

TEXAS

RURAL LAND VALUE TRENDS

 2018



This publication is the analysis of land trends in 2018; it is created and printed in 2019.



**American Society
of Farm Managers
& Rural Appraisers**

TEXAS CHAPTER



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PRESIDENT'S MESSAGE

A MESSAGE FROM THE 2018-2019 PRESIDENT OF THE TEXAS CHAPTER ASFMRATX®

The Texas Chapter of the American Society of Farm Managers and Rural Appraisers is proud once again to present the Texas Rural Land Trends publication for you to share with coworkers, clients and for that matter, anyone with an interest in rural land in Texas. Additional copies are available in either printed or PDF format through the Texas Chapter website at <https://www.txasfmra.com/>. We are pleased to make these available, and based on past experience they are well received by real estate professionals and their clients across the State. Texas is dynamic, diversified across many industries, and is one of the leading States with regard to population growth. These factors significantly impact the rural land market within the State. We strive to provide current, useful insight into how that impacts the market across the State and we sincerely hope you find the publication a valuable tool.

We are grateful to the Real Estate Center at Texas A&M for allowing us the opportunity to be a part of the Land Value Conference, now in its 29th year. For anyone interested in rural land in Texas this is far and away the most comprehensive learning experience and the best opportunity to network with rural land professionals from across the State. The Texas Chapter has participated in the land value panel since its inception 16 years ago and you can find links to those presentations on our website.

This publication would not be possible without the financial support of our sponsors. Thank you to all and particularly our major sponsor, Capital Farm Credit, a member of the Farm Credit System, and premier sponsors Highfield Farm Asset Services and Farmers National Company.

While financial support is a necessity, the publication could not thrive without the dedication of Chapter members across the State who donate their time and expertise to compile the data that goes into this publication. The information is presented at the conference by a panel of 7 team captains representing all parts of the State. Many thanks to the team captains this year, Mikey Nixon, ARA, Paul Loeffler, Victor Probandt, ARA, Scott Seely, ARA, MAI, Wade Kubecka, ARA, John "Tooter" Robertson, Jr, ARA and Wendell Wood, ARA, MAI. Also deserving recognition are two members who provided articles for this year's publication. Thanks to Mike Lansford, AFM with Farmers National for providing his insight into the timber industry and to Justin Bierschwale, ARA, MAI for sharing his expertise of trends impacting the Hill Country real estate market. The entire membership contributes in some shape, form or fashion and I want to personally thank each and every one of you.

This publication has evolved over the years from essentially a white paper handout to the professional publication you

see today. As I mentioned above there are a lot of people that deserve acknowledgement in that evolution, but one person in particular was instrumental in both modernizing our website and turning the land trends into what it is today. On behalf of all the members, I would like to thank Carmen Bierschwale, the Texas Chapter Secretary.

The American Society of Farm Managers and Rural Appraisers, founded in 1929, is the largest professional association for rural property land experts. The Texas Chapter is growing in membership and is one of the largest in the country. The Texas Chapter was chartered in 1978 and last year was one of four chapters nationwide honored as a Patron Chapter of the American Society. While many of our membership are quite "seasoned", part of the requirements to be a Patron Chapter is growing membership and having a young professional's network. I was blessed to have a mentor that encouraged me to become a part of this organization more than 30 years ago. Our shared appreciation for a rural lifestyle and love of the land make us as much family as professional organization. If you are an experienced real estate professional, or just starting out in your career, and are interested in our organization I would encourage you to reach out to any of our membership to learn more. I invite you to visit our national website at <https://www.asfmra.org/>, or The Texas Chapter website at <https://www.txasfmra.com/>.



Wayne Young, ARA
President, Texas Chapter ASFMRATX



VISION

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

MISSION

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

VALUES

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

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

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

ABOUT ASFMRA:

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

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

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

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

ASFMRA Accredited Designations



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

BENEFITS OF MEMBERSHIP

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

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

Membership Includes:

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

You should join ASFMRA if YOU:

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



ASFMRA MEMBERSHIP CLASSIFICATIONS

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

TEXAS CHAPTER ASFMRA

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

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



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February 5, 2019

Texas fifth in LEED Green buildings

WASHINGTON (U.S. Green Building Council) – For the first time since 2016, Texas has landed on the U.S. Green Building Council's (USGBC) annual list of the top ten

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DEVELOPMENTS IN THE 2018 TEXAS LAND MARKETS

Texas land markets continued to post increasing prices at a respectable pace. The \$2,779 per acre statewide price increased 5.1 percent above 2017 prices. However, that marked an improvement compared with the 4.5 percent growth during 2017. Resurgent economic activity, derived from rising oil prices that stoked demand for recreational and investment properties as purchases of ranchland for industrial uses supported expanded drilling activity. However, the 2018 end of year increase fell short of price growth earlier in the year, suggesting a deceleration in the rates of increase perhaps partially resulting from the 54.0 percent increase in size to 1,634 acres. At 6,193 reported sales, total volume fell 79 short of the 2017 total. In 2018, Texans bought 462,401 acres paying \$1.29 billion for those purchases. Overall, Texas statewide land markets maintained a steady level of activity with positive price trends and sales of larger properties.

Regional experience varied, however with prices sliding in South Texas and Far West Texas.

Ending five straight quarters of declining prices, Panhandle and South Plains markets managed to produce a 1.4 percent increase despite continuation of weak farm operating conditions. Observers suggest that this turnaround resulted from investment driven decisions tied to unusual 1031-exchange activity that may have artificially boosted regional prices. The 422 sales posted a \$1,104 per acre price. The small percentage price increase suggests that the downward trend may have slowed. Since the 1031-exchange activity may have artificially increased prices, proof of a recovery awaits developments in the first half of 2019.

With their appetite for land to develop sand mines sated, sellers in Far West Texas relied on other industrial buyers to provide continued support to high per acre prices. Consequently, the year-end price fell 23.3 percent lower than third quarter 2018 prices, ending at \$788 per acre. The fall back below \$1,000 per acre meant a 0.4 percent decline from 2017. Continuation of high bonus payments for mineral leases and purchases of land for disposal wells and other oil field uses supported this price at historically high levels. Prices in 2019 will likely fall well short of those registered when the sand mine frenzy fueled 2018 price increases.

Recreation and investment buyers produced a West Texas price of \$1,545 per acre, a strong 9.1 percent increase. However, while sales volume plunged, total dollar volume increased, meaning more money went to fewer sales.

Northeast Texas land markets shifted into high gear with a \$4,421 per acre driving a remarkable 11.4 percent increase. However, buyers appeared sensitive to the higher prices as the number of sales dropped.

Last year, Hurricane Harvey depressed activity in Gulf Coast – Brazos Bottom land markets. The 2018 market posted a strong 29.6 percent increase in the number of sales and a 4.0 percent gain in prices. The price reached \$5,955 per acre.

A dearth of irrigated cropland sales in 2018 in the Lower Rio Grande Valley led South Texas regional prices 3.4 percent lower to \$3,695 per acre.

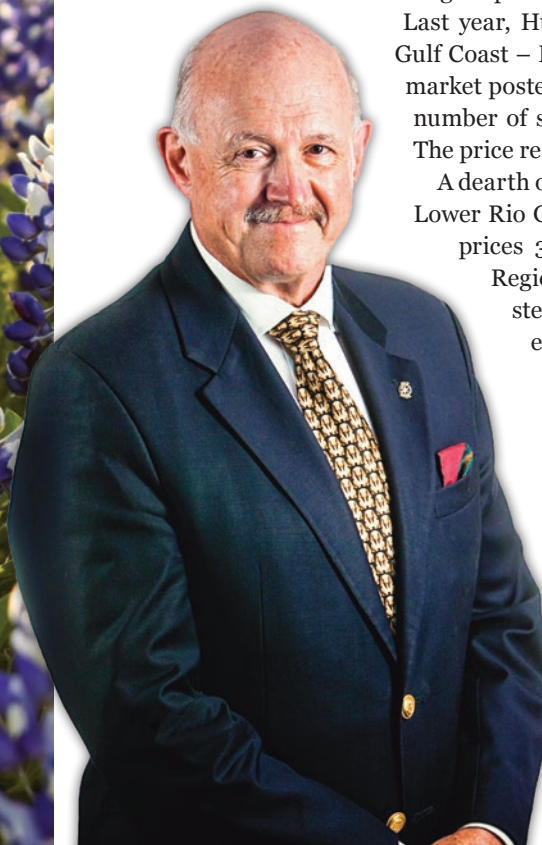
Regional overall sales volume remained steady while the typical transaction size expanded slightly.

The Central Texas Austin–Waco – Hill Country land market shook off its malaise to shoot up 9.4 percent. The regional price of \$3,792 suggests that buyers bought smaller, more expensive properties in 2018.

Charles E. Gilliland, Ph.D.



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TEXAS CHAPTER

UPCOMING EVENTS 2019

TEXAS CHAPTER SPRING MEETING & CONTINUING EDUCATION

Abilene, Texas
February 27 - March 1, 2019

29TH ANNUAL OUTLOOK FOR TEXAS LAND MARKETS

April 24-26, 2019
San Antonio, Texas

ASFMRA EDUCATION WEEK

La Vista, Nebraska
July 21-26, 2019

ASFMRA CHAPTER LEADERS DAY

Denver, Colorado
August 15-16, 2019

ASFMRA LEADERSHIP INSTITUTE

Washington, DC
September 9-13, 2019

TEXAS CHAPTER FALL MEETING & CONTINUING EDUCATION

Junction, Texas
October 2-4, 2019

AGRONOMICS / ASFMRA 90TH ANNUAL MEETING

Louisville, Kentucky
November 16-22, 2019

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On the national level, Wendell Wood, ARA, MAI serves on the ASFMRA Executive Council as the District V Vice President. Wendell will serve in this position for three years representing the states of Colorado, Kansas, New Mexico, Oklahoma and Texas..

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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
Southeaster 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
Henderson
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

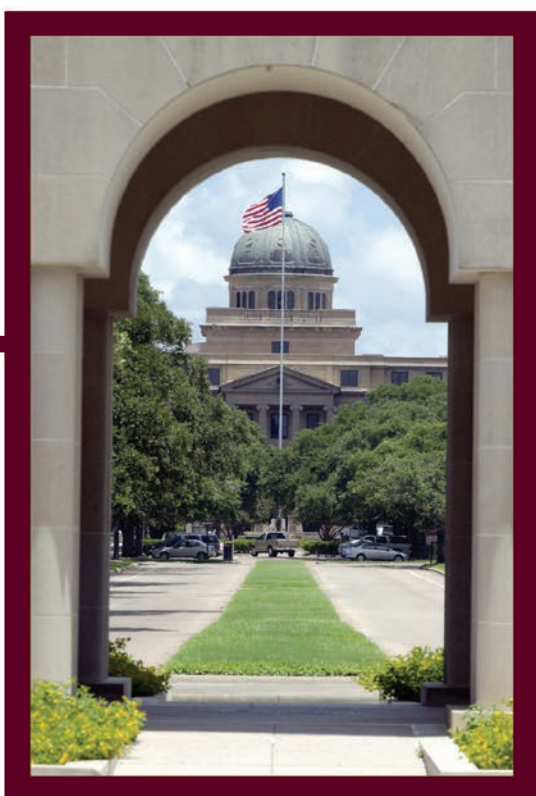
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Bee
Bexar
Brooks
Cameron
Comal
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Duval
Frio
Goliad
Guadalupe
Hidalgo
Jim Hogg
Jim Wells
Karnes
Kenedy
Kleberg
La Salle
Live Oak
Maverick
McMullen
Medina
Nueces
Refugio
San Patricio
Starr
Uvalde
Webb
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
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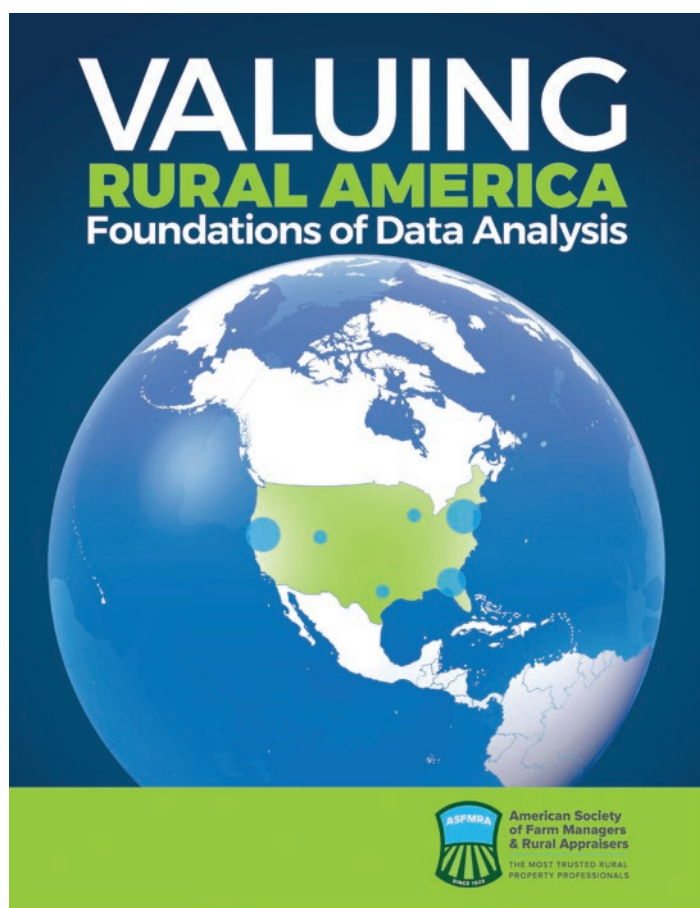
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Valuing Rural America:

Foundations of Data Analysis

A LONG-AWAITED JOURNEY COMES TO FRUITION

The American Society of Farm Managers and Rural Appraisers (ASFMRA) is excited to announce the long-awaited publication of their new text book entitled Valuing Rural America: Foundations of Data Analysis. The text has been several years in the making and is due to finish printing in May 2019. ASFMRA has long been known as the professional appraisal organization that focuses its efforts of education development in the area of rural valuation topics. The Texas Chapter of ASFMRA has consistently produced members that have played key rolls in the evolution of that education and professional writings. We are proud that our members have been leaders on a national scale for many years. This magazine has honored two of our most prominent members that passed away in recent years: Dr. Ivan “Doc” Schmedemann, PhD and James B. “Nardie” Vine, ARA, CRE. Both contributed significantly to previous texts and educational models. Other members contributing to ASFMRA education in a development, writing, or teaching capacity include:



Keith Barlow, ARA, MAI
Paul Bierschwale, ARA, CRE
Justin Bierschwale, ARA, MAI
Larry Kokel, ARA, MAI
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James Synatzske, ARA
Wendel Wood, ARA, MAI
Wayne Young, ARA

The Texas Chapter has many members that have contributed to the “peer” portion of peer review for the development of education. The members above are highlighted to demonstrate the unbelievable contributions the Texas Chapter has made to the appraisal profession’s understanding of rural valuation theory. We are extremely proud of our Chapter’s efforts and know that without these members taking leadership rolls, the book of knowledge would not be where it is today.

Valuing Rural America: Foundations of Data Analysis is designed to be a new way to understand valuation concepts as they relate to rural property. Traditional appraisal textbooks focus their efforts on valuation theory as it relates to residential, commercial, and industrial property types and give little, if any attention to rural topics. Furthermore, the few appraisal texts specific to rural markets have placed nearly all emphasis upon the production agriculture areas of the country. While those areas are a necessity to our way of life, much of the vast open spaces outside urban boundaries has been in a multi-generational transition to satisfy



other desires of our population. Such desires include recreation (a broad term encompassing everything from hunting and fishing, to bird watching, hiking, biking, solitary enjoyment, and overall quality of life), rural residential, etc. As the demand for these types of land uses increase, areas of Rural America that were once some of the least valuable based on their commodity or livestock “production” value now command prices that far exceeded what could be justified based upon their income generation potential.

Rural America is a vast and open space consuming 97% of the land mass within the lower 48 states while only being inhabited by approximately 20% of our population. In other words, 80% of the people live on 3% of the land. Most annual real estate transactions within the United States occur in urban areas, leaving only crumbs in comparison occurring in the rural markets. To further complicate matters, the rural landscape includes an assortment of different land uses, unique building improvements, natural resources, production agriculture, and recreation. In other words, uniformity rarely exists in most of the rural world.

The lack of volume and uniformity dictate that valuation professionals in these areas be well versed in complex data analysis, particularly in relation to land. The opportunity to glean meaningful information from each transaction is of the utmost importance as there may be no “better” sales.

Although a potential comparable sale may be several years old, it may offer the best comparison regarding proximity, size, recreational attributes, or possesses the physical and economic characteristics that best reflect the subject. Thus, property trends over time must be maintained so the older information can be applied to current valuation problems. Nearly every property in the rural realm possesses different agents of production (factors that impact value), thus economic characteristics such as income and cost is difficult to replicate from one property to the next. For these reasons, maintaining snapshots of various contributory components over time is paramount so that such information may be utilized at the perfect time for the valuation of a specific subject.

The valuation profession’s literature is peppered with the term “comparable sale”. The term bleeds over into brokerage and other real estate industries, ultimately landing in the public domain with many people saying, “just get me three good comps.” The reality is true comparable sales rarely exist in most rural areas. There are just “sales”. One rural valuation professional recently commented, “the day you realize we appraise properties with sales and not comparable sales is the day that you graduate into the profession.”

Thus, data analysis becomes the backbone of preparing credible rural valuations for properties found outside of homogenous areas. A good data analyst will identify appropriate adjustments and other comparison elements gleaned from market data to handle specific valuation problems in particular markets. For unique assignments, the good data analyst will scour the entire country, or even the world, to identify data that may aid in the valuation assignment. Without such effort complex appraisals cannot be supported with factual market information. Value conclusions may reflect certain parameters, and may be mathematically correct, but the correlation to market value is impossible without time spent analyzing the data available, whether locally, or abroad.

Valuing Rural America: Foundations of Data Analysis tackles all these unique appraisal issues as they relate to rural valuation. The processes presented in the textbook began with the foundations set by ASFMRA educational course work many years ago. It delivers on advancing those concepts and perfecting some mathematical issues encountered in the past. In keeping with our tradition, the book does offer the theory behind what we do, but its tone is written from a practical standpoint. Primary topics addressed include market value vs business value concepts, complex property rights mixtures, sale allocation and contributory value analysis, and land classes and analysis. The text maneuvers from simple valuation problems requiring little data analysis through complex valuation problems requiring extensive analysis. Some analysis presented is new to the appraisal profession’s book of knowledge and advances ASFMRA’s long taught processes particularly with regard to land mixture and proportional analysis techniques. It concludes with a large scaled case study to demonstrate the three approaches to value and then utilizes all the data analysis to present a scaled version of a narrative appraisal report. This presentation style allows for the same data set to be presented both in the theoretical discussion chapters while also allowing a reader to see how data comes together through practical application to tell the story of value for a specific property.

ASFMRA is extremely excited to offer this text and hopes that it becomes a sounding board for future writings applicable to rural property valuation. We offer our thanks to all of those that have come before us to help write the rural appraisal book of knowledge and we hope that this latest publication pays homage to all their legacies.

This article is written by Justin Bierschwale, ARA, MAI. The Chapter’s leadership and contribution to the valuation industry continues with this textbook as Justin was the principal author.

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.

- According to the USDA National Agricultural Statistics Service February report, the 2018 Texas High Plains cotton crop is anticipated to reach roughly 4 million bales when ginning wraps up later this spring. About 2.2 million bales were produced in the Southern High Plains and 1.8 million in the Northern High Plains. Yields per acre were 633 pounds in the SHP and 880 in the NHP. Overall, total production for the region is expected to be down about 25% from the 5.4 million bales produced in 2017.
- The growing season got off to a rough start with a Stage 4 drought persisting across the southern High Plains. Other weather related setbacks included hailstorms, which require re-planting and extreme heat during the early growing season. As the summer progressed growing conditions improved.
- The inventory of good irrigated land for sale appears to be in balance with demand. Typical seller profiles include estate liquidations, absentee landowners selling inherited properties and an occasional distressed operator. Buyers tend to be existing producers looking to expand operations. The number of sales of cropland remained steady throughout the region. Light water farms continue to meet market resistance, but will sell if priced where cash flow at current commodity prices will service the debt.
- The market for recreational properties has seen an uptick in interest with increase demand for recreational ranches. Higher quality tracts with superior land features or live water still command interest, but typically below asking prices.
- With the exception of a few large dairy operators, the pace of expansion in the dairy industry slowed considerably in 2018. For several years, 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. Milk prices fluctuated around breakeven levels through most of 2018.
- Most of the purchase activity is driven by end-users expanding their operations, but a few investors are still in the market for prime irrigated farmland, but on a limited basis. Strong water is the target investment and most of this land class occurs in the North Panhandle.



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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 2018. Water volume and commodity prices continue to be the most important factor impacting irrigated farm land prices in this market. Water awareness has significantly increased with the North Plains Water District's imposition of the 1.5 acre foot limit on Ogallala pumping and that the limitation was, at least partially, responsible for the increased impact that water volume seems has had on land prices. There has been increased drilling to the Santa Rosa formation to supplement irrigation water that is being pumped from the Ogallala formation.

The panhandle dairy industry has been stable after the recovery that began in 2013. Most dairies operated at above breakeven levels until late 2017 when milk prices dipped. Lower commodity and forage costs have helped mitigate the drop in milk prices.

Most acreage was planted to corn, wheat, sorghum and cotton. As expected, cotton plantings in the region jumped more than to 1.5 million acres up from 1.3 million in 2017 and 847,000 acres in 2016. Ginning capacity has been a limiting factor in this region; however 200,000 bales of ginning capacity went into service in 2018 and 300,000 more are under construction in 2019. All of the new gin plants are located north of Interstate 40.

Cash leases for irrigated cropland are common in the northwest quadrant of the Panhandle and appear to have stabilized in 2018 after a slight drop in 2017. 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

Overall, 2018 appeared to be an average year for the central plains. Cotton production was average with very little dryland being produced. Corn production was limited to a few producers growing food grade corn on contract for local masa (cornmeal) plants. Most acreage was planted to cotton. The land market for good irrigated farms was generally stable with light water being slightly down. The demand for farms with weaker irrigation water has declined. Typical buyer profile is a local producer buying family or rented land to expand operations.

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.

Drip irrigation continues to be installed throughout the region with the typical spacing being on 40' rows. Prices for land enrolled in the Conservation Reserve Program (CRP) are generally stable with moderated demand. Tracts are being purchased for conversion to cattle grazing upon expiration of CRP contracts.

South Plains to the South of Lubbock

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

This area is composed of a diverse land use mixture. The topography has rolling plains, broad valleys and flood plains. Most of the land in Garza, Borden, Andrews, Midland, Ector and Howard counties is native

range that is utilized for cattle grazing. Quite a bit of the native range was leased for hunting. Most cultivated farming utilizes dryland cultural practices due to inadequate groundwater. Irrigation practices are predominantly sprinkler due to sandy soils.

Due to severe early season drought, very little dryland cotton was produced in the region. Overall, the South Plains experienced an abandonment rate of about 48% on all acres planted. Most of this was dryland. Irrigated cotton brought in average yields. Cotton lint prices fluctuated between \$0.70 and \$0.90 per pound. There is still demand for dryland but to a lesser degree than 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 being placed back into production, especially those with irrigation potential. Much of

CONTINUED ON PAGE 21

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North Panhandle

Land Use or Class	Value Ranges	Activity/Trend	Rental Range	Activity/Trend
Irrigated Cropland Good Water	\$2,800 to \$4,000	Stable/Increasing	\$150 to \$235	Stable/Stable
Irrigated Cropland Average Water	\$1,800 to \$3,000	Stable/Stable	\$125 to \$150	Stable/Stable
Irrigated Cropland Fair Water	\$900 to \$1,700	Decreasing/Declining	\$75 to \$125	Stable/Declining
Dry Cropland East	\$750 to \$1,500	Stable/Stable	\$30 to \$45	Stable/Stable
Dry Cropland West	\$400 to \$650	Stable/Declining	\$15 to \$35	Stable/Stable
Rangeland	\$600 to \$1,200	Stable/Stable	\$7 to \$12	Increasing/Increasing
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	\$1,000 to \$1,750	Stable/Stable	\$100 to \$150	Stable/Stable
Drip Irrigation	\$1,600 to \$3,300	Stable/Stable	1/3 Crop	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	\$400 to \$1,100	Stable/Stable	\$7 to \$10	Stable/Stable
Conservation Reserve Program	\$500 to \$800	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	\$1,500 to \$2,250	Stable/Stable	\$150 to \$185	Stable/Stable
Irrigated Cropland Fair Water	\$1,100 to \$1,500	Stable/Stable	\$75 to \$125	Stable/Stable
Dry Cropland Cotton	\$650 to \$1,200	Stable/Stable	\$25 to \$45	Stable/Stable
Rangeland	\$350 to \$900	Stable/Stable	\$4 to \$7	Stable/Stable
Conservation Reserve Program	\$500 to \$1,200	Increasing/Increasing	\$30 to \$40	Stable/Stable

Value for irrigated cropland typically includes center pivot sprinklers.

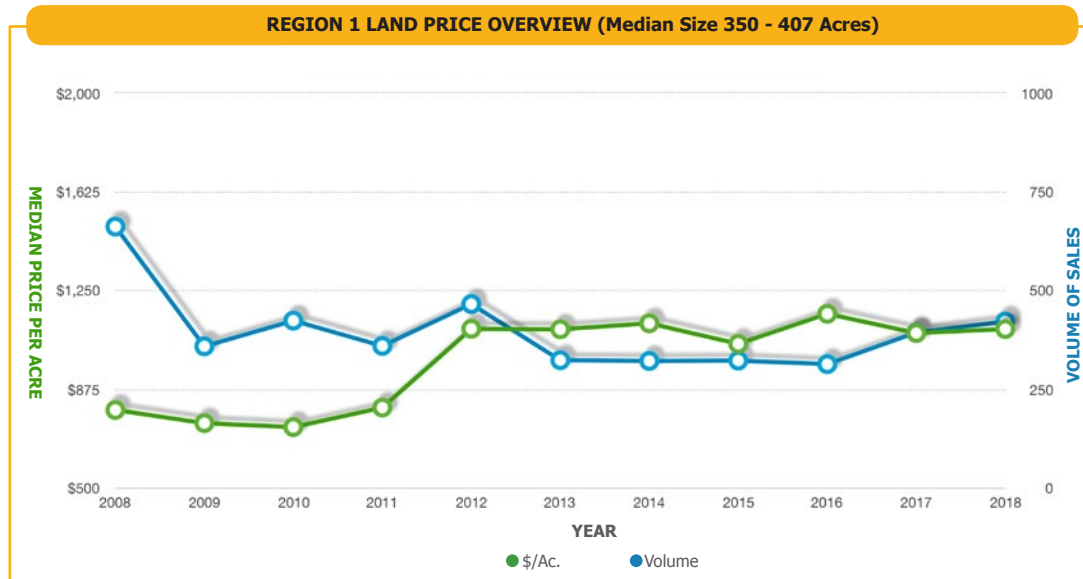
Minerals are typically either not included or not a factor in the land classes listed above.

CONTINUED FROM PAGE 19

this land is being utilized to grow organic peanuts. Oil & gas lease activity was stable.

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 and production with 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.



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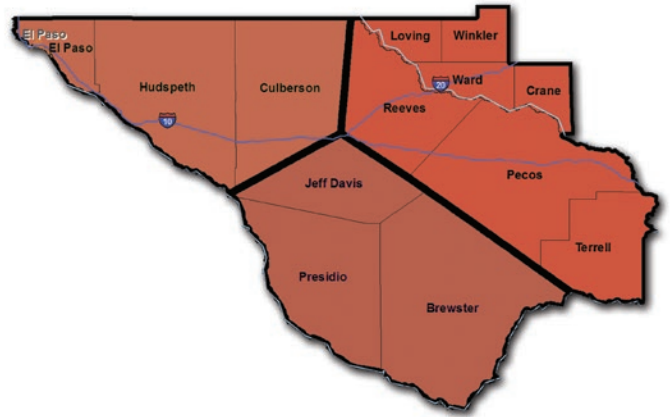
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Region Two encompasses West Texas and is bound on the north by the State of New Mexico and on the south by the Republic of Mexico. Andrews County forms a small portion of the region's north boundary and Ector County forms the northerly portion of the 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. Recreation, primarily hunting, is also a major land use of the region.
- Native rangeland has typically been held by established ranching families. However, over the last several decades, low average income levels from cattle operations, an increased demand for recreational land use and pressure from individuals (and entities) with increasing disposable income from non-agricultural sources, have all served to effect changes in property ownership.
- Another development has been the creation of "ranchettes", primarily for recreational purposes. It is expected that market pressure for these type of subdivisions will continue in certain areas.
- Where practiced, irrigation of crops is by various methods including flooding, sprinkler and subsurface drip. The quantity and quality of the irrigation water supply, as well as the soil type of the land, are the primary factors determining the irrigation type. Center pivot sprinkler and buried drip systems have become more common and can be attributed to the ever increasing costs of pumping water and the necessary water conservation practices.
- Supply and demand are often quite variable as the result of economic conditions in other regions, but are mostly dominated by both investors and recreationalists, with the market for all types of land being driven by



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

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

Far West Texas

Culberson, El Paso and Hudspeth Counties

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

In the El Paso Upper Valley, the market is generally driven by the investor with strong urban development pressure present. There is very limited cultivated land, dryland or irrigated, in the upper valley; the entire area now

CONTINUED ON PAGE 24



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dominated by residential or commercial development, with a few scattered dairy operations or pecan orchards. In the El Paso Lower Valley, there is moderate urban pressure and the investor is again the primary market force with some producer acquisition impact. There were no reported sales in these two areas in 2018.

In the areas around Van Horn and Dell City, the market has been relatively stable and is typically producer-oriented. Water volumes in these areas remain an attractive factor, allowing another contributor for water rights to be speculation and acquisition for municipal uses by public utility entities. The number of properties available for purchase in these areas is the primary factor in the limited amount of data available. There is some speculation and exploration in the Van Horn area for the development of frack sand for use in oil and gas production in the Permian Basin area. No 2018 confirmed sales were reported for either the Van Horn or Dell City areas.

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 very 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 influenced by purchase for investment purposes, as well as for use as recreational properties. It is noted that very limited to no 2018 sales were reported in the any of these sub-regions.

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

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

Far West Texas

Land Use or Class	Value Ranges	Activity/Trend	Rental Range	Activity/Trend
Rangeland	\$200 to \$550	Stable/Stable	\$.65 to \$.85	Stable/Stable
Dell City Irrigated Cropland*	None	No Activity	\$.85 to \$1.20	Stable/Stable
El Paso Upper Valley Irrigated	None	No Activity	n/a	n/a
El Paso Lower Valley Irrigated*	\$2,500 to \$4,500	Decrease/Increase	\$.65 to \$.85	Stable/Stable
Van Horn Irrigated Cropland*	\$500 to \$525	Decrease/Decrease	\$.25 to \$.50	Stable/Stable

* No new (2018) data available.

Big Bend

Land Use or Class	Value Ranges	Activity/Trend	Rental Range	Activity/Trend
Davis Mountains Rangeland*	\$1,000 to \$1,850	Decrease/Decrease	\$3.50 to \$5.00	Stable/Stable
Highlands Rangeland**	\$500 to \$700	Decrease/Decrease	\$2.50 to \$2.75	Stable/Stable
Desert Mountains Rangeland*	\$350 to \$625	Decrease/Decrease	\$1.25 to \$1.50	Stable/Stable

* Very limited new (2018) data available.

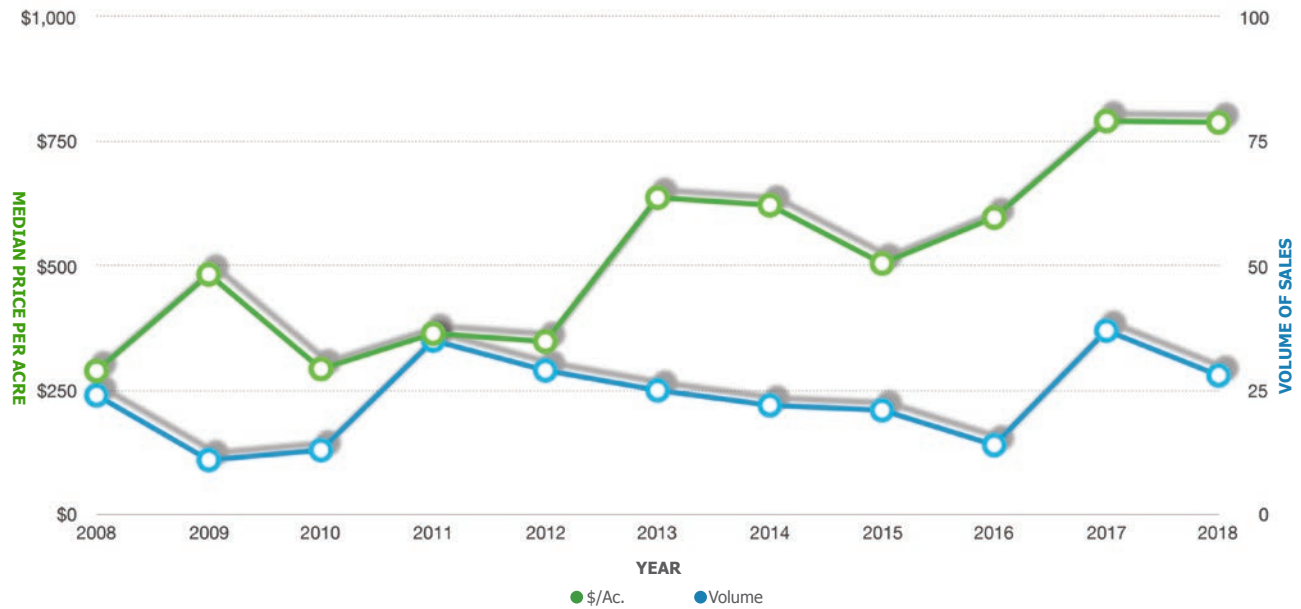
** No new (2018) data available.

Trans-Pecos

Land Use or Class	Value Ranges	Activity/Trend	Rental Range	Activity/Trend
Rangeland	\$350 to \$850	Increase/Increase	\$0.50 to \$1.25	Stable/Stable
Irrigated Cropland	\$1,200 to \$2,800	Increase/Increase	\$.10 to \$.25	Stable/Stable



REGION 2 LAND PRICE OVERVIEW (Median Size 6,500 - 12,500 Acres)



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*photo credit Tiffany Helms

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 are stable to rising, particularly for irrigated farmland. Farmers are showing less demand for dryland farmland and higher demand for irrigated farmland. This is due primarily to the increased productivity of these types of farm. This is a change from prior years where farmers were purchasing lower quality land at a slightly increased price rather than buying the better quality farmland.
- Larger rangeland properties appear to be stable with the smaller tracts receiving better demand.
- There continues to be development with both solar and wind in this region. There have been numerous solar developments in the area. Primarily due to the fact that the minerals are less abundant in areas of this region and, therefore, solar projects are easier to develop.



North Texas

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

Prices for all classes of cropland have remained stable since 2017. However, the search for irrigated cropland is more active. The dryland cropland is stable from 2017.

The rangeland prices were stable from 2017 to 2018. There is some recreational interest, but it would not be considered active. This lack of interest is for recreational tracts of all sizes.

Central Texas

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

The primary change in this region was the irrigated and Class II and Class III dry cropland. The interest in irrigated cropland has been active to increasing with irrigated properties selling quickly and at a higher price. The Class II and Class III cropland values have also increased, while the Class IV and V dry cropland prices have been stable.

Rangeland prices for properties over 2,000 acres have been stable, but there has been an increase in prices for smaller tracts. The small recreational tracts in this area are primarily in the \$250,000 to \$500,000 range.

In the area around Abilene and San Angelo, which are the largest towns in the Central Texas region, there has been an increase of purchases of larger tracts being 200 to 500 acres in size for subdivision. These tracts are typically

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divided into 5 to 10 acres and are sold as acreage home sites. This is primarily due to the fact that the Wall Independent School District (ISD), east of San Angelo, and the Tuscola Community Unit School District (CUSD), south of Abilene, have received high marks for education. Therefore, interest in sending children to these school districts has increased.

South Central Texas

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

Prices in this area for both cropland and rangeland have remained basically stable. The exception is those properties in Reagan and Glasscock Counties. These two counties are receiving a two tiered range of prices. These counties have a large amount of oilfield development with several larger independent oil companies operating in this area. Several properties in the area that meet the oil companies' criteria for factors such as additional water, caliche or reduction of damage payments have received a much higher than typical price per acre. However, those properties that do not meet these criteria are within the regular price range.



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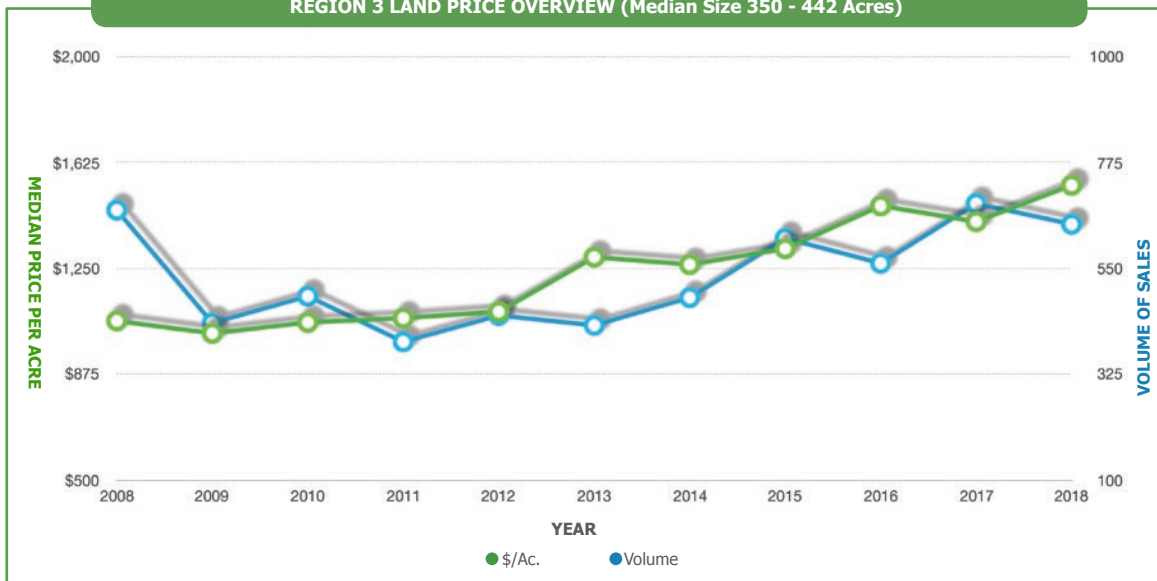
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REGION 3 LAND PRICE OVERVIEW (Median Size 350 - 442 Acres)



North Texas

Land Use or Class	Value Ranges	Activity/Trend	Rental Range	Activity/Trend
Irrigated Cropland	\$1,200 to \$1,850	Stable/Stable	\$40 to \$90	Active/Stable
Class II & III Dry Crop	\$900 to \$1,600	Stable/Stable	\$30 to \$50	Stable/Stable
Class IV & V Dry Crop	\$700 to \$900	Stable/Stable	\$15 to \$30	Stable/Stable
Rangeland > 2,000 Acres	\$550 to \$1,500	Stable/Stable	\$8 to \$12	Stable/Stable
Rangeland < 2,000 Acres	\$600 to \$2,000	Active/Stable	\$8 to \$15	Stable/Stable
Hunting Lease Rangeland			\$6 to \$15	Stable/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 \$5,500	Active/Increasing	\$50 to \$125	Stable/Stable
Class II & III Dry Crop	\$750 to \$3,500	Stable/Increasing	\$35 to \$50	Active/Stable
Class IV & V Dry Crop	\$700 to \$1,400	Stable/Decreasing	\$20 to \$35	Stable/Stable
Rangeland > 2,000 Acres	\$750 to \$1,800	Active/Stable	\$5 to \$15	Stable/Stable
Rangeland < 2,000 Acres	\$900 to \$2,500	Active/Increasing	\$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	\$800 to \$1,600	Stable/Stable	\$50 to \$75	Stable/Stable
Dry Cropland	\$700 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.

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 northwest 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 a 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 2016 and 2017 demand increased in the recreational areas near Dallas and north of Houston, and this trend continued in 2018. 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; generally 5% or less.

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 continued their



trend of strong gains over the previous year with total number of sales being up. Land tracts smaller than 100 acres make up the bulk of the market within the North Texas sub-region accounting for nearly 90 percent of all transactions in 2018 according to MLS data. Values and number of sales for tracts less than 100 acres continued their upward trend in 2018 with continued strong demand. Land tracts larger than 100 acres showed strong value increases also, although the number of transactions fell from 2017. Supply of actively listed large tracts has continued its downward trend dating back from 2013 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 continue to be the primary source of new buyers, not only in the smaller end of the pasture and the recreational markets but through out the entire

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size spectrum. The number of sales in most counties is low and many brokers report a much high number of listings as compared to 2017 while others complain they can't find a good listing. It appears that the lack of sales activity is due more to the spread between what the sellers want to receive and the buyers want to pay than any other single factor.

The demand for good crop was stable with two very large sales at unit prices that were still representative of the peak. The smaller sales are still showing stable prices. The largest sales were purchased by out-of-state and foreign buyers. In most of this land market, the summer was hot and very dry and the fall and winter has been extremely wet which reduced hay supplies and almost wiped out the corn and soybean crops. Consequently, the number of local farmers looking to expand was down compared to 2017. As much as 25% or more of the cotton crop, the acreage for which has greatly expanded for the last three years, was left in the fields due to wet weather.

Lease rates on all land uses were fairly stable and demand is still stable.

While cattle prices remain well off their 2015 peak and are drifting lower with an ever expanding herd, interest in pasture tracts is still strong and prices are stable to slowly increasing with very little product on the market at reasonable prices. The strong demand for pasture tracts should continue, especially if the tracts have some recreational appeal as well.

Large timber sales are always scarce, demand is stable, 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. Recreational land values increased through the year and large bodies of surface water are a definite plus for their appeal.

As a special note, the prices paid for the smaller tracts (90-150 acres which are not included in this survey) in the first and second tier counties, (Wood, Upshur, and Hopkins) out from Tyler-Longview and Dallas, have shown a very strong jump in 2018 and thus far on 2019.

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 2018, 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 demand for pasture tracts in this region is from both out of the area and

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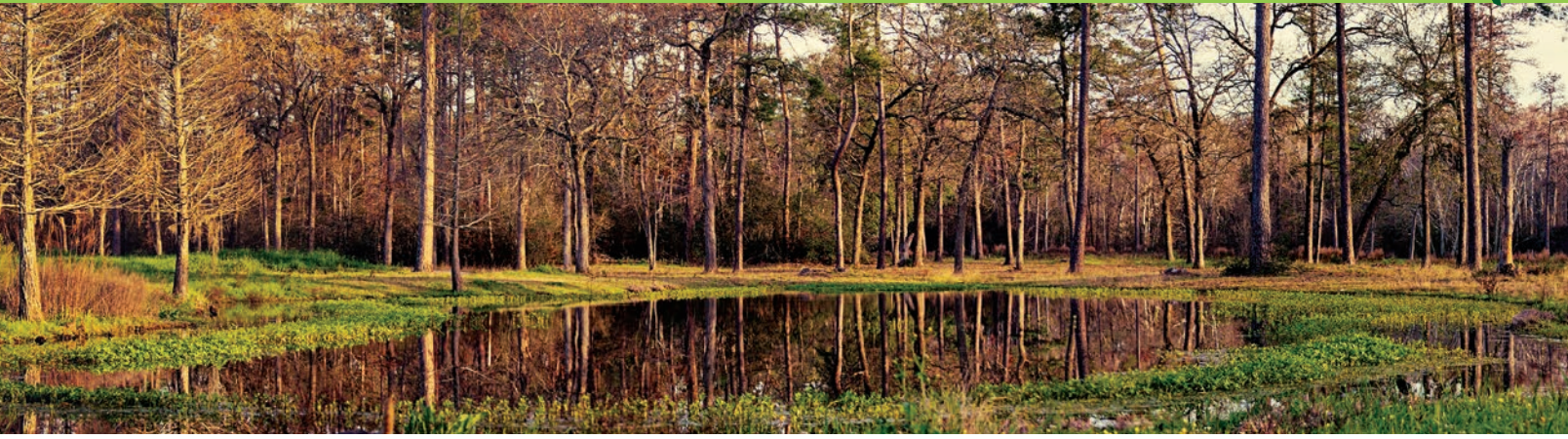
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North Texas

Land Use or Class	Value Ranges	Activity/Trend	Rental Range	Activity/Trend
Dry Cropland > 200 Acres	\$2,500 to \$5,000	Stable/Increase	\$40 to \$60	Stable/Stable
Improved Pasture > 200 Acres	\$2,500 to \$5,000	Stable/Increase	\$15 to \$25	Stable/Stable
Native Pasture > 200 Acres	\$2,500 to \$5,000	Stable/Increase	\$10 to \$20	Stable/Stable
Hardwood Timber > 200 Acres	\$2,000 to \$3,000	Stable/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	\$2,000 to \$2,550	Stable/Increase	\$40 to \$60	Stable/Stable
Class III Dry Crop > 300 Acres	\$1,650 to \$1,850	Stable/Increase	\$40 to \$50	Stable/Stable
Improved Pasture > 300 Acres	\$2,250 to \$3,500	Stable/Increase	\$30 to \$40	Stable/Stable
Native Pasture > 300 Acres	\$1,800 to \$2,100	Stable/Stable	\$15 to \$25	Stable/Stable
Hardwood Timber > 300 Acres	\$1,500 to \$2,000	Stable/Increase	\$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 \$5,000	Increase/Increase	\$15 to \$30	Stable/Stable
Native Pasture > 300 Acres	\$2,000 to \$3,500	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	\$1,200 to \$2,000	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	\$2,500 to \$3,500	Increase/Increase	\$15 to \$30	Stable/Stable
Native Pasture > 300 Acres	\$2,200 to \$3,200	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.

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

The market for smaller properties increased substantially during 2018 which caused some market increase for the larger tracts. The Piney Woods South market activity increased slightly during 2018, with prices showing a slight increase. Activity has increased for properties less than 3,000 acres, and for the first time in several years there are some sales greater than 3,000 acres. This is not a lack of demand but rather a willingness 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. The demand for high quality recreational properties declined with the decline in oil prices. Some of these type buyers have returned to the market but not to the extent previously enjoyed. The base land value for timberland has shown some increase. Sellers continue to ask higher prices; however, brokers report a higher number of quality, reasonably priced listings for tracts greater than 300 acres.

The demand for properties in the Piney Woods South continued to

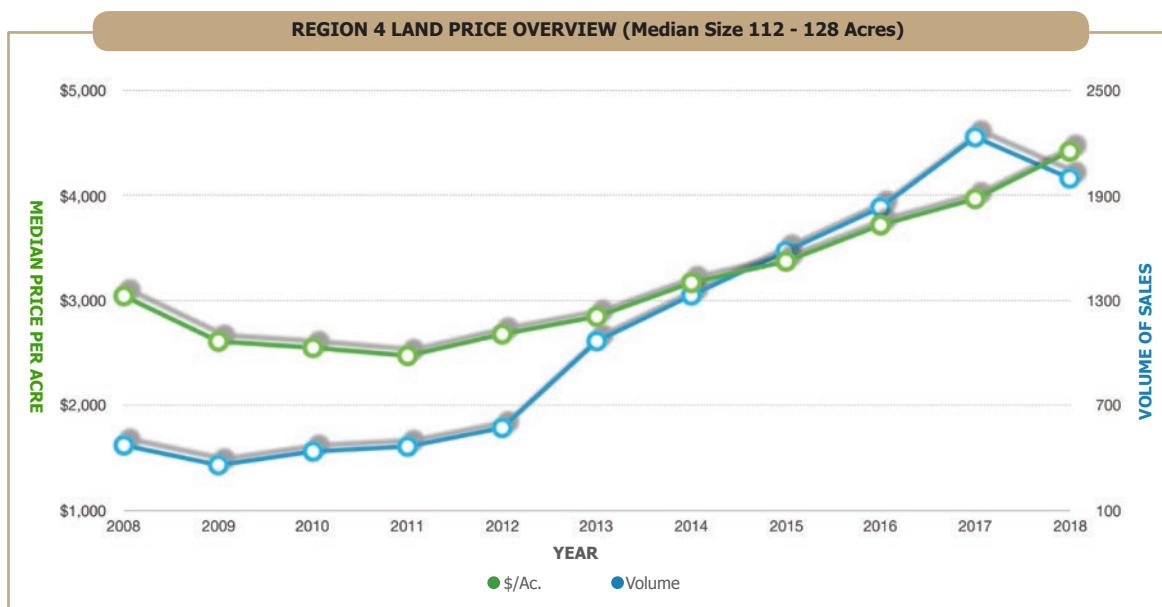
be primarily from the Houston area buyer, and hunting and recreation dominate this region's rural land market. Purchasers continued to seek tracts of timberland with good interior roads, good surface water and woodland conducive to hunting. Owners who lease hunting land report an increase in the lease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

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

Timber

Particularly for the southern Piney Woods North and all the Piney Woods South sub-regions, timber is an important component of value. The following is a comparison of general stumpage prices for merchantable timber products in these sub-regions from 2016 to 2018.

Pine Sawtimber prices have generally been in decline since 2008, with years which show some increases. The above information indicates all timber types show a decline from 2016 to 2017. There is some indication that timber prices began to increase in late 2017 and early 2018. As long as timber prices remain at these low rates, the overall price of land and timber likely will remain relatively stable.



Pine Sawtimber prices have generally been in decline since 2008, with years which show some increases. The above information indicates all timber types show a decline from 2016 to 2017. There is some indication that timber prices began to increase in late 2017 and early 2018, and increased throughout 2018 according to Texas A&M Forest Service. TimberMart South indicates prices have continued to decline. As long as timber prices remain at these low rates, the overall price of land and timber likely will remain relatively stable.

Source: TimberMart South Annual Averages

Product	2016 \$/Ton	2017 \$/Ton	2018 \$/Ton	% Change
Pine Sawtimber	\$ 29.59	\$ 27.01	\$ 25.19	-6.7%
Pine Chip-n-Saw	\$ 15.15	\$ 13.52	\$ 13.19	-2.4%
Pine Pulpwood	\$ 8.89	\$ 8.93	\$ 7.72	-13.5%
Hardwood Sawtimber	\$ 37.37	\$ 28.79	\$ 27.58	-4.2%
Hardwood Pulpwood	\$ 9.70	\$ 8.64	\$ 9.97	15.4%

Source: Texas A & M Forest Service Annual Averages

Product	2016 \$/Ton	2017 \$/Ton	2018 \$/Ton	% Change
Pine Sawtimber	\$ 28.21	\$ 25.90	\$ 26.32	1.6%
Pine Chip-n-Saw	\$ 12.63	\$ 9.71	\$ 13.10	34.9%
Pine Pulpwood	\$ 9.04	\$ 7.98	\$ 7.05	-11.7%
Hardwood Sawtimber	\$ 42.04	\$ 25.92	\$ 29.91	15.4%
Hardwood Pulpwood	\$ 11.71	\$ 9.90	\$ 10.01	1.1%

FOREST

RESOURCE MANAGEMENT

Timber As a Fiduciary Asset

Pine timber as an investment has a tendency to create complacency. It is, by nature, a long-term investment that typically has a 30-year maturity. A timber investment has much less volatility than financial markets and even other commodity markets. Thus, the oversight intensity is lessened so this asset class typically gets less time devoted to it. As an untrained third party manager or fiduciary executive, if the trees are still present (not stolen) and are still green (obviously growing), everything is fine. This is the misconception. A forester knows that there is much more to it than that.

The Comptroller's Handbook addresses "Unique and Hard to Value Assets", and specifically the fiduciary responsibilities with regard to Timber Interests as follows:

"The bank trust department's timber interest records should describe the type of trees grown and the intended use of the trees. The amount of funds generated from sales depends whether the timber is intended for paper production, building materials, or furniture. The trust manager with responsibility for this area should have a written plan for timber management, the plan should include the timing of tree harvestings and planting replacements.

Because the growth cycle of commercial-grade trees is 20 to 30 years, the timing of harvesting should consider favorable prices, the client's tax situation, and specific account income needs. The manager should ensure that harvesting and preparation for replanting follow timber management practices that avoid environmental damage or that negatively affect future yields. The timber management plan may include provisions that address thinning the replanted forest after 10 to 15 years, as well as other strategies designed to improve growth. A bank fiduciary should require periodic status reports from the timber property manager to monitor conformance with the plan. The timber reports detail when trees are to be cut, document bids from potential purchasers, document to whom trees are sold and at what price. The governing instrument should state how the proceeds from the sale of timber are allocated between principal and income. Additional forest income may be derived from the sale of hunting leases on the land..."

Source: Comptroller's Handbook, Unique and Hard-to-Value Assets published by Comptroller of the Currency, Administrator of National Banks, US Department of the Treasury, August, 2012

Delayed harvesting can drastically affect future yields in the timber stand. Improper timing of thinning a timber stand promotes stagnation and delayed income streams. Once a timber stand's growth has stagnated, its optimal return is hard to achieve and the natural part of the life process of the individual trees starts to decline.



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QUESTIONS

A Fiduciary Manager Should Ask:

- **Is there a written timber management plan that promotes sustainable forest management?**
- **Has the timber stand reached a point of growth stagnation?**
- **Is the timber stand properly thinned to maximize growth potential and income generation?**
- **Is the timber stand growing in value?**
- **Does my timber stand have a wildlife management plan?**
- **Is the wildlife resource being managed and leased or is it being trespassed and poached?**

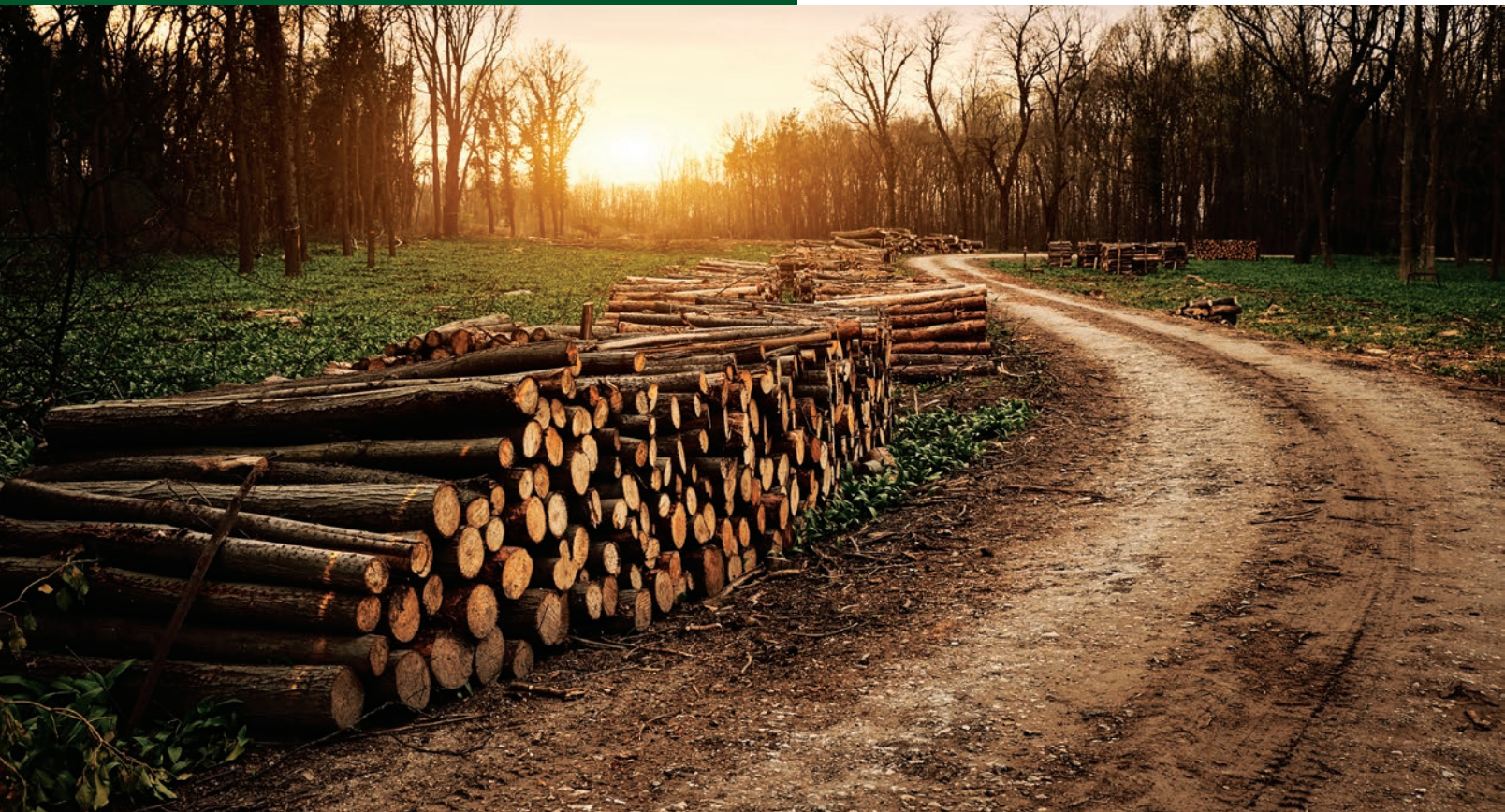
Economic Benefit

Silviculture is the art and science of forest management. Intensive silvicultural practices (planting genetically superior southern yellow pine seedlings, conducting herbicide and prescribed burning operations, fertilization, etc) are designed to increase financial returns by boosting site productivity, shorten rotation lengths, and increase percentages of higher valued forest products.

Pine timber investments generally reflect a 6% annual rate of return (ARR) that fluctuates between 4% and 8%, depending on the manager and market conditions. Active managers who employ intensive silvicultural practices will tend to fluctuate $\geq 6\%$ ARR vs an inactive manager who uses non-intensive practices (ie $< 6\%$ ARR).

Maintaining maximum growth rates and economic value requires active monitoring and understanding the stages of development in which timber grows. Between 10 and 15 years of age a well-stocked pine plantation will begin to stagnate as inner tree competition occurs, growing space decreases, and nutrient and sunlight availability becomes limited. Thinning operations are conducted to remove inferior trees and release the better growing timber for future growth and sales, yielding \$150 to \$750 per acre per operation.

Subsequent thinning operations occur every five to seven years with a final harvest and replanting operation between age 25 and 35. Final harvest operations typically yield between \$1,500 and \$2,500 per acre and total income over the duration of the pine plantation yields \$3,000 to \$4,000 per acre.





Pictured above is a southern yellow pine tree that shows stagnation after 12 years of growth. At age 15 a first thinning operation was conducted. After one year (trees take one growing season to respond), the tree returned to maximum growth that continued for the next five years. At that point, the second thinning operation was conducted and the tree was harvested.



The southern yellow pine tree at left was stagnated for the first 27 years. This is illustrated by the tight growth rings from center core outward before it was fully released and grew unimpeded. Early stagnation was the result of the stand being over-stocked and no competition control being conducted.

Maximum growth continues until about age 35, at which point pine trees generally have achieved their maximum growth rate and begin to naturally slow down. This illustration demonstrates the ability of a pine tree to accelerate growth after being released from stagnation.



Pictures A (left) and B (below) are southern yellow pine tree samples, both 20" in diameter. Picture A is a 64 year old tree that grew for eight years unimpeded, averaging 0.75 inch of growth per year. By age nine stagnation began to occur. Growth decreased to an average of less than 0.25 inch per year for the remainder of the tree's life.

In contrast with picture A (above), picture B is a 24 year old tree that grew unimpeded for the duration of its life. Average annual growth was 0.83 inch per year, or 13% per year. This is the result of a regular thinning operation allowing the tree to grow to its maximum potential.



MAXIMUM GROWTH VS STAGNATION

How stagnation and the thinning process affect maximum growth rate





OUR SERVICES

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- Reforestation planning, coordination, and oversight
- Timber harvest planning, marketing, administration, and oversight
- Timber inventory and appraisals
- Timber damage and theft appraisals
- Harvest scheduling and income projections
- Geographic information system mapping and GPS
- Intensive and non-intensive pine plantation and natural mixed pine hardwood management
- Annual reporting and updates
- Prescribed burning
- Hunting lease management
- Road and gate construction and maintenance
- Boundary line marking and maintenance
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- Account for revenue
- Provide weekly harvest summary reports

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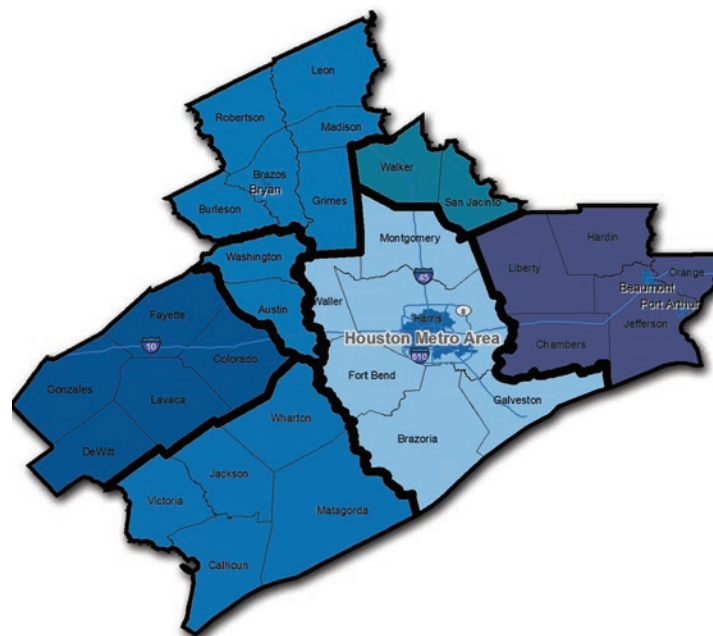
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Region Five is one of two regions in the State of Texas that fronts the Gulf of Mexico. Houston, the largest city in Texas, is located within the region, in Harris County. The City of Houston, along with the Woodlands and Katy areas dominate the region.

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 properties appeal change from area to area and the challenge, from an appraisal standpoint, is to know what combination creates the greatest value in the area you are working. In general those tracts with varied topography, water features, trees, and good access establish the upper end and those tracts that are flat, open with poor access establish the 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 suggested 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 continues to appear to be lagging behind as rental rates for the 2017 crop year showed the first signs of some marginal decreases in those numbers which has somewhat stabilized in 2018 and 2019 rental rates.
- The discussion above has remained essentially unchanged for the last several years. As mentioned earlier, Houston and the surrounding area is the primary driver of values in this region of the State. As goes Houston, so goes the region. Typically if anything changes it is the radius of impact.
- In 2017, the region was undoubtedly one of the most widely impacted regions of the state when Hurricane Harvey came ashore near Rockport, Texas and left a path of flooding and destruction along the Texas Gulf Coast all of the way to Houston. Record rainfall amounts eclipsing 60" over the four day period left its mark on the areas in closer proximity to Houston and the aftermath has left its impact on the real estate markets through 2018. Properties located outside FEMA Floodplain map boundaries were not immune to flooding throughout the storm and as predicted, those properties suffered significant discounts in the year following the natural disaster, especially those properties with building improvements which



were flooded. However, analysis of the sales within the region are showing some signs of a "short-term" memory for those properties located outside the traditional 100-year floodplain boundaries. Initial sales of those flooded properties which were purchased after the storm in 2017 and early 2018, then were remodeled and resold are actually showing fairly strong resale rates, especially in those counties where the FEMA map boundaries have not been updated since Hurricane Harvey. However, it is still too early to definitively say where the long-term market impacts will stabilize, but this has been an interesting area to observe throughout 2018.

- 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 since 2016 with some of the oil and gas service industry businesses opting to close their doors in the face of continued lean economic projections and oversupply risks in 2019. Going forward into 2019 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 has had a slight influence since 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

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was “prettier” as opposed to it had better grass. As mentioned earlier typically the purchase decision is a “quality of life” issue. There are very few large pasture tracts that sell in either county. It is difficult to establish a trend in pasture prices and for all practical purposes most pasture tracts would fit in the rural residential/ag category. Growth and commercial development along I-45 in and near Huntsville has been significant compared to years past. There was general improvement with essentially all categories of land in the area at the bottom end of the range. The upper end moved little.

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

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

Brazos Bottom

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

The Bryan / College Station area has seen increased development throughout the last 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, multi-family, 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, Madison), as premium land prices required in Brazos County are becoming too expensive for the average buyer. Increasing demand in these counties have spurred significant market appreciation over the prior two years, particularly for rural residential / agricultural properties less than 100 acres.

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 to slightly increasing. Rents are for the most part at the same general levels, with a few higher rents noted for better quality, irrigated farms.

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 from the beginning 2015 thru the present, most notably for tracts comprising above-average scenic qualities, above-average road frontage, rolling topographical features with hilltop homesites, an ideal mix of wooded pasture land to open pasture land, and desirable water features. The most active rural land market with recent price increases is represented by the rural residential / agricultural category. This category represents 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 several 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 2019.

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 sales volume remained relatively stable over 2018. The demand for good quality tracts with strong aesthetic appeal continues to be strong and prices are stable to gradually increasing.

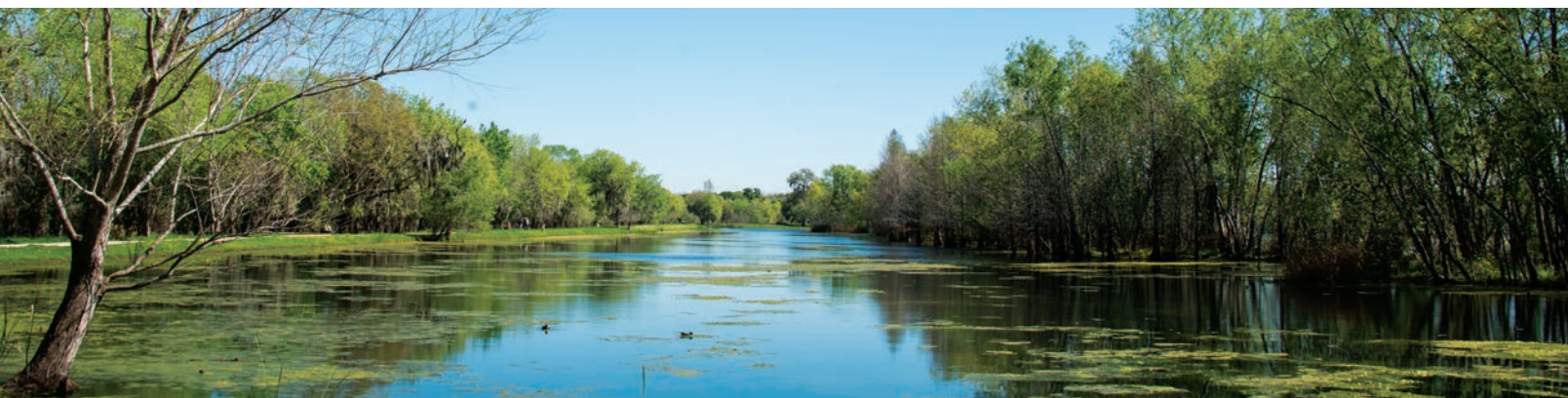
Waller County also continued to remain relatively stable with most of the demand being for rural acreage home sites. Most of the activity was in proximity to FM 359 and also in the northern part of the county. Prices appear to be gradually increasing as they have been for several years.

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

This portion of the region appears to have taken another “stair step” in terms of prices for rural land again in 2018, with the area along US Highway 59 showing the most significant increases. Cropland inventories available for sale are once again scarce and quality tracts that do appear for sale are quickly placed under contract. Lease rates for cropland have stabilized in recent years and the demand for these tracts appears to continue to be strong. The major uncertainty factor for 2019 was the incredibly wet winter and early spring experienced by much of the area. Many farmers were unable to get into their field following harvest of their crops in later summer due to another tropical system which dumped large amounts of rain on the area. The wet weather continued throughout the entire winter of 2018 and many farmers





were left wondering whether or not they would be able to plant a crop in 2019, especially those looking to plant corn. Fortunately, a window of drier weather in early March gave much of the area enough time to get the majority of their crops planted, albeit these planting dates were two to three weeks later than what is typically considered to be ideal for the area. The inability to produce a crop in 2019 could have presented significant challenges to the area, however those challenges appear to have subsided for the time being.

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

In the southern part of this five county area, two industrial plants in Calhoun County (Alcoa and Invista which are in the aluminum manufacturing industry) initiated large layoffs for a total of 800+ lost jobs to the nearby communities in early 2016. Some of the workforce has been able to find new jobs in the area with plant expansions at Formosa and other area plants, while others were relocated to another Alcoa plant in the Midwest. 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 have remained relatively stable. 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 rural residential/agriculture and native pasture comes from Fayette County and the north part of Colorado County. This category represents tracts suitable for residential and recreational uses. 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 total sales volume has remained relatively stable in this area, however, prices continue to be strong, especially for above average tracts with good aesthetic appeal. Seldom do properties in this area transfer with minerals intact, but when they do the inclusion of minerals impacts price.

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Eastern Coastal Prairie and Southeastern Piney Woods

Land Use or Class	Value Ranges	Activity/Trend	Rental Range	Activity/Trend
Rural Residential/Ag 50–150	\$1,500 to \$8,150	Stable/Up	\$10 to \$15	Stable/Stable
Improved and Native Pasture	\$1,900 to \$6,300	Stable/Up	\$10 to \$20	Stable/Stable
Bottom Timber	\$900 to \$1,650	Slow/Stable	\$5	Stable/Stable
Upland Timber	\$1,400 to \$5,500	Stable/Up	\$5	Stable/Stable
Marsh	No Sales in 2018			

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/Up		
Improved and Native Pasture	\$3,150 to \$7,000	Active/Up	\$10 to \$15	Stable/Stable
Bottom Timber	\$1,300 to \$1,950	Stable/Up	\$5 to \$10	Stable/Stable
Upland Timber	\$1,900 to \$4,500	Active/Up	\$5 to \$10	Stable/Stable

Brazos Bottom

Land Use or Class	Value Ranges	Activity/Trend	Rental Range	Activity/Trend
Irrigated Cropland	\$2,700 to \$3,500	Stable/Stable	\$100 to \$130	Stable/Stable
Dry Cropland	\$2,200 to \$3,000	Stable/Stable	\$60 to \$110	Stable/Stable
Improved and Native Pasture	\$3,000 to \$9,800	Active/Up	\$15 to \$25	Stable/Stable
Rural Residential/Ag 50–100	\$3,400 to \$14,000	Active/Up	\$15 to \$25	Stable/Stable

Houston Area

Land Use or Class	Value Ranges	Activity/Trend	Rental Range	Activity/Trend
Improved and Native Pasture	\$4,500 to \$20,000	Active/Up	\$10 to \$20	Stable/Stable
Rural Residential/Ag 50–100	\$4,250 to \$30,000	Active/Up		

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

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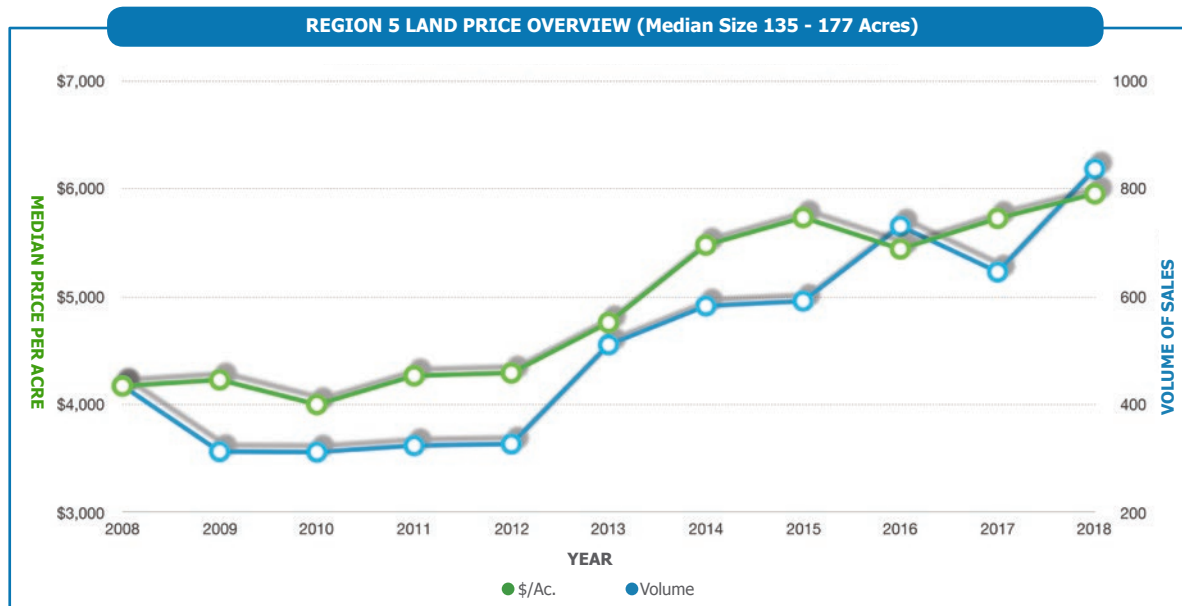
Bellville and Brenham Area

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. Overall, this area

has remained relatively stable in regards to total sales volume, however, prices continue to be strong for each land type.

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. There has been more activity from investors purchasing larger tracts to hold for future development. Total sales volume for this area has not seen a significant change since 2016; however, prices have increased.



Central Coastal Prairie

Land Use or Class	Value Ranges	Activity/Trend	Rental Range	Activity/Trend
Irrigated Cropland	\$2,000 to \$4,500	Stable/Up	\$50 to \$90	Stable/Stable
Dry Cropland	\$2,600 to \$4,000	Stable/Up	\$45 to \$90	Stable/Stable
Improved and Native Pasture	\$3,100 to \$6,800	Active/Up	\$10 to \$20	Stable/Stable
Rural Residential/Ag 50-100	\$2,000 to \$8,500	Active/Up		

North Coastal Prairie

Land Use or Class	Value Ranges	Activity/Trend	Rental Range	Activity/Trend
Irrigated Cropland	\$1,800 to \$2,300	Slow/Stable	\$20 to \$60	Stable/Stable
Dry Cropland	\$1,800 to \$2,500	Slow/Stable	\$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 \$18,000	Stable/Stable		

Bellville and Brenham Areas

Land Use or Class	Value Ranges	Activity/Trend	Rental Range	Activity/Trend
Scenic Recreational Land	\$7,000 to \$15,000	Active/Stable		
Rural Residential/Ag 50-100	\$5,500 to \$19,000	Active/Stable		
Improved and Native Pasture	\$6,500 to \$10,000	Active/Stable		
Sealy Area	\$8,000 to \$21,000	Stable/Up		

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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** – 2018 experienced times with notable activity and times that appeared to be somewhat slow. Early in the year, reputable land brokers reported increased inquiries, showings and deal consummations. In the warmer months of the year, it appears that the market experienced somewhat limited activity followed by an increase in activity in the fall and a slower fourth quarter of the year. The average of the active and slow times for 2018 essentially yielded steady transaction volumes generally similar to that of 2017.
- **Eagle Ford Shale activity** increased slightly in 2018, but only in proven locations, known for strong production. The average price of oil in 2018 was in the \$65 to \$70 per barrel range compared to the 2017 average price of \$50 to \$55 per barrel. Drilling permit numbers were up by 165 in 2018 compared to 2017.
- **Weather Conditions** – The first several months of 2018 saw average to below average rainfall for Region 6, particularly during the warmer months. Rainfall drastically increased in late summer and into fall with several locations experiencing the wettest meteorological periods in recorded history.
- **Land Values/Land Pricing** – Most land class values in the region were stable in 2018. Similar to past two to three years, 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. It appears that 2018 pricing in South Texas has modestly increased from 2015 and 2016 levels and has been generally stable since 2017. Limited sales volumes in certain sectors of South Texas (mainly the Rio Grande Valley) may not have accurately portrayed pricing for Region 6.
- **Sellers** – Mostly long term owners and investors.
- **Buyers** – End users continue to be the most prevalent land buyers. 1031 tax deferred exchange buyers that sold a property and were looking for a replacement property were active. 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 continued price stability. Investors are still actively looking for ranches to divide, enhance and resell but these buyers are looking for a good deal that may be difficult to find.
- **Demand for Ranches** – Recreational demand accounted for most of the activity in 2018. 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. There are “pockets” of strong demand and subsequent strong pricing mostly within an hour to one and one-half hours of San Antonio. 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. There has been an increase in buyers seeking farms and ranches within an established pipeline corridor or ranches with high probabilities of surface damages from other oilfield related activity. These buyers are typically experienced farm and ranch investors that have benefited from significant payments from easements/encumbrances, surface damages, etc. in the past. Certain investors have used these proceeds, if they qualify, to purchase additional real estate via a 1033 exchange (not a 1031 exchange). Most active ranch brokers report qualified buyers in 2018.
- **Demand for Farmland** – The demand for farmland was steady to slightly increasing in 2018. Institutional investors/agricultural REIT’s as well as established farmers, energy funded buyers, etc. 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 continued to drive the demand for farmland. Farmland pricing and rents in South Texas have mostly remained stable despite commodity prices. Essentially, demand is not necessarily commodity driven but investor driven. It is understood that certain farming tenants have tried to negotiate lower rents due to commodity prices; however, it is reported that rents are generally stable. There have been reports of somewhat lower cap rates in certain farming areas.
- **Demand for Subdivision Development Land** – This market segment is 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. Interest rates modestly increased in 2018 due to the robust economy; however, as the economy began to steady, in the later part of the year, interest rates slightly decreased.
- **Proposed Border Wall** – There continues to be concern along the Rio Grande River and in South Texas Border Towns related to the impact from a potential border wall. Reportedly, funding is available for wall construction in certain locations, mostly in the Rio Grande Valley. Border wall concerns are likely exacerbated by mainstream media outlets.
- **Minerals** have historically been difficult to acquire in the heart of the Eagle Ford Shale and other areas in Region 6. Most sellers in South Texas are reluctant to convey any minerals particularly in established mineral areas known for significant production. In marginal mineral areas where leases have expired or were never negotiated, there has been a continued trend of some minerals conveying with the surface estate. If minerals are offered with the surface, the minerals raised the overall price per acre and decreased the marketing time of farms and ranches. The boundaries of the Eagle Ford Shale have become narrowly defined thus allowing certain buyers to acquire minerals. Drilling activity in the Eagle Ford, according to the Texas Railroad Commission, is detailed as follows: 26 drilling permits issued in 2008, 94 in 2009, 1,010 in 2010, 2,826 in 2011, 4,143 in 2012, 4,416 in 2013, 5,613 in 2014, 2,315 in 2015, 1,119 in 2016, 2,123 in 2017 and 2,288 in 2018.
- **Water** – Region 6 has three major water sources which influence the rural land market. Each water source is unique to the sub-regions which comprise Region 6.
- **The Edwards Aquifer**, the only fully adjudicated ground water resource in the state occupies the bulk of the Transition Zone and is the primary source of both drinking and irrigation water.
 - The Carrizo Wilcox Aquifer underlays the bulk of both the Upper and Lower South Texas zones and although not adjudicated like the Edwards is regulated by 12 individual Ground Water Conservation Districts (GCD's) each with different rules and requirements. The Carrizo is the primary aquifer for this entire sub-region but the Frio and Nueces Rivers are also a factor in the water picture for the area. An active water market is yet to emerge in this sub-region relative to the Carrizo aquifer.
 - The Coastal Plains and Coastal Bend sub-regions are principally dependent on the Gulf Coast Aquifer system for the bulk of its water needs. Corpus Christi receives a significant portion of its water needs from the Nueces River via Lake Corpus Christi and Choke Canyon Reservoir. The principal regulatory entities for the sub-region are the nine GCD's which regulate the ground water and the Nueces River Authority which regulate the surface water use. Nueces County is not in a GCD and hence is unregulated as to



groundwater issues. An active water market is yet to emerge in this sub-region relative to the Gulf 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 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. Irrigated and dry farmland historically known for dove hunting, mostly in Medina County, continues to be in high demand and

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Transition Zone

Land Use or Class	Value Ranges	Activity/Trend	Rental Range	Activity/Trend
Class I Irrigated Crop	\$2,750 to \$8,000	Stable/Stable	\$75 to \$200	Stable/Stable
Class II Dry Crop	\$1,700 to \$5,000	Stable/Stable	\$20 to \$50	Stable/Stable
Permanent Pasture	\$2,000 to \$3,500	Stable/Stable	\$180/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	\$5,000 to \$45,000	Stable/Stable	n/a	n/a
Transferable Edwards Aquifer Water Rights	\$4,500 to \$5,500	Stable/Stable	\$100 to \$150	Stable/Stable
Hunting Lease			\$5 to \$25	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	\$180/AU	Stable/Stable
Rangeland < 2,000 Acres	\$1,200 to \$3,500	Stable/Stable	\$150/AU	Stable/Stable
Rangeland > 2,000 Acres	\$1,200 to \$2,500	Stable/Stable	\$150/AU	Stable/Stable
Hunting Lease (Rangeland)			\$10 to \$25	Stable/Stable

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

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

CONTINUED FROM PAGE 43

experiencing higher levels of pricing.

The South Central Mandatory Chronic Waste Disease (CWD) Sampling and Carcass Movement Restriction Zone is located in parts of Medina and Uvalde Counties. There has been some market resistance to ranches located within this defined zone. Continued market resistance could lead to softer land pricing within this zone in the future.

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 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.

Edwards water rights price levels have remained mostly level, around the \$4,500 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 in this sub region. The area has an excellent reputation for good trophy deer and upland bird hunting. Land stewardship practices are more focused on the balance of livestock, wildlife and oil and gas production. However, 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; however, with the discovery of chronic wasting disease deer breeders are more cautious. Many ranches have an M.L.D.P (Managed Lands Deer Permit) through Texas Parks and Wildlife which allow for extended hunting seasons and gives 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 lower oil prices, the oil and gas industry in South Texas notably slowed circa 2015-2017. With higher oil prices in 2017 and 2018, there has been some modest increase in oil and gas related activity in proven Eagle Ford Shale locations.

This location of South Texas has “pockets” of strong demand and subsequent strong pricing mostly within an hour to one and one-half hours of San Antonio in Frio County and northeastern Zavala County. There is ongoing wind energy expansion mostly in Webb County. Farmland pricing is generally stable in Upper South Texas.

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 2018. 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 experienced adequate demand for good quality ranches.

Farmland pricing (limited sampling) 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 sale in the lower portion of this area due to large and closely held ownerships.

In 2018 the demand for farmland in the coastal bend was strong. There

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	\$150/AU	Stable/Stable
Rangeland > 2,000 Acres	\$1,200 to \$2,500	Stable/Stable	\$150/AU	Stable/Stable
Hunting Lease (Rangeland)			\$10 to \$25	Stable/Stable

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

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



were only a small number of farmland tracts of significance which traded throughout the year but those that did confirmed strong pricing and demand for row crop farmland despite lower commodity pricing and average to below average yields in 2018. Investors typically are producers or agricultural investment groups. The best land rarely becomes available because most of the farmland ownership is by long-term tenure. As an alternative to securities, farmland is viewed as a long-term investment that has a return and appreciation potential. Rental rates for Coastal Bend farmland have remained stable. Many farmers have an interest in crop share leases as opposed to cash rents due to volatile commodity prices. There has been an increase in demand for farmland in the Coastal Bend from buyers with wealth created from the Eagle Ford Shale and there has been a noted transition in farmland located near the Port of Corpus Christi for industrial uses.

Wind energy continues to expand in the Coastal Bend. Further, increased installations of pipelines in this location of South Texas, and the associated payments from the easements, has further supported the strong demand for Coastal Bend land. Essentially, farmers impacted by the pipeline easements that want to purchase more land with their proceeds.

Coastal Bend

Land Use or Class	Value Ranges	Activity/Trend	Rental Range	Activity/Trend
Class I Dry Crop	\$2,000 to \$4,000	Stable/Stable	\$65 to \$90	Stable/Stable
Class II Dry Crop	\$1,500 to \$2,500	Stable/Stable	\$40 to \$60	Stable/Stable
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/Stable
Class II Irrigated Crop	\$2,500 to \$3,200	Stable/Stable	\$40 to \$100	Stable/Stable
Class I Dry Crop	\$2,000 to \$2,500	Stable/Stable	\$50 to \$80	Stable/Stable
Class II Dry Crop	\$1,500 to \$2,000	Stable/Stable	\$30 to \$50	Stable/Stable
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.

Rio Grande Valley Cameron, Hidalgo and Willacy Counties

The rural portion of this tri-county area is largely production agriculture driven. Irrigated and dry farmland pricing appears to have been stable in 2018; however, limited sales volume may not have accurately portrayed pricing for the Rio Grande Valley. The farmland is generally purchased by producers or large institutional investors; demand for the best irrigated land is typically equal to demand for the best dry cropland.

The volume of sales activity, in the irrigated and dryland property classes has remained low and the higher quality row crop farms continue to be very closely held. Sale activity in the larger farms in 2018 was very limited. 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 farmland, but most observe that there was little inventory of quality larger irrigated or dryland properties.

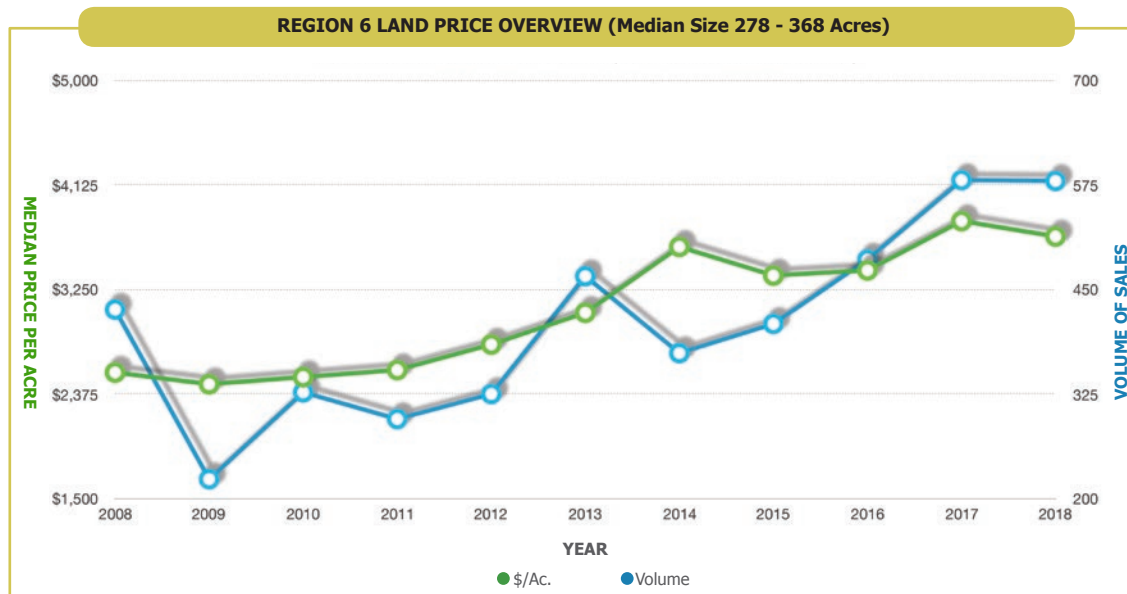
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The market for Rio Grande water rights is active; however, the pace of activity has slowed. Municipalities are a major purchaser of water rights in the area. In some cases, a municipality will buy farmland to gain water rights, only to sell the land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

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

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



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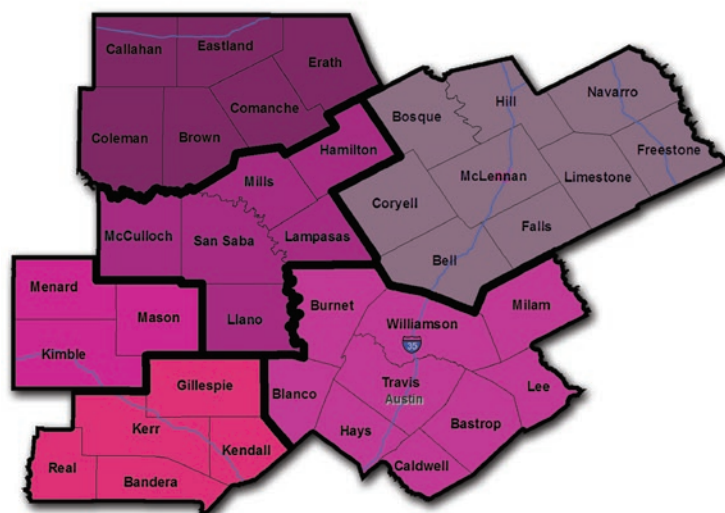
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Region 7 is a diverse area in terms of land types and land market drivers. The region extends from the Austin MSA in the southeast part of the region through the Blackland Prairie along and east of IH 35 to the hill country of Kerr and Real Counties through Kimble and McCulloch Counties. While land type is one notable factor influencing the region, population density is another major factor influencing land values within the region. Travis County, the most populace county in the region with over one million residents has a population density of more than 1,000 per square mile. In contrast, Menard County on the western edge of the region has a population of less than 3,000 and only about 2.5 residents per square mile.

The wide diversity of land types and varied population density has a direct influence on land prices within the region. Travis County has limited remaining rural land due to strong urban growth over the past forty years. Most vacant land in the county can generally be described as transitional urban fringe land. The ability to obtain utility services is a primary factor determining urban development potential in the more densely populated areas of the region. The areas east of IH 35 tend to have greater production appeal while the areas to the west have greater recreational market appeal. Those areas near are impacted by strong urban demand given their location with respect to the growth of the Austin-Round Rock MSA, the Killeen-Temple MSA and the Waco MSA.

Urban growth along the IH 35 corridor has resulted in increasing demand for acreage homesites. The availability of rural water systems, historically funded through the USDA, has encourage homesite development and uses throughout much of the region. The availability of water line capacity is of noted concern in those areas which have experienced the most population growth an especially within the areas closer to Austin.

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



The highlights for the overall market in Region Seven include:

- The level of sales activity in the region diminished during 2018 compared to 2017.
- Sales prices were stable to moderately higher with greater strength noted along the IH 35 corridor.
- Employment growth in the core cities was positive in 2018 with the Austin-Round Rock MSA adding more than 40,000 new jobs while both the Killeen-Temple and Waco MSA employment trends were stable.
- The demand for urban fringe properties remained strong during 2018, especially within the Austin area, as development activity in the region's largest cities remained active.
- The aesthetic qualities of land continue to dominate buyer demand.
- Subdivision of properties into ranchette homesites remains strong and is generally supported by the positive price trends on small acreage home sites within commuting distance of employment centers.

Southern Grand Prairie

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

The Southern Grand Prairie experienced an active market during 2018 with sale volume increasing over the past two years. The sub-region spans the northwest corner of Region 7 and represents a mix of rolling terrain with a mix of open pastures and wooded areas dominated by a mix of oak trees and cedar transitioning to mesquite pastures in the western areas. Proximity to Fort Worth is important to demand within the market with the eastern counties benefiting from this location through higher land values. Tract sizes are typically smaller in the eastern part of the sub-region while larger rangeland properties dominate in the west. The survey participants indicated positive overall price trends with activity remaining above historic levels. The demand for acreage home sites is notable in the eastern portion of the region where the urban influence is the greatest. Recreational demand continues to be active with those properties having live water and strong recreational attributes being in the greatest demand. Production agriculture in the area is dominated by cattle production with dairy production remaining active in Erath and Comanche Counties. While some agricultural producer activity is noted, the greatest demand in the area is from recreational and home site motivated buyers.

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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. 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. These properties also tend to be held by long-term producers and do not trade often.

Land sales volumes for 2018 were lower for the region as a whole with upticks reported in some areas during the last quarter of the year. Lampasas and Hamilton Counties led in total sales volume, representing the eastern-most counties with closer proximity to the DFW and Austin metro buyers than other counties in this sub-region. Average price levels have shown slight upward trends over 2017 prices with smaller average property sizes reported. While not a strong region-wide buyer motivation, acreage home site subdivision activity continues to be a prominent incentive for land market participants in Lampasas County. It is still uncertain what impact the recent sand plant closings in southeastern McCulloch County will have on the region's economy. Recreational motivations continue to dominate buyer profiles throughout the sub-region with stable to increasing price trends for properties possessing good wildlife habitat and aesthetic qualities. Production-oriented property types indicate steady to moderate activity with stable prices fueled by area producers looking to expand agricultural operations.



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 Interstate 35 corridor is an important feature of Region 7 and bisects this sub-region, linking the Dallas-Fort Worth metroplex to the north with San Antonio to the south. About 87% of the entire state population lies within the Dallas-Fort Worth, San Antonio and Houston triangle, and includes the Region 7 MSAs. Not surprisingly, counties surrounding the Interstate 35 corridor

CONTINUED ON PAGE 50

Southern Grand Prairie

Land Use or Class	Value Ranges	Activity/Trend	Rental Range	Activity/Trend
Dry Cropland	\$1,300 to \$2,500	Steady/Stable	\$15 to \$40	Moderate/Stable
Improved Pasture	\$1,600 to \$3,500	Steady/Stable	\$10 to \$35	Active/Higher
Native Pasture - Open	\$1,600 to \$3,500	Active/Stable	\$4 to \$10	Moderate/Stable
Native Pasture - Wooded	\$1,600 to \$4,000	Active/Stable	\$4 to \$12	Moderate/Stable
Live Water - Recreational	\$2,800 to \$6,000	Active/Stable	\$5 to \$15	Moderate/Stable
Pecan Groves - Improved	\$2,500 to \$6,500	Slow/Stable		
Hunting Leases			\$10 to \$25	Moderate/Stable

Central Basin

Land Use or Class	Value Ranges	Activity/Trend	Rental Range	Activity/Trend
Dry Cropland	\$1,300 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	\$1,800 to \$3,000	Moderate/Stable	\$8 to \$10	Active/Stable
Native Pasture - Wooded	\$1,500 to \$4,500	Moderate/Stable	\$8 to \$15	Moderate/Stable
Pecan Groves - Improved	\$4,000 to \$10,000	Slow/Stable		Owner or Shares
Live Water - Recreational	\$5,000 to \$12,000	Active/Higher	\$10 to \$25	Owner Dominated
Transitional < 50 Acres	\$3,500 to \$10,000	Active/Stable		
Hunting Leases - Rangeland			\$7 to \$25	Moderate/Stable

have seen significant population growth in recent years. Buyers from the Dallas-Fort Worth Metroplex to the north, as well as the Austin MSA to the south, are significant drivers of the real estate scene in this sub-region. Properties on the north portion of this area are experiencing strong demand due to their proximity to the Dallas-Fort Worth Metroplex. These buyers prefer attractive wooded recreational tracts, preferably with live water or good surface water. There has also been an increase in demand for smaller ranchette-type tracts, particularly in Hill County. Large open tracts are subdivided for sale, with the smaller tracts then commanding a higher price due to size. As prices increase in the high-demand areas closer to the metropolitan areas, buyers are expanding their search area for available wooded properties to the more rural areas to the east. Traditionally, properties on the east side of the sub-region offer a lower range of values due to their greater distance from the metropolitan areas.

In general, properties on the west side of Interstate 35 in Bosque, Coryell, McLennan and Bell Counties tend to sell for higher prices than those to the east. Within those counties, the strongest demand and prices are typically seen in the north part of Bosque County, which has historically been viewed as a desirable location for Metroplex buyers. In addition to the significant number of absentee land owners in Bosque County, an increasing number of landowners in the northern portion of the sub-region commute to employment in the Dallas-Fort Worth area. The relatively higher prices in Bosque County have spurred increased development of smaller ranchette-type tracts, both there and in adjoining Hill County, which also enjoys good proximity to the metroplex. Overall, prices have increased in the north and western parts of the region for smaller acreage tracts. Market activity for these properties was also strong through 2018, with an increase in the number of closed transactions. Larger properties with recreational appeal, especially those enjoying aesthetic appeal due to tree cover, elevation changes, views and live water, continue to experience strong demand. Prices remain stable to increasing for these tracts. The more open pasture tracts experience lower price points, but are also in demand with prices stable to increasing.

The Central Blacklands and Grand Prairie areas east of Interstate 35 feature different land types, being more open pasture and cultivated land, and as such attract a different buyer group dominated by agricultural

producers. Although there are a limited number of cropland tracts offered in the market, demand for such, particularly from local buyers, remains strong. Strong demand is noted in spite of an overall weakness in commodity prices and the overall farm economy. This observation is most likely attributable to the limited number of desirable production tracts available in the market.

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

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

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

This sub-region is the home to the Austin-Round Rock MSA which is the 4th largest metro area in the state. The population in the metro area has increased to near 2.12 million with growth rates consistently between 2% and 3%/year. Income generated in Travis, Williamson and Hays Counties permeates throughout the region as urban based buyers seek acreage home sites, recreational and investment properties. Location is a primary factor influencing regional land values with the highest values within the region noted in proximity to the urban centers. Outside of urban influence, aesthetic characteristics of the properties is a key factor influencing the formation of land values in the region. Land values along the IH 35 corridor counties of Travis, Hays and Williamson receive the greatest urban influence while the adjacent counties have experienced the impact of growth in Austin.

The area continued to experience strong economic growth during 2018 with announcements by several high-tech firms planning to expand their Austin workforce suggesting continued economic growth for 2019. The increasing workforce has resulted in escalating housing prices in Travis, southern Williamson and northern Hays Counties. The lack of affordable housing in the core urban areas has encouraged suburban development outside the core cities along with acreage tract development in the rural areas. Asking prices continued to escalate during the past year while the inventory of competitively priced land offered for sale remains limited.

Consumer demand for recreational home sites has remained strong with buyers willing to travel further to access lower cost land. Land price levels in the western portions of the region have typically resulted in livestock production ranking low in buyer motivation behind recreational, possible home site and investment. The opportunity to maintain reduced ad valorem taxes through wildlife open space valuation has further reduced

Central Blacklands, Grand Prairie and North Central Post Oaks

Land Use or Class	Value Ranges	Activity/Trend	Rental Range	Activity/Trend
Dry Cropland - Good	\$2,600 to \$5,200	Moderate/Stable	\$40 to \$70	Moderate/Stable
Dry Cropland - Marginal	\$1,750 to \$3,500	Moderate/Stable	\$30 to \$50	Moderate/Stable
Improved Pasture	\$1,500 to \$3,500	Moderate/Stable	\$15 to \$30	Moderate/Stable
Native Pasture - Open	\$1,500 to \$4,000	Moderate/Stable	\$7 to \$15	Moderate/Stable
Native Pasture - Wooded	\$3,000 to \$6,500	Active/Higher	\$7 to \$15	Moderate/Stable
River Properties	\$3,200 to \$7,500	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	\$3,500 to \$4,500	Moderate/Higher	\$50 to \$80	Active/Stable
Dry Cropland - Marginal	\$2,800 to \$4,000	Moderate/Stable	\$30 to \$60	Active/Stable
Improved Pasture	\$3,000 to \$5,000	Slow/Stable	\$20 to \$40	Active/Stable
Native Pasture - Wooded	\$2,600 to \$10,000	Moderate/Higher	\$8 to \$20	Moderate/Stable
Single Family - Utilities	\$40,000 to \$60,000	Moderate/Higher		
Urban Fringe - No Utilities	\$7,500 to \$30,000	Moderate/Higher		
Ranchette < 50 Acres	\$5,000 to \$36,000	Active/Higher		



Eastern Hill Country

Land Use or Class	Value Ranges	Activity/Trend	Rental Range	Activity/Trend
Recreational with Live Water	\$7,500 to \$35,000	Active/Higher		
Recreational without Live Water	\$2,800 to \$10,000	Stable/Weaker		
Rangeland	\$2,500 to \$6,000	Stable/Weaker	\$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	\$1,650 to \$4,000	Moderate/Stable	\$3 to \$7	Moderate/Stable
Native Rangeland > 1,500 Acres	\$1,500 to \$2,750	Moderate/Stable	\$3 to \$7	Moderate/Stable
Native Rangeland-Live Water > 1,000 Acres	\$3,000 to \$6,000	Moderate/Stable	\$5 to \$10	Moderate/Stable
Native Rangeland-Live Water < 1,000 Acres	\$5,000 to \$10,000	Moderate/Stable	\$5 to \$10	Moderate/Stable
Hunting Leases			\$15 to \$25	Moderate/Stable

the production motivation for land purchases outside of cropland. The demand for ranchette home site properties remained strong during 2018 with prices increasing in the small acreage tract market. In response, the demand for larger properties suitable for division and resale as small acreage tracts has continued to be strong. The properties in demand for subdivision tend to have ample road frontage as small acreage tract developers seek to minimize development costs. Small acreage tract subdivision activity appears to be most common on marginal cropland which has lower prices that allow for affordable ranchette pricing. The availability of public water supply capacity has also tended to influence subdivision motivated buyers.

The demand for cultivated acreage in the eastern portions of the area, namely eastern Williamson County and Milam County was stable with a limited inventory of properties being offered for sale. Despite continued weakness in commodity prices, especially grains, producers were active buyers of cropland tracts offered for sale this past year. Population expansion within the area continues to push the prices for cropland near urban development to higher levels. As farmer owned land is sold to urban uses, the funds generated are commonly used fund the acquisition of additional acreage through 1031 exchanges in an effort to maintain or expand existing farming operations. Cropland prices were stable to slightly higher outside the urban fringe during 2018 as compared to 2017.

Eastern Hill Country

Gillespie, Kerr, Kendall, Real and Bandera Counties

Home to some of the most scenic areas of the state, the Eastern Hill Country remains a prized destination for land buyers who seek the convenience associated with proximity to urban 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 wine industry and the region's long-time position as a tourist destination have combined to lure potential rural land buyers. 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



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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 2018 remained active with survey participants indicating stable price trends in 2018 as compared to 2017 with the exception of those properties with live water features. Recreational and home site properties with live water features continued to be in demand even as prices for these highly sought properties continued to push higher. Recreational tracts without live water features encountered moderate activity throughout the year with stable prices. Native rangeland properties indicated moderate to weaker activity for 2018. Overall, sales volumes in 2018 were similar to 2017 with median sale prices being relatively unchanged.

West Hill Country Menard, Mason and Kimble Counties

Sales activity was steady for the year. The total number of sales was similar to the amount seen during the previous year, with less than 10% of the sales

being over 500 acres in Kimble County. This trend holds true in Mason and Menard Counties, as well. As prices continue to rise, the average buyer's budget continues to push the size of the average sale down.

Properties with live water continue to top the market and sales prices were generally higher during 2018. Native rangeland demand was similar to 2017 with prices remaining stable through the year. The per acre price spread between properties in the eastern portion of the region and the western portion of the region is beginning to grow slimmer, as influence from the desirable Gillespie and Kerr County markets with their higher prices pushes 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.



Macro vs Micro Data and its use in Appraisals

Justin Bierschwale, ARA, MAI and co-author Charles Gilliland, Ph.D.

The Texas Rural Land Value Trends publication produced by the Texas Chapter of ASFMRA strives to provide the best snapshot of any data source available to the public. Given the sheer size of our state, finding the most efficient manner in which to disseminate information is a challenging task. Since its collaborative efforts began with the Texas Real Estate Research Center at Texas A&M University in 1998, both the Real Estate Center analyses and the Chapter publication have gravitated towards a common regional descriptive system that divides the State into seven regions. Data for each

region is then available through the Real Estate Center's online portal and includes statistical analysis done on a large dataset containing actual sales provided to the Center for research purposes. Data is also available in this Texas Chapter publication which dives a little deeper to provide a range of values found for multiple property types within sub-regions of those seven large regions.

Both datasets can be helpful in understanding the overall state of the rural land markets in the State of Texas, but there are several key points that all readers and users of such data should understand.

First, this publication includes the following phrase under the table of contents:

"Moreover, the data contained herein is intended to be used for informational purposes only. The information contained herein does not constitute valuation analysis, and data regarding changes in land values shall not be used or applied to any specific property without support from subject property specific market data or paired sales analysis. Solely relying on this data for valuation purposes could generate flawed results."

Second, the Real Estate Center's main site for rural land data contains the following phrases:

"The reported data do not represent prices or values of any particular farm or ranch. However, the statistics do provide a general guide to land market price levels and size trends. Users should not regard the reported statistics as a substitute for an appraisal or market study of current local sales regarding the value of any particular farm or ranch."



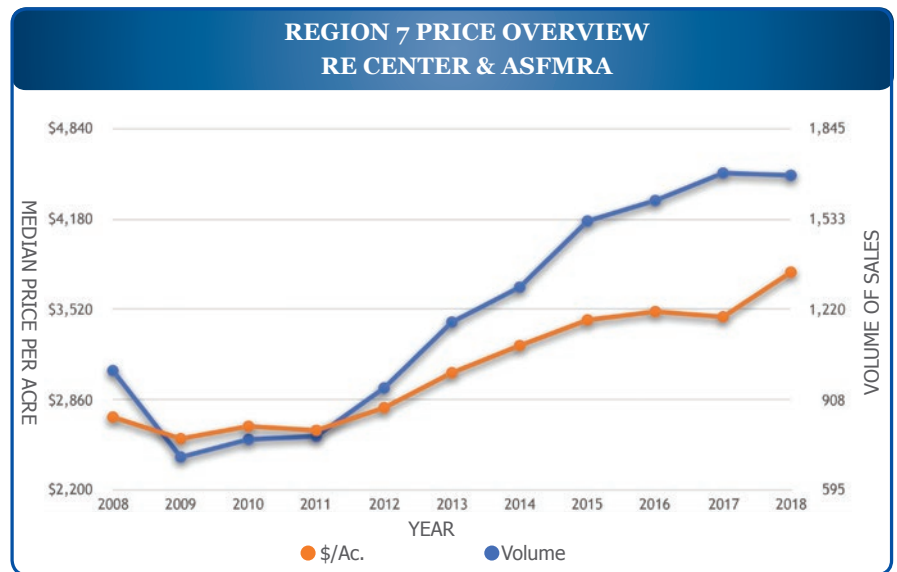
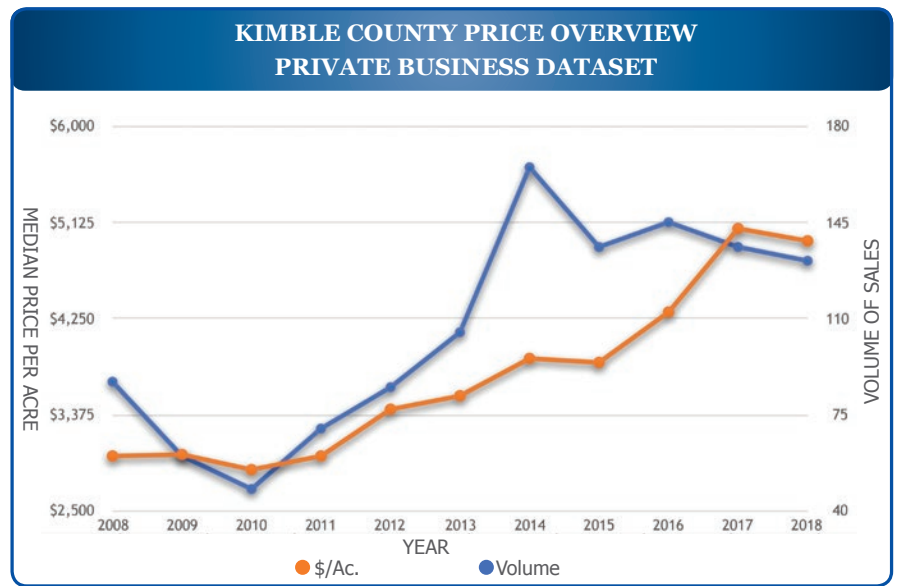
Both the Texas Chapter and the Real Estate Center warn that utilizing the macro-level data to produce both publications in a micro-level appraisal assignment is not appropriate without local level data analysis. Some practitioners (and attorneys and others wishing to misinterpret the data) have violated these warnings in the past, and this article is intended to demonstrate the difference between the macro-level data and the micro-level data. For this article, Region 7 is utilized to compare sale activity in a particular county with that of the larger region. Region 7 is described as the Austin-Waco-Hill Country Region and includes 38 counties in Central Texas. The county utilized to compare with the regional data is Kimble County where a private business has allowed the use of an extensive internal database to be used for this article.

PRIMARY DATASETS

The following graphs depict the data provided by the private business for the Kimble County land market and the Region 7 data compiled by the Real Estate Center through joint efforts with ASFMRA.

As the graphs demonstrate, the general trends of the specific Kimble County dataset follow the overall trends of the larger Region 7 dataset. Both the specific county and the Region experienced declines in price per acre and volume from 2008 to 2009 followed by a stagnant period through 2011 before demonstrating expansion from 2012 onward. The datasets differ somewhat in volume trend lines from 2014 through 2018 and the Kimble County market demonstrates a level to slight decline from 2017 to 2018 while the region as a whole demonstrates

a slight increase in the same time period. These small, but meaningful differences in prices between the broad macro data and the specific micro data create the reasoning behind warnings published by both the Real Estate Center and ASFMRA noted at the beginning of the article. To further recognize the slight differences, the following tables outline the complete data including indicated changes from year to year as well as a rolling 5 year change from 2012 forward.



RE CENTER COLLECTED NOMINAL DATA REGION 7 (38 COUNTIES IN CENTRAL TEXAS)				
YEAR	MEDIAN \$/ ACRE	% CHANGE	ANNUAL COMPOUND 5 YEAR GROWTH RATE	VOLUME
2008	\$2,733			1,008
2009	\$2,575	-5.78%		709
2010	\$2,666	3.53%		770
2011	\$2,636	-1.13%		781
2012	\$2,801	6.26%		948
2013	\$3,057	9.14%	2.27%	1,176
2014	\$3,256	6.51%	4.80%	1,297
2015	\$3,443	5.74%	5.25%	1,526
2016	\$3,504	1.77%	5.86%	1,597
2017	\$3,466	-1.08%	4.35%	1,692
2018	\$3,792	9.41%	4.40%	1,684

PRIVE BUSINESS COLLECTED NOMINAL DATA KIMBLE COUNTY (PART OF REGION 7)				
YEAR	MEDIAN \$/ ACRE	% CHANGE	ANNUAL COMPOUND 5 YEAR GROWTH RATE	VOLUME
2008	\$3,000			87
2009	\$3,014	0.45%		60
2010	\$2,876	-4.56%		48
2011	\$3,000	4.31%		70
2012	\$3,425	14.17%		85
2013	\$3,547	3.58%	3.41%	105
2014	\$3,886	9.55%	5.22%	165
2015	\$3,850	-0.93%	6.01%	136
2016	\$4,308	11.90%	7.51%	145
2017	\$5,067	17.62%	8.15%	136
2018	\$4,955	-2.22%	6.91%	131

MACRO VS MICRO DATA AND ITS USE IN APPRAISALS

CONTINUED FROM PAGE 55

Utilizing the years 2012 to 2013 as an example, the regional data demonstrates a 9.14% increase whereas the local level data demonstrates a 3.58% increase. Why would these two datasets differ so significantly? The answer lies in understanding macro data vs micro data. The Region 7 information includes information from 38 counties throughout Central Texas including some of the highest populated areas in the State along the I-35 corridor. Due to the high level of population in areas such as Austin, the volume of sale activity in those areas has a tendency to dwarf the activity of any county when looked at individually. That is to say, the weighted impact of sale volume and price levels found in the more urban areas of the State overshadow the weighted impact of the same data in the more rural areas of the State. Looking at these two datasets, one could surmise that the areas more urban in nature experienced a price increase exceeding 9.14% from 2012 to 2013, but the overall number was held lower due to the a more modest 3%-5% growth in the more rural areas of the region. The reverse is probably an accurate conclusion when looking at years such as 2015 to 2016 where the regional data demonstrates a 1.77% change while the Kimble dataset demonstrates a healthy 11.9% change. In this instance the volume of sales in the urban area most likely experienced nominal to negative change while the rural areas experienced more rapid growth. As an example of macro level data applied to micro level appraisal assignments, the following is presented:

	Sale 1		Sale 1
Sale Date	12/31/15		12/31/15
\$/Acre	\$ 3,500		\$ 3,500
Market Conditions Adjustment	1.77%		11.90%
Adjusted Price	\$ 3,562		\$ 3,917
Date of Value	12/31/16		12/31/16

In the first column, a sale is adjusted from December 31, 2015 to December 31, 2016 by utilizing the regional indicated price change of 1.77%. The result is an indicated value of \$3,562 per acre. In the second column, the same sale is adjusted for the same time period at the micro level rate of 11.9%. The result is an indicated value of \$3,917 per acre, which is a \$355 per acre difference between the two applications. This mishap would result in a difference in overall value of approximately \$70,910 for a 200 acre property.

While the year to year data does tend to follow similar trendlines, a closer look reveals that in any given year a specific county may experience significantly different results than the region as a whole. When moving from a year to year view of price changes to a rolling five-year compound rate of change, the datasets tend to tighten and more closely align as the various valleys and mountains of the market are measured over a compounding movement through the course of several years. Both datasets closely align on the compound growth rate from 2013 through 2015. From that point forward the county specific dataset begins to outpace the larger regional trends. Assume an appraiser needs to use an older sale occurring at the end of 2013 for a valuation assignment at the end of 2018. The following demonstrates the varying results from applying the macro data to the micro appraisal problem:

Sale Date	12/31/13		12/31/18
\$/Acre	\$ 3,500		\$ 3,500
Periods	5		5
Compound Rate of Change	4.40%		6.91%
Market Conditions Adjustment	\$ 841		\$ 1,388
Adjusted Price	\$ 4,341		\$ 4,888
Date of Value	12/31/18		12/31/18

Some real estate professionals are well versed in straight-line market change movement, but are not well versed in the effects of compounding rates of change. The 2018 five-year rate of change appears to be relatively similar between the two datasets on the surface. 4.4% vs 6.9% is not a major percentage difference in the grand scheme of rural land prices. However, when utilized as a compounding rate, the slight difference creates a wide difference in value indications. Utilizing the regional indicated rate of change of 4.4% yields an adjusted price per acre of \$4,341 per acre while utilizing the micro indicated rate of change of 6.91% yields a price per acre of \$4,888. The two methods result in a difference of \$548 per acre which would impact the value of a 200-acre property by a total value of \$109,500.

To further complicate valuation issues in a macro vs micro sense, the dataset containing only sale activity within Kimble County could also be considered macro data if the entire gamut of property sizes and property types have not demonstrated the same market movement through time. For example, the results reported in the tabular grid may be impacted by a larger number of smaller sales, thus if the subject of an appraisal assignment were a large acreage property, the indicated price movements may not be appropriate in that appraisal. Thus, appraisers must always be mindful of what their assignment is, what type of property they are valuing, and what impacts have occurred to similar types of property over the course of time.

SUMMARY

Macro level data can be an extremely helpful tool for a wide variety of real estate applications. In the case of ASFMRA's datasets and the rural land datasets of the Real Estate Center, appraisers should always conduct sound market-based research in the particular areas in which they are completing valuation assignments to have a better understanding of what is occurring on a micro level. Failure to do so can lead to a significant undervaluation or overvaluation of specific properties. Macro data can always be presented in an appraisal report to give the reader an understanding of broad market trends, but such data should be utilized as support rather than as a primary basis for any adjustments that are to be made for a specific property assignment.

Justin Bierschwale, ARA, MAI

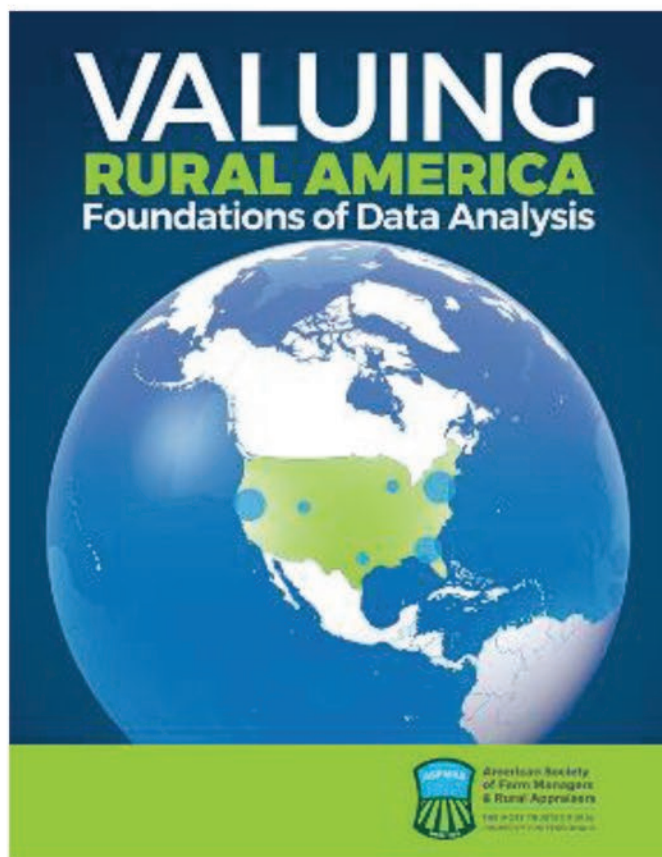
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Andrew Harris ARA, MAI is a native East Texan, raised in the rural piney woods, near the City of Palestine. He attended Texas A&M University and graduated in 2002 with a Master's Degree in Land Economics and Real Estate. He spent the first six years of his career with Phoenix Property Company in Dallas, focusing on commercial real estate development and asset management. In 2009, Andrew moved back to Palestine in order to join the family-owned and operated real estate appraisal and brokerage business his dad began 35 years ago. He has worked as an appraiser and part owner of the business for the past 10 years. Andrew is a State Certified General Real Estate Appraiser and holds the Accredited Rural Appraiser (ARA) designation from the American Society of Farm Managers and Rural Appraisers (ASFMRA) and the MAI designation from the Appraisal Institute. Harris Real Estate Company specializes in the appraisal of agricultural and recreational farms and ranches, residential and commercial property. Together with his wife, Rashel, Andrew lives on a 100-acre homestead with their two daughters, Isabella (7) and Elizabeth (4) and son, Nathan (1). They enjoy the small-town, country living at its finest, raising cattle, sheep and poultry. Andrews hobbies include agricultural pursuits, woodworking and an interest in American history.



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Nathan L. Tonne, ARA, MAI, has been employed by Bierschwale Land Company since May 2012. Nathan earned his MAI designation from the Appraisal Institute in May 2016 and his Accredited Rural Appraiser (ARA) designation from the American Society of Farm Managers and Rural Appraisers (ASFMRA) in June 2018. Nathan grew up in Breckenridge, Texas and attended Texas A&M University, earning a Bachelor's Degree in Agribusiness and a Master's Degree in Land Economics and Real Estate. Nathan has been involved in various types of valuation over his career, including farm and ranch, special use and eminent domain projects. He resides in Junction, Texas with his wife, Ashley and son, Woerner. Nathan is active in several volunteer organizations, including the Hill Country Fair Association, and is a member of the Appraisal Education and Accreditation Committee of the ASFMRA.



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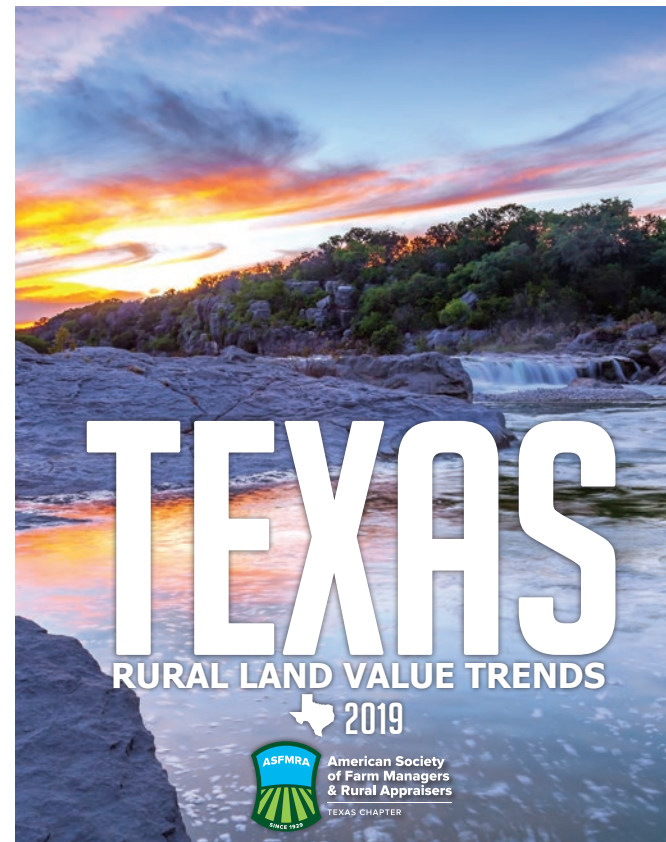
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In the Spring 1998, the Texas Chapter ASFMRA met with Dr. Gilliland at Texas A&M University to see what we could do to enhance the Annual Outlook for Texas Land Markets. The attendance had been dropping. The program had transitioned to more academics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

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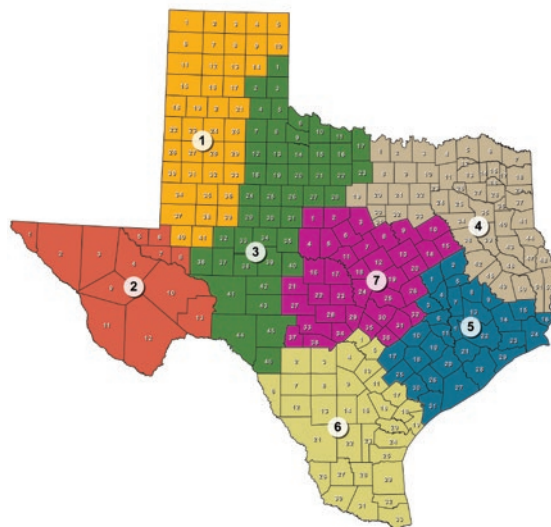
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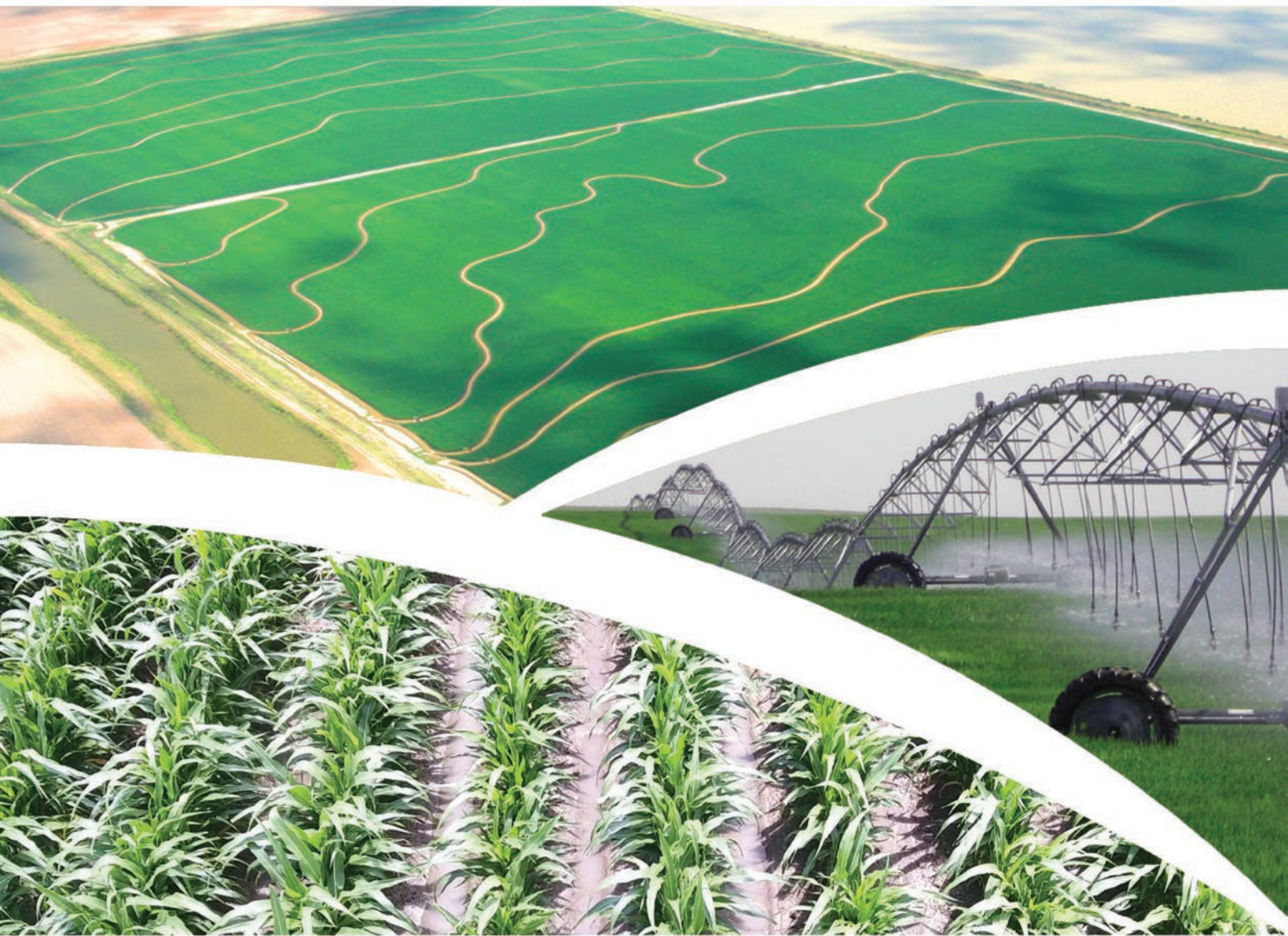


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