

SCOTTISH FARMLAND INDEX

H1 2018

FARMLAND VALUES HOLD THEIR OWN

Scarcity of supply trumps Brexit uncertainty

The average value of Scottish farmland has increased by just 1% during the past 12 months, according to the latest results of the Knight Frank Scottish Farmland Index.

Across the board, prices rose marginally to £4,285/acre at the end of June 2018. However, there were slight variations depending on land type. Good arable land and hill land remain the strongest performers with values for each rising by around 2% to £9,347/ace and £724/acre, respectively. The best arable land in sought after locations can command premiums of up to 20%.

Poorer quality and smaller blocks of arable and grazing land are less in demand - prices remained static or fell slightly - although improved beef and lamb prices has increased confidence slightly in the livestock sector.

A continued dearth of land and farms for sale, exacerbated by the cold snap in late spring, is the main reason agricultural land values are remaining firm. Ongoing uncertainty about the outcome of Brexit is making both vendors and potential buyers cautious.

However, the stability and simplicity consultation on Scottish agriculture post-Brexit, published recently by Scotland's Rural Economy Secretary Fergus Ewing has been given a cautious welcome by the industry. Unlike Defra's health and harmony paper, it has food and farming at its heart, rather than extra greening measures.

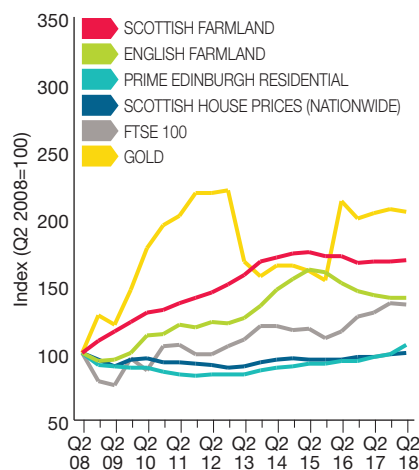
That said, there are still many unknowns. In particular, details of how farm support payments will be allocated among the devolved regions once the UK has left the EU and how much

power the Scottish government will have over agricultural policy.

Until we have more clarity the lack of farmland supply looks set to continue and the few large units on the market will likely attract good levels of interest from Scottish farmers. There is also demand from English farmers with rollover funds to spend who see land north of the border as offering better value.

Whistlebare House, Seggiebank and Little Craigow, a 600-acre grassland and sporting estate near Kinross, which has just been launched by our Edinburgh office with an asking price of offers over £2m, will be an interesting test of the market.

CAPITAL VALUE GROWTH OF SCOTTISH FARMLAND V OTHER ASSETS



Source: Knight Frank Research

FARMLAND PERFORMANCE (AVERAGE ALL TYPES, UNWEIGHTED)

0.3%

6-MONTH CHANGE

1%

12-MONTH CHANGE

7%

5-YEAR CHANGE

69%

10-YEAR CHANGE

165%

20-YEAR CHANGE

“UNTIL WE HAVE MORE CLARITY THE LACK OF FARMLAND SUPPLY LOOKS SET TO CONTINUE”

Andrew Shirley, Head of Rural Research
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If you would like further insight into prime rural markets please do to get in touch.

KEY AGRICULTURAL INDICATORS*

Commodity prices	Latest	12-month change
Outputs		
Feedwheat (£/t)	161	13%
Oilseed rape (£/t)	285	-5%
Beef (p/kg dw)	383	1%
Lamb (p/kg dw)	523	7%
Milk (p/litre)	26.8	0%
Input prices		
Red diesel (p/litre)	63	24%
Oil (£/bbl)	55	56%

For more detailed information on the issues affecting UK landowners and farmers, including the latest on agricultural commodity and input markets, please visit our blog www.knightfrank.co.uk/ruralreport

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

DATA DIGEST

The Knight Frank Scottish Farmland Index tracks the average price of bare (no residential property or buildings) commercial (productive arable and pasture) 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.

Please contact us for further information

If you're thinking of buying or selling a farm, estate, agricultural land or forestry in Scotland or Northern England we'd love to help.

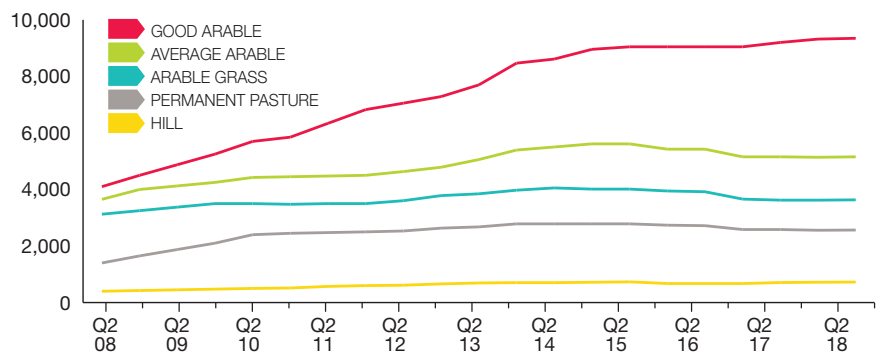
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SCOTTISH FARMLAND VALUES BY TYPE

£/acre



Source: Knight Frank Research

KNIGHT FRANK SCOTTISH FARMLAND INDEX

Average value £/acre

Quarter	Good arable	Average arable	Arable/ Grass	Permanent Pasture	Hill	Unweighted average
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
2015 Q4	9,046	5,425	3,946	2,737	673	4,366
2016 Q2	9,046	5,425	3,920	2,719	673	4,357
2016 Q4	9,046	5,154	3,659	2,583	673	4,223
2017 Q2	9,200	5,154	3,622	2,583	707	4,253
2017 Q4	9,319	5,139	3,622	2,557	719	4,271
2018 Q2	9,347	5,154	3,633	2,565	725	4,285

Source: Knight Frank Research

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