

## FARMLAND PRICES FIND THEIR LEVEL

**Demand for English farmland remains strong as supply stays tight**

### Farmland performance

<b>3 months</b>	<b>+3%</b>
<b>12 months</b>	<b>+17%</b>
<b>5 years</b>	<b>+56%</b>
<b>10 years</b>	<b>+208%</b>
<b>50 years</b>	<b>+5,444%</b>

The average value of English farmland rose by almost 3% in the second three months of 2014 to £7,517/acre, according to the latest results from [Knight Frank's Farmland Index](#).

During the past 12 months values have increased on average by 17% and over the past 10 years by 208%. This compares with 244% for gold, 135% for prime residential property in central London, 52% for the FTSE 100, and just 23% for average UK house prices.

Availability remains limited. So far around 16% fewer acres have been advertised publicly for sale this year, according to the Farmers Weekly Land Tracker Index. Even taking into account the off-market 17,800-acre sale of the Co-op portfolio, supply is historically subdued.

At the same time demand continues to be buoyant, particularly from investors. I have received a number of enquires over the past few weeks from funds and the representatives of wealthy individuals analysing the market with a view to making an investment in farmland.

"Potentially there could be more pension funds and institutional buyers in the market," confirms Tom Raynham, Head of Knight Frank's Agricultural Investment team. "There are some good deals happening off market."

Investors are becoming more savvy and better advised, adds Tom. "Their knowledge of farming systems is growing. They are looking for opportunities where they can increase agricultural productivity and returns, rather than just purchasing land let under long-term agricultural tenancies, which has been the traditional investment target."

James Prewett, Head of Regional Farms, says farmers are also becoming more active. "They took a bit of a pause for breath at the beginning of the year when values rose quite sharply, but now the market seems to have settled into a rhythm and their confidence has returned.

"Farmers are definitely in the mix at over £9,000/acre for 483 acres of arable land at Banbury, Oxfordshire, that I am selling."

However, there are still massive variations around the country, points out James. "I think values have plateaued in some areas, while there is room for more growth in others." Overall, the Knight Frank Farmland Index predicts further rises of around 6% over the next 12 months.

A 640-acre arable unit on the Shropshire/Worcestershire border that James is planning to launch later this summer will be an interesting test of the market.



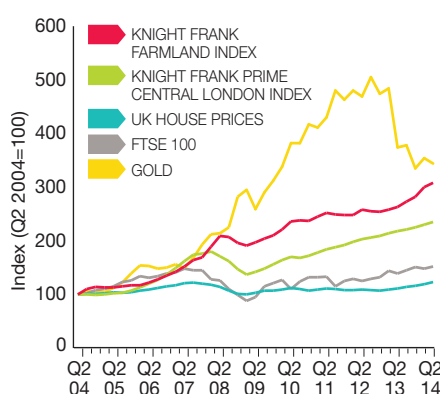
**ANDREW SHIRLEY**  
Head of Rural Research

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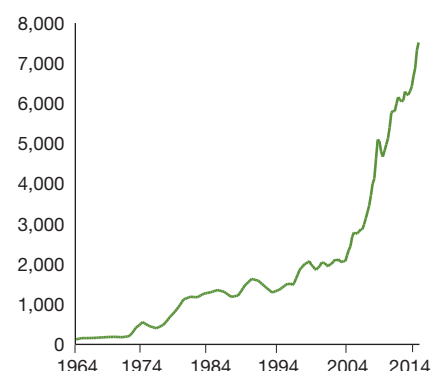
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FIGURE 1  
**Change in capital values**



Source: Knight Frank Residential Research

FIGURE 2  
**50-year farmland performance**  
£/acre



Source: Knight Frank Residential Research

## 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.

### Knight Frank Farmland Index

	Quarterly price change	Annual price change	Average value £/hectare	Average value £/acre
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
Sep-12	-1.2%	2.1%	£15,369	£6,220
Dec-12	-0.1%	2.7%	£15,354	£6,214
Mar-13	1.5%	3.9%	£15,585	£6,307
Jun-13	1.8%	2.0%	£15,866	£6,421
Sep-13	4.0%	7%	£16,501	£6,678
Dec-13	3.1%	11%	£17,005	£6,882
Mar-14	6.4%	16%	£18,098	£7,324
Jun-14	2.6%	17%	£18,574	£7,517

Source: Knight Frank Residential Research

### Key agricultural indicators\*

Commodity prices	Latest	12-month change
<b>Outputs</b>		
Feedwheat (£/t)	143	-13%
Oilseed rape (£/t)	267	-26%
Beef (p/kg dw)	344	-15%
Lamb (p/kg dw)	520	6%
Milk (p/litre)	33	8%
<b>Input prices</b>		
Fertiliser (£/t)	254	-6%
Red diesel (p/litre)	67	-3%
Oil (\$/bbl)	105	4%

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 quarterly Knight Frank Rural Bulletin or go to [www.knightfrankblog.com/ruralbulletin](http://www.knightfrankblog.com/ruralbulletin)

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



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