

2002 IOWA LAND VALUE SURVEY: OVERVIEW

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1.0 History and Purpose of the Land Value Survey.

1.1 The survey was initiated in 1941 and is sponsored annually by the Iowa Agriculture and Home Economics Experiment Station, Iowa State University. Only the state average and the district averages are based directly on the ISU survey data. The county estimates are derived by using a procedure that combines the ISU survey results with data from the U.S. Census of Agriculture. The survey was conducted by Michael Duffy and Darnell Smith.

1.2 The survey is intended to provide information on general land value trends, geographical land price relationships and factors influencing the Iowa land market.

1.3 The survey is based on reports by licensed real estate brokers and selected individuals considered to be knowledgeable of land market conditions. Approximately 1100 surveys are mailed each year. Normally 500-600 completed surveys are returned. The 2002 survey is based on 591 usable responses.

1.4 Participants in the survey are asked to estimate the value of high, medium and low grade land in their county. Comparative sales and other factors are taken into account by the respondents in making these value estimates.

2.0 Analysis by State.

2.1 The 2002 state average for all grades of land was estimated to be \$2083 per acre.

2.2 The increase in the state value was \$157 per acre from 2001.

2.3 The percentage increase was 8.2 percent from 2001.

3.0 Analysis by Crop Reporting District.

3.1 The highest land values were reported for East Central Iowa, \$2547 per acre.

3.2 The lowest land values were estimated for South Central Iowa, \$1211 per acre.

3.3 The greatest percentage increase was in South Central Iowa, 16.6 percent.

3.4 The least percentage increase was in North Central Iowa, 5.7 percent.

4.0 Analysis by Counties.

4.1 The highest value was estimated for Scott County, \$3379 per acre.

4.2 The lowest value was in Decatur county, \$823 per acre.

4.3 The greatest dollar increase was \$581 in Jones county.

4.4 The greatest dollar decrease was \$-165 in Audubon county.

4.5 The greatest percentage increase was 29.5 percent reported in Des Moines County.

4.6 The greatest percentage decrease was \$-8.7 percent in Ringgold County.

5.0 Analysis by Quality of Land.

5.1 Low grade land in the state averaged \$1,322 per acre and showed a 13.0 percent increase or \$152 per acre.

5.2 Medium grade land averaged \$1,924 per acre and showed a 8.8 percent increase or \$156 per acre.

5.3 High grade land averaged \$2,576 per acre and showed an increase of 7.0 percent or \$169 per acre.

6.0 Major Factors Influencing the Real Estate Market.

Survey respondents listed both positive and negative factors influencing the land market. The respondents listed multiple factors in most cases.

6.1 There were seven positive factors listed by more than 10 percent of the respondents.

6.2 Lower interest rates were the most frequently listed positive factor identified by 52 percent of the respondents.

6.3 Other positive factors were: government payments (33 percent), crop yields (28 percent), improving commodity prices (24 percent), stock market declines (17 percent), scarcity of listings (15 percent), and strong investment demand (14 percent).

6.4 There were 4 negative factors listed by over 10 percent of the respondents. Poor commodity prices in general (14 percent), farm economy variability (13 percent), general economic outlook/world conditions (13 percent), and uncertainty and problems with the government programs (11 percent).

7.0 Number of Sales Compared to Previous Year.

When asked to compare the number of sales in 2002 relative to 2001, 28 percent reported more, 49 percent the same, and 23 percent reported less.

8.0 Land Sales by Buyer Category.

The 2002 survey asked respondents what percent of the land sales were sold to four categories of buyers.

8.1 The majority of farmland sales: 58 percent were to existing farmers. Investors represented 37 percent of the sales. New farmers represented 2 percent of the sales and, other purchases were 3 percent of sales.

8.2 Sales to existing farmers by Crop Reporting Districts ranged from 72 percent in Northwest to 40 percent in South Central.

8.3 Sales to investors were highest in South Central (48 percent). Southeast reported the lowest investor activity (25 percent).

9.0 Interpretation of Survey Results.

The results of this year's survey are some of the most unusual since the survey was started. The variability in the survey results has not been seen in previous years' surveys. In addition, there are no discernable patterns for increases or decreases as found in previous years. In this survey some counties are up considerably while a neighboring county may not be up at all.

The survey showed the third year of increases in average land values following the two years of decline. The survey showed an increase in all the crop reporting districts but 19 of Iowa's counties actually reported lower land values in 2002 compared to 2001. The average 2002 value is the second highest ever recorded in Iowa history. Adjusting the values for inflation, however, shows that the values are similar to what they were prior to the rapid increases in the 1970s.

The 2002 survey also shows the highest investor interest in purchasing farmland. There are many reasons for this including the low interest rates and the poor performance in the stock market. This might be part of the reason for the wide variability in reported values.

It is also interesting to note that there was no dominant negative factor as in years past. The respondents talked about factors that were more local in nature. The average 8.2 percent increase in land values is in line with one of the other

surveys of Iowa land values. It is important to remember the different time periods covered when comparing surveys. The Iowa State University survey reported here is an annual survey as of November 1, 2002.

We examined the data to try and determine the cause for the extreme variability. The number of respondents is similar to what we have had in the past. Similarly there is no difference in the percentage of new respondents in a county or region. Overall 84 percent of the respondents answered the questionnaire last year.

The data do not reveal a particular reason for the unanticipated results. Investor demand varies considerably and this demand lends itself to more variability than traditional farmer demand. There are certain physical factors such as rights-of-way that can create unique demand situations that can vary from county to county. It is also possible that a particular county may have more aggressive bidders influencing the local land values. Finally, a plausible explanation is that as we approach peaks in land values greater variability can reflect alternative attitudes about future directions.

Table 1. Recent Changes in Iowa Farmland Values

	Value Per Acre	Dollar Change	Percentage Change
1967	397	42	12.0
1968	409	12	3.0
1969	419	10	2.5
1970	419	0	0.0
1971	430	11	2.6
1972	482	52	12.0
1973	635	154	31.9
1974	834	199	31.3
1975	1,095	261	31.3
1976	1,368	273	24.9
1977	1,450	82	6.0
1978	1,646	196	13.5
1979	1,958	312	19.0
1980	2,066	108	5.5
1981	2,147	82	3.9
1982	1,801	-346	-16.1
1983	1,691	-110	-6.1
1984	1,357	-334	-19.8
1985	948	-409	-30.2
1986	787	-161	-17.0
1987	875	88	11.2
1988	1,054	179	20.4
1989	1,139	85	8.1
1990	1,214	75	6.6
1991	1,219	5	.4
1992	1,249	30	2.5
1993	1,275	26	2.1
1994	1,356	81	6.4
1995	1,455	99	7.3
1996	1,682	227	15.6
1997	1,837	155	9.2
1998	1,801	-36	-1.9
1999	1,781	-20	-1.1
2000	1,857	76	4.3

2001	1,926	69	3.7
2002	2,083	157	8.2

Table 2. Average Value Per Acre of Iowa Farmland Listed by Crop Reporting Districts and Grades of Land

Year	State Average	Northwest	North Central	Northeast	West Central	Central	East Central	Southwest	South Central	Southeast
All Grades										
1981	2147	2562	2721	2227	2056	2538	2530	1586	1184	1790
1986	787	937	912	786	768	930	1000	607	403	705
1987	875	1084	1055	835	871	1044	1053	676	421	782
1993	1275	1618	1507	1176	1326	1542	1433	961	643	1166
1995	1455	1755	1724	1330	1528	1766	1676	1102	742	1367
1996	1682	2071	1997	1559	1758	2090	1965	1206	851	1502
1997	1837	2263	2194	1721	1894	2295	2110	1369	957	1580
1998	1801	2174	2119	1757	1820	2192	2123	1373	948	1585
1999	1781	2059	2073	1807	1837	2128	2118	1346	981	1570
2000	1857	2198	2169	1868	1924	2195	2190	1412	992	1655
2001	1926	2240	2240	1950	1969	2246	2324	1511	1039	1705
2002	2083	2434	2367	2149	2101	2392	2547	1632	1211	1808
High Grade										
1981	2759	3035	3209	2885	2576	3061	3293	2050	1880	2726
1986	1048	1131	1094	1048	1000	1154	1343	832	682	1120
1987	1150	1306	1260	1102	1125	1288	1399	912	688	1229
1994	1760	1972	1871	1651	1859	2010	1995	1347	1092	1938
1995	1869	2058	1968	1729	1939	2159	2131	1483	1163	2091
1996	2151	2431	2300	2015	2210	2558	2518	1586	1316	2291
1997	2328	2647	2531	2210	2350	2790	2673	1786	1443	2383
1998	2284	2534	2449	2238	2268	2659	2683	1798	1455	2369
1999	2249	2401	2362	2275	2288	2589	2685	1773	1499	2271
2000	2324	2547	2462	2329	2375	2660	2743	1825	1509	2353
2001	2407	2588	2546	2439	2437	2685	2907	1947	1582	2447
2002	2576	2776	2676	2625	2583	2848	3105	2117	1931	2539
Medium Grade										
1981	1931	2252	2334	2052	1866	2279	2258	1472	1149	1604
1986	699	830	777	709	684	813	866	561	396	622
1987	780	957	903	754	776	928	925	630	413	696
1994	1223	1511	1420	1127	1316	1478	1387	936	652	1085
1995	1322	1598	1558	1216	1394	1580	1510	1009	726	1210
1996	1514	1873	1769	1423	1585	1843	1752	1111	829	1321
1997	1668	2033	1945	1577	1742	2050	1910	1280	945	1404
1998	1638	1970	1885	1604	1670	1968	1930	1274	924	1414
1999	1629	1876	1869	1665	1692	1898	1945	1241	949	1433
2000	1701	2001	1972	1728	1772	1956	1996	1320	955	1511
2001	1768	2057	2040	1800	1807	2013	2125	1410	1004	1571
2002	1924	2278	2142	2010	1930	2175	2358	1522	1152	1659
Low Grade										
1981	1157	1460	1517	1220	1125	1336	1366	959	624	752
1986	377	488	468	405	350	475	460	290	176	257
1987	432	571	553	444	419	535	495	341	207	289
1994	714	882	935	668	752	914	808	555	348	503
1995	792	992	1049	737	812	967	925	614	400	574
1996	936	1213	1207	878	981	1146	1073	688	479	674
1997	1042	1354	1337	992	1083	1279	1186	787	544	730
1998	1030	1299	1286	1059	1021	1258	1205	792	542	739
1999	1045	1216	1314	1110	1040	1296	1188	798	582	790
2000	1117	1370	1387	1167	1126	1299	1288	862	597	875
2001	1170	1388	1423	1208	1202	1416	1404	918	623	871
2002	1322	1571	1568	1448	1332	1516	1628	996	760	997

Level of Sales Activity, 2002

Crop Reporting District	More	Same	Less
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	Percent		
Northwest	32	53	15
North Central	36	41	23
Northeast	25	57	18
West Central	26	42	32
Central	26	51	23
East Central	31	43	27
Southwest	14	58	28
South Central	19	57	24
Southeast	36	42	22
<i>State</i>	28	49	23

Iowa Land Purchases, 2002

	Existing Farmers	Investors	New Farmers	Other
	Percent			
Northwest	72	27	1	1
North Central	69	28	2	1
Northeast	63	37	1	1
West Central	62	38	1	2
Central	51	45	3	1
East Central	59	34	4	5
Southwest	63	35	2	1
South Central	40	48	2	10
Southeast	68	25	2	6
<i>State</i>	58	37	2	3