

2004 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. The survey is not intended to provide an estimate for any particular piece of property.

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 1,100 surveys are mailed each year. Normally 500-600 completed surveys are returned.

1.4 Respondents were asked to report on more than one county if they were knowledgeable about the land markets. The 2004 survey is based on 516 usable responses providing estimates on 675 county land values.

1.5 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 2004 state average for all grades of land was estimated to be \$2,629 per acre.

2.2 The increase in the state value was \$354 per acre from 2003.

2.3 The percentage increase was 15.6 percent from 2003.

3.0 Analysis by Crop Reporting District.

3.1 The highest land values were reported for Northwest Iowa, \$3,118 per acre.

3.2 The lowest land values were estimated for South Central Iowa, \$1,547 per acre.

3.3 The greatest percentage increase was in Southwest Iowa, 17.7 percent.

3.4 The least percentage increase was in East Central Iowa, 12.5 percent.

4.0 Analysis by Counties.

4.1 The highest value was estimated for Scott county, \$4,167 per acre.

4.2 The lowest value was in Decatur county, \$1,104 per acre.

4.3 The greatest dollar increase was \$592 in Humboldt county.

4.4 The greatest percentage increase was 22.9 percent reported in Hardin county.

5.0 Analysis by Quality of Land.

5.1 Low grade land in the state averaged \$1,713 per acre and showed a 17.1 percent increase or \$250 per acre.

5.2 Medium grade land averaged \$2,457 per acre and showed a 15.7 percent increase or \$334 per acre.

5.3 High grade land averaged \$3,193 per acre and showed an increase of 14.4 percent or \$403 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 6 positive factors listed by over 10 percent of the respondents.

6.2 Low interest rates were the most frequently listed positive factor identified by 45 percent of the respondents.

6.3 Other positive factors were: good crop yields (22 percent), strong investment demand (19 percent), good grain prices (18 percent), tax policy implications (15 percent) and scarcity of listings (12 percent).

6.4 There were two negative factors listed by more than 10 percent of the respondents. Lower grain prices were listed by 20 percent of the respondents. Land prices are too high and cash flow concerns were listed by 12 percent.

7.0 Number of Sales Compared to Previous Year.

When asked to compare the number of sales in 2004 relative to 2003, 33 percent reported more, 44 percent the same, and 22 percent reported less.

8.0 Land Sales by Buyer Category.

The 2004 survey asked respondents what percent of the land sales were sold to four categories of buyers.

8.1 The majority of farmland sales: 56 percent were to existing farmers. Investors represented 38 percent of the sales. New farmers represented 3 percent of the sales and, other purchases were 4 percent of sales.

8.2 Sales to existing farmers by Crop Reporting Districts ranged from 66 percent in West Central to 38 percent in South Central.

8.3 Sales to investors were highest in South Central (51 percent). Southeast reported the lowest investor activity (28 percent).

9.0 Interpretation of Survey Results.

The results of this year's survey show that the interest in Iowa farmland remains high. This year's average value of \$2,629 is the highest ever recorded in Iowa. This is the second year in a row with a record high. When the land values are adjusted for inflation, using 1982 – 1984 time period, land values in Iowa peaked in 1979. The value reported in this year's survey, when adjusted for inflation, is roughly the same as the value reported in 1973, the first year of the rapid run up of land values in the 1970s.

The survey also showed that the strength in the land market was apparent throughout the state. All nine crop reporting districts showed increases in the average value of greater than 10 percent. All counties showed an increase in value with an average increase of 15.8 percent. Only 8 counties reported an increase less than 10 percent.

The 2004 survey shows investor interest in purchasing farmland remained high. There are many reasons for this including the low interest rates and the poor performance in the stock market.

The average 15.6 percent increase in land values is similar to 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, 2004. It is also interesting to note that the land market did appear to be strengthening throughout the year.

The 2004 survey showed several firsts with respect to the Iowa land market. The average value is the highest recorded. This is the first time when a county average value exceeded \$4,000 per acre. This is also the first time where all 99 counties reported average values above \$1,000 per acre.

Table 1. Recent Changes in Iowa Farmland Values

| | Value Per Acre | Dollar Change | Percentage Change |
|------|-----------------------|----------------------|--------------------------|
| 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 |
| 2003 | 2,275 | 192 | 9.2 |
| 2004 | 2,629 | 354 | 15.6 |

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 |
| 1994 | 1356 | 1663 | 1610 | 1249 | 1453 | 1653 | 1546 | 1009 | 673 | 1241 |
| 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 |
| 2003 | 2275 | 2683 | 2514 | 2347 | 2329 | 2652 | 2715 | 1774 | 1354 | 1979 |
| 2004 | 2629 | 3118 | 2913 | 2665 | 2728 | 3101 | 3054 | 2088 | 1547 | 2286 |
| 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 |
| 2003 | 2790 | 3040 | 2817 | 2857 | 2820 | 3121 | 3263 | 2285 | 2121 | 2783 |
| 2004 | 3193 | 3537 | 3265 | 3189 | 3264 | 3621 | 3659 | 2657 | 2358 | 3174 |
| 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 |
| 2003 | 2123 | 2507 | 2309 | 2221 | 2167 | 2438 | 2543 | 1659 | 1307 | 1834 |
| 2004 | 2457 | 2930 | 2669 | 2515 | 2564 | 2858 | 2863 | 1956 | 1492 | 2118 |
| 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 |
| 2003 | 1463 | 1808 | 1682 | 1512 | 1500 | 1707 | 1811 | 1130 | 858 | 1063 |
| 2004 | 1713 | 2087 | 1976 | 1816 | 1746 | 2028 | 1998 | 1354 | 1029 | 1272 |

Level of Sales Activity, 2004

| Crop Reporting District | More | Same | Less |
|-------------------------|---------|------|------|
| | Percent | | |
| Northwest | 34 | 52 | 14 |

| | | | |
|---------------|-----------|-----------|-----------|
| North Central | 45 | 28 | 28 |
| Northeast | 36 | 41 | 23 |
| West Central | 31 | 49 | 20 |
| Central | 42 | 36 | 22 |
| East Central | 23 | 48 | 30 |
| Southwest | 28 | 61 | 11 |
| South Central | 27 | 50 | 23 |
| Southeast | 25 | 42 | 33 |
| <i>State</i> | 33 | 44 | 22 |

Iowa Land Purchases, 2004

| | Existing Farmers | Investors | New Farmers | Other |
|---------------|------------------|-----------|-------------|----------|
| | Percent | | | |
| Northwest | 62 | 34 | 3 | 1 |
| North Central | 63 | 35 | 1 | 1 |
| Northeast | 44 | 47 | 8 | 1 |
| West Central | 66 | 30 | 2 | 1 |
| Central | 57 | 40 | 2 | 1 |
| East Central | 63 | 30 | 1 | 5 |
| Southwest | 48 | 49 | 1 | 2 |
| South Central | 38 | 51 | 3 | 10 |
| Southeast | 60 | 28 | 2 | 9 |
| <i>State</i> | 56 | 38 | 2 | 4 |