

# Spring Educational Seminar

Iowa Chapter RLI Land Trends & Values

Press Release

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March 27, 2014



**Farm Credit Services  
of America**

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# Iowa Chapter REALTORS Land Institute

March 2014 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



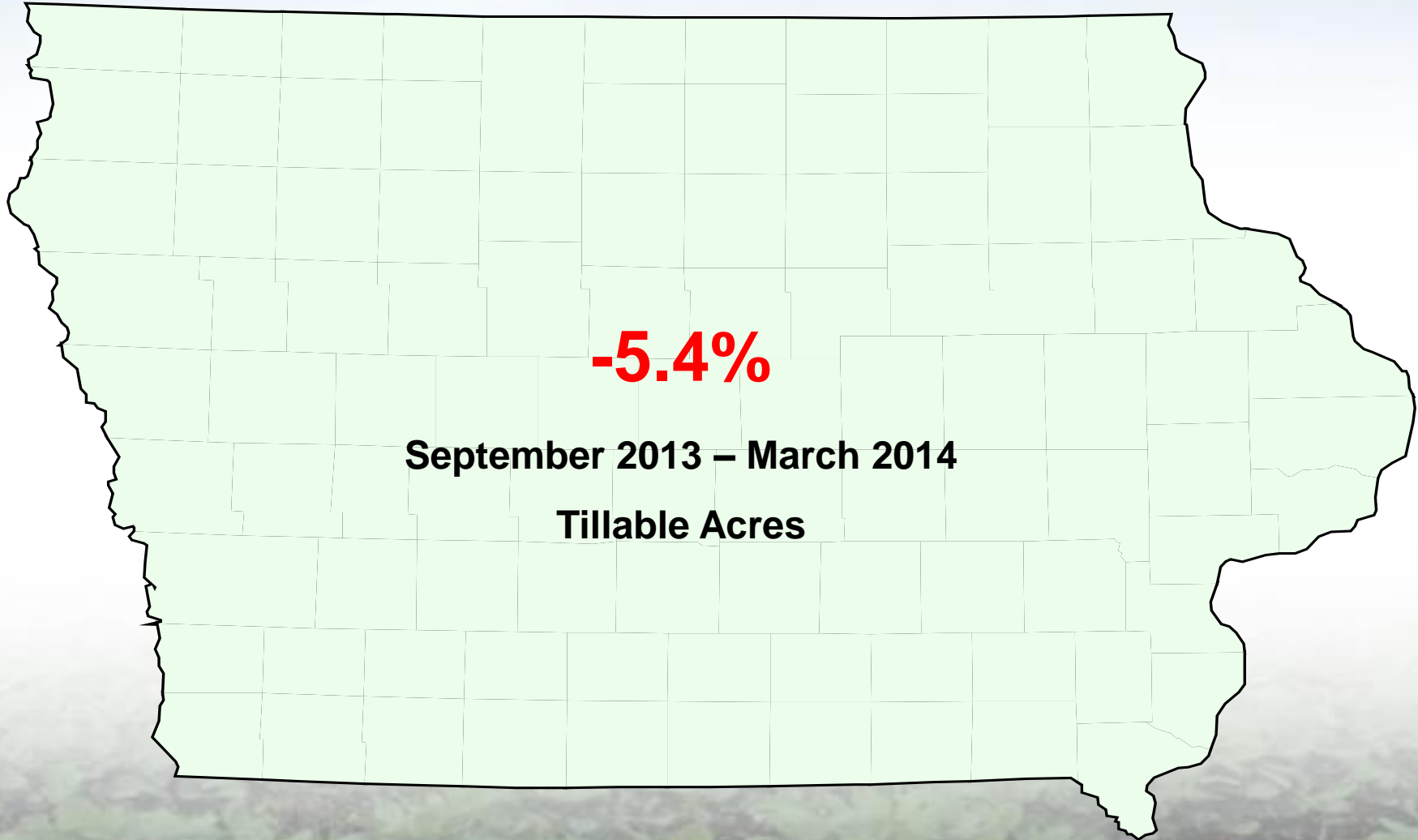
# Iowa Chapter REALTORS Land Institute

## March 2014 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, 2014.
  - Estimates are for bare, unimproved land with a sale price on a cash basis.

# Realtors Land Institute Land Value Survey

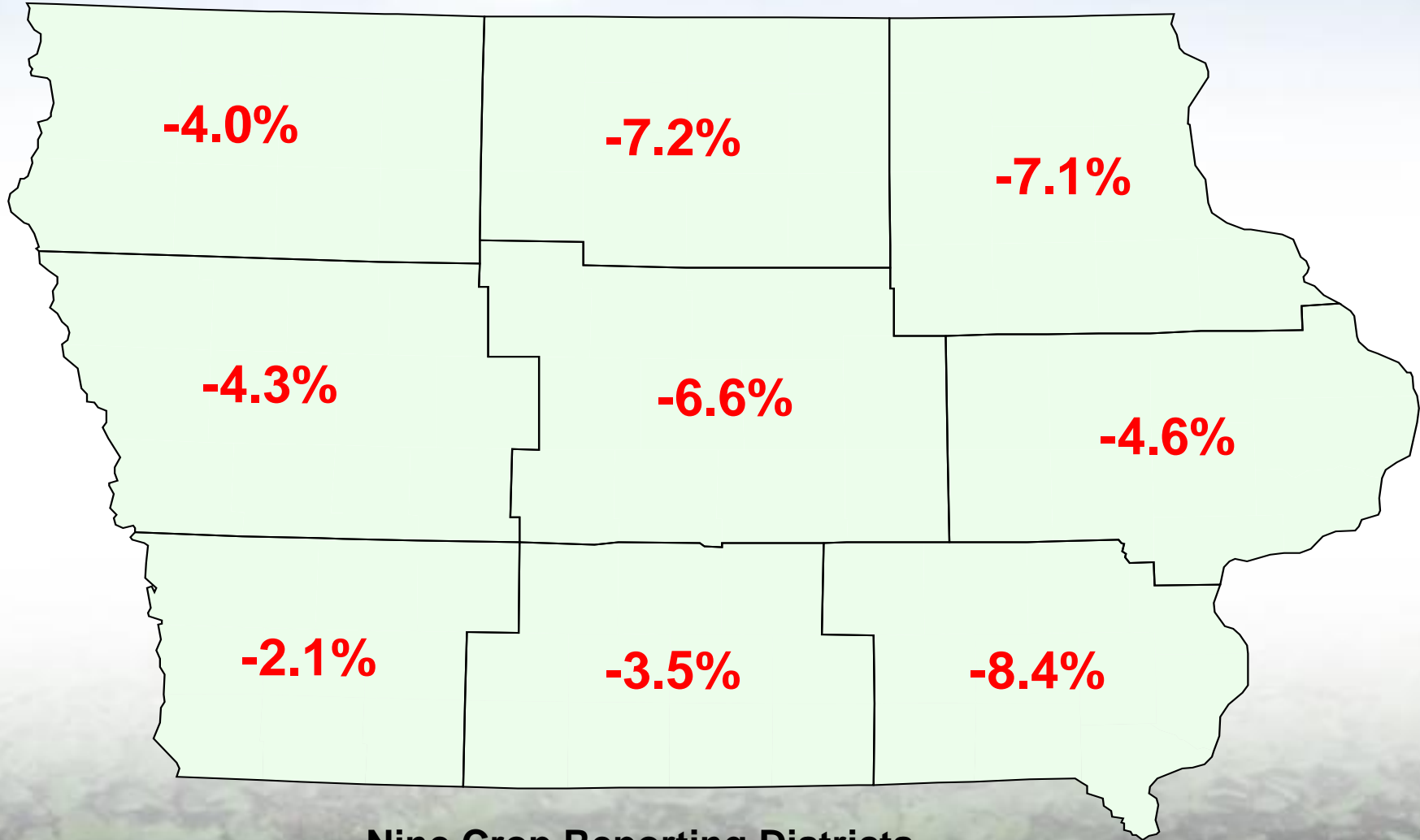
March 1, 2014



# Realtors Land Institute Land Value Survey

March 1, 2014

September 2013 – March 2014

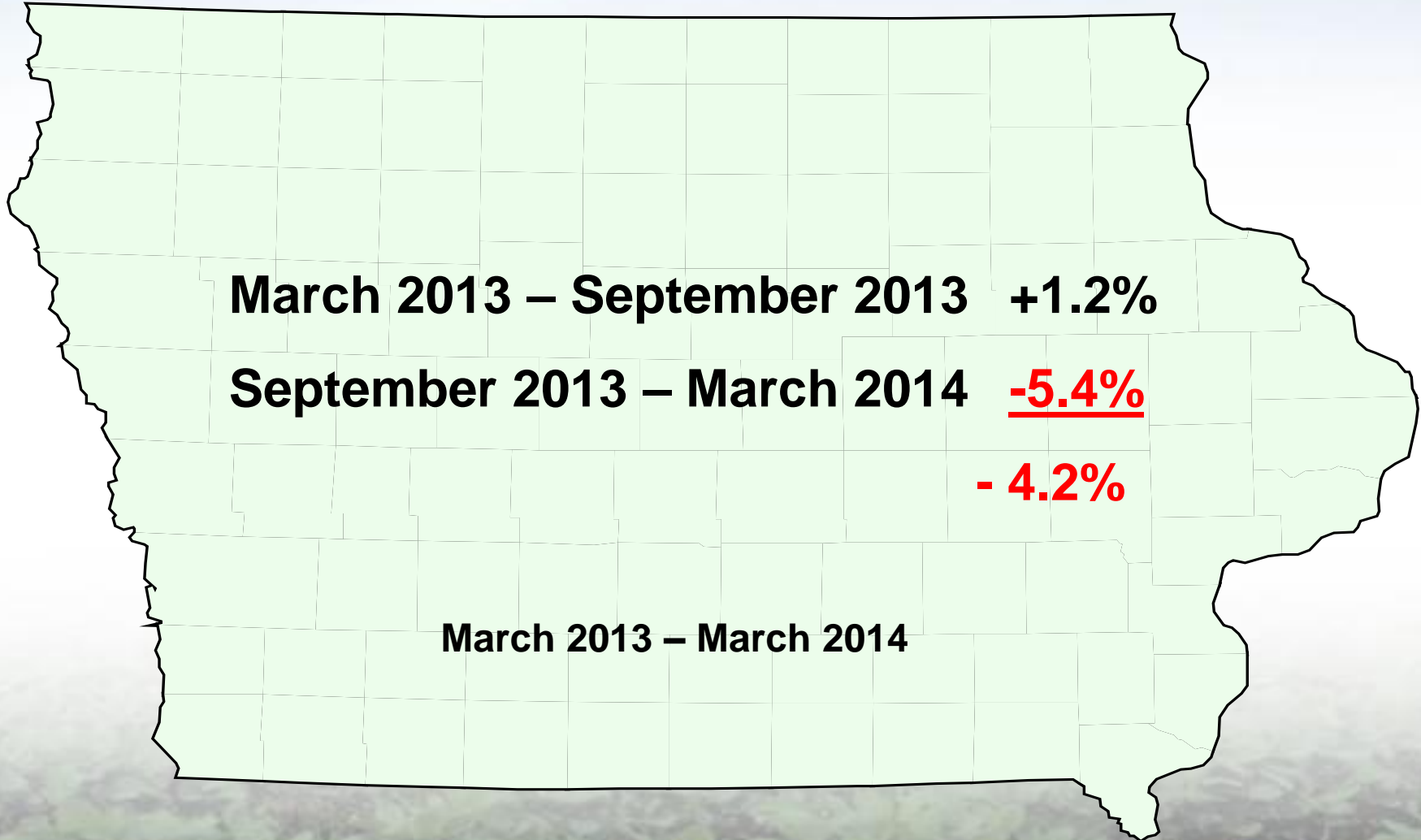


Nine Crop Reporting Districts

Tillable Acres

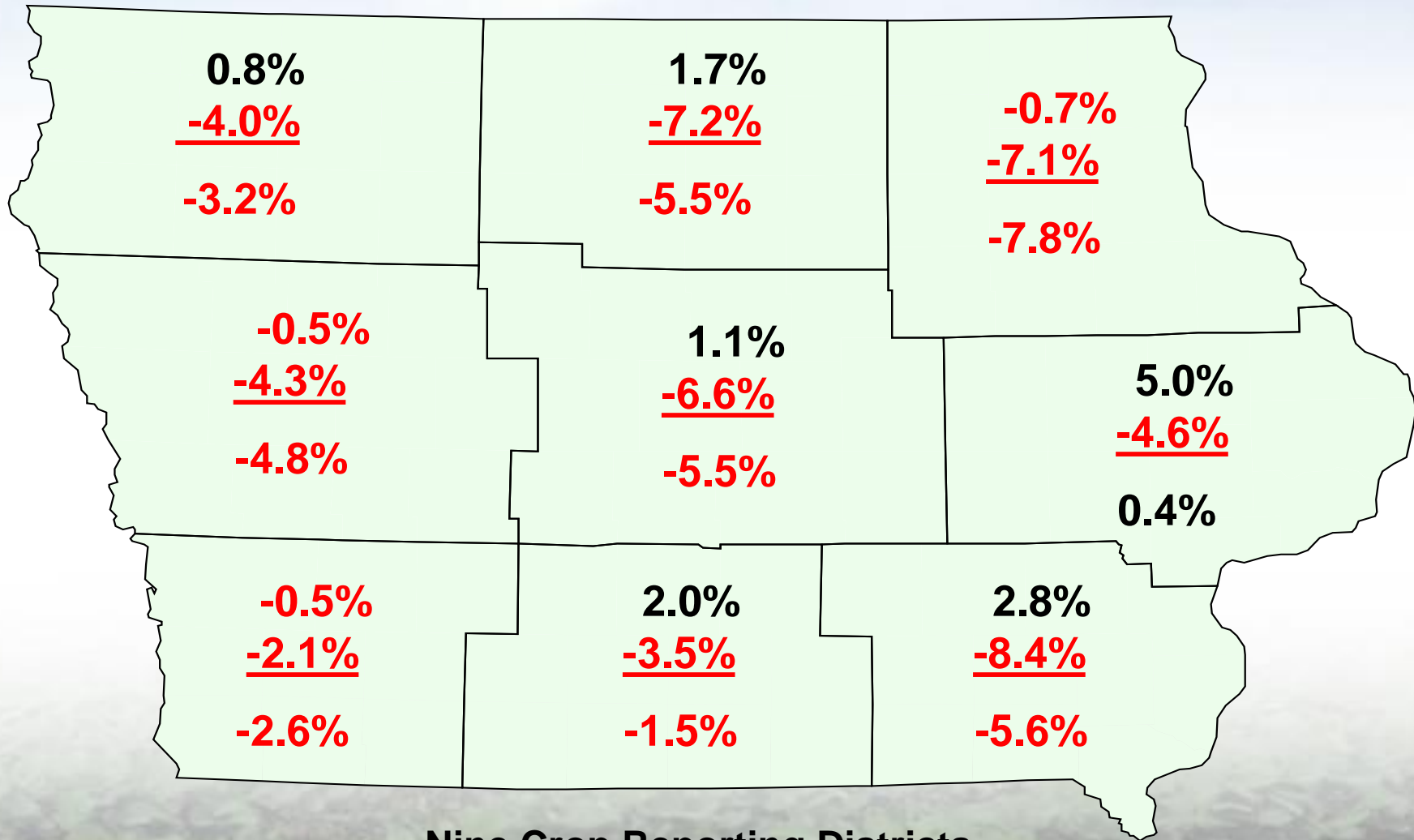
# Realtors Land Institute Land Value Survey

March 1, 2014



# Realtors Land Institute Land Value Survey

March 1, 2014



Top - September 2013

Nine Crop Reporting Districts

Bottom - March 2014

March 2013 - March 2014 Tillable Acres

# Realtors Land Institute Land Value Survey

March 1, 2014

- Iowa State University
  - *November 1, 2012 – November 1, 2013* 5.1%
- Federal Reserve
  - *January 1, 2013 – January 1, 2014* -2.0%
- University of Nebraska
  - *February 1, 2013 – February 1, 2014* 5.0%
- Illinois ASFMRA, RLI, Illinois University
  - *January 1, 2013 – December 31, 2013* - 2% to -7%



# REALTORS Land Institute

## Land Value Survey

March 1, 2014

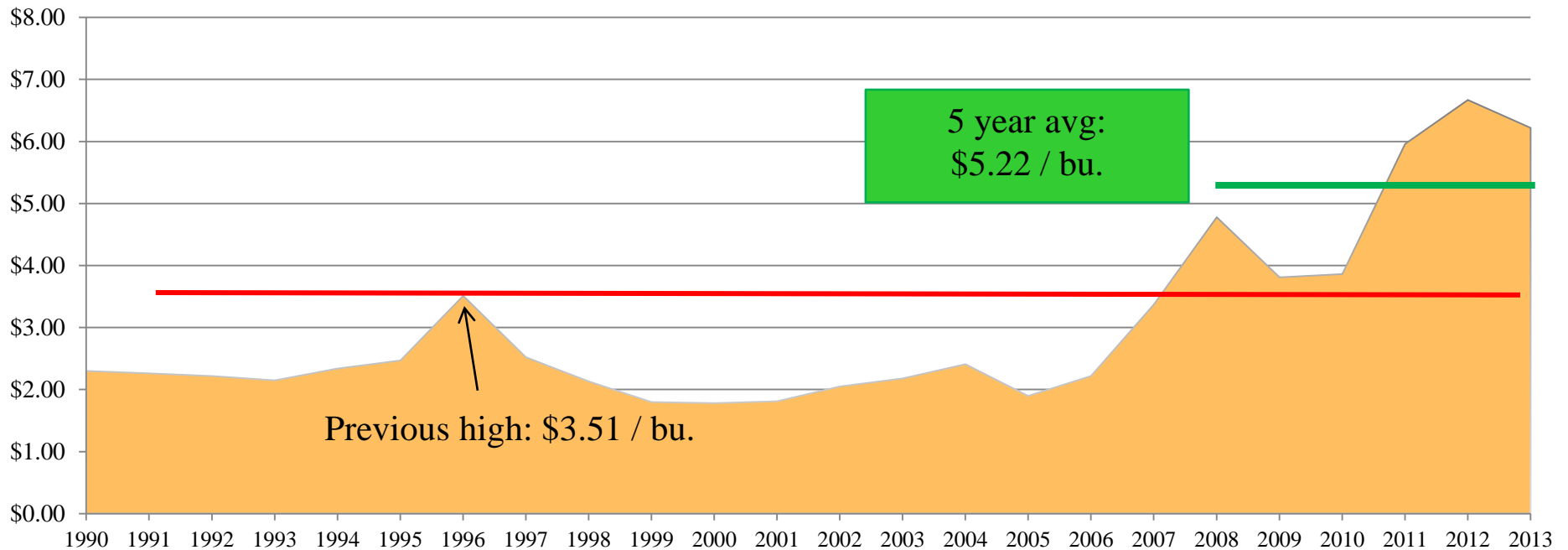
- Average Tillable Cropland Price

- March 2008 \$4,276
- March 2009 \$4,231
- March 2010 \$4,268
- March 2011 \$5,707
- March 2012 \$7,132
- March 2013 \$8,690
- March 2014 \$8,286



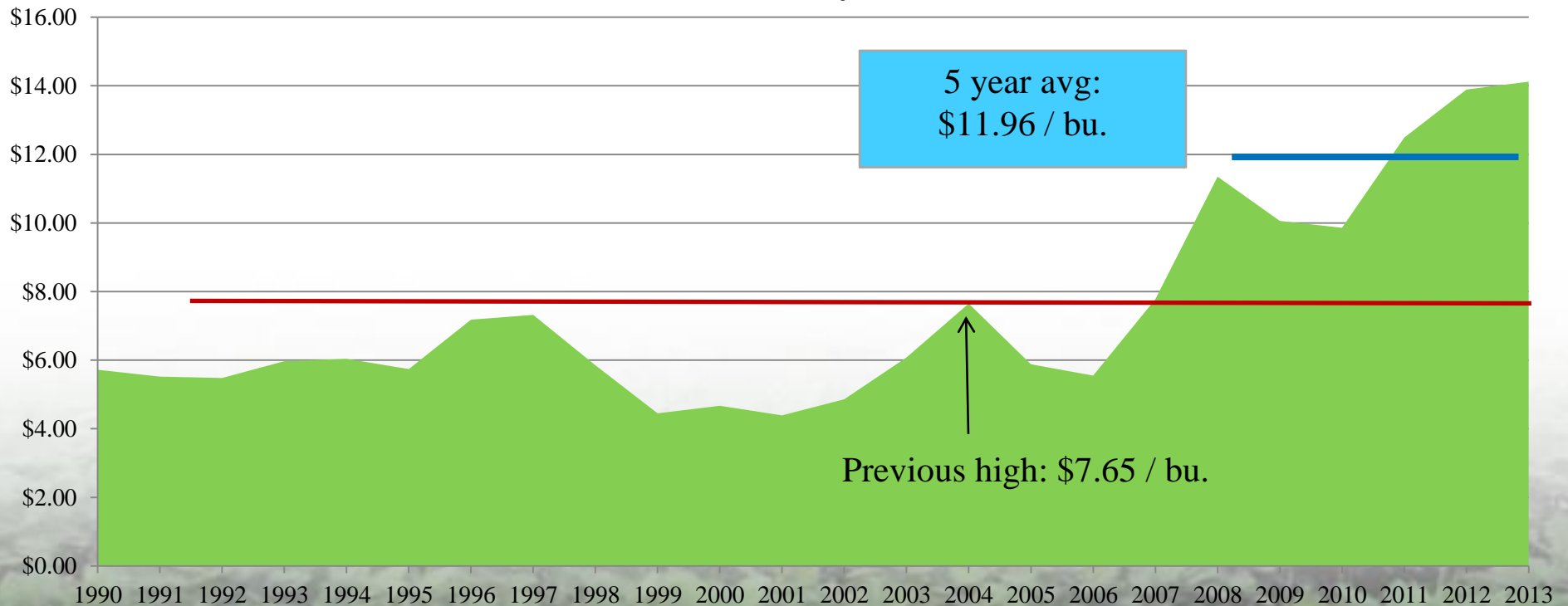
# REALTORS Land Institute Land Value Survey March 1, 2014

**Average Corn Prices  
(calendar year)**



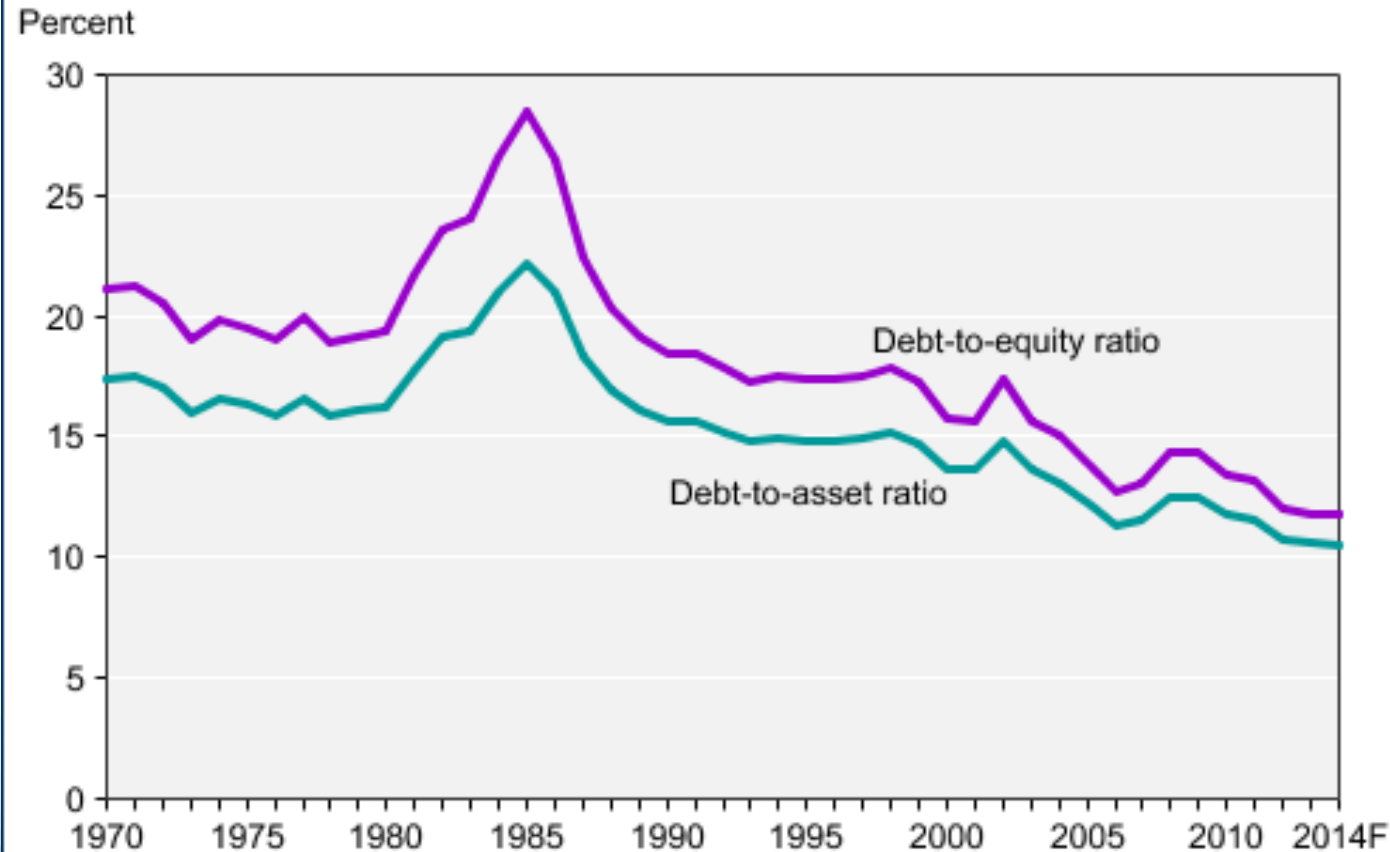
# REALTORS Land Institute Land Value Survey March 1, 2014

**Average Soybean Prices  
(calendar year)**



# US Farm Debt to Equity Ratio

Farm sector debt ratios, 1970-2014F

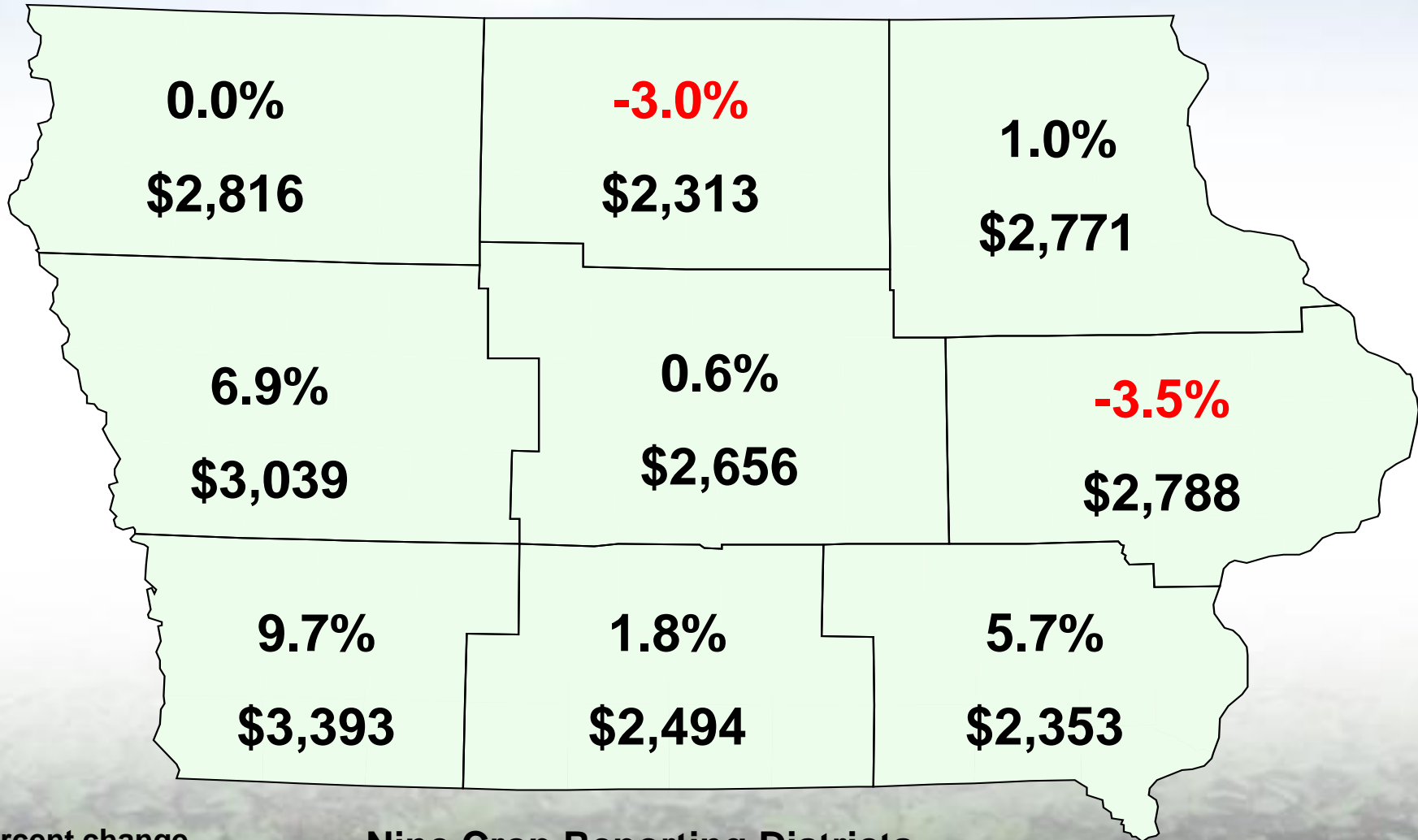


Note: Data for 2013 and 2014 are forecasts.

Source: USDA, Economic Research Service, Farm Income and Wealth Statistics.

Data as of March 17, 2014.

**Realtors Land Institute Land Value Survey  
Pasture Acres  
March 1, 2014**



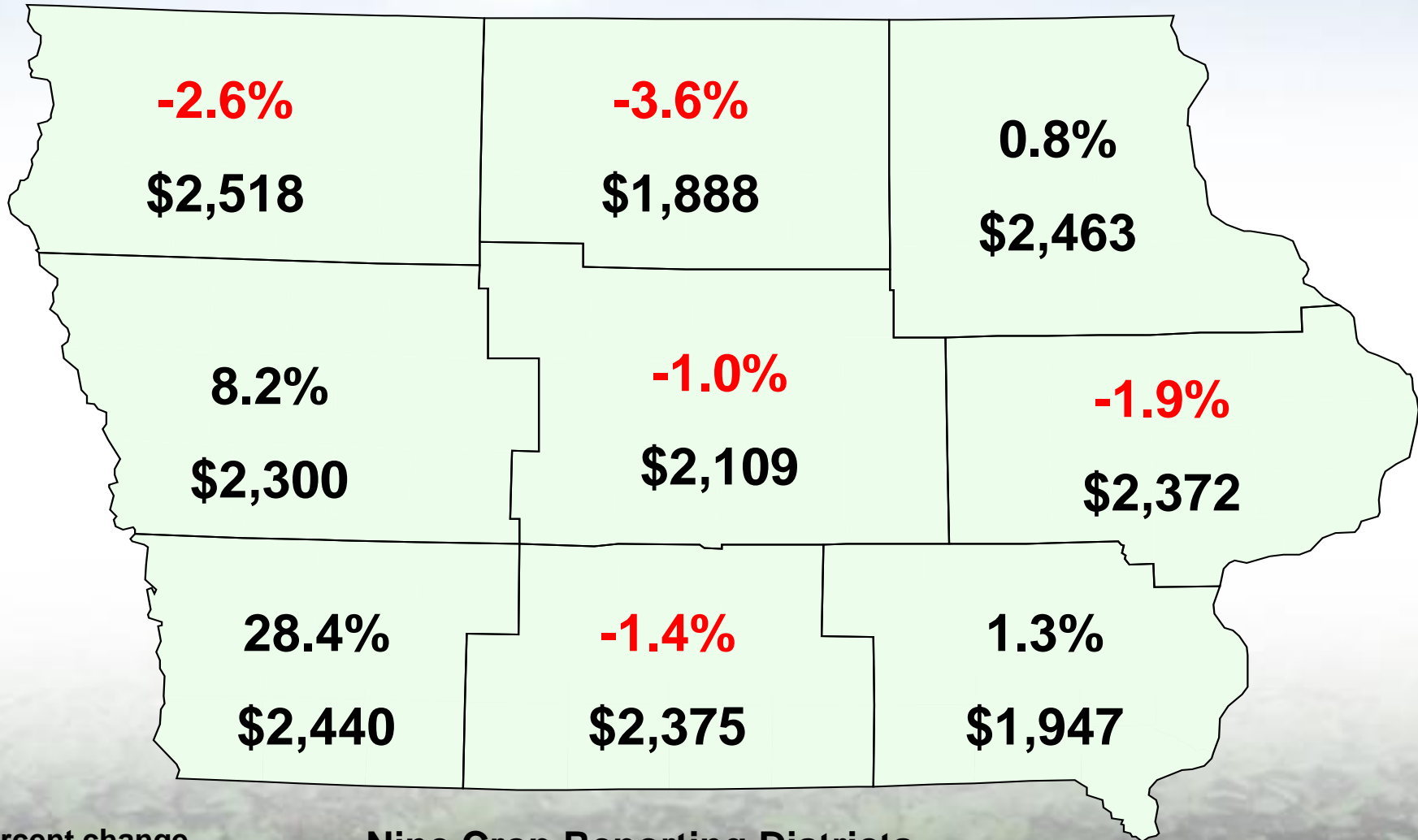
Top – Percent change

Bottom – Price per Ac

**Nine Crop Reporting Districts**

September 2013 – March 2014

**Realtors Land Institute Land Value Survey**  
**Non-Tillable / Timber Acres**  
**March 1, 2014**



Top – Percent change

Bottom – Price per Ac

**Nine Crop Reporting Districts**

September 2013 – March 2014

# What Are The Positive Factors Influencing The Land Market?

- Low Interest Rates
- Limited Amount of Land Offered For Sale
  - High Demand
- Renewed interest from Investors
  - Lack of Stable Alternative Investments
  - Safe Investment
  - High Quality, Well-Drained, Productive FarmsContinue to Sell the Best
- Fear of Inflation
- Strong Livestock Markets
- Cash from Previous Years
  - Farmers wanting to expand their operations



# What Are The Negative Factors Influencing The Land Market?

- Lower Commodity Prices
- Increasing Interest Rates
- Higher Input Costs
  - Tight operating margins
- Government Uncertainty
  - Reduction in farm program dollars
- Global Economic Uncertainty
- Uncertainty of Profitability
  - Weather Concerns
- Bad Press
  - 3 and 4 year projections of lower profits





# Who Is Buying Iowa's Farmland?

- Farmers – 65%-95% (80%)
- Investors – 5%-35% (20%)
- Iowa State University Study – November 1, 2013
  - Farmers – 81%
  - Investors – 18%
- Sales influenced by 1031 Exchanges  
10% - 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



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

- Avid Outdoors/Hunting People
- Out of Area Investors
- Activity is Increasing
- County Conservation Boards



# What Rate Of Return Are Investor Buyers Satisfied With?

## Cropland

- 3% - 4%

## CRP

- 4%-5%



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

- All over the board
  - Down 25% - 50%
  - Significantly lower
  - Steady

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

- Auctions
  - Some “No Sales” occurring,
    - Most are privately negotiated afterwards
  - Good Quality
- More Private Sales than in past
- Listings are up
  - Medium Quality



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

- Dependent on Production in 2014 and Commodity prices
- Gradually down
  - 5% to -20% (over 3 years)
- Steady to lower
  - 12-18 months
- Stable
  - 18 months to 36 months



# Conclusion

- Land values softening
  - First down survey and down year since 2009
- Farmers are still primary buyers
- Recreational land is selling
- Future is uncertain
  - Will follow commodity prices



Questions?



# 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



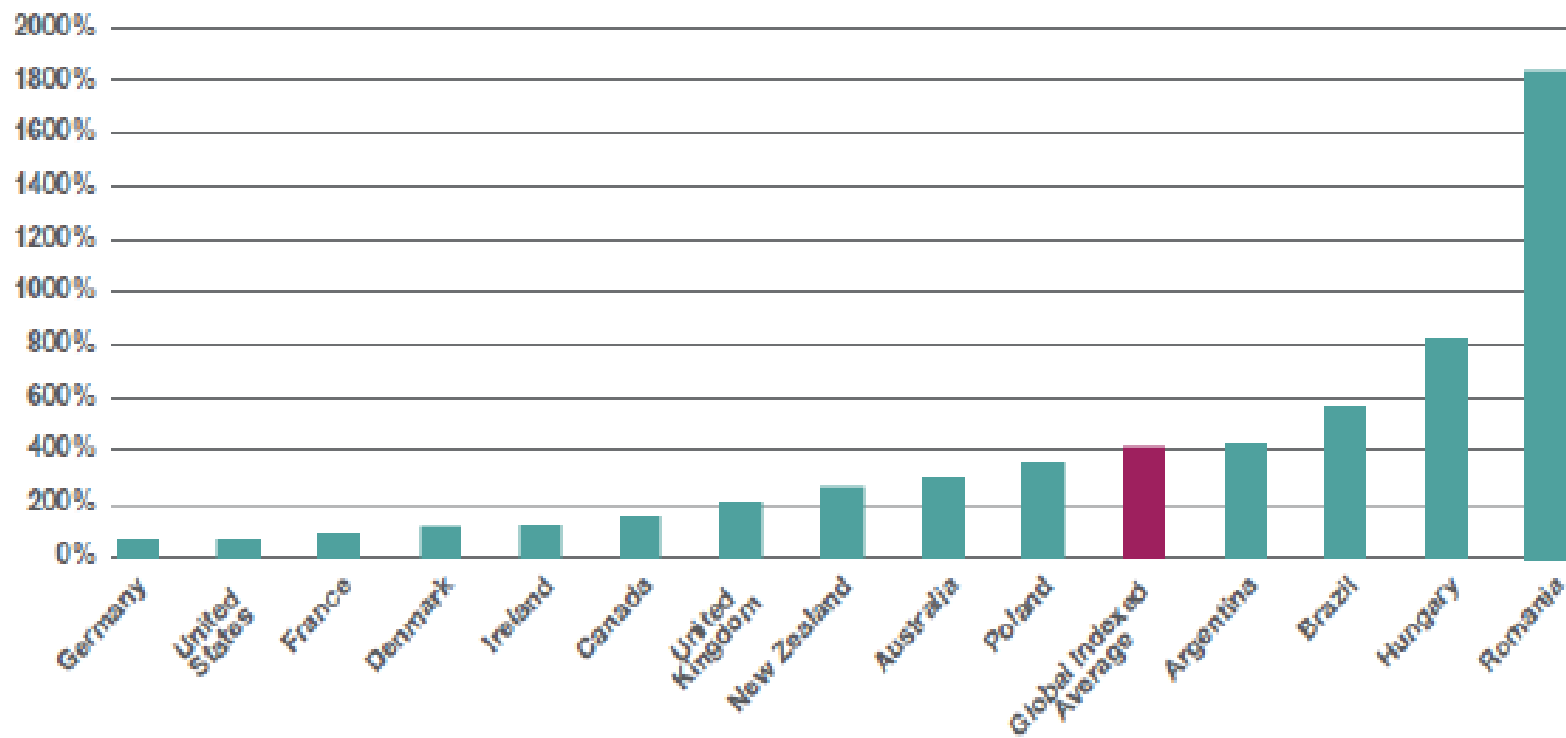
Source: <http://www.merriam-webster.com>

# 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?

# Change in Global Land Values

Global index (% increase 2002 to 2010)



Source: USDA, Eurostat and various data estimates

# Exponential Land Value Trend

