

English Estates & Farmland Market Review

Autumn 2019



Market overview

Volume of farmland for sale hits 10-year low

Less than 16,000 acres of land has been publicly launched in England over the past three months, which means that across the whole of 2019 supply is down more than 40% against 2018 levels. Our farm agency team predicts that little is going to be marketed before the end of the year.

However, this significant drop in supply is acting as a counterbalance to weaker demand - particularly from farmers needing to borrow to fund an acquisition - keeping average prices relatively static.

Land is still selling, and in some instances selling very well, despite the market sentiment being one of caution. Well over half of the land marketed in the first six months of 2019 has already sold or is currently under offer, which is the same proportion as had sold at this time in 2018 (56%).

Continued overleaf.

The market at a glance

Supply

- Sellers are waiting to see how Brexit and the changes that follow it will affect the market, which has led to a 43% fall in farmland publicly for sale compared to 2018.
- This is the lowest amount of land marketed in the last 10 years and is 26% below the five-year average.
- The number of farms for sale is down in all regions, but is particularly low in the East Midlands, East of England and the North West.

Demand

- Cereals farms continue to be in demand and there has also been strong demand for lowland livestock farms.
- Farmers are buying fewer of the farms for sale and are now spending well below half of the total spent in the market.
- Overseas buyers are becoming more active, taking advantage of the relative weakness in the value of sterling.

Pricing

- £9,100 is the average price of arable land sold in 2019 so far. There were relatively few sales in Q3 2019, but prices ranged from £6,200/acre to £14,000/acre.
- Pasture prices have dropped for the first time in 10 years, due to less land selling at £10,000+/acre, but it is too early to say if this trend will be sustained. Sales in Q3 2019 ranged from £5,500/acre to £9,000/acre.

Note: This does include sales of parkland, which can attract a premium, and also excludes any sales under 100 acres.



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Market overview (continued)

The average price of arable land sold in 2019 is £9,100/acre, which is only marginally lower than it was 12 months ago.

The range in prices paid remains wide, with the value being driven by location, rather than the productive capacity of the land itself. If there is a take-home message on pricing, it is that there are extremes at either end of the spectrum, but less arable land is now selling for £10,000+/acre and much more for around £8,000/acre. This makes knowing who the active buyers are in your area, and wider, even more important so that your farm can be presented to them in the best way to attract a high offer.

Supply

The amount of farmland publicly marketed so far in 2019 has fallen by over 40% compared with last year.

At 56,300 acres, this is the smallest amount in the last 10 years and is a reflection of the change in the market: many landowners are deciding not to market their land and waiting to see how Brexit - and the changes that follow it - will affect their profits and land prices. However, it is worth noting that 2018 was an unusually busy year for farm sales, at least in recent times, so the drop in the amount marketed is only 26% below the five-year average.

The number of farms for sale is down in all regions and below the five-year average across the country, apart from in the South West. Supply is particularly low in the East Midlands, East of England and the North West.

In terms of farm type, the numbers of dairy farms for sale has been lower than usual (44% fewer than the five-year average), which possibly reflects the recent pick up in dairy profitability. There also have been fewer residential farms for sale, a reflection of the slowdown in the wider housing market.

Fewer farms between 100 - 500 acres have been marketed and this is important as it is the size band of 80-90% of sales. There have also only been four farms over 1,000 acres for sale, compared to around the 10 that are usually marketed. The same number of medium-sized farms have been put up for sale. However, recent years have seen an increase in the number of private sales, so there is more land available than is immediately apparent. Private marketing can be attractive to vendors who may not want to be seen to sell, or are not motivated or confident enough in the market to commit to an open launch.

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

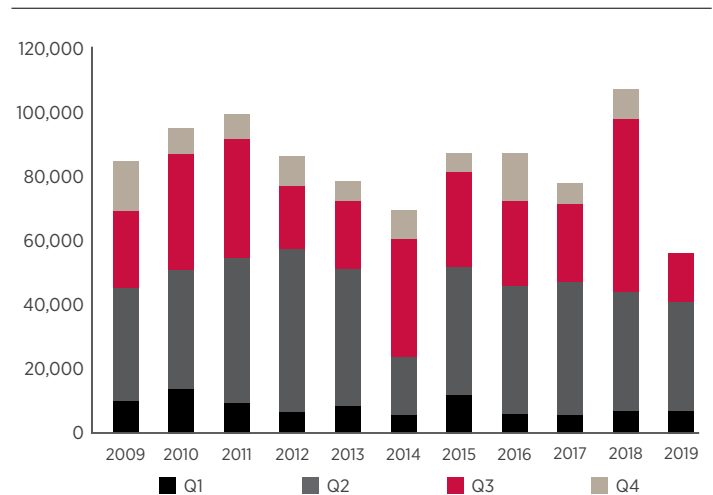


Figure 2 Amount of farmland publicly marketed in England (acres)

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
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	17,000	4,100	4,000	18,400	13,900	4,700	13,000	88,100
2017	11,800	12,700	2,300	6,100	10,400	12,600	11,600	11,300	78,700
2018	13,500	30,200	7,700	2,800	12,300	19,500	12,800	9,100	108,000
Q1, 2, 3 2017	10,900	11,700	2,100	5,600	8,800	10,600	11,300	10,900	71,800
Q1, 2, 3 2018	11,700	29,300	7,000	2,200	11,100	16,600	12,200	8,700	98,800
Q1, 2, 3 2019	8,000	8,200	4,200	3,600	7,800	16,200	4,000	4,300	56,300

Demand

There are generally fewer active buyers in the marketplace than at the peak of the market, but demand has not dropped by as much as supply.

57% of the land marketed in the first six months of 2019 has already sold or is currently under offer. This is the same proportion as had sold at this time in 2018 (56%).

The long-term trend of farmers buying fewer of the farms for sale continues, particularly if they have to borrow money to fund their purchase. In the last two years, farmers have bought just over half of the farms sold, but have spent well below half of the total value paid.

In 2018, most grazing farms were bought by farmers, as were 83% of dairy farms and 63% of cereals farms. Lifestyle buyers bought 70% of residential farms. Private investors bought a range of farm types – but no more than a quarter of the market for any farm type. One new development is that we have started to see overseas buyers, particularly from Europe, entering the market across the UK, taking advantage of the relative weakness in the value of sterling.

Cereals farms continue to be in most demand and there has also been strong demand for lowland livestock farms. Demand remains strongest for bigger farms and weaker for smaller ones (between £750k - £1.5m).

Pricing

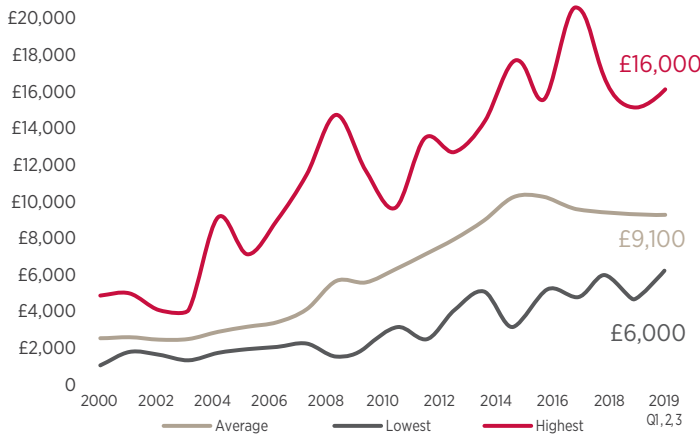
The lack of supply is helping to hold up values. The average price of arable land sold since the start of the year is £9,100/acre, only marginally lower than it was a year ago and about 15% lower than the Q2 2015 peak of £10,700/acre. The average is falling as less land is now selling for £10,000+/ acre and much more at £8,000/acre, however, there are plenty of anomalies. The highest price paid for arable land in Q3 2019 was £14,000/acre, with a low of £6,200/acre.

There are signs that pasture prices may have started to fall, after a very long period of the average rising. The average price paid in 2019 so far is £6,800/acre, with a range for Q3 2019 of £5,500/acre to £9,000/acre.

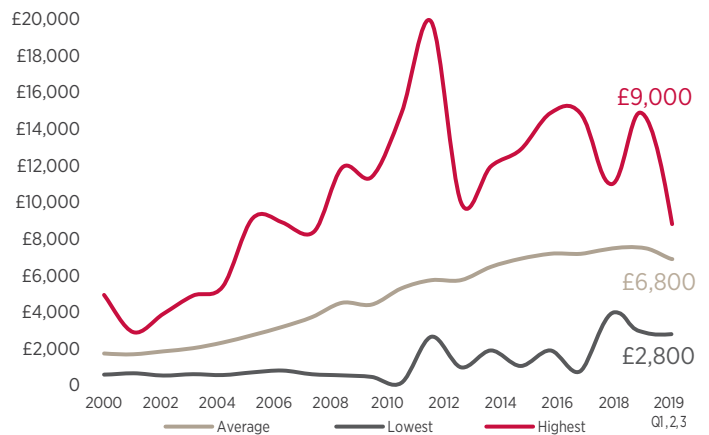
Figures 4 & 5 Average, lowest and highest sale prices of arable and pasture farmland (£/acre)

N.B. The year is when the farmland was sold (exchanged) and is for whole years unless otherwise stated. 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.

Arable



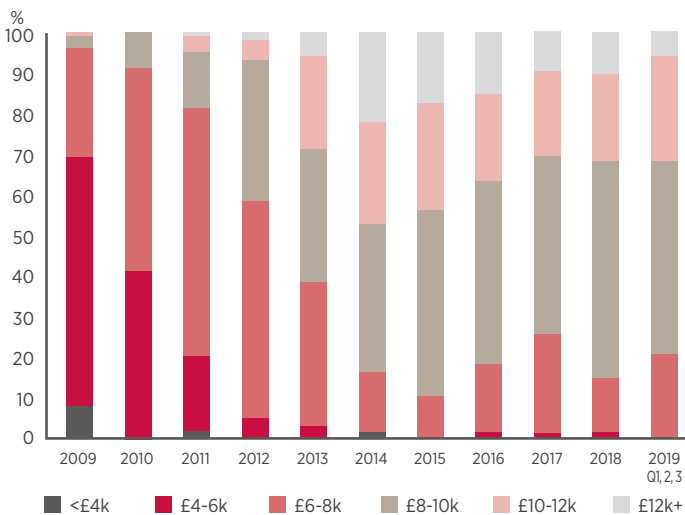
Pasture



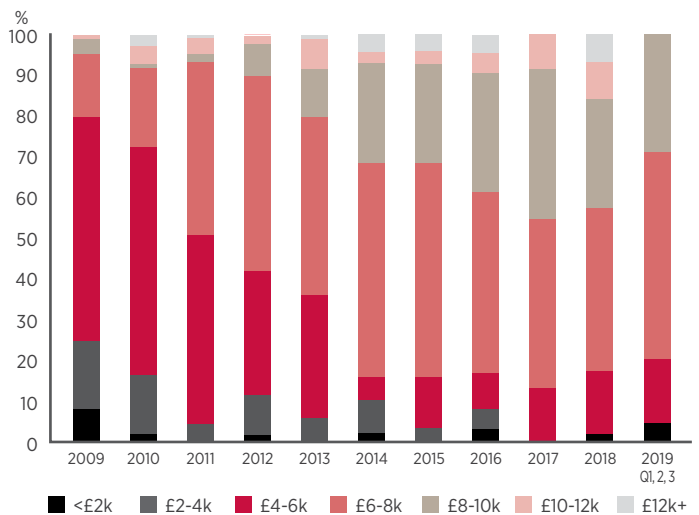
Figures 4 & 5 Agreed sale price of arable and pasture farmland, by price band (£/acre)

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

Arable



Pasture



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



N.B. 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.

For further information on the national 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.

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