

# English Estates & Farmland Market Review

Autumn 2017



## Market overview

The uncertainty surrounding Brexit continues to influence the farmland market, which is proving to be a bit of a curate's egg.

2017 started slowly in terms of the amount of land marketed and it looks like the year will end that way, too. During the first nine months of the year, around 73,000 acres of land in England have been marketed, which is in line with the five-year average, but a 20% fall on 2015 levels.

Autumn is usually a prime time to sell, but there has been a noticeable lack of new farms coming forward over the past six weeks and this is unlikely to change before Christmas.

Certain categories of buyers – for example, those on the hunt for large residential estates – are currently competing over a dwindling pool of properties.

*Continued overleaf.*

## The market at a glance

### Supply

73,000 acres have been marketed in the first nine months of 2017. This is a 5% drop on 2016 levels and 20% less than in 2015, but around the five-year average.

10% fewer farms have been marketed than the ten-year average. The biggest fall has been in the East of England, where fewer arable farms have been marketed.

### Demand

Non-farmers and buyers with roll-over money are playing a growing role in the market. Many of those with roll-over proceeds are farmers, but they are funding their purchase from a development windfall, rather than from their core business.

Demand is much more variable than it once was. Only three quarters of the land marketed in 2016 has been sold, compared with 80-90% at the peak of the market in 2012-2014.

Demand is weakest for the smaller units – particularly livestock and residential farms. But demand for larger residential estates remains strong.



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### Pricing

The average price of arable land sold in Q3 2017 was £9,100/acre – nearly 5% higher than in Q2, but at a similar level to the past year or so. The rise between Q2 and Q3 reflects the fact that while some land is struggling to find a buyer, those farms which are selling, are selling well.

Actual sale prices for arable land ranged from £6,000 - 15,000/acre, with less selling at the higher prices.

Pasture prices remained stable at an average sale price of £7,700/acre, with a range of £4,000 - 10,500/acre.

## Market overview

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Similarly, an increase in the amount of roll-over money circulating in the market has prompted strong demand for larger, commercial blocks, leading to premium prices in many cases.

Yet overall demand has weakened, with more farmland remaining unsold compared to two years ago. The appeal of smaller farms and blocks of farmland is very dependent on location, with the prices paid for them wide-ranging.

Based on the transactions in our Farmland Database, the average price of arable farmland sold in Q3 of 2017 was £9,100/acre, which is nearly 5% higher than it was in Q2. While this change may not be statistically significant because of the relatively small amount of land which sells in each quarter – and it, of course, only reflects the land which has sold – it does feel anecdotally as if prices have firmed in the past quarter for larger farms. This has been influenced, in part, by tight supplies. Land that is selling, continues to sell well.

Looking forward, we seem set for more of the same. Some smaller properties will continue to struggle to attract interest, but good-sized, commercial blocks of arable land are likely to be sought after by rollover buyers needing to reinvest the proceeds of development deals.

High net worth individuals are also likely to want to invest in larger estates, as and when they emerge. No one is anticipating the high levels of capital growth we have seen over recent years, but there are good tax reasons for continuing to invest in farmland, along with a strong emotional pull to the idea of owning a slice of this 'green and pleasant land.'

## Supply

### Amount of farmland marketed

Just under 73,000 acres were marketed during the first nine months of 2017, which is 5% less than in 2016 and 20% less than in 2015, but around the five-year average.

There has not been a significant drop in the supply of land, but it feels like the long-term trend of less land for sale is continuing.

More land than usual has been marketed in the West Midlands, largely due to the sale of the 4,200 acre Herefordshire County Council portfolio. There has been a reduction in the East of England and the South East too, although they remain two of the most active regions.

**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	19,500	4,100	4,000	20,000	14,700	4,700	11,500	92,100
<b>Q1, 2 &amp; 3 2015</b>	18,000	19,700	4,900	7,400	18,800	13,000	4,500	3,700	90,200
<b>Q1, 2 &amp; 3 2016</b>	12,400	16,400	3,300	3,900	13,900	12,300	3,500	10,800	76,600
<b>Q1, 2 &amp; 3 2017</b>	11,100	11,600	1,200	4,500	9,400	13,200	10,400	11,300	72,700

### Number of farms marketed

Fewer farms have been marketed this year – 10% fewer than the ten-year average – and the biggest fall has been in the East of England, where there has been a drop 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.

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	56	11	12	40	44	20	24	243
<b>Q1, 2 &amp; 3 2015</b>	39	53	7	16	48	37	22	14	236
<b>Q1, 2 &amp; 3 2016</b>	31	44	9	11	34	40	16	21	206
<b>Q1, 2 &amp; 3 2017</b>	26	31	4	17	34	37	23	22	194

## Types of farm

The number of arable farms for sale has dropped by a quarter, with fewer farms for sale than two years' ago in all regions. The largest fall has been seen in the East of England.

## Size of farm

Most farms for sale have been under 500 acres (158 of 194 marketed). There have been 26 farms between 500 – 1,000 acres for sale and 10 farms and estates over 1,000 acres, which is about average.

One of the challenges for buyers in such a small market is how to find the right farm in the right location. A lack

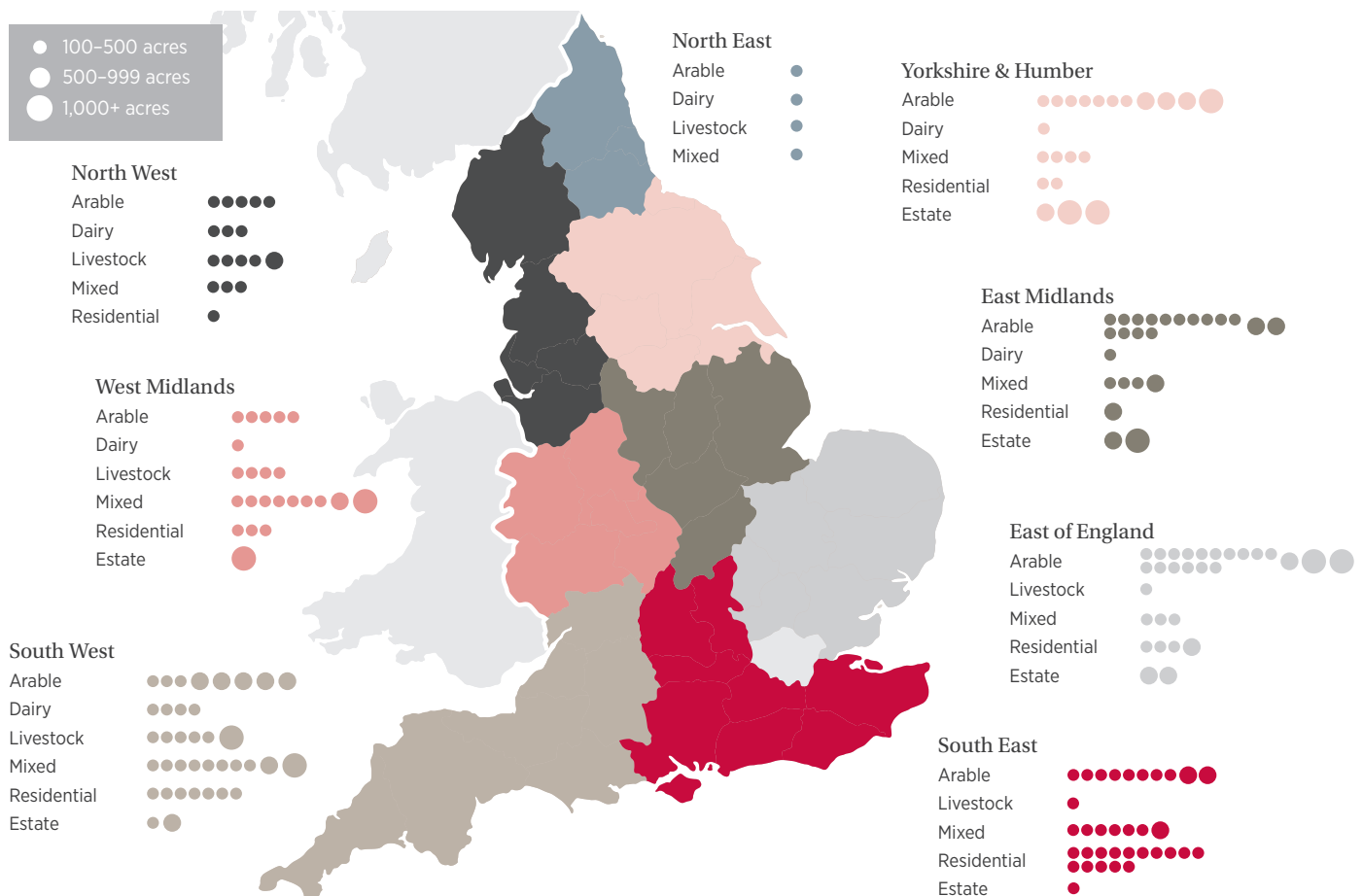
**Table 3** Main type of farms marketed

	Arable	Estate	Livestock	Mixed	Residential	Dairy
<b>2012</b>	78	13	30	26	51	6
<b>2013</b>	84	9	24	34	57	7
<b>2014</b>	84	21	24	34	30	12
<b>2015</b>	144	8	24	31	46	6
<b>2016</b>	119	11	21	30	39	18
<b>Q1, 2 &amp; 3 2015</b>	128	8	20	30	36	6
<b>Q1, 2 &amp; 3 2016</b>	101	9	19	26	33	14
<b>Q1, 2 &amp; 3 2017</b>	75	11	18	41	28	11

of supply of large residential estates is why demand for property finding services is growing. This challenge is

illustrated in the map below – for example, only two estates have been marketed in the South West in 2017.

**Figure 1** Number of farms marketed in Q1, Q2 and Q3 2017 by region, farm type and farm size



## Demand

### Area of farmland sold

Just under half of the land marketed in 2017 is currently under offer or has been sold – a similar proportion to this time in 2016. However, farms do seem to be taking longer to move from the point of offer to exchange. This is partly as it is taking longer to complete the necessary searches and to get finance in place. Another factor is that transactions are becoming more complex, with the insertion of overage clauses becoming increasingly common to allow sellers to benefit from any uplift in values if the land is developed in future.

Overall, demand has weakened over the past two years, which is illustrated by the fact only three quarters of the land marketed in 2016 has been sold compared with 80-90% at the peak of the market in 2012-2014.

It is the smaller livestock and residential units where demand is weakest, with 30-40% of those marketed in 2016 remaining unsold. In contrast, only 14% of farms over 1,000 acres remain unsold.



*Farms do seem to be taking longer to move from the point of offer to exchange.*

**Table 4 Speed of land transactions – % 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	Q1, 2 & 3 2017
Available	0	3	1	2	2	7	4	11	55
Sold	88	76	76	85	89	80	73	68	15
Under Offer	0	0	0	0	1	0	2	8	30
Withdrawn	12	21	23	13	8	13	21	12	1

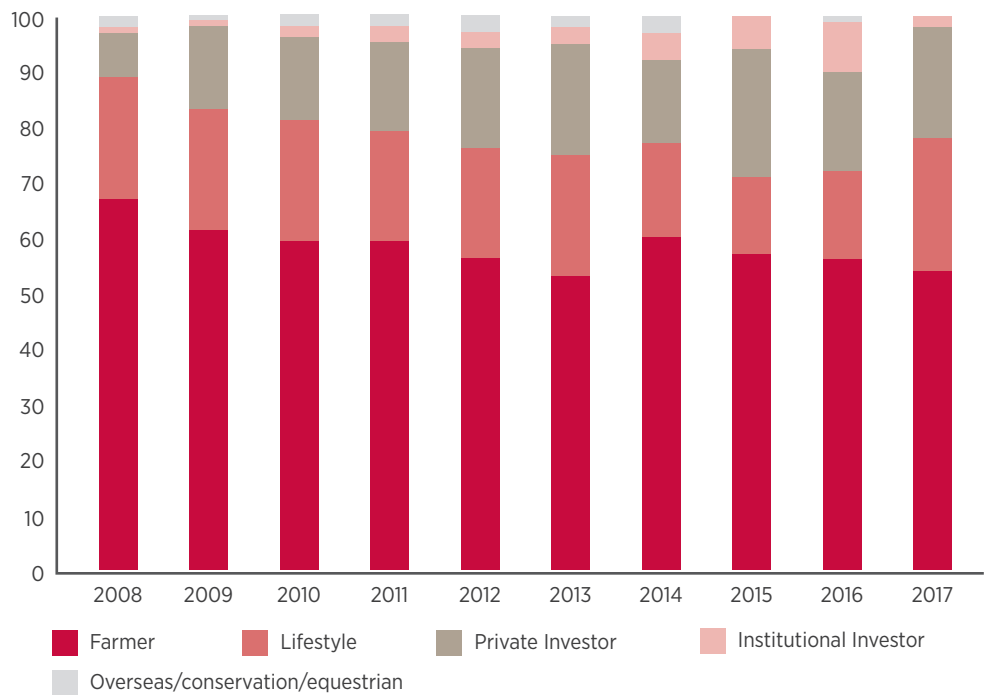
### Type of buyers

Just over half of the land sold in 2017 so far has been to farmers, and the proportion continues to fall as farmland remains an attractive investment for lifestyle and tax-driven buyers.

Brexit and the uncertainty it is causing in terms of UK agricultural policy, farm support and farming profitability has hit farmer demand. Our experience of farmer buyers is that many have been reassured by promises that support payments will continue until at least 2022 and more are focusing on increasing their profitability. These farmers remain confident enough to buy the right quality of land, but it must be in the right location for their existing businesses and at the right price.

**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 Q3 2017 was £9,100/acre, nearly 5% higher than in Q2, but a similar level to the past year or so. Actual sale prices have ranged from £6,000 – 15,000/acre so far in 2017.

The increase between Q2 and Q3 is not statistically significant because of the relatively small number of sales in any one quarter. The average price also only reflects land which has sold and not those farms which still remain available. As we have previously stated, farms are taking longer to sell and some land is not selling at all.

Pasture prices remained stable at an average sale price of £7,700/acre in Q3 2017, with a range of £4,000 – 10,500/acre in 2017.

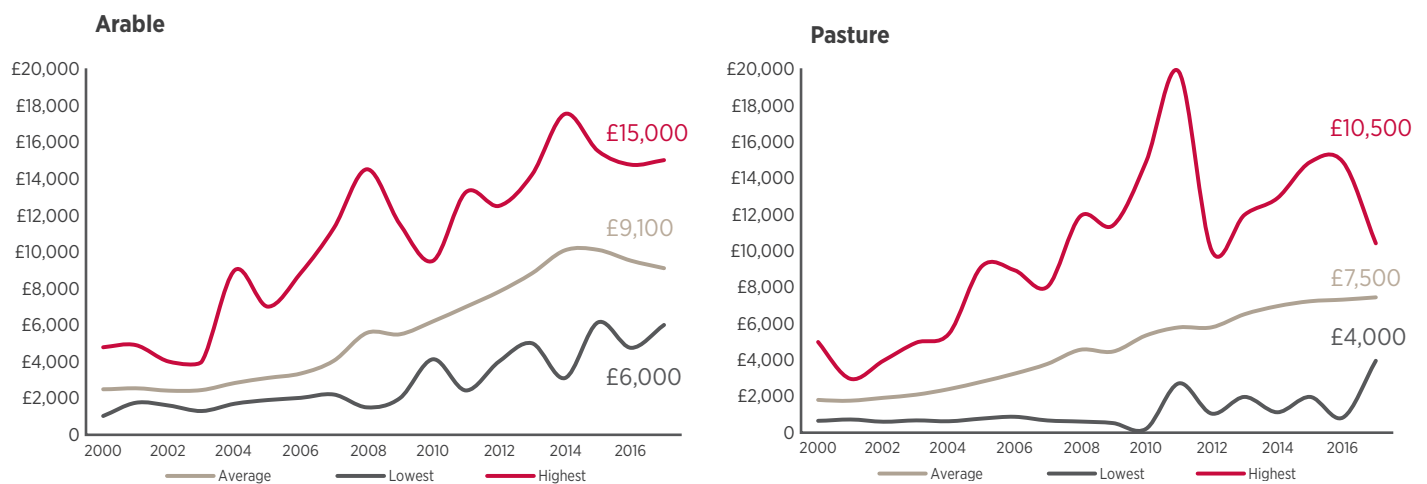
*N.B. The averages are based on the arable and pasture land that is sold. Although we have stripped out the value of buildings and houses, the data can still be affected by differences in the quality and location of the land sold. Therefore, it should only be used as a broad indicator of changes in prices. 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 Q3 2017	Pasture	% change from Q3 2017
2013	Q1	£8,100	12	£6,700	15
	Q2	£8,400		£6,800	
	Q3	£9,400		£6,400	
	Q4	£8,800		£6,700	
2014	Q1	£8,900	2	£6,900	12
	Q2	£9,200		£6,800	
	Q3	£10,500		£7,200	
	Q4	£10,600		£7,100	
2015	Q1	£9,500	-5	£6,800	13
	Q2	£10,700		£7,800	
	Q3	£10,200		£7,400	
	Q4	£10,000		£7,300	
2016	Q1	£10,000	-9	£7,600	1
	Q2	£10,200		£7,900	
	Q3	£9,400		£7,200	
	Q4	£8,900		£7,200	
2017	Q1	£9,400	-3	£7,300	6
	Q2	£8,700		£7,700	
	Q3	£9,100		£7,700	

**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). Prices are the average for entire years apart from for 2017 which is Q1, 2 and 3.



*The average price of arable land sold in Q3 2017 was £9,100/acre, nearly 5% higher than in Q2.*

## Sale price bands

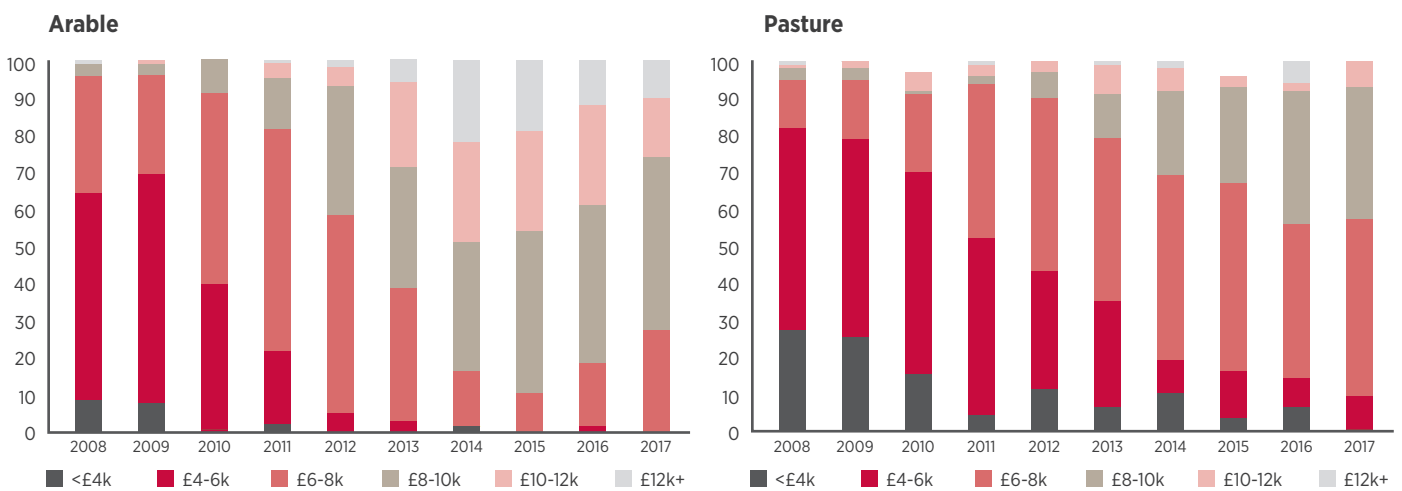
The range of prices being paid is better illustrated by looking at sale price bands.

Almost half of the arable land sold in 2017 was for £8,000 – 10,000/acre, and most of this was below £9,000/acre, and a quarter was for £6,000 – 8,000/acre. The proportion selling for more than £10,000/acre has fallen significantly to around a quarter, compared with around half the sales in 2014 and 2015.

The converse is happening with pasture land, with more selling at higher prices per acre. More than a third of the land sold so far this year went 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).



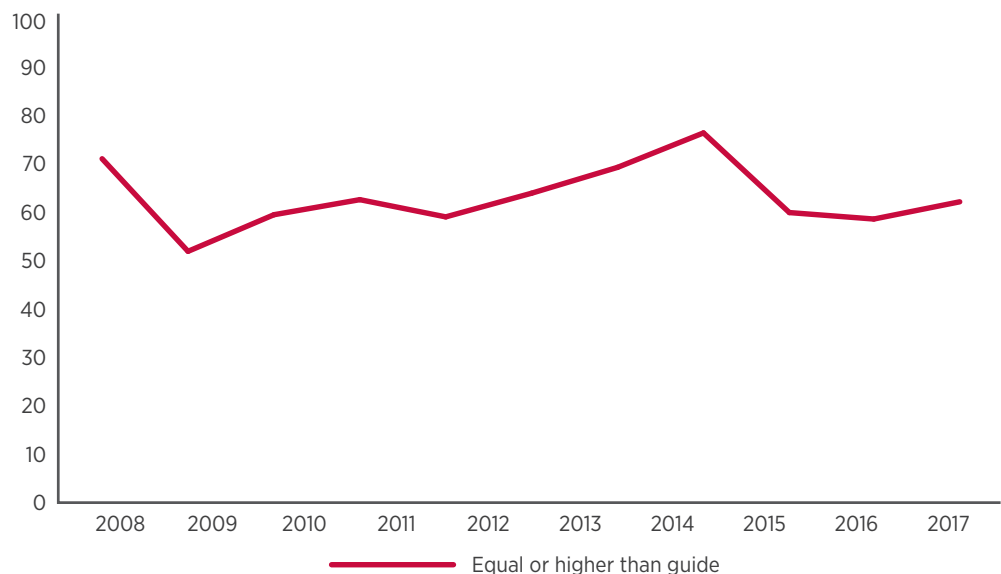
## Sales at or above guide price

Over 60% of land is selling at or above its guide price, by an average of 11%. This again demonstrates the phenomenon that land in the right location, with the right buyer can achieve a good price. However, more land is also remaining unsold compared with two years ago.

The land that is not selling at its guide price is typically selling at 1-3% below the guide.

### 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 have not changed significantly since Q2, for arable or pasture land, although there is some evidence that prices for the top 25% of farms are rising.

Interestingly, prices have fallen most in the South East, despite it being one of the most sought-after regions for 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 (-5%)	£7,300 (0%)
<b>Top 25%</b> (change)	£11,000 (-2%)	£8,700 (0%)

*'Land on the whole is selling well in the south east, with lifestyle buyers on the hunt for residential farms, with an attractive house, in a good state of repair. But we are also seeing less land coming to the market. Vendors have recognised that land prices have eased over the past 18 months and, those that can afford to do so, are choosing to keep their land until there is more clarity around Brexit.'*

**Matthew Gibson**, South East region

### South West

	Arable	Pasture
<b>Bottom 25%</b> (change)	£6,500 (0%)	£5,500 (0%)
<b>Average</b> (change)	£8,750 (3%)	£7,000 (0%)
<b>Top 25%</b> (change)	£13,000 (8%)	£8,750 (-3%)

*'Lack of supply in the market has helped to keep prices stable over recent months. Very few farms of any size have been marketed, with most sales being prompted by retirement or down-sizing. Rollover and lifestyle buyers are the most active in the market and are looking for large farms or estates. However, local farmers are confident enough to take opportunities to buy land if it comes up on their doorstep and we expect this to continue.'*

**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)	£9,500 (0%)	N/A

*'Relatively little land was launched in the Eastern counties during the first four months of the year, but a wide variety of farms and farmland were brought to the market during the summer. Farmers remain a key force in the market- but at the right price. There is increasing interest in the market from city investors or landowners with rollover funds. Supply levels look set to remain low for the rest of 2017, but we could see an increase during the first half of 2018.'*

**Giles Allen**, East of England region.

### East Midlands

	Arable	Pasture
<b>Bottom 25%</b> (change)	£7,400 (-5%)	£6,500 (0%)
<b>Average</b> (change)	£8,500 (0%)	£7,500 (7%)
<b>Top 25%</b> (change)	£9,500 (6%)	£8,500 (6%)

*'Buyers with funds generated as a result of selling development land are very prominent in the market in the East Midlands. However, farmer buyers are also active if land comes up close to their existing holding. The type of farms most in demand are those in areas with an historic lack of supply. Land with medium to long-term strategic angles, for example, where there may be future potential for residential and commercial development is also in high demand from a huge variety of buyers.'*

**Sam Holt**, East Midlands region

**West Midlands**

	Arable	Pasture
<b>Bottom 25%</b> (change)	£8,200 (0%)	£6,000 (0%)
<b>Average</b> (change)	£9,250 (3%)	£7,000 (0%)
<b>Top 25%</b> (change)	£10,500 (5%)	£8,200 (2%)

*'Demand is strongest for straightforward arable farms or bare blocks between 300 and 600 acres, which are of particular interest to rollover buyers. Location remains paramount and buyers are also looking for properties that offer opportunities to generate income away from just farming the land. Farms requiring one or two compromises are the slowest to move, with the perception that they may be overpriced in a market driven more by demand than supply.'*

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

**North**

	Arable	Pasture
<b>Bottom 25%</b> (change)	£6,500 (0%)	£4,500 (0%)
<b>Average</b> (change)	£7,750 (-1%)	£6,000 (-2%)
<b>Top 25%</b> (change)	£10,500 (5%)	£8,000 (7%)

*'Non-farming investors are driving the market in the north of England and most are looking for farms that have the potential for diversified income away from mainstream farming. We've seen a mix of medium-sized residential arable farms, mixed estates and bare blocks of land put up for sale. The former is a result of restructuring or people choosing to retire and exit farming. The latter is vendors seeking to raise cash to either pay off debt, diversify or reinvest in other assets.'*

**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. The

decision to leave the EU means the UK has to develop its own agricultural policy, with probably lower subsidies for farming.

However, while demand for land from farmers has undoubtedly weakened from its peak in 2014 and 2015, 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 farm subsidies are guaranteed until at least 2022.

Demand from non-farmer buyers has not weakened, driven, in the main, by lifestyle buyers and also people rolling-over windfall funds.

At the start of the year, we suggested that as most land will continue to be of interest to farmers, rather than non-farmer buyers, the overall pressure on prices was likely to be downwards rather than upwards. However, the fact that very little land has come to the market this autumn means that supplies are tight which could have a positive effect on values in the short-term.



*Farmland prices have been more resilient than expected in the past year, since the Referendum vote.*

**Table 7 Forecast percentage change in English farmland prices for next five years (%)**  
N.B. Forecasts made December 2016 (next update due in December 2017)

	2016	2017	2018	2019	2020
<b>Central</b>	0	0	0	5	5
<b>High</b>	3	3	3	10	10
<b>Low</b>	-7	-7	-7	0	0



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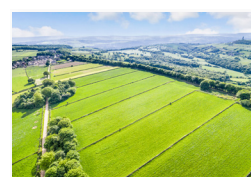
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### Methodology

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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