

SCOTTISH FARMLAND MARKET HOLDS ITS GROUND

Agricultural land values remain firm in Scotland despite political upheaval and land reform

Farmland performance

(average all types, unweighted)

6 months	+0.5%
12 months	+2%
5 years	+34%
10 years	+213%

Source of buyers

Scotland	+63%
England/Wales	+33%
Ireland	+2%
Rest of Europe	+2%

The average price of farmland in Scotland rose by just 0.5% in the first half of 2015, according to the Knight Frank Scottish Farmland Index.

Although this growth may seem lacklustre compared with the strong gains of recent years – prices have risen by 213% over the past 10 years – it needs to be viewed in the context of a highly charged political backdrop, which includes the 2014 independence referendum, the SNP's rampant general election victory earlier this year and the Scottish government's recently published land reform proposals.

"For a market to remain firm in the face of such uncertainty shows a high degree of resilience," says Tom Stewart-Moore, who has just joined Knight Frank Scotland as Head of Farm Agency.

"We are seeing particularly strong demand for good quality arable land, while hill land still offers a number of attractive forestry and renewable energy options for investors, despite the winding back of support payments for on-shore wind farms."

Hill land has risen in value by an average of 2% so far this year, while good arable land is up 1%.

A lack of activity in the first six months of the year has also made it difficult to gauge the state of the market, explains Tom.

"The market seems to have got going a bit more slowly, but since the Royal Highland Show we have launched a number of new farms, including a 1,100-acre hill farm in Argyll priced at offers over £1.15m.

"Over the next few months we'll get a much clearer impression of where the market is heading, but there is more land for sale with 42 farms over £1m on the market now compared with 31 at this time last year.

"There is a lot of chat about land reform, but the impact on the farmland market should be limited. Commodity prices, exchange rates and the latest CAP reforms will be of more concern," he adds.

Large upland estates will be more affected by the reforms, but a number of deals are still being done, says Ran Morgan, Head of Estate Sales.

"The market is certainly cautious, but definitely not dead – we have sold two 10,000-acre estates so far this year. In a global context Scotland still looks remarkably good value."



ANDREW SHIRLEY
Head of Rural Research

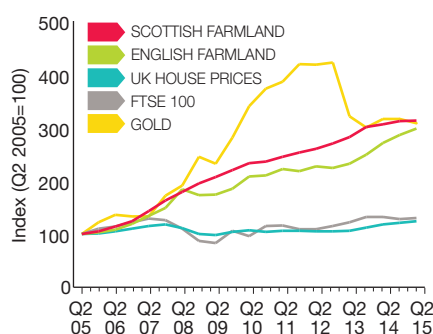
"Prices have risen by 213% over the past 10 years."

Follow Andrew at [@kfruralproperty](https://twitter.com/kfruralproperty)

For the latest news, views and analysis on the world of rural property, visit [The Rural Bulletin online](http://TheRuralBulletin.com)

FIGURE 1

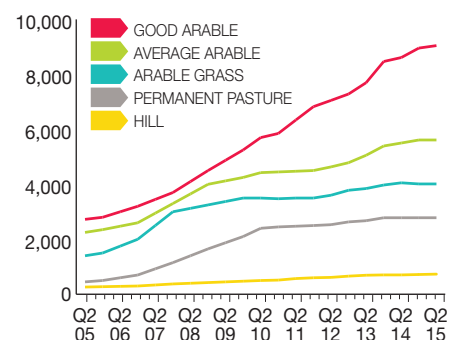
Scottish farmland capital value performance versus other assets



Source: Knight Frank Rural Research

FIGURE 2

Scottish farmland values by type
£/acre



Source: Knight Frank Rural Research

DATA DIGEST

The Knight Frank Scottish Farmland Index tracks the average price of bare (no residential property or buildings) commercial (productive arable and pasture) of various types of agricultural land in Scotland. The quarterly index is based on the opinions of Knight Frank's expert valuers and negotiators across the country, that take into account the results of actual sales conducted by both the firm and its competitors, local market knowledge and client and industry sentiment.

Knight Frank Scottish Farmland Index

Average value £/acre

Quarter	Good arable	Average arable	Arable/Grass	Permanent Pasture	Hill	Unweighted average
2005 Q2	2,725	2,250	1,400	450	263	1,418
2005 Q4	2,800	2,350	1,500	500	275	1,485
2006 Q2	3,000	2,475	1,750	600	288	1,623
2006 Q4	3,200	2,600	2,000	700	300	1,760
2007 Q2	3,450	2,950	2,500	925	338	2,033
2007 Q4	3,700	3,300	3,000	1,150	375	2,305
2008 Q2	4,100	3,650	3,125	1,400	400	2,535
2008 Q4	4,500	4,000	3,250	1,650	425	2,765
2009 Q2	4,875	4,125	3,375	1,875	450	2,940
2009 Q4	5,250	4,250	3,500	2,100	475	3,115
2010 Q2	5,700	4,425	3,500	2,400	500	3,305
2010 Q4	5,850	4,450	3,475	2,450	515	3,348
2011 Q2	6,340	4,475	3,500	2,475	571	3,472
2011 Q4	6,825	4,501	3,500	2,500	600	3,585
2012 Q2	7,053	4,633	3,603	2,531	614	3,687
2012 Q4	7,285	4,786	3,783	2,633	659	3,829
2013 Q2	7,698	5,057	3,846	2,676	692	3,994
2013 Q4	8,468	5,394	3,974	2,783	704	4,265
2014 Q2	8,612	5,502	4,054	2,783	704	4,331
2014 Q4	8,956	5,612	4,013	2,783	718	4,417
2015 Q2	9,046	5,612	4,013	2,783	732	4,437

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)	25	-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 quarterly Knight Frank Rural Bulletin or go to www.knightfrankblog.com/ruralbulletin

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



GLOBAL BRIEFING

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

RESIDENTIAL RESEARCH

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

FARM SALES

Tom Stewart-Moore
+44 131 222 9600
tom.stewart-moore@knightfrank.com

ESTATE SALES

Ran Morgan
+44 13 1222 9600
ran.morgan@knightfrank.com

PRESS OFFICE

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

RECENT MARKET-LEADING RESEARCH PUBLICATIONS



The Wealth Report 2015



The Rural Report Winter 2014



UK Rural Bulletin Spring 2015



Prime Scottish Property Index Q2 2015



© Knight Frank LLP 2015 - 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.