

Two Centuries of Farmland Prices in England

Arvydas Jadevicius*, Simon Huston* and Andrew Baum**

*Royal Agricultural University, Cirencester, United Kingdom

**Saïd Business School, University of Oxford, United Kingdom

ERES, Istanbul

2015

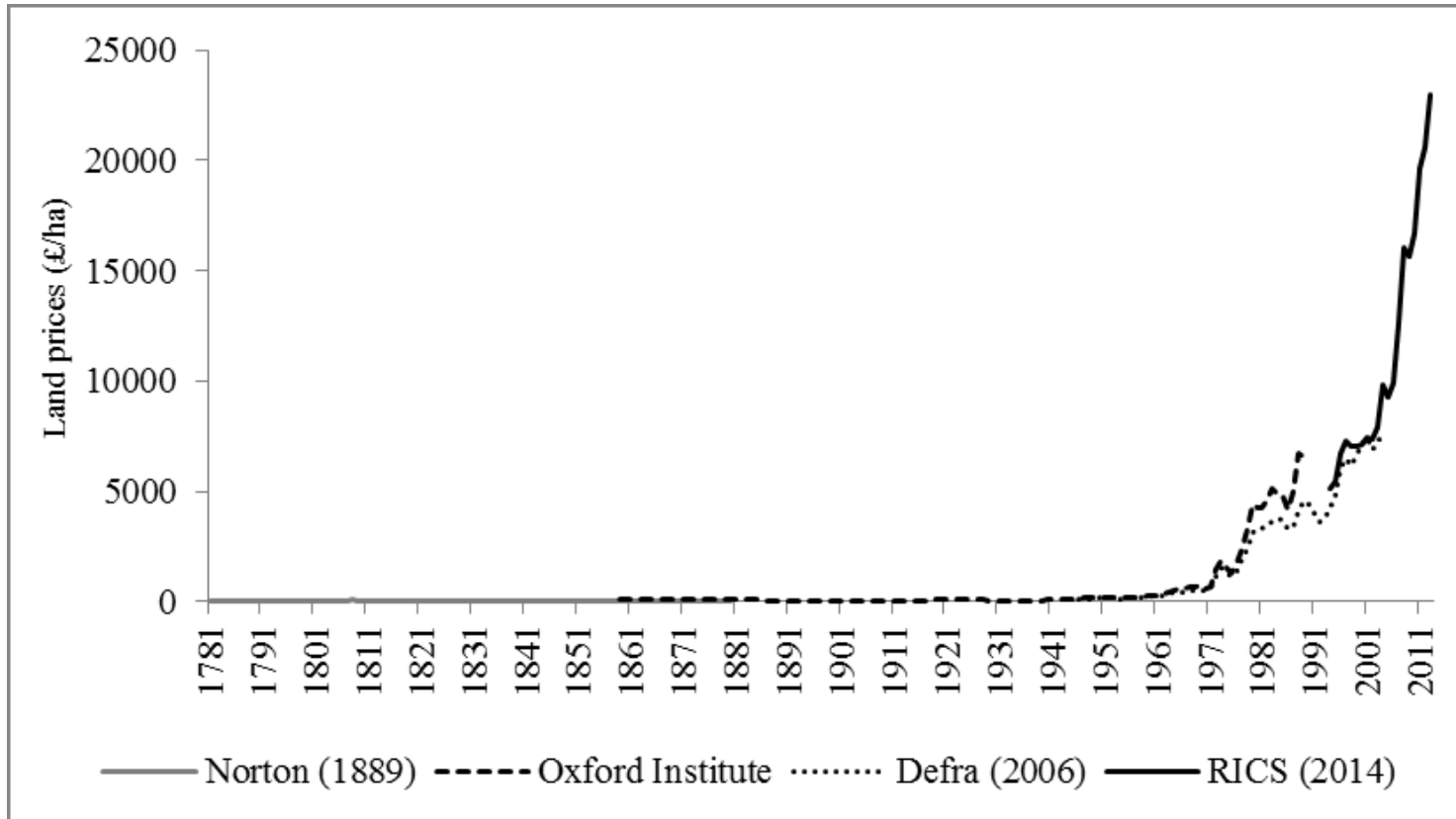
Introduction

- The importance of good long-term data in real estate markets is well documented;
- In the UK, data on commercial and residential property markets is plentiful;
- There is a growing interest from the property investment community in land market conditions and prospects;
- This research is therefore set to construct a long-term land price series for England.

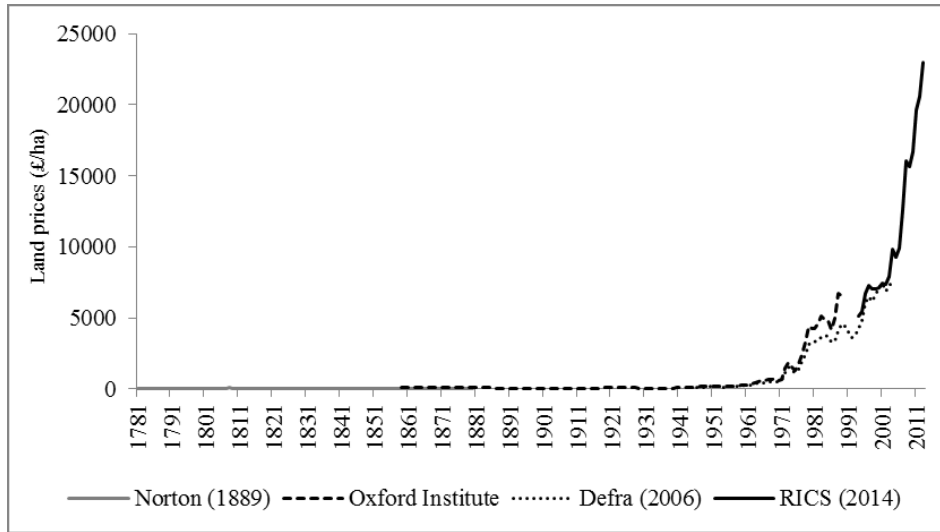
Previous studies

- Stocks and bonds;
- Real estate returns and prices;
- Land prices (less researched).

Land price series: heterogeneous



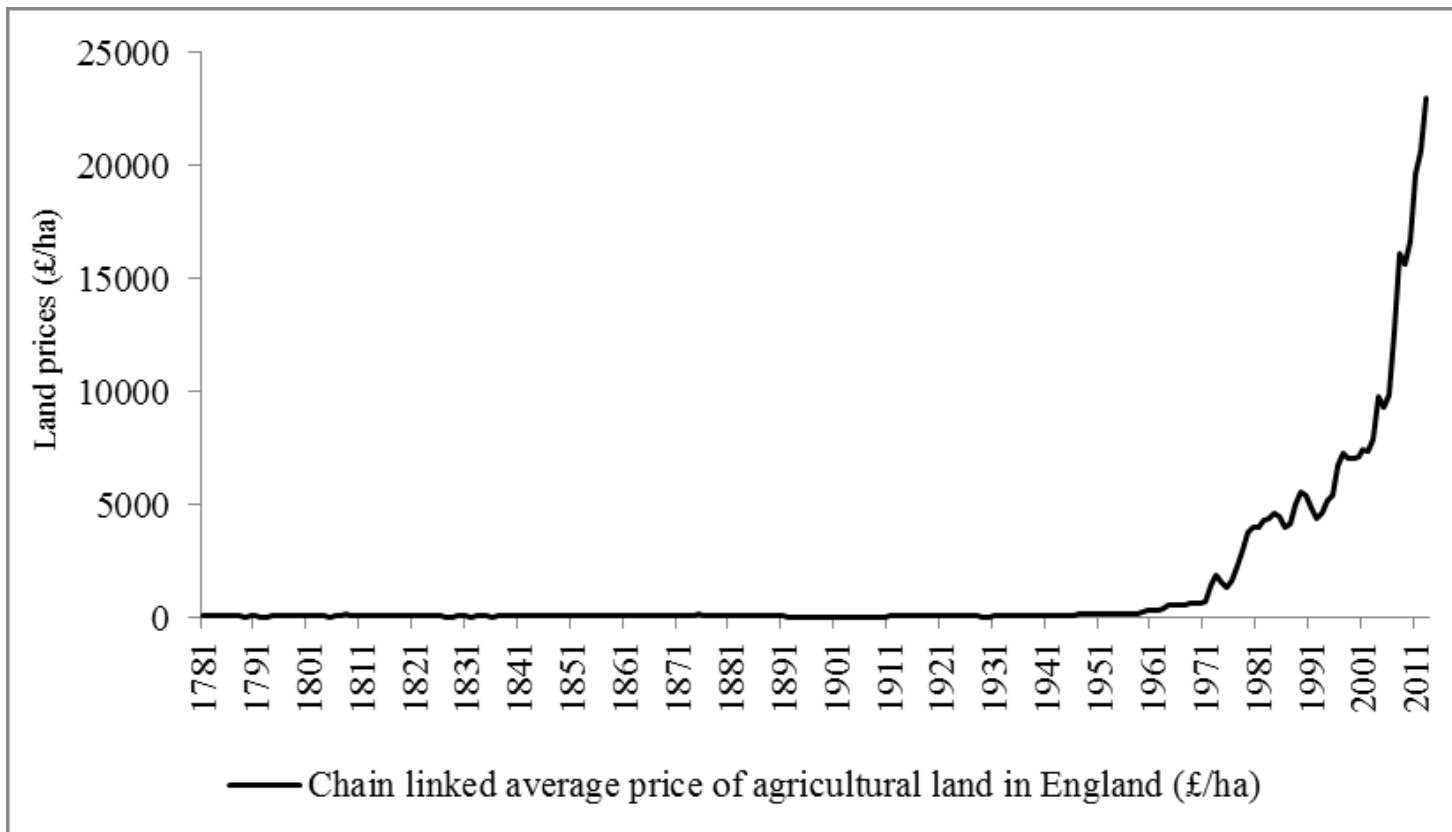
Methodology: annual chain-linking & geometric average



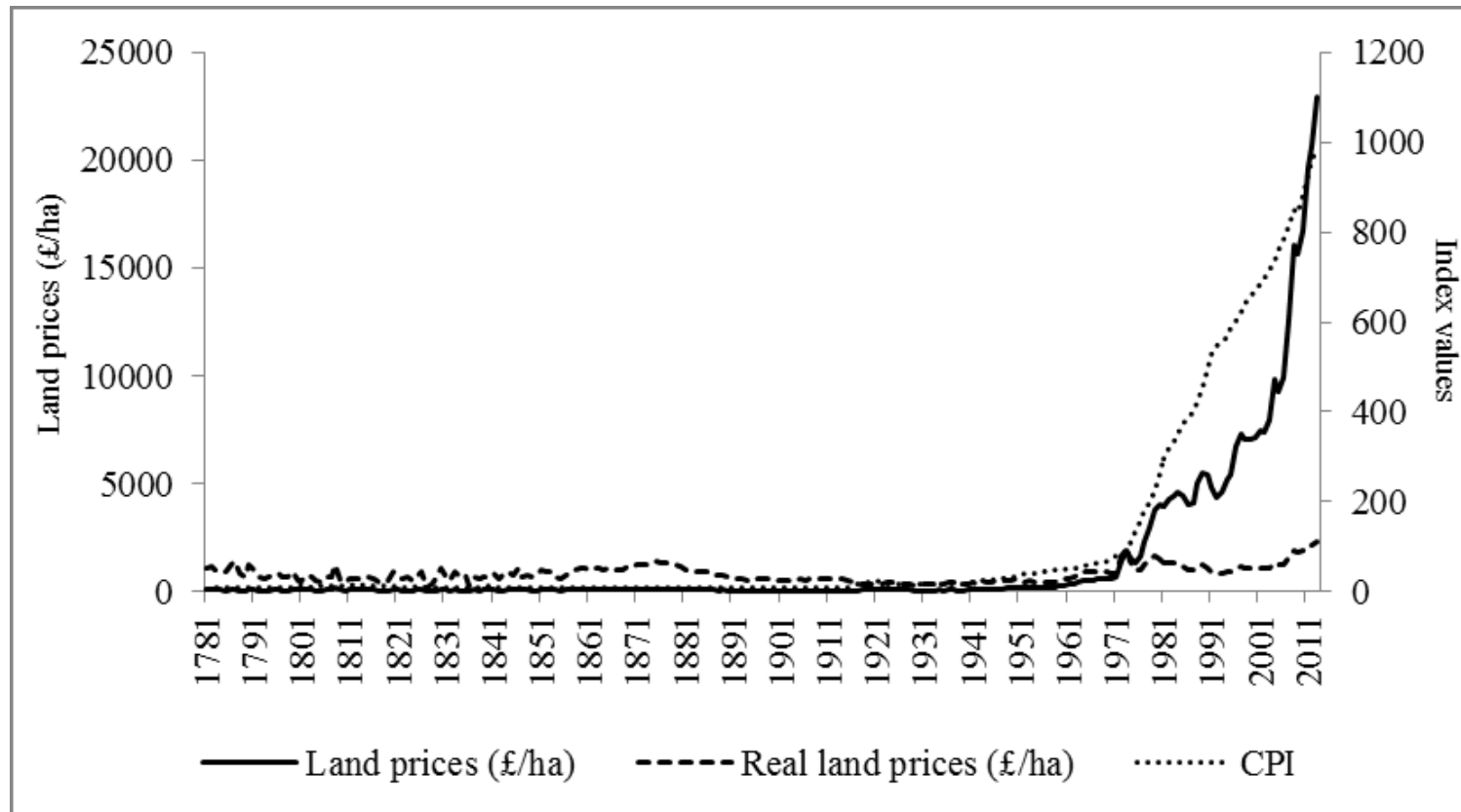
$$Z_t = \frac{Y_t}{1 + \left(\frac{X_t - X_{t-1}}{X_{t-1}} \right)}$$

$$R(G) = \sqrt[t]{[1 + R_1] * [1 + R_2] * \dots * [1 + R_t]}$$

Chain linked average price of agricultural land in England (£/ha) (1781-2013)



Actual and real agricultural land prices in England (£/ha) (1781-2013)



Nominal and real land price growth

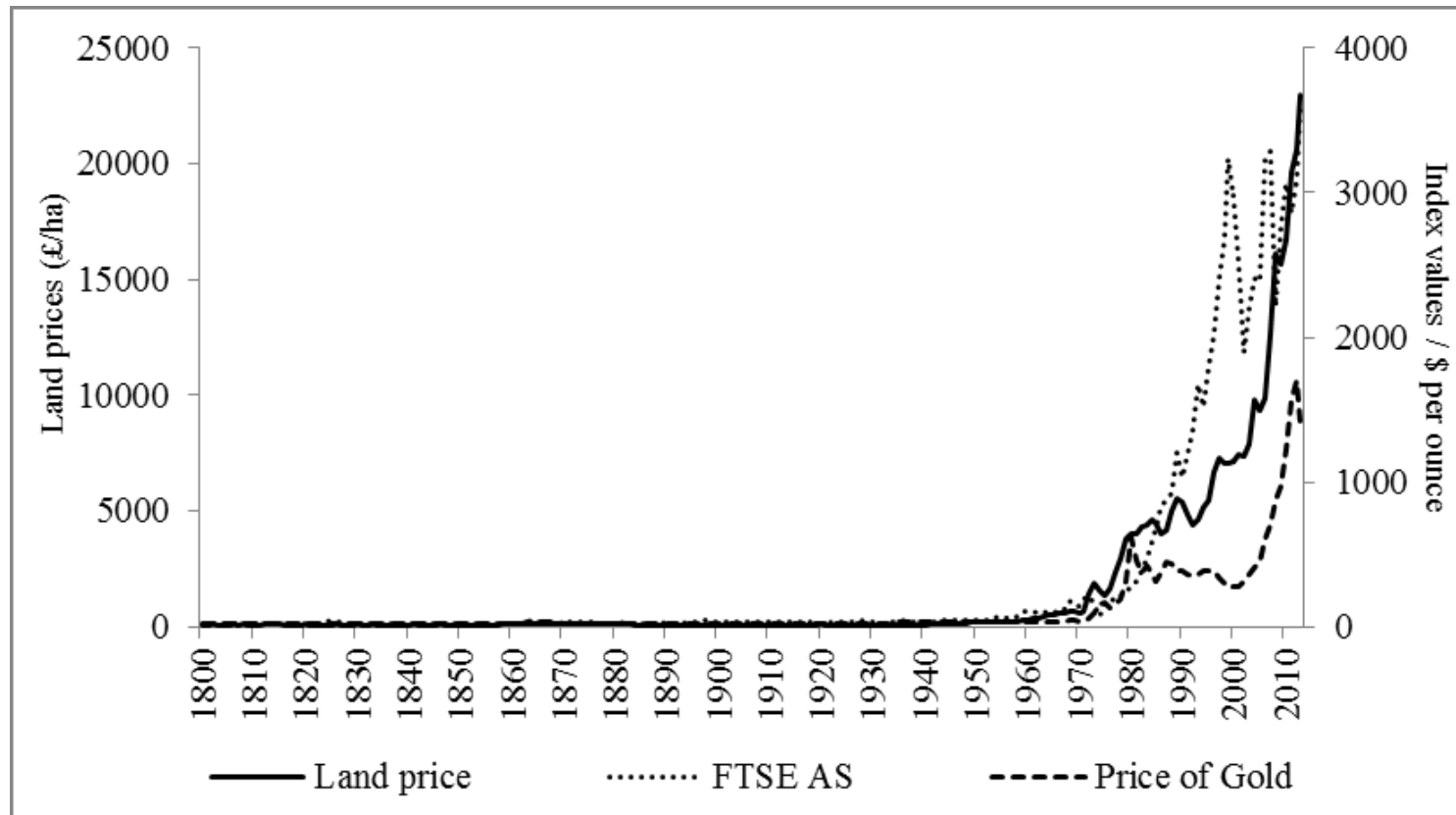
Nominal land price growth

	Mean(G)	Std. Dev.	Min.	Max	Count
1781 - 2013	2.52	26.24	-84.00	200.00	232
1801 -2013	2.76	25.72	-84.00	200.00	213
1801-1945	0.37	28.93	-84.00	200.00	145
1946 - 1970	6.74	8.94	-12.20	32.83	25
1971 -2013	8.81	19.44	-18.25	103.33	43

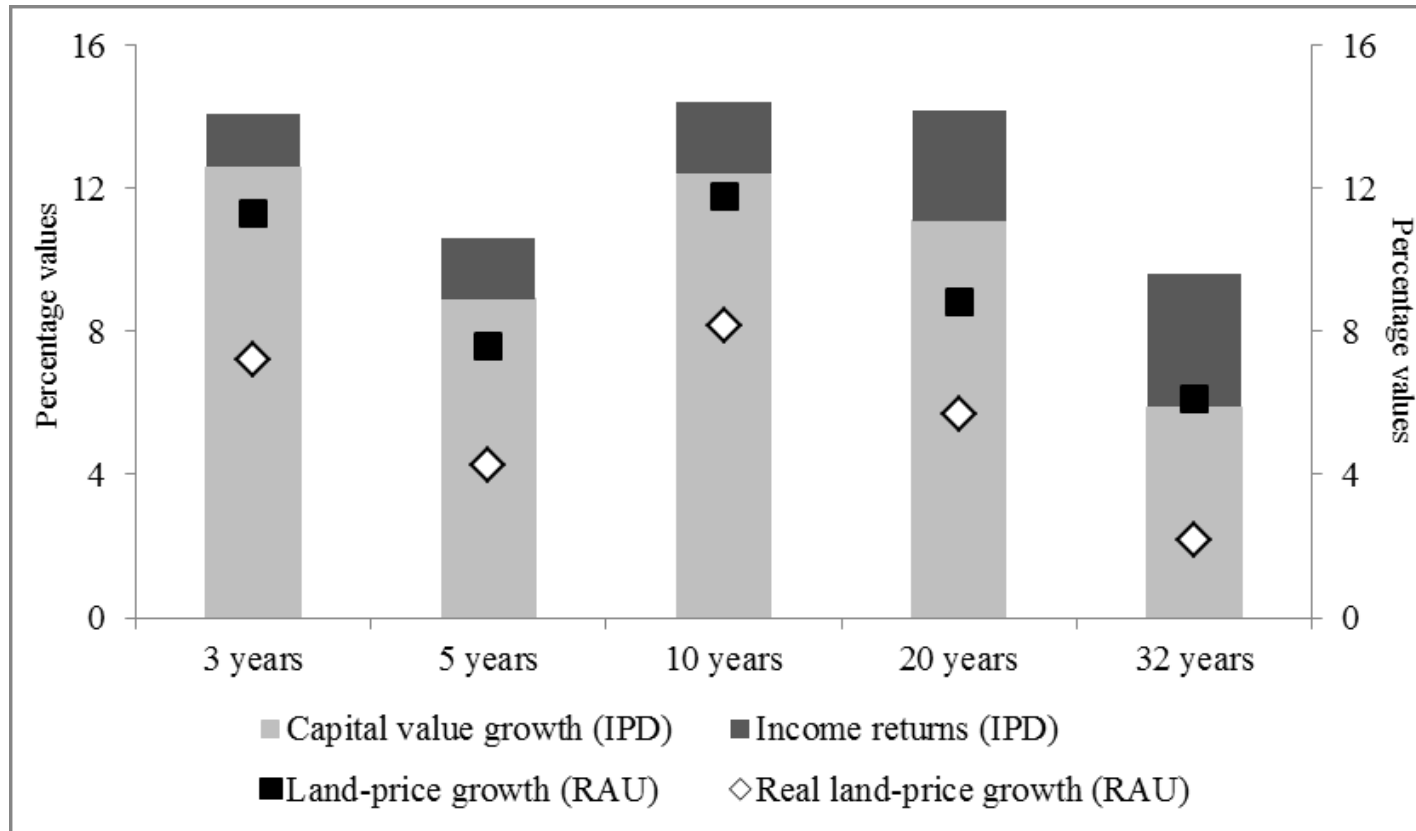
Real land price growth

1781 - 2013	0.33	26.56	-82.95	194.06	232
1801 -2013	0.71	26.17	-82.95	194.06	213
1801-1945	-0.09	29.87	-82.95	194.06	145
1946 - 1970	2.45	9.65	-14.12	28.54	25
1971 -2013	2.42	18.20	-29.56	89.80	43

Nominal values of agricultural land (£/ha), FTSE all share index and gold (\$/ounce) (1800-2013)



What about farming income?



Conclusion

- This research extended the English farmland price series to cover the past two centuries;
- The extended series provides useful information to investment analysts, farmers, developers, planners and other stakeholders;
- Land provides investors a 'safe haven' or competitive hedge against inflation;
- Land provides investors with positive returns, additional to other qualitative or substantive consumption services.

Thank you & QA

