Canadian farmland prices reach record highs in 2014, despite slower growth, says RE/MAX report

Floods and Jack Frost fail to impact farmland values

TORONTO & KELOWNA (September 30, 2014) – The record-setting pace of growth in Canadian farmland values began to slow in 2014, according to a report released today by RE/MAX.

The RE/MAX Farm Report 2014 highlights market trends in 20 rural communities across Canada. The report shows that the price of farmland in most markets across the country made small increases or held steady over the past 12 months.

The full RE/MAX Farm Report 2014, with market activity summaries for all 20 regions, is available here: http://rem.ax/YCjRsm.

While strong demand and limited supply continued to edge prices higher and spur farmland sales in many parts of Canada, the report also found that some areas saw prices level off and sales volumes drop.

Lower crop prices, floods and a ruthless winter in Saskatchewan, Manitoba and Ontario failed to significantly impact the value of agricultural land, though sellers in the areas hardest hit by the harsh winter reported seeing fewer transactions and an increase in the number of days on the market.

The price and popularity of land types varied by region, with big demand for berry farms in areas of British Columbia, hobby farms and grassland in parts of Alberta and Regina clay in Saskatchewan. Further east, cash crops and livestock operations are popular in parts of Ontario and Nova Scotia is seeing a growth in the number of vineyards.

Overall, the most common type of buyer is the experienced farming family looking to expand an existing operation. The report also found that very local considerations, such as the proximity to a processing facility or the prospective buyer’s existing holdings, drove individual transactions.

Where European buyers contributed to demand in previous years, the influence of foreign investors has dropped slightly with the rise of the Canadian dollar against the euro, which began in 2010 and peaked in 2013.

With the notable exception of Alberta, Chatham-Kent and parts of Ottawa Valley in Ontario where significant price increases are expected to continue, the value of farmland is expected to stabilize or achieve moderate growth in the coming months.

Western Canada Trends

The western Canadian market remained strong, driven primarily by Alberta, where there is intense competition for agricultural land and parts of British Columbia, where prices are the highest in the country.

“Western Canadian farmers and their families continue to display resilience, surefootedness and enduring optimism,” said Elton Ash, Regional Executive Vice President at RE/MAX of Western Canada. “Intense demand and short supply in Alberta has caused bidding wars like we see in Canada's hot housing markets. Further east in Saskatchewan, prices have gone up 10 per cent in the face of a challenging growing season."

In British Columbia, the markets surveyed for the report represented both the highest and lowest land values 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 of inventory left a lineup of well-financed farmers ready 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 affluent urbanites seeking to escape to the tranquility of the countryside.

Demand was softer moving into 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 in the area have stayed on the market for months and in some cases, years without selling.

Ontario-Atlantic Trends

"The market for agricultural real estate in Ontario and Atlantic Canada continues to be very strong," said Gurinder Sandhu, Executive Vice President at RE/MAX INTEGRA, Ontario-Atlantic Canada Division. "While the rate of price increases has generally slowed over the past 12 months, farmland values are nevertheless at record highs. We're reassured that sellers haven't seen land values depreciate with lower commodity prices and the long, nasty winter – farmers are taking a long-term view and the outlook for agricultural land is still very positive."

In some parts of Ontario, the price of farmland rose significantly. North of the Greater Toronto Area, agricultural land slated for development reached $54,000 per acre, which is more than double the price for land used for farming in the region. In southwestern Ontario, excellent soil quality in Chatham-Kent boosted the price of farmland up to $25,000 per acre – an increase of nearly 40 per cent over the previous year.

While this represented a boon for sellers, it was a barrier to expansion for some buyers. Higher prices in southwestern Ontario led to a small exodus 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.

Hobby farms are also popular across Ontario. In Kitchener-Waterloo, buyers looking for the country life lead the market in sales, though buyers in Huron County, London-St. Thomas and Bruce County are finding it more difficult to secure financing because half the property value is derived from buildings.

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 played a role in boosting prices to as high as $10,000 per acre in some areas.

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To coordinate interviews, please contact:

Western Canada

Elaine Langhout
O. 1-800-563-3622

Jay Armitage
O. 416-645-8174; C. 416-917-0489; E: jay.armitage@fleishman.ca

Ontario and Atlantic Canada
Shelby Schneider
O. 905-542-2400

Jay Armitage
O. 416-645-8174; C. 416-917-0489; E: jay.armitage@fleishman.ca