

PRICE RISES SUBDUED AFTER PERIOD OF EXCEPTIONAL GROWTH

Farmland values remain steady in Q3 2015 as the market enters a period of equilibrium.

Farmland performance

3-month change	0.5%
12-month change	8%
5-year change	43%
10-year change	198%
50-year change	5,188%

The average value of bare agricultural land in England rose by just 0.5% between July and September, according to the latest results from the Knight Frank Farmland Index.

Although this represents the eleventh consecutive quarter of growth and means values now stand at a record £8,306/acre, it also marks the beginning of a period of potential price stability.

Over the past five years farmland (+43%) has outperformed many other asset classes, including gold (-10%), and has even kept pace with London's luxury residential market (+43%).

This strong performance brought new buyers into the market, including a wide range of investors from both the UK and abroad.

However, potential purchasers, particularly farmers, have gradually become more considered in their approach to acquisitions since the beginning of 2015. This is partly due to a prolonged period of low commodity prices, but also reflects the perception that the market was reaching a peak.

Availability of farmland has also increased. So far this year around 20%

more land has been advertised publicly compared with 2014.

As a result, what we are experiencing now is a market that is much more in equilibrium in terms of the balance between supply and demand.

Prices are unlikely to fall or rise to any great extent over the next few years because buyer demand remains strong, albeit cautious. Supply, while up on the year, is also low in historic terms and the market is unlikely to be saturated.

A sudden upwards shift in interest rates could put some pressure on more farmers to sell up, but the indications from the Bank of England seem to point to a gradual rising of rates starting in the second half of 2016.

Price variability on a local, as well as a regional level, is also likely to grow as a dominant theme of the market.

Extremely high prices will continue to be paid for large blocks of top quality land where a number of buyers are in the running. Where interest is more limited, vendors will need to temper their expectations.



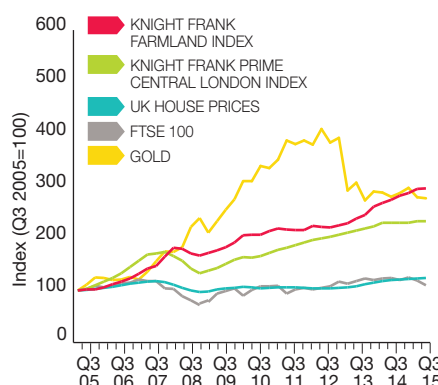
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"What we are experiencing now is a market that is much more in equilibrium."

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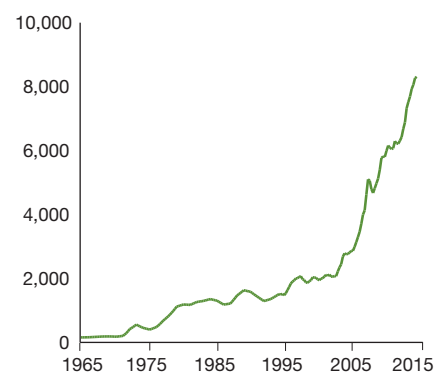
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FIGURE 1
Farmland 10-year performance v other assets



Source: Knight Frank Research

FIGURE 2
Historic farmland performance
£/acre



Source: Knight Frank 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
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
Dec-13	3.1%	11.0%	£17,005	£6,882
Mar-14	6.4%	16.0%	£18,098	£7,324
Jun-14	2.6%	17.0%	£18,574	£7,517
Sep-14	2.3%	15.0%	£19,000	£7,689
Dec-14	3.1%	15.0%	£19,583	£7,925
Mar-15	1.7%	10.0%	£19,914	£8,059
Jun-15	2.6%	10.0%	£20,423	£8,265
Sep-15	0.5%	8.0%	£20,524	£8,306

Source: Knight Frank Research

Key agricultural indicators*

Commodity prices	Latest	12-month change
Outputs		
Feedwheat (£/t)	98	-2%
Oilseed rape (£/t)	246	9%
Beef (p/kg dw)	361	1%
Lamb (p/kg dw)	353	-2%
Milk (p/litre)	23.4	-24%
Input prices		
Fertiliser (£/t)	233	-10%
Red diesel (p/litre)	47	-27%
Oil (£/bbl)	29	-50%

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.dairy.aahdb.org.uk

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