

SCOTTISH FARMLAND MARKET REMAINS FIRM AS REFERENDUM LOOMS

Agricultural land values edged up slightly in the first half of 2014, but the market remains pensive

Farmland performance

(average all types, unweighted)

6 months	+2%
12 months	+8%
5 years	+47%
10 years	+223%

Source of buyers*

Scotland	+63%
England/Wales	+33%
Rest of world	+4%

*6-month rolling average

The average value of Scottish farmland rose by almost 2% to £4,329/acre in the first half of 2014, according to the [Knight Frank Scottish Farmland Index](#).

This takes growth over the past 12 months to 8% and prices are now 223% higher than they were 10 years ago.

"There has been a lot of talk about the impact of the referendum, CAP reform and land reform, but there is much more confidence in the market for agricultural land than you might imagine, particularly for good arable ground," says farm agent James Denne.

"The fact that all the uncertainty hasn't caused values to dip underlines the inherent strength of the market," adds James. "Supply is still very limited and demand remains firm."

Because relatively little land does come to the market, farmers will always try their hardest to buy anything nearby that does become available, points out valuer and consultant Michael Ireland. "I don't think any of the current issues are likely to dim that desire."

Another sign of the confidence underpinning the market is the recent sale of the 28,300-acre [Auch & Invermearan Estate](#) by Knight Frank for over its £11m guide price.

Although a truly stunning sporting and upland farming business, the estate's potential to generate hydroelectricity was one of the main reasons for the purchase, explains Ran Morgan, Head of Knight Frank's Edinburgh office.

"Despite all the hype over independence, there is a real appetite for Scottish land holdings from investors, especially from overseas. Potential buyers are particularly interested in estates that can produce significant income in the form of renewable energy, a massive resource for Scotland, or via a commercial agri-business."

Auch & Invermearan is the second £10m+ sale that we have completed in the last 18 months that has attracted interest from around the globe and been sold to investors out with Scotland.

Traditionally, Scotland's land market is more active in the second half of the year, so the next six months could be a sterner test of its resilience. But Knight Frank expects demand to continue outstripping supply with average prices rising a further 5% over 12 months.

"I think some people will be holding back sales until the after the referendum because they have underestimated current demand, so I am not expecting a huge amount to come to the market this summer," says James.



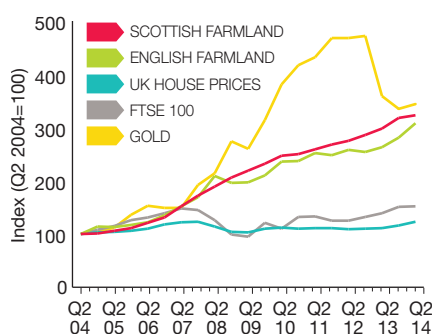
ANDREW SHIRLEY
Head of Rural Research

"Auch & Invermearan is the second £10m+ sale that we have completed in the last 18 months."

Follow Andrew at [@kfruralproperty](#)

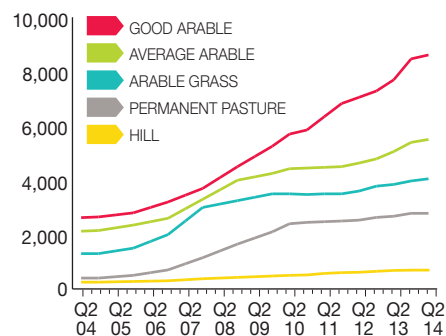
For the latest news, views and analysis on the world of rural property, visit [The Rural Bulletin online](#)

FIGURE 1
Scottish farmland capital value performance versus other assets



Source: Knight Frank Residential Research

FIGURE 2
Scottish farmland values by type
£/acre



Source: Knight Frank Residential 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) of various types of 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
2004 Q2	2,625	2,125	1,300	400	250	1,340
2004 Q4	2,650	2,150	1,300	400	250	1,350
2005 Q2	2,725	2,250	1,400	450	263	1,418
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	649	3,827
2013 Q2	7,698	5,057	3,846	2,676	681	3,992
2013 Q4	8,468	5,394	3,974	2,783	692	4,262
2014 Q2	8,612	5,502	4,054	2,783	692	4,329

Source: Knight Frank Residential Research

Key agricultural indicators*

Commodity prices	Latest	12-month change
Outputs		
Feedwheat (£/t)	143	-13%
Oilseed rape (£/t)	267	-26%
Beef (p/kg dw)	344	-15%
Lamb (p/kg dw)	520	6%
Milk (p/litre)	33	8%
Input prices		
Fertiliser (£/t)	254	-6%
Red diesel (p/litre)	68	-3%
Oil (\$/bbl)	105	4%

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

FARM SALES

James Denne

+44 1578 722814

james.denne@knightfrank.com

RURAL VALUATIONS

Michael Ireland

+44 13 1222 9625

michael.ireland@knightfrank.com

ESTATE SALES

Ran Morgan

+44 13 1222 9600

ran.morgan@knightfrank.com

PRESS OFFICE

Lizzie Copestake

+44 20 7861 1033

lizzie.copestake@knightfrank.com

RECENT MARKET-LEADING RESEARCH PUBLICATIONS

The Wealth Report
2014The Rural Report
Winter 2013UK Rural Bulletin
Summer 2014Prime Scottish
Property Index Q1 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.