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the MINNESOTA RURAL REAL ESTATE MARKET in 1965

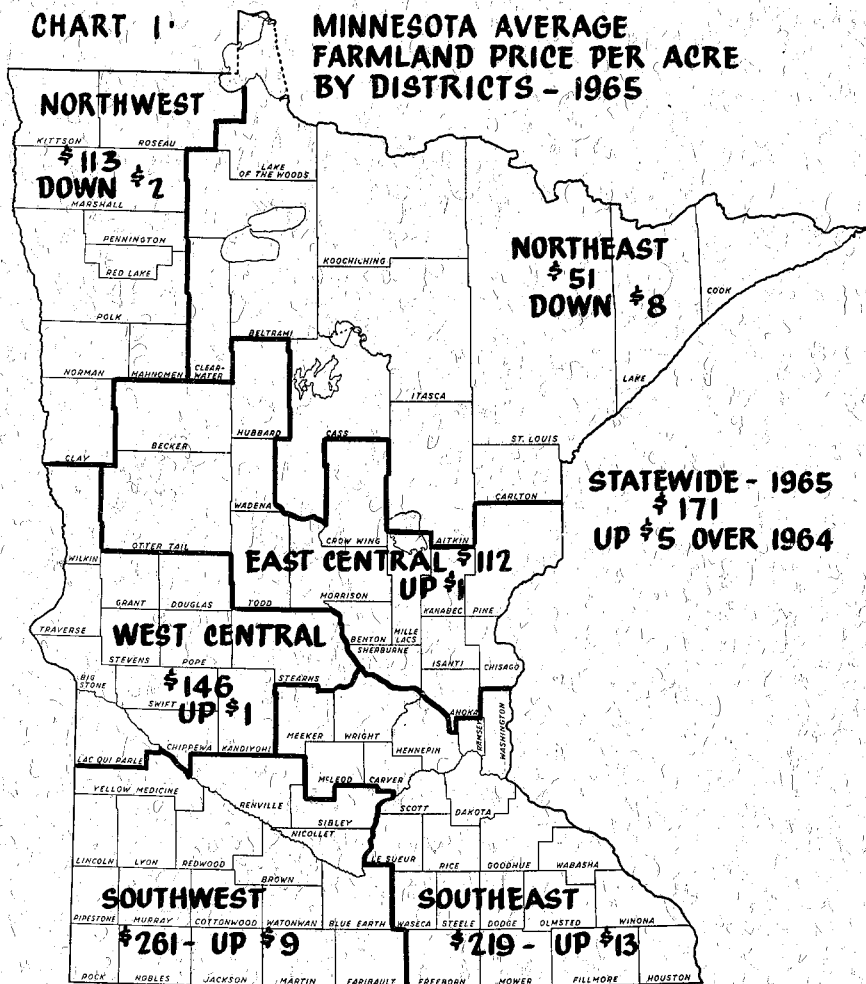
----- including a special study of the
**SMALL TOWN RESIDENTIAL
PROPERTY MARKET**

**JOHN C. ENGLISH
PHILIP M. RAUP**

**DEPARTMENT of AGRICULTURAL ECONOMICS
INSTITUTE of AGRICULTURE UNIVERSITY of MINNESOTA
ST. PAUL, MINNESOTA**

CHART 1

**MINNESOTA AVERAGE
FARMLAND PRICE PER ACRE
BY DISTRICTS - 1965**



The Minnesota Rural Real Estate Market In 1965

BY JOHN ENGLISH AND PHILIP M. RAUP
MARCH 1966

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Summary

Farm Real Estate Market

Farm land values are rising slowly after being stable between 1959-1962. Increases have been centered near the Twin Cities.

Land turnover remains at a low level.

Farm expansion buyers in 1965 purchased more than a half of all farms reported sold. This is the first time expansion buyers have accounted for over half of the farm land market.

Expansion buying has narrowed the differential in value between land with and without buildings. Unimproved land sold for 89 percent of the price received for land with buildings in 1965.

Credit financing remains at a high rate with the land contract being used in almost half of all sales.

Town Residential Sales (Towns of under 5000 population only)

The value of houses (including lots) in small towns is highest in the Twin City area and Southeastern Minnesota. Houses constructed since 1946 have almost fifty percent higher values than those of pre-World War II construction.

The residential real estate market was again weakest in Southwestern Minnesota.

Introduction

An introductory note will clarify the types of data and terminology used in this bulletin. Some unfamiliar terms are used throughout the report, often preceding the section in which they are defined. It will facilitate the reading of the bulletin to define them here.

Land market data reported in this survey are collected in July of each year by mail questionnaires returned by farm real estate dealers, loan agents, bankers, lawyers and others with specific, first-hand knowledge of their local farm real estate situation. In 1965, out of approximately 1200 individuals sampled, questionnaires were returned by some 800 respondents located throughout the state; 676 of the returns were complete and form the basis for this report. The period covered is January through June. In the analysis, data from Hennepin and Ramsey counties (Minneapolis and St. Paul) were excluded.

Reporters in this annual survey of the Minnesota farm land market are asked to supply two types of data:

Estimates, in response to the question "What is the current price per acre of the average size farm of average value in your community?" A second question asks for the estimates subdivided according to "good," "average," and "poor" grades of farm land. These estimates are averaged by counties and weighted by the area of land in farms in each county, in computing district average land prices. These estimates form the basis of the reports of year-to-year changes in land prices. The analysis of land prices and trends in Section A of this report is based on these estimates.

Factual data are obtained on farms sold in the reporters' communities, including sales prices, characteristics of buyers and sellers, and methods of financing for tracts sold for agricultural purposes. These cover actual sales made during the annual survey period of January 1 to June 30. Data on sales are used in Section A only in discussing factors that influence current land market trends, e. g. number of sales. A more detailed analysis of the sales data is presented in Section B of Part I of the report.

The estimates of farm land value are a more reliable basis for comparing year-to-year trends than are the reported prices received in actual sales, for these reasons: There are erratic and occasionally wide variations in the qualities of land and buildings actually sold and in the number of sales that may occur in any given year and locality. Typically, there are 25 to 50 voluntary farm sales per year in a representative Minnesota county. A reported change in average sales prices

may reflect primarily a variation in quality of land or buildings due to one or two unusual sales, or it may actually represent a change in local land prices. It is difficult to correct for variations in land and building quality when interpreting sales prices.

Throughout this report frequent mention is made of three classes of buyers: operating farmers, who bought farms for owner operation, as complete units; farm expansion buyers, either ongoing operating farmers or investors, who added the land purchased to existing operating units; and investor buyers, who bought tracts to be operated as separate units, by a tenant or manager.

In analyzing farm sales in terms of quality of the land and condition of the buildings, reference is made to improved and unimproved farms. Unimproved farms are those without buildings or permanent structures. Improved farms are those which contain buildings, irrespective of condition.

Part II contains an analysis of the residential market in small rural towns and cities with less than 5,000 population. Information for this study was obtained through a separate mail questionnaire included with the farm land market questionnaire. As in the farm land survey, reporters were asked for both estimates of residential real estate values, and data on actual sales, for the same reasons discussed above in connection with the farm land survey. Care should be used in noting headings and subtitles so that the data on estimates and on actual sales are not confused.

The appendix to Part I contains farm land price averages from 1910 to the present. It also contains a statistical analyses of the reported farm sales since 1956, showing the range of variation in sale prices within the districts and for the state as a whole.

Part I: The Minnesota Farm Real Estate Market in 1965

A. LAND MARKET TRENDS BASED ON REPORTERS' ESTIMATES

Land Price Trends

Minnesota land values are still moving slowly upward after being virtually stationary from 1959 through 1962. Estimated values for the State as a whole in 1965 were \$5, or almost three percent, above those for the previous year (see Table 1). In the two southern districts there were significant increases in value, \$13 per acre in the Southeast and \$9 per acre in the Southwest. In the East and West Central Districts values were virtually unchanged, increases of \$1 per acre being reported from both regions, while in the two northern districts declines in estimated value were reported, by \$2 per acre in the Northwest and \$8 per acre in the Northeast. These changes are shown graphically in Chart 1.

Table 1. Estimated Average Prices Per Acre of Minnesota Farm Land, by Districts, 1959-1965

District	Average Price Per Acre in:						
	1959	1960	1961	1962	1963	1964	1965
Southeast	191	188	189	192	194	206	219
Southwest	255	248	247	250	246	252	261
West Central	134	133	133	138	142	145	146
East Central	89	94	95	99	103	111	112
Northwest	103	99	103	104	114	115	113
Northeast	58	64	64	69	68	59	51
Minnesota	157	155	156	159	161	166	171

Between the end of World War II and 1959 land values rose almost continuously throughout the State as is illustrated graphically in Chart 2. Since 1959 over the State as a whole farm land values have continued to increase, but the rate of increase has been lower than in the earlier period. As is illustrated in Table 2, increases have been much more pronounced in the Southeast and East Central districts than in the remainder of the State. These regions surrounding the Twin Cities are those in which the non-farm demands for land are relatively strongest. In both these districts values rose by more than fourteen percent between 1959 and 1965. This compares with increases of almost ten percent in the West Central and Northwestern districts and two percent in the Southwest. In the Northeast district in the same period estimated values have fallen by twelve percent; in fact they rose to a peak of \$69 per acre in 1962 and have fallen more than twenty-five percent since then.

**CHART 2 - ESTIMATED AVERAGE PRICES PER ACRE OF
MINNESOTA FARM LAND, BY DISTRICTS 1945-65**

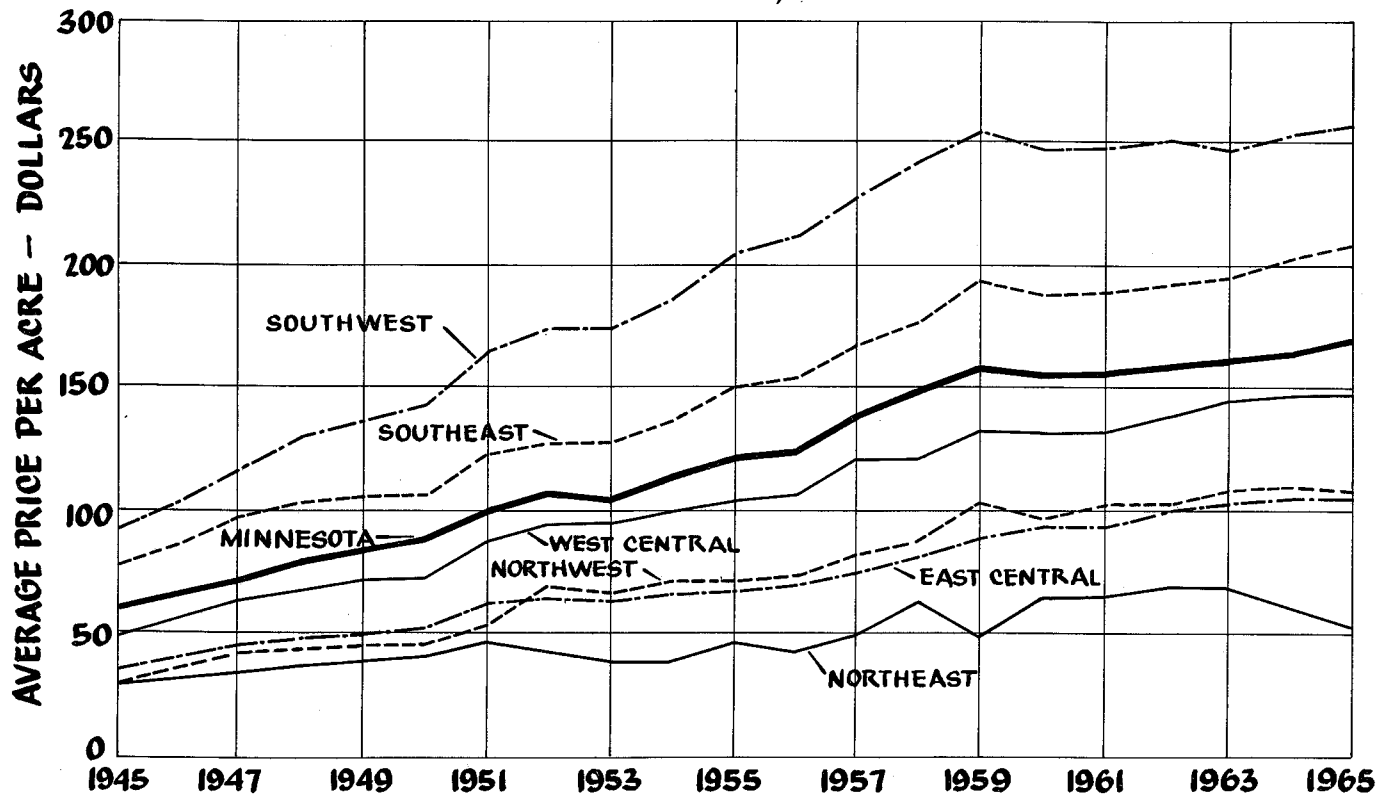


Table 2. Percentage Increases in Farm Land Values, by Districts, Minnesota 1959-1965.

District	Percentage Increase, 1959-1965
Most Urbanized	
Southeast	14.7
East Central	25.8
Least Urbanized	
Southwest	2.3
West Central	9.5
Northwest	9.7
Northeast	-12.1
Minnesota	8.9

As was noted earlier, farm land values have increased steadily in the East Central district in the last few years. This increase slowed down between 1964 and 1965 when average farm land values rose by just under one percent. Reported values in the counties adjacent to the Twin Cities Metropolitan Area were somewhat below those of the previous year, or at best showed only a marginal increase. Whether this indicates a slackening in the demand for land for non-farm or urban-oriented uses is not clear at this stage, but this factor has undoubtedly been the main cause of past increases in this district.

The value of farmland in the Southwest in 1965 passed the previous peak of \$255 per acre in 1959. This modest buoyancy in the market after five years of more or less stable values may have been caused by the increase in buying for farm expansion purposes. This was mentioned as a prominent factor in the market by many respondents in this area. Of the sales reported, nearly seventy percent of the total were for this purpose. It can be seen from Table 3 that in both this and the West Central districts the greatest increases in value since 1959 have been for the lower grade land. This may be a result of drainage projects or other factors reducing the disparity in production potentials between the highest and lower quality lands. On the other hand, the pressures for expansion of farm size may have been greater in areas of lower land quality and the competition among farmers in these areas may have raised land values more rapidly than in the more fertile areas.

In contrast to the Southwestern and West Central districts, increases in land value since 1959 in the Northwest district have been concentrated in the higher quality areas, as can be seen in Table 3. In fact the value of lower quality land fell by three and a half percent in this period. The higher quality land is concentrated in the main Red River Valley area where

land improvement programs have continued. The poorer land is situated along the eastern border of the district and this area has the characteristics of the Northeast land market district, where values have also fallen.

Table 3. Estimated Land Prices Per Acre and Changes by Quality of Land, Minnesota, by District, 1959-1965.

District	Quality of Land					
	Highest		Medium		Lowest	
	Estimated Value 1965 (dollars)	Percent Change Since 1959	Estimated Value 1965 (dollars)	Percent Change Since 1959	Estimated Value 1965 (dollars)	Percent Change Since 1959
Southeast	312	9.3	224	13.6	153	21.4
Southwest	321	1.8	249	2.3	185	6.0
West Central	200	11.0	148	10.6	105	18.5
East Central	149	19.0	104	21.9	66	50.3
Northwest	170	22.6	106	1.1	59	- 3.4
Northeast	69	7.6	36	-14.9	16	-16.9
Minnesota	229	8.7	170	8.0	116	13.2

Activity in the Land Market

The Minnesota land market has been relatively inactive for several years. In the year 1964-1965 voluntary sales were at their third lowest level for twenty years, 28 per thousand. (See Table 4.) This is well below the peak years of 1946 and 1947 when voluntary sales were at the levels of 51.0 per thousand and 59.6 per thousand respectively. The absolute fall in total farms transferred by voluntary sale has been greater than this, however, because of the fall in the total number of farms in the State from almost 190,000 in 1945 to perhaps 130,000 at the present time. At the present rate of 28 per thousand the average farm will change hands by voluntary sale about once every 35 years.

Table 4. Estimated Number of Farm Title Transfers per Thousand Farms, by Methods of Transfer, Year Ending March 15, Minnesota, 1954-1965.

Year	Voluntary Sales	Forced Sales (Foreclosures, Tax Sales, etc.)	Inheritance, Gift and All Other Transfers	Total All Classes
number of transfers per thousand farms				
1954	27.1	1.2	11.5	39.8
1955	32.5	3.0	9.8	45.3
1956	31.1	6.4	12.9	50.4
1957	34.0	2.8	15.6	52.4
1958	35.6	3.5	14.7	53.8
1959	39.7	2.6	11.4	53.7
1960	34.5	2.7	9.9	47.1
1961	29.0	2.6	7.7	39.3
1962	29.3	1.9	10.4	41.6
1963	24.1	1.9	10.1	36.1
1964	28.2	3.0	13.3	44.5
1965	28.0	3.5	11.7	43.2

Source: Compiled from the annual estimates, published in "Farm Real Estate Market Developments," U. S. Department of Agriculture.

B. ANALYSIS OF REPORTED FARM LAND SALES

Prices Received in Reported Sales

The average price received in reported farm sales in 1965 for the state of Minnesota was \$178 per acre, unchanged from a year ago. The only region where any significant price advance occurred was the East Central district, where prices rose from \$86 to \$96 per acre. Prices were static in the Southwest and Northwest districts and down five percent in the Southeast (see Table 5). The sharpest declines were in the West Central district where prices fell back to the general level of recent years. In the Northeast price levels reported have characteristically varied widely as a result of the small number of sales and the relative importance of non-commercial farm purchases. In 1965 reported sales from this district were at the same prices that prevailed ten years ago.

Table 5. Average Price Per Acre, Reported Farm Sales, by Districts, Minnesota, 1959-1965.

District	1959	1960	1961	Year 1962	1963	1964	1965
Southeast	210	189	189	196	214	213	213
Southwest	243	240	226	229	222	234	233
West Central	129	136	130	140	136	150	133
East Central	73	69	89	76	86	86	96
Northwest	85	101	92	74	109	104	106
Northeast	61	50	38	30	48	52	40
Minnesota	173	161	165	161	168	178	178

Comparison of Actual Sales Prices and Reporters' Estimates

For the State as a whole sales prices have been consistently above estimated farm land values, while frequently within individual districts estimated values have been higher (see Table 7). This apparent contradiction is a result of the methods of determining statewide averages of estimated values and sales prices. For the estimated values, the estimates of the respondents are averaged by counties and weighted by the area of land in farms in each county to compute district and statewide average values. To obtain the average of reported sales prices for districts and the state, the total value of reported sales is divided by the number of acres sold. As can be seen from Table 6 the majority of sales reported are in the Southeast and Southwest land market districts.

Table 6. Number of Reported Sales by District, Minnesota, 1965.

District	Number of Sales	Number of Acres
Southwest	315	46,881
Southeast	431	73,265
West Central	181	40,669
East Central	149	19,915
Northwest	56	11,912
Northeast	35	6,365
Minnesota	1167	199,007

Sales prices are higher in the two southern districts than in the State as a whole and their weight is sufficient to raise the average of all reported sales in the State to a level above the statewide average estimated farm land value.

It should be emphasized at this point that the average of the reported sales prices does not constitute an estimate of the average value of farm real estate in Minnesota. Farms actually sold are not necessarily representative of the complete range of farmland quality.

Table 7. Comparison of Actual Sales Prices and Reporters' Estimates of Average Values per Acre by Districts, Minnesota, 1963-1965.

District	Average Price Per Acre in:					
	1963		1964		1965	
	Sales	Estimates	Sales	Estimates	Sales	Estimates
Southeast	214	194	213	206	213	219
Southwest	222	246	234	252	233	261
West Central	136	142	150	145	133	146
East Central	86	103	86	111	96	112
Northwest	109	114	104	115	106	113
Northeast	48	68	52	59	40	51
Minnesota	168	161	178	166	178	171

In the Southwest and Northwest sales prices have generally been below estimated values. The better lands are frequently passed on by inheritance and intra-family arrangements, rather than by sale. There may also be more sales activity in the areas of somewhat lower value land, where pressures for farm enlargement are greater.

In the East Central district, estimated values have also been above sales prices for the past five years, but the explanation may be somewhat different. Between 1961 and 1964 estimated values rose steadily, while there was little change in actual sales prices. In 1965 sales prices did improve, but estimated values rose only slightly, perhaps in the realization that

previous expectations had not been justified, and that the demand for farms for residential purposes was not as great as had been expected. This area north of the Twin Cities is generally less attractive for residential purposes than that to the west and south, where the land is sometimes better drained and soils are better suited to non-farm uses.

In past years discrepancies between sales prices and estimated values have been small in the West Central district. In 1965 the average value of reported sales was \$133 per acre, some \$13 per acre below the estimated value for the district. This abnormally large difference may be merely a chance variation and little can be inferred from it.

In addition to the price of farm land sold and size of tract, information was also requested on the quality of land and buildings, the reason for sale, the method of financing the sale and some characteristics of the buyer. In the remainder of the first half of this report this information is tabulated and discussed.

Price Variations for Land with and without Buildings

The price of unimproved land in 1965 for the state as a whole was 89 percent of that for improved land (see Table 8). This figure does not indicate the wide variation in value of unimproved versus improved land in different parts of the State. For example, in the Northwest where, as will be indicated later, most land is purchased for farm enlargement, unimproved land sold for almost sixty percent more than that with buildings. In the East Central district, where farm expansion buying is less important and part-time farming or rural residential uses are much more significant, the relative value of unimproved land was only fifty-six percent of the price for land with buildings. For the remaining regions unimproved land prices were on the average slightly below those for improved property. Details of average sales prices can be seen in Table 9.

Table 8. Price of Unimproved Farm Land as a Percent of that of Improved Land, By District, Minnesota, 1960 to 1965.

District	1960	1961	1962	1963	1964	1965
	(percent)					
Southeast	84	76	79	91	98	91
Southwest	85	83	87	77	89	97
West Central	77	83	82	79	79	83
East Central	45	88	89	55	55	56
Northwest	88	145	68	128	140	157
Northeast	41	80	44	38	NA	92
Minnesota	74	82	77	81	88	89

While unimproved land represents a small part of the total market, involving nineteen percent of all sales, it is noticeable in Table 8 that there has been a slow but steady increase in the

relative price of unimproved land. This may be a result of the increased importance of land purchases for farm expansion. Table 10 indicates that for the State as a whole approximately thirty percent of all purchases made by expansion buyers were of unimproved land. For operating farmers and investor buyers the magnitudes were three and half and eighteen percent respectively. Eighty percent of sales of unimproved land were to expansion buyers. To the expansion buyer, the presence of buildings may add little to the value of a property, while to a purchaser who wishes to farm the land as a single unit buildings are likely to be important. Expansion buyers will then tend to bid up the price of unimproved land relative to that for improved land.

Table 9. Average Sales Price per Acre of Improved and Unimproved Farm Land by Districts, Minnesota, 1961-1965.

District	Improved Land					Unimproved Land				
	1961	1962	1963	1964	1965	1961	1962	1963	1964	1965
	(Dollars per Acre)					(Dollars per Acre)				
Southeast	194	198	216	214	219	147	156	198	210	199
Southwest	231	232	228	238	234	192	203	176	211	228
West Central	134	143	138	155	137	112	117	109	122	114
East Central	90	77	88	89	109	79	68	48	49	63
Northwest	83	82	100	96	91	121	55	128	133	144
Northeast	39	40	52	46	40	31	18	20	NA	37
Minnesota	169	166	172	181	183	138	128	144	160	165

Table 10. Proportion of Sales of Unimproved Land by Type of Buyer and District, Minnesota, 1965.

District	Expansion Buyers		Operating Farmer		Investor	
	No. of Sales	Percent Unimproved	No. of Sales	Percent Unimproved	No. of Sales	Percent Unimproved
Southeast	142	24.6	92	0.0	61	18.0
Southwest	270	29.2	88	5.7	40	30.0
West Central	89	29.2	45	6.7	23	17.4
East Central	35	31.4	65	3.1	42	4.8
Northwest	38	57.9	12	0.0	3	66.7
Northeast	12	25.0	12	7.7	6	16.7
Minnesota	576	29.2	314	3.5	175	18.3

The Continued Increase in Sales to Expansion Buyers

There has been a marked increase in sales to expansion buyers over the past year in Minnesota. In 1965 they accounted for fifty-five percent of all sales. This is the first time they have formed more than half the total. As indicated in Table 10 sales to farmers for operation as a unit fell to their lowest level ever, twenty-nine percent. This represents a decline of twenty-five percent in the year. It is impossible to say whether this sudden decline will be permanent. There has been a long term rising trend in sales to expansion-buyers and a decline in the importance of sales to operating farmers but the dramatic changes of the present year are unprecedented (see Table 21

in the Appendix).

Sales to expansion buyers account for fifty percent or more of the total in all districts except the Northeast and East Central, where sales for operation as individual units remain at over forty percent (see Table 11). In these two regions part-time farming and purchases for residential and recreational purposes are most important. Investor buyers accounted for thirty percent of sales in the East Central District and twenty-one percent in the Southeast district, where the effect of the Twin Cities market is strongest.

Table 11. Percent of Tracts Purchased by Type of Buyer, by Districts, Minnesota, 1963-1965.

District	Operating Farmer			Farm-Expansion Buyer			Investor Buyer		
	1963	1964	1965	1963	1964	1965	1963	1964	1965
Southeast	48	47	31	36	37	49	16	16	21
Southwest	36	31	22	51	58	68	13	11	10
West Central	40	42	28	50	47	57	10	11	15
East Central	65	61	45	22	22	26	13	17	30
Northwest	18	19	23	78	73	72	4	8	6
Northeast	64	55	42	29	17	39	7	28	19
Minnesota	43	42	29	44	45	55	13	13	16

Prices Paid by Type of Buyer

The highest prices have typically been paid by farm expansion buyers. The difference is greatest in the Northwest district (as shown by Table 12). In that region the majority of expansion sales are in the Red River valley area, whereas sales of farms for operation as individual units are generally located in the lower-value areas outside the Valley.

Table 12. Average Sales Price Paid by Type of Buyer, by Districts, Minnesota, 1964 and 1965.

District	Operating Farmer		Expansion Buyer		Investor Buyer	
	1964 (dollars)	1965	1964 (dollars)	1965	1964 (dollars)	1965
Southeast	214	216	224	211	225	214
Southwest	237	211	238	236	208	264
West Central	167	144	141	142	118	104
East Central	83	108	78	77	103	125
Northwest	67	91	137	121	64	71
Northeast	50	48	49	25	36	56
Minnesota	172	171	192	191	164	177

Although the price levels differ in the Southeast, Southwest and West Central districts, the prices paid by expansion buyers and operating farmers in each district are approximately equal. This reflects the relative increase in the price of unimproved land, which is most often purchased for expansion purposes. The expansion buyer can also pay a premium for land close to his existing property because of its locational value to him, and he can often outbid an operating farmer because of his superior credit position.

Prices paid for farms to be operated as individual units

were significantly higher than those paid by expansion buyers only in the Northeast and East Central districts. This further indicates the value of the farm as a dwelling place rather than as a commercial proposition in this part of the State.

Methods of Financing

As in recent years, about eighty percent of all reported farm land sales in Minnesota during the first half of 1965 were credit financed. The rising price of land and increasing size of farm needed for economic operation make the cash purchase of a farming unit increasingly beyond the reach of a typical farmer, who does not have the opportunity to amass the capital needed to buy and operate a farm. The proportion of sales credit financed by districts since 1959 is shown in appendix Table 22.

A notable feature of the land market in Minnesota is the prominence of the land contract as a credit instrument. In 1965 forty-six percent of all sales were financed by this means compared to thirty-five percent financed by mortgages. As shown in Table 13, land contract sales were most prominent in the Southeast and East Central districts. This appears to result from the greater use of the land contract by buyers aiming to operate the farm as a unit (see Table 14). Expansion buyers on the other hand rely on mortgages and land contracts in about equal proportions. Use of a mortgage gives the buyer the rights of ownership immediately, subject to lien by the mortgagor. With a land contract the title remains with the seller, usually until at least one-half or more of the principal has been paid. The greater use of mortgages by expansion buyers is perhaps a reflection of their superior credit position in comparison with operating farmers. As might be expected investor buyers paid in cash in a greater proportion of sales than did buyers in other groups.

Table 13. Classification of Sales Reported, by Method of Financing, by Districts, Minnesota, 1963-1965.

District	Cash Sales			Mortgage Sales			Contract for Deed		
	1963	1964	1965	1963	1964	1965	1963	1964	1965
	(percent)			(percent)			(percent)		
Southeast	16	19	17	30	29	33	54	52	50
Southwest	20	17	15	45	42	39	35	41	45
West Central	17	16	22	34	46	41	49	38	37
East Central	24	30	21	35	30	30	41	40	49
Northwest	24	24	29	51	31	27	45	45	44
Northeast	28	36	29	50	37	3	22	27	68
Minnesota	20	20	19	37	36	35	43	44	46

Table 14. Type of Financing Used by Type of Buyer,
Minnesota, 1965.

Type of Buyer	Cash	Type of Financing			Other
		Mortgage	Contract for Deed		
		(p e r c e n t)			
Investor Buyer	27	34	39	--	
Expansion Buyer	19	40	40	1	
Operating Farmer	15	29	54	2	

It has been suggested that the easier credit terms usually offered in land contract sales will result in increased prices for land financed in this way. Table 15 indicates that for the State as a whole prices paid for farm land when the sale was financed by a land contract were higher, both in 1964 and 1965, than for cash or mortgage sales. At first glance this fact may appear inconsistent with Tables 14 and 12 which showed that expansion buyers, who used mortgage financing most extensively, paid the highest prices for land. However, an investigation of the 436 sales in the Southwest district indicated that these results were not inconsistent. Table 16 shows that in that district both operating farmers and expansion buyers paid higher prices in reported land contract sales but that expansion buyers paid higher prices under both types of financing. The difference between sales prices under different types of financing was greatest for the expansion buyers, who paid \$254 per acre in land contract sales and \$229 in mortgage sales. These results indicate that there may in fact be some tendency to higher land prices as a result of the easier credit terms offered by land contracts.

Table 15. Average Sales Price per Acre of Farm Land by Districts, by Method of Financing, Minnesota, 1964 and 1965.

District	Cash Sales		Mortgage Sales		Contract for Deed	
	1964	1965	1964	1965	1964	1965
	(dollars)		(dollars)		(dollars)	
Southeast	196	209	199	203	227	220
Southwest	223	224	221	227	252	241
West Central	167	130	138	114	163	150
East Central	67	74	97	112	91	112
Northwest	94	60	107	138	100	135
Northeast	55	25	65	97	46	44
Minnesota	166	157	171	182	191	192

Table 16. Average Sales Price per Acre of Farm Land by Type of Buyer and Type of Financing, Southwest Land Market District, 1965.

Type of Buyer	Type of Financing				Contract for Deed	
	Cash		Mortgage		No. of sales	Price per acre
	No. of Sales	Price per acre	No. of sales	Price per acre		
		(dollars)		(dollars)		(dollars)
Investor Buyer	16	259	13	282	14	255
Expansion Buyer	40	209	129	229	115	254
Operating Farmer	10	237	24	198	53	215

Reason for Sale

The principal reason for sale of a farm remains the retirement of the owner. Thirty-nine percent of the sales reported in 1965 were for this reason, as shown in Table 17. In twenty-six percent of the cases, the former owner moved to another job. It is not known to what extent this occupational shift was the result of financial difficulties nor is it known how many of the sellers had been farming on a part-time basis, with the sale representing the completion of a shift from agriculture which may have begun several years before. Leaving for another job was cited least often in the Southwest and West Central districts where alternative employment opportunities are relatively less numerous than nearer the Twin City area. In the Southwest district, few of those selling were moving to new farms. Sixty-nine percent of all sales were because of death or retirement, the highest proportion in the State.

Table 17. Classification of Farm Land Sales by Reason for Sale, by Districts, Minnesota, 1965.

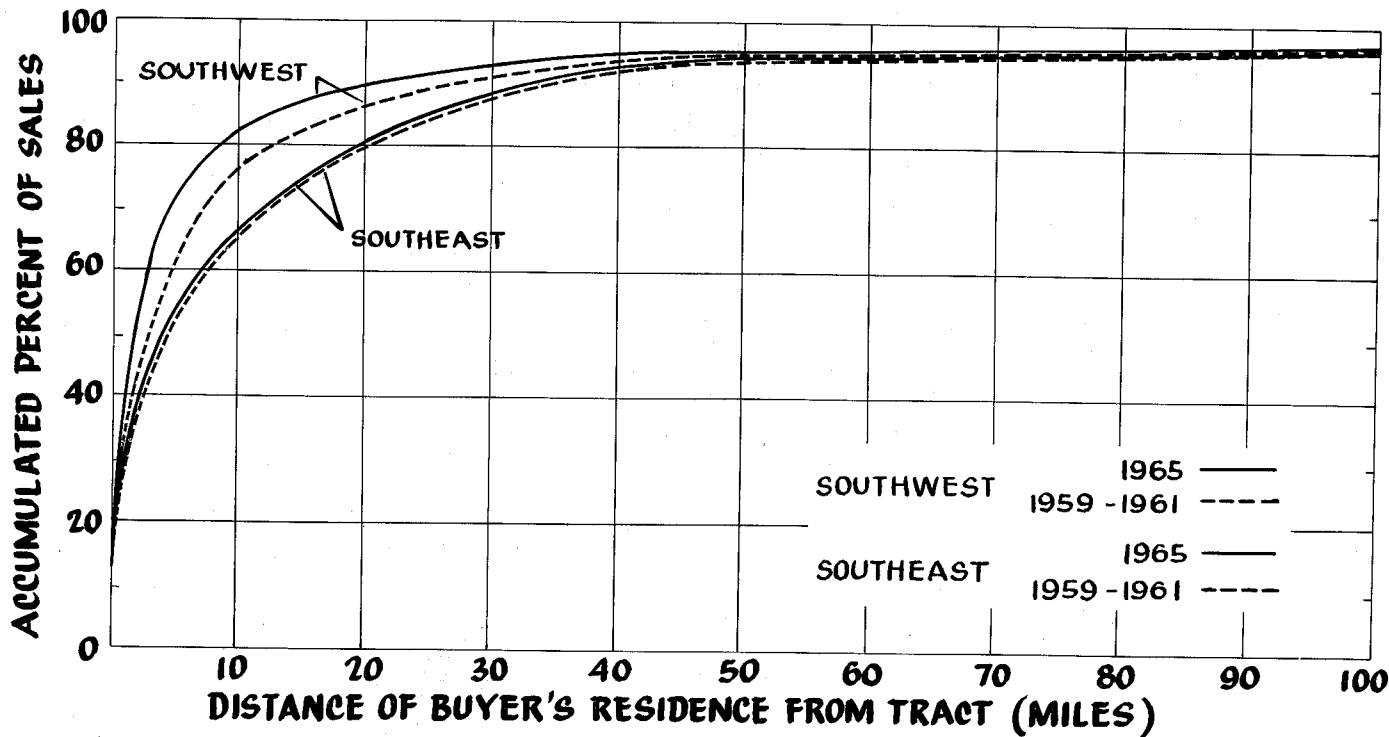
District	Reason for Sale				
	Death	Retirement	Left Farming for another job	Moved, Still Farming	Other
			(percent)		
Southeast	19	40	27	11	2
Southwest	27	42	20	9	2
West Central	25	37	23	14	1
East Central	15	37	34	11	3
Northwest	11	32	40	15	2
Minnesota	22	39	26	11	2

The Spatial Extent of the Land Market

A notable feature of the Minnesota farm land market is its overwhelmingly local nature. Table 18 shows that for the State as a whole fifty-five percent of all buyers in reported sales lived within five miles of the tract they purchased and thirty percent lived within two miles of it. This localization has been increasing in recent years with the increased proportion of land purchased for farm expansion. To an expansion buyer, of course, proximity to his existing farm enhances the value of an additional tract of land. Chart 3 shows the cumula-

CHART 3 -

DISTANCE OF BUYER'S RESIDENCE FROM TRACT PURCHASED —
CUMULATIVE FREQUENCY DISTRIBUTION



tive frequency distribution of the reported sales, in the Southeastern and Southwestern land market districts, as the distance of the tract from the buyer's residence increases. These distributions are drawn for 1961 and 1965 and in both districts the curve for 1965 is seen to lie to the left and above that for 1961. That is, a higher proportion of sales is being made to buyers living in the immediate neighborhood. In the Southwest, for example, 90 percent of the buyers of farm land in 1961 lived within thirty miles of the tracts they purchased. By 1965 this figure had been halved, with 90 percent of the buyers living 15 miles of the purchased tracts. This trend is in accordance with the increase in expansion buying noted earlier.

The only part of the State where buyers living over fifty miles from the tract were at all prominent was in the East Central and Northeast districts where they accounted for more than twenty percent of sales. As was noted earlier this is the area where farm "hobby" buying is most significant and many of these purchases may have been for recreational or other non-commercial reasons.

Table 18. Classification of Farm Land Sales by Distance of Buyer's Residence from Tract, By Districts, Minnesota, 1965.

District	Distance of Buyer's Residence from Tract Purchased, in Miles						Median Distance
	Over 300	50-299	10-49	5 - 9	2 - 4	Less than 2	
	(percent)						(miles)
Southeast	1	5	27	20	17	29	5
Southwest	1	3	14	11	35	36	2
West Central	2	4	19	16	26	32	4
East Central	8	15	36	9	15	17	15
Northwest	4	4	17	15	26	33	3
Northeast	29	26	6	10	3	26	60
Minnesota	3	6	21	15	25	30	4

APPENDIX TO PART I

One of the problems in interpreting the results of this survey arises from the fact that there is no accurate way to compare the quality of land involved in the sales reported in the several districts of the state, or from year to year. One possibility is that the average price of reported sales in one district or in a given year may be influenced by a few abnormally high or low priced sales. To test this possibility the standard deviations and coefficients of variation of prices per acre, by districts, are given in Table 20 for the actual sales reported.

Although there are marked variations among the several districts of the state, within any one district there is a considerable degree of stability in these measures of dispersion, from year to year. The exceptions are the Northwest and Northeast districts, where the spread between high and low prices per acre is great. As a consequence, the averages for these two districts are to be regarded as less representative than are the averages for the remaining districts of the state.

Table 19. Number of Acres Reported Sold, Average Price per Acre, Standard Deviation and Coefficient of Variation, by Districts, Minnesota, 1957 to 1965*

	Year	South-east	South-west	West Central	East Central	North-west	North-east	Minnesota
Number of Acres Sold (acres)	1957	72,028	75,487	61,264	29,276	41,479	8,659	288,192
	1958	60,859	66,970	33,069	30,877	21,514	6,657	219,946
	1959	66,643	87,302	53,721	36,634	18,456	7,677	270,433
	1960	55,669	54,844	36,858	33,114	27,043	3,349	210,877
	1961	58,027	68,389	34,987	29,020	17,275	6,464	214,162
	1962	46,771	62,787	38,650	34,755	18,611	3,677	205,251
	1963	38,880	54,171	30,251	26,109	21,884	2,517	173,812
	1964	66,400	73,114	45,624	32,579	21,045	4,857	243,619
	1965	46,881	73,265	40,669	19,915	11,912	6,365	199,007
Average Prices per Acre (dollars)	1957	175.48	216.94	110.06	67.33	87.78	39.30	144.27
	1958	167.98	234.17	115.41	77.53	78.73	51.69	155.30
	1959	210.13	243.05	128.81	72.57	85.08	61.16	173.21
	1960	189.07	240.41	136.44	69.26	100.82	49.47	160.87
	1961	189.12	255.76	130.28	89.01	92.02	37.90	165.24
	1962	195.68	228.51	140.49	76.30	73.86	30.29	161.11
	1963	214.09	221.86	136.15	86.18	108.82	47.60	168.07
	1964	213.30	234.27	150.27	86.27	103.59	51.59	178.10
	1965	202.05	232.67	133.23	95.79	106.21	39.68	177.98
Standard Deviations (dollars)	1957	82.7	72.7	42.8	37.0	86.5	36.1	89.9
	1958	78.4	79.7	43.3	38.0	55.2	31.6	91.5
	1959	87.2	77.0	44.5	41.3	62.8	59.5	96.6
	1960	90.4	77.0	47.7	48.6	76.6	42.1	95.8
	1961	83.5	71.9	40.0	47.8	54.1	20.1	86.8
	1962	80.7	68.6	45.1	39.1	57.2	29.7	88.5
	1963	79.4	77.1	50.8	43.7	69.4	26.1	88.6
	1964	91.6	77.3	70.1	52.4	89.9	39.0	97.2
	1965	96.3	87.0	82.1	63.5	91.1	31.7	98.1
Coefficients of Variation (percent)	1957	47.1	33.5	39.7	57.0	98.5	68.5	62.4
	1958	46.7	34.0	37.5	49.0	70.1	63.0	58.8
	1959	41.5	31.6	34.5	56.9	73.8	97.2	55.8
	1960	47.8	32.0	35.0	70.2	76.0	85.1	59.5
	1961	44.2	31.8	30.7	53.7	58.7	53.1	52.6
	1962	41.2	30.0	32.2	51.2	77.3	98.0	54.9
	1963	37.1	34.8	37.3	50.7	63.8	54.8	52.7
	1964	42.9	33.0	46.6	60.8	86.7	75.5	54.6
	1965	47.6	37.4	61.6	66.2	85.8	79.8	55.1

* Each acre is treated as a unit in calculating standard deviations and coefficients of variation. The variation in acreages reported sold in recent years is due to changes in the coverage of this survey and is not necessarily due to changes in real estate market activity.

Table 20. Average Estimated Price per Acre of Farm Real Estate in Minnesota, by Districts, 1910-11 Through 1944-45, by Two-Year Periods, and Annually, 1946 Through 1965.

Years	DISTRICT						
	Minn.	S. E.	S. W.	W. C.	E. C.	N. W.	N. E.
	dollars per acre						
1910-11	41	58	54	39	24	24	11
1912-13	49	69	69	46	29	29	13
1914-15	58	82	84	56	34	32	14
1916-17	68	92	100	67	41	37	15
1918-19	82	117	118	78	50	40	18
1920-21	104	141	152	98	68	57	24
1922-23	85	114	119	82	56	44	23
1924-25	78	104	110	74	49	44	22
1926-27	76	106	109	72	49	36	22
1928-29	71	100	102	67	44	33	21
1930-31	60	88	88	51	36	22	18
1932-33	45	64	65	42	27	20	14
1934-35	40	52	58	38	26	22	15
1936-37	44	59	64	38	29	22	24
1938-39	45	60	68	37	28	22	25
1940-41	43	59	68	36	26	22	24
1942-43	48	65	76	40	29	24	25
1944-45	56	78	90	48	35	29	28
1946	65	88	104	56	39	33	32
1947	72	96	116	62	43	37	35
1948	79	104	129	69	47	41	38
1949	83	107	136	73	49	44	39
1950	85	109	141	76	50	46	40
1951	99	125	166	89	59	54	46
1952	107	131	175	96	65	68	42
1953	105	130	175	95	62	64	40
1954	113	139	187	99	66	72	40
1955	121	150	205	103	68	73	45
1956	126	156	214	107	70	76	42
1957	138	165	230	122	77	86	49
1958	147	179	242	123	84	90	65
1959	157	191	255	234	89	103	58
1960	155	188	248	133	94	99	64
1961	156	189	247	133	95	103	64
1962	159	192	250	138	99	104	69
1963	161	194	246	142	103	114	68
1964	166	206	252	145	111	115	59
1965	171	219	261	146	112	113	51

Table 21. Percent of Sales Made to Three Types of Buyers, Minnesota, 1956-1965.

Type of Buyer	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965
Investor Buyer	16	19	17	15	12	13	10	13	13	16
Expansion Buyer	30	30	33	32	41	37	41	44	45	55
Operating Farmer	54	51	50	53	47	50	49	43	42	29

Table 22. Percent of Farm Sales Credit Financed, by Districts, Minnesota, 1959-1965.

District	1959	1960	1961	1962	1963	1964	1965
Southeast	81	80	81	81	84	82	83
Southwest	80	79	80	82	80	84	85
West Central	73	78	78	85	83	85	78
East Central	75	74	73	77	76	70	79
Northwest	57	65	82	70	76	76	71
Northeast	67	78	77	84	72	64	71
Minnesota	76	77	79	81	80	80	81

Part II: The Residential Real Estate Market in Minnesota's Smaller Towns

Introduction

In 1963 a first study was made of the residential real estate market in towns of under 5,000 in Minnesota. No previous study of this market had been made, although the smaller towns form an important part of the economy of the State.

The study was carried out by mail questionnaire at the same time as that on farm real estate. Questionnaires were thus sent to real estate dealers, loan agents, bankers and others with knowledge of the real estate market throughout the State. It was decided to repeat this study, with one change in procedure: In 1965 questionnaires were not sent to respondents in the north-east region of the State. In 1963 reports were received on only 8 sales of small town residential properties in the Northeast land market district, giving statistical averages for that region little meaning. For this reason, the district was excluded from the 1965 survey. While the State averages or totals for the two years are therefore not strictly comparable, the probable discrepancy is small.

Two types of data were collected: Estimates of residential property value and data on actual sales. In all, some 222 usable replies were obtained, representing estimates of property values in 163 incorporated communities of under 5,000 population. The distribution of this sample is indicated in the Appendix to Part II. Respondents also furnished information on 468 residential sales that took place between January 1 and July 1, 1965. In the report that follows the data on estimated values will be discussed first, followed by that on sales reported in the first half of 1965.

The estimated values and prices are grouped according to the "land market districts" as used in the farm real estate survey. Data from Hennepin and Ramsey Counties (Minneapolis and St. Paul) were omitted from the analysis.

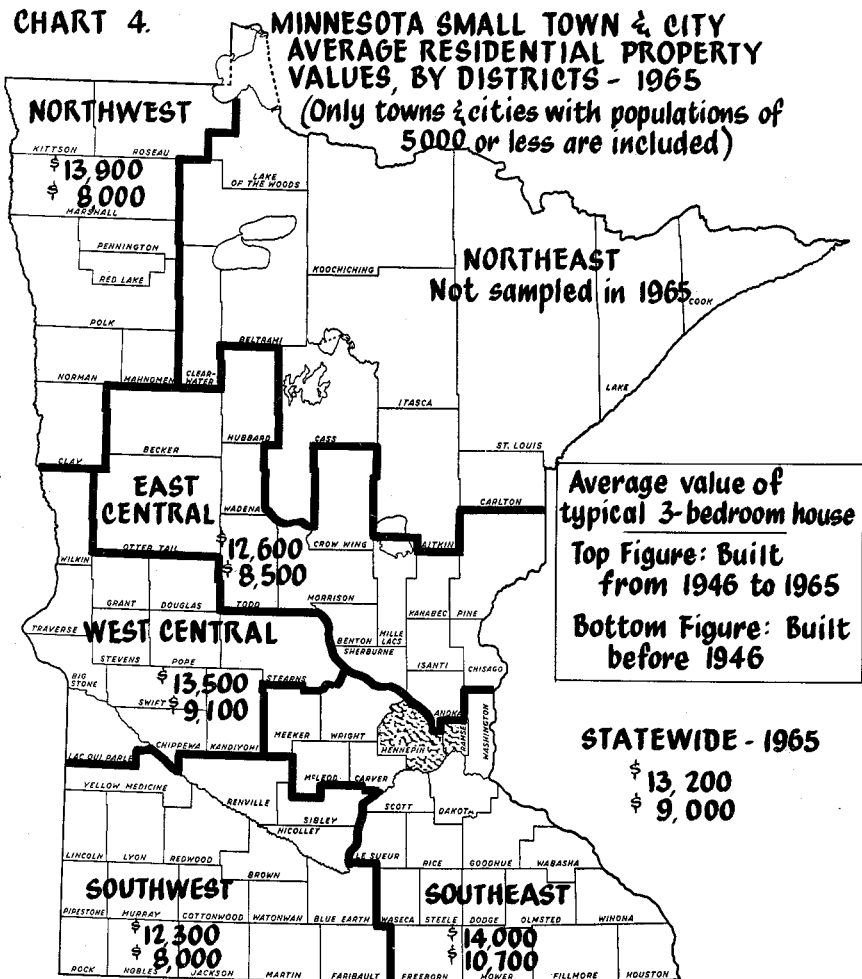
A. RESIDENTIAL PROPERTY VALUES BASED ON REPORTERS' ESTIMATES

Respondents were asked to estimate the value of a three-bedroom house and lot in a town of under 5,000 population. As in the 1963 survey separate estimates were requested for houses built before and after 1946. The estimates have been grouped by land market districts and are shown in Table 23.

CHART 4.

**MINNESOTA SMALL TOWN & CITY
AVERAGE RESIDENTIAL PROPERTY
VALUES, BY DISTRICTS - 1965**

*(Only towns & cities with populations of
5000 or less are included)*



Hennepin and Ramsey Counties are excluded

Table 23. Estimated Average Residential Property Values (Three-Bedroom House and Lot) in Towns under 5,000 Population, by Districts, Minnesota July 1963 and July 1965.

District	No. of Estimates	Average Present Value			
		Houses Built Before 1946		Houses Built Since 1946	
		Estimated Average Value 1963	Estimated Average Value 1965	Estimated Average Value 1963	Estimated Average Value 1965
(dollars)					
Southeast	42	8,900	10,700	13,300	14,000
Southwest	58	7,600	8,000	12,000	12,300
West Central	32	8,100	9,100	12,300	13,500
East Central	22	8,100	8,500	12,300	12,600
Northwest	9	7,700	8,000	12,100	13,900
Northeast		6,900	*	10,400	*
Minnesota	163	8,100	9,000	12,300	13,200
* Omitted in 1965					

* Omitted in 1965

In 1965 as in 1963 estimated values were highest in the Southeast district. This region runs south and east from the Twin Cities to the Iowa border and is the part of the State in which urban development is proceeding most rapidly. Residential property values in the small towns of the Southwest district continued to be the lowest of all districts; they are fifteen to twenty-five percent below those in the Southeast, and slightly below the levels in the Northwest. In contrast, it will be remembered that the Southwest has the highest farm land values in the State.

Table 24. Percentage Change of Estimated Value of Small-town Residences, by Districts, Minnesota, 1963-1965.

District	Percentage Change in Value, 1963-1965	
	Houses built before 1946	Houses built after 1946
Southeast	20.2	5.3
Southwest	5.3	2.5
West Central	11.2	9.7
East Central	4.9	2.4
Northwest	3.9	14.9
Minnesota	11.1	7.3

Over the State as a whole, estimated values of houses built since World War II are approximately forty-five percent above the values placed on houses constructed before 1946.

This differential has narrowed slightly since 1963. Table 24 shows that, for the State, estimated values of the older houses increased by eleven percent in the two year period, while the corresponding increase for newer houses was seven percent. The increase in value of older houses was particularly marked in the Southeast district, where it was twenty-one percent, compared to five percent for newer homes. This may indicate an increasing demand for older homes by commuters to the Twin Cities, Rochester and other employment centers.

The ten percent average increase in estimated values reported in the West Central district is somewhat anomolous, in that the average value of houses sold in that region actually fell between 1963 and 1965 (see Table 27). The same phenomenon also occurred in the Southwestern district. This discrepancy may be partly explained by the higher proportion of older houses sold in many small towns in this part of the State. Many respondents indicated that little building activity was taking place and that many buyers were retired farmers or farm widows, who do not wish to spend a large sum on a house. Often these towns have stable or declining populations. Several respondents commented as follows: "farm population is decreasing so rapidly, business can't hold up in town... houses are becoming a drag on the market." The relative scarcity of industrial or large scale service employment in the Southwestern and West Central areas means that those leaving the farm must go far afield for work, often to the Twin Cities.

Effect of Size of Town and Rate of Population Growth on Residential Property Values

Substantial variations in property values occur among groups of towns of different size, even when the sample is limited to towns of under 5,000 population. In general, as the size of town increases so does the average level of property values. This effect is not uniform, however. The data for 1963 and 1965 show that as population increased to a level of about 1500 property values increased markedly, but beyond that point value increases with increasing size of town were modest (see Table 25). This phenomenon is perhaps due to the fact that towns of 1500 to 2000 population and above often provide a range of services not found in smaller towns, especially those of under 500, such as fairly complete shopping and agricultural service facilities and some medical and general services. Towns of 2000 to 5000 do not provide a proportionately greater range of services as their size increases.

Table 25 shows that estimated values increased most rapidly between 1963 and 1965 in towns of 1000 to 2500 population. On the other hand, values of pre-1946 property in communities of under 500 actually fell. The fall off in property values in towns of under 1500 thus became more pronounced in 1965. For post-1946 houses, for example, estimated values in towns of under 1000 were 15 percent below

those in towns in the 1000 to 2500 size group in 1963. By 1965 this differential had risen to 20 percent.

Table 25. Estimated Average Value of a Three-Bedroom House with Lot in Towns Under 5,000, by Size of Town, Minnesota, 1963 and 1965.

Population of Town (1960 Census)	Estimated Average Value			
	Houses Built Before 1946		Houses Built Since 1946	
	1963	1965	1963	1965
	(dollars)			
0- 500	6,700	6,500	10,800	11,100
501-1000	7,400	7,600	11,600	12,500
1001-1500	7,900	9,600	12,500	13,700
1501-2000	9,100	10,700	13,700	14,800
2001-2500	10,600	10,600	14,300	15,700
2501-5000	9,700	9,700	14,000	14,700

Table 26. Estimated Average Value of Three Bedroom House and Lot in Towns Under 5,000, by Percentage of Population Change from 1950 to 1960, Minnesota, 1963 and 1965.

Population Change 1950 to 1960 (U.S. Census)	Average Present Value			
	Houses Built Before 1946		Houses Built Since 1946	
	Estimated Average Value 1963	Estimated Average Value 1965	Estimated Average Value 1963	Estimated Average Value 1965
	(dollars)			
9 % increase or more	8,900	10,300	13,200	14,500
8 % increase to 5 % decrease	7,900	8,700	12,000	13,100
6 % decrease or more	6,500	7,900	10,400	10,500

A similar range of estimated values is seen in Table 26 where values are compared with rates of population growth. As might be expected, property values are highest in the most rapidly growing towns. In the 1965 survey the lower values in slower growing or declining towns was most noticeable for older property. At rates of population increase of eight percent or less between 1950 and 1960, residential property values declined relatively slowly as growth rate fell. For newer properties a similar trend can be seen.

The highest rates of recorded population growth are sometimes the result of annexation of an additional area by an existing town or village. In such cases there may have been little real population growth in the community. This is the probable reason why estimated values for towns with the highest recorded population growth between 1950 and 1960 were somewhat lower than those for towns with moderate growth rates (see Table 35 in the appendix for a detailed breakdown.)

B. ANALYSIS OF DATA FROM REPORTED SALES

Prices Received by District

Data on sales between January 1 and July 1, 1965 were supplied by respondents for 468 sales in 142 towns of under 5,000 population. As in 1963, the highest average sales prices for residential property were reported from the South-eastern land market district.

Table 27. Average Sales Price of Houses And Lots Reported Sold in Towns Under 5,000, by Districts, Minnesota, 1963 and 1965.

District	Number of Sales in 1965	Average Sale Price	
		1963 (dollars)	1965 (dollars)
Southeast	118	10,900	12,300
Southwest	183	9,800	9,300
West Central	99	10,200	9,400
East Central	55	9,200	11,900
Northwest	13	10,000	10,700
Northeast		9,100	*
Minnesota	468	10,100	10,400

* Omitted in 1965

Average reported sales prices increased most sharply between 1963 and 1965 in the Southeast and East Central districts, reflecting the urbanization of the Twin City area. The weakness of the market in the Southwest and West Central districts in towns of under 5,000 is evident. It was noted earlier that in these districts average sales prices fell between 1963 and 1965, while estimated values increased.

Effect of Size and Rate of Growth of Town

When reported sales prices were classified by town size and rate of growth, the trends obtained were similar to those for estimated values (see Tables 28 and 29). In towns ranging from 1500 to 5000 in size there was relatively little variation in prices, whereas below 1500 population there was a rapid decline. For towns of under 500 the average reported sales price in 1965 was \$6,800, five percent below the 1963 average of \$7,200. This is in line with the fall in estimated values noted earlier for towns in this size-class.

Table 28. Average Sales Price of House and Lot in Towns Under 5,000, by Size of Town, Minnesota, 1963 and 1965.

Population of Town (1960 Census)	Number of Sales in 1965	Average Sale Price	
		1963 (dollars)	1965 (dollars)
1 to 500	57	7,200	6,800
501 to 1000	114	8,500	8,800
1001 to 1500	73	10,400	10,400
1501 to 2000	38	11,200	12,800
2001 to 2500	83	11,500	11,100
2501 to 3000	48	11,900	11,000
3001 to 3500	28	11,200	12,900
3501 to 5000	27	11,900	14,000

The dramatic effect of the rate of population growth on the sales prices of residential property is clearly seen in Table 29. At growth rates of over 8 percent for the period 1950 to 1960, sales prices of residential property increased sharply. Below that level the decline was steady but less rapid. In towns which increased their populations by more than 18 percent between 1950 and 1960 average sales prices were approximately 45 percent above those for towns showing little population change. In towns showing a population decrease of more than 15 percent, prices were almost 40 percent below those in the towns showing little change.

Table 29. Average Sales Price of House and Lot in Towns Under 5,000 by Change in Population of Town from 1950 to 1960, Minnesota, 1963 and 1965.

Population Change 1950 to 1960 (U:S: Census)	No. of sales in 1965	Average Sale Price	
		1963 (dollars)	1965 (dollars)
29% or more increase	54	11,800	13,200
19 to 28% increase	62	11,200	13,500
9 to 18% increase	84	10,500	11,400
0 to 8% increase	147	10,000	9,900
1 to 5% decrease	61	10,000	8,600
6 to 10% decrease	32	8,600	7,600
11 to 15% decrease	14	6,300	8,500
16% or more decrease	14	3,900	5,900

In towns showing greatest rates of population decline average sale prices rose between 1963 and 1965 in contrast to communities showing little growth, where prices fell somewhat. As a result the drop off in sales prices in declining towns in 1965 was less rapid than in 1963. It should be noted that the number of sales reported in the towns declining most rapidly was small so that the results may not be conclusive.

These figures indicate that rate of population growth generally has a more marked effect upon prices received for residential property than does size of town. More rapidly growing towns also contain a greater proportion of newer property. This last fact may explain the much greater fall in sales prices than estimated values with declining rate of population growth.

The Relationship Between Sales Price and Age of House

As would be expected, prices paid for houses decline with increasing age of the house. This decline is particularly rapid in the first twenty years of the life of the house (see Table 30). Houses less than 10 years old sold for prices averaging 25 to 30 percent above those for houses 10 to 19 years of age. A further drop of 30 percent was reported for houses between 20 and 29 years old. Prices reported in 1965 for houses built before 1925 (i. e. more than 40 years old) were relatively stable. This contrasts with the 1963 survey, where it was found that for houses of more than sixty years of age prices

fell rapidly. This discrepancy between the 1965 and 1963 studies is perhaps a result of the small number of properties of this age which are reported sold. Some of the older houses were also quite large. With rising cost of construction of new houses, the possibility of renovating an older structure becomes more attractive, especially for a younger family.

The relationship between age of dwelling and sales price as shown in these data may be the result of several factors: depreciation undoubtedly shows its effect but so do quality differences due to plumbing, heating, and construction materials. Many older houses were constructed in an era in which interior plumbing, central heating, adequate electrical wiring, and thermal insulation were rare or non-existent in homes in smaller rural communities.

Table 30. Average Sales Price of House and Lot in Towns Under 5,000 by Age of House, Minnesota, 1963 and 1965.

Age of House (years)	Average Sale Price		Percent of Sales	
	1963 (dollars)	1965 (dollars)	1963	1965
0 to 9	14,500	15,300	28	25
10 to 19	10,700	11,900	17	17
20 to 29	8,600	9,200	13	16
30 to 39	7,800	8,900	13	12
40 to 49	7,600	7,400	16	12
50 to 59	7,300	6,300	7	11
60 to 69	6,500	7,500	5	5
70 and over	3,800	7,800	1	2

Methods of Financing Used

Financing residential property transfers in rural towns is markedly different from the methods used to finance farmland transfers. A feature of farm financing has been the high level of use of the contract for deed. This type of financing was used in only 18 percent of reported house sales. Cash sales of residential properties were much more numerous than in the farmland market, making up 33% of the total. Mortgage sales constituted the remaining 49 percent, as shown in Table 31. A noticeable feature is the lower level of prices received in cash sales. These sales are more frequently made to older persons, retired farmers, and widows, who may have cash available from a farm sale, but who have difficulty in obtaining credit. Mortgage financing was more frequently used in sales of the higher prices houses, with sales prices in transfers involving contracts for deed holding an intermediate position.

Table 31. Average Sales Price of House and Lot in Towns
Under 5,000, by Type of Financing, Minnesota, 1965.

Type of Financing	Percent of Sales	Average Sale Price (dollars)
Cash	33	8,600
Mortgage	49	11,500
Contract for Deed	18	10,400
Total	100	10,400

Types of Buyers

As might be expected, local workers and businessmen are by far the largest group of buyers (see Table 32). The average price they paid is slightly higher than the average for all reported sales. Commuters paid the highest prices, but they formed only five percent of the total. Retired persons made up slightly more than a quarter of all buyers in towns under 5,000, a figure which is surprisingly high. Almost three quarters of these retired persons were farm widows or retired farmers. It is interesting to note that the average price they paid per house was nearly \$9,500, about 25 percent above that paid by non-farm, retired persons. It is also noticeable that retired persons constituted the only group that paid, on average, less per house in 1965 than 1963. This may indicate a widening gap in housing standards between the elderly and the rest of the population in the smaller towns of the State.

Table 32. Residential Sales in Towns of Under 5,000, by Type of Buyer, Minnesota, 1963 and 1965.

Type of Buyer	Percent of Sales		Average Sales Price	
	1963	1965	1963	1965
			(dollars)	
Locally Employed People	70	60	10,300	10,700
Commuters	3	5	10,900	13,900
Retired Persons	26	26	9,600	9,000
Of whom - Retired				
Farmers & Farm Widows	a/	17	a/	9,500
Others	1	3	9,000	10,000

a/ These data were not collected in the 1963 survey.

C. APPENDIX TO PART II.

To simplify presentation of the data in the sales analysis of Part II, the sales prices have been presented as simple averages for the respective geographic districts or population size classes. One shortcoming of an arithmetic average is that it fails to indicate the degree of variation or "scatter" in the original data. An indication of this variability in the original data is illustrated in Table 33, for the market districts, and for population size classes. The standard deviation indicates the dollar range from the average within which two-thirds of the reported sales fall. Thus for example with an average of \$10,000 and standard deviation of \$4,000, two-thirds of reported sales values fall between \$6,00 and \$14,000. The coefficient of variation is the ratio between the standard deviation and the average.

Table 33. Average Price per House Reported Sold, Standard Deviation and Coefficient of Variation, by District and Population Group, Towns Under 5,000, Minnesota, 1965.

District	Average Sales Price (dollars)	Standard Deviation (dollars)	Coefficient of Variation (percent)
Southeast	12,261	4,798	39.1
Southwest	9,306	4,714	50.1
West Central	9,413	5,342	56.7
East Central	11,903	6,265	52.6
Northwest	10,685	5,133	48.0
<u>Population Size Class</u>			
Under - 500	6,763	3,378	50.0
501 - 1000	8,776	4,542	52.1
1001 - 1500	10,408	3,628	34.9
1501 - 2000	12,783	4,616	36.1
2001 - 2500	11,076	4,314	39.0
2501 - 3000	11,022	4,703	42.7
3001 - 3500	12,854	4,222	32.8
3501 - 5000	14,020	6,331	45.2

As can be seen from Table 34 the samples in both 1963 and 1965 have been slightly biased towards the towns of over 1000. This is inevitable in using a mail form of questionnaire. The majority of real-estate dealers, bankers, etc. questioned are likely to reside in towns of over 1000. This may result in a slight upward bias in average estimated values.

Table 34. Distribution of Towns under 5,000, by Size Class in 1960.

Population	Minnesota ¹	1963 Sample	1965 Sample
Under 500	423	71	40
501- 1000	152	73	36
1001- 1500	60	39	24
1501- 2000	43	31	16
2001- 2500	34	21	19
2501- 5000	49	34	28
Total	761	269	163

U. S. Census of Population, 1960, Minnesota

Table 35. Estimated Average Value of Three-Bedroom House and Lot in Towns Under 5,000, by Percentage of Population Change from 1950 to 1960, Minnesota, 1963 and 1965.

Population Change 1950 to 1960 (U. S. Census)	Houses Built Before 1946		Houses Built Since 1946	
	Estimated Average Value 1963	Estimated Average Value 1965	Estimated Average Value 1963	Estimated Average Value 1965
29% or more increase	8,700	10,800	13,400	14,600
19 to 28% increase	9,500	11,300	13,600	15,500
9 to 18% increase	8,700	9,600	13,000	14,000
0 to 8% increase	7,700	8,600	11,900	12,900
1 to 5% decrease	8,200	9,000	12,100	13,800
6 to 10% decrease	6,300	8,300	11,100	10,900
11 to 15% decrease	7,800	7,800	11,100	10,500
16% or more	5,100	7,800	8,200	9,400