



# News Release

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Date: 7<sup>th</sup> July 2011

## **Farmland values break £6,000/acre to hit new record high in England, but price growth set to flatten, says Knight Frank**

### **Knight Frank Farmland Index Q2 2011**

#### **Headlines**

- Farmland values rose by almost 3% in the second quarter of 2011 and are now just under 7% higher than they were 12 months ago
- The average price of English farmland has now broken the £6,000/acre barrier for the first time
- Farmland continues to outperform other asset classes
- Strong regional and local differences are starting to emerge
- Price growth is starting to slow and could remain flat for the rest of the year

**Andrew Shirley, head of Knight Frank rural property research,** comments: “The value of farmland in England rose by 2.8% in the second quarter of the year, a similar amount to the growth seen in Q1. This means average prices are now 6.7% higher than they were 12 months ago and have broken the £6,000/acre barrier for the first time. Land is now worth on average £6,156/acre.

“A shortage of good farms for sale and strong demand from farmers, investors and lifestyle buyers have helped push up prices. There are, however, signs that the market is starting to flatten and we expect further growth to remain relatively steady for the rest of the year.

“Where there is strong demand from neighbours, or the land is of the scale and in the right location to be of interest to investors, we are seeing prices of up to £9,000/acre being achieved. But more land is starting to become available and purchasers are increasingly wary of spending money on lower quality land or smaller blocks that will not add any economies of scale to existing holdings.

“Although prices for agricultural commodities such as wheat did hit record highs during the spring, markets are becoming increasingly volatile. Efficient farming businesses are still keen to expand, but



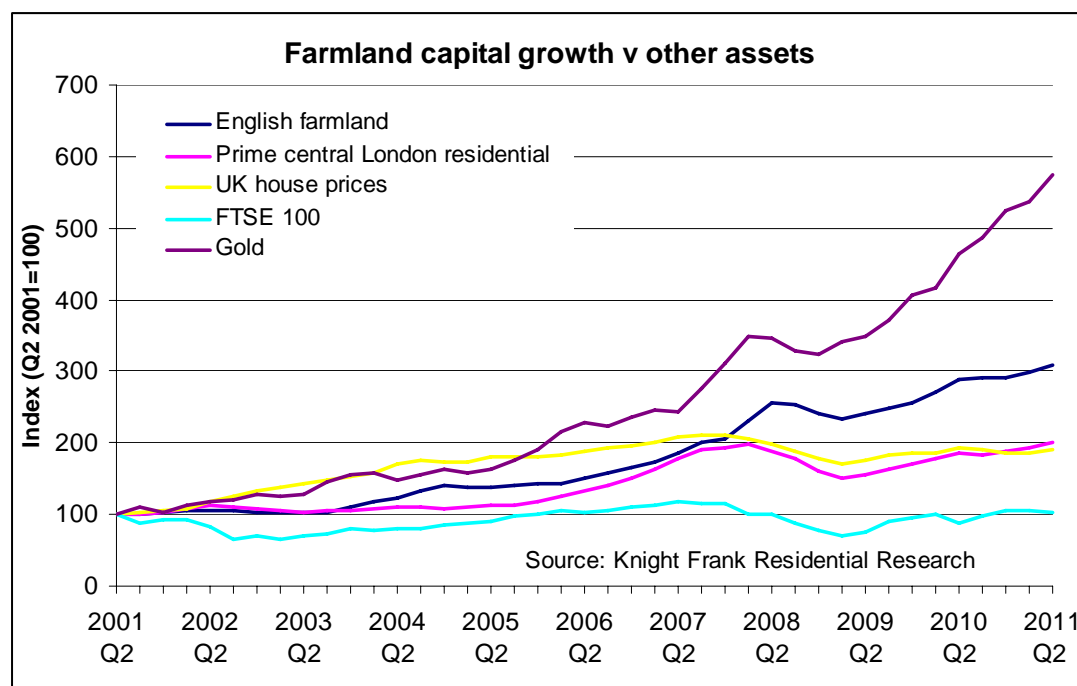
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are being relatively cautious at the moment, especially as interest rates are expected to rise later this year or in early 2012.”

**Tom Raynham, head of Knight Frank’s farm sales**, comments: “Demand is still outstripping supply and this has helped support farmland values in the first six months of the year. A farm that we are selling in southern England has attracted a lot of interest from both farmers and investors. This has created competitive bidding and helped us achieve premiums in excess of £9,000/acre for some of the land.

“A thousand acres of land in Worcestershire has been sold privately to an investment buyer who is expanding their portfolio into agricultural land. They were attracted by the strong capital growth of the past decade (see graph below) and predicted further rises over the next 10 years. We have a number of other investors on our books looking for suitable properties.

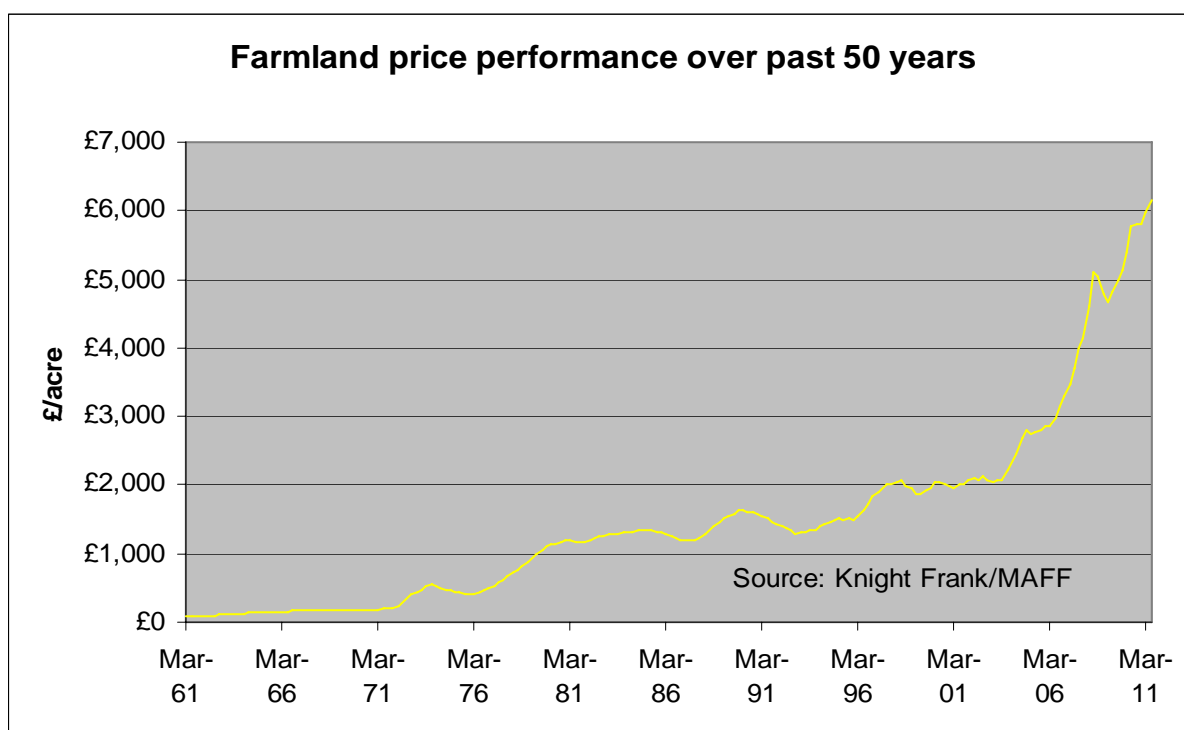
“Although we may see the market flatten during the rest of the 2011, we believe that prices will continue on a steady upwards trend. The long-term outlook for commodity prices looks bullish and we are not expecting a huge increase in the availability of the type of agricultural property that will really appeal to investors and the most efficiently run farming businesses.”





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Change in capital values	Farmland	London	UK house prices	FTSE 100	Gold
3-month	3%	3%	3%	-3%	7%
12-month	7%	8%	-1%	17%	24%
5-year	106%	51%	1%	-1%	152%
10-year	208%	100%	90%	2%	476%



Farmland prices	£/acre
2010 Q2	£5,769
2010 Q3	£5,816
2010 Q4	£5,804
2011 Q1	£5,991
2011 Q2	£6,156

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## Notes to Editors

Knight Frank's Farms and Estates team sells a wide variety of rural properties across the UK. Please go to [www.knightfrank.co.uk/rural](http://www.knightfrank.co.uk/rural) for more details.

The Knight Frank Farmland Index is an opinion-based index taking into account recent sales and the expert local knowledge of Knight Frank's rural valuers and agents. The index refers to the value of bare land without buildings or residential property.

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