



The Chesapeake
Land Report
YEAR 2024

THE LAND GROUP

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FROM THE FIELD

December 9, 2023

Mark Twain wrote: "Write what you know." In 2023, The Land Group completed its fifth year around the sun. Over these past five years, our company has remained focused on what we know and has worked to build TLG into a principled company focused on land brokerage and advisory services. The Land Group is unlike any other brokerage organization in the Chesapeake Bay region, and after completing nearly \$500M in closed transactions and consulting services, we have clearly defined what we know.

We Sell Dirt® and we know dirt. These simple words translate into a knowledge base combining our shared experiences of more than three decades. Our expertise is best summarized in a statement I crafted in 2019:

"Fundamentally, we study land use and land values. The intersection of the two is where we do our work."

Each year we produce The Chesapeake Land Report to provide a baseline understanding of the land market. In conducting this analysis, we study thousands of sales around the region. The goal in performing this analysis each year is to answer the question, "What does agricultural and timberland trade for regionally?" The 2024 Chesapeake Land Report will mark the ninth year we completed this work.

In 2023, the land market faced headwinds including lack of inventory and increasing interest rates. These factors worked in opposing ways to impact the value of land, as lack of supply continued to drive land values to increase, but lack of inventory clearly impacted the velocity of transactions throughout the Chesapeake Region.

Amidst these challenges, TLG completed nearly \$135M in land transactions through 116 sales. Sales of poultry farms, investment grade farmland, and recreational farms continue to be the most desired product types in the land market. High quality farmland is clearly the most difficult asset class to bring to market, as farmland continues to be one of the best long-term assets to own.



Principal of The Land Group - Ben Alder

While the velocity of land sales slowed, the growth of TLG's land advisory grew significantly. An increase in consulting contract assignments in renewable energy, land conservation and a new assignment to work in the carbon sequestration space rounded out the year. Through these projects, our advisors work to bring opportunities through a mix of economic strategies to manage the land while maximizing long-term economic benefit to the landowners.

The Chesapeake Bay watershed is one of the most ecologically important estuaries in the world and is recognized by every conservation organization on the private, state, and federal level. As a result, many programs are available to landowners to improve management and stewardship of land. Determining the right fit for the landowner is not a "one size fits all" approach.

TLG's approach to conservation and land protection is founded in the goals of the landowner. Our work focuses on open lines of communication with land trusts, state, federal, and non-profit organizations. To this end, we have added a new capacity to grow the conservation services with a new member of our staff, Lara Jennings. Her role will be to manage projects and create increased communication with landowners. Her leadership will be instrumental in the growth of conservation services.



*Kingston Farm at the top of the Annessex River
Chesapeake Bay on the Eastern Shore of Maryland*

We are looking forward to the growth of this business unit at The Land Group and please review the "Case Study in Green" presented later in The Land Report. The Case Study demonstrates how land management, best practices, and conservation programs can be combined for short and long-term economic returns to the landowner.

Growth is occurring throughout The Land Group, and we were pleased to welcome several new staff members to the team in 2023.

The Land Group is remaining true to Mr. Twain's words in sticking with what we know. We have developed a focused land company and in 2024, we are looking forward to building on the growth of our talented team to bring you new opportunities.

We are looking forward to another dynamic year in the land market. See you afield!

Be Well,

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POULTRY MARKET ANALYSIS

BY: NICK CAMPANARO



For over a decade, The Land Group has been involved in both the sale of land for new construction poultry farms, as well as the sale of existing poultry farms. While 2022 was a record year for poultry farm sales at TLG, 2023 was still remarkably strong. Between January 1st of 2022 and December 31st of 2023, we closed 34 poultry farms totaling 180 individual chicken houses and 5.25 million square feet.

As we move into 2024, we have several market developments to look forward to:

- In Maryland, the MARBIDCO program is back up and running. With the program director's retirement earlier this year we saw several deals extended into the fourth quarter. The MARBIDCO program offers Buyers a subsidized interest rate that is much lower than the market rate. This helps cash flows and ultimately allows buyers to pay higher rates for poultry farms.
- In Delaware, there are plans to develop a subsidized loan program similar to MARBIDCO in Maryland. This will ultimately allow buyers to pay higher rates for Delaware poultry farms. We are hoping this is introduced into legislation this year, so keep your eyes out and contact your congressman!
- Overall, the Buyer's market appears to be revved up with the forecast of falling interest rates. We have seen an influx of new poultry farm buyers in the last couple months who have been holding out for lower rates. So long as inventory (farms on the market) remains low, we expect the value of poultry farms to remain high.

In order to provide a comprehensive picture of today's poultry real estate market, we analyzed 47 sales in which we participated or where we had firsthand knowledge of the transaction. We believe this analysis paints a realistic picture of the current poultry real estate market.

The goal of our analysis was to use comparable sales data to calculate price per square foot values for chicken farms in Maryland, Delaware, and the Eastern Shore of Virginia. We broke each sale down into three poultry house age classes: Newer Farms (built between 2015 – present), Middle Age Farms (built between 2000 – 2014), and Older Farms (built in 1990s or before). We then calculated per square foot values for each chicken house on each farm while also accounting for excess improvement values (i.e, residential homes worth over \$200,000) and excess land values.

It is important to note that poultry farm transactions are complicated and often involve seller credits for farm updates and various personal property items. This analysis is meant to be a rough snapshot of the market and does not account for update costs, seller credits, or personal property conveyed.

Here is a summary from the analysis:

| 47 Farms - 250 Poultry Houses - 7.2 Million Square Feet (Sold in 2022 & 2023) | | |
|--|-----------------|-----------------------------|
| | Year Built | Price Per Square Foot Range |
| Newer Farms | 2015 to present | \$13/S.F. to \$16/S.F |
| Middle Age Farms | 2000 to 2014 | \$8/S.F. to \$13/S.F |
| Older Farms | 1990 or older | \$4/S.F. to \$10/S.F |

For more specific information regarding this analysis, or a detailed evaluation of your poultry farm, please call Nick Campanaro at the Land Group (443)465-3520 .

The market for existing poultry farms has been extraordinary over the last 2 years. While higher interest rates have certainly impacted velocity (number of transactions), pricing remains at record levels. Several contributing factors include large amounts of liquidity in the market, an increased demand from buyers looking to escape city life, and strong protein markets prompting our integrators to seek additional capacity. That said, as interest rates have climbed over the last 18 months, deals have been tougher to close. Cash flows are tight, and some buyers are struggling to obtain financing. We believe 2024 will bring falling rates and an even healthier poultry real estate market.

Data used in this analysis is based on firsthand market knowledge of individual transactions, as well as information provided by MLS data and appraisers. For more information about the analysis, please contact Nick Campanaro of The Land Group at 443-465-3520 or nick@thelandgroup.us.

With over a decade of experience in helping poultry farmers buy, sell and build new farms, I am prepared to help with your needs. For numerous reasons, many of the high-quality farms that I sell are never publicly advertised. Whether you are looking to buy or sell, our connections to the poultry market can help achieve your goals. Call, text or email me today to schedule a time to meet.



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Nick Campanaro

A CASE STUDY IN GREEN

CONSERVATION CASE STUDY

While there are many land uses in the Chesapeake Bay watershed, a primary land use is land conservation or protected lands. Today, approximately 9.2 million acres of protected lands exist in the watershed. Protected lands are defined as those land tracts encumbered with a permanent conservation easement. Overall, this accounts for nearly 22 percent of total land area in the 5-state Chesapeake Bay watershed. To put this in perspective, protected lands encompass nearly twice the land mass that developed land includes throughout the watershed. Less than 12 percent of the watershed land use is developed.

The act of protecting or conserving land can take a myriad of forms beyond permanent land protection. Additional conservation programs offered are short-term, 10 to 15-year programs provided through USDA Farm Bill programs and other private conservation organizations focused on private lands. Through these practices, programs pay for land conservation through annual or one-time financial payments to restore, conserve and protect natural resources and ecological function in the watershed.

In the following case study, the specific land parcel and landowner's personal information is not shared in order to protect their privacy. The resource management decision is described for each step the landowner made as well as each financial outcome of those decisions.



SUBJECT FARM: 80 ACRES

INITIAL LAND USE: 40 acres Tillable and 40 Acres Woodland - Mix of Hard and Soft Wood, Farm Improved By Small Barns for Living and Storage

STEP 1

RESOURCE MANAGEMENT: TIMBERLAND & FOREST MANAGEMENT

A timberland sale was conducted focused on the sale of saw log sized yellow pine while leaving some "keystone" yellow pines as seed trees per acre and virtually all hardwood species to manage long term for upland wildlife. Targeted hardwood forestland management strategy while allowing for some yellow pine regeneration long term. Long term goal to manage for diverse timberland species mix.

FINANCIAL
OUTCOME: NET
\$70,000 INCOME

STEP 2

RESOURCE MANAGEMENT: FARMLAND & FARM BILL PROGRAMS

The heavy silt loam soils were marginal farmland and better suited to wildlife habitat. To maximize the value of the habitat, wetland restoration practices were designed to create both managed and natural wetland systems. These habitats create restored lands for wintering waterfowl, wetland dependent wildlife, whitetail deer and wild turkey. Nearly 10 acres of shallow water managed impoundments were constructed in addition to 20+ acres of upland and natural wetland pools.

The Farm Bill program provided cost share for approximately 90% of the installation of the habitat restoration, and through bonuses offered, reduced the total cost to less than \$5,000 for a project that originally exceeded \$75,000. Additionally, farm income doubled from \$50 per acre or approximately \$2,000 annually to over \$4,000 annually.



STEP 3

**RESOURCE MANAGEMENT:
RESIDENTIAL USE & CONSERVATION EASEMENT**

It was determined by the landowner that residential use for the farm was limited due to the rural nature of the area and together with their goals for the farm, concluded only one residential home was required for the farm. Through work with the local land trust, a conservation easement program was identified that fit the goals of the landowner to reduce the development rights to one residential unit while creating a permanency to the habitat restoration measures put in place on the farm. Through this practice, the landowner received a conservation easement payment.

Additionally, the landowner conducted some improvements to the property requiring an appraisal at the completion of the habitat work and land conservation easement. The farm appraisal completed yielded a \$420,000 value. Clearly, the habitat improvements, conservation easement and timberland management did nothing to reduce the farm value long term and it is arguable the habitat improvements added value to the farm thus overcoming any impact of the forest management or removal of development rights through the conservation easement.

FINANCIAL OUTCOME:
NET \$160,000 INCOME

FINANCIAL SUMMARY

| | | |
|----------------------|---|---------------------------------------|
| \$360,000 | \$360,000 | \$130,000 |
| ACQUISITION PRICE | NET INCOME FROM MANAGEMENT PRACTICES | ADJUSTED BASIS OF FARM ACQUISITION |

81%

RETURN ON INVESTMENT
 (\$290,000 APPRAISED BASIS/\$360,000 INITIAL ACQUISITION X 100)

In conclusion, it is overwhelmingly clear that the conservation measures and practices placed on the farm created only positive financial outcomes while increasing the natural wildlife habitats on the landscape. In fact, the return on investment exceeded 80% after only 4 years. As a result, the landowner benefits from improved opportunities for hunting while managing the farm long-term for wildlife with the knowledge they have added financial value and net income to the farm.

LAND VALUATION ANALYSIS

RESIDENTIAL USE & CONSERVATION EASEMENT

The goal of this analysis is to use comparable sales data to calculate per acre land values for farmland and timberland in Maryland, Delaware and the Eastern Shore of Virginia. Our focus is on the counties where we are active participants in the land markets and have working knowledge of individual trades. This analysis doesn't include properties containing significant improvements or entitlements. We set a minimum acreage per trade of 50 acres. Emphasis was placed on arms-length raw land trades occurring in 2022 and 2023.

2022 & 2023 Farmland/Pasture

| COUNTY, STATE | # OF SALES | ACRES SOLD | AVG PRICE/ACRE |
|------------------|------------|------------|----------------|
| Baltimore, MD | 14 | 1,005 | \$13,681 |
| Caroline, MD | 29 | 3,198 | \$7,201 |
| Carroll, MD | 25 | 1,658 | \$13,109 |
| Cecil, MD | 10 | 912 | \$11,677 |
| Charles, MD | 3 | 88 | \$7,108 |
| Dorchester, MD | 19 | 1,521 | \$7,567 |
| Frederick, MD | 18 | 1,318 | \$13,237 |
| Harford, MD | 19 | 1,259 | \$12,458 |
| Kent, MD | 22 | 2,785 | \$13,681 |
| Queen Anne's, MD | 15 | 1,179 | \$10,916 |
| Somerset, MD | 9 | 387 | \$8,293 |
| Talbot, MD | 16 | 1,712 | \$14,461 |
| Washington, MD | 22 | 1,757 | \$7,765 |
| Wicomico, MD | 18 | 1,170 | \$8,390 |
| Worcester, MD | 13 | 798 | \$8,424 |
| Kent, DE | 11 | 831 | \$9,838 |
| Sussex, DE | 9 | 684 | \$13,775 |
| Accomack, VA | 11 | 558 | \$4,762 |

2022 & 2023 Timberland

| COUNTY, STATE | # OF SALES | ACRES SOLD | AVG PRICE/ACRE |
|------------------|------------|------------|----------------|
| Baltimore, MD | 16 | 884 | \$5,131 |
| Caroline, MD | 23 | 1,393 | \$2,799 |
| Carroll, MD | 23 | 766 | \$4,385 |
| Cecil, MD | 12 | 588 | \$2,587 |
| Charles, MD | 29 | 4,645 | \$2,587 |
| Dorchester, MD | 23 | 2,042 | \$3,067 |
| Frederick, MD | 15 | 420 | \$5,160 |
| Harford, MD | 20 | 936 | \$4,459 |
| Kent, MD | 21 | 1,371 | \$4,613 |
| Queen Anne's, MD | 19 | 1,444 | \$3,571 |
| Somerset, MD | 26 | 3,156 | \$1,743 |
| Talbot, MD | 17 | 1,498 | \$5,060 |
| Washington, MD | 17 | 1,197 | \$2,633 |
| Wicomico, MD | 26 | 2,708 | \$2,291 |
| Worcester, MD | 19 | 1,470 | \$2,366 |
| Kent, DE | 16 | 1,112 | \$3,485 |
| Sussex, DE | 22 | 3,720 | \$3,386 |
| Accomack, VA | 15 | 690 | \$1,767 |

Maryland: Average tillable farmland values have increased to +/- \$8,000 per acre for lower and mid shore counties. Values on the upper shore have increased to +/- \$11,500 per acre on average. Western shore counties vary greatly based on location, but have also seen rising values.

Delaware: Average farmland values have increased to +/- \$12,000 per acre.

Virginia: Average farmland values remain between \$4,500 and \$5,000 per acre.

Maryland: Average timberland values remain between \$2,000 and \$2,500 per acre on the lower shore. Wooded land values on the mid to upper shore have increased to range from \$3,000 to over \$5,000 per acre. Values on the Western Shore continue to range from \$3,000 to over \$5,000 per acre and are highly dependent upon location.

Delaware: Average timberland values remain at +/- \$3,500 per acre.

Virginia: Average wooded land values were +/- \$1,800 per acre.

The 2023 real estate market for farmland and wooded land continued its strong trend. Several contributing factors included large amounts of liquidity in the market and increased demand from recreational buyers looking to escape urban areas. We continue to see the effects of this increased demand along with a low inventory market. As expected, the combination has resulted in rising land values across the region.

Data used in this analysis is based on information provided by licensed appraisers, county tax records, MLS data, and market knowledge provided by The Land Group. For more information about the analysis, please contact Nick Campanaro or Will Fehrenbacher of The Land Group.

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