

# English Estates & Farmland Market Review

Winter 2017/2018



**FOR SALE**  
Great Trodgers Farm, East Sussex  
313 acres | Guide: £2,750,000

## Market overview

### Pockets of strength, but prices a postcode lottery

Farmland prices proved remarkably resilient in 2017, defying those commentators who predicted sharp falls in the immediate aftermath of the Referendum result.

While the uncertainty surrounding Brexit has taken some of the heat out of the market, the average value of arable land climbed during the last two quarters of 2017.

The average price in Q4 2017 was £9,900/acre, 8% higher than it was in Q3 and taking the average for the whole year to £9,300/acre.

However, we continue to see a wide range in prices paid – from a high of £16,500/acre for arable land to a low of £6,000/acre. The amount of land selling for more than

*Continued overleaf.*

### *The market at a glance*

#### Supply

- 10% less land was marketed in 2017 than in 2016, but the 84,900 acres available was only just below the five-year average.
- 235 farms were marketed – 4% fewer than in 2016 and 8% fewer than the 10-year average. The biggest drop was in East Anglia.
- Private sales are becoming more of a feature in the marketplace.

#### Demand

- Farmers played a slightly more active role in the market, largely because of an increase in the number with rollover funds. They bought just under 60% of the farms sold, compared with 55% in 2016.
- 61% of the land marketed in 2017 has now been sold. This is about the same level as in 2016, but less than the 80–90% sold at the peak of the market in 2012–14.
- Demand remains strongest for larger farms.



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#### Pricing

- The average price of arable land sold in Q4 2017 was £9,900/acre, nearly 8% higher than in Q3. However, the average masks a wide range of actual sale prices – from £6,000/acre to £16,500/acre. For the whole of 2017, the average was £9,300/acre.
- Less arable land is now selling at over £10,000/acre.
- Pasture prices rose to an average of £7,800/acre in Q4 2017, and to £7,500/acre for the whole of 2017.

## Market overview

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£10,000/acre also dropped to less than a third in 2017, compared to nearly 50% three years ago. Additionally, a significant proportion of land marketed during the year remains without a buyer.

Tighter supplies than we have seen over the past couple of years have helped to support average values. But it is demand that is really driving the market, with the highest prices being achieved in those regions which attract interest from non-farmers, who are buying for lifestyle, investment and tax reasons. There are also increasing numbers of farmers looking to rollover development money into a land purchase which is driving competition in some areas.

The strength of local interest can have a dramatic impact on the price paid for very similar properties. One block of Grade 3 arable land in Hampshire recently sold for £14,000/acre, but another just five miles away, of a similar size and quality, went for £8,000/acre.

Overall, the average price of arable land has fallen by about 8% since the peak of the market in 2015, but this average masks some bigger drops for those properties where demand is more limited.

Looking forward, we expect average values to remain broadly stable, assuming there are no adverse changes to the tax treatment of land or we end up with a 'harder' agricultural Brexit than expected. However, the price paid for individual farms and blocks of land will continue to be highly variable.

Valuing farmland has become a complex equation. Setting the right guide price and having the confidence that your agent can introduce you to the right buyer has never been more important.

## Supply

### Amount of farmland marketed

10% less land was marketed in 2017 than in 2016, with availability lower in most regions. This is a significant reduction, but the 84,900 acres marketed is only 2% below the five-year average.

More land than usual was marketed in the West Midlands, largely due to the sale of the 4,200 acre Herefordshire County Council portfolio.

The most significant drops in the supply of land were seen in the East of England and the South East, although they remain two of the most active regions for farm sales.

**Table 1 Amount of farmland marketed in England (acres)**

NB Figures are for whole years unless otherwise stated and are rounded to the nearest 100 acres.

	East Mids	East of England	North East	North West	South East	South West	West Mids	Yorks & Humber	England
<b>2012</b>	10,100	16,400	16,200	4,500	14,200	14,200	6,500	5,000	87,000
<b>2013</b>	11,500	13,400	9,100	2,600	12,800	17,500	9,600	6,600	83,000
<b>2014</b>	6,500	15,900	4,600	2,400	11,400	14,400	12,200	5,500	72,800
<b>2015</b>	19,000	21,800	4,900	7,700	21,700	13,600	6,100	4,500	99,200
<b>2016</b>	13,800	19,800	4,100	4,000	20,000	14,700	4,700	13,200	94,200
<b>2017</b>	12,600	13,100	2,300	5,100	12,800	15,800	11,100	12,000	84,900

### Number of farms marketed

Fewer farms have been marketed this year – about 4% fewer than in 2016 and 8% less than the 10-year average.

The biggest fall has been seen in East Anglia, particularly in the number of arable farms for sale.

There are likely to be a number of factors in play influencing supply. Brexit means a major reform of agricultural policy is on its way and the pattern since the early 1990s has been for sales to decline before any reforms, as farmers wait to see the details before deciding whether to sell.

Also, fewer farms are sold when farming becomes more profitable and the decline in the value of Sterling since the EU Referendum vote has led to higher commodity prices which has boosted profitability, albeit from a low base.

As land prices have eased back since their peak, the number of sellers trying to cash in on the increase in the value of their land over the previous decade may also have fallen.

However, it is important to note the data does not include all private sales, only the ones we are aware of, and off-market sales appear more of a feature in the current market.

**Table 2 Number of farms marketed**

	East Mids	East of England	North East	North West	South East	South West	West Mids	Yorks & Humber	England
<b>2012</b>	32	57	21	19	38	44	22	18	251
<b>2013</b>	28	36	13	11	45	42	33	20	228
<b>2014</b>	27	51	9	10	27	42	35	10	211
<b>2015</b>	43	59	7	18	55	40	28	17	267
<b>2016</b>	36	58	11	12	40	44	20	25	246
<b>2017</b>	33	37	8	19	42	43	29	24	235

## Types of farm

There have been fewer arable, residential and dairy farms for sale.

## Size of farm

Most farms for sale have been under 500 acres (190 of 232 marketed) but this is the size band that has also shrunk the most. There have been 31 farms between 500 – 1,000 acres for sale – about the 10-year average – and 11 farms and estates over 1,000 acres, which is also about average.

As we have repeatedly said in previous market reviews, the historically small number of farms for sale makes it challenging for buyers to find

**Table 3** Main type of farms marketed

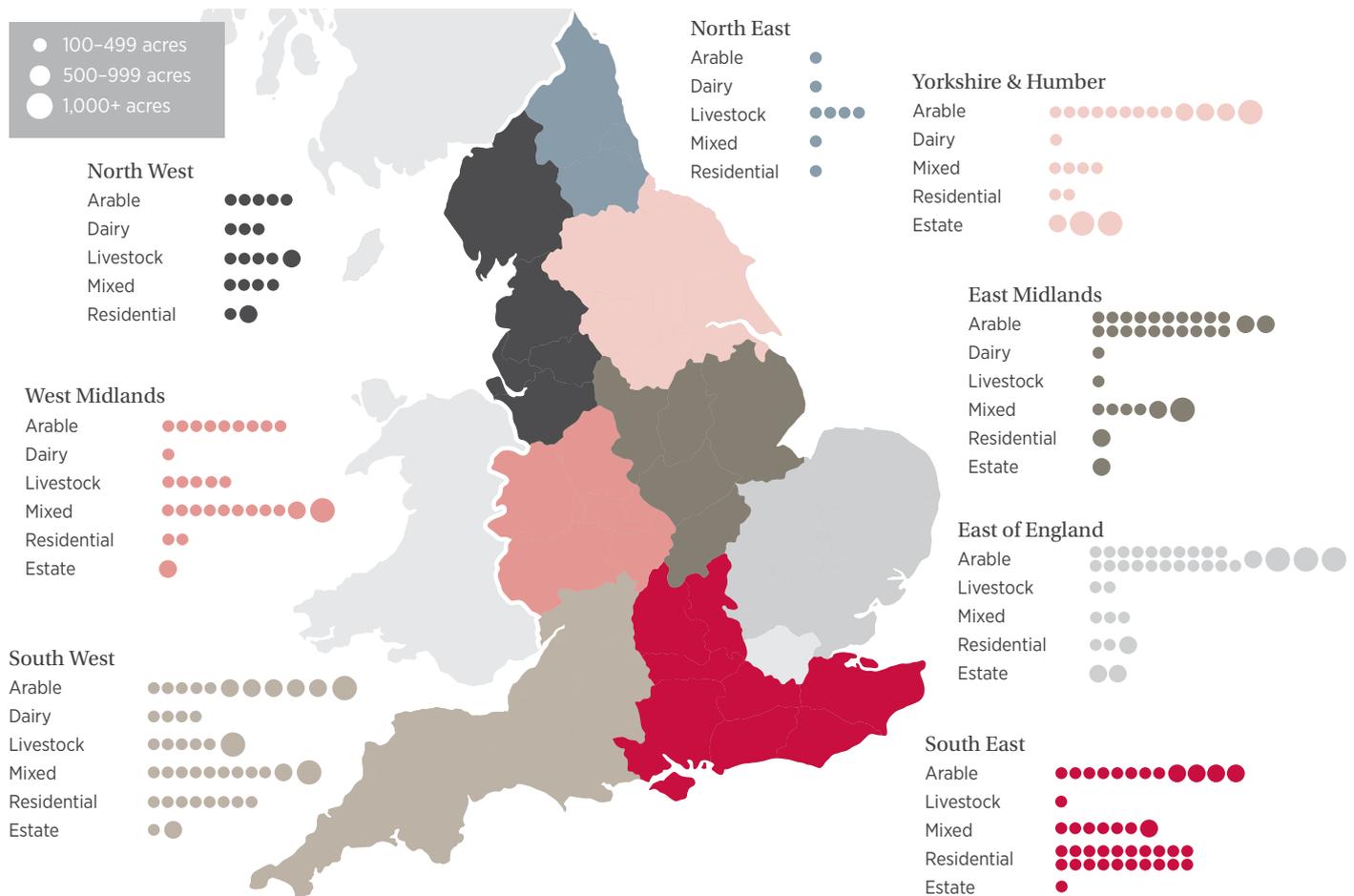
	Arable	Estate	Livestock	Mixed	Residential	Dairy
2012	78	13	30	26	51	6
2013	84	9	24	34	57	7
2014	84	21	24	34	30	12
2015	144	8	24	31	46	6
2016	119	12	21	32	39	18
2017	98	10	24	47	32	11

the right farm in the right location, which has made property-finding services more popular. They identify farms and estates that match a buyer's requirements, even if the farm is not originally for sale.

This challenge is illustrated in the map below – for example, only five arable farms over 1,000 acres

were publicly marketed in 2017, with three of these located in the East of England. It is possible that more were marketed privately, although our data does include off-market sales that we are aware of. The figures highlight how buyers in the market for a large farm or estate, in particular, have a relatively limited pool to choose from.

**Figure 1** Number of farms marketed in 2017 by region, farm type and farm size



## Demand

### Area of farmland sold

Most of the land marketed in 2017 has now exchanged or is under offer (61%), about the same proportion as at the end of 2016 (58%).

The general trend is that sales are taking longer to put together – at every stage. It's taking longer than it used to to find the right buyer, but also longer to complete the necessary legal checks and to get finance in place.

Demand is weakest for residential (which reflects the general slowdown in the wider residential market), dairy and general cropping farms, with over half of them remaining unsold. Regionally, it is the North East, South West and Yorkshire and Humber that have the highest proportion of farms unsold.

Demand remains strongest for large farms with only two of the 11 marketed remaining unsold.



*'Farmer buyers have been more active - with roll over of gains a key factor.'*

**Table 4 Speed of land transactions – percentage of farmland sold (exchanged)**

N.B. Data shows the sale status by percent of acres, not number of sales.

Sale Status	2009	2010	2011	2012	2013	2014	2015	2016	2017
Available	0	3	1	2	2	7	5	7	31
Sold	88	76	76	85	89	80	73	73	33
Under Offer	0	0	0	0	1	0	1	7	28
Withdrawn	12	21	23	13	8	13	21	13	8

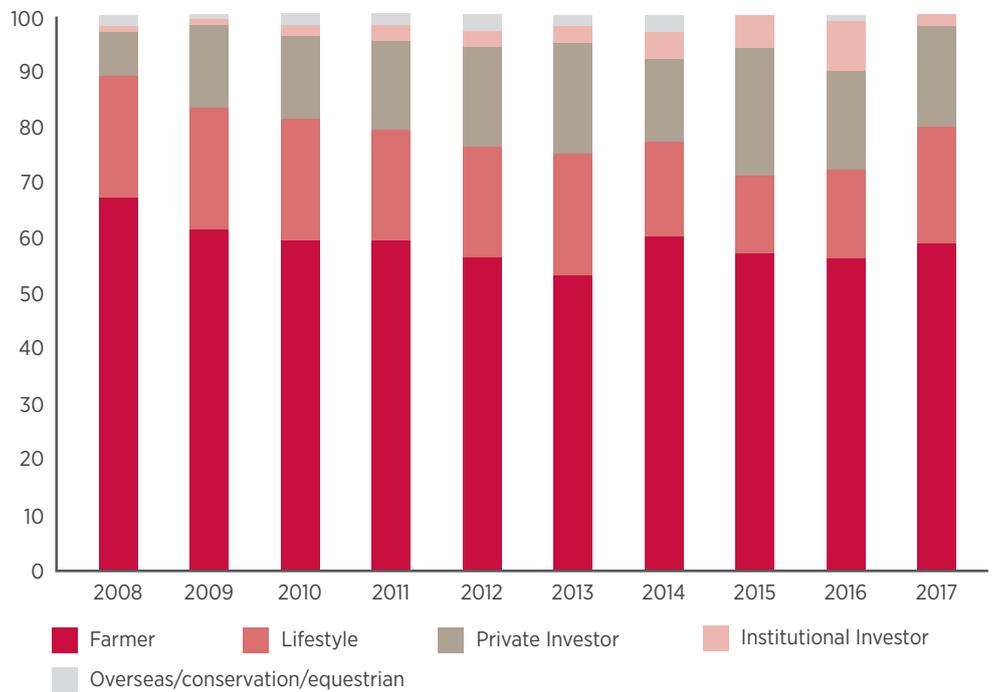
### Type of buyers

Farmers bought just under 60% of the farms sold – up from 55% in 2016 – which reflects the increase in the number of farmers with rollover money to spend. It also signals that many farmers remain confident about the future and are expanding their land holdings despite concerns that agricultural support payments may change significantly post-Brexit.

Lifestyle buyers, private investors and institutional investors continue to buy around 40% of the farms sold.

**Chart 1 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

The average price of arable land sold in Q4 2017 was £9,900/acre, nearly 8% higher than in Q3, and similar to the averages that we last saw in early 2016, when demand was stronger. The average price has been supported as it is typically in the regions which are most likely to attract money from outside of farming – the South East, South West and West Midlands – where the biggest volumes have been sold.

The average masks a wide range of actual sale prices – from £6,000/acre to £16,500/acre. Taking 2017 as a whole, the average was £9,300/acre, slightly below 2016's average of £9,500/acre.

The range of prices being paid is making some vendors think their farms are worth more than they are – which will be a contributory factor in why some land is remaining unsold.

Pasture prices rose to an average of £7,800/acre in Q4 2017 but, for the whole of 2017, the average was £7,500/acre, 2% higher than for 2016, with a range of £4,000 to £10,500/acre.

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

*N.B. The averages are based on the arable and pasture land that is sold. 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, it 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 average, bottom 25% and top 25% prices for farmland by region, which are on the following pages.*

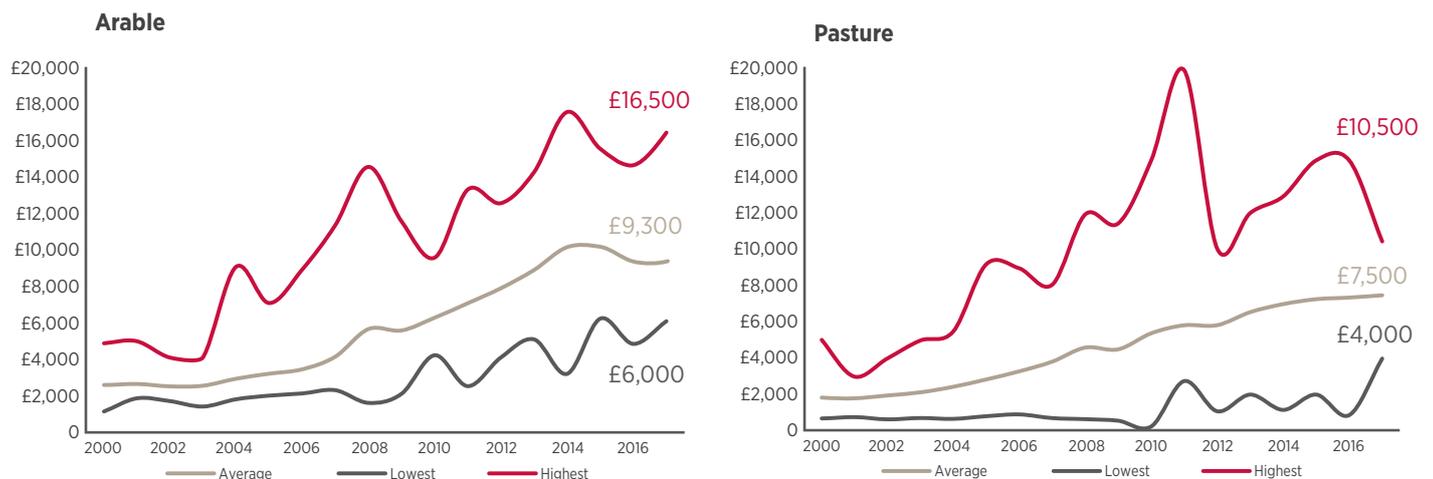
**Table 5 Average sale price of arable and pasture farmland (£/acre)**

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

		Arable	% change from Q4 2017	Pasture	% change from Q4 2017
2013	Q1	£8,100	22%	£6,700	17%
	Q2	£8,400		£6,800	
	Q3	£9,400		£6,400	
	Q4	£8,800		£6,700	
2014	Q1	£8,900	12%	£6,900	14%
	Q2	£9,200		£6,800	
	Q3	£10,500		£7,200	
	Q4	£10,600		£7,100	
2015	Q1	£9,500	4%	£6,800	15%
	Q2	£10,700		£7,800	
	Q3	£10,200		£7,400	
	Q4	£10,000		£7,300	
2016	Q1	£10,000	-1%	£7,600	3%
	Q2	£10,100		£7,800	
	Q3	£9,300		£7,400	
	Q4	£8,800		£7,000	
2017	Q1	£9,300	7%	£7,300	7%
	Q2	£8,700		£7,400	
	Q3	£9,200		£7,600	
	Q4	£9,900		£7,800	

**Charts 2 & 3 Average, lowest and highest sale prices of arable and pasture farmland (£/acre)**

NB Data is based on sold (exchanged) prices and is for entire years. The year is when the farmland was sold (exchanged) and is for entire years.



*'Arable prices are broadly static but less is selling for £10,000+/acre.'*

## Sale price bands

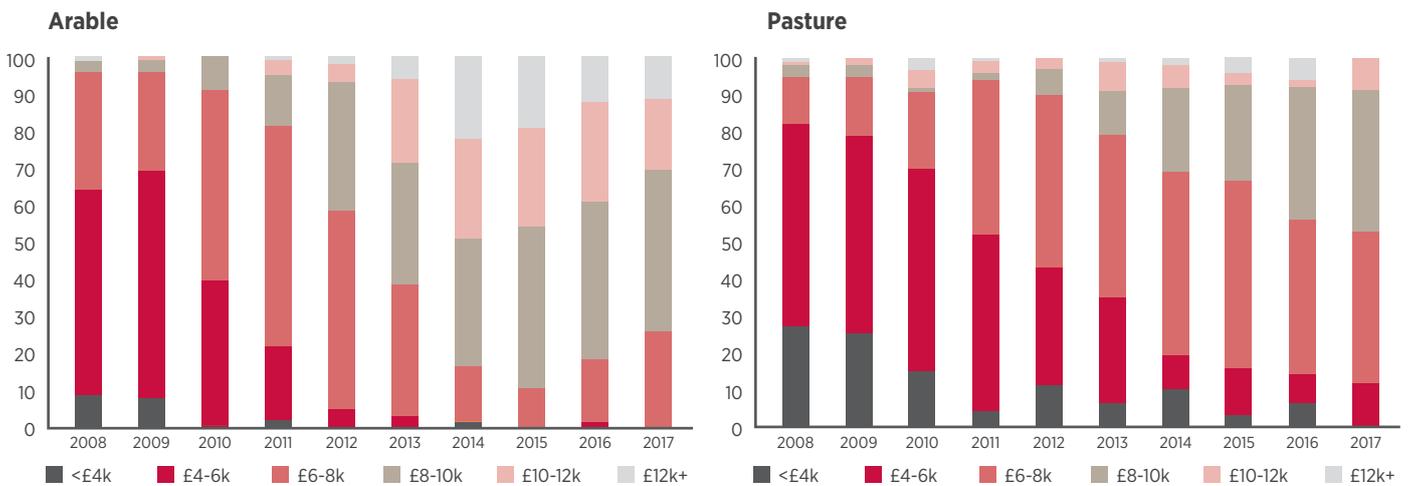
The range of prices being paid is better illustrated by looking at sale price bands.

Although some high prices/acre are being paid, less land is now selling at over £10,000/acre – 32% compared with 37% in 2016 and 46-50% in 2014/2015, which was the peak of the market. Typically, it is the lifestyle and rollover buyers who are willing and able to pay a premium price.

The opposite is happening with pasture land – with more being sold in the higher sale price bands. Although most sold for £6,000 – 8,000/acre, an increasing proportion is selling for £8,000 – 10,000/acre.

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

N.B. 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).



## Sales at or above guide price

Most land (59%) is selling at or above its guide price, by an average of 15%. This again demonstrates the phenomenon that land in the right location, with the right buyer can achieve a good price. It also reflects more land being available in the most desirable regions, where demand is strongest.

### Chart 6 % of sales at or above guide price

N.B. Data shows the proportion of farmland sold for more or equal to its guide price. Year is when the farmland was marketed and is for entire years.



## Prices around the regions

According to our regional farm agents, prices were either stable or fell slightly at the end of 2017.

Prices are weaker, and have fallen most, in the northern half of the country, away from the areas that are most popular with lifestyle and investment buyers.

**Table 6 Estimates of average, bottom 25% and top 25% prices for arable and pasture farmland by region**

Data is 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. The average is the 50th from the bottom (and 50th from the top). Change is from previous quarter.

### South East

	Arable	Pasture
<b>Bottom 25%</b> (change)	£7,500 (0%)	£5,300 (0%)
<b>Average</b> (change)	£9,000 (0%)	£7,300 (0%)
<b>Top 25%</b> (change)	£11,000 (0%)	£8,500 (-2%)

*'The South East saw a large reduction in the supply of land coming forward during 2017, compared with the previous year. Demand remains strong for commercial arable ground because of the number of farmers with windfall development funds looking to buy bare land close to their existing units. There is also competition among lifestyle buyers looking for residential farms which might offer a beautiful house surrounded by its own land providing privacy and protection.'*

**Matthew Gibson**, South East region

### South West

	Arable	Pasture
<b>Bottom 25%</b> (change)	£7,500 (8%)	£5,500 (0%)
<b>Average</b> (change)	£8,500 (-3%)	£7,500 (7%)
<b>Top 25%</b> (change)	£14,000 (8%)	£9,000 (3%)

*'We have seen an influx of rollover buyers over the past year who are on the hunt for commercial farms. Sporting estates are also in demand from non-farming buyers. In terms of demand and price, the polarisation continues. Land is typically selling for its guide price, or close to it, or not selling at all. Arable values are currently ranging from about £7,000/acre to £14,000/acre, while grassland is selling for between £5,500/acre to £9,000/acre.'*

**Charlie Evans**, South West region

### East of England

	Arable	Pasture
<b>Bottom 25%</b> (change)	£7,500 (0%)	N/A
<b>Average</b> (change)	£8,500 (0%)	N/A
<b>Top 25%</b> (change)	£9,750 (3%)	N/A

*'2017 saw a fall in the number of farms brought to the market in the East of England. This has helped to keep prices relatively stable, with arable values typically around £7,500 to £9,750/acre. While demand is more muted than it was at the peak of the market, nearly 90% of the land marketed had found a buyer by the end of 2017. Expansion-minded farmers remain key players in the market, along with investors with rollover funds. The farms achieving the best prices are in the right location for these buyers.'*

**Giles Allen**, East of England region

### East Midlands

	Arable	Pasture
<b>Bottom 25%</b> (change)	£7,250 (-2%)	£6,250 (-4%)
<b>Average</b> (change)	£8,200 (-4%)	£7,200 (-4%)
<b>Top 25%</b> (change)	£9,000 (-5%)	£7,800 (-8%)

*'Tax-driven buyers are generally leading the market in the East Midlands, particularly those who are in funds as a result of selling development land and only have limited time in which they can benefit from rollover relief for Capital Gains Tax purposes. As we enter 2018, I anticipate a continued variance in prices paid across the region, with land in popular areas which has a historic lack of supply achieving strong prices. We have a number of farms coming to the market in the Spring which should attract both local and national interest.'*

**Sam Holt**, East Midlands region

### West Midlands

	Arable	Pasture
<b>Bottom 25%</b> (change)	£8,000 (-2%)	£6,000 (0%)
<b>Average</b> (change)	£9,000 (-3%)	£7,000 (0%)
<b>Top 25%</b> (change)	£10,000 (-5%)	£8,250 (1%)

'Arable land is currently tending to trade between £8,000/acre and £10,000 acre, although in some cases, particularly off-market, premium prices of over £10,000/acre are still being achieved. Prices are being supported by the number of rollover purchasers in the region who are looking to reinvest funds from development deals. They are seeking large blocks of commercial arable ground and do not necessarily need them to be within close proximity to their existing land holdings. Attractive, ring-fenced residential farms in good locations continue to sell well, too.'

**Matthew Sudlow**, Central & West Midlands region

### North

	Arable	Pasture
<b>Bottom 25%</b> (change)	£6,500 (0%)	£4,000 (-11%)
<b>Average</b> (change)	£7,500 (-3%)	£5,500 (-8%)
<b>Top 25%</b> (change)	£10,000 (-5%)	£8,000 (0%)

'The market is currently best described as cautious with each property attracting differing levels of interest. Some farms fly off the shelf, while others stick. There was a noticeable slowdown in land coming forward during the last three months of the year, which means much of the land currently available is farmland which was launched earlier in 2017 and is yet to find a buyer. Where land is selling, arable values are typically ranging between £6,000/acre and £10,000/acre, with pasture selling for £4,000 to £8,000/acre.'

**Will Parry**, Northern region

## Market Outlook

Every December 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.

Farmland prices have been more resilient than many people expected in the past year, since the Referendum vote. This is partially due to the high proportion of land that is bought by non-farmers, for non-farming purposes, and this demand has not weakened.

Farmer demand weakened in 2016 and early 2017 but there are signs of it strengthening; some farmers are still interested in buying as their profitability has been buoyed by higher commodity prices due to the weakening of Sterling and also as there is some medium-term certainty – that area-based payments will continue under

the new British Agricultural Policy until around 2024, so there will not be a 'cliff edge' where subsidies are cut quickly, based on Michael Gove's speech at the Oxford Farming Conference in January 2018.

Less land tends to be marketed before a major reform of agricultural policy and so we expect the amount of land for sale to remain low and possibly fall further. This tight supply is already supporting prices and we expect this trend to continue – with prices remaining broadly stable, if the exchange

rate does not change significantly and the new British Agricultural Policy continues support payments at current levels.

However, the market remains very sensitive and any adverse changes to the tax treatment of farmland or a 'harder' agricultural Brexit could weaken both non-farmer and farmer demand, which would have a significant downward effect on land prices. Our current view is that the outlook lies somewhere between the low and central forecasts.

**Table 7 Forecast percentage change in English farmland prices for next five years (%)**

N.B. Forecasts made December 2017 (next update due in December 2018)

	2016 Actual	2017 Actual	2018	2019	2020	2021	2022
<b>Low</b>			-5	-5	-5	-5	-5
<b>Central</b>	-6	-2	0	0	0	5	5
<b>High</b>			7	7	7	10	10

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### 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.

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