

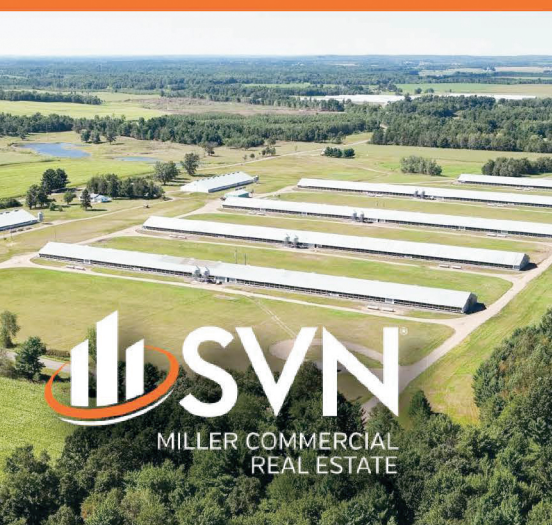
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A Year in the Dirt: 2018 in Review

WRITTEN BY: BEN ALDER

Another trip around the Sun has brought some recognizable change in the land market throughout the region. Anyone that spent time outdoors in 2018 is aware that it rained. In fact, it rained enough for the region to be re-classified as a temperate rain forest! In between the rain drops we did sell some dirt; to date The Land Group closed on over 6,940 acres of land in approximately 60 transactions. The greatest velocity in these sales were timberland in Maryland and Delaware as we represent nearly 30,000 acres of timberland for sale. This amount of inventory begs the question "why is so much timberland being offered for sale". The answer hinges on demand. In my 43 years, the production timberland market has nearly flatlined on the Delmarva. I will point you to two articles on The Land Group Acreage Blog, "Where Did all the Saw Mills Go" and "West of East and South of Good Pricing". They tell us demand for pine saw logs and pulp wood has shifted in the entire Southern United States. There is simply a "Wall of Wood" in the pipeline with no immediate solution in sight. The silver lining is buyers are continuing to purchase land for a range of different reasons, but primarily for the natural or ecological assets of the land.

A conversation has been underway for more than a decade around a concept of "ecological assets". "Eco assets" are characteristics of land which produce needed or valued outcomes to society. An example of an eco-asset might be the impact a wooded wetland has in a watershed to filter ground water or the habitat the land provides for wildlife. Land buyers internalize the value of open space for recreation like hunting, wildlife viewing, biking and fishing. Both consumptive and non-consumptive uses of land drive most motivations of our clients today.

Conversations with land buyers rarely surround valuing timber, and returns from cash rents from farming are secondary. Returns from agricultural cash rents or commercial timber are a solid hedge on inflation but seeing a 4 to 5% return is a significant challenge.

Today a friend of mine delivered a box of antique books and papers. These books



have been in the ownership of one of the prominent land-owning families of the Eastern Shore and contained documents going back to the 19th Century. A document titled "The Eastern Shore of Maryland, Soil and Climate Unsurpassed", produced by W. Halstean, a real estate agent in Talbot County caught my immediate attention. On the front of the pamphlet it reads:

"If you value health, good soil, climate, markets, schools, churches, railroads, navigation, fruits, in profusion, fish, oysters, crabs, clams, terrapins, wild fowl, and all other salt water luxuries, don't fail to visit Talbot County, MD., before you buy a home for your family."

Perhaps since 1879, land buyers have been internalizing the value of "eco assets".

In the interest of full disclosure, I have never looked at land through the lens of a 5% return on investment. As a kid who just liked playing in the mud and the marsh, I think it finally made sense when I read A Sand County Almanac. In Aldo Leopold's collection of writings he discussed the "Land Ethic" which calls for the conservation of land and natural resources, while being cognizant of the way we all relate to one another in caring for and managing the natural world.

Through federal and state programs, incentive-based Farm Bill programs and the work of many non-profit organizations, land ownership has been shaped by land

conservation for nearly 100 years.

It appears, no matter the framework for decision making on why a land buyer acts, they often fall back on the principal resource value of the land. The myriad of values land can have and it's transitional, as well as tangible assets make it a cornerstone for investing over long periods of time.

In today's investment landscape land will remain a stable asset in a quiet corner of the investor's mind. It will never make headlines but it is one of the only assets an owner can go walk and enjoy a beautiful sunrise on. In 2019, we are well positioned to help you find a place to watch the sunrise. Hopefully this year we will find more sunrises and less storm clouds. Onward!

Ecosystems Markets in the Chesapeake Region

WRITTEN BY: JOHN CAMPAGNA

Webster Dictionary defines Ecosystems as “the complex of a community of organisms and its environment functioning as an ecological unit”. For us living in the Mid-Atlantic, one of the biggest ecosystems we are familiar with is the Chesapeake Bay. As landowners and residents, we intuitively know the interconnectivity of the land, water and our actions. As farmers, hunters, fishers, recreationalists, and conservationists we see the effects and the changes caused by us in the Bay.

An emerging way that landowners have been helping the Bay is by developing new farming and water management practices based on the needs of the Bay. These Best Management Practices (BMP's) cover many different types of activities and projects from new tilling techniques, erosion control to even more elaborate, large scale stream

and wetland restoration.

Public and private financing is now available to fund many BMP's being implemented for it is seen not just as something that benefits the landowner, but as a community's opportunity to improve the health of the Bay. Furthermore, the funding helps satisfy growing mandatory regulatory requirements for clean water, preserved land and healthy habitats that towns, counties and corporations are required to do.

This provides an opportunity for landowners to have a new source of revenue on their land. Some programs such as CREP and EQIP provide direct funding through grants and cost shares to the landowner for annual practices implemented to make the land healthier and improve water quality. Other larger projects required under stormwater and water quality regulations pay

landowners to set aside (“ease”) part of their property for these projects.

So what does this now mean for the landowner? It is imperative to know and understand what options are available. Would a yearly payment through CREP be a good way to improve your fields for a specific timeframe? Or would it be better to take the unproductive part of the field that was drained years ago and permanently convert it back into wetlands for a substantial one-time fee upfront? And how would these practices affect the use of your land? Can you still hunt it? Will you be able to manage the wood lot on it for firewood and timber?

Such opportunities need to be reviewed especially when considering selling, buying or passing on the property to the next generation. Call us today to see how Land Group can help!

The Grass is Always Greener on the Other Side

WRITTEN BY: Jeremy Bertier

My New Years Resolution this year was to never repeat another year like 2018 while I'm farming. Talk about a complete bummer. It came at you from all angles! What also became apparent was that there were farmers out there bending and breaking from the traditional thinking concepts that have been drilled into us over the past several generations. These folks were finding ways to stay above the red line.

Here in Central and Western Maryland, livestock is king. Our farms are smaller and more numerous and almost all contain some amount of livestock. At one point in time most of our farms were dairy farms and contained the typical high capital, high management mindset and this also spilled over into many other livestock operations as dairies closed and farms diversified into beef, swine, sheep, etc. While these production styles proved profitable for many years they became less and less capable of staying afloat as time marched forward.

This brings me full circle to 2018. Grazing took off like wildfire in our area. Between the unrelenting weather and crashing markets, everybody with livestock realized they had

to get the expenses out from under the animals. Grazing has been a misunderstood art that was thrown to the sidelines to pave the way for progress. It is now coming back into the spotlight as the savior of the family farmstead. There has been no bigger boost to your bottom dollar than to utilize grass as your predominant feedstuff and to take the job of harvesting forage off the tractor and put it back on the animals that will eventually write your paycheck.

Grazing is no longer turning your cows out on a lone grass pasture for the summer. It has turned into a time efficient yet still highly managed form of feeding animals. It involves multiple pastures and planned rotations with a diverse ecosystem of plants that will provide the animals with all the fiber, protein and minerals required to grow and fatten. This same principle has caught on in the hunting world as food plots have proven to be the best way to provide the proper nutrition to maximize growth in the deer herd.

It all comes back to turning a profit in the end. The capital expense for fencing and perennial forage establishment is far

less than the investment needed to build barns, feedlots, manure storage and all the associated tractors and equipment to harvest, store and then feed the animals. The issues of 2018 have started a paradigm shift and those who wish to stay on the land are looking for ways to maximize their use of the land and build profit back into the operation. Grazing is not only keeping generations on the farm but allowing folks that are generations removed to get back onto the land.

Reach out to your local University Extension office. They have compiled vast amounts of information to help even the most novice entrepreneur, get their feet wet in the grass. Maryland also has a Grazers Network that is backed by public and private research and is there to help answer questions and provide real world experience and data to those looking for answers.

Land is always a good long-term investment and it will allow you to build wealth.

How to make your operation make a return on investment might only involve putting in a little green to get the grass growing on your side!

Land Valuation Analysis: 2017-2018

The goal of this analysis is to use comparable sales data to calculate per acre land values for farmland, and timberland across the mid to lower Eastern Shore. Our focus is on the counties where we are active participants in the land markets & have working knowledge of individual trades. This analysis doesn't include properties containing significant improvements, entitlements or waterfront. Emphasis was placed on arms-length raw land trades occurring in 2017 and 2018.

FARMLAND (50+ Acres)			
County	Number of Sales	Total Tillable Acres Sold	Average Price Per Acre
Caroline	14	1586	\$5,557
Dorchester	5	826	\$5,021
Queen Annes	10	1869	\$7,164
Somerset	4	332	\$4,815
Sussex	3	223	\$7,527
Wicomico	8	806	\$5,000
Worcester	10	803	\$5,961

- Average tillable farmland values fall between \$5,000 and \$7,000 per acre.
- As grain prices remain low across the country, we are starting to see the impact on the market for tillable farmland. The number of sales, total acres sold, and price all seem to be headed in a downward direction.
- Locally we saw unfavorable weather conditions for farming in 2018, which is also contributing to the downward pressure in the farmland market.
- Average farmland values in Delaware remain stronger than Maryland, however velocity has significantly slowed in both states.
- Velocity of sales in Caroline County and Queen Annes County is strong but land values remain steady in each county.

TIMBERLAND (50+ Acres)			
County	Number of Sales	Total Wooded Acres Sold	Average Price Per Acre
Caroline	6	431	\$2,109
Dorchester	9	1315	\$1,688
Queen Annes	7	866	\$2,740
Somerset	11	1724	\$1,348
Sussex	19	3502	\$1,775
Wicomico	16	1929	\$1,426
Worcester	17	2033	\$1,837

- The market for timberland is strong across the peninsula. Velocity continues to rise as the strong economy has created an increasing pool of recreational buyers.
- Average timberland values fall between \$1,500 and \$2,000 per acre on the lower shore with slightly higher values on the mid shore.
- The data for Delaware timberland sales was skewed in 2018 due to several large trades for land that allowed public hunting. These trades were around \$500 per acre, which brought the overall average down.
- Sales velocity of timberland in Somerset, Sussex, Wicomico, and Worcester counties is strong.
- Majority of timberland sales across all counties were recreational purchases.

Data used in this analysis is based on information provided by county tax records as well as market knowledge provided by SVN Land Group. For more information about the analysis please contact Nick Campanaro of The Land Group at 410-543-2440 or nick@thelandgroup.us.

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