

**We Sell
Dirt.®**

2023

LAND REPORT



THE LAND GROUP

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FROM THE LAND

Mark Twain (born Samuel Langhorne Clemens, 1835-1910) once said “Buy land, they’re not making it anymore.” More than 200 years later this fact remains true. The most interesting part is today it seems to no longer be a secret. The demand for recreational land, agricultural and timberland alike is greater than I have seen in my nearly 20 years in the land industry.

Since the 1990s, U.S. farmland has provided consistent returns to landowners of more than 11% annualized. See the table below where the data shows exceptional resilience compared to other asset classes.

| ASSET TYPE | AVERAGE ANNUAL RETURN SINCE 1990* |
|------------------------|-----------------------------------|
| Farmland with Crops | 11.5% |
| S&P 500 | 11.1% |
| Commercial Real Estate | 8.3% |
| AAA Bonds | 6.2% |
| Government Bonds | 6.1% |
| Gold | 5.4% |
| CDs | 2.7% |

*Data according to NCREIF, Bloomberg, Bankrate, NYU Stern School of Business, Federal Reserve Bank of St. Louis, and Fam Land Asset calculations.

Land has many attributes which give it intrinsic value to our daily lives, aesthetics, and livelihoods. Much has been said and written as to the importance of land and our dependence on it. Today this remains true and our role in stewarding and conserving the land is clearly more important than ever.

While broadly and generally, land use in the region seems to be under constant strain, I am unable to discern the exact trajectory of land use in the Chesapeake Bay region. I do believe the balance between “change in land use” versus “lands conserved” is not easily measured. I remain confident in stating for an organization that transfers nearly 10,000 acres of land or more each year, land use change is “measured” except in certain areas slated for growth around local municipalities. It is important to note that each time a farm or timber tract is considered for transitional use, it is done so with a “forever mindset” and all our long-term needs for our Chesapeake community are considered.

In the past year, I have witnessed several trends in land use and land value. Some of these trends are both local and national. In either case, each has a bearing on land use and the economics of the region.

1. The Delmarva Land Market. A recent study completed by The Land Group of 11 counties on the Delmarva concluded the land market between June of 2020 through June of 2022 was a highly dynamic time period with the velocity of more than 617 land transactions occurring for properties over 25 acres. In these 617 transactions more than 46,549 acres were transferred for a gross sales amount of \$654M. This study was conducted using only multiple list data. The Land Group has regularly documented the land market during the annual data analysis to be nearly twice this size on average each year. Nearly half of all land transactions occur through off market sales without a public offering. This fact is consistent with The Land Group’s collective experience as landowners often prefer private offerings of their land versus a public sales process.

2. Agricultural Production Land. Quality farmland is the most coveted silo of the land market and also the most valuable. This fact underpins the economic stability and the quality of life on Delmarva. High quality farmland, especially if irrigated, will bring multiple buyers and land values of \$7k to \$20k across the region.

3. Timber Markets. There is a renewed interest in the Forest Products Industry. This is in part due to the efforts of the Maryland Forest Association and its associated partners. Several investments made by clients working through TLG were land investments for timberland resources. Carbon sequestration projects will likely add additional complexity to local timber prices at the stump in the landowners favor perhaps. A significant investment on a national level made in the carbon sequestration space will bring Maryland, Virginia, and West Virginia into the global market for carbon trading.

4. Farm-Steading. Families and retirees alike are setting up small farms to produce farm-made products. These farms drive the cooperative farmers markets and the whole food movement. Quality vegetable land remains in high demand. These farms add capacity to local food networks, as well as create agricultural related jobs.

5. Solar Industry. Solar projects in the region are evolving from large-scale industrial projects riddled with permitting difficulties and public opinion to community solar projects established to support local energy needs. Local planning and zoning commissions continue to work to have practical public policy to shape this land use.



6. Poultry Industry. Poultry farming is experiencing intense interest for existing farms in production to purchase and operate. Even in the current interest rate environment, demand for these farms remains high and regional integrators are adopting grow out economics to assist and incentivize existing and new growers.

7. Recreational Land Buyers. Land buyers in this space continue to drive the land market. They remain focused on wildlife, aesthetics, privacy and getting away from the urban spaces. Hunting properties for upland game such as Sika Whitetail Deer and Eastern Turkey are extremely sought after. Recent transactions are driving land values well over \$10,000 an acre for quality hunting land with a history of sound wildlife management. Waterfowl properties are more elusive to find but when they are identified, buyers are quick to move and pay asking prices in the \$10,000 to \$20,000 per acre range based on the improvements and amount of floodable land established and managed on the farm.

8. Land Buyer Appetite. The last two years have taught us once again what a “hot” or robust market looks like. While many have capitalized on the sell side of the equation, buyers’ appetites remain strong. The bottom line is, land buyers and investors remain bullish in today’s current land market. In the region we have documented and conducted land sales on farmland with no development speculation which exceeded \$12,000.00 an acre.

9. Ag Economics. A broad brush of ag economics in our region reinforces the principle of farmland consolidation for the purposes of scale and operational profitability. This is perfectly illustrated in the appetite and competitiveness within the industry to grow larger. Today is one of the lowest levels of farmland available in a marketplace witnessed over the last twenty years.

10. This space is being left blank on purpose! No list is complete unless it is a true Top 10. But, as Mr. Twain told us, it is clearly a smart investment to buy dirt. Fortunately for The Land Group, We Sell Dirt™ has become a well-balanced business plan and a logo that drives a lot of conversation walking through an airport!

2022 has been a great year at The Land Group. We have been blessed with outstanding clients, a great team of land professionals and one of the most dynamic and beautiful landscapes on which to work!

Looking forward to 2023, and seeing you in the field.

Onward,

A POULTRY MARKET BOOM

BY NICK CAMPANARO



For nearly 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. 2022 was a record year for poultry farm sales at TLG and we finally decided to dedicate a section of our annual Land Report to educating our readers about the state of the poultry real estate market.

To fully comprehend this market over the last couple of years, we must look back to the aftermath of the pandemic. We can point to 5 key ingredients that have resulted in an overwhelmingly strong market for chicken farms in the region.

1. Strong Protein Markets: Following the pandemic, economic forecasters predicted a strong market for protein products. Nearly all of our poultry integrators on the shore began searching and competing for additional capacity. The strong protein market continues today.

2. Low Interest Rates (although they are higher currently): As our global economy emerged from the immediate impacts of COVID-19, the Federal Reserve aggressively lowered the federal funds rate (which ultimately controls interest rates) in an effort to rev up our economy which had been momentarily crushed by lockdowns and supply chain issues. These low interest rates had a direct impact on poultry farm cash flows, as loan payments are typically one of the largest expenses to a chicken farmer. Today we are experiencing higher rates which is causing the cash flows to be tighter and deals to require more cash.

3. Cash In the Market: As the Fed lowered interest rates, the federal government simultaneously began pumping money into the economy via stimulus checks and PPP loans, etc. Paired with a record setting stock market, there was a ton of cash that entered all real estate markets post-COVID. This cash certainly helped many new and existing poultry farmers to purchase farms. Based on my

personal involvement in the market, there still seems to be a large amount of cash seeking to purchase poultry farms in the region.

4. High Cost To Build: As expected, the low interest rate environment combined with the large surplus of cash injected into the economy has resulted in record high inflation across many sectors. In particular, the cost of wood and steel (the two largest inputs into poultry house construction) went sky high. As a result, buyers looking to get into the chicken business or expand their operation were forced to compete over existing poultry farms. There have been very few new construction poultry farms built in recent years. As construction costs remain high, we expect this trend to continue.

5. Escape From City Life: This is an overarching theme that we have experienced across all segments of the real estate market since the pandemic. It goes without saying that lockdowns on a farm are much different than lockdowns in an apartment building in New York City. This trend continues today as we are seeing many chicken farm buyers moving to the Shore from cities all over the Country.

These five factors have contributed to a significant boom in the poultry real estate market. Unlike the last poultry land rush we saw nearly 10 years ago, this one is focused on existing farms. Buyers do not have the option to purchase land to build new chicken houses because the cash flows do not support the high building costs. As I write this today (January 2, 2023) the only contributing factor that has recently changed is interest rates. Although this is a major factor when it comes to farm cash flows, we have found there is still enough cash and equity in the market to keep deals flowing.

POULTRY MARKET ANALYSIS

BY NICK CAMPANARO

The Land Group closed 22 poultry farms in 2022 totaling 115 individual chicken houses and 3.4 million square feet. Our involvement in this market prompted us to do a detailed analysis over the last two years (2021 & 2022). We analyzed 38 sales in which we either participated or had firsthand knowledge of the transaction. We believe this analysis paints a realistic picture of the poultry real estate market today.

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 (for example, 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 updates costs, seller credits, or personal property conveyed.

Here is a summary from the analysis:

| 38 FARMS - 201 POULTRY HOUSES - 5.9 MILLION SQUARE FEET (Sold in 2021 & 2022) | | |
|--|-----------------|-----------------------------|
| | Year Built | Price Per Square Foot Range |
| Newer Farms | 2015 to present | \$13/sqft to \$16/sqft |
| Middle Age Farms | 2000 to 2014 | \$8/sqft to \$13/sqft |
| Older Farms | 1990s or Older | \$4/sqft to \$10/sqft |

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 or email nick@thelandgroup.us.

The market for existing poultry farms has been extraordinary over the last two years. Several contributing factors include low interest rates, large amounts of liquidity in the market, and increased demand from buyers looking to escape city life. However, as interest rates have climbed over the last 6 months, deals have been tougher to close. Cash flows are tight, and some buyers are struggling to obtain financing. Our hopes are that these interest rate hikes are short lived, and we return to a healthy middle ground.

Data used in this analysis is based on firsthand market knowledge of individual transactions as well as information provided by MLS data and appraisers.

With nearly 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 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

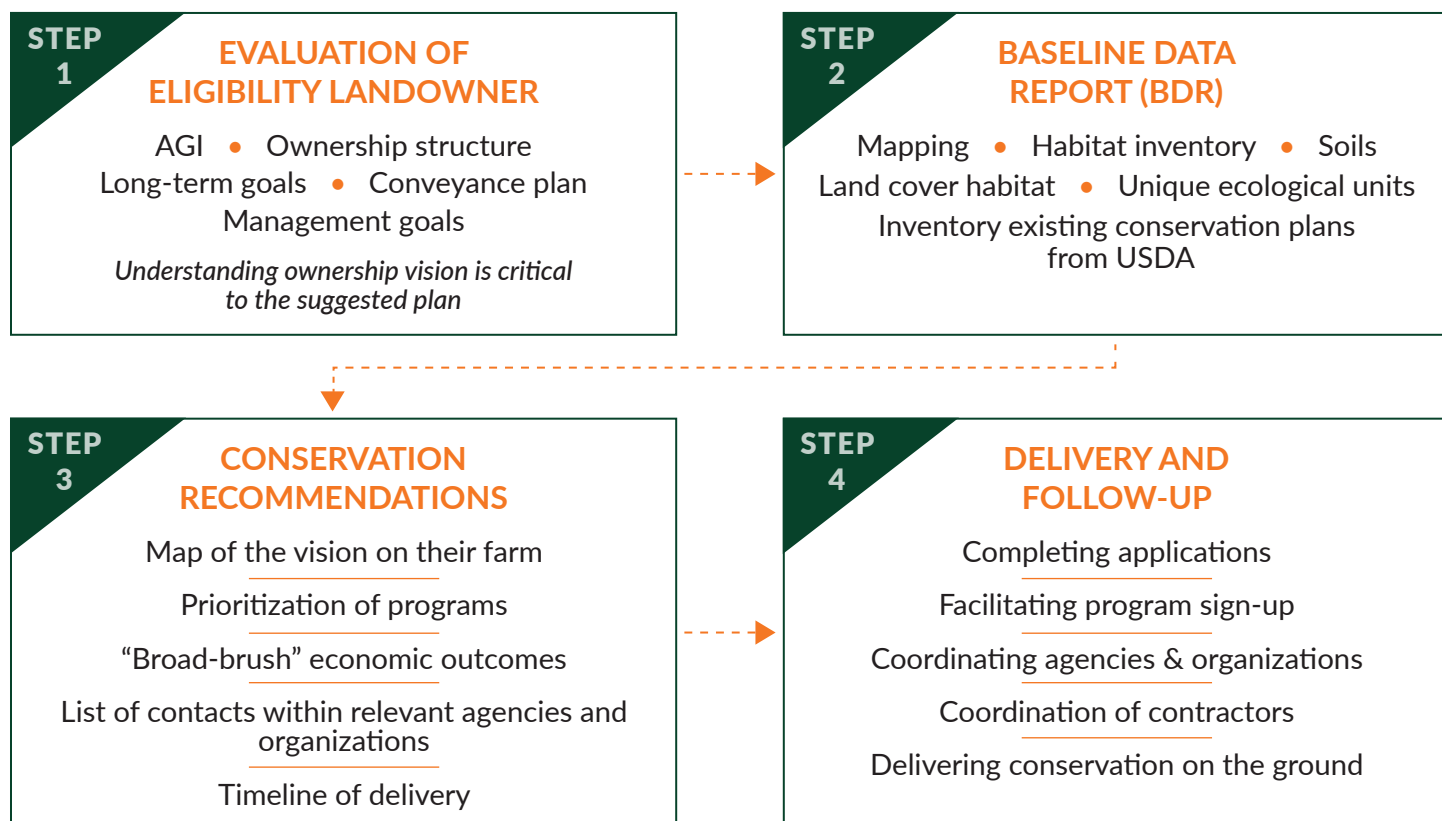
CONSERVATION SERVICES

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 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, 10-15-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.

The Land Group will provide an in-depth service to streamline the analysis of the subject property's eligibility for conservation programs. These programs will range from Federal and State agencies along with non-profit organizations and will provide monetization for the value of conservation enhancements and long-term land management strategies implemented on the assessed acres.

TOOLS FOR LAND CONSERVATION



Natural resource professionals refer to the concept of "monetizing ecosystem services" as a manner to properly align incentives to encourage landowners to act on behalf of wildlife and natural resources to provide clean water, clean air and a sustainable environment for future generations.

These practices can be completed on nearly any farm on both smaller and larger scales throughout the Chesapeake Bay region. Several of our team members at The Land Group are seasoned in the implementation of conservation programs and have provided guidance to landowners on obtaining the necessary technical services to accomplish this work.

CALL BEN FOR A FREE CONSULTATION: 443-865-1344

TLG IS GROWING



Bobby Gorski

Land Advisor

bobby@thelandgroup.us

Bobby has worked in conservation for the entirety of his career, assisting farmers and landowners in using government cost-share programs to improve wildlife habitat, restore wetlands, manage their timber, and be overall great stewards of the acres they own and operate.



Shawn Moore

Land Advisor

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Over a span of 20 years, Shawn has worked alongside State and Federal agencies on multiple wildlife enhancement projects. Currently Shawn serves as a consultant to Eastern Shore landowners looking to enrich and enhance the prominence of wildlife and ag practices on their properties.



Will Fehrenbacher

Land Technician

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Will graduated in the Spring of 2022 from Salisbury University with a Bachelor of Arts degree in Environmental Studies. During his senior year he joined TLG as an intern and now works full-time as the Land Technician, analyzing data and helping buyers and sellers get the best value.



**JOIN
OUR TEAM**
**NOW SEEKING
LAND ADVISORS**
**IN MD, DE,
VA, PA**



PENNSYLVANIA

MARY LAND

DELAWARE

VIRGINIA

LAND VALUATION ANALYSIS

BY NICK CAMPANARO AND WILL FEHRENBACHER

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 is placed on arms-length raw land trades occurring in 2021 and 2022.

Please note this analysis is intended to capture value trends for Agricultural land use only. Sales influenced by residential, commercial, industrial, or solar development were excluded from the analysis.

2021 & 2022 Farmland/Pasture

| COUNTY, STATE | # OF SALES | ACRES SOLD | AVG PRICE/ACRE |
|------------------|------------|------------|----------------|
| Baltimore, MD | 11 | 685 | \$12,447.46 |
| Caroline, MD | 27 | 3473 | \$7,545.10 |
| Carroll, MD | 16 | 853 | \$9,986.96 |
| Cecil, MD | 8 | 1084 | \$9,638.17 |
| Charles, MD | 3 | 94 | \$6,775.99 |
| Dorchester, MD | 22 | 1829 | \$6,943.45 |
| Frederick, MD | 9 | 693 | \$10,829.97 |
| Harford, MD | 6 | 362 | \$12,940.81 |
| Kent, MD | 12 | 1723 | \$9,989.14 |
| Queen Anne's, MD | 14 | 1730 | \$9,612.01 |
| Somerset, MD | 10 | 502 | \$6,933.02 |
| Talbot, MD | 10 | 999 | \$9,307.79 |
| Washington, MD | 6 | 388 | \$8,604.10 |
| Wicomico, MD | 13 | 618 | \$7,560.62 |
| Worcester, MD | 11 | 873 | \$7,373.90 |
| Kent, DE | 10 | 796 | \$8,471.70 |
| Sussex, DE | 7 | 513 | \$10,002.05 |
| Accomack, VA | 9 | 453 | \$4,594.57 |
| Northampton, VA | 8 | 423 | \$5,251.90 |

MARYLAND: Average tillable farmland values are \$7,000 per acre for lower and mid shore counties. Values on the upper shore come in between \$9,000 and \$10,000 per acre. Cleared land values on the Western Shore are higher and highly depend on location.

DELAWARE: Average farmland values fall between \$8,500 and \$10,000 per acre.

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

2021 & 2022 Timberland

| COUNTY, STATE | # OF SALES | ACRES SOLD | AVG PRICE/ACRE |
|------------------|------------|------------|----------------|
| Baltimore, MD | 13 | 731 | \$5,492.96 |
| Caroline, MD | 22 | 1645 | \$2,821.62 |
| Carroll, MD | 11 | 417 | \$3,916.11 |
| Cecil, MD | 6 | 319 | \$3,239.67 |
| Charles, MD | 19 | 3656 | \$2,392.40 |
| Dorchester, MD | 25 | 2031 | \$2,675.26 |
| Frederick, MD | 10 | 831 | \$5,533.08 |
| Harford, MD | 7 | 332 | \$5,011.86 |
| Kent, MD | 8 | 581 | \$4,041.34 |
| Queen Anne's, MD | 14 | 1221 | \$3,676.42 |
| Somerset, MD | 32 | 4176 | \$1,942.40 |
| Talbot, MD | 13 | 961 | \$3,659.86 |
| Washington, MD | 5 | 355 | \$2,870.05 |
| Wicomico, MD | 32 | 3365 | \$2,226.32 |
| Worcester, MD | 19 | 2573 | \$1,898.05 |
| Kent, DE | 16 | 1252 | \$3,285.49 |
| Sussex, DE | 26 | 3450 | \$3,435.74 |
| Accomack, VA | 9 | 399 | \$1,528.99 |
| Northampton, VA | 8 | 374 | \$1,835.27 |

MARYLAND: Average timberland values fall between \$2,000 and \$2,500 per acre on the lower shore. Wooded land values on the mid to upper shore range from \$2,500 to over \$4,000 per acre. Values on the Western Shore range from \$3,000 to over \$5,000 per acre and are highly dependent upon location.

DELAWARE: Average timberland values fall between \$3,200 and \$3,500 per acre.

VIRGINIA: Average wooded land values are roughly \$1,500 per acre.

The 2022 real estate market for farmland and wooded land continued its strong trend. Several contributing factors included low interest rates for the first half of the year, large amounts of liquidity in the market and increased demand from buyers looking to escape urban areas. We saw the effects of this increased demand along with low market inventory in 2022. 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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