

# REPUBLIC REPORT

3rd Quarter of 2023



REPUBLIC  RANCHES LLC  
*Our Legacy is in the Land*



# LETTER FROM THE PARTNERS

Dear Readers,

For the third quarter of 2023, Republic Ranches has made changes to how we track farm and ranch sales in Texas. The purpose of tracking sales is to let our clients know how the market is behaving and help them make decisions on buying, selling and pricing. We began to recognize that the significant increases in the overall value of rural land over the past two to three years in Texas affected the accuracy of these graphs as a tool to recognize how the market was performing. Beginning with this quarterly report, we have decided to make adjustments on which sold properties fall into which categories that we track to better reflect where the market is now that overall rural land prices have more than doubled since we began tracking these trends.

As will be discussed with these new graphs, we will be classifying the three ranch categories as Large Tier Ranches, Medium Tier Ranches and Small Tier Ranches instead of the previous headings of \$5M+, \$2M-\$5M and \$1M-\$2M categories. Utilizing the quarterly data reported by Texas A&M Real Estate Research Center on Rural Land, we have made the necessary adjustments to which ranches fall into which categories. After graphing this new data, we are confident it better reflects the actual condition of the market for the various ranch sizes that we track and provides much better data for our clients.

Jeff Boswell, Partner

Charles Davidson, Partner

Mark Matthews, Partner

Bryan Pickens, Partner

John Wallace, Partner

Republic Ranches' Statewide Activity 2023









## TEXAS LAND MARKETS REPORT

### 3rd QUARTER 2023 SUMMARY

After several months of modest gains through the second quarter, we saw the number of transactions drop again during the third quarter. Overall, the number of transactions dropped by 25% for the quarter against the previous quarter. This Q3 weakness was seen in all three farm and ranch categories.

### Texas # Sales All Ranch Categories Three Month Moving Average



Sourced: Land.com Comparable Sales Program





### INVENTORY LEVELS

We have enhanced our tracking of overall inventory levels and are now tracking 25 counties in Texas so that in the future we can watch additional regional moves. Over the past quarter, new inventory listings dropped off a bit from the previous quarter. As can be seen on this graph, the long-term trend is fewer new listings coming on the market in Texas. We also continue to track larger acreage statewide ranch inventory and our tracking of available 1,000+ acre properties saw a very slight increase over the last quarter of less than 5%.



# SALES BY THE NUMBERS

Transactions of Large Tier Ranches took a big hit during the third quarter of the year with the 3-month moving average dropping by two-thirds. September saw zero sales in this category and the moving average fell to its lowest point since the 4th quarter of 2016. With inventory levels still well below pre-COVID numbers, it is clear that a lot of demand and inventory were pulled forward during the COVID years and the market has been taking a vacation for the past year. While this category is the least affected by interest rates directly (it is estimated that over 75% of this ranch category has been purchased with cash over the past 10 years), until recently, falling oil prices over the past year have likely had a negative effect on the large ranches (more on that later). There is also likely some effect of higher interest rates offering investors an attractive alternative with Treasuries for a lot of the cash out there looking for a home.

120

100

80

60

40

20

0

## TEXAS RANCH TRANSACTIONS Large Tier Ranches Three Month Moving Average

March 14

March 15

March 16

March 17

March 18

March 19

March 20

March 21

March 22

March 23

Sept 23

# of Monthly Transactions

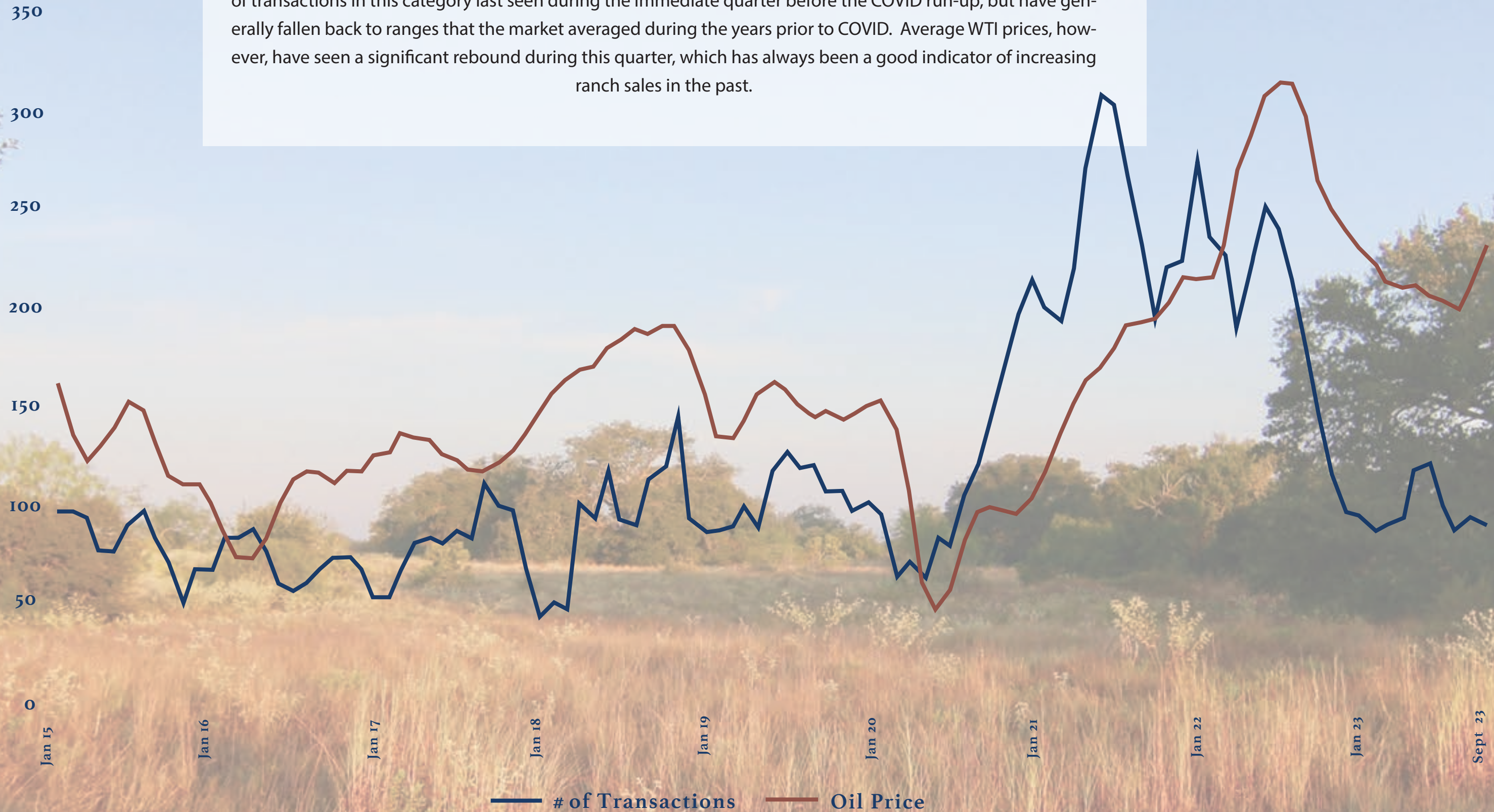
Sourced: Land.com Comparable Sales Program



# TEXAS RANCH TRANSACTIONS

## Mid-Tier Ranches

Transactions of mid-tier ranches only saw a 10% drop-off during the quarter. We have fallen back to a number of transactions in this category last seen during the immediate quarter before the COVID run-up, but have generally fallen back to ranges that the market averaged during the years prior to COVID. Average WTI prices, however, have seen a significant rebound during this quarter, which has always been a good indicator of increasing ranch sales in the past.



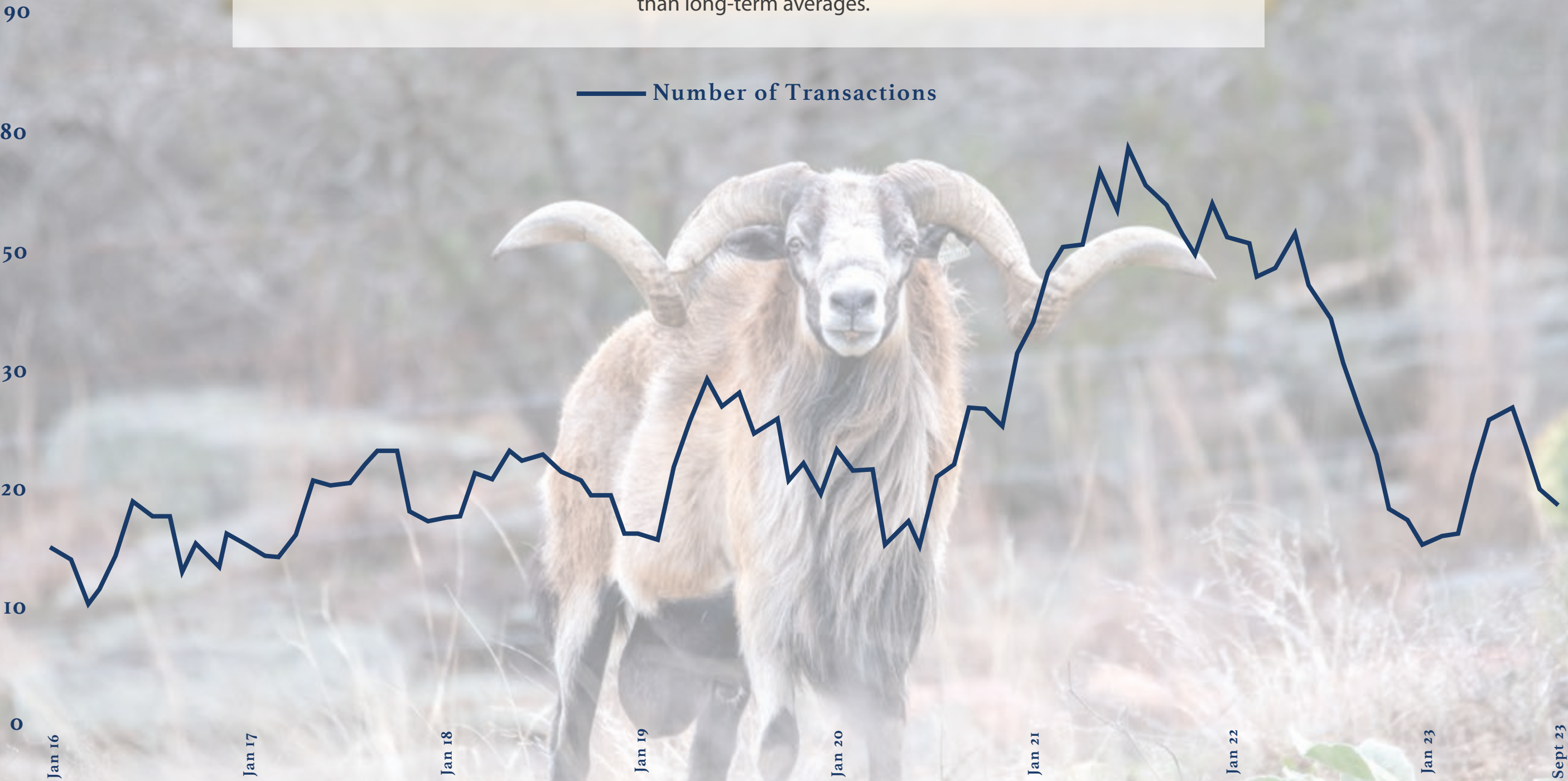
Sourced: Land.com Comparable Sales Program



# TEXAS RANCH TRANSACTIONS

## Small Tier Ranches

Transactions of the small tier ranches saw a drop of 30% during the third quarter of 2023. This category has the highest correlation to increased mortgage interest rates experienced with interest rates increasing during the past quarter. Interest rate sensitivity likely negatively affected sales of this category. We are still generally within the longer-term average of transactions in this category with inventories remaining lower than long-term averages.





# WHAT DOES IT ALL MEAN

Last quarter we had anticipated that sales were likely to remain flat or slightly recover during the third quarter and going into the end of this year. Overall we saw a dip in transactions during the third quarter that was frankly unexpected.

Currently, there are competing macro issues that are pulling against each other in the farm and ranch market.

## Headwinds for the farm, ranch and rural land market volume:

- Higher interest rates and tighter capital markets - this has a negative effect in several ways:
  - Payments on a new mortgage are increased and thereby reduce a borrower's buying power,
  - Similar to what we are seeing in the residential markets, new ranch inventory is stunted by reducing the incentive for current landowners to sell and give up their existing low rates,
  - Safe and elevated returns on treasuries offer logical alternatives to land investment,
  - Underwriting investment in transitional lands requires balancing a more challenging and uncertain set of economics.
- Lack of inventory - Inventory levels continue to lag behind pre-COVID inventory levels which makes the pickings more sparse.
- Uncertainty about the general economy - While this has been a constant since interest rates began to rise over a year ago, it seems to be getting more acute with the Feds pushing them higher for longer. This uncertainty can keep a lot of cash on the sideline.
- Drought and Heat - This can actually be a big mover in farm and ranch sales. Brown or dead grass, dying trees, dirt tanks (literally) and low lakes all make places look much worse than usual. The heat this summer was oppressive and going to view ranches was not on everyone's top of the to-do list.

## Tailwinds pushing land market volume:

- Oil prices have been moving back up after falling over the past year. This has always had a close correlation to ranch sales in Texas.
- There is still an unprecedented migration of people moving to Texas from other areas of the country which implies ultimately that the market will grow with a growing local economy.
- Summer is over and it is raining again!
- There continues to be a push out of the bigger cities and into more rural settings, which seems to be primarily coming from avoiding increased traffic, crime and related urban ills in cities along with the ability to work remotely and a general sense in the population of getting back to cultural basics.

In some ways, this scenario is beginning to feel a lot like the last significant down market in ranches in 2009. While the general US economy stayed in the doldrums for multiple years afterward, Texas saw a quicker recovery with the economic benefit from shale plays. Today, if oil prices stay up and gas prices go up, it is likely we will see a return of more buyers to the market in the coming months.





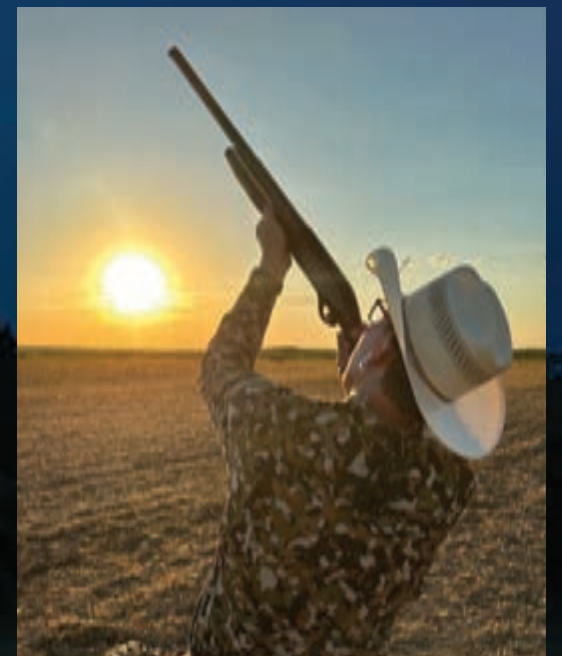
# CULTURE & COMMUNITY



Republic Ranches is a proud sponsor of the Caesar Kleberg Wildlife Research Institute's Partner Seminars in San Antonio and Houston. Republic Ranches partners Mark Matthews and Charles Davidson were in attendance with broker associate Rob Grainger.



Republic Ranches' North Texas team joined Stewards of the Wild at their 10th annual All-Stewards Dove Hunt in Albany, TX. We love sponsoring this awesome weekend filled with friends, shooting, great food & fun!





# BOOM OR BUST

## What's Happening With Hunting Across Texas

By: Rob Grainger, Broker Associate

Here we are, ladies and gentlemen. Hunting seasons across the great State of Texas are well underway. Sportsmen across the various regions have already taken to the field to pursue dove, teal, pronghorn and whitetails along with the exotics and non-game species that live within our borders. Although the number one species we Texans enjoy is the white-tailed deer, we are blessed with ample opportunities to hunt a wide array of large game animals both native and exotic, as well as great upland and migratory birds. While writing this article, I reflected on the meaning of the game we have in the state and what they provide for us. They have consumed both my personal and professional career, which has bled over into my children's upbringing in hopes that they will share their passion with their own friends and future families. Hunting and outdoor recreation has been the cornerstone of my family for generations and I can't express enough the positive impact that it has had on my life. I became laser-focused at a very young age, building a career in wildlife biology, ranch management and ranch brokerage. All this began with my father introducing me to the outdoors the right way at the right time; very early. I hope you enjoy this brief synopsis of where we stand and what this season could look like for you.



Mossy Slough Ranch/La Salle County



2023 has marked another odd year for rainfall, temperatures and weather patterns which directly influence the animals across our varied landscapes. I'm further realizing that there may be no patterns at all and that we will have some variation of 4 seasons here in Texas at some point. Beginning in January, we received tremendous rainfall across the state and most of us were blessed with a gorgeous spring combined with mild temperatures and lush pastures. That persisted through early June at which time the valve was shut off and the mercury blew the top out of the thermometer. I can speak for us South Texans that we recorded one of the highest number of days over 100 degrees from June 1st through October 1st that I can remember. With no rainfall in that time, besides one tropical storm in September, it was a dust bowl down here with a lot of stress on the whitetails and quail. Fortunately, we are in a wetter period and the state is greening back up. I just want the temps to fall off so we're not in a deer blind wearing shorts in November!

## White-tailed Deer:

With the above-mentioned weather patterns, what we are experiencing this year is both good and bad for our whitetail herds and hunters. The winter and spring rainfall provided wonderful fawning cover for the does and ample forage for those mothers during their gestation and lactation periods. We are seeing some great fawn crops in most areas of the state. I have seen some instances where does lost fawns in more extreme stress periods this summer but overall the numbers are very strong in most areas. Unfortunately, if you were in an area that saw the rain quit and the temps get very high, you are probably seeing the same thing that I am. Antler growth is slightly down on average on ranches that I monitor or consult for. With that said, you will have the outliers that made antler jumps and I hope that is the case for everyone reading this today. I typically use these years to manage our age classes and focus more on management deer and less on trophies.



I personally do not like to harvest trophies on "down years" so we can see what they do with better antler growing conditions. The reward can be great if the rainfall continues into next summer. That does not mean you need to do the same, but it is something to consider if you manage intensely. Do what makes sense to you and enjoy the hunt regardless of what the buck's headgear looks like.

## Dove:

Dove season is the perfect time to get outside with friends and family to kick off the season. I haven't looked but I would assume the bacon, jalapeno and cream cheese sales were elevated last month with all of the dove poppers wrapped after Labor Day. With the great nesting conditions that the spring provided by cooler than normal temps, ample rainfall and growing seasons for our farmers, Texas is in the middle of one of the best dove seasons that I have ever seen. The production was wonderful which is why you have likely noticed so many younger birds filling your bird bags and dove stools. It appears to be a boom year across the state with reports of wonderful flights. I personally have not had a bad hunt yet and have hit some areas that are not traditionally lights out. The first season is about to wind down but if dove is what drives you, there is hope. The winter season that we have coming up is when we get a new batch of migratory dove from up north and cooler temps to enjoy. It's personally my favorite time to dove hunt and let the dogs work. I also love a good dove gumbo over wild rice in the colder months.

## Quail:

We are gearing up for our statewide quail season this coming weekend. Although most traditional hunters bring out the pointers after Christmas when the grass browns out and cures, a lot of folks will hit the fields this weekend and enjoy gentleman bob or the hard-to-flush blue quail. Fortunately after last season, we have turned a leaf and should have a good season ahead of us. I would not consider it a boom or bust year with varied population increases and decreases across the state.





Quail nesting productivity is so rainfall-dependent that gauging the populations across the state in one lump is impossible and frankly unfair to do. Fortunately, most of the areas we monitor had strong rainfall in late winter and throughout the spring so birds were able to nest early and often and had the insects to support the chicks when they hatched. I was very concerned for the new birds with the heat and lack of rainfall this summer but after flying our annual surveys on various ranches, I would say that I am happy with the population after what was a dismal season in 2022. My crew will be out in November graining roads and using the labs to flush and pick up wild birds before we drop the pointers in six weeks or so. One final note on the South Texas birds is that we are witnessing a late hatch now due to a September tropical event that dumped rainfall anywhere from 1" to 6" giving the opportunity for those last pairs to make a clutch. Be careful on the early season coveys that you flush to make sure that they are big enough to harvest as you will likely see some small juveniles in the month of November and early December.

## Mule Deer:

Unfortunately, I do not manage or get to spend a lot of time out west in our mule deer country so I had to rely on those experts in our arid western counties. I'm hearing that the early rains did a great deal of good for the fawning but unfortunately, the monsoon season did not produce much precipitation. As you can expect, on properties where supplemental feeding does not occur, antler quality is slightly down. Overall populations are doing well and more and more properties are focusing efforts on the mule deer with higher numbers of ranches enrolling in the state's mule deer MLD program. If you are a landowner out west with a population of muleys I would encourage you to get enrolled so that you can get your numbers in check earlier in the year and have fun during the rut chasing a trophy deer.



## Waterfowl:

With the exception of gadwall, teal species and redheads, the duck numbers are down quite a bit this year based on the annual survey done on nest sites up north. Overall, the duck population is down 7% from last year and down 9% from the long term average. The past few years Texans and other southern states have witnessed fewer bird counts for a number of reasons but a large indicator is the number of projects creating new habitats for birds north of the Red River. This does not mean people don't get out and shoot a limit, but we certainly don't see the birds that we used to. A lot of birds are stopping up north on the habitat created and crops left standing where they once were not. For the duck hunters across the state, it will be very competitive going forward to hold good duck water at the right times and provide a reason for them to stop in and stay with us through the winter. Warmer fall seasons hold ducks and geese up north longer so pray for some big fronts to give us the push that we need for the birds to show up.

In conclusion, 2023 will have its ups and downs depending on what you like to pursue as an outdoorsman. We are blessed to live in a state that has a wonderful diversity of game species to manage and utilize across a tremendous variety of landscapes. No matter what you plan to hunt this year, don't do it alone. Focus on your family and friends. Give others the opportunity to experience something as primal and engrained in our heritage as hunting truly is. Be passionate about conservation and ethics so that the future of hunting in Texas can be sustained. I hope that everyone reading this has an incredible 2023/2024 hunting season. Fill your freezers with wild game and your mind with memories that you will not soon forget. Be safe!







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Viva Vista Ranch / Zapata County