



Real Rates and Canadian Farmland Returns

**The market versus Veripath
across rate regimes**

October 2026

EXECUTIVE SUMMARY:

This paper examines how Canadian farmland returns were impacted by the long-term real interest rate over 1970 to 2025 and places the Veripath strategy's track record (Q2 2008 to Q2 2026) inside that framework. The time series is grouped into three real rate regimes: negative, 0% to 4%, and at or above 4%. For 2008 to 2025 both series are total returns - land appreciation plus rent. Average appreciation steps down monotonically across the regimes: 15.2% per annum with no down years at negative real rates, 9.7% between 0% and 4%, and 1.2% at 4% or above.

INTRODUCTION:

Farmland is generally assumed to be an asset whose value keeps pace with the general price level, but more important, in our view, is its linkage to long-term real interest rates. The real rate is the yield on long-term government bonds less inflation: it is the return an investor can earn without taking on risk, after the erosion of purchasing power. When it is low or negative, the opportunity cost of holding land is low; when it is high, farmland competes for capital against a meaningful risk-free real return.



Stephen Johnston

Director

sjohnston@omnigenceam.com



Matt Barr

Director

mbarr@omnigenceam.com



Barclay Laughland

Director

blaugland@omnigenceam.com



Key figures: Veripath gross unlevered track record against the national market

15.3% vs 13.4%

Compound annual gross unlevered total return, Veripath vs market, 2009 to 2025

15 of 18

Years Veripath was ahead of the market, 2008 to 2025

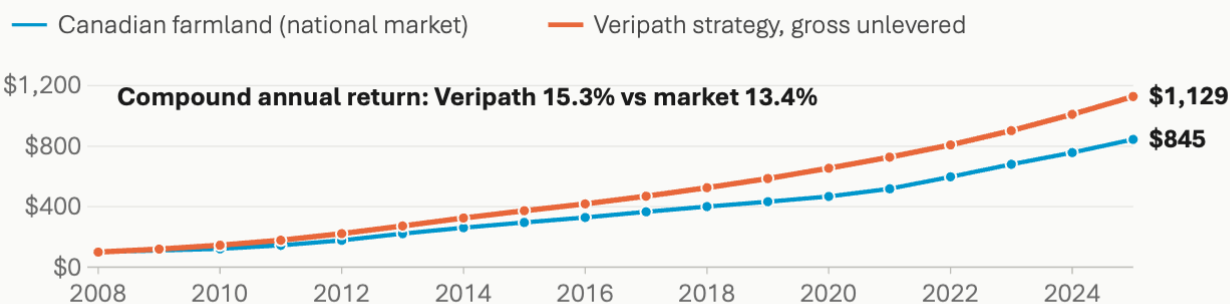
+2.8 pp

Average annual margin over the market at real rates of 0% to 4%

This paper asks two questions.

- The first is how Canadian farmland has behaved across real rate environments over the 56 years from 1970 to 2025. We grouped those years into three regimes, negative real rates, 0% to 4% and 4% or above, and compared average appreciation, the frequency and size of up years and the incidence of drawdowns in each.
- The second is where the Veripath strategy's track record, Q2 2008 to Q2 2026, sits within that framework and how it has compared with the national market on a total-return basis.

Growth of \$100: Veripath vs the market, gross unlevered total return, 2009 to 2025



This is a hypothetical series built from the strategy's reported gross unlevered returns. Gross unlevered total returns (land appreciation plus rent), each year's actual return compounded from \$100 at the end of 2008; markers show year-end values. Rental income is assumed to be reinvested in farmland each year, so the series compound total return rather than land value alone. Market: national farmland price change plus an estimated rental yield. Past performance is not indicative of future results.

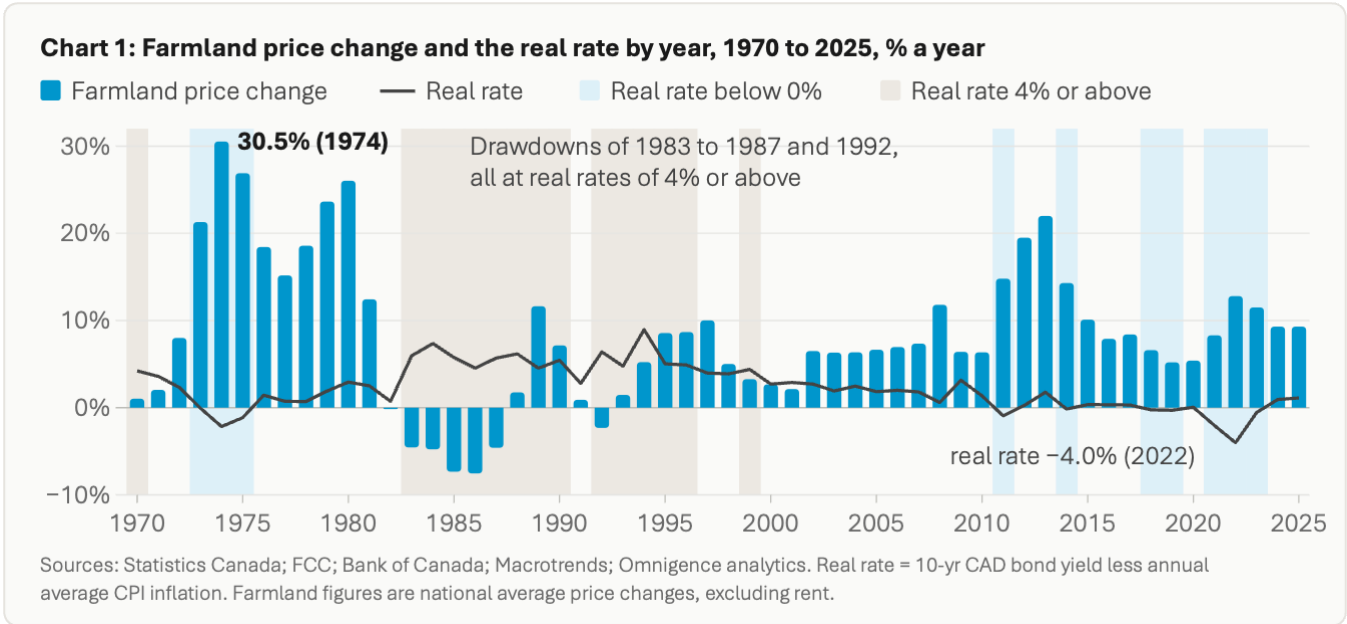
RESULTS:

Farmland and real rate regimes, 1970 to 2025: The negative real rate regime is the strongest environment for farmland returns in the sample and contains no down years; its observations cluster in three episodes, the 1970s stagflation (1973 to 1975), the post-2010 financial repression years, and the 2021 to 2023 inflation shock, in which real rates reached negative 4.0% in 2022, the deepest reading in the 56-year series. The higher-rate regime, concentrated in 1983 to 1995, contains all six material drawdowns in the series (1983 to 1987 and 1992, ranging from negative 2.3% to negative 7.5%). Over the full sample the correlation between annual farmland price changes and the real rate is approximately -0.58; the regime framing describes the data more informatively than the single statistic because it highlights drawdown behavior more clearly: every negative farmland year in the sample occurred at positive real rates, with all but one in the 4%+ regime.

Table 1: Farmland price changes by real rate regime, 1970 to 2025			
	Real rates < 0%	Real rates 0% to 4%	Real rates ≥ 4%
Number of years	10	31	15
Average annual appreciation	15.2%	9.7%	1.2%
Up years as percent of regime years	100.0%	96.8%	60.0%
Average size of up year	15.2%	10.1%	5.4%
Worst year	5.2%	-0.2%	-7.5%

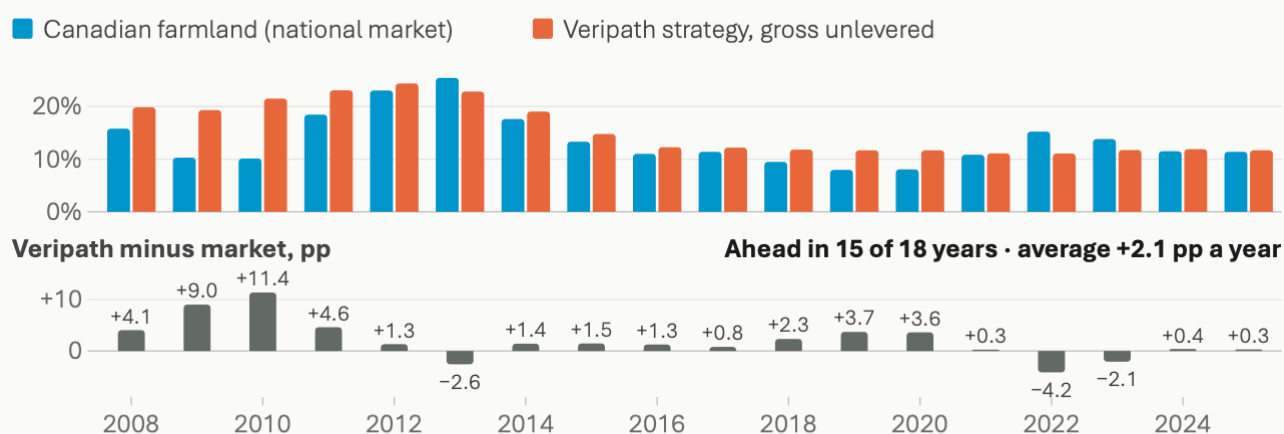
Table 2: Correlations of farmland price changes by real rate regime, 1970 to 2025				
	Real rates < 0%	Real rates 0% to 4%	Real rates ≥ 4%	Full sample
Number of years	10	31	15	56
Farmland vs CPI	0.90	0.37	-0.31	0.43
Farmland vs real rate	-0.16	-0.21	-0.16	-0.58

Sources: Statistics Canada; FCC; Bank of Canada; Macrotrends; Omnigence analytics. Real rate = 10-yr GoC yield less annual average CPI inflation. Correlations are Pearson correlations of annual farmland price changes with CPI inflation and with the real rate, computed over the years in each regime. Within-regime correlations are attenuated by the narrower range of real rates inside each regime; the full-sample figures are over all 56 years.



The regime environment of the Veripath track record: Chart 2 places the market and the strategy side by side, year by year, both on a total-return basis. The real rate ranged between negative 4.0% (2022) and positive 3.1% (2009) over the period.

Chart 2: Market and Veripath gross unlevered total returns (land and rent), 2008 to 2025



Sources: Statistics Canada, FCC, Bank of Canada, Veripath publicly disclosed return data, Omnigence analytics. Market: national farmland price change plus an estimated rental yield. Past performance is not indicative of future results.

Table 3 groups the same annual returns by real rate regime and compares their level, range and variability for the market and the strategy.

Table 3: Market and Veripath gross unlevered total returns by real rate regime, 2008 to 2025

Legend: Market (Canadian farmland) (blue), Veripath strategy, gross unlevered (orange)

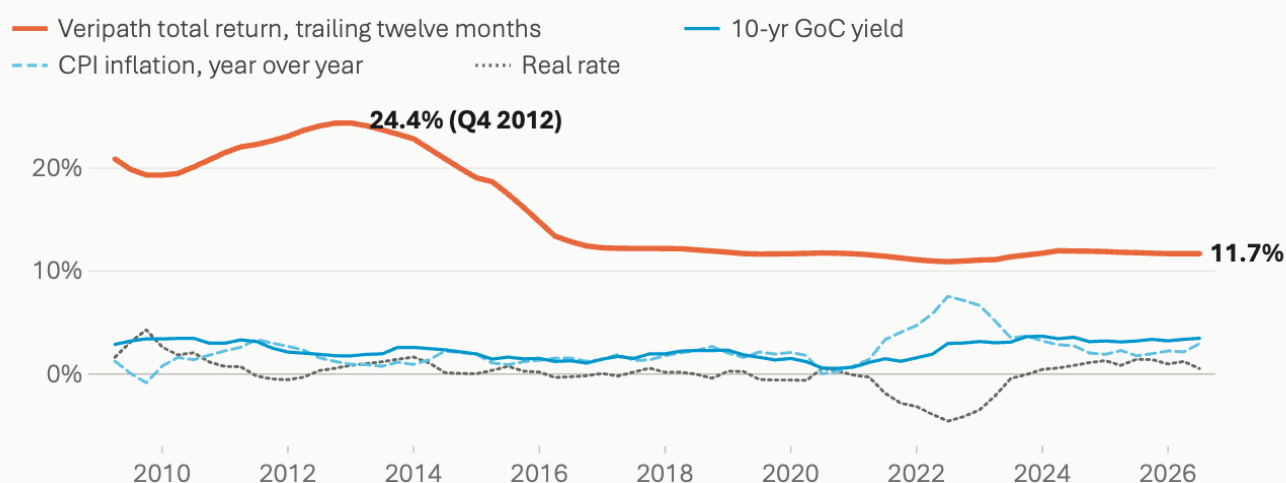
	Real rates < 0%		Real rates 0% to 4%		Real rates ≥ 4%		All years	
	Market	Veripath	Market	Veripath	Market	Veripath	Market	Veripath
Number of years	7	7	11	11	0	0	18	18
Average annual total return	13.4%	14.2%	13.8%	16.6%	n/a	n/a	13.6%	15.7%
Up years as percent of regime years	100%	100%	100%	100%	n/a	n/a	100%	100%
Minimum annual total return	8.0%	11.1%	8.1%	11.7%	n/a	n/a	8.0%	11.1%
Maximum annual total return	18.5%	23.1%	25.4%	24.4%	n/a	n/a	25.4%	24.4%
Standard deviation	4.0%	4.8%	5.6%	5.0%	n/a	n/a	4.9%	5.0%
Average real total return (less CPI)	10.0%	10.9%	12.3%	15.1%	n/a	n/a	11.4%	13.5%
VP less market, average		+0.9 pp		+2.8 pp		n/a		+2.1 pp
Years VP ahead of market		5 of 7		10 of 11		n/a		15 of 18

Sources as for Chart 2. Standard deviation and minimum are for the annual total-return series within each regime. Real total return is annual total return less annual average CPI. Returns are arithmetic averages, compound returns in paper are for the 2009-2025 period.

We believe the strategy's wider margin over the market in the 0% to 4% regime (+2.8 pp, against +0.9 pp at negative real rates) reflects asset selection and a disciplined focus on acquiring land at discounts to average productivity-adjusted prices. When real rates are moderate, farmland values are set largely by fundamentals and an asset selection edge shows through; when real rates are deeply negative or deeply positive, broad rate-driven repricing of the asset class tends to overwhelm a manager's asset selection alpha.

On a total-return basis the strategy trailed the market in only three years (2013, 2022 and 2023), and over 2009 to 2025 compounded at 15.3% per annum against the market's 13.4%, with a worst year of 11.1% (2022) against the market's 8.0% (2019).

Chart 3: Strategy gross unlevered trailing twelve-month total return against rate components, Q1 2009 to Q2 2026, % a year



Strategy figures are trailing twelve-month (TTM) total returns: land appreciation compounded over the four quarters plus the four quarters of rent, the same basis as Chart 2, so each fourth-quarter value equals that year's total return in Chart 2. Yields are quarterly averages; CPI is year-over-year inflation from the quarterly average index.

WHAT THIS MEANS FOR ALLOCATORS:

- Real rate regimes are a material contributor to farmland market returns: appreciation averaged 15.2% a year at negative real rates and 9.7% between 0% and 4%, against 1.2% at 4% or above, where every material drawdown occurred.
- Current real rates of approximately 1% sit in the middle (0% to 4%) range. The 4%-plus regime has not been observed since 1999, and we believe elevated developed-market sovereign debt loads reduce the likelihood of a sustained return to it.
- In the 0% to 4% real rate range, the strategy's gross unlevered total return has averaged 2.8 percentage points a year above the national market, which we attribute to asset selection and acquiring land at discounts to average productivity-adjusted prices.
- Over 2009 to 2025 the strategy compounded at 15.3% a year against 13.4% for the market and was positive in every year.



Toronto Office:
TD Canada Trust Tower, 161 Bay
St.
27th Floor, P.O. Box 508
Toronto, ON, M5J 2S1

Calgary Office:
Suite 300, 4954 Richard Road SW
Calgary, AB, T3E 6L1

Montréal Office:
3 Place Ville Marie, Suite 3190
Montréal, QC H3B 2E3

www.omnigenceam.com

DISCLAIMER

Our reports, including this paper, express our opinions which have been based, in part, upon generally available public information and research as well as upon inferences and deductions made through our due diligence, research and analytical process. The information contained in this paper includes information from, or data derived from, public third-party sources including industry publications, reports and research papers. Although this third-party information and data is believed to be reliable, neither Omnigence Asset Management nor its agents (collectively "Omnigence") have independently verified the accuracy, currency or completeness of any of the information and data contained in this paper which is derived from such third party sources and, therefore, there is no assurance or guarantee as to the accuracy or completeness of such included information and data. Omnigence and its agents hereby disclaim any liability whatsoever in respect of any third-party information or data, and the results derived from our utilization of that data in our analysis. While we have a good-faith belief in the accuracy of what we write, all such information is presented "as is," without warranty of any kind, whether express or implied. The use made of the information and conclusions set forth in this paper is solely at the risk of the user of this information. This paper is intended only as general information presented for the convenience of the reader and should not in any way be construed as investment or other advice whatsoever. Omnigence is not registered as an investment dealer or advisor in any jurisdiction and this report does not represent investment advice of any kind. The reader should seek the advice of relevant professionals (including a registered investment professional) before making any investment decisions. The opinions and views expressed in this paper are subject to change or modification without notice, and Omnigence does not undertake to update or supplement this or any other of its reports or papers as a result of a change in opinion stated herein or otherwise.