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NEW MONEY IN RURAL AREAS

Land Investment in Europe and Its
Place Impacts

**Nick Gallent, Iqbal Hamiduddin,
Meri Juntti, Nicola Livingstone
and Phoebe Stirling**



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Nick Gallent
Bartlett School of Planning
University College London
London, UK

Iqbal Hamiduddin
University College London
London, UK

Meri Juntti
Department of Law and Politics
Middlesex University
London, UK

Nicola Livingstone
University College London
London, UK

Phoebe Stirling
University College London
London, UK

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PREFACE

This book examines the flow of new investment into rural land assets in Europe, particularly farmland, woodland and wineries, but extends also to leisure uses such as golf courses and theme parks. It examines the reasons for the flow of global investment into rural land alongside patterns of investment behaviour. It then undertakes an analysis of the local impacts of that investment on rural places, viewing ‘new money’ as a potential development opportunity, delivering a variety of outcomes for local landscapes and communities. The opening chapters provide introductory insights into rural land investment and the measurement of associated impacts. Ten case studies—from different European locations—then explore actual investment motives and local impacts. The book concludes with a synthesis of investment experiences and an assessment of the transformative changes brought to rural areas by the flow of new money. ‘New Money in Rural Areas’

- shines a light on the phenomenon of investment in rural land assets, which is acknowledged to be an important new trend in global investment behaviour;
- flags the risks of building rural development strategies on external investment flows, including the risk of land grabbing and the dispossession of local owners, and extending to a range of place effects;
- provides detailed case studies of land investment across Europe.

This is one of the first comprehensive assessments of rural land investment dealing specifically with local place effects. It fills a gap in current

understanding of new investment behaviours and the potential role of investment in rural development strategies.

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Nick Gallent
Iqbal Hamiduddin
Meri Juntti
Nicola Livingstone
Phoebe Stirling

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CONTENTS

1	Introduction	1
2	The Changing Nature of Investment in Rural Assets	7
3	Assessing the Impacts of Investment	21
4	Land-Use Continuity: Farmland and Old Wineries	33
5	Land-Use Transformations: Leisure, Bio-energy and New Wineries	77
6	Conclusions	131
	References	143
	Index	157

ABOUT THE AUTHORS

Nick Gallent is Professor of Housing and Planning and head of the Bartlett School of Planning at University College London (UCL), UK. His research is chiefly concerned with aspects of planning for housing and with rural communities' engagements with planning and development processes. He has written and edited numerous books on these subjects and many articles for academic and professional journals.

Iqbal Hamiduddin is Lecturer in Transport Planning and Housing at the Bartlett School of Planning, UCL. His research in the fields of transport, housing and regional development often focuses on the connections (and frequent dis-connections) between urban centres and rural localities. He has recently co-authored a book titled *Introduction to Rural Planning* (second edition).

Meri Juntti is a senior lecturer in the Department of Law and Politics at Middlesex University. Her research focuses on agricultural and environmental policy decision-making and implementation in the European Union (EU). She has worked on both EU and domestically funded research projects focusing on a number of EU member states and has authored publications on the discursive construction of environmental policy, the role of the socio-material context in differentiating rural policy outcomes and the nature and role of 'evidence' in the policy process.

Nicola Livingstone is Lecturer in Real Estate at the Bartlett School of Planning. Her research interests include property market liquidity and performance analysis, real estate investment, the retail market and the

social form of the built environment. She also undertakes research on the political economy of charity and food insecurity and has a current British Academy/Leverhulme-funded project on this topic.

Phoebe Stirling is a PhD student and research assistant at the Bartlett School of Planning, UCL. Her research addresses housing investment pressures in the United Kingdom, looking at both the drivers of, and local planning responses to, investment demand.

LIST OF FIGURES

Image 4.1	Barriques at the Sella & Mosca vineyard	36
Image 4.2	Sella & Mosca's vines	43
Image 4.3	Tomato cultivation in Almería	52
Image 4.4	Low-tech plastic greenhouses	56
Image 5.1	View back to the clubhouse from the first tee	82
Image 5.2	MacLeod House	83
Image 5.3	Access to Moominworld in the high season (left) and during winter (right). Kailo Island in the background	90
Image 5.4	Bridge Energy AD plant—digesters	102
Image 5.5	CHP unit	103
Image 5.6	View of Bridge Energy AD plant from neighbouring road—minimal visual impact	104
Image 5.7	The Chapel Down Vineyard and Winery, Tenterden	110
Image 5.8	Vines and diversion of existing right of way	112
Image 5.9	Land being prepared for willow	116
Image 5.10	Two varieties of willow saplings growing side by side	117

LIST OF TABLES

Table 2.1	Investment drivers and outcomes	18
Table 3.1	Natural, built and social assets and their role in countryside capital (Garrod et al. 2006)	25
Table 3.2	Capitals, change variables and indicative data requirements	28
Table 3.3	Interpretation of impacts	28
Table 3.4	Interview subjects	29
Table 3.5	Field interview example ‘crib sheet’	29
Table 4.1	Typology of cases	34



Introduction

Abstract The flow of investment capital into rural areas across Europe has many sources—from institutional investors seeking sustained returns from farming and farmland to private individuals initiating new ventures, often in innovative sectors that help diversify rural economies. This chapter situates that flow in debates dealing with rural development and with the financialisation of land and property. It flags the passive nature of some institutional investment and the active interest that many private individuals take in projects that bring new economic activities to rural areas.

Keywords Land • Investment • Impacts • Europe

The flow of new money into rural areas has the potential to bring transformational change and a range of socio-economic and environmental impacts. That new money can take many forms: from private individuals undertaking single projects in the countryside to institutional investors seeking sustained returns from farmland and farm products, establishing investment funds, and thereafter listing those funds on international stock markets. There are several possible ways to frame an analysis of the arrival of investment capital in rural areas: perhaps as a driver of rural development or a condition of late-capitalism, involving profit taking from assets including property, largely—but not exclusively—derived from appreciating land values (Edwards 2016). This framing has been applied to housing (Aalbers

2016), to urban development more generally (Weber 2015) and to the acquisition of rural land assets (Gunnoe 2014). The movement of new money into rural land assets is sometimes an outcome of ‘financialisation’, involving the repackaging of asset-backed debt as a financial (and income-generating) product. For housing, this may lead to the securitisation of mortgage debt and its sale to third parties: housing becomes the ‘asset’ in an ‘asset-backed security’. This is also a mechanism for bringing new investors into rural areas if, for instance, farms are mortgaged to banks and the loans then securitised. Some forms of investment generate new activity and cause new money to circulate in a local economy. Other forms—including the financialisation of assets—extract money and cause capital to circulate among investors but not locally. Because the investment routes into rural assets are varied—ranging from the very simple (e.g. cash buying) to the very complex (e.g. securitisation but also acquisitions incentivised by tax treatment, aided by grant support and facilitated by governmental agencies seeking foreign direct inward investment)—any single framing risks the exclusion of certain types of investment.

This book, and the research on which it draws, is concerned with the arrival of *all* new money in rural areas and attendant place-based impacts. Its particular concern is with Europe. Other research has focused on North America (Newell and Lincoln 2007), on Australia (Magnan 2015) and on the global south (Robertson and Pinstrip-Andersen 2010; Cotula 2013). There has been widespread interest in, and concern for, the ‘land rush’ (Cotula 2012; Scoones et al. 2013; Arezki et al. 2013) affecting some of the world’s poorest nations and its effects on local populations and global food security, especially when arable land is turned to energy crops (White and Dasgupta 2010). A considerable amount of past research has been concerned either with the portfolio (inflation hedging) role of farmland, with food security, with financialisation processes or with dispossession and land rights. The principal focus of this book, however, is with the *place-effects of different forms of investment*, which may result in either apparent continuity of land-use (but underpinned and shaped by new ownership motives) or a shift from an existing pattern of use to a new one.

Europe provides the focus, both because of a relative paucity of research on the *wider impacts* of land investment (beyond financialisation processes) and because of the diversity of investments and transformations underway in this global region. Whilst European transition economies are experiencing some of the investment challenges hitherto seen in the global south, there is a vast range of European experiences in land investment, as illustrated in the case studies presented in later chapters.

Rural areas have not always been viewed as important investment destinations for foot-loose global capital. Likewise, rural economies have frequently been regarded as laggard and in need of modernisation (Gallent et al. 2015). The modernisation process in Europe began in the early twentieth century and often meant the mechanisation of farm production. This then resulted in a decline in rural labour demand and a transformation across the social and environmental dimensions: mechanisation of farming generated a very different rural society and has often threatened the rural landscape and environment, sometimes because of the use of chemical fertilisers or the elimination of landscape features that seemed to impede the use of heavy equipment. However, in the latter half of the twentieth century, new patterns of global trade led to a differentiation of rural areas around the world. Some became more intensively productive (exporting foodstuffs internationally), whilst the pace of farm production eased in other locations, providing a context for new economic diversity and for new land-uses. That diversity arose from a changing relationship between town and country. In some late-capitalist societies, the maturity of industrial production caused (some) dispersal of wealth to a growing middle class, which found itself with more leisure time and greater disposable income. Declining quality of life in cities triggered a wider search for new leisure and investment opportunities that extended to the nearby countryside and further afield. This sequencing of events and outcomes resulted in the countryside reconceptualised as a place of consumption rather than production, although in reality rural economies are far more nuanced and locally differentiated.

The upshot is that European rural areas now play host to a broad range of opportunities and activities. There is an enlarged international market for many forms of rural consumption: from conventional and new agricultural crops, through renewable (and non-renewable) energy, to the leisure value that is extractable from many rural places. Investors have displayed growing interest in the returns that can be realised from different activities and in the ‘valorisation’ of rural assets. Investment in farm production—particularly in transition economies that are opening up following decades of restricted access, and other places where land values remain low—has led to the consolidation of landholdings in the hands of investment banks and other financial service providers (Gunnøe 2014). Yet besides the consolidation and intensification of farm production, other investments reflect the ‘multi-functional’ nature of twenty-first-century rural economies.

The purpose of this book is to explore some of the place-based impacts brought by the flow of new money into rural areas. It asks whether money flows in and out again with few positive outcomes for a locality (because investors are simply extracting profit from held assets) or whether the practice of investment (perhaps with that practice being infused with corporate social responsibility or with the broader values of investors) brings discernible benefits to rural places and communities. All investments are of course different, but one important objective of the research on which this book draws has been to identify how the goals and practices of private or public investment (e.g. the setting of employment targets, the roll out of environmental sustainability measures or engagement with nearby communities) contribute to achieving broader local development goals.

New Money in Rural Areas has six chapters. The present chapter sets out the context of the research and its guiding questions. The second looks at investment interest in rural assets (including global trends) and the different forms that investment might take, with capital flowing either *directly* to an area from the investor (e.g. individual investor-cum-developers) or *indirectly* through investment vehicles that allow multiple individuals or corporate backers to put money into established ‘asset backed portfolios’. This chapter aims to detail the nature of investment in rural areas while distinguishing between those investments that are *passive* (motivated by land value appreciation or profit from pre-existing activity) or *active* (and concerned with projects that will either alter the use of land or enhance productivity and profit in some way). The aim here is to develop a perspective on, and categorisation of, investment in rural assets.

The third chapter then shifts focus to the rural places where assets are acquired and potential impacts felt. Its aim is to provide perspectives on the assessment of change across social, economic and environmental dimensions. Rural investments regularly engage with ‘countryside capital’—local natural, physical and sometimes cultural and social capitals—and their constituent assets such as ecosystems services and heritage sites, valorising and otherwise affecting these in different ways. The third chapter ends by summarising the approach taken to data collection. The fourth and fifth chapters contain a series of investment-impact case studies from across Europe, chosen to represent different types of investment in rural assets—whether direct, indirect, passive or active—and able to illustrate varying types of investment practice and their place effects. These case studies, presented in narrative form, are the primary empirical contribution of this book to the rural land investment literature and derive from

desk-studies of publicly available materials including land-use and land-cover maps as well as from field visits and interviews with key local stakeholders. Having recounted these various stories of investment impact, the sixth and final chapter seeks to draw out generic lessons from different types of investment. It addresses two guiding questions: first, how are benefits to rural places—arising from rural land investment—maximised; and second, how are potential externalities from those same investments mitigated?

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CHAPTER 2

The Changing Nature of Investment in Rural Assets

Abstract Themes explored in this chapter include rural land investment, acquisition and consolidation. The chapter addresses five questions. First, what have been the recent patterns of rural land acquisition and consolidation, particularly those driven by new investors? Second, what approaches characterise investment, passive and indirect or active and direct? Third, who are the investors in rural land? Fourth, what are the motives behind investment in rural land assets? Fifth, and finally, how do investment motives and strategies link to emerging place-based impacts? The big question tackled here is who is investing in rural land assets and for what reason. The chapter flags the profit-seeking nature of land investment (and financialisation) alongside personal motivations.

Keywords Rural areas • Land • Investors • Investment • Motivations

In this chapter, we begin by reviewing selected literature—mainly pertaining to Europe and the United Kingdom—on rural land investment, acquisition and consolidation. The chapter addresses five questions. First, what have been the recent patterns of rural land acquisition and consolidation, particularly those driven by new investors? Second, what approaches characterise investment, passive and indirect or active and direct? Third, who are the investors in rural land? Fourth, what are the motives behind investment in rural land assets? Fifth, and finally, how do investment motives and strategies link to emerging impacts?