

FARMLAND INDEX

Q2 2018



FARMLAND MARKET REMAINS STEADY

Lack of supply and ongoing demand helps to support market

The average value of bare agricultural land in England and Wales dipped slightly by 0.7% in the second quarter of 2018, according to the Knight Frank Farmland Index. The fall means prices have dropped by 2% overall during the past 12 months and now average £7,175/acre.

Just as I said last quarter – when prices rose slightly – that it would be wrong to say we were witnessing the beginning of a price rally, it would be equally premature to assume that this latest quarterly dip automatically presages a more significant downturn. As the Brexit saga continues we are in for an extended period of uncertainty.

The government’s new “Agricultural Bill”, which is due to be published at the end of July, may offer some clarity, but the big outstanding question is what kind of trade deal the UK will be able to strike with the EU, our major trading partner for agricultural products by some way.

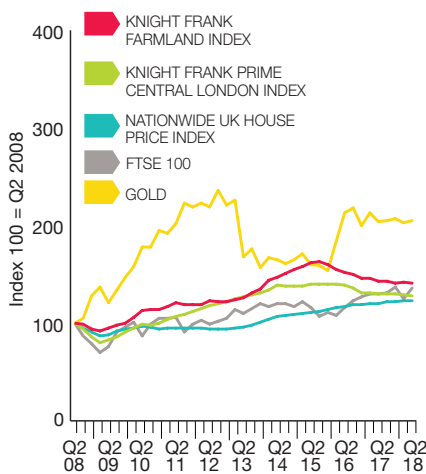
Several large farming estates, including the 2,177-acre Sutton Hall Estate near Woodbridge, Suffolk, have been launched over the past month or so, but overall there are few signs that the lack of supply that is helping to support values is abating. By the end of June the amount of land advertised in Farmers Weekly had dropped by almost 20% year-on-year.

However, according to our Farmland Index Survey, the lack of a willing successor is an increasing driver for the sale of farms. Brexit could exacerbate this trend, but it could also

act as the motivation for entrepreneurial young farmers to reshape the UK’s agricultural sector. Debt as a reason to sell is also on the rise, although there is no widespread pressure from banks at the moment.

Aside from the ongoing lack of supply, rollover relief is one of the key drivers of demand, across the country, but particularly in areas seeing large amounts of development or infrastructure projects like HS2. This will remain a factor for some time as demand continues to outstrip supply. Average values, meanwhile, will become increasingly disparate, even at a very local level, as almost every sale is now to a “special” purchaser.

FARMLAND 10-YEAR PERFORMANCE VERSUS OTHER ASSETS



Source: Knight Frank Research

FARMLAND PERFORMANCE

-0.7%

3-MONTH CHANGE

-2%

12-MONTH CHANGE

12%

5-YEAR CHANGE

41%

10-YEAR CHANGE

3,903%

50-YEAR CHANGE

“THE LACK OF A WILLING SUCCESSOR IS AN INCREASING DRIVER FOR THE SALE OF FARMS.”

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

KEY AGRICULTURAL INDICATORS*

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

For more detailed information on the issues affecting UK landowners and farmers, including the latest on agricultural commodity and input markets, please request a copy of The Rural Report, our magazine for rural property owners.

*Sources: www.fwi.co.uk www.dairy.ahdb.org.uk



The Sutton Hall Estate, Woodbridge, Suffolk. For more information contact george.bramley@knightfrank.com

DATA DIGEST

The Knight Frank Farmland Index tracks the average price of bare (no residential property or buildings) commercial (productive arable and pasture) agricultural land in England. The quarterly index is based on the opinions of Knight Frank's expert valuers and negotiators across the country, which take into account the results of actual sales conducted by both the firm and its competitors, local market knowledge and client and industry sentiment. When combined with UK government statistics, the index shows the performance of farmland since 1944.

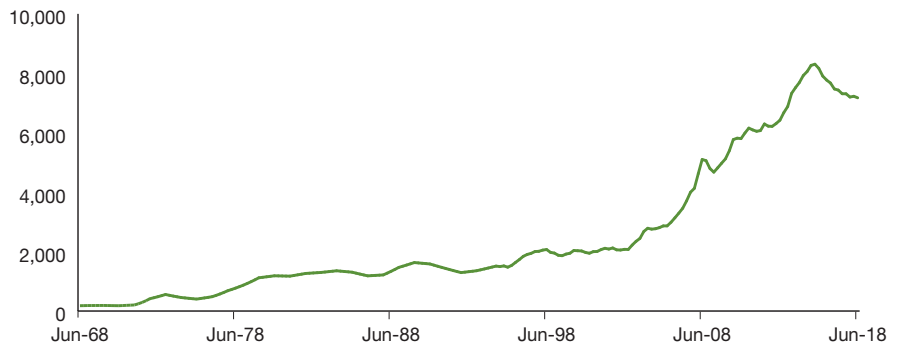
Please contact us for further information

If you're thinking of selling or buying a farm, estate or agricultural land we'd love to help

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LONG-TERM FARMLAND CAPITAL VALUE TRENDS

Average £/acre



Source: Knight Frank Research

KNIGHT FRANK FARMLAND INDEX

	Quarterly price change	Annual price change	Average value £/hectare	Average value £/acre
Jun-13	1.8%	2.0%	£15,866	£6,421
Sep-13	4.0%	7%	£16,501	£6,678
Dec-13	3.1%	11%	£17,005	£6,882
Mar-14	6.4%	16%	£18,098	£7,324
Jun-14	2.6%	17%	£18,574	£7,517
Sep-14	2.3%	15%	£19,000	£7,689
Dec-14	3.1%	15%	£19,583	£7,925
Mar-15	1.7%	10%	£19,914	£8,059
Jun-15	2.6%	10%	£20,423	£8,265
Sep-15	0.5%	8%	£20,524	£8,306
Dec-15	-1.7%	3%	£20,176	£8,165
Mar-16	-3.2%	-2%	£19,538	£7,907
Jun-16	-1.7%	-6%	£19,207	£7,773
Sep-16	-1.3%	-8%	£18,957	£7,672
Dec-16	-2.6%	-8%	£18,464	£7,472
Mar-17	-0.5%	-6%	£18,372	£7,435
Jun-17	-1.6%	-6%	£18,069	£7,313
Sep-17	0.0%	-5%	£18,064	£7,311
Dec-17	-1.5%	-4%	£17,794	£7,201
Mar-18	0.4%	-3%	£17,856	£7,226
Jun-18	-0.7%	-2%	£17,729	£7,175

Source: Knight Frank Research

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