

Farmland outshining gold

The value of English farmland hits another new high at the end of 2013

Farmland performance

3 months	+3%
12 months	+11%
5 years	+43%
10 years	+210%
50 years	+5,750%

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The average price of English farmland rose by 11% to a record £6,882/acre in 2013, according to the latest results from the Knight Frank Farmland Index.

During the same period, gold – an asset class farmland is often compared to – lost almost 30% of its value. Land almost kept pace with the 14% annual hike in the resurgent FTSE 100.

Over the longer term, farmland has also performed strongly, increasing in value by 210% in the past 10 years. This is only just behind the 212% change in the price of gold, which climbed rapidly as investors looked for a safe haven in the aftermath of the credit crunch, and significantly ahead of the 51% rise in the value of the FTSE 100.

This on-going performance highlights why land is increasingly being looked at as a potential investment by wealthy individuals and funds. Not only does it act as a defensive and inflation-hedging component of portfolios, but can also offer steady and reliable capital growth.

Strong demand from investors as well as farmers, combined with a limited supply of good quality land for sale, is helping to maintain price growth.

Last year around 150,000 acres of land were advertised on the open market, this compares with around 300,000 acres at the turn of the decade.

The large blocks of investment-grade arable land that do come to the market, either publicly or privately, are changing hands for significantly

higher sums than the average reported by our index, according to Tom Raynham, Head of Knight Frank's new Agricultural Investment Acquisitions department.

"Serious investors are increasingly prepared to do off-market deals to secure the right investments," says Tom. "Prices have exceeded £10,000/acre in some cases."

However, even more modestly sized parcels of land in the right location are making good money, says James Prewett, Head of Regional Farm Sales at Knight Frank.

"Just before Christmas somebody tendered over £9,200/acre for a block of land I am selling in the East Midlands, while in the west of the country a parcel of around 150 acres made £9,000/acre under a five-year £250/acre sale-and-leaseback arrangement."

Farmers, adjoining landowners and institutional investors were among the bidders for the two blocks, says James.

"It shows the depth of the market for the right land. The fact that a farmer buyer was prepared to accept a sale-and-leaseback arrangement also highlights how keen people are to get their hands on land when it becomes available."

According to the Knight Frank Farmland Index, further price growth of almost 6% is expected during 2014.

But there are strong regional differences, adds James. "I think we will see further price growth for larger blocks of arable land, especially those of interest to investors."

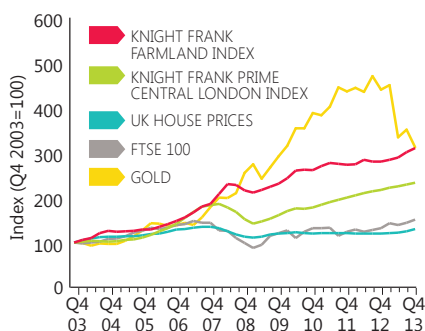


ANDREW SHIRLEY
 Head of Rural Research

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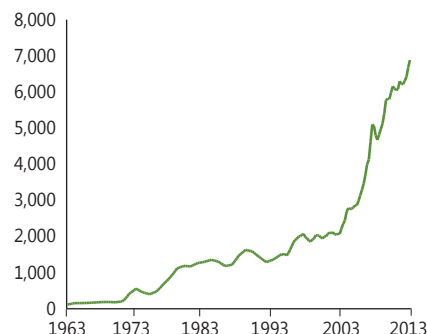
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FIGURE 1
Change in capital values



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.

Key agricultural indicators*

Commodity prices	Latest	12-month change
Outputs		
Feedwheat (£/t)	159	-23%
Oilseed rape (£/t)	290	-19%
Beef (p/kg dw)	397	7%
Lamb (p/kg dw)	401	11%
Milk (p/litre)	33.5	11%
Input prices		
Fertiliser (£/t)	254	-16%
Red diesel (p/litre)	68	-3%
Oil (\$/bbl)	105	-2%

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

Knight Frank Farmland Index

	Quarterly price change	Annual price change	Average value £/Hectare	Average value £/Acre
Dec-07	3.3%	25.3%	£10,203	£4,129
Mar-08	11.9%	33.6%	£11,419	£4,621
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%	7.0%	£16,501	£6,678
Dec-13	3.0%	11.0%	£17,005	£6,882

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