



Farm Land is Ripe for Long-Term Investment

By *Tonie Auer*

Agricultural land sales are big business, with some of the country's major funds adding agriculture land to their investment portfolio. Ray Brownfield, managing broker/owner at Land Pro in Oswego, Ill., and Realtors Land Institute past president, says while most buyers are farmers who want to add to their holdings, there's competition from domestic funds that see agriculture as a good long-term investment. The transactions tend to be bigger farms, 300-600 acres or more, rented back to local farmers who understand agriculture and how to get the most return on their investment.

In Illinois, land values are down about 8% from the beginning to the end of 2015, but that's not bad considering the commodity price declines of 30%-40% over the past few years, Mr. Brownfield says. The annual growth rate there increased on a compounded basis over the past 10 years at about 9% annually. That doesn't include the actual cash-on-cash returns of 3% to 4%.

"That makes the internal rate of return around 12% to 13%," he adds. "Compared to the stock market, agriculture will be on top." Funds are looking for a place with stable, steady returns over the long haul, he says: this is not a short-term proposition.

Some of his biggest transactions year-to-date include a 1,448-acre sale in Central Illinois, acquired by five separate farmers for about \$11,000 to \$12,000 per acre.

TIMBER PRICES LOWER

California's ranch market is recovering from the 2007 recession, adds Terry Hundemer, The Chickering Co.'s managing broker in Nevada City, Calif. Timber prices have softened after a four-year drought, which led to tree mortality from fire and pine beetles. "Lower prices for these lands should start attracting buyers and bigger companies with a long-term outlook. Land with water and income brings the biggest demand," Mr. Hundemer says.

Before 2007, buyers were less concerned about income from their recreational properties, he adds. "Today, however, if they're going to invest, they are looking for income to offset operating costs."

Agricultural properties pique investor interest in Michigan, too, where timberland can produce 8%-15% returns, depending on the property and tax structure, says Northern Michigan Land Brokers owner/broker Bob Sullivan. Some of the most expensive sales over the past 24 months in the Upper Peninsula of Michigan include the sale of a 2,316-acre timber portfolio sale of timberland across three counties.