

# What's Happening with Farmland Values?

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## **Our Mission:**

To report on annual land values and lease trend changes across the great state of Illinois





	<u>Excellent</u>	<u>Good</u>	<u>Average</u>	<u>Recreational</u>
Northern (1 & 2)	-5 to +20%	+5 to +20%	0 to +-10%	Unchanged
Central (3, 4, 5, 6 & 7)	+15%	+13%	0 to +12%	Unchanged
Southern (8, 9 & 10)	N/A	+8%	+10%	-5% to +15%





## **2008 Land Value Trends UP – DOWN – LITTLE UP SAME!!**

- Steady to Fewer Number of Transactions
- Very Few 1031 Buyers
- More Buyers and Investors – Local and Non-Local
- Fourth Quarter Transactions Higher? Trend?
- Demand Strong for Excellent Spillover to Good
- Recreational – Flat; Rural Housing – Soft





## Region 1

	<b><u>Total Value/Acre</u></b>	<b><u>% Change in \$/Acre from 2007</u></b>	<b><u>% Change in turnover</u></b>
Excellent	\$8,500	-5	Down 25
Average	\$5,000	0	Down 25
Fair	\$4,800	0	Down 25
Recreational	\$7,000	0	Down 50
Transitional	\$18,000	-45	Down 80





## Region 2

	<b><u>Total Value/Acre</u></b>	<b><u>% Change in \$/Acre from 2007</u></b>	<b><u>% Change in turnover</u></b>
Excellent	\$6,100 - \$7,200	21	Up
Good	\$5,000 - \$6,000	22	Up
Average	\$4,000 - \$5,000	11	Steady
Fair	\$3,200 - \$4,200	30	Steady
Recreational	\$3,200 - \$6,000	Minimal	Steady to Down
Transitional	\$6,600 - \$18,500		
Other Sales	\$6,300 - \$6,500		





## Region 3

	<b><u>Total Value/Acre</u></b>	<b><u>% Change in \$/Acre from 2007</u></b>	<b><u>% Change in turnover</u></b>
Excellent	\$6,000 - \$7,700	Up 0 - 10	Up
Good	\$3,500 - \$5,700	Steady	Up
Average	\$3,000 - \$4,000	Steady to Soft	Up
Fair	Untested	--	Down
Recreational	\$2,700 - \$4,600	Steady to Soft	Down





## Region 4

	<b><u>Total Value/Acre</u></b>	<b><u>% Change in \$/Acre from 2007</u></b>	<b><u>% Change in turnover</u></b>
Excellent	\$6,000 - \$7,500	13	Steady
Good	\$5,000 - \$6,400	9	Steady to Up 10
Average	\$3,500 - \$5,500	5 and 20	Down 20
		Irrigated	
Fair	\$3,000 - \$4,900	--	Up 30
Recreational	\$3,200 - \$3,700	--	Up 30
Transitional	\$8,500 - \$40,000	Steady	Down 50





## Region 5

	<b><u>Total Value/Acre</u></b>	<b><u>% Change in \$/Acre from 2007</u></b>	<b><u>% Change in turnover</u></b>
Excellent	\$5,500 - \$6,700	10 - 15	Steady to Down
Good	\$4,000 - \$5,400	10 - 15	Steady to Down
Average	\$3,000 - \$4,400	10 - 15	Steady to Down
Recreational	\$2,500 - \$4,400	10 - 15	Steady to Down
Transitional	\$8,000 - \$24,000	Steady	Steady to Down





## Region 6

	<b><u>Total Value/Acre</u></b>	<b><u>% Change in \$/Acre from 2007</u></b>	<b><u>% Change in turnover</u></b>
Excellent	\$5,000 - \$7,500	15	Steady
Good	\$4,000 - \$6,000	15	Steady
Average	\$3,000 - \$5,400	15 (est)	
Fair	\$2,500 - \$4,000	15 (est)	Steady
Recreational	\$2,000 - \$5,000	10	Steady
Transitional	\$7,000 - \$25,000	Steady	Steady





## Region 6 -- Excellent Tracts

<u>Year</u>	<u>Avg. Price/Acre</u>
2003	\$3,462
2004	\$4,163
2005	\$4,706
2006	\$4,720
2007	\$5,592
2008	\$6,840





## Region 7

	<u>Gross Sales Price/Acre</u>	<u>Activity Trend</u>
Excellent	\$7,300	Up 22%
Good	\$5,500	Up 15%
Average	\$4,500	Up 12%
Fair	\$3,000	Steady
Recreational	\$2,800	Steady
Transitional	\$9,000	Up 20%





## Region 8

	<b><u>Total Value/Acre</u></b>	<b><u>% Change in \$/Acre from 2007</u></b>	<b><u>% Change in turnover</u></b>
Good	\$7,000 - \$9,000	Steady to +10	Steady
Average	\$4,000 - \$7,000	Steady to +15	Steady
Fair	\$3,000 - \$5,000	Steady to +25	Steady
Recreational	\$2,800 - \$3,800	Steady to -10	Steady
Transitional	\$10,000 - \$21,000	Steady	Down 50
Levee			
Protected	\$3,700 - \$4,300	Up 10 - 15	Steady





## Region 9

	<b><u>Total Value/Acre</u></b>	<b><u>% Change in \$/Acre from 2007</u></b>	<b><u>% Change in turnover</u></b>
Good	\$4,200	17	Steady
Average	\$3,800	15	Steady
Fair	\$3,000	20	Steady
Recreational	\$2,200	0	Steady
Transitional	\$8,000 - \$12,000	0	Steady





## Region 10

	<b><u>Total Value/Acre</u></b>	<b><u>% Change in \$/Acre from 2007</u></b>	<b><u>% Change in turnover</u></b>
Good	\$4,700	9	Steady
Average	\$2,440 - \$3,250	6 - 15	Steady
Fair	\$2,200	15	Steady
Recreational	\$2,400	16	Up 10
Other Sales	\$2,025	Unchanges	Down 10





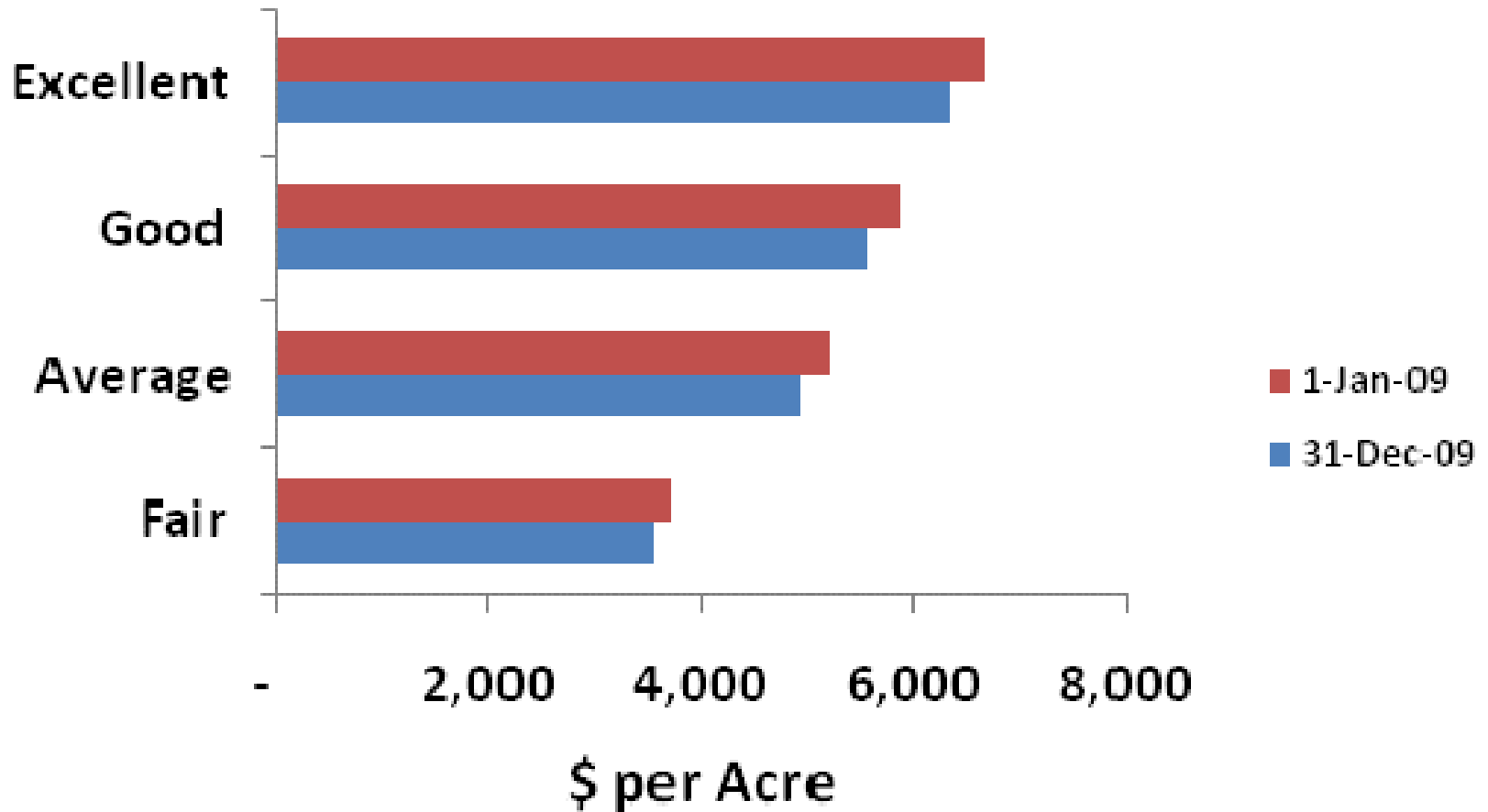
## 2008 - 09 Cash Rents

- Up 5 - 15 %
- Timing vs Grain Price & Cost
- Flexible?





# Respondents Expect Stable to Slight Declines in Farmland Prices in 2009





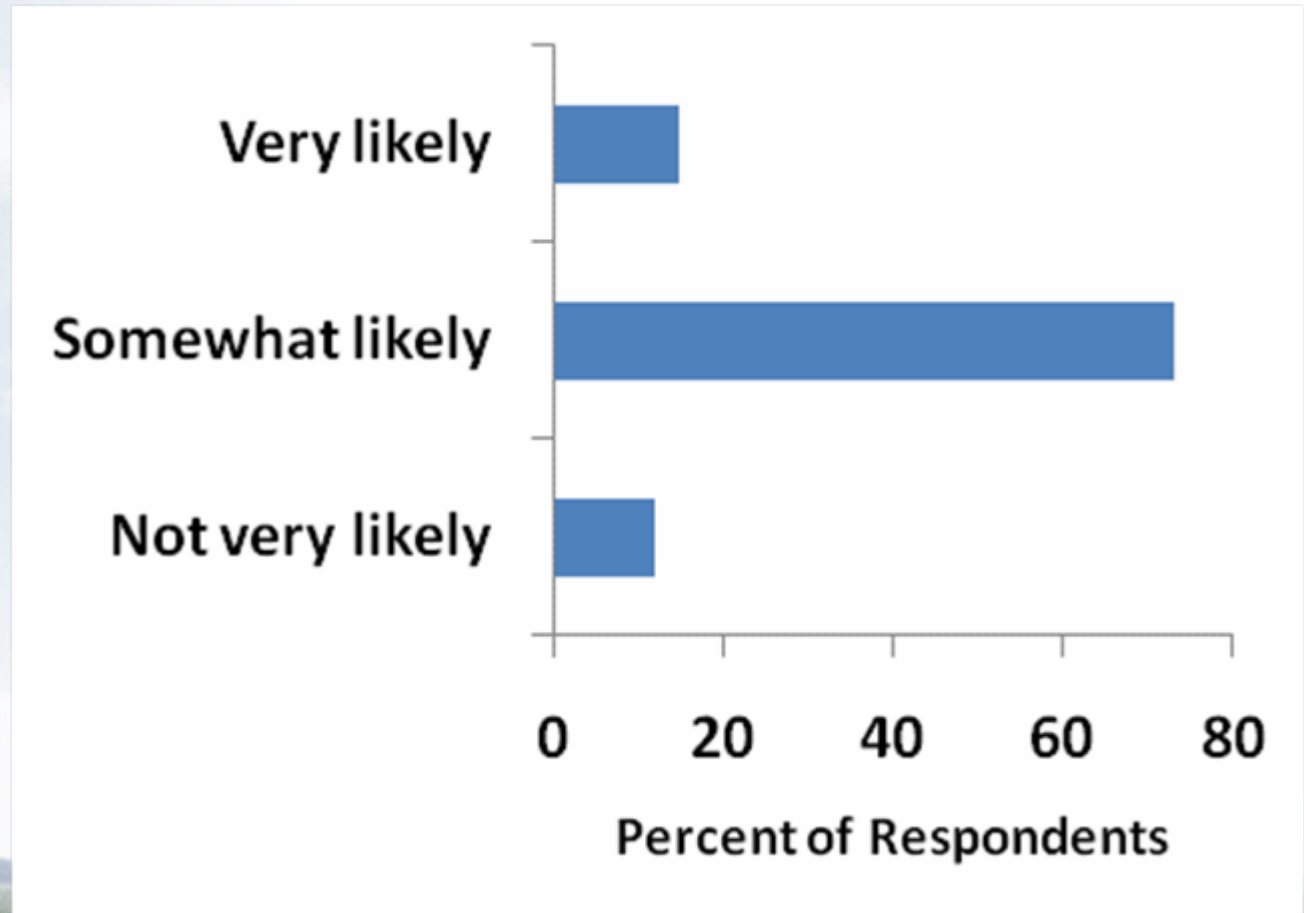
# Mixed Longer-Term Outlook on Prices

- In 2010:
  - 39% expect increasing prices
  - 33% expect level prices
  - 37% expect decreasing prices
- Similar outlook 5-years out





# Chance of Price Declines in the next 5 years





# Respondents Outlook on Farmland Prices Over 5 Year

**Percent  
of Respondents**

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<b>Very Bearish</b>	<b>4%</b>
<b>Bearish</b>	<b>34%</b>
<b>Neutral</b>	<b>45%</b>
<b>Bullish</b>	<b>27%</b>





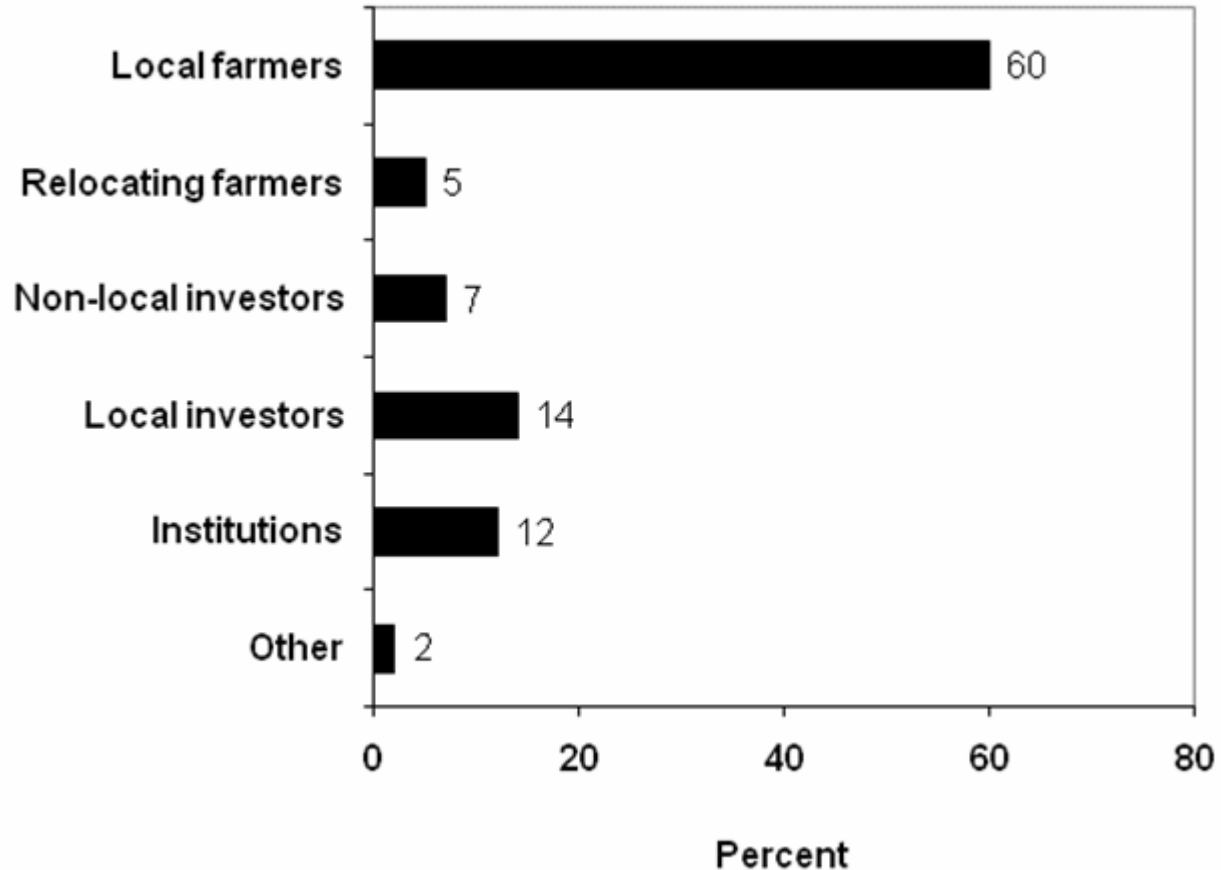
# Percent Believe the Following will Happen

	Very Likely	Somewhat Likely	Not Likely	No Chance
Lower returns to farmland	22	67	11	0
Higher interest rates	44	41	11	4
Higher inflation rates	48	48	4	0
Increase in capital gains tax	49	40	11	0
Continuing economic difficulties	15	81	4	0



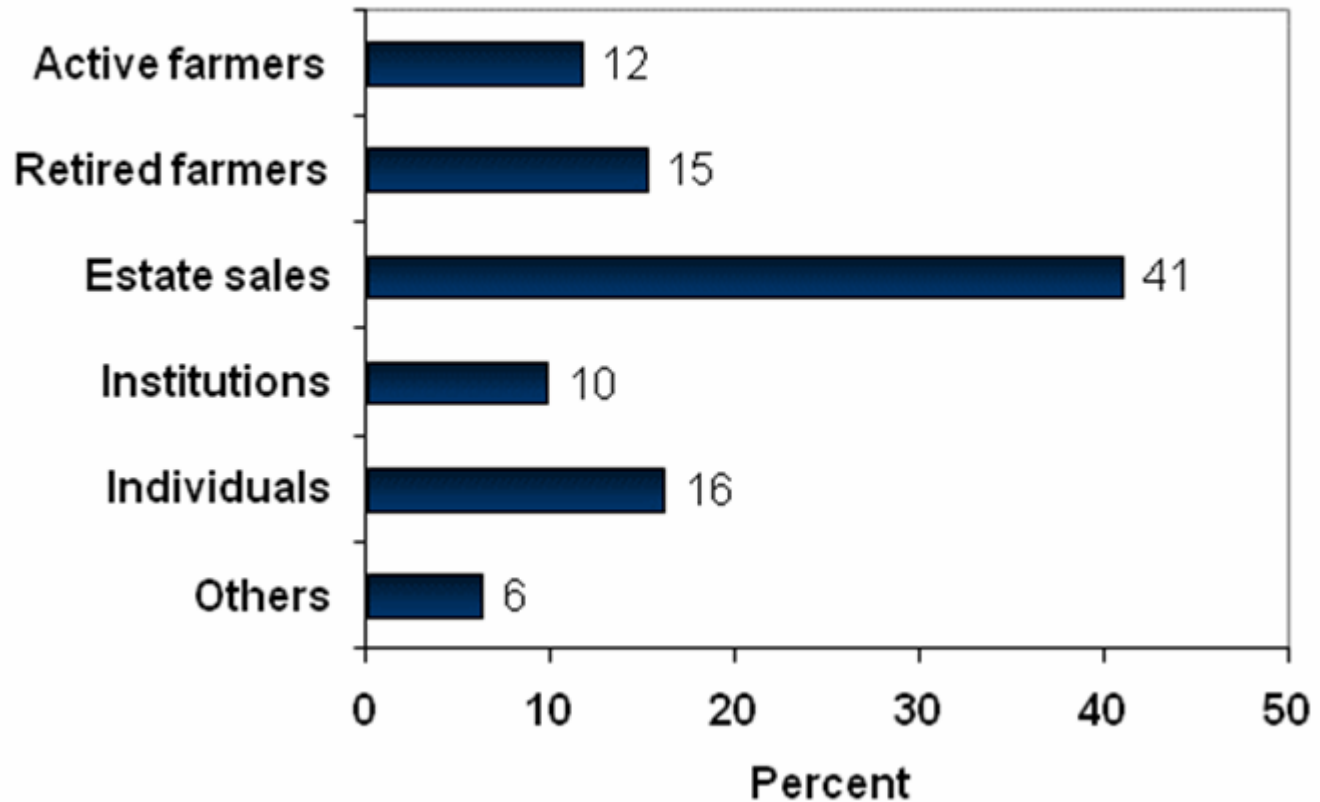


# Buyers of Farmland



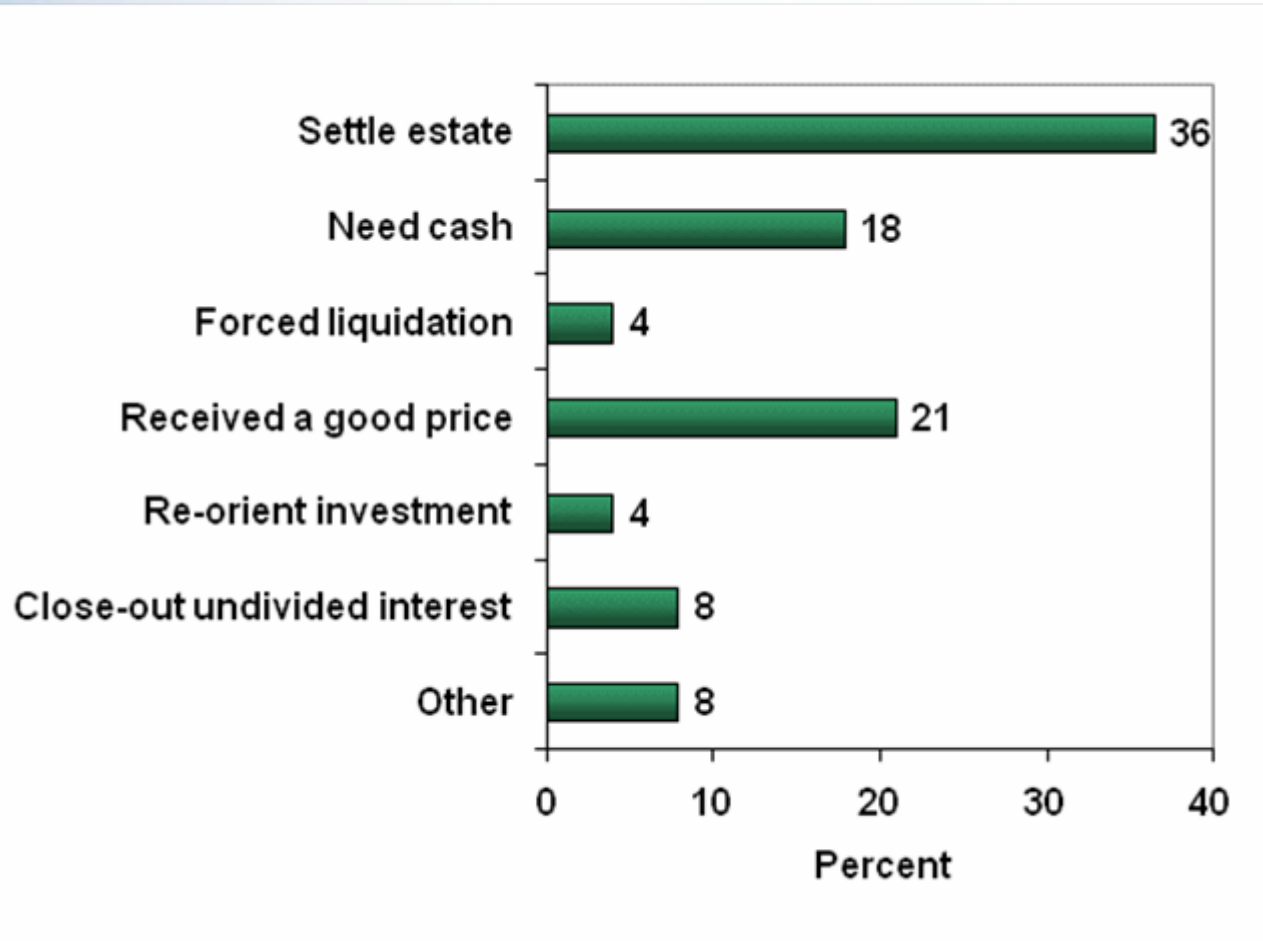


# Sellers of Farmland





# Reasons for Selling Farmland





# Volume

- 65% indicate that volume decreased in the last half of 2008
- 44% indicated that the number of tracts taken off the market increased because of unsatisfactory prices
- 54% expect volume to decrease in 2009.





# Returns to Alternative Leases, 2008

Lease type	Land Quality			
	Excellent	Good	Average	Fair
	----- \$ per acre -----			
Traditional crop share	280	222	195	159
Cash rent	251	202	175	148
Custom farming	324	269	221	197

**Returns to crop shares and custom farming.**





# Averages in Variability in 2008

Category	Land Quality			
	Excellent	Good	Average	Fair
	----- \$ per acre -----			
High 1/3	298	249	205	173
Mid 1/3	267	221	187	155
Low 1/3	227	197	155	125

**Continued variability**





# Per Acre 2009 Cash Rents by Time Rent is Set

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<b>Prior to September, 2008</b>	<b>\$285</b>
<b>September to October, 2008</b>	<b>\$272</b>
<b>October to December, 2008</b>	<b>\$260</b>
<b>January to March, 2009</b>	<b>\$222</b>

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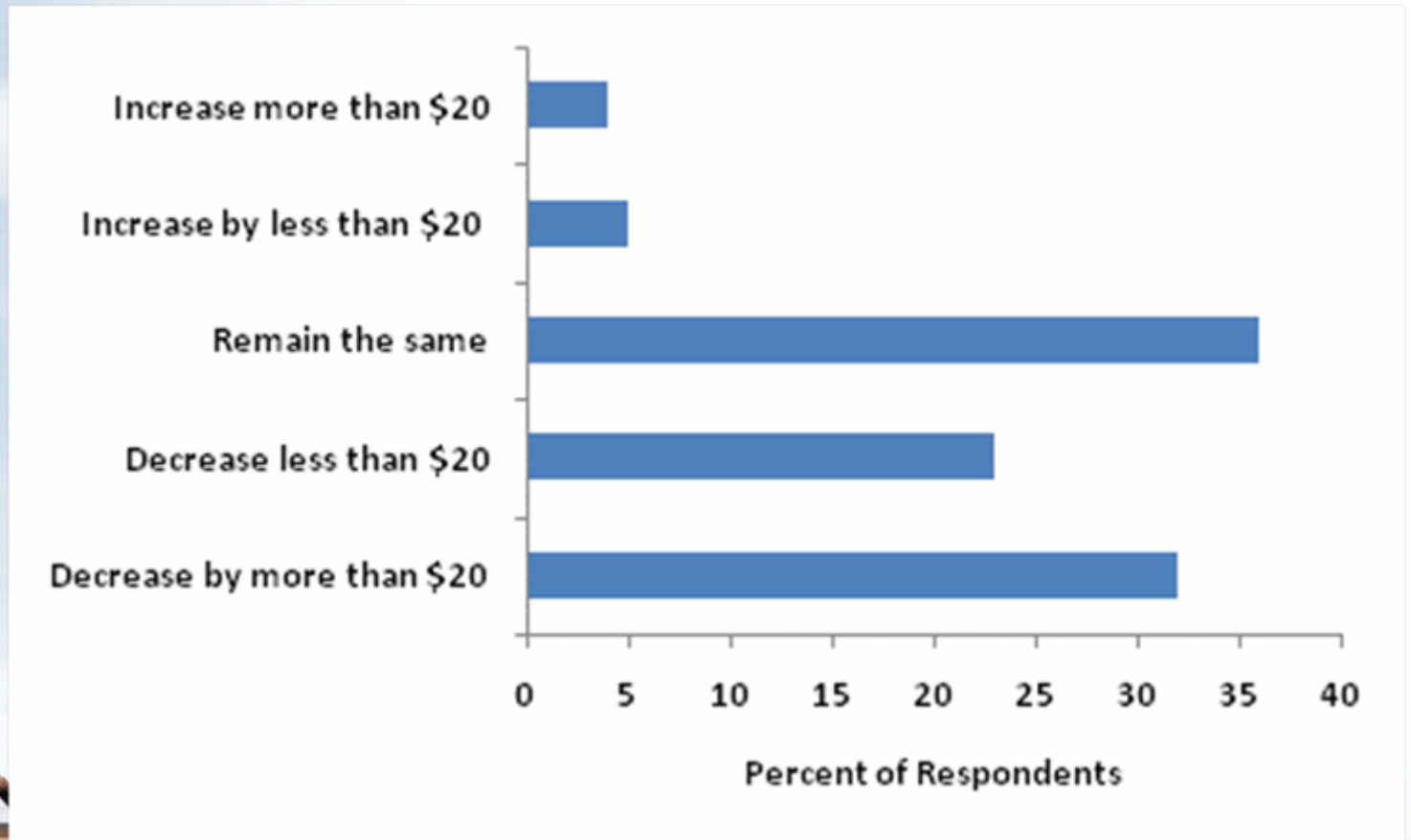
# Which Leases Will be Used More or Less in 2010

	Percent of Responses		
	Less	Same	More
<b>Traditional share rent</b>	<b>62</b>	<b>38</b>	<b>0</b>
<b>Modified share rent</b>	<b>21</b>	<b>58</b>	<b>21</b>
<b>Cash rent</b>	<b>20</b>	<b>55</b>	<b>25</b>
<b>Variable cash rent</b>	<b>0</b>	<b>33</b>	<b>67</b>





# Will Cash Rents Increase/Decrease in 2010





# Other Findings

60% of the cash rents likely to be different in 2010 than in 2009.

70% of cash rents are set in the November to December period

91% of leases will be for one year term





# General Outlook

- 80% expect corn prices for 2009 production will be between \$3.50 and \$4.00, 15% expect higher prices





# **Thank You to RLI, University of Illinois, and ISPFMRA**

Realtors Land Institute  
University of Illinois – College of ACES  
Illinois Society of Professional Farm Managers & Rural Appraisers

*Together, we are the real estate professionals*

