

August 10, 2006

FEFO 06-13

Increase in Illinois Land Real Estate Values Accelerates

Each year the National Agricultural Statistics Service of the USDA releases estimated average farm real estate values and cash rents by state. The estimates are based on surveys of farmers from selected geographical areas. The surveys follow strict statistical guidelines. Estimated values may be revised the following year based on additional information. Revisions may also be made based on data from the 5-year Census of Agriculture. Values released in 2006 included a revision to the 2005 farm real estate value. The methodology and timing of the study has changed over time but the statistical information provides some insight as to the changes in farm real estate values from year to year.

Average Illinois Farm Real Estate Value

The average Illinois farm real estate values from 1970 through 2006 are listed in Table 1 and graphically in Figure 1. The average farm real estate value for Illinois in 2006 was \$3,800 per acre, the highest on record. This includes the value of all land and buildings. The figure was 14.1 percent higher than the revised 2005 average of \$3,330 per acre. The 2005 farm real estate value was originally reported at \$2,900 per acre, so the USDA revised the 2005 figure upward by 14.8 percent. The 2005 revised figure was 27.6 percent higher than 2004 and was the highest increase since a 37.3 percent increase in 1977. The 2006 percent increase was the second highest since 1979. Farm real estate values have shown a year over year increase every year since 1988, or nineteen consecutive years. Since 2000, Illinois farm real estate values have increased 68 percent.

Since 1970, average farm real estate values have declined only five times as compared to the previous year. Those years were 1982, 1983, 1985, 1986 and 1987. There have been four years when farm real estate values increased over 20 percent, in 1974, 1976, 1977 and 2005. The largest increase was in 1977 when values rose 37.3 percent.

From 1994 through 1999, average farm real estate values increased between 4.2 % and 9% annually. From 2000 to 2003, farm real estate increased between 1.3% and 3.4%. Real estate values increased 7.4% in 2004, 27.6% in 2005 and 14.1% in 2006. In a survey of the Illinois Society of Professional Farm Managers and Rural Appraisers members, the top three factors given for the recent increases in farmland values are the large number of 1031 buyers, the limited supply of farmland and low interest rates.

The farm real estate value data is used to construct index numbers of Illinois farmland values. The index can be found at the *farmdoc* website. http://www.farmdoc.uiuc.edu/manage/land_value.asp

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Table 1. Illinois Farm Real Estate Values, 1970 through 2006, and Percent Change from the Previous Year.

Year	Value per acre	Percent change	Year	Value per acre	Percent change	Year	Value per acre	Percent change
1970	\$490	na	1985	\$1,381	-25.1%	2000	\$2,260	1.8%
1971	491	0.2%	1986	1,232	-10.8%	2001	2,290	1.3%
1972	527	7.3%	1987	1,149	-6.7%	2002	2,350	2.6%
1973	590	12.0%	1988	1,262	9.8%	2003	2,430	3.4%
1974	788	33.6%	1989	1,391	10.2%	2004	2,610	7.4%
1975	846	7.4%	1990	1,405	1.0%	2005	3,330	27.6%
1976	1,062	25.5%	1991	1,459	3.8%	2006	3,800	14.1%
1977	1,458	37.3%	1992	1,536	5.3%			
1978	1,625	11.5%	1993	1,548	0.8%			
1979	1,858	14.3%	1994	1,670	7.9%			
1980	2,041	9.8%	1995	1,820	9.0%			
1981	2,188	7.2%	1996	1,900	4.4%			
1982	2,023	-7.5%	1997	1,980	4.2%			
1983	1,837	-9.2%	1998	2,130	7.6%			
1984	1,845	0.4%	1999	2,220	4.2%			

Source: USDA Agricultural Land Values and Cash Rents Statistical Bulletin

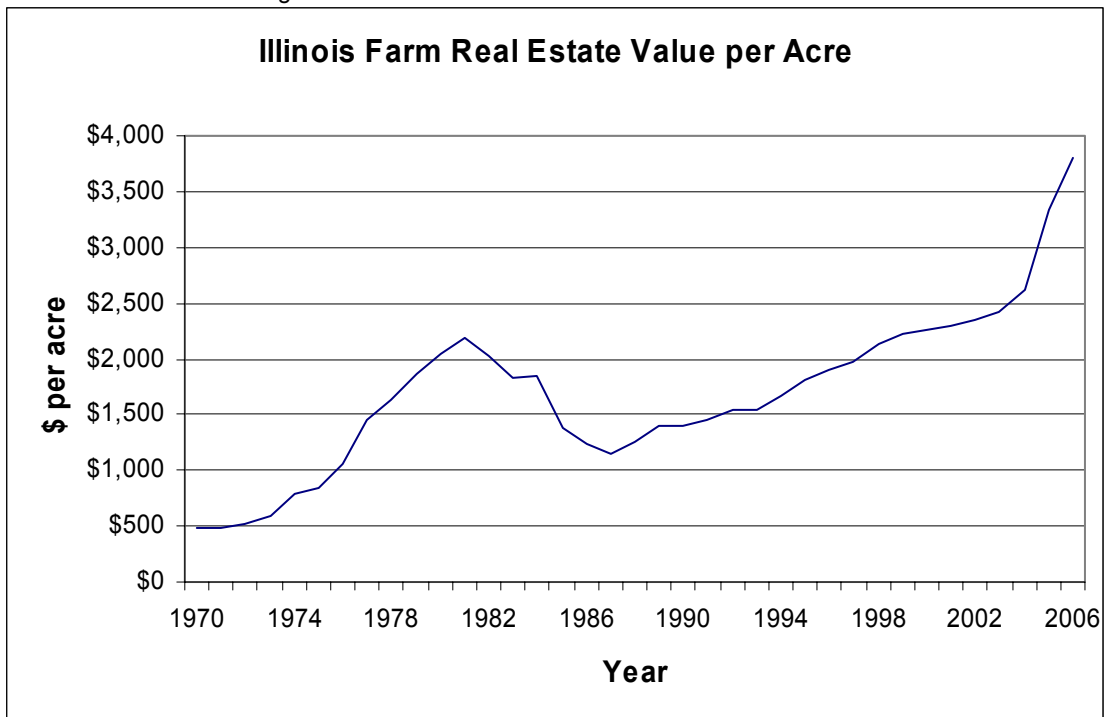


Figure 1. Average Illinois Farm Real Estate Values per Acre, 1970 through 2006.