

THE
RURAL REPORT
A UNIQUE GUIDE TO THE ISSUES THAT MATTER TO LANDOWNERS

AUTUMN/WINTER 2012

THE BIG ISSUES

What landowners need to know

MAKING PLANS

Why mapping matters

BATS IN THE BELFRY

Q&A with Natural England's Poul Christensen

THE FARMLAND MARKET

Values around the UK

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WELCOME

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Welcome to the autumn/winter issue of The Rural Report, Knight Frank's specialist publication for the country's landowners.

Since we first launched the report two years ago it has been extremely gratifying to have received so much positive feedback from its readers. I am therefore delighted that our fifth edition is the best yet.

Not only does it have a new, fresher design, but we have also added some extra content that I hope you will find useful. On pages 4 and 5, for example, our "Big Issues" article highlights a selection of the key developments that are likely to have a significant impact on rural property owners.

I am pleased to be able to report that it is not only our magazines that are expanding. Despite the difficult economic times we are experiencing, Knight Frank's rural property teams are going from strength to strength.

We are just about to open another Cotswolds' office, which will be run by Paddy Hoare who is already providing an invaluable service to many of the region's landowners. You can find out more about Paddy and what makes him tick on page 12.

Hannah Pike, the latest recruit to our vastly experienced Valuations team, explains on page 18 why she thinks politicians would tamper with Agricultural Property Relief at their peril.

Talking of tampering politicians, the government's decision to remove the VAT exemption on alterations to listed buildings in the last Budget came as a real blow to the guardians of the UK's built heritage. James Carter-Brown, another of our new recruits, offers some suggestions for keeping costs under control on listed buildings projects.

Bats are another of the headaches that the owners of listed buildings often have to contend with. In our revealing interview with Poul Christensen, the Chairman of Natural England, we ask why the legislation protecting bats is so restrictive.

The articles in this report highlight just a fraction of the services that we can offer and you can find out more by contacting any of our experts. Their details are at the back of the magazine.

In the brave new world of social media there are a growing number of ways to receive information from Knight Frank. If you would like to follow us on Twitter or find out more you can find all the relevant details below.

I do hope you enjoy reading The Rural Report. Please get in touch if you have any comments or if we can help in any way.



Sandy Douglas
Knight Frank Rural Consultancy

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TEN TO WATCH

In a new special Rural Report feature, Knight Frank’s rural property experts summarise 10 current issues that could have far-reaching implications for the UK’s landowners and farmers.

1. RIGHTS OF WAY AND WIDE FARM MACHINERY

Anybody driving through the countryside during harvest time will know that farm kit is getting bigger and bigger. This doesn’t just cause tailbacks on the public highway, but is also developing into a serious issue on private tracks where there is an easement for third-party access. A recent court case (Oliver V Symons) ruled that a right of way does not extend beyond the verges of the track over which it runs and does not include a right to swing space for wide loads extending beyond the verges of the track. An existing red line on a map, therefore, does not guarantee access and any new easements need to be carefully drafted.

Alastair Paul
Investment Land Management



2. EPCS AND LET RESIDENTIAL PROPERTIES

As part of the government’s new Green Deal scheme, residential landlords will need to try and ensure that their properties achieve a minimum Energy Performance Certificate (EPC) rating of E from April 2016, or face fines of up to £5,000. The cost of improvements can be covered by a Green Deal loan repaid via the tenant’s or owner’s energy bill. Although 2016 sounds a long way off, complying with the legislation could be a significant project for those estates with large portfolios of let properties. If you are considering the repair, adaptation or refurbishment of your portfolio, now might be the time to consider these requirements.

James Carter-Brown
Head of Building Consultancy



3. RENEWABLE ENERGY PAYMENTS

Keeping track of the subsidies available for renewable energy generation has been a full time occupation recently. At the smaller end of the scale (below 5MW), the Feed-in Tariff (FIT) has been subject to constant downward tweaking, particularly for solar photovoltaic installations. This has made it very difficult to work out the potential financial return for projects. For bigger solar projects it looks like the government is also planning to cut the support available under the Renewables Obligations Certificate (ROC) scheme soon. That said, equipment costs have been falling significantly and the numbers can still often stack up, but timing and good advice are of paramount importance.

Christopher Smith
Head of Renewables



5. STAMP DUTY LAND TAX CHANGE

Those thinking of buying residential property using a corporate structure, or indeed anybody already owning a house this way, need to consider the implications following new tax rules introduced by Chancellor Osborne in his last Budget. All corporate purchases over £2m, including the residential elements of farms and estates, will now attract a Stamp Duty Land Tax charge of 15%. In addition, new and existing corporate owners will face an annual charge of up to £140,000. This could affect a number of traditional estates. Capital Gains Tax at a likely rate of 20% to 28% will also be levied on the sale of properties by non-UK companies.

Clive Hopkins
Head of Farm and Estate Sales

6. VOLATILE COMMODITY MARKETS

Feed wheat values are just above £200/t (as of 15 November), almost £60/t ahead of where they were 12 months ago, but still below the £213/t peak seen in July. Poor growing and harvesting conditions around the world, combined with dwindling cereal stockpiles, mean markets have become very nervous and volatile, reacting sharply to any news from the world’s key cereal growing areas. Given the increasingly erratic weather conditions we are experiencing, this trend looks likely to continue and means anybody with an interest in agricultural commodities, whether a buyer or seller, must follow the markets closely and take nothing for granted.

Andrew Shirley
Head of Rural Property Research



7. CAP REFORM

A significant number of the UK’s farms would not be profitable without the subsidy payments they receive via the European Union’s Common Agricultural Policy, better known as CAP. This means the ongoing round of CAP reform, which includes a proposal to cap the largest payments, could have a significant impact on their businesses in the future. As you would expect with 27 countries involved, the discussions have been tortuous and any implementation of a final agreed policy is unlikely until at least 2014. Subsidy claimants should budget for lower payments, more environmental “greening” requirements and be prepared to prove that they are “active” farmers.

James Prewett
Head of Regional Farm Sales



9. PROTECTING MANORIAL RIGHTS

With the origin of some manorial rights dating back to before the Norman Conquest it is hardly surprising that some of them may have lain forgotten for centuries. They can, however, be potentially valuable as they often confer sporting and mineral rights. This currently applies even when the holder of the rights doesn’t own the freehold of the land in question. But anybody wanting to protect their Manorial Rights should act to register them soon if they haven’t already done so. As of 12 October 2013, the overriding interests conferred by the rights will cease to apply and those that remain unregistered could be lost. See page 10 for more on manorial rights.

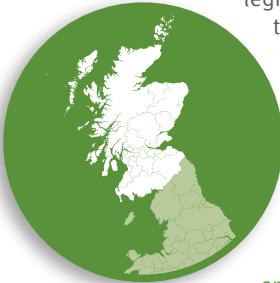
Michael McCullough
Head of Mapping



10. SCOTTISH LAND REFORM

A review of Scotland’s land reform legislation was a manifesto pledge of the Scottish National Party, so Alex Salmond’s announcement this summer that he was setting up a Land Reform Group to report its findings in 2013 was no surprise. However, Mr Salmond’s promise to ensure that the review will be “radical” and that it could go beyond the boundaries of the 2003 Land Reform Act is of some concern to Scotland’s landowners. Ill-considered tenancy legislation, not to mention the controversial Crofting Community Right to Buy, has already created friction between tenants and landlords and it is hoped any new reform will not exacerbate the situation.

Michael Ireland
Head of Rural Valuations and Consultancy, Scotland



“Although 2016 sounds a long way off complying with the legislation could be a significant project”

James Carter-Brown

To find out more about any of the issues discussed in this article, please do get in touch. All our contact details are at the back of the report. If you would like to receive our Rural Bulletin, which provides a quarterly email update on all aspects of agriculture and rural property ownership, please email our **Head of Rural Research:** andrew.shirley@knightfrank.com

BRAVING THE ELEMENTS

English farmland has outperformed the majority of other mainstream asset classes over the past 10 years, recording capital growth of almost 200% to the end of Q3 2012. This compares with just 57% for the FTSE 100 equities index and 48% for average UK house prices. Even luxury houses in London have only increased by just over 100%.

The farmland market did, however, experience a slight lull this summer with average prices across England dipping by 1% to £6,220/acre, according to the latest results from the Knight Frank Farmland Index. But Andrew Shirley, Head of Rural Property Research, says the drop needs to be put in context.

“Given that farmers have just experienced one of the worst growing seasons for many decades, switching virtually overnight from drought to monsoon conditions, the fact that farmland is only £70/acre below its all-time high is a reflection of how robust the market remains.

“It is also worth noting that our index reflects the performance of all types of English farmland, from the best soil to the more marginal. Where there is strong demand for land we are still seeing much higher prices being achieved,” adds Andrew.

Tom Raynham, Head of Farm Sales in Knight Frank’s London office, says decent arable land is still making upwards of

£7,500/acre. “Part of the problem is that there is still a real shortage of good quality land for buyers to get excited about. A number of new farmland funds are appearing and I have just been retained by a private investor aiming to spend upwards of £10m building a portfolio of commercial agricultural land.”

Part of the attraction for investors is the sharp increase in farm rents. “Where we have been conducting three-yearly rent reviews for our landowning clients, we have seen increases of up to 40% for traditional Agricultural Holdings Act tenancies,” says James Del Mar, Head of Rural Consultancy.

Rents for shorter-term and more flexible Farm Business Tenancies are also rising rapidly, says James. “It has reached the point where landowners need to think very carefully before accepting the highest bids from prospective tenants.”

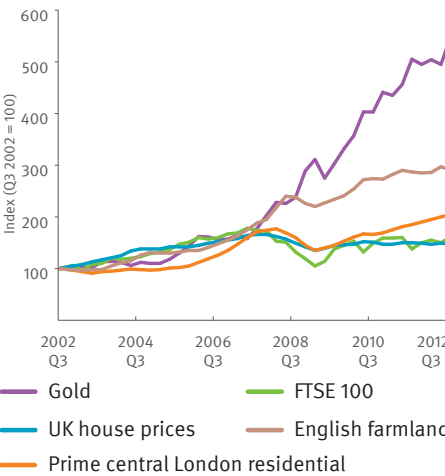
“On paper they look very attractive, but there is a danger that they will become unsustainable if commodity prices fall. If that happens, your tenant will struggle to pay the rent or may not look after your land as carefully as you would like,” warns James.

Trees are also increasingly attracting investors, points out Tom. “We have recently sold blocks of amenity woodland in the south of England to UK and overseas buyers for £5,500 to £7,500/acre – a huge jump in the prices being achieved just five years ago.”

James Prewett, Head of Regional Farm Sales in Central and Western England, is also seeing land regularly fetch over £8,000/acre, but says the market is becoming noticeably more polarised. “If there is competitive bidding potential buyers are prepared to pay good prices to secure a deal, but where there is less interest people are being more circumspect about what they will pay.”

England Farmland 10 year capital growth vs other assets

Source: Knight Frank Residential Research



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Type of Land

- Arable
- Pasture
- Hill

Knight Frank Office

- 1 Ascot*
- 2 Basingstoke
- 3 Bath
- 4 Beaconsfield
- 5 Berkhamsted
- 6 Bristol
- 7 Cheltenham
- 8 Cirencester
- 9 Cobham *
- 10 Edinburgh
- 11 Esher*
- 12 Exeter
- 13 Guildford
- 14 Harrogate
- 15 Haslemere
- 16 Henley
- 17 Hereford
- 18 Horsham
- 19 Hungerford
- 20 Lauder
- 21 London †
- 22 Oxford
- 23 Sevenoaks
- 24 Sherborne
- 25 Stratford-upon-Avon
- 26 Sutton Coldfield
- 27 Tunbridge Wells
- 28 Virginia Water
- 29 Winchester
- 30 Worcester

* Also provides a lettings service
† 20 offices across Central London offering sales and lettings

UK FARMLAND VALUES



Clive Hopkins, Head of Knight Frank’s Farms and Estates department, is expecting prices to start rising again soon, increasing by around 5% over the next 12 months. “While it has undoubtedly been a difficult year for the UK’s farmers, the situation has been the same all over the world.

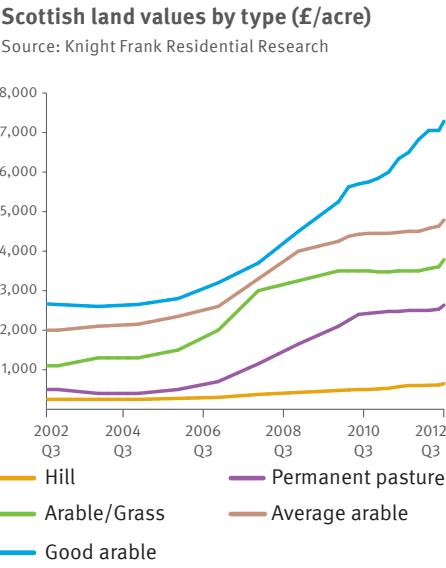
This should help to keep commodity prices high and give producers and other potential purchasers more confidence going forward. I think the land market will experience a bit of a purple patch next spring.”

In Scotland, prices have risen on average by 5% since the beginning of the year. Top-quality arable land is now worth over £7,000/acre on average, while hill land is valued on average at £650/acre.

James Denne, Head of Scottish Farm Sales, says strong demand and a shortage of supply is helping to keep prices buoyant.

“We are still seeing a lot of interest from English farmers who perceive that you can get more for your money north of the border.” “There were some concerns that the threat of Scottish independence could dampen demand, but the ‘Olympic’ effect we saw over the summer as all our athletes competed successfully under the Team GB banners doesn’t seem to have done Alex Salmond any favours.”

In The Highlands, the ability to generate income from hydroelectricity is sparking a lot of interest in a large sporting estate the firm is selling (see opposite), says Ran Morgan, Head of Knight Frank’s Edinburgh office. “We have had enquiries from all over the world. Farms and estates in Scotland offer so many opportunities as well as just agriculture.”



PROPERTY HIGHLIGHTS

Knight Frank sells all types of rural property, from large sporting estates to bare agricultural land. The properties on these pages highlight that diversity and offer a snapshot of what is currently available for sale through our Farms and Estates teams across the country.



An historic Somerset estate.

Hadspen House near Castle Carey is one of the most stunning Georgian residences in south-west England. Set among over 850 acres of rolling park and farmland, the Palladian-style house was largely created by Henry Hobhouse, a Bristol lawyer who bought the estate in 1785 to cement his position among the area’s gentry. The Estate is now being sold by Niall Hobhouse, the seventh generation of the family to own it. Mr Hobhouse has spent £4-£5m transforming the property, including replacing the roof, but says his own children

are not interested in taking it on and now is the time to sell. “A place like this needs someone to live in it and engage with it. I’m too busy and distracted to do that.” As well as the main house, there are seven cottages and two farms, including an organic dairy herd, that deliver an annual rental income of £300,000. “This really is a quintessential English Estate,” says Clive Hopkins, Head of Knight Frank’s Farms and Estates department.

“It has already had a huge amount of love and attention lavished on it, but there is still the potential for the next owner to make their own mark and create an estate to reflect their own personality.” Hadspen is for sale with a guide price of £13m. For more details please contact Clive Hopkins on 020 7861 1064

One of Scotland’s finest sporting estates.

Ask anybody to describe a classic highland estate and the chances are they’ll come up with something like Auch & Invermearan. The estate consists of 28,300 acres of stunning Scottish highlands, boasting six Munros that frame sweeping valleys, lakes and rivers, all waiting to entertain and enthrall the sporting enthusiast. To add to the magic it’s even possible to take the famous overnight “Deerstalker Express” from London Euston and disembark the next morning at the Bridge of Orchy station on the estate.

“That is something that is really quite special and unique,” says Ran Morgan of Knight Frank’s Edinburgh office. Although Auch and Invermearan already provides fantastic Red deer stalking and salmon fishing. There is the scope to further develop its sporting potential even more. Planning consent has already been granted for the construction of two additional sporting lodges with ancillary buildings and deer-handling facilities.

Arguably the best dairy farm in Wales.

Surrounded by some of Wales’ most productive grass growing land, Henllan Farm near Whitland, Carmarthenshire, is one of the country’s best located and equipped dairy farms. The 550-acre farm supports a pedigree herd of 600 Holstein cows that are milked using a recently installed 60-point rotary parlour and housed in a 700-cubicle barn. “It is extremely rare to find a farm with such a good balance of buildings, equipment and land,” says James Prewett, who is handling the sale. “The cows will also be available for sale so this is a fantastic opportunity for anybody who wants to hit the ground running,” he adds. Henllan Farm is for sale due to the retirement of Mr and Mrs Davies.



AUCH & INVERMEARAN

“For anybody looking to create their perfect sporting property in one of the UK’s most amazing landscapes, this could be a dream come true,” adds Clive Hopkins. The income potential of the Estate could be significantly boosted by developing a number of hydroelectric schemes, that already have planning consent.

Auch & Invermearan includes a traditional six-bedroom lodge and eight cottages and is guided at £8.4m. For more details please contact Ran Morgan on 0131 222 9600



HENLLAN FARM

“I wish I was 40 years younger and could carry on farming,” says Mrs Davies. “I think now is a very exciting time for those people who are really committed to dairying.” In addition to the dairy business, there is also planning consent for two wind turbines and the potential to establish additional renewable energy schemes such as an anaerobic digestion plant.

Henllan Farm will be launched in spring 2013 jointly with Gwilym Richards & Co. For more details please contact James Prewett on 01285 659 771

THE BEST OF THE REST

A selection of other properties for sale or recently sold. Great Surries, West Sussex A wonderfully secluded estate within 40 miles of Central London. Acreage: 542 Status: Guide price £8.5m Available

Coughton Lodge Farm, Warwickshire Compact farmland estate with farmhouse, land and range of outbuildings. Acreage: 175 Status: Guide price £4m Available Ardarnoch, Argyll and Bute An idyllic and diverse coastal estate. Acreage: 681 Status: Guide price £2.85m Exchanged

Abbey Farm, Sir Gaerfyrddin An attractive and well appointed farm overlooking the Towy Valley. Acreage: 85 Status: Guide price £850,000 Sold Ashridge Court, Devon A wooded estate in a private location close to Dartmoor and the Taw Valley. Acreage: 383 Status: Guide price £4m Sold

MAKING A PLAN



*Walking the boundaries:
Landowner John Vaughan (left) and
Knight Frank's Michael McCullough*

Good maps are a vital management tool that can help unlock an estate’s true potential. The Rural Report visits the historic Trawsgoed Estate in Wales to find out how Knight Frank’s Head of Mapping, Michael McCullough, is playing a key role in its future development.

Words: Andrew Shirley **Images:** Richard Stanton

Most farmers and landowners probably think they know the size of their properties and what they include, but John Vaughan is happy to admit he isn’t completely sure quite how large his family estate in Cardiganshire (Ceredigion) actually is.

“People often ask how big it is, but in truth I don’t really know,” says John. Although this may sound a slightly surprising admission, it only takes a brief dip into the long history of the estate, now owned by Trawsgoed Estates Ltd, of which John is a director, to realise why settling on an exact figure is not that easy.

The Vaughans of Trawsgoed (Crosswood), later Earls of Lisburne, have owned the Trawsgoed Estate since the 13th century, but it was expanded significantly in 1631 following a series of purchases by John’s namesake, Sir John Vaughan, a successful parliamentarian, lawyer and Chief Justice of the Common Pleas.

Much of this newly acquired land had originally belonged to the wealthy abbey of Strata Florida before it was seized by Henry VIII during the Dissolution of the Monasteries between 1536 and 1541.

At its height the estate was the second largest estate in Wales, extending in 1890 to around 42,000 acres. However, most of the land was sold in the last century by John’s grandfather and the estate’s freehold interest now runs to around 5,500 acres.

Where it becomes complicated is that as many as 25,000 acres of potentially valuable manorial, mineral and sporting rights, were retained, some of which relate to ancient manors created even before the Edwardian conquest of Wales in 1282.

BENEFITS OF MAPPING

The Rural Report asked Michael McCullough to highlight the key benefits of up-to-date, accurate mapping

- 1 Safeguarding land and property interests through registration, backed up by boundary inspections.
- 2 Protecting potentially valuable manorial rights that could otherwise be lost.
- 3 Identifying exactly how much land you have an interest in.
- 4 Enhanced estate management.
- 5 Strategic planning, including valuation, tax planning, zoning and potential sales and acquisitions.
- 6 The ability to prepare bespoke plans promptly at the scale required.

In 2008, John took over running the estate and, since then, has been trying to accurately identify his family’s land holdings and rights – and what overriding interests they confer – no easy task given the vast number of historic deed and documents involved and that much of the estate hadn’t been properly mapped since the 18th century.

“To be frank, it was in a bit of a mess – the last full property audit was in 1913,” says John. “To properly manage a property to its full potential you need to be able to assert the rights conveyed by your ownership, but that’s very difficult to do if you can’t clearly see what you own.”

One current example of this is a possible encroachment on to the estate’s mineral rights by a quarrying company.

Registering all of the estate’s rights with the Land Registry is a key step in Trawsgoed Estates’ plan for the property, particularly as any manorial rights have to be registered by 12 October 2013 to avoid the overriding interests they confer being lost.

“I’m not sure if a lot of people have realised the consequences of not registering their manorial rights. Even if you don’t plan to utilise them yourself, they still have a value because the freeholder or a third-party will



often be interested in acquiring them, to be rid of your overriding interest,” says John.

Michael originally got involved with the Trawsgoed Estate when John sold some off-lying land and manorial rights through Knight Frank’s Farm Sales team. “I was very impressed with the maps Michael produced for the sales particulars, so it made sense for him to help with the mapping process for the rest of the estate,” explains John.

Much of Michael’s role involves combining information from a variety of existing maps and documents at differing scales, with the latest detailed Ordnance Survey (OS) data to create extremely accurate plans.

“It can often involve a lot of detective work because many of the boundaries on the older maps do not match the boundaries on the latest detailed OS data, not to mention the fact that they may not even exist on the ground,” says Michael.

“Even relatively modern maps are not as accurate as you might think. The OS recently undertook a national programme to resurvey their entire 1:2500 scale (rural data) mapping, finishing over six years ago. This has provided an improved and more accurate standard of mapping for rural areas. However, as a result of this exercise, some boundaries on maps have moved by as much as nine metres, with the average being almost two metres. That could make quite a difference to the area, and hence the value, of a single field, let alone a large estate or farm. This could be especially important when selling high-value plots for development” he says.

Once he has finished the mapping process, Michael will assist John in setting up Trawsgoed Estate with specialist mapping software, providing training and the necessary data, to enable him to create and manage his own plans when required.

“We often provide this service for our clients,” says Michael. “It gives them a lot of flexibility and, if required, we can continue to manage the data on their behalf, including undertaking site surveys to update as necessary.”

In the case of boundary disputes, such as John’s potential quarry issue, Michael and his team will be able to survey the physical boundaries on the ground using GPS equipment, to ensure they are in accordance with the boundary information on the plans.

“Even if you think you know exactly what you own and have registered title plans to back this up, it might be a good idea to just check that you’re right, as encroachment can often occur unnoticed.”

To find out how mapping could benefit your estate please contact Michael McCullough: michael.mccullough@knightfrank.com or 01488 688 508

WIN £1,000 OF FREE MAPPING

To establish how accurately the UK’s rural properties are mapped, Knight Frank is conducting an online survey of farmers and landowners. To complete the survey please go to KnightFrank.com/MappingCompetition It only takes five minutes and all respondents will be entered into a draw to win £1,000 of mapping services for their estate or farm.



Donning his waders is all part of the job for Knight Frank's Paddy Hoare

THE ONE THAT DIDN'T GET AWAY

Being able to share his passion for country sports and conservation with clients is the most rewarding part of estate management, says Knight Frank's prize new catch Paddy Hoare. When Knight Frank's Rural Consultancy department decided to expand into the Cotswolds one man was at the top of everybody's wish list to head up the firm's proposed new office in the region

Words: Andrew Shirley Image: Richard Stanton

Paddy Hoare almost kicked off his career helping to manage a game reserve near Cape Town, South Africa, after leaving the Royal Agricultural College in 1994 with a degree in Rural Estate Management. Last-minute work permit issues, however, meant he instead ended up managing slightly greener pastures from Knight Frank's Hereford office.

In 2001 he left to set up his own successful Gloucestershire-based consultancy, before being tempted back to Knight Frank again earlier this year. "Being asked to set up a new office was too exciting an opportunity to pass up on," he explains.

Although the region's wildlife is slightly less exotic than Africa's "Big Five", it hasn't stopped Paddy building up a reputation across the Cotswolds and the south of England for helping landowners, including F1 legend Frank Williams, to improve the conservation aspects of their estates. Often this goes hand in hand with developing their amenity value and sporting potential as well.

"Helping people to make the most of their estates is always rewarding, but I can't think of anything better than working on projects where you know that you share a huge personal interest with your clients," says Paddy.

He loves hunting and shooting, but Paddy is particularly passionate about fishing. "It is just something that you can get totally lost in, especially when you are surrounded by stunning natural environments or wilderness. Even if I don't catch anything I can happily fish for hours on end; every cast marks the start of a new contest, one that you are always convinced you will win."

Luckily for Paddy, there seems to be no shortage of clients who share his love of angling. A project that he is currently working on for a high-profile Gloucestershire landowner and fishing enthusiast involves rejuvenating a neglected stretch of the River Dickler (pictured) to encourage Brown trout to spawn.

Some of the actual measures needed to improve the habitat for the fish – such as removing trees that provide too much shade – are relatively simple, but creating a master plan for the scheme has seen Paddy coordinating and working with specialist consultants, wildlife bodies, neighbouring landowners and government agencies.

"Although the main aim of the project is for my client to be able to fish with his family, there are lots of other factors to take into consideration as changing one part of an ecosystem will always influence other aspects," he says. "For example, we are also looking at ways to enhance the conservation value of the adjoining river meadow."

Now is a good time for landowners in the Cotswolds to get involved in conservation projects, says Paddy. "A grant scheme to encourage catchment sensitive farming was introduced earlier this year, so capital payments are available from Natural England to help finance projects."

The ongoing reform of the Common Agricultural Policy is also likely to lead to a greater emphasis on "greening" measures in return for support payments, he adds.

"It would make sense to start thinking about what options are likely to be available to you before the reforms are introduced in 2014 or 2015."

The huge demand to participate in country sports means some conservation projects could also help boost estate incomes, points out Paddy. "Although my client on the Dickler has no plans to rent out the fishing, similar schemes could generate a decent income if required."

Longer-term, improving the environment can only add to the capital value of estates. "I've planted an awful lot of trees for clients who are not only thinking about how their estates will look in their lifetime, but are planning for the next generations."

"People are, rightly, extremely proud of their estates and I feel very privileged to be able to play a part in making them even more desirable places to live, play and, of course, fish."

Paddy heads up Knight Frank's new Cotswolds' Rural Consultancy team, which will cover all aspects of estate management and will be moving into its new base in early 2013. In the meantime, Paddy can be contacted at paddy.hoare@knightfrank.com or on 07855 392628

PADDY'S FIVE FAVOURITE FISHING LOCATIONS

- Iceland**
The wilderness and water quality is amazing.
- Wyoming**
I was only 13 when I went so it was a huge adventure.
- The Bahamas**
Perfect if your spouse or partner isn't a fishing fan.
- River Spey**
The wildlife is fantastic.
- Russia**
I've never been, but it's at the top of my wish list to do at least once.

CONTROL FREAK

The government’s decision to scrap the VAT exemption on alterations to listed properties has made building works even more expensive. James Carter-Brown, Knight Frank’s Head of Building Consultancy, looks at five ways to achieve your project objectives whilst keeping costs and exposure to risk under control.

VAT GRAB

When the Chancellor announced he was scrapping the VAT exemption on alterations to listed buildings in his March 2012 Budget he claimed it was a tax simplification measure to bring the VAT treatment of alterations in line with the standard 20% rate payable on repairs.

The UK heritage industry and the owners of listed buildings saw it more as a revenue-raising exercise that unfairly penalised the guardians of the UK’s built heritage, which can be crippling expensive to maintain. After some pressure, the Exchequer agreed to relax the rules for listed places of worship.

The 5% VAT rate on the residential conversion of listed buildings that have not previously been used as residences, and works on buildings that have not been lived in for two years also remains.



On site: James Carter-Brown checks the details

1 Talk to your accountant – VAT is a notoriously complex area of tax. Although you can no longer claim an exemption for alterations to listed buildings, it may still be possible to allocate the costs associated with listed buildings projects in a way that mitigates the exposure to VAT.

2 Check when you got listed buildings consent for your project – You may still be able to claim the VAT exemption. Zero rating will be allowed until 30 September 2015 on projects where listed buildings consent was granted before 21 March 2012 (Budget day).

3 Plan, plan, plan – It is often tempting to rush headlong into exciting building projects, but careful planning and preparation can save a lot of heartache and cost (think Grand Designs), especially where numerous sub-contractors will be involved. For example, we find that interior designers are often only appointed once the initial structural works of a project are completed. Involving them from the start can avoid any unbudgeted and schedule-busting alterations to existing work that might be needed to incorporate their ideas. As part of our project risk analysis we would advise that all relevant sub-consultants should be appointed early in the design process and co-ordinated by the lead consultant.

4 Think long-term – Achieving “good value” in a project can be measured in other ways than just the initial capital investment. It is vital to recognise the importance of using the correct materials and techniques to achieve the specifications that will meet all statutory obligations and lifestyle needs in view of life span and maintenance requirements. For example, the extra longevity of external joinery constructed from Accoya hardwood compared to a typical pine softwood will far outweigh the likely cost differential between the two materials.

5 Don’t forget the basics – Although not necessarily a cost-saving measure in the short-term, rectifying some of the issues inherent in listed buildings and keeping on top of maintenance will pay real dividends in the future. Pay particular attention to damp-related problems with the ground-floor construction, external walls and any accessible roof voids. Most listed buildings built without an effective damp proof course are at greater risk of damp-related problems. Simple steps, such as ensuring that suspended timber floors are adequately ventilated and adopting an effective environmental approach to heating and ventilation to remove unwanted moisture, will help dramatically. When adding thermal insulation to roof voids consider the increased risk of condensation and the need to maintain ventilation within the space.

OUR SERVICES

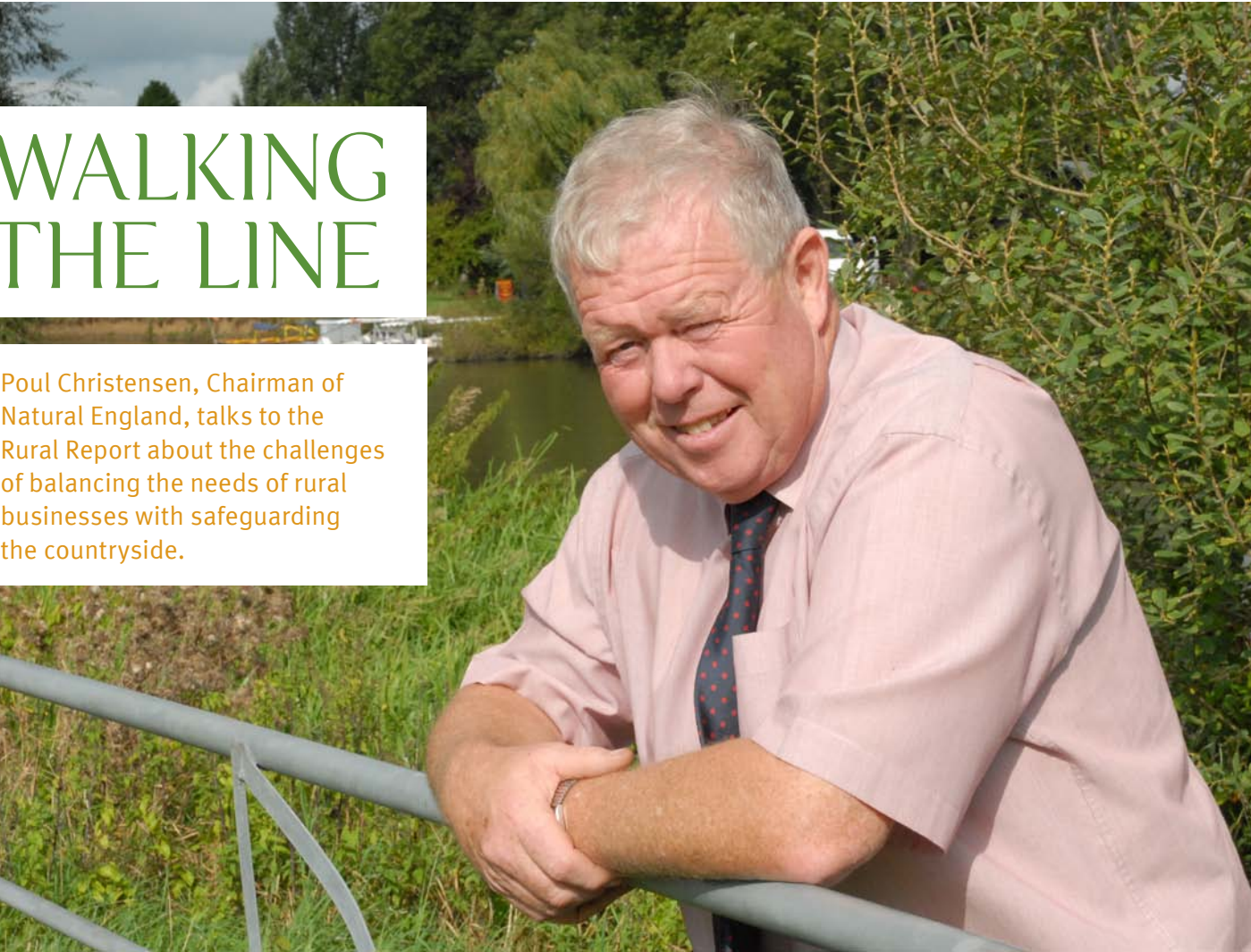
The Knight Frank Building Consultancy department offers a complete project-management service for the owners of rural and urban homes, as well as other property sectors. In particular, we have been privileged to work on some of the country’s finest listed buildings.

My team also has access to a trusted supply chain - including interior design, mechanical and electrical design and ecology experts - that can be utilised to create turnkey projects.

We can also provide the following services on an individual basis:

- Building surveys and inspections.
- Insurance valuation surveys.
- Defect analysis and repair.
- Architecture and listed-building planning services.
- Design services for refurbishment and new-build projects.
- Contract administration and project management.
- Advice on party wall, landlord-and-tenant and boundary issues.

For more information please contact me at james.carter-brown@knightfrank.com or on 01488 688 523



WALKING THE LINE

Poul Christensen, Chairman of Natural England, talks to the Rural Report about the challenges of balancing the needs of rural businesses with safeguarding the countryside.

RURAL REPORT What are the biggest challenges facing the UK countryside and how serious are they?

POUL CHRISTENSEN While we still have countryside to be proud of – stunning landscapes, rich wildlife and productive farmland – we need to recognise that its ecological health has declined. More recently there have been huge efforts from landowners, farmers, government and conservation bodies - and while the situation has improved there is still much to do.

This sends warning signals that we need to proceed with real care, especially as the countryside is under greater pressure than ever before to produce food; to find space for energy, for housing and for business; to store and filter water; alongside providing places for people to enjoy, and for wildlife to thrive.

On top of that we’re living through a time of economic uncertainty; policy uncertainty with reform of the Common Agricultural Policy on the table in Brussels; and a greater incidence of extreme weather events – flooding and droughts.

On their own these are all serious problems, together they present a significant challenge to us all.

RR Your pro GM stance has upset some environmentalists. How do you respond when they say GM is the antithesis of what Natural England should stand for?

PC I’m neither pro nor anti GM. What I have said is that we are facing significant challenges and we need to look at all the possible solutions. GM is just one of a number of technologies that might help. It’s certainly a debate we need to have – a sensible, grown-up debate based on the science, based on the facts.

The potential of GM is vast. Crops that can withstand salty water or grow in drought conditions. Crops that are disease and pest resistant. These could make a massive difference both to food security and the environment. But there are great risks too – we can’t afford increased yields today, if the environment’s trashed tomorrow.

RR Do you find it frustrating generally that many seem to consider large-scale farming and looking after the environment mutually incompatible?

PC There has been mutual misunderstanding and mistrust over the years between big farming and conservationists. But I think the situation

is better now – conservationists, at Natural England at least, have a much better understanding of how farming works and farmers are more committed to conservation now. Progress will only come from cooperation and consensus.

RR From the opposing corner, the agency is also accused of not being sufficiently pro-business and creating too much red tape. Is that fair and what are you doing to change perceptions?

PC Since Natural England was created six years ago, we’ve been committed to making it easier for people to do the right thing for the natural environment. Admittedly at times people have perceived us as being heavy-handed and inflexible and, in some ways, it doesn’t matter if it’s a fair view or not, I think it’s important to tackle those perceptions. I’ve made it a priority and I think we are making good progress. We’ve made it easier to apply for schemes, we’ve made the schemes more flexible and we’re improving our licensing and consenting processes.

RR The seemingly implacable enforcement of the regulations concerning bats by your teams, for example, seems a very inflexible approach. Should economic development in the countryside not take precedence?

PC I don’t think any one thing can or should take precedence. We need a healthy rural economy, of course we do, but we should also be proud of our natural heritage. Bats are an important part of natural heritage, and their numbers have declined historically in this country and across Europe.

With proper planning ahead it is quite possible to accommodate most things that people want to do. We currently deal with about 700 new applications for bats each year. Most are resolved without difficulty. I recognise that there are still difficult cases, and that we still have more to do to improve the service we offer people, and to better explain the system and we are working on this right now.

RR The view held by many is that the UK gold-plates EU directives that other member states interpret more liberally? Is that unfair?

PC It is unfair. A Defra-led review confirmed that we only object to 0.6% of all plans and projects. We are under pressure from others because they feel that, if anything, we were being too liberal in our enforcement of the regulation. And they’ll have no hesitation to take the government to court.

RR The badger cull is a controversial exception where the economic argument until very recently looked like it was holding sway. Are the benefits likely to be worth all the bad PR for farming if the cull eventually goes ahead?

PC The government remains committed to badger control. We’re determined to work closely with the industry to tackle the disease.

Wildlife management will always be an emotive subject and I cannot be the judge of what is good or bad PR. What is clear is that bovine TB is a terrible disease – cattle are sick, herds are locked down, businesses are ruined and lives are shattered.

RR Could it lead to a more pragmatic view on the status of other protected species, such as raptors and cormorants, where control measures could benefit the wider environment?

PC Badgers and TB is a very particular issue. In general, we always try to be pragmatic – we need to work closely with landowners and rural businesses, conservation bodies and the public to find solutions that everyone is happy with.

But we do need to be careful too, some of the legal protection for species is rightly rigorous, and different situations will require very different solutions. Where fisheries are experiencing significant damage from cormorant predation, we issue licences to allow birds to be shot. We have worked closely with all interest groups involved in the policy review, providing science-based advice and we await the government’s decision.

Some raptors are doing well too – that’s good news. I know there are concerns about buzzard numbers for example and we’re committed to finding a workable solution. But there are some raptors that remain at serious risk of extinction. Here we need all sides to pull together.

RR What extra environmental requirements should farmers expect to have to fulfil in return for their subsidy payments when the current round of CAP reform is eventually finalised?

PC Farmers with existing environmental stewardship agreements will see them continue – so large numbers of our 44,000 customers will not see any difference until their scheme finishes. The new Secretary of State has it made clear that he doesn’t favour a “one-size-fits-all” approach. He favours a move away from direct subsidy and he thinks that farmers should continue to receive payment for the environmental goods and services they provide.

There are greening proposals on the table – to include Environmentally Favoured Areas, permanent pasture and crop diversification. But there is still a long way to go on CAP negotiations – but with 27 countries involved, and the serious financial situation in Europe, the outcome is unpredictable.

RR The government is trying to calculate the total economic value delivered by rural ecosystems and natural assets. How will farmers and landowners be able to benefit from this?

PC This is one of the big challenges. Farmers have always produced more than food alone – they’ve shaped stunning landscapes that are the lifeblood of so many rural businesses, they manage and filter water, they store carbon and they look after wildlife. And they’ve not always got the recognition they deserve for providing these wider services.

There are real opportunities here to both give businesses a competitive advantage; to develop new markets for green goods, services and products; to create new investment vehicles and find new ways to reward those who look after the environment.

RR As part of the government’s review of quangos there is speculation that Natural England could be merged with the Environment Agency. Is this likely and would it be a positive or negative move for landowners and farmers?

PC It’s too early to speculate. The review is now in full swing, and we’re working closely with Defra and the Environment Agency to provide them with all the information they need to make the right decision for the natural environment, for land-based businesses and for everyone who depends upon it.

RR What would you most like to have achieved during your time at Natural England?

PC There are two things I want to achieve. I would like there to be a universal acceptance of just how vital our natural environment is to our long-term prosperity and wealth – an acceptance that our natural environment is our national life support system.

I would also like to have brought farming and conservation closer together – there is much more to agree on than to argue about. I would like to see the contributions of farmers and landowners to wildlife and landscape recognised more often by more people.

We’ve come a long way in recent years – far more genuine partnership working, more recognition of each other’s achievements and respect for their knowledge and expertise, less intemperate language and jumping to conclusions. This is the way ahead.

Natural England is the government’s advisor on the natural environment. It runs England’s agri-environment schemes and also manages most national nature reserves and designates National Parks and Areas of Outstanding Natural Beauty and Sites of Special Scientific Interest. www.naturalengland.org.uk

POUL CHRISTENSEN BIOGRAPHY

Poul Christensen CBE was appointed chair of Natural England in December 2009. With his son he runs a large tenanted dairy farming business in Oxfordshire. He was a joint founder of the Tenant Farmers Association in 1981 and sits on the UK’s Joint Nature Conservation committee.

THE CASE FOR AGRICULTURAL PROPERTY RELIEF

Scrapping Agricultural Property Relief (APR) would be a big mistake, warns Knight Frank rural valuer Hannah Pike.

APR is attracting an increasing amount of attention at the moment.

Unsurprisingly, given the Chancellor’s ongoing austerity drive and desire to boost the tax take, some of this is in the form of scrutiny from the mandarins at the Exchequer and the tax collectors at Her Majesty’s Revenue & Customs (HMRC).

However, there are also a growing number of calls for APR to be scrapped from the “banker-bashing” brigade who claim it is simply an Inheritance Tax (IHT) loophole exploited by the wealthy.

This all amounts to a worrying trend. I believe there would be huge implications for the rural economy if the ability to claim APR was removed.

To my mind much of the unfortunate misinformed opinion about APR is due to a lack of understanding as to why it was introduced and how it works in practice.

Misconception one is that somebody can waltz into the countryside and spend their bonus on a pretty farm with a multi-million-pound house that can be then passed down the generations without ever having to pay IHT.

This is simply not the case. The rules are very strict on what residential property qualifies for APR, and even working farmers increasingly have to justify to HMRC that their farmhouse should be eligible for the relief.

Often APR will only be granted on what HMRC deems to be the “agricultural value” of the house, with IHT payable on the balance.

Given the steep rise in the value of country properties over the past decade, this could lead to a large tax bill even when a house has been the heart of the family farm for generations and will, hopefully, be for many more.

As well as potentially threatening the intergenerational viability of some farming businesses – something the introduction of APR was actually supposed to counter – this is iniquitous because it effectively penalises those farmers who, through chance, happen to live in more attractive and residentially desirable parts of the country.



Misconception two is that APR only helps the actual owners of farms and farmhouses. In fact, the benefits are far more wide reaching and have a profound impact on the agricultural industry as a whole, which ultimately benefits the consumer looking for affordable food.

One of the biggest differences between APR and Business Property Relief (BPR) is that APR is available on let property. This means, subject to certain eligibility criteria, it can be claimed on farmland rented out to tenants.

If this was not the case, it would be more tax efficient for landowners to farm the land themselves to ensure they, at least, qualify for BPR.

This would be extremely detrimental for a number of reasons. Firstly, it would deny those not lucky enough to inherit or wealthy enough to buy their own farm, their first step on the agricultural ladder – a potential disaster when the industry is in desperate need of new blood with new ideas.

Secondly, it would hinder progressive farming businesses from expanding without the huge expense of buying more land. And, thirdly, it would undoubtedly lead to the productivity of some land owned by non-farmers dropping at a time when the UK actually needs to boost its agricultural output and reverse the sharp drop in our level of food self-sufficiency.

Any politician tempted to heed the calls of APR’s critics needs to think long and hard about the consequences.

Hannah Pike is a member of Knight Frank’s Rural Valuations team. The team can advise on all valuations matters and has successfully represented landowners involved in APR claims with HMRC. Please contact Hannah at hannah.pike@knightfrank.com or 01285 886690

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](https://www.knightfrank.co.uk/Rural)

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RENEWABLE ENERGY



LOCAL KNOWLEDGE WITH A GLOBAL REACH

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