



Land Sales Report™

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A comparison of farmland prices from the first eleven months of this year with farmland prices for all of 2003 shows Iowa land values are up 7.2% statewide – from an average price per acre of \$1,911 a year ago to \$2,048 in 2004. The table below compares land price increases by Crop Reporting District and Corn Suitability Rating. The largest percentage increase so far is in the South Central District at 12.2%. The smallest increase is in the Southeast District at 3.9%. Five of the nine crop reporting districts are at or near the statewide average. With the addition of sales for this year that are yet to be recorded, the actual increase in land values in 2004 will probably be above the current 7.2% but below the level of recent survey information. There is a tendency to focus on the high dollar sales while the majority of sales that hover around the actual average price get lost in the hoopla. Many of the high dollar sales are of higher quality land purchased by adjoining owners or 1031 exchange buyers and those with a favorable equity position. Farmland values will most likely continue to be strong for quite some time. A slow economy and international political instability will result in small increases in interest rates that will not have a dampening effect on demand for land. Poor investment alternatives outside of farmland will also continue to be a strong factor in rising land values. Domestic demand and alternative uses of crops will make up for any possible weakening in export demand.

2004 Land Values By Crop Reporting District

<u>CSR</u>	<u>NW</u>	<u>NC</u>	<u>NE</u>	<u>WC</u>	<u>CT</u>	<u>EC</u>	<u>SW</u>	<u>SC</u>	<u>SE</u>	<u>STATE</u>
CSR >= 75	3,074	2,946	2,983	3,008	3,047	3,522	3,184	2,791	3,417	2,824
CSR 55-74	2,776	2,405	2,337	2,439	2,338	2,548	1,909	1,944	2,165	2,186
CSR 54 or less	2,112	1,698	1,636	1,667	1,683	1,790	1,373	1,103	1,207	1,271
All Soils	2,693	2,586	2,240	2,331	2,627	2,548	1,691	1,109	1,679	2,048
No CSR	2,908	2,709	2,234	2,748	NA	2,077	2,109	994	1,865	1,734
Percent change	+10.8%	+7.7%	+7.0%	+6.4%	+6.6%	+7.0%	+11.4%	+12.2%	+3.9%	+7.2%

Tax Reform

The Local Government Tax Group of the Iowa State Association of Counties has arrived at a number of property tax reform proposals to be presented to the 2005 session of the Iowa Legislature.

- ❖ Iowa has a farmland property tax system that seems to perplex many because Iowa farmland is assessed based on a productivity formula arrived at through a five-year average of income including farm payments and expenses. Some question how farmland values can be at record highs while values for tax purposes are declining. One of the problems in the last five years is that farmland valuations decreased. For example, in Marion County a 15% decrease in 2003 and 7% in 2001. Revaluations for 2005 are being based on production figures for 1999 through 2003. Ag land valuations can decrease by an unlimited amount but cannot be revalued upward by more than 4% annually. This creates a budgeting dilemma for schools and county governments because it can take a number of years for values to return to previous levels.
- ❖ Forest and fruit tree reserves would be allowed a maximum exemption of \$1,000 of value per acre. Any forest reserve acre assessed at over \$1,000 would be taxed on the portion of value over \$1,000. Acres assessed at less than \$1,000 would have a taxable value of zero. Some assessors feel this will have no effect in their county as even higher quality land doesn't have an assessed value of \$1,000 an acre. Most affected would be development land "parked away" as forest reserve to avoid taxes.

Happy Holidays

Thank you to all of our customers for your continued business. We look forward to serving you in 2005. Next year the Iowa Land Sales Report™ will be mailed on or about February 18, April 20, June 20, August 19, October 20 and December 20.

Merry Christmas and best wishes for a Happy New Year!

