

## PLANTATION SERVICES

### MARKET REPORT 2015

#### Overview

Plantation Services specializes in the sale and management of southeastern farms and plantations. The firm has offices in Albany, Georgia and Charleston, South Carolina and presently has properties for sale with a market value approaching \$200 million.

In our Market Report of 2009 which followed an average decline in land prices of 30% we predicted that values would travel sideways. With the exception of a spike in farmland and pecan grove values, this has been true now for six years. We believe this trend will continue with upward pressure coming from improvements in the economy.

#### Quail and Hunting Plantations

Recent transactions in the South Georgia area are reflecting a strengthening of prices. Many of the large quail plantations have been in the same families for generations. They are seldom sold and supply remains scarce. Since the number of plantation sales is small, a few transactions can have a big impact on values. For over a century buyers have continued to be attracted to the Albany, Thomasville and Tallahassee areas for the quality and consistency of the quail hunting, the mild climate and beautiful scenery.

In the South Carolina plantation area the city of Charleston has become the most popular tourist destination in the United States. In addition, companies such as Boeing and Volvo are making significant long term investments in the area, affecting residential and commercial real estate values. A spillover effect should occur in rural property value as companies and their executives continue to move into the region. The South Carolina Low Country which runs along the Atlantic Coast is one of the most beautiful natural areas in the country and offers a wonderful quality of life. Many of the plantations here are protected under conservation easements that will protect and preserve this pristine land in perpetuity.

## Farmland

Farmland has seen the best gain in value as an acreage class in the last 35 years. Prices for productive farm land, particularly for irrigated acreage with sustainable water sources, increased substantially during the five years prior to 2015 in most areas. The positive change in farmland values was due largely to the significant increase in prices for most agricultural commodities and the resulting strong demand from established farmers and new entrants into the agribusiness sector. Prices for most row crop and grain products have fallen over the past 12 months, without a commensurate decrease in farm input prices. 2015 net farm income is projected to be down by over 30% compared to 2014, and the 2015 total of \$74 billion is expected to be the lowest level since 2009. While this reduced farm profitability has not yet led to materially lower farmland prices, continued low commodity prices and falling farm income will inevitably lead to adjustments in farmland values. Highly productive farmland, especially irrigated cropland with good water sources and updated equipment, should retain its value relatively well.

## Pecan Groves

Despite the decline in most agricultural commodity prices, the price for pecans and the demand for irrigated pecan groves remain strong. Pecan prices peaked in 2011, doubling in just a few years, with continued strong international demand. Mature producing groves are in short supply and rarely change hands.

## Timberland

Timberland investors are attracted to the southeast for its long growing season, high site index soils, and for its traditional as well as emerging new markets for special products. Timberland produces relatively steady returns and is thought to help portfolio diversification as an inflation hedge. Recently, institutional investors have been actively competing for investment grade properties. The historic rise of pine pulpwood prices in the southeast has been a factor in the demand for timberland. However, international demand, annualized new home sales and housing starts remain below a number most experts believe is necessary to cause an increase in pine saw-timber prices which are off by over 30%. We view this as a buying opportunity for well-stocked timberland located in the paths of growth and in areas with competing lumber mills.

## Recreational Land

Recreational land in our area refers to rural property used solely for hunting, fishing and other outdoor pursuits. Recreational buyers primarily focus on the recreational benefits derived from owning the property and not the income potential. This acreage class experienced a large increase in value from the early 2000's to 2007, but also had the sharpest decline in value during the recession. Recreational buyers are now slowly coming back into the market. Land that is well located with prominent water features and excellent game populations is getting the most attention. As the population increases and development expands these properties are going to get harder to find and their values will increase accordingly. In the meantime they offer their owners, families and friends an enhanced lifestyle and years of enjoyment.

*Contributors to this report include Crisp Gatewood, Lee Walters, and Curt Hall of Plantation Services in Albany, Georgia and Lynn Dantzler and Chip Hall in Charleston, South Carolina.*

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