Spring Educational Seminar

Iowa Chapter REALTORS® Land Institute

Land Trends & Values

Press Release

RLI Land Trends and Values Committee Chairperson

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March 22, 2017
Iowa Chapter
REALTORS® Land Institute

March 2017 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 2017 Land Value Survey
Press Release

• Participants in the Survey
  – Current status of Iowa’s farmland market
  – Estimate average value as of March 1st
  – Bare, unimproved land
  – Cash basis
REALTORS® Land Institute Land Value Survey

March 1, 2017

0.9%

September 2016 – March 2017

Tillable Acres
REALTORS® Land Institute Land Value Survey

March 1, 2017
September 2016–March 2017

Nine Crop Reporting Districts
Tillable Acres

3.2% - 2.0% - 0.5% - 2.7% - 2.6% - 1.1% - 2.3% - 1.3% - 3.0%
REALTORS® Land Institute Land Value Survey

March 1, 2017

March 2016 – September 2016: -3.7%

September 2016 – March 2017: 0.9%

-2.8%

March 2016 – March 2017
REALTORS® Land Institute Land Value Survey

March 1, 2017

Nine Crop Reporting Districts
March 2016 – March 2017 Tillable Acres
REALTORS® Land Institute Land Value Survey
March 1, 2017

- Iowa State University
  - November 1, 2015 – November 1, 2016 -5.9%

- Federal Reserve
  - January 1, 2016 – January 1, 2017 -2.0%

- University of Nebraska
  - February 1, 2016– February 1, 2017 -10.0%

- Illinois ASFMRA, RLI, Illinois University
  - January 1, 2015 – December 31, 2015 -8% - 9%
REALTORS® Land Institute
Land Value Survey
March 1, 2017

• Average Tillable Cropland Price
  • March ’17  $6,545
  • March ’16  $6,732
  • March ‘15  $7,372
  • March ‘14  $8,286
  • March ‘13  $8,690
  • March ‘12  $7,132
  • March ‘11  $5,707
  • March ‘10  $4,268
  • March ‘09  $4,231
  • March ‘08  $4,276
REALTORS® Land Institute Land Value Survey
Pasture Acres
March 1, 2017

Top – Percent change
Bottom – Price per Ac

Nine Crop Reporting Districts
September 2016 – March 2017
REALTORS® Land Institute Land Value Survey
Non-Tillable / Timber Acres
March 1, 2017

Top – Percent change
Bottom – Price per Ac

Nine Crop Reporting Districts
September 2016 – March 2017
Positive Factors

- Limited Amount of Land for Sale
- Interest Rates (still near all time lows)
- Cash on hand (Excess Liquidity)
- Strong Investor Interest
- Good Long Term Investment
- Above Average Yields
Negative Factors

- Commodity Prices
- Interest Rates moving higher
- Input Costs Remain High
- Lower Net Revenue
- Lower Livestock Prices
- Ending Stock of Grain
- Government Uncertainty
  - EPA Regulations
  - Lawsuits
  - Trade Policy
Who Is Buying?

- Farmers – 25%-98%  (72%)
- Investors – 2%-75%  (26%)

- Iowa State University Study – November 1, 2016
  - Farmers – 74%
  - Investors – 22%

- Sales influenced by 1031 Exchanges
  - Ranges from <5% - 70%  (28%)
Who Is Selling?

• Estates and/or Heirs – Majority of Sellers
  – Heirs that have inherited the farm
  – Estates with multiple undivided interests

• Retired Farmers

• Some Active Farmers
  – Few forced sales
  – Sales to increase quality or location

• Investors – profit taking
Recreational Land Buyers (Timber, CRP, Wetlands)

- Avid Outdoors/Hunting People
- Out of Area Investors
- Activity is steady to increasing
- County Conservation Boards
Rate Of Return for Buyers

Cropland
• 2.5%-3.5%
  • Range 1.8% - 5%

CRP
• 4%-5%
  • Range 2%-8%
Sale Volume Compared to 2016

• Steady to Down
  – Same
  – Significantly lower
  – 30-45% down
  – Down 50%
Listings vs. Auctions

• Auctions still primary method
  – “No Sales”,
    • Most are privately negotiated afterwards
• Increasing Private Sales
• More Listings than 1 year ago
  – Some areas 50% listing, 50% auctions
Farmland Market Next 1-3 Years?

• Dependent on Production and Crop Prices (Income)

• Economy (US, World)
  • Interest Rates
  • Trade policy

• Sideways
  • Down 10% to Up 10%

• Volatile market
  • Up and Down in similar areas
Land Values vs. Commodity Prices

Hertz Appraisal Services

Data: IA RLI Land Values and ISU Extension commodity prices
Data is from Iowa Realtors Land Institute surveys

Analysis by Hertz Appraisal Services
Conclusion

- Land values appear to be taking a breath to identify future direction
- Farmers still primary buyers
- Future is uncertain
  - Dependent on yields, world grain surplus, and grain prices
- Good competition for high quality farms (demand)
- More investor activity
- Recreational land selling
Questions?
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