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TEXAS LAND MARKETS REPORT - 2ND QUARTER 2022

ELITE FARM, RANCH AND RURAL PROPERTIES BROKERAGE FIRM

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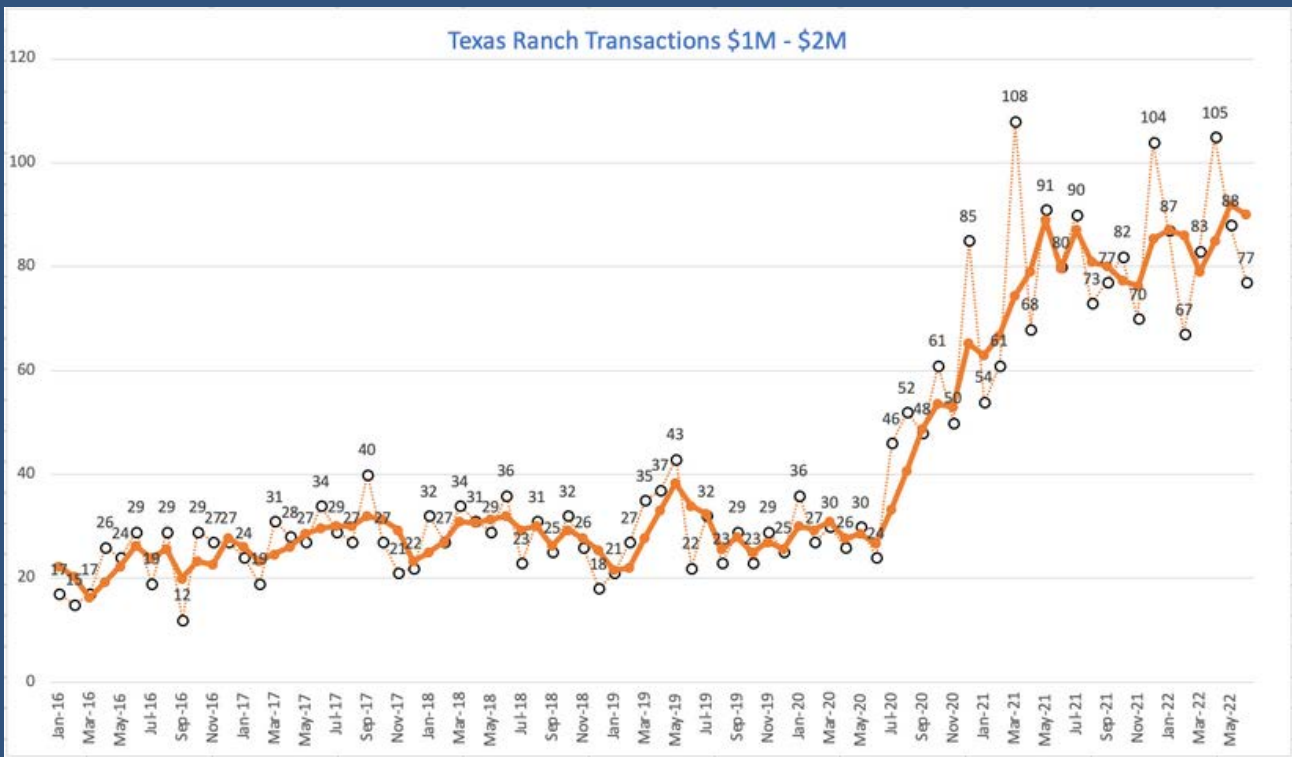




MONARCH WEST RANCH
19,981 Acres | Val Verde County
SOLD APRIL 2022

SUMMARY

Despite some headwinds related to low inventory levels, price levels, increasing interest rates, stock market turmoil and other economic factors, the Texas land markets continued to show strength during the 2nd quarter of 2022. Sales remained elevated and the overall moving averages for the three tiers of properties all actually saw some improvement in the 2nd quarter over the 1st quarter although our trend lines are notably showing some flattening of growth.

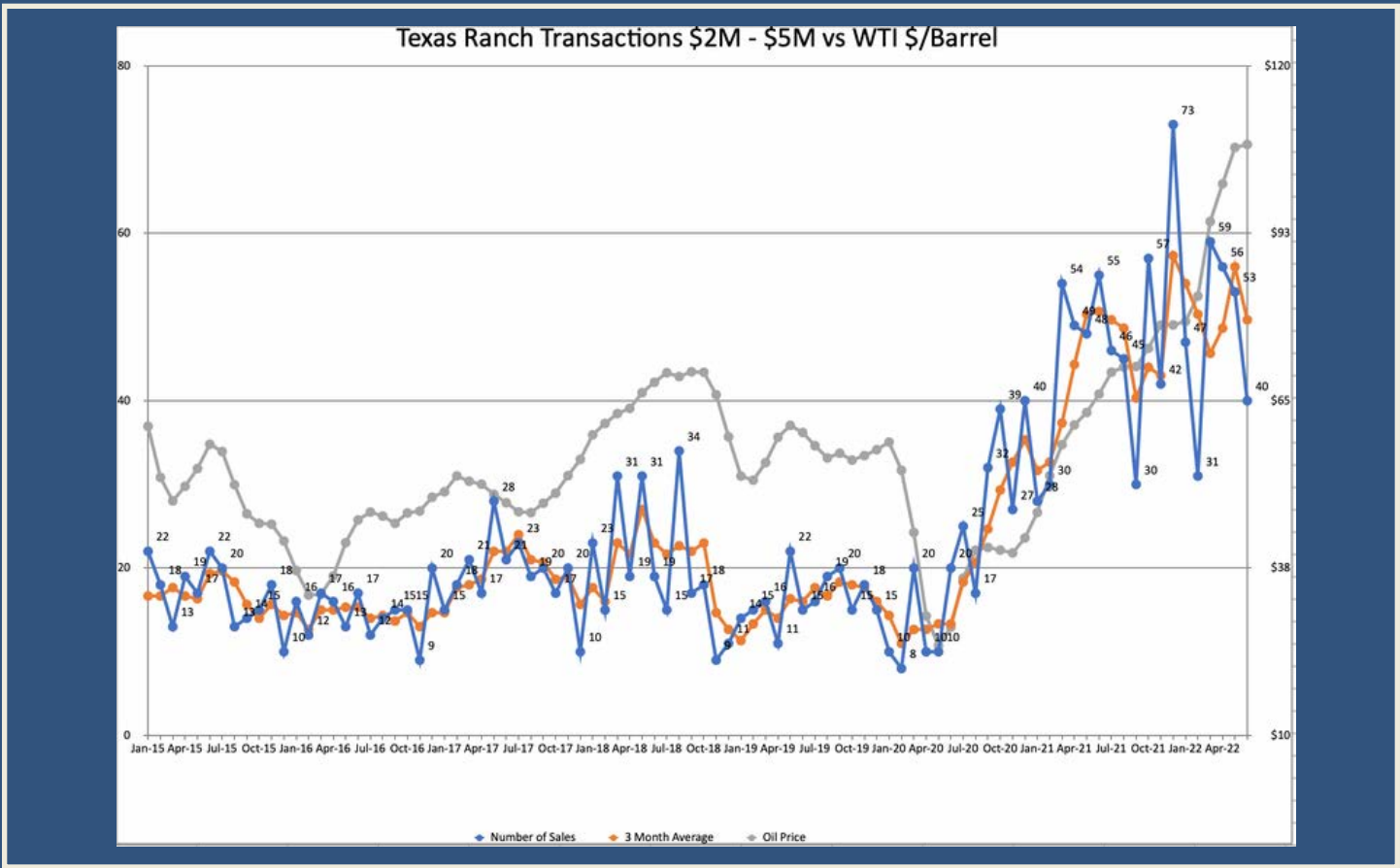


Source: LandsofTexas.com Comparable Sales Program

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

Farm and ranch sales in the lower tier saw a modest increase in sales during the second quarter, increasing from an adjusted average of 79 per month to 90.0 per month (a 13.9% increase for the quarter). Of note is that the 3-month moving average for the month of May was the highest on record at 92 sales per month, falling slightly by June to 90.

SHOUSE RIVER RANCH
 2,036 Acres | Goliad County
 SOLD APRIL 2022



Source: LandsofTexas.com Comparable Sales Program

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

The mid tier range properties also saw a modest increase in the average sales per month for the quarter, growing from 45.7 sales per month to 49.7 sales per month (an 8.7% increase). In this chart, we continue to track the price of oil (WTI) versus transaction volume which have over time been highly correlated.

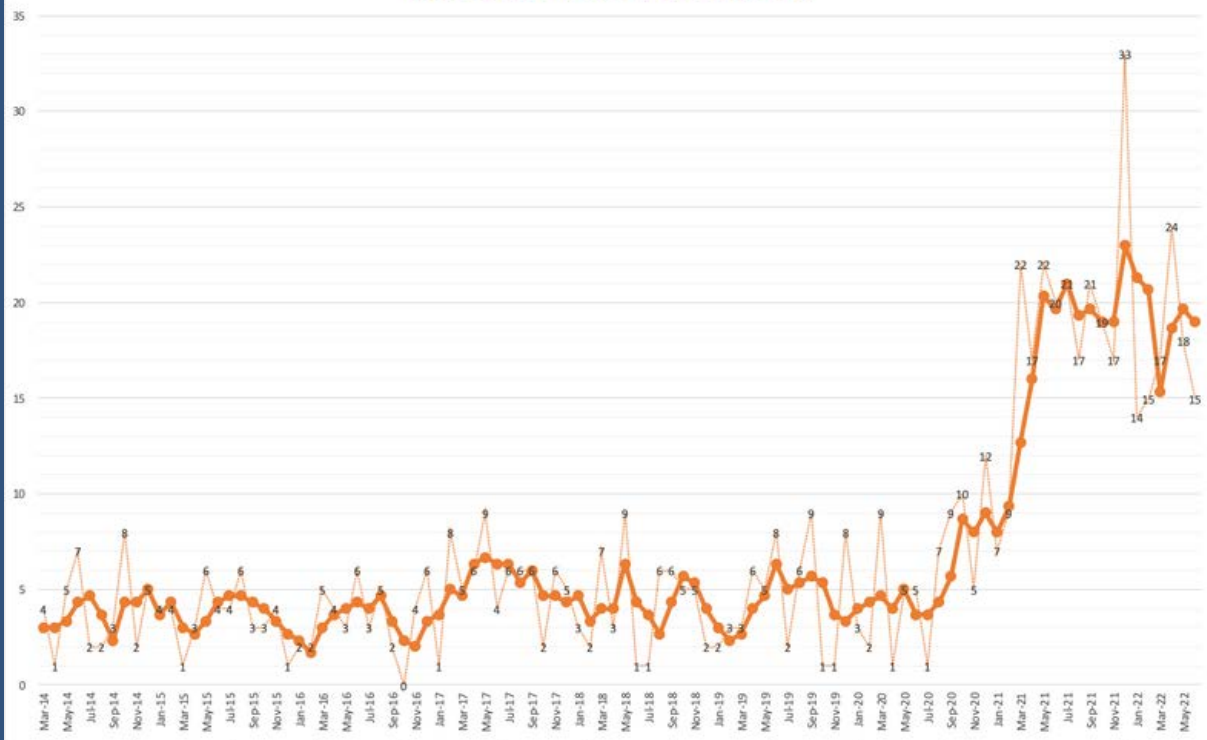


RIO RETREATO
3 Acres | Kerr County
SOLD MAY 2022

CY MUI RANCH
 935 Acres | Edwards County
 SOLD JUNE 2022



Texas Ranch Transactions Over \$5M



Source: LandsofTexas.com Comparable Sales Program

HIGH TIER SALES (\$5M+)

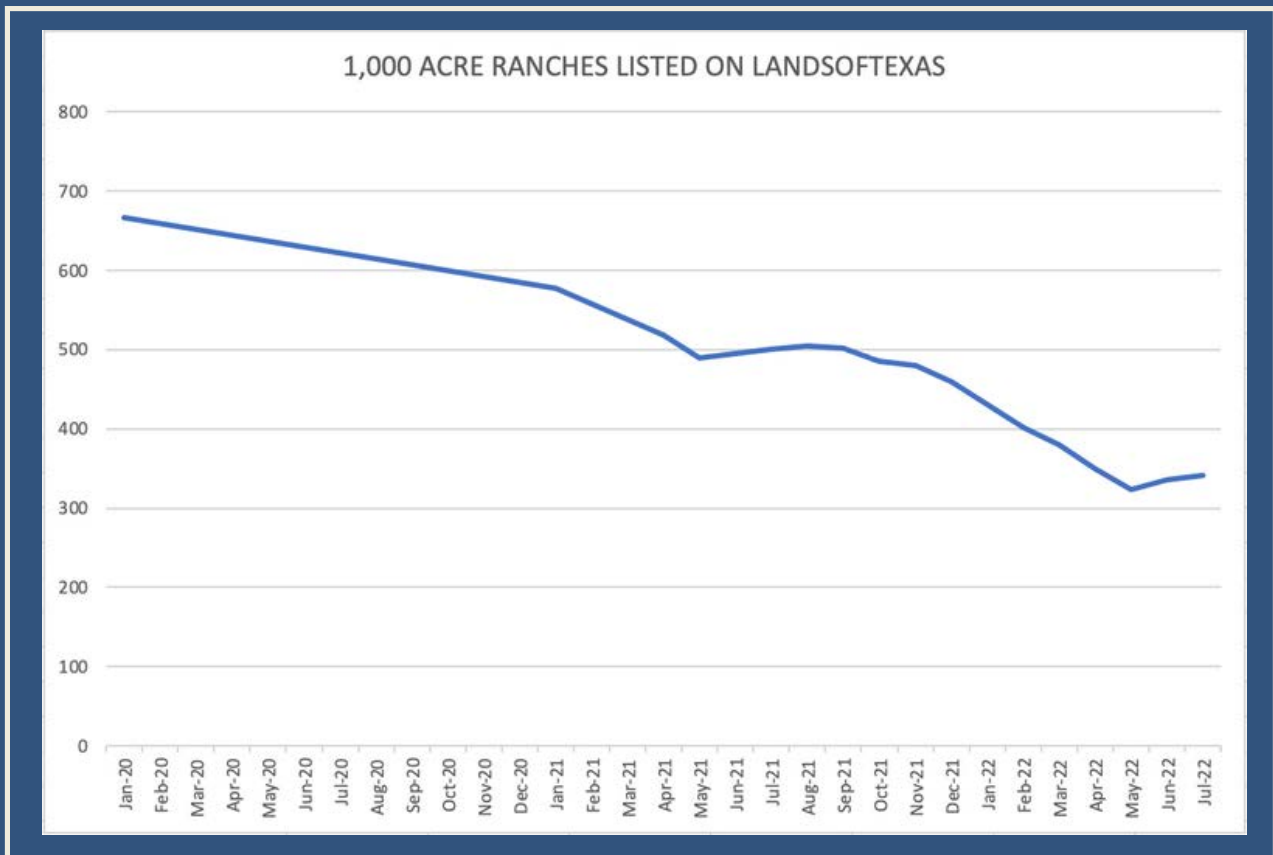
The high end of the market saw a significant rebound from the drop last quarter with the 3-month average sales rising to 19 per month from the previous quarter's 15.3 (a 24% increase).

BOYT FARM
976 Acres | Chambers County
SOLD APRIL 2022

OBSERVATIONS OF THE DATA

After a small but noticeable slow down in the 1st quarter, we saw all three categories move back up again in the second quarter much to our surprise given the many obvious negative factors potentially affecting the land markets. With multiple headwinds beginning to hit the real estate markets in general over the past few months and a continuing lack of inventory, we had expected sales volumes to drop off again for the second quarter of the year but that is not what happened. It should be noted though, that sales on a monthly basis were strongest during April and weakest during June which may indicate a slowdown as we head into summer. It's important to remember that there is typically a 60-day lag between a property going under contract and a finalized sale, so there may be a bit of a lag if the market is starting to pull back somewhat.

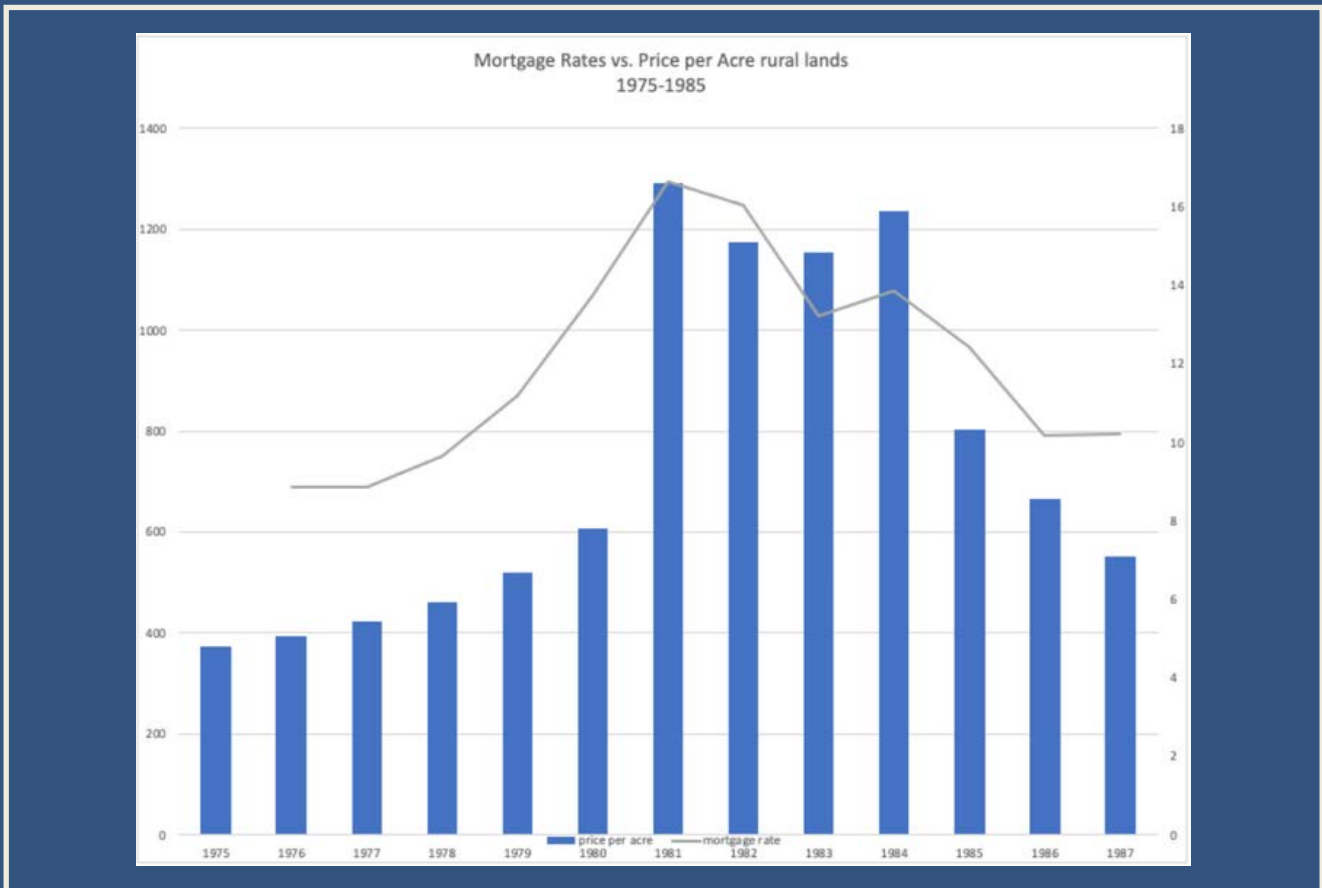
This chart shows the number of 1,000-acre ranches listed on LandsofTexas.com during the past two and a half years. Historically the numbers fluctuated between 750 and 800 ranches on the market in Texas from 2016 - 2019. Since the beginning of this market run, inventory has fallen to below 400 ranches. We did see a slight uptick in the past two months; however, this may be a seasonal adjustment as we saw a similar leveling off during the late spring and early summer last year.



SAN SABA RIVER RETREAT
61 Acres | McCulloch County
SOLD JUNE 2022



Most analysts see the rising interest rates (and accompanying rising mortgage rates) as the catalyst for a drop in real estate home sales across the country in the past several months. The question is does that relate to the farm and ranch market in Texas? The last time we saw a significant increase in mortgage rates in the US would have been the early 80s when the Fed significantly raised the interest rates to stem inflation. What data we have on rural properties from then are annual records kept by the Texas A&M Real Estate Center on average prices for rural land during that time. As can be seen below in the chart, the pricing of rural real estate was not significantly affected by rising interest rates in the early 80s. Prices did not begin to fall off until the real estate tax laws changed in 1984 and there was a precipitous drop in oil prices. We are a bit skeptical that mortgage rates will have a major impact on ranch sales. Certainly, most of the larger ranches sold are cash deals with few putting debt on the purchases. It is expected that interest rate impacts will most likely affect the lower tiers of the land markets as well as transition lands destined for commercial/residential development.



Where the land markets in Texas go from here is of course largely unknown. We have certainly noticed a slowdown as we head into the heat of the summer, but this was always the case in Texas prior to Covid. Many Texans that buy ranches are often traveling outside of the state in the summer, and this is the first summer in several years that travel has become more normalized so we are not surprised that the summer slowdown is occurring again.

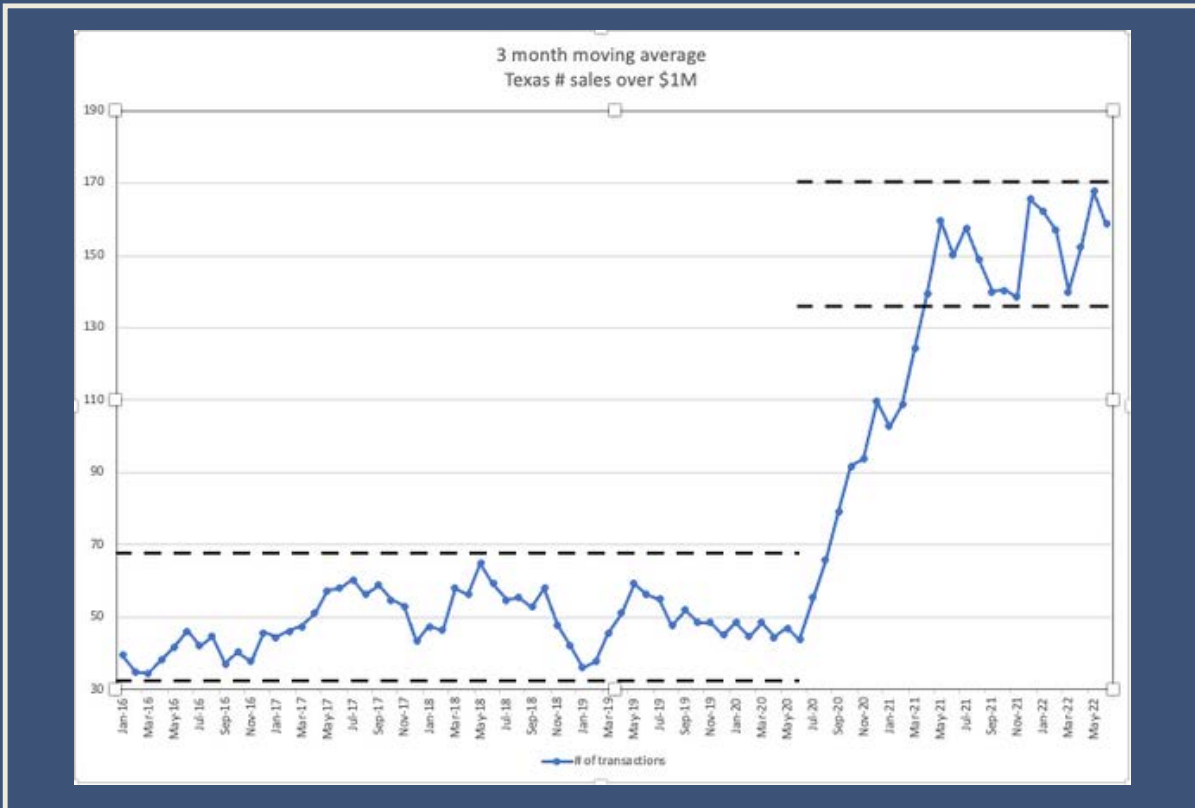
The case for land sales falling in the second half of the coming year is primarily based on low inventories, stock market woes, interest rate increases and recession concerns. Without question, these issues will have some impact on the level of sales and/or the pricing of land in the coming months.

On the other hand, there are several important factors that are likely to mitigate the negative factors in Texas; oil prices, continued national migration to our state, continuing crime issues in the major cities and a likely continuing inflationary environment. Texas ranch sales have always followed oil prices and the Texas economy is certainly stronger than the national economy. As can be seen on the chart below showing the change in rural land prices and the change in oil prices, the peak in oil prices occurred a year before the peak in rural land prices. 2022 will see an increase in the average oil price regardless of what happens in the second half of the year. There are reasons to believe that oil prices could remain elevated for longer periods than they have during large price increases in the past as investments in creating more production have been muted and energy crises in Europe continue to keep demand healthy for oil and gas even as the Fed attempts to pull back on demand here.



Source: LandsofTexas.com Comparable Sales Program

Our best crystal ball forecast for the rest of this year is that we are likely to see a slight pull back from the frenetic market that has occurred for the last two years. We have certainly seen growth in the number of sales level off from the huge rises in 2021, but not drop off from the new levels.



Source: LandsofTexas.com Comparable Sales Program

We would expect that the growth in prices is likely going to slow down considerably, but are not looking for any major drawback in pricing. The overall pricing of rural land in Texas has only had one major period of reduced pricing in the last 50 years, which was during the late 80s. While data showed a small drop in values in 2010 during the “great recession”, the number of transactions that occurred that year were so small we do not consider it statistically significant.

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).