

# REPUBLIC REPORT

1st Quarter of 2023

REPUBLIC  RANCHES<sub>LLC</sub>

*Our Legacy is in the Land*



# LETTER FROM THE PARTNERS

Dear Readers,

Republic Ranches began tracking ranch sales in the state of Texas in 2018 after recognizing the limits of the data available for consumers to evaluate market conditions at a given time. While the Texas A&M Real Estate Center does an excellent job tracking rural land sales, it had significant limitations for gathering the type of data we would find useful to convey to our clients. Republic Ranches began to compile data from LandsofAmerica, MLS, the Texas A&M Real Estate Center, and various appraisers to try to begin to bring useful information to clients and professionals that could help them make buying, selling, and pricing decisions.

One of the first things we recognized in actual farm and ranch sales in Texas was that tracking the number of transactions was a much better tool for gauging the health of the market versus tracking pricing. Texas is large, with huge variabilities in land prices and the number of transactions clearly tracked with the market health of rural land sales. Over the years we continued to refine the data to try and better represent meaningful information that could be disseminated by our clients and be helpful in making decisions in the market. It is our sincere hope that bringing more relevant and up-to-date market analysis will continue to help the ranch sales market become more efficient and professional moving forward.

Jeff Boswell, Partner

Charles Davidson, Partner

Mark Matthews, Partner

Bryan Pickens, Partner

John Wallace, Partner

Republic Ranches' Statewide Activity Q1 2023







River Valley Ranch / SOLD 2019



## TEXAS LAND MARKETS REPORT

### 1st QUARTER 2023 SUMMARY

The first quarter of 2023 may be the end of the “bear” market in farm and ranch sales that has been going on now for approximately nine months. Overall, the number of transactions started to creep back up and the number of new listings actually fell during the quarter. Oil prices, bank concerns, stock market volatility, and continued growth of industry along the Gulf Coast seem to be the drivers for a lot of the more recent sales increase. Activity levels for showings also have remained strong since mid - January.

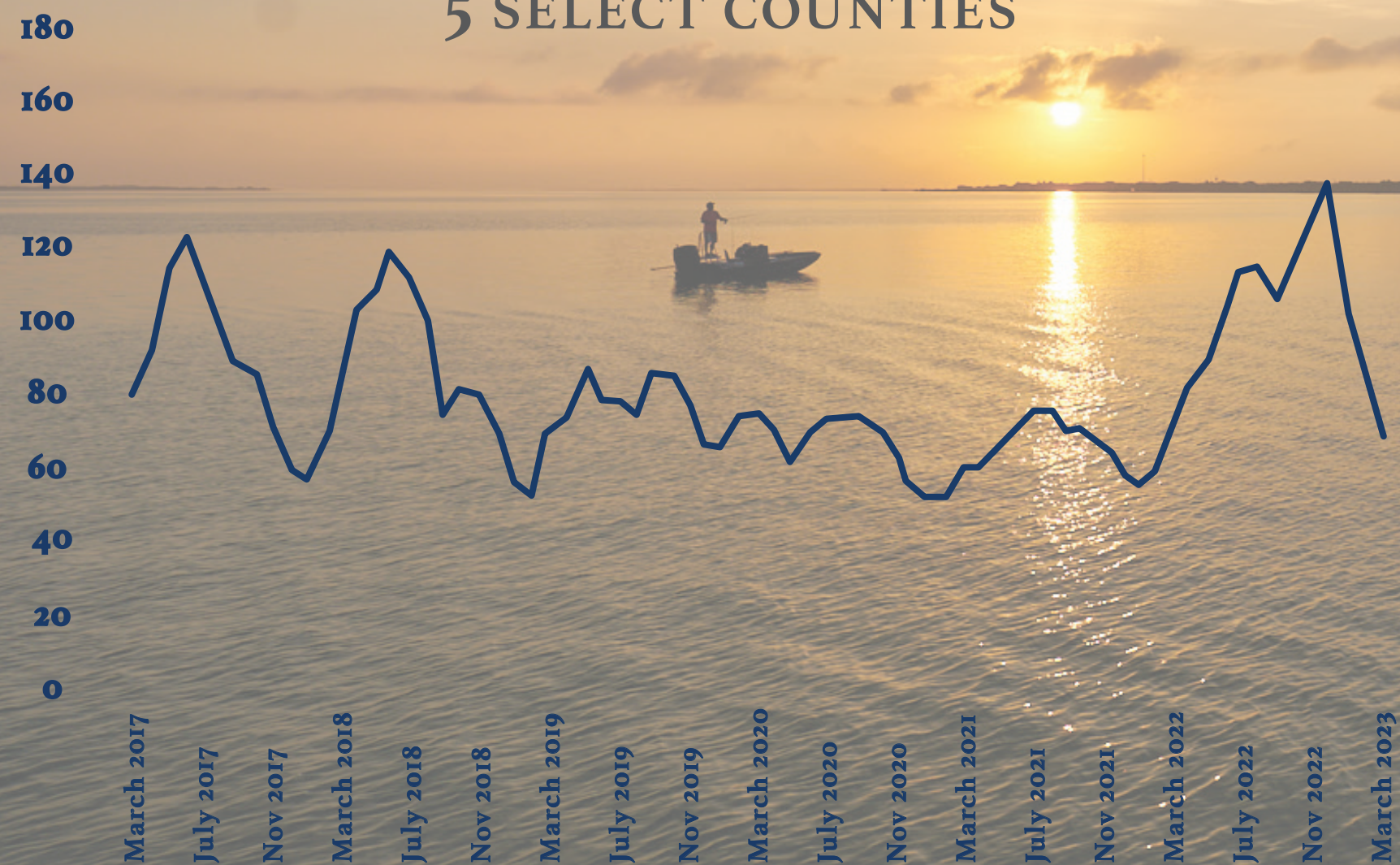
## TEXAS # SALES OVER \$1M



LandsOfTexas.com Comparable Sales Program



## MONTHLY NEW LISTINGS 5 SELECT COUNTIES



## INVENTORY LEVELS

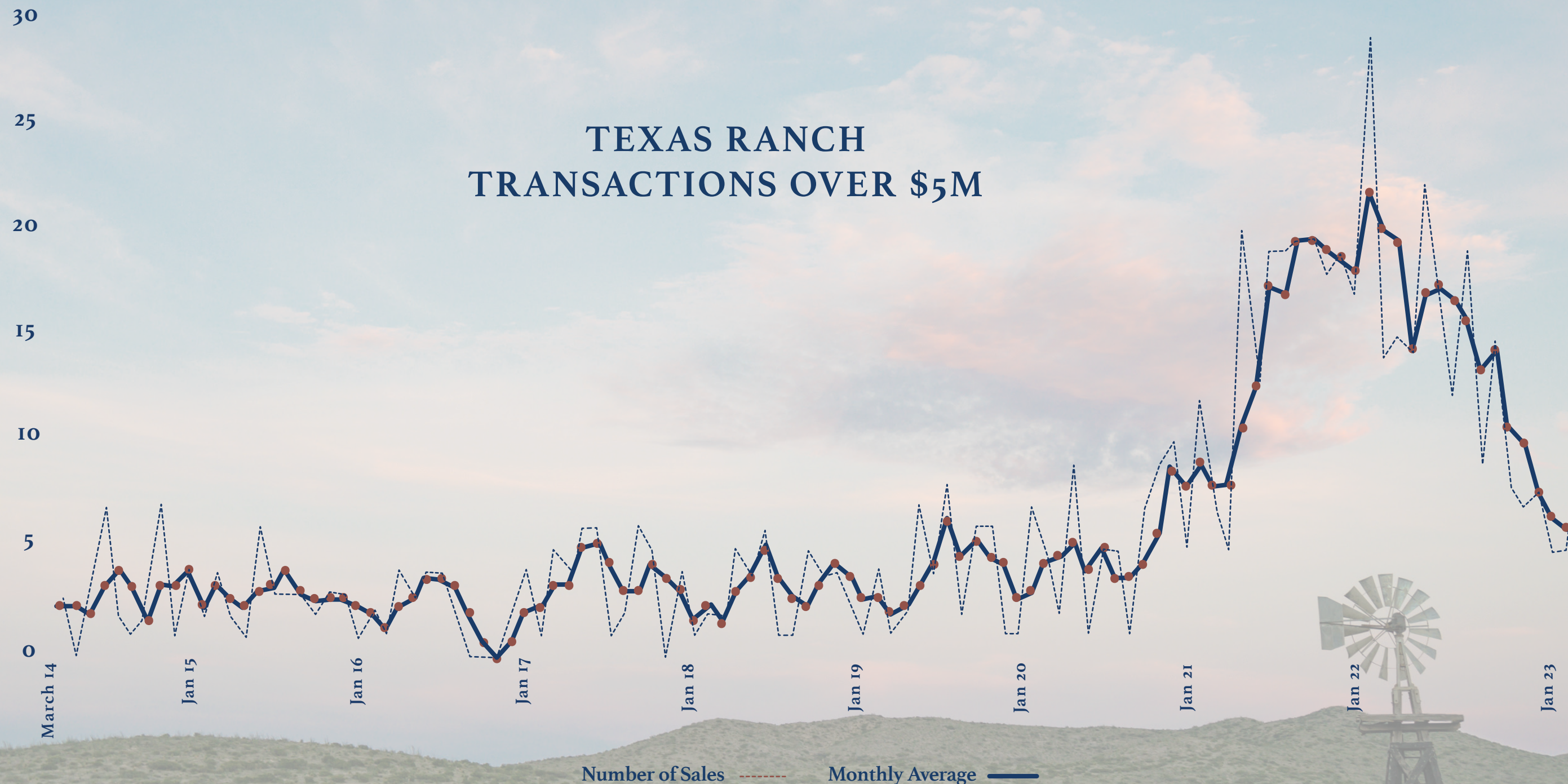
In the first quarter, monthly new inventory listings dropped for the first time since January of 2022. New listings in the five-county dataset rose from 60 per month in January of 2022 to 156 per month in December of 2022 (+160%) and has fallen back to 76 per month in March (-50%). This indicates a strengthening in the land markets. Further, all five counties saw their number of new listings drop below the five-year trend line.



## SALES BY THE NUMBERS

The 3-month moving averages for all three market segments we track saw a slight uptick at the end of first quarter of 2023. The \$5m+ segment saw a slight increase - but notably, March was the highest monthly sales volume (10) over the last 7 months. The long-term sales average is still slightly above seven-year trend lines.

### TEXAS RANCH TRANSACTIONS OVER \$5M

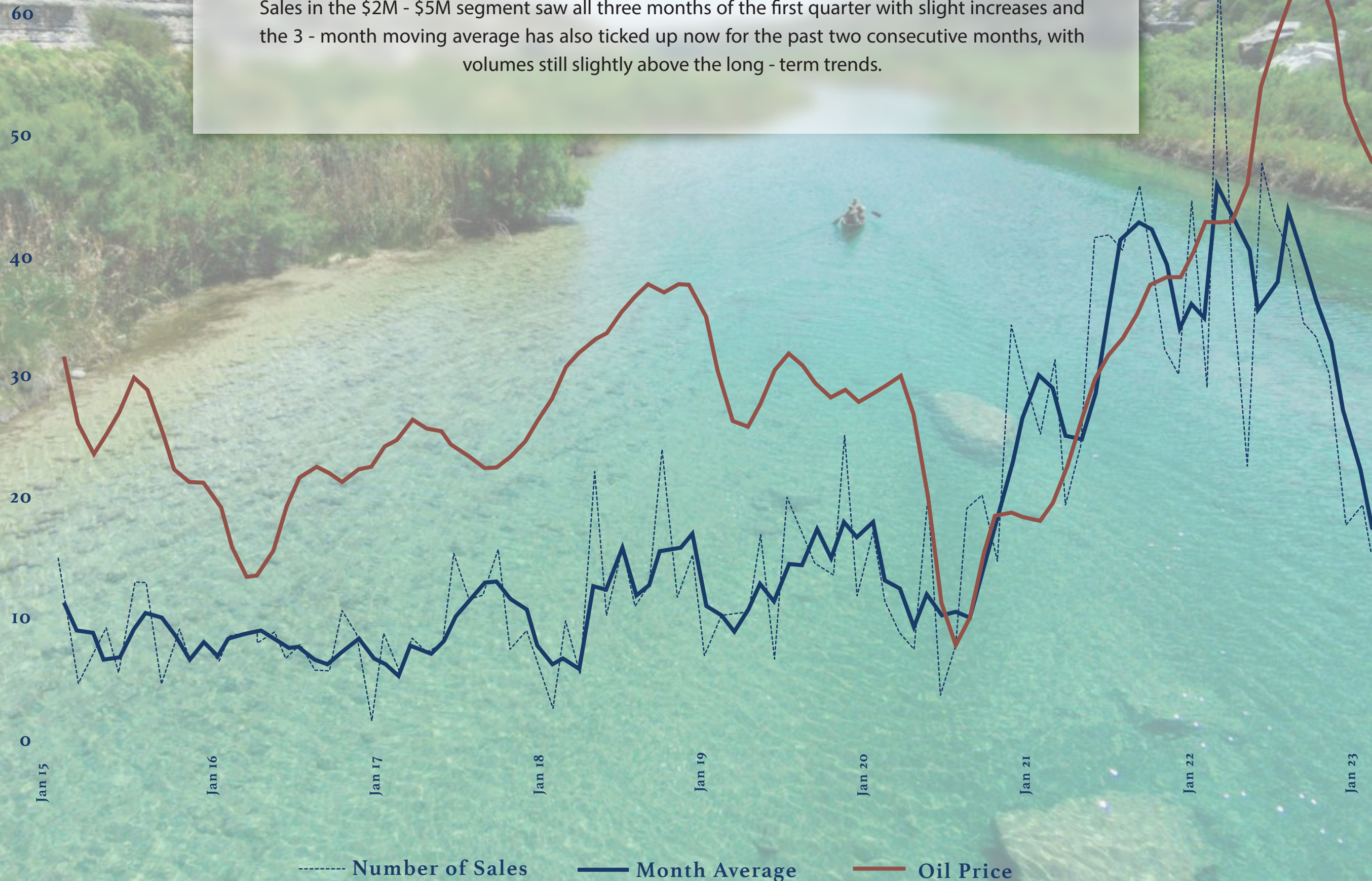




# TEXAS RANCH

## TRANSACTIONS \$2M - \$5M vs WTI \$/Barrel

Sales in the \$2M - \$5M segment saw all three months of the first quarter with slight increases and the 3 - month moving average has also ticked up now for the past two consecutive months, with volumes still slightly above the long - term trends.

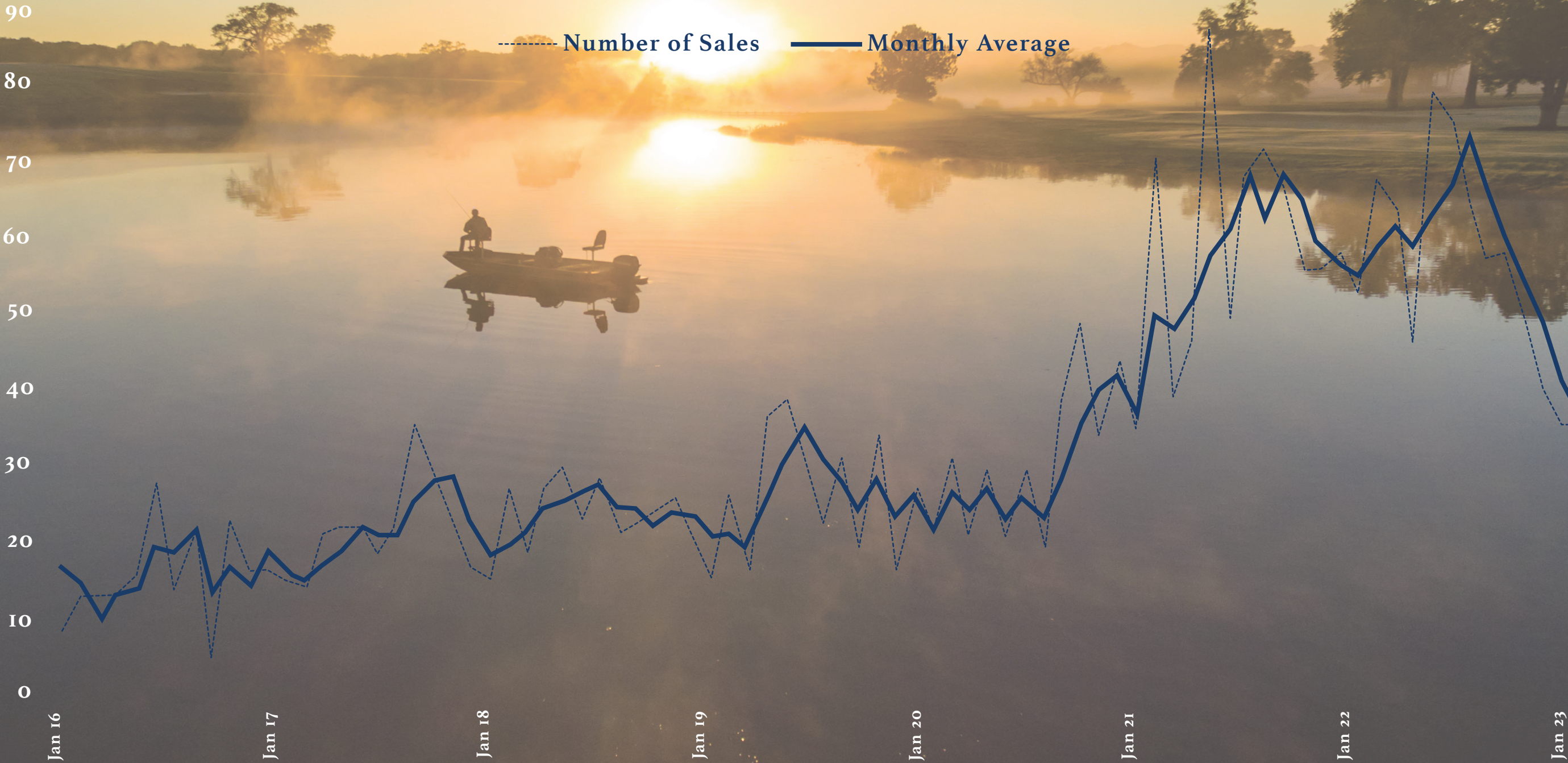




# TEXAS RANCH

## TRANSACTIONS \$1M - \$2M

Sales for the \$1M - \$2M segment did see a small uptick with the 3 - month average moving up ever so slowly but again, the first move up since May of 2022. This category overall is still at or below the longer term trend lines as higher mortgage rates affect this segment more than the others.

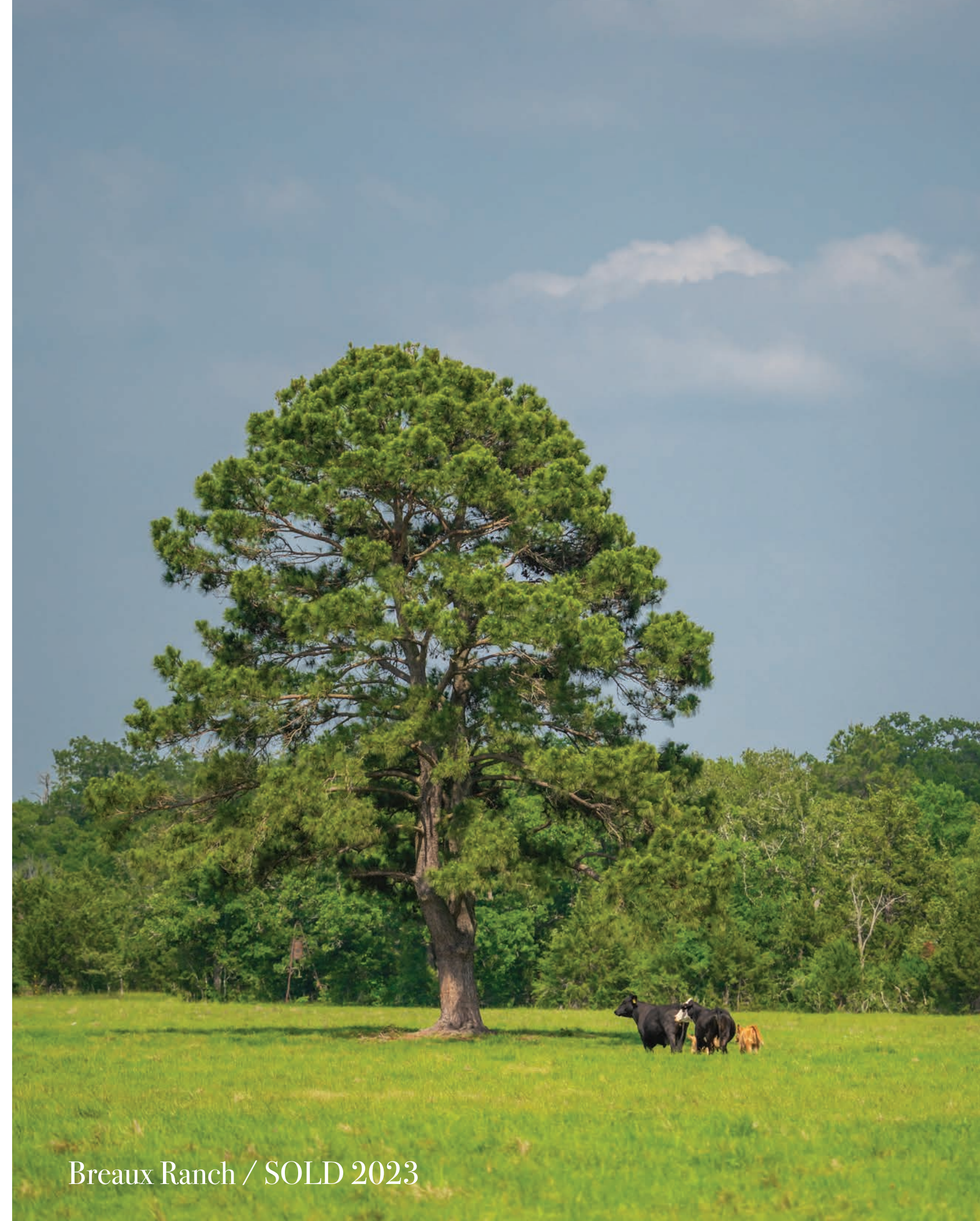




# MONTHLY SUPPLIES OF FARMS/RANCHES

One of the data points that the housing market watches closely is the Monthly Supply of New Houses. This is simply a data point that takes the number of new houses on the market and divides it by the number of sales of new homes to determine how many months supply exists. In the housing market, this number is generally between 4 months of inventory and 8 months of inventory. We have often discussed how much longer the timeline for selling ranches is vs. the housing market and we thought putting together this data for the rural land segments we track in Texas would be interesting. The most recent housing data in Texas is approximately 4 months' supply for housing. For ranches with asking prices over \$1M in Texas right now the supply is 64 months (that would be 5.3 years btw). A bit of an eye - opener to say the least, but it should be remembered that this number can swing wildly as the relatively low number of transactions make it difficult to track over short periods.

**MOVING FORWARD** While there are headwinds in the economy overall, including the still anticipated recession waiting in the wings, a lot of factors are starting to favor rural land markets becoming stronger. Oil prices seem to be recovering nicely with some help from OPEC+, the banking crisis along with a falling dollar continue to have some investors looking for hard assets, and there is a lot of competition now for Texas land for renewable energy along with some newer ventures (carbon sequestration, mitigation, etc.) since the passing of the Inflation Reduction Act.



Breaux Ranch / SOLD 2023



# CULTURE & COMMUNITY

Republic Ranches very own Charles M. Davidson and Ross Studer, two of our San Antonio based associates and Texas Wildlife Association directors, had the opportunity to interact with their state legislators and encourage them to protect our wild things, wild places and the land stewards that care for them. Our associates pride themselves in engaging with their communities through boots on the ground efforts.

February 2023

Texas Wildlife Association “Boots on the Ground” Directors Meeting.



Republic Ranches Sales Associate Ross Struder attends a board meeting for TALT in San Antonio.



Republic Commercial Land & Brokerage launch party at Yeti Flagship in Austin.





# PREPARING YOUR FARM OR RANCH FOR MARKETING & SALE

Article By: Drake Heller, Broker Associate & Mitch Eads, Sales Associate

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Over the past few years there wasn't much a seller could do wrong when preparing or not preparing their ranch for sale. The 2020-2022 ranch market has been outstanding.

Sellers experienced a high volume of buyers typically seen in the fast-moving residential markets of major metropolitan areas. During this time, sellers did not need to prepare their ranch for a potential buyer. Those times may be coming to an end. We thought it was appropriate to dust off and update an archived article that Jeff Boswell and Greg Fay wrote, "Preparing Your Farm or Ranch for Marketing and Sale".

Most people understand that when a home is going to market, preparations and improvements are essential when asking for the highest price.. Preparation can include painting, repairs and making improvements that would update the home. The same considerations should be made for the sale of farms and ranches.

Prior to listing, the considerations that residential sales agents employ should now be applied to rural properties. First impressions for how a ranch or farm looks should be taken into consideration, just like residential properties. While most ranches will have native rangeland used by the livestock and wildlife, farms will have been manipulated and altered to improve productivity and these areas of the property should be seen as well-maintained.



Mountain View Ranch / SOLD 2020



All the improvements on the property and their appearance should be considered from the perspective of the potential buyer. The essential areas for consideration are the entrance to the property, landscaping, cleanliness of the land, surrounding grounds and the home's interior. Making sure that the property is well taken care of is essential, and that includes the interior of the buildings. Finding unpleasant surprises such as critters or remains that don't belong will taint the tour. Potential buyers are seeing the property for the first time and first impressions cannot be replaced.

Potential buyers will be on the roads throughout the property when touring. Removing trash and improving the visual impression will show the client that the property is well-maintained. Even working with visible neighbors to keep their properties presentable is helpful. For example, if the neighbors have blinds on the fence lines, it is a good idea to discuss moving them back into their property. Presenting the property in its best light also includes secondary buildings like equipment barns, deer blinds and tack rooms, making sure they are all in order. Even smaller items such as filled feeders, lakes and ponds and pens should have an attractive appearance. Trash dumps should be maintained, emptied or burned. Hazardous items, old vehicles and appliances should be disposed of before any potential buyer tours.

If the property has any current or historical sites related to agricultural or industrial type activity that may have items to be addressed, they should be dealt with appropriately. Any existing oil and gas drilling or production areas should be properly maintained and clean. For the tour of the property, internal gates that can be left open will encourage the buyer to stop and enjoy views of the area.



Just like the physical property, the title of the property should also be clear of any potential problems. Could there be a chance that the exceptions to title insurance coverage need to be cleaned up? During the due diligence stage of the contract, these issues can be corrected and put into good order. There may be a risk that extensive exceptions on the title commitment will cause a potential buyer to have avoidable concerns. Generational-owned farms and ranches may have title concerns that the current owners may not know about. These could include old easements, other family members that may be still on the title, no insurable access, boundary line disputes, right-of-first refusal agreements and other hidden surprises. Running a title search and ordering surveys is a proactive step in resolving the title and hidden issues.

An additional consideration is the mineral rights for the property. Knowing the status of ownership of the mineral estate before selling the property is an additional step that needs to be addressed. Mineral activity in surrounding areas will also influence the issue of mineral rights. If ownership is not confirmed, a certified landman or attorney can run the ownership of the minerals and executive rights so that the property can be marketed and negotiated with some certainty. One of the fundamental components of the mineral estate is the amount of surface control a prospective buyer will have. If the property is under a current lease for production, and the seller receives royalties and plans to convey some of the interest, the recent history of this royalty payment should be appreciated. Typically, a mineral developer producer has assured rights regarding the reasonable use of the land surface to develop the minerals. Understanding the surface-related protections by the deed, the current lease provisions and ownership of the executive rights to convey is of utmost importance to many potential buyers and will impact the value.





El Corazon de Crystal Ranch / SOLD 2017

Properties that utilize government programs and tax evaluations such as wildlife management, permitted water pumping and agriculture exemptions should make sure that all permits and requirements for reporting are in order and current. Also, confirm any possible burden from planned infrastructure projects is understood before putting the property on the market. These infrastructure projects could possibly include activities planned by neighbors, pipelines, transmission lines, highways or green energy development.

Just as in marketing a residential property, personal property items that will stay or remain with the property need to be discussed prior to putting a farm or ranch on the market. Additional items such as blinds, feeder and machinery should also be addressed prior to marketing so potential buyers will know in advance. For household items like furniture, artwork, rugs and lamps, it would be wise to remove those items before a showing. The idea is that the “stumbling blocks” that may stop a sale are not part of the property.

When preparing a ranch, farm or any other rural property for market, the key is to present the property in its best light in all aspects. The preparation will require physical improvements to the buildings, visual appeal of the property itself and the title work to insure that the property is represented to potential buyers accurately. All the efforts in preparing the property for the market will be significant in selling the ranch or farm for the best possible price.





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