Iowa Investor Puts Stock in Farmland

West Des Moines, Iowa - A volatile financial market coupled with an exponential increase in land values influenced the decision of a Greater Des Moines young professional to take funds out of an Individual Retirement Account (IRA) and put stock in a piece of Madison County cropland.

Michael Schumacher, a senior account manager working in the information-technology industry, said his recent purchase of a 35-acre parcel east of Winterset was his first investment in Iowa farmland, the values of which skyrocketed 31 percent in the third quarter of 2011, compared with the year-earlier period, according to a November report by the Federal Reserve Bank of Chicago.

The tumultuous nature of the stock market in recent years led Schumacher, 42, to reevaluate his investment strategy. Focused on diversifying his portfolio, he expects his latest venture to garner a consistent rate of return and possibly lead to a larger payoff years, or even decades, down the road.

Schumacher, who attended a number of Peoples Company Land Auctions as he searched for a piece of land in Central Iowa that met his criteria, said the West Des Moines-based company ultimately collaborated with another land brokerage to locate an appropriate piece of ground.
FOURTH ANNUAL CHARITY MONOPOLY TOURNAMENT

The 4th Annual Charity Monopoly Tournament presented by Peoples Company will be held on February 23, following the UNI Real Estate Networking Fair hosted by the University of Northern Iowa’s Real Estate Education Program and Finance Department. Players will try to accumulate more property, wealth, and money than their fellow table members with this popular American board game! There will be five players per table with one preliminary round and one final round, lasting one hour each. Funds generated by the tournament will be used by the Real Estate Education Program to provide funds for faculty salaries and benefits, operating expenses for the UNI Center for Real Estate Education, funding for student seminars and activities, and to continue to provide state-of-the-art curriculums and course development. For more information, contact Scott Kelly at (515) 473-8913 or Steve Bruere at (515) 240-7500.

FIFTH ANNUAL BUILDER/DEVELOPER LUNCHEON

Those who have an interest in learning about the state of the Des Moines Metro housing lot inventory should mark their calendars for the 5th Annual Builder/Developer Luncheon presented by Peoples Company on March 2, at the West Des Moines Sheraton Hotel.

Robert Nye, SVP, Retail Finance for Wells Fargo Home Mortgage, will discuss the highlights of the housing market on both a local and a national level. Robert is responsible for financial management of the retail origination channel, including budgeting, forecasting, reporting and analysis of financial results for Wells Fargo Home Mortgage.

Peoples Company will give an update on current inventory of new construction by community and lot inventory, as well as introduce several new developments. If you are interested in attending the spring builder luncheon please contact Jan Sponsler at (515) 473-7462 or email jan@peoplescompany.com.
The Art of Selling Land by Vince Johnson

With record land sales making headlines daily, it seems as if anyone can sell a farm in the current market. The frothiness in the land market is certainly making those of us in the land business look like heroes. However, there is no shortage of sales that have fallen short of the mark when not properly promoted.

As land agents for Peoples Company, we are encouraged to follow all of the land sales in our trade territories. I personally monitor sales in multiple counties, including off-market transactions, attorney sales, sales by competitors and sales by auctioneers. For every record-setting sale you hear about, there are many others that haven’t achieved market value, thereby falling short of the seller’s expectations.

I’m biased toward our unique approach and value proposition, which couples aggressive marketing tactics with both land auctions and traditional brokerage and sales services for our clients, whereas some land brokerages only offer one sales methods.

I also believe in the art of selling land.

Some land companies offer only one sales method, which may not be ideal for your specific situation. Since not all land is created equal, understanding which sales method to use is vital to achieving a successful outcome.

With the average price of Iowa land exceeding $6,000 per acre, each 160-acre parcel is worth nearly $1 million, making the decision of who you partner with to sell your land more vital than ever.

Here are some things to consider when choosing with whom you will partner with to sell your land:

- Marketing: Proper marketing of your property is the first step in a successful land sale. Today’s land buyers are technologically savvy and equipped to get their news and information outside of the traditional newspapers of the past. They want information as quickly as possible, with anonymity and privacy. Peoples Company continues to use traditional marketing methods as it looks beyond print advertising to web- and mobile-based solutions that allow us to reach an ever-expanding audience of potential buyers and investors. Our industry-leading website has more than 10,000 visitors per month and our strategic use of electronic communications, such as email blasts, blogs and social media sites (Twitter, Facebook, LinkedIn, YouTube, etc.) help us promote our clients’ properties to make sure your land receives maximum exposure to the marketplace.

- Broker Participation: Peoples Company cooperates with other brokers to maximize the selling price of your land. Essentially, this puts other brokers across the country to work for you and for the representation of your land. This option is not typically utilized by alternative methods, such as sealed-bid auctions or private treaty sales. We also work together as a team to achieve maximum exposure for your land, and collaborate with professionals such as lenders and attorneys to ensure you receive the best possible representation.

- Investor Database: By choosing Peoples Company to represent your property, you gain access to investors through our network of buyers and sellers through events such as the annual Land Investment Expo.

- Professional Auction Services: If an auction is determined to be the best method to sell your land, you can be assured our professional team will ensure a smooth auction process leading up to and including sale day.

- Market Knowledge: The market changes daily in today’s volatile economic environment. Peoples Company stays up-to-speed on how these changes may affect your transaction.

- Advocacy: An in-depth understanding of farm programs, soil fertility, farm leases and other farm-related issues that others may not recognize allows Peoples Company to properly advocate your property and use this information to maximize your selling price.

For those of you who have been loyal attendees of the Land Investment Expo, you likely noticed a small change to the Land Expo logo. As Peoples Company continues to expand into other states, we felt removing “Iowa” from the name was prudent because we want to host an event that is relevant to not only landowners in Iowa, but throughout the country and across the globe. With attendees from 17 states at last year’s conference and an internationally known speaker, the Land Investment Expo has evolved into an event that includes opportunities to discuss emerging opportunities in land investment and agriculture as it relates to a global marketplace.

Confirmed speakers include financial analyst and forecaster Vincent Malaga of New York consulting firm LaSalle Economics Inc.; Mark Dotzour, chief economist and research director for the Real Estate Center at Texas A&M University; National Cattlemen’s Beef Association President and Montana rancher Bill Donald; and respected climate and weather oracle Elwynn Taylor of Iowa State University.

Attendance is limited to the first 500 individuals. Registration is $75 per attendee, which includes an all-day pass to informational sessions, continental breakfast, catered lunch, social hour and networking opportunities. For more information about the Land Expo, please visit www.LandInvestmentExpo.com or call 1-855-800-Land.
PEOPLES COMPANY AND SOCIAL MEDIA

Peoples Company has long embraced the development of industry leading websites and electronic communications methods to cultivate strong relationships that lead to successful transactions among buyers and sellers of land in the Midwest.

As advances in technology open up exciting new channels of communication, and a generational shift in farmland ownership nears, we are reinforcing our commitment to online tools with the launch of a full-scale social media campaign aimed at building a robust network of landowners, investors, developers, brokers and other real estate professionals.

New land listings, upcoming events, land auction videos and an aggregation of farmland and real estate-related news are among the timely and relevant information that friends, followers and subscribers may now find on Twitter, Facebook, LinkedIn, YouTube and www.PeoplesCompany.com, where our nearly 40-year-old land company has started a new blog.

With 30 agents who effectively use electronic soil maps, Farm Service Agency Field Maps, Google Earth satellite maps and aerial imagery as cutting-edge marketing tools, Peoples Company continues to set itself apart as a thought leader in the burgeoning Midwest land industry in advance of our Fifth Annual Land Investment Expo (www.LandInvestmentExpo.com) in West Des Moines.

“Social media allows our technology-savvy agents and staff to form new connections online while reinforcing the business relationships that Peoples Company has successfully cultivated over the years,” said Peoples Company President and CEO Steve Bruere. “Combining our proven and aggressive land marketing techniques with an established presence on sites such as Facebook, LinkedIn and YouTube will allow us to connect even more prospective buyers, sellers, lenders, brokers and other stakeholders as the next generation of landowners crops up.”

For the most recent updates on Peoples Company listings, auctions and events, as well as an aggregation of the latest Midwest farmland and development news, please find, friend and follow us today.

LinkedIn: www.LinkedIn.com/company/Peoples-Company
Facebook: www.Facebook.com/PeoplesCompany
Twitter: www.Twitter.com/PeoplesCompany
YouTube: www.YouTube.com/PeoplesCo

Let Peoples Company Be Your Resource by Ron Beach

As the newest sales associate to join the Peoples Company organization, I’ve earned the privilege of introducing the company’s services in Western Iowa to bankers, attorneys, trust officers, CPAs, accountants and other trusted advisors. Peoples Company has built their business by serving referral sources and I’m proud to be an extension of that network. Though it’s been hard work getting out and re-introducing myself it’s refreshing to be a part of a proactive organization that is adding value to transactions with a real estate element. Our team of 30 real estate professionals has extensive backgrounds in ag and commercial banking, finance, business management, accounting, land management, auctions, farming, business consulting and receivership management. With this combination of skills and expertise, Peoples Company has been instrumental in working through many complex transactions on behalf of banks, attorneys and other professionals.

In addition to expanding the Peoples Company brokerage, auction and land management services to Western Iowa, I will be blending my skills and background into the company by providing specialized services for large livestock facilities and ag-related production/processing facilities, as well as receivership and management services to lending institutions for their problem or distressed accounts and properties. I have provided consulting and management services to a diverse spectrum of agricultural producers, businesses, banks and attorneys and have completed a significant amount of experience working with management of distressed businesses, restructures and liquidations. I like to say if the issue involves a banker, accountant, insurance agent or lawyer, then it’s an issue I can help with.

My professional knowledge, skills and experiences have been gained through a multi-faceted career in finance, management and leadership spanning corporate positions to start-up ventures to consulting roles. I look forward to being a member of the Peoples Company team of professionals and providing innovative real estate solutions to our clients and customers. If Peoples Company can serve as a resource to you in your business, please give us a call.
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“I was looking to get off the roller coaster ride of the markets and find something with a steady yearly return, and a potential upside in the long-term,” he said. “I believe the farm investment gives me that with the yearly crop rental and the explosion of land values.”

Though Internal Revenue Service (IRS) regulations allow people with self-directed IRAs to invest in real estate, a custodian is required to facilitate such transactions. Finding a custodian can take some time. But Schumacher said the relationships Peoples Company has developed with bank trust departments helped streamline the process.

“We have a network of custodians willing to provide these services,” said Peoples Company President and CEO Steve Bruere. “The lasting relationships our agents have built over the years has provided us with the necessary infrastructure to handle these types of land deals.”

Peoples Company Land Manager Randy Luze said the company would manage Schumacher’s property, including the provisions of the investor’s farm lease, and work directly with the custodian to address any issues that may arise.

“I spoke with the trust officer that Mike selected to serve as his IRA custodian and outlined the management system we offer to assist with their duties as custodian, and complying with IRS requirements,” Luze said. “Our management program also addresses the key management factors of soil conservation, fertility management, and equitable compensation for the land investor through our flexible cash rent lease and accounting system. We strive to maximize land values by maximizing crop yields and documenting the yield and fertility history of the farm.”

“No one can do this transaction,” Schumacher said. “Peoples Company understands this process. It has the wherewithal to guide folks through the process if they so choose.”

RECREATIONAL MARKET  by Brad Van Weelden and Mike Nelson

With tillable sales of $10,000 or more per acre becoming commonplace in today’s land market, the recreational market has taken a backseat in the coffee shop talk. A large part of our land business consists of pasture, hay, timber and CRP, so this is an area we pay close attention to. There are several factors on the horizon that are or will be impacting this market.

The first and most obvious is that the values of tillable acres on these farms are increasing. Timber prices have held steady the last few years, but if you have a parcel that consists of half timberland and half tillable acres, the tillable is bringing up the overall price per acre substantially in some cases. Many CRP contracts were enrolled or re-enrolled in 2011, at prices that more than double existing payments. Does this double the value of the farm? The new contracts also have strings attached that increase up-front costs and require a more stringent mid-contract management plan making it more challenging for investors to hold these farms. The Adjusted Gross Income limitations could also be revised to a $250,000 limit, which would take many investors out of the market. Some additional factors that could have an impact on these tracts in the near future are political. House Bill 680 would eliminate tax exemptions on acres held in the Timber Reserve Program by 2021. House Bill 681 would limit this exemption to only 15 percent of all available acres. It seems likely one of these will pass and lead to an added “luxury” tax for those holding this ground.

Last of all is the ongoing debate over allowing out-of-state hunters to draw a yearly buck tag. Whether the out-of-state hunter is a landowner, investor or just a visitor, they can only draw a buck tag every three years. With a government short on funds, you can bet this will be up for debate each year as a way to increase revenues. Allowing non-residents to receive a buck tag each year will result in more license sales, and increase land values along with taxes on these values.

These are just a few variables to consider when placing values on these farms.
There is no shortage of coffee shop conversation or headline articles about land values as the land market continues to reward sellers with record-high prices. Missing from the headlines are the “no sales” and the results for combination farms, development land and in-depth insight into the buyer pool. With our winter auction season underway and millions of dollars of auctions behind us, I’ve been paying close attention to who the buyers are, and more importantly who’s not buying and why.

I continue to drive away from our auctions pleased with the results yet extremely nervous about the next one. With neighbors being the predominant buyers, investors have all but quit coming to the auctions only to come up short in the bidding. In Iowa, where the average 160-acre tract of land is now worth $1 million, finding buyers with the capacity to take these tracts down is not an easy task, nor is replicating sales of $10,000/acre or more.

Given the diversity of our land business, we have had the opportunity to market several tracts of high-quality farmland in the path of development. One would think that high-quality land with development potential would sell for more than a high quality farm in rural parts of the state. It seems that everything you gain by having future upside is lost by not having an aggressive neighbor bidding. In many cases the neighbor is an established subdivision, a bank foreclosure or a distressed developer. In my mind, these sales give a true snapshot of land values as the bidders aren’t bidding aggressively to own an adjoining piece, but are instead bidding based on the properties economics.

We continue to fill our auctions with 50 to 70 people and continue to get excellent results. With that said, you can’t take for granted that the neighbor will buy. In some cases, I’ve seen some excellent buys on properties where our competitors make an assumption that a neighbor will be aggressive, or an attorney who solicits sealed bids assumes buyers will line up at the door. Though there are plenty of examples of where this works, we have just as many of examples of where these deals fall through the cracks.

For those of you who are looking at making an investment in land, I believe patience will reward you as you look for these types of opportunities. For sellers, the stakes have never been higher and we continue to religiously follow our marketing strategy to ensure our auctions don’t fall through the cracks. When I get home from our auctions, my wife always asks how the sale went. I tell her I’m one neighbor with a flat tire away from having a lackluster sale. Though this is an exciting time to be in the land business, it is a roller coaster ride.

I continue to have mixed emotions as to where the land market is headed, and depending on the day, I find myself both bullish and bearish. The topic of values will be alive and well at the Land Investment Expo on January 20, 2012, where our speakers will give their insight into the land market. We have assembled another excellent program with the goal of providing you with an educational resource and the opportunity to network with other people and companies. I invite you to take a day from your regular routine to hear our speakers, meet our sponsors and vendors, and spend an enjoyable Iowa winter day with us at the Sheraton West Des Moines Hotel.