

FARM

REPORT 2014

RE/MAX[®]



EXECUTIVE SUMMARY

The price of farmland in most Canadian markets has either held steady or increased this year, following a period of strong year-over-year growth.

Mirroring the trend in residential and recreational property values, lower crop prices, floods and challenging winter weather conditions have failed to significantly impact the Canadian agricultural real estate market.

There is significant variation in price and productive capacity of farmland across Canada. Macroeconomic factors impacted prices to a degree; however, practical considerations such as the proximity to a processing facility or prospective buyer's existing operations drove individual transactions.

The real estate market in western Canadian markets remained strong, with prices in parts of British Columbia both the highest and lowest in the country. Dairy farms in the Chilliwack-Fraser Valley area sold for up to \$63,000 per acre, while bare land in Peace River North—which is closer to Yellowknife than it is to Vancouver—sold for between \$750 and \$1,550 per acre.

In Alberta, short supply left many family farmers ready and willing to make a deal at a moment's notice. Tile drained land sold for as much as \$10,000 per acre in southern Alberta, which represents a 20 per cent increase over the previous year. The value of scrubland and other non-productive land in Canada's most prosperous province also climbed, buoyed by demand from well-off urbanites seeking the tranquility of the countryside.

Demand was softer moving through Saskatchewan and Manitoba. Although challenging growing conditions jeopardized profitability for farmers, sale prices actually rose modestly to between \$950 and \$2,200 per acre. Listings have stayed on the market for months and in some cases, years.

While prices across Ontario have started to level off, the value of farmland in some pockets rose significantly. North of the Greater Toronto Area, agricultural land slated for development reached \$54,000 per acre. In Chatham-Kent, excellent soil quality boosted the price of farmland up to \$25,000 per acre—representing a surge of as much as 40 per cent over the previous year.

While this represented a boon for sellers, it was a barrier to expansion for some buyers. The rising prices led to a small migration of farmers, particularly Mennonites, northeast to areas including Quinte and Renfrew County where comparable land sold for between \$8,000 per acre and \$12,000 per acre.

Nova Scotia's Annapolis Valley experienced modest growth over the first nine months of 2014. The relatively small market has seen an increase in the number of vineyards, which have played a role in boosting prices to \$10,000 per acre in some areas.



Prices for agricultural land across Canada are leveling off following a stretch of record **year-over-year growth**



Farmland in Chilliwack-Fraser Valley (BC), popular among berry farmers, is double the price of fertile southwestern Ontario farms.



The Annapolis Valley region has experienced a growth in the number of vineyards over the past year.



Developers are paying up to \$54,000 per acre for land north of the Greater Toronto Area.



Unpredictable weather in the prairies did not impact prices in 2014.



Intense demand and competition in Alberta.



Markets in eastern Ontario have seen an influx of farmers from southwestern Ontario who are looking for high quality land at a more affordable price.



ONTARIO

WINDSOR-ESSEX

1

Prices in Windsor-Essex remained steady in 2014

2

Area factory closure has motivated owners to shift from tomato crops to corn, beans and wheat production

3

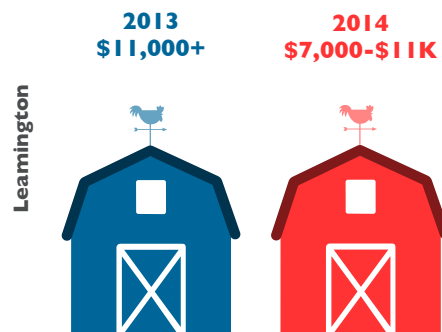
Stable demand and limited supply has meant properties do not last long on the market

The market for farmland in the Windsor-Essex region has experienced little change over the past 12 months. Steady demand and a lack of supply continued to define this part of Ontario, which is a gateway between eastern Michigan and the rest of the province. The past two years saw only three sales of farmland that did not contain a building or a structure and a handful of sales of properties with an attached structure. More and more, sellers are severing dwellings from land, choosing to sell a farmhouse on a one-acre lot separately from workable land. Additionally, the closure of a large ketchup factory in nearby Leamington has motivated farmers to pursue other cash crops. This change did not noticeably impact farm sales in 2014.

Bare land in the Lower Essex region continues to sell for \$6,500 to \$8,500 per acre, with plots that exchanged hands in 2014 ranging between 40 and 50 acres on average. Typically, sellers have been receiving nearly their asking price as buyers pursue cash crop land for corn, beans and wheat. The overwhelming demand and lack of supply has properties being picked off the market almost as quickly as they are put up for sale. These market conditions have resulted in an increase in private sales, without the involvement of a realtor.

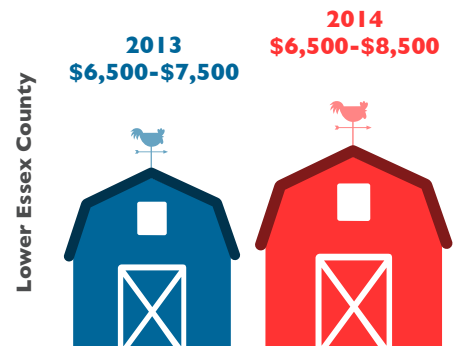
The Windsor-Essex region has experienced a trend of younger generations moving away to pursue higher education. As such, sellers are often older generations moving out of farming and into retirement. On the other hand, buyers in the Windsor-Essex region are farming veterans. The region rarely sees new farmers move in, rather, it sees existing farmers expand by buying more property. The market is not expected to change significantly over the coming months. It will continue to be characterized by stable demand and a lack of supply.

PRICE PER ACRE



Source: RE/MAX Preferred Realty Ltd.

PRICE PER ACRE



Source: RE/MAX Preferred Realty Ltd.



• ONTARIO •

CHATHAM-KENT

- 1 *High demand for high quality land has caused prices to rise by as much as 100 per cent in some areas*
- 2 *Properties of all qualities are selling fast, often between three and six months*
- 3 *Demand and prices in the area are expected to remain strong*

Agricultural land in Ontario's Chatham-Kent region is in high demand. Situated near the Windsor-Detroit border, this fertile corner of southwestern Ontario boasts a diversity of types of soil and some of Canada's most expensive farmland. High quality land in Dover Township and Chatham Township, typically used to grow tomatoes, cucumbers and other vegetables, sold between \$18,000 and \$22,000 per acre. Some owners of this high quality land were affected by the closure of the Heinz plant in nearby Leamington. Those farmers who lost their contracts with the ketchup giant were able to adapt, however, quickly switching to other crops.

\$7,000 per acre mark. Even marginal quality land sells quickly. At one point, sellers could expect listing periods of between three and six months. Today, reasonably priced land can attract a lineup within a very short period of time. One 150 acre farm in Lambeth sold two weeks after it was listed.

Prices in Chatham-Kent are on the rise, jumping by nearly 40 per cent on average and as much as 100 per cent in the Lambeth area. Potential purchasers are drawn by very good crops, low interest rates and Farm Credit Canada incentives for young people. The majority of buyers are farmers with operations in the area, seeking to add to holdings of between 300 and 500 acres. The most frequently sold parcels ranged from 50 to 75 acres. The market in Chatham-Kent is expected to remain robust in the near term, although prices are expected to level off, particularly as yields level off.

PRICE PER ACRE

2014
\$7,000-\$22K

2013
\$5,000-\$16K



Prices in Raleigh Township to the south, where wheat is more common, ranged between \$12,000 and \$15,000 per acre. In northern Lambeth, where the clay soil does not drain as well, prices were around the

Source: RE/MAX Chatham Kent Realty



• ONTARIO •

HURON COUNTY

- 1 *Year-over-year price increases plateaued by mid-2014 amid weaker crop prices*
- 2 *Many buyers are family-owned operations seeking to expand*
- 3 *Hobby farms are becoming more difficult to finance*

A cold and snowy winter failed to slow demand for farmland in Huron County. Although January 2014 began slower than the previous year, demand started to pick up in February. The price of land continued its three-year upward trend before flattening halfway through the year. Price per acre reached \$15,000 at one point and some higher prices were recorded approaching Perth County. However, these highs softened by five to 10 per cent amid some hesitance brought on by weaker crop prices. Even so, properties in Huron County are going for more than farms in neighbouring Middlesex County.

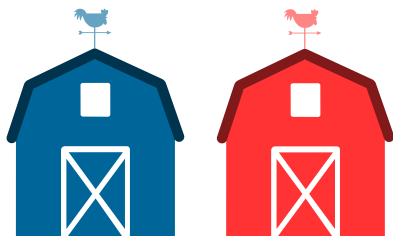
sizable family operations looking to expand existing holdings. Some smaller farms are being purchased by new farmers and buyers looking to adopt the country lifestyle. Listing times are relatively short compared with other regions across Canada. Well-marketed and competitively priced farms have sold in the range of three to six weeks, a slight increase over 2013.

Commercial banks and Farm Credit Canada continue to play an important role in financing deals. Since the beginning of 2014, more than one transaction fell through based on the ability to secure financing. Hobby farms, where more than half of the value is derived from buildings on the land, are more difficult to finance. Demand in future months is expected to be steady, though prices are likely to remain flat or drop slightly in the medium term.

PRICE PER ACRE

2013
N/A

2014
\$13.5K-\$15K



Land for cash crops such as soybeans, corn and wheat is less expensive and more popular here than land used for dairy, feather or farms. Most sales are in the 100-acre range with small family farmers looking to sell when prices are high and

LONDON-ST. THOMAS

- 1 *Market held strong through the winter and farms continue to sell within one month*
- 2 *Foreign investors are looking to buy land with development potential*
- 3 *Lenders have been less enthusiastic about financing hobby farms*

Demand for farmland in Ontario's lush London-St. Thomas area has held strong in 2014 despite the long winter. While sales were comparatively modest in January, the market picked up by February and sales rose as buyers continued to outnumber sellers. Edging Lake Huron to the north and Lake Erie to the south, the London-St. Thomas area is comprised of Middlesex County, Elgin County and Lambton County and is situated along Highway 401 between Toronto and Detroit, Canada's busiest corridor. Farms in this area sell for between \$8,000 and \$15,000 per acre, with the higher prices usually reserved for livestock operations in the region's north. However, land between \$8,000 and \$12,000 sold most briskly, with many purchasers adding parcels of around 100 acres to existing cash crop operations. Corn, wheat and soybeans are the most common cash crops, with soybeans proving to be most profitable in 2014.

Foreign investors continued to demonstrate some interest in acquiring farmland for the purpose of renting it out. This type of investment, however, became less and less profitable as sale prices approached \$10,000 per acre. The trend has led investors to shift focus slightly onto properties with future development potential on the outskirts of cities and along the Highway 401 corridor—as opposed to productive farmland.

In general, farms in the London-St. Thomas area sell relatively quickly. The average property is on the market for one month or less, with six weeks being the upper limit. Retiring farmers make up the majority of sellers. Some of the smaller properties are being purchased either by hobby farmers or by new entrants to the farming business. Lenders have been more reluctant to finance hobby farms since more than half of their value is derived from the buildings on the land.

Tender and auction sales became notably less effective in the latter half of 2014, resulting in unsold properties. While demand will continue to be strong for the foreseeable future, prices are expected to remain steady or trend downward.

PRICE PER ACRE

2013
\$12K

2014
\$8,500

Middlesex West



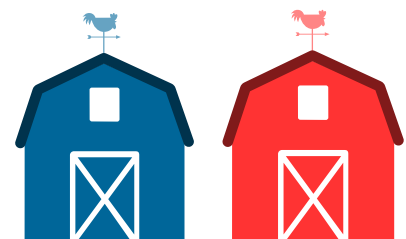
Source: RE/MAX Centre City Realty Inc.

PRICE PER ACRE

2013
\$12K

2014
\$12K

Middlesex East



Source: RE/MAX Centre City Realty Inc.

PRICE PER ACRE

Lambton North

2013
\$11K



2014
\$10K



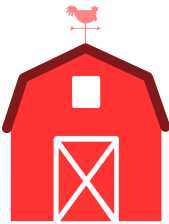
Source: RE/MAX Centre City Realty Inc.

Lower Essex County

2013
\$7,500



2014
\$7,000



Source: RE/MAX Centre City Realty Inc.

Elgin County East

2013
\$10K



2014
\$10K



Source: RE/MAX Centre City Realty Inc.

Elgin County West

2013
\$8,000



2014
\$8,000



Source: RE/MAX Centre City Realty Inc.



• ONTARIO •



· ONTARIO ·

WOODSTOCK-STRATFORD

- 1** *Challenging weather conditions have led to increased days on market, but no significant change in land prices*
- 2** *Sales of dairy and feather farms drove price increases, while cash crop properties have leveled off*
- 3** *Buyers are looking for proximity to highways, processing facilities and existing infrastructure*

listings remain on the market longer than they would have a year earlier. Buyers are looking for convenience and feel no incentive to make a move unless it is truly the right property. For many, the right property, whether for a cash crop or dairy farm, is around 100 acres. Hobby farms ranging between 15 and 50 acres are popular in the Woodstock-Stratford as well.

While tighter lending criteria have affected the market to a degree, sustained low interest rates will continue to draw buyers. A positive harvest could boost prices, but an early frost could undercut recent momentum.

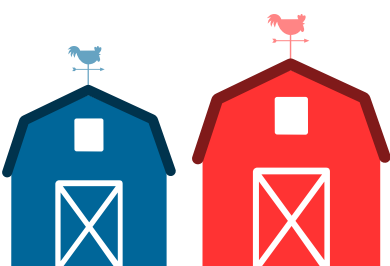
A harsh winter in the Woodstock-Stratford area caused a significant decrease in activity among both buyers and sellers. Prices are nevertheless holding steady. Land is selling between \$14,000 and \$20,000 per acre, while dairy and feather farms are selling for higher prices on account of the buildings and other infrastructure on the land. The most popular price point is in the \$15,000 to \$16,000 range, as purchasers scoop up land offloaded by retiring farmers to add to their own operations. Proximity to highways and processing facilities can also boost sale prices.

Flat prices for crops, which include corn, wheat and soybeans, are having an impact as well. While prices have not dropped, many

PRICE PER ACRE

2013
\$15K-\$18K

2014
\$14K-\$20K



Source: RE/MAX a-b Realty Ltd.



KITCHENER-WATERLOO

- 1 *Prices in Kitchener-Waterloo are leveling off as demand drops*
- 2 *Properties are staying on the market longer due to lack of demand*
- 3 *Hobby farms lead the way in sales volumes*

Demand for farmland in the Kitchener-Waterloo region declined between January and August 2014 compared with the same period in 2013. Prices per acre remain among the highest in Ontario, with farms selling between \$14,000 and \$18,000 per acre. The average listing period is between 90 to 100 days—an increase over the previous year. The Kitchener-Waterloo region is a juxtaposition of high tech companies and old world Mennonite charm. In its rolling rural sections, horses and buggies share the roads with tractors. In the summertime, Mennonite families can be seen working the fields or selling food, quilts or furniture at the regional farmers' market.

financed quota farmers. Some Mennonite families unable to afford the land here are relocating to other parts of Ontario.

Hobby farms have led the way in sales volume, with properties between 15 and 50 acres priced for under \$1 million selling relatively briskly. These purchasers are mainly well-to-do city residents wanting to move to the country and either rent the land to local farmers or invest in horses and stables. This category of farm continues to be in demand, with shortages predicted for the near future. Interest rates as well prices for commodities grown in the area, which include corn, soybeans and wheat, have affected sales for larger farms. The proximity to urban centres continues to play a role in price. Cash crop farms outnumber livestock, dairy and feather operations, although the latter sell more quickly and are usually accompanied by more confident lenders.

PRICE PER ACRE

2013
\$15K-\$18K

2014
\$14K-\$18K



Potential buyers in Waterloo have seen prices hold steady, although the right property has been known to elicit competition, particularly among well-



· ONTARIO ·

BRUCE COUNTY

- 1 *High demand has tapered off as buyers and sellers differ on price*
- 2 *Unpredictable weather and uncertain harvest is causing buyers to hesitate*
- 3 *Potential buyers of hobby farms are finding it difficult to secure financing*

Throughout fall 2013 and into spring 2014, farmland in Bruce County was in high demand, with a high volume of sales. However, the region has seen its sales volume soften since spring as buyers and sellers differ on the price point. In some cases, sellers are asking for \$9,000 to \$10,000 per acre while potential buyers are seeking to pay between \$6,500 and \$8,000 per acre. Many properties are sold through traditional means, although there has been a rise the number in private sales.

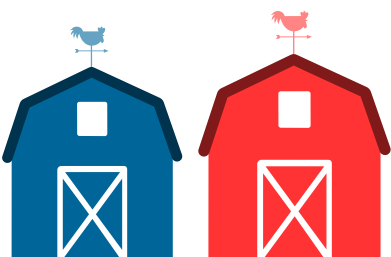
the fall season, but an early frost would be detrimental to crop maturity.

Tighter lending criteria have also made it more difficult for farms to change hands. The demand is there for smaller parcels, but buyers have been unable to secure financing for many types of farms, including hobby farms. This has hindered the hobby farm sales market. Successful buyers are typically existing operations looking to expand in the area.

PRICE PER ACRE

2013
\$5,000-\$9,000

2014
\$6,500-\$10K



Bruce County is known for cash crops such as corn, wheat and soybean and livestock operations such as dairy, beef and hog. Prices have plateaued in this market and commodity values are a big reason for this. The late spring and unpredictable weather conditions have led to less than stellar production. Wheat production has been average and local farmers are optimistic for

Source: RE/MAX Land Exchange Ltd.



• ONTARIO •

GREY COUNTY

- 1 *Average prices have increased by nearly 20 per cent*
- 2 *Prices for certain types of land have more than doubled in three years*
- 3 *Farmers migrating to Grey County to get a better price for comparable land quality are driving demand*

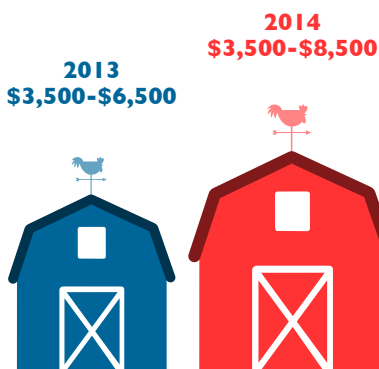
The market for agricultural properties in Grey County has been very strong in the past 12 months. There were over 75 sales in the first eight months of 2014, with properties ranging in size from 10-acre hobby farms to 200 acres for dairy farms that included milk quota. The majority of properties sold were between 50 and 100 acres. The price per acre ranged between \$3,500 and \$8,500, depending on soil quality, amount of workable land, type of existing farm activity and the condition of structures on the property. Population growth and ongoing urban sprawl continued to play a role in the rise of land prices.

Farmers growing corn, grains and beans are making land more productive by buying inferior farmland, clearing it and improving it with tile drainage. In Grey County, pasture land is being transformed into crop land;

however, there is also a demand for high quality pasture fed livestock, which this region is well known for. There has been an influx of farmers selling their properties in southern Ontario regions at high prices and purchasing in Grey County, where land is currently not as expensive. This has increased the value of land substantially—a trend that is expected to continue. Average prices increased by nearly 20 per cent from the previous year and total sales have increased by over ten per cent.

Low interest rates and Farm Credit Young Farmer Loans, deferred payments, equipment loans and renting farm equipment continue to entice farmers to purchase property. Existing incentive programs assist younger family members to purchase the “home farm” at fair market value from their parents. Demand for farmland in Grey County is expected to remain steady throughout 2014. Scenic and peaceful Grey County is just being discovered and high quality, workable farmland, dairy farms, hobby farms and country retreats continue to be highly sought after.

PRICE PER ACRE



Source: RE/MAX Grey Bruce Realty Inc.



• ONTARIO •

SOUTH SIMCOE

- 1 *Demand for agricultural land is strong as farms near the Greater Toronto Area sell to developers*
- 2 *Many buyers are established farmers seeking to expand existing operations*
- 3 *Demand and prices expected to increase for the foreseeable future*

function and price and average 100 acres in size. In Oro-Medonte, farms are selling for \$6,000 to \$8,000 per acre. In Springwater, located one kilometre north of Barrie, land per acre has sold for up to \$54,000 for development, and \$10,000 to \$12,000 for farmland. In Essa, farmland sells for \$12,000 to \$20,000 per acre. As smaller operations move out of the area and larger operations absorb the land, existing dwellings are being severed from plots and sold as separate units, often on a single acre of land. These surplus farm dwellings are popular for horse farms and small riding arenas.

Demand for farmland in this region continues to increase as supply decreases. This demand is expected to stay steady in the coming months. Innovation in farm equipment is allowing farmers to plant and harvest more acres per day and dairy farms now have robotics to milk the cows. As such, farmers are able to maintain bigger plots of land.

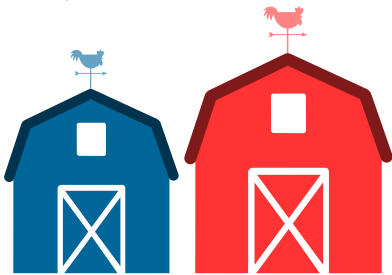
South Simcoe lies north of Toronto along Highway 400 including Barrie, Tottenham, Innisfil, Springwater and Bradford. In the past year, demand for farmland in this region has been extraordinary due to re-locations from developing areas. Recently, owners in Simcoe County have grown their operations significantly, buying smaller pieces of land from farmers moving out of the region to areas where land is cheaper. Popular crops in this area include soybeans, corn, wheat and hay and livestock operations such as dairy and poultry. Increasingly, farmland closer to Toronto, Bradford, Bolton and along Highway 400 is being sold to developers.

Nine farms have sold in 2014, compared to six sales in 2013. Currently, there are 20 properties listed for sale in South Simcoe, two of which are not considered workable farm properties. These properties range in

PRICE PER ACRE

2013
\$11K

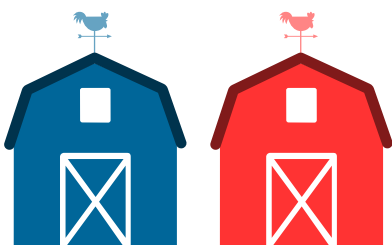
2014
\$10K-\$16K



Source: RE/MAX Chay Realty Inc.

2013
\$25K

2014
\$25K



Source: RE/MAX Chay Realty Inc.