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HARRISON CENTRAL APPRAISAL DISTRICT

MARKET VALUE REPORT **2025**

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INTRODUCTION

This report is intended to provide Harrison County property owners and taxing jurisdictions with background information concerning real estate value changes from 2024 to 2025 for property tax purposes.

In accordance with state law, the report does not disclose any sales information in a manner allowing the reader to determine sale prices of specific properties. This is because commercially sourced sales information in Texas is confidential.

The report will discuss changes to values, market analysis and appraisal philosophy in general terms. The Effective Date of Appraisal is January 1, 2025.

LIMITING CONDITIONS

- All properties are assumed to have fee simple ownership unless otherwise specified at the individual property level.
- Interior inspections are not conducted.
- Market data is limited to available information provided to HCAD.
- Unless otherwise specified at the individual property level, it is assumed that properties have no environmental impact issues.
- Sale information is commercially sourced and also obtained from public information and owner surveys. Commercially sourced sale information is confidential.
- Appraisal caps for homesteads and non-homestead properties will result in differences between market value and appraised value.
- Homesteaded properties are appraised as value-in-use and not by highest and best use in accordance with law.

LIMITATIONS OF THIS REPORT

The Texas Property Tax system administered by the Harrison Central Appraisal District (HCAD) has several limitations. These limitations impede the quality of appraisals generated by HCAD.

For example, sales disclosure is not mandatory in Texas. Because of this, HCAD does not obtain sale prices on all real estate transactions. This hampers the quantity of data HCAD has to develop opinions of value.

Additionally, property owners are hesitant to provide other relevant market data necessary to appraisal development. Surveys sent by HCAD for commercial real estate income lease and expense information are often ignored. This limits the ability of HCAD to perform the income approach to appraisal which is more accurate for commercial real estate.

In the face of these challenges, HCAD generates appraised values with the data available each year. To increase appraisal accuracy, HCAD would need more cooperation from owners regarding real estate market data.

CONTENTS OF THIS REPORT

This report will provide general statistics related to residential, rural land and commercial property appraisals in Harrison County for 2025.

STATUTORY COMPLIANCE

HCAD is required by state law to produce appraised values that are both uniform and at 100% of local market values. To ensure compliance, the state comptroller's office performs a value study every two years on appraisal district school values. This is called the State Property Value Study or PVS for short.

Harrison CAD is examined in odd numbered years. 2025 will be a study year.

The state uses market sales and other market data to determine if levels of appraisals developed by local CADs are valid. If a CAD fails to follow local market conditions, they are subject to fail the PVS. Such a failure can subject a local school to state funding loss thereby increasing the tax burden on local taxpayers.

In recent years, HCAD failed PVS compliance in the 2021 and 2022 studies performed for Hallsville ISD, Marshall ISD and Harleton ISD. Elysian Fields ISD was found to be out of compliance in only the 2021 study.

While the state allows a grace period for failure, that grace period is limited in a few ways. One of those ways limits grace to only two failures.

In 2023, HCAD values were found to be in compliance thereby avoiding school funding penalties. However, in order to qualify for grace in the coming years. HISD, HrISD and MISD must pass the 2025 PVS.

The PVS is one of several means by which the state enforces market value compliance among CADs statewide. Adherence to the local market is mandatory!

2025 REAL ESTATE CHANGES AT A GLANCE

Excluding totally exempt properties like government buildings and churches:

41,000 +/- properties increased over last year

8,800 +/- properties decreased from last year.

The average change in value was +\$34,455

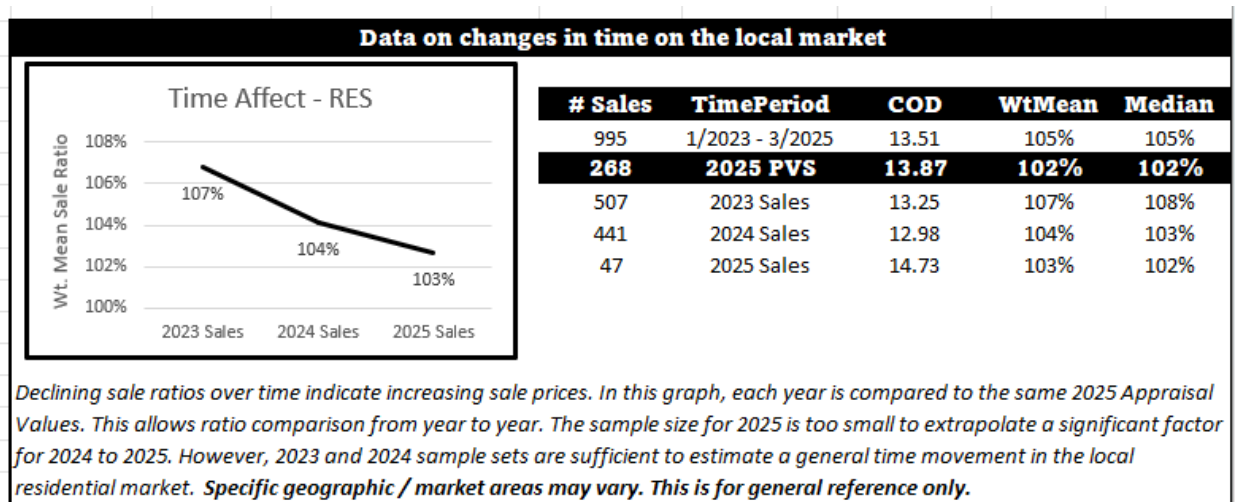
There were 268 residential sales in Harrison County between July 1, 2024 and Q1 2025.

HCAD 2024 values were 82% of market prices with a COD of 22.8

HCAD 2025 values are (as of this report) 103% of market prices with a COD of 13.9

There were 995 residential sales between January 1, 2023 and Q1 2025.

Comparison of 2023 and 2024 sales indicate a moderate appreciation in the residential market.



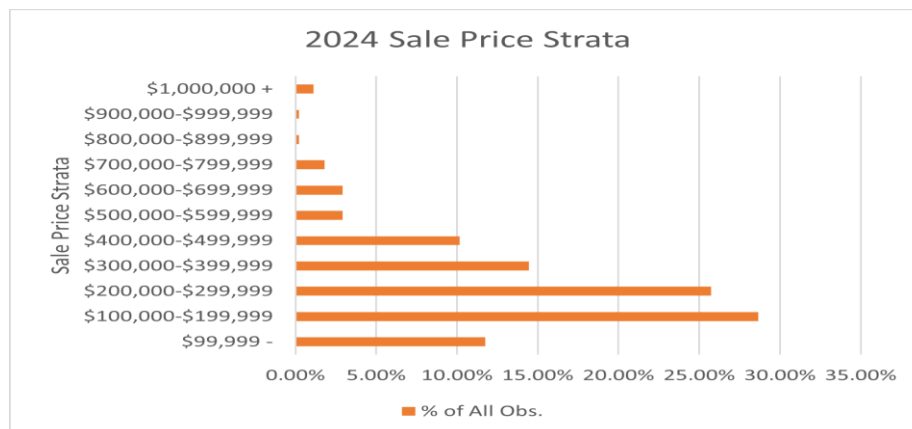
Reported residential sales for each year between 2021-2024 were examined and charted against listing prices. The most recent year (2024) shows a concentration of sale prices between 95% and 99% of listing prices.



Reported sale metrics by year comparing sale prices to list prices are as follows:

	2024	2023	2022	2021
Count	443	259	72	27
Max Sale % of List	123.2%	109.9%	121.1%	101.4%
Min Sale % of List	42.9%	59.1%	47.8%	69.0%
Average Sale % of List	96.3%	95.6%	93.4%	91.3%
Median Sale % of List	98.5%	99.4%	94.0%	93.0%
Coefficient of Dispersion (COD)	4.81	5.48	8.08	8.87
Median Sale Price	\$245,000	\$217,000	\$83,250	\$89,900

The distribution of residential sale prices for 2024 as a % of all reported Harrison County sales:



The following information is focused on school districts with sufficient data to approximate an anticipated state finding in the 2025 Property Value Study.

Marshall ISD

Residential Single Family (Category A*)

Stratum	Low Limit	High Limit	Test Parcels	TTL Parcels	Sample Local Value	Sample PTAD Value	Stratum Local Value	Ratio	Stratum PTAD Value	Cat. Ratio
1	1	35,690	0	2,333	0	0	43,961,100	1	43,961,100	
2	35,691	99,780	12	3,280	1,279,830	1,400,881	209,414,096	0.91	230,125,380	
3	99,781	161,750	22	1,763	8,240,630	8,339,449	224,954,027	0.97	231,911,368	
4	161,751	244,680	24	1,228	10,650,190	10,734,578	243,582,880	1	243,582,880	
5	244,681	99,999,999,999	26	814	14,806,390	14,681,975	296,476,210	1.08	274,515,009	
Total			84	9,418	34,977,040	35,156,883	1,018,388,313		1,024,095,738	0.99864

**This estimate uses Stratification Data from the 2023 PVS for the ISD. Sample count and Stratum Ratio are based on 2025 data as of date of this report. 2025 Stratification and associated local values will be different.*

Rural Residential Single Family (Category E*)

<u>Count</u>	<u>COD</u>	<u>Wt. Mean%</u>	<u>Mean%</u>	<u>Median%</u>
16	9.9	101%	103%	105%

** Category E will also have land only sales combined with improved property sales. The land sales will cause a great deal of variance in the data. These E properties however exhibit positive results for the 2025 PVS Cat E prediction. The E Category is not stratified. All sampled properties are combined into one stratum.*

Hallsville ISD

Stratum	Low Limit	High Limit	Test Parcels	TTL Parcels	Sample Local Value	Sample PTAD Value	Stratum Local Value	Ratio	Stratum PTAD Value	Cat. Ratio
1	1	98,790	0	1,245	0	0	54,297,610	1	54,297,610	
2	98,791	221,350	17	1,463	4,969,590	5,056,117	237,205,880	0.99	239,601,899	
3	221,351	306,660	20	1,037	12,736,590	13,099,520	272,689,390	0.98	278,254,480	
4	306,661	414,920	27	825	15,568,510	15,704,778	295,283,730	1.04	283,926,663	
5	414,921	99,999,999,999	32	750	32,811,750	33,644,934	416,424,680	1.08	385,578,407	
Total			96	5,320	66,086,440	67,505,349	1,275,901,290		1,241,659,059	1.02757

**This estimate uses Stratification Data from the 2023 PVS for the ISD. Sample count and Stratum Ratio are based on 2025 data as of date of this report. 2025 Stratification and associated local values will be different.*

Rural Residential Single Family (Category E*)

<u>Count</u>	<u>COD</u>	<u>Wt. Mean%</u>	<u>Mean%</u>	<u>Median%</u>
26	17.9	107%	111%	108%

** Category E will also have land only sales combined with improved property sales. The land sales will cause a great deal of variance in the data. These E properties however exhibit positive results for the 2025 PVS Cat E prediction. The E Category is not stratified. All sampled properties are combined into one stratum.*

The following school districts have limited sales data to approximate the result of the 2025 PVS. What data is available is presented below:

Harleton ISD

Harleton Category A data is insufficient to approximate the 2025 state study. The state will perform their own appraisals and compare them to HCAD appraisals. There is no way to predict their valuations or the result.

Rural Residential Single Family (Category E*)

<u>Count</u>	<u>COD</u>	<u>Wt. Mean%</u>	<u>Mean%</u>	<u>Median%</u>
9	18.2	111%	110%	104%

** Category E will also have land only sales combined with improved property sales. The land sales will cause a great deal of variance in the data. These E properties are also greatly varied leading to uncertainty about the final result of the Cat E finding. The E Category is not stratified. All sampled properties are combined into one stratum.*

Elysian Fields ISD

Elysian Fields Category A data is insufficient to approximate the 2025 state study. The state will perform their own appraisals and compare them to HCAD appraisals. There is no way to predict their valuations or the result.

Available Category A Sales data:

<u>Count</u>	<u>COD</u>	<u>Wt. Mean%</u>	<u>Mean%</u>	<u>Median%</u>
4	4.6	97%	98%	98%

Available Rural Residential Single Family (Category E*)

<u>Count</u>	<u>COD</u>	<u>Wt. Mean%</u>	<u>Mean%</u>	<u>Median%</u>
11	16.0	96%	101%	99%

** Category E will also have land only sales combined with improved property sales. The land sales will cause a great deal of variance in the data. These E properties are also greatly varied leading to uncertainty about the final result of the Cat E finding. The E Category is not stratified. All sampled properties are combined into one stratum.*

Waskom ISD

Waskom Category A data is insufficient to approximate the 2025 state study. The state will perform their own appraisals and compare them to HCAD appraisals. There is no way to predict their valuations or the result.

Available Category A Sales data:

<u>Count</u>	<u>COD</u>	<u>Wt. Mean%</u>	<u>Mean%</u>	<u>Median%</u>
8	18.6	109%	112%	111%

Available Rural Residential Single Family (Category E*)

<u>Count</u>	<u>COD</u>	<u>Wt. Mean%</u>	<u>Mean%</u>	<u>Median%</u>
2	17.1	118%	122%	122%

** Category E will also have land only sales combined with improved property sales. The land sales will cause a great deal of variance in the data. These E properties are also greatly varied leading to uncertainty about the final result of the Cat E finding. The E Category is not stratified. All sampled properties are combined into one stratum.*

Karnack ISD

Karnack Category A data is insufficient to approximate the 2025 state study. The state will perform their own appraisals and compare them to HCAD appraisals. There is no way to predict their valuations or the result. Lake sales are causing low trending ratios. However, the off-lake sales are decently situated.

Available Category A Sales data:

<u>Count</u>	<u>COD</u>	<u>Wt. Mean%</u>	<u>Mean%</u>	<u>Median%</u>
6	20.7	78%	84%	86%

Available Rural Residential Single Family (Category E*)

<u>Count</u>	<u>COD</u>	<u>Wt. Mean%</u>	<u>Mean%</u>	<u>Median%</u>
3	16.7	110%	107%	100%

** Category E will also have land only sales combined with improved property sales. The land sales will cause a great deal of variance in the data. These E properties are also greatly varied leading to uncertainty about the final result of the Cat E finding. The E Category is not stratified. All sampled properties are combined into one stratum.*

Residential Property Values

A new appraisal model for residential property was developed and released this year. These changes will affect site-built homes as well as manufactured housing across the county.

NEW RESIDENTIAL CLASSIFICATION SYSTEM

A new system of residential classification was developed. The new system simplifies and condenses the various different residential classifications in use for decades at HCAD. Residences are divided into Low (Class 1), Fair (Class 2), Average (Class 3), Good (Class 4), Very Good (Class 5) and Excellent (Class 6) construction qualities. The quality of construction has nothing to do the physical condition of a home. It is sole focused on the quality of materials and workmanship comprising a house. Physical and similar conditions are addressed with depreciation.

Each quality class was further divided by type of exterior: Brick veneer and masonry homes (BRK), Wood Sided homes (WOD), Metal sided and bardominium type homes (MTL), Log homes (LOG), Stucco / faux stucco (STU) and manufactured homes (MFG).

Finally, the classes listed above represent base benchmark (B) classes. To accommodate residences that lie somewhere between any two quality classes, additional Superior (S) classes were added. Using this methodology, an Average (3) Brick veneer (BRK) Superior (S) class will be between the base values for average and good residences.

NEW RESIDENTIAL COST OF CONSTRUCTION

Using the new classification system, HCAD appraisers used cost to construct data provided by Marshall & Swift (M&S) nationwide costing services for residences in Harrison County. This provided a baseline for the new residential valuation models that was further refined by depreciation and local sale market conditions.

NEW DEPRECIATION TABLES

Residential depreciation tables were developed from local market studies. Those tables extracted depreciation information from local residential sale prices since 2022.

The first step of that process used newly constructed residential sales and recent vacant land sales to determine a typical land-to-property ratio. Properties examined were limited to 5-acres or less in order to mitigate the impact of land value in a residential sale.

The study resulted in an estimate of 10% land contributory value for residential sales. Further, reported vacant lot sales indicate an 80% loan-to-value (LTV) ratio for vacant land financing. This means that a typical buyer would need to put down 20% to finance a land purchase. This will vary depending on lender and owner credit scores.

The next step of recalibrating depreciation tables determined the estimated reconstruction cost new (RCN)/square foot of living area for residential site-built houses in Harrison County.

Newly constructed residences built after 2022 that sold were analyzed. Land or lot sizes in the sample were limited to less than 5-acre parcels to mitigate the impact of land value in a residential sale. The estimate of 10% land contribution to sale price was used to extract the market sale value attributed to the structure. Sales

with extensive additional amenities such as pools, shops and other significant structures in addition to the primary residence were removed from the sample.

The resulting local data on RCN/sqft was then compared to a nationwide cost valuation firm. Marshall and Swift (M&S), now a part of CoreLogic, has provided cost of construction data for decades in North America. Cost estimates from M&S were performed on benchmark local properties from the sample used to develop local RCN/sqft. The subsequent comparison of locally adjusted M&S to HCAD RCN/sqft data was found to be comparable.

The last step of the depreciation study extracted the depreciated value of residential structures from local Harrison County sales after 2022. This was done using the estimated 10% land contribution on sold residential properties less than 5-acres. Extracting the land contributory estimate from the sale price leaves an estimate of reconstruction cost new less depreciation (RCNLD) value of the residence. That value was then compared to the M&S cost to construct (RCN). The difference is the market estimate of accrued depreciation.

The depreciation amounts were averaged over the effective age of each residence to extrapolate new depreciation tables.

One final note: the above-described depreciation tables were limited to site-built homes. However, manufactured home sales that were studied using the new residential depreciation tables were found to be more accurate than the manufactured home depreciation tables previously used by HCAD.

REMOVAL OF INDIVIDUAL ADJUSTMENTS

Attempts were made to review as many adjustments made to individual properties since 1981 that were still on properties in 2025. Some of these were removed or

otherwise changed. Of particular note, any property coded as landlocked had adjustments for access removed pending review. CAD staff will be examining those properties throughout the month of June. Any properties determined to be landlocked will have the adjustment reapplied prior to certification.

LOCAL MARKET/NEIGHBORHOOD CODING

Using the new classification and depreciation tables, model values were then compared to sale prices and segregated by school district. Attempts were made to ascertain any appreciable difference in data between school markets. Due to the limited data in some schools, local adjustments were limited and applied broad stroke to affected ISDs.

Hallsville ISD residences were given a +5% factor. Elysian Fields ISD residences were given a +3% factor. Lake properties in Karnack ISD were adjusted +5% and lake view properties a factor of +2.5%. These factors were applied to base model values.

Due to the limited nature of the data, no further market segmentations were able to be made at this time. HCAD hopes to further refine market and neighborhood coding in the coming year.

RESULTS OF THE NEW MODEL

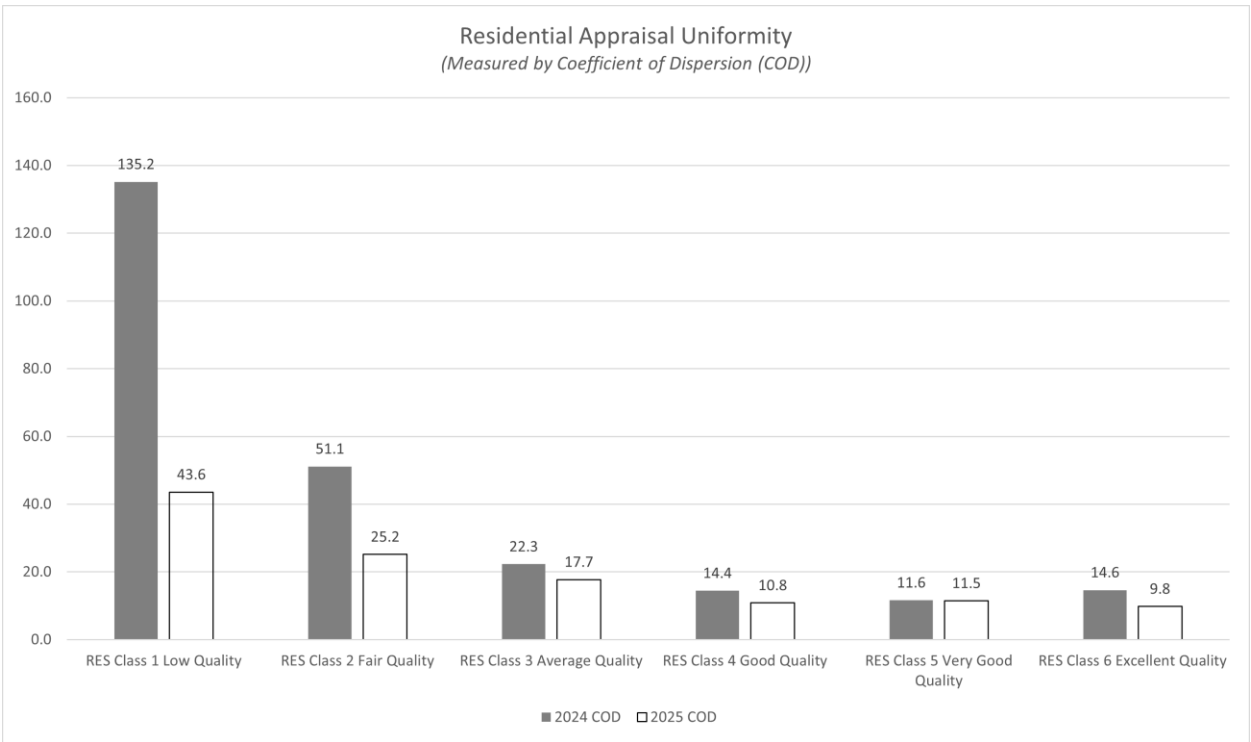
Comparing the new 2025 residential valuation models to the prior models indicate a marked improvement in uniformity across the county.

The industry standard measure of uniformity is a statistical measurement called a Coefficient of Dispersion (COD). The COD is measured around the median of a sample. Smaller COD values are preferred to larger COD values. The International

Association of Assessing Officers (IAAO) general standard for residential samples is between 5 and 15 COD.

The COD basically tells the analyst how much variance is present in the sample. A smaller COD means a tighter variance which equates to a better sample. The converse is true for higher COD values. The COD can be used to examine levels of appraisal, sale ratios or even \$/sqft data.

Using the COD, 2024 and 2025 HCAD valuations were compared. This graph illustrates the change in COD of \$/sqft of appraised residence value between the old and new models:

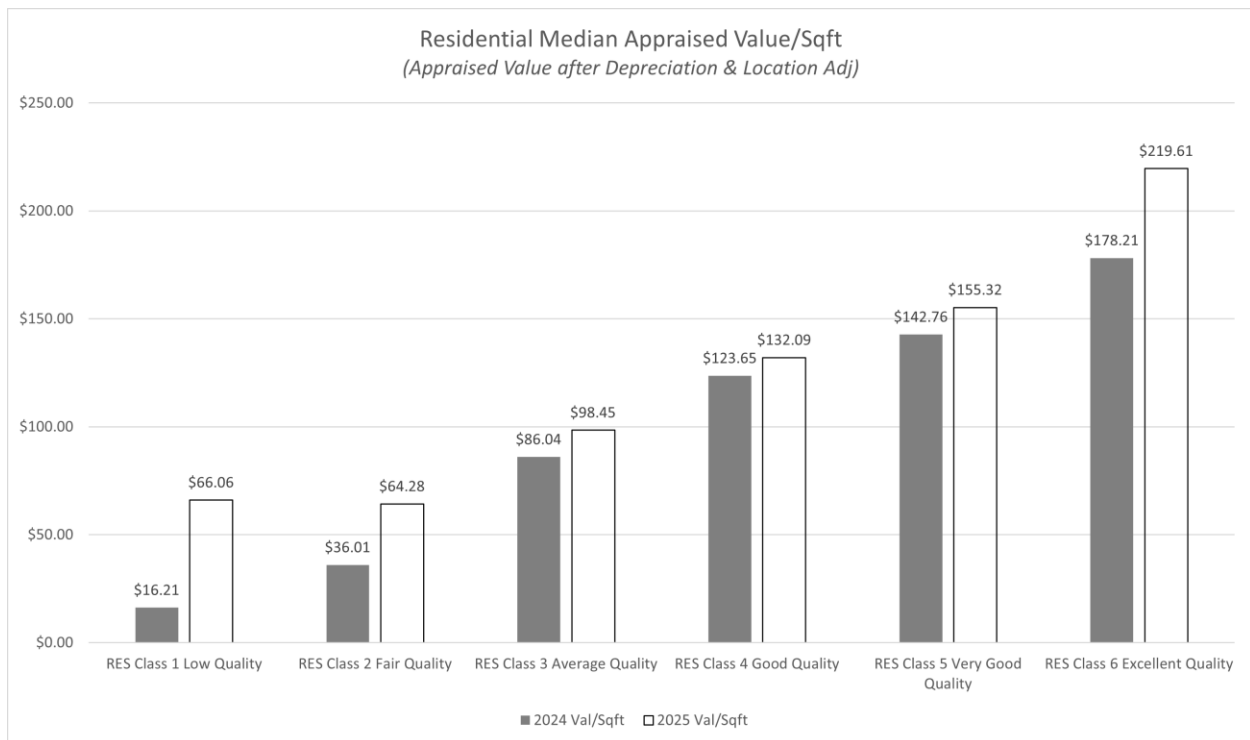


As the data indicates, the new model has resulted a large reduction in variability. This leads to more uniform appraisals across the category. While the new model performs superior to the old model, there are still significant concerns about low

and fair quality residences. These categories of residential property will vary more due to variations in maintenance and upkeep.

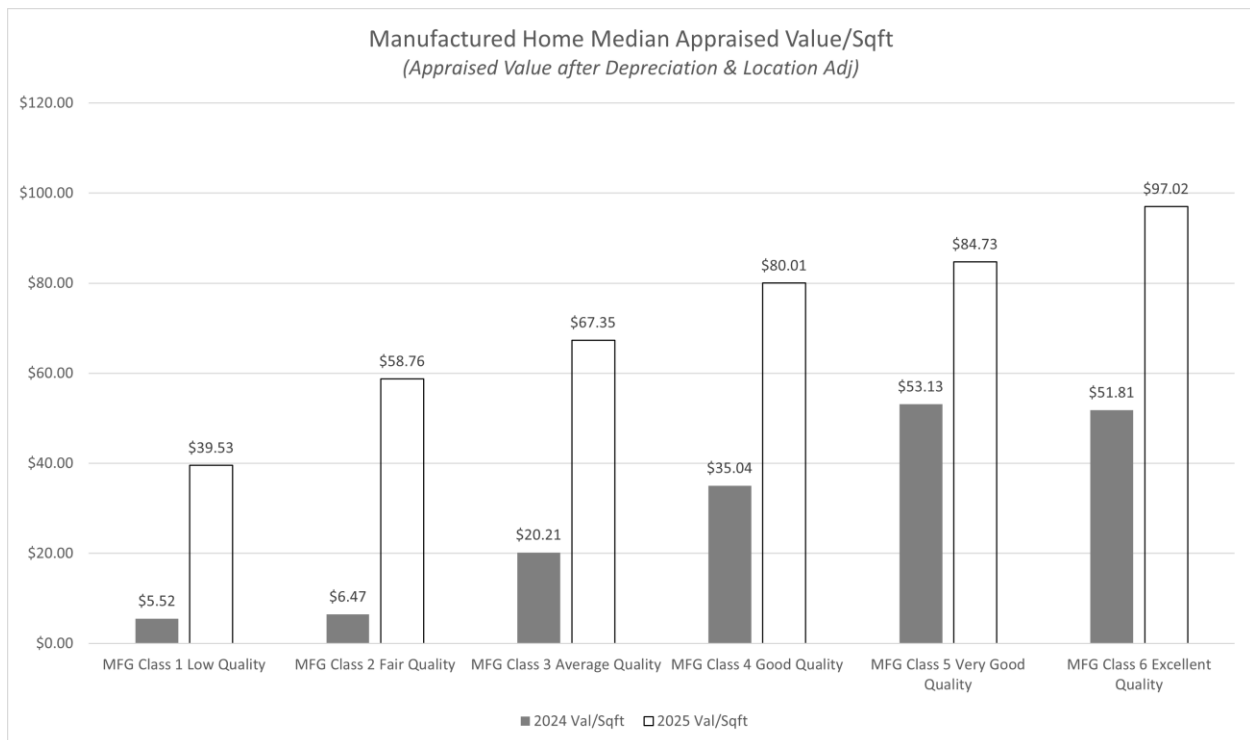
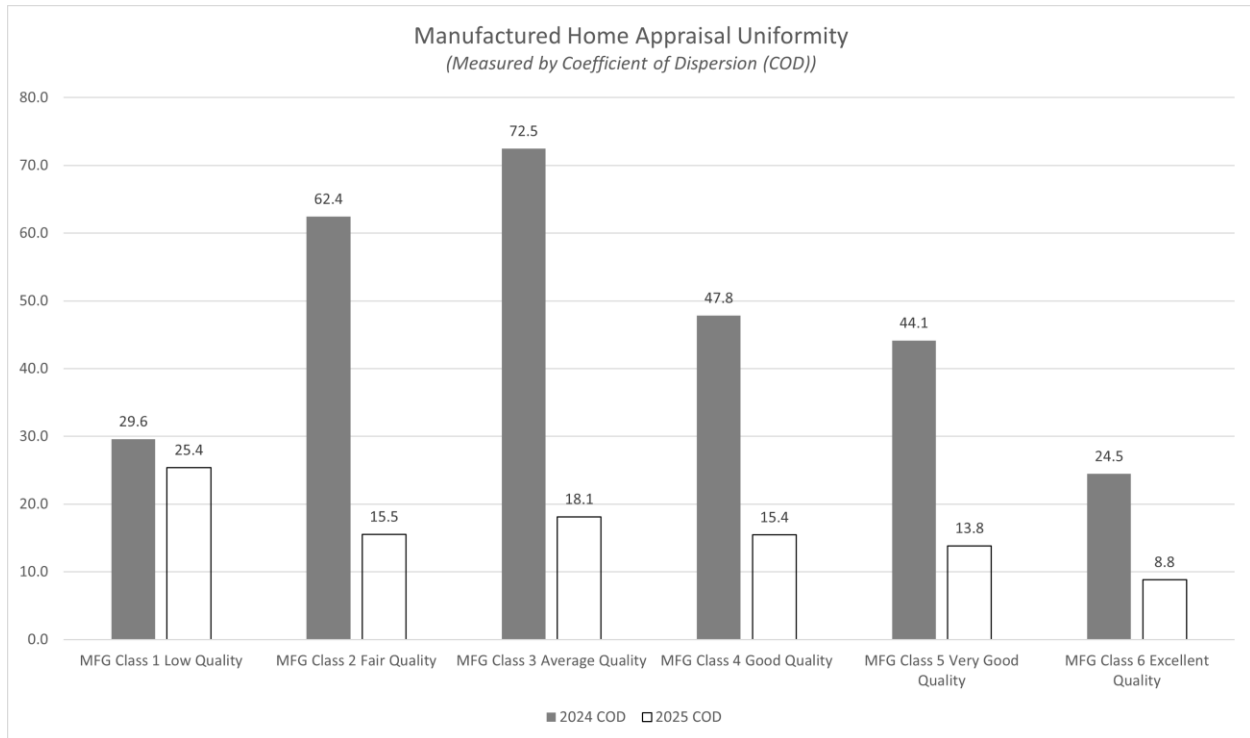
HCAD staff will be performing physical inspections of all properties over the next three years in order to refine the model and further reduce COD.

The new and old models have also resulted in a large change in median appraised value per sqft:



It is apparent that lower quality residences have not been updated sufficiently over the past many years thus requiring a large year over year change. The reader is encouraged to think about what can and can't be built for \$16 to \$36 per square foot...

Similar findings on manufactured homes were found as well. The following graphs illustrate the same comparisons for the MFG classes:



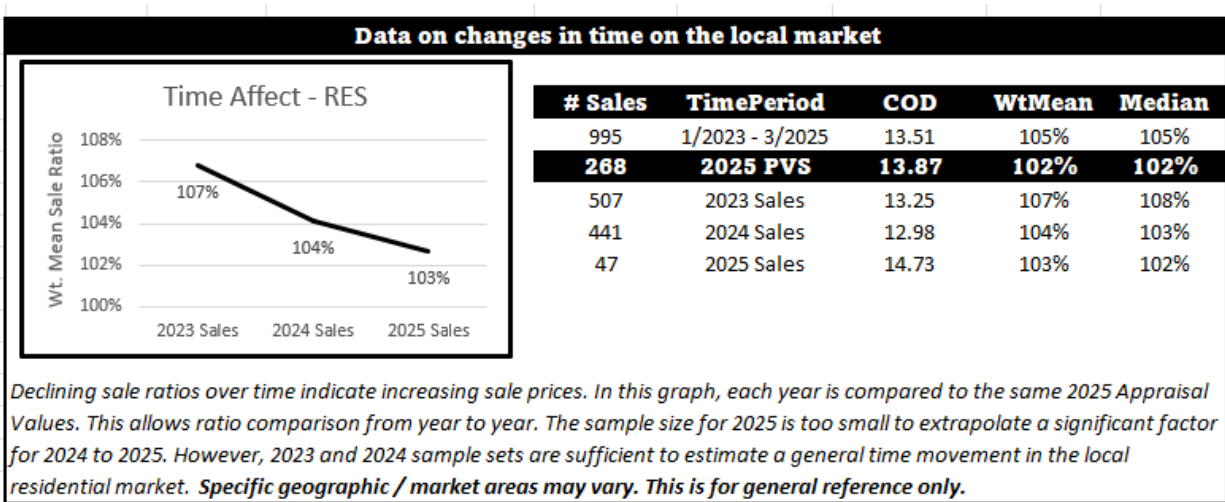
As the graph shows, there has been an alarming increase in value per sqft for manufactured homes. The MFG model was calibrated and developed using sales

of Harrison County MFG sales in 2024 and 2025 (if available). The take-a-way is that even used manufactured homes are selling for prices that defy the commonly held belief that mobile homes only depreciate in value.

MARKET APPRECIATION SINCE 2022

Sales of Harrison County residential property for 2023 and 2024 were compared using sale price ratios. A sale ratio divides the HCAD market value by the reported sale price. 2025 market values were compared to 2023 sale prices, as well as 2024 sales prices. In this manner, a direct comparison between sale prices can be examined over the time period.

Sale ratios of 2023 sold properties under the new model were an average of 107% of market. Sale ratios of 2024 sold properties under the new model had an average of 104%. A total of nearly 1,000 sales comprised this study. The COD variability between yearly samples is very comparable at 13+/- COD:



As the illustration note indicates, falling sale ratios between time periods are an indication that sale prices have increased. Increases in sale ratios between time periods would suggest falling prices.

The Harrison County data indicates a general 3% appreciation between 2023 and 2024 sales. While sellers may be revising listing prices downward, final sale prices are showing steady to moderately gaining price points based on this sample of 948 properties across Harrison County. Actual appreciation rates will vary between market areas. This study was not intended to derive an actual adjustment for time. It was performed to illustrate the general change in residential sales and should be understood as such.

OVERALL SALE RATIO STATISTICS FOR RESIDENTIAL PROPERTIES

Sale ratios comprise the backbone of residential value studies in mass appraisal. The ratio is calculated by dividing the CAD market value by the sale price for each sold property.

A ratio below 100% indicates that the HCAD value is too low. Ratios over 100% indicate the opposite. The Texas Constitution requires 100% market valuation. A target range of 95% to 105% is desired.

Due to the nature of mass appraisal and statistics in general. CAD values will be in excess of market value on some properties, below market value on some properties and close to market value on some properties. It is the goal of HCAD to have as many properties as possible within the 95%-105% target range.

For properties appraised above market value, the informal and formal protest season that ends in July is available to owners to dispute their valuations. Owners should consult their Notice of Appraised Value for the deadline to protest.

Examining the sale ratios for sold properties against the new and old HCAD models, the following statistics were calculated:

State PVS Study Time Period: 7/1/2024 - 6/30/2025

--- All Residential Classes ---

2024 Model Values

# Props in Sample	268
Weighted Ave Sale Ratio	82%
COD	22.8

2025 Model Values

# Props in Sample	268
Weighted Ave Sale Ratio	103%
COD	13.9

--- Brick Residential Classes ---

2024 Model Values

# Props in Sample	169
Weighted Ave Sale Ratio	87%
COD	15.2

2025 Model Values

# Props in Sample	169
Weighted Ave Sale Ratio	105%
COD	11.1

--- Wood Ext. Residential Classes ---

2024 Model Values

# Props in Sample	69
Weighted Ave Sale Ratio	65%
COD	29.0

2025 Model Values

# Props in Sample	69
Weighted Ave Sale Ratio	92%
COD	18.3

--- Manufactured (MFG) Residential Classes ---

2024 Model Values

# Props in Sample	23
Weighted Ave Sale Ratio	62%
COD	41.5

2025 Model Values

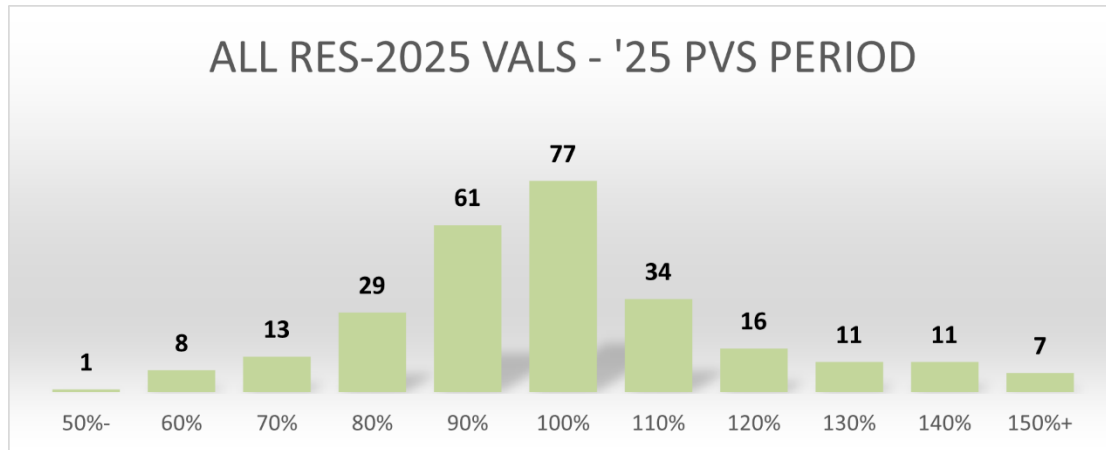
# Props in Sample	23
Weighted Ave Sale Ratio	110%
COD	13.1

As the chart shows, prior residential appraised values were significantly low compared to local residential sales. Overall, out of 268 sales in the sample time period, HCAD values were at 82% of market value on average. This means that the CAD was roughly 18% below market value. Additionally, the prior model exhibits an alarmingly high COD of nearly 23. Industry standard for residential property tops out at 15 COD.

Variability of wood exterior homes in the new model, while a marked improvement over previous, is still too high and will be rectified over the coming

years by physical inspections of property. Additionally, the average ratio for wood exterior is below the target range but much improved over 2024. Most of this variability will be in Low (Class 1) and Fair (Class 2) wood clad structures.

When divided into percentiles of sale ratio, a frequency plot was developed to illustrate the distribution of sale ratios in the sample:



For example, in the time period of the 2025 PVS (7/1/2024-6/30-2025), there were 77 properties with sale ratios between 100% and 109%. 61 properties have ratios between 90% and 99% and so forth.

In this manner, the variability and distribution of the sale ratio report can be visualized. The plot is a fair approximation of a normal statistical bell curve, within reason.

OTHER POINTS OF CONSIDERATION IN THE RESIDENTIAL STUDY

Outliers...

A total of nearly 1,000 Harrison County Residential sales comprised the final study. These ranged from 1/1/2023 to a limited number of available 2025 sales.

Prior to final selection, HCAD trimmed outliers and influential observations from the sales database for that period. The method of trimming was in accordance

with the IAAO Standard on Ratio Studies as found in Appendix B of that standard. Sale ratios were divided in to quartiles and the interquartile range (IQR) from the lowest quartile point (Q1) to the higher quartile point (Q3) was calculated. That IQR was then multiplied by a factor of 1.5 and the result taken away from or added to points Q1 and Q3 to find upper and lower trim points:

Outlier Trimming Metrics as of Study

Q1 97.39831%	Q2 107.15399%	Q3 124.27650%	
IQR 26.87819%	1.5 IQR 0.403172801	Low Trim 57.08103%	High Trim 164.59378%
	3.0 IQR 0.806345602	Low Trim 16.76375%	High Trim 204.91106%

A multiplier of 3.0 was also calculated and considered. Properties with ratios outside of the higher and lower trim points were excluded from the final analysis. In this manner, unusually high or low ratios were not allowed to influence final statistics for model calibrations.

A total of 135 sales were trimmed from the final sample. The properties are subject to further inquiry and inspection to determine any reasons for the extreme ratio. In some cases, a land only sale may be erroneously included in the residential list resulting in an abnormally high ratio. Removal of these trimmed properties left nearly 1,000 properties in the final 2023-2025 dataset. The following properties were trimmed:

Class	Ratio	Sale Date	Class	Ratio	Sale Date	Class	Ratio	Sale Date
RES_5B_BRK	816%	1/6/2023	RES_3B_MFG	1294%	8/15/2023	RES_2B_WOD	237%	4/3/2024
RES_2B_WOD	217%	1/9/2023	RES_2B_WOD	219%	8/18/2023	RES_2B_WOD	205%	4/4/2024
RES_2B_WOD	210%	1/17/2023	RES_2B_MFG	305%	8/17/2023	RES_4S_BRK	822%	5/2/2024
RES_2B_WOD	182%	5/23/2023	RES_5S_BRK	861%	8/25/2023	RES_2B_MFG	223%	5/10/2024
RES_2B_WOD	228%	1/3/2023	RES_3B_BRK	400%	8/28/2023	RES_1B_WOD	296%	5/1/2024
RES_2B_WOD	180%	1/31/2023	RES_4B_MFG	351%	8/30/2023	RES_3B_BRK	173%	5/17/2024
RES_4S_BRK	870%	2/2/2023	RES_2B_WOD	30%	9/6/2023	RES_1B_WOD	287%	5/22/2024
RES_2B_WOD	183%	2/7/2023	RES_4S_BRK	1003%	10/3/2023	RES_2B_WOD	168%	5/13/2024
RES_2B_WOD	221%	2/3/2023	RES_2B_WOD	171%	9/9/2023	RES_2S_WOD	182%	6/15/2024
RES_3B_MFG	571%	2/13/2023	RES_2B_MFG	470%	10/5/2023	RES_2B_WOD	219%	6/24/2024
RES_3B_BRK	54%	3/24/2023	RES_3B_WOD	275%	10/12/2023	RES_2B_WOD	307%	7/26/2024
RES_3B_BRK	244%	3/28/2023	RES_2B_WOD	198%	10/6/2023	RES_2B_WOD	173%	7/30/2024

Class	Ratio	Sale Date	Class	Ratio	Sale Date	Class	Ratio	Sale Date
RES_3B_WOD	327%	3/29/2023	RES_2B_WOD	211%	10/30/2023	RES_4S_BRK	826%	8/8/2024
RES_2B_WOD	183%	3/30/2023	RES_5S_BRK	577%	11/1/2023	RES_3S_MTL	54%	8/9/2024
RES_2B_WOD	176%	3/7/2023	RES_2B_WOD	180%	9/28/2023	RES_3B_BRK	56%	8/16/2024
RES_1B_WOD	395%	3/30/2023	RES_2B_WOD	207%	11/9/2023	RES_4B_MTL	258%	8/27/2024
RES_3B_MFG	471%	3/31/2023	RES_2S_BRK	238%	11/14/2023	RES_4S_BRK	327%	8/30/2024
RES_2B_WOD	168%	3/29/2023	RES_4B_MFG	783%	11/21/2023	RES_2B_WOD	42%	9/28/2024
RES_1B_MFG	309%	4/10/2023	RES_3B_BRK	199%	11/20/2023	RES_2B_WOD	168%	10/2/2024
RES_2B_MFG	246%	4/17/2023	RES_2B_WOD	293%	11/27/2023	RES_1B_MTL	54%	10/3/2024
RES_3B_MFG	261%	4/21/2023	RES_3B_MFG	481%	11/28/2023	RES_3B_MFG	590%	10/24/2024
RES_2B_WOD	217%	4/21/2023	RES_5B_BRK	392%	11/30/2023	RES_2B_WOD	181%	11/22/2024
RES_3B_MFG	34%	4/20/2023	RES_1B_WOD	370%	11/21/2023	RES_2B_WOD	307%	11/14/2024
RES_4B_MFG	53%	4/21/2023	RES_4B_MFG	258%	11/21/2023	RES_2B_WOD	51%	12/13/2024
RES_2B_WOD	166%	5/5/2023	RES_4S_BRK	215%	11/27/2023	RES_3B_BRK	260%	12/19/2024
RES_4B_MFG	190%	5/15/2023	RES_2B_WOD	508%	12/8/2023	RES_3B_WOD	192%	1/6/2025
RES_2B_WOD	53%	4/26/2023	RES_3B_MFG	906%	8/26/2023	RES_2B_LOG	167%	1/6/2025
RES_3B_MFG	317%	5/19/2023	RES_1B_MFG	818%	5/5/2023	RES_2B_WOD	178%	1/7/2025
RES_2B_WOD	172%	5/22/2023	RES_3B_MFG	202%	1/10/2024	RES_2B_WOD	219%	1/8/2025
RES_2B_WOD	287%	5/26/2023	RES_2B_WOD	167%	1/12/2024	RES_3B_LOG	214%	2/11/2025
RES_2B_WOD	170%	6/9/2023	RES_3B_MFG	282%	1/10/2024	RES_2B_WOD	221%	2/7/2025
RES_2B_MFG	209%	6/12/2023	RES_2B_WOD	190%	1/17/2024	RES_5S_BRK	46%	2/19/2025
RES_2B_WOD	293%	6/14/2023	RES_2B_WOD	343%	1/18/2024	RES_1B_WOD	198%	2/19/2025
RES_3B_BRK	449%	6/20/2023	RES_2B_WOD	293%	3/1/2024	RES_2B_WOD	202%	2/20/2025
RES_4B_MFG	853%	6/21/2023	RES_3B_BRK	324%	2/9/2024	RES_4B_BRK	371%	2/24/2025
RES_5B_BRK	650%	6/30/2023	RES_2B_WOD	327%	2/16/2024	RES_4B_BRK	166%	8/7/2023
RES_3B_BRK	177%	6/30/2023	RES_3B_WOD	211%	8/28/2024	RES_4B_BRK	177%	12/11/2024
RES_1B_WOD	250%	7/14/2023	RES_4B_MFG	620%	2/27/2024	RES_3B_WOD	47%	2/27/2025
RES_3S_WOD	205%	6/27/2023	RES_2S_WOD	189%	2/22/2024	RES_2B_WOD	247%	3/7/2025
RES_2S_WOD	192%	7/21/2023	RES_3B_MFG	479%	3/7/2024	RES_3B_BRK	266%	3/5/2025
RES_3B_MFG	1295%	7/8/2023	RES_2B_WOD	272%	3/15/2024	RES_2B_WOD	457%	3/7/2025
RES_4B_MFG	208%	8/1/2023	RES_2B_WOD	244%	3/19/2024	RES_2B_WOD	184%	3/11/2025
RES_2B_WOD	215%	8/4/2023	RES_2B_MFG	56.8794%	3/20/2024	RES_2B_WOD	200%	3/12/2025
RES_2B_WOD	283%	8/8/2023	RES_3B_BRK	231%	3/21/2024	RES_3B_BRK	973%	3/14/2025
RES_3B_WOD	248%	7/31/2023	RES_3B_MFG	181%	3/27/2024	RES_2B_WOD	185%	3/14/2025

Extreme Ratios...

As evidenced and mentioned earlier in this report, the CAD will always over and under appraise properties. For owners who fall into the overvalued category, HCAD encourages you to contact them prior to the deadline to protest as found on your Notice of Value. Every effort to correct any errors will be made.

Rural Land Property Values

A new appraisal model for rural land valuation was developed and released this year. These changes will affect certain types of land values across the county. The changes were twofold. First, tracts with contiguous ownership were “combined” in a manner of speaking. Second, rural land classes under the old model were condensed into three primary land classes. Both of these issues will be discussed below.

CONTIGUOUS TRACTS

The term contiguous simply means that “they touch”. If an owner has three individual 5-acre tracts, and those three tracts “touch” each other, the owner in effect has 15-acres. In this scenario, HCAD needs to value each individual 5-acre tract as if it were 15-acres altogether in terms of \$/acre. So, instead of appraising the \$/acre of each account as a separate 5-acre tract, we value each individual account at the \$/acre relevant to a 15-acre sale. This is a benefit to owners because typically, larger tracts have lower \$/acre than smaller tracts.

NEW RURAL LAND CLASSIFICATIONS

The previous rural land model has been condensed into three primary classes dependent upon what type of public access is available to the tract. Tracts accessible by county roads are coded as County Basic (CB). Tracts accessible by major state or federal roadways are coded as State Superior (SS). And those accessible by minor state or federal roadways are coded State Basic (SB).

Highways 59, 43, 80, Loop 390 and I-20 were considered major roadways (SS). All other highways or F.M. type roads are (SB). While this classification structure is

not perfect, it does lend itself to further refinement in the future provided market data is available to further segment the classes.

The success of this reclassification effort has been hampered by whether land classes were coded correctly under the old model. As staff appraisers conduct field inspections in the years to come, those errors will be rectified.

LANDLOCKED PROPERTIES

Previously, HCAD had specific land class codes for tracts that were landlocked. Landlocked means that an owner's property does not touch a public access roadway. Think of a 1-acre tract in the middle of 1,000 acres. The tracts are owned by different people. The 1-acre owner does not have direct access to their property without crossing the other's land.

These situations are being modeled differently under the new model. The new model will use the primary land class (CB, SB, SS) as if it were not landlocked. Then, an adjustment code will be placed on the landlocked tract to account for the discount in value attributed to having cross someone else's property. As of this report, all properties that were coded as landlocked have been issued Notices of Value without any value discount. HCAD staff are working to examine each instance previously coded as landlocked to determine the ones that are truly landlocked. That will be completed before certification. Those that are identified as being landlocked will have a discount restored to the account. Owners who are indeed landlocked should contact HCAD to ensure they receive the value discount.

LOCAL MARKET/NEIGHBORHOOD CODING

Segmenting land among different market areas has been limited to Hallsville ISD (+15%) and Elysian Fields ISD (+3%). Available sales data on vacant land sales has been insufficient to determine any other market area discounts or appreciations. This will be further examined in the coming years.

LAND CLASSES NOT YET CHANGED

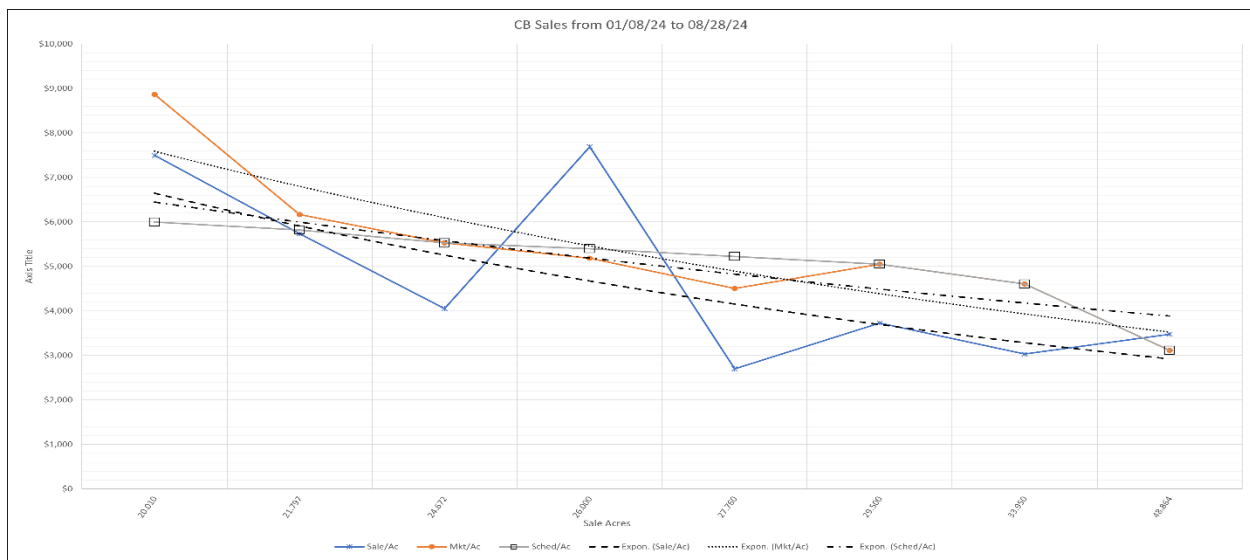
Only rural acreage has been retrofitted to the new model. Due to time and resource constraints, square footage and front footage-based land schedules were not changed. That will be a priority for 2026.

SALES MARKET ANALYSIS FOR VACANT LAND

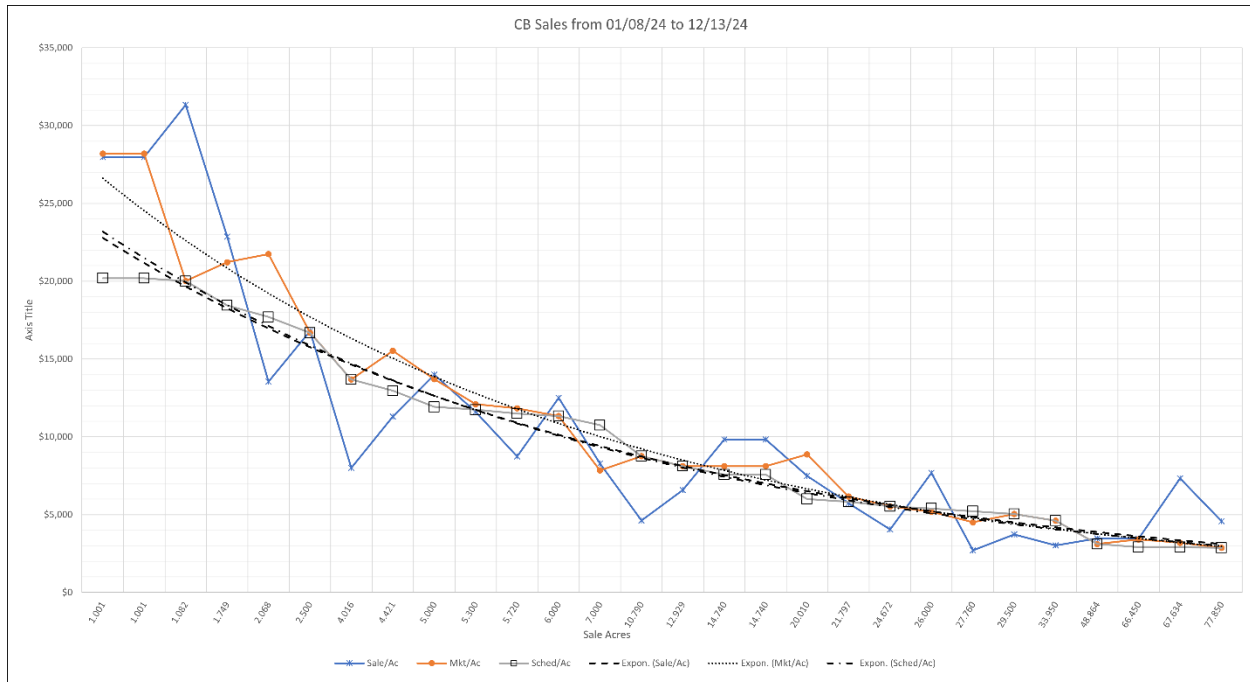
HCAD does not perform a sale ratio study on vacant land like it does on residential property. Land sales tend to have great variability from sale to sale.

Instead of a traditional sales ratio study, HCAD performs a \$/acre analysis of sales and plots those values against HCAD model \$/acre. To calibrate the final land schedule, a mathematical regression line is plotted through the sale \$/acre data.

HCAD then builds a model that closely approximates the regression curve.



The previous graph charts 2024 (CB) sales between 15 and 50 acres. The * line represents sale price per acre. As can be seen, there is a great variance in sale \$/acre. The only mass appraisal way to handle this is by regression line. The following chart shows all 2024 (CB) sales to illustrate the entire sales regression line:



OVERALL RESULTS FOR RURAL LAND PROPERTIES

The following tables represent the new appraisal models for each of the three primary classes:

CB

Size Stratum	\$/Acre
0.00	\$20,200.000
1.00	\$20,200.000
3.00	\$15,520.000
5.00	\$11,920.000
10.00	\$9,000.000
20.00	\$6,000.000
50.00	\$3,000.000
100.00	\$2,750.000
200.00	\$2,500.000
500.00	\$2,000.000
1,000.00	\$2,000.000
999,999.00	\$1,700.000

SB

Size Stratum	\$/Acre
0.00	\$20,200.000
1.00	\$20,200.000
3.00	\$15,520.000
5.00	\$11,920.000
10.00	\$9,000.000
20.00	\$6,000.000
50.00	\$3,000.000
100.00	\$2,750.000
200.00	\$2,500.000
500.00	\$2,000.000
1,000.00	\$2,000.000
999,999.00	\$1,700.000

SS

Size Stratum	\$/Acre
0.00	\$23,230.000
1.00	\$23,230.000
3.00	\$19,400.000
5.00	\$16,688.000
10.00	\$12,600.000
20.00	\$9,000.000
50.00	\$4,500.000
100.00	\$4,125.000
200.00	\$3,750.000
500.00	\$3,000.000
1,000.00	\$3,000.000
999,999.00	\$2,550.000

The following data represents the 2024 rural land sale data available:

Sale Date	Land Class	Sale Price	Acres	Sale\$/Ac
12/13/2024	CB	\$28,000	1.001	\$27,972
11/22/2024	CB	\$28,000	1.001	\$27,972
8/1/2024	CB	\$33,900	1.082	\$31,331
1/26/2024	SB	\$50,000	1.240	\$40,323
2/26/2024	CB	\$40,000	1.749	\$22,870
8/29/2024	CB	\$28,000	2.068	\$13,540
12/26/2024	SS	\$60,000	2.203	\$27,236
5/2/2024	CB	\$42,000	2.500	\$16,800
7/26/2024	CB	\$32,128	4.016	\$8,000
1/12/2024	CB	\$50,000	4.421	\$11,310
9/13/2024	CB	\$70,000	5.000	\$14,000
4/19/2024	SS	\$115,000	5.160	\$22,287
5/16/2024	CB	\$61,500	5.300	\$11,604
4/5/2024	CB	\$50,000	5.720	\$8,741
6/28/2024	CB	\$75,000	6.000	\$12,500
6/6/2024	SB	\$75,900	6.145	\$12,352
7/25/2024	SB	\$70,000	6.791	\$10,308

Sale Date	Land Class	Sale Price	Acres	Sale\$/Ac
10/7/2024	CB	\$58,000	7.000	\$8,286
6/26/2024	SB	\$75,000	8.297	\$9,039
12/10/2024	SB	\$130,000	10.040	\$12,948
11/22/2024	CB	\$50,000	10.790	\$4,634
2/8/2024	SB	\$30,000	10.980	\$2,732
8/14/2024	CB	\$85,000	12.929	\$6,574
2/15/2024	CB	\$145,000	14.740	\$9,837
2/15/2024	CB	\$145,000	14.740	\$9,837
12/20/2024	SB	\$70,000	18.550	\$3,774
5/2/2024	CB	\$150,000	20.010	\$7,496
8/28/2024	CB	\$125,000	21.797	\$5,735
5/20/2024	SB	\$140,820	23.455	\$6,004
1/30/2024	SB	\$170,000	24.503	\$6,938
5/2/2024	CB	\$100,000	24.672	\$4,053
3/15/2024	CB	\$200,000	26.000	\$7,692
1/8/2024	CB	\$75,000	27.760	\$2,702
6/20/2024	CB	\$110,000	29.500	\$3,729
1/5/2024	SB	\$180,321	33.393	\$5,400
4/30/2024	CB	\$102,900	33.950	\$3,031
6/24/2024	SB	\$127,750	42.197	\$3,027
2/23/2024	CB	\$170,000	48.864	\$3,479
9/30/2024	CB	\$230,000	66.450	\$3,461
1/10/2024	CB	\$496,000	67.634	\$7,334
3/22/2024	SS	\$248,950	76.600	\$3,250
7/31/2024	CB	\$356,188	77.850	\$4,575

As previously stated, vacant land has more variability in \$/unit than other types of real estate transactions. Some sale \$/acre transactions will be less and some more than the HCAD model regression line.

Ag. Timber and Wildlife Property Values

State law allows for a lower taxable value per acre for land that qualifies under what is known as “productivity”. This means a tract that is being used for agricultural, timber or wildlife enterprises.

The taxable value is derived based on a net income approach-to-value per acre. The calculations are established by state manuals.

2025 CHANGES IN TIMBER VALUES

HCAD utilizes an estimate of timber productivity value as generated by the state comptroller's office. The statutory timber calculations are extensive and comprise roughly fifteen different calculation sheets in a spreadsheet file.

The 2025 timber value schedules are as follows:

2025 HCAD Timber Productive Value/Ac	2025		2024		Change
		Value/Ac		Value/Ac	
Pine Class I Soil		\$380.00		\$380.00	\$0.00
Pine Class II Soil		\$219.00		\$228.00	(\$9.00)
Pine Class III Soil		\$178.00		\$182.00	(\$4.00)
Pine Class IV Soil		\$172.00		\$175.00	(\$3.00)
Mixed Class I Soil		\$257.00		\$243.00	\$14.00
Mixed Class II Soil		\$147.00		\$143.00	\$4.00
Mixed Class III Soil		\$81.00		\$80.00	\$1.00
Mixed Class IV Soil		\$48.00		\$49.00	(\$1.00)
Hdwood Class I Soil		\$178.00		\$160.00	\$18.00
Hdwood Class II Soil		\$90.00		\$80.00	\$10.00
Hdwood Class III Soil		\$51.00		\$47.00	\$4.00
Hdwood Class IV Soil		\$17.00		\$15.00	\$2.00

Part of the income approach-to-value centers on a capitalization rate. For timber, that rate is established by law and is tied to the previous December 31st Farm Credit Bank of Texas rate plus 2.5%. These rates are combined into a running average using five years-worth of rates. The rate for 2025 declined marginally from 7.85% to 7.75%. (A declining cap rate mathematically places upward pressure on prices.)

Net income per acre as calculated by the state is up slightly from last year as a result of 2024 stumpage price reports. Higher prices and lower cap rates have combined to produce a higher taxable \$/acre for all but five categories of timber as evidenced in the above chart.

2025 CHANGES IN AGRICULTURE VALUES

HCAD did not change any 2025 values for pasture, cropland or orchards.

2025 HCAD Ag Productive Value/Ac	2025		2024		
		Value/Ac		Value/Ac	Change
Improved Pasture Class I Soil		\$298.85		\$298.85	\$0.00
Improved Pasture Class II Soil		\$224.70		\$224.70	\$0.00
Improved Pasture Class III Soil		\$132.57		\$132.57	\$0.00
Native Pasture Class I Soil		\$122.49		\$122.49	\$0.00
Native Pasture Class II Soil		\$92.10		\$92.10	\$0.00
Native Pasture Class III Soil		\$54.34		\$54.34	\$0.00

2025 CHANGES IN WILDLIFE VALUES

Wildlife productivity valuation does not have models specific to wildlife. Since wildlife qualification requires prior appraisal in agriculture or timber land, wildlife values are simply the same productivity value of the previous ag or timber land code. As the ag or timber values change, wildlife will change accordingly.

Commercial Real Estate Property Values

Significant changes were made to all commercial real estate models. This has resulted in much variability when compared to the old commercial model.

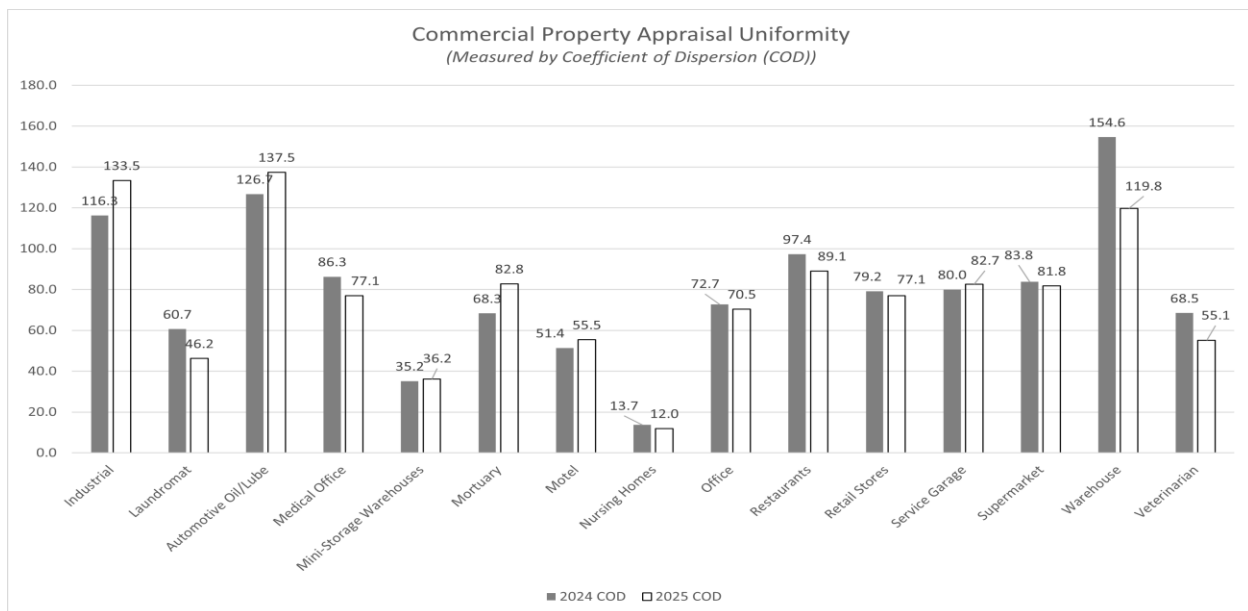
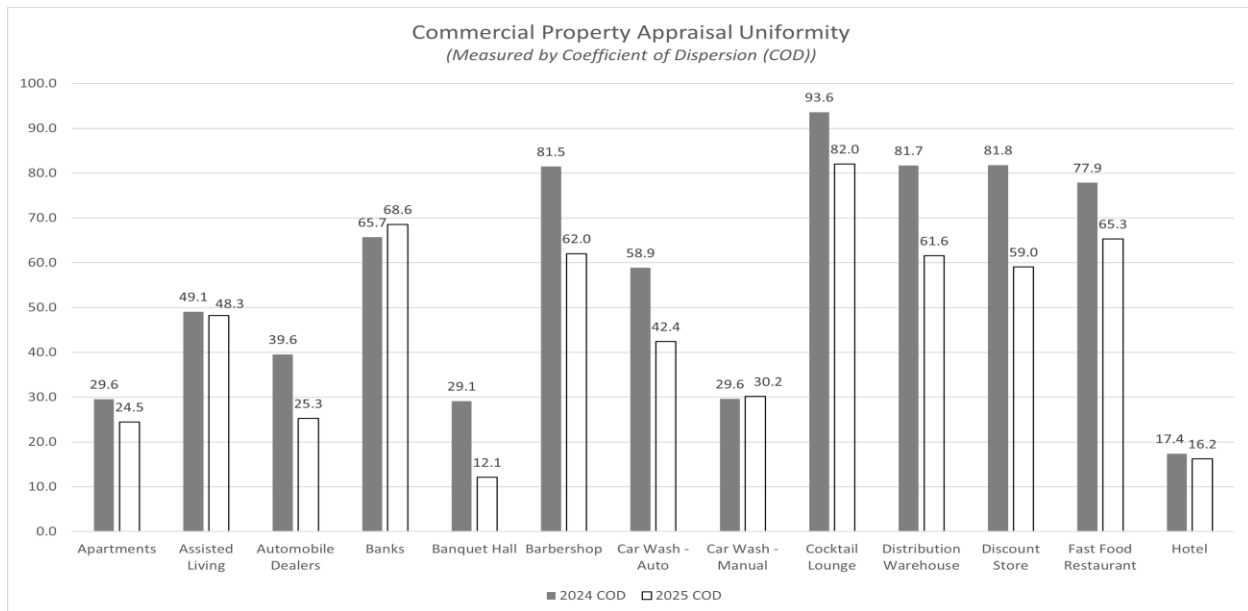
The reasons for this change are based on the need to bring greater uniformity and equity between commercial property types, as well as, updating values to 2025 levels.

COMMERCIAL PROPERTY APPRAISAL UNIFORMITY & VALUES

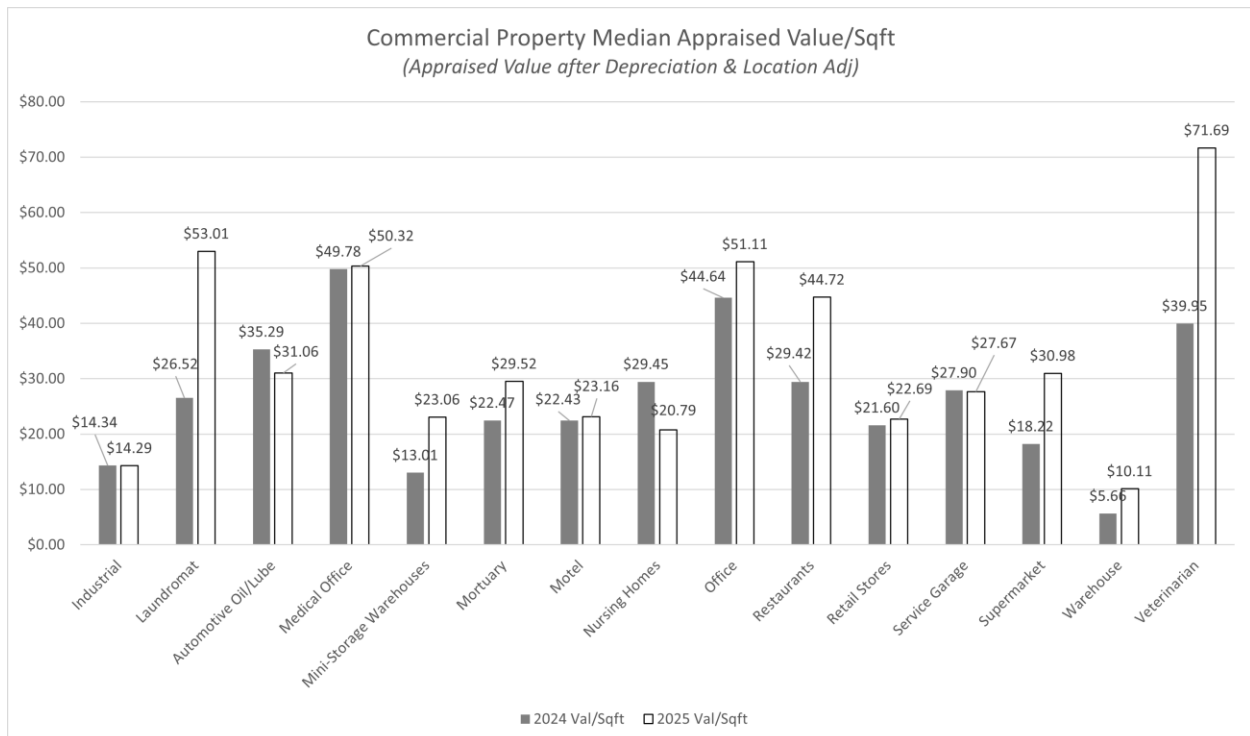
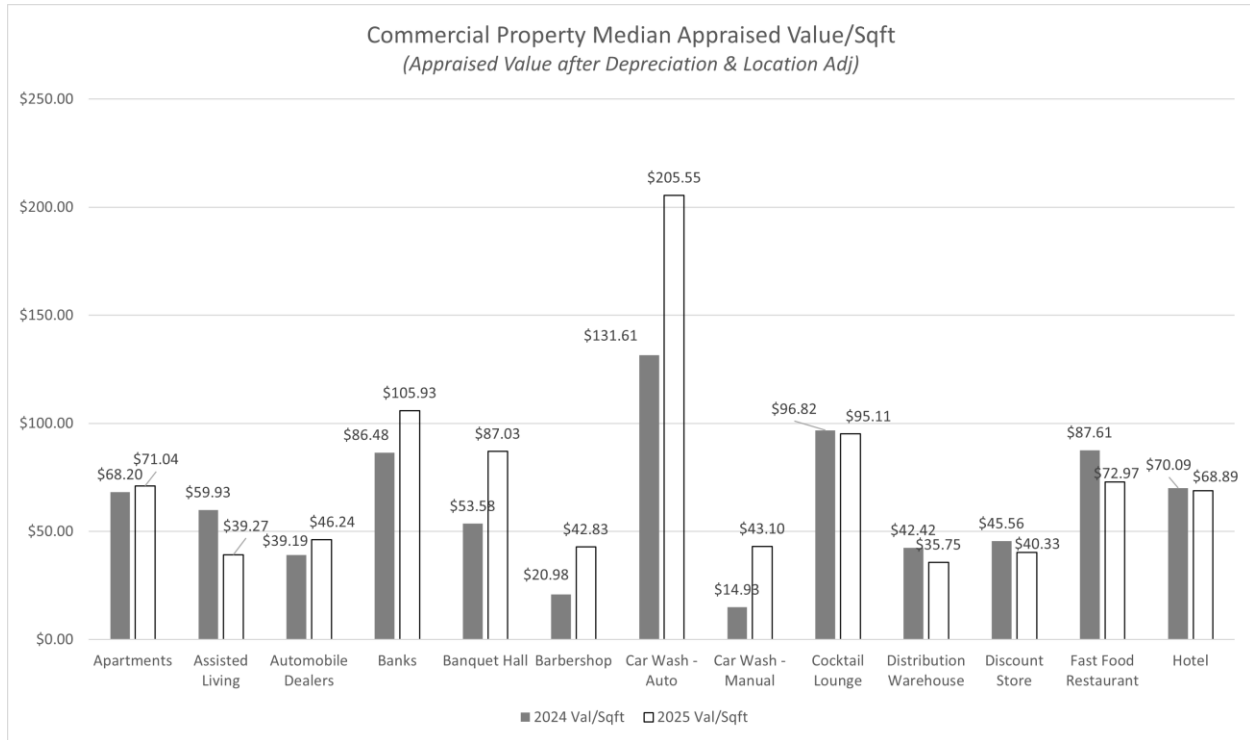
Previously, there has been disparity between appraisals of similar types of commercial real estate. Additionally, decades of various individual factors placed on accounts over the years also exacerbated the issue of equity.

To address this in the 2025 commercial real estate model, HCAD has reworked all real estate types using the Marshall & Swift commercial cost valuation service adjusted to Harrison County. Further, an extensive effort was made to check and uniformly classify commercial properties in the county.

This effort has provided a mixed result of uniformity of \$/sqft as measured by the Coefficient of Dispersion (COD):



As the charts indicate, some classifications of commercial property improved in COD and some didn't. Furthermore, the values that were updated produced a great difference over 2024 as well:



RESULTS OF THE NEW MODEL

Appraisal standards allow for three approaches to value: Sales, Cost and Income. Each has its strengths and weaknesses.

Due to the lack of available sale data on commercial property, the sales approach was not employed in the 2025 model.

The income approach to value is typically the strongest indicator of value. However, response to 2025 HCAD income surveys was sporadic at best.

This leaves only the Cost Approach to value which was employed by HCAD using the national valuation firm Marshall & Swift calibrated to Harrison County.

It is HCAD's position that the income approach-to-value would render more accurate appraisals. If the CAD is provided with sufficient income and expense data during the 2025 protest season, it will strongly consider such data prior to certification on July 25th. In the absence of such information, the Cost Approach is the only viable alternative for valuing most commercial realty.

HCAD encourages commercial owners to contact staff appraisers with market information to assist in this effort.

MULTIFAMILY COMMERCIAL PROPERTY

Apartment complexes and other types of multi-family rental properties such as duplexes were modeled on the income approach-to-value.

Apartments were valued based on an estimate of net operating income (NOI) divided by a market capitalization rate. Market rent information was taken from public sources and expense ratios estimated to arrive at a typical NOI for non-income limited apartments. Expense ratios ranged from mid-twenty to upper-fifty

percent depending on age of facility. A 10% Vacancy and Collection rate was assumed and zero to two percent utilized for miscellaneous income as appropriate. Base cap rates ranged from the upper six percent range to nine percent and were then loaded with the effective tax rate applicable to the property's taxable situs.

Income limited properties associated with state or federal assistance programs are appraised similarly, but with different cap rates and lower contract rents as required by law to account for the non-market nature of their income streams.

Non-apartment multi-family units like duplex, four-plex types and such were appraised with the income approach using a gross rent multiplier (GRM). This was developed using gross rents available through public sources against available sales of such properties. Annual GRM factors ranged from 7.0 to 8.3.

HOTEL/MOTEL COMMERCIAL PROPERTIES

Hotel and motel revenues are tracked and published in a manner publicly accessible through the state comptroller's office. 2025 valuations of these properties utilized a gross revenue multiplier (GRM) of 2.75. This method of income valuation is typical for this industry.

For properties with significant streams of additional income like restaurants, lounges or event centers, were calculated with a GRM on reported room revenue plus additional value for the non-room revenue streams.

Mineral Property Values

Mineral interests appraised by Pritchard and Abbott for HCAD in Harrison County are primarily gas leases with some oil production. Prices for oil and gas are established by statute. Production and expense information is obtained from public and private sources.

Mineral values fluctuate from year to year based in large part on statutory price point and production. There has been a +/-20% increase in production for this year with roughly 80 new wells being brought on line for the 2025 appraisal year. Oil prices for the year are \$74.25/bbl. and gas \$2.14/mcf.