

Opinion: Land, homes tend to be disappointing investments

By Robert J. Shiller, *New York Times*

Buy land: They're not making it anymore. That often repeated adage sounds like good financial advice.

But over the long run, it hasn't been. Despite solid price increases over the last few years, land and homes have actually been disappointing investments. It's worth considering why.

Let's start by looking at the numbers. The best long-term data on land in the United States is for farmland, which is valuable in its own right and can also be considered a great reservoir that can be converted to housing and other purposes at opportune times.

Over the century from 1915 to 2015, though, the real value of American farmland (deflated by the Consumer Price Index) increased only 3.1 times, according to the Department of Agriculture. That comes to an average increase of only 1.1 percent a year – and with a growing population, that's barely enough to keep per capita real land value unchanged.

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