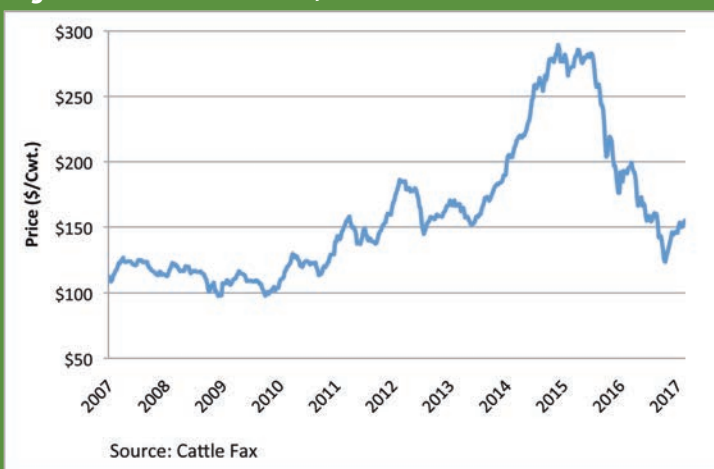


Figure 2. U.S. Dollar Index (\$DXY) 2012-2017



Year	U.S. Inventory				Texas Inventory	
	Beef Cows (1,000 Hd.)	% Change, Prior Year	Replacements (1,000 Hd.)	% Change, Prior Year	Beef Cows (1,000 Hd.)	Replacements (1,000 Hd.)
2017	31,210.2	3.36%	6,419.2	1.2%	4,460	810
2016	30,165.8	2.94%	6,340.2	4.2%	4,290	790
2015	29,302.0	0.7%	6,086.0	9.6%	4,130	750
2014	29,085.4		5,551.1		3,910	660

Source: National Agricultural Statistics Service (NASS), USDA.

significant shift in demand for beef, consumption is generally increased or stimulated through lower prices. Competing proteins are also increasing production and face the same potential export obstacles, again implying increased domestic consumption. With ample supplies of relatively inexpensive alternatives at retail counters, it is difficult to construct a scenario where retail consumer demand pulls prices higher back through the supply chain to cow/calf producers. This suggests that a reduction of the per capita supply of beef will have to come from reduced beef production. It will likely take another year or two of calf prices at these levels to create a reduction in U.S. cow numbers, just as it took a couple of years of high prices to spur expansion.

Meanwhile, producers need to re-examine their management practices looking for opportunities to add value to their calves. When weaned calves are bringing well over \$2.00 per pound it is easy to assume you are not being compensated for certain practices. Now, producers must look at everything that adds value to a set of calves. This will include weaning, working calves to include castrating, vaccinating and de-horning. Bull and breeding management will help shorten the calving season, making a group of calves more uniform in size, reducing any gate sort. Calves sold in larger lot sizes tend to bring more per pound than smaller lots. In this environment, the margins on cows producing a calf are very thin. Producers cannot afford the upkeep of open cows.

WHAT'S IN STORE FOR 2017?



R. Mike Lansford, AFM

Numerous factors will come into play in 2017 that will determine the direction of rural land values and rents over the next twelve to eighteen months. Over the past three years, the agricultural industry across the country has experienced a decline in their profits, which in turn has placed downward pressure on rural land values, as well as rents. A multitude of questions still remain as to commodity prices, interest rates, inflationary challenges, weather, as well as federal legislation around income tax, estate taxation and capital gains rules, and domestic livestock and wildlife management

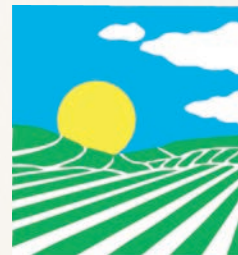
issues. Markets have responded somewhat favorably since the election last November. However, much is still to be determined.

Buyers are asking themselves if it is an appropriate time to make a purchase of a farm, ranch or timber property. Will commodity prices provide them with a return comparable to other investment opportunities? At the same time, sellers are asking if the present market dynamics are indicating that this is a good time to sell their land. Depending on location, physical characteristics, quality of land and other factors, many regions of the U.S. and certain local areas are indicating that land prices are stable to somewhat strengthening since the 2016 crop harvest. However, there are other areas where land values have continued to decline due to location, water supplies and soil types. Changes in border regulation, as well as foreign trade policy and their effect on domestic agriculture will be closely watched over the next few months.

Closer to home in Texas, land values are stable to only slightly down in some regions of the state, compared to last year. Agricultural rental rates in Texas did not skyrocket a couple of years ago when commodity prices made their run, like other areas of the country. As a result, rents

have not fallen with the lower trending commodity prices like parts of the Midwest. Rental rates for farm land have remained fairly flat with only few areas posting declines of 10% or less.

Grazing rates have remained steady or shown signs of slight increases with those ranches providing the best facilities, water, and range conditions posting the highest rents. Quality is still king. Cattle prices have backed off significantly since their record highs in 2014, as Texas and the U.S. rebuilt the domestic cattle herd much faster than markets anticipated, and faster than ever before in history. The accelerated over-supply affected the entire cattle market and bogged down at the feedlot level with significant losses felt in 2015. This over-supply pushed through the system in 2016, and profit margins for feeders are showing signs of life again in 2017. These profits should prove beneficial for others in the supply chain. Credit has tightened over the past year. However, this has not caused the significant departure of operators as once believed. Farmers and ranchers across the state of Texas have once again "buckled down" and made things work. Profit margins are slimmer, supplies are increasing, but there is more optimism on the horizon.



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OIL, CATTLE, COTTON

COMMODITIES AFFECT LAND PRICES

Luis B. Torres and Charles E. Gilliland



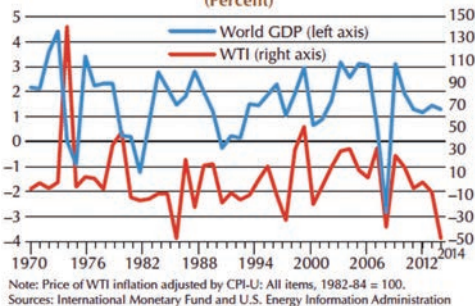
Three historic pillars of the Texas economy are all commodities—oil, cattle, and cotton. The state's vast territory and natural resources have allowed it to thrive through the production of these commodities.

Commodity Booms and Busts

The long history of commodity price booms and busts suggests volatility is inevitable. Commodity markets occasionally exhibit broadly based massive booms and busts. There have been three such episodes since the 1950s. The first commodity cycle peaked in 1974, the second in 2008, and a third in 2014 (Figure 1).

No simplistic explanation exists for what causes such episodes, but they do share similar characteristics. The growth of GDP and industrial production accelerated strongly in the periods just preceding or marking the beginning of the commodity booms. The end of the booms were characterized by substantial drops in commodity prices and coincided with a sharp weakening in GDP growth, demand, and industrial production.

Figure 1. Annual Real Growth of World GDP Per Capita and Price of West Texas Intermediate (WTI) Oil (Percent)



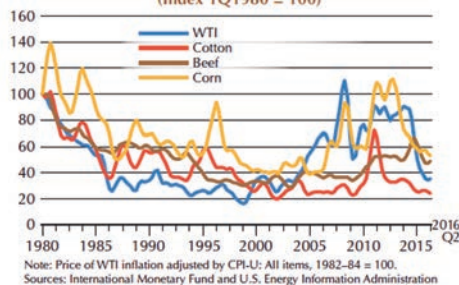
Not all periods of sharply accelerating economic performance give rise to booming prices in commodity markets; in other words, not all commodity booms are triggered by "demand shocks." Other preconditions have to prevail, such as tight production capacity and relatively small inventories. Such preconditions typically emerge after prolonged periods of weak commodity prices have discouraged investment in capacity expansion and instilled a sense that supply is secure, and there is limited need for holding inventory.

Types of Commodities

Commodities are placed into various categories, depending on their physical characteristics and end use. These categories are energy (for example, crude oil and natural gas), cereal grains (corn, wheat, and rice), vegetable oils (soybean and palm), softs (sugar, coffee, cocoa, and cotton), precious metals (gold and silver), industrial metals (aluminum and copper), and livestock (hogs and cattle).

Prices across all categories have tended to move in the same direction in the last decade because of the dominant role of global demand as a key common driver of price changes (Figure 2). For example, oil, cotton, and corn saw a sizable decline late in 2008 following the turmoil in world financial markets. They have also shown pronounced comovement in response to financial shocks (Figure 2). Prices for some commodities such as food are less sensitive to changes in global demand, forcing a distinction to be made across producing regions.

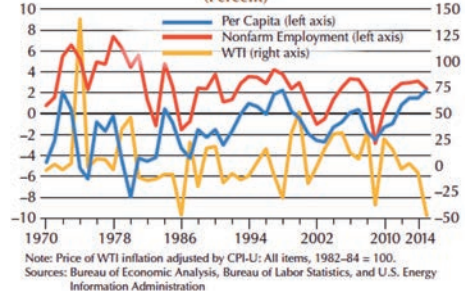
Figure 2. Prices of Texas-Related Commodities (Index 1Q1980 = 100)



Texas Land Prices, Commodity Cycles

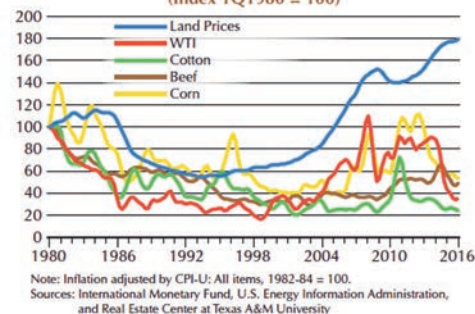
Oil is currently the state's stellar commodity. It is a major source of income and employment through its upstream and downstream sectors and its relationship to other industries such as manufacturing (Figure 3). Corn is another important Texas commodity.

Figure 3. Annual Growth of Texas Personal Income, Nonfarm Employment, and Price of West Texas Intermediate (WTI) (Percent)



Commodities have a direct and indirect effect on Texas land prices. The state's size and variable land characteristics have made it possible to produce commodities efficiently. When agriculture and production of hydrocarbons account for a sizeable portion of land use, prices for their production can have a substantial effect on land prices. A surge in commodity prices has been associated with an acceleration in land price increases (Figure 4). Demand for recreational land is also affected by commodity prices as higher incomes allow for increased land purchases.

Figure 4. Prices of Land and Texas-Related Commodities (Index 1Q1980 = 100)



Most Recent Commodity Busts

Rising commodity prices were a characteristic of the global economic expansion from 2003 to 2008. At the same time, Texas land prices increased by 98 percent in real terms from first quarter 2003 to first quarter 2009. When the global financial crises erupted and the Great Recession set in, prices crashed and the end of the commodity boom seemed imminent. Texas land prices fell 8.1 percent in real terms from 1Q2009 to 3Q2010 (Figure 4).

The global financial crisis, the Great Recession, or the ensuing bumpy recovery did not stop the commodity boom. Higher growth in emerging and developing economies such as China and supply constraints sustained

the boom (Figure 5). Prices rebounded in the early stage of the recovery, and by the end of 2010, prices of many commodities were close to or above precrisis peaks (Figure 5). However, land prices lagged the recovery in commodity prices, increasing by 9.9 percent in real terms by 2Q2013 from 3Q2010, recovering the losses registered as a consequence of the Great Recession (Figure 4).

The commodity boom halted in late 2014, and a bust period began as the effects of the stimulative policies implemented in emerging markets and developing countries, particularly in China, started to fade. As prices started to fall as the result of weaker global economic growth.

other assets, such as bonds, potential investors have an even greater incentive to purchase land. A rational land investor, other things equal, will not pay more for an acre than the amount required to purchase an alternative investment that provides an equivalent return.

For a given interest rate, the price of land changes whenever the expected real net returns on owning the land change. The expected net returns change when expected revenue or expected costs change. Such an increase could follow from changes in commodity prices that affect land prices by raising the expected net income associated with land used to produce that commodity.

If investors in land believe in prospects for earnings growth, they are willing to increase their bid prices for land coming into the market. They may even attempt to sell other assets to take advantage of the higher-yielding investment opportunity from purchasing land. Land values would then increase until the expected return on land has fallen to a level comparable with returns on alternative investments.

When land values increase more than expected, current landowners' wealth grows. Landowners who bought at lower prices realize a higher rate of return on their initial investment, incentivizing them to acquire more land even if it means doing so by debt financing.

Currently land price growth is greater than the return on a ten-year Treasury bill (Figure 6). From 1Q2010 to 2Q2016 in real terms, land prices have risen on average by 2.8 percent compared with a 0.1 percent return on the ten-year Treasury. The differential on average between both for the same period is around 2.7 percent (Figure 7), making land purchases more attractive than other assets similar to Treasury bills. Still, the growth rate of land prices declined in the aftermath of the commodity downturn at the end of 2014 and the Texas economy's slowdown. Land price volatility fell by 12.7 percent from 1Q2010 through 2Q2016 compared with 1Q2000 through 4Q2009 measured by the standard deviation in price growth in each period. Interestingly, the price volatility of oil also declined during the same period compared with the other commodities discussed, possibly exhibiting a relationship between oil prices and Texas land prices.

Measuring Relationship

The next step in the Center's research is to measure the relationship between real prices in oil, cotton, beef, corn, and land to first find

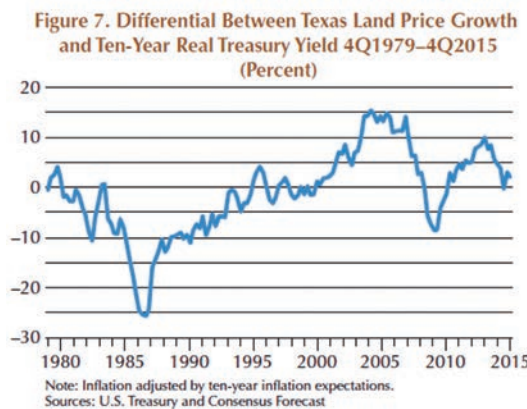
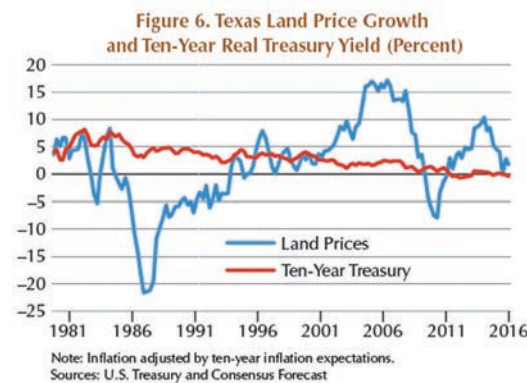


In contrast, Texas land prices continued to register positive price growth, increasing by 17.1 percent in real terms from 2Q2013 to 2Q2016 (Figure 4). However, the land price growth rate declined in the wake of the commodity bust at the end of 2014. A divergence between commodity prices and land prices appeared after 4Q2014, in part because the Texas economy avoided a recession, and interest rates remained historically low (Figure 4). Compared with previous declines in commodity prices, particularly oil prices, the Texas economy did not experience a recession. A historical low-yield environment made purchasing land an attractive investment compared with the expected return on other assets.

Investment Incentive to Purchase Land

Expectations determine the value of land as well as other investments. However, expectations cannot stay out of line with fundamental supply and demand conditions for very long. Commodity prices affect demand conditions for land, causing rapid land price acceleration by lifting land price expectations. Returns on alternative assets can also make purchasing land more attractive.

Land prices rising faster than the rate of inflation motivates land purchases. If the growth rate of land prices is higher than the return offered by



causality between them and land prices, and then to see if a short-run and/or long-run relationship exists. These results will be presented for the state and its seven land regions. This could prove most interesting because land use in each region is different, and the effects of each commodity would be expected to be different.

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TEXAS FARMLAND RENTAL RATES



Kyle Amos, AFM

Diversity and Demand Provide Stability in the Downcycle *A farm manager's perspective*

The State of Texas investment grade farmland cash rental rates have weathered the agricultural downturn well. Possibly better than any other area. Statewide crop diversity and robust regional end user demand have created durability and low volatility in the rental rates.

Texas possesses an exceptionally large variety of end users and exporters. Progressive operators, experienced lenders and sophisticated investors seem to find Texas very interesting for this reason.

In regards to a more detailed regional analysis, I am the most comfortable commenting upon the Coastal Bend region and the Panhandle/West Texas region.

Panhandle

The long, sunny days and cool nights provide an exceptional growing environment for a diverse mix of high yielding crops. The Panhandle is a deficit area in terms of net grain utilization. I estimate that the panhandle produces about two-thirds of the grain that the local end users require annually. This has created an extremely strong grain pricing basis. It is common to see rail cars full of Midwest corn coming into the Panhandle. Sorghum seed contracts remain strong. Regional dairy expansion remains strong.

Recent developments in soil moisture monitoring and conservation have allowed conscientious operators to make the most of their water allowance. An example would be the staggered timing when 'halving' the planting of corn, on a single pivot circle. This is done in order to optimize the timing of water requirements (the corn water requirement curve) versus the actual available gallons per minute. Staggering the planting reduces demand on the water resource. This is not necessarily a 'brand new' practice, but its widespread adoption is new and significant. As a result of thoughtful regulatory efforts and also a return to more 'normalized' moisture throughout the calendar year, aquifers have experienced an actual improvement in the rate of decline, with a few observation wells showing an actual increase in saturated thickness. It will be interesting to see if this develops into a long-term trend.

Coastal Bend

The recovery of the LCRA water availability for coastal rice farmers seems to have added opportunity, liquidity and diversity. The LCRA Lane city reservoir is under construction and will add tens of thousands of acre feet of water to the impoundment system, ultimately benefiting the LCRA crop producing customers. For the first time in several years, LCRA is offering water for crops other than rice. We should expect some relatively larger corn, bean and sorghum crops. A consistent offering of LCRA water is good for supporting rental rates.

Additionally, the Coastal Bend has responded well to the large turf demand coming out of the region. Turf farm development is still taking place and the overall turf market seems to be providing profitability to the stakeholders.

Also interesting is what looks to be a large amount of capital expenditure that is taking place in the Coastal Bend region. I suppose that lower commodity prices in some way translates into lower opportunity costs, when considering things like land leveling, ditching, irrigation, organic conversion, alternative crops, permanent plantings – pecans, olives, grapes. This, too, provides rental rate stability and support.

I see landowner/operators taking advantage of the USDA commitment to land conservation improvements through the Environmental Quality Incentives Program (EQIP). Capex will generally equate to lower variable costs. Also, helping with the land improvement decision is the fact that less oilfield competition has lowered the actual cost of performing improvements.

The Coastal Bend has probably experienced a much larger than normal capital infusion as a region. I sense that this conspicuous Capex spending should position the Coastal Bend region very well, over the long term.

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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.

- Commodity prices are a major concern to producers. There has been some improvement in cotton prices. Grain prices are still weak.
- Timely rainfall resulted in above average yields for much of the area. Yields were down in some areas compared to previous years.
- The demand for large hunting and recreational properties has been stable. Oil related investors backed off this market in the early part of the year. After the November elections, demand increased due to the easing of uncertainty. Moderate demand was for small to mid-sized ranches with stable prices.
- The inventory of good irrigated land that is for sale is stable. There are some producers still in the market due to other income sources. Sales activity remained stable in the North Plains as well as the southern areas. There is still some demand throughout the region for most classes of cropland from small and large investors. Values for farms with weak, or marginal, irrigation water have declined somewhat, primarily due to low commodity prices.
- Dairies continue to purchase farm land to grow forages in order to control costs of inputs. These buyers have been the primary market makers in some areas of the Panhandle and to a significant extent in the northwest sector of the South Plains.
- Large investors are still in the market for prime irrigated farmland, but on a limited basis. Most of the activity is in the North Panhandle. The large investors are typically only interested in farms with strong water.
- Looking forward to 2017, much of the area has good underground moisture. There is still concern about underground water pumping restrictions on the Plains. Operators have adjusted to the pumping limitations. They have been taking advantage of the ability to bank water on the north plains for use in future years.

North Panhandle

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

Sales activity was stable for cropland in 2016. 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 to have had on land prices. The drought conditions subsided and average rainfall occurred in most areas during 2016. There has been increased drilling to the Santa Rosa formation to supplement irrigation water that is being pumped from the Ogallala formation.

The panhandle dairy industry has been stable after the recovery that began in 2013. Most dairies operated at above breakeven levels during 2016.

Most acreage was planted to corn, wheat, sorghum and cotton in 2016. Due to the low commodity prices for grains, there is expected to be increased cotton plantings on the north plains.

Cash leases for irrigated cropland are common in the northwest quadrant of the Panhandle and declined somewhat during 2016. The decline is directly attributable to the low 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. Range conditions were average due to average rainfall. Ranchers continue to increase their herds.

South Plains from Amarillo to Lubbock

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

Due to timely rains, crop yields on dryland were up throughout the region. Irrigated cotton brought in good yields. The market price for cotton experienced a moderate increase. The land market for good irrigated farms was generally stable. The demand for farms with weaker irrigation water has declined.

Native rangeland is in scattered areas along draws or a band of sand hills and



runs southeast across the region; generally, these are smaller tracts utilized in conjunction with adjoining cropland. Range conditions were average due to the timely rainfall.

Crop share leases are the most common lease arrangement for both irrigated and dry cropland; rental rates and terms remain stable. The trend of absentee landlords selling to tenants continued but to a lesser degree.

Drip irrigation continued to be installed but has slowed some. Prices for land enrolled in the Conservation Reserve Program (CRP) are generally stable.

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 is leased for hunting. Most cultivated farming utilizes dryland cultural practices due to inadequate groundwater. Irrigation practices are predominantly sprinkler, due to sandy soils.

There is still demand for dryland but to a lesser degree than previous years. Crop yields in 2016 were good due to timely rainfall. The improvement in cotton prices offset much of the losses that were experienced in previous years. 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 is being placed back into production, especially those with irrigation potential. Much of this land is being utilized to grow organic peanuts. Oil & gas lease activity was stable.



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The rural or agricultural land market in the southern portion of the South Plains has been slow since the fall of oil prices in the fall of 2014, and land prices have been stable through 2016 in this area. Rural lands in Midland and Ector Counties are still impacted by rural development potential (RV parks, industrial tracts or rural residential); and by oil companies buying 80 acres to 640 acres for oil production. An overall range of oil price purchases are \$2,500 to \$6,000 per acre. There is optimism in the land markets as the Permian Basin is the “place to be” for oil and gas exploration with production, with the continued success of fracking, the existence of several stacked producing formations and lower costs. This new activity will increase land sales activity and land prices if oil and gas prices remain favorable.

The ranch market was stable for most of 2016. Activity increased after the November elections. The increased demand has carried forward from the end of 2016 into 2017.



North Panhandle

Land Use or Class	Value Ranges	Activity/Trend	Rental Range	Activity/Trend
Irrigated Cropland Good Water	\$3,000 to \$4,000	Stable/Increasing	\$150 to \$250	Stable/Stable
Irrigated Cropland Average Water	\$2,250 to \$3,000	Stable/Stable	\$125 to \$150	Stable/Stable
Irrigated Cropland Fair Water	\$1,000 to \$2,000	Decreasing/Declining	\$75 to \$125	Stable/Declining
Dry Cropland East	\$750 to \$1,200	Stable/Stable	\$30 to \$45	Stable/Stable
Dry Cropland West	\$350 to \$650	Stable/Declining	\$15 to \$35	Stable/Stable
Rangeland	\$450 to \$1,200	Stable/Stable	\$7 to \$12	Stable/Stable
Conservation Reserve Program	\$500 to \$1,000	Stable/Stable	\$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

South Plains (Amarillo to Lubbock)

Land Use or Class	Value Ranges	Activity/Trend	Rental Range	Activity/Trend
Irrigated Cropland Good Water	\$2,250 to \$4,000	Stable/Stable	\$150 to \$200	Stable/Stable
Irrigated Cropland Fair Water	\$1,100 to \$1,650	Stable/Declining	\$100 to \$150	Stable/Stable
Drip Irrigation	\$1,600 to \$3,000	Stable/Stable	n/a	Stable/Stable
Dry Cropland Wheat	\$600 to \$900	Stable/Stable	\$25 to \$45	Stable/Stable
Dry Cropland Cotton	\$600 to \$900	Stable/Stable	\$25 to \$45	Stable/Stable
Rangeland	\$350 to \$1,100	Stable/Stable	\$7 to \$10	Stable/Stable
Conservation Reserve Program	\$500 to \$900	Stable/Stable	\$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

South Plains (South of Lubbock)

Land Use or Class	Value Ranges	Activity/Trend	Rental Range	Activity/Trend
Irrigated Cropland Better Water	\$1,600 to \$2,750	Stable/Stable	\$150 to \$185	Stable/Stable
Irrigated Cropland Fair Water	\$1,100 to \$1,500	Stable/Declining	\$75 to \$125	Stable/Stable
Dry Cropland Cotton	\$650 to \$1,200	Stable/Stable	\$25 to \$45	Stable/Stable
Rangeland	\$400 to \$1,000	Stable/Stable	\$4 to \$7	Stable/Stable
Conservation Reserve Program	\$500 to \$800	Stable/Stable	\$30 to \$40	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

Region Two encompasses 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.
- 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 variable as the result of economic conditions in other regions, but are mostly dominated by both investors and recreationalists, with the market for cultivated land being driven by water rights acquisitions by producers, public entities and oil companies.
- 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, the quality of which varies greatly. The valley that is associated with the Rio Grande has irrigation districts and furnishes water based on adjudicated water rights.

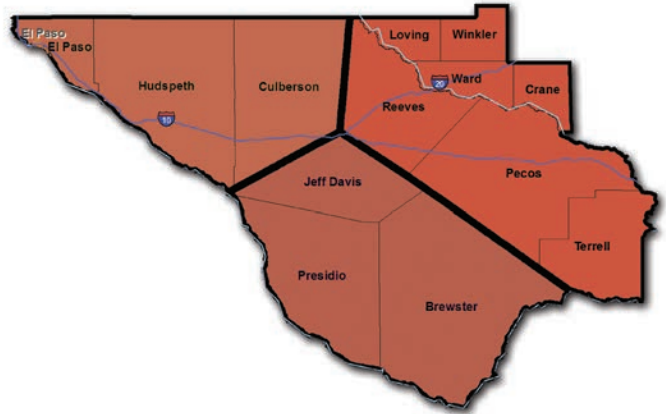
In the El Paso Upper Valley, the market is generally driven by the investor with strong urban development pressure present. In the El Paso Lower Valley, there is moderate urban pressure and the investor is again the primary market force with some producer acquisition impact.

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.

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 350,000 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 limited, 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 driven both by purchase for investment purposes as well as for use as recreational ranches.

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 plains.

Prior to the 1970's, significant acreage in the Pecos River Valley was cultivated under irrigation. The area possesses abundant supplies of 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.

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. 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.



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Far West Texas

Land Use or Class	Value Ranges	Activity/Trend	Rental Range	Activity/Trend
Rangeland	\$300 to \$500	Decreasing/Stable	\$.65 to \$.85	Stable/Stable
Dell City Irrigated Cropland*	\$1,200 to \$1,200	Stable/Stable	\$85 to \$120	Stable/Stable
El Paso Upper Valley Irrigated	\$12,000 to \$14,500	Decreasing/Stable	\$100 to \$125	Stable/Stable
El Paso Lower Valley Irrigated**	\$2,500 to \$4,500	Decreasing/Decrease	\$65 to \$85	Stable/Stable
Van Horn Irrigated Cropland**	\$500 to \$525	Decreasing/Stable	\$25 to \$50	Stable/Stable

*Only one new sale available.

**No new (2016) data available.

Big Bend

Land Use or Class	Value Ranges	Activity/Trend	Rental Range	Activity/Trend
Davis Mountains Rangeland*	\$975 to \$2,000	Stable/Increase	\$3.50 to \$5.00	Stable/Stable
Highlands Rangeland**	\$825 to \$950	Increase/Increase	\$2.50 to \$2.75	Stable/Stable
Desert Mountains Rangeland	\$200 to \$300	Decrease/Decrease	\$1.25 to \$1.50	Stable/Stable

*High-end is smaller tract size.

**Very limited new data.

Trans-Pecos

Land Use or Class	Value Ranges	Activity/Trend	Rental Range	Activity/Trend
Rangeland	\$250 to \$450	Increase/Increase	\$.50 to \$1.25	Stable/Stable
Irrigated Cropland*	\$500 to \$750	Increase/Increase	\$10 to \$25	Stable/Stable

*Very limited (2016) sales data.

Rental Rates unchanged from 2015. No new (2016) Rental data available.

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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.

- Farmland prices continue to be stable with some increase in irrigated cropland prices. This is primarily a result of the farmers' desire for irrigated crop land due to the more consistent production afforded by irrigation versus dry crop farming practices. This more stable growing environment is critical for adequate production to offset large production costs. Dryland farmland remains stable due primarily to the above average harvest for cotton throughout the region in 2016. In many instances, the above average harvest has resulted in many farmers remaining in business for an additional year.
- Rangeland properties appear to be stable. In fact, there has been some unevenness in certain areas, particularly those properties that are not as desirable or have certain problems such as lack of water or fencing, or areas of heavy oilfield development where only the surface is being conveyed.
- There has been an increase in the interest in both solar and wind leases throughout this region. Numerous wind and solar projects are currently coming onboard and there is continued interest in leasing tracts that are adjacent to power lines or substations.

North Texas

Archer, Baylor, Childress, Clay, Collingsworth, Cottle, Dickens, Donley, Foard, Hall, Hardeman, Jack, King, Knox, Motley, Throckmorton, Wheeler,
Prices for irrigated cropland continue to increase somewhat, and activity is stable. The dryland farmland has been stable with no real increase or decrease in prices. Demand for wind and solar continues in this area, particularly farms or ranches that are well placed for these industries.

In a change from last year, rangeland prices have been stable. Activity has also been relatively stable and this includes both large properties and smaller properties. It appears that larger rangeland sales are receiving only slow demand, while smaller rangeland tracts (below 2,000 acres) are active.



Central Texas

Coke, Concho, Fisher, Haskell, Jones, Kent, Mitchell, Nolan, Runnels, Scurry, Shackelford, Stephens, Stonewall, Taylor and Tom Green Counties
Irrigated farmland prices continue to be stable to slightly increasing. The sales continued upward and are located primarily in Tom Green County. These farms are typically purchased by the neighbor and demand seems good. There have also been increases in farmland prices in Runnels and Concho counties due to the expansion of these farmers in the Tom Green County area. It appears that

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these farmers are moving farther out in order to find more moderately priced farmland and this has shown an increase in land prices. However, farmland sales in Scurry or Fisher counties appear to be relatively stable.

Rangeland prices have remained stable and this has been for tracts greater than 2,000 acres as well as tracts smaller than 2,000 acres. There have also been some areas in the Central Texas region that have shown some decrease in prices. However, this appears to be due more to the seller's requesting a quick sale rather than any downward trend in demand.

This area has also seen some increase in solar and wind leases and it appears that this is increasing in activity.

South Central Texas

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

Farmland continues to be stable as prices and demand are also stable. This is the same for both irrigated and dry cropland. The irrigated farmland remained stable due primarily to the fact that the irrigation capabilities continue to decrease in this region. Irrigation has always been marginal in the area and as the wells continue to drop off, irrigation capabilities decline.

Rangeland values for tracts over and under 2,000 acres remains stable and prices are similar to last year. This stability is primarily due to the fact that this

area is slightly farther from metropolitan areas and also, many of these counties experienced a large amount of oil and gas drilling in the past years, which tends to decrease demand by buyers. Another factor that is likely to cause a stabilization in prices is the fact that oil companies are no longer purchasing ranches on which they are drilling. This is due primarily to the lack of drilling in this area in the past year and is likely to continue for the foreseeable future.

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North Texas

Land Use or Class	Value Ranges	Activity/Trend	Rental Range	Activity/Trend
Irrigated Cropland	\$1,200 to \$1,850	Stable/Increasing	\$40 to \$90	Active/Stable
Class II & III Dry Crop	\$900 to \$1,600	Stable/Stable	\$35 to \$50	Active/Stable
Class IV & V Dry Crop	\$600 to \$800	Stable/Stable	\$15 to \$30	Active/Stable
Rangeland > 2,000 Acres	\$550 to \$1,500	Slow/Stable	\$8 to \$12	Active/Stable
Rangeland < 2,000 Acres	\$650 to \$2,000	Active/Stable	\$8 to \$15	Active/Stable
Hunting Lease Rangeland			\$6 to \$15	Active/Stable

Yearly rangeland lease rates range from \$150 to \$200 per animal unit

Central Texas

Land Use or Class	Value Ranges	Activity/Trend	Rental Range	Activity/Trend
Irrigated Cropland	\$1,500 to \$4,500	Active/Increasing	\$50 to \$125	Stable/Stable
Class II & III Dry Crop	\$750 to \$3,000	Stable/Increasing	\$35 to \$50	Stable/Stable
Class IV & V Dry Crop	\$650 to \$1,500	Stable/Stable	\$20 to \$35	Stable/Stable
Rangeland > 2,000 Acres	\$650 to \$1,800	Stable/Stable	\$5 to \$15	Stable/Stable
Rangeland < 2,000 Acres	\$700 to \$2,000	Stable/Stable	\$5 to \$15	Stable/Stable
Hunting Lease Rangeland			\$6 to \$15	Stable/Stable

Yearly rangeland lease rates range from \$150 to \$200 per animal unit

South Central Texas

Land Use or Class	Value Ranges	Activity/Trend	Rental Range	Activity/Trend
Irrigated Cropland	\$600 to \$1,600	Stable/Stable	\$50 to \$75	Stable/Stable
Dry Cropland	\$500 to \$900	Stable/Stable	\$25 to \$55	Stable/Stable
Rangeland > 2,000 Acres	\$400 to \$1,400	Stable/Stable	\$4 to \$10	Stable/Stable
Rangeland < 2,000 Acres	\$500 to \$2,000	Stable/Stable	\$4 to \$10	Stable/Stable
Hunting Lease Rangeland			\$2 to \$15	Stable/Stable

Yearly rangeland lease rates range from \$150 to \$200 per animal unit

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On the north and east sides, Region Four is bordered by the states of Oklahoma, Arkansas and Louisiana. The Dallas-Fort Worth metroplex is located in the west quadrant of the region; the Houston metropolitan area is located approximately eighty miles south of the region's southern boundary. Due to the diverse nature of the area, Region Four has been divided into four sub-regions.

Highlights of the overall regional market precede a brief discussion of each sub-region.

- In most counties, prices have begun to increase. Real estate brokers reported marketing time had lessened to more reasonable days on the market. Many reported during 2012, seller's expectation of price exceeds a buyer's willingness to pay. They reported in 2013 and 2014, this expectation had lowered and more properties were available at more reasonable asking prices. In 2015 and 2016 demand has increased in the recreational areas near Dallas and north of Houston. Demand has decreased in the cropland areas of the northeast quadrant.
- Rental demand for pasture and recreational leases exceeded the supply.
- 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 slowed, but 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. In some areas, there were slight increases, but the majority of the counties showed stable 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, Wise, Parker, Rockwall, Hood, and Johnson counties, these counties were not considered in the development of the sub-region's value trends. Transitional land sales along the Highway 75 to the future Dallas North Tollway Corridor in Grayson County have also not been reported due to developmental influences. These fringe counties are becoming an extension of the Dallas-Fort Worth metroplex.

In the North Texas land market, overall land values showed strong gains over 2015 with total number of sales being up. Land tracts smaller than 150 acres make up the bulk of the market within the North Texas sub-region accounting for over 80 percent of all transactions in 2016 according to MLS data. Values and number of sales for tracts less than 150 acres continued their upward trend in 2016 with continued strong demand. Land tracts larger than 150 acres showed strong value increases as well in 2016, but continued a downward trending number of transactions over the previous 5 years. Supply of actively listed large tracts shows a similar downward trend in North Texas even though demand for large tracts remains strong.

The North Texas land market is generally dominated by investors from the Dallas-Fort Worth metroplex in all segments and across all 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 has remained stable and value trends have shown moderate increases, keeping 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 is varied with many landlords requiring only property upkeep and maintaining the agricultural exemption while others report cash rates within the reported ranges.

Although occurring throughout the fringe area, major growth trends of the metroplex continue to be north along the Highway 75 and Preston Road corridors. Growth in this area is driven by population and job growth brought in part by economic growth and continued corporate relocations into the northern metroplex. These areas tend to contain the highest amount of value growth with developers and investors being the primary drivers of that market. Recreational and full/part time residential users are forced to seek suitable properties outside of those corridors.

Northeast Texas

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

The Dallas-Ft. Worth metroplex, Longview, Tyler, and Texarkana are still the primary source of new buyers in the smaller end of the pasture and the recreational markets. The number of sales in some counties decreased, not because of a decline in demand, but due to a lack of listings.

Demand for good crop was lower but prices still held at their peaks through the end of the year. The majority of the buyers were local farmers with strong balance sheets picking up good land in their neighborhood or out-of-town buyers on 1031 exchanges. On the other hand, there has not been the usual flurry of crop land sales this winter, and a lack of activity usually portends a decrease in the future. There are a few big farms on the market but until recently, their asking prices were \$300 to \$400 per acre over even the upper end of a reasonable range. These have dropped and it will be interesting to see if the lower prices generate some offers. The best bet is that crop land prices will have a significant decline, either this year or next.

Lease rates on the best farms have been stable while others have renewed at lower levels but the pressure is definitely downward. If the current level of crop prices continues as predicted, crop land rents and values will eventually have to decline.

Even with the sharp decline in cattle prices since mid-2015, interest in pasture tracts is still strong and prices are generally stable; but, there are very few large sales. All things considered, there should be continued strong demand for pasture tracts, especially if they have some recreational appeal as well.

Large timber land sales were scarce, demand is strong, and prices were stable. 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 are all positive factors. Having some production land, either pasture, hay meadow or crop land, enables the tract to maintain a tax exemption which

is becoming more important as many districts continue cracking down on mostly wooded tracts that are still under an agricultural exemption. Surface water continues to be the most profitable improvement that can be made to the land if the soil and terrain are suitable for such construction.

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 2016, with prices continuing to increase.

Brokers reported good listing volume of good properties but sellers have continued to have high price expectations. Some sellers are willing to negotiate but others remain steadfast, which causes sales not to happen.

The northern portion of this sub-region has easier access to the Dallas area, and prices are higher than in the southern counties of this sub-region. The market for the southern portion compares favorably to the Piney Woods South sub-region.

There is not enough cropland in the Piney Woods North to have a separate reporting classification.

Demand for pasture tracts continued to be primarily from Dallas-area investors that was coupled with some local market participants. The areas closer to the Dallas-Fort Worth metroplex experienced the higher prices and also higher demand. In the northwest portion of this region, proximity and ease of access from the Dallas area have caused increased activity and also increased prices. The recreational buyer is probably the predominant buyer in this area.

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. In the northwest part of this region,

demand exists for land for weekend homes primarily from the Dallas area purchaser.

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

Piney Woods South

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

The Piney Woods South market activity increased slightly during 2016, with prices showing a slight increase. Activity has increased for properties less than 1,000 acres, but activity has almost stopped for properties in excess of 3,000 on up to the very large tracts. This is not considered due to a lack of demand but rather a lack of owners of these large tracts being willing to sell at prices which buyers are willing to buy. Depressed timber prices have caused buyers to consider some of these tracts over-priced. High quality hunting properties continue to sell and command higher prices. The base land value for timberland has shown some increase. Sellers continued to ask higher prices; however, brokers report there was some pull back in listing prices, and as a result, list prices are more in line with the market. Brokers are reporting a higher number of quality, reasonably priced listings for those tracts less than 3,000 acres.

The lands placed on the market by International Paper, Louisiana-Pacific, and Temple-Inland have been absorbed by the market. As in other areas, the original investors, who purchased from the companies, have sold to long term holders. The exception to this comes from some of the investment buyers, who were offering some of their higher and better use lands for sale.

The Bearing Fire, which burned about 34,000 acres, caused increased sales activity in this area with these properties selling about 30% less than the typical cut over timberland. Most of the available inventory has been sold primarily to investors who purchased 500 acres or less. A few of these purchases showed up as new sales during 2015 and 2016 with considerable price increases from the original burned sales. Some of this was due to clean up of the burned areas and some was due to the property simply growing up into brush and small trees.

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North Texas

Land Use or Class	Value Ranges	Activity/Trend	Rental Range	Activity/Trend
Dry Cropland > 200 Acres	\$2,000 to \$4,500	Increase/Increase	\$40 to \$60	Stable/Stable
Improved Pasture > 200 Acres	\$2,200 to \$4,500	Increase/Increase	\$15 to \$25	Stable/Stable
Native Pasture > 200 Acres	\$2,000 to \$4,500	Increase/Increase	\$10 to \$20	Stable/Stable
Hardwood Timber > 200 Acres	\$1,500 to \$2,500	Increase/Increase	\$6 to \$12	Stable/Stable

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

Dallas, Tarrant, Collin and Denton 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	\$1,850 to \$2,500	Stable/Stable	\$40 to \$60	Stable/Decrease
Class III Dry Crop > 300 Acres	\$1,300 to \$1,650	Stable/Stable	\$40 to \$50	Stable/Decrease
Improved Pasture > 300 Acres	\$1,900 to \$2,600	Stable/Stable	\$15 to \$25	Stable/Stable
Native Pasture > 300 Acres	\$1,500 to \$2,000	Stable/Stable	\$12 to \$15	Stable/Stable
Hardwood Timber > 300 Acres	\$1,500 to \$1,850	Increase/Stable	\$6 to \$10	Stable/Stable

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	\$2,200 to \$4,000	Increase/Increase	\$15 to \$30	Stable/Stable
Native Pasture > 300 Acres	\$2,000 to \$3,000	Increase/Increase	\$12 to \$20	Stable/Stable
Upland Pine Timber > 300 Acres	\$1,500 to \$2,500	Increase/Increase	\$6 to \$12	Stable/Increase
Bottomland Hardwood Timber > 300 Ac	\$1,000 to \$1,500	Increase/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	\$2,200 to \$3,000	Increase/Increase	\$15 to \$30	Stable/Stable
Native Pasture > 300 Acres	\$2,000 to \$3,000	Increase/Increase	\$12 to \$20	Stable/Stable
Upland Pine Timber > 300 Acres	\$1,500 to \$2,200	Increase/Increase	\$6 to \$12	Stable/Stable
Bottomland Hardwood Timber > 300 Ac	\$900 to \$1,300	Increase/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

After completing a bachelor and masters degree in agricultural economics from Kansas State University, Dr. Ivan Schmedemann continued his studies at Texas A&M University where he received his Doctorate in Agricultural Economics in 1967.

"Doc," as he is known by his former students, colleagues and friends, later joined the Texas A&M faculty of Agricultural Economics. Here, he provided leadership in the development, direction and stewardship of the Master of Land Economics and Real Estate program in Agricultural Economics from 1972 to 1994 and in the Mays School of Business from 1994 to 1996. Recognition of his commitment to his students and the real estate profession include: Teacher of the Year in the TAMU Department of Agricultural Economics, 1979; Honor Professor Award from the COALS Student Council, 1984; TAMU Association of Former Students Award in Teaching, 1984; and the Education Innovation Award from the TAMU College of Agriculture, 1984. The Dr. Ivan and Luanne Schmedemann Endowed Scholarship in Land Economics and Real Estate was established by the Society of Texas A&M Real Estate Professionals in 1989. He received a lifetime membership in the Society of Texas A&M Real Estate Professionals in 1995. In 1996, he was recognized as Professor Emeritus in Agricultural Economics, Texas A&M University, and in 2004 he received the Distinguished Service to Agriculture Award, American Society of Farm Managers and Rural Appraisers. In 2005, Doc received an award for conservation efforts on his home farm in Kansas which has been in conservation programs for many years and exemplifies the long-term care and improvement of the land which today's programs encourage in landowners. Not only did he instruct his students on the stewardship of the land, he practiced what he preached. Doc has served on the Board of the Capital Farm Credit Bank for many years and continues to be associated with many of his former students who are employed by the bank in various capacities. He has maintained involvement in agricultural policy issues through active participation on a number of task forces for the Texas Department of Agriculture.

Doc has left a living legacy across the 25 states and four foreign countries in which the 400+ graduates of the Land Economics and Real Estate program now work. His international research and extension programs in Africa during his early career, and his later impact on the South Africa real estate industry and his academic programs in New Zealand are illustrative of his far-reaching professionalism and broad range of service.

Doc's professionalism, pragmatic real estate research analysis and appraisal skills, and aptitude were instilled in many Aggies. In terms of his work legacy, one of Doc's greatest contributions was his study of land prices in rural Texas, as evidenced by this publication. This ongoing study was commenced by Dr. Schmedemann in the seventies and continues today through his successors. This body of work not only tracks the historical aspects of land prices in rural areas of Texas in terms of trends and orders of magnitude of change, but also observes the related social and economic impacts on various aspects of agriculture in our state. One former student wrote, "I would venture to say that there are few bodies of research that have had the longevity of the rural land prices study pioneered by Dr. Schmedemann. This long-term relevance of his work speaks volumes about Doc's contribution to agriculture in our state and nation." Another colleague notes, "Ivan's students have had significant influence on the real estate valuation and financial fields throughout the nation. His identification of the three primary market factors in rural property [that is -- production,

Continued on page 32

MEMBER H

DR. IVAN "DOC" W. SCHMEDEMAN
ACADEMIC HONORARY MEMBER



Photo courtesy of Diane Gilliland.

HIGHLIGHT

JAMES B. "NARDIE" VINE, JR., ARA ACCREDITED HONORARY MEMBER



James Bernard ("Nardie") Vine, Jr. was born November 8, 1943, in Houston, Texas, to James B. Vine and Louella Moffett Vine. Following the end of World War II, at the age of two, Nardie moved with his family to Dilley, Frio County, Texas, where Nardie attended school, graduating from Dilley High School in 1962. He grew up and lived his whole life in South Texas, in the brush country he loved, participating in Future Farmers of America and learning the business of agriculture from parents and grandparents. He attended Texas A&M University as a member of the Corps of Cadets, graduating in the class of 1966 with a degree in Business Administration. He was commissioned a Second Lieutenant in the U.S. Army. He met Lynda B. Perry, from San Antonio, Texas, and the devoted couple was married on October 22, 1966. After graduation and marriage, he was called to active duty with the Air Defense Artillery branch of the U.S. Army, completing the Officer's Basic Course at Fort Bliss, and then served in a Nike Anti-Aircraft Missile battery in Germany, first as a Missile launch officer and later became the unit commander.

Upon his release from active duty, he transferred to the Army Reserves, serving as a commander of the 757th Light Equipment Maintenance Company, and then as Maintenance Operations Officer of the 694th Maintenance Battalion, retiring as a Major in 1975.

After completing his military service, he and Lynda moved to Dilley, Texas, where he began his career as a rural real estate appraiser in 1969. They welcomed a daughter, Lisa Kay, in 1971. Nardie engaged in real estate brokerage, appraisals and consultations, forming the firm of Vine and Associates. He maintained his office in Dilley, Texas, until 1979 when he moved to San Antonio, Texas. Since 1983, he specialized in the sale and valuation of rural and agri-business properties with particular expertise in appraising special purpose properties such as feedlots, packing plants, vegetable packing sheds, refrigerated warehouses, grain elevators, peanut dryers and shellers, fertilizer facilities, feed mills, seed houses, mines, timberland, irrigation districts, auction barns, and caves.

Users of appraisal services, oftentimes, are not aware of the vast amounts of volunteerism that occurs within the industry's ranks to continuously reassess and ensure how well the profession is fulfilling its charge of protecting the public's trust. The industry is a complex web of regulatory bodies, national and state level professional organization chapters, and individual lobbying efforts. The profession's federal oversight is a public-private relationship in which the Appraisal Subcommittee (federal government) oversees the actions of the Appraisal Foundation (private). The Appraisal Foundation is the source of ethical requirements and licensing requirements for the entire profession and its governing body is largely made up by appointed practitioners. Outside of the direct oversight of the industry a multitude of private professional organizations exist in which members subject themselves to rigorous educational and experience standards that go above and beyond those minimal requirements outlined by the Appraisal Foundation. The Texas Chapter of the American Society of Farm Managers and Rural Appraisers is one such organization.

In 1991, the State of Texas began certifying real estate appraisers through the Texas Appraiser Licensing and Certification Board. In March 1991, Nardie became a State Certified General Real Estate Appraiser. He belonged to and served the American Society of Farm Managers and Rural Appraisers (ASFMRA), the

Continued on page 33

investment and recreation] have been adopted throughout the nation by real property professionals." And yet another former student writes, "Dr. Ivan Schmedemann distinguished himself as a scholar on the national stage ... and [as a] mentor to young Aggies."

After retiring as Professor Emeritus from Texas A&M University in 1996, Dr. Schmedemann continued until very recently to be actively involved with the American Society of Farm Managers and Rural Appraisers, Texas Department of Agriculture, the Texas Wildlife Association, and USDA -- serving as a voice for agriculture and rural property owners.

Napoleon Hill, the author of probably the most read book on achieving success, "Think and Grow Rich", said that the measure of his success was the number of successful people he helped create. The same could be said for Dr. Schmedemann. Arguably Doc's greatest legacy is the sizeable group of successful men and women that he ushered through the Land Economics and Real Estate program at A&M. These people are helping shape the face of rural and urban real estate business across the state. However, what stands out most is not so much that he engendered a legacy of successful people, but the way he went about doing it.

Doc's students always became a close-knit group. Not only with him, but with Luanne, his wife of sixty years, as well. They were like a second family to many of his students. For many years on any given weekend you could find his students hanging out with Doc at his place south of town, the "Yoponderosa". If they were not there, they were enjoying wild game dinners at Doc and Luanne's home in Bryan. Many of these times ended with Luanne playing the piano and the students gathered around singing. This occurred because Doc was always totally engaged in the educational and personal growth of his students. He truly cared about his students and they knew it.

During his tenure on the faculty at Texas A&M University, Dr. Schmedemann acted tirelessly as a champion of the students, his kids, that came into his academic life. Doc has had his share of exceptional students who have gone on to distinguished careers. Not only did Doc promote the progress of exceptional students, he also went beyond the call of duty to encourage all of the students under his direction. Specifically, he excelled at identifying and salvaging at risk students (we know who we are) when it would have been more personally prudent to wash his hands of their predicaments, letting their academic careers expire. Many have clamored to learn the secret of the ardent loyalty he inspired among his graduates. The truth is not hard to discern; Doc believed in them when many of them did not believe in themselves. He acted as a true mentor. He was there for them when they needed him most. Doc's passion was not to publish or do research, but to nurture and educate students.

Doc did not just have an impact on his students. His teachings and words of wisdom have been carried down to the next generation. Many former students of Doc's have kids who have graduated from the program as well. There is no doubt that many "Docisms" have been passed down. A couple to note are, "You never have a second chance to make a first impression" and "You never get rich, you just get broke at a higher level." These and many other pieces of sage advice have helped shape many people and indirectly helped them achieve success.

Doc was on a mission. Few know that Doc nearly withdrew from academic life as a homesick, young freshman at Kansas State University. His aunt refused to allow him to abandon development of his potential, insisting that he complete his education. This early experience created a sense of mission for Doc that guided him in the wisdom and persistence that he brought to his role as professor of Agricultural Economics. That mission reached beyond his professional role as a university professor. The efforts to which Doc has gone to foster development of individuals who



never made it to the halls of the university have largely gone unnoticed. Be it a west Texas cowboy, south Texas maid, or discouraged politician, Doc has continuously exhibited wisdom and patience in guiding them as they developed both personally and professionally.

When former students fondly recall their time at Texas A&M University, many undoubtedly reflect on a time when a faculty member they respected encouraged them to embrace their dreams and persevere to achieve their goals. This represents the best traditions of academic professionalism and the Aggie spirit. In his career at Texas A&M, Doc became a contemporary embodiment of this ideal. He is an example of the intangible influences that create the unique ambiance of Texas A&M.

Doc continues to maintain close personal relationships with many of his former students from his years at A&M. Students from many years in the past continue to visit him and until very recently, he never missed a meeting of the Texas Chapter ASFMRA or a meeting of the Society of Texas A&M Real Estate Professionals (Aggie Real Estate Network), an organization made up of past and current LERE students and other real estate professionals. This personal relationship where Doc mentored many former students at Texas A&M University, exemplifies the kind of man he is and the great love and respect held for him by his former students.

Without a doubt, Doc has a loving and supportive family. Doc and Luanne were married sixty years. They have one son, John Schmedemann. John and his wife Paige are graduates of the LERE program and work in the real estate industry. Doc is also very proud of his grandchildren, twins Nick and Abby. Both followed in their grandfather's footsteps. Nick attends Kansas State University while Abby is a student at Texas A&M. Doc passed away on March 18, 2017, at the age of 87, just before the printing of this publication. His legacy will be felt for generations to come.

As Vice President of the Texas Chapter, Doc's article fell to me. I was not necessarily told to write it, just it was my responsibility. I asked the "Googler" for basic information. Dr. Ed Rister, '74,

Professor and Associate Head, Agricultural Economics, Texas A&M University shared several articles and letters. He gave me permission to plagiarize as I saw fit. I also asked Kathy Mayfield Kyrish and Dr. Charles Gilliland for assistance and reached out to numerous former students. I have not recognized everyone whose writings and emails were borrowed. If you see your words in the article, thank you. No one person deserves credit. Everyone who was touched by "Doc" deserves credit in this article. Dr. Ivan Schmedemann would not have been "Doc" without us and none of us would be who we are now without him. ~ Wayne Young, ARA, Vice President of the Texas Chapter and a former student of Doc.

Continued from page 31

Royal Institution of Chartered Surveyors (RICS), American Society of Real Estate Counselors (ASREC), National Association of Realtors (NAR), Texas Association of Realtors (TAR), and the San Antonio Board of Realtors (SABOR). He earned the designation Accredited Rural Appraiser (ARA) presented by the ASFMRA in 1986 and in 2007 received the D. Howard Doane Award for meritorious service. He was awarded the coveted designation of Counselor of Real Estate (CRE) in 2006. Among his professional contributions, these are notable. He chaired the ASFMRA Appraisal Education Committee from 1992-1994. He was an ASFMRA Certified and an AQB Certified USPAP Instructor. He served as Editor-in-Chief of The Appraisal of Rural Property, Second Edition. He was National President of the ASFMRA, 1996-1997, and Chair of The Appraisal Foundation, 2004. He was also a member of RICS Americas where he served on the organization's Valuation Standards Board from 2011 to 2016 and on the Board of Regents for the Center for Advanced Property Economics. The level of commitment and service to the appraisal profession by Nardie was second to none.

Back in Texas, Nardie spearheaded the Texas Chapter's efforts to offer the data that ultimately became this magazine that you are reading today. In the Spring of 1998, he met with Dr. Charles Gilliland to see if the Chapter membership could enhance the Annual Outlook for Texas Land Markets. Through those meetings, a system was devised in which the practitioners of the Texas rural appraisal fields supplied data that formulated a microeconomic view of the State's land price trends. Nardie, together with his wife, Lynda, prepared the maps that are still in use today and devised a way in which data could be collected and disseminated to Dr. Gilliland in a meaningful way. Lynda was a supporting partner in Nardie's work and was a stabilizing influence on all his professional and service activities.

Nardie was a leading member of his profession and served with distinction for over 40 years. He sought to constantly update his knowledge of the field and contribute to its development through teaching and writing appraisal courses. He frequently served as an expert witness in State District Courts in Texas and Tennessee, in Federal District Courts in Texas and Illinois, and in Federal Tax Courts in Texas. His list of clients was long and included financial institutions, corporations, government agencies, attorneys, and individuals seeking expert real estate consultation or evaluation.

Nardie trained and mentored many of the State's leading valuation experts and had a hand in the education of countless students nationally. The knowledge and experience passed on to those who have benefitted from learning under him cannot be replicated and those lessons are oftentimes the center of discussion during the Texas Chapter's many meetings. Nardie was a friend to all and he loved to see the rise of young professionals. He will be sorely missed by his friends as well as the industry. After battling cancer with great strength and determination, Nardie passed away on November 20, 2016, in San Antonio, Texas.

Nardie was a friend and one of my greatest mentors. I was one of the fortunate young members of our profession and society with whom Nardie shared his knowledge and ethics. My first job with Nardie occurred in Val Verde County, Texas, during the summer of 2009. It was then that I learned the complexities of sales research in our state's courthouses and the importance of leaving no stone unturned in the valuation of rural property. Over the years, Nardie asked me to help him with the appraisal of many unique properties and during each of these assignments, I never stopped learning from him. My words in the article are reflective of all those he touched. Thank you to his family for sharing him with us. ~ Justin P. Bierschwale, ARA, MAI



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 (TIMOs). The TIMOs typically identify and market portions of their ownerships which have a higher and better use than silviculture (HBU tracts). The market for these HBU tracts has been somewhat slow to absorb, due to sellers trying to obtain prices at the top to over the top of market value. In the overall, there were more sales in 2016 than in 2015.

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 summary of the general stumpage prices for merchantable timber products in these sub-regions in 2016.

Pine Sawtimber	\$26 to \$30/ton
Pine Chip-n-Saw	\$14 to \$16/ton
Pine Pulpwood	\$7 to \$10/ton
Hardwood Sawtimber	\$35 to \$39/ton
Hardwood Pulpwood	\$8 to \$12/ton

Pine Sawtimber prices have generally been in decline since 2008, but seemed to level out in 2011, and began to show some increase since that time. Pine Chip-n-Saw prices fell dramatically in mid 2010 but since have been slowly increasing. Pine pulpwood prices were in general decline for most all of 2011. In 2012, all of these product classes experienced slight increases. In 2013, prices stabilized with little upward or downward trend and this trend continued through early 2016. Pine products have shown some decline during the later months of 2016 into 2017. Hardwood sawtimber and pulpwood increased substantially during 2016.

As long as housing starts continue to be at very low levels, it is expected timber prices will remain at these general price ranges, which are well below the pre-2008 prices, for the foreseeable future.



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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 sub-regions.

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.

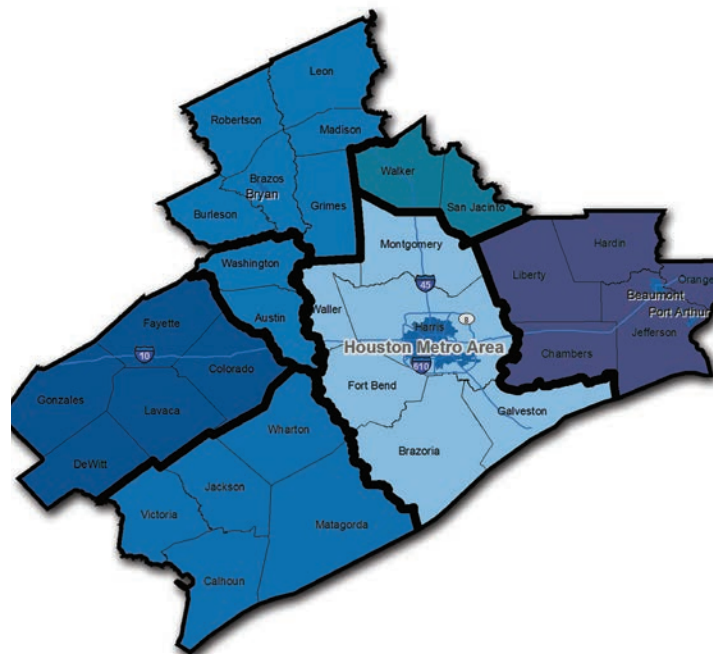
As the demand for recreational property in out-lying areas has increased, the differences associated with land types and uses, i.e., quality of pasture, etc., are having less impact on price. In most cases, native and improved pasture prices are tending to overlap significantly. While the individual 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 property's 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 lower end.

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, which had both increased along with commodity prices from 2012 through 2014, have now somewhat stabilized at current rates. The decline in commodity prices since 2014 suggests lease rates would start to come down as farmers can no longer afford to pay the higher price per acre, based on crops which yield 30-40% less in gross sales. However, the "logical" decrease in cropland prices and lease rates due to lower commodity prices appears to be lagging behind, as rental rates for the 2017 crop year appear to be the first sign of some marginal decreases in those numbers.

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.

A notable factor in 2015 which continued throughout 2016 has been a narrowing of spreads between price per acre of large tracts compared to small. There were a number of instances this year where larger than typical, trophy or potential trophy, quality tracts in and around Houston traded for premiums compared to smaller tracts, and a significant number of the properties sold for cash. In visiting with buyers, the economy the last few years has rewarded some handsomely and they want a larger trophy property. There are fewer and fewer large tracts left in the area and following the dictates of supply and demand, fewer large tracts with increased demand pushed prices higher.



Concerns over the uncertainty of the outcome of the 2016 Presidential Election also weighed heavily on the minds of potential buyers. Toward the second half of 2016, a number of brokers indicated they had "inventories" of properties which had previously not spent much time on the market due to a pullback in demand related to buyers' uncertainty as to how the election results would impact their overall portfolios going forward. However, since the election has passed, demand for those same properties appears to have slowly gained momentum at the end of the year and into early 2017.

Overall, the rural land outlook for this region is stable with a vigilant eye on the oil and gas industry. Concerns about, and issues arising from, layoffs and decreased income were cited more frequently in some portions of the region in 2016, with some of the oil and gas service industry businesses opting to close their doors in the face of lean economic projections. Going forward into 2017, demand for residential/agricultural tracts will likely continue to be impacted by a prolonged downturn in the price of oil.

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.

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 petro chemical industry had a slight influence over 2016. There doesn't appear to be quite as many cash deals taking place but demand does appear to be relatively stable. With regard to 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 country in and around New Waverly is feeling the influence of Montgomery County and the Woodlands area most noticeably.

Brazos Bottom

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

The Bryan / College Station area has seen increased development throughout the last few years 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 and residential subdivision growth has also been observed in this area, further spurring demand for agricultural/rural residential tracts and lifestyle farms in Brazos County. 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), as premium land prices required in Brazos County are becoming too expensive for the average buyer.

Both the dry land and irrigated cropland markets are situated predominantly along the Brazos River Bottom and eastern Burleson 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. Rents are for the most part at the same general levels, with a few higher rents noted for better quality, irrigated farms.

A majority of rural land transactions in the area is concentrated in the pasture land 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 throughout 2015 and 2016, most notably for tracts comprising above-average scenic qualities, 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 50 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 couple of years as the premium prices required in Brazos County are becoming too expensive for the average buyer. The trends outlined above are expected to continue throughout 2017, which could be magnified by a continued rebound in oil prices experienced in the latter part of 2016.

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 corridor in the area of Richmond/Rosenberg has seen substantial new commercial





development over the previous four 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 total sales volume increased in 2016, up substantially from the reduced volume experienced in 2015. The demand for good quality tracts with strong aesthetic appeal continues to be strong and prices are increasing with the upward trend in demand. Although buyers expressed some degree of uncertainty leading up to the presidential election in November 2016 which contributed to a slowdown in terms of market transaction, the year closed out over the last two months with increased sales volume that appears to continue trending into 2017.

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.

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.

Central Coastal Prairie

Calhoun, Jackson, Matagorda, Victoria and Wharton Counties

For the first time in recent memory, brokers indicated they had inventory of cropland tracts available for sale in mid-late 2016. Conversations with those brokers indicated they had approached some of their previous buyers of large blocks of cropland, however these same buyers were not in the market to make those same purchases toward the later part of 2016. Whether it was the decline in overall commodity prices since 2014, or the financial markets uncertainty heading into the November 2016 Presidential Election, or possibly the increased price per acre fueled by 4 straight years of high demand for any and all cropland tracts...it very well may have been that all three scenarios contributed to cropland tract inventories which were not selling toward the later part of the year. However, in the final two months of 2016 following the Presidential Election, some of those cropland tracts began to trade hands at prices which appear to have stabilized near the market values established throughout 2015 and early 2016. As discussed in previous years, the logic which suggested farmers could not continue to pay the higher cash rental rates and receive 40% less for their crops due to decreased commodity prices resulted in a stabilization of rental rates. Many of the area farmers are being forced to lean on previous years' profits to continue operating in the face of low prices for their crops and many have tried to renegotiate lease rates which were established on the heels of the commodity price increases of 2012-2014. Buyers from the mid-west still see this region of the state as an attractive location to replace their farms which they are selling for large dollar amounts per acre and see this as a very reasonably priced investment alternative where they can "park" their capital.

Eastern Coastal Prairie and Southeastern Piney Woods

Land Use or Class	Value Ranges	Activity/Trend	Rental Range	Activity/Trend
Rural Residential/Ag 50-150	\$2,200 to \$7,750	Active/Increasing	\$10 to \$15	Stable/Stable
Improved and Native Pasture	\$1,250 to \$2,800	Stable/Increasing	\$10 to \$20	Stable/Stable
Bottom Timber	\$850 to \$1,600	Active/Increasing	\$5	Stable/Stable
Upland Timber	\$1,200 to \$2,700	Active/Increasing	\$5	Stable/Stable
Marsh	No Sales in 2016			

Southwestern Piney Woods

Land Use or Class	Value Ranges	Activity/Trend	Rental Range	Activity/Trend
Rural Residential/Ag 50-150	\$4,000 to \$7,500	Active/Increasing		
Improved and Native Pasture	\$2,400 to \$7,000	Active/Increasing	\$10 to \$15	Stable/Stable
Bottom Timber	\$1,200 to \$1,850	Stable/Increasing	\$5 to \$10	Stable/Stable
Upland Timber	\$1,700 to \$3,150	Active/Increasing	\$5 to \$10	Stable/Stable

Brazos Bottom

Land Use or Class	Value Ranges	Activity/Trend	Rental Range	Activity/Trend
Irrigated Cropland	\$2,600 to \$3,250	Stable/Stable	\$100 to \$130	Stable/Stable
Dry Cropland	\$2,000 to \$2,800	Stable/Stable	\$60 to \$110	Stable/Stable
Improved and Native Pasture	\$2,850 to \$7,900	Stable/Increasing	\$15 to \$25	Stable/Stable
Rural Residential/Ag 50-100	\$3,000 to \$13,000	Stable/Increasing		

Houston Area

Land Use or Class	Value Ranges	Activity/Trend	Rental Range	Activity/Trend
Improved and Native Pasture	\$3,300 to \$16,000	Active/Increasing	\$10 to \$20	Stable/Stable
Rural Residential/Ag 50-100	\$3,000 to \$25,000	Active/Increasing		

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

Farmers looking for irrigation water along the Lower Colorado River Authority system continue to be in short-term limbo in terms of agricultural irrigation water for this area. However, LCRA's long-term solution to the shortage known as the Lane City Reservoir Project is aimed at supplementing irrigation water for local farmers along the LCRA canal system in Matagorda and far southern Wharton Counties through the construction of a 100,000 acre-feet (90,000 acre-feet of "firm water") per year off-channel reservoir which is designed to be fed by periods of high rainfall in the basin below the Highland Lakes recharge basin that currently feeds the LCRA irrigation system. The Lane City Reservoir Project began construction in 2016 and is scheduled to begin supplying irrigation water to area farmers in the 2018 crop year. However, this reservoir will also be subject to the demands for residential water use from the central Texas lakes as well as the TCEQ monitored flow of fresh water into the bay systems near the mouth of the Colorado River near Matagorda. As total numbers of rice production acres for this area continue to diminish, it remains to be seen if this new irrigation project will increase demand for irrigated cropland tracts along the canal system. For now though, the tracts with heavy enough soils to support dry cropland farming are keeping pace in terms of purchase prices, while the lighter soil tracts continue to see very little sales activity.

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. Additionally, with continued low prices for oil there have recently been a number of oilfield service companies based in Victoria and Jackson Counties who shut their doors in 2016. 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 Colorado County. Improved pasture and native range sales volume seems to have increased. North Colorado County continued to benefit with buyers spilling over from Austin County due to a lack of properties. The upper end of the prices shown for native range and recreational land comes from Fayette County and the north part of Colorado County. However, Lavaca County is beginning to command a higher price with an increase in activity.

Oil and gas activity has been a significant factor in this region over the last few years and it slowed considerably in 2015 and 2016. The oil price drop at the end of the year did not have a visible impact on the market, but it could very well impact the area in 2016. 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. Driving forces creating value are trees, hills and views. Buyers are willing to pay a premium for well maintained 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.

The area around Sealy is predominantly flat, with less tree cover; this area historically sells for less than the lands to the north. However due to proximity to I-10, and the expansion of the Katy area, Sealy and the surrounding area has seen the biggest increase in activity along with values in 2016.

Central Coastal Prairie

Land Use or Class	Value Ranges	Activity/Trend	Rental Range	Activity/Trend
Irrigated Cropland	\$2,300 to \$3,500	Stable/Increasing	\$50 to \$90	Stable/Stable
Dry Cropland	\$2,500 to \$4,000	Stable/Increasing	\$45 to \$90	Stable/Stable
Improved and Native Pasture	\$2,400 to \$6,000	Active/Increasing	\$10 to \$20	Stable/Stable
Rural Residential/Ag 50-100	\$2,500 to \$9,000	Active/Increasing		

North Coastal Prairie

Land Use or Class	Value Ranges	Activity/Trend	Rental Range	Activity/Trend
Irrigated Cropland	\$1,800 to \$2,300	Stable/Increasing	\$20 to \$60	Stable/Stable
Dry Cropland	\$1,800 to \$2,500	Slow/Increasing	\$20 to \$30	Stable/Stable
Improved and Native Pasture	\$3,500 to \$8,500	Stable/Stable	\$15 to \$20	Stable/Stable
Rural Residential/Ag 50-100	\$4,500 to \$17,000	Active/Increasing		

Bellville and Brenham Areas

Land Use or Class	Value Ranges	Activity/Trend	Rental Range	Activity/Trend
Scenic Recreational Land	\$7,000 to \$15,000	Stable/Stable		
Rural Residential/Ag 50-100	\$5,500 to \$15,000	Active/Increasing		
Improved and Native Pasture	\$6,000 to \$9,500	Active/Increasing		
Sealy Area	\$6,500 to \$14,500	Active/Increasing		



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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 ten months of 2016 (January through October) were similar in activity to that of 2015. The market had the appearance of stability and transaction volumes were steady. Caution continued to be a theme for most buyers as it had since mid to late 2014 when crude prices began to fall. In the last approximate two months of 2016, essentially following the election, it appears that the South Texas land market saw an increase in activity. Reputable land brokers reported increased inquiries, showings and deal consummations. Buyers, it seems, had a somewhat renewed confidence that has not been observed in some time. Despite the increased activity, it appears that there is still some uncertainty in the market.
- **Eagle Ford Shale activity** appears to have increased some in 2016. In the early months of the year, oil prices were in the range of \$30 to \$40 per barrel; however, in the late months of the year, oil climbed to the range of \$40 to \$50 per barrel, at times exceeding \$50 per barrel. While drilling permit numbers were down in 2016 compared to 2015, increased actual drilling rigs were noted but at much lower levels than prior to the decrease in oil pricing in mid to late 2014.
- **Weather Conditions** – 2016 was a good rainfall year for Region 6. Weather conditions were mostly favorable with the exception of the warmer months.
- **Land Values/Land Pricing** – Most land class values in the region were stable in 2016. Similar to 2015, if a listing was perceived as overpriced, the marketing period increased; however, properties with pricing aligned with market value sold within a reasonable time frame. Limited exceptions to stable pricing were noted in South Texas in 2016.
- **Sellers** – Mostly long term owners and investors. Fewer oil and natural gas company owners attempting to raise cash.
- **Buyers** – End users continue to be the most prevalent land buyers. Some buyers may have sold a ranch and were looking for a replacement property. Certain “ag” land owners in transition areas sold high-priced land and re-invested in replacement land in lower-priced areas. Most buyers continue to view land as a “safe haven” as opposed to other investments.
- **Energy funded buyers** remain in the market; however, most of these buyers are more cautious and discerning than in years past when oil and natural gas prices were higher.
- **Ranch investors** are in the market offering cash and a quick close, but expecting a discounted price. Some of these transactions have taken place; however, investor activity may have slowed slightly due primarily to stable pricing. Investors are still actively looking for ranches to divide, enhance and resell but these buyers are looking for a good deal that may be hard to find.
- **Demand for Ranches** – Recreational demand accounted for most of the activity in 2016. Demand for recreational ranches, with good amenities outside of the Eagle Ford Shale and within moderate driving distance of South Texas cities, remains better than the more remote ranches. Hunting ranches with improvements and established game management continued to be most desirable. As such, top end ranches with all of the amenities may have sold while other more standard ranches are still for sale. Most active ranch brokers report qualified buyers in 2016.
- **Demand for Farmland** – Institutional investors/agricultural REIT’s requiring a return continue to show interest in farmland. The positive investment return provided by cropland with income, possible appreciation and potential tax benefits related to depreciation has positively impacted marketability and farmland pricing. Buyers of farmland continue to be farmers, absentee investors and institutional investors. Farmland prices continue to soften due to lower commodity prices in the Midwest but farmland pricing in Texas has been stable. Irrigated farmland of Region 6 continues to exhibit a good level of demand with slightly increasing prices.
- **Demand for Subdivision Development Land** – This market segment is generally active. National home builders continue to develop new projects and buyer demand for the end product appears to be good.
- **Financing** – Interest rates remain attractive to farm and ranch buyers, and credit is available with strict underwriting criteria. There is some uncertainty



and potential interest rate risk due to projected increases by the Federal Reserve.

- **Chronic Wasting Disease (CWD)** – Certain locations in Region 6 have seen increased concerns from CWD in whitetail deer herds. There is a CWD Surveillance Zone that extends from Sabinal north to Utopia, east to Tarpley, south to Hondo, and back west to Sabinal in Medina and Uvalde counties.
- **Proposed Border Wall** – The Rio Grande River/Republic of Mexico is located along the west/southwest boundary of Region 6. The impact from a potential border wall has yet to be seen; however, there are concerns of decreased land values between the wall and Mexico. In contrast, there may be increased demand north of the proposed wall with a perception of increased safety.
- **Potential NAFTA Change** – South Texas has seen continued growth in the major “Border Towns” along the U.S./Mexico border. Much of the growth is due to the North America Free Trade Agreement (NAFTA) which has bolstered truck traffic from free trade. The recent changes in administration in late 2016 have suggested changes to NAFTA that may have an impact on development land and transition land near the U.S./Mexico border. “Trickle down” impacts are possible in the rural land market.
- **Minerals** continue to be very 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. If minerals are offered with the surface, the minerals substantially raise the overall price per acre. In marginal areas, offering of minerals likely decreases the marketing time and positively influences the price. With the boundaries of the Eagle Ford more narrowly defined today, it appears that some minerals have begun to convey with the surface estate. With lower oil prices, marginal lease country has been and may continue to be let go by operators. 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 and 1,119 in 2016.
- **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 (GCDs), 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 their 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 Coast aquifer.

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. Over the past many years, a major desalinization plant has been placed in operation in the valley to supplement 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 Counties

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. National residential development companies continue to have unsold lot inventories and new house construction is ongoing.

Demand for recreational land is stable in the outlying areas. 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.

Demand for farmland in Bexar, Comal and Guadalupe Counties is also stable. 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 also has a good level of demand.

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. However, the Carrizo Sands Aquifer has become more popular with irrigated farmland buyers.

Edwards water rights price levels have remained mostly level, around the \$5,000 to \$5,500 per acre foot for unrestricted water rights in larger blocks. Smaller amounts of 1 to 10 acre feet currently trade in the \$8,000 to \$12,000 per acre foot range. Leasing activity remains stable.

Upper South Texas (Upper to Mid Brush Country)

Dimmit, Frio, La Salle, Live Oak, Maverick, McMullen, Webb and Zavala Counties

Recreation is the primary source of demand for land – this 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, some new 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 are popular (T.T.T.); however, with the discovery of chronic wasting disease, deer breeders are more cautious. Many ranches have M.L.D. permits (Managed Lands Deer Permits) through Texas Parks and Wildlife which allow for extended hunting seasons and give land owners time to achieve wildlife numbers management goals. The deer operations are used to positively enhance trophy buck quality. Hunting lease prices remain level, especially for ranches with good game management.

The Eagle Ford Shale is the primary economic generator in South Texas and in this area. The development of the Eagle Ford Shale formation notably increased leasing, mineral exploration and production in the area. However, with continued lower oil prices, the oil and gas industry in South Texas has notably slowed down despite some increases in Eagle Ford Shale activity in 2016.

Farmland pricing is generally stable despite the third year of lower commodity prices. Past upward commodity prices have had a positive impact on farmland demand and values; however, current commodity prices are low. The farmland market in this portion of Region 6 is predominantly stable.

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 remained stable in 2016. Ranch investors are willing to drive further to these good hunting areas, with hopes of finding lower land pricing and large blocks of native land. Most all of the area has had adequate demand for good quality ranches.

Farmland pricing is also considered to have remained stable. 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 active 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 is stable.

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 sell in the lower portion of this area due to large and closely held ownerships.

Demand for farmland continued to be stable. There were only a small number of farmland tracts of significance which traded during the year but those that did confirmed stability that has characterized the row crop farmland market

statewide. 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. Demand for large blocks of farmland is good, but there is a limited supply of “top shelf” quality farmland, especially in large tracts. As an alternative to securities, farmland is viewed as a long-term investment that has a return and some appreciation potential. With lower commodity prices, it appears that cash rental rates are stable to possibly decreasing. Farmland pricing continues to be stable; however, with lower rental rates and commodity prices, there is downward pressure on investment returns. Absentee investors have not been as active due to the lower returns on farmland. Many farmers have interest in crop share leases as opposed to cash rents at the lower commodity prices.

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 has experienced a slight increase in pricing and rents in the recent past. 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 property classes, which had recovered significantly from the past, has remained low. The higher quality row crop farms continue to be very closely held. Sale activity in the larger farms in 2016 was virtually nil. The bulk of the sales were smaller tracts, mostly 40 to 80 acre tracts, and were often purchased as rural homesites.

Typically, less than one or two quality dryland farms, of 300 acres or over, change hands in a year, even in boom periods. Most realtors report numerous clients wanting to acquire farm land, but most observe that there was little inventory of

quality larger, irrigated, or dryland properties.

While the market for Rio Grande water rights continued to be active, the pace of activity has slowed. The demand for drilling and hydraulic fracturing water also slowed as buyers had acquired the bulk of the water they needed. Municipalities have become a major purchaser of water rights in the area. In some cases, a municipality will buy farmland to gain water rights, only to 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 settled in the \$125 AF range for larger amounts, and with small amounts of 10 to 20 AF much higher, but spotty. Agricultural water was in the \$25 to \$40 per AF range averaging just over \$31 AF.

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. From 1993 through early 2004, the level of water storage in Amistad and Falcon, the two reservoirs serving the Valley, suffered significantly. This situation caused considerable damage to irrigated farming communities due to curtailments. The water situation is of great importance and is continually monitored.

Recreational ranches continued to have demand; however, both activity and prices are mostly stable. It is noted that many of the Rio Grande Valley land investors are local buyers.

Transition Zone

Land Use or Class	Value Ranges	Activity/Trend	Rental Range	Activity/Trend
Class I Irrigated Crop*	\$2,750 to \$5,000	Stable/Stable	\$75 to \$200	Stable/Stable
Class II Dry Crop	\$1,700 to \$2,700	Stable/Stable	\$20 to \$50	Stable/Stable
Permanent Pasture	\$2,000 to \$3,500	Stable/Stable	\$165/AU	Stable/Stable
Rangeland <2,000 Acres	\$1,500 to \$10,000	Stable/Stable	\$165/AU	Stable/Stable
Rangeland >2,000 Acres	\$1,400 to \$4,750	Stable/Stable	\$165/AU	Stable/Stable
Development Land**	\$4,000 to \$40,000	Stable/Stable	n/a	n/a
Transferable Edwards Aquifer Water Rights***	\$5,000 to \$5,500	Stable/Stable	\$99 to \$150	Stable/Stable
Hunting Lease			\$6 to \$23	Stable/Stable

*Value ranges are generally reflective of partial mineral 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	\$2,000 to \$5,000	Stable/Stable	\$50 to \$150	Stable/Stable
Class II Irrigated Crop	\$2,000 to \$3,000	Stable/Stable	\$50 to \$125	Stable/Stable
Class II and III Dry Crop	\$1,500 to \$2,000	Stable/Stable	\$20 to \$40	Stable/Stable
Permanent/Improved Pasture	\$2,000 to \$2,500	Stable/Stable	\$165/AU	Stable/Stable
Rangeland < 2,000 Acres	\$1,200 to \$3,500	Stable/Stable	\$165/AU	Stable/Stable
Rangeland > 2,000 Acres	\$1,200 to \$2,500	Stable/Stable	\$165/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.



Lower South Texas - Lower Brush Country

Land Use or Class	Value Ranges	Activity/Trend	Rental Range	Activity/Trend
Dry Cropland	\$1,200 to \$3,000	Stable/Stable	\$20 to \$30	Stable/Stable
Rangeland < 2,000 Acres	\$1,200 to \$2,500	Stable/Stable	\$165/AU	Stable/Stable
Rangeland > 2,000 Acres	\$1,200 to \$2,500	Stable/Stable	\$165/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 amenities.

Coastal Plains

Land Use or Class	Value Ranges	Activity/Trend	Rental Range	Activity/Trend
Class II & III Dry Crop	\$2,000 to \$2,500	Stable/Stable	\$30 to \$65	Stable/Stable
Permanent/Improved Pasture	\$2,000 to \$3,500	Stable/Stable	\$175/AU	Stable/Stable
Rangeland <2,000 Acres	\$2,000 to \$5,000	Stable/Stable	\$175/AU	Stable/Stable
Rangeland >2,000 Acres	\$2,000 to \$3,500	Stable/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 amenities.

Coastal Bend

Land Use or Class	Value Ranges	Activity/Trend	Rental Range	Activity/Trend
Class I Dry Crop	\$2,000 to \$3,500	Stable/Stable	\$65 to \$90	Stable/Decreasing
Class II Dry Crop	\$1,600 to \$2,500	Stable/Stable	\$40 to \$60	Stable/Decreasing
Rangeland	\$2,000 to \$3,000	Stable/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 amenities.

Rio Grande Valley

Land Use or Class	Value Ranges	Activity/Trend	Rental Range	Activity/Trend
Class I Irrigated Crop	\$3,400 to \$4,400	Stable/Stable	\$60 to \$160	Stable/Decreasing
Class II Irrigated Crop	\$1,800 to \$3,200	Stable/Stable	\$40 to \$100	Stable/Decreasing
Class I Dry Crop	\$1,650 to \$2,300	Stable/Stable	\$50 to \$80	Stable/Decreasing
Class II Dry Crop	\$1,300 to \$1,550	Stable/Stable	\$30 to \$50	Stable/Decreasing
Permanent Pasture	\$1,500 to \$2,500	Stable/Stable	\$200/AU	Stable/Stable
Rangeland	\$1,750 to \$4,000	Stable/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.

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Region Seven forms the central core of the State of Texas. The geographic center of the state is in this region at a point approximately fifteen miles northeast of Brady, the county seat of McCulloch County.

Highlights for the overall market for the counties in Region Seven precede a brief discussion related to each of the sub-regions.

- The level of sales volume during 2016 was similar in most areas as compared to 2015, with improved activity at the end of the year.
- Sales prices in 2016 were generally stable for most land classes throughout the region with some weakness observed in select land types/locations. Sales prices for cultivated acreage remained similar to 2015, following another year of lower grain prices. Despite lower commodity prices, market priced cropland continued to be in demand.
- Productivity characteristics come into play in the market for cultivated lands and improved pasture. The number of cultivated properties offered for sale remains low, with investor demand replacing some of the weakness in producer demand. Improved pasture has good demand, with rental rates on improved pasture holding steady for the year.
- Recreational properties were mostly stable to somewhat higher nearer to the urban areas within the region. Recreational uses of land, primarily hunting, continue to be a primary influence in the minds of buyers. Investment demand varies across the region with a decline in buyer interest found in the western portion of the region. Prices of smaller acreage ranchette properties have increased the past several years giving some motivation for subdivision especially nearer to the Austin area.
- The demand for urban fringe properties continued to be high during 2016 as the demand for home sites in the Austin area continues to be strong. The land available for near term development is limited. Land with immediate access to all utilities continued to be in strong demand, while the supply remains limited. The prices for urban fringe properties increased during 2016.
- Buyers are demanding some minerals and control of the surface, with the lack of control over the mineral ownership impacting marketability in the region.

Southern Grand Prairie

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

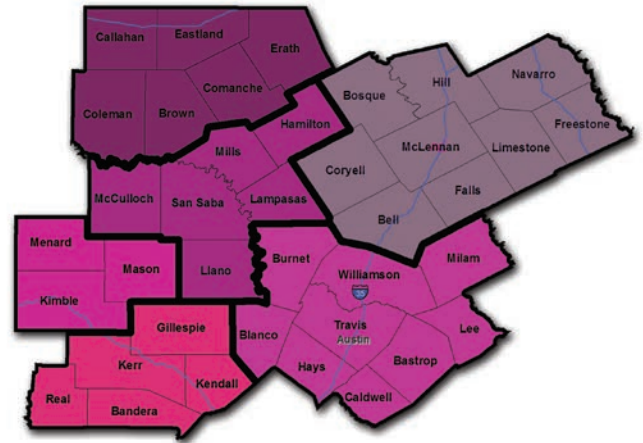
The Southern Grand Prairie experienced a generally stable market in 2016. The survey participants indicated stable price trends, with prices the highest in the eastern counties of Erath and Comanche, and lower per acre prices further west. The demand for pasture land has remained stable, with higher trends noted in the eastern counties where the urban influence is the greatest. Recreational demand continues to be active with those properties having live water, with strong recreational attributes being in the greatest demand. Price trends are reported to be mostly stable to modestly higher in the recreational and acreage home site motivated market. Buyers from the Dallas-Fort Worth area continue to represent a significant portion of the recreational market and are the reason that land values tend to increase as one moves from west to east within this area. Erath County enjoys the benefits of its proximity to Fort Worth, along with Stephenville area residents looking for recreational and acreage home sites.

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 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 and northwest Burnet County. The remaining Highland Lakes within the Central Basin include the constant-level 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, Leon and North Bosque 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 market.

Land sales activity during 2016 remained fairly stable to decreasing in most of



the area, with Llano, Lampasas and Hamilton counties leading in transaction volume. Price levels have remained relatively steady as compared to 2015 transactions, with modest increases observed in some counties. The number of cash purchases remains high. There are only a small number of larger acreage tracts selling in the Central Basin, with area brokers reporting a limited supply of high quality tracts containing live water and elevation changes available to show buyers. Rainfall throughout 2016 has helped replenish Lake Buchanan, contributed to running creeks and filled area stock tanks, which has improved overall property appearance. Recreational properties with strong aesthetic qualities continue to have active demand, with stable to increasing price trends. Less desirable open pasture and cropland tracts indicate steady to moderate activity with stable prices.

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

Bosque, Hill, Navarro, Coryell, McLennan, Limestone, Freestone, Bell and Falls Counties
The central Texas area is primarily influenced by buyers from the Dallas-Fort Worth Metroplex and Austin MSA, in addition to residents from Waco, Temple and Killeen. The northwestern portion of the region continues to see the strongest demand due to its location in closer proximity to Dallas-Fort Worth buyers seeking recreational land and retirement properties. Expansion of health care facilities associated with Baylor Scott & White Health, headquartered in Temple, has also generated demand from those employees and associates. The eastern area of this sub-region tends to offer the lower range of values due to their more distant locations with respect to the major metro centers.

In general, land values within this sub-region tend to be higher west of Interstate 35 in Bosque, Coryell, McLennan and Bell counties. Market activity for smaller acreage home site and recreational tracts was active, with price levels increasing in most of the area. Larger acreage wooded recreational tracts in these counties remain in strong demand and suggest positive price trends. Properties with recreational uses, especially good views and live water, greatly influence land values and continue to be in the highest demand. A limited supply of these type properties results in those commanding higher prices. Larger tracts are also being sub-divided into smaller 5 to 10 acre ranchettes. These tend to have ample road frontage but lack the good wooded appeal of the more desirable recreational tracts and have been good candidates for this type of subdividing. The Central Blacklands and Grand Prairie areas are noted as containing significant areas of cultivated acreage; however there has been a decline in the number of cropland tracts being offered on the market. Despite weaker commodity prices, those cropland tracts that have sold have commanded steady to increasing prices. Cash lease demand remained strong, although the trend in rental rates for cultivated acreage stabilized. Overall, the demand for pasture and recreational properties with good aesthetic qualities has provided an upward price trend over the last year.

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 includes the Austin MSA and, as a result, significant urban influence is present in Travis, Williamson and Hays counties, with the adjacent counties being influenced by trends in the urban development of land around Austin and adjacent cities. Location, with respect to Austin and the primary cities in the region, is a primary factor impacting land values in this area. Generally, as one travels further from Austin, land values decline, with land values to the west being stronger than land values to the east. The IH 35 corridor counties of Travis, Hays and Williamson have the strongest urban concentration of the nine county area.



The economy and demand for land generated within the Austin MSA continued to be strong through 2016 as the demand for housing in the Austin area remained high. Employment and general economic conditions continued to be favorable toward continued growth in the area's economy. Asking prices continued to escalate during the past two years. The inventory of competitively priced land offered for sale remains limited. The Austin area sub-region represents a diversity of land types ranging from black clay soils in eastern Travis County, Williamson County and most of Milam and Caldwell counties to sandy soils in the majority of Lee and Bastrop counties. The western counties in the sub-region comprised of Burnet, Blanco and the western portion of Hays, Travis and Williamson counties are more typical of Hill Country lands, with rolling to rugged shallow limestone soils. As a general observation, the Edwards Plateau rangeland is dominated by home site and recreational buyers, with this land setting the highest prices for rural land within the region. The demand from recreational and home site buyers continued to be strong with higher prices nearer to Austin encouraging buyers to move further east, west and toward the north in search of lower per acre prices.

Cultivated land within the region typically attracts more productivity oriented buyers and generally represents the lower priced land for the Austin area. Grain and fiber prices continued to be depressed in 2016. Crop yields in 2015 and 2016 were below average which, when combined with the lower commodity prices, has resulted in some financial stress in the farm sector. Producers who were actively seeking land for purchase have demonstrated more caution and are more selective. To date, the lower returns have not measurably increased the number of farms being offered for sale. Cropland rental income from share leases has been substantially lower in 2015 and 2016 which could result in some landlords reassessing their ownership, which could increase the inventory of farms offered for sale in the future. Cash rental rates have remained relatively stable. The declining rental income has thus far not impacted the number of farms offered for sale. Urban influence is anticipated to provide a supply of willing buyers for competitively priced land.

Pasture land and recreational use dominated properties in the eastern portion of this sub-region indicate stable value trends, with prices generally being stable, and some upward price trends as buyers have looked to the eastern portion of the region as an alternative to high priced recreational land in the western portion of the region. Value trends were stable.

Consumer demand for recreational home sites has increased as buyers appear more geared toward purchases using a combination of equity and borrowed funds. Home sites, recreation and investment diversity appear to enter into the recreational driven ranch market. Land price levels in the western portions of the regional have typically resulted in livestock production being only a secondary consideration in the purchase decision. The demand for 10 to 50 acre ranchettes remains strong, with prices increasing during 2016. In response, the demand for larger properties suitable for division and resale as small acreage tracts has increased as have prices for these properties.

The demand for urban development land remains strong with active residential development underway along the periphery of Austin. Growth in the north Travis County and southern Williamson County is especially active, with multiple new residential developments being in the initial phases of construction. The availability of water and wastewater capacity continues to direct residential development in the area, with most vacant land within the Austin MSA having limited supply capacity. The availability of utility capacity has a significant impact on the sales prices for urban fringe land. The utilization of municipal utility districts (MUDs) has become common. Cities, which had previously been uncooperative, now appear to be willing to cooperate with the formation of MUDs. Urban growth is expected to continue to place upward pressure on prices in these counties within the Austin MSA.

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 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. 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 forms multiple creeks and streams which contribute water to the Pedernales, Guadalupe 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. The neighborhood towns of Fredericksburg and Kerrville offer rural community atmosphere, with suitable medical and shopping amenities. With San Antonio's outward growth, the communities of Boerne and Bandera represent viable commuter options. 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 a higher price per acre.

Sales activity during 2016 was on par with 2015 levels with some segments of the area experiencing increased transaction activity. A limited supply of available recreational tracts with live water has resulted in higher price trends for this land class. Recreational tracts without live water features encountered moderate activity throughout the year, with prices for this property type remaining stable. Native rangeland properties indicated moderate sales activity for 2016, with sale prices being relatively stable as compared to price ranges observed in 2015. Small tracts of traditionally less desirable open tillable land with prominent locations have encountered increased demand from vineyard and winery users.

West Hill Country

Menard, Mason and Kimble Counties

Sales activity was once again strong during the first quarter of the year, trending downward as we moved through the remaining months. The total number of sales was similar to the amount seen in 2015, with 95% of the sales being less than 500 acres in Kimble County. This trend holds true in Mason and Menard Counties, as well.

Properties under 500 acres had a median size of 50 acres, with an average size of around 80 acres. The median price of these properties dropped from \$4,500 in 2015 to \$3,900 in 2016. This drop in median price per acre is somewhat due to a larger volume of sales taking place in the western portions of the counties in this region, where per acre prices are lower than the properties more eastward. The median price per acre for sales greater than 500 acres was around \$2,500 per acre. The median size of properties continues to decrease, as does the average size, which was substantially lower in 2016 than in previous years. Properties with live water continue to top the market. Overall, prices throughout the area continue to increase at a slow to moderate rate. The divide in price per acre between properties in the eastern portion of the region and the western portion of the region continues to grow wider, as influence from the desirable Gillespie and Kerr county markets push buyers further west.

Buyers of properties in the region continue to desire properties with strong Hill Country characteristics. Price levels for properties with aesthetically-pleasing views and recreational features continue to drive the high end of the market. The lower tier of properties still has quality hunting and some aesthetics, but buyers are aware of the differences in the two tiers when purchasing, thus driving the demand for the higher tier properties. Buyers are also continuing to recognize the growing cost of amenities when purchase decisions are made. The cost of water wells, electricity and brush management continues to rise. The majority of buyers in the area are still purchasing land for investment and recreational purposes, with very little new subdivision of larger tracts.

Southern Grand Prairie

Land Use or Class	Value Ranges	Activity/Trend	Rental Range	Activity/Trend
Dry Cropland	\$1,200 to \$2,400	Stable/Stable	\$15 to \$40	Moderate/Stable
Improved Pasture	\$1,600 to \$3,500	Stable/Stable	\$10 to \$35	Active/Higher
Native Pasture - Open	\$1,600 to \$3,500	Active/Higher	\$4 to \$10	Moderate/Stable
Native Pasture - Wooded	\$1,600 to \$4,000	Active/Higher	\$4 to \$12	Moderate/Stable
Live Water - Recreational	\$2,500 to \$6,000	Active/Stable	\$5 to \$15	Moderate/Stable
Pecan Groves - Improved	\$2,500 to \$5,000	Slow/Stable		
Hunting Leases			\$10 to \$20	Moderate/Stable

Central Basin

Land Use or Class	Value Ranges	Activity/Trend	Rental Range	Activity/Trend
Dry Cropland	\$1,100 to \$2,500	Steady/Stable	\$20 to \$30	Moderate/Stable
Improved Pasture	\$1,800 to \$2,800	Moderate/Stable	\$15 to \$30	Active/Higher
Native Pasture - Open	\$1,500 to \$3,000	Moderate/Stable	\$8 to \$10	Active/Stable
Native Pasture - Wooded	\$1,500 to \$4,500	Active/Higher	\$8 to \$15	Moderate/Stable
Pecan Groves - Improved	\$2,000 to \$5,000	Slow/Stable		Owner or Shares
Live Water - Recreational	\$4,000 to \$8,000	Active/Higher	\$10 to \$25	Owner Dominated
Transitional < 50 Acres	\$3,500 to \$10,000	Active/Higher		
Hunting Leases - Rangeland			\$7 to \$25	Moderate/Stable

Central Blacklands, Grand Prairie and North Central Post Oaks

Land Use or Class	Value Ranges	Activity/Trend	Rental Range	Activity/Trend
Dry Cropland - Good	\$2,400 to \$4,000	Moderate/Stable	\$40 to \$70	Moderate/Stable
Dry Cropland - Marginal	\$1,700 to \$2,800	Moderate/Stable	\$30 to \$50	Moderate/Stable
Improved Pasture	\$2,000 to \$3,500	Slow/Stable	\$20 to \$35	Active/Stable
Native Pasture - Open	\$1,800 to \$3,000	Active/Higher	\$10 to \$15	Active/Stable
Native Pasture - Wooded	\$2,500 to \$6,500	Active/Higher	\$10 to \$15	Moderate/Stable
River Properties	\$3,200 to \$7,000	Active/Higher	\$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	\$3,000 to \$4,000	Moderate/Stable	\$50 to \$80	Active/Stable
Dry Cropland - Marginal	\$2,500 to \$3,300	Moderate/Stable	\$30 to \$60	Active/Stable
Improved Pasture	\$2,500 to \$3,500	Slow/Stable	\$20 to \$40	Active/Stable
Native Pasture - Wooded	\$2,600 to \$10,000	Moderate/Higher	\$10 to \$20	Moderate/Stable
Single Family - Utilities	\$30,000 to \$60,000	Active/Higher		
Urban Fringe - No Utilities	\$7,500 to \$25,000	Active/Higher		
Ranchette < 50 Acres	\$5,000 to \$20,000	Active/Higher		



Eastern Hill Country

Land Use or Class	Value Ranges	Activity/Trend	Rental Range	Activity/Trend
Recreational with Live Water	\$5,000 to \$25,000	Moderate/Higher		
Recreational without Live Water	\$2,800 to \$6,000	Moderate/Stable		
Rangeland	\$2,500 to \$5,000	Moderate/Stable	\$4 to \$12	Moderate/Stable
Hunting Leases - Rangeland			\$10 to \$30	Moderate/Stable

Western Hill Country

Land Use or Class	Value Ranges	Activity/Trend	Rental Range	Activity/Trend
Native Rangeland > 500 < 1,500 Acres	\$1,600 to \$3,000	Moderate/Slower	\$3 to \$12	Moderate/Stable
Native Rangeland > 1,500 Acres	\$1,500 to \$2,750	Moderate/Slower	\$3 to \$12	Moderate/Stable
Native Rangeland-Live Water > 1,000 Acres	\$2,500 to \$8,000	Moderate/Slower	\$5 to \$15	Moderate/Stable
Native Rangeland-Live Water ±500 Acres	\$4,000 to \$8,000	Moderate/Slower	\$5 to \$15	Moderate/Stable
Hunting Leases			\$15 to \$25	Moderate/Stable



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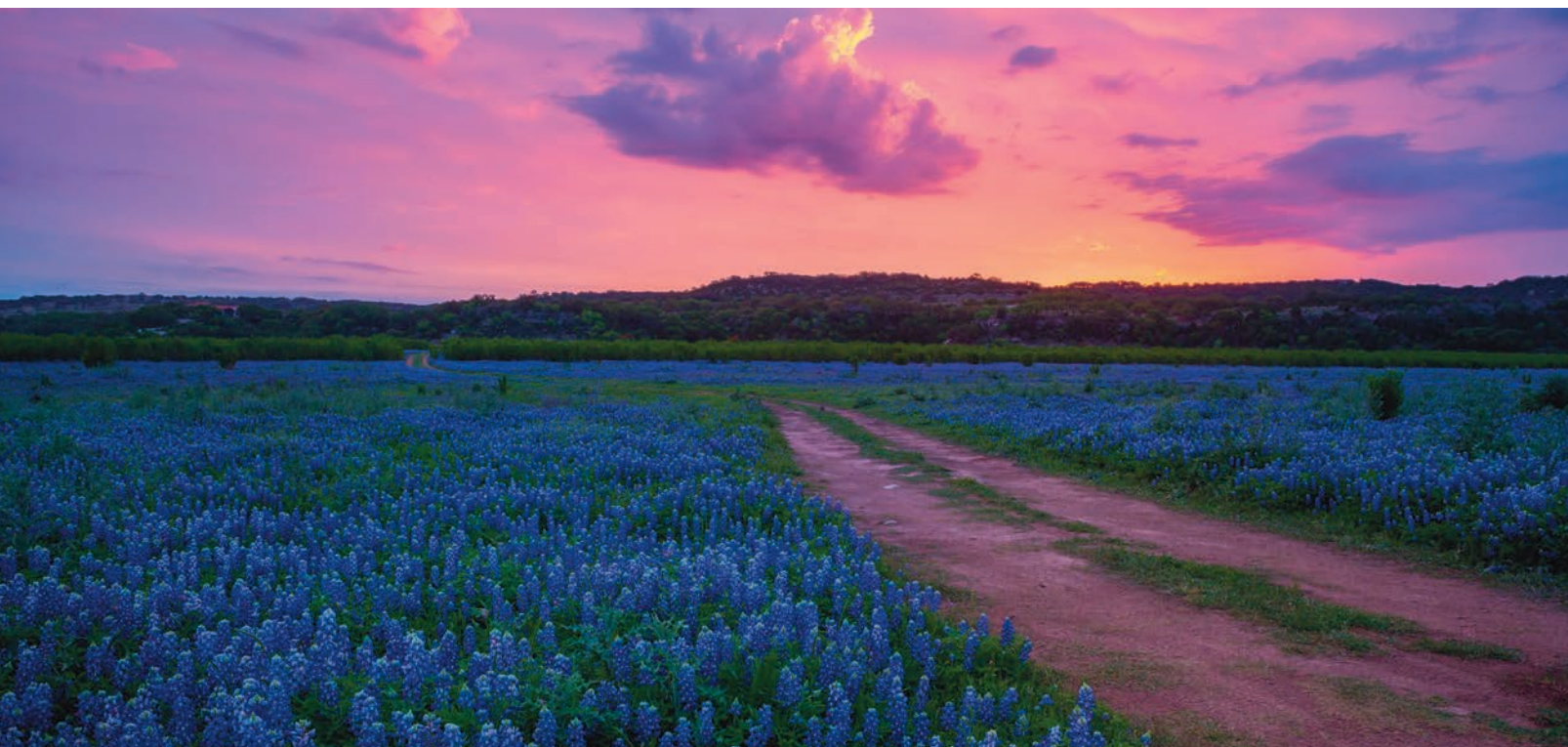


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NEWLY ACCREDITED MEMBER HIGHLIGHT



Daniel Barnett, ARA

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The Texas Chapter is proud to spotlight Daniel Barnett, ARA. Daniel received his Accredited Rural Appraiser designation in November of 2016 at the ASFMRA Annual Meeting held in Indian Wells, California. The Accredited Rural Appraiser conducts valuation work on wide range of property types that exist in rural parts of the country. These properties are often among the most complex properties from a valuation standpoint and require a sophisticated valuation expert to properly appraise them. An ARA has demonstrated through course work, experience, work review and a comprehensive exam that they have the expertise required for these complex valuation assignments.

Daniel is an appraiser with Lone Star Ag Credit where he specializes in farm and ranch property appraisal, primarily throughout North and Northeast Texas. Assignments completed with Lone Star vary widely from rural recreational and residential properties to agricultural facilities and businesses. Prior to joining Lone Star in 2013, he was with Legacy Ag Credit from 2010 to 2013 where he developed their collateral evaluation and risk processes as well as performed appraisals and reviews. Also, while in graduate school, he held an internship with a commercial valuation company in Houston. Before entering the appraisal field, he helped manage a custom farming business along the Brazos River Bottom which offered custom preparation, planting, and harvest services.

Daniel grew up on a pecan farm in East Texas and has a longstanding background in agriculture. He graduated from Texas A&M University in May of 2008 with a Bachelor of Science in Animal Science and minor in Agricultural Economics. He then obtained a Master's Degree in Land Economics and Real Estate from the Mays Business School at Texas A&M University in December, 2009. Daniel received his ARA designation in 2016 and currently serves on the Texas Chapter of Young Professionals Network Committee.

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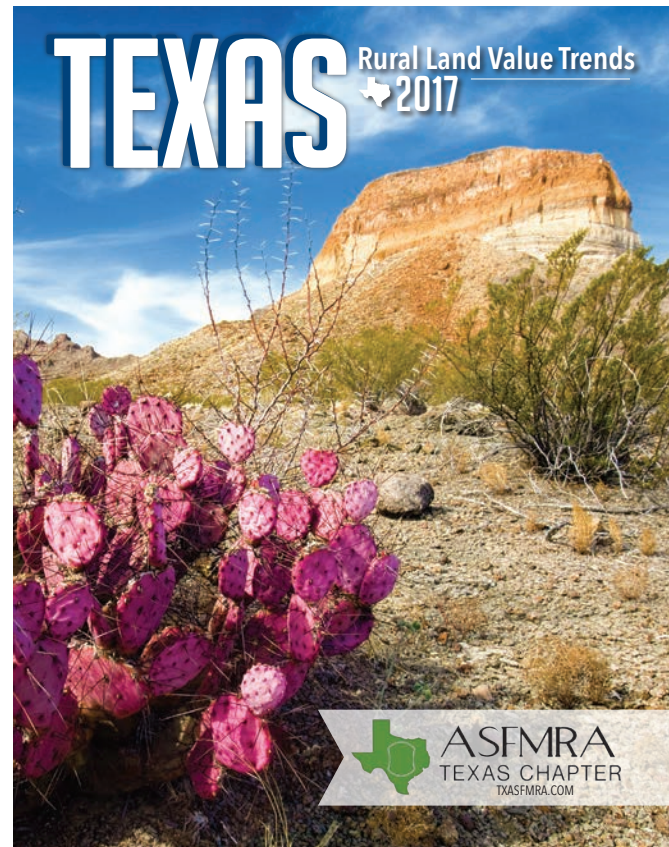
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TEXAS RURAL LAND VALUE TRENDS FOR 2017

In 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 Outlook for Texas Land Markets. The attendance had been dropping. The program had transitioned to more academics and less “real world”. The Chapter pro-posed 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-to-day, 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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“Land Trends is a valuable source of state-wide information that is utilized by a variety of rural land professionals, reaching users in and out of Texas. ASFMRA members work diligently to present an accurate overview of market conditions.”

*Patty Weber, ARA, MAI
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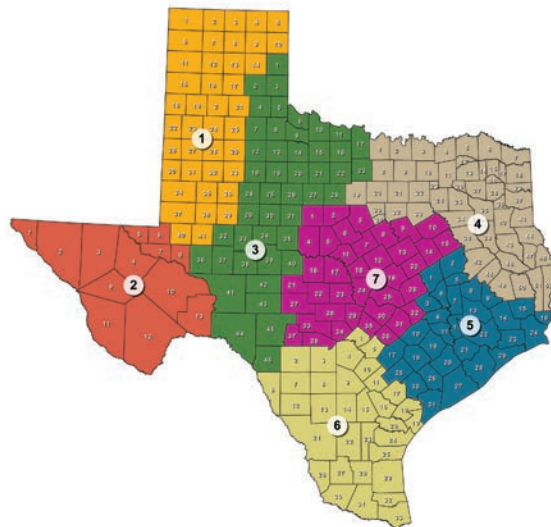
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