

FARMLAND INDEX

Q4 2018

AGRICULTURAL LAND VALUES HEADING TOWARDS FIVE-YEAR LOW

Uncertainty forces buyers and sellers to sit on their hands

The average value of bare agricultural land in England and Wales fell by 3% during 2018, according to the Knight Frank Farmland Index.

This fall means the average price of land is now £6,970/acre, the first time our index has dropped below £7,000/acre since the end of 2013 when it stood at £6,882/acre.

However, the dip needs to be put in perspective. Despite the current uncertainty facing the market, the price decline since the market peaked at the end of 2015 remains relatively modest – values have fallen 15% compared with 30% growth over the preceding three years – and are still slightly higher than they were five years ago.

It is easy to blame Brexit alone for the current slide in values, but prices had actually started to nudge downwards before the EU referendum – with falling commodity markets the main culprit.

It can also be argued that, managed correctly, an orderly Brexit is an opportunity rather than a threat to the agricultural sector overall, at least over the medium and longer term. DEFRA minister Michael Gove has already promised that there will be no cliff edge reduction in subsidy payments.

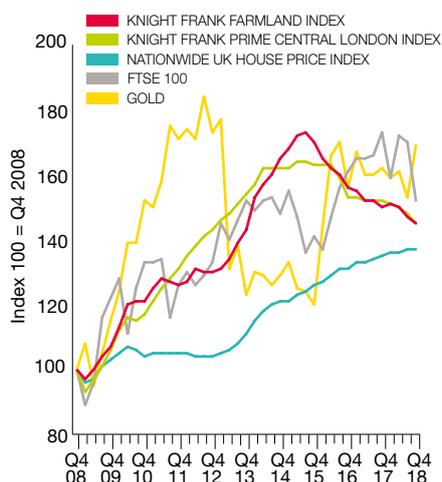
In reality, the Brexit process remains in turmoil and the lack of clarity about our future relationship with the EU means many potential buyers and sellers of land continue to sit on their hands. If order is restored, the wider

market will remain resilient, albeit subject to an even wider variation in values, as the pent up demand is released.

In or out of the EU there are still many reasons to buy land – rollover purchasers are particularly active; commodity prices have improved, helped by the drop in the value of sterling; and numerous farming businesses are looking at horizons far beyond the UK's potential exit from the EU.

But if we end up with a no-deal Brexit or even a change of government, the future becomes more uncertain. The remainder of 2019 looks set to be extremely interesting.

FARMLAND 10-YEAR PERFORMANCE VERSUS OTHER ASSETS



Source: Knight Frank Research

FARMLAND PERFORMANCE

-1.1%

3-MONTH CHANGE

-3%

12-MONTH CHANGE

1%

5-YEAR CHANGE

45%

10-YEAR CHANGE

3,670%

50-YEAR CHANGE

“MANY POTENTIAL BUYERS AND SELLERS OF LAND CONTINUE TO SIT ON THEIR HANDS.”

Andrew Shirley, Head of Rural Research
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If you would like further insight into prime rural property markets please do get in touch.

KEY AGRICULTURAL INDICATORS*

| Commodity prices | Latest | 12-month change |
|----------------------|--------|-----------------|
| Outputs | | |
| Feedwheat (£/t) | 167 | 23% |
| Oilseed rape (£/t) | 318 | 10% |
| Beef (p/kg dw) | 363 | -2% |
| Lamb (p/kg dw) | 434 | 4% |
| Milk (p/litre) | 30.7 | -3% |
| Input prices | | |
| Red diesel (p/litre) | 63 | 11% |
| Oil (£/bbl) | 45 | -3% |

For more detailed information on the issues affecting UK landowners and farmers, including the latest on agricultural commodity and input markets, please request a copy of The Rural Report, our magazine for rural property owners.

*Sources: www.fwi.co.uk www.dairy.ahdb.org.uk



The Patshull Estate, Shropshire/South Staffordshire – three equipped farms, woodland, five farm houses and eight cottages, potential development and sporting potential. In all about 3,583 acres. Guide £32.5m.

DATA DIGEST

The Knight Frank Farmland Index tracks the average price of bare (no residential property or buildings) commercial (productive arable and pasture) agricultural land in England. The quarterly index is based on the opinions of Knight Frank's expert valuers and negotiators across the country, which take into account the results of actual sales conducted by both the firm and its competitors, local market knowledge and client and industry sentiment. When combined with UK government statistics, the index shows the performance of farmland since 1944.

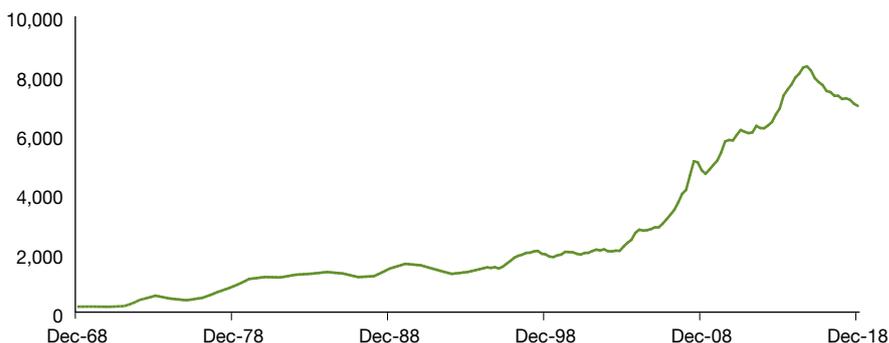
Please contact us for further information

If you're thinking of selling or buying a farm, estate, or agricultural land we'd love to help

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LONG-TERM FARMLAND CAPITAL VALUE TRENDS

Average £/acre



Source: Knight Frank Research

KNIGHT FRANK FARMLAND INDEX

| | Quarterly price change | Annual price change | Average value £/hectare | Average value £/acre |
|---------------|------------------------|---------------------|-------------------------|----------------------|
| Dec-13 | 3.1% | 10.7% | £17,005 | £6,882 |
| Mar-14 | 6.4% | 16% | £18,098 | £7,324 |
| Jun-14 | 2.6% | 17% | £18,574 | £7,517 |
| Sep-14 | 2.3% | 15% | £19,000 | £7,689 |
| Dec-14 | 3.1% | 15% | £19,583 | £7,925 |
| Mar-15 | 1.7% | 10% | £19,914 | £8,059 |
| Jun-15 | 2.6% | 10% | £20,423 | £8,265 |
| Sep-15 | 0.5% | 8% | £20,524 | £8,306 |
| Dec-15 | -1.7% | 3% | £20,176 | £8,165 |
| Mar-16 | -3.2% | -2% | £19,538 | £7,907 |
| Jun-16 | -1.7% | -6% | £19,207 | £7,773 |
| Sep-16 | -1.3% | -8% | £18,957 | £7,672 |
| Dec-16 | -2.6% | -8% | £18,464 | £7,472 |
| Mar-17 | -0.5% | -6% | £18,372 | £7,435 |
| Jun-17 | -1.6% | -6% | £18,069 | £7,313 |
| Sep-17 | 0.0% | -5% | £18,064 | £7,311 |
| Dec-17 | -1.5% | -4% | £17,794 | £7,201 |
| Mar-18 | 0.4% | -3% | £17,856 | £7,226 |
| Jun-18 | -0.7% | -2% | £17,729 | £7,175 |
| Sep-18 | -1.8% | -4% | £17,408 | £7,045 |
| Dec-18 | -1.1% | -3% | £17,223 | £6,970 |

Source: Knight Frank Research

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