

SCOTTISH FARMLAND VALUES REMAIN IN THE BLACK IN 2017

A drop in supply helps balance out political and economic uncertainty

Farmland performance

(average all types, unweighted)

6 months	0.4%
12 months	1%
5 years	12%
10 years	85%
20 years	157%

Source of buyers

Scotland	83%
England/Wales	8%
Northern Ireland	7%
Europe	2%

The average value of Scottish farmland nudged up 1% during 2017, according to the latest results of the Knight Frank Scottish Farmland Index.

Across the board, prices ended the year at £4,271/acre. However, performance varied depending on land type. Good arable land and hill land were the strongest performers with values for each rising by around 3% to £9,319/acre and £719/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 is less in demand – prices remained static or fell slightly in 2017 – although improved farm-gate milk prices are helping to support the value of good dairy units.

The continuing dearth of land and farms for sale is the main reason agricultural land values are holding their own, despite the uncertainty surrounding Brexit. Last year, Knight Frank’s analysis of the open market revealed that just 61 farms – totalling fewer than 30,000 acres – guided at over £1m were launched publicly. This compares with 72 farms in 2016 and 75 in 2015.

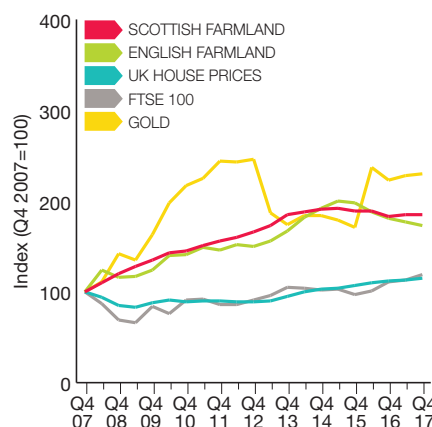
A number of vendors opted to sell their farms privately in 2017 and they achieved strong prices, but overall the pattern is still one of falling volumes.

This trend looks set to continue throughout 2018 with no signs so far of a significant increase in the amount of land that is set to come up for sale. This seems slightly counterintuitive given that the outlook for farming post Brexit remains unclear – now would actually appear to be a good time for anybody thinking of retiring or quitting farming to sell while values remain firm.

However, a lack of clarity in any property market always makes potential vendors nervous. The fact that Defra Minister Michael Gove has committed to maintaining UK farm support at levels equivalent to current CAP spending until 2024 has probably helped to delay many decisions. The weakness of sterling following the vote to leave the EU has also boosted subsidy cheques and commodity prices.

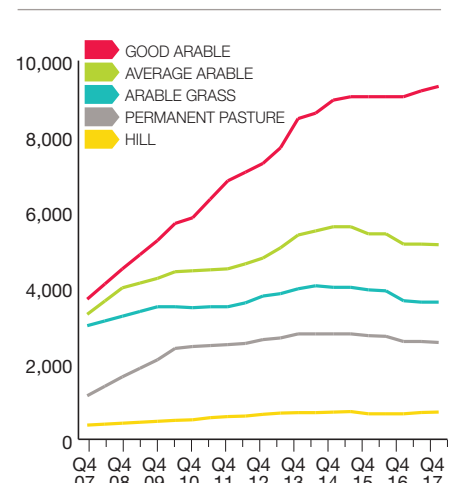
It seems increasingly certain that future support payments will be very much linked to the environment and the delivery of public goods – something Scottish farmers could be well placed to deliver.

Capital value growth of Scottish farmland v other assets



Source: Knight Frank Research

Scottish farmland values by type



Source: Knight Frank Research



ANDREW SHIRLEY
Head of Rural Research

“Overall the pattern is still one of falling volumes.”

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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.

Knight Frank Scottish Farmland Index

Average value £/acre

Quarter	Good arable	Average arable	Arable/Grass	Permanent Pasture	Hill	Unweighted average
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
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

Source: Knight Frank Research

Key agricultural indicators*

Commodity prices	Latest	12-month change
Outputs		
Feedwheat (£/t)	136	-4%
Oilseed rape (£/t)	288	-17%
Beef (p/kg dw)	370	2%
Lamb (p/kg dw)	419	10%
Milk (p/litre)	31.7	21%
Input prices		
Red diesel (p/litre)	56	11%
Oil (£/bbl)	46	12%

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.knightfrankblog.com/ruralbulletin

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

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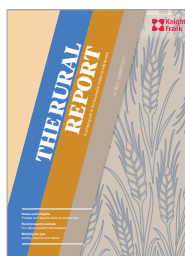
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