

## MARKET SNAPSHOT Land Values

March 31, 2023

### Executive Summary

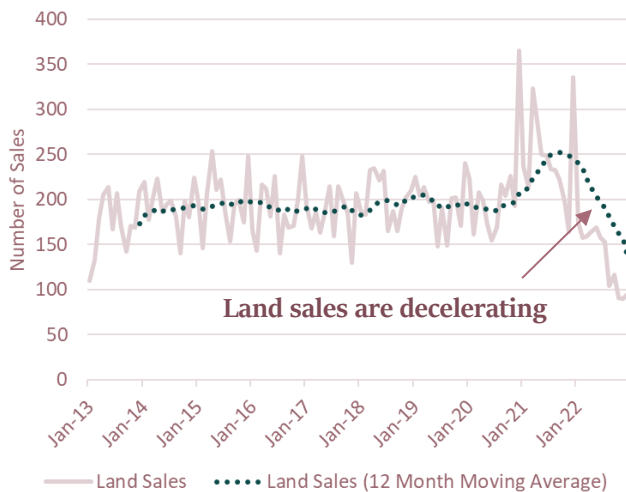
A favorable price outlook for most commodities, tempering input costs and improving moisture conditions provide a positive outlook for Northwest land values going into 2023. Increasing interest rates and heightened recession fears present headwinds; however, agriculture real estate demand remains strong throughout the region and verified sales data continues to show increases in sales prices. Inventories of good quality ground remain low, and affordability is declining due to higher financing costs. Demand for rural residential and recreational properties continues to slow from recent boom levels. Sentiment among market participants (local operators, investors and rural residential buyers) indicates land values will stabilize or decrease throughout 2023, but this is not evident in the data yet.

### Northwest Region Trend

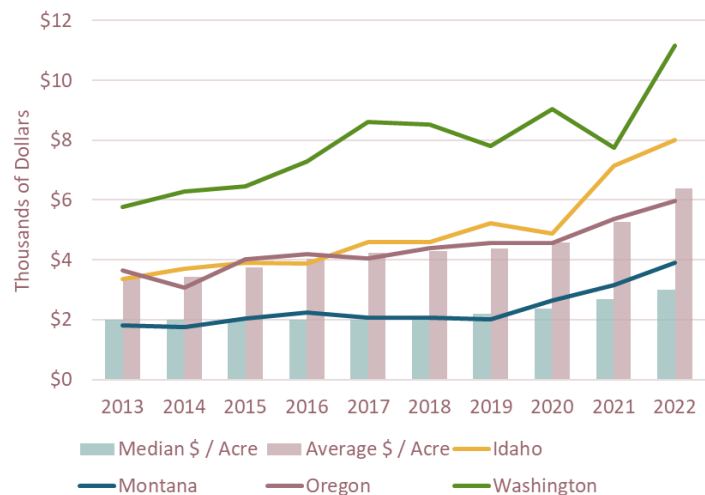
#### Sales value and volume

Northwest land sale numbers are falling while values rise and preliminary 2023 data suggests this trend will continue. Most areas continue to experience strong demand with limited available inventories. Decreases in Washington from 2020-2021 resulted from a lack of quality properties on the market rather than lower demand. As of March 27, AgWest Farm Credit staff collected 80 land sales that closed in 2023 with an average value of \$8,431 per acre.

#### Northwest Land Sales



#### Average Land Values Per Acre, Northwest



Source: AgWest's proprietary sales database. Data for the last six months is subject to change.

### Land Value Considerations

**Interest Rates** – The Federal Reserve raised the federal funds rate by 25 basis points in both February and March of 2023. These are smaller rate hikes than those seen in 2022 and may indicate a policy shift away from tightening monetary conditions. See our **Quarterly Economic Update** for a more in-depth analysis. Despite strong interest from

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potential real estate buyers, rising financing costs are leading to increased listing times and fewer transactions. These trends indicate a slowing market.

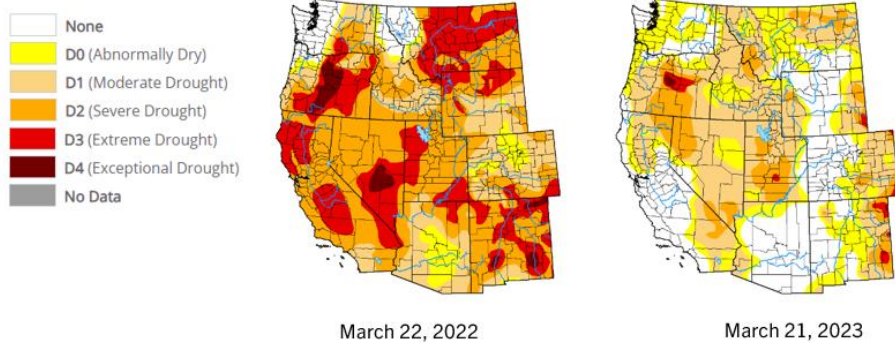
**Residential** – Home prices have started to decline; however, there continues to be a lack of affordable housing in some areas. A cooling market may lead to fewer new developments and alleviate some upward pressure on agricultural lands, particularly those surrounding population centers.

**Availability** – Land availability is reportedly low throughout the region. Many investors, family estates and farm operators are holding on to properties as low-risk, long-term investments despite elevated values.

**Commodity Prices** –The 2023 outlook for most commodities in the Northwest appears positive, which may help continue to support stable to increasing land values. For industry specific information, visit our [Industry Insights](#) site.

**Drought** – Drought conditions have improved across the West Coast as winter storms continued late into the spring. Current snowpack throughout most of the Northwest is near or above 100% of normal. Precipitation levels in much of Idaho, eastern Montana and eastern Oregon are near or above 100% of normal, while most of Washington, western Oregon and western Montana are hovering around 75% to 85%.

### **Drought Classifications, West Coast**



**There are significantly fewer areas under severe, extreme or exceptional drought than March 2022.**

Source: University of Nebraska, U.S. Drought Monitor.

## **Current Considerations for Agricultural Land by State**

### **Washington**

- Large institutional investment firms continue to seek high-quality orchard tracts of medium to large size; however, overall demand has decreased for smaller orchards. Orchard prices remain stable due to low inventory.
- Dryland values are generally stable to increasing, with a notable increase in investor activity in the Palouse region. Rising competition between long-time landowners and out-of-area investors is an important driver.
- Demand for irrigated row crop land in the Columbia Basin remains strong and prices are stable to increasing. Favorable row crop prices have supported land values and rents despite rising interest rates, which previously made market participants cautious to expand.
- Increasing interest rates have reduced demand for rural residential lots and small part-time farming tracts. Values are declining slightly within this market segment.

### **Oregon**

- Rising costs for financing, inputs and transportation are contributing to a sense of caution among buyers and consequently, listing times are getting longer.
- While demand for land (including existing and prospective vineyards) and rural residential properties is slightly down from last year, it continues to exceed supply and support elevated values.
- Buyers are especially cautious in higher priced areas; however, institutional and private investment demand exists, particularly for larger opportunities.

### **Montana**

- New inventories are very limited as few properties were listed for sale in the first quarter of 2023.
- Small acreage, residential and recreational real estate sales volume increased through mid-2022. Available inventory offered on the open market is currently tight.

- In the second half of 2022 and through the first quarter of 2023, aggressively priced properties started to see some pullback and/or stay on the market longer. Along with anecdotal reports from industry professionals, this may indicate a slowing market.
- Sales activity on high-profile ranches decreased in 2022 primarily due to low inventory; however, interest in high-quality production ranches remains strong.
- The influx of out-of-state buyers from urban population centers is slowing.
- Over the last six months, market activity in eastern Montana appears to have slowed. Buyers are primarily interested in high-quality properties, of which there is a limited supply at reasonable prices.
- Sales between landlords and tenants remain prominent, often resulting in lower prices (largely due to working relationships) in relation to comparable market data.
- While drought concerns remain elevated for eastern Montana, higher winter snowfall has improved conditions heading into the 2023 production cycle.

## Idaho

- Many expect Idaho to see continued population growth over the next ten years, especially in the Boise Metropolitan Area, putting upward pressure on land values and increasing farmland development.
- Rising interest rates have slowed home purchases and prices declined during the first part of 2023. Some developers report plans to slow construction given increasing listing times.
- Buyers remain interested in high-quality agriculture properties, with some selling above historic highs. Inventory levels for available agricultural ground are limited.
- High commodity prices led to reported increases in rental rates for row crop ground.
- Strong winter snowfalls are easing drought concerns throughout most of the state. The irrigation outlook for the 2023 growing season looks positive. However, following two years of declining aquifer levels, the possibility remains that further water mitigation steps may be required to further bolster recharge efforts.
- Late winter and early spring storms continue across Idaho, causing temperatures to remain low. Snow and/or flooding is hindering operators' ability to get into the fields. Many expect delays with spring planting across much of Idaho.

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

## About AgWest Farm Credit Appraisal Services

AgWest 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 and analyze market data 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. This 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 AgWest.

## Learn More

For more information or to share your thoughts and opinions, contact the Business Management Center at 866 552 9193 or [bmc@agwestfc.com](mailto:bmc@agwestfc.com).

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