



English farmland beats economic gloom to reach new highs in Diamond Jubilee year

Farmland values continue to rise and have now recovered all the ground that was lost last year. Knight Frank's experts explain why demand is so strong

Farmland performance

3 months	+3.7%
12 months	+2.3%
5 years	+70%
10 years	+202%
60 years	+11,263%

English farmland prices rose on average by 3.7% in the second quarter of 2012. This takes 12-month growth to 2.3% following a marginal increase in the first quarter of the year and a drop of 2% in the second half of 2011.

The average value of agricultural land is now £6,295/acre, according to the Knight Frank Farmland Index. This is almost £140 above the previous record high of £6,156/acre reached in summer 2011.

"Having just spoken to a private family office keen on investing in farmland, I am not surprised that average values are moving back up," says Andrew Shirley, Head of Rural Research at Knight Frank. "We are seeing interest from a wide variety of investors, as well as farmers. The ongoing economic troubles in the Eurozone and other parts of the world only seem to enhance farmland's reputation as a safe-haven asset."

"It is interesting to note that over the past 60 years farmland has often performed well in times of economic crisis. During the reign of Queen Elizabeth prices have risen by almost 11,000%."

James Prewett, Head of Regional Farm Sales in Central and Western England, confirms that UK farmland is attracting buyers from increasingly further afield. "I am now starting to see genuine bids from private Chinese investors. They tend to already own property in London, so are starting to feel more confident about buying other assets here. Part of the attraction is lifestyle, but investment seems to be the main driver."

Tom Raynham, Head of Farm Sales in Knight Frank's London office, says private investors who were previously just looking now seem to have made up their minds to get on with things. "With no clear end in sight to the problems affecting a number of the EU's economies there is a strong desire to get money into something solid."

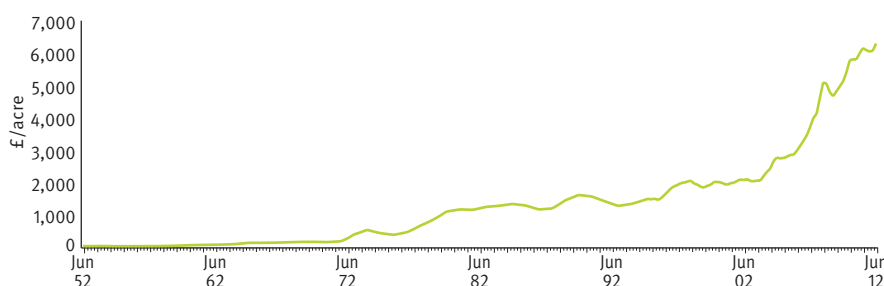
Funds are also looking, adds Tom, but they tend to be more numbers driven. "Farmland's potential for capital appreciation and its low-risk profile come at a price, which is a relatively low annual yield. Rents, however, are starting to increase so I think it is possible to achieve higher yields with careful management."

Farmers remain the most active buyers, with some sales making over £10,000/acre. "Farmers continue to take a long-term view and will pay strong prices for the right land," says Andrew. "There were some worries that the current system of agricultural subsidies could be under threat as part of the ongoing reform of the Common Agricultural Policy (CAP), but it appears the reforms will not be that radical."

"Despite this, the market does remain price sensitive and blocks of poorer land with less local interest will struggle to sell unless price sensibly."

"Looking forward, we expect average values to continue to firm with further growth of around 4% over the rest of the year," he adds.

Figure 1
Farmland price change over past 60 years



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Source: Knight Frank Residential Research

RESIDENTIAL RESEARCH FARMLAND INDEX – Q2 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
Outputs		
Feed wheat (£/t)	185	10%
Oilseed rape (£/t)	359	-5%
Beef (p/kg dw)	347	11%
Lamb (p/kg dw)	436	1%
Milk (p/litre)	28	7%
Input prices		
Fertiliser (£/t)	299	-4%
Red diesel (p/litre)	74	4%
Oil (\$/bbl)	108	-2%

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

*Sources: www.fwi.co.uk www.dairyco.net

**29 June

Knight Frank Farmland Index

	Quarterly price change	Annual price change	Average value £/Hectare	Average value £/Acre
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
Jun-12	3.7%	2.3%	£15,556	£6,295

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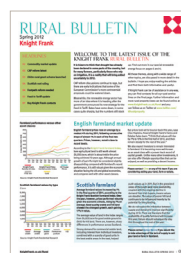
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