

English Estates & Farmland Market Review

Winter 2018/2019



Market overview

Non-farming buyers set the pace in farmland market

The farmland market has proved more resilient than many might have predicted considering the Brexit-related uncertainties and practical challenges posed by the weather over the past 18 months. Despite an increase in the supply of farmland in the market, average prices have remained stable.

The average price of arable land in England rose by 2% in 2018 to £9,400/acre; this is down from its peak in Q2 2015 by £1,300/acre, but only a little below the five-year average.

Of course the big question on everyone's lips is what happens now?

The Agriculture Bill, published in September, confirmed the government's intention to phase out support payments over a seven-year period and much has been made of the negative impact this could have on land prices. This is set against continuing uncertainty, as we write, over our leaving of the European Union.

Continued overleaf.

The market at a glance

Supply

- More than 100,000 acres of farmland were publicly marketed in 2018 – for only the second time in ten years.
- Almost a third more farmland was marketed in 2018 than in 2017.
- Supply dipped in Q4 when only 4,400 acres were put up for sale, compared with 7,000 acres in Q4 2017.

Demand

- Farmers accounted for less than half of buyers, which is the first time this has happened since we started collecting detailed records in 1996.
- Demand remains reasonably strong, but is patchy, with more land remaining available than in the past two years.
- Demand is strongest for cereals, general cropping and mixed farms – and in southern England.



Michael Fiddes

Head of Estates & Farm Agency

T: 01223 459 505

E: michael.fiddes@struttandparker.com

Pricing

- The average price for arable and pasture land rose by 2% in 2018 (to £9,400/acre and £7,700/acre respectively).
- Arable land sold from £4,575/acre to £15,000/acre in 2018. This is a wide range, affected by location more than land quality.
- Most pasture land sold for £6,000 to 8,000/acre, but an increasing amount sold for below £6,000/acre.

Market overview

Continued from page 1

However, farm profitability is only one of a number of factors that determine farmland prices, not least because farmers are not the only people who buy land. Our data confirms that over the past two years non-farmers have played an increasing role in the market. Land in the right location remains in considerable demand for capital investment for many non-farming reasons, including development potential, privacy, tax reasons, or amenity. For many of these investors, generating profits from farming is not their primary focus. Whilst this non-farmer demand continues, the percentage of land bought by existing farmers has decreased, which is in part because of the uncertainty around future farming incomes and therefore lack of confidence to borrow to fund purchases.

The differing demand from these different buyer types has created the wide range of values which are now being achieved. In times of uncertainty investors tend to be attracted to tangible assets as they see them as a safe haven for their capital. Looking forward, we may continue to see a widening of values achieved with farmers more reluctant to enter the market. However, assuming there are no big changes in tax regimes, non-farmer buyers are likely to continue to buy, with location remaining the critical factor.

In the immediate future we also anticipate values will be supported by a lack of supply. Whilst the amount of land available rose sharply in Q3 2018, this was due to a small number of large sales and relatively little has been marketed since. History shows that in times of uncertainty around CAP reform the supply of land in the market has fallen as land owners wait to what the reforms will mean.

Supply

Amount of farmland marketed

There was an increase in the volume of farmland publicly marketed in 2018 – almost a third more than in 2017. It is only the second time in a decade that this figure has been more than 100,000 acres.

The main reason for this increase was a rise in the number of farms over 1,000 acres put to the market – particularly in the East of England, where a single business of 13,000 acres contributed to a doubling of the acreage available in that region. Collectively, these larger farms (over 1,000 acres) accounted for 36,800 acres, compared with 14,400 acres in 2017. Overall, the total number of farms publicly marketed remains pretty stable (at around 220-230), but the average size of farm being marketed has increased.

It was an unusual year, with most of the land coming to the market in Q3, which is later than usual, and very little launched in the final quarter, when only 4,400 acres were publicly marketed, 37% less than Q4 2017's 7,000 acres, and around half of the five-year average.

Private sales are not included in the figures because of the difficulty of collecting comprehensive information. But around a quarter of the farms offered for sale by Strutt & Parker during 2018 were privately, not publicly, marketed.

Figure 1 Amount of farmland publicly marketed in England (acres)

NB Figures are for whole years unless otherwise stated and are rounded to the nearest 100 acres. Privately marketed farmland has been excluded due to the difficulty of collecting comprehensive information.

	East Mids	East of England	North East	North West	South East	South West	West Mids	Yorks & Humber	England
2014	6,500	14,100	4,600	2,400	11,400	13,600	12,200	5,300	70,000
2015	15,800	16,600	4,900	7,700	18,800	13,400	6,100	4,500	87,800
2016	12,900	17,100	4,100	4,000	18,800	13,200	4,700	13,000	87,800
2017	12,400	12,100	2,300	6,100	10,400	12,300	11,600	11,300	78,400
2018	8,600	31,000	8,000	2,000	10,100	19,900	12,700	8,600	100,900

Number of farms marketed

The South West, East of England and South East remain the most active regions for farm sales; they are also the most active for private sales that we are involved in. Northern England remains the least active area which makes finding the right farm in the right location more challenging.

Some commentators predicted there would be more farms marketed due to uncertainty over government support and subsidies for farming post-Brexit. Whilst the amount of land offered for sale increased significantly, the number of farms marketed was relatively static compared to the previous three years.

The Government published the principles of the British agricultural policy that will replace the European Common Agricultural Policy in September and so there is now greater clarity over the type and level of subsidies that will be available from now until 2028. However, until there is more certainty about the wider aspects of Brexit, our view is that land will be held back from the market. This is something we have seen during previous rounds of CAP reform, where there has been a fall in the amount of land being marketed as people wait to see what happens. See Market Outlook for more details.

Figure 2 Number of farms marketed

NB Figures are for whole years unless otherwise stated. Privately marketed farmland has been excluded due to the difficulty of collecting comprehensive information.

	East Mids	East of England	North East	North West	South East	South West	West Mids	Yorks & Humber	England
2014	27	50	9	10	27	40	35	9	207
2015	40	54	7	18	49	39	28	17	252
2016	33	53	11	12	34	37	20	24	224
2017	32	36	8	21	40	34	29	25	225
2018	25	42	13	10	34	55	29	23	231

Types of farm

Arable farms accounted for the largest number of farms marketed, although there were significantly fewer available than in 2017 and the second lowest number in the past ten years.

This may be a reflection of 2017 being a more profitable year for cereal crop growers and farmers waiting to see how farming policy will change post-Brexit. The average size of arable unit for sale has gone up from a medium-term average of 350 acres to 550 acres this year, partly because of the sale of a small number of very large arable farms.

Size of farm

Most farms for sale are below 500 acres (83% of them). Only 27 farms between 500 and 1,000 acres were marketed, which is about the same as in 2017. There were 13 farms over 1,000 acres marketed during the year, compared with 9 in 2017, but some of these farms were significantly more than 1,000 acres.

The strongest demand for farms seems to be those which fall in to the 500-1,000 acre bracket, with 80% of those marketed in the first six months of 2018 selling. This compares with 52% of the farms below 500 acres and 67% of the farms over 1,000 acres.

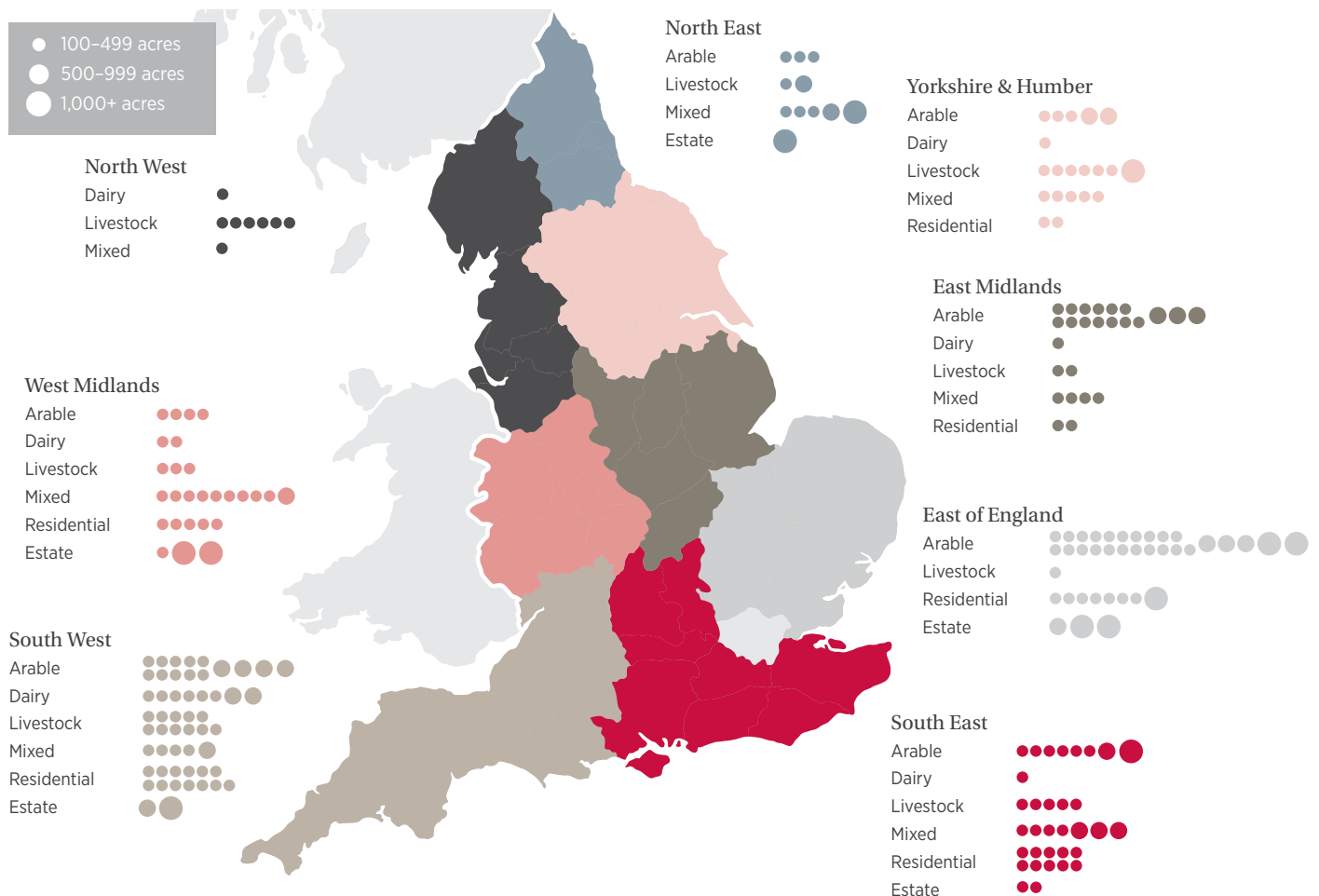
Figure 3 Main type of farms marketed

NB Figures are for whole years unless otherwise stated. Privately marketed farmland has been excluded due to the difficulty of collecting comprehensive information.

	Arable	Estate	Livestock	Mixed	Residential	Dairy
2014	82	21	24	34	30	10
2015	134	8	24	29	43	6
2016	110	12	19	29	33	17
2017	92	10	25	43	29	10
2018	76	11	37	37	40	14

Figure 4 Number of farms marketed in 2018 by region, farm type and farm size

NB Figures are for whole years unless otherwise stated. Privately marketed farmland has been excluded due to the difficulty of collecting comprehensive information.



Demand

Area of farmland sold

Demand remains reasonably strong, but patchy, with location rather than the quality of land continuing to be the key driver of the price achieved. In general, buyers have become more particular, but will still buy land that is in the right location.

However, just over a third of the land marketed in the first half of 2018 remains available to buy. This is higher than the proportion available at the same time in 2017 (28%) and in 2016 (31%), pointing to a slight weakening in demand overall.

Demand remains stronger in the southern half of England, and generally weakens the further north you go. It is also strongest for cereals, general cropping and mixed farms and weaker for livestock units or small (100-250 acres) residential farms with guide prices over £12,000/acre.



‘The quality of land continues to be the key driver of the price achieved.’

Figure 5 Speed of land transactions – percentage of farmland sold (exchanged)

NB Data shows the sale status by number of sales, not acres. Data captures the sales status on 31 December of land marketed during the first six months of that year, so that the land has had time to sell. Privately marketed farmland has been excluded due to the difficulty of collecting comprehensive information.

Sale Status	2016	2017	2018
Available	31	28	37
Sold	42	43	28
Under Offer	20	20	28
Withdrawn	7	7	7

Type of buyers

The growing role of non-farmers in the farmland market is one of the most noticeable features of the past couple of years. For the first time since we started compiling detailed records in 1996, farmers accounted for less than half of the buyers in 2018.

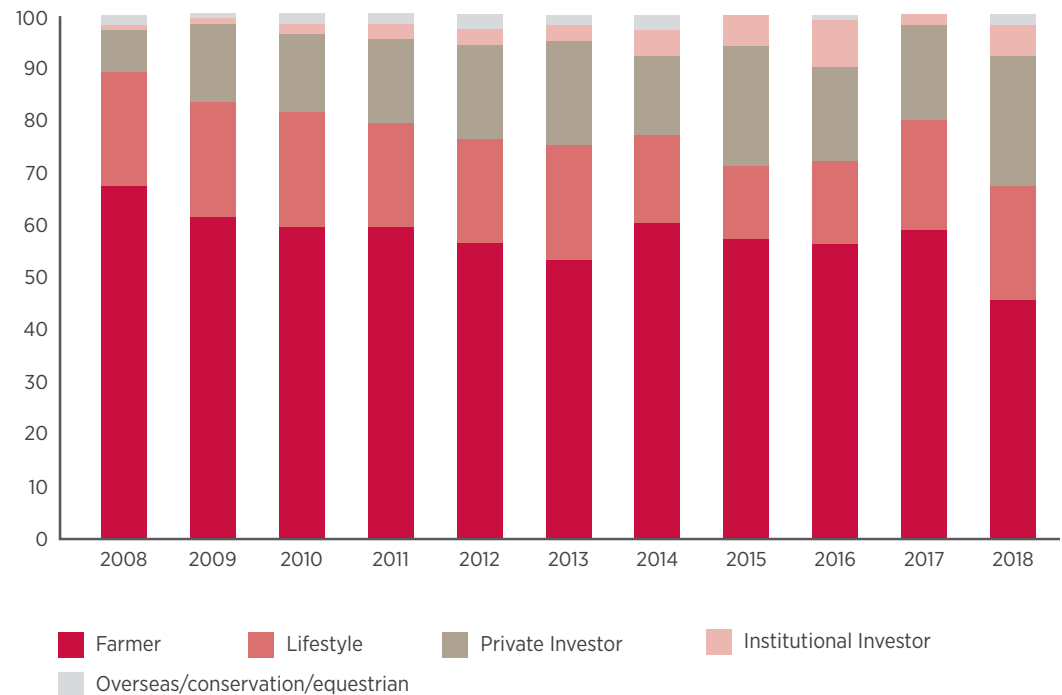
Non-farmers buy the majority of residential farms, but also an increasing proportion of cereals and mixed farms. It is only very specialist livestock farms, such as dairy, where farmers remain the dominant buyer.

This shows that farmland remains in demand from private and institutional investors as well as lifestyle buyers, many of whom continue to see farmland as a safe tangible (or physical) asset to invest in.

Conscious of the likely squeeze on farm profitability going forward, farmers are finding it more difficult to justify buying land funded by borrowings so are taking a more cautious approach.

Figure 6 Buyer type

N.B. Data is by number of sales, not acres. The year is when the farmland was sold (exchanged) and is for entire years.



Pricing

Average sale prices

Average prices have held firm over the past 12 months, although averages do mask extreme variability in the marketplace so should be treated as broad indicators of how prices are changing. It is salient to remember that an average is only based on what has sold and excludes those farms that remain unsold.

Our analysis of the sale price bands gives a more complete view of the variation in prices paid (see over).

The average price of arable land sold in 2018 was £9,400/acre, which is 2% higher than the average in 2017. This is only a little below the average for the past five years, but a drop from the peak of £10,700/acre in Q2 2015. This average is being pulled up by a relatively small number of sales at high values. The average arable price in Q4 2018 was £9,500/acre, but this is based on a small sample.

The average for pasture was £7,700/acre, up 2% on the average in 2017.

NB The averages are based on the arable and pasture land that is sold and the year is when the farmland was sold (exchanged). Although we have stripped out the value of buildings and houses, the data can still be affected by differences in the quality and location of the land sold. Therefore, they should only be used as a broad indicator of changes in prices. Given the significant regional variation in prices and range of prices within regions, we recommend using the prices for farmland by region, which are on the following page.

Figure 7 Average sale price of arable and pasture farmland (£/acre)

N.B. Data is based on sold (also called exchanged) prices.

	Arable	% change during year	Pasture	% change during year
2009	£5,500	-	£4,500	-
2010	£6,100	12	£5,300	18
2011	£7,000	14	£5,900	11
2012	£7,800	12	£5,900	0
2013	£8,800	12	£6,500	11
2014	£10,000	14	£7,000	8
2015	£10,000	0	£7,300	3
2016	£9,600	-4	£7,300	0
2017	£9,300	-3	£7,500	3
2018	£9,400	2	£7,700	2

“Average prices have held firm but mask extreme variability.”

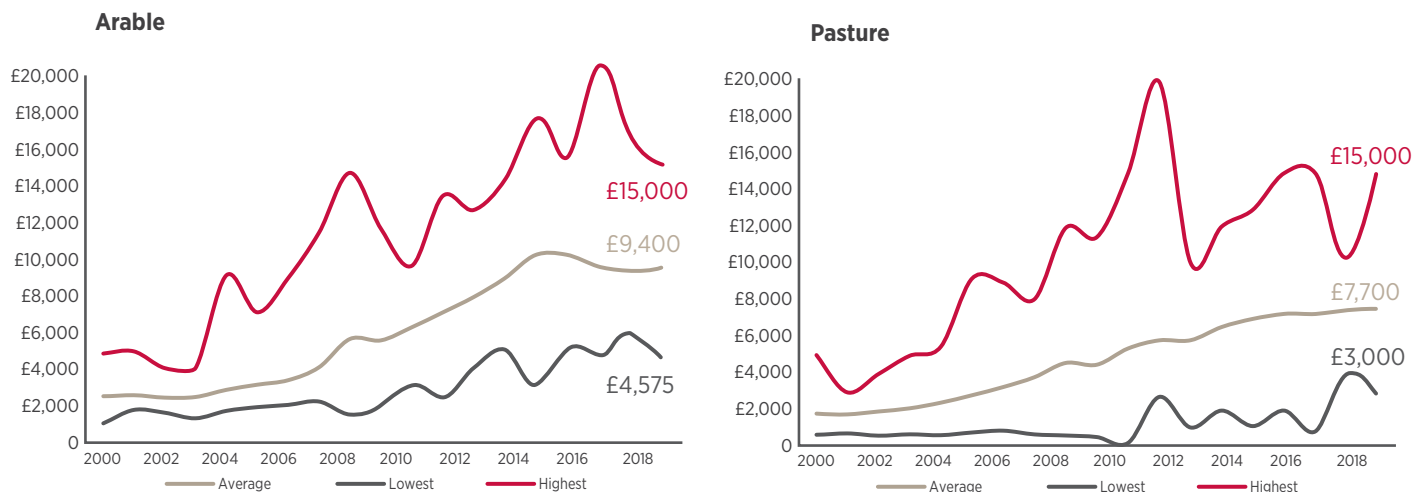
Average, lowest and highest sale prices

Arable prices remain highly variable, ranging from a low of £4,575/acre to a high of £15,000/acre. The range in prices demonstrates how a few sales at premium prices are helping to support average values. It is noticeable that some of the arable land selling for the lowest prices is in areas of highest quality where the market is more reliant on farmer buyers. Location is king.

Pasture prices are even more variable, due to the greater range in its quality and location, from rough grazing on mountains to parkland around estates. Rough grazing is selling at £3,000-£5,500/acre, and amenity land around residential farms and estates can sell for well over £10,000/acre.

Figures 8 & 9 Average, lowest and highest sale prices of arable and pasture farmland (£/acre)

NB Data is based on sold (exchanged) prices for vacant arable and pasture land only (i.e., it excludes the value of houses or buildings). The year is when the farmland was sold (exchanged).



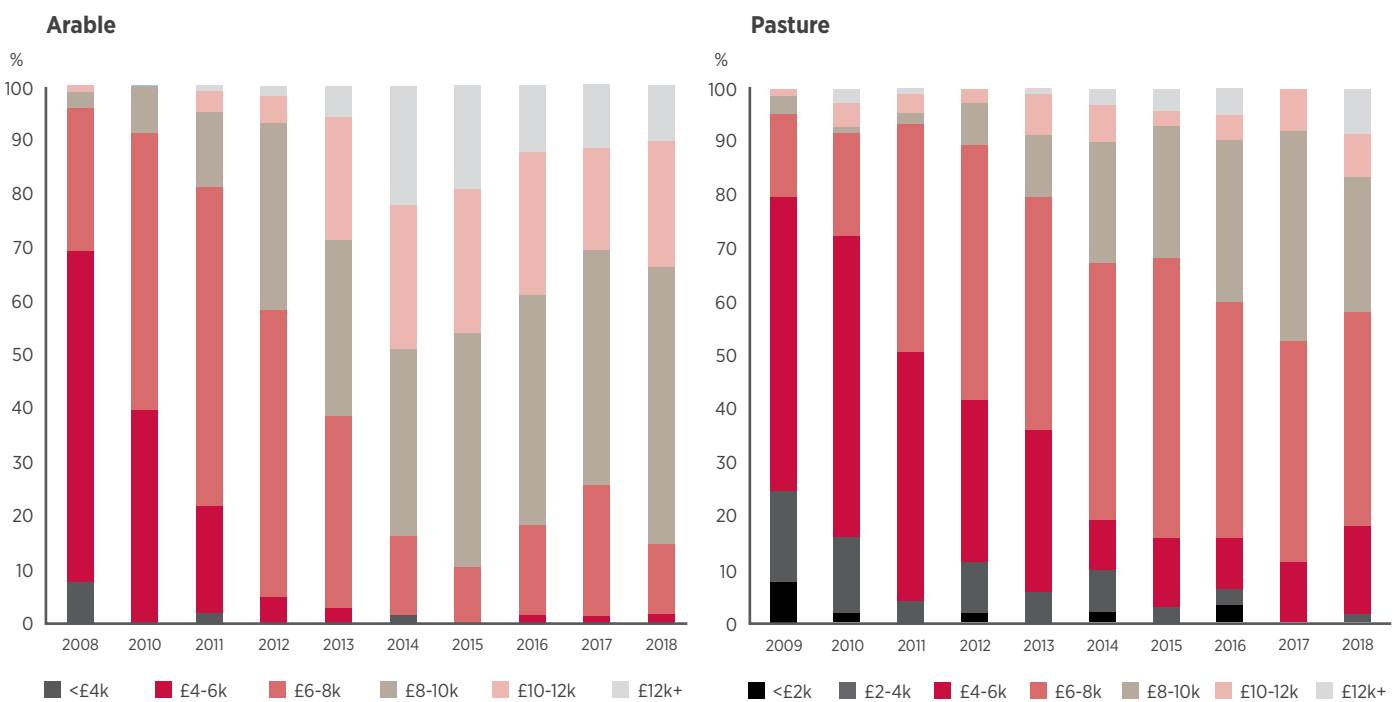
Sale price bands

Figure 10 shows that whilst in 2014/15 more than 20% of arable land achieved £12,000/acre, in 2018 this had dropped to about 10%. Most arable land is now selling for £8,000-£10,000/acre which is still a considerable increase from ten years ago. Whilst average farmland prices have increased substantially over the last ten years, the light grey bar on the chart below shows how prices at the top end have eased over the past three years.

Figure 11 shows that in the past five years more pasture land has been selling for over £8,000/acre, but this trend reversed in 2018 – and more land sold at less than £6,000/acre. The large range in prices – from £3,000 to £15,000/acre – shows the significant effect of quality, location and demand on prices.

Figures 10 & 11 Agreed sale price of arable and pasture farmland, by price band (£/acre)

N.B. The year is when the farmland was sold (exchanged) and is for whole years. Data is based on sold (exchanged) prices for vacant arable and pasture land only (i.e., it excludes the value of houses or buildings).



Prices around the regions

Figure 12 Estimates of average, bottom 25% and top 25% prices for arable and pasture farmland by region

The prices are based on the opinions of our regional agents, as it is not possible to calculate reliable regional values based on the small number of sales in each region. Prices are for vacant arable and pasture land only (i.e. it excludes the value of houses or buildings). Bottom 25% means if 100 farms were valued, the price of the 25th farm from the bottom. Percentage annual change is the change from the same quarter in the previous year.

South East

	Arable	Pasture
Bottom 25%	£7,500	£5,300
(change)	(0%)	(0%)
Top 25%	£10,500	£8,500
(change)	(-5%)	(0%)

'The key to successful farmland sales in the South East of England is local demand. The market, like everywhere, continues to be polarised, but the most competitive bidding is happening where there is strong local interest from neighbouring or close-by farmers looking to secure extra land on their doorstep. This trend is exacerbated by the fact that supply levels remain reasonably tight in the region. Best-in-class residential farms are selling well, but, in line with the slowdown in the top end of the housing market, buyers have become fussier about properties where there are compromises to be made.'

Matthew Gibson, South East region

South West

	Arable	Pasture
Bottom 25% (change)	£7,750 (11%)	£6,000 (9%)
Top 25% (change)	£11,000 (-21%)	£9,000 (0%)

'The mood is relatively confident in the South West of England, despite the uncertainties facing the market. It is a part of the world where values tend to be underpinned by strong demand from amenity buyers, with Dorset, Wiltshire and Hampshire perennially popular for buyers looking for their own slice of England within reach of London. We are also seeing demand from people who are comfortable with the idea of holding land for multiple generations, so are not viewing it as a short-term investment. Arable land is generally selling for £8,500-£9,500/acre and pasture for £6,000-£7,500/acre. There are pockets of strength in areas where supply is scarce, but fundamentally the best sales are being achieved as a result of regional agents knowing exactly which buyers are out there and what they are after – enabling them to tailor their marketing approach accordingly.'

Will Langmead, South West region

East of England

	Arable	Pasture
Bottom 25% (change)	£7,500 (0%)	N/A
Top 25% (change)	£10,500 (8%)	N/A

'We saw an increase in the acreage available in the East of England in 2018, which can mostly be attributed to the marketing of a few large farms. Farms are finding buyers – a mix of farmers and investors – albeit, there are differing levels of interest according to location, with demand tending to be stronger for farms in the southern half of the region. Overall, prices are typically between £8,000-9,000/acre, with a handful of exceptional sales going through at up to £11,000/acre. Meanwhile, land in the more inaccessible parts of the region is attracting bids of £6,000-£8,000/acre. In such a variable market, the key to a successful sale is local knowledge.'

Giles Allen, East of England region

East Midlands

	Arable	Pasture
Bottom 25% (change)	£6,500 (-10%)	£6,000 (-4%)
Top 25% (change)	£10,500 (17%)	£9,250 (19%)

'The East Midlands proved to be one of the hottest markets for farmland during 2018. Prices remain highly variable, but almost everything we've put on the market has sold – some of it extremely well. The best sales achieved prices in excess of £14,000/acre, although in less popular areas arable land has also exchanged hands at £6,300/acre. Location is key, with a lack of supply and strong competition between buyers with rollover money helping to drive up the value of property in the right location.'

Sam Holt, East Midlands region

Central & West Midlands

	Arable	Pasture
Bottom 25% (change)	£9,000 (13%)	£7,500 (25%)
Top 25% (change)	£11,500 (15%)	£8,800 (7%)

'Despite doom and gloom predictions being made in the media regards farmland values, for both our vendors and buyers there is still a good market and deals are being done for sensibly-priced blocks of land and farms in the right locations. The amount of land put up for sale in the Central region has risen over the past 12 months and we may well see another increase in 2019, as we have been invited to provide advice on more properties in the past three months than for some time. We have seen a slowdown in the residential end of the farms market, particularly where the residential value makes up more than half of the total price. However, values of prime arable land have held up very well. Looking at the sales of arable land we handled in 2018, only one farm sold for less than £10,000/acre, with the rest achieving between £10,000 and £12,000/acre.'

Matthew Sudlow, Central & West Midlands region

North

	Arable	Pasture
Bottom 25% (change)	£6,000 (-8%)	£4,000 (0%)
Top 25% (change)	£10,500 (5%)	£7,750 (-3%)

'Overall, it feels like the market has held up remarkably well considering the uncertainty that people have been facing. We continue to see strong interest in smaller blocks of land and at the super-prime end of the property scale. It is the middle ground that is proving stickier, hence why the number of completed sales is down. But while there are fewer buyers, those who are in the market are highly motivated. Arable values are ranging between £6,500/acre and £12,500/acre, but with the majority of land exchanging hands in the £7,250 to £8,750 price bracket.'

Will Parry, Northern region

Market Outlook

We work with independent economic consultants Volterra to produce forecasts for how farmland prices might change over the next five years. The forecasts are based on Auto-Regressive Integrated Moving Average (ARIMA) models of the market since 1997. We then adjust the forecasts with Volterra based on our experience and expectations.

At a time of such political and economic uncertainty, making predictions is difficult and as a result our forecasts cover a broad range of values. The market is already far more nuanced than average values indicate, with the price of land extremely variable mainly depending on location.

Demand from lifestyle and investor buyers has not weakened and is unlikely to do so if the current favourable tax treatment of farmland is unchanged. The Office of Tax Simplification published its first report on inheritance tax in November; while it was mainly concerned with the administration of the tax, it hinted that it would not recommend significant changes in how the tax is applied in its second report which is due to be published in the Spring.

The reforms set out in the draft Agriculture Bill are likely to mean that many farms will receive less support, in direct payments and environmental payments, and so will need to significantly improve their farming productivity to remain profitable. This will be challenging for many, who may choose to either rent out their land, contract farm or sell it. This means there is potential for more land to come to the market from farmers once the reforms have been agreed than we have been used to, which could put downward pressure on prices in areas where supply exceeds demand. However, in the short-term supplies are likely to be tight as people wait for greater clarity on post-Brexit arrangements.

Based on the above factors, it is possible that in the medium- to long-term we may see more land come to the market and demand from farmers for commercial farmland weaken as subsidies are reduced. But at the same time, demand from non-farmer buyers should remain firm. The net result is that the outlook for the land market will remain highly dependent on local demand, and the range in values achieved will continue to widen.

Bare land in an area where there is little interest from non-farming buyers is where there is greatest downside risk. But this worst-case scenario is unlikely to happen to land with strong appeal to non-farmers, or for land with strategic potential. Overall, we expect that in 2019 and 2020 we could see a decrease in farmland prices, but that growth will return from 2021 onwards.

Figure 13 Forecast percentage change in English farmland prices for next five years

N.B. Forecasts made December 2018 (next update due in December 2019)

	2016 Actual	2017 Actual	2018 Actual	2019	2020	2021	2022	2023
Low				-8	-7	-5	-5	-5
Central	-6	-2	-3	-2	0	5	5	5
High				5	7	10	10	10

Methodology

All data in this market report is from Strutt & Parker's Farmland Database of privately and publicly marketed farmland over 100 acres in England. It has recorded detailed information on the farmland, buildings and soils as well as buyer and seller profiles since 1996, and so is one of the most comprehensive databases available. What makes it different to other databases is that it records sold prices (i.e. what the farm exchanged contracts for) as well as guide prices, and so is a more accurate reflection of actual market conditions as guide prices can overstate or understate the prices that buyers are willing to pay. The national prices stated in this report are based on sold prices. Once a farm is exchanged, we have assumed it is sold, following HMRC custom. The prices for the regions are based on the opinions of our regional agents as it is not possible to calculate reliable regional figures based on the small number of sales in each region. The Strutt & Parker Farmland Forecast Model was developed jointly with Volterra, an independent economic consultancy.

© BNP PARIBAS REAL ESTATE ADVISORY & PROPERTY MANAGEMENT UK LTD. ALL RIGHTS RESERVED No part of this publication may be reproduced or transmitted in any form without prior written consent by BNP PRE. The information contained herein is general in nature and is not intended, and should not be construed, as professional advice or opinion provided to the user, nor as a recommendation of any particular approach. It is based on material that we believe to be reliable. While every effort has been made to ensure its accuracy, we cannot offer any warranty that it contains no factual errors. Strutt & Parker is a trading style of BNP Paribas Real Estate Advisory & Property Management UK Limited, a private limited company registered in England and Wales (registered number 4176965) and whose registered office address is at Aldermanbury Square, London EC2V 7BP.

Who to contact

Head of Estates & Farm Agency

Michael Fiddes

T: 01223 459505

E: michael.fiddes@struttandparker.com

National

Mark McAndrew

T: 020 7318 5171

E: mark.mcandrew@struttandparker.com

East of England

Giles Allen

T: 01473 220422

E: giles.allen@struttandparker.com

East Midlands

Sam Holt

T: 01780 484042

E: sam.holt@struttandparker.com

North

Will Parry

T: 01423 706761

E: will.parry@struttandparker.com

South West

Will Langmead

T: 01722 344014

E: William.Langmead@struttandparker.com

South East

Matthew Gibson

T: 020 7318 4715

E: matthew.gibson@struttandparker.com

West Midlands and Central

Matthew Sudlow

T: 01865 366640

E: matthew.sudlow@struttandparker.com

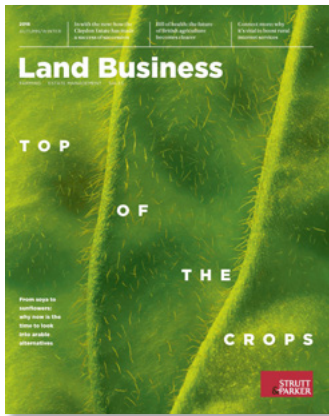
Research

Jason Beedell

T: 020 7318 4757

E: jason.beedell@struttandparker.com

Read more...



[Land Business](#)



[Farming Brochure](#)



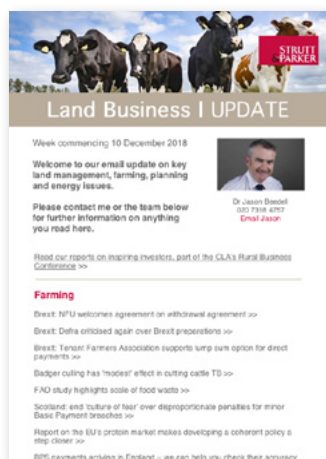
[New Horizons](#)



[Farming Update](#)



[Scottish Farmland Market Review](#)



Sign up for our fortnightly rural email struttandparker.com/lbu