



News Release

Date: June 2010

Budget unlikely to hit growth of English farmland market, which has increased in value by 20% over past 12 months, according to Knight Frank Farmland Index

Key highlights:

- English farmland values rose by 6.9% in the second quarter of 2010. This takes growth over the past 12 months to 19.7%, according to the latest results of the Knight Frank Farmland Index.
- The average price of farmland is now £5,769/acre, the highest level recorded by the index.
- Prices are being driven up by a continuing shortage of supply and increased interest from private individuals.
- The amount of farmland publicly advertised for sale so far this year has fallen by almost one third.
- The latest results from the Knight Frank Farmland Index are contained in an article in The Rural Report, a new magazine from Knight Frank's rural property teams.

Andrew Shirley, head of rural land research at Knight Frank, commented:

"English farmland values continue to increase as demand outstrips supply. Average prices rose by 6.9% to £5,769/acre in the second quarter of the year, taking total growth for 2010 to 13%. Land is now worth almost 20% more than it was 12 months ago and we are predicting further growth of at least 10% over the next year.

"A shortage of farmland for sale, combined with demand from investors and overseas buyers, has helped to ensure values continue to rise. According to the Knight Frank Farmland index, demand over the past 12 months has increased by about 9%, while supply has fallen by a similar amount.



“As the graph below clearly shows farmland has been one of the best performing assets of the past 10 years and people see it as a sensible and secure place to put their money.

“Although capital gains tax was increased from 18% to 28% for higher earners in yesterday’s (22 June) budget, I do not think this will stop people investing in farmland as it is still better for a higher-rate tax payer to be taxed on a capital gain at the increased rate than income at 40%.

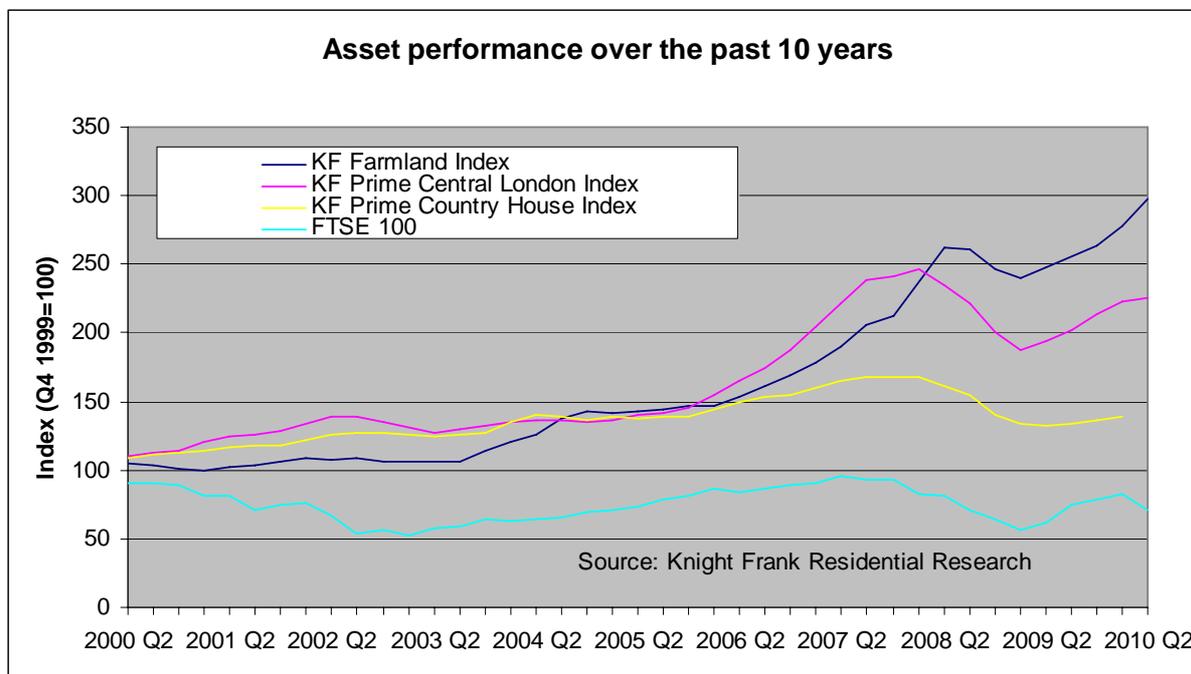
“Because the increase in CGT is immediate it should also preclude a flurry of sales as people rush to beat the deadline.

“In addition, a welcome increase in the lifetime allowance for Entrepreneurs Relief from £2m to £5m will offset the rise in CGT for many people. This is because anybody eligible to claim the relief will pay CGT at only 10% on their first £5m of gain if they sell their farming business.”

Claire Glover, head of farm sales at Knight Frank, said:

“Prior to the credit crunch people with wealth to spare were snapping up pretty residential farms, now bare land is what they seem to be looking for. We are currently seeing huge demand from a wide range of buyers, but in particular from private non-farming individuals, including a significant number of overseas buyers looking for a safe long-term investment. Many see it as a hedge against inflation and more reliable than stocks, shares and other less tangible investments.

“Recent strong sales have included three sales of land in the Cotswolds that achieved between £8,000 and £10,000/acre. The 1,500-acre Showsley Estate in Northamptonshire, which was a combination of vacant possession and tenanted land, also achieved a strong price. Another interesting test of the market will be 215 acres of arable land suitable for potatoes near Alnwick that we are selling on behalf of Northumberland Estates. It will be guided at around £6,000/acre.”



Knight Frank Farmland Index

Quarter	%age quarterly price change	£/acre
Q2 08	10.4	5,100
Q3 08	-0.8	5,060
Q4 08	-5.2	4,796
Q1 09	-2.6	4,673
Q2 09	3.1	4,820
Q3 09	3.2	4,973
Q4 09	3.0	5,123
Q1 10	5.4	5,397
Q2 10	6.9	5,769

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Notes to Editors

The Knight Frank Farmland Market Index is an opinion-based index, compiled quarterly by professional staff in Knight Frank's Farms & Estates and Valuations offices in the UK. Farmland is defined as bare agricultural land with neither dwellings or buildings on it. To see all Knight Frank's rural research please go to www.knightfrank.co.uk/rural

Knight Frank's Farms and Estates team sells land, farms and estates across the UK. For more details and a full list of properties currently available please go to www.knightfrank.co.uk/rural

The Rural Report can be found at www.knightfrank.co.uk/ruralreport

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