

PRICES EDGE UP, BUT FOCUS ON QUALITY GROWS

The farmland market remains strong, but valuing land is becoming increasingly difficult as the price gap widens

Farmland performance

3 months	+2.6%
12 months	+10%
5 years	+43%
10 years	+198%
50 years	+5,171%

The average price of bare agricultural land in England rose by 2.6% between April and June 2015, the tenth consecutive quarter of growth, according to the latest results of the Knight Frank Farmland Index.

Values have now risen by 33%, or £2,050/acre, since the end of 2012 and now stand at a record high of £8,265/acre. Over the past 10 years prices have almost trebled, a far stronger performance than many other asset classes (see chart below).

However, the market is becoming increasingly complex in terms of valuing specific blocks of land with price variations growing at both the national and local level.

On one farm we are selling in southern England the interest we have received for two blocks of land either side of a country lane suggests the market can vary by as much as £4,000/acre within a matter of metres. Across the country, prices start at £5,000/acre and head well north of £15,000/acre for larger parcels of arable land.

A slight increase in the amount of land for sale, combined with lower agricultural commodity prices, means potential buyers are becoming more cautious and price sensitive when choosing what to bid on. Land quality is once again a serious consideration and vendors should be realistic when setting guide prices as over-priced farms will struggle.

But availability is still historically low, and as a consequence we are seeing buyers, particularly investors, looking further afield, including the Welsh borders and north of England, for larger blocks of good quality land that is priced below the levels being achieved in parts of East Anglia and central and southern England.

There is also still a significant number of farmers with development roll-over cash to reinvest into land and this is helping to create local hotspots.

The wide variation in prices makes it extremely difficult to predict where the market is heading, but a period of flatter price growth while the market consolidates is likely, although premium prices will still be paid where there is competitive bidding.



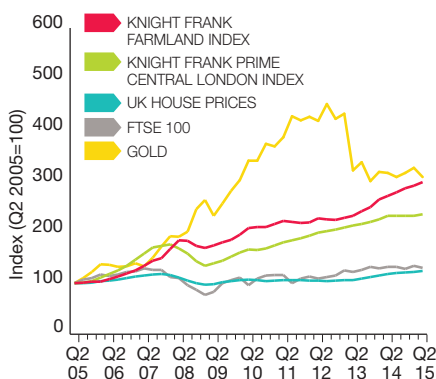
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“Land quality is once again a serious consideration.”

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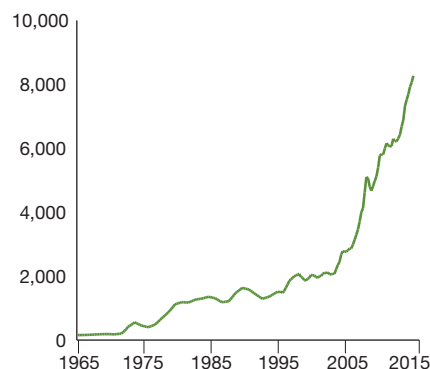
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FIGURE 1
Change in capital values



Source: Knight Frank Rural Research

FIGURE 2
50-year farmland performance
£/acre



Source: Knight Frank Rural 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
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
Sep-14	2.3%	15%	£19,000	£7,689
Dec-14	3.1%	15%	£19,583	£7,925
Mar-15	1.7%	10%	£19,914	£8,059
Jun-15	2.6%	10%	£20,423	£8,265

Source: Knight Frank Rural Research

Key agricultural indicators*

Commodity prices	Latest	12-month change
Outputs		
Feedwheat (£/t)	112	-21%
Oilseed rape (£/t)	250	0%
Beef (p/kg dw)	347	3%
Lamb (p/kg dw)	412	-18%
Milk (p/litre)	24.6	-22%
Input prices		
Fertiliser (£/t)	289	-3%
Red diesel (p/litre)	54	-19%
Oil (£/bbl)	40	-36%

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 Knight Frank Rural Bulletin or go to www.knightfrankblog.com/ruralbulletin

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



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