

Spring Educational Seminar

Iowa Chapter RLI Land Trends & Values

Press Release

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March 28, 2013



**Farm Credit Services
of America**

AGRICULTURE WORKS HERE...



Iowa Chapter REALTORS Land Institute

March 2013 Land Value Survey
Press Release

- Realtors Land Institute is an affiliate of the National Association of Realtors
- Organized for Realtors who specialize in farm and land sales, management, development and appraisal



Iowa Chapter REALTORS Land Institute

March 2013 Land Value Survey Press Release

- Participants in the Survey
 - Asked for their opinions about the current status of Iowa's farmland market.
 - Asked to estimate the average value of farmland as of March 1, 2013.
 - Estimates are for bare, unimproved land with a sale price on a cash basis.

Bubble Definition

- something that lacks firmness, solidity, or reality
- a delusive scheme
- a state of booming economic activity (as in a stock market) that often ends in a sudden collapse



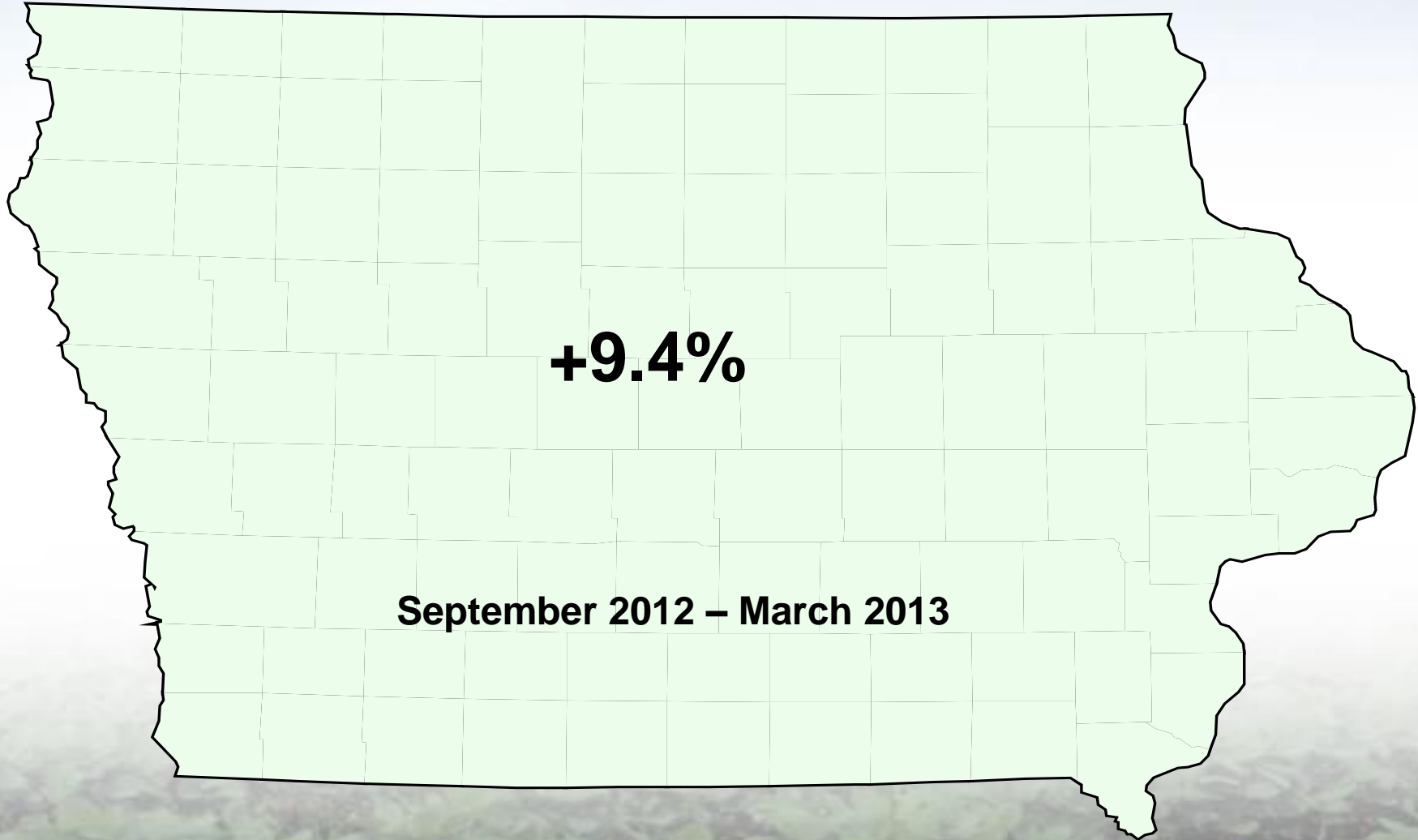
Source: <http://www.merriam-webster.com>

Is Farmland in a Bubble?

- Firmness, Solidity, and Reality
 - Strong Demand, Low Supply, and High Net Revenue
- Is this a delusive (falsely derived) scheme? Ending stocks very low, large demand and competition on a global market.
- Will this be a sudden collapse or a typical cyclical reaction based on commodity prices and inflation?

Realtors Land Institute Land Value Survey

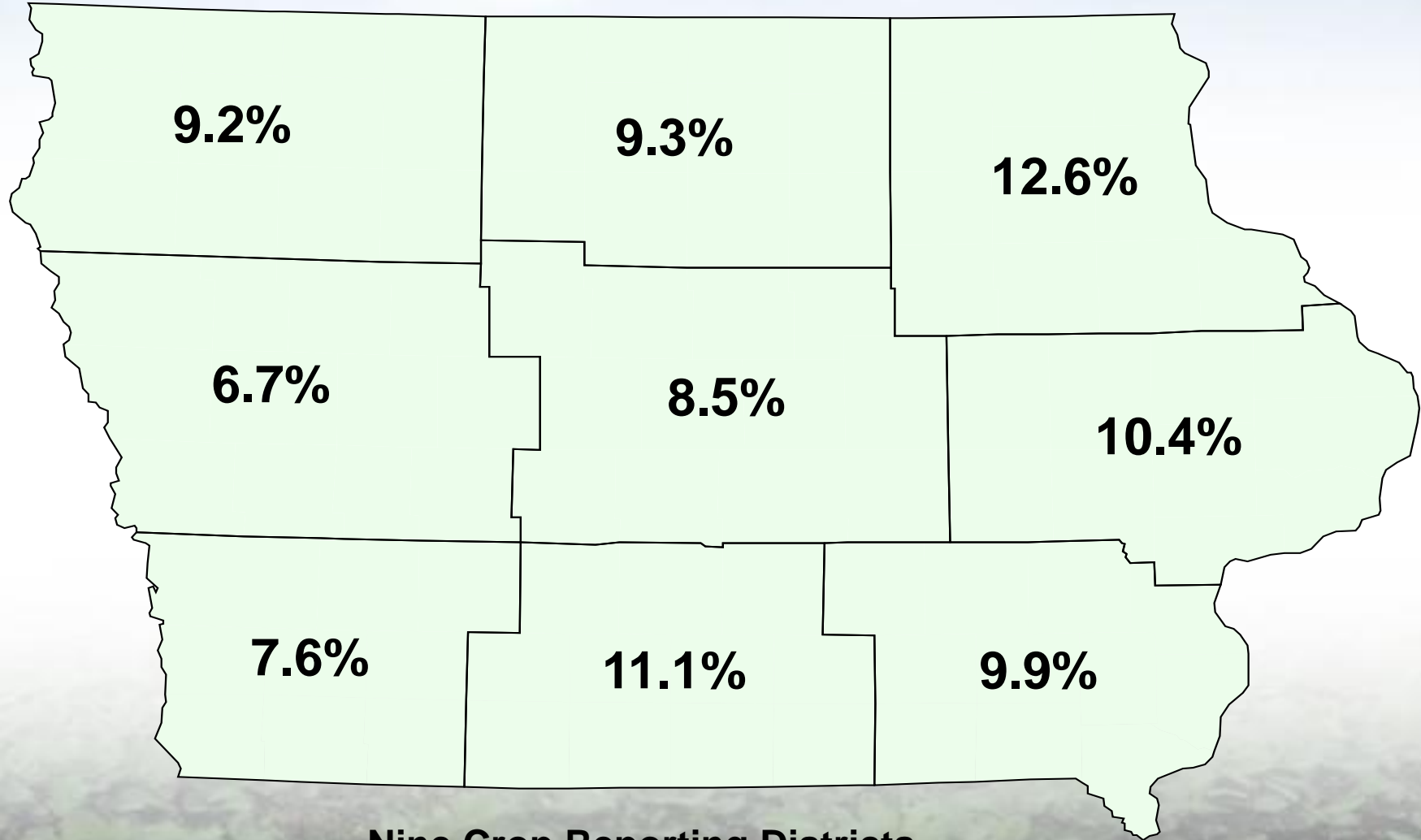
March 1, 2013



Realtors Land Institute Land Value Survey

March 1, 2013

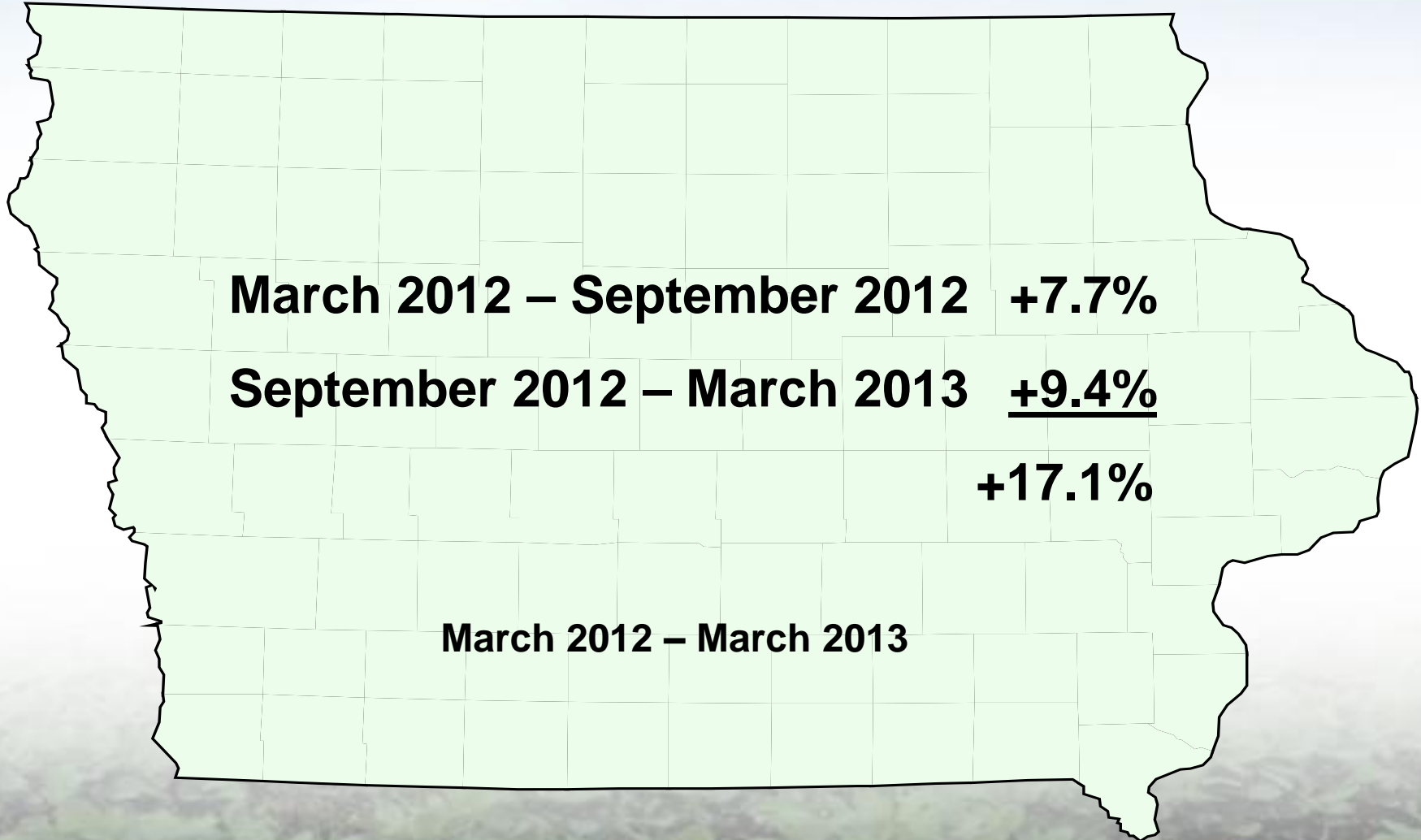
September 2012 – March 2013



Nine Crop Reporting Districts

Realtors Land Institute Land Value Survey

March 1, 2013



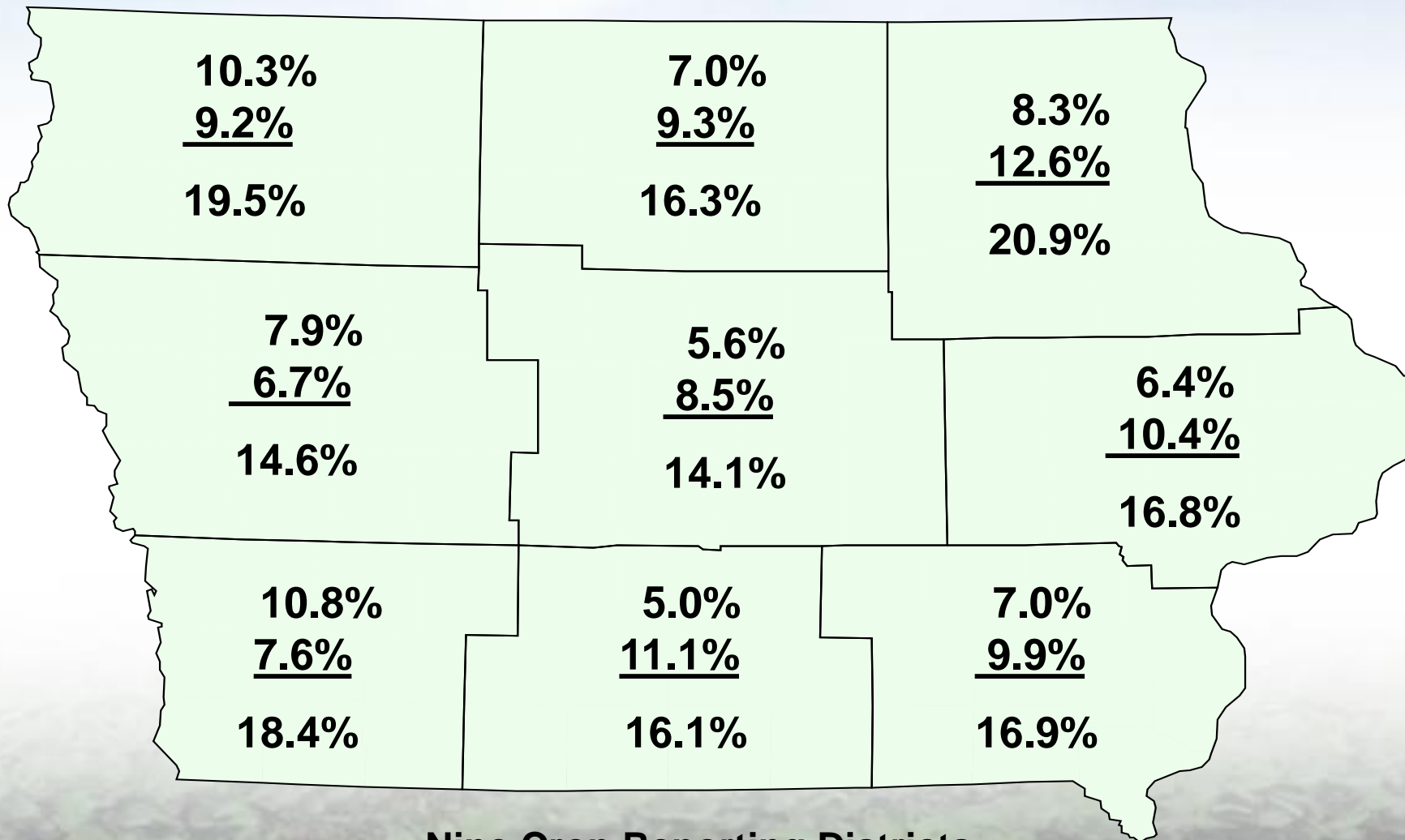
Realtors Land Institute Land Value Survey

March 1, 2013

- Iowa State University
 - *November 1, 2011 – November 1, 2012* 23.7%
- Federal Reserve
 - *January 1, 2012 – January 1, 2013* 20.0%
- University of Nebraska
 - *February 1, 2012 – February 1, 2013* 25.0%
- Illinois ASFMRA, RLI, Illinois University
 - *January 1, 2012 – December 31, 2012* 17% - 21%

Realtors Land Institute Land Value Survey

March 1, 2013



Top - September 2012

Bottom - March 2013

Nine Crop Reporting Districts

March 2012 - March 2013

REALTORS Land Institute

Land Value Survey

March 1, 2013

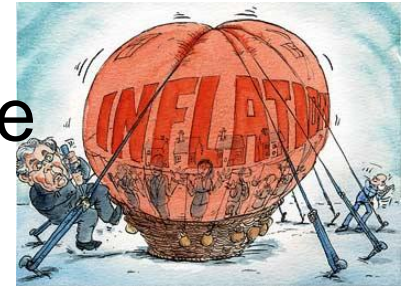
- Average Tillable Cropland Price
 - March 2008 \$4,276
 - March 2013 \$8,691

Doubled in Value



What Are The Positive Factors Influencing The Land Market?

- Strong Commodity Prices
- Low Long-Term Interest Rates
- Limited Amount of Land Offered For Sale
- Lack of Stable Alternative Investments
- Safe Investment
 - High Quality, Well-Drained, Productive Farms
 - Continue to Sell the Best
- Fear of Inflation



What Are The Negative Factors Influencing The Land Market?

- Higher Input Costs
- Recurring Drought
- Government Uncertainty
 - Farm Program, ACA, Taxes
- High Land Prices
- Global Economic Uncertainty
- Lower Commodity Prices
 - Increased Production



Who Is Buying Iowa's Farmland?

- Farmers – 75%-85%
 - Active
 - Retired
- Investors – 10%-20%
- Iowa State University Study – November 1, 2012
 - Farmers – 82%
 - Investors – 18%
- Sales influenced by 1031 Exchanges 20% - 50%



Who Is Selling Iowa's Farmland?

- Estates and/or Heirs – Majority of Sellers
 - Heirs that have inherited the farm
- Retired Farmers
- Active Farmers – trading up
- Investors – profit taking
- Reasons For Selling
 - Rewarding higher land prices



Who is Buying Iowa's Recreational Land? (Timber, CRP, Wetlands)

- Avid Outdoors/Hunting People
- Out of Area Investors
- Slow activity
 - starting to pick up



What Rate Of Return Are Buyers Satisfied With?

Cropland

- 3% - 4% (Cash Rent)

CRP

- 4%-5%



How Does The Number Of Farms For Sale In Your Area Compare To One Year Ago?

- Wide Variability throughout the State
 - Most areas are Steady
 - Some up significantly (SW)
 - Others are seeing significant reduction
 - 20% - 50% fewer listings/auction

How Are Most Farms Being Sold in Your Area? (Listings vs. Auctions)

- Auctions most Popular Method of sale in last three years
- More Private Sales end of 2012
- Listings are starting to increase



Where Will Iowa's Farmland Market Go In The Next 1-3 Years?

- Steady to Slightly Higher With More Volatility
- Follow Commodity Prices
- Interest Rates a Factor



Conclusion

- Land values continue to move higher
 - 7th consecutive increase
 - 9.4% increase past six months
- Farmers are primary buyers
- Recreational land is starting to sell again
- Future is uncertain
 - Will follow commodity prices

Questions?

