

## 2010 Florida Land Value Survey: Farmland Prices Still Down<sup>1</sup>

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### Introduction

The Florida Farmland Value Survey, conducted by the Food and Resource Economics Department, University of Florida, provides estimates of the value of different types of agricultural land for geographic regions of the state. The most recent survey was conducted in November–December 2010 *for land values in May 2010*. Survey respondents come from varied backgrounds, including rural appraisers, farm lenders, real estate brokers, farm managers, land investors, personnel from the Farm Services Agency and the Natural Resource Conservation Service, county property appraisers, and other persons who develop and maintain information about rural land values in their areas. A total of 289 questionnaires were mailed; 16 were returned as undeliverable, moved, no longer active, etc. The overall response rate was 37.4 percent.

It is apparent from the survey responses in 2010 that the recessionary U.S. and Florida economies, the slower rate of Florida's population growth, and the

decline in the Florida housing construction industry continue to be reflected in a further decline in most Florida farmland values. Other factors such as rising energy related costs, additional costs for disease control for some commodities, and returns to farmland statewide also help explain the decline in the 2010 farmland values.

### Changes in 2010 Land Value Report

The 2010 land value report format is consistent with other land value reports since 2006. An additional table (Table 2) has been included and is discussed where appropriate in the text. In the years prior to 2006, the reported land values were subdivided into four or five regions, but beginning with the 2006 report, the state has been divided into two regions: northern and southern. The northern region is defined as all counties north of and including Alachua, Flagler, Levy, and Putnam Counties. The southern region is defined as all counties south of and including Citrus, Marion, and Volusia Counties. This change was made to provide

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larger sample sizes and to enhance the reliability of the estimated values. Citrus land values were not reported for 2006 because the numbers of surveys completed were insufficient for the purpose of analysis. Transitional land values for metropolitan and non-metropolitan areas were combined due to limited data. Therefore, the data for 2009 are not directly comparable to reports from years prior to 2006.

## Summary of Results

The 2010 Florida Farmland Value Survey results indicate clearly that land values continued to decrease statewide in Florida. Changes in farmland value are comparable in both the northern and southern regions of the state (Table 1 ). Land values declined in the northern region between 12.7 (irrigated cropland) and 22.2 percent (farm woods). Declines in farmland value in the southern region ranged between 4.6 (5- to 7-year citrus) and 50.2 percent (farm woods). The largest declines in the northern region of the state were for non-irrigated cropland at 20.6 percent and for farm woods at 22.2 percent. The largest declines for the southern region were 45.8 percent for unimproved pasture and 50.2 percent for farm woods. In addition, mature orange citrus land declined 33.9 percent and improved pastureland declined 40.2 percent.

Transitional land values, or land being converted or likely to be converted for non-agricultural uses, indicated large declines in both the northern and southern region of the state. Transitional lands within five miles of a major town declined more in value than farmland more than five miles from a major town/city. Transitional land values in the northern region declined 26.8 percent for land within five miles of a major town and 5 percent for land greater than five miles from a major town (Table 4 ). In the southern region of the state, transitional land value changes ranged between a negative 47.8 percent for land nearer major cities/towns and a negative 18.1 percent for farmland greater than five miles from a major city/town.

The survey results from land sales professionals indicate that the average value of agricultural land ranges from approximately \$2,495 per acre for farm

woods in the northern region to \$7,982 per acre for mature orange groves in the southern region of the state. Values for all types of farmland were down in 2010. The reasons mentioned most frequently for the continued decline in Florida farmland value were the weak U.S. and Florida economies, Florida's sluggish population growth, the decline in the Florida housing construction industry, and financing that remains difficult to obtain. The survey results indicate that the downward trend in farmland values may continue into 2011, but the decline will not be as steep since projections point to expected decreases of 7.2 percent in the northern region and 8.6 percent in the southern region (Table 5 ).

Responses from some of the expert participants in the survey included statements such as the following:

*It will be years before any speculation buyers return to the market • We expect prices to continue to decline • You can't get financing • We have not sold one piece of farmland this year • Sales are slow • Buyers are reluctant to purchase • Extremely low demand • It's a cash only buyers market • Market activity of "normal" sales have dried up • Cash is king • Almost no sales of land due to a poor economy • Seller financing is the about the only way to make a sell.*

The decline in sales values seems rather drastic in 2010 and several additional steps were taken this year to assure accuracy of data collected in 2010. "Ground truthing" of information from another secondary source, several Florida County Property Appraiser sales pages, was undertaken. In general, sales values reported by a sample of Florida County Property Appraiser pages supported the values reported in the Florida Farmland survey.

In addition, returns to agricultural land from USDA statewide information was reviewed and provided another assessment tool for information collected in 2010. One measure of the appropriateness of the sample returns in the 2010 survey would be the change in aggregate returns on agricultural assets in the state of Florida based on USDA data. Unfortunately, the results based on state-level value added data have not been released

for 2010; Table 2 presents the value added per acre for Florida based on these aggregate data for 2000 through 2009. These estimates indicate that returns per acre on Florida farmland fell by 17.8 percent in 2007, 17.4 percent in 2008, and 2.8 percent in 2009. These declines support a general decline in farmland values in Florida; however, the decline in South Florida appears somewhat larger than those that would be predicted by the aggregate Florida returns.

Further complicating the storyline that reductions in the returns to farmland is responsible for the decline in farmland prices observed in 2010 is the fact that cash rents as depicted in Table 3 have been relatively stable with some decline in South Florida. However, it is worth noting that our results for cash rents focuses primarily on cash rents to pastureland statewide and to non-irrigated acres in North Florida.

Another factor which affects farmland values is the cost and availability of credit. Increases in the cost of capital are associated with lower market prices for farmland through two mechanisms. First, increases in the interest rate reduce the present value of future cash returns to farmland. Second, increases in the interest rate decrease the purchase price most buyers are willing to pay because farmland is typically purchased with borrowed funds. However, the interest rates (15-year mortgage rates) have been trending downward over time as depicted in Table 2. This trend continues with an interest rate of 4.36 percent in 2010 and 4.15 percent in March of 2011. However, it is possible that while the overall interest rates have declined over time, that capital in the agricultural sector could be constrained by lenders who are trying to protect their lending portfolio against further declines in farmland values.

Finally, changes in Florida housing values were also examined. Statewide, median existing single home sales values have declined 41 percent in the state as measured by Metropolitan Statistical Areas (MSA) (Florida Association of Realtors and the University of Florida Real Estate Research Center). More specifically, values since 2007 in this category are examined for some areas in the southern part of the state, and existing housing prices are down 50 percent in the Fort Pierce–Port St. Lucie, 39 percent

in the Lakeland–Winter Haven, and 66 percent in the Ft. Meyers–Cape Coral MSA's—a strong indication of outside sources supporting agricultural land values for development purposes as weak.

Additionally, factors such as this survey since 2007 have indicated that farmland values in general have declined for three successive years. Prices are off-peak so much since 2007 that if the landowner has any options at all for retaining the land, that it has been removed from the market. Therefore, the land selling in 2010 may not be reflective in quality terms (poorer quality) of prior surveys. These two factors in general would result in much lower sales value data being reported.

Therefore, we conclude the values presented in this report are accurate for sales in May 2010. However, it does point out that the value of a specific tract of land may vary substantially from these estimates because of the physical characteristics, location, and economic and institutional factors that may affect or restrict its use.

## Changes by Type of Land Use

The value of agricultural land for 2010 by type of land use is reported in (Table 1) .

### *Cropland*

The value of all types of cropland decreased in the northern regions of the state (The value of irrigated cropland in the northern region decreased 12.7 percent, while the value of non-irrigated cropland in the northern region decreased 20.6 percent. Insufficient data were returned in 2009 to evaluate southern cropland value changes in 2010.

### *Citrus Land*

Citrus land values, like other Florida farmland values, were down in 2010 according to the survey. The estimated value of mature oranges dropped 33.9 percent and mature grapefruit was down 8.4 percent in the southern region. The estimated value of mature oranges in the southern region for 2010 was \$7,982 and mature grapefruit average price per acre was \$6,752. Land with 5- to 7-year-old citrus plantings was estimated at \$7,116 per acre, which represents a decline of 4.6 percent. These land value declines may

seem relatively large, yet it must be remembered that in addition to the general decline in the economy, the industry has faced significant disease issues, specifically citrus greening (HLB), which has increased production risks, and the value of citrus land sold in 2010 may not be representative of normal quality. Recent price increases may have also resulted in those who have the option of retaining the land removing it from the market. Both issues would depress prices.

### **Pastureland**

According to the 2010 survey, the value of pastureland in the northern region continued to slide in value: improved pasture decreased 16.7 percent, and unimproved pasture declined 17 percent. The survey information in the southern region generated similar but larger decreases: improved pasture by 40.2 percent, and unimproved pasture by 45.8 percent.

### **Farm Woods**

The value of farm woods in both the northern and southern regions of the state exhibited decreases in value as well. Farm wood values decreased 22.2 percent in the northern region, and 50.2 percent in the southern region.

## **Regional Comparisons of Agricultural Land Values**

The southern region has higher prices per acre than the northern region for similar types of land. In 2010, the value of improved pasture was \$4,826 per acre in the southern region, and \$3,112 per acre in the northern region. The value of unimproved pasture ranged from \$3,775 per acre in the southern region to \$2,954 per acre in the northern region, about 28 percent higher per acre in the southern region. In general, the gap in pastureland values between the southern and northern regions of the state decreased between 2009 and 2010 because land values were down by a larger percentage in the southern portion of the state.

Cropland value surveys returned for irrigated cropland in the southern region were small in number, but overall they indicated that both irrigated and non-irrigated values for cropland were more than double the northern region values reported.

## **Cash Rents**

Cash rents (Table 3 ) reported in 2010 (improved pasture, \$31 per acre; unimproved pasture, \$24 per acre) for the northern region of the state were similar to 2009 values, except for non-irrigated cropland, which was about 20 percent lower (\$40 per acre). Cash rents for land in the southern region of the state (improved pasture, \$28 per acre; unimproved pasture, \$10 per acre) declined between 2009 and 2010.

Cash rental rates generally remain less than 1.5 percent of the value of the land for the different types of cropland and pastureland. These rates are low compared to other areas of the country.

## **Transitional Land**

Transitional land was defined in the survey as agricultural land that is either being converted, or is likely to be converted, to non-agricultural uses such as residential or commercial development. Transitional land values are reported in (Table 4) .

According to the experts, the value of transitional land within five miles of a major town in the northern region decreased by 26.8 percent from 2009 to 2010, whereas it decreased by 5 percent if located more than five miles from a major town. In the southern region of the state, the value of transitional land within five miles of a major town decreased by 47.8 percent from 2009 to 2010, whereas it decreased 18.1 percent if located more than five miles from a major town. The value of transitional land within five miles of a major town ranged from \$5,919 per acre in the northern region to \$15,461 per acre in the southern region. The value of transitional land more than five miles from a major town ranged from \$5,107 per acre in the northern region to \$12,027 per acre in the southern region. Again, in 2010, the experts indicated land sales were slow, but sales had not stopped completely for development purposes.

## **Expected Trends**

Professional sales experts were asked if they expected agricultural land values to be higher, lower, or remain unchanged between May 2010 and May

2011. About 38 percent of the southern region respondents and 53 percent of the northern region respondents expected agricultural land values to exhibit no change during this time (Table 5). About 51 percent of the southern region respondents and 38 percent of the northern region respondents expected land values to decrease over the same period. Only 9 percent of the northern and 11 percent of southern region respondents expected agricultural land values to increase between May 2010 and May 2011. The average decline expected in the southern region between May 2010 and May 2011 was about 9 percent, and in the northern region about 7 percent. If these predictions for 2011 are accurate, another year of declining land values lies ahead, but the experts are indicating the rate of decline will be slower in 2011.

### Use of the Survey Results

The land value estimates provided in this report are based on the opinions of many people involved in the real estate market and *may not reflect actual land sales data*. Several factors must be considered when using this report. For example, the group of participating respondents changes from year to year, and some of the land-use categories and values reported are based on sample responses with limited observations.

These estimates should serve as a guide to the relative average values of different land uses within and between areas in Florida. *It must be understood that the value of a specific tract of land may vary substantially from these estimates because of the physical characteristics, location, and economic and institutional factors that may affect or restrict its use.* **Therefore, this survey should not be used to determine the value of a specific tract of land in Florida.**

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**Table 1.** Estimated farmland values per acre, by geographic region and land use, May 2008, 2009, and 2010

Land Use	Values ( <i>dollars per acre</i> )			Percent Changes	
	May 2008	May 2009	May 2010	2008-09	2009-10
Northern Region					
Cropland					
Irrigated	5,106	4,283	3,740	(-16.1)	(-12.7)
Non-irrigated	4,436	3,651	2,898	(-17.7)	(-20.6)
Pastureland					
Improved	4,381	3,737	3,112	(-14.7)	(-16.7)
Unimproved	3,670	3,558	2,954	(-3.1)	(-17.0)
Farm Woods	3,177	3,208	2,495	1.0	(-22.2)
Southern Region					
Citrus Land					
Mature Orange Trees	13,500	12,086	7,982	(-10.5)	(-33.9)
Mature Grapefruit Trees	10,640	7,369	6,752	(-30.7)	(-8.4)
5- to 7-Year Citrus Trees	10,461	7,459	7,116	(-28.7)	(-4.6)
Cropland					
Irrigated	7,763	***	7,626*	***	***
Non-irrigated	***	***	7,247	***	***
Pastureland					
Improved	7,862	8,072	4,826	2.7	(-40.2)
Unimproved	5,684	6,959	3,775	22.0	(-45.8)
Farm Woods	7,627	7,739*	3,854	1.5	(-50.2)
* Less than 20 observations					
*** Insufficient data					
Source: Florida Land Value Survey, Food and Resource Economics Department, University of Florida					

**Table 2.** Florida returns based on aggregate USDA estimates

Year	Gross Value	Revenue Per Acre	Interest Rate
2000	7,100,795	3,092	7.94
2001	7,007,843	2,941	6.66
2002	6,967,867	2,814	6.26
2003	7,065,266	2,696	5.03
2004	7,310,976	3,028	5.47
2005	8,053,202	3,645	5.31
2006	7,949,149	3,221	6.22
2007	8,573,852	2,647	5.87
2008	8,381,687	2,187	5.59
2009	7,598,939	2,126	4.51

**Table 3.** Cash rents for farmland, by geographic region, May 2008, 2009, and 2010

Land Class	Northern Region (dollars per acre)			Southern Region (dollars per acre)		
	2008	2009	2010	2008	2009	2010
Improved Pastureland	32	29	31	43	37	28
Unimproved Pastureland	21	24	24	13*	15	10
Non-irrigated Cropland	48	44	40	***	***	***

\* Less than 20 observations  
\*\*\* Insufficient data  
Source: Florida Land Value Survey, Food and Resource Economics Department, University of Florida

**Table 4.** Estimated value of transitional farmland, by geographic region, May 2008, 2009, and 2010

Region / Category	Values ( <i>dollars per acre</i> )			Percent Change	
	2008	2009	2010	2008	2009
Less than five miles to major town					
Northern Region	7,771	8,089	5,919	4.1	(-26.8)
Southern Region	33,113	29,619	15,461	(-10.6)	(-47.8)
Greater than five miles to major town					
Northern Region	5,800	5,376	5,107	(-7.3)	(-5.0)
Southern Region	27,150	14,686	12,027	(-45.9)	(-18.1)

**Table 5.** Respondent expectation of farmland value changes over the next twelve months, by geographic region, May 2010

Region	Percent of Responses Indicating Higher Expectations	Percent of Responses Indicating No Change	Percent of Responses Indicating Lower Expectations	Average Change Expected in May 2011
Northern Region	8.8	52.9	38.2	(-7.22)
Southern Region	10.6	38.3	51.1	(-8.6)