

MARKET SNAPSHOT

Land Value

June 28, 2023

Executive summary

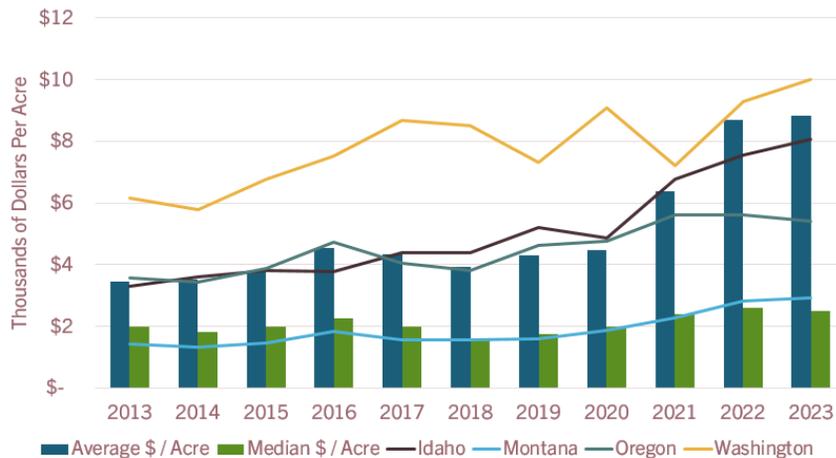
High interest rates and low inventory levels are leading to fewer agriculture property sales, longer listing times and price reductions (often from record-high levels). Demand from operators and investors for high-quality property remains strong, but the pool of potential buyers is shrinking due to rising financing costs. A lack of supply could be distorting true values or delaying market changes.

Northwest region trend

Sales value and volumes

Northwest land sale volumes continue to fall year over year with mixed value trends. Most areas are experiencing strong demand with limited availability of good quality properties. While softening land values in Oregon and Washington are largely a function of limited supply, it may also be an early signal of a softening market.

Average Land Values Per Acre, Northwest



Source: AgWest's propriety sales database. Industrial site sales excluded. Data collection lags about six months and is subject to change.

Land value considerations

Interest Rates – AgWest Appraisal Staff report that higher interest rates are impacting land trends. While the Federal Reserve held the Fed Funds rates constant at their June meeting, it left the door open for future hikes. See our [Quarterly Economic Update](#) for a more in-depth analysis.

Residential – Home prices are stable to declining, largely due to higher interest rates. A cooling market may lead to fewer developments and alleviate upward pressure on agricultural lands, particularly those surrounding population centers.

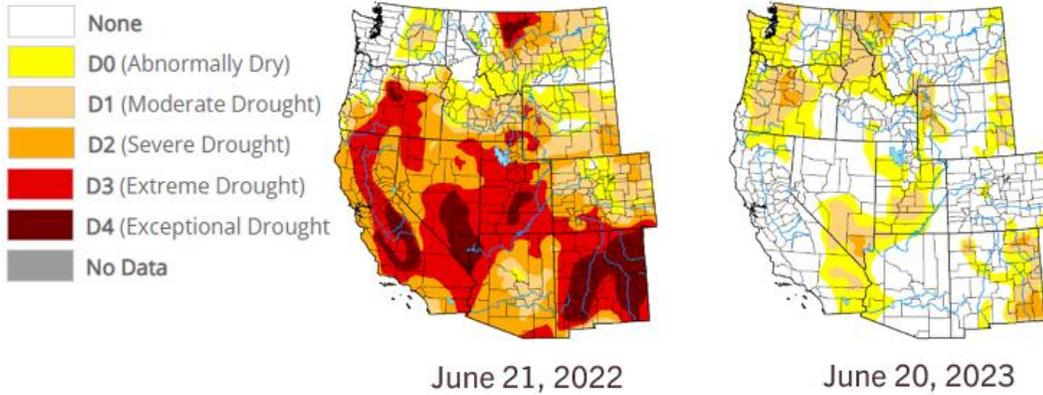
Availability – Land inventories are generally low throughout the region. High demand continues to bolster agricultural values despite elevated interest rates. More private transactions and owner-carried notes are being reported as buyers find ways to finance acquisitions.

Commodity Prices – The 2023 outlook for commodities in the Northwest is mixed, but no negative impact on land values has been seen; commodity price fluctuations are not uncommon among agricultural products. Visit our [Industry Insights Webpage](#) for more information and market updates.

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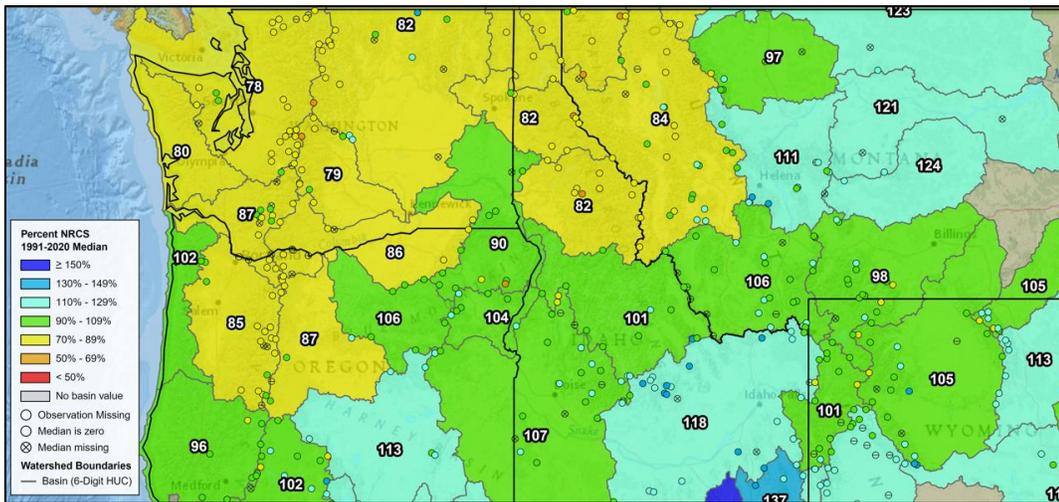
Drought – Good snowpack and spring rains have brought relief to drought-stricken areas across the West Coast. Year-to-date precipitation levels in the Northwest are 80% above normal, while much of the region is 100% above normal. Irrigation conditions look generally favorable for the 2023 growing season. There are significantly fewer areas under severe, extreme or exceptional drought than in June 2022.

Drought Classifications, Western States



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

Year to Date Precipitation, Northwestern States



Source: NRCS National Water and Climate Center

Current considerations for agricultural land by state

Washington

- Despite high interest rates land values have remained high due to low inventories, but listing price reductions are becoming more common. Listing times are stable, with some evidence of shorter listing times.
- The competing interests of commodity growers and investors, coupled with generally favorable commodity prices, continue to create strong demand and support strong land values and rental rates.
- The 2022-2023 winter provided decent snowpack, but much of it has since melted. May experienced record high temperatures, leaving the eastern region with below-average moisture availability. Rainfall has become a primary market driver in recent months.
- Yakima Valley irrigation districts are anticipating summer allotment reductions.
- 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 has been noted.
- The rural residential market has slowed significantly; however, there is still demand outside of larger communities.

Oregon

- Rising interest rates and elevated input costs are contributing to a sense of caution among buyers, yet demand from in- and out-of-state investors and operators for quality agricultural land continues to outpace supply.
- Institutional buyers are purchasing large land tracts at record-high prices with competing offers, while many smaller tracts are sold in private transactions to neighboring operators.
- While demand for land and rural residential properties is slightly down from last year, it continues to exceed supply and support elevated market values.
- The recreational market has been relatively level over the last six months.
- The hazelnut industry is currently facing a downturn and as a result, hazelnut properties are at risk for price declines.

Montana

- Land values are stable to increasing due to strong demand for recreational- and production-based properties and few existing / new properties listed for sale.
- Recreational ranches are experiencing strong demand, primarily from out-of-state buyers. Despite this trend, listing prices are often unrealistically high.
- High amenity properties continue to be in strong demand while those with lower amenities are often facing longer list times and price reductions.
- Sales that are taking place are often private transactions between neighbors, family members or landlords/tenants.
- Montana received good winter snowpack and spring moisture. Most regions have favorable moisture conditions for the 2023 production cycle.
- Marketing properties is a challenge as the recreational and production markets are not often well-defined.

Idaho

- The Idaho Department of Water Resources issued a Methodology Order to determine the impact caused by junior groundwater users pumping from the Eastern Snake Plain Aquifer. Approximately 900 groundwater rights junior to December 30, 1953, not protected by an approved mitigation plan, could be subject to curtailment. Discussions and final decisions around this order are ongoing.
- Above-average snowpack and strong spring rains are a boon for the state. However, aquifer recharge efforts and any agreements between ground and surface water users may hamper water availability for irrigation.
- Demand for agricultural properties remains strong with some properties selling above historic highs. Inventory levels remain limited and competitive throughout the state.
- Demand for rural residential properties is gradually declining due to higher financing costs. Out-of-state buyers are still present in the marketplace.
- The recreational market has slowed but remains active. The purchasing power of market participants has decreased due to higher interest rates.
- Treasure Valley is experiencing steady interest in rural residential properties from out-of-state buyers, but interest from Idaho residents is declining due to higher financing costs. Magic Valley is experiencing an overall decrease in interest in rural residential properties.

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 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 AgWest Farm Credit.

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.

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