



MARKET SNAPSHOT LAND VALUES

June 30, 2022

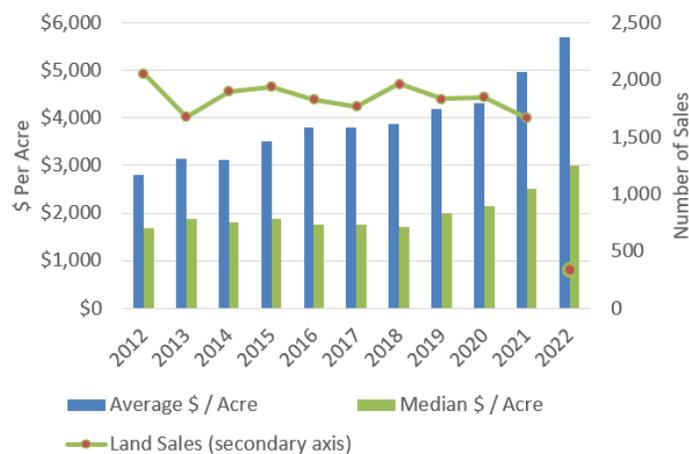
Executive Summary

Northwest agricultural real estate values continue to remain stable to increasing and the outlook is generally positive. Rapidly rising interest rates, increasing input costs and concerns over drought conditions will shape the near future for land values. Despite these concerns, demand remains strong from local and out-of-area investors, producers and rural residential buyers.

Northwest Region Trend

Demand varies by property type and market segment but is generally strong across the region. Sales between landlords and tenants are common and investor interest has increased in some areas, especially for high-quality land. The graph below illustrates farmland values and the number of sales transactions included in the Northwest FCS proprietary real estate sales database. Sale data collection lags about 3-6 months. For 2022, there have been 308 land sales with an average value of \$5,691 per acre as of June 17.

**Average and Median Land Values and Number of Sales
Over 40 Acres for Idaho, Montana, Oregon and Washington**



Source: Northwest FCS' proprietary sales database.

Land Value Considerations

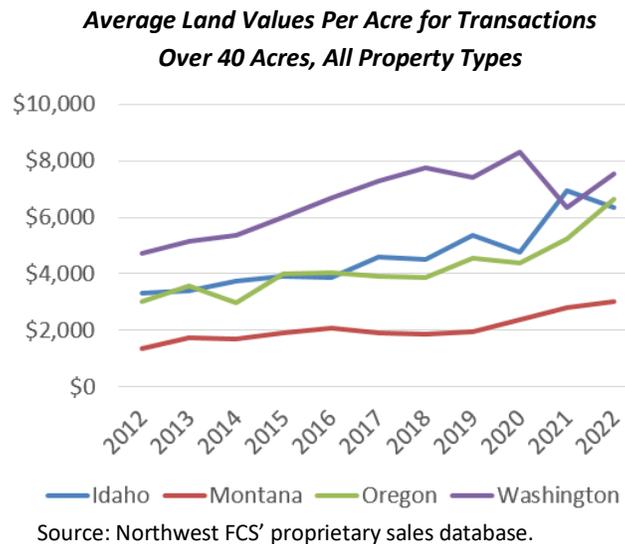
Consistent reports across the region indicate limited inventory of land available for sale. In some regions, there is a disproportionate amount of lower quality properties on the market, resulting in declining sales volumes and pushing the average value below what would generally be expected (these values are steadily increasing, indicating low quality lands are becoming more expensive). Commodity prices have generally strengthened through the first

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half of 2022 and are expected to remain strong through 2022; however, input prices, especially fuel and fertilizer, are rising and may hamper bottom lines for producers and impact the purchasing power of operators looking to expand. Additionally, the Federal Reserve raised interest rates by 75 basis points in June and another increase is expected in July, reducing affordability. Some reports indicate there are cash buyers, which may help prop up demand in a higher rate environment.

Rural areas surrounding population centers have seen increased residential development as working from home becomes more prominent and people relocate out of cities. Some rural areas, especially in Idaho, continue to report a lack of affordable housing which may offset any reluctance caused by rate increases.

The graph below shows land values are generally increasing. Decreases in Washington from 2020-21 resulted from a lack of quality properties on the market rather than lower demand.



Current Considerations for Agricultural Land by State

Washington

- Agricultural investment firms are increasingly prevalent within the vertically integrated tree fruit industry.
- Existing landowners and operators are investing in permanent crops such as apples, cherries and blueberries.
- Land with permanent planted crops generally have stable values. There are marginal properties sold and cleared for re-development while other high-quality properties are sold at premium prices for continued agricultural production. There are fewer “middle-ground” properties that have been listed and sold.
- Dryland values are stable due to increased outside investment activity in 2022.
- There is limited supply of irrigated agricultural real estate and market participants are in a holding pattern out of caution due to increasing interest rates and record input prices.
- Rural residential lots and small farm tracts (1-15 acres) in part time use continue to see extremely high demand. Buyers include long-time rural residents and urban city dwellers.
- Increasing interest rates have dampened demand but land values are holding steady for the time being.
- Western Washington continues to see limited supply of land suitable for agriculture production.

Oregon

- Supply remains low. While demand is slightly less than a year ago (due to rising interest rates and input/transportation costs), it's sufficient to support values.
- Rural residential demand remains high due to the increased ability to work remotely. Rising interest rates may impact this market.
- Lands suitable for vineyards and existing vineyard properties remain active with stable to increasing values.

Montana

- Small acreage, residential and recreational real estate sales volume has increased over the past two years. Available inventory offered on the open market has decreased. Prices have been stronger for many locales but are dependent on the specific area and property type.
- Interest in high-amenity ranch properties continues to be strong. Several large, high-profile ranches sold in the second half of 2021, two of which were reported to be the highest priced in state history.
- Some major real estate firms report the strongest interest in ranch real estate in over ten years.
- The pandemic continues to drive demand for real estate, particularly small tracts, from out-of-state buyers interested in leaving densely populated cities.

Idaho

- Despite a relatively cool and wet spring, drought conditions continue throughout the state. Irrigation in many areas, especially in the south and west, will likely be cut back during the growing season.
- Despite volatile commodity prices, agricultural land continues to be in high demand and values remain strong statewide. Increasing input prices may hamper profitability.
- Statewide population is increasing, with farm ground surrounding population centers being developed to accommodate the influx.
- Real estate professionals continue to report strong demand for farm ground with low inventory available. This is especially true in the Treasure Valley.
- Idaho continues to make the national news as one of the most unaffordable housing markets due to high demand and low supply. Out of state buyers often have purchasing power that local residents do not.

Share your feedback! [Click Here](#) to complete a two-minute survey about this Market Snapshot resource.

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.

This report provides a high-level look at trends and market characteristics and does not provide detail for specific areas or 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.

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.

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