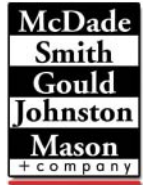


Texas Land: A Safe Investment in These Times

by Stephen Hausser with McDade, Smith, Gould, Johnston, Mason + Company



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As the plummeting stock values of companies such as Lehman Brothers and AIG have indicated to us over the past year, even the seemingly most bedrock of United States corporations can lose all of their market value. The new global economy has rendered the viability of our Fortune 500 companies subject to the whims of an increasingly volatile world. Land appeals to us in that, outside of some catastrophic event, it can never lose all of its value; the secure, long term value of rural land is as simple to understand as the fundamentals which fuel its value: population growth and crop prices.

With our government printing U.S. dollars more quickly than we can cut down the trees they come from, common sense dictates that we will be entering a period of currency devaluation. In an inflationary environment, real estate can make an excellent hedge. The adage that real estate values typically increase along with inflation is only partly true though, according to Mark Dotzour, chief economist with the Real Estate Center at Texas A&M. In his April 2009 Tierra Grande article entitled, "The Ravages of Inflation", he suggested that it is only the farm land and commercial properties in areas of job and population growth that will serve as an effective hedge against inflation. Texas lies in the crosshairs of this concept of real estate as an inflation hedge. As the world's population grows and emerging nations increasingly become dependent on the petroleum products produced by Texas-based companies for their transportation & manufacturing needs, Texas should expect outstanding growth. The U.S. Census Bureau's Interim State Population Projection predicted a nearly 50% population increase in Texas over a 25 year period between 2005 and 2030, a staggering growth rate. A similar study conducted by the United Nations predicted that the United States as a whole would grow 40% between 2000

and 2050. Indonesia was the only country worldwide whose growth estimates exceeded those of the United States over this 50 year period. In comparing the two projections, Texas is supposed to grow more than twice as quickly as the United States.

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Another important factor to consider is that land values have historically increased in tandem with crop and commodity prices. Historically, increases in Texas rural farm land prices have coincided with run-ups in crop prices. With widespread speculation that we are heading into a period of hyperinflation, we can expect an increase in both commodity prices and agriculture prices and profits. Over the long term, we should also expect a remarkable increase in agriculture demand. Secretary-General of the United Nations Ban Ki-Moon estimates that the world's food supply must rise 50% by 2030 to meet the growing demand of the world's exponentially multiplying population. The recent commodity price depression should cause a temporary decrease in the values of agrarian land. Moreover, the credit freeze, combined with decreases in crop revenues and forecasted real estate development is making it difficult for overleveraged farmers and real estate players to secure the necessary financing to hold on to their existing land investments. There already are some needy sellers on the market.

The looming question in today's market is if, and when, these distressed assets will flood the market similar to what happened in Texas during

the late 1980s and early 1990s. Despite Texas land values appreciating at the staggering rate of 17% annually between 2002 and 2007, certain indicators suggest we will not see the corresponding erosion of values we saw during the last real estate collapse. There is currently not enough raw land transaction volume to assertively say where prices stand. Some might speculate that rural land is trading at its 2004 and 2005 values. Our firm McDade, Smith, Gould, Johnston, Mason + Company, which specializes in representing buyers and sellers in raw land transactions, has seen very few distressed land sales at the present time. We have seen some tracts foreclosed on, and there are and will be some outstanding buys, but it is difficult to say if we will see the flood of distressed assets as seen during the 1980s, as today's debt is much more complicated. Today's debt is securitized and located in secondary markets all over the world, making it difficult for regulators to identify and decisively move debt off of lenders' books. Lenders themselves have also been more hesitant to foreclose and stimulate their own write downs and widespread commercial real estate devaluations, preferring to work out solutions with their clients. With the money that our government is pouring into the economy, values and demand could very easily rebound before we fall into the long term recessionary curve of the late 1980s and early 1990s. Do you want to be caught sitting on the sideline, too late to enter the real estate market as property values increase and the value of your cash inevitably declines?

With impending inflation, the underlying demand-driven fundamentals fueling the Texas economy should make Texas a safe place to invest money. To those in a cash position to hedge themselves against the hyperinflation and uncertainty of the future, Texas rural land and commercial real estate should make safe, viable options.



Who is Buying Land?

by Teresa Talerico for REDNews



Randall Tuller
Principal & Managing Director
Situs

REDNews: What do you see as far as deals being done in land for the investment market?

Of course the number of transactions is way down over previous years, but there is still activity in the market. There are a few users still needing new locations, and there are a number of investment buyers looking for distressed opportunities in all property types.

REDNews: Do you see a push for commercial real estate investing to replace investing in the stock market?

I think on the surface this would seem a logical conclusion, but I've

not personally seen it. There were a lot of new entrants into the real estate investing community over the last several years before the cycle turned, many who paid too much, over-leveraged, or didn't know what they were buying and how complicated owning real estate can be. Many of these investors probably wished they hadn't bought real estate, or certainly wished they would have done so more diligently and understood the complexities involved in minimizing risk and maximizing returns. There may be some investors moving out of stocks and into real estate, although I don't think it will be a market-driving trend.

REDNews: Who is buying land?

We are working with a lot of equity funds and high net worth individuals searching for discounted properties due to foreclosure or problems arising from maturing loans or other issues. Additionally, we are seeing

interest in the purchase of notes secured by real estate in order to get ultimate ownership of the assets. There are also some users taking advantage in the softness of the market and are currently scouting for new locations.

REDNews: Where are the users looking for sites - urban/rural?

It really depends on what market they are in and who their customers are. It varies depending on what demographic they are trying to reach and how much they can pay for land.

