

FARMLAND MOVING UP

The average value of farmland in England has risen by 12% so far in 2014, according to the latest results from the **Knight Frank Farmland Index**. Andrew Shirley looks at the factors driving the market

Farmland performance

3 months	+2%
12 months	+15%
5 years	+55%
10 years	+187%
50 years	+5,182%

Agricultural land prices increased by a further 2% in the third quarter of the year, building on the 9% growth seen during the first half of 2014. The average value of commercial farmland without any houses or buildings now stands at an average of £7,689/acre, or exactly £19,000/hectare.

Year on year, prices are up 15%. This means farmland has outperformed most other major asset classes, including the UK housing market (+10%), the FTSE 100 (+5%) and gold (-9%).

Over a 10-year period (see Figure 1), farmland has risen in value by 187%, second only to gold (+224%).

Limited supply – the amount of publicly advertised land is down 15% compared with 2013, according to the *Farmers Weekly Land Tracker* – and the on-going demand from both farmers and investors continues to push up prices.

Despite recent falls in the price of agricultural commodities such as wheat and milk, farmers are still focused on the long-term and are keen to acquire neighbouring or nearby land when it becomes available.

With house builders increasing their output and acquiring more development sites, the number of farmers with roll-over funds to spend on land is growing. As farmland is acquired for the controversial

HS2 scheme this could also bring new buyers into the market.

Investors' hunger for land remains undimmed, as highlighted by the recent purchase of the Co-op farms portfolio for almost £250m by the Wellcome Trust.

Part of the problem for investors, particularly funds, is the lack of suitable investment-grade land available, combined with strong competition from existing landowners.

Because of this, many investment-led deals are happening off market. Our Agricultural Investments team, which is acting for a number of wealthy individuals and funds, estimates private deals are outnumbering public ones by as much as two to one.

Although large tracts of arable land with relatively little value tied up in high-value period farmhouses are selling quickly, the market for estates with large residential properties is less fluid, according to Clive Hopkins, Head of our Farms & Estates team.

In some instances, this has led to large chunks of an estate's farmland being sold off separately for a premium price. "I think this trend really highlights the strength of the farmland market," says Clive. "Traditionally it has been the house leading the sale, now often it is the land."



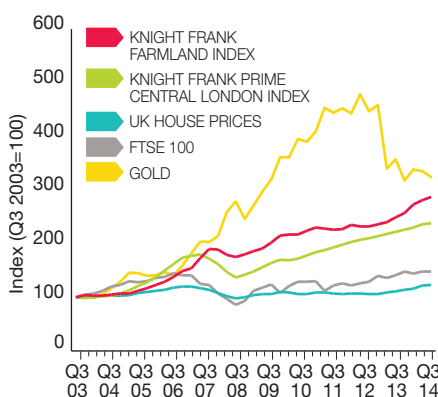
ANDREW SHIRLEY
Head of Rural Research

"Despite recent falls in the price of agricultural commodities farmers are still focused on the long-term."

Follow Andrew at [@kfruralproperty](https://twitter.com/kfruralproperty)

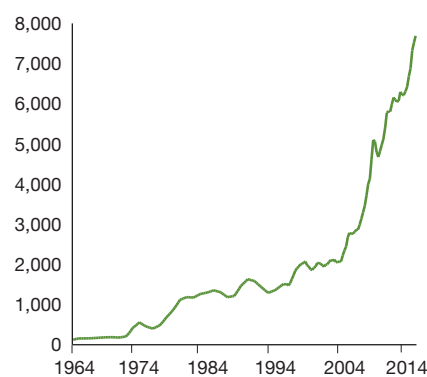
For the latest news, views and analysis on the world of rural property, visit [The Rural Bulletin online](http://TheRuralBulletinonline)

FIGURE 1
Change in capital values



Source: Knight Frank Residential Research

FIGURE 2
50-year farmland performance
£/acre



Source: Knight Frank Residential Research

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.

Knight Frank Farmland Index

	Quarterly price change	Annual price change	Average value £/hectare	Average value £/acre
Jun-08	10.4%	37.5%	£12,603	£5,100
Sep-08	-0.8%	26.6%	£12,505	£5,060
Dec-08	-5.2%	16.2%	£11,852	£4,796
Mar-09	-2.6%	1.1%	£11,548	£4,673
Jun-09	3.1%	-5.5%	£11,911	£4,820
Sep-09	3.2%	-1.7%	£12,290	£4,973
Dec-09	3.0%	6.8%	£12,658	£5,123
Mar-10	5.4%	15.5%	£13,336	£5,397
Jun-10	6.9%	19.7%	£14,257	£5,769
Sep-10	0.8%	17.0%	£14,373	£5,816
Dec-10	-0.2%	13.3%	£14,339	£5,803
Mar-11	3.2%	11.0%	£14,803	£5,991
Jun-11	2.8%	6.7%	£15,212	£6,156
Sep-11	-1.0%	4.8%	£15,060	£6,094
Dec-11	-0.8%	4.2%	£14,947	£6,049
Mar-12	0.4%	1.4%	£15,007	£6,073
Jun-12	3.7%	2.3%	£15,556	£6,295
Sep-12	-1.2%	2.1%	£15,369	£6,220
Dec-12	-0.1%	2.7%	£15,354	£6,214
Mar-13	1.5%	3.9%	£15,585	£6,307
Jun-13	1.8%	2.0%	£15,866	£6,421
Sep-13	4.0%	7.4%	£16,501	£6,678
Dec-13	3.1%	10.7%	£17,005	£6,882
Mar-14	6.4%	16.1%	£18,098	£7,324
Jun-14	2.6%	17.1%	£18,574	£7,517
Sep-14	2.3%	15.1%	£19,000	£7,689

Source: Knight Frank Residential Research

Key agricultural indicators*

Commodity prices	Latest	12-month change
Outputs		
Feedwheat (£/t)	100	-33%
Oilseed rape (£/t)	224	-22%
Beef (p/kg dw)	358	-11%
Lamb (p/kg dw)	359	-8%
Milk (p/litre)	32	-4%
Input prices		
Fertiliser (£/t)	260	-4%
Red diesel (p/litre)	64	-11%
Oil (\$/bbl)	96	-12%

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 quarterly Knight Frank Rural Bulletin or go to www.knightfrankblog.com/ruralbulletin

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



GLOBAL BRIEFING

For the latest news, views and analysis on the world of prime property, visit KnightFrankblog.com/global-briefing

RESIDENTIAL RESEARCH

Andrew Shirley

Head of Rural Research

+44 1234 720534

andrew.shirley@knightfrank.com

PRESS OFFICE

Lizzie Copestake

+44 20 7861 1033

lizzie.copestake@knightfrank.com

RECENT MARKET-LEADING RESEARCH PUBLICATIONS



The Wealth Report 2014



The Rural Report Summer 2014



UK Rural Bulletin Autumn 2014



Scottish Farmland Index Q2 2014



© Knight Frank LLP 2014 - This report is published for general information only and not to be relied upon in any way. Although high standards have been used in the preparation of the information, analysis, views and projections presented in this report, no responsibility or liability whatsoever can be accepted by Knight Frank LLP for any loss or damage resultant from any use of, reliance on or reference to the contents of this document. As a general report, this material does not necessarily represent the view of Knight Frank LLP in relation to particular properties or projects. Reproduction of this report in whole or in part is not allowed without prior written approval of Knight Frank LLP to the form and content within which it appears. Knight Frank LLP is a limited liability partnership registered in England with registered number OC305934. Our registered office is 55 Baker Street, London, W1U 8AN, where you may look at a list of members' names.