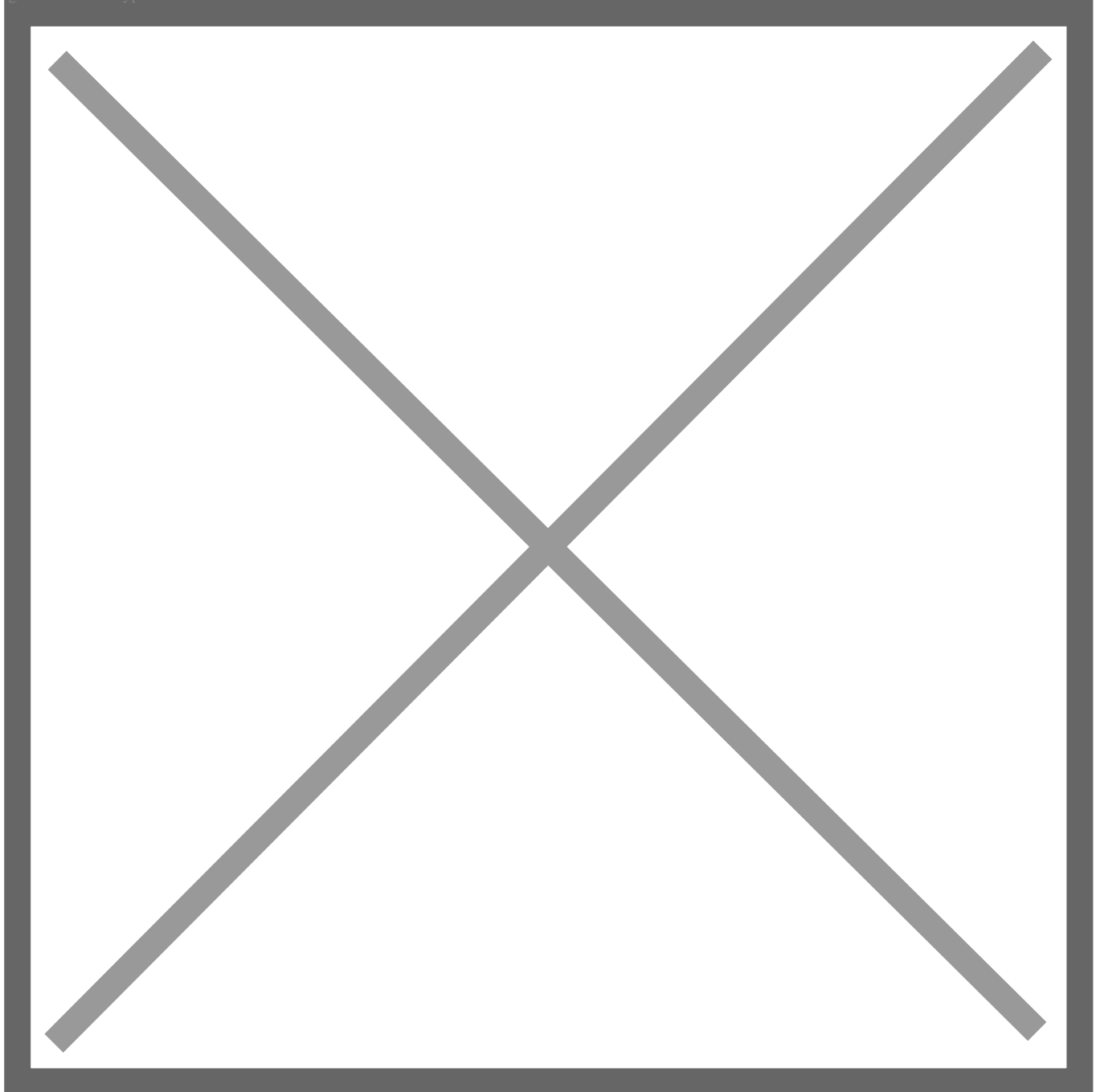


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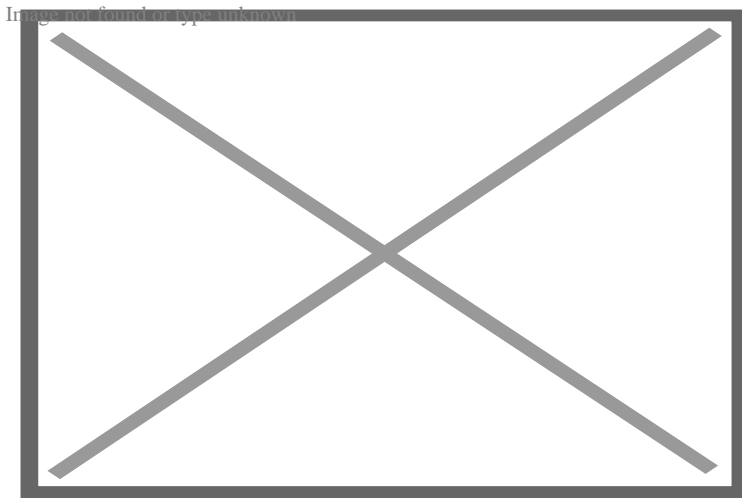
Why Are Land Prices Staying High?

By: Brad Hayes (Appraiser)

We are over half way through 2017 and one of the primary questions I receive is “Why do land prices continue to remain high after multiple years of lower commodity prices and reduced profitability in the agricultural sector?”

Our appraisal team continues to monitor land sale prices on a weekly basis as well as monitor the number of farms that are publicly for sale in Iowa at any given time. As I write this article, our appraisal database indicates there are 568 farms for sale in Iowa which includes row crop farms, pasture farms, recreational farms, etc. Of these 568 farms, we can extract the number of farms that have 85% tillable acres or greater. This dataset allows us to hone in on land value trends for highly tillable, row crop production farms. Our database indicates there are 141 farms for sale that have 85% tillable acres or greater. This averages out to approximately 1.42 highly tillable farms available for sale per county in Iowa. This is similar to the number of farms that were available for sale midway through 2016.

In response to the question posted above, the number of farms in Iowa that are publicly being marketed for sale remains historically low. In addition, there is an abundance of capital pursuing these assets. One would assume that lower commodity prices would have a negative impact on land values, and we saw land values trend down from 2013 through 2016. However, per our data, it appears that land values bottomed out in the first quarter of 2016 and have seen an upward trend through 2017. Below we have included some statistics that illustrate land trends from 2015 through 2017. The dataset we used includes tillable farms that sold at public auction that have 85% tillable acres or greater. Our team calculated the average dollar per CSR2 point (\$/CSR2) based on tillable acres. The chart below shows the breakdown on a quarterly basis.



As demonstrated in the chart, land values saw a downward trend from the Fall of 2015 through the first quarter of 2016. However, values have seen an upward trend from the first quarter of 2016 through the second quarter of 2017.

The number of farms for sale has begun to increase and will continue to increase as we move into the fourth quarter around harvest time. This is generally the busiest time of the year for public land sales. With a larger inventory of land for sale during this time, one would think that land values should see a downward trend due to increased supply. However, based on our data, the opposite occurs. During both 2015 and 2016, our team saw an upward trend in land values during the fourth quarter. That said, the ag market saw record yields the past two years which provided some optimism in the land market. We'll wait and see if 2017 yields provide the same optimism.

There are multiple market influences on the horizon that may have a positive or negative impact on land values. These include, but are not limited to, drought conditions in the upper Midwest, increasing interest rates, tight profit margins in the agricultural industry, increasing global demand, and trade relationships between the U.S. and global markets. We look forward to seeing if and how the land market fluctuates through the remainder of 2017 and into 2018, however, it appears that the market will remain strong.