Land Value trends in South Western Ontario

- Definition of market value
- Four creators of value
- General Factors that affect land values
- Sector Specific Factors that affect land values
- Current land values for South Western Ontario
- Creators of value for farm land
- The Wild Cards
The most probably price, as of a specified date, in cash, or terms equivalent to cash, for which the specified property rights should sell after reasonable exposure in a competitive market under all conditions requisite to a fair sale, with the buyer and seller each acting prudently, knowledgably, and for self interest, and assuming that neither is under undue duress.

Source: Appraisal Institute of Canada
Creators of Value

- Four interdependent economic factors create value:
  1: Utility
  2: Scarcity
  3: Desire
  4: Effective Purchasing Power

1 & 2 are supply factors, 3 & 4 are demand factors
General factors that affect farm land values

- Interest Rates – The double edged sword
- Commodity Prices
- New Immigrants
- Nutrient Management Rules
Sector specific factors that affect farm land values - Dairy

- DFO Policies & milk price
- Nutrient Management Rules
- General level of profitability
- Quota prices and return on investment compared to return on farm land investment
Sector specific factors that affect farm land values - hogs

- General level of profitability
- Commodity prices
- Hog prices
- Nutrient management rules
Sector specific factors that affect farm land values - Poultry

- General level of profitability
- Quota prices and return on investment of quota vs return on investment on land
- Nutrient management rules
Sector specific factors that affect farm land values – Cash Crop

- Commodity prices
- Rental rate
- Loss of rental land
- Size does matter – farm amalgamation
Current land values for South Western Ontario

- Most areas peaked in Jan-Feb 2013 with a slight correction observed in March-April 2013 (all prices in $ per tillable acre)
  - Elgin: $6,000 to $18,000
  - Norfolk: $8,000 to $14,000
  - Haldimand: $6,000 to $10,000
Current land values for South Western Ontario

- Oxford: $15,000 to $22,000
- Brant: $8,000 to $13,000
- Waterloo: $9,000 to $15,000
- Perth: $12,000 to $20,000
- Huron: $9,000 to $15,000
Creators of value for farm land

- Time: Land values in most regions in southwestern Ontario have been increasing almost monthly in the past two years.
- Soil Type
- Topography
- Vacant land commands a premium over improved land
Creators of value for Farm land

- Watercourses and Woodlots: If water courses and/or woodlots “cut up” the tillable land because they transect the farm they will reduce the value of the land

- Field Shape: Nice large square/rectangular parcels command a premium over irregular shaped tillable fields
Creators of value for farm land

- Heavily improved farms, such as a dairy farm, poultry farm or hog farm, tend to result in a somewhat lower contributory value for the land as these farms are foremost livestock farms, not cash crop operations, and as such have a limited audience for potential buyers.
Creators of value for farm land

- Location: Closer proximity to aggressive expanding farming enterprises commands a premium (drag hose distance)
- Location: Proximity to the urban boundary and future development potential needs to be considered.
The Wild Cards and their effect on land values

- Wind turbines
- Solar farms
- Greenbelt
- Urban sprawl
- Urban investment firms