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Our Legacy is in the Land



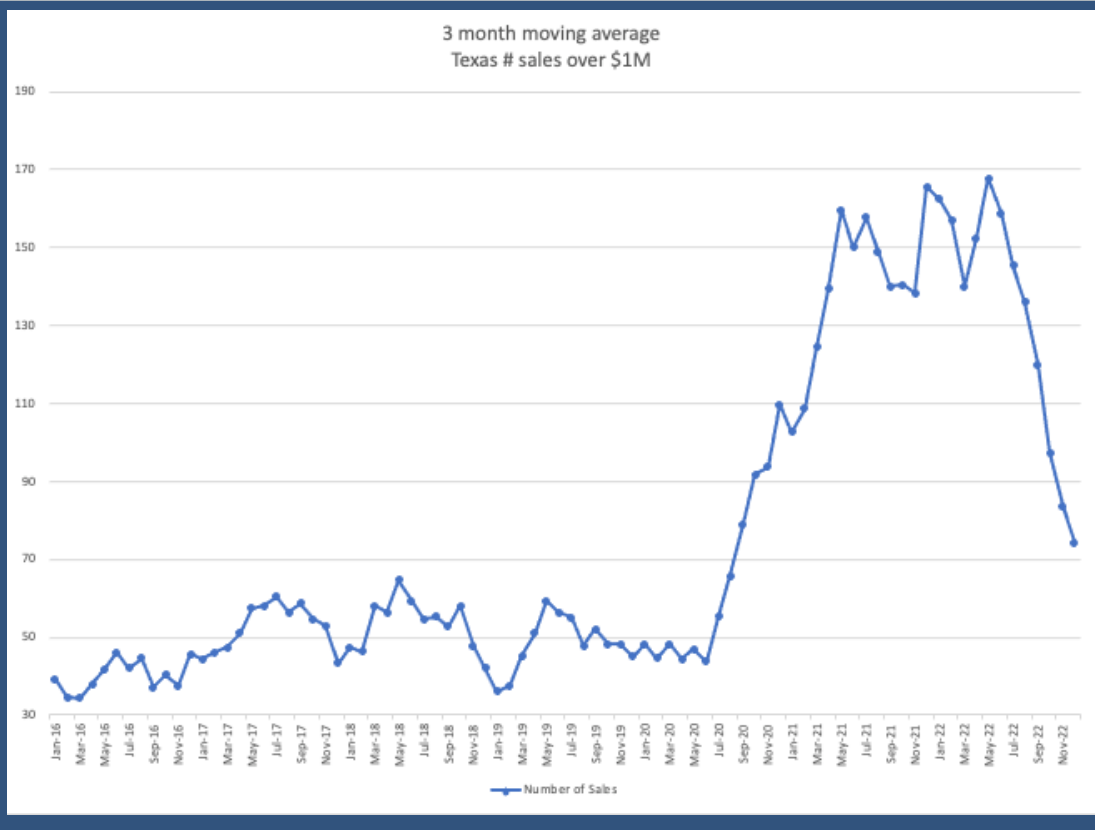
TEXAS LAND MARKETS REPORT - 4TH QUARTER 2022

ELITE FARM, RANCH AND RURAL PROPERTIES BROKERAGE FIRM

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

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Source: LandsofTexas.com Comparable Sales Program

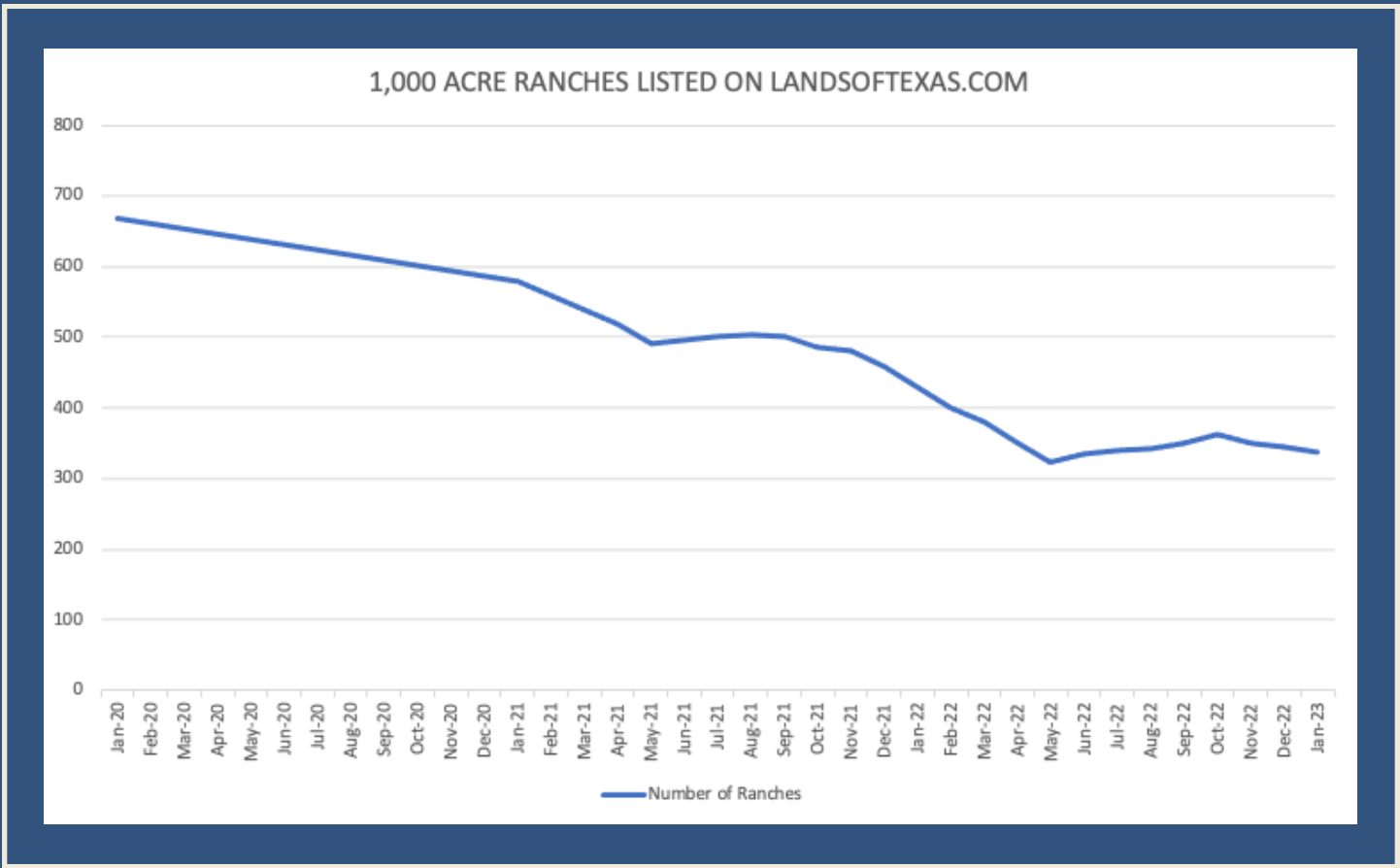
SUMMARY

The 4th quarter continued to show reductions in the number of sales transactions in the Texas land markets. The markets are now approaching transaction numbers that are closer to the long-term averages that were experienced before the pandemic/inflation run over the past two years. Both sellers and buyers will be dealing with a new market equilibrium (likely similar to the old) where price discovery will again be paramount for successful sales, and buyers and sellers will need to look for professionals in the business to help them navigate the new market conditions.

TWIN SPRINGS RANCH

344 Acres | Houston County
SOLD DECEMBER 2022





Source: LandsofTexas.com

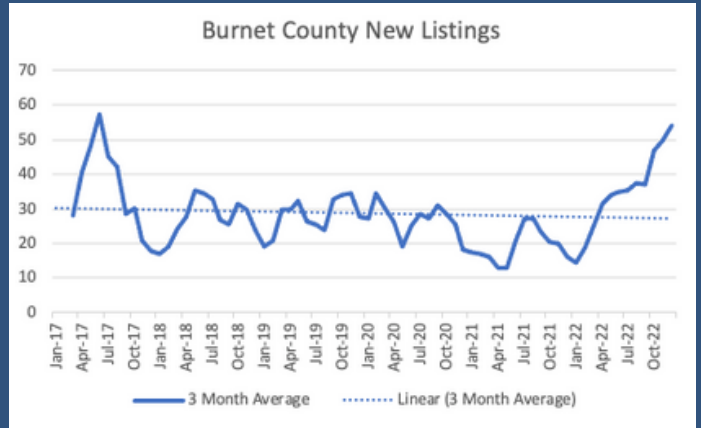
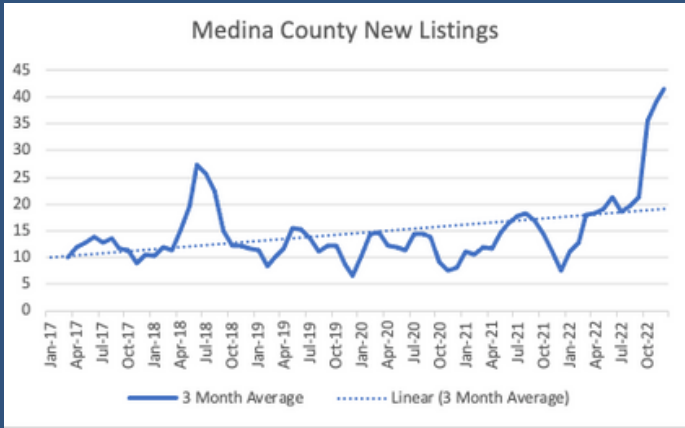
INVENTORY LEVELS

Inventory levels in some market segments continued to increase rapidly as more new ranches came on the market while sales slowed. The increases have not been evenly spread across the state or across segments. The Hill Country saw significant increases in inventory while South Texas has seen smaller increases in inventory. Of note, these increases were mostly “smaller” ranches coming on the market, as the inventory for larger ranches is not increasing (see graphs above and below).

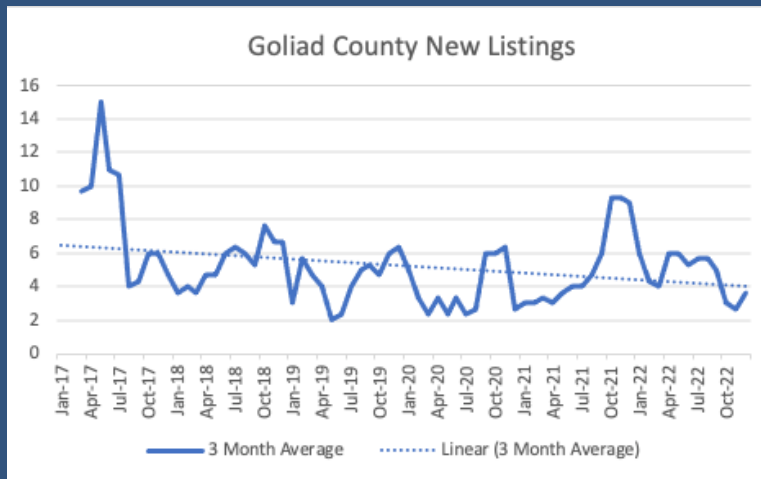
WAPITI SPRINGS RANCH
2,511 Acres | Edwards County
SOLD DECEMBER 2022



HILL COUNTRY



SOUTH TEXAS



Source: LandsofTexas.com

GAINESVILLE EQUESTRIAN RANCH
 118 Acres | Cooke County
 SOLD OCTOBER 2022 - BUYERS REP



TERRY RANCH EAST
3,037 Acres | Val Verde County
SOLD DECEMBER 2022

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FORECAST FOR 2023

PRICING

While it always depends on where and what is being sold as far as pricing, we expect the extraordinary continuing increases in pricing over the last two years will flatten. Areas and segments that experience large increases in inventory will feel some pricing pressure and prices will certainly stay flat or decrease by a nominal amount until a supply and demand equilibrium is reached. Other areas or segments that have not seen inventory growth, including the larger ranch segment, are not expected to see any significant price declines. It is important to remember that prices over the last two years increased overall between 40% and 60% in a lot of areas and should pricing fall even a little, it will not be statistically significant. Pricing discovery will be central to moving inventory for both buyers and sellers in the current market, and attention will again have to be given to significant analysis by brokers to keep the market moving.

MARKET MOVERS

The price of oil continues to show a significant correlation with the number of ranch sales even through this recent bull market, and we see no reason why this will not continue. The recent drop in oil price has mirrored the decrease in sales of ranches over the past five months, but this past month has seen the price begin to creep back up again. Should this continue it will be bullish for ranch sales in the coming year, particularly for ranches over \$2M based on this historic correlation.

Date	Oil Price (\$/Barrel)	3 Month Average (Transactions)
Jan-15	32	18
Mar-15	25	18
May-15	30	19
Jul-15	25	18
Sep-15	22	17
Nov-15	20	16
Jan-16	15	15
Mar-16	18	16
May-16	22	17
Jul-16	23	18
Sep-16	22	17
Nov-16	23	18
Jan-17	26	20
Mar-17	25	19
May-17	23	17
Jul-17	24	18
Sep-17	25	19
Nov-17	28	21
Jan-18	32	23
Mar-18	34	25
May-18	38	27
Jul-18	38	23
Sep-18	38	23
Nov-18	27	14
Jan-19	26	14
Mar-19	32	16
May-19	30	18
Jul-19	29	18
Sep-19	29	18
Nov-19	28	17
Jan-20	30	15
Mar-20	10	13
May-20	18	20
Jul-20	19	21
Sep-20	19	22
Nov-20	20	23
Jan-21	23	25
Mar-21	28	28
May-21	32	30
Jul-21	38	35
Sep-21	38	35
Nov-21	42	38
Jan-22	45	40
Mar-22	48	42
May-22	52	45
Jul-22	50	42
Sep-22	48	40
Nov-22	45	38

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Source: LandsofTexas.com Comparable Sales Program

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Loan rates will also have an effect on sales, particularly for ranches below \$2M (the majority of ranches sold for over \$2M still are paid for with cash) or for transitional/development lands. While rates increased at the fastest levels seen since the early '80s, they have leveled off over the past month and there should be an uptick in sales activity should mortgage rates remain steady over the coming months.

Other factors including inflation expectations, renewables development, continued demographic shifts in favor of Texas, stock market volatility and others will also impact markets in 2023. At present, we are cautiously optimistic for Texas land markets in 2023, albeit not at levels experienced over the last couple of years. One key to determining the new equilibrium between supply and demand will be price discovery. You can read a short summary regarding “Pricing Discovery In A Slower Market” at the end of this report.

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).



HAPPY FALLS CANYON RANCH
2,188 Acres | Armstrong County
SOLD NOVEMBER 2022

PRICING DISCOVERY IN A SLOWER MARKET

As we mentioned in our Q4 2022 Texas Land Markets Report, after two years of unprecedented activity in both transaction volume and price appreciation, the land markets, at least from a transaction volume perspective, have been trending back toward a historically more normal level over the last couple of quarters. Where transaction volume trends flow in the future remains to be seen, but it is apparent the activity seen in the period from mid-2020 through mid-2022 was extraordinary and likely not to be repeated in the foreseeable future.

At this stage, it is important for market participants (sellers, buyers and real estate professionals alike) to take a look back and remember the pricing strategy elements that were paramount for many years before this recent extraordinary period fueled by the pandemic, excess money in the system, low-interest rates and inflation fears.

For Sellers:

As we included in our article, [Pricing Land](#), "One of the most challenging aspects of selling your land is knowing how to price it." The key takeaways from that article are even more important with today's market conditions following a couple of astounding years when tried and true principles of pricing strategy did not seem to matter...until they did again.

What are those key principles of pricing strategy that are expected to yield the highest value for your land?

- Use a trusted land broker that has access to pertinent market data, knowledge of evolving market conditions and the experience to interpret those things. Your broker should also provide you with an honest and well-developed Broker Price Opinion. A quality broker will tell you what the market is indicating and not simply tell you what you want to hear.
- "Real Estate 101 dictates that your land listing will never have as much interest as it does when you first put it on the market." Initial pricing strategy is of paramount importance and should be based on your Broker's Price Opinion coupled with your timing objectives. The first year is the key year to generate buyer interest, multiple showings and potential offer(s).
- Our data shows that properties with initial asking prices within 10% of their ultimate sales price tend to sell within 6-12 months, while properties with prices 15%-20% (or more) over their ultimate sales price will be on the market for longer, typically 18-24 months and require a price reduction(s) to surface a buyer. Longer time frames lead to staleness.
- Given the availability of market information today, there really are no "do-overs" so do it right the first time and price it in the "sweet spot" as discussed with your Broker. Ranch buyers can fall in love with a place, letting emotion help the seller capture a premium. If they never see the ranch in the first place because it was overpriced, that opportunity is lost.

- Other strategies such as remaining at a high asking price and “considering all offers” might generate some lowball offers from bottom feeders but will likely not generate interest from the buyer you are seeking.
- Certainly, there are situations when sellers desire (and their brokers agree) to test the market but the simple laws of supply and demand will typically rule the result.

The bottom line is that to achieve the most value for your property, put your emotions aside, get advice from knowledgeable land brokers who will represent your interests and use an appropriate pricing strategy to take advantage of the leverage you have as a seller in the first several months of launching.

For Buyers:

The elements above apply to buying strategies as well:

- A trusted and knowledgeable broker is essential to help navigate the process and the vast amounts of information available today, and interpret the data on the buyer’s behalf.
- You and your broker should concentrate on properties hitting the market that meet your criteria AND are appropriately priced while looking with a cautious eye at others.
- Your broker should also have and be connected with an expansive network to get information about happenings and off-market opportunities to allow you as a buyer to timely act.
- If you know what you are looking for, overpriced properties that are a good fit should simply be watched for significant reductions that warrant more attention and a visit.
- In order to achieve your goals, it is important for you and your broker to visit a prospective purchase opportunity, study the data and information and make an appropriate offer that will be given due consideration by the seller. It is a rare buyer that has the experience, track record, and reputation to garner that same respect from a seller without visiting the ranch and presenting a thoughtfully put-together written offer.
- Finding the right place at an appropriate price is far more beneficial than buying the wrong place because it was cheap. Similarly, overpaying for the right place only makes sense in limited scenarios for certain buyers.

Experienced professionals, along with sellers and buyers in the land markets were caught off guard at the start of the recent extraordinary market activity. Now is the time to go back to the basics with tried and true strategies.