

## **2008 Florida Land Value Survey: Farmland Prices Down<sup>1</sup>**

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### **Introduction**

The Florida Land Value Survey, conducted by the Food and Resource Economics Department at the University of Florida, provides estimates of the value of different types of agricultural land for geographic regions of the state. The most recent survey was conducted in November 2008 *for land values in May 2008*. Survey respondents come from varied backgrounds. Some are personnel from the Farm Services Agency and the Natural Resource Conservation Service. Others are rural appraisers, farm lenders, real estate brokers, farm managers, and land investors. County extension agents, county property appraisers, and other persons who develop and maintain information about rural land values in their areas also respond to the survey. A total of 335 questionnaires were mailed; 21 were returned as undeliverable; and 112 were completed for a response rate of 35.7 percent.

It is apparent from the survey responses in 2008 that a declining U.S. and Florida economy, the slower rate of Florida's population growth, and the decline

in the Florida housing construction industry are reflected in a decline in Florida farmland values.

### **Changes in 2008 Land Value Report**

The 2008 land value report format is identical to the 2006 and 2007 land value report formats. It is not identical to land value reports prior to 2006. In years before 2006, the reported land values were subdivided into four or five regions in Florida. Beginning with the 2006 report, the state is divided into two regions: northern and southern. The northern region is defined as all counties north of and including Alachua, Flagler, Levy, and Putnam Counties. The southern region is defined as all counties south of and including Citrus, Marion, and Volusia Counties. This change was made to provide larger sample sizes and to enhance the reliability of the estimated values. Citrus land values were not reported for 2006 because the numbers of surveys completed were insufficient for the purpose of analysis. Citrus land values are reported for 2007 and 2008, but there is no value to compare with for 2006. Transitional land values for metropolitan and

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non-metropolitan areas were combined due to limited data. Therefore, the data for 2008 are not directly comparable to reports from years before 2006.

## Summary of Results

The 2008 Florida Land Value Survey results indicate clearly that land values are down statewide in Florida. Decreases in farmland value are comparable in both the northern and southern regions of the state (Table 1). Declines in farmland value in the northern region range between 6.9 and 24.8 percent. Declines in farmland value in the southern region range between 4.9 and 25.6 percent. The largest decline in the northern region of the state was for farm woods at 24.8 percent. The largest decline for the southern region is irrigated cropland at 25.6 percent.

Declines for mature citrus farmland values were larger for oranges (16.8%) than for grapefruit (4.9%). Citrus farmland values for 5- to 7-year-old citrus groves were \$10,461 per acre, down 24.8 percent from 2007. Transitional land values, or land being converted or likely to be converted for nonagricultural uses, indicated larger declines in the northern region of the state. Declines for transitional land values in the northern region range between 39.2 and 55.4 percent (Table 3). In the southern region of the state, transitional land value changes range between a positive 5.2 percent and a decline of 46.8 percent.

The survey results from land sales professionals indicate that the average value of agricultural land ranges from approximately \$3,177 per acre for farm woods in the northern region to \$13,500 per acre for mature orange groves in the southern region of the state. Values for all land types were down except for transitional land more than five miles from a major town in the southern region of the state. In general, land values were down a greater percentage in the southern region of the state. The decline in value likely stems from a declining U.S. and Florida economy, a slower rate in Florida's population growth, and the decline in the Florida housing construction industry. The survey indicates that the downward trend in farmland values is expected to continue in 2009, but the decline will not be as steep;

that is, 5 percent in the northern region and 17 percent in the southern region (these trends were reported by respondents but not reported in Table 4).

Land sales experts indicated that decreases in the value of Florida agricultural lands were primarily due to a weak nonagricultural demand for land and that farmland ownership continued to be investment-based, not income-based. Some of the experts indicated that "developers are selling undeveloped large tracts for deep discounts of 70 to 80 percent of what they paid," "vacant land sales are nonexistent," "grove prices are coming down ... a buyer's market," "no market for development," "sales dead now," "financing is harder," and "prices are still too high." Many experts continue to note that land sales were still occurring but on smaller size parcels and sales are very slow. Seventy-seven percent of the southern region experts and 58 percent of the northern region experts estimated the number of land sales to be lower from 2007 to 2008 (information collected from survey but not reported in tables). Some factors that were identified as affecting the number of agricultural land transfers included a slowing rate of large housing developments, a poor housing market in general, difficulty in obtaining financing, less buyer speculation, and the general downturn in the economy.

## Changes by Type of Land Use

The value of agricultural land for 2008 is reported in Table 1 .

*Cropland.* The value of all types of cropland decreased in the southern and northern regions of the state. The value of irrigated cropland decreased 25.6 percent in the southern region and 23.9 percent in the northern region. The value of non-irrigated cropland decreased 23.2 percent in the northern region as well.

*Citrus.* Citrus land values, like most other Florida farmland values, are down in 2008 according to the survey. The estimated value of mature oranges dropped 16.8 percent, and mature grapefruit was down 4.9 percent. The estimated value of mature orange groves in the southern region for 2008 was \$13,500 per acre, and that of mature grapefruit groves averaged \$10,640 per acre. Land with 5- to 7-year-old citrus plantings is estimated at \$10,461 per

acre, which represents a decline of 12.1 percent. These land price declines may seem relatively large, yet it must be remembered that, in addition to the general decline in the national and state economies and a slower rate of population growth in the state, the industry has also faced declining market prices and disease problems.

*Pastureland.* The value of pastureland also decreased in both the northern and southern regions of Florida. Improved pasture decreased 6.9 percent in the north and 12.9 percent in the south compared to 2007. Unimproved pasture values also declined in both regions of the state; values were down 18.1 percent in the north and 21.6 percent in the south.

*Farm Woods.* The value of farm woods followed the same trend as cropland and pastureland in the state; declines were reported in both regions of the state. Farm wood values decreased 24.8 percent in the northern region and 8.9 percent in the southern region.

### **Regional Comparisons of Agricultural Land Values**

The value of irrigated cropland was \$7,763 per acre in the southern region in 2008 and \$5,106 per acre in the northern region (about 52% higher per acre in the southern region). The rate of decline in the southern region was 25.6 percent, compared to the previous year, and 23.9 percent in the northern region.

In 2008, the value of improved pasture was \$7,862 per acre in the southern region and \$4,381 per acre in the northern region (about 79% higher per acre in the southern region). The value of unimproved pasture ranged from \$5,684 per acre in the southern region to \$3,670 per acre in the northern region (about 55% higher per acre in the southern region). In general, the gap in land values between the southern and northern regions of the state narrowed between 2007 and 2008 because land values were down by a larger percentage in the southern portion of the state.

### **Cash Rents**

Cash rents (Table 2) for all land classes declined between 2007 and 2008, in both the northern and

southern regions. The estimated annual cash rent for non-irrigated cropland in the northern region was \$51 per acre in 2007, and is estimated at \$48 per acre in 2008. The estimated cash rent for improved pastureland in the northern region was \$36 per acre in 2007, and was estimated at \$32 per acre in 2008 by the experts. Cash rent for unimproved pastureland in the northern region was \$27 per acre in 2007, and was estimated at \$21 per acre in 2008. The estimated cash rent for improved pastureland in the southern region was \$33 per acre in 2007, and was estimated at \$43 per acre in 2008. Cash rent for unimproved pastureland in the southern region was \$20 per acre in 2007, and was estimated at \$13 per acre in 2008.

Cash rental rates remain less than one percent of the value of the land for the different types of cropland and pasture. These rates are low compared to other areas of the country.

### **Transition Land**

Transition land was defined in the survey as agricultural land that is being converted or is likely to be converted to nonagricultural uses such as residential or commercial. Transitional land values are reported in Table 3 .

According to the experts, the value of transition land within five miles of a major town in the northern region decreased by 55.4 percent from 2007 to 2008. That value decreased 46.8 percent if the land was more than five miles from a major town. In the southern region of the state, the value of transition land within five miles of a major town decreased by 39.2 percent from 2007 to 2008. The value increased 5.2 percent if the land was more than five miles from a major town. While the experts indicated land sales were slow, they did not indicate they had stopped completely. This may explain the small increase in value for transitional land more than five miles from a major city in the southern part of the state. Buyers of this type of transitional land in south Florida who still were moving forward on development plans may have opted for “cheaper” land farther from major cities. The value of transition land within five miles of a major town ranged from \$7,771 per acre in the northern region to \$33,113 per acre in the southern region. The value of transition land more than five

miles from a major town ranged from \$ 5,800 per acre in the northern region to \$27,150 per acre in the southern region.

### Expected Trends

Professional sales experts were asked if they expected agricultural land values to be higher, lower, or unchanged between May 2008 and May 2009. About 31 percent of the southern region respondents and 53 percent of the northern region respondents expected agricultural land values to exhibit no change during this time (Table 4 ). About 69 percent of the southern region respondents and almost 43 percent of the northern region respondents expected land values to decrease over the same time period. None of the southern region respondents and only five percent of the northern region respondents expected agricultural land values to increase between May 2008 and May 2009. The average decline expected in the southern region between May 2008 and May 2009 was 17 percent and in the northern region was 5 percent. Of course, if these predictions for 2009 are correct, another year of declining land values can be anticipated.

### Use of the Survey Results

The land value estimates provided in this report are based on the opinions of many people involved in the real estate market and may not reflect actual land sales data. Several factors must be considered when using this report. For example, the group of participating respondents changes from year to year, and some of the land use categories and values reported are based on sample responses with limited observations.

These estimates should serve as a guide to the relative average values of different land uses within and between areas in Florida. It must be understood that the value of a specific tract of land may vary substantially from these estimates because of the physical characteristics, location, and/or economic and institutional factors that may affect or restrict its use. Therefore, this survey should not be used to determine the value of a specific tract of land in Florida.

### References

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**Table 1.** Estimated farmland value per acre, by geographic region and land use, May 2006, 2007, and 2008.

Region / Land Use	Dates			Percent Change 06–07	Percent Change 07–08
	May 2006	May 2007	May 2008		
	<i>(dollars per acre)</i>			(%)	(%)
<b>NORTHERN REGION</b>					
Cropland					
Irrigated	6,578	6,712	5,106	2.0%	(–23.9%)
Non-Irrigated	4,804	5,776	4,436	20.2%	(–23.2%)
Pastureland					
Improved	5,456	4,706	4,381	(–13.8%)	(–6.9%)
Unimproved	4,104	4,479	3,670	9.1%	(–18.1%)
Farm Woods	4,382	4,226	3,177	(–3.6%)	(–24.8%)
<b>SOUTHERN REGION</b>					
Mature Orange Groves	***	16,123	13,500	***	(–16.76%)
Mature Grapefruit Groves	***	11,183	10,640	***	(–4.9%)
5- to 7-year-old Citrus Groves	***	11,900	10,461	***	(–12.1%)
Cropland					
Irrigated	7,036	10,432	7,763	48.3%	(–25.6%)•
Non-Irrigated	***	***	***	***	***
Pastureland					
Improved	6,889	9,025	7,862	31.0%	(–12.9%)
Unimproved	5,352	7,752	5,684	44.8%	(–21.6%)
Farm Woods	***	8,369	7,627	***	(–8.9%)
<ul style="list-style-type: none"> <li>• Based on 17 observations</li> <li>*** Insufficient data</li> </ul> Source: Florida Land Value Survey, Food and Resource Economics Department, University of Florida, Gainesville.					

**Table 2.** Cash rent for farmland, by geographic region, May 2006, 2007, and 2008.

Item	Northern Region			Southern Region		
	2006	2007	2008	2006	2007	2008
	<i>(dollars per acre)</i>			<i>(dollars per acre)</i>		
Land Class						
Improved Pastureland	35	36	32	31	33	43
Unimproved Pastureland	24	27	21	21	20	13•
Non-Irrigated Cropland	50	51	48	***	***	***
<ul style="list-style-type: none"> <li>• Based on 19 observations</li> <li>*** Insufficient data</li> </ul>						

**Table 3.** Estimated value of transition farmland, by geographic region, May 2006, 2007, and 2008.

Region / Category	Dates			Percent Change 06–07	Percent Change 07–08
	May 2006	May 2007	May 2008		
	<i>(dollars per acre)</i>			(%)	(%)
Less Than 5 Miles to Major Town					
Northern Region	15,595	17,414	7,771	11.7%	(–55.4%)
Southern Region	55,000	54,442	33,113	(–1.0%)	(–39.2%)
Greater Than 5 Miles to Major Town					
Northern Region	11,679	10,912	5,800	(–6.6%)	(–46.8%)
Southern Region	22,167	25,800	27,150	16.4%	5.2%

**Table 4.** Respondent expectations of farmland value changes over the next 12 months, by geographic region, May 2008.

Region	Higher Expectations	No Change	Lower Expectations
	<i>(percent of responses)</i>		
Northern Region	5.0%	52.5%	42.5%
Southern Region	0.0%	30.6%	69.4%