



## English farmland values edge up, as investor interest rises

**Farmland values rose slightly in the first quarter of 2012 and are expected to increase further during the year. Knight Frank's Andrew Shirley, Tom Raynham and Clive Hopkins round up the market**

### Farmland performance

3 months	+0.4%
12 months	+1.4%
5 years	+76%
10 years	+188%

English farmland prices rose on average by 0.4% in the first three months of 2012, following drops of almost 1% in each of the final two quarters of last year. The average value of agricultural land is now £6,073/acre, according to the Knight Frank Farmland Index. This is just £83 below the record high of £6,156/acre reached in summer 2011.

"We predicted that the slight drop in the value of land in the second half of 2011 was not the start of a more significant trend. The upturn in values so far this year bears this out and we expect further growth of about 6% during the rest of the year," says Andrew Shirley, Head of Rural Research at Knight Frank.

"Despite the ongoing economic uncertainty farmland is still considered a solid, tangible "safe-haven" investment," adds Andrew.

Tom Raynham of Knight Frank's Farm Sales team says he has noticed an upturn in the number of investors attracted to the asset class. "So far we haven't seen any activity from institutional investors, but specialist funds and private and corporate investors are showing a lot more interest. A number have retained us to find suitable investments for them."

As ever, the biggest problem is satisfying the demand, explains Tom. "We have a number of good farms coming to the market, but so far this year there has been very little increase in the availability of quality land. This imbalance will help to ensure prices remain firm."

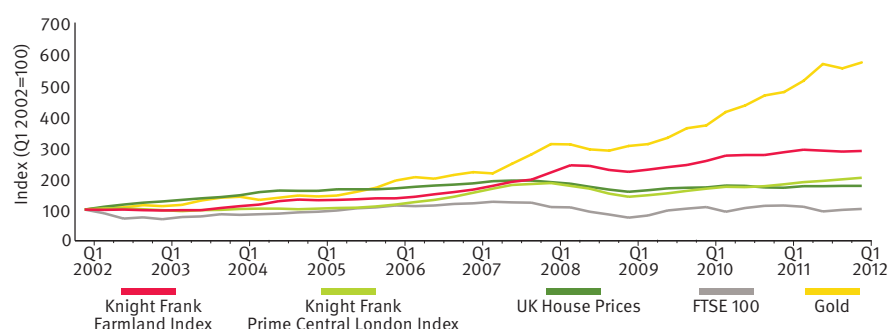
Farmers and landowners are still concerned about the impact of the ongoing reform of the Common Agricultural Policy, but there are few signs that the proposed changes to the way agricultural subsidies are paid are having an effect on the farmland market, says Clive Hopkins, Head of Farm and Estate Sales.

"For example, there were initially some concerns that anybody buying agricultural land for the first time might not qualify for the new subsidies when they are allocated in 2014 or 2015. However, our legal advisors tell us that it will be possible to find ways around this issue."

Careful planning will also be needed to ensure purchasers of farms do not fall foul of Chancellor George Osborne's recent changes to Stamp Duty Land Tax (SDLT). In his Budget last month, Mr Osborne announced that companies, including partnerships with a corporate element, will have to pay 15% SDLT on the value of all residential property purchases over £2m. This applies even if the house is part of a mixed-use property such as a farm. The agricultural land will be taxed at 4% as before.

"These changes could complicate some deals that are going through at the moment and they will undoubtedly cause some headaches for solicitors and tax advisors going forward, but I don't think they will dent overall confidence in the market," says Clive. "People will just have to plan property ownership structures carefully to mitigate the impact."

Figure 1  
**Farmland 10-year capital growth v other assets**



Source: Knight Frank Residential Research



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# RESIDENTIAL RESEARCH FARMLAND INDEX – Q1 2012

## Knight Frank



## 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.

## Key agricultural indicators\*

Commodity prices	Latest**	12-month change
<b>Outputs</b>		
Feed wheat (£/t)	164	-14%
Oilseed rape (£/t)	370	-2%
Beef (p/kg dw)	347	20%
Lamb (p/kg dw)	450	-1%
Milk (p/litre)	29	12%
<b>Input prices</b>		
Fertiliser (£/t)	344	5%
Red diesel (p/litre)	72	13%
Oil (\$/bbl)	117	17%

For more detailed information on the reform of the Common Agricultural Policy as well as the latest on agricultural commodity and input markets, please request a copy of the quarterly Knight Frank Rural Bulletin or go to [www.knightfrank.co.uk/rural](http://www.knightfrank.co.uk/rural)

\*Sources: [www.fwi.co.uk](http://www.fwi.co.uk) [www.dairyco.net](http://www.dairyco.net)

\*\*23 March

## Knight Frank Farmland Index

	Quarterly price change	Annual price change	Average value £/Hectare	Average value £/Acre
Dec-06	5.0%	15.0%	£8,140	£3,294
Mar-07	5.0%	20.7%	£8,547	£3,459
Jun-07	7.2%	24.1%	£9,163	£3,708
Sep-07	7.8%	27.4%	£9,877	£3,997
Dec-07	3.3%	25.3%	£10,203	£4,129
Mar-08	11.9%	33.6%	£11,419	£4,621
Jun-08	10.4%	37.5%	£12,603	£5,100
Sep-08	-0.8%	26.6%	£12,505	£5,060
Dec-08	-5.2%	16.2%	£11,852	£4,796
Mar-09	-2.6%	1.1%	£11,548	£4,673
Jun-09	3.1%	-5.5%	£11,911	£4,820
Sep-09	3.2%	-1.7%	£12,290	£4,973
Dec-09	3.0%	6.8%	£12,658	£5,123
Mar-10	5.4%	15.5%	£13,336	£5,397
Jun-10	6.9%	19.7%	£14,257	£5,769
Sep-10	0.8%	17.0%	£14,373	£5,816
Dec-10	-0.2%	13.3%	£14,339	£5,803
Mar-11	3.2%	11.0%	£14,803	£5,991
Jun-11	2.8%	6.7%	£15,212	£6,156
Sep-11	-1.0%	4.8%	£15,060	£6,094
Dec-11	-0.8%	4.2%	£14,947	£6,049
Mar-12	0.4%	1.4%	£15,007	£6,073

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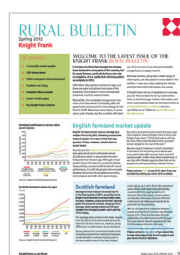
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