For immediate release

Canadian farmland values reach record levels in 2013 as demand outpaces supply in most markets, says RE/MAX

Lower commodity prices expected to have impact on farmland moving forward

Mississauga, ON (September 10, 2013) – While Canadian farmland values posted serious year-over-year increases in most rural communities, lower commodity prices are expected to temper appreciation in coming months, according to a report released today by RE/MAX.

The RE/MAX Market Trends Report: Farm Edition 2013, highlighting trends and developments in 17 rural communities throughout Canada, found that limited inventory levels—reported in virtually all agricultural centres—continued to contribute to strong upward pressure on the price per acre in 88 per cent (15/17) of markets examined. Peak commodity values and low interest rates created the ideal climate for expansion over the past 12-month period, spurring unprecedented demand for farmland.

"No real fallout has been experienced as a result of diminished commodity values so far this year," says Gurinder Sandhu, Executive Vice President and Regional Director, RE/MAX Ontario-Atlantic Canada. "Yet, some moderation is likely, given several years of back-to-back record-setting gains. Some investment funds have already scaled back on purchases, still moving ahead but at a more cautious pace. We expect the trend to continue, with prices stabilizing at current levels. Demand, on the other hand, is expected to remain healthy for the foreseeable future, given the positive long-term outlook for global agricultural markets."

To date, percentage increases in land values range from market to market, with the greatest upswing noted in Saskatchewan and Alberta. In the East, gains were strongest in London-St. Thomas' Middlesex West area, followed by Windsor/Essex County and Kitchener-Waterloo. Only the Annapolis Valley in Atlantic Canada and the Fraser Valley in British Columbia reported that prices held firm year-over-year.

Cash cropping land continues to be most sought-after, with bare land in greatest demand (no buildings or residences). Tiled and irrigated land for specialty crops are also fetching top dollar. Premiums continue to be paid for tracts abutting or adjacent to existing farm operations. Livestock farmers are also getting into the cash-cropping business, with some in Western Canadian markets converting good pasture land to grainland.

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RE/MAX MARKET TRENDS, FARM EDITION 2013

Canadian Farmland - Price Per Acre by Market

Market	2010 Price Per Acre	2011 Price Per Acre	2012 Price Per Acre	2013 Price Per Acre
Annapolis Valley	n.a.	n.a.	$3,000 - $8,000	$3,000 - $8,000
Windsor/Essex County	$5,000 - $6,500	$5,000 - $6,500	$5,000 - $6,500	$6,500 - $8,000
-Leamington	$7,000 - $7,800	$7,000 - $7,800	$7,000 - $10,000	$11,000 +
-Lower Essex County	$4,800 - $5,200	$4,800 - $5,200	$5,000 - $5,500	$6,500 - $7,500
Chatham-Kent	$4,000 - $12,000	$4,000 - $15,000	$4,000 - $15,000	$5,000 - $16,000
London-St. Thomas				
-Middlesex East	$8,000	$9,000	$10,500	$12,000
-Middlesex West	$5,000	$6,000	$7,500	$12,000
-Elgin County East	$6,000	$7,000	$8,500	$10,000
-Elgin County West	$4,500	$5,000	$6,500	$8,000
-Lambton North	$6,000	$8,000	$9,500	$11,000
-Lambton South	$4,000	$4,400	$5,900	$7,500
Woodstock/Stratford	$8,400 - $8,600	$9,000	$15,000	$15,000 - $18,000
Kitchener-Waterloo	$9,000 - $9,500	$10,000 - $11,000	$11,000 - $15,000	$15,000 - $18,000
South Simcoe				
-Barrie/Tottenham/Innisfil	$8,000 - $10,000	$8,000 - $10,000	$8,000 - $10,000	$11,000
-Holland Marsh	$15,000 - $18,000	$15,000 - $18,000	$18,000 +	$20,000 +
-Bradford	$20,000	$20,000	$20,000	$25,000 +
Bruce County	$3,000 - $5,000	$4,500 - $7,000	$5,000 - $8,000	$5,000 - $9,000
Grey County	$2,500 - $3,000	$3,000 - $4,000	$3,000 - $6,000	$3,500 - $6,500
Eastern Ontario				
- Renfrew/Cobden	n.a	n.a.	n.a.	$3,000 - $5,000
- Ottawa/West Carleton	n.a	n.a.	n.a.	$4,000 - $5,000
- North Gower/Winchester/St. Isidore/Casselman/Maxville	n.a	n.a.	n.a.	$8,000 - $12,000
Southwest Manitoba	n.a.	n.a.	$1,200 - $1,500	$1,350 - $1,600
Northern Saskatchewan	n.a.	$650 - $1,200	$800 - $1,500	$1,500 - $2,000
East Central Saskatchewan	n.a.	$700 - $1650	$800 - $2,000	$850 - $2,500
Central Alberta	n.a.	$1,600 - $3,800	$2,000 - $4,500	$3,400 - $6,500
Southern Alberta	n.a.	n.a.	$800 - $6,500	$800 - $8,500
Peace River North	n.a.	$1,150	$1,250	$1,300 - $1,350
Fraser Valley	n.a.	$40,000 - $60,000	$40,000 - $60,000	$40,000 - $60,000

Source: RE/MAX

"The primary drivers in the market continue to be end-users—established farm operators expanding existing operations," says Elton Ash, Regional Executive Vice President, RE/MAX of Western Canada. "Be it cash-cropper or livestock farmer—the economies of scale continue to support expansion. There are many buyers waiting in the wings, but momentum is hampered to some extent by a shortage of farmland listings. Investors—both institutional and individual—are still active in Canadian agricultural centres, but their presence has subsided in recent months."

The RE/MAX report also found that private and exclusive transactions still account for as much as 50 per cent of farm sales, with deals among neighbours commonplace. Some multiple offers have been reported, but most properties are moving at or close to fair market value. While demand remains exceptionally strong, there is some evidence that cooler heads are now prevailing. There has been an increasing number of properties that did not move at tender or auction, only to sell for good prices on the open market—indicative that buyers are exercising greater caution and diligence. The lack of success at tender/auction may also provide a much-needed, albeit modest, boost to farmland listings going forward.

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While days on market have climbed in a number of centres year-to-date, time on market should narrow heading into the traditional fall market. Many centres have reported sales on par with levels one year ago, although the Prairies have once again demonstrated greater momentum. Transactions have climbed in Southwest Manitoba, Northern Saskatchewan and East Central Saskatchewan.

The competition among expanding farm operators is creating greater difficulty for young start-ups, smaller operators, and new immigrants, with affordability a serious issue. Programs offered by Farm Credit Canada (FCC) are helping some make the foray into the business. Others are realizing the dream of farmland ownership through the help of older farmers and/or relatives. Ultimately, the result has been fewer, but larger farms overall—a trend that holds up from coast-to-coast. Succession is also playing a significant role and limiting farmland supply. As a result, the rental market for farmland, along with rates, has experienced strong growth as well, with quality farmland commanding higher prices per acre per growing season. The income potential—particularly given the poor return on other financial investment vehicles—is another factor exacerbating limited inventory levels.

Residential farmland use was also noted as a growing trend in many Canadian centres. While some purchasers represent an increasing contingent of hobby/gentleman farmers, many of these buyers never intend to farm an acre. Some are intent on recreational use, while others are simply taking advantage of price point, proximity to town, favourable tax rates, and income potential.

"Whether it's owning, renting, investing, or securing farmland for residential purposes, it's clear the market for Canadian farmland remains strong from many angles," says Sandhu. "Regardless of purpose, motivation remains the single greatest common thread. The desire to bury money in the ground is clearly evident. The long-term confidence in the performance of Canadian farmland—from both an investment and agricultural perspective remains strong."

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