

# The Rising Popularity of Recreational Land

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As hunting season is underway in many states throughout the Midwest, more attention is drawn to recreational land that is marketed for sale. In the past, recreational land has often been considered less valuable as the income potential for these types of properties is often limited. Over the past decade, this type of real estate has gained popularity and seen increases in value per acre. So, what drives higher demand of recreational assets?

One of the first reasons for the shift in recreational land values is access to capital. We have seen relatively low interest rates over the past decade which has helped maintain low annual payments. We have also seen increased accessibility to capital with more financial institutions lending on these types of properties. The Farm Service Agency partners with lenders on loans for recreational land, enabling favorable interest rates and down payments. These factors make recreational land more accessible to a wider range of participants, including local buyers and investors looking to capture an immediate profit or hold for appreciation.

Often, recreational land is comprised of not only heavy timber, but a combination of timber and land enrolled in the Conservation Reserve Program (CRP). Over the past 10 to 15 years, there have been times when CRP rates paid by the government have been higher than what could be obtained for cash rent. In those instances, a recreational landowner has the potential to receive a higher return from the property, making it more feasible to purchase, especially when the CRP contracts are 10 to 15 years in length. Although not all recreational buyers are concerned with income, this definitely helps to offset any annual payments or expenses. Many recreational buyers look to purchase tracts with a combination of timber, CRP, and tillable land so they can generate income from the property as well as use it for pleasure. These buyers have taken advantage of higher appreciation from the income generating land. As farmland has appreciated as a whole, the value of recreational land has also shifted upward.

The recreational land class has seen rising popularity with not only local buyers, but also regional and national buyers. Many market participants are living and working near metropolitan areas with greater amounts of disposable income. These buyers are often willing to pay more per acre than local parties and often do not need to obtain financing. The influx of out-of-state buyers who are willing to pay more per acre is another factor that has driven the recreational market. These buyers are looking for a certain class of recreational land, that has been developed and managed specifically for one purpose. These properties have been aggregated over years of smaller land acquisitions to obtain a certain number of desired acres. As the number of larger recreational tracts available for purchase is limited, we often see that buyers are willing to pay more per acre as the size of the farm increases. This is not typically the case with other land types.

In conclusion, the recreational land class has developed a strong following, especially across Iowa and the Midwest, which are known for excellent hunting. Market participants are able to leverage the low cost and accessibility to capital as well as increased income from CRP to lower the annual financial burden of these properties. The influx of regional and national buyers with more disposable income has also added to the increases in value, along with these buyers looking for large, specifically managed properties. To inquire about obtaining an appraisal or retaining the services of a professional licensed consultant, contact Peoples Company at 855.800.5263 today or email [Appraisal@PeoplesCompany.com](mailto:Appraisal@PeoplesCompany.com) for additional information.