



SOUTHWESTERN ONTARIO LAND VALUES

2018 EDITION

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OVERVIEW

Parameters

The following study has been completed to provide information on agricultural land values in the general Southwestern Ontario region. The Counties of Huron, Perth, Oxford, Middlesex, Elgin, Lambton, Kent, Essex, Bruce, Grey and Wellington have all been analysed in this report.

To accurately gather the pertinent data, sales were searched using various systems including but not limited to Geowarehouse, MPAC, RealTrack and MLS. Only sales that occurred in 2018 were selected for the 2018 study. The majority of the sales chosen had no building improvements (vacant land), with the exceptions being minimally improved properties (i.e. older house and shed) which have had the value of the improvements extrapolated. Also, the sales utilized were considered to be used solely for farming purposes. The sales have been analysed on a per tillable acre basis, as this rate is believed to be the most accurate reflection of the value of agricultural land.

In stating land values in this report, the median unit of measurement was used rather than the mean, as the median tends to better protect against outliers in the sales data. The same study was completed from 2010 to 2017, with those results also shown in this report.

Southwestern Ontario: Quick Numbers	
Average 2017 to 2018 Change	3.60%
Average 2010 to 2018 Multiple	2.38
SW Ontario 2018 Median	\$13,435

Interest Rates & Lending Policy

Two of the primary factors in the overall significant increase in land values since 2010 is interest rates and lending policy. Interest rates have been at historically low levels and have allowed for substantial expansion by large, progressive agricultural producers. The leverage capabilities these rates have provided farmers have been a significant factor in the major increase in land values. Paired with these historically low rates, favourable lending policy from primary and secondary lenders have made multi-million dollar loans to farmers an act of regular day business.

The Bank of Canada increased the overnight rate three times in 2018 which looked like the start of pressure on margins. As will be seen in the following pages, this pressure did not appear to significantly discourage farmers for paying higher prices for land. The time period of higher rates was likely too small to have a material affect given most producers have money locked up for at least a year. This period of higher rates would only last for part of the year as late in the year mortgage rates decreased substantially providing good opportunities for producers.

Quota & Livestock

The impact of livestock/quota density continues to have a large impact in certain areas. In Counties like Huron, Perth, Oxford and Wellington land values continue to be impacted by the dense population of livestock and poultry producers. In 2018 we not only saw a change in the outlook for interest rates but also a major change in the dairy sector. The newly agreed upon CUSMA has undermined a significant expansion that was underway in 2016 and 2017. However, even before CUSMA, producers underwent a quota cut and the loss of incentive days in 2018. These factors have led to tighter margins in the dairy sector and at some point could filter down to land values in areas where dairy producers are major buyers of land. It will be a sector to watch going forward given its impact on land values, but in 2018 and thus far in 2019, it appears dairy farmers are still in the market for that right piece of land.

Commodity Prices

One of the main reasons for the overall slower annual growth of land values since 2014 is the lowering of commodity prices from their highs in 2011-2013. Commodity prices have remained relatively flat over the last few years except for soybeans which have taken a major hit in 2018-2019 given the US-China trade spat. Producers have done a very good job of producing huge yields the last few years which has allowed them to weather lower prices. Although it is still too early to tell, there will be certain areas that will be hit hard by the DON corn issue in 2018 which may lead to conservative land buying.

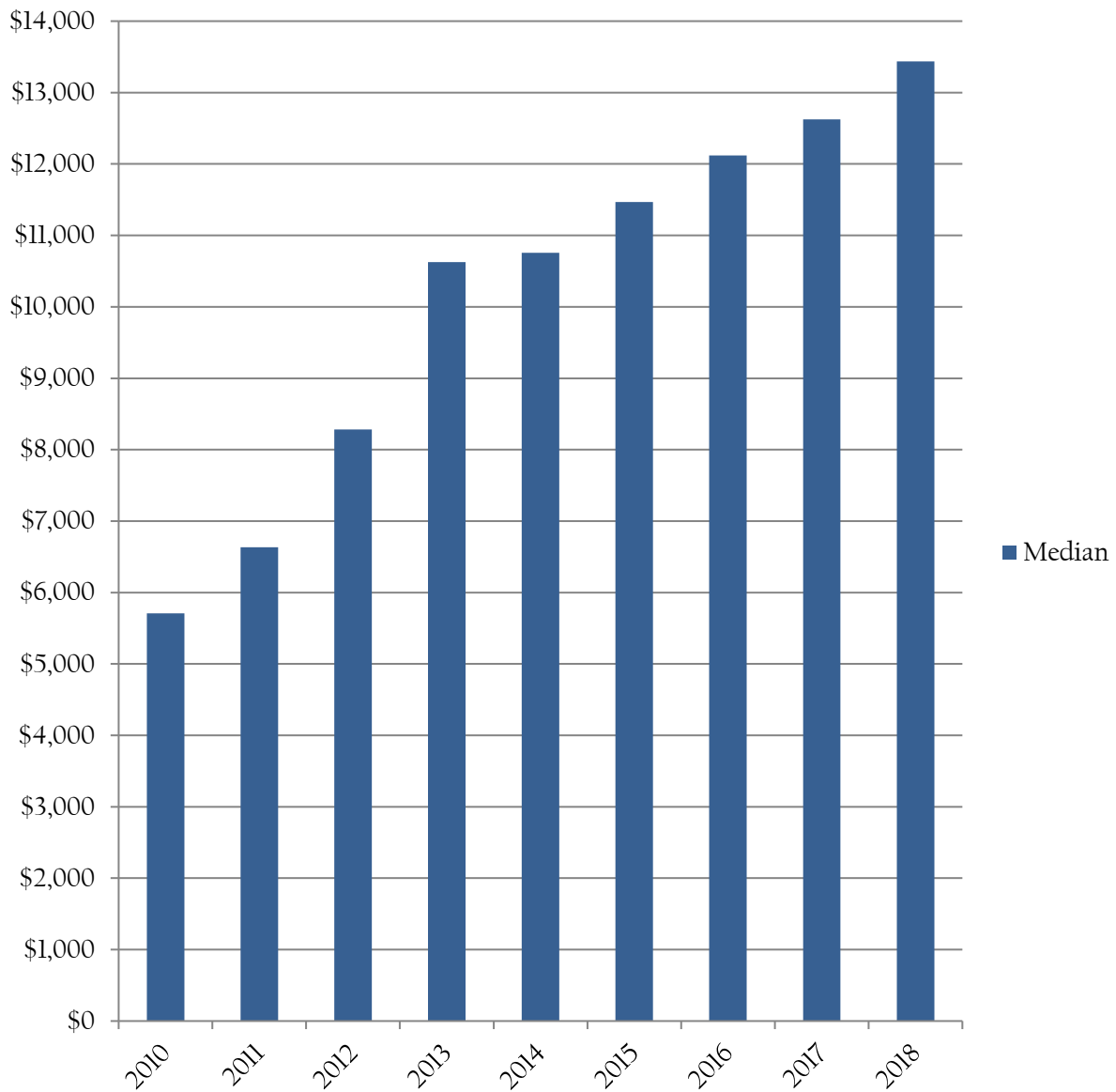
2019 & Beyond

The outlook for interest rates is important to watch but as 2018 showed, this outlook can change drastically from one Bank of Canada announcement to the next. Interest rates appear to be holding steady and the probability of a rate decrease in 2019 seems as high as a rate increase. As always, low rates will support land values and provide opportunities for producers in expansion mode. The drivers that affect interest rates are almost exclusively based on factors outside of Ontario agriculture, yet the health of our agricultural industry is very dependent on interest rate stability. The stability of lending policy is also crucial for agriculture with historical examples in the hog and beef industries being reminders that lending policy can be much tougher for farmers to navigate.

In last year's study and in presentations, I spoke at length about the upcoming NAFTA negotiations and the potential for an impact on land values. Now that a new agreement has been drafted, there is not an easy-to-see issue on the horizon for Ontario agriculture in 2019. As always, I expect our farmers will adapt to the weather, the margin fluctuations and the tax man in order to continue to compete for that next piece of choice farmland.

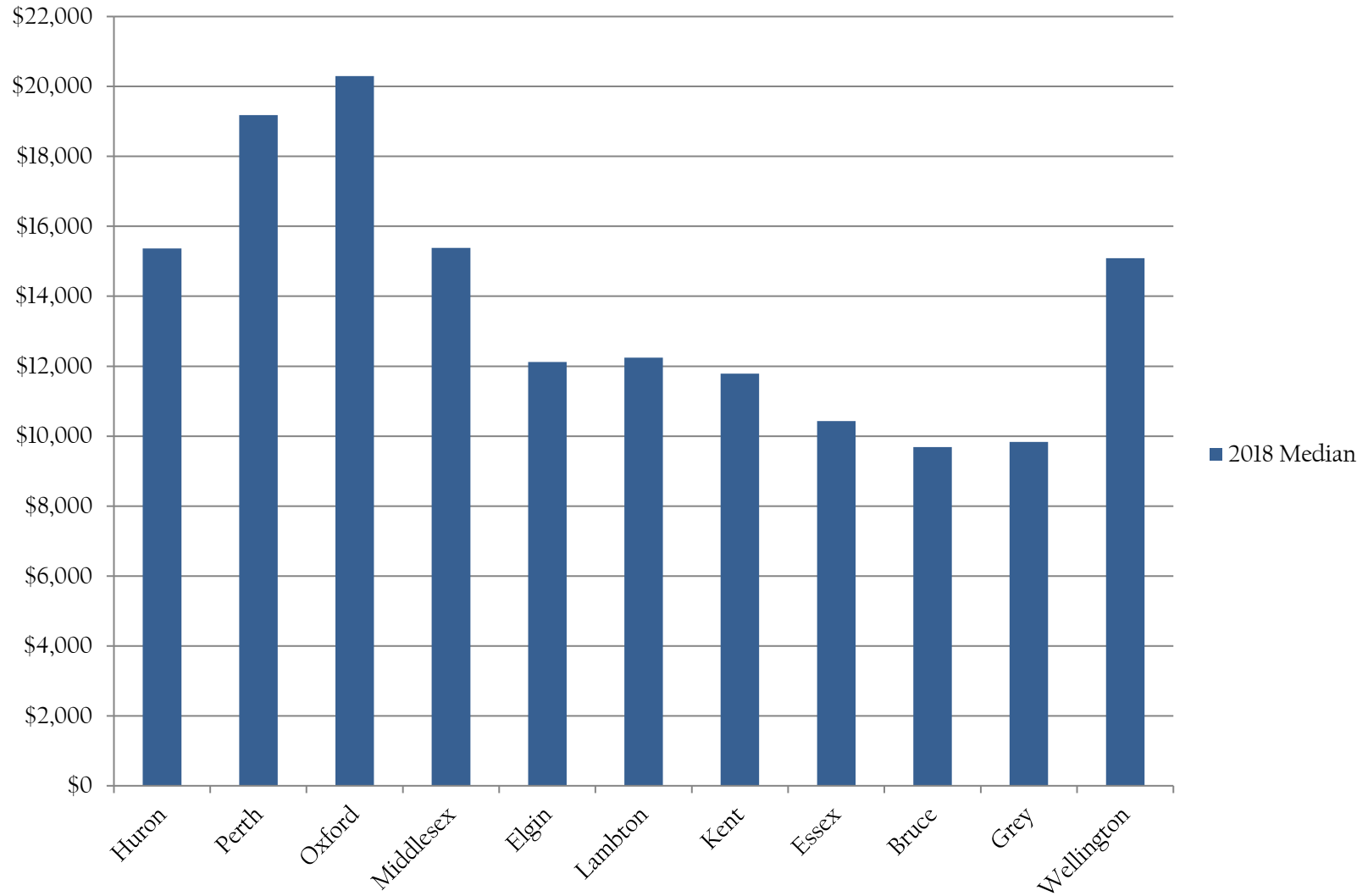
SOUTHWESTERN ONTARIO LAND VALUE

The graph below compares the median land value for all 11 Counties studied each year from 2010 to 2018.



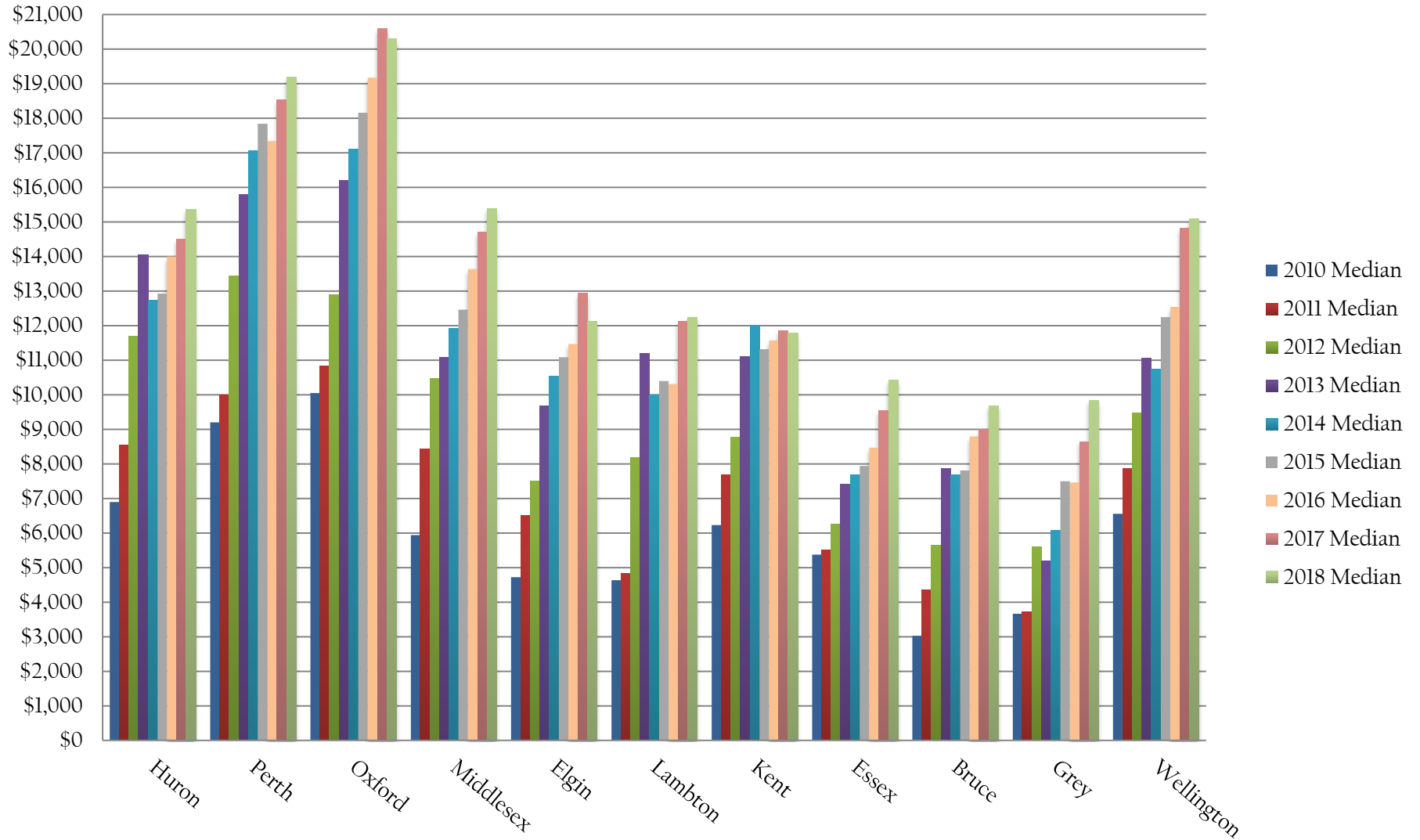
2018 LAND VALUES

The graph below shows the median 2018 land value per County. The X axis shows the County, while the Y axis shows the median land value on a per tillable acre basis.



2010-2018 LAND VALUES

The graph below compares the median land values for each County from 2010 to 2018.

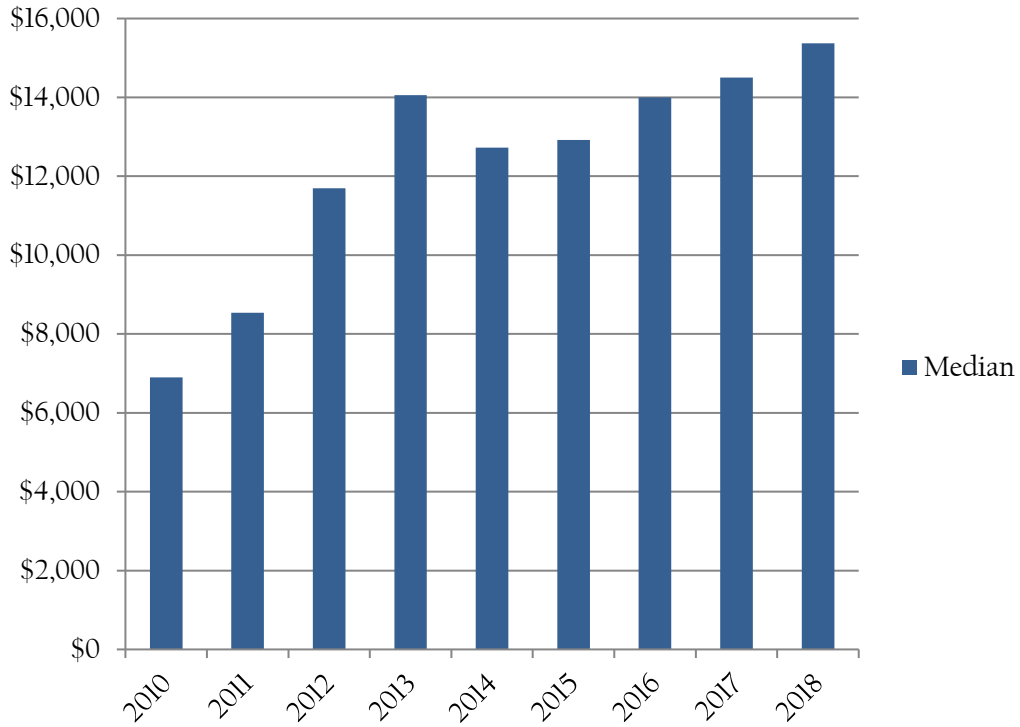


CHANGE IN VALUES

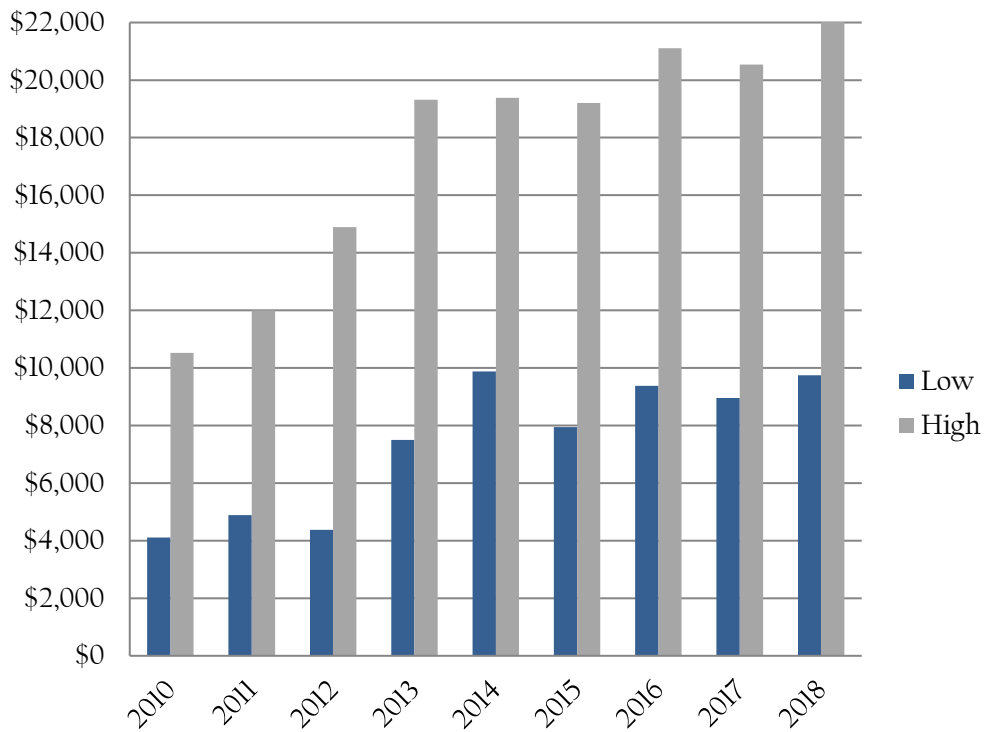
County	2010 to 2011	2011 to 2012	2012 to 2013	2013 to 2014	2014 to 2015	2015 to 2016	2016 to 2017	2017 to 2018	Average
Huron	23.88%	36.89%	20.24%	-9.47%	1.54%	8.33%	3.57%	5.99%	11.37%
Perth	8.72%	34.38%	17.50%	8.05%	4.55%	-2.80%	6.94%	3.47%	10.10%
Oxford	7.81%	19.07%	25.64%	5.58%	6.12%	5.60%	7.41%	-1.44%	9.47%
Middlesex	41.80%	24.25%	5.82%	7.65%	4.58%	9.41%	7.78%	4.68%	13.24%
Elgin	37.65%	15.38%	29.01%	8.79%	5.31%	3.44%	12.86%	-6.34%	13.26%
Lambton	4.34%	69.19%	36.80%	-10.71%	3.98%	-0.88%	17.64%	1.00%	15.17%
Kent	23.44%	14.06%	26.75%	8.00%	-5.70%	2.28%	2.46%	-0.62%	8.83%
Essex	2.37%	13.61%	18.44%	3.67%	3.44%	6.71%	12.57%	9.35%	8.77%
Bruce	43.90%	29.52%	39.30%	-2.34%	1.72%	12.55%	2.20%	7.80%	16.83%
Grey	1.62%	50.29%	-6.99%	16.71%	23.59%	-0.56%	15.86%	13.77%	14.29%
Wellington	20.08%	20.21%	16.86%	-2.97%	14.10%	2.42%	18.04%	1.89%	11.33%
Average	19.60%	29.71%	20.85%	2.99%	5.75%	4.23%	9.76%	3.60%	

HURON COUNTY

The graph below shows the land values for Huron County each year from 2010 to 2018.

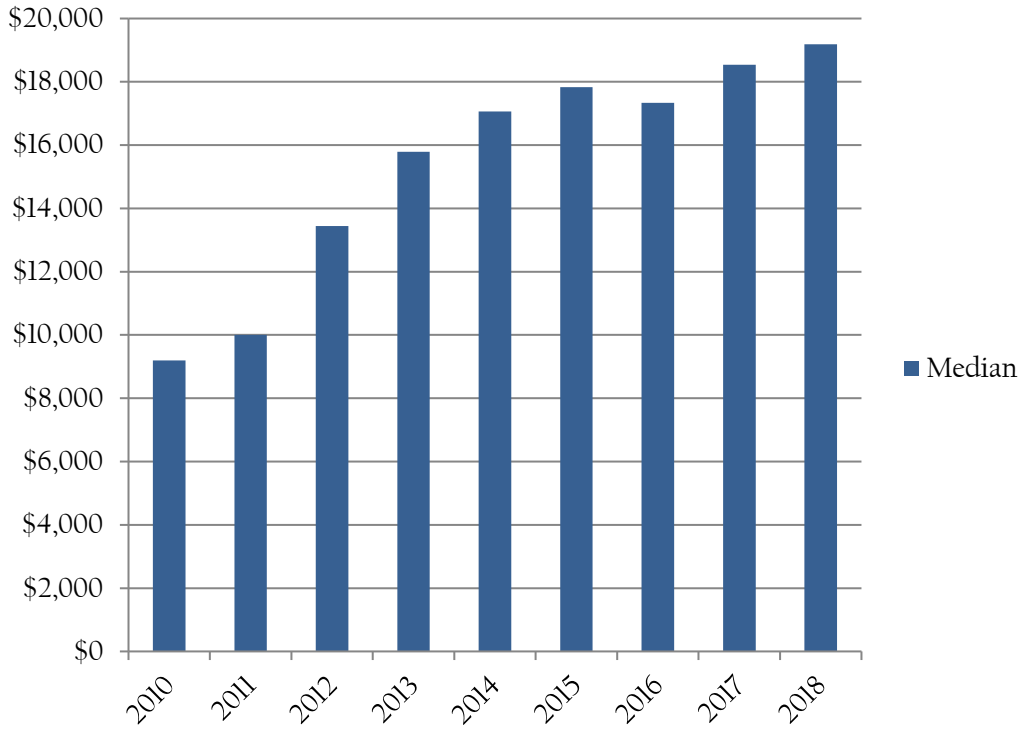


The graph below shows the low and high land values for Huron County each year from 2010 to 2018.

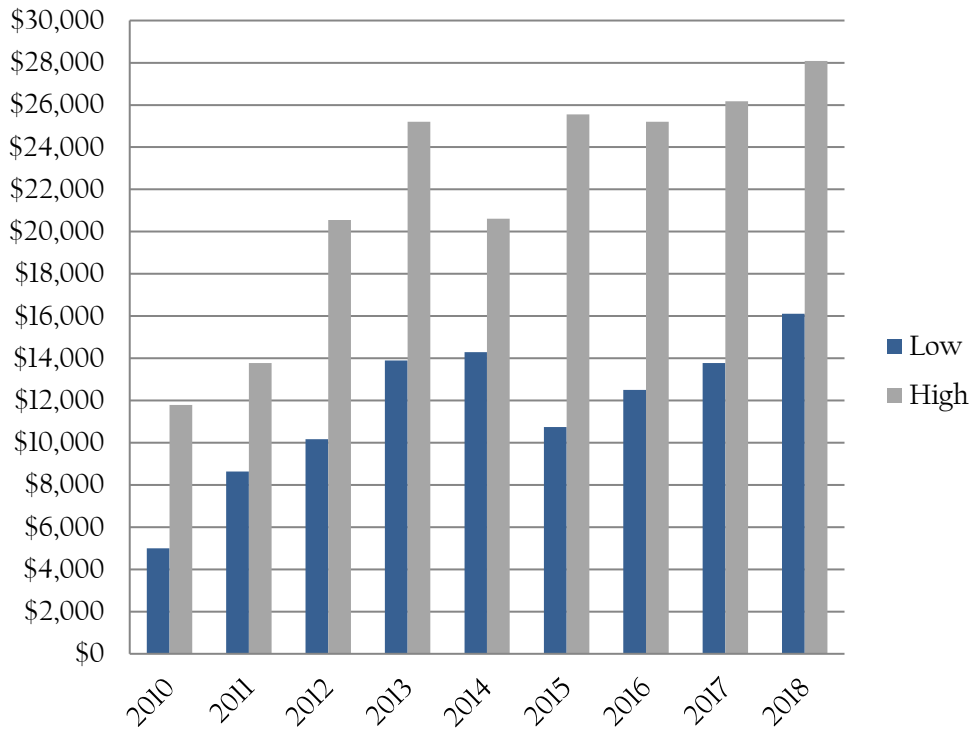


PERTH COUNTY

The graph below shows the land values for Perth County each year from 2010 to 2018.

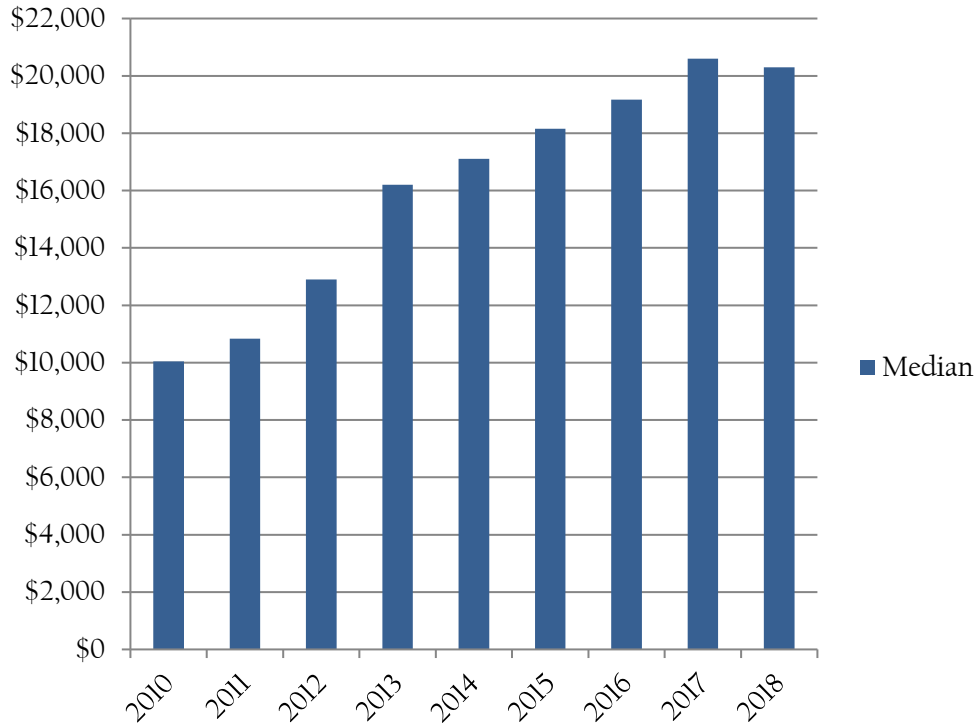


The graph below shows the low and high land values for Perth County each year from 2010 to 2018.

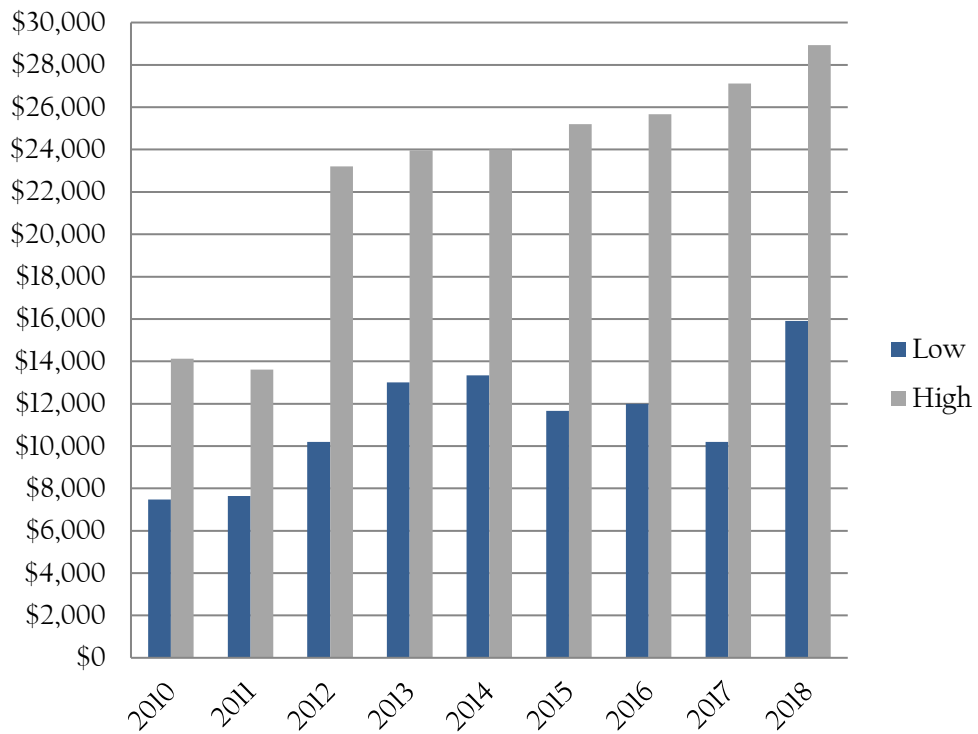


OXFORD COUNTY

The graph below shows the land values for Oxford County each year from 2010 to 2018.

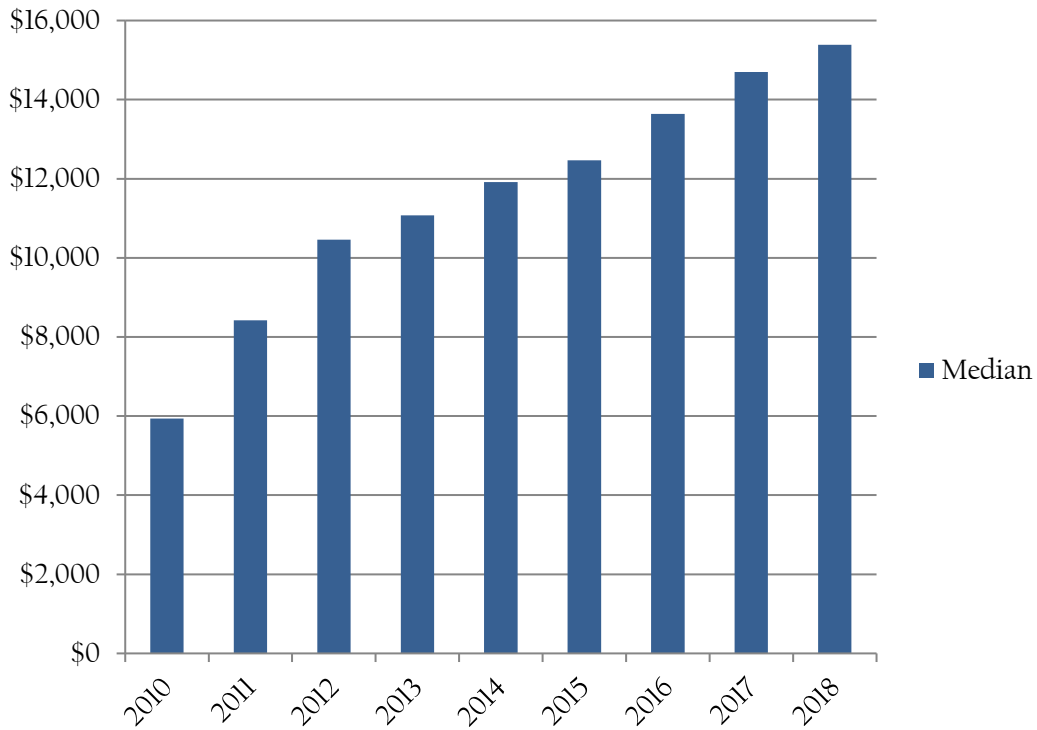


The graph below shows the low and high land values for Oxford County each year from 2010 to 2018.

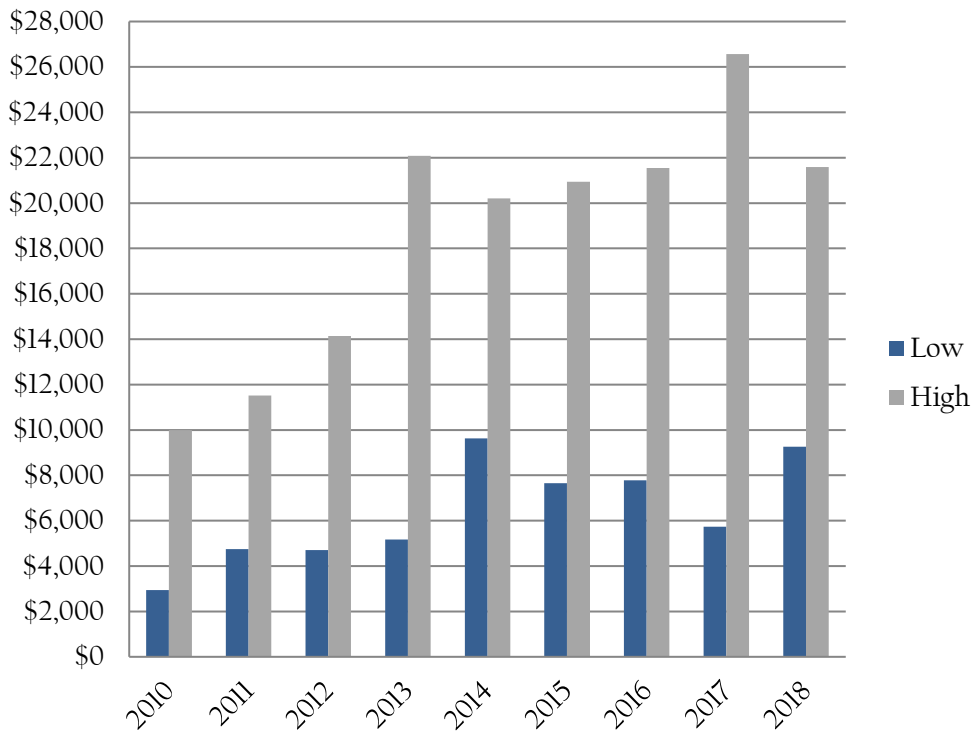


MIDDLESEX COUNTY

The graph below shows the land values for Middlesex County each year from 2010 to 2018.

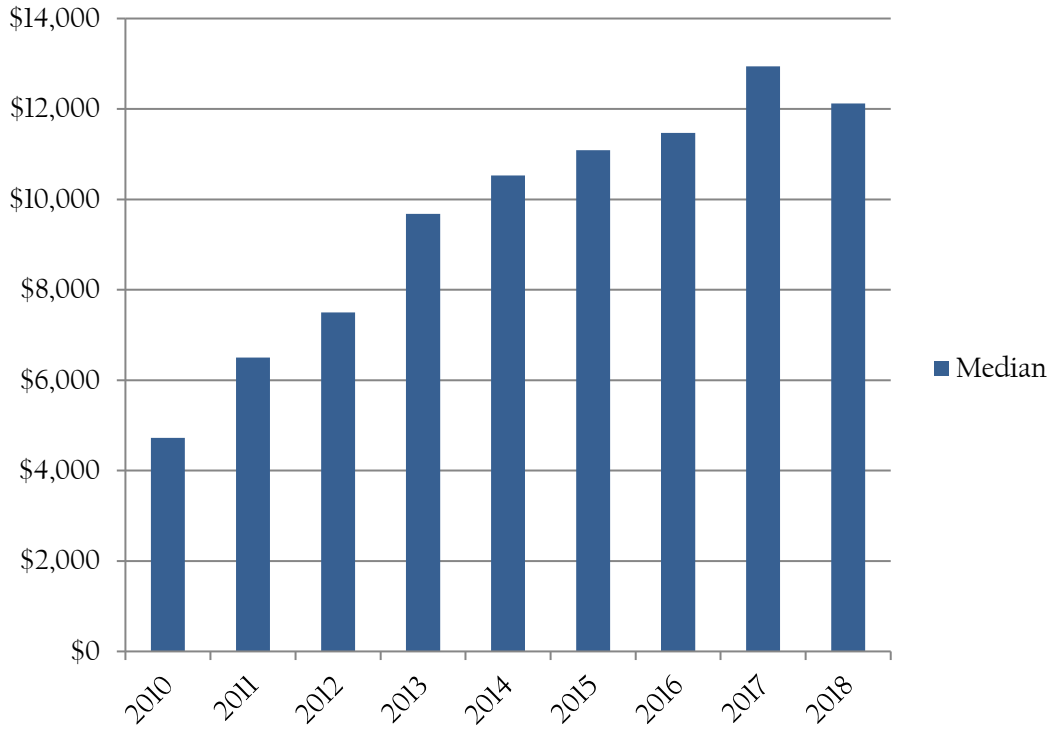


The graph below shows the low and high land values for Middlesex County each year from 2010 to 2018.

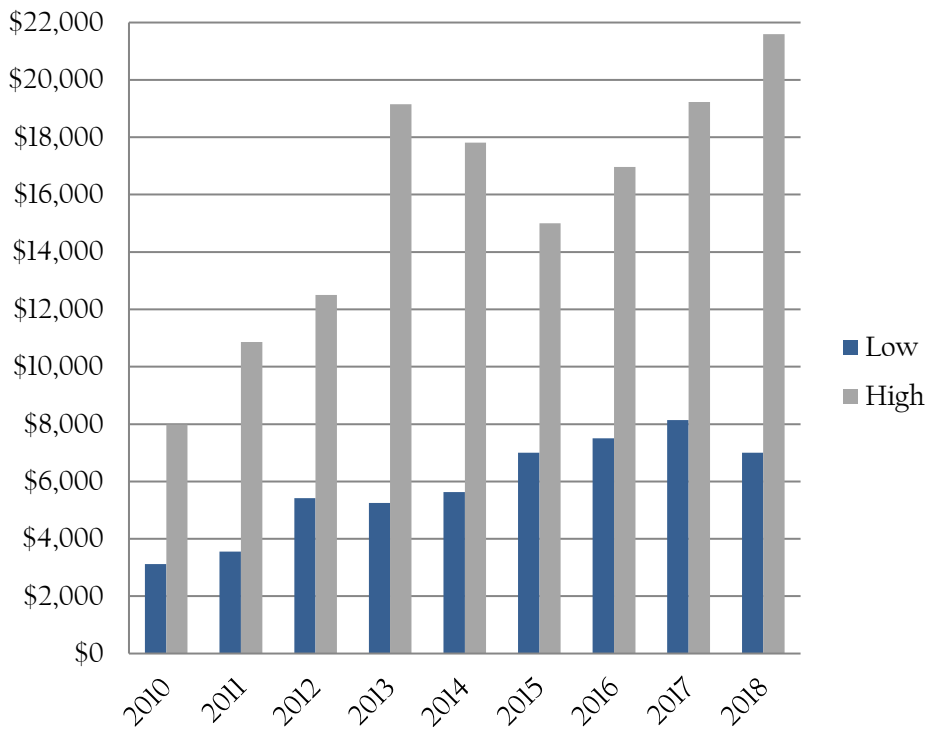


ELGIN COUNTY

The graph below shows the land values for Elgin County each year from 2010 to 2018.

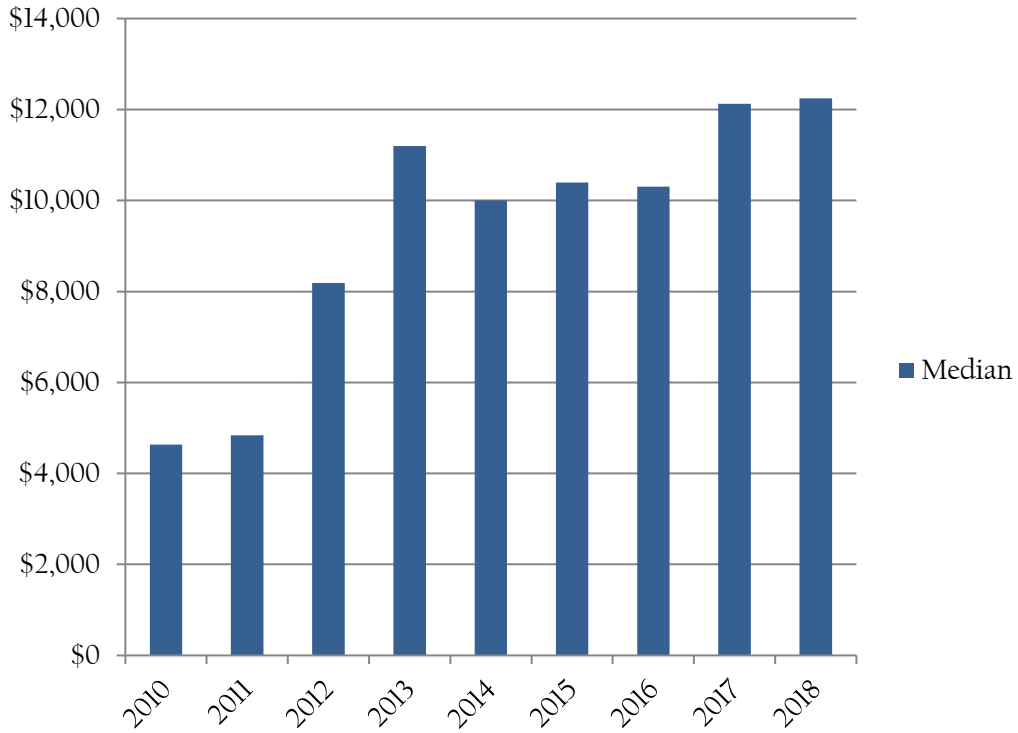


The graph below shows the low and high land values for Elgin County each year from 2010 to 2018.

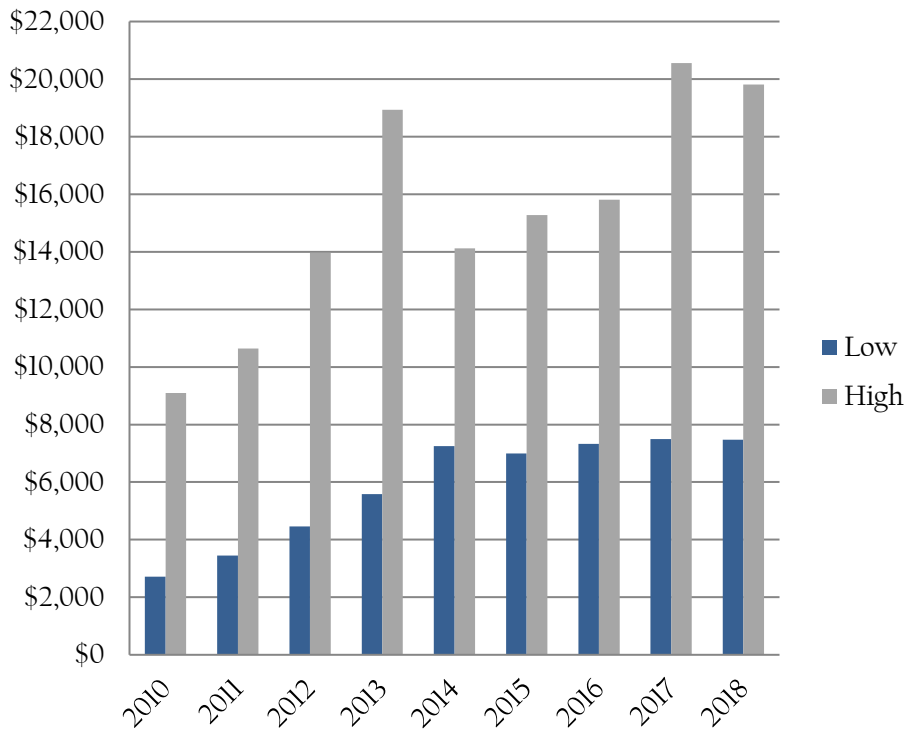


LAMBTON COUNTY

The graph below shows the land values for Lambton County each year from 2010 to 2018.

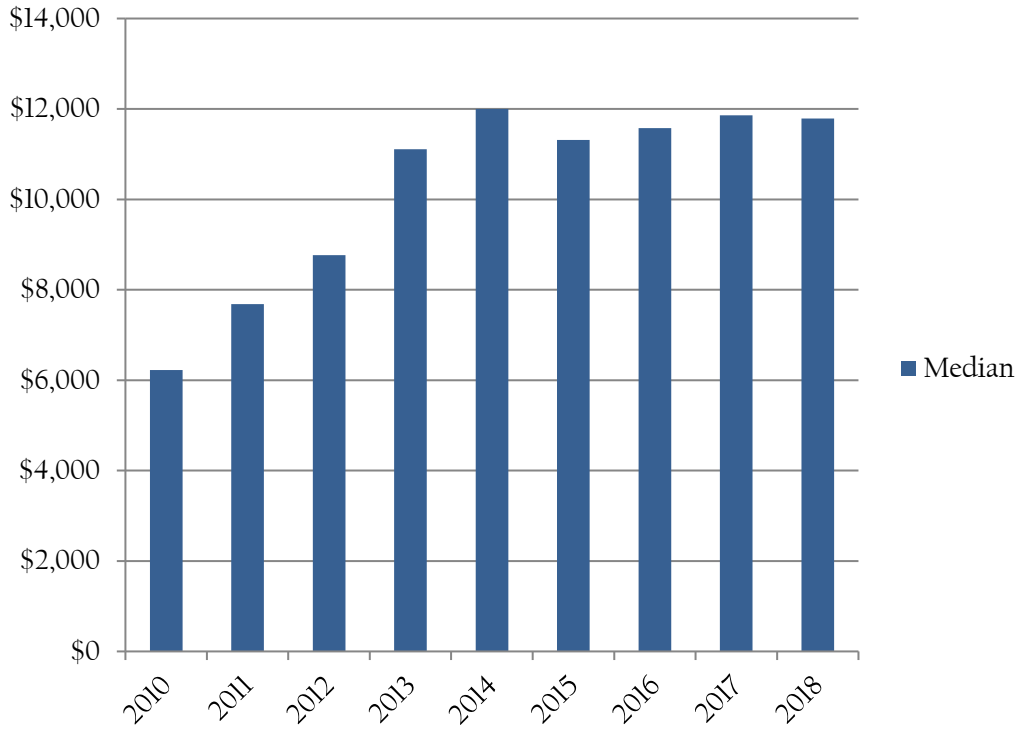


The graph below shows the low and high land values for Lambton County each year from 2010 to 2018.

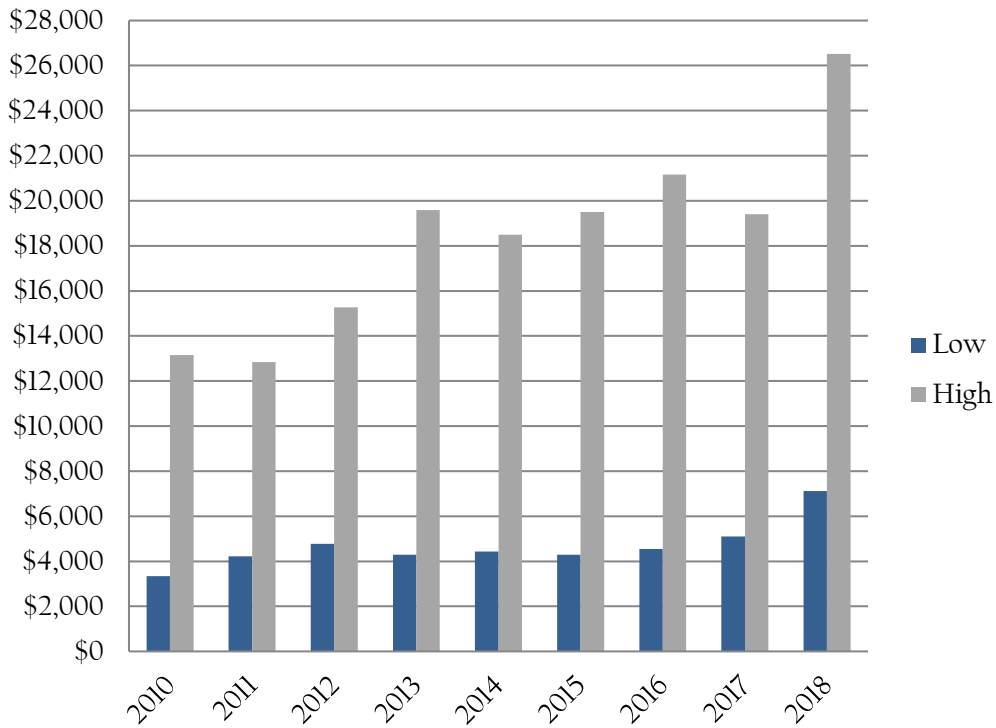


KENT COUNTY

The graph below shows the land values for Kent County each year from 2010 to 2018.

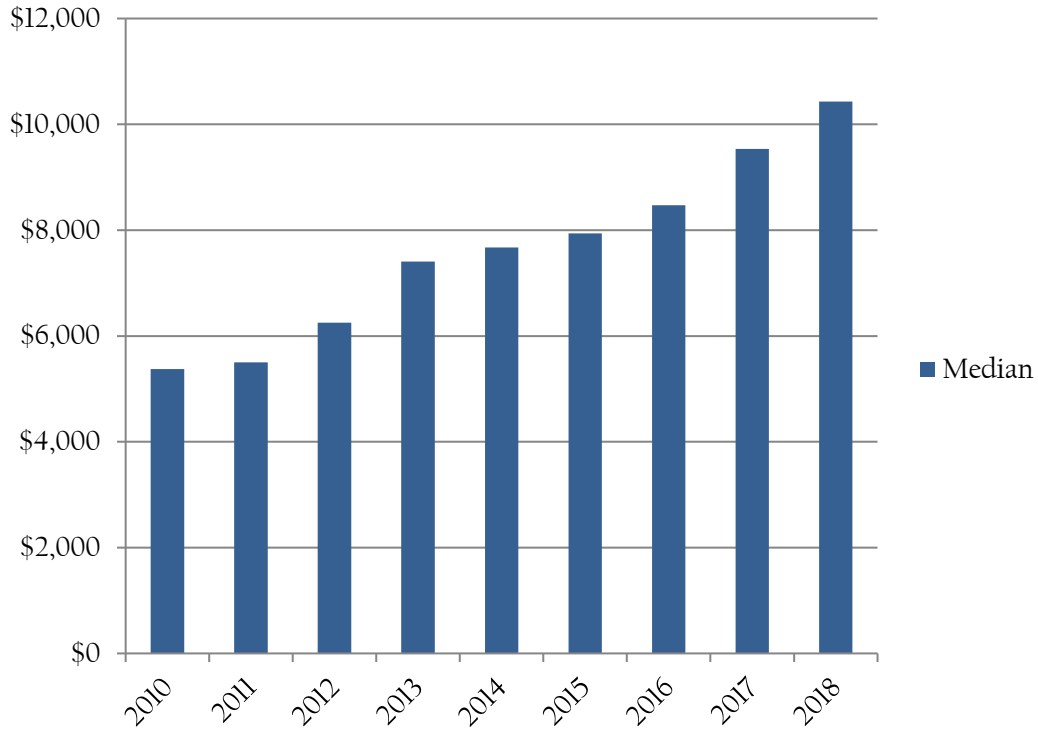


The graph below shows the low and high land values for Kent County each year from 2010 to 2018.

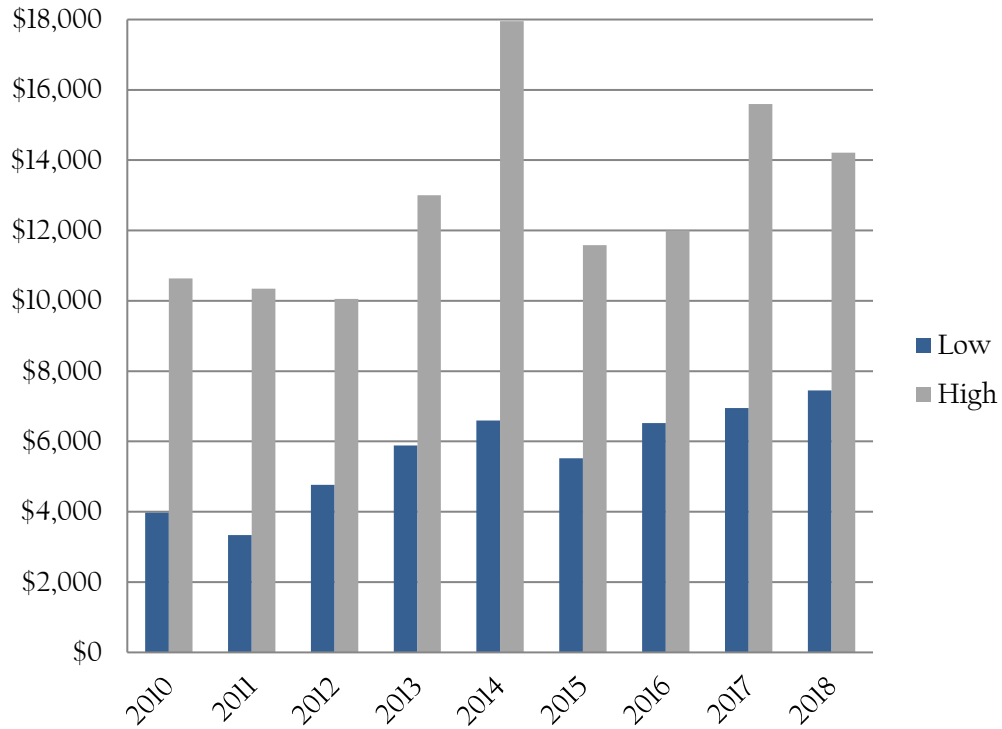


ESSEX COUNTY

The graph below shows the land values for Essex County each year from 2010 to 2018.

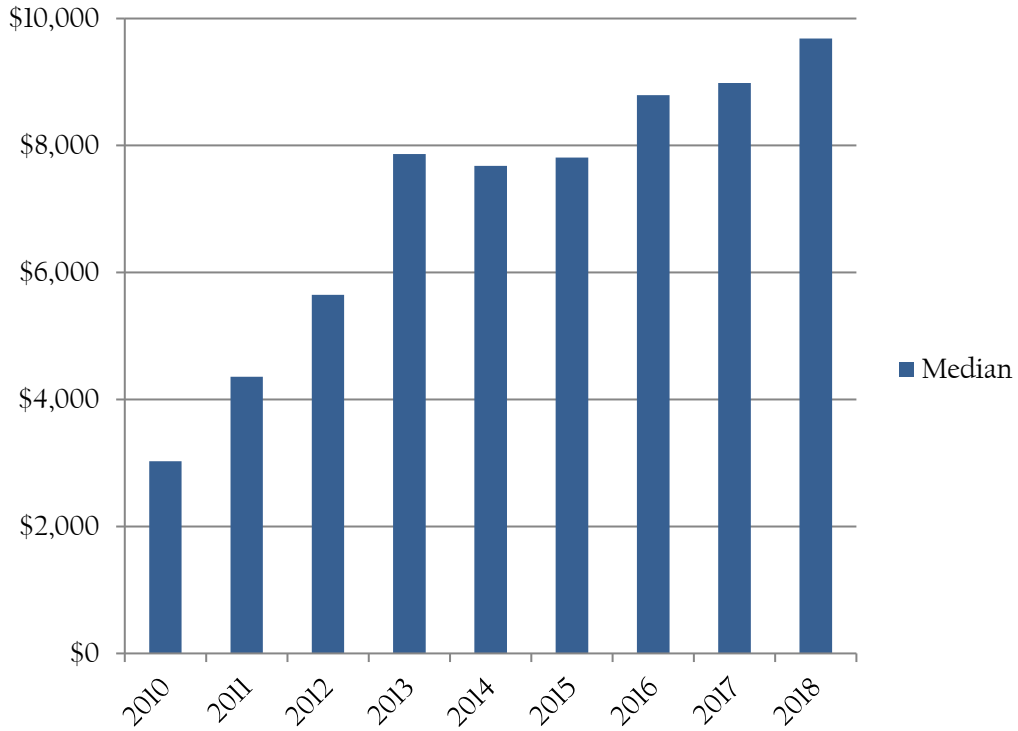


The graph below shows the low and high land values for Essex County each year from 2010 to 2018.

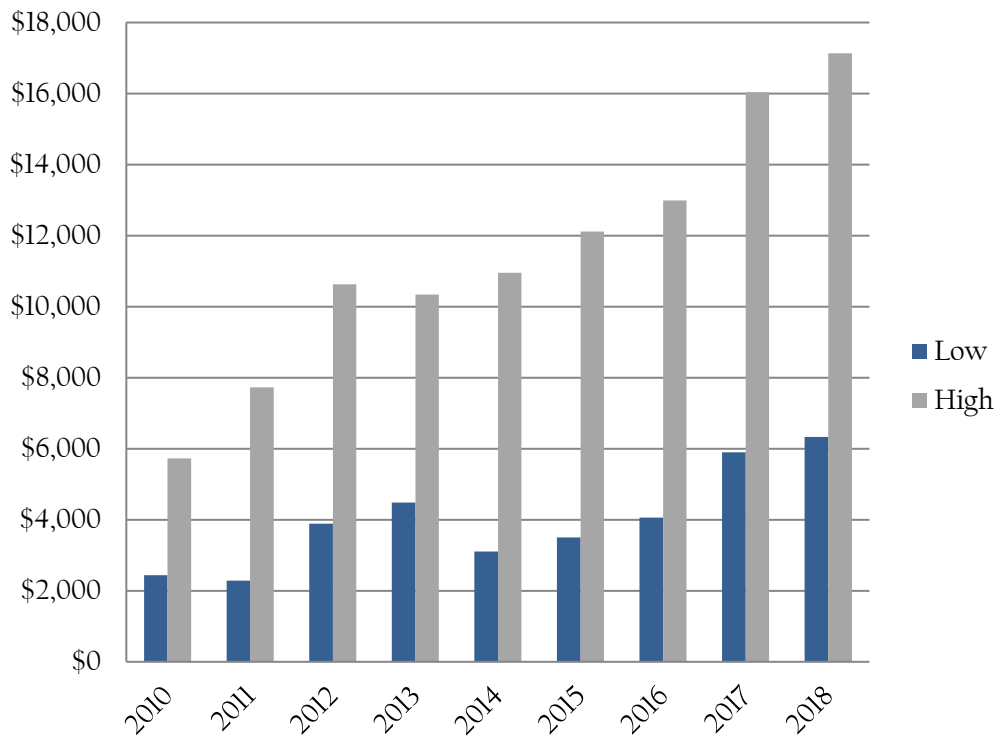


BRUCE COUNTY

The graph below shows the land values for Bruce County each year from 2010 to 2018.

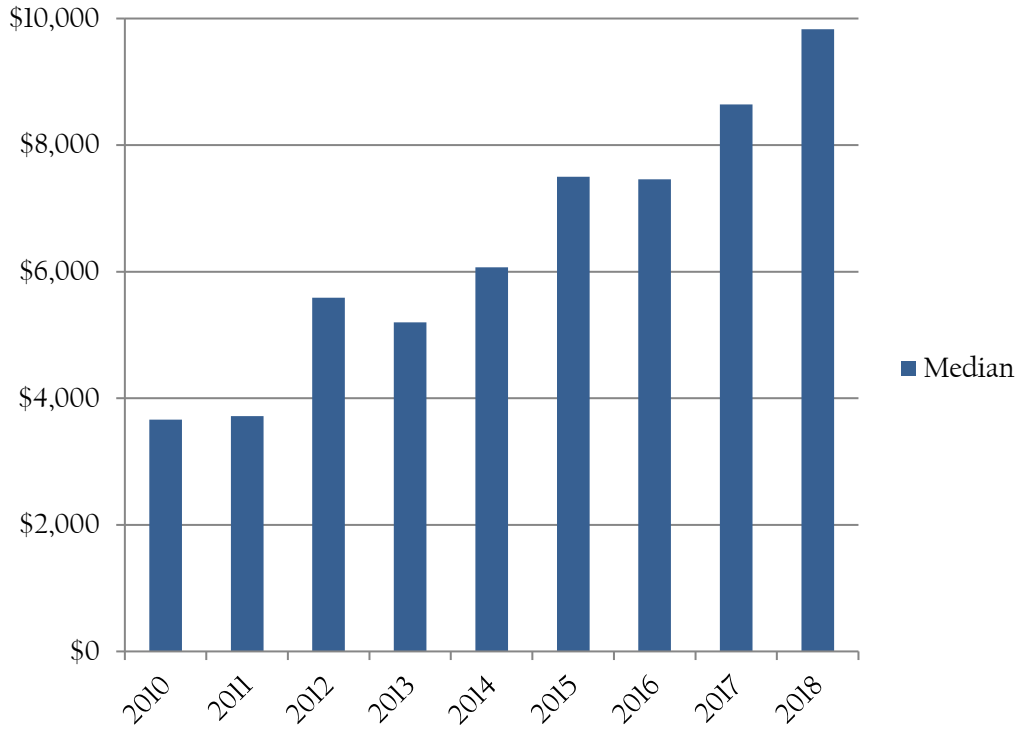


The graph below shows the low and high land values for Bruce County each year from 2010 to 2018.

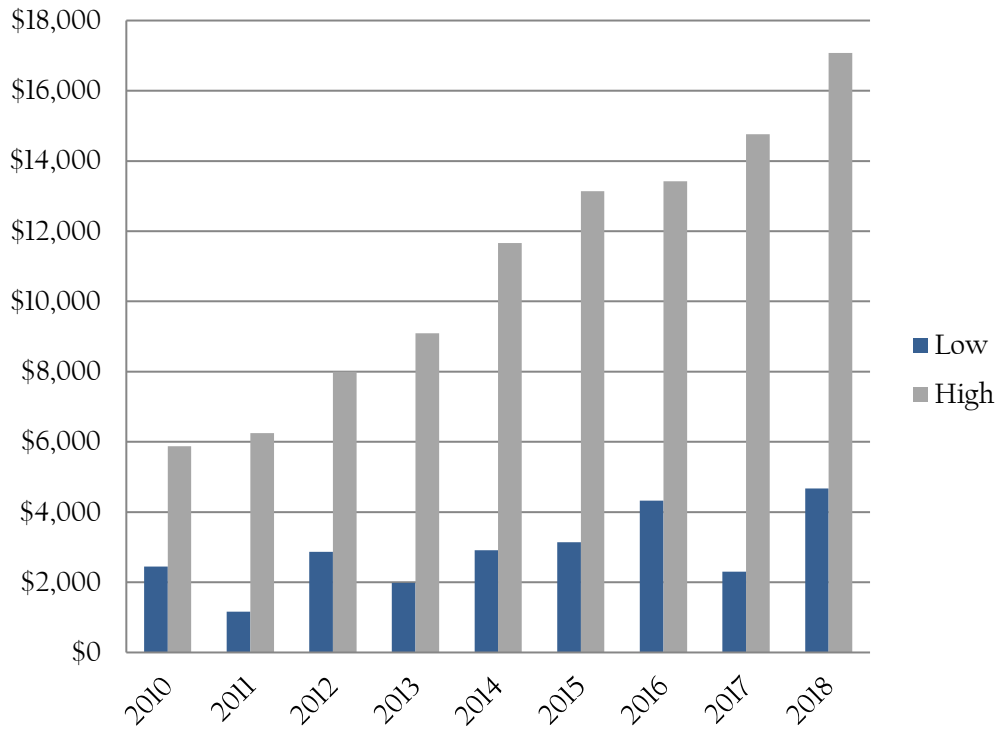


GREY COUNTY

The graph below shows the land values for Grey County each year from 2010 to 2018.

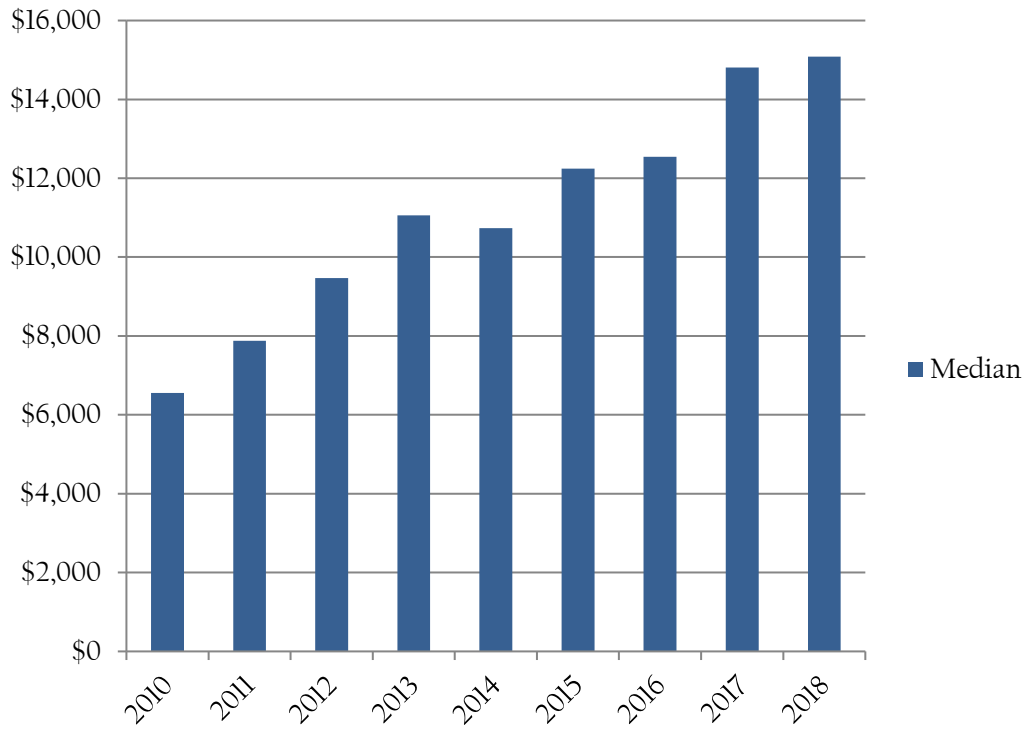


The graph below shows the low and high land values for Grey County each year from 2010 to 2018.

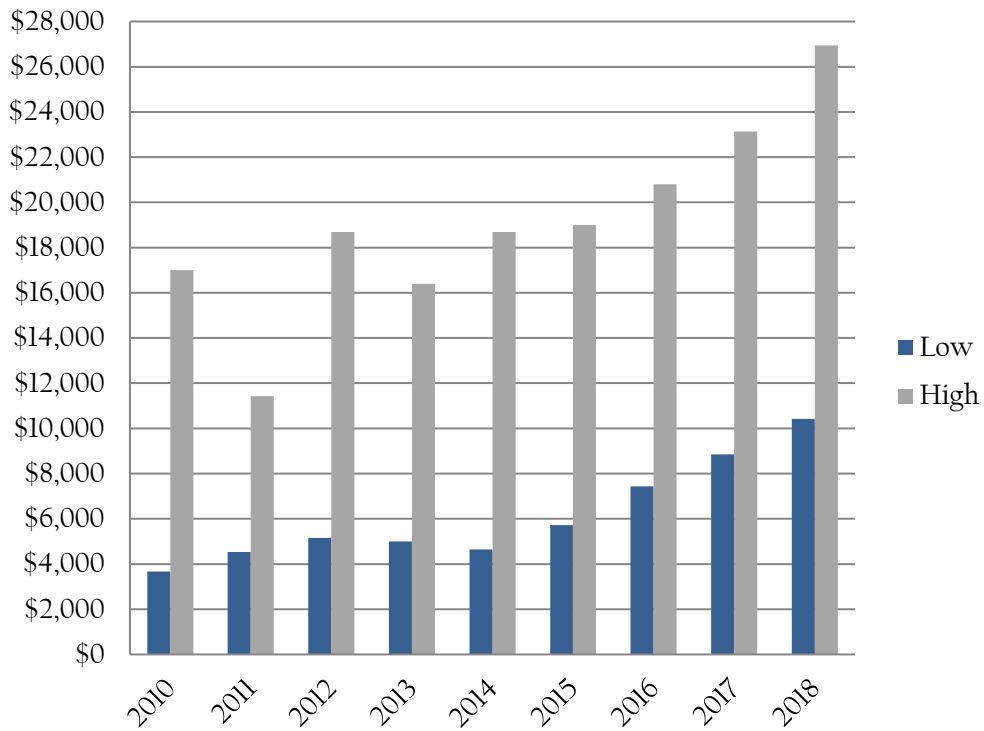


WELLINGTON COUNTY

The graph below shows the land values for Wellington County each year from 2010 to 2018.



The graph below shows the low and high land values for Wellington County each year from 2010 to 2018.



CONTACT

For additional information on the data provided herein or any other related inquiries on land values or appraisals, please do not hesitate to contact me at:

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