



## **LAND: BUY, SELL OR HOLD IN 2007**

**By Jennifer Raymond, Vice President**

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The land of North America was discovered through hunting and cultivating crops. Word traveled fast and humans began to settle here as the land molded their culture, religion and was a means of survival. Today, land is nearly becoming a commodity. Investors are buying and selling land as one of their real estate assets to diversify their portfolio, but is this the best investment?

For years, inflation adjusted land prices in Texas were less than the market prices of the 1960's, per The Real Estate Center at Texas A&M. However, the Center states that for the fourth year in a row, land prices increased in excess of 10% over the previous year, at an estimated 18% from 2005 to 2006.

When evaluating the land market, there are several factors to consider, population growth, retirement of the baby boomers, oil and mineral prices, accessibility to money, performance of other investments, and tax policies.

### **Texas' Economic and Demographic Environment Today**

Today, oil and gas prices have been booming driving increasing royalty payments and the energy industry profits. This in turn makes the ownership of mineral rights more attractive, filtering to increasing land values.

Texas's population is projected to increase 16% over the next 10 years and 32% by 2026 per the State Data Center's population growth projections. The population continues to age and there will be an influx of the baby boomers retiring soon, who will be seeking places to live for the latter years of their lives and a safe place to invest their inheritance. This factor changes the dynamics of all investment types, not exclusively land.

Cash is king. After learning our lesson from the 80's, retirees and investors alike are paying cash for land rather than financing due to the vulnerability to foreclosures. Despite the last few years of significant increases in land prices, Texas rural land is still viewed as a bargain compared to other parts of the United States. Therefore, foreign investors and investors outside of Texas are putting their cash into Texas undeveloped land.

Tax policy's that can change the way people look at land include a change in 1031 exchanges, alterations to the current agriculture and over 65 exemptions of property taxes, and estate taxes.

### **How does this affect us locally?**

Fort Bend County still has a significant amount of land available, most of which has been in "the family" for fifty to one hundred years. However, in the historically quiet towns of Katy, Fulshear, Rosenberg, Beasley, and Pleak land owners phones are ringing. Land seems to be running out everywhere, or at least that is how some of the developers see it. Ask the City of Sugar Land or the City of Stafford how much land is remaining for development. Not much, hence the growth is moving west. Prices have escalated as residential growth has penetrated these areas and retailers are taking notice. The more roof tops, the more needs there are to serve.

The cities throughout Fort Bend County are preparing for this western growth and are putting restrictions in place through zoning, management districts and the sort. City Long Range planning is dictating where and what type of developments will occur. These controls are making the areas even more attractive for residents and quality developers. Success has become inevitable, creating quality growth in all aspects of life and real estate.



The developers of the three largest newly announced planned communities can attest, Aliana (Houston ETJ), Cross Creek Ranch (Fulshear), and Telfair (Sugar Land), not to mention the communities continuing to grow such as Cinco Ranch (Katy) and Sienna Plantation (Missouri City). Take a look at the forecast for their land investments.

So, land evolved from being a means to survive on the natural resources to a vision of concrete and buildings for the development of retail, residential or commercial projects.

### **The Million Dollar Answer**

**Buy, sell and hold.** If you have patient money and are looking for a long term investment **buying land** is a relatively safe addition to your portfolio. If you already own land and you are in a situation where you anticipate needing money over the next five years now might be an ideal time to **sell your land** while land is selling at all time high prices. If you are fortunate enough to be in a situation where you already own land and there is no chance you will need to get your money out of it within the next five to ten years **holding your land** will cost you very little money and you should enjoy what you own.

The future of the overall economy will ultimately play a role in shifting land prices, availability of money to borrow, and growth and expansion. All these factors play into your decision whether to buy, sell or hold, but hindsight is 20:20 and ultimately you have to look at your individual financial situation and determine based on your unique circumstances which path to take.

If you are interested in learning more about evaluating your land options, please contact Jennifer Raymond at Indermuehle & Co.

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