

Developing Trends in 2015

Over recent years, there has been considerable discussion around the strong increases in the value of farmland. Although Alberta crop yields in 2015 were generally better than would have been expected early in the growing season, several analysts expect farm revenue to be lower than in past years. Weakness in the energy industry is also expected to reduce the amount of money available to be invested in Alberta farmland by non-farming investors. These factors have raised questions over how farmland values will be affected.

Serecon has developed a model to predict how farm revenue and other economic factors can influence farmland values over a period of time. However, analyzing recent sales data is the most reliable way to identify how farmland values have been affected by recent market forces.

In urban centres, relying on average sale prices can be an effective method to estimate changes in real estate values. However, the quantity and uniformity of data is considerably higher in urban markets than in rural markets. Across Alberta, there is great diversity in agriculture land, ranging from native pasture to irrigated land for intensive row crop production.

As a result, locational differences and variation in the proportion of sales for each land use during a specific period can distort average prices between individual time periods. The volume of sales data that is available is not large enough to rely on mathematical averages as an indication of changes to land values between individual periods. Analyses completed by Serecon have shown that average sale prices may highlight long term trends. However, variation in the data can skew short term trend analyses.

Alternatively, using benchmark properties can also be used as a way to estimate changes in farmland values. By periodically estimating the value of the same property, it is possible to estimate changes to farmland values. However, this method is reliant on interpreting sales data in the benchmark area; and if recent comparable sales are not available in close proximity to the benchmark property, the analysis would be quite subjective.

Given the limitations of the methods described above, Serecon has adopted the process of researching resales of farmland properties. Specifically, the focus of our research is to identify farmland properties that have been purchased and subsequently resold within a period of three years. The difference in the sale prices can be used as an indication of how farmland values have changed over the period between the two sale dates. Although an individual sale may not identify when the greatest change in value occurred between the two sale dates, by using the resales of multiple properties, we believe that this method can provide an indication of short and long term trends in farmland values.

Since beginning our research, Serecon has identified more than 70 potential resales of farmland in Alberta. Figure 1 shows the month to month average increase in value for the farmland resales.

Figure 1 also shows that although farmland values continued to increase in 2015, the increase was much less than in preceding years and the increase continued to slow through 2015.

Figure 2 shows the sum of the 12 months preceding each date.

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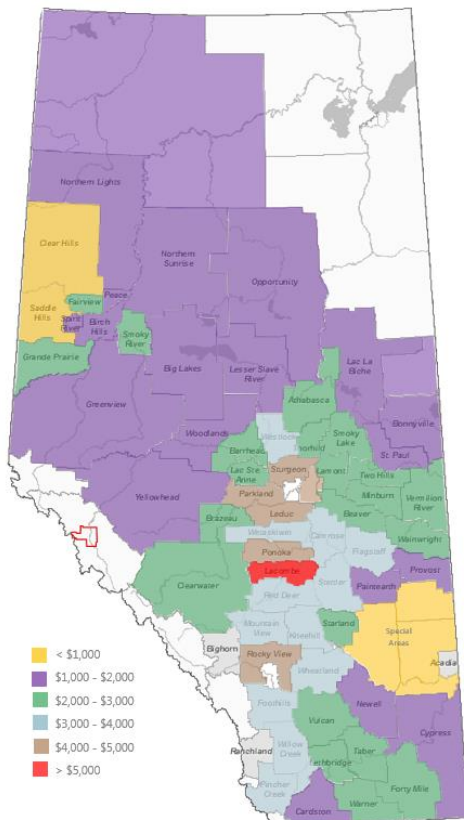
Alberta Farmland Values... What's Been Growing?

As indicated in the previous discussion, providing one percentage change in farmland value as a provincial average does not necessarily reflect what is really occurring within a given local market. Therefore, we have also considered value changes within smaller market areas.

Although farmland values do not follow county boundaries, Map 1 shows the average value of farmland according to individual municipalities in 2015 based on our database of sales.

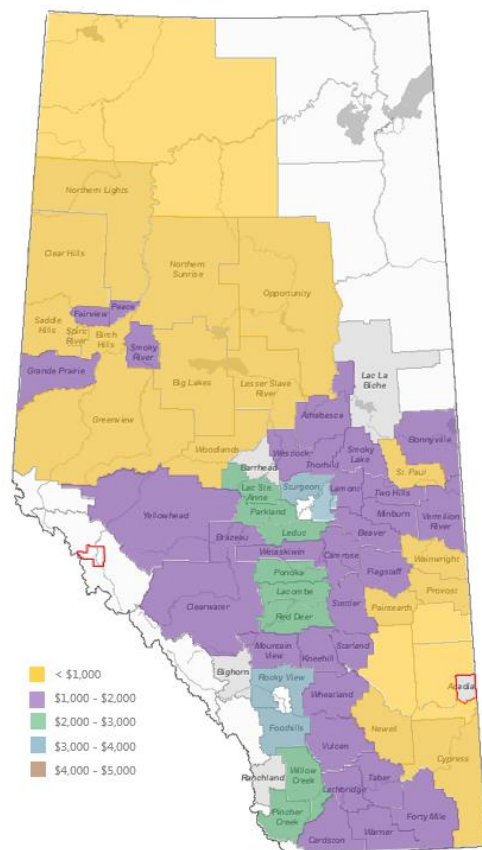
It also shows that the highest average values are generally located around the cities of Calgary and Edmonton. However, the counties of Ponoka and Lacombe also have prices amongst the highest in the province, with the highest average price in Lacombe County. It is noted that these values are based only on dryland sales and do not include irrigated values.

Map 1: 2015 Average Land Values



Although our previous analysis indicated that average values are not considered a reliable indicator of short term changes in farmland values, they can be used as an indicator of long term patterns. Therefore, as a comparison, Map 2 shows the average farmland values by county in 2010.

Map 2: 2010 Average Land Values



In 2010, the highest values were more closely concentrated around the Cities of Calgary and Edmonton. However, the difference between the two maps suggests that the greatest increases in values have been in more rural areas. Specifically, the Counties of Ponoka and Lacombe have shown a large increase in land values, as well as the Counties of Parkland and Leduc. In general, the maps suggest that over the past five years the greatest increases in farmland values has been in areas with more productive agriculture land.

The lowest increases in values have been in areas where land values are considered to have traditionally been motivated by demand for recreational or country residential properties. Specifically, any change in the average value of land in M.D. of Foothills and Lac Ste. Anne was not significant enough to change the land value group for these counties.

The two preceding maps also highlight a broader range in average values between municipalities. In 2010, most municipalities had average land values less than \$2,000 per acre. However, in 2015, productive agriculture land would typically be within the range of \$2,000 - \$4,000 per acre.

Price and Yield: Where's the Value?

Without doing a detailed financial analysis, it is difficult to know if the growing difference in land values is based on economic factors related to agriculture or other influences. That is to say, can the higher yields in more productive areas justify higher land prices than the lower land prices in less productive regions?

As a rough gauge of how land prices relate to productivity, the following analysis compares the price of land as a multiple of canola yield.

Specifically...

$$\text{Value Multiple} = \text{Estimated Land Price} / \text{Average Canola Yield}$$

Therefore, the higher the multiple the more expensive the land is relative to the average canola yield.

As a basis for this analysis, we have established benchmark locations in most counties across the province. However, due to availability of yield data, we have not been able to estimate the multiple for every county.

The following map shows the estimated value of land for our benchmark locations as a multiple of the three year average canola yield (in bushel per acre).

Map 3: Alberta Canola Value Multiple Map

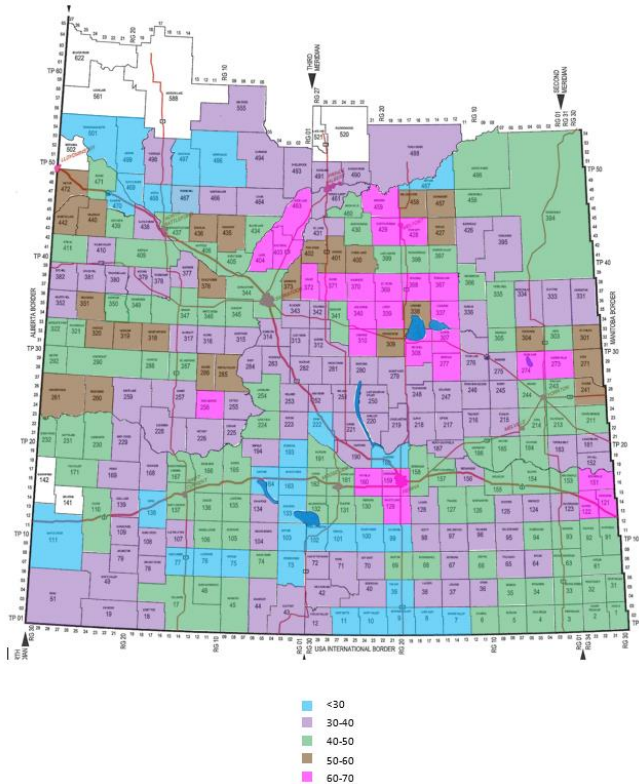


The Value Multiples in the preceding map range from approximately 30 times to over 150 times. As expected, the highest multiples are in those municipalities where land values are expected to be influenced by non-agricultural factors. Specifically, the M.D. of Pincher Creek and Rocky View County have the highest multiples. However, most of the multiples that exceed 80 are within Central Alberta, roughly located west of Highway 56. Although other locational factors may also influence land values in these locations, this region is also generally the area where the highest average yields have been achieved.

Because some farm operating expenses remain relatively similar (i.e. seed, herbicide, fuel) regardless of location or yield, it seems reasonable that higher producing land should sell for a higher Value Multiple than lower producing land.

Therefore, as a comparison, we have also included a Value Multiple map for Saskatchewan, based on a similar analysis.

Map 4: Saskatchewan Canola Value Multiple Map

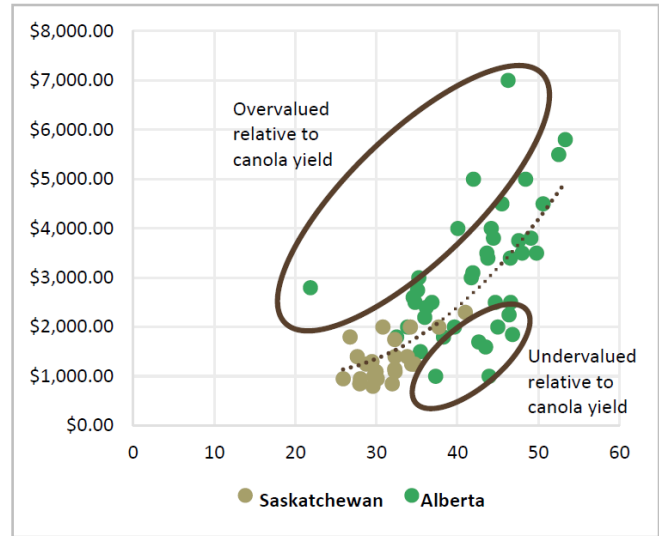


The Value Multiple map for Saskatchewan shows that few locations had a Value Multiple that exceeded 60 times and the overall average for the Province of Saskatchewan was approximately 44 times. However, in Alberta the average multiple was 76 times. This may indicate that relative to canola yield, land in Alberta is much more expensive than in Saskatchewan.

To further explore this prospect, the following graph shows the approximate price of land plotted relative to yield for both Alberta and Saskatchewan.

When both provinces are plotted on the same graph, most of Alberta achieves higher canola yields than Saskatchewan. However, it is noted that the slope of the trendline for Alberta is not significantly different than in Saskatchewan.

Land Price Relative to Canola Yield



Our analysis of the data indicates that regardless of the Value Multiple, the locations with a data plot that is below the trendline are considered to be under-priced relative to the expected canola yield and those locations located above the trendline are expected to be overpriced relative to the average canola yield.

Specifically, some Alberta municipalities that are plotted below the trendline include M.D. of Provost, Thorhild County, Beaver County, Lamont, Greenview, Lac St. Anne and Big Lakes. Some of the municipalities that appear to be overvalued relative to canola yield include M.D. of Pincher Creek, Rocky View County, Kneehill County, and Lacombe County.

Although the above analysis identifies some specific municipalities that may be under/overvalued relative to canola yields, land values and yields can vary significantly within each municipality. Since the analysis is based on random benchmark locations within each municipality, it should not be relied on in any way as an indication of value for any other purpose or specific property.

Select Sales Summary for 2015

The data and figures contained within are based on a limited analysis for general information purposes only and are not intended to be representative of any specific property or properties. In no event will Serecon be liable for any direct, indirect, or any other damages whatsoever including, without limitation, damages for loss of use, data, profits, or property valuation, arising out of or in any way connected with the use or performance of this information.

For any specific estimate of value, it is recommended the reader contact a member of the Serecon team about additional services that we can provide.

Southern Alberta

Municipality/County	Sale Price	Acres	Land Use	\$/acre
Cardston	\$212,000	162.52	Cultivated	\$1,304
Cypress	\$394,500	160	Pasture	\$2,466
Cypress	\$450,000	300	Cultivated	\$1,500
Cypress	\$800,000	125.89	Cultivated	\$6,355
Foothills	\$1,152,000	480	Pasture	\$2,400
Foothills	\$545,400	154	Cultivated	\$3,542
Foothills	\$400,000	160.1	Pasture	\$2,498
Forty Mile	\$156,000	160	Grassland	\$975
Forty Mile	\$120,000	161	Cultivated	\$745
Lethbridge	\$1,005,000	141.79	Cultivated	\$7,088
Newell	\$79,900	70.4	Cultivated	\$1,135
Newell	\$300,000	173.08	Pasture	\$1,733
Newell	\$785,000	631.62	Pasture	\$1,243
Pincher Creek	\$230,000	120	Cultivated	\$1,917
Pincher Creek	\$420,000	160	Hay/pasture	\$2,625
Vulcan	\$640,000	320	Cultivated	\$2,000

Central Alberta

Municipality/County	Sale Price	Acres	Land Use	\$/acre
Brazeau	\$710,000	320	Hay	\$2,219
Camrose	\$381,000	150.18	Hay	\$2,537
Camrose	\$310,000	156	Cultivated	\$1,987
Camrose	\$425,000	176	Hay	\$2,415
Clearwater	\$202,000	153.01	Pasture/treed	\$1,320
Clearwater	\$285,000	79.56	Hay	\$3,582
Clearwater	\$300,000	160	Treed	\$1,875
Clearwater	\$380,000	158.97	Cultivated/pasture	\$2,390
Clearwater	\$392,000	150	Hay/pasture	\$2,613
Clearwater	\$390,000	153.3	Pasture/treed	\$2,544

Central Alberta

Municipality/County	Sale Price	Acres	Land Use	\$/acre
Lacombe	\$325,000	149.42	Pasture	\$2,175
Lacombe	\$480,000	153.24	Pasture	\$3,132
Lacombe	\$340,000	133.96	Pasture	\$2,538
Lacombe	\$510,000	160	Cultivated	\$3,188
Lacombe	\$1,100,000	160	Cultivated	\$6,875
Leduc	\$700,000	142.43	Cultivated/pasture	\$4,915
Leduc	\$800,000	153.1	Cultivated	\$5,225
Leduc	\$950,000	160	Cultivated	\$5,938
Leduc	\$495,000	151.46	Cultivated/pasture	\$3,268
Leduc	\$750,000	232	Cultivated/treed	\$3,233
Leduc	\$260,750	159	Cultivated	\$1,640
Leduc	\$260,000	80.5	Hay	\$3,230
Leduc	\$369,000	77.84	Hayland/pasture	\$4,740
Leduc	\$303,000	80	Pasture	\$3,788
Leduc	\$920,000	154	Cultivated/pasture	\$5,974
Mountain View	\$349,000	135	Cultivated/pasture	\$2,585
Mountain View	\$625,480	156.4	Cultivated	\$3,999
Mountain View	\$540,000	159	Cultivated/pasture	\$3,396
Mountain View	\$485,000	160	Cultivated/pasture	\$3,031
Mountain View	\$400,000	72	Pasture/treed	\$5,556
Paintearth	\$320,000	320	Cultivated	\$1,000
Ponoka	\$540,000	141.79	Cultivated	\$3,808
Ponoka	\$347,000	155.57	Pasture	\$2,231
Ponoka	\$675,000	163.55	Cultivated	\$4,127
Provost	\$1,150,000	479	Cultivated	\$2,401
Red Deer	\$380,000	108.4	Cultivated/bush	\$3,506
Red Deer	\$500,000	149.5	Pasture	\$3,344
Red Deer	\$475,000	138	Cultivated/pasture	\$3,442
Red Deer	\$540,000	155.48	Cultivated/pasture	\$3,473
Red Deer	\$530,000	155.15	Cultivated/pasture	\$3,416
Red Deer	\$875,000	161.11	Cultivated	\$5,431
Red Deer	\$322,500	77.8	Cultivated	\$4,145
Special Area 2	\$200,000	319	Cultivated	\$627
Special Area 2	\$395,000	395.61	Hay	\$998
Special Area 3	\$96,000	155	Cultivated	\$619
Special Area 3	\$154,000	315.3	Hay	\$488
Special Area 3	\$154,000	300.4	Hay	\$513
Special Area 3	\$330,000	480	Cultivated	\$688
Stettler	\$230,000	136	Pasture	\$1,691
Stettler	\$912,000	480	Pasture	\$1,900
Stettler	\$1,000,000	1280	Pasture	\$781
Wetaskiwin	\$230,000	147.88	Pasture	\$1,555
Wetaskiwin	\$239,900	80	Pasture	\$2,999
Wetaskiwin	\$165,000	70.67	Hay	\$2,335
Wetaskiwin	\$165,000	76.85	Pasture	\$2,147
Wetaskiwin	\$146,500	77.15	Pasture	\$1,899
Wetaskiwin	\$410,000	156	Cultivated	\$2,628

Northern Alberta

Municipality/County	Sale Price	Acres	Land Use	\$/acre
Barrhead	\$260,000	148.72	Pasture/bush	\$1,748
Barrhead	\$240,000	160	Pasture/treed	\$1,500
Beaver	\$740,000	320	Cultivated	\$2,313
Beaver	\$740,000	320	Cultivated	\$2,313
Beaver	\$368,000	159	Cultivated	\$2,314
Big Lakes	\$90,000	159	Treed	\$566
Big Lakes	\$69,900	160	Pasture/treed	\$437
Big Lakes	\$80,000	150	Hay/treed	\$533
Bonnyville	\$285,000	149.07	Treed/creek	\$1,912
Bonnyville	\$220,000	157.98	Pasture	\$1,393
Bonnyville	\$218,000	145.32	Treed	\$1,500
Bonnyville	\$175,000	139.47	Cultivated/bush	\$1,255
Clear Hills	\$460,000	633.07	Treed	\$727
Fairview	\$90,000	152.82	Hay	\$589
Grande Prairie	\$160,000	150	Bush	\$1,067
Grande Prairie	\$250,000	160	Pasture	\$1,563
Grande Prairie	\$400,000	220	Hay	\$1,818
Grande Prairie	\$280,000	109.43	Cultivated	\$2,559
Grande Prairie	\$400,000	150.01	Cultivated	\$2,666
Grande Prairie	\$280,000	144	Cultivated	\$1,944
Grande Prairie	\$305,000	149	Cultivated	\$2,047
Grande Prairie	\$610,000	292	Cultivated	\$2,089
Grande Prairie	\$330,000	302	Treed	\$1,093
Grande Prairie	\$290,000	154.25	Cultivated	\$1,880
Grande Prairie	\$385,000	160	Cultivated	\$2,406
Grande Prairie	\$520,000	320	Haying/pasture	\$1,625
Grande Prairie	\$288,000	131	Hay/bush	\$2,198
Grande Prairie	\$262,000	136	Cultivated/bush	\$1,926
Grande Prairie	\$325,000	148.96	Hay	\$2,182
Grande Prairie	\$520,000	320	Hay/treed	\$1,625
Greenview	\$110,000	148	Bush/hay	\$743
Greenview	\$83,000	136.4	Hay/treed	\$609
Greenview	\$400,000	318	Pasture/bush	\$1,258
Greenview	\$210,000	140.55	Pasture	\$1,494
Greenview	\$150,000	158	Bush	\$949
Lac Ste. Anne	\$650,000	604	Pasture	\$1,076
Lac Ste. Anne	\$182,500	158	Treed	\$1,155
Lac Ste. Anne	\$380,000	131	Treed	\$2,901
Lac Ste. Anne	\$310,000	160	Pasture/treed	\$1,938
Lac Ste. Anne	\$250,000	158.32	Pasture/treed	\$1,579
Lac Ste. Anne	\$149,000	103	Bush	\$1,447
Lac Ste. Anne	\$185,000	160	Pasture/treed	\$1,156
Lac Ste. Anne	\$265,000	150.81	Cultivated/hay/treed	\$1,757
Lamont	\$530,000	157.23	Cultivated	\$3,371
Lamont	\$120,000	159	Treed	\$755
Lamont	\$282,000	160	Cultivated	\$1,763
Lamont	\$320,000	160	Cultivated	\$2,000
Lamont	\$625,000	160	Cultivated	\$3,906
Lamont	\$355,000	139	Cultivated	\$2,554
Northern Lights	\$145,000	160	Cultivated	\$906
Northern Lights	\$345,000	225	Cultivated/treed	\$1,533
Northern Lights	\$75,000	70	Cultivated	\$1,071
Northern Lights	\$155,000	160	Treed	\$969
Northern Lights	\$165,000	160	Cultivated/tree	\$1,031

Northern Alberta

Municipality/County	Sale Price	Acres	Land Use	\$/acre
Parkland	\$1,280,000	160	Cultivated	\$8,000
Parkland	\$400,000	157.46	Hay/pasture	\$2,540
Parkland	\$175,000	150.26	Treed	\$1,165
Parkland	\$230,000	113.33	Cultivated	\$2,029
Parkland	\$750,000	147.99	Cultivated	\$5,068
Parkland	\$202,000	110.54	Pasture/treed	\$1,827
Parkland	\$145,000	77.78	Treed	\$1,864
Parkland	\$335,000	284	Pasture/treed	\$1,180
Peace	\$45,000	97	Treed/hay	\$464
Saddle Hills	\$145,000	160	Cultivated/bush	\$906
Saddle Hills	\$131,667	158.44	Bush/cultivated	\$831
Saddle Hills	\$263,334	315.89	Cultivated/bush	\$834
Saddle Hills	\$80,000	160	Cultivated/pasture	\$500
Spirit River	\$80,000	161	Bush	\$497
St. Paul	\$165,000	135.66	Pasture	\$1,216
Strathcona	\$875,000	150.71	Cultivated	\$5,806
Strathcona	\$628,250	96.62	Pasture	\$6,502
Strathcona	\$449,000	76.83	Treed	\$5,844
Sturgeon	\$525,000	120.6	Cultivated	\$4,353
Sturgeon	\$325,000	80.66	Treed/cultivated	\$4,029
Thorhild	\$210,000	160	Cultivated/bush	\$1,313
Thorhild	\$186,000	77.94	Cultivated	\$2,386
Thorhild	\$271,000	154.75	Treed	\$1,751
Two Hills	\$160,000	160	Partly treed	\$1,000
Two Hills	\$94,000	80	Pasture	\$1,175
Westlock	\$360,000	80	Cultivated	\$4,500
Westlock	\$395,000	157	Cultivated/pasture	\$2,516
Westlock	\$400,000	160	Cultivated	\$2,500
Yellowhead	\$280,000	318	Treed	\$881

Serecon Leadership Scholarships

Serecon would like to congratulate Kennedy Schultz as this year's winner of the Serecon Leadership Scholarship, and Jiaoping Wang, as the winner of the Ralph Ashmead Agricultural Economics International Award. Both are in the Faculty of Agricultural, Life & Environmental Sciences at the University of Alberta.

Our Team

Our specialists in agricultural real estate have an underline below their names. Serecon also provides expertise in:

- **Management Consulting**
- **Farm Asset Management**

Inquire with any one of our team members to assist with your agricultural needs.

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