

**THE LAND GROUP**

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# Land Report <sup>20</sup><sub>20</sub>

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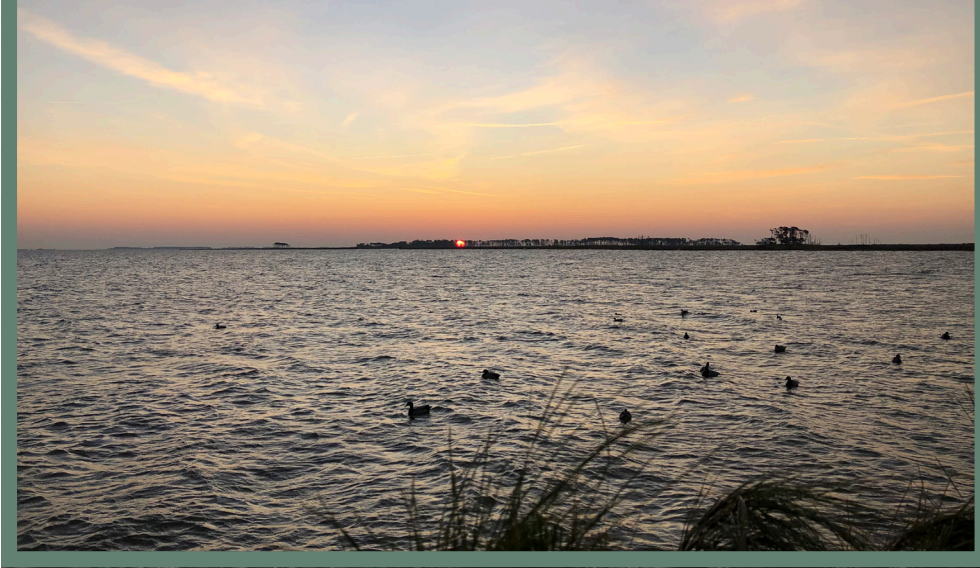
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## A NEW TRIP AROUND THE SUN

Ben Alder, Principal

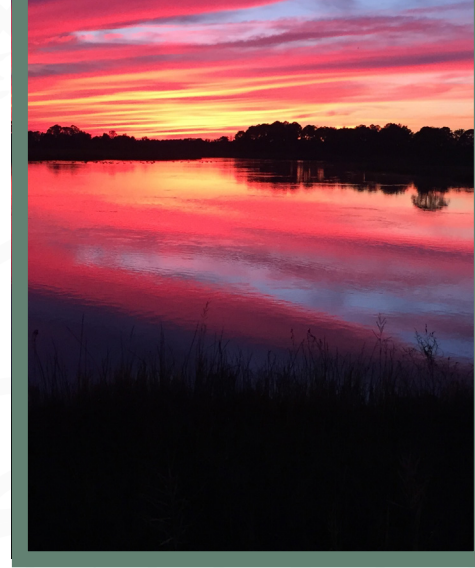
2019 has brought much change for The Land Group and we are pleased to be bringing you our 5th Land Report. I have drafted some takeaways from the land report data for your consideration, as well as a few broad brush comments on land use in our region. For the full article please visit our blog at [thelandgroup.us/acreage-blog](https://thelandgroup.us/acreage-blog).

Our Land Report this year is highlighted with pictures from the winter photo contest we recently conducted and we are appreciative of all the excellent photography submitted from around our region. The cover photograph of our report is the winning picture from this contest provided by Bob Debski.

Thank you for taking the time to review our 2020 Land Report. I hope you appreciate we are working to

bring you perspectives on the issues of the day shaping our land market from professionals who understand the resource and can provide insight as to how your land assets are being impacted by these forces.

My primary takeaway from the land sale data this year is we appear to be in a bit of a sellers market and I am reminded of a statement from a favorite American author Mark Twain when he said "Buy land, they're not making it anymore." In fact, one land owner revealed to me this Summer how pleased they were in our sale, when he explained the appreciation of his land investment we sold for him was over 400%. Putting his investment immediately back to work, he bought more land next to his primary home farm. Both history and current economic conditions



point towards incorporating land into your investment portfolio. If you make your livelihood from land like agriculture your returns are potentially even greater. Although, I recognize the alternative outcome as well in bad growing seasons, but at least in that scenario you can be assured your land value will grow and never go to zero or negative. No other assets share this characteristic. Land is never worth zero and you can always touch it, walk it and know it is there.

Let us know how we can help you this year.

Cheers,

## THE ELEPHANT IN THE ROOM

Jeremy Bertier, Advisor

Oh, there it is over there, that little hemp plant. Hemp. The hot button word for agriculture in 2019. Mention this word in a room of farmers or ag professionals and you're sure to get thoughts and opinions from every spectrum. It's been hailed as the savior of farming and criticized as the beginning of an open market drug problem.

By definition hemp is cannabis sativa, the same plant as marijuana. Hemp is distinguished by its chemical breakdown which makes it different from marijuana by having very little THC, the component that gets you high, and higher concentrations of CBD, which is combined into a multitude of medical and commercial products. It's this relationship of these two chemical compounds that has caused so much debate. Being able to regulate the levels of each chemical and then turning that into a profit for the farmer has posed a larger problem than anticipated.

So why does this matter to anyone within our land circle? I've sat through numerous presentations and heard the numbers tossed around of \$50k-\$100k per acre; investors see those big numbers and want in, farmers who have been struggling see those numbers and want in and non-agrarian folks see those numbers and start quitting their jobs and packing for the country to lay down some roots.

Nothing is ever as easy as it seems. What was hailed as a huge profit crop that was hearty and resilient showed its ugly face this year and the regulations regarding its growth, harvest and sale had some massive impacts. According to University findings, it was hard for any operation to get and keep healthy plants this year, and when it came time to harvest, many producers learned that to keep their plant at legal thresholds, they were shorting the CBD levels they needed to make any real money. If you were one of the lucky ones to make it past those hurdles you then had to find a legal and financially stable buyer. The stars didn't align for a lot of folks this year and breaking even became the goal of most operations.

The moral of this story is do your homework, reach out to the University Extension and don't get caught up in the hemp rush until you have a bullet proof plan....and then a plan B!

## CAN I BUILD ON THIS LAND?

Sue Hudson, Advisor

So, you found the perfect 50 acres and now you want to know if you can build your dream home. What next?

First, make sure the property is not encumbered with any conservation easements that would prohibit building permanent structures. Most ag/residential zoning codes allow "building by right". The biggest hurdle to cross is acquiring an approved percolation test (perc) for unimproved properties without public sewer. Regulations vary by state and county; typically, a soil consultant can help advise and evaluate the property to determine the most likely spot to get an approved perc. In short, the consultant can tell you if the property is very likely to pass, fail, or if it will be a "science project".

In Maryland, percs are overseen by the local Health Department and are typically only conducted during the wet season - December to April. In Delaware, authorized consultants can perform percs typically any time of the year and they submit the data to DNREC for approval. Once approval is granted, the approved sewage reserve area (SRA) is characteristically off-limits to structures, easements, right of ways, and driveways.

## OUR WORK CONSERVING LANDS

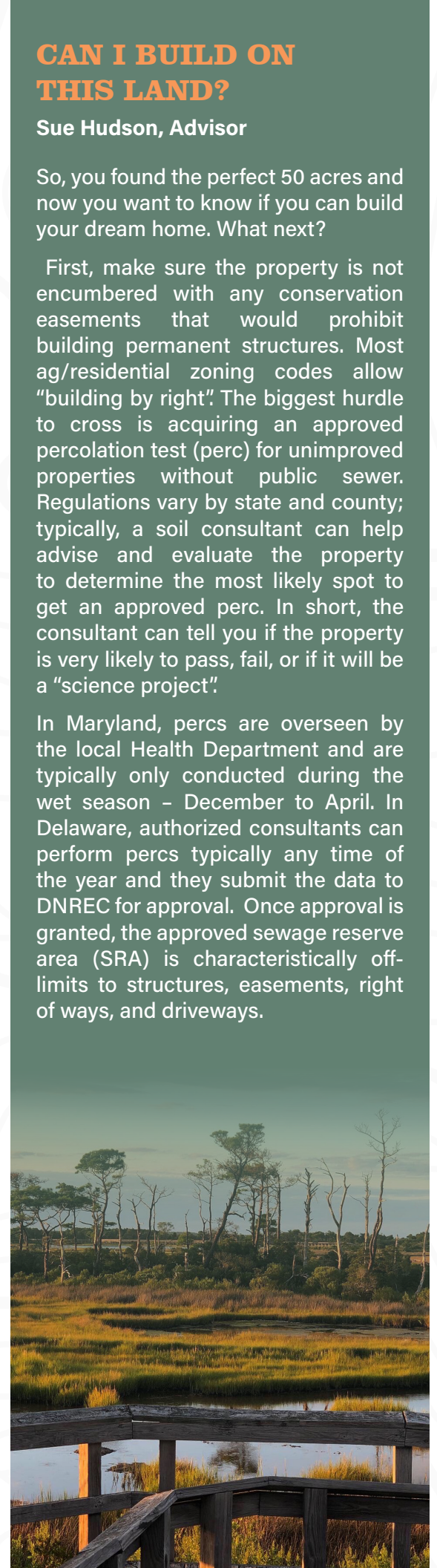
John Campagna, Advisor

The Land Group represents landowners in the evaluation and strategy of implementing conservation easements throughout the Chesapeake Bay region. This includes helping large landowners (institutions, non-profits, land trusts, etc.) create buffers of privately conserved land for the purpose of preserving natural areas and viewsheds.

This past year TLG was hired to assist George Washington's Mount Vernon in Alexandria, Virginia. The mission was to assist the non-profit working alongside the National Park Service to purchase properties in Charles County, Maryland and protect them through conservation and/or forest conservation easements for viewshed protection. To date, two properties have been purchased and conservation measures are being developed for implementation in 2020.

The properties will be sold to residential, recreational and/or conservation private buyers who in turn become stewards of these important properties while enjoying their natural beauty as their new home or as recreational land. The critical outcome of this project is standing from the Virginia side the views of George Washington's farm will be forever preserved. Additional outcomes from this project will include reducing further land conversion in the watershed to impermeable surfaces to protect water quality while also preserving natural lands for wildlife and recreation in the Potomac River watershed.

TLG focused on providing value analytics and developing a conservation strategy for each property. TLG's conservation strategies for these properties focused on outreach to partners in the region to ensure the lands would remain preserved once conveyed to new owners. Conservation consulting is an additional service TLG offers to both private and institutional organizations throughout Maryland, Delaware, Virginia, and Pennsylvania.





The goal of this analysis is to use comparable sales data to calculate per acre land values for farmland and timberland in Maryland and Delaware. 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 for Eastern Shore counties and 25 acres for Western Shore counties. Emphasis was placed on arms-length raw land trades occurring in 2018 and 2019.

## 2018 & 2019 Farmland/Pasture

| COUNTY      | # OF SALES | ACRES SOLD | AVG PRICE/ACRE |
|-------------|------------|------------|----------------|
| Charles     | 3          | 79         | \$6,506        |
| Baltimore   | 13         | 541        | \$14,994       |
| Caroline    | 17         | 1598       | \$6,304        |
| Carroll     | 8          | 231        | \$11,800       |
| Dorchester  | 21         | 1533       | \$5,462        |
| Queen Annes | 14         | 2475       | \$7,838        |
| Somerset    | 13         | 862        | \$5,375        |
| Sussex      | 9          | 657        | \$7,704        |
| Wicomico    | 13         | 806        | \$5,465        |
| Worcester   | 16         | 1232       | \$5,594        |

- Average tillable farmland values fall between \$5,000 and \$8,000 per acre for Eastern Shore Counties.
- Cleared land values on the Western Shore are significantly higher and depend on location.
- As grain prices and weather improved in 2019, 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 an upward direction.

## 2018 & 2019 Timberland

| COUNTY      | # OF SALES | ACRES SOLD | AVG PRICE/ACRE |
|-------------|------------|------------|----------------|
| Charles     | 9          | 933        | \$2,123        |
| Baltimore   | 9          | 217        | \$7,995        |
| Caroline    | 12         | 2879       | \$1,548        |
| Carroll     | 11         | 476        | \$4,498        |
| Dorchester  | 20         | 3796       | \$2,161        |
| Queen Annes | 14         | 1380       | \$2,916        |
| Somerset    | 20         | 2056       | \$1,364        |
| Sussex      | 21         | 2383       | \$2,035        |
| Wicomico    | 23         | 3819       | \$1,721        |
| Worcester   | 19         | 1319       | \$1,927        |

- Average timberland values fall between \$1,500 and \$2,000 per acre on the lower shore with slightly higher values on the mid to upper shore.
- Velocity continues to rise as the strong economy has created an increasing pool of recreational buyers.
- The data for DE timberland sales was skewed due to several large trades for land that allowed public hunting. These trades were around \$500 per acre which brought the overall average down.

Data used in this analysis is based on information provided by county tax records as well as market knowledge provided by The Land Group. For more information about the analysis please contact Nick Campanaro of The Land Group at 443-465-3520 or [nick@thelandgroup.us](mailto:nick@thelandgroup.us).

## HOLD TIGHT, THERE'S A PLAN

Beth Hill, Advisor

The past two years have been troublesome for many landowners across the state. Since 2017 we have seen the closure of several large sawmills on the Eastern Shore and the paper mill in Western MD, leaving many wondering if the investment of both time and money into woodland will pay off. Luckily, landowners aren't the only ones that are concerned. Environmentalists, wildlife enthusiasts, and government officials are also alarmed.

The Sustainable Forestry Act of 2009 declares forests as the highest and best land use for protecting the Chesapeake Bay. Sustainable forest management ensures that our forests remain healthy. There are 157,000+ private woodland landowners in Maryland that manage their property for a variety of reasons including water quality, wildlife management and timber production. Industry professionals have the equipment and expertise to properly meet these landowners' objectives, but without diverse markets

there simply isn't a home for the wood, so projects aren't getting done. Historically, the Forest Products Industry has been an economic engine that keeps our rural economies thriving. BEACON at Salisbury University published a study in 2018 on the Impact of Resource-Based Industries on The Maryland Economy, which showed that we had a \$3.5 Billion total economic output. The same study shows that forestry was 10 times larger than the seafood industry. Who knew? No wonder there is cause for alarm.

This concern united numerous private and public entities to pull together to provide time and matching funds towards a Federal EDA Grant which was awarded in November of 2019. An Economic Adjustment Strategy for Redeveloping Maryland's Forest Products Industry will begin this spring and will assist in providing a roadmap for the industry. Similar studies in other states have proven to be an effective tool especially when legislative efforts are required. Landowners will reap the benefits of this effort, so hold tight or buy now... forestland is a long-term investment.