



News Release

Date: 15 January 2010

English farmland market ends the decade with a flourish as values hit a new record high, says Knight Frank

Key highlights:

- English farmland values rose by 3% in the fourth quarter of 2009 taking annual growth to 6.8%, according to the latest results of the Knight Frank Farmland Index.
- The average price of farmland is now £5,123/acre, above the previous peak of £5,100/acre reached in the second quarter of 2008
- Farmland prices increased by 164% during the last decade, compared with growth of 37% for prime country houses, 113% for prime residential property in Central London and a 22% drop in the value of the FTSE 100 share index
- The amount of farmland publicly advertised for sale in 2009 fell by almost 30% and this shortage of supply is helping to push up values as demand remains buoyant
- Farmland values are predicted to continue increasing this decade and could double in value again

Andrew Shirley, head of rural land research at Knight Frank, commented:

"It seems fitting that farmland, which has been one of the strongest performing assets in recent years, should end the decade at an all-time high. A 3% increase in the value of the Knight Frank Farmland Index during the final quarter of 2009 means an acre of land is now worth £5,123/acre on average. This compares with about £2,000/acre 10 years ago – a rise of 164%.

"Even prime London property, which saw especially rapid growth before the credit crunch, could only manage growth of 113%, according to our Prime Central London Index, and the FTSE 100 index actually fell in value during the same period. Of the major asset classes, only gold – the ultimate safe



haven for investors in difficult times – has managed a stronger performance, with a 300% hike in its value over the decade.

Shortage of land drives market

“A shortage of land for sale was one of the key drivers of the market in the last decade and continues to underpin values now. Ten years ago 226,000 acres of farmland were sold in England alone, according to the then Ministry of Agriculture, Fisheries and Food. Last year, under 150,000 acres were advertised publicly across Britain, about 30% fewer than in 2008. A significant increase in sales during 2010 is not expected as the majority of owners hold land as a long-term investment and currently have little incentive to sell.

“This dwindling supply of land is being fought over by a large number of potential buyers that shows no sign of abating. Commercial UK farmers remain the largest source of buyers, although their 47% share of the market was down about 8% on the previous quarter, possibly because of lower commodity prices. “Lifestyle” purchasers looking for attractive residential farms were involved in a quarter of sales.

Farmland on investors’ radar

“There was a noticeable return of institutional and private investors, many of whom were forced out of the market due to lack of funds in the aftermath of the credit crunch. As the world population grows, eating habits change and more and more farmland is lost to development and degradation, the investment rationale behind farmland will remain strong. Even the UK’s Labour government, not traditionally perceived as having close links with agriculture, has now recognised that food security is an issue the UK has to face.

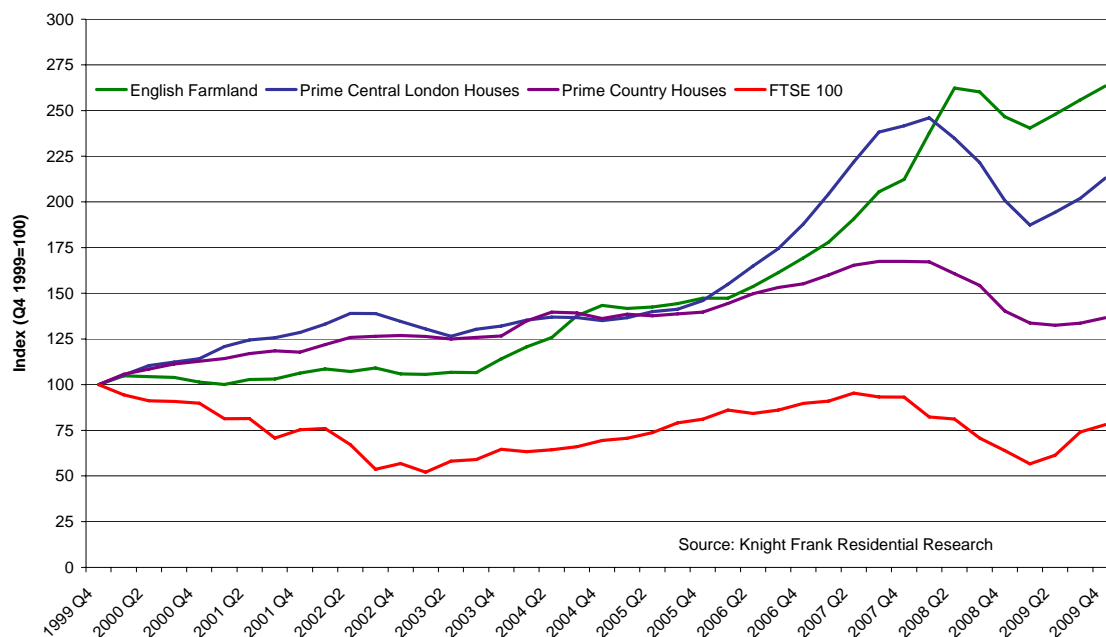
“The ongoing imbalance between supply and demand means prices will continue to increase and may well double before the end of the next decade. The uncertainty associated with a general election in the first half of 2009 could limit market activity, but we expect average values to climb by at least a further 5% next year.

“Large blocks of productive land, which can already fetch well over £6,000/acre, will lead the way, but as credit conditions begin to ease, smaller blocks of amenity land will prove increasingly popular once



more with lifestyle buyers. Less productive parcels of land with limited amenity value will not achieve such good prices unless there is interest from neighbouring farmers.”

Farmland performance versus other asset classes (Q4 1999 to Q4 2009)



Knight Frank Farmland Index

Quarter	%age price change	£/acre
Q1 08	11.9	4,621
Q2 08	10.4	5,100
Q3 08	-0.8	5,060
Q4 08	-5.2	4,796
Q1 09	-2.6	4,673
Q2 09	3.1	4,820
Q3 09	3.2	4,973
Q4 09	3.0	5,123



For further information and more detailed UK land values, please contact:

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Notes to Editors

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The Knight Frank Farmland Market Index is an opinion-based index, compiled quarterly by professional staff in Knight Frank's Farms & Estates and Valuations offices in the UK.

Farmland is defined as bare agricultural land with neither dwellings or buildings on it.

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