

1031 comes full circle

By JOSH FLINT

BEFORE the suburban building boom exploded west from downtown Chicago, Bruce Huber remembers it was easy to appraise farmland.

Huber, a broker with Schroeder/Huber LLC in Decatur, says the going rate for central Illinois farmland from 1999 to 2003 was about \$3,000 an acre.

"It was fairly easy to appraise a farm," he adds. "You could just throw a dart, and it would land somewhere around \$3,000 an acre."

Then came the influx of 1031-exchange money into central Illinois as farmers from the Chicago area purchased like assets downstate.

"The land market was stagnant for so long, it just needed a catalyst, and those guys were it," Huber says.

Ray Brownfield, a broker with the John Greene Land Co. in Oswego, was on the northern end of the 1031 land transactions. He says folks were buying anywhere from 5 to 10 acres of central Illinois farmland for every 1 acre of land sold for development. Others came out even better. Huber remembers one sale in particular that fetched \$560,000 per acre in the Naperville area.

As the price of land in the central part of the state crept up, Huber says area farmers realized they couldn't compete with this "funny money." Northern farmers were willing to pay 5% to 10% more than market value, he adds.

Where to from here?

When valuing land west of Chicago, there are really two types: tracts with strong development potential and straight farmland. While 1031 money was a result of land sold for development, Brownfield says straight farmland also leapt up in price.

In the midst of the boom, regular farmland was selling for \$12,000 to \$15,000 per acre. Even though it lacked development potential, Huber says many farmers with 1031 money bid it up against each other because they wanted to expand their operation without going downstate.

According to Brownfield, farmland values west of Chicago have fallen to \$8,000 to \$9,000 an acre. At this price, Huber has seen folks cash out their ground in central Illinois and move acreage back north.

Key Points

- Until urban sprawl exploded, farmland values were stagnant.
- Land pegged for development has reverted back to farming.
- A few northeast farmers are still farming in two locations.

"In many cases, they'll see a farm right next door and say, 'I could buy that if I sell my farm downstate,'" Huber adds.

Land sold for development has also fallen off in price. Brownfield estimates it has decreased 50% to 75% in value. In cases where the developer hadn't started moving dirt, sometimes the same farmer who sold the land was able to rent it and continue farming. In other situations, banks have started to foreclose on these tracts.

In suburban areas such as Yorkville and Plainfield, it was common for land for develop-

SIGN SAYS: Despite the signage, no building is going on in this subdivision. The four completed homes sit vacant.

ment to sell for around \$50,000 an acre. In Yorkville, Brownfield says these plots are now selling for around \$25,000 an acre. While this is too high for farm use, he's watched as investors have cautiously started buying again, with the intent to develop in the future.

In the near term, Brownfield expects land foreclosures to continue through the fall and winter. Eventually, the market will right itself and new homes will start popping up again. However, he adds, "I don't think we'll ever see it get crazy like it did three or four years ago."

Farmers with a commute

Despite accumulating sizable land holdings downstate, Huber estimates less than 5% of the suburban farmers actually



farm in both locations. In some cases, he says, folks tried it for a year and then rented it when they realized how tough it was.

Bob Stewart is one of the few who has stuck with it. After selling 190 acres in Yorkville, Bob, who farms with his brother Brad and father, Craig, doubled his acreage by purchasing land in central Illinois.

Each year, they truck equipment back and forth — a difficult job that was even tougher with this spring's weather. This year, they went south, came back north to plant when the weather broke, then moved south again. Since they don't have a machine shed at the second operation, the Stewarts had to bring the equipment back north for cleanup and maintenance.

When farming in central Illinois, Bob and Brad stay in a motor home, while the rest of the crew stays at a local hotel.

Even though he grew up in Yorkville, Bob enjoys farming in the central part of the state.

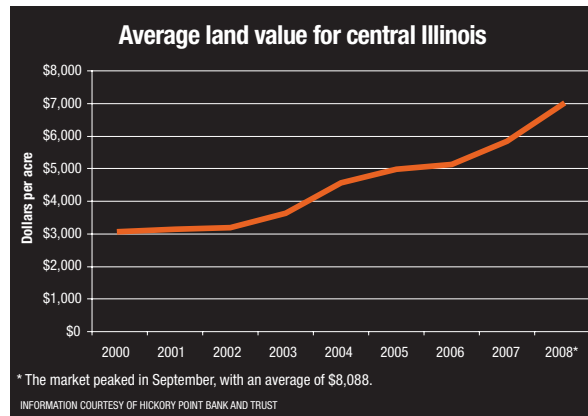
"For one thing, you look out and there's farmland as far as the eye can see," he notes.

Once the equipment is in central Illinois, it's a whole lot easier to move around.

"Up here, there's a lot of traffic on little roads that were never meant to handle that kind of traffic," Bob adds. Plus, most commuters get impatient when following a combine. Downstate, folks understand farming and are more patient when equipment clogs roadways, he says.

Farming in both locations has allowed the Stewarts' operation to grow quickly. However, Bob envies the stability enjoyed by so many central Illinois farmers. From an operational standpoint, he admits it would be nice to sell all of his northern ground and move the family south.

"It's tempting to just forget about this land and move down there," he says. "But, it's a big deal to just pull up stakes and go."



ON THE HORIZON: The water tower is representative of the influx of additional taxpayers who moved to Yorkville. However, the uncompleted subdivision is representative of the overzealous residential expansion that swept the nation.

