



News Release

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Farmland prices rise for second quarter in succession, according to Knight Frank Farmland Index

Key highlights:

- English farmland values rose by 3.2% in the third quarter of 2009, the second successive quarterly increase
- The average price of farmland is now £4973/acre, just £125/acre below its summer 2008 peak
- Prices, however, remain variable with the best land achieving a significant premium
- Availability of farmland remains limited, helping to boost values
- Over the past 15 years farmland has outperformed the FTSE 100 share index

Andrew Shirley, head of rural land research at Knight Frank, comments:

"The farmland market has now regained much of the ground it lost after the credit crunch when sales virtually ground to a halt. Prices have now risen by over 3% in each of the past two quarters and are now just 2.5% below their June 2008 peak. Over the past 15 years farmland has performed significantly better than residential property and the FTSE 100 index (see graph below).

"Although commodity prices have fallen back significantly from last year's record highs, there seems to be a feeling that agriculture in the UK has a long-term future and farmers, who make up 57% of buyers, are keen to buy more land. We are also seeing tentative signs of a return of the lifestyle buyer (25% of purchasers) as the housing market starts to pick up again.

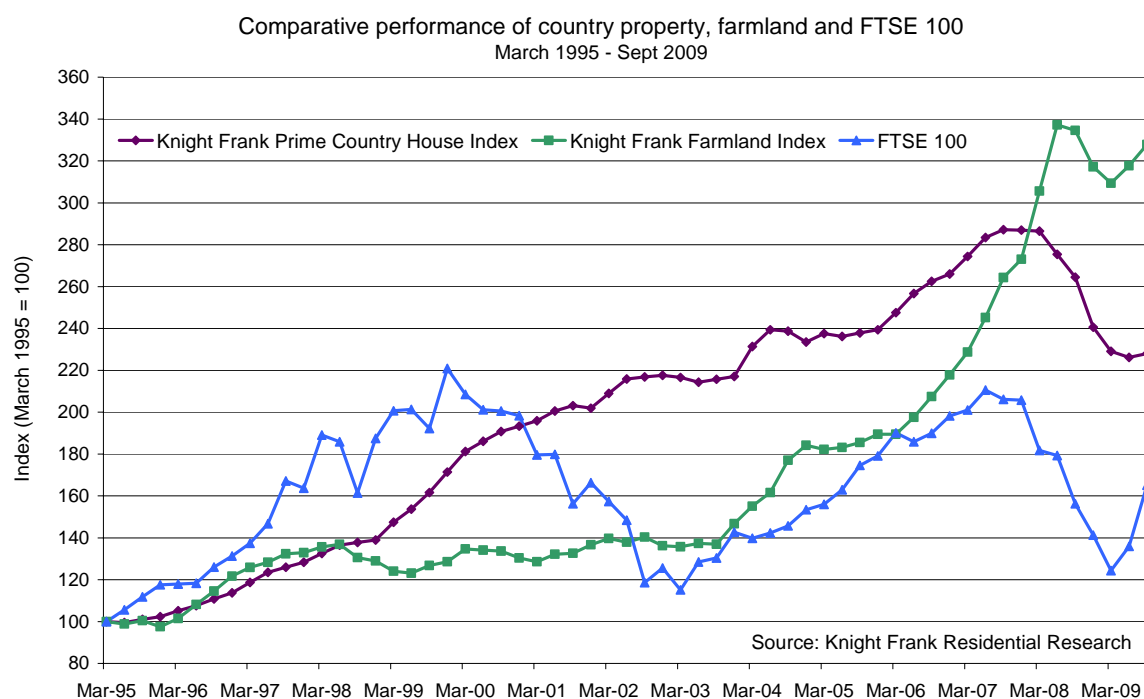
"Overseas buyers (10% of purchasers) who were significant players prior to the credit crunch, especially the Irish and Danish, have yet to return to the market in numbers, despite the weakness of Sterling against the Euro, which makes English land good value for them. We have also seen little real activity yet from investors, although a number of funds are actively exploring the opportunities available.

"Supply of land remains limited with about 15% fewer acres available for sale this year than last. There have been few forced sales as banks remain generally supportive of agriculture. Lenders are also offering attractive long-term finance rates to those looking to expand. This is helping to support prices.



"The market, however, is more selective than it was during the first half of 2008 when even fairly average blocks of land were achieving exceptional prices. Farmers will pay good prices for land, but only if it is of the right quality in the right location. Some recent sales have made over £7000/acre, while less desirable land is proving more difficult sell.

"We expect growth to continue for the rest of 2009 and into 2010, although, as usually happens, the market could become more tentative in the run up to the general election, widely predicted to be held next May. Commodity prices may have fallen back in the short term, but global cereal stocks remain historically low and demand will start to increase again as the world edges out of recession over the next few years."



Quarter	%age price change	£/acre
Q1 08	11.9	4,621
Q2 08	10.4	5,100
Q3 08	-0.8	5,060
Q4 08	-5.2	4,796
Q1 09	-2.6	4,673
Q2 09	3.1	4,820
Q3 09	3.2	4,973



For further information and more detailed UK land values, please contact:

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Notes to Editors

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The Knight Frank Farmland Market Index is an opinion-based index, compiled quarterly by professional staff in Knight Frank's Farms & Estates and Valuations offices in the UK.

Farmland is defined as bare agricultural land with neither dwellings or buildings on it.

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