

## SCOTTISH FARMLAND VALUES SLIP SLIGHTLY IN 2016

The best quality land holds its value, but purchasers and vendors remain cautious

### Farmland performance

(average all types, unweighted)

6 months	-3.1%
12 months	-3.3%
5 years	18%
10 years	140%
20 years	157%

### Source of buyers

Scotland	66%
England/Wales	30%
Ireland	2%
Rest of Europe	2%

The average value of Scottish farmland weakened marginally during the second half of 2016, according to the latest results of the Knight Frank Scottish Farmland Index.

Across the board, prices fell by just over 3% to £4,223/acre. However, there were marked variations depending on land type. Good arable land was the strongest performer with values remaining constant at almost £9,050/acre. Limited availability and continued demand from commercial farmers is helping to put a bottom in the market for blocks of productive soil.

Lower quality arable/grassland, however, declined in value by 7% to £3,659/acre, while permanent pasture dropped 5% to £2,582/acre. This reflects a slightly more uncertain outlook for the dairy and livestock sectors.

Overall, prices declined by almost 3.5% in 2016, but this was a lower drop than the 8.5% recorded in England and Wales.

The sharp land slide price predicted post the EU referendum result was not as dramatic as feared and the market in the second half of last year remained relatively resilient thanks to a lack of

supply verses strong demand. Farmers are making up around 70% of the market and we are seeing most interest from Scottish national farmers.

“That said, we haven’t seen any record-breaking prices achieved in the past few months and there is certainly an air of continued caution in the market. The current market for farmland in Scotland is unusually hard to predict and analyse,” says Tom Stewart-Moore, head of Scottish farm sales.

“The main point for current and prospective vendors to note is that the market is extremely price sensitive and correct valuation at the time of launch is key,” warns Tom. “But if priced correctly, farms can still sell quickly and well.”

Our analysis of the Scottish farmland market shows that in 2016, 71 farms priced at over £1m were launched to the market, totalling 30,712 acres. Thirty two are now under offer and 24 sales have completed.

“This demonstrates that there is still strong demand for Scottish land,” says Tom.

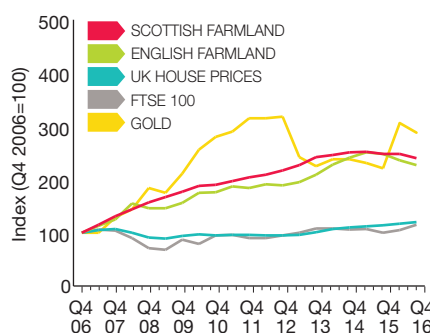


ANDREW SHIRLEY  
Head of Rural Research

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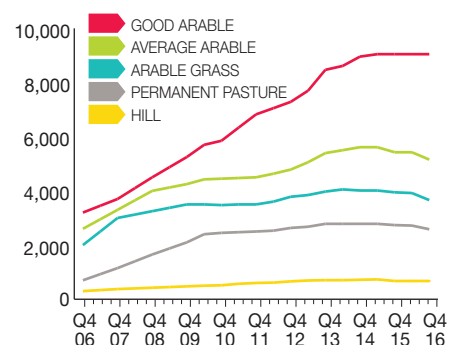
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FIGURE 1  
Scottish farmland capital value performance versus other assets



Source: Knight Frank Research

FIGURE 2  
Scottish farmland values by type  
£/acre



Source: Knight Frank 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
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
2016 Q2	9,046	5,425	3,920	2,719	673	4,357
2016 Q4	9,046	5,154	3,659	2,583	673	4,223

Source: Knight Frank Rural Research

## Key agricultural indicators\*

Commodity prices	Latest	12-month change
<b>Outputs</b>		
Feedwheat (£/t)	138	34%
Oilseed rape (£/t)	349	37%
Beef (p/kg dw)	367	7%
Lamb (p/kg dw)	391	11%
Milk (p/litre)	26.2	10%
<b>Input prices</b>		
Fertiliser (AN bags £/t)	238	4%
Red diesel (p/litre)	51	19%
Oil (£/bbl)	41	85%

For more detailed information on the issues affecting UK landowners and farmers, including the latest on agricultural commodity and input markets, please visit our blog [www.knightfrankblog.com/ruralbulletin](http://www.knightfrankblog.com/ruralbulletin)

\*Sources: [www.fwi.co.uk](http://www.fwi.co.uk) [www.dairyco.net](http://www.dairyco.net)

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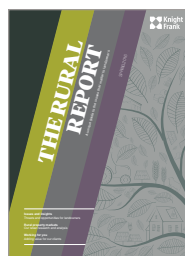
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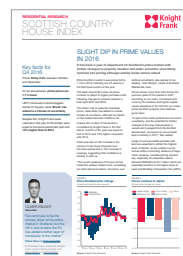
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