

# Investors Like The Returns of Farmland

By *Tonie Auer*

Productive farm land dominates the food chain for agricultural investment property types. The trouble is, there's not a lot of inventory in some categories, says REALTORS' Land Institute 2016 National President Bob Turner, ALC, with Cordova, Tenn.-based Southern Properties.

"People are placing that money in a secure product; an investment that they can get a return on," Mr. Turner says. "Prices aren't as good as they used to be, but should come back to a 4% to 6% return with the return of good commodity prices. Costs of farming inputs like fertilizer, diesel, etc., [continue] to be a major cost year after year."

What's selling is mostly improved and irrigated cropland from Arkansas to Mississippi and Tennessee, but the prime spot is the Mississippi Delta, Mr. Turner adds. A recently closed 4,369-acre Arkansas farm sold for \$19.5 million (or \$4,475 per acre). The returns on these investments are the driving factors in the transactions, he says. That seller bought the land around 2011 for about \$3,000 per acre, held it a few years and now has that bigger return. That's not atypical, he says.

On the Mississippi side of the delta, cropland is selling for anywhere from \$4,700 to \$6,800 per acre, with pasture land selling in the \$2,200 - \$2,500 per acre range in the hills, Mr. Turner adds. Currently the buyers are acquiring land at 2% to 2.5% returns, versus 4% to 4.5% returns about five years ago. There is still demand in the marketplace because there's not as much for sale currently, he says.

While the commodity market is down, patient buyers can still find good deals, says Oswego, Ill.-based Land Pro managing broker/owner and REALTORS' Land Institute member Ray L. Brownfield, ALC, AFM. There are buyers for all kinds of land. Midwest farmers with neighboring land will typically pay a premium for that adjacent acreage (usually 40 to 80 acres) because they want it for their families



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*Broker Ray L. Brownfield, ALC, AFM.*

\$9,000 to \$12,000 per acre, which appeals to fewer buyers. But there are funds seeking agricultural land for long-term holds.

"Those buyers are very patient," Mr. Brownfield says. "They do their due diligence, but I feel that in a cycle of lower commodity prices, that won't last forever. They're in the market with cash and can close in 30 to 40 days. Those who want to sell, for whatever reason, can find people there to help them do what they want."