

# REPUBLIC RANCHES LLC

*Our Legacy is in the Land*



## TEXAS LAND MARKETS REPORT - 1ST QUARTER 2022

ELITE FARM, RANCH AND RURAL PROPERTIES BROKERAGE FIRM

TEXAS | ARKANSAS | COLORADO | LOUISIANA | NEW MEXICO | OKLAHOMA

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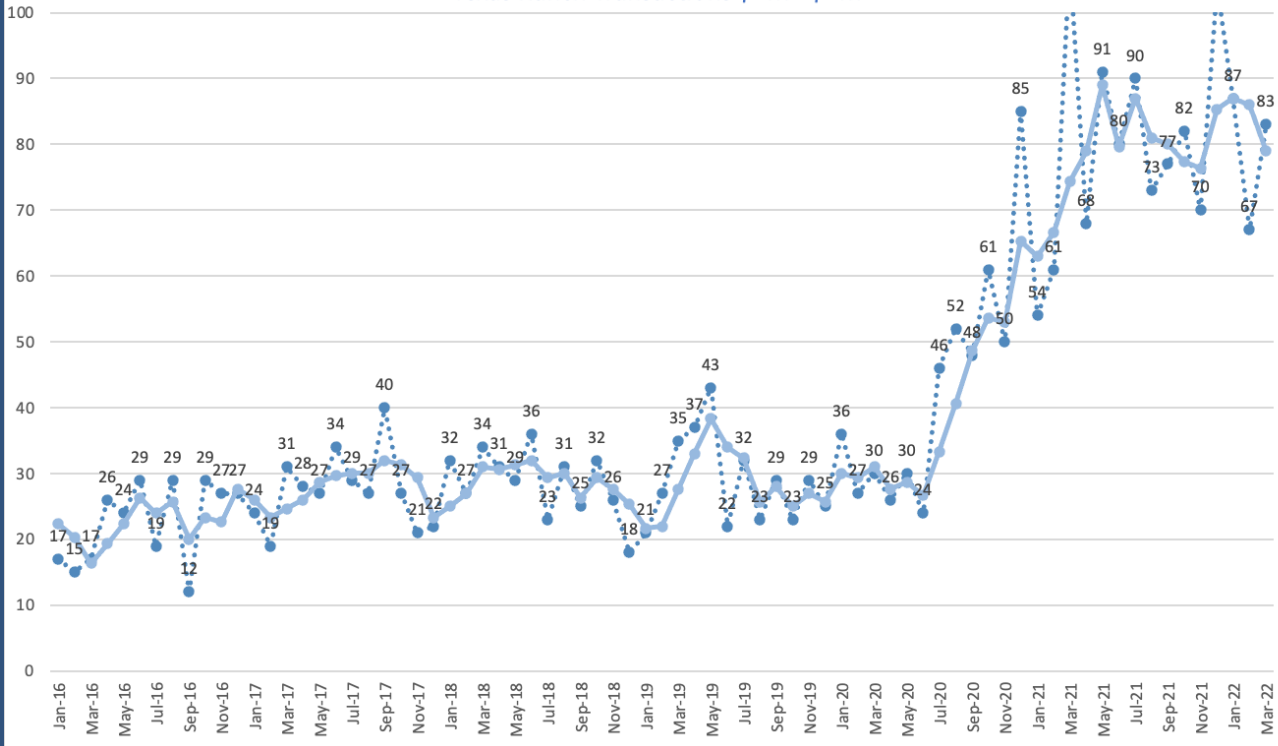
**MONARCH EAST RANCH**  
20,205 Acres | Val Verde County  
SOLD MARCH 2022

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## SUMMARY

While Texas land markets' transaction activity continued at historically high levels during Q1 2022, volume has leveled out or is showing signs of decreasing. We believe the biggest driver of this shift at present is a lack of inventory and/or quality inventory at appropriate price levels. Land is a historically quality inflation hedge impacting both buyer and seller motivations.

Texas Ranch Transactions \$1M - \$2M



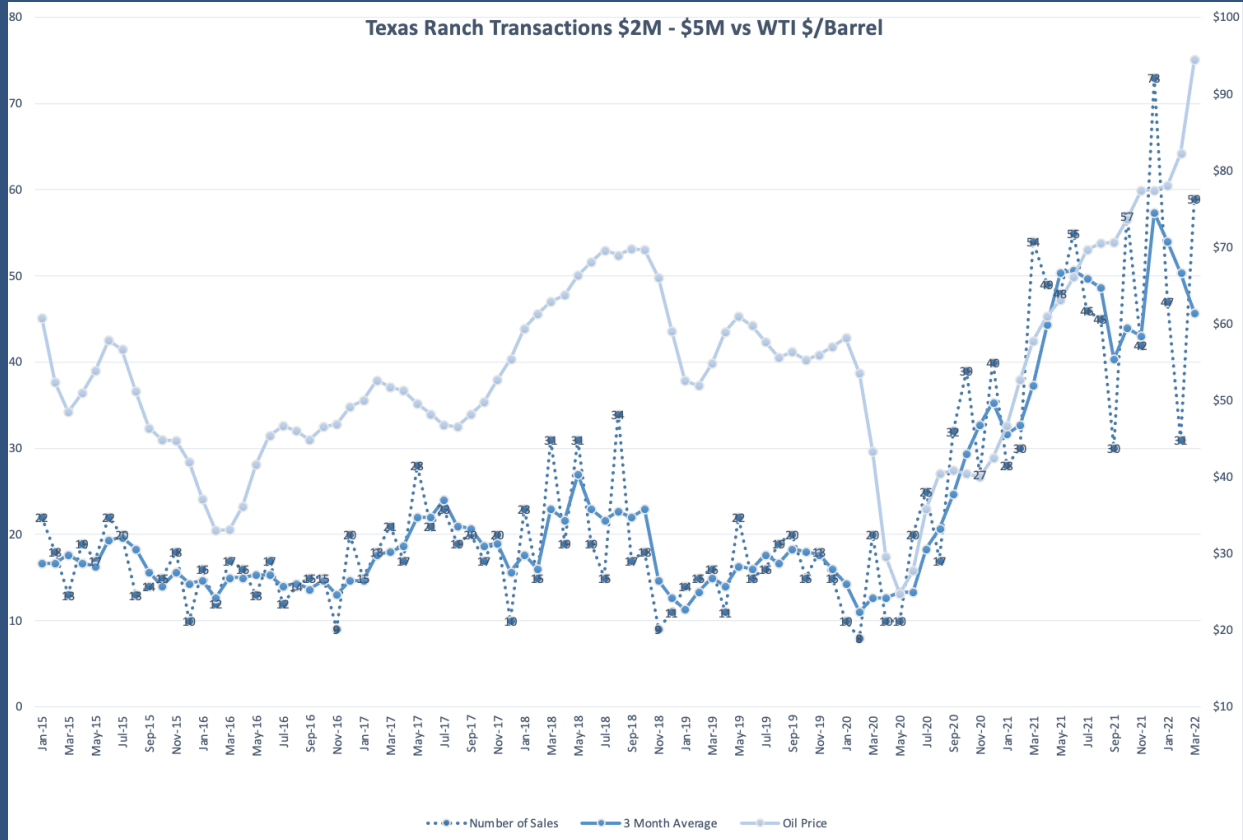
Source: LandsofTexas.com Comparable Sales Program

## LOWER TIER SALES (\$1M - \$2M)

Farm and ranch sales in the lower tier saw a modest decrease in sales during the first quarter, decreasing from an adjusted average of 85.3 per month to 79.0 per month (a 7.4% decrease for the quarter). Sales continue to follow a “new” average of between 70 and 90 sales per month.

**SALADO CREEK RANCH**  
 1,592 Acres | Jim Wells County  
 SOLD JANUARY 2022





Source: LandsofTexas.com Comparable Sales Program

## MID TIER SALES (\$2M - \$5M)

The mid tier range properties continued to jump around within a range of 30 to 60 sales per month during the first quarter. Overall we saw a drop from 57.3 sales per month to 45.7 sales per month average (a drop of 11.6%) for the quarter. Oil prices reached by far the highest they have been over the period of time we are tracking going over \$100/barrel for the month of March. Of note, the recent data is showing a potential divergence in the historical correlation between oil price levels and transaction volume; this may or may not continue and/or may simply be an inventory related phenomenon.

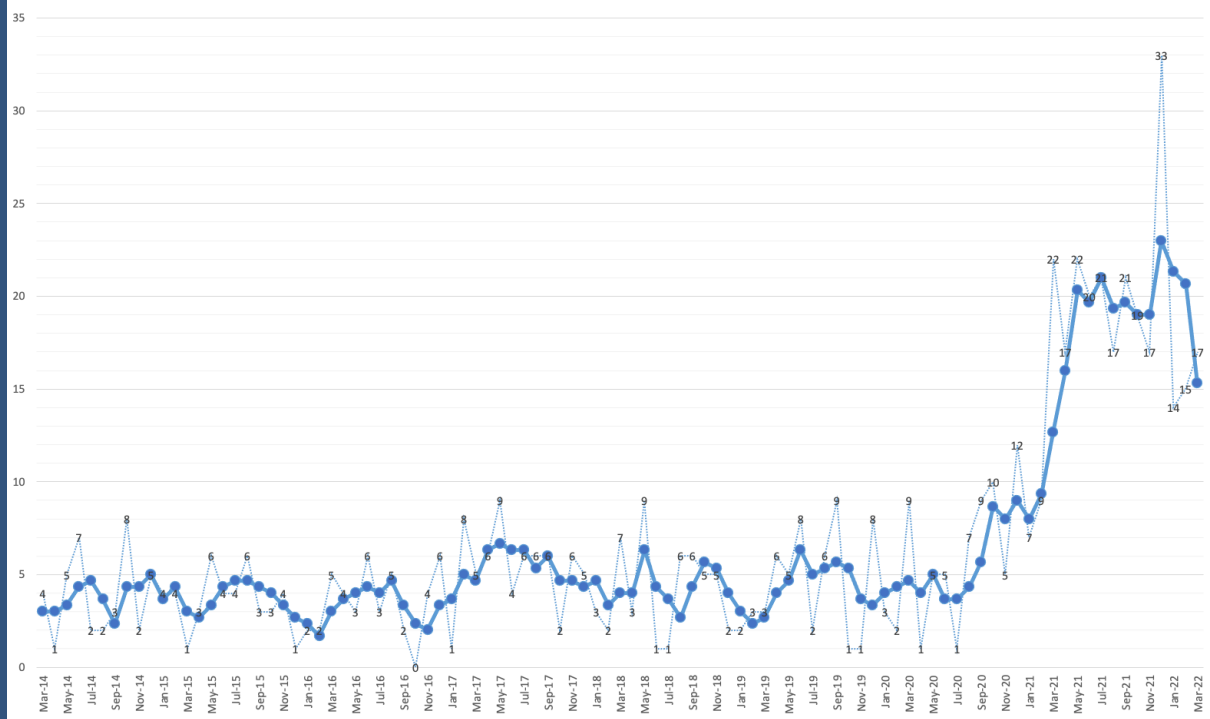
**ANGEL PINES RANCH**  
**550 Acres | Waller County**  
**SOLD FEBRUARY 2022**



**COLD SMOKE RANCH**  
 950 Acres | Medina County  
 SOLD FEBRUARY 2022



Texas Ranch Transactions Over \$5M



Source: LandsofTexas.com Comparable Sales Program

## HIGH TIER SALES (\$5M+)

The high end of the market saw a rather large drop from an average of 23 sales per month to 15.3 sales per month during the first quarter (a 33% drop). That said, sales volume still remains significantly elevated compared to the long term averages.

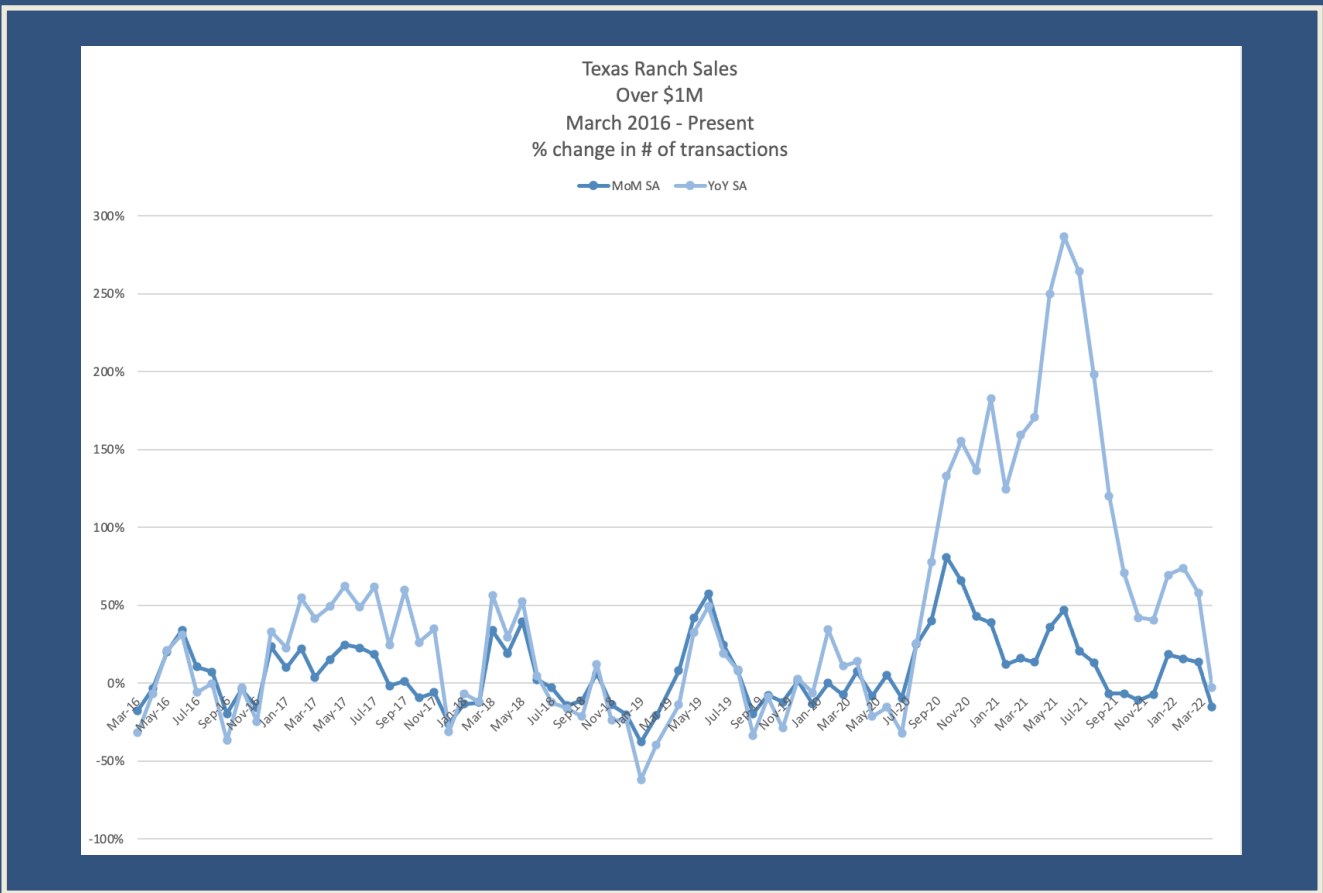
**RUNNING M RANCH**  
**550 Acres | Brazos County**  
**SOLD MARCH 2022**



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## OBSERVATIONS OF THE DATA

While we saw a slight drop overall in each category during the first quarter of 2022, all of the three categories we track remain very elevated compared to the longer term averages. Below is a graph showing the YoY SA (year over year change in % sales) and the MoM SA (month over month change in % sales).



Source: LandsofTexas.com Comparable Sales Program

This is another way to view the data over the past seven years. What this graph is showing us is that there was a “significant” event that occurred beginning in mid-summer of 2020. That of course was the beginning of Covid lockdowns and the rush to find out of town places. The rush continued since that time, although the YoY and MoM changes have stabilized, it has remained at elevated sales numbers (both lines would need to drop significantly below the 0% line to have the number of sales fall back to the old long term averages). What this graph does display is that we had a 13 month run on month on month sales going up between August of 2020 and October of 2021 and a 20 month run on year on year sales going up and only ending this March. The longest previous period showing increasing sales transactions before this event was 12 months in 2017 which we believe was a result of increases in the price of oil during that year.

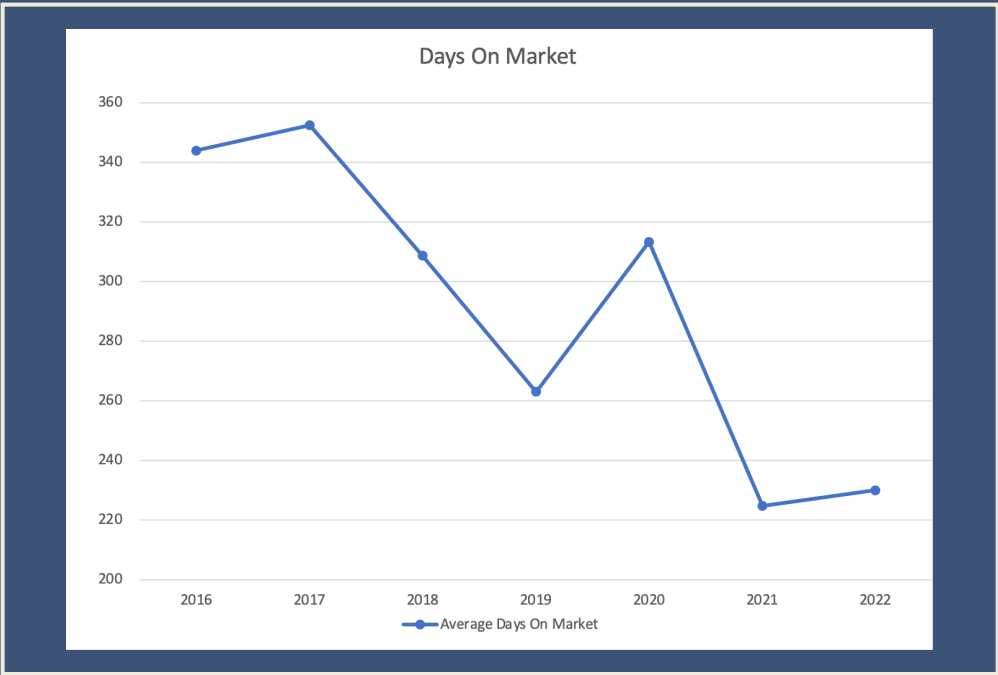
Anecdotal evidence from what Republic Ranches is seeing and discussions with other farm and ranch brokers around the state continue to show that there are still many buyers out there looking for opportunities to buy rural land. The lack of continued growth MoM or YoY is coming down to either a lack of inventory (which we have discussed and shown evidence in past reports that new listings were certainly down) or prices have risen to the point that we are starting to get push-back from buyers or of course a combination of both. With respect to inventory, another data point we have spoken to before, “1,000 plus acre ranches available for sale in Texas” is at its lowest level we have seen since we began tracking in 2016 and down 38% since this time a year ago.

On a separate note, we are asked regularly if increasing interest rates are affecting transaction volumes. Our belief is that while we may see some impact attributable to increasing interest rates in the lower tier sector (or below), we do not expect much impact at this time in the higher tier sectors. As mentioned above, land is historically a quality hedge against inflation and given the number of cash buyers actively in the mid and upper tier markets for high quality and appropriately priced properties, we do not expect much interest rate impact on those sectors.

Another data point we track is Days On The Market (DOM). We have discussed before how this data point has been generally going down for the past ten years. We have speculated that a lot of this decrease in DOM had been due to the general increased efficiency in the farm and ranch market as it has become a much more seasoned segment of the real estate industry as more professional brokers became involved in specializing in this segment and pricing became much more accurate.

**LEWCO RANCH**  
**2,467 Acres | Lavaca County**  
**SOLD MARCH 2022**

Specifically, we looked at a specific segment of the market to see what the DOM has done during the period below. We average six high volume counties across the state and restricted the data to 50 acres or more sales transaction numbers to yield the chart below (counties included were: Washington, Austin, Henderson, Anderson, Blanco & Gillespie).



Source: LandsofTexas.com Comparable Sales Program

As expected, we see that the DOM has come down considerably over the past seven years from over 340 days on market to just over 220 days on market in the past five years. The increase in 2020 was likely due to several months of near zero activity at the beginning of Covid. The data from 2022 of course is just for the past three months rather than an average of the total year, but we do note that we have seen a slight increase in this data point so far for the year.

We like to monitor this data because it should be somewhat of an indicator of market activity that is a little more independent of the inventory on the market and may give us some indication of where the market is going without as much noise from a lack of inventory. We will continue to monitor this for the next quarter to see if we continue to see a rise in DOM during 2022 and see if it may show a slowing market.

It should be noted that during this strong market in the past year, a considerable number of ranch sales are occurring that never go to the market. This could easily have an effect on the DOM by not showing the true lowering of the data points and may skew the data to some extent.

While this report is focused on land markets in Texas (where we have better datasets), we believe that most of the trends herein apply equally to other markets we serve. (In addition to Texas, we are licensed and operate in Colorado, New Mexico, Oklahoma, Arkansas and Louisiana and, through our strategic alliance with Fay Ranches, Inc., service other regions and states across the USA).