

# REPUBLIC REPORT

4th Quarter of 2023

REPUBLIC  RANCHES LLC  
*Our Legacy is in the Land*



# LETTER FROM THE PARTNERS

Dear Readers,

Republic Ranches’ activity levels started off slowly in the fourth quarter of 2023 but experienced a significant uptick after Thanksgiving. Overall, 2023 was a “back to normal” year after two and a half years of extraordinary activity and price movements. Transaction volumes reverted to 2019 levels, but sales price levels held up for the most part.

While the extent of this new activity will not manifest itself in the data until 2024, it certainly provides some needed optimism for our 2024 outlook. It is hard to predict whether this activity will continue, and it’s even harder to pinpoint the drivers. In our best estimation, the expectation that the Federal Reserve will stop raising interest rates, relatively high oil prices, and population growth continuing in Texas are the main drivers

On another note, we are always asked about the impact of the upcoming federal election cycle. Based on our experience and review of historical data, elections do not significantly impact land market activity to any appreciable degree.

We hope you enjoy this Q4 2023 issue of the Republic Report.

Jeff Boswell, Partner  
Charles Davidson, Partner  
Mark Matthews, Partner

Bryan Pickens, Partner  
John Wallace, Partner

Republic Ranches’ Statewide Activity 2023









## TEXAS LAND MARKETS REPORT

### 4th QUARTER 2023 SUMMARY

The fourth quarter of the year saw a slight uptick in overall sales. The number of transactions increased by 14% over the third quarter. All classes of ranches experienced a slight increase.

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



Sourced: Land.com Comparable Sales Program





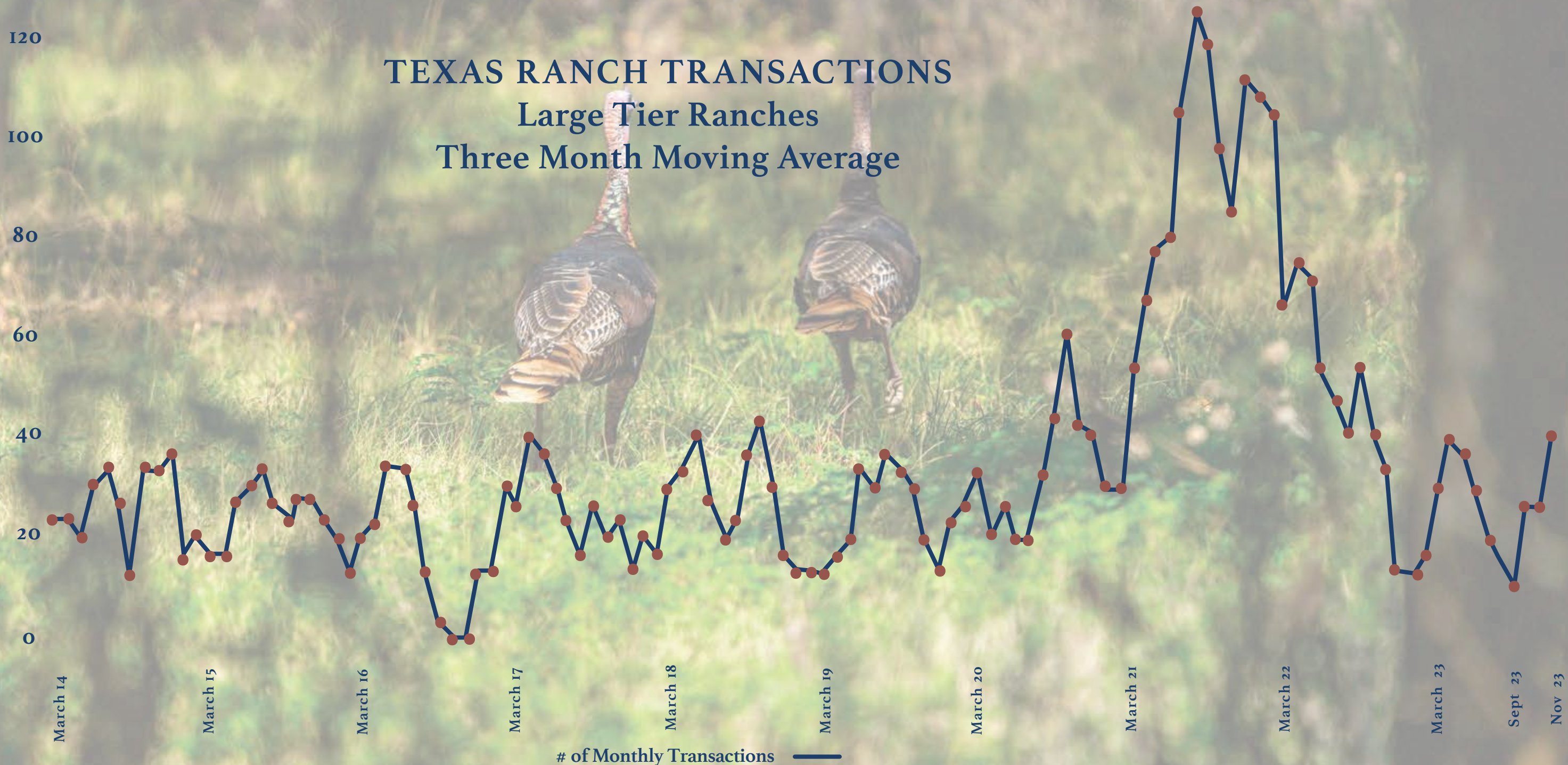
### INVENTORY LEVELS

New listings for the fourth quarter of 2023 fell to the lowest number in the past seven years that we have seen for one quarter. Over the past seven years the trend line has continued to see further restrictions overall in new inventory levels. In addition, our tracking of larger ranches available for sale remains at a fraction of historical levels.



# SALES BY THE NUMBERS

Transactions of large tier farms and ranches saw a nice jump back during the fourth quarter of the year with the three month moving average moving back up to four per month after a very slow third quarter.



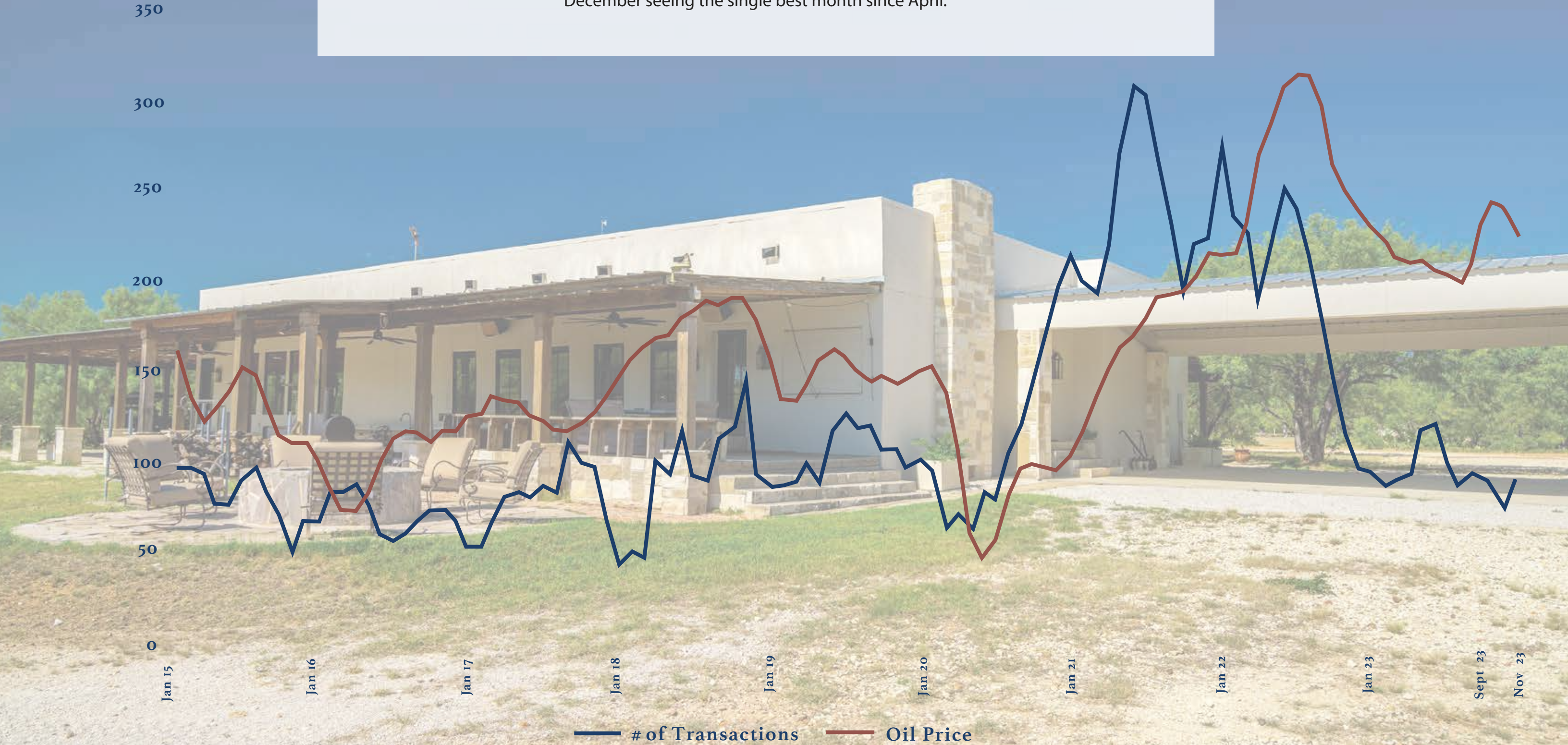
Sourced: Land.com Comparable Sales Program



# TEXAS RANCH TRANSACTIONS

## Mid-Tier Ranches

Transactions of mid-tier farms and ranches remained steady during the fourth quarter with December seeing the single best month since April.



Sourced: Land.com Comparable Sales Program



# TEXAS RANCH TRANSACTIONS

## Small Tier Ranches

Transactions of the small tier properties stayed steady as well during the fourth quarter of 2023. This category continues to lag behind the larger tier ranches compared to historical norms.

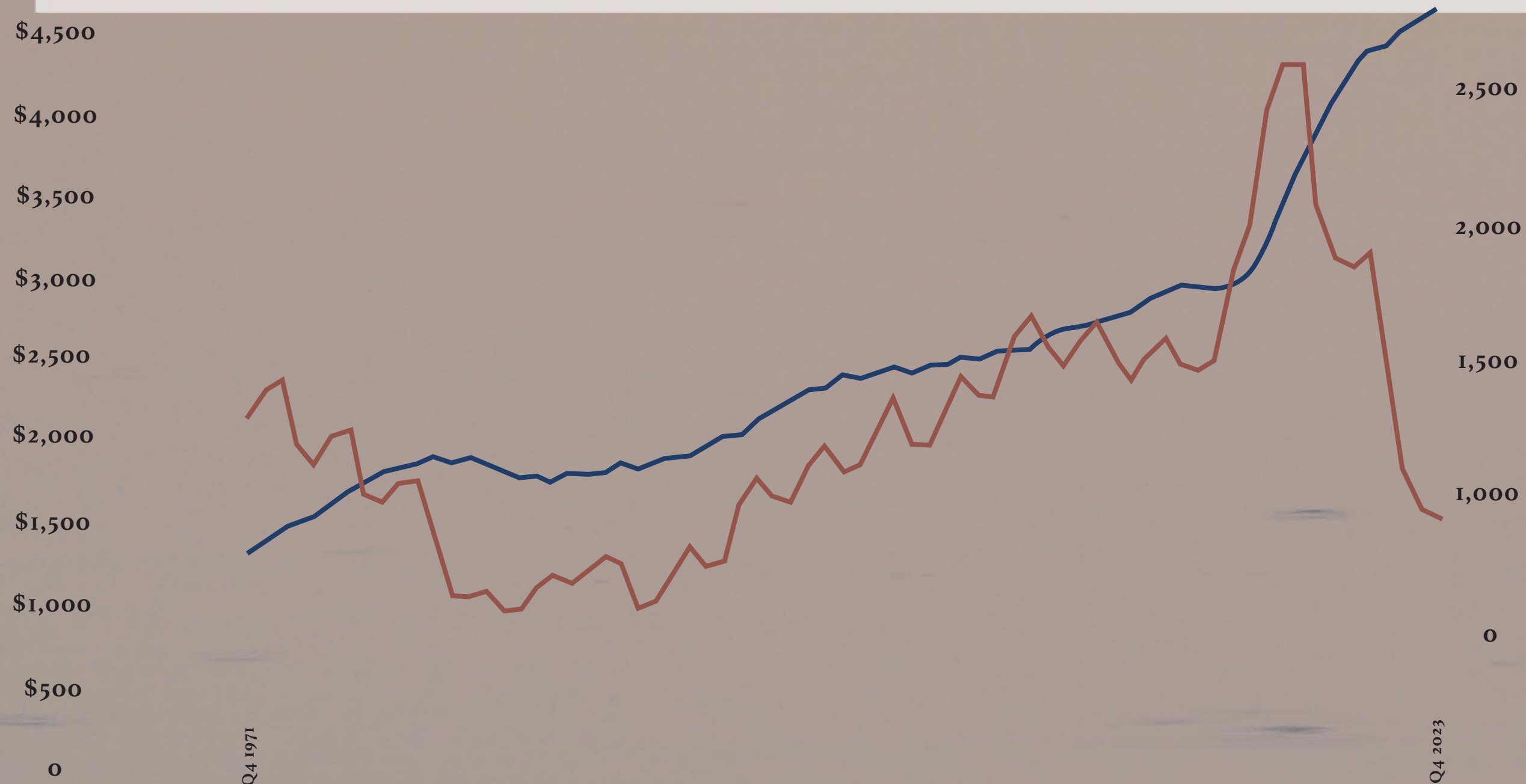




## A LOOK BACK TO 2023:

We often reference the rural land data that the Texas A&M Real Estate Center follows. It is a wealth of data from the early 70's, and while it has limitations as it includes a lot of smaller rural tracts than our data set, it still has some valuable information. If we look at 2023 we see an interesting trend that mirrors a lot of the data we see about the housing market in Texas. Transactions fell dramatically during the year while prices continued to rise overall. Below is a graph of the number of transactions in Texas in the rural markets along with the average price per acre.

The number of transactions during the last several quarters of 2023 was down to levels last seen in 2013 from the recovery of the 2008 financial crisis and was down by 65% from the heights reached in 2021. This mirrors the transactions we track fairly closely, as our data showed a drop of 62% from the heights of 2021. At the same time, we have seen prices hold steady with a slight increase during the year, mostly driven by a lack of inventory.



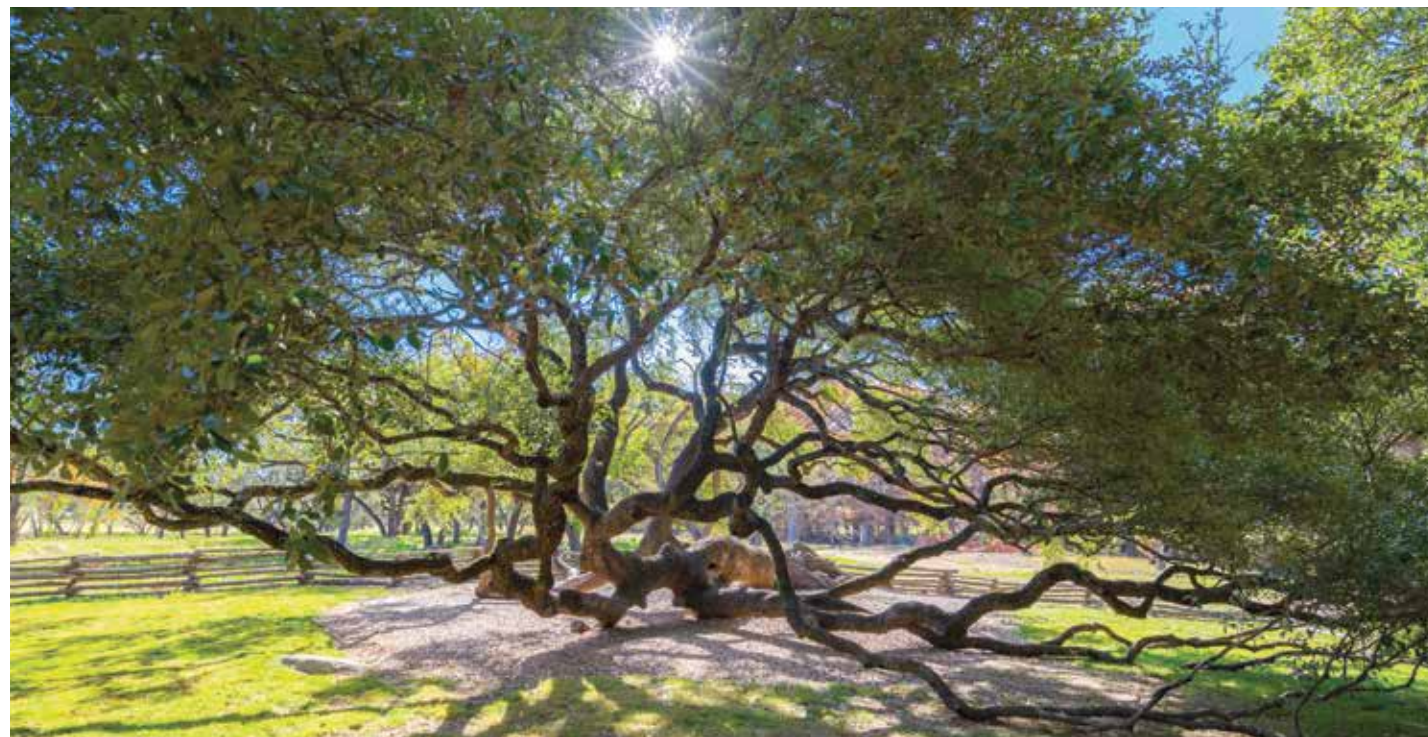


## WHAT DOES IT ALL MEAN

As we embark on 2024, there is reason for optimism in the farm and ranch market – albeit with some caution on how much it can rebound. While December transactions only saw a slight uptick overall, we have noticed the level of showings and interest, as well as contract offers, increased significantly during the last month of the year.

With the optimism for lower interest rates, coupled with the prospect of a recession looking less likely, we are beginning to see more activity. The fundamentals continue to be in favor of a more active market with Texas population demographic tailwinds and optimism for oil and gas pricing. The biggest limitations continue to stem from inventory levels of farms and ranches available for sale.

As depicted in the graph on page 5, we are still not seeing an increase in the inventory of ranches for sale in Texas. The market is seemingly heating up again, and we expect to see increases in the new listings available as sellers enter the market.





# CULTURE & COMMUNITY



The Republic Ranches and Republic Commercial Land & Brokerage teams gathered in Athens, TX for our bi-annual team meeting. We covered the farm and ranch real estate market, 2024 projections, and new tools to best serve our clients. Terry Anderson gave a presentation on lake permitting that was both informative and enlightening. We also took tour of the bass hatchery at the Texas Freshwater Fisheries Center and wrapped up the day with some good old-fashioned fireside camaraderie.



# COMPARING RURAL LAND

As An Investment Against the S&P 500

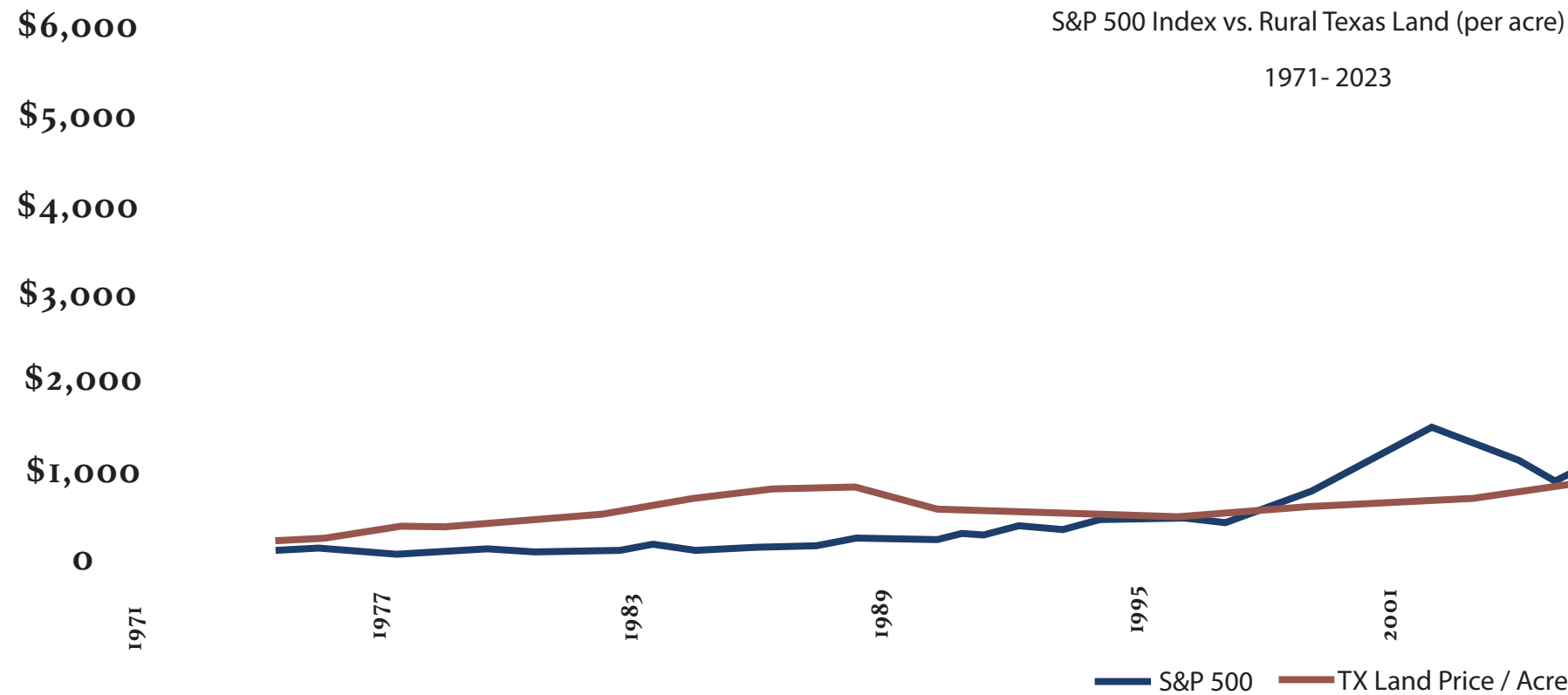
By: Jeff Boswell - Partner/Broker Associate

Back in the summer of 2023, we released an article about land as a refuge during high inflation periods. While planning the background work, we thought it would be interesting to compare land against the most commonly referenced benchmark: the S&P 500. Going back to 1971 (the first year that the Texas A&M Real Estate Center began keeping data on Rural Texas Land prices) until Q3 of 2023 (the last data point we have for land prices), we can see that the overall trajectory of both investments was very similar. At the end of 1971, the S&P 500 stood at \$102, while the average price per acre of Rural Texas Land stood at \$209. As of the end of the third quarter of 2023, the S&P stood at \$4,279, while the average price per acre of Rural Texas Land stood at \$4,679 per acre. So the S&P generated an annual compound growth rate during these 53 years of 7.3% and the annual compound growth rate for Rural Texas Land prices was 6.04%.



Meriwether Headquarters Ranch / SOLD 2021





Of course, every time period is not the same, nor have all regions of Texas seen the same returns.

- From 1972 to 1984, Rural Texas Land Prices improved at a much faster rate than the S&P 500.
- From 1984 to 2002, the S&P 500 increased at an annual compound growth rate of 10% while Rural Texas Land Prices improved at under 1% per year.
- From 2003 to 2020, both the S&P 500 and Rural Texas Land Prices went up approximately 7% per year.

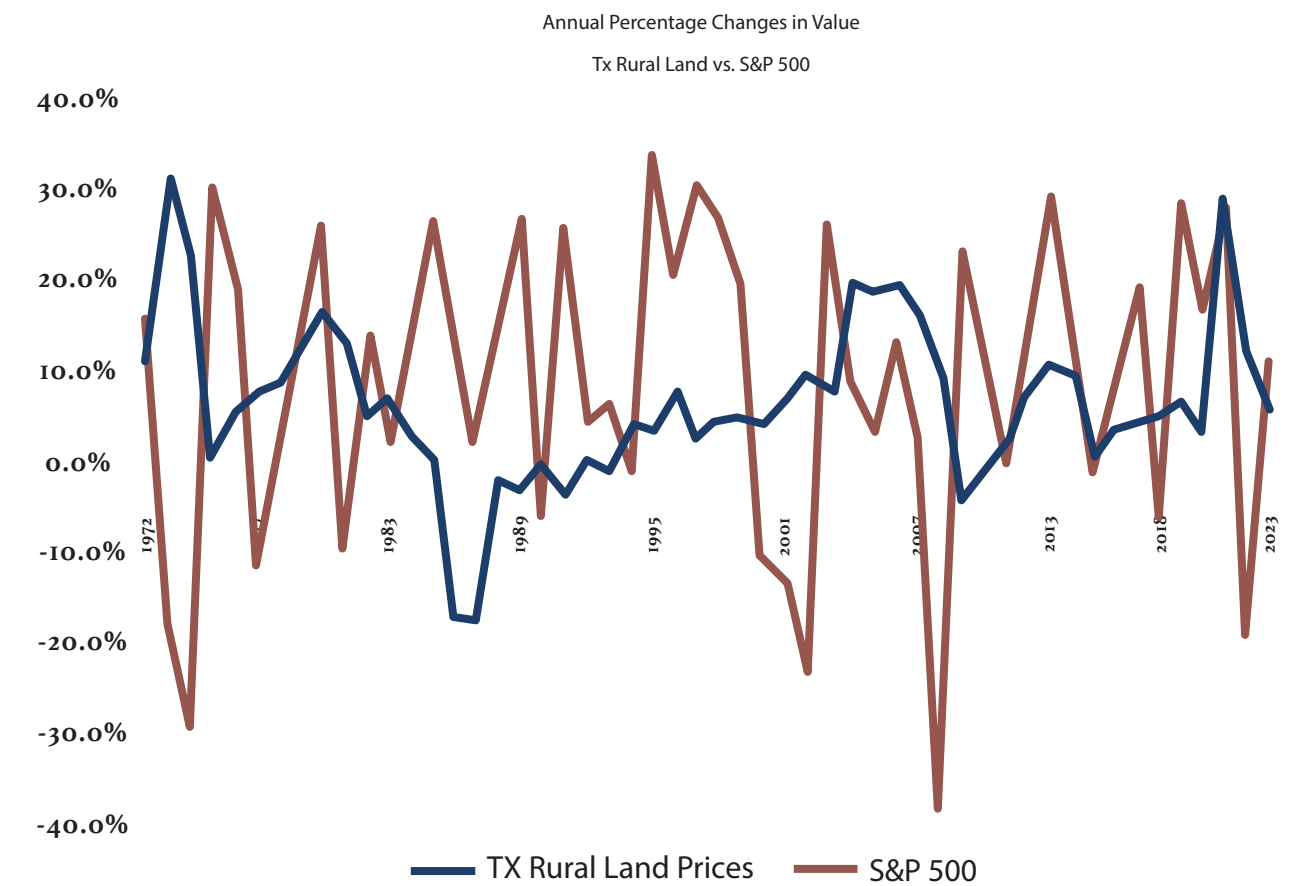
Interestingly, during the past three years, we have seen the S&P 500 index fall by 5% compounded annually during this period. It should be noted that as of the end of the year 2023, the S&P 500 has increased so the annual compound rate over the past three years will basically be 0%, while the Texas Rural Land Value has increased by 9% compounded annually.

Comparing the value of common stocks against land prices has several issues that should be addressed. It is reasonable to question the costs of holding land versus the cost of holding stock and the aspects of liquidity, cost of selling, and how dividends affect the values. Dividends paid out on common stock will be reflected in the actual price of the stock and should not have a bearing on this valuation, just as the potential for windfalls in owning land, e.g., oil income or wind/solar income, are reflected in land values overall. Costs of holding stocks and land will also be reflected in the value of the property. The only legitimate difference in costs associated with owning land versus stock is the potential costs of disposition – and typical operating costs that are offset by typical income streams and/or personal enjoyment. Commission rates range from 3-6% while the cost of selling stocks is usually 1-2%. Of course, the liquidity of stocks is much better than that of land, but stocks also have much more volatility.





Waterfalls Ranch at Frio Cañon / Real County



As the above chart illustrates, the S&P 500 is much more volatile than Texas Rural Land Prices. Over the past 53 years, the S&P 500 had annual drops of over 10% on eight different occasions, while land prices fell over 10% only twice. Not to mention that was two consecutive years in the 80's during the banking crisis in Texas when land was burdened with high amounts of debt – which is no longer the case. The average variance of an investment, also known as volatility, is related to the measure of the risk of that investment and the standard deviation for the S&P 500 was 17% vs. Texas Rural Land Prices at 9%.

It is our opinion that we are going to remain in a period of higher inflation and experience population growth rates in our State for several years. Periods like this have historically shown that Texas Rural Land Prices have kept pace or exceeded the returns of the S&P 500 – and the investment is certainly safer and less volatile.





Contact Us:  
888-726-2481  
[info@republicranches.com](mailto:info@republicranches.com)  
[republicranches.com](http://republicranches.com)

Front Cover:  
Waterfalls Ranch at Frio Cañon/Real County

Back Cover:  
Rancho La Luna/Jim Hogg & Starr Counties