

Farmland values hit record high as investors buy big

The value of English farmland continues to rise as investors build their portfolios and farmers expand

Farmland performance

3 months	+4.0%
12 months	+7.0%
5 years	+32%
10 years	+222%
50 years	+5778%

For the latest news, views and analysis on the world of rural property, visit [The Rural Bulletin online](#)

The average value of farmland in England rose by 4% in the third quarter of 2013 to £6,678/acre, according to the results of the Knight Frank Farmland Index.

This was the strongest performance in a three-month period since Q2 2010 and takes growth over the past 12 months to 7%.

Between July and September farmland outperformed residential property, even in prime central London, matched the rise in the value of the FTSE 100 and was only marginally behind the 5% hike in the price of gold.

Demand from farmers, lifestyle buyers and investors, coupled with historically low availability, is helping to push up prices.

"We are seeing a steady increase in the number of enquiries from individuals and funds, both in the UK and overseas, looking to diversify their investment portfolios," says Tom Raynham, Head of Knight Frank's Agricultural Investment Acquisitions team, who has just helped an overseas investor to acquire an arable unit of over 2,000 acres.

Large blocks of good arable farmland, preferably over 1,000 acres, are most in demand and are making between £8,000/acre to upwards of £10,000/acre.

Capital growth is a key driver for investors. Prices have risen by 222% during the past decade and are predicted to rise by at least 5% annually over the next three years. Investors, however, are also looking more closely at annual yields.

"From what I am seeing now, people start to get very interested if there is also the potential for additional income from the likes of renewable energy or a diversified farm business," says Tom.

The resurgence in agricultural research is also adding to the sector's investment potential with some exciting developments on the horizon that could help to boost returns with improved technology and crop yields.

Farmers are also prepared to pay strong prices for land, but are becoming more careful about what they bid on in the light of recent price increases. Location and quality have to be right.

"More marginal land hasn't seen the same sort of growth," says James Prewett, Head of Knight Frank's Regional Farms team. "I don't think prices have weakened, but they remain more stable."

An interesting trend that is starting to emerge is the number of dairy farms that are being sold and kept as milk-producing units. "It's not something I have seen for quite a while," says James who has just acquired a dairy farm in Wales for a client. Milk prices have risen recently, but costs are still an issue meaning those farms with plenty of good grass acreage and lower overheads are most in demand.

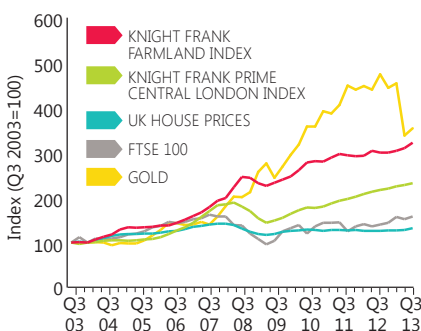
Amenity or "lifestyle" buyers are also prepared to pay a premium above agricultural values for the right farms. Again, however, they need to be in the right location with a main house that is well proportioned, but not overly large, says James.

ANDREW SHIRLEY
 Head of Rural Research

"Between July and September farmland outperformed residential property, even in prime central London"

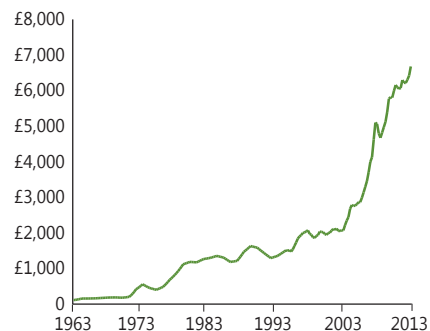
Follow Andrew at [@kfruralproperty](#)

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.

Key agricultural indicators*

Commodity prices	Latest	12-month change
Outputs		
Feedwheat (£/t)	148	-23%
Oilseed rape (£/t)	288	-23%
Beef (p/kg dw)	404	14%
Lamb (p/kg dw)	391	1%
Milk (p/litre)	32	16%
Input prices		
Fertiliser (£/t)	271	-10%
Red diesel (p/litre)	72	-1%
Oil (\$/bbl)	109	-2%

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

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

Knight Frank Farmland Index

	Quarterly price change	Annual price change	Average value £/Hectare	Average value £/Acre
Mar-07	5.0%	20.7%	£8,547	£3,459
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
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%	7.0%	£16,501	£6,678

RESIDENTIAL RESEARCH

Andrew Shirley

Head of Rural Research
 +44 1234 720534
andrew.shirley@knightfrank.com

PRESS OFFICE

Lizzie Copestake

+44 20 7861 1033
lizzie.copestake@knightfrank.com

© Knight Frank LLP 2013 - This report is published for general information only and not to be relied upon in any way. Although high standards have been used in the preparation of the information, analysis, views and projections presented in this report, no responsibility or liability whatsoever can be accepted by Knight Frank LLP for any loss or damage resultant from any use of, reliance on or reference to the contents of this document. As a general report, this material does not necessarily represent the view of Knight Frank LLP in relation to particular properties or projects. Reproduction of this report in whole or in part is not allowed without prior written approval of Knight Frank LLP to the form and content within which it appears. Knight Frank LLP is a limited liability partnership registered in England with registered number OC305934. Our registered office is 55 Baker Street, London, W1U 8AN, where you may look at a list of members' names.



GLOBAL BRIEFING
 For the latest news, views and analysis on the world of prime property, visit KnightFrankblog.com/global-briefing

RECENT MARKET-LEADING RESEARCH PUBLICATIONS



[The Wealth Report 2013](#)



[The Rural Report Summer 2013](#)



[UK Rural Bulletin Autumn 2013](#)



[Scottish Farmland Index Q2 2013](#)

Knight Frank Research Reports are available at www.KnightFrank.com/Research