

# 2005 Mid-Year

# Illinois Land Values Survey



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ISPFMRA  
**2005 Mid-Year Land Value Survey**  
*Released August 31, 2005*

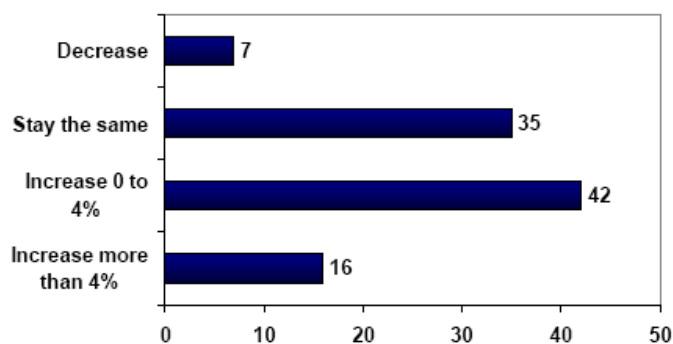
The Illinois Society of Professional Farm Managers and Rural Appraisers are the professionals in farm management, rural appraisal and consulting in the state of Illinois. Many of our members are also licensed real estate professionals who are actively engaged in real estate brokerage transactions.

Our Mid-Year Survey is an insight into farmland value and lease trends during the first six months of 2005. We hope you enjoy the information that our membership has collected for you.

**1. 2005 Illinois Farmland Values Rise** - - at a steady rate of 5 percent for the first half of the year in downstate Illinois. Values in the outlying Chicagoland area rose at a much faster 10 percent rate.

The increase in farmland values follows a trend which began to accelerate to the upside in 2003. It resulted in a 20 percent overall statewide increase in land values during calendar year 2004. 77 percent of Illinois Society members are looking for Illinois farmland values to stabilize or to continue the uptrend throughout 2006.

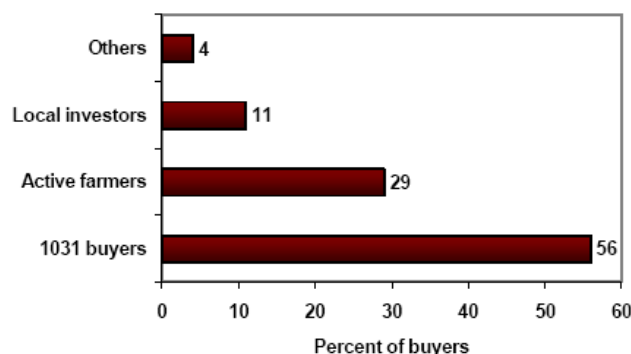
Prices in 2006 compared to 2005 will:



**2. Farmland Clears \$5,000 Threshold** - - There are widespread reports of prime farmland clearing the \$5,000 per-acre mark in many Central and Northern Illinois counties. Benchmarks are important and this is a historic level for farmland values.

To reach that lofty figure, the farmland being sold is generally of the highest soil productivity, very well located, and a larger size tract.

Who are the Buyers?



**3. 1031 Exchange Buyers - - Predominate** - - Our survey indicated that 56 percent of all buyers are using 1031 Tax-Deferred Exchanges. Many respondents noted they want large, high-quality tracts of farmland and seek premium rental arrangements in return.

84 percent of survey respondents reported that there are as many interested land buyers completing 1031 Exchanges as a year ago. Also, local investors and active farmers combine to purchase approximately 40 percent of the farmland being sold during the first six months of 2005.

Characteristics of Land 1031 Exchange Buyers Desire



**4. 2005 Drought Impact** - - Most areas of Illinois will have below-average yields. For some areas of Illinois, it's the driest growing season since 1988 - - which is reducing net farm income and slowing farmer buying of farmland. Top prices are still being paid by exchange buyers and investors. Cash rents may moderate for year 2006.

**5. Farmland Sales Volume Up** - -

Normally, summer is a slow season in the farm real estate marketing year. 2005 has an increased volume of land selling because of these high price levels. Land that has not been on the market for decades is now available for purchase.

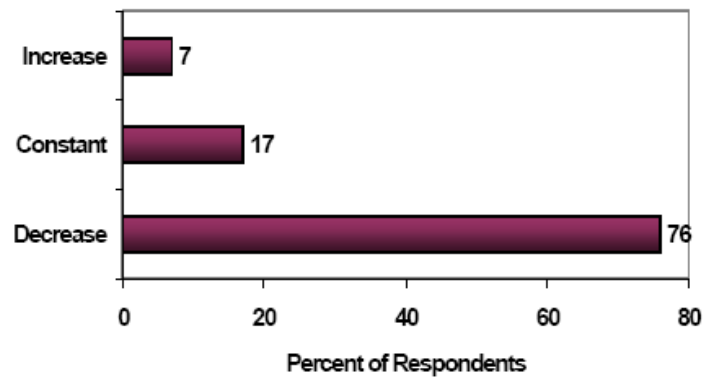
**6. Recreational Farmland is Increasing** - - at a faster pace than Illinois cropland. There is an increasing demand from the urban areas for people wanting land for hunting and recreation. It is truly a sellers market where demand outpaces supply. The result was a higher percentage increase in recreational land values during the first six months of 2005.

**7. Earnings Warning Sign** - - Take a look at the certificate of deposit rates which are now approaching 4 percent and are competing with the drought reduced net farm income in Illinois. Farmland is what it earns - - and we have competition for the net farm income stream.

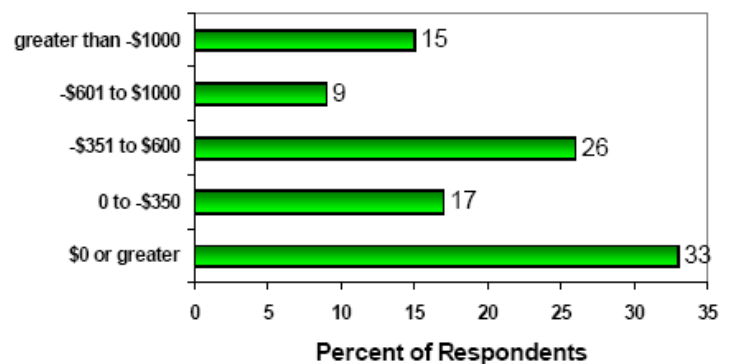
**8. Alternate Investments** - - The stock and bond markets continue their sideways trends and are not offering a competing alternative investment to farmland from the growth perspective. Respondents note that cheap capital gains taxes and well performing alternate investments could slow down the land market.

**9. Eliminating Capital Gains Taxes** - - It's on everyone's mind that capital gains tax (and 1031 Exchanges) are leading the market increase. ISPFMRA members gave a rough estimate of \$350 to \$400 per acre decline would result if the capital gains taxes were eliminated.

**Incomes in 2005 compared to 2004 will:**



**Elimination of capital gains tax will cause farmland to change by:**



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**Farmland Values By Region of the State, Mid-Year Illinois Society of  
Professional Farm Managers and Rural Appraisers Survey, 2004.**

Region/Date	Land Quality			
	Excellent	Good	Average	Fair
<b>Region 1, Northeast</b>				
January 1, 2004	\$5,073	\$3,722	\$2,867	\$1,633
July 1, 2004	\$5,682	\$4,206	\$3,217	\$1,933
January 1, 2005	\$6,786	\$5,800	\$5,300	\$4,460
July 1, 2005	\$7,821	\$6,358	\$5,829	\$4,740
<b>Region 2, Northwest</b>				
January 1, 2004	\$3,942	\$3,425	\$2,817	\$2,404
July 1, 2004	\$4,850	\$3,863	\$3,046	\$2,579
January 1, 2005	\$4,950	\$4,083	\$3,522	\$3,031
July 1, 2005	\$5,360	\$4,295	\$3,689	\$3,213
<b>Region 3, Western</b>				
January 1, 2004	\$3,383	\$2,839	\$2,111	\$1,632
July 1, 2004	\$4,106	\$3,403	\$2,675	\$1,794
January 1, 2005	\$4,500	\$3,763	\$3,150	\$2,375
July 1, 2005	\$4,660	\$3,963	\$3,275	\$2,575
<b>Region 4, North Central</b>				
January 1, 2004	\$3,858	\$3,053	\$2,422	\$1,672
July 1, 2004	\$4,133	\$3,328	\$2,647	\$1,894
January 1, 2005	\$4,668	\$4,069	\$3,550	\$2,825
July 1, 2005	\$4,868	\$4,238	\$3,600	\$2,938
<b>Region 5, Eastern</b>				
January 1, 2004	\$3,665	\$2,650	\$2,292	\$1,346
July 1, 2004	\$4,054	\$2,908	\$2,558	\$1,481
January 1, 2005	\$4,600	\$3,860	\$3,163	\$2,575
July 1, 2005	\$4,938	\$4,226	\$3,563	\$2,956
<b>Region 6, Central</b>				
January 1, 2004	\$3,896	\$3,177	\$2,473	\$1,815
July 1, 2004	\$4,365	\$3,438	\$2,769	\$2,035
January 1, 2005	\$4,577	\$4,088	\$3,588	\$2,936
July 1, 2005	\$4,771	\$4,332	\$3,805	\$3,082
<b>Region 7, West Central</b>				
January 1, 2004	\$3,850	\$3,314	\$2,686	\$1,993
July 1, 2004	\$4,143	\$3,371	\$2,969	\$2,271
January 1, 2005	\$4,461	\$3,967	\$3,294	\$2,583
July 1, 2005	\$4,625	\$4,095	\$3,450	\$2,710

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