

SCOTTISH FARMLAND VALUES FALL BACK FROM PEAK

Land values fall in 2015, but remain resilient in the face of downwards pressure.

Farmland performance

(average all types, unweighted)

6 months	-2%
12 months	-1%
5 years	30%
10 years	194%
20 years	185%

Source of buyers

Scotland	70%
England/Wales	30%
Ireland	0%
Rest of Europe	0%

The average value of bare agricultural land in Scotland fell by 2% in the second half of 2015 to £4,366/acre, according to the latest results of the Knight Frank Scottish Farmland Index.

Performance, however, varies by land type. The price of good quality arable land held its value over the six months and actually ended the year up 1% to average £9,046/acre. Lower quality arable land and hill land were the biggest fallers, losing 3% of their value during the year (see back page for more average values).

Despite the falls, farmland managed to outperform the FTSE 100 (-5%) and gold (-7%) in terms of capital values last year. Over a 10-year period Scottish farmland has risen in value by 194%, outpacing the English farmland market, which rose by 185%.

Tom Stewart-Moore, Head of Scottish Farm Sales, says the drop is unsurprising given the pressures facing the market, which include an increase in supply.

"When we look at farms guided at over £1m, about 29,000 acres were put up for sale across the country in 2015, which was around 20% more than the

previous year. Of the 73 farms on the market, 23 remain unsold," explains Tom.

"The latest reform of the Common Agricultural Policy has also had a bigger impact north of the border," he adds.

In Scotland, farmers will be transitioning from a system based on their historic subsidy payments to one that is area based. This means support payments for some farms are dropping considerably.

"Livestock farms are likely to be hit the hardest, which explains why prices have fallen more," says Tom.

The fall in commodity prices is also dampening enthusiasm from both Scottish and English buyers. However, despite this, extremely limited supply is helping to support prices for the best arable land. "It rarely comes up for sale so there will always be strong demand from neighbouring farmers and investors. Some arable land recently made £18,000/acre."

Looking forward, prices are likely to remain flat during 2016, but will start to rebound once we see some positive movements in commodity prices. "There are still a lot of reasons to own land and I expect the market to remain resilient," says Tom.



ANDREW SHIRLEY
Head of Rural Research

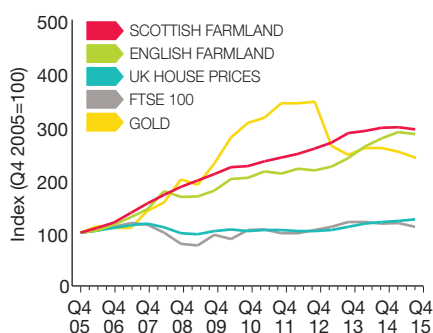
"Over a 10-year period Scottish farmland has risen in value by 194%, outpacing the English farmland market, which rose by 185%."

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

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FIGURE 1

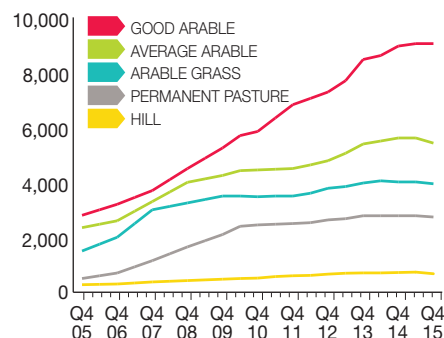
Scottish farmland capital value performance versus other assets



Source: Knight Frank Rural Research

FIGURE 2

Scottish farmland values by type
£/acre



Source: Knight Frank Rural Research

DATA DIGEST

The **Knight Frank Scottish Farmland Index** tracks the average price of bare (no residential property or buildings) commercial (productive arable and pasture) agricultural land in Scotland. The quarterly index is based on the opinions of Knight Frank's expert valuers and negotiators across the country, that take into account the results of actual sales conducted by both the firm and its competitors, local market knowledge and client and industry sentiment.

Knight Frank Scottish Farmland Index

Average value £/acre

Quarter	Good arable	Average arable	Arable/Grass	Permanent Pasture	Hill	Unweighted average
2005 Q4	2,800	2,350	1,500	500	275	1,485
2006 Q2	3,000	2,475	1,750	600	288	1,623
2006 Q4	3,200	2,600	2,000	700	300	1,760
2007 Q2	3,450	2,950	2,500	925	338	2,033
2007 Q4	3,700	3,300	3,000	1,150	375	2,305
2008 Q2	4,100	3,650	3,125	1,400	400	2,535
2008 Q4	4,500	4,000	3,250	1,650	425	2,765
2009 Q2	4,875	4,125	3,375	1,875	450	2,940
2009 Q4	5,250	4,250	3,500	2,100	475	3,115
2010 Q2	5,700	4,425	3,500	2,400	500	3,305
2010 Q4	5,850	4,450	3,475	2,450	515	3,348
2011 Q2	6,340	4,475	3,500	2,475	571	3,472
2011 Q4	6,825	4,501	3,500	2,500	600	3,585
2012 Q2	7,053	4,633	3,603	2,531	614	3,687
2012 Q4	7,285	4,786	3,783	2,633	659	3,829
2013 Q2	7,698	5,057	3,846	2,676	692	3,994
2013 Q4	8,468	5,394	3,974	2,783	704	4,265
2014 Q2	8,612	5,502	4,054	2,783	704	4,331
2014 Q4	8,956	5,612	4,013	2,783	718	4,417
2015 Q2	9,046	5,612	4,013	2,783	732	4,437
2015 Q4	9,046	5,425	3,946	2,737	673	4,366

Source: Knight Frank Rural Research

Key agricultural indicators*

Commodity prices	Latest	12-month change
Outputs		
Feedwheat (£/t)	104	-19%
Oilseed rape (£/t)	257	0%
Beef (p/kg dw)	348	-5%
Lamb (p/kg dw)	367	-13%
Milk (p/litre)	24.2	-12%
Input prices		
Fertiliser (£/t)	229	-15%
Red diesel (p/litre)	43	-22%
Oil (£/bbl)	22	-41%

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

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