

Land Market Activity in North Dakota

Second Quarter, 1945¹

by

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Land prices this quarter remained at approximately the same level as in the two preceding quarters. Sellers continued to furnish the largest part of the credit, and individuals made the most new loans. Interest rates on new mortgages were largely from 4 percent to 5 percent, and the greater share of the mortgages were for a term of 5 years or less. The volume of sales was 10 percent less than last quarter and 21 percent less than a year ago. Most of the sellers were nonfarm individuals; corporations have become less important. The greatest share of the buyers were farmers and most of the farmer buyers were owner-operators.

Land Prices

Land prices in the 4 North Dakota counties selected for study remained at approximately the same level this quarter as last quarter. The index (1941 = 100) of 158 in Ward County was, however, the highest since the beginning of the survey (table 1). The index of 208 in Morton County was higher than last quarter but lower than in the

4th quarter of 1944; the index of 134 in Traill County was slightly lower than the preceding quarter; and the index of 161 in Stutsman County was the lowest in the past several quarters. Although the 4-county average index indicates a leveling off of land prices, local informants report a strong market. Even in the rising market since 1941, prices in the second quarter in 4 years out of 5 were at about the level or lower

Table 1
Index of land prices of all sales other than tax-deed land,
4 selected counties in North Dakota.

(1941 = 100)

| County | Average land price index | | | | 1945 | |
|-------------------------------|--------------------------|------|------|------|-------------|-------------------------|
| | 1941 | 1942 | 1943 | 1944 | 1st quarter | 2d quarter ¹ |
| Morton | 100 | 152 | 172 | 211 | 203 | 208 |
| Stutsman | 100 | 133 | 158 | 167 | 178 | 161 |
| Traill | 100 | 105 | 123 | 125 | 140 | 134 |
| Ward | 100 | 101 | 112 | 142 | 142 | 158 |
| 4-county average ² | 100 | 121 | 139 | 158 | 164 | 163 |

¹Preliminary.

²Geometric mean in which each county has equal weight.

³Progress report in Purnell Project 108, North Dakota Agricultural Experiment Station in cooperation with the Bureau of Agricultural Economics, U.S.D.A. based on voluntary transfers in Morton, Stutsman, Traill and Ward Counties, including unrecorded county and state contracts for deed.

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than the first quarter, and this in part may account for prices remaining at the same level this quarter.

The average price per acre, not including county sales, was \$11.80 in Morton County, \$10.87 in Stutsman County, \$36.38 in Traill County, and \$13.90 in Ward County. Morton County was the only one having a higher average price per acre this quarter than in the previous quarter. Traill County was the only county having an average price per acre lower than a year ago. Changes in quality of land sold affect the average price.

Of 219 tracts sold this quarter, 25, or 11 percent, had been purchased within the previous 24 months. However, 20 of the 25 tracts had been held less than 12 months, and 16 of the 25 tracts had been held less than 6 months. Most of the resales occurred in Stutsman and Ward Counties, with Traill and Morton reporting 1 resale each.

Price information was available on only 14 of the tracts resold. Four of these were resold within a period of 16 to 20 months, for an increase in price of 52 percent. Nine were resold after an average lapse of time of 2½ months for an increase in price of 12 percent.

Financing of Land Purchases

Cash sales continued to be the most prevalent type of sale. Sixty-nine percent were cash sales this quarter, 10 percent were financed with mortgages, and 21 percent were contracts for deed. Comparing this quarter with the previous quarter, there was a slightly higher proportion of cash sales, a smaller proportion of mortgage-financed sales, and a higher proportion of contracts for deed. Compared with a year ago, there was a considerably higher proportion of cash sales this quarter, about the same proportion of mortgage-financed sales, and a much smaller proportion of contracts for deed. The greater share of the contracts for deed were made by the counties, mainly in Stutsman and Ward Counties.

Sellers continued to furnish most of the credit used to finance land sales. Seventy-eight percent of the sales involving credit were financed by the sellers, and 22 percent were financed by others. There were no sales involving credit in which the buyers had assumed existing mortgages.

Of the 18 mortgages on which information was obtained, individuals were the lenders in 11 cases, a commercial bank in 1, an insurance company in 1, and other corporations in 5 (table 2). The most activity in lending money to finance land purchase was in Ward County. The interest rates ranged from 3 percent to 5 percent. Seven of the individuals charged 5 percent interest, 2 individuals charged 4 percent, and one each charged 3½ percent and 3 percent. The insurance company and the commercial bank charged 4 percent interest. Other corporations charged 4½ percent and 5 percent interest. Fifteen of the 18 mortgages were for a term of 5 years or less. Two mortgages were payable in 10 years and 1 mortgage in 11 years.

The buyer's equity in land purchases financed with mortgages was 34 percent in Morton County, 38 percent in Stutsman County, and 47 percent in Ward County. In Traill County, no mortgage-financed sales nor contracts for deed were reported. For all of the mortgage-financed sales, the buyers had an average equity of 44 percent, which is the same as in the previous quarter. The buyer's equity in contracts for deed was 20 percent in Morton County, 25 percent in Stutsman County, and 29 percent in Ward County. The average equity in contracts for deed was 26 percent.

Volume of Sales

There were 219 sales in the four counties this quarter, which is 10 percent less than the previous quarter and 21 percent less than a year ago. Compared with a year ago, the volume decreased 31 percent in Traill County and 18 percent in Stutsman County. Ward and Stuts-

Table 2
Type of lender and rate of interest of new mortgages
recorded in 4 selected counties in North Dakota.

| Type of lender | Number of loans made | Interest rates | | | | |
|---------------------|----------------------|----------------|----------|----------|----------|----------|
| | | 3% | 3½% | 4% | 4½% | 5% |
| | | Number | Number | Number | Number | Number |
| Individuals | 11 | 1 | 1 | 2 | 0 | 7 |
| Commercial banks | 1 | 0 | 0 | 1 | 0 | 0 |
| Insurance Co's..... | 1 | 0 | 0 | 1 | 0 | 0 |
| FLB-LBC | 0 | 0 | 0 | 0 | 0 | 0 |
| Others | 5 | 0 | 0 | 0 | 4 | 1 |
| Total | 18 | 1 | 1 | 4 | 4 | 8 |

man Counties had a few more sales this quarter than in the preceding quarter, but Morton and Traill had considerably less. The sales made by the state and county governments were about the same this quarter as in the first quarter, but nearly 50 percent less than a year ago. There were no sales of state and county land in Traill County.

The greatest sales activity this quarter took place in Ward County, where 1.8 percent of the land in farms was transferred. In Stutsman County, 1.3 percent of the land in farms transferred; in Morton County, 0.7 percent; and in Traill, 0.5 percent. Stutsman County was the only county in which a larger percentage of the land in farms was transferred this quarter than last quarter.

In spite of good income of the past few years, there were 26 distress transfers. Half of the distress transfers were foreclosures, and the other half were tax-title actions. All of the distress transfers recorded in Morton, Stutsman, and Traill Counties were foreclosures; and in Ward, there were 2 foreclosures and 11 tax-title actions.

Type of Seller

The principle type of seller this quarter was again the individual. Individuals and estates accounted for 71 percent of all the sellers; all of the corporations combined, which includes the insurance companies,

commercial banks, federal land bank, and other corporations, accounted for 10 percent; state credit agencies, 3 percent; and the counties, 16 percent. Of the individual sellers, 69 percent were nonoperators, 17 percent were owner-operators, 5 percent were unclassified individuals, and 9 percent were estates. Corporations are continuing to be less important as sellers of land in North Dakota.

Of the owner-operators who sold, 77 percent continued to farm, 14 percent went into other civilian occupations, and 9 percent were claimed by death or retired.

Type of Buyer

Farmers bought 69 percent of the tracts sold this quarter and nonfarmers 31 percent. Eighty-two percent of the farmer buyers were owner-operators, 15 percent were tenants, and 3 percent were unclassified. The high percentage of owner-operators buying land indicates a large number are increasing the size of their ownership. Of the nonfarmers, 95 percent were residents, and only 5 percent were nonresidents.

The intention of practically all of the farmer buyers was to operate the land they bought. Only 2 owner-operators, of all the farmer buyers, had purchased land with the intention of leasing it. The nonfarmer buyers purchased land primarily to lease, as only 1 of 58 of these buyers planned to operate the land.