

ENGLISH FARMLAND PRICES LEVELLING OFF

The slide in the price of agricultural land slowed in Q3 2016, despite the Brexit vote

Farmland performance

3-month change	-1.3%
12-month change	-7.6%
5-year change	26%
10-year change	145%
50-year change	4,663%

The average value of bare agricultural land in England and Wales fell by 1.3% in the third quarter of 2016 to £7,672/acre, according to the Knight Frank Farmland Index. This was the lowest quarterly drop since prices started to slide at the end of 2015. Over the past 12 months the index has dropped by 8%.

Some of that fall could be attributed to concerns about Brexit, but the ongoing slump in agricultural commodity markets is the main factor that has taken the heat out of the market. Land prices had risen by 8% in the 12 months to September 2015, so in effect we are now back to the levels seen two years ago.

Overall, however, the average value of land remains 145% higher than it was 10 years ago, which is a significantly better performance than most other major asset classes.

As with all major political events, the EU referendum did have an impact on market activity in the preceding months, both in terms of the amount of land being put up for sale publicly and bids

from potential buyers. Once the result was known, even though it was not the outcome many expected, we saw the majority of the deals that had been put on hold being wrapped up quickly.

Sterling's slide in value against most currencies in the aftermath of the referendum has also had a positive impact. For example, the price of farmland has dropped by 21% in US dollar terms over the past 12 months.

This autumn's crop of farms and estates was always going to be the first real post-referendum test of the market. So far we have had strong interest from buyers based both in the UK and abroad, which suggests values should hold up for the remainder of 2016.

Looking further forward, much will depend on how many farmers decide to call it a day when we finally leave the EU. A significant increase in supply could put pressure on prices, but this seems unlikely in the immediate years following our exit.



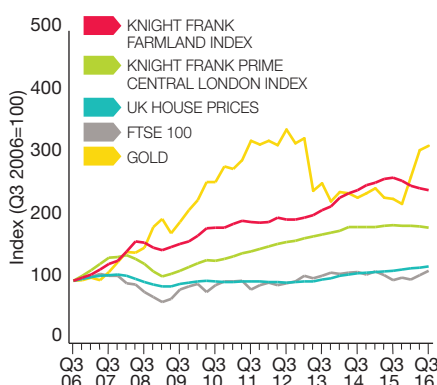
ANDREW SHIRLEY
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"...the average value of land remains 145% higher than it was 10 years ago..."

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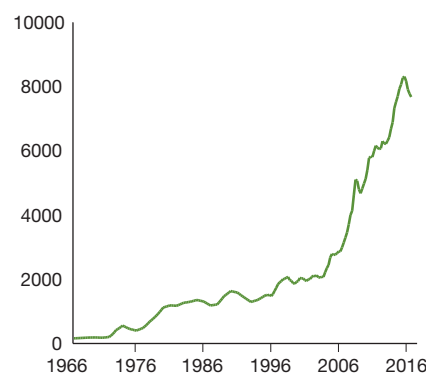
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FIGURE 1
Farmland 10-year performance versus other assets



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

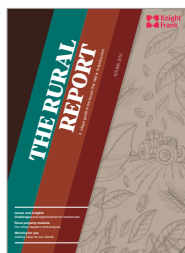
	Quarterly price change	Annual price change	Average value £/hectare	Average value £/acre
Sep-11	-1.0%	4.8%	£15,060	£6,094
Dec-11	-0.8%	4.2%	£14,947	£6,049
Mar-12	0.4%	1.4%	£15,007	£6,073
Jun-12	3.7%	2.3%	£15,556	£6,295
Sep-12	-1.2%	2.1%	£15,369	£6,220
Dec-12	-0.1%	2.7%	£15,354	£6,214
Mar-13	1.5%	3.9%	£15,585	£6,307
Jun-13	1.8%	2.0%	£15,866	£6,421
Sep-13	4.0%	7.4%	£16,501	£6,678
Dec-13	3.1%	10.7%	£17,005	£6,882
Mar-14	6.4%	16.1%	£18,098	£7,324
Jun-14	2.6%	17.1%	£18,574	£7,517
Sep-14	2.3%	15.1%	£19,000	£7,689
Dec-14	3.1%	15.2%	£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
Dec-15	-1.7%	3.0%	£20,176	£8,165
Mar-16	-3.2%	-1.9%	£19,538	£7,907
Jun-16	-1.7%	-6.0%	£19,207	£7,773
Sep-16	-1.3%	-7.6%	£18,957	£7,672

Source: Knight Frank Research

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Scottish Farmland Index H1 2016

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Key agricultural indicators*

Commodity prices	Latest	12-month change
Outputs		
Feedwheat (£/t)	118	14%
Oilseed rape (£/t)	313	23%
Beef (p/kg dw)	375	3%
Lamb (p/kg dw)	405	14%
Milk (p/litre)	21.3	-9%
Input prices		
Fertiliser (£/t)	176	-25%
Red diesel (p/litre)	48	7%
Oil (£/bbl)	33	11%

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.ahdb.org.uk

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