



Land Facts

THE LORANDA GROUP, INC.

DECEMBER 2009

The Farmland Market – Steady As She Goes

By: John D. Moss, President

Twelve months ago, there was a real concern that the meteoric rise in farmland values might be coming to a halt... and quickly. Lower commodity prices, skyrocketing rents, and higher input costs were combining to take both the profit and the fun out of production agriculture. Farmers, the most aggressive buyers of land the since 2006, were understandably discouraged. Land sales early in the year reflected this malaise – in many areas values were down nearly 10%. The underlying question/fear with many involved in agriculture...would this downtrend continue into 2010 or would we find a bottom to the market?

Fortunately, it appears that the market may have gained some support over the summer. According to the Federal Reserve Bank of Chicago, the price of “good” farmland across Midwest edged up 2% in the 3rd quarter, but was still 4% lower than a year ago. As can be expected, farmers in the past 12 months have not shown the interest in buying land that they previously did. Yet at the same time, there have been new players enter the marketplace - portfolio investors. Many of these buyers have never been involved in agriculture before, and they’ve grown tired of the volatility and uncertainty of the stock market. Couple this new group of buyers with a limited supply of available land, and the ultimate result is a stabilized land market.

Feeding Your Need For More News

Want to stay more current with the Midwestern land market? Check out our weekly land updates in the “Market Update” section of our website (www.loranda.com). Located under the “Industry Insights” tab, the Market Update section provides readers with timely views and commentary regarding current happenings in farmland real estate. Bookmark us and check back often!

Looking into 2010, I anticipate land prices to strengthen in many areas. Income prospects look much better next year (lower input costs and projected higher commodity prices) so I would foresee renewed farmer interest. Quality parcels will likely generate the most interest, while prices of less desirable pieces may lag. As one of the accompanying articles in this issue points out, farmland has been an excellent long-term investment in the past and is most attractive in periods of uncertain economic times. 🏡

The Hunt For Recreational Land

By: Eric L. Sarff

One of the hardest hit sectors of the rural real estate market over the last 24 months has been recreational land. When recreational land prices were soaring earlier this decade, much of the market was driven by absentee buyers using discretionary income. With the downturn in the economy, a once massive buyer base essentially dried up. Subsequently, some counties saw the value of hunting properties drop by over 25%. However, there may be signs that the market has stabilized, albeit at lower levels. With the overall economy showing signs of recovery, we are seeing many more potential buyers looking for that ideal tract of land... and this simply was not the case 12 months ago. If you are thinking about buying or selling recreational land in the near future, and are curious about current market conditions in your area, contact me (eric@loranda.com/800.716.8189) to discuss.





THE LORANDA GROUP, INC.
211 S. Prospect Road, Suite 2
Bloomington, IL 61704
Return Service Requested

Presorted Std.
U.S. POSTAGE
PAID
Champaign, IL
Permit No. 52

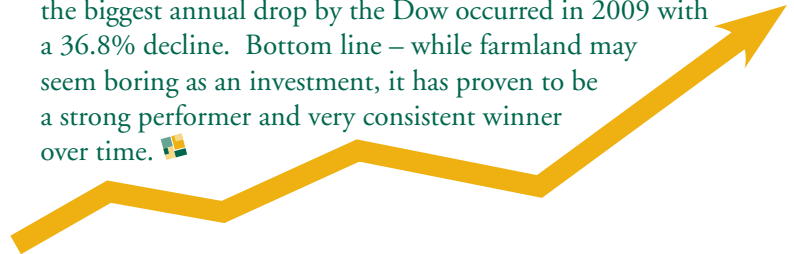
Land Market Update!

AGRICULTURAL REAL ESTATE BROKERAGE, AUCTIONS,
ACQUISITIONS, AND CONSULTING

Illinois Farmland - Let The Record Speak For Itself

62 wins and only 8 losses - that record would be the envy of any coach or team in professional sports. Similarly, any asset that performed that well over time would be the envy of the investment community. Well...say hello to Illinois farmland. According to the most recent USDA figures, land values in Illinois have increased annually in 62 out of the past 70 years, with an average annual increase of 6.3%. For comparison, the Dow Jones Industrial Average has a 48-22 record and 7.3% average annual appreciation. Even more impressive - these numbers do not factor in any income that was received from the investments (and historically, the annual returns from farmland have surpassed dividend distributions from stocks).

More fun facts - the biggest annual jump in Illinois land values was recorded in 1977, when average prices soared by 38.6% from a year earlier. For the Dow, the largest jump occurred in 1983 with a 44.5% increase. The largest annual drop in IL land values occurred in 1985 with a 25.1% contraction, while the biggest annual drop by the Dow occurred in 2009 with a 36.8% decline. Bottom line - while farmland may seem boring as an investment, it has proven to be a strong performer and very consistent winner over time.



Where Have All The Sales Gone?

By: Douglas L. Hensley

During 2009, both casual observation and statistical records reflect fewer land sales than in past years. In fact, the Illinois Land Sales Bulletin - a publication that tracks rural land sales in approximately 90 Illinois Counties - recently reported that 2nd quarter sales volume in 2009 was the lowest in 10 years. This report analyzed both the number of sales per county, as well as the number of acres sold per county during the period, with the same result - less land has sold this year. This happened in the mid '80's also, but back then there were no buyers to be found. Fortunately, today there are many investors and farmers looking to add to their holdings.

The natural question follow-up question is... why have sales slowed? Many of the recent closed transactions were a result of estates being settled, or trusts expiring. These types of "pur-

pose" sales occur on a regular basis. It's the "elective" sales that have slowed. Some might argue that the near collapse of the stock market during the fall of 2008, and the resulting stock market turbulence, has many prospective farmland sellers simply holding on to their investment. Other owners have likely been waiting for prices to stabilize before bringing their farms to the market.

If you are not sure whether you should be selling or holding, then contact us for a free marketing consultation. We'll give you an honest assessment of your property and the local marketplace, as well as the advantages and disadvantages of each of your options. We can also suggest a marketing strategy, should you decide to move forward. With land values still at near record levels, now may be the time for some owners to consider selling again.