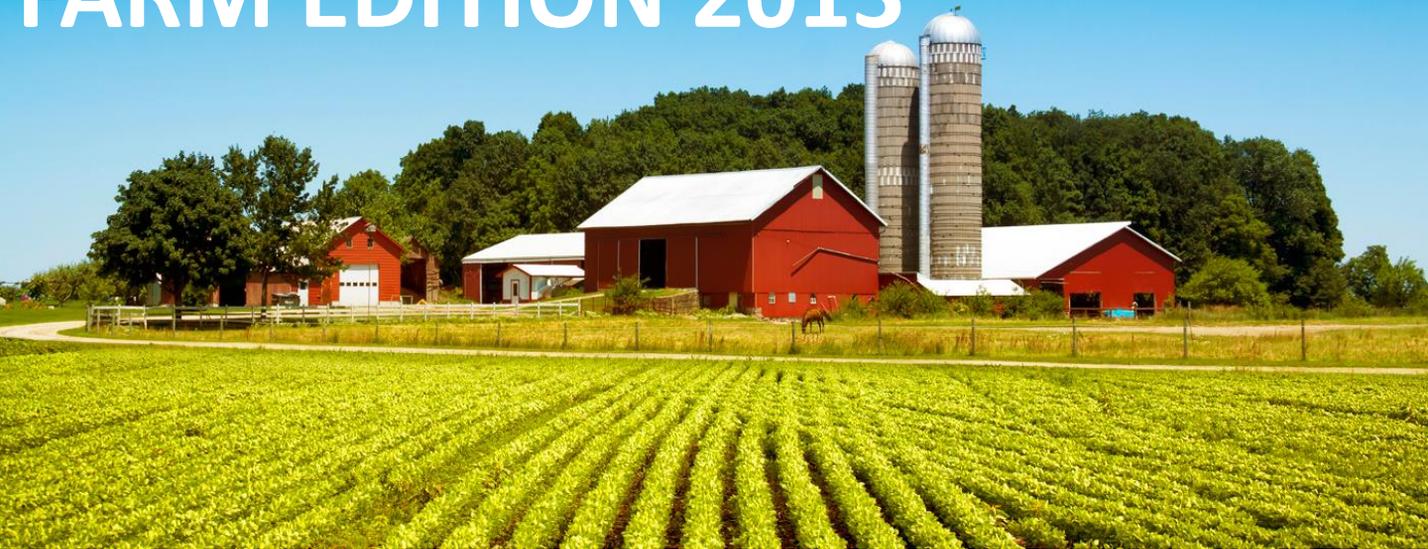




MARKET TRENDS FARM EDITION 2013



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Chatham – Kent

Demand for farmland properties in the highly productive, highly diversified county of Chatham-Kent remains strong. Yet, buyer intentions continue to be hampered by a shortage of supply, which has once again placed substantial upward pressure on prices year-over-year. Price per acre over the past 12 months ranged from \$5,000 to \$19,000, up from \$4,000 to \$15,000 in the previous 12-month period. The wide range at top and bottom end of the price spectrum reflects the large disparities in soil type in this vast region. Chatham-Kent is still viewed as some of the best land in the province with an abundance of rich soils, great climate and high heat units, being further south than the majority of the province. Buyer confidence has not faltered in light of lower commodity values, with the recent softening shepherding in a more diligent—and less emotional—consumer mindset. Days on market has increased slightly, compared to 2012, but quality parcels that are reasonably priced continue to move quickly, particularly tilled, raw land, ideal for cash cropping and/or vegetables. Properties between 50 to 100 acres are most sought-after. Expansion remains a strong driver of market activity. There have been significant areas of bush that have been cleared in this region, adding to the workable farmland, but it is also causing concern in many areas given the lack of trees in the county. Despite tighter lending criteria, most farmers are able to secure the needed financing to add to existing operations. Private sales remain quite commonplace, although auctions and tendering are faltering. As a result, many of these properties have been listed and sold on the open market (MLS). Some farmers are choosing to rent farmland in close proximity, with the going rate now around \$300 per acre range or higher for prime vegetable land. Various vegetable crops, corn, soybeans and wheat remain the dominant crops in the area, although specialty crops such as tomatoes, corn seed, tobacco and greenhouse vegetables are on the rise. In general, demand on the livestock/supply-managed end has softened and continues to decline in this county. The once-popular green energy trend seems to be on hold at the present time. To date, the growing season is shaping up well for the most part, with excess rain hampering some areas.

Overall, farmland purchasers are expected to move forward with confidence heading into the busier fall market. Conditions will remain tight into 2014, as supply and demand remain at odds, while the price per acre holds steady, unlikely to experience further double-digit upward momentum.

London – St. Thomas

Farmland sales in the past 12 month-period remained strong in London-St. Thomas, on par with levels reported in the previous years, as operators looked to expand amid/following 2012's exceptional yields and high crop prices. The first quarter of 2013 was particularly active, with solid momentum evident through March, prompting multiple offers and further upward pressure on prices. The price per acre has surged once again, posting significant double-digit appreciation in Middlesex, Elgin and Lambton Counties. Middlesex remains most sought-after, commanding an average price per acre in both the east and west of approximately \$12,000. Lambton North has edged into second, now garnering \$11,000 per acre, up from \$9,500 one year earlier. Elgin County East is now priced at \$10,000 per acre, while Elgin County West and Lambton South both offer lower price points at \$8,000 and \$7,500 per acre respectively. While prices have climbed, the momentum has slowed in recent weeks, in tandem with the drop in commodity values and the quieter summer season. Inventory remains an obstacle impeding momentum, with a shortage of prime farmland and a greater share of smaller, gentleman farms listed for sale. An emerging trend that became evident last year, whereby tendered sales and farmland auctions proved increasingly unsuccessful, has now largely become the norm—an indication that cooler heads are prevailing in the sale process. Purchasers are generally taking more time to make decisions—that is, unless the ideal parcel presents. Farmers continue to pay premium for quality farmland in close proximity to existing operations. Roughly 40 per cent of farm listings are moving in multiple offers—slightly less than one year ago. Although the bulk of buyers are end users, small and large investors remain active in London-St. Thomas and surrounding areas, attracted to the land's "growth potential." Some benchmarks have been set year-to-date, including farmland in Mount Elgin that

moved for \$21,000 an acre, while heavier land in Lambton County was able to command over \$10,000 an acre—proof that value can be in the eye of the right buyer. Tiled cash cropping farmland remains most sought-after. While demand for livestock/supply-managed farms has slowed, hog finishing barns are still sought after commodities. Gentleman farms have climbed in popularity, as a growing number of former city dwellers seek out the tranquility of country living. While pent-up demand has not yet been satisfied, it's not building at the same rate experienced in recent years. Days on market are on the upswing. While most buyers and sellers are exercising patience, those intent on selling quickly may need to adjust pricing, particularly if the land is less-than-prime. Deals that get the most buyers to the table are generating better results overall, and as a result some have started to rethink the private sale strategy. Commodity prices will continue to be a key factor impacting conditions in the months ahead, although demand is expected to remain healthy, particularly as yields are forecast to be favourable in 2013, offsetting lower crop values. In the longer term, some moderation is likely, given several years of back-to-back record-setting gains.

Woodstock - Stratford

Despite a slower start to the year, demand for farmland gained momentum in the Woodstock-Stratford area throughout the spring and has remained steady into the traditionally softer summer months. Sales are on par with 2012's exceptional levels, while prices hovering at \$15,000 to \$18,000 an acre, have now largely stabilized—a fact that has not necessarily registered with all sellers. In some cases, expectations remain ahead of the market, and a number of properties that have been tendered did not sell through the tendering process. Many of those were subsequently listed and sold with local realtors through MLS. While buyer confidence still clearly exists, that have become more careful in their approach, particularly given the fall commodity prices. Yet, many are still waiting to ante up for just the right parcel, especially those in close proximity to existing operations. Most properties are garnering close to list price if listed at fair market value. The desire to expand continues to be the primary market driver, but many intentions remain hampered

by the limited supply of available farmland listings. While the market appears relatively balanced overall, the mix of available listings does not necessarily reflect demand. There remains a shortage of workable, 100-acre parcels, priced within reason. Plenty of buyers are waiting in the wings, with bare land and dairy farms most sought-after. The tight supply of listings has created strong competition for rental land, with quality farmland now commanding upwards of \$350 to \$400 per acre. Hog and beef operations remain a tough sell in the current climate. Some of those operators are seeking out crop land to add to existing farms as a buffer against low margins. Many are using the land to grow their own feed or supplement income with a crop rotation. While lending criteria has tightened, established farmers are having no issue with financing, and some deals are taking place as cash transactions. While few new start-ups are breaking in to the industry, farms continue to pass from generation to generation, with sons and daughters expanding long-standing operations in Woodstock-Stratford. Although investors continue to make up a very small component of the buyer pool, there has been some activity noted this year. The vast majority of purchasers, however, remain end users. The trend toward hobby farming continues unabated and these properties continue to move. The 2013 growing season has benefitted from favourable conditions, with adequate rainfall and moderate temperatures. The expectation of higher yields—barring any unforeseen circumstances—may serve to somewhat offset the drop in commodity values. Overall, the outlook for farmland real estate remains positive in Woodstock-Stratford, with stability continuing to characterize the market in the months ahead.

Kitchener – Waterloo

Demand has remained strong and steady for farmland in Kitchener-Waterloo and surrounding areas in 2013. While sales have held firm year-over-year, with 14 farm properties changing hands through MLS, dollar volume has climbed 56 per cent—in part, a reflection of higher farmland values. The average price per acre has increased roughly 20 to 35 per cent from year-ago levels to reach a new record of \$15,000 to \$18,000. Inventory still remains the greatest challenge facing purchasers, as large parcels of quality, workable land remain in tight

supply. Just under three dozen listings are currently available for sale—although roughly one-third is smaller hobby/gentleman farms. Confounding the supply issue is the reality that many properties never make it to the open market, with approximately one quarter to one half of all farms moving in private transactions or at auction. Although plenty of buyers are waiting in the wings, ready to jump should the right parcel come on stream, the overall mindset of farmland purchasers has begun to shift in recent months. Rapid price escalation and a dip in peak commodity values have resulted in a more cautious approach. As a result, fewer multiple-bid situations are resulting in sales over the asking price. Average days on market has started to edge up, now hovering at 86 days (YTD 2013) vs. 72 (YTD 2012). However, prime parcels remain the exception—some have sold within hours of hitting the market. Demand remains evenly spread between cash croppers and livestock/supply-managed operations. Some benchmarks have been set in the latter category so this year, with two dairy farms fetching in the neighbourhood of \$25,000 and \$28,000 an acre, but these were particularly attractive given the amount of quotas attached. The typical dairy operation is realizing an average price per acre of \$20,000. Cash croppers, by far, remain most confident, and end users account for the lion's share of purchasers. While the banks have tightened lending criteria, most operators are having little issue securing financing, particularly given a solid equity position in many cases. Young farmers will face the greatest obstacles, but many will secure ownership with the help of family and/or seasonal farmers. One hundred-acre parcels are most sought-after. Farms priced up to \$1.8 million are moving quickly, but over that threshold, a smaller buyer pool means properties will take longer to sell. Most farmland properties, however, are being absorbed, with a current sales-to-listings ratio of 94 per cent. The outlook for the farmland real estate market in Kitchener-Waterloo remains positive, although appreciation is expected to shift into a more moderate trend into 2014.

RE/MAX MARKET TRENDS, FARM EDITION 2013 Canadian Farmland – Price Per Acre by Market			
Market	2011 Price Per Acre	2012 Price Per Acre	2013 Price Per Acre
Windsor/Essex County	\$5,000- \$6,500	\$5,000- \$6,500	\$6,500- \$8,000
-Leamington	\$7,000- \$7,800	\$7,000- \$10,000	\$11,000+
-Lower Essex County	\$4,800- \$5,200	\$5,000- \$5,500	\$6,500- \$7,500
Chatham-Kent	\$5,000- \$15,000	\$5,000- \$15,000	\$5,000- \$16,000
London-St.Thomas			
-Middlesex East	\$9,000	\$10,500	\$12,000
-Middlesex West	\$6,000	\$7,500	\$12,000
-Elgin County East	\$7,000	\$8,500	\$10,000
-Elgin County West	\$5,000	\$6,500	\$8,000
-Lambton North	\$8,000	\$9,500	\$11,000
-Lambton South	\$4,400	\$5,900	\$7,500
Woodstock/Stratford	\$9,000	\$15,000	\$15,000- \$18,000
-Norwich Township	\$10,000- \$12,500	\$10,200- \$12,750	\$11,000- \$14,000
-Bayham Township & Norfolk County	\$5,500- \$8,000	\$5,600- \$8,150	\$6,500- \$9,500
Kitchener-Waterloo	\$10,000- \$11,000	\$11,000- \$15,000	\$15,000- \$18,000
South Simcoe			
-Barrie/Tottenham/ Innisfil	\$8,000- \$10,000	\$8,000- \$10,000	\$11,000
-Holland Marsh	\$15,000- \$18,000	\$18,000+	\$20,000+
-Bradford	\$20,000	\$20,000	\$25,000+
Bruce County/ Huron County	\$4,500- \$7,000	\$5,000- \$8,000	\$5,000- \$9,000
Grey County	\$3,000- \$4,000	\$3,000- \$6,000	\$3,500- \$6,500
Eastern Ontario			
-Renfrew/Cobden			\$3,000- \$5,000
-Ottawa/West Carleton			\$4,000- \$5,000
-NorthGower/ Winchester/St.Isidore/ Casselman/Maxville			\$8,000- \$12,000
Source: RE/MAX			