

MARKET SNAPSHOT
LAND VALUES



June 30, 2019

Executive Summary

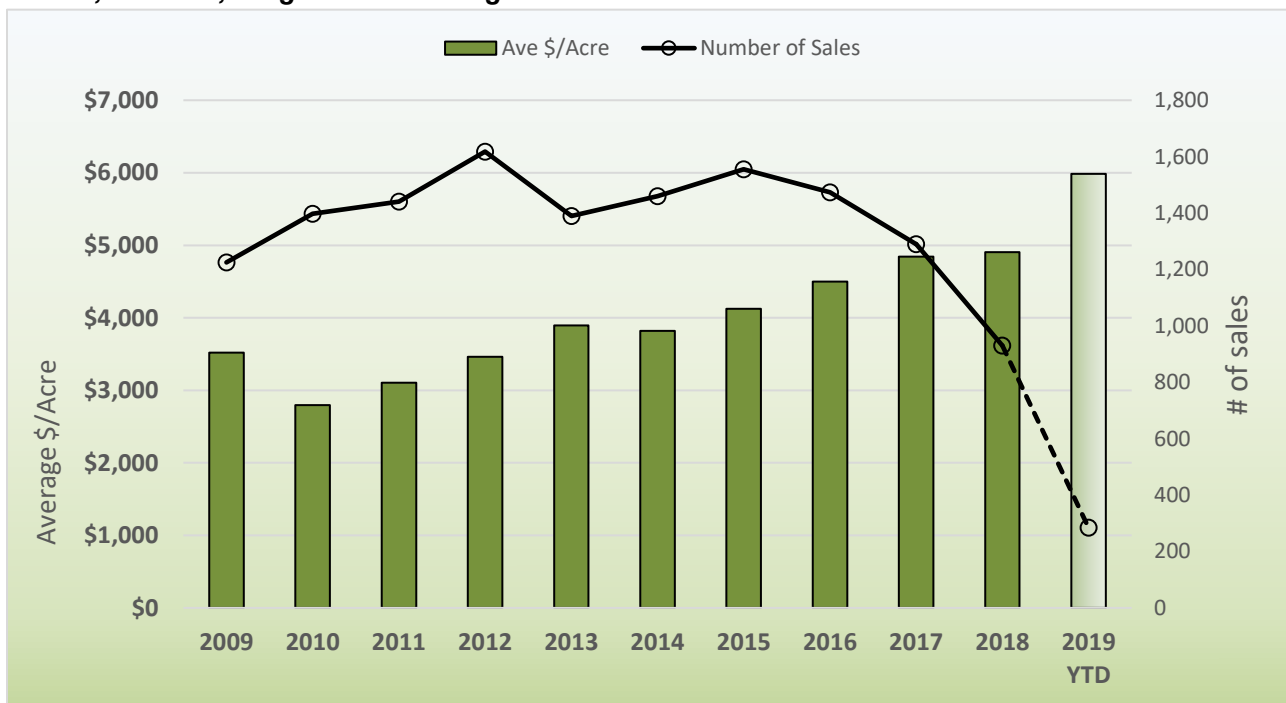
Northwest agricultural real estate values remain stable to increasing. Most areas report strong demand for good quality agricultural properties through 2018 into early 2019.

Northwest Region Trend

Demand varies by property type and/or market segment. The supply of available agricultural properties has remained low since 2015. Sales between landlords and tenants are common and investor interest has been reported in many areas, especially for high quality land.

The low supply of available properties since 2015 has resulted in a lower number of transactions each year. Increasing land values have been seen in recent years as limited supply has seen strong demand.

Average Land Values for Sales Transactions 40 Acres and Larger - Idaho, Montana, Oregon and Washington



Source: Northwest FCS' proprietary sales database.

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Washington

The overall market has seen steady sales activity, and sale prices for irrigated land remains stable with good demand from local investors.

In **Eastern Washington**, dryland values are mostly stable with limited transactions. Actively marketed properties are selling at the upper end of the value range, with buyers an even mix of investors and local farmers.

Rental rates have been changing in the past few years because of lower wheat prices. While rental rates and terms vary significantly, rates are typically higher on investor-owned land than local farmer-owned land.

Sales activity in the Columbia Basin has remained stable. The market has seen fewer properties offered for sale with most buyers consisting of established farm families and out-of-area investors. Properties with orchard potential represent the high end of the value range in the north and south Columbia Basin. Lower quality properties with poorer soils have stable value trends. Rental rates have remained stable. The market for rural residential tracts is stable; demand remains strong for rural residential tracts from one to 10 acres near larger cities.

Demand for land with permanent crop potential in the central Columbia Basin is strong. Row crop ground with excellent water rights is being purchased for orchard and blueberry plantings.

Orchards in **Central Washington** have stable value trends with decreasing market activity. Large, integrated operations are not as active unless the tract adjoins or benefits their operation in some way. Investment companies are active but with limited availability. The supply of orchards is limited with few listings on the market. Apple and

cherry orchards represent most of the sales, with limited pear and soft fruit sales.

In **Northwestern Washington**, most of the reported sales for agriculture lands have occurred in Whatcom and Skagit counties where prices have remained stable. In Whatcom County, good quality sales between 20 and 40 acres with water rights are becoming harder to locate; premiums are being paid for properties with water rights. Competition for better quality land between dairies and permanent crop producers has put significant pressure on dairy operations in the area.

Oregon

Lower supply and stable to increasing value trends continue.

In **Western Oregon**, the Willamette Valley has tight supplies, strong demand and low marketing times for high quality properties. Land suitable for vineyards continues to be the primary driver for land values.

Outside investors interested in the rate of return from large tracts of land and development of permanent plantings have fundamentally shifted the market. The presence of investors has reduced discrepancies among different areas, creating a more homogenous market.

Hazelnut development has slowed resulting from lower nut prices over the past few years, while nursery conditions are profitable with some operations expanding. Land suitable for vineyards and improved vineyard properties have continued to see increased sales activity and increasing land value trends. Strategic, well-known buyers have expanded operations into Oregon. Local operators are also expanding.

In **Central Oregon**, the limited supply of dry cropland properties with good yields are met with a strong market. Most buyers are

neighboring land owners or the current tenant. Supply remains limited for irrigated properties, and demand remains strong, especially for the good quality irrigated lands. Large recreation ranches have been trading hands since 2016, with the volatility of the stock market being the primary motivation.

The Klamath Falls area is suffering from drought conditions. This has brought the full-time farmer expansion to a stop. Currently, only rural residential properties are moving in the market.

In **Eastern Oregon**, demand remains strong despite generally lower prices for most of the major commodities grown in the area. Rumblyings by producers of a need for a correction in land purchase and rental prices continue, but steady demand has prevented any such corrections to date.

The area continues to show stable to increasing land values on the high quality irrigated and dry cropland. Pasture and grazing lands continue to show stable demand and values.

Most purchases have been made by agricultural producers expanding their operations with investor activity primarily on larger irrigated tracts. Market activity in the area has also increased in the part-time farm and rural residential markets.

Montana

The quantity of real estate sales decreased in 2018, but values have remained stable to stronger.

In **Eastern Montana**, drought conditions remain a factor. A limited number of sale properties are available, and most are purchased as add-on units.

Larger properties listed on the open market at reasonable prices appear to be selling close to asking price and within about six months.

Properties listed well above market are seeing little interest. Smaller grazing and cropland tracts are receiving strong interest. Small cropland tracts are bringing market prices and above at auction. Irrigated sales occurred more frequently in the last two years and indicate slightly increasing prices over the previously stagnant market.

In **North Central Montana**, demand for all land types remains strong and supply remains tight, which continues to upwardly impact parts of the area.

Recent sales and pending transactions show mixed results, indicating stable to slightly increasing values.

Sales of irrigated land have been more sporadic, but sales in the Fairfield and Conrad/Valier areas have set new records for their markets. The number of sales at this upper end is limited at this point, however. Sales of puritan grass tracts are limited, but the few recent sales indicate stable values in this market segment.

High quality recreational ranches are being marketed in limited numbers, with one large sale serving as an indicator of a strong market for properties with high quality amenities. Smaller recreational ranch properties have changed hands recently, which also indicates stability in that market. Local ranchers are purchasing lower amenity properties as add-ons to existing operations in some instances.

In **South Central Montana**, recent sales activity is strong among local operators with continued interest from outside buyers for larger properties. Some recent sales have been to younger operators. Agricultural land values have been stable.

Anecdotal information indicates more properties may become available on the market due to lender pressures. Buyers are

being more selective, and some sellers appear to be overly optimistic. Demand for smaller part-time farms and recreational properties have been stable to increasing.

In **Southwestern Montana**, sales activity has been steady to stronger with prices stable to increasing. Most buyers are investors with recreational or lifestyle interests and agricultural potential is a secondary consideration. Full-time agricultural operators have also been market participants. Some areas have had stronger prices for irrigated land. This is heavily influenced by a limited number of motivated market participants.

There is considerable interest in small- to medium-sized ranch properties. The market for rural residential property and smaller acreages with good amenities has rebounded significantly, and development activity has rebounded as well.

Idaho

Low supply and stable demand for agricultural properties have continued across Idaho, keeping land values stable.

In **Eastern Idaho**, a significant number of properties were sold during 2018, with sellers often liquidating due to age or retirement. Buyers are frequently neighbors or tenants of the farm ground. Institutional investor activity has declined recently while recreational influence continues to be a factor. Rural residential influence is driving up land values near population centers and in areas with strong recreational amenities. There has been slight downward pressure on rental rates due to lower commodity prices for potatoes and grain.

In the Magic Valley area of **Southern Idaho**, buyers sometimes approach potential sellers before properties officially go on the market, which creates competition for agricultural tracts. Land values are stable to slightly

increasing despite some softening of interest reported by area realtors. Rental rates have remained steady.

Residential prices in the area have increased with competition due to low supply while new home construction has increased near Twin Falls, Burley and Jerome. The market for recreational and working ranch properties has been limited.

In the Treasure Valley of **Western Idaho**, values are increasing because of a limited supply, and local operators are showing a willingness to pay slightly above average prices for neighboring tracts as they enter the market. Investors are still active players in the area despite difficulties finding suitable properties. Rents have declined slightly based on the lower commodity prices in some instances. Lower rents tend to be a delayed reaction to lower commodity prices.

Development pressures have become significant in the market for farm tracts near current development areas, especially in Ada and Canyon counties.

About Northwest FCS Appraisal Services

Northwest FCS appraisers provide appraisal services on rural properties throughout the Northwest. The Appraisal Services team continually researches sales and tracks market data throughout Idaho, Montana, Oregon and Washington. They compile the market data and analyze it using a central database.

This report provides a macro look at trends and market characteristics and does not provide detail for specific areas and land types. The report should not be used to identify a value for a specific property. This information is limited only to an analysis of trends in identified land values within the geographic area served by Northwest FCS.

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For more information or to share your thoughts and opinions, contact the Business Management Center at 866.552.9193 or bmc@northwestfcs.com.

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