

English Estates & Farmland Market Review

Summer 2018



Market overview

Farmland market getting tougher

The average value of farmland in England rose over the first half of 2018, but overall the market is getting tougher.

A significant proportion of land which has been marketed over the past year is either still available or has been withdrawn – a trend which is obviously not factored into average prices.

The market remains incredibly polarised with location and farm type, rather than quality, remaining the key drivers of the price achieved. Buyers have the money for the right offering. Land is still achieving excellent prices in areas with tight supplies and where buyers are funding the purchase using money from outside of farming. However, in areas where farmer buyers dominate, prices are noticeably lower. The range of prices paid for arable land over the past six months goes from £6,800 to £15,000/acre.

That we are in this position is not unexpected, and it is one that is likely to continue until there is greater certainty about the impact of policy changes on the agricultural sector. Until then, we will be dealing with a market which is much like the weather – full of extremes.

The market at a glance

Supply

- Fewer farms were publicly marketed nationally during the first half of 2018 (111) compared with Q1 & Q2 2017 and 2016.
- In total 44,200 acres have been publicly marketed, less than in 2017 and 2016.
- The trend for farms to be sold off-market / privately continues. Our estimate is that private sales currently account for 20-25% of the market.

Demand

- Buyers with funds generated outside of farming have bought a third of the farms sold in 2018, the highest proportion in our records. The vast majority of these purchases have been in the southern half of England.
- Over a third of the farms marketed in 2017 either remain available or have been withdrawn (81 farms).
- Demand has been strongest for cereal farms, but there is also a regional effect.



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Pricing

- £9,900/acre is the average price of arable land sold in 2018 so far.
- Pasture prices continue to rise, with an average of £8,100/acre paid in 2018. Note: This does include sales of parkland, which can attract a premium, and also excludes any sales under 100 acres.
- 60% of the pasture land sold in 2018 so far has been over £8,000/acre, which is the highest proportion we have recorded in our database.

Supply

Amount of farmland marketed

In historic terms, supplies remain relatively tight, with the wet spring reducing market activity in some regions. There were 111 farms openly marketed in the first half of the year, which is 15 fewer than by this time last year and below the five-year average. This contributed to an 8% fall in the amount of land marketed publicly to 44,200 acres. There were 25% fewer cereals farms for sale compared with 2017 (42 v 58), and half the number that were marketed in 2015 (85). Only 26 farms over 500 acres have been marketed so far in 2018.

However, the East of England has seen almost as much land marketed in the first six months of 2018 as it did during the whole of 2017.

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

N.B. 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 Midlands	East of England	North East	North West	South East	South West	West Midlands	Yorkshire & Humberside	England
2013	11,500	9,600	9,100	2,600	12,800	17,500	9,600	6,600	79,200
2014	6,500	14,000	4,600	2,400	11,400	14,400	12,200	5,300	70,800
2015	17,900	16,600	4,900	7,700	18,800	13,400	6,100	4,500	89,800
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	5,900	9,800	12,300	10,900	12,200	77,900
Q1 & Q2 2016	7,300	11,900	2,500	1,100	5,000	6,200	3,400	9,100	46,400
Q1 & Q2 2017	7,500	9,100	600	4,400	5,100	6,500	8,800	5,900	48,000
Q1 & Q2 2018	7,800	11,700	2,400	800	6,000	6,400	4,900	4,300	44,200

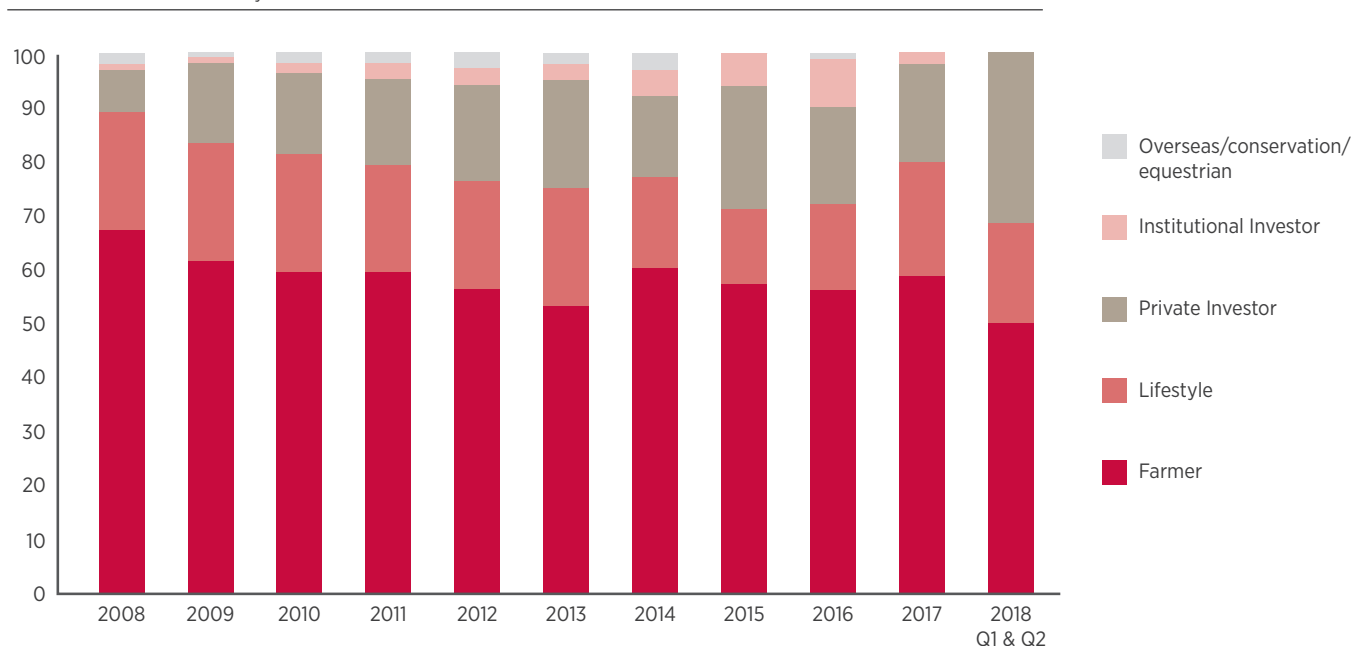
Demand

The proportion of farms being bought by buyers using capital made outside of farming is rising. These investors fall into three main categories – tax driven (these can include farmers with rollover funds), lifestyle buyers and those looking for long-term capital growth. To most of these investors, location is key.

Farmers have bought half of the land sold in 2018 so far, which is less than in 2017 (59%) and the average over the past five years (56%). This drop is not surprising due to continued pressures on profitability and uncertainty about the future of subsidies.

Figure 2 Buyer type

N.B. Data is by number of sales, not acres. The year is when the farmland was sold (exchanged) and is for whole years apart from 2018 which is Q1 & Q2 only.



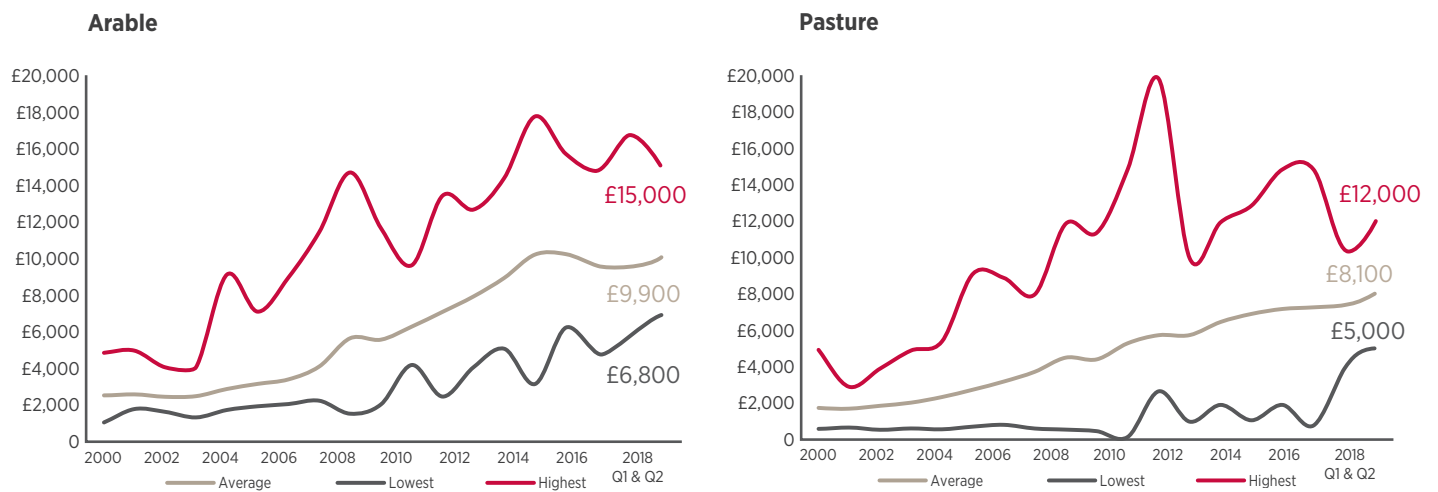
Pricing

Average sale prices

The average price of arable land sold in the first half of 2018 was £9,900/acre, somewhat unexpectedly up from the average of £9,400/acre in 2017. Pasture prices also continue to rise gently - the average of £8,100/acre is above the average for 2017 (£7,500/acre). These figures confirm the point that some farms are still selling incredibly well - but do not show that an increasing number of farms are taking longer to sell or are being withdrawn from the market.

Figures 3 & 4 Average, lowest and highest sale prices of arable and pasture farmland (£/acre)

N.B. The year is when the farmland was sold (exchanged) and is for whole years apart from 2018 which is Q1 & Q2 only. 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.



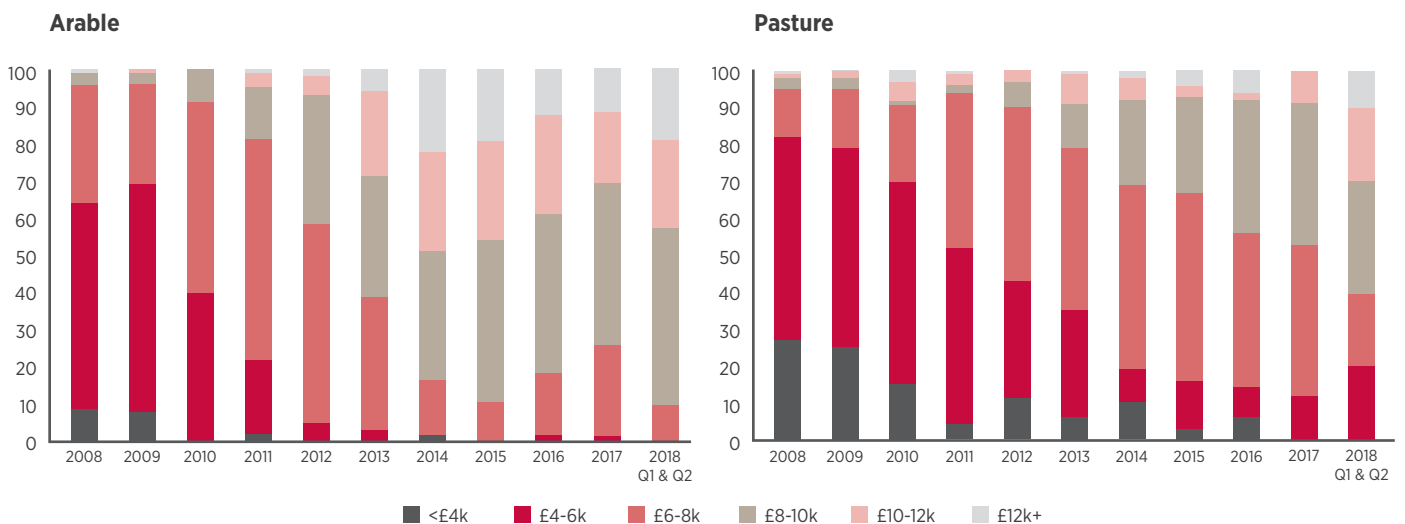
Sale price bands

The proportion of arable farmland selling for more than £10,000/acre has risen since the start of the year, but this is against the background of less land that is marketed being sold. Of the farms that have sold, 75% have gone for more than the guide price.


For farms that Strutt & Parker marketed in 2017, only 16% remain available and 9% have been withdrawn from sale, well below the market average.


Figures 5 & 6 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 apart from 2018 which is Q1 & Q2 only. Data is based on sold (exchanged) prices for vacant arable and pasture land only (i.e., it excludes the value of houses or buildings).



Estimates of bottom 25% and top 25% prices for arable and pasture farmland by region*

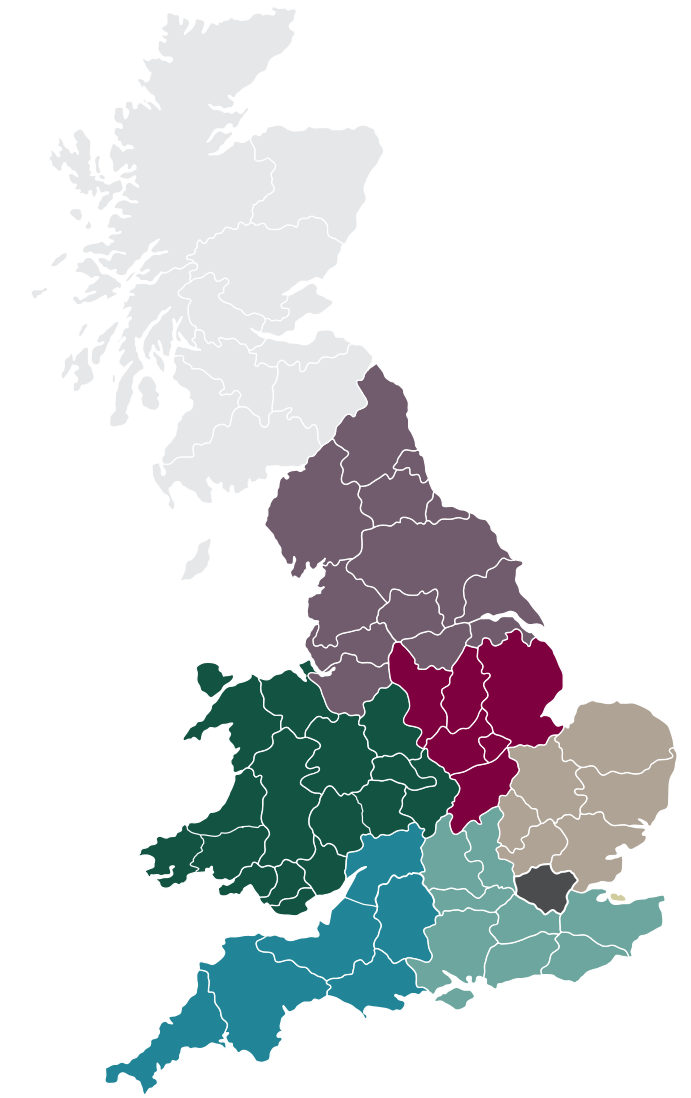
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For a national overview of the Estates & Farmland market please contact Mark McAndrew on 020 7318 5171 or email mark.mcandrew@struttandparker.com

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. 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.

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