



## Scottish farmland prices continue to rise in 2012

The average value of Scottish farmland has almost doubled over the past five years. Knight Frank's farmland experts assess the current market

### Farmland performance

(average all types, unweighted)

3 months	+1%
6 months	+3%
12 months	+5%
5 years	+92%
10 years	+215%

### Source of buyers\*

Scotland	52%
England/Wales	34%
Ireland	4%
Europe	10%

\*6-month rolling average

Farmland values rose by 3% on average during the first half of 2012, according to the latest results from the Knight Frank Scottish Farmland Index.

Top quality arable land is now worth just over £7,050/acre, with ploughable grassland at £3,600/acre and hill land at £614/acre.

Growth slowed slightly in the second quarter of the year with prices increasing by just 1%. "People are still positive about farmland, but they are being slightly cautious at the moment," says James Denne, Head of Farms Sales in Scotland.

"North of the border we tend not to see as much activity from investors as in England. Most of our buyers are farmers and they take a fairly canny view when it comes to buying more land. Anything that is too fully priced runs the risk of attracting limited interest," he explains.

"I think if investors were aware of the quality of some of the arable land here and the strong demand to rent or contract extra ground they might be looking further north. Every time I put a farm on the market I always get plenty of phone calls from neighbouring farmers or contractors looking to spread their fixed costs," James adds.

Farms that are correctly priced are attracting a lot of interest. "Despite the weather, we had seven viewings the week after we recently launched Upper Huntlywood, a 690-acre Borders arable and stock farm priced at around £4,000/acre for the land," says James.

A 316-acre stock farm in Dumfries and Galloway has also just attracted offers over its guide price, despite the continued absence of buyers from both sides of the Irish border who were significant purchasers of farms in the west of Scotland before the credit crunch curtailed their spending power.

We are often asked if the increase in the number of upland wind farms is having an impact on values. But so far there is no evidence that this is happening, says Michael Ireland, Head of Rural Valuations in Scotland, who has valued a number of wind farms.

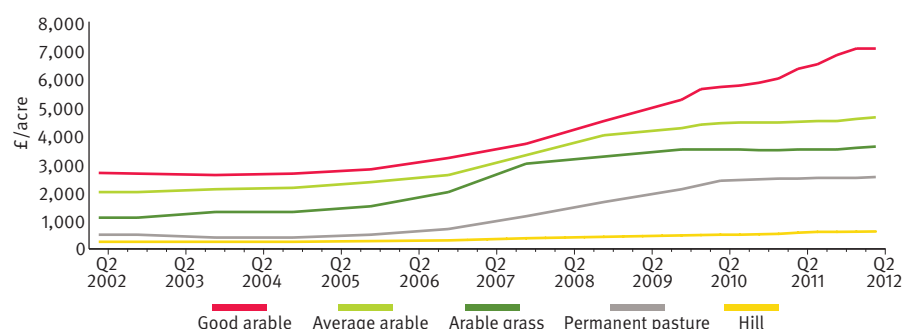
"At the moment it is woodland not wind that is driving demand for Scottish hill land. Uncertainty over future renewable energy payments and the time taken to get planning permission means there is very limited speculative demand for land for wind turbines.

"By contrast, there is still a lot of demand for hill land suitable for tree planting, either for commercial forestry or to re-establish native woodland habitats. An added bonus is the ability to sell carbon credits that organisations can use to offset their CO2 emissions."

Looking forward, the Knight Frank Scottish Farmland index predicts further growth in values of 3% over the next 12 months. As well as strong demand, a dearth of good farms for sale is likely to support values.

Knight Frank, however, is about to launch a 1,300-acre stock farm in the Tweed Valley, near Melrose, that James says will be a good test of the market.

Figure 1  
Scottish farmland capital value performance by type



Source: Knight Frank Residential Research



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## 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. When combined with UK government statistics, the index shows the performance of farmland since 1944.

## Key agricultural indicators\*

Commodity prices	Latest**	12-month change
<b>Outputs</b>		
Feed wheat (£/t)	193	14%
Oilseed rape (£/t)	366	-5%
Beef (p/kg dw)	349	13%
Lamb (p/kg dw)	431	3%
Milk (p/litre)	27	2%
<b>Input prices</b>		
Fertiliser (£/t)	299	-6%
Red diesel (p/litre)	74	10%
Oil (\$/bbl)	108	-1%

For more detailed information on the reform of the Common Agricultural Policy as well as the latest on agricultural commodity and input markets, please request a copy of the quarterly Knight Frank Rural Bulletin or go to [www.knightfrank.co.uk/rural](http://www.knightfrank.co.uk/rural)

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

\*\*Prices correct as of 6 July

## Knight Frank Scottish Farmland Index (average value £/acre)

Quarter	Good arable	Average arable	Arable grass	Permanent Pasture	Hill
2007 Q2	3,450	2,950	2,500	925	338
2007 Q3	3,575	3,125	2,750	1,038	356
2007 Q4	3,700	3,300	3,000	1,150	375
2008 Q1	3,900	3,475	3,063	1,275	388
2008 Q2	4,100	3,650	3,125	1,400	400
2008 Q3	4,300	3,825	3,188	1,525	413
2008 Q4	4,500	4,000	3,250	1,650	425
2009 Q1	4,688	4,063	3,313	1,763	438
2009 Q2	4,875	4,125	3,375	1,875	450
2009 Q3	5,063	4,188	3,438	1,988	463
2009 Q4	5,250	4,250	3,500	2,100	475
2010 Q1	5,625	4,375	3,500	2,250	488
2010 Q2	5,700	4,425	3,500	2,400	500
2010 Q3	5,750	4,450	3,500	2,425	500
2010 Q4	5,850	4,450	3,475	2,450	515
2011 Q1	6,000	4,450	3,475	2,475	530
2011 Q2	6,340	4,475	3,500	2,475	571
2011 Q3	6,500	4,501	3,500	2,500	600
2011 Q4	6,825	4,501	3,500	2,500	600
2012 Q1	7,053	4,576	3,558	2,500	606
2012 Q2	7,053	4,633	3,603	2,531	614

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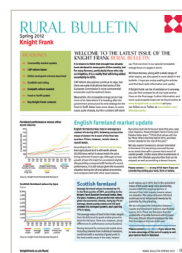
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