

SEMI-ANNUAL INDEX  
OF  
FARM REAL ESTATE VALUES  
IN OHIO  
JANUARY 1 to JUNE 30, 1932

by  
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Introduction

This is the seventh of a series of reports published by the Department of Rural Economics on the farm real estate situation in Ohio. These have each covered semi-annual intervals with the exception of the first which covered the period 1923 to 1928 inclusive. No report was published for the period July to December 1931, due to the extended absence of the writer from the State.

Source of information.- These semi-annual reports are compiled for the most part from the lists of actual sales reported by real estate boards, realtors, and others interested in farm land values. Each person cooperating receives a copy of the report.

Activity of the Farm Real Estate Market

Opinions of farm realtors on the degree of market activity in their communities the first six months of 1932 as compared with the first six months of 1931 are summarized in the following percentages:

Much more active .....	0	per	cent
Slightly more active ....	32	"	"
Same .....	16	"	"
Slightly less active ....	29	"	"
Much less active .....	23	"	"

No doubt, some variation in market activity does exist from community to community. Bearing in mind that the period with which the above percentages offer comparison was a time of low activity it may be that the opinion of practically one-third the farm realtors reporting a slight increase in market activity may be of some significance. However, if we balance the 32 per cent reporting more activity against the 52 per cent reporting less activity it appears that the predominating tendency was still downward in the first six months of 1932.

Actual comments from farm realtors throw additional light on the condition of the market as viewed by them in recent weeks. One realtor reports "many inquiries but few straight sales." Another says, "the sale of real estate looks more encouraging and if sheriff sales would end it would help much." A third writes, "more active demand for small farms. If money could be had sales would be made. Few sales.....prices seem to be now at the bottom." Another realtor states "The only thing holding back the sale of farms on an active scale is the fact that many people have their funds tied up. It seems that everybody wants to leave the city and move onto a farm, but there are very few people who will trade for city property now days. With rising prices it seems to me the farmers are in better spirits now than for several years." Another says of his community: "Several foreclosures on farms pending at this time. Have many inquiries for farms by persons wishing to exchange city property for farms. Have prospects for farms who have money deposited in banks and can't get it at this time." Another reports much the same situation. He says: "I am getting plenty of inquiries but buyers do not have cash and it is impossible to get farm loans. Lots of city property for trade for farms but farmers are not much traders." Another realtor writes of his community: "Don't seem to be many wanting farms. Not money to buy." Another says, "There has not been a sale of real estate in the territory that I have been reporting on. Have listed some extra good farms at a much lower price and yet cannot interest any buyers."

The above comments by men who are in close touch with the farm real estate market no doubt reflect a reasonably complete cross section of conditions and much additional comment along the same line would be superfluous. Evidently the predominating factors which have created the slow market for farm real estate in the opinion of these realtors are the maladjustments growing out of our system of credit and banking. Unfavorable developments are, of course, definitely associated with the continued decline of agricultural prices and the unfavorable ratio of prices received to prices paid by farmers which still exists.

The mild optimism expressed by a few realtors is justified on the basis of the upturn in some agricultural commodity prices. According to the Federal Bureau of Agricultural Economics the general level of farm commodity prices in the United States was five points higher on July 15 than on June 15, 1932. Turning to Ohio farm commodity prices for the same thirty day period we find increases as follows: potatoes 31 per cent, hogs 47 per cent, beef cattle 18 per cent, veal calves 10 per cent. Whereas other farm commodity prices have either remained the same or showed a slight decline, it is still too soon to say positively whether or not the recent upturn in some commodities represents the start of a real upswing in the price cycle. Plainly a real revival in the farm real estate market as measured either by activity or by a strengthening of prices is mainly dependent on a general revival of business conditions. The psychological effect of rising farm commodity prices may soon be felt in farm real estate prices.

Relative Prices

When reduced to index numbers the farm real estate sales in Ohio reported as voluntary during the first half of 1932 stood at 62 when the 1923 price is considered as 100.

Table I.- Prices of Farm Real Estate in Ohio

Year	Dollars per acre	Index (1923 = 100)
1923	88.92	100
1924	84.06	95
1925	83.46	94
1926	83.30	94
1927	81.31	91
1928	75.61	85
1929	74.74	84
1930	71.19	80
1931	67.98 <sup>#</sup>	76
1st. 6 mo. 1932	54.97	62

<sup>#</sup> Based on sales of farms in the first six months of 1931.

These voluntary sales of the first six months of 1932 averaged \$54.97 per acre, a decline of \$13.01 in a period of one year. This is the sharpest decline of any period since 1920-21.

Most farm real estate sales, even when voluntary, have been by sellers who were in a weak bargaining position. Also, sales in the aggregate have been heavily weighted by properties in poor physical condition. These two factors alone tend to depress the average price reported. Owners having no immediate necessity for sale are likely to keep their land off the market until more favorable conditions of price prevail.

Involuntary Sales

Sales to settle estates averaged \$40.69 per acre and foreclosures \$43.22 per acre; this is 74.02 per cent and 78.62 per cent respectively of the average price at voluntary sale in the first six months of 1932. It is probable that the physical condition of the properties sold partially explain the differences in price between voluntary sales and foreclosure sales; but the influence of distress sales on the farm land market during the period of agricultural depression is conceded to have been above normal. A rough measure of this influence is indicated by comparing the ratios of distress sale prices to voluntary sale prices over a period of years. When the voluntary sales in each of the following periods is considered as 100 the foreclosure sale prices were:

1926-1928	.....	69
1929	.....	64
1930	.....	69
January-June 1931	.....	74
" " 1932	.....	79

### Mortgage Indebtedness is Being Reduced

One of the serious maladjustments in our credit system is the large amount of mortgage indebtedness incurred on a high price level. The foreclosures resulting are a dominant factor in the real estate market, as has been mentioned above. That reduction of this indebtedness is proceeding is indicated by the trend in farm mortgages recorded and canceled. Following is a comparison of the farm mortgages recorded and canceled in Ohio the past three years, in 1920 and 1913 expressed in terms of index numbers:

	<u>1913</u>	<u>1920</u>	<u>1929</u>	<u>1930</u>	<u>1931</u>
Farm mortgages recorded (number)	100	135	107	99	88
" " canceled "	100	131	83	71	69
" " recorded (amount)	100	282	147	113	93
" " canceled "	100	202	148	131	126

### Index Numbers of Some Factors Affecting Farm Real Estate Values

Some factors are now favorable to the prospective investor in farm real estate. One hardly need assume the role of a prophet to say that farm real estate prices must advance from the present low level with the passing of the various abnormal financial and industrial conditions which now exist. The series of index numbers given in Table II have been assembled to show how farm real estate prices since 1900 compare with farm taxes, with the prices of farm products and with cash rent.

From the viewpoint of land-investment, taxes are the most important fixed charge which must be borne by the land owner. A very important point at present is that the long trend upward in farm taxes seems to have ended. The high point in taxes was the levy of 1928, paid in 1929. The tax levy of 1930 showed a substantial decrease and preliminary calculations indicate a still more substantial cut in 1931. The cut in the last year is all the more reassuring when it is known that both tax valuations and tax rates have been reduced. Further, measures of revision in our fiscal system indicate the tendency to raise revenue from other sources than property taxation which gives some assurance to property owners that future inroads on their income will not be so severe as in the past few years.

Cash rent represents a measure of the gross income from land; in the long run cash rent must follow the trend in price of farm products. If we compare the ratio of cash rent to land value as given in the last column of the following table it is evident that this factor is now more favorable to the investor than in the boom period of 1915 to 1920.

Table II.- Relative Prices, Ohio: Farm Real Estate, Farm Taxes, Farm Products, Cash Rent Per Acre and Cash Rent in Terms of Farm Real Estate Prices

(1913 = 100)

Year	Farm Real Estate	Farm Taxes	Farm Products Prices	Cash Rent	Ratio of Rent Index to Value Index
1880	57	60	93		
1890	60	69	77		
1891	59	61	74		
1892	58	64	74		
1893	60	64	76		
1894	56	64	66		
1895	56	64	64		
1896	53	63	55		
1897	51	63	58		
1898	51	65	63		
1899	51	68	64		
1900	54	69	71	83	154
1901	68	66	72	86	126
1902	63	66	79	86	136
1903	62	75	76	86	138
1904	69	75	75	86	125
1905	72	77	79	88	122
1906	76	83	82	89	117
1907	83	85	90	91	110
1908	82	94	90	91	111
1909	87	95	98	92	106
1910	93	95	99	96	103
1911	101	87	90	98	97
1912	98	92	106	99	101
1913	100	100	100	100	100
1914	102	101	101	103	101
1915	107	131	102	106	99
1916	113	129	116	108	96
1917	119	131	175	112	94
1918	131	142	195	122	93
1919	135	170	210	127	94
1920	159	197	204	134	84
1921	134	216	127	181	135
1922	124	210	122	142	115
1923	122	218	129	143	117
1924	118	221	128	140	119
1925	110	232	153	132	120
1926	105	232	149	133	127
1927	99	234	141	134	135
1928	96	238	148	135	141
1929	94	236	144	128	136
1930	90	225#	122	120	133
1931	82	180#	85	106	129
1932	70			96	137

# Preliminary estimate.