

MARKET SNAPSHOT  
**LAND VALUES**



Sept. 30, 2020

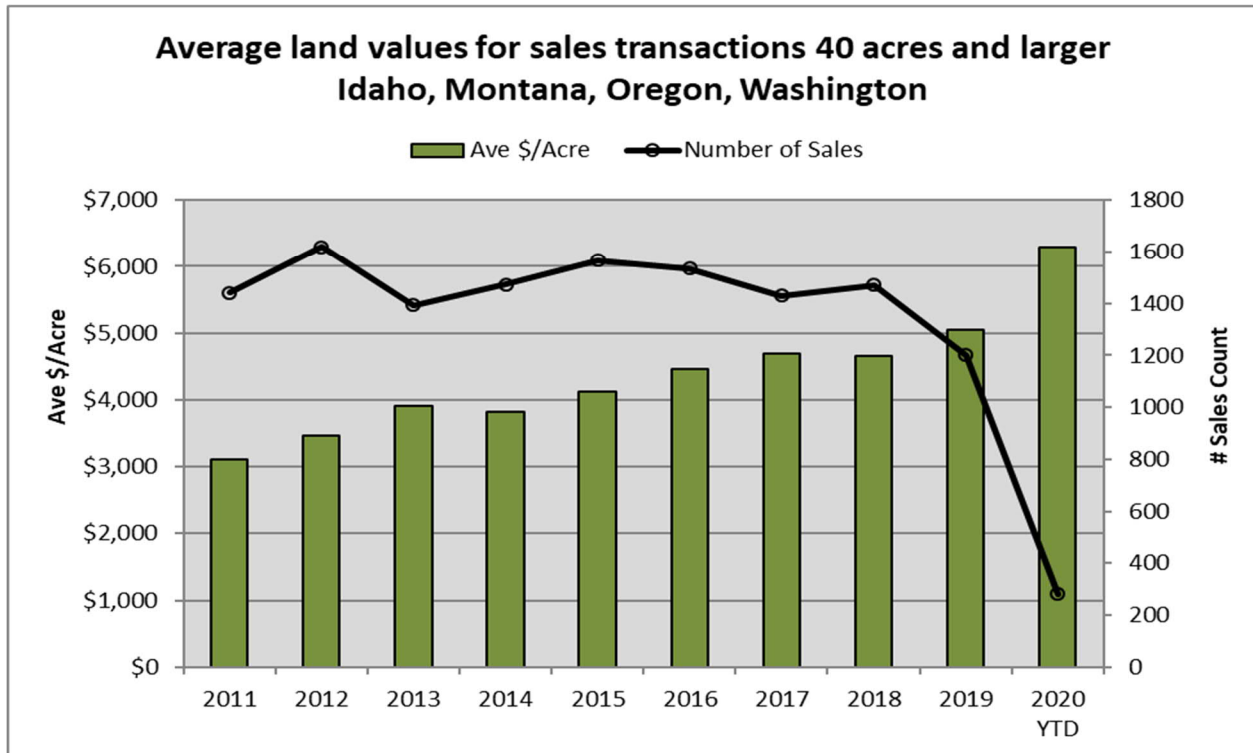
**Executive Summary**

Northwest agricultural real estate values remain stable to increasing. Most areas report strong demand for good quality agricultural properties through the first half of 2020.

**Northwest Region Trend**

Demand varies by property type and/or market segment. The supply of available agricultural properties has remained low since 2015, which has resulted in a lower number of transactions each subsequent year.

Sales between landlords and tenants are common and investor interest has increased in some areas, especially for high quality land.



Source: Northwest FCS' proprietary sales database

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## Washington

In **Eastern Washington**, dryland values are mostly stable with actively marketed properties selling at the upper end of the value range. Buyers are 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 on local farmer-owned land.

The Columbia Basin Irrigation Project sales activity has been slower over the past year. The market has seen fewer properties offered for sale as good returns from a wide variety of crops support current land values. 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 in the Columbia Basin for all commodities, including potatoes.

Orchards in **Central Washington** fruit-growing districts have stable value trends with less market activity the past 12 months. 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**, sales activity has been steady over the past six months with most properties marketed and sold by owner. Most of the reported sales for agriculture lands have occurred in Whatcom and Skagit counties where prices 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.

## Oregon

In **Western Oregon**, the Willamette Valley has tight supplies, strong demand and short marketing times for high quality ag properties. Land suitable for permanent planting, such as vineyards and hazelnuts, 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 slowed resulting from lower nut prices over the past few years; 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 market continues to be strong for dry cropland properties with good yields, but available supply is limited. Most buyers are neighboring landowners or the current tenant. Supply remains limited for irrigated properties throughout the area. 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. Rumblings 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 despite lower cattle prices.

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

In **Eastern Montana**, land values remained steady. Precipitation in the region improved in the late winter and spring, improving optimism for many producers. Crop conditions are good; however, commodity prices remain low. A limited number of properties are available for sale.

The number of closed transactions slowed in the first half of 2019. 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 tracts, both grazing and cropland, appear to have good interest. Several public auctions of small cropland tracts brought higher-than-expected prices while other nearly identical parcels brought market prices.

In **North Central Montana**, demand for all land types remains strong despite underlying ag fundamentals that would tend to put downward pressure on purchasing power. Currently, there is no market evidence of

softening values. A limited supply and adequate demand with purchasing power continue to support land values in the market.

Sales of irrigated land and “puritan” grass tracts have been limited, but verified sales indicate stability in this market segment also.

All indications point to stability in the market for larger ranch properties with high quality amenities. Buyers from outside the area appear to be focused on either premium amenities or properties with a significant income component. Lower amenity properties are being purchased by local ranchers as add-ons to existing operations. If overpriced, they tend to languish on the market with minimal interest.

In **South Central Montana**, sales activity continues to be steady among local operators, with continued interest from outside buyers for larger properties. 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 southwest Montana locations experienced considerable activity and stronger prices (primarily for irrigated land), 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

In **Eastern Idaho**, demand for farm ground is strong, with overall land values stable to slightly increasing. Buyers are frequently neighbors or tenants of the farm ground. Institutional investor activity has declined over the past 12-18 months. Recreational influence continues to be a factor, with some sales reflecting higher values due to amenities. 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 of **Southern Idaho**, recent land sales activity continues to be a combination of listed properties and private transactions. Strong competition for agricultural tracts has resulted in some buyers approaching potential sellers before properties officially go on the market. 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. Despite the effect on purchasing power due to continuing lower commodity prices, farmers remain optimistic and properties do not stay on the market for long when offered. 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.

## Learn More

For more information or to share your thoughts and opinions, contact the Business Management Center at 866.552.9193 or [bmc@northwestfcs.com](mailto:bmc@northwestfcs.com).

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*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.*