# RURAL BULLETIN
Spring 2013

## HEADLINES



## WELCOME TO THE LATEST ISSUE OF THE KNIGHT FRANK RURAL BULLETIN

**It would be nice to able to report that the weather is back to normal and farmers are experiencing more helpful growing and rearing conditions, but our climate seems more volatile than ever.**

The conditions for drilling spring crops certainly weren't conducive enough to allow arable farmers to make up the entire shortfall in autumn cereal plantings, while cold temperatures have affected grass growth in the livestock sector.

Despite this, the average value of agricultural land has started to rise again as the demand from investors and farmers across the UK continues to outstrip supply. There has also been some good news for the owners of redundant farm buildings. Changes to permitted development rights mean it could now be easier to convert them into more profitable uses.

Less helpful for rural estates were some of the anti-avoidance tax changes announced in the Chancellor's 2013 Budget. A number of previously legitimate Inheritance Tax planning measures will now no longer be available.

All of these issues and many more are discussed in detail over the following pages.

I hope you find the information in this bulletin useful. If Knight Frank can be of further help in any way please do get in touch. You can find our key contacts on the back page.

Further information about our services can be found **online** and you can keep up to date with the latest rural property news on our new **blog**. You can also follow us on Twitter **@kfruralproperty**


**Andrew Shirley**
Head of Rural Property Research
020 7861 5040

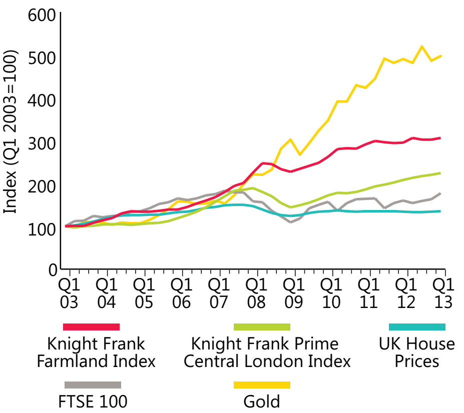
![Knight Frank]

# RURAL PROPERTY MARKET

**The latest Knight Frank research on the value of farmland and country houses**

## English farmland

### English farmland performance versus other asset classes




Source: Knight Frank Residential Research

**The average value of farmland in England rose by 1.5% in the first quarter of 2013 to £6,307/acre, according to the latest results of the Knight Frank Farmland Index. This beats the previous high of £6,295/acre recorded last summer and takes growth over the past 12 months to 4% and the past decade to 207%.**

Although investors fed up of poor returns seem to be moving away from low-yielding "safe-haven" investments such as AAA-rated government bonds, there continues to be strong interest in farmland. Knight Frank expects values to increase by a further 4% to 5% over the next 12 months.

"Even though stocks and shares are back in favour, the markets remain volatile. Land offers something more tangible, yet still has the potential to provide good capital appreciation. For private investors it also offers significant tax and lifestyle benefits," says Tom Raynham, of Knight Frank's Farms team, who is acting for a number of wealthy investors.

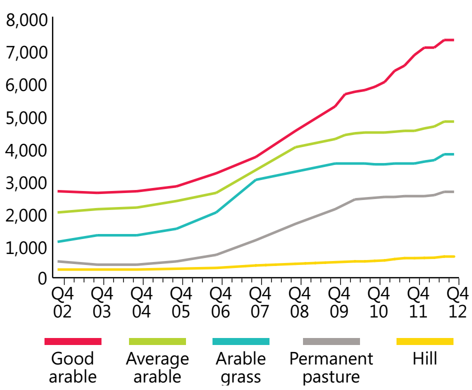
This combination of benefits has seen increased activity in Lincolnshire, the UK's arable heartland, with some large blocks of good arable land recently making over £10,000/acre.

Despite the continuing weather problems, farmers are still prepared to pay a premium to secure land adjoining, or close to, their existing units. "There is still a shortage of supply and while more marginal land may have a lost little of its value, demand is strong for commercial units," says James Prewett, who heads up farm sales in central and western England for Knight Frank.

**If you are thinking of selling your land or farm please contact Tom or James for a free appraisal.**

### Scottish farmland values by type

**£/acre**




Source: Knight Frank Residential Research

## Scottish farmland

**Farmland values rose by 7% on average during 2012, according to the latest results from the Knight Frank Scottish Farmland Index.**

Agricultural land in Scotland has now almost tripled in value over the past 10 years, outperforming many other asset classes, such as the FTSE 100 equities index and UK residential property, in terms of capital value growth.

The rate of price growth has historically tended to lag slightly behind the English farmland market, but there is now very little difference in performance

This trend has not been lost on investors, says James Denne, who heads up Knight Frank's Scottish Farm Sales' team and has just sold a large block of good arable land to an investment fund.

Looking forward, the Knight Frank Scottish Farmland team predicts further growth in values of 3% to 4% over the next 12 months.

**Please contact James if you would like to sell your farm or discuss the market further.**

### Country house values

**% change**

**England & Wales**

| | Cottage | Farmhouse | Manor house | Avg |
|---|---|---|---|---|
| Q1 2013 | 0.9 | 0.6 | 0 | 0.4 |
| Annual | -1.8 | -3.1 | -4.1 | -3.2 |

**Scotland**

| | Cottage | Farmhouse | Small country house | Large country house | Avg |
|---|---|---|---|---|---|
| Q1 2013 | 0 | 0 | -0.2 | 0 | -0.1 |
| Annual | 0 | -2.5 | -3.7 | -1.6 | -2.5 |

## Country houses

In England and Wales, prime country house values rose by 0.4% in the first three months of 2013, according to the Knight Frank Prime Country House Index. This was the first quarterly increase since Q1 2011, although prices still fell by 3.2% over a 12-month period.

Houses worth £2m to £4m were the worst performers (down 7%) as the impact of the new 7% stamp duty band for properties worth over £2m started to bite.

Cottages were the best performers, up almost 1% on the quarter and down by just 1.8% on the year. Manor House prices remain flat, while farmhouses rose by just over 0.5% in Q1.

In Scotland, country house prices fell by just 0.1% during the same period – the most modest decline since Q1 2011 – according to the Knight Frank Prime Scottish Property Index. On an annual basis, the average price drop was 2.5%.

**Please contact Gráinne Gilmore, Head of UK Residential Research, for more information.**

# AGRICULTURE

**An update on commodity prices, CAP reform and the big issues affecting farming and forestry**

## Commodity market round up

**The appalling weather has continued into 2013 with farms across the UK affected by rain, cold and, in some cases, severe snowfall. The number of livestock deaths caused by the freezing winter and spring conditions has now exceeded 100,000.**

According to the latest figures from DEFRA, total income from farming (TIFF) fell by 14% to £4.7bn last year compared with 2011. Apart from the weather, higher input costs and a currency-related drop in the value of subsidy payments contributed to the decline.

Poor spring grass growth has added to the pain of 2012 for dairy herds, with cows being turned out much later than usual and silage yields down. Figures from consultant Kingshay reveal the average dairy herd produced 40,000 litres less milk in the 12 months to March 2013. The margin over purchased feed – a key indicator of dairy profitability – fell by £17,775 on average. Purchased feed costs rose by 1.27p/litre, while milk prices went up by just 0.54p/litre.

For the first time on record milk output fell between March and April, sliding by 1m litres compared with the usual monthly upturn of around 17m litres. Milk prices look set to increase, but consultant The Dairy Group says milk processors will need to pay at least 35p/litre to guarantee supplies. Prices currently range from 28p/litre to almost 31.5p/litre.

Despite a rise in prices, conditions in the beef sector remain challenging. Many producers are still losing money as their costs of production hit all-time highs. Pig producers, meanwhile, lost an average of £2 an animal in April, although a decrease in feed costs over the past few months means this was an improvement on the £7 each pig slipped into the red during January.

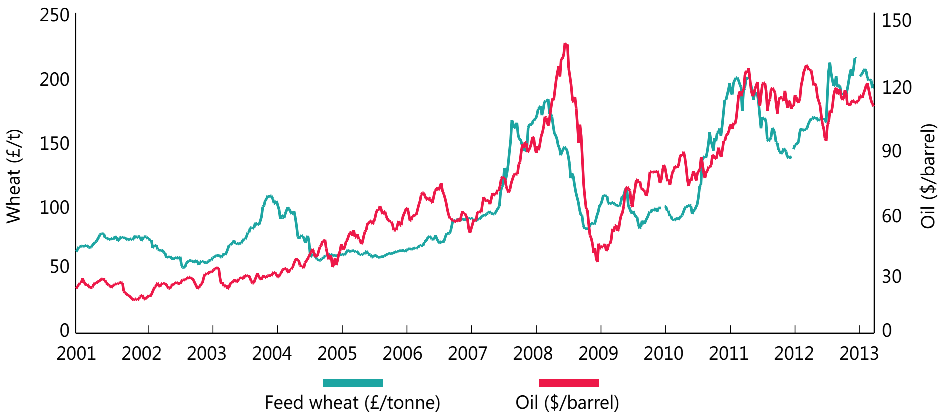
Lamb numbers are set to fall by 8% to 15.8m on the back of the poor weather, according to the English Beef and Lamb Executive.

The Home Grown Cereals Authority says the area of winter wheat drilled in the UK last year was 3.66m acres, a drop of around 25% on 2011.

Feed wheat prices have slipped back to below £190/t since the beginning of the year, but remain at historically high levels. Forward prices of almost £170/t are available for November 2014 deliveries. Grain merchants, however, are warning that prices could slide if early predictions of a bumper harvest across the world are borne out.

But markets look set to stay volatile as conditions in key growing areas remain finely balanced with spring plantings running well behind schedule in the US. Just a few unfavourable global weather events could easily send prices back up.

**Wheat and oil price changes**




### Agricultural price changes Q1 2012-Q1 2013

| | Q1 2012 | Q4 2012 | Q1 2013 | Annual change (%) | Quarterly change (%) |
|---|---|---|---|---|---|
| **Commodity prices** | | | | | |
| Feed wheat (£/t ex-farm) | 168 | 206 | 197 | 17% | -4% |
| Oilseed rape (£/t ex-farm) | 379 | 356 | 385 | 2% | 8% |
| Cattle (R4L steers p/kg dw) | 346 | 370 | 392 | 13% | 6% |
| Sheep (R3L lambs p/kg dw) | 464 | 360 | 462 | 0% | 28% |
| Pigs (DAPP p/kg dw GB av) | 142 | 161 | 158 | 11% | -2% |
| Milk (UK p/litre) | 28.65 | 30.12 | 30.04 | 5% | 0% |
| Skimmed milk powder (£/t) | 1,800 | 2,300 | 2,400 | 33% | 4% |
| **Input prices** | | | | | |
| Red Diesel (p/litre) | 74 | 70 | 74 | 0% | 5% |
| Oil ($/barrel OPEC index) | 123 | 107 | 106 | -13% | -0.1% |
| Fertiliser (£/t AN 34.5%) | 309 | 301 | 305 | -1% | 1.3% |
| Soyameal feed (Argentine £/t) | 272 | 376 | 370 | 36% | -2% |
| **Economic indicators** | | | | | |
| Interest rates (B of E base %) | 0.5 | 0.5 | 0.5 | nc | nc |
| Inflation (CPI) | 3.47 | 2.7 | 2.8 | -19% | 4% |
| £:€ rate | 1.19 | 1.23 | 1.18 | -1% | -4% |
| £:$ rate | 1.59 | 1.63 | 1.51 | -5% | -7% |

Sources: HGCA, Farmers Weekly, DairyCo

## CAP reform edges closer

**The tortuous CAP reform process has entered its final stage with the EU's Parliament, Commission and Council trying to thrash out an agreement during an intense course of "trilogue" negotiations. Over 20 more of these are planned before 20 June, but current EU Council president, Ireland's Agriculture Minister Simon Coveney, says he is hopeful of an agreement before Ireland's presidency ends that month.**

Current sticking points include the definition of an "active farmer". Some are proposing each country in the EU should create "negative" lists of claimants that do not meet the required criteria and would not qualify for support payments. Opinion is also split on whether aid for young and small farmers should be mandatory or voluntary.

The National Farmers Union says it is worried that the UK's farmers will suffer following the release of documents that show the UK's share of Pillar 2 funding (rural development and environmental schemes) could be cut by 22% as part of the reforms. It fears the government will try to make up the shortfall by transferring money from the country's Pillar 1 pot, which is used to fund direct payments to farmers.

Park Authority concluded that CAP greening measures risked putting 10% of farms in the Scottish Highlands out of business. A recent study by charity OXFAM even found some farmers in Northern England were missing meals so they could afford to feed their livestock.

**Please contact Andrew Shirley for further details on the CAP reform process.**

## Europe, better in or out?

**With senior Tories lining up to say they would vote to leave Europe if there was a referendum today, the anti-EU debate continues to dominate the political agenda. Although many of us, fed up of rules imposed by Brussels' bureaucrats and the union's seemingly cavalier attitude to fiscal discipline, would instinctively like to see a UK exit, agriculture is a big beneficiary of membership.**

Although being outside the EU would not necessarily be the impediment to trade that some Europhiles predict – the UK would still be part of the European Free Trade Area – the loss of EU subsidies would be hard to stomach for farmers.

Many farm businesses would not be viable without the Single Payment and even those who say they would prefer not to rely on hand outs from Brussels would struggle to compete with their subsidised colleagues across the channel.

Of course, the UK is a net contributor to the EU, paying in substantially more than it takes out. This means the government could theoretically afford to introduce a replacement for the EU's Common Agricultural Policy (CAP), but would it and, if so, what form might it take?

DEFRA is already at odds with much of Europe over the shape of CAP reform and any new UK-only scheme could focus far more on environmental benefits and rural development than direct payments to farmers. Farmers here also benefit from the lobbying power of their European colleagues who have much more political clout.

David Cameron has confirmed voters will be asked the following question in a 2017 referendum if he wins the General Election in 2015: Do you think that the United Kingdom should remain a member of the European Union? Voting yes will be a big step into the dark for the UK's farmers and landowners, but one that many might still feel will be worth it.

## Bees, badgers and burgers

**Farming is never short of controversial issues. So far this year we have had the horsemeat scandal and the banning of a pesticide blamed for a decline in bee numbers, while the badger-cull saga continues to split opinions within the sector.**

Thankfully, the public does not seem to have blamed farmers for the discovery of horsemeat in a plethora of products - the finger has been firmly pointed at the supermarkets. Although the ranks of vegetarianism may have swelled slightly, the UK's livestock farmers could gain from the increased focus on provenance and quality that the scandal has created. Sales of organic meat, for example, have increased by 1.6% so far this year; the first year-on-year growth since 2009.

A number of retailers have upped their commitment to sourcing home-grown meat, but with cost still the main focus for many austerity-affected shoppers, and lower-price retailers such as Aldi and Lidl attracting customers away from the likes of Tesco, the pressure to keep food prices low will remain.

Arable farmers, meanwhile, are claiming that the recent EU ban on neonicotinoid seed treatments, which environmentalists blame for contributing to a decline in bee numbers, will be a catastrophic blow for pest control on oilseed rape, maize and sunflowers.

Although the controversial chemicals have been shown to affect bees in the laboratory, critics of the ban say field-scale trials have so far failed to prove a link. They also claim the alternatives, such as pyrethroid foliar sprays, will actually be more harmful and are less effective.

The initial two-year ban is due to come in to effect on 1 December meaning farmers will still be able to use neonicotinoid-treated seed for autumn drilling, but not next spring.

The UK government opposed the ban and even the British Beekeepers Association is sceptical. It says poor weather, diseases and the loss of habitat are the main reasons for the decline in bee numbers.

Despite fierce campaigning led by celebrities such as Queen guitarist Brian May, the postponed six-week badger pilot cull is due to start this summer in a bid to control the spread of Bovine TB. The disease is costing the UK £100m a year in compensation and control measures, a figure DEFRA says could double over the next decade. More than 28,000 cows were slaughtered in England in 2012.

## Retail tzar to wield wide powers

Christine Tacon, the former boss of the Co-op's farming operation, has been announced as the UK's first Groceries Code Adjudicator. Her role will involve ensuring the country's 10 biggest food retailers adhere to the Groceries Code, which aims to protect those who supply supermarkets from unfair treatment.

In an exclusive interview for The Rural Report, produced by Knight Frank, Ms Tacon reveals that she will have the power to levy multi-million pound fines on offenders and publicly name and shame those who abuse their powers.

**To receive The Rural Report please email Andrew Shirley.**

# BUILDINGS, PLANNING AND RENEWABLE ENERGY

The latest news from our Building Consultancy and Renewable Energy teams

## Farm building permitted development boost

**From 30 May 2013, agricultural buildings up to 500 sq m will be covered by permitted development rights allowing them to be converted to a variety of alternative commercial uses, such as shops (A1), restaurants and cafes (A3), hotels (C1) light industrial (B1), offices (B1) or storage (B8), without the need to apply for planning consent for the change of use.**

The relaxation includes buildings in National Parks, Areas of Outstanding Natural Beauty and the Green Belt, but excludes listed buildings and scheduled ancient monuments. It applies to buildings that have been in agricultural use as of 3 July 2012. Buildings constructed, or converted to agricultural use, from this date will only qualify for the new permitted development rights after 10 years.

For changes up to 150 sq m, owners will simply need to notify their local council of the plans. However, for changes between 150 sq m and 500 sq m a prior notification process will apply. This is to allow councils to assess the potential impact of the change on things like traffic and noise levels, and investigate further if necessary. Councils will have 56 days to make a decision once the relevant forms and information have been submitted.

New permitted development rights will also allow change of use from buildings used as B1 office space before 30 May 2013 to C3 residential, subject to a prior approvals process.

Promising more flexibility on the use of agricultural buildings, the government will consult later in the summer on further relaxations to enable empty shops and agricultural buildings to convert directly to housing without consent.

**For advice on converting rural buildings to alternative uses contact James Carter-Brown.**

## Solar FITs cut

Feed-in Tariff rates for electricity produced by solar photovoltaic systems have been cut again, this time by around 3.5%. The decrease applies to installations below 50kW and installed from 30 April 2013. The new rates are guaranteed until 1 July 2013.

Despite the reduction, somebody installing a 50 kW scheme costing £60,000 and using all the electricity produced could see a payback in 5.8 years, according to figures compiled by Knight Frank's Renewable Energy team.

**For more information please contact Edward Holloway**

## Heritage Lottery fund extended to private owners

For the first time the Heritage Lottery Fund (HLF), which has a current annual budget of £375m, is accepting direct applications from privately owned properties. As of April 2013, grants of up to £100,000 have been available for heritage projects. Any private benefits, however, must be outweighed by the benefit to the public and there must be a "step change" in public access. The HLF says grants could cover a wide range of situations, including the restoration of single historic rooms or landscapes, but are not designed to cover expenditure that would generally be considered the responsibility of the owner, such as routine maintenance.

The HLF's new Heritage Enterprise grant scheme, which offers grants of up to £5m to partnerships of property owners, communities and developers to regenerate substantial historic buildings and sites, could also be of interest to rural estate owners.

## Domestic heat support delayed again

It had been expected that the Renewable Heat Incentive (RHI) scheme, which supports commercial property owners who generate heat from eligible renewable sources, would be extended belatedly to householders this summer. But the Department of Energy and Climate Change (DECC) has just announced that this will not happen until spring 2014.

To help soften the blow, DECC said the Renewable Heat Premium Payment (RHPP), which provides financial help towards the installation of renewable heat technology, has been increased and will be extended until next year. It was due to close at the end of March 2013. On a positive note it appears that some of the tariffs for the commercial property RHI could be increased this summer following poor take up.

Homeowners who can use renewable heat in a separate office building in addition to their house may be able to qualify for the 20-year commercial RHI, rather than waiting for the introduction of the domestic scheme, which is only likely to provide financial support for seven years.

**For more information on how your residential or commercial property could benefit from renewable heat and electricity contact Edward Holloway.**

## Scottish wind clampdown

Drafts of the new Scottish Planning Policy (SPP) and National Planning Framework 3 (NPF3), which were published at the end of April, have put new limits on where wind farms can be developed.

In National Parks and designated scenic areas turbines are banned completely. In addition, restrictions will also apply to 43 areas of "wild land" in remoter upland and coastal areas that have "little or no capacity to accept new development". These areas are outlined in news maps from Scottish Natural Heritage.

About 30% of the country in total will be covered by the new rules.

SPP is Scotland's equivalent of England's National Planning Policy Framework (NPPF), while NPF3 sets out government priorities for where key development should take place. The consultations on the two planning drafts close on July 23.

**For advice on renewable energy in Scotland contact Oliver Routledge.**

# LEGISLATION UPDATE

**A guide to what's new in the worlds of tax, tenancies, policy and law**

## Budget blow for estate tax planning measures

**Given his struggle to balance the nation's books, it is hardly surprising that the UK's Chancellor George Osborne is looking to maximise tax take. Much of his fourth budget delivered earlier this spring focused on measures to clamp down on any accounting practices and property and business structures that constitute, in his view, not just evasion, but avoidance. Given that a number of areas under scrutiny would previously be classed as sensible tax planning, even those business and property owners who have behaved entirely properly will want to examine the implications.**

Some of the areas that it might be worth taking professional advice on are listed below:

**General avoidance.** A general anti-abuse rule (GAAR) has been introduced to counteract tax advantages arising from abusive tax avoidance schemes that a number of high-profile figures such as comedian Jimmy Carr have fallen foul of.

**Use of partnerships.** Following on from the announcement made in the Autumn Statement 2012 to review partnerships as a high risk area of the tax code, a consultation was announced on legislation to counter the use of limited liability partnerships to disguise employment relationships and the artificial allocation of profit/loss to secure tax advantages.

**Inheritance tax.** Legislation has been introduced to amend the Inheritance Tax (IHT) provisions that formerly allowed debt secured against non-exempt asset for IHT purposes, such as a residential dwelling, and used to purchase or develop exempt assets, such as those qualifying for Agricultural Property Relief (APR) or Business Property Relief (BPR), to be deducted from the value of an estate's IHT liabilities.

**Stamp Duty Land Tax (SDLT).** Measures were introduced to retrospectively counter schemes designed to avoid the payment of SDLT

**For more on the budget read the Rural Bulletin blog. For estate planning advice contact James Del Mar**

## Name change for new property tax

The Annual Residential Property Tax, which will be levied on residential property held by companies, partnerships involving a company or collective investment schemes, will now be known as the **Annual Tax on Enveloped Dwellings (ATED).** The first ATED payments are due by 31 October 2013 and range from £15,000 for houses worth between £2m and £5m, to £140,000 for properties worth over £20m. Subsequent payments will be due on 30 April each year. Reliefs are available to ensure that ATED does not catch properties, such as farmhouses, held for genuine commercial reasons, and not simply for minimising tax liability. However, these are not automatic and must be applied for.

**If you need a property valuation for ATED purposes or advice on the bandings please contact Tom Barrow our Head of Rural Valuations.**

## Red diesel reprieve

Her Majesty's Revenue & Customs has been accused of failing to follow its own guidelines after losing a red diesel case on appeal. HMRC had fined Corby Castle Estates after stopping one of its tractor drivers who was transporting drainage pipes from a supplier to the estate. It said red diesel should only be used on public roads by tractors moving between blocks of land under the same ownership as the vehicle. However, Corby Castle Estate appealed saying HMRC's own website said red diesel could be used on public roads for the collection of agricultural inputs. The presiding judge agreed and said HMRC had failed to provide clear and consistent advice.

## Agricultural Wages Board abolished

The Agricultural Wages Board (AWB) will cease to exist from 1 October 2013 after MPs finally voted to scrap it on 16 April 2013. Opponents of the move, such as Unite, the union representing farmworkers, claim it could cost the rural economy £260m. However, organisations representing farmers and landowners argue that the AWB is no longer necessary given that the UK now has a national minimum wage and other legislation to protect workers' rights. Unite has said it may take the issue to the European Court of Human Rights.

**If you are a landowner who uses AWB rates to set salaries and need advice on alternative options, please contact Angus Harley of Knight Frank's Rural Consultancy department.**

## HS2: compensation claims could soon be a reality

The government is pressing on with its controversial high-speed rail project despite a report from the National Audit Office questioning some of the economic rationale for the project. The route of Phase 1 between London and Birmingham is due to be "Safeguarded" soon. This means property owners whose land will be needed for the scheme can trigger Statutory Blight claims for the first time. If the claims are successful the government has to purchase the land in question for its market value in a non-HS2 situation.

**Contact James Del Mar if you are affected by HS2 and need expert help**

## CROW Act delays

English landowners affected by the Countryside Rights of Way (CROW) Act 2000 will have to wait another five years before the first review of the scheme's maps, it has been announced. In a bit to cut costs, the Department for Environment, Food and Rural Affairs (DEFRA) has **postponed** reviews due in 2014 and 2015. **Welsh reviews** will continue as planned.

DEFRA also said that subsequent reviews will now be carried out every twenty years instead of at 10-yearly intervals. The move is good news for those landowners concerned that more of their land might have been covered under a revision of CROW. However, it could be frustrating for those who feel that the

continued on next page

CROW maps covering their land are inaccurate or should be revised.

**Please contact Knight Frank's Rural Consultancy team if you need advice on rights of way or access issues.**

## Holiday lets IHT blow

Owners of furnished holiday lets received a blow earlier this year when the courts upheld an appeal by HMRC in the long-running Pawson case.

The saga centred around a let holiday cottage on the Suffolk coast owned by a Mrs Pawson and her three children. On Mrs Pawson's death it was claimed that renting out the property to holidaymakers counted as a business and her 25% share in the house should therefore qualify for Business Property Relief (BPR) and Inheritance Tax (IHT) should not apply.

HMRC, however, argued that the property was being held as an investment and therefore did not qualify for BPR. Mrs Pawson's children took the case to a First-Tier Tribunal (FTT), which ruled in their favour. It said that the provision of services, such cleaning, as well as the need to actively find occupants and manage bookings, meant the ownership of the property clearly went beyond an investment.

But HMRC took the case to the Upper Tax Tribunal, which overruled the decision of the FTT. It said the services being provided were not sufficient for the property to fall outside the scope of a "normal" property letting business. It concluded that the only reasonable conclusion was that the business was mainly that of holding the property as an investment.

Accountants are now warning that anybody wishing to claim BPR on holiday accommodation will have to look very hard at the services they provide and ensure that they go beyond those, such as cleaning, that would be considered a normal part of an actively managed lettings business.

### STOP PRESS:

### Hanson victory for taxpayer

As the Rural Bulletin was going to press it was announced that HMRC has lost its appeal in the Hanson case. This basically means that in some cases Agricultural Property Relief could be available even if the farmhouse and farmland are not in common ownership.

## Village green claims curtailed

The new Growth and Infrastructure Act will make it harder for local residents to block developments by claiming that the land involved counts as a town or village green (TVG). Land that has been used for recreational purposes for the preceding 20 years can be registered as a TVG and local residents will have a recognised right to use it for recreational purposes.

The provisions of the new act prevent TVG applications where planning permission has been made or granted, or when land has been allocated for development by the local authority as part of a Local or Neighbourhood Plan.

Landowners will also be able to allow some public use of their land without risking its future development potential by depositing a statutory 'landowner's statement' detailing their intentions with the Commons Registration Authority.

**For advice on how to maximise the development potential of land held as an investment please contact Alastair Paul.**

## Scottish news

### Scottish land reform report released

**The Scottish Land Reform Review Group (LRRG) has just released an interim report based on the 500 or so submissions it received from stakeholders during its initial call for evidence.**

Some of the ideas that will now be explored further include making the community right to buy process easier and creating a Land Agency to facilitate the mediated negotiation of the sale of land to communities.

Although the LRRG said it recognised there were a number of contentious issues affecting the landlord-tenant relationship in Scotland, it said the Tenant Farming Forum was best placed to explore and resolve these. It also said there were no plans to propose an absolute right to buy for tenants.

The LRRG, which was created by the Scottish Parliament last year and is due to present its final report in 2014, has three broad aims:

1. Enable more people in rural and urban Scotland to have a stake in the ownership, governance, management and use of land, which will lead to a greater diversity of land ownership, and ownership types, in Scotland
2. Assist with the acquisition and management of land (and also land assets) by communities, to make stronger, more resilient and independent communities which have an even greater stake in their development
3. Generate, support, promote and deliver new relationships between land, people, economy and environment in Scotland

**Read the LRRG's interim report**

### Salvesen v Riddell case rumbles on

**In a recent decision the UK's Supreme Court upheld an appeal by a Scottish land owner, Mr Salvesen, that his human rights were violated by the Agricultural Holdings (Scotland) Act 2003.**

This rather complicated case revolves around Section 72 of the act which allowed tenants who had been letting land as part of a limited partnership with their landlord and had been in receipt of a notice of dissolution after 16 September 2002 and before 1 July 2003 to become the tenant under lease.

The Supreme Court has ordered the Scottish government to correct the defective clause. Stakeholders will now be consulted over the next 12 months on how best to do this. Questions of compensation and how to resolve arrangements entered into as a result of the incompetent Section 72 will be decided following the outcome of this process.

According to the Scottish Tenant Farmers' Association about 500 limited partnership tenancies remain in place.

**For advice on Scottish agricultural tenancy issues contact Michael Ireland.**

# OUR TEAM

Knight Frank can advise on all aspects of rural property ownership. Its principal service lines and the relevant contacts are listed below. Further details are available on our website at **KnightFrank.co.uk/Rural**

## RURAL CONSULTANCY AND PROPERTY MANAGEMENT

Head of Rural Consultancy

**James Del Mar**
01488 688 507
*james.del.mar@knightfrank.com*

Country House Consultancy

**Angus Harley**
01488 688 511
*angus.harley@knightfrank.com*

Estate Management

**Percy Lawson**
01608 737 057
*percy.lawson@knightfrank.com*

Estate Management, Cotswolds

**Paddy Hoare**
01608 737 057
*paddy.hoare@knightfrank.com*

Rural Property Research

**Andrew Shirley**
020 7861 5040
*andrew.shirley@knightfrank.com*

Investment Property (East & Home Counties)

**Alastair Paul**
07768 232 922
*alastair.paul@knightfrank.com*

Investment Property (West & Wales)

**Edward Dixon**
01179 452 633
*edward.dixon@knightfrank.com*

Marine Property

**Michael Bapty**
01179 452 635
*michael.bapty@knightfrank.com*

Mapping and GIS

**Michael McCullough**
01488 688 508
*michael.mccullough@knightfrank.com*

Institutional Management

**Christopher Smith**
01179 452 630
*christopher.smith@knightfrank.com*

## RENEWABLE ENERGY

Renewables

**Edward Holloway**
01179 452 638
*edward.holloway@knightfrank.com*

## BUILDING CONSULTANCY

Building Consultancy

**James Carter-Brown**
01488 688 523
*james.carter-brown@knightfrank.com*

Architecture

**Steve Egford**
01488 688 509
*steve.egford@knightfrank.com*

## VALUATIONS

England, Wales

**Tom Barrow**
020 7861 1438
*tom.barrow@knightfrank.com*

Scotland

**Michael Ireland**
0131 222 9625
*michael.ireland@knightfrank.com*

South West and Midlands

**Hannah Pike**
01285 886 690
*hannah.pike@knightfrank.com*

## FARMS & ESTATE BUYING

The Buying Solution

**Mark Lawson**
01344 206 070
*mark.lawson@thebuyingsolution.co.uk*

## FARMS, ESTATE AND EQUESTRIAN PROPERTY SALES

Estates – England

**Clive Hopkins**
020 7861 1064
*clive.hopkins@knightfrank.com*

Estates – Scotland

**Ran Morgan**
0131 222 9600
*ran.morgan@knightfrank.com*

Farms – England

**Tom Raynham**
020 7861 1578
*tom.raynham@knightfrank.com*

Farms – Wales, West England

**James Prewett**
01285 659 771
*james.prewett@knightfrank.com*

Farms – Scotland, North England

**James Denne**
01578 722 814
*james.denne@knightfrank.com*

Equestrian Properties

**Rupert Sweeting**
020 7861 1078
*rupert.sweeting@knightfrank.com*

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