2005 IOWA LAND VALUE SURVEY: OVERVIEW

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 2005 survey is based on 483 usable responses providing estimates on 615 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 2005 state average for all grades of land was estimated to be $2,914 per acre.

2.2 The increase in the state value was $285 per acre from 2004.

2.3 The percentage increase was 10.8 percent from 2004.

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December 2005

Prepared by Michael D. Duffy, agricultural extension economist and Darnell Smith, extension associate, Iowa State University, December 13, 2005.

3.0 Analysis by Crop Reporting District.

3.1 The highest land values were reported for Central Iowa, $3,415 per acre.

3.2 The lowest land values were estimated for South Central Iowa, $1,793 per acre.

3.3 The greatest percentage increase was in South Central Iowa, 15.9 percent.

3.4 The least percentage increase was in Southeast Iowa, 8.6 percent.

4.0 Analysis by Counties.

4.1 The highest value was estimated for Scott county, $4,707 per acre.

4.2 The lowest value was in Decatur county, $1,321 per acre.

4.3 The greatest dollar increase was $540 in Scott county.

4.4 The greatest percentage increase was 24.3 percent reported in Ringgold county.

5.0 Analysis by Quality of Land.

5.1 Low grade land in the state averaged $1,961 per acre and showed a 14.5 percent increase or $248 per acre.

5.2 Medium grade land averaged $2,736 per acre and showed a 11.4 percent increase or $279 per acre.

5.3 High grade land averaged $3,511 per acre and showed an increase of 10.0 percent or $318 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 5 positive factors listed by over 10 percent of the respondents.

6.2 Low interest rates (27 percent) and good crop yields (26 percent) were the most frequently mentioned positive factors.

6.3 Other positive factors were: tax free exchanges (20 percent), government programs and payments (16 percent), and strong investment demand (12 percent).

6.4 There were 3 negative factors listed by more than 10 percent of the respondents. Lower grain prices were listed by 28 percent of the respondents. High input, machinery and low profitability in general (16 percent) and up trending interest rates (16 percent).

7.0 Number of Sales Compared to Previous Year.

When asked to compare the number of sales in 2005 relative to 2004, 29 percent reported more, 48 percent the same, and 23 percent reported less.

8.0 Land Sales by Buyer Category.

The 2005 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 39 percent of the sales. New farmers represented 3 percent of the sales and, other purchases were 2 percent of sales.

8.2 Sales to existing farmers by Crop Reporting Districts ranged from 81 percent in East Central to 46 percent in Southwest.

8.3 Sales to investors were highest in Northwest (51 percent). East Central reported the lowest investor activity (17 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 $2,914 is the highest ever recorded in Iowa. This is the third 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 increase in land values in the 1970s.

The survey also showed that the strength in the land market was apparent throughout the state. All 9 crop reporting districts showed increases in the average value of close to 10 percent. All counties showed an increase in value. There were 21 counties with an increase less than 10 percent.

The 2005 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 statewide average 10.8 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, 2005.

Iowa farmland has performed very well since 2000. The statewide average land values have increased 56.9 percent over the past 5 years. The South Central Crop Reporting District increased over 80 percent since 2000. The Central district showed the highest dollar increase ($1,220 per acre) since 2000. The South Central district reported a $801 increase. There were 7 counties that increased over 70 percent during the same time period.

Are Iowa land values at their peak? Is the market too high? These are frequently asked questions that cannot be answered from the survey nor with any certainty. It does appear from the survey, however, that these concerns are on people's minds. When you combine several of the similar negative factors mentioned, well over a fourth of the respondents are concerned that the market is too high for profitable farm production. There is also a considerable degree of uncertainty expressed regarding farm programs, the general economy, fewer buyers, and interest rates.

Another frequently asked question is whether or not high land prices are a good thing. Obviously, the answer to this depends upon your point of view and whether you are an owner or a renter, or potential buyer. A couple of observations address this question. One is that rents have been increasing at a lower rate than land values over the past several years. Another observation is that much of Iowa's land is owned by absentee landowners. Based on a 2002 survey, 45 percent of Iowa's farmland was owned by people who did not live on a farm. Of this, 19 percent of Iowa's farmland was owned by people who don't even live in Iowa. This same survey showed that almost three-fourths of Iowa's farmland was owned without debt. This is one indicator that the potential for significant land value declines is not as great today as in the early 1980s.

There are many questions pertaining to the record high land values. How you answer them depends on your point of view. The survey shows that land value increases appear to be slowing and that values may be nearing a plateau in the near future. Many respondents indicated that the supply of land on the market has increased and that the potential buyers may be hesitating to buy at these higher land prices. Time will tell.

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	1095	261	31.3
1976	1368	273	24.9
1977	1450	82	6.0
1978	1646	196	13.5
1979	1958	312	19.0
1980	2066	108	5.5
1981	2147	82	3.9
1982	1801	-346	-16.1
1983	1691	-110	- 6.1
1984	1357	-334	-19.8
1985	948	-409	-30.2
1986	787	-161	-17.0
1987	875	88	11.2
1988	1054	179	20.4
1989	1139	85	8.1
1990	1214	75	6.6
1991	1219	5	.4
1992	1249	30	2.5
1993	1275	26	2.1
1994	1356	81	6.4
1995	1455	99	7.3
1996	1682	227	15.6
1997	1837	155	9.2
1998	1801	-36	-1.9
1999	1781	-20	-1.1
2000	1857	76	4.3
2001	1926	69	3.7
2002	2083	157	8.2
2003	2275	192	9.2
2004	2629	354	15.1
2005	2914	285	10.8

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

Year	State Average	North-west	North Central	North-east	West Central	Central	East Central	South-west	South Central	South-east
					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
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
2005	2914	3393	3222	2963	3048	3415	3396	2350	1793	2483
					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
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
2005	3511	3813	3588	3522	3691	3935	4069	2925	2659	3385
					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
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
2005	2736	3199	2982	2834	2833	3165	3172	2217	1725	2347
					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
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
2005	1961	2382	2252	2032	1970	2353	2237	1614	1252	1438

Level of Sales Activity, 2005

	More	Same	Less
		Percent	
Northwest	23	56	22
North Central	34	44	21
Northeast	24	43	34
West Central	27	49	24
Central	32	49	19
East Central	35	43	22
Southwest	35	43	22
South Central	21	55	24
Southeast	34	46	20
STATE	**29**	**48**	**23**

Iowa Land Purchases, 2005

	Existing Farmers	Investors	New Farmers	Other
		Percent		
Northwest	49	51	0	0
North Central	53	39	7	1
Northeast	58	31	6	6
West Central	65	34	1	0
Central	52	46	2	1
East Central	81	17	0	2
Southwest	46	48	3	3
South Central	49	47	3	2
Southeast	57	37	2	4
STATE	**56**	**39**	**3**	**2**

Issued in furtherance of Cooperative Extension work, Acts of May 8 and June 30, 1914, in cooperation with the U.S. Department of Agriculture. Stanley R. Johnson, director, Cooperative Extension Service, Iowa State University of Science and Technology, Ames, Iowa.

Comparative Iowa Land Values

2004–2005

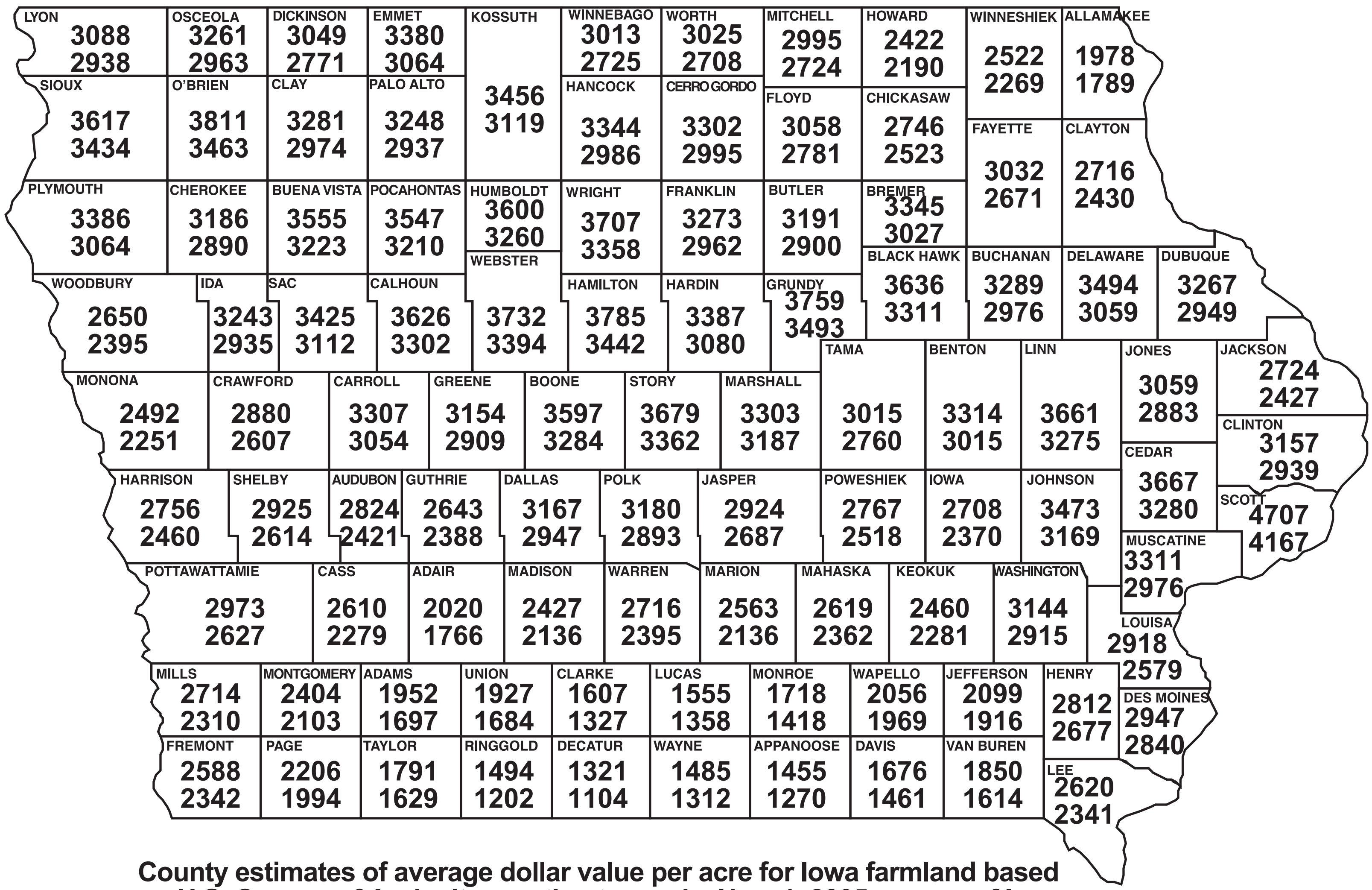
By Crop Reporting District:

District	2005 $/acre	2004 $/acre	2004-2005 Change $	2004-2005 Change %
Northwest	3,393	3,118	274	8.8%
North Central	3,222	2,913	309	10.6%
Northeast	2,963	2,665	298	11.2%
West Central	3,048	2,728	320	11.7%
Central	3,415	3,101	314	10.1%
East Central	3,396	3,054	342	11.2%
Southwest	2,350	2,088	262	12.5%
South Central	1,793	1,547	246	15.9%
Southeast	2,483	2,286	198	8.6%
State Average	2,914	2,629	285	10.8%

By County:

County Name	2005 $/acre	2004 $/acre	2004–2005 $ Change	2004–2005 % Change
Adair	2,020	1,766	254	14.4%
Adams	1,952	1,697	255	15.0%
Allamakee	1,978	1,789	189	10.5%
Appanoose	1,455	1,270	185	14.5%
Audubon	2,824	2,421	403	16.6%
Benton	3,314	3,015	299	9.9%
Black Hawk	3,636	3,311	325	9.8%
Boone	3,597	3,284	313	9.5%
Bremer	3,345	3,027	317	10.5%
Buchanan	3,289	2,976	313	10.5%
Buena Vista	3,555	3,223	332	10.3%
Butler	3,191	2,900	290	10.0%
Calhoun	3,626	3,302	324	9.8%
Carroll	3,307	3,054	252	8.3%
Cass	2,610	2,279	331	14.5%
Cedar	3,667	3,280	386	11.8%
Cerro Gordo	3,302	2,995	307	10.2%
Cherokee	3,186	2,890	297	10.3%
Chickasaw	2,746	2,523	223	8.8%
Clarke	1,607	1,327	280	21.1%
Clay	3,281	2,974	307	10.3%
Clayton	2,716	2,430	286	11.8%
Clinton	3,157	2,939	218	7.4%
Crawford	2,880	2,607	273	10.5%
Dallas	3,167	2,947	220	7.5%
Davis	1,676	1,461	214	14.7%
Decatur	1,321	1,104	217	19.7%
Delaware	3,494	3,059	434	14.2%
Des Moines	2,947	2,840	107	3.8%
Dickinson	3,049	2,771	278	10.0%
Dubuque	3,267	2,949	318	10.8%
Emmet	3,380	3,064	316	10.3%
Fayette	3,032	2,671	360	13.5%
Floyd	3,058	2,781	276	9.9%
Franklin	3,273	2,962	312	10.5%
Fremont	2,588	2,342	246	10.5%
Greene	3,154	2,909	245	8.4%
Grundy	3,759	3,493	267	7.6%
Guthrie	2,643	2,388	255	10.7%
Hamilton	3,785	3,442	343	10.0%
Hancock	3,344	2,986	358	12.0%
Hardin	3,387	3,080	307	10.0%
Harrison	2,756	2,460	296	12.0%
Henry	2,812	2,677	134	5.0%
Howard	2,422	2,190	232	10.6%
Humboldt	3,600	3,260	339	10.4%
Ida	3,243	2,935	308	10.5%
Iowa	2,708	2,370	338	14.3%
Jackson	2,724	2,427	297	12.2%
Jasper	2,924	2,687	238	8.8%
Jefferson	2,099	1,916	184	9.6%
Johnson	3,473	3,169	304	9.6%
Jones	3,059	2,883	176	6.1%
Keokuk	2,460	2,281	179	7.8%
Kossuth	3,456	3,119	337	10.8%
Lee	2,620	2,341	279	11.9%
Linn	3,661	3,275	386	11.8%
Louisa	2,918	2,579	339	13.1%
Lucas	1,555	1,358	197	14.5%
Lyon	3,088	2,938	149	5.1%
Madison	2,427	2,136	290	13.6%
Mahaska	2,619	2,362	257	10.9%
Marion	2,563	2,136	427	20.0%
Marshall	3,303	3,187	116	3.6%
Mills	2,714	2,310	404	17.5%
Mitchell	2,995	2,724	270	9.9%
Monona	2,492	2,251	241	10.7%
Monroe	1,718	1,418	300	21.1%
Montgomery	2,404	2,103	301	14.3%
Muscatine	3,311	2,976	336	11.3%
O’Brien	3,811	3,463	348	10.0%
Osceola	3,261	2,963	298	10.0%
Page	2,206	1,994	212	10.6%
Palo Alto	3,248	2,937	311	10.6%
Plymouth	3,386	3,064	321	10.5%
Pocahontas	3,547	3,210	337	10.5%
Polk	3,180	2,893	288	9.9%
Pottawattamie	2,973	2,627	347	13.2%
Poweshiek	2,767	2,518	248	9.9%
Ringgold	1,494	1,202	292	24.3%
Sac	3,425	3,112	314	10.1%
Scott	4,707	4,167	540	12.9%
Shelby	2,925	2,614	311	11.9%
Sioux	3,617	3,434	182	5.3%
Story	3,679	3,362	317	9.4%
Tama	3,015	2,760	255	9.2%
Taylor	1,791	1,629	163	10.0%
Union	1,927	1,684	243	14.5%
Van Buren	1,850	1,614	236	14.6%
Wapello	2,056	1,969	87	4.4%
Warren	2,716	2,395	321	13.4%
Washington	3,144	2,915	228	7.8%
Wayne	1,485	1,312	172	13.1%
Webster	3,732	3,394	338	10.0%
Winnebago	3,013	2,725	288	10.6%
Winneshiek	2,522	2,269	254	11.2%
Woodbury	2,650	2,395	255	10.7%
Worth	3,025	2,708	317	11.7%
Wright	3,707	3,358	350	10.4%

2005 and 2004 Iowa Land Values



County estimates of average dollar value per acre for Iowa farmland based on U.S. Census of Agriculture estimates and a Nov. 1, 2005, survey of Iowa real estate brokers. The top figure is the estimated Nov. 1, 2005, value; the bottom figure is the estimated Nov. 1, 2004, value.

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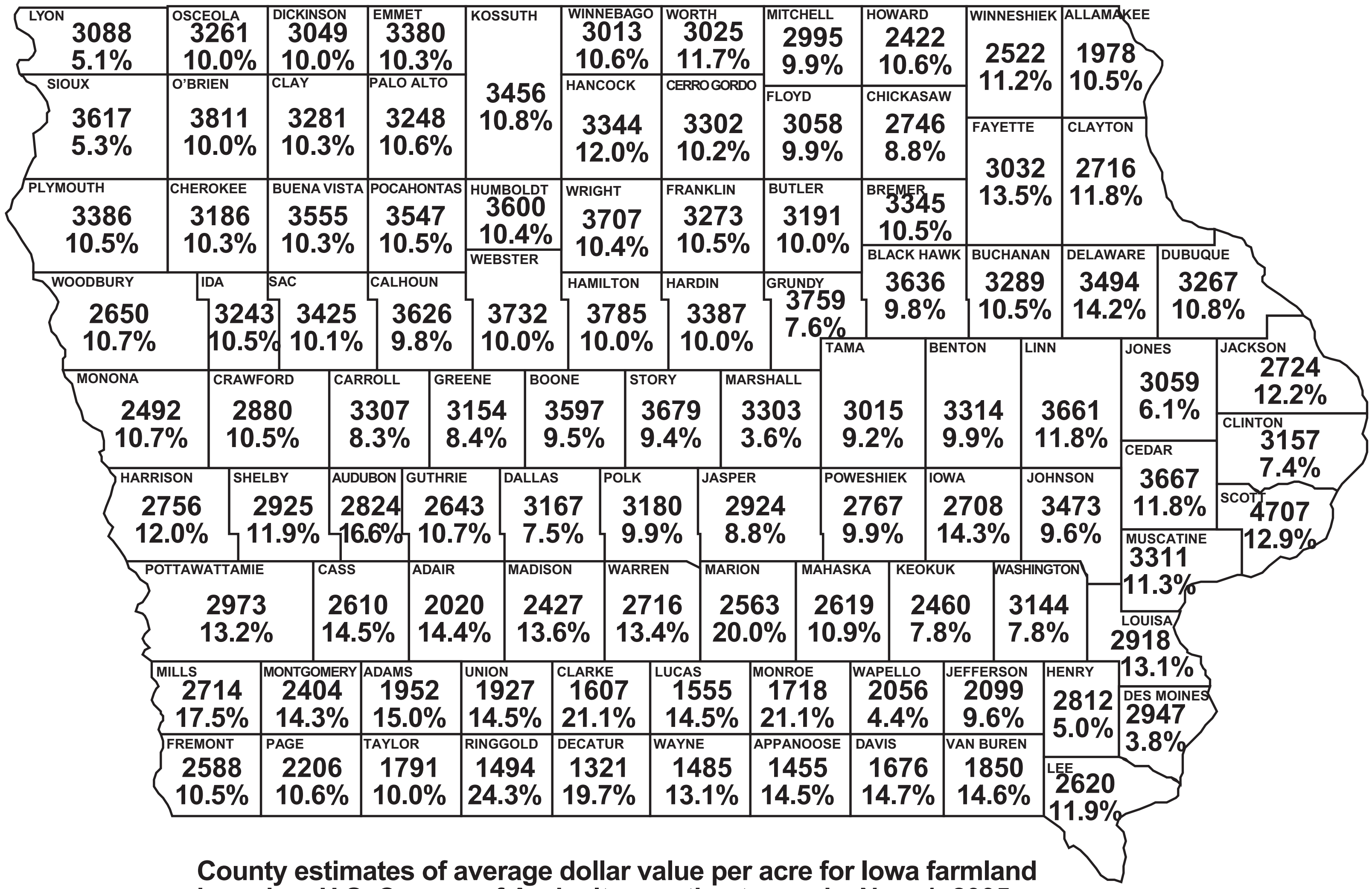
Percentage Change in Iowa Land Values
2004 to 2005



County estimates of average dollar value per acre for Iowa farmland based on U.S. Census of Agriculture estimates and a Nov. 1, 2005, survey of Iowa real estate brokers. The top figure is the estimated Nov. 1, 2005, value; the bottom figure is the percentage of change from the estimated Nov. 1, 2004, value.

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2005 Iowa Land Values by Crop Reporting District

Estimates of average dollar value per acre for high, medium and low grade farmland on Nov. 1, 2005, by Iowa Crop Reporting District, and the Crop Reporting District average and the average percentage change from Nov. 1, 2004. The estimates are based on a survey of Iowa real estate brokers.

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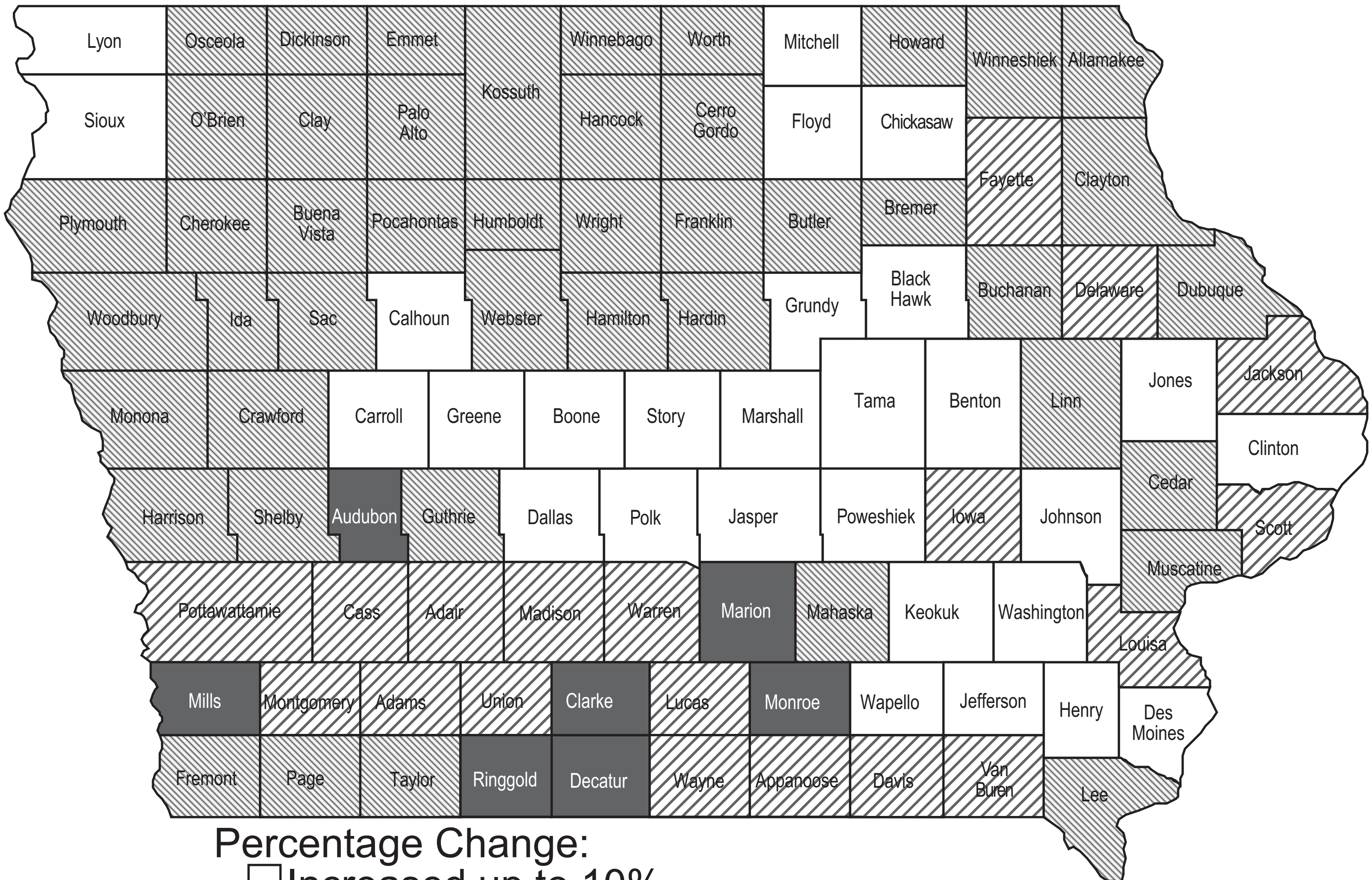
Percentage Change in Iowa Land Values 2004 to 2005



Percentage Change:

- Increased up to 10%
- Increased 10.0 to 12.0%
- Increased 12.1 to 15.0%
- Increased 15.1% or more

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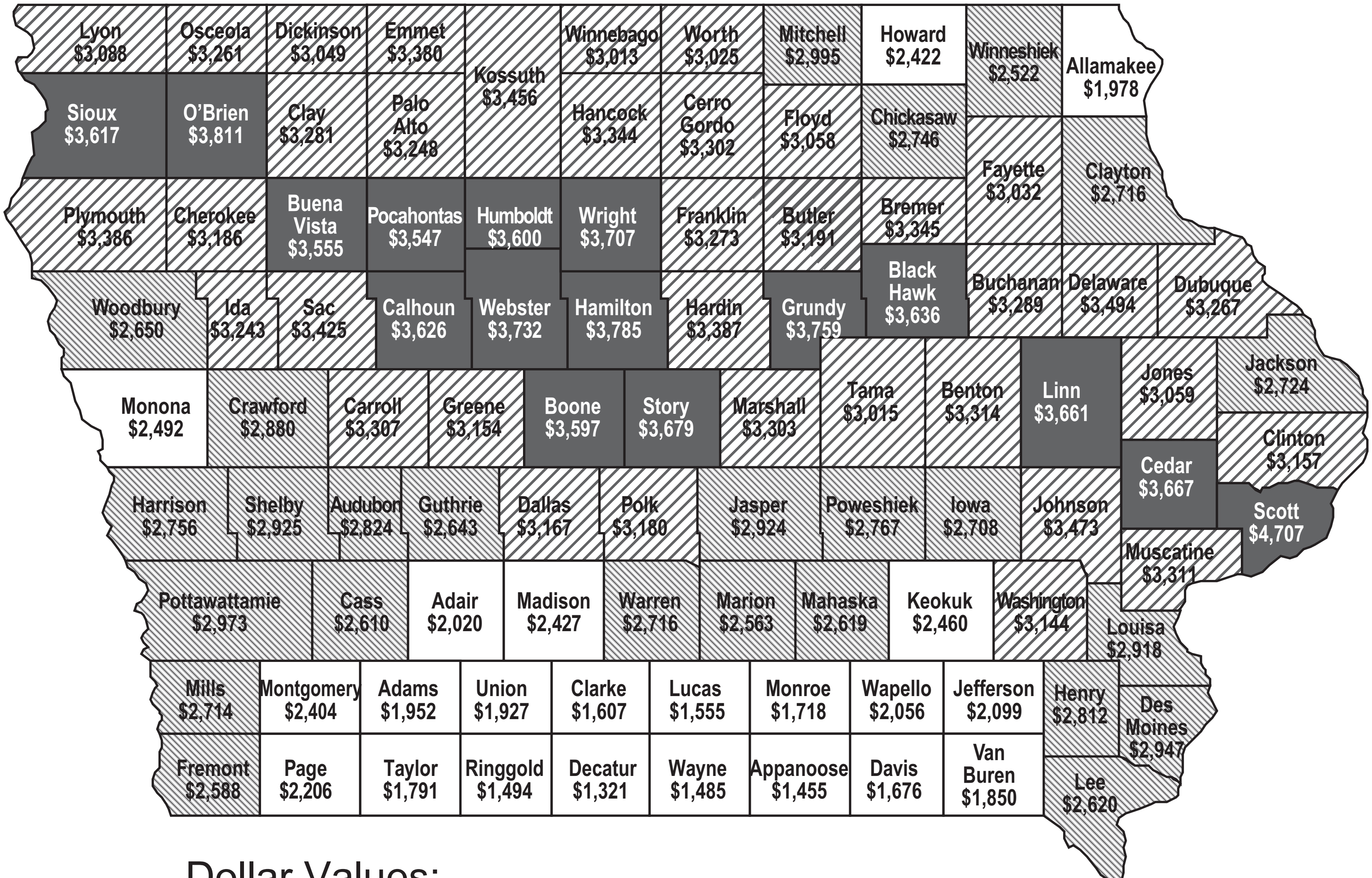
2005 Iowa Land Values



Dollar Values:
- Less than $2,500
- $2,500 – $2,999
- $3,000 – $3,499
- More than $3,500

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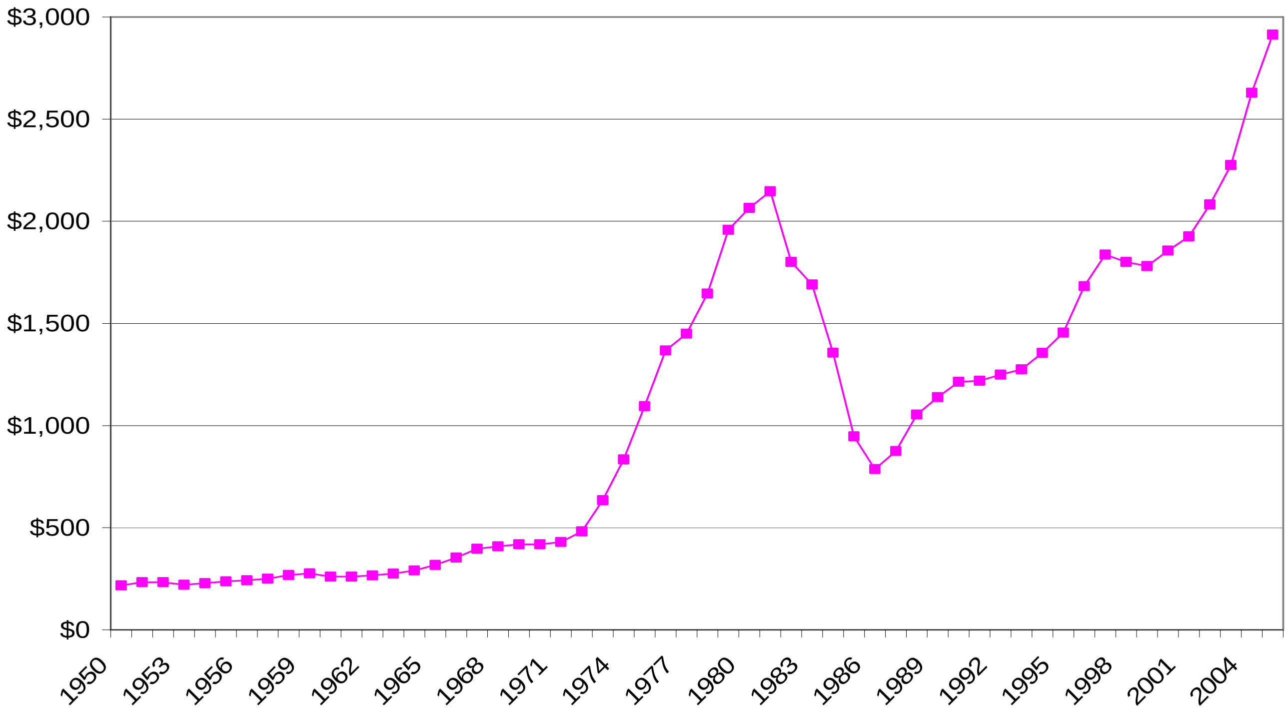
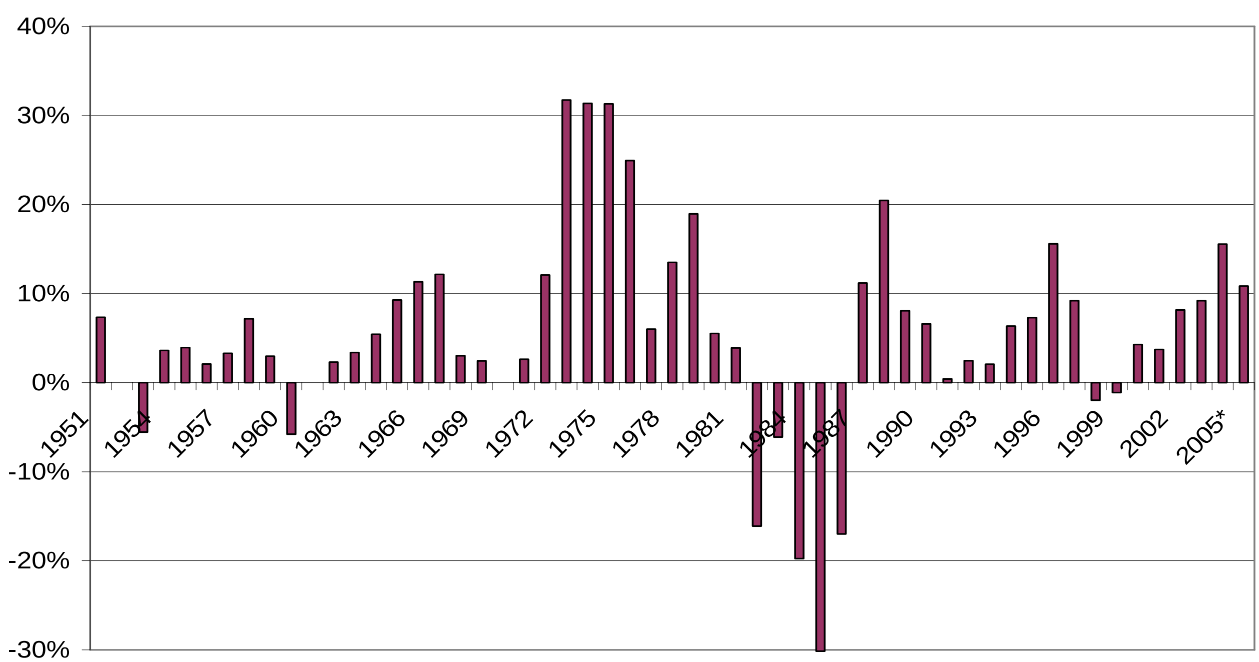
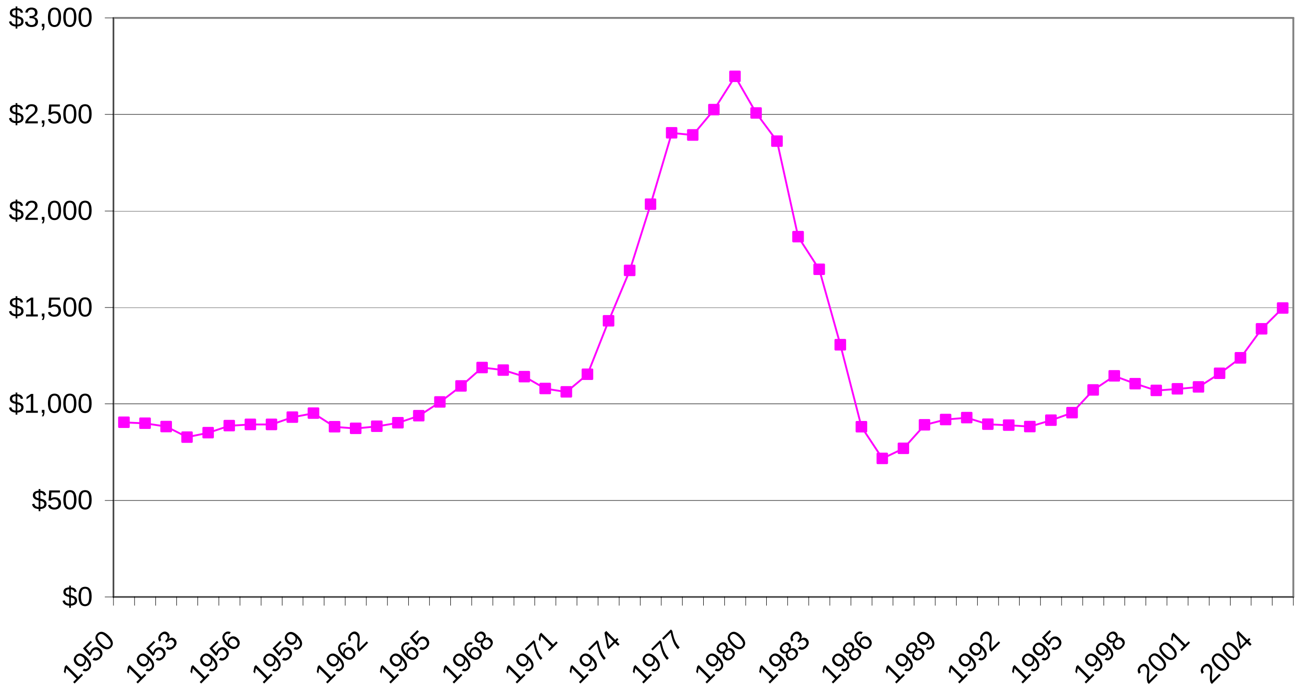
Average Iowa Land Values



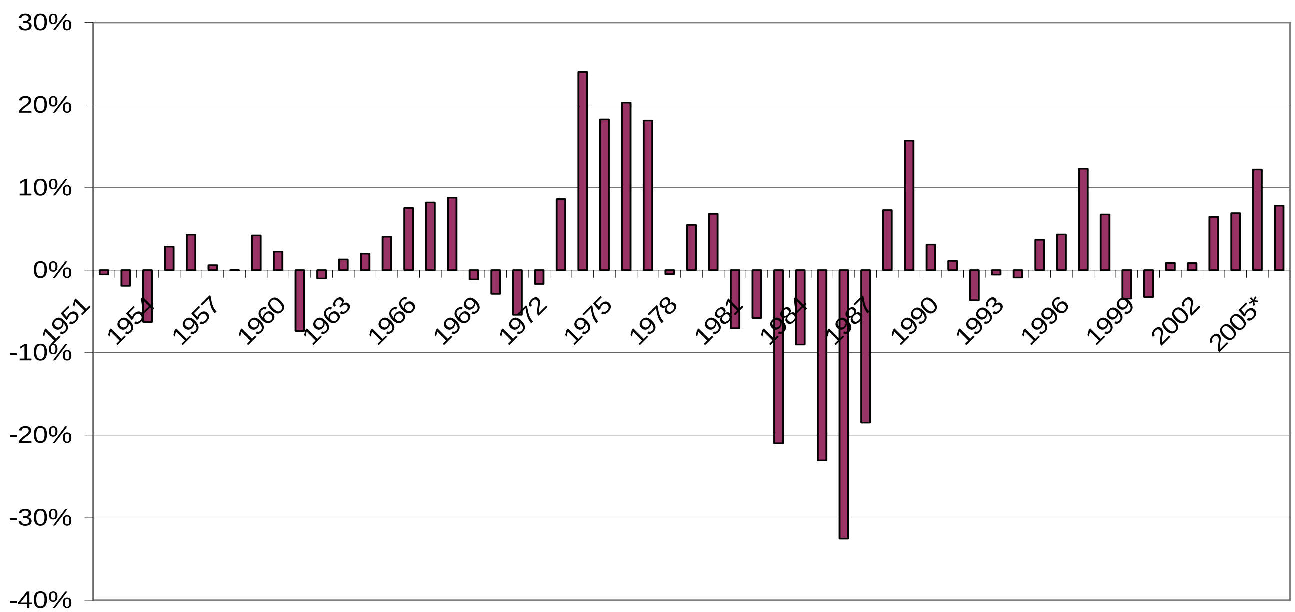
Percent Change in Iowa Land Values

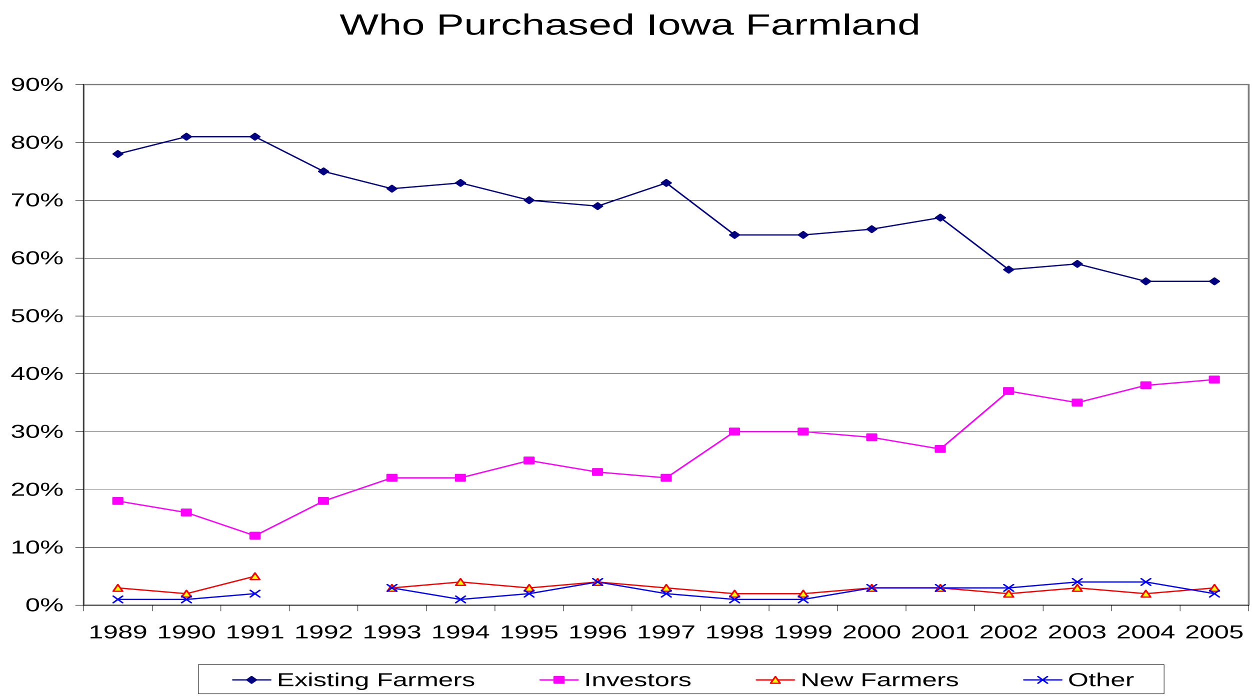


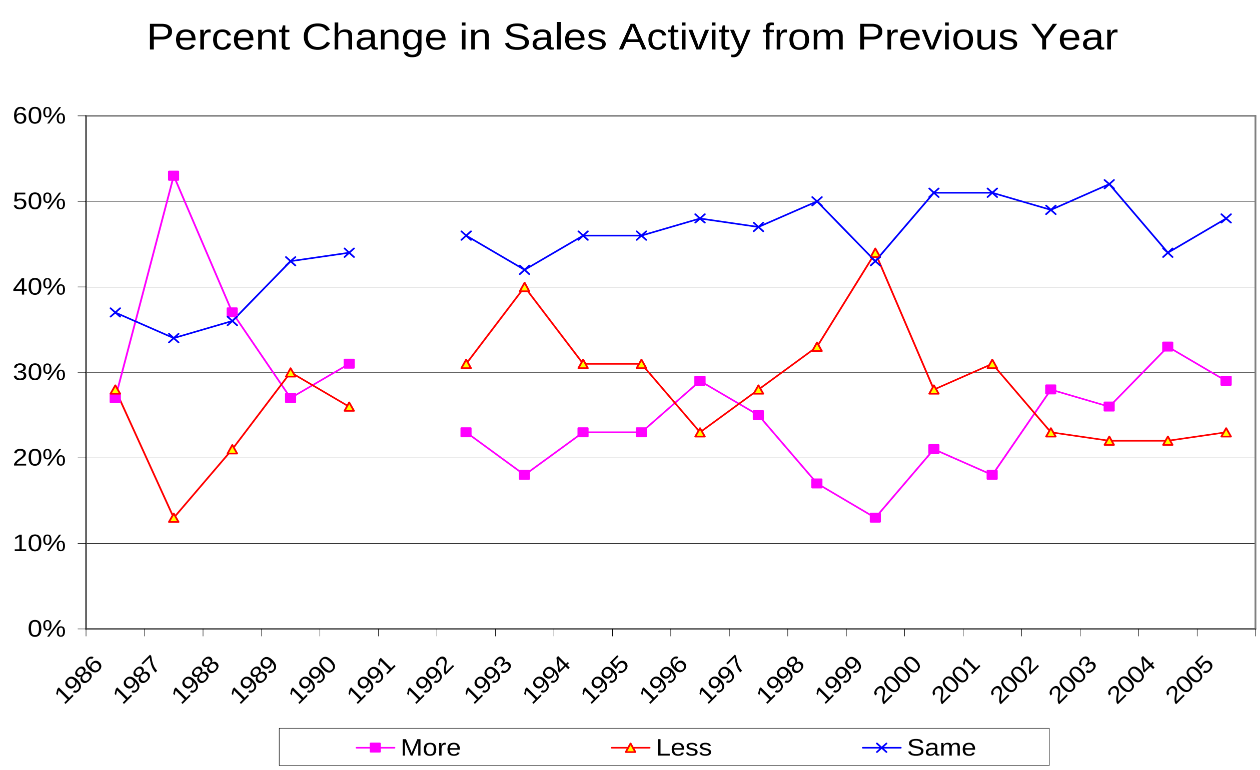
Iowa Farm Land Values Adjusted for Inflation, 1982 - 1984 Dollars

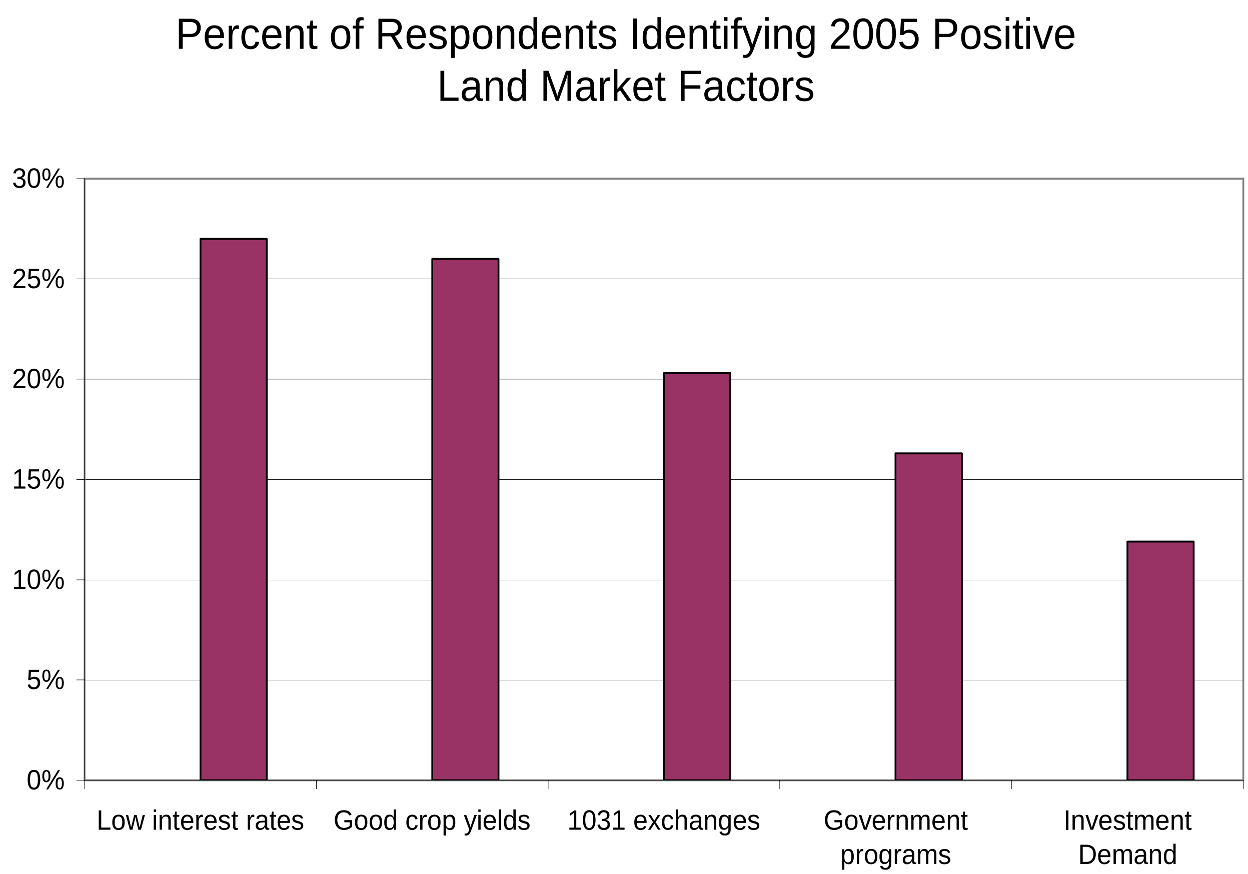


Yearly Percent Change in Inflation Adjusted Iowa Land Values, 1982 - 1984 Dollars




Who Purchased Iowa Farmland
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
1989 1990 1991 1992 1993 1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005
Existing Farmers
Investors
New Farmers
Other


Percent Change in Sales Activity from Previous Year
60%
50%
40%
30%
20%
10%
0%
1986 1987 1988 1989 1990 1991 1992 1993 1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005
More
Less
Same


Percent of Respondents Identifying 2005 Positive Land Market Factors
30%
25%
20%
15%
10%
5%
0%
Low interest rates
Good crop yields
1031 exchanges
Government programs
Investment Demand