

5 FACTORS THAT AFFECT LAND VALUES



Land, as an investment, has physical characteristics that distinguish it from all other assets. Whether you're buying or selling, you can use this guide to learn about the major factors that affect land values and make the most of your long-term investment.

1. LOCATION, LOCATION, LOCATION.

Location includes physical characteristics of the property and the socioeconomic characteristics of the surrounding area, and those can change over time depending on land use. For example, a farm with a stream used to be very desirable. Due to current environmental policies, that stream is a liability that increases operating costs and limits property use. However, that same stream may have aesthetic or recreational appeal that enhances the property value for a recreational land buyer. Socioeconomic characteristics include the distance a property is located from a thriving population center, religious communities or expanding farm operations. These all provide strength of community and support strong land values.

2. LAND IS UNIQUE IN COMPOSITION.

There are no two identical properties when it comes to soils. Soil and fertility management can either enhance or diminish overall land value. A farm with soils that are maintained in the optimum range of fertility lowers the out of pocket improvement costs to a potential buyer. Properties that control excess surface and subsurface water should have more market appeal. This is due in part to actual physical costs and permitting required by current regulations.

3. LAND IS DURABLE.

Provided adequate conservation practices are in practice, land is a long-lasting asset. Land as an investment lacks liquidity (you cannot quickly convert it to cash); however, long-term trends indicate land is an appreciating asset.

4. LAND IS IN FINITE SUPPLY.

They don't make any more land. This is why you see concentrated animal farm operations willing to pay above market prices to purchase and/or lease near-by acreage. Once a property is developed for residential or commercial purposes, it is almost impossible to convert it back to farmland.

5. LAND IS USEFUL.

When completing an appraisal, the highest and best use of the property needs to be determined based on the following factors: size and shape of the property, land quality and topography, industry infrastructure of the surrounding area, uses of surrounding properties, governmental regulations, market influences and current property improvements. The highest and best use may not be the current use of the property.

These five factors interact with each other to determine land values in a given market area, but of course, every property is different. An appraiser's task is to analyze the subject's unique properties and compare it to recent sales of similar properties. Those comparisons are used to arrive at an opinion of market value, which can help you determine the right price to ask for or pay.



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