

The Weekly Dirt on Iowa Land Auction Prices “ January 29-February 4, 2016

Published on Feb 11, 2016 by Peoples Company



Greetings! Land auctions in Iowa had considerably fewer acres offered at public auction this past week. There were a total of 479 gross acres offered at auction and, of those acres, there were 390 acres that were tillable. I would describe last week's auction results as fairly strong. Most of the land offered at auction was in Northwest Iowa, which is generally one of the best-performing regions in the state.

A few of the highlights: An 80-acre tract of land sold in Carroll for \$11,500/acre with a CSR/CSR2 of 72/85. Two tracts sold in Cherokee County, including one tract for \$8,450/acre with CSR/CSR2 of 60/87, and a 40-acre tract for \$8,250/acre with a CSR/CSR2 of 59/86. A tract sold in the Des Moines River bottom for \$3,300/acre with a CSR/CSR2 of 50/46. There were no “no sales” last week.

In [my most recent post](#), I talked about lease rates. This week, I would like to touch on Capitalization Rates (Cap Rates). Recent sale lease-backs of farms sold by Peoples Company indicate Cap Rates range from 2.75 percent to 3.25 percent. When extracting a Cap Rate from a sale, I take the annual lease payment stated in the lease agreement, deducting real estate taxes and an 8 percent management fee – calculated by taking gross income times 8 percent – to get a Net Operating Income (NOI). Then, I take the NOI and divide it by the sale price.

The farms used in my analysis were good-quality farms in Central and North Central Iowa, with good drainage and farmability. It is my opinion that poorer quality farms and CRP would command a Cap Rate of 4 percent +/-.

I will continue to track lease rates and Cap Rates on Peoples Company sale lease-back farms. It currently appears Cap Rates are fairly consistent as they have been in the past several years. However, lease rates are having to be readjusted to current corn and soybean prices.

Peoples Company has the resources to make you successful. Please [contact us](#) if you are needing help with lease negotiations.

Check back next week as I will be discussing a current topic dealing with Iowa land prices. Also, check out our [January auction results](#). And please make sure and hit the [“like” button on Facebook](#).

Talk to you soon!

Thanks.

[Jim Rothermich](#)

Certified General Appraiser

Peoples Company Appraisal Team