

## Scottish price growth outpaces English farmland and gold

Scottish land values continued to rise in the second half of 2013 as supply failed to keep up with demand

### Farmland performance

(average all types, unweighted)

<b>3 months</b>	<b>+7%</b>
<b>12 months</b>	<b>+11%</b>
<b>5 years</b>	<b>+54%</b>
<b>10 years</b>	<b>+220%</b>

### Source of buyers\*

<b>Scotland</b>	<b>+62%</b>
<b>England/Wales</b>	<b>+33%</b>
<b>Rest of world</b>	<b>+5%</b>

\*6-month rolling average

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Scottish farmland reinforced its credentials as a solid investment in 2013 with prices rising on average by 7% to £4,262/acre in the latter half of the year, according to the Knight Frank Scottish Farmland Index.

Overall, values rose by 11% during the year. This takes 10-year growth to 220%, and means for the first time that the value of Scottish farmland has outpaced the rise of land (210%) south of the border. It also puts land in Scotland ahead of gold (212%), perceived by many as the ultimate safe-haven asset.

James Denne, Head of Farm Sales in Scotland, says there is still confidence in the farming sector from both investors and agricultural businesses.

"Although farm profitability undeniably fluctuates in line with commodity prices, the value of the underlying asset – land – has continued to rise steadily and hasn't exhibited any of the volatility shown by other asset classes, such as gold. This is important because it gives banks the confidence to keep lending to the sector."

James reports strong interest in Lochmaling, an attractive livestock unit in Dumfries and Galloway, launched last autumn.

"We have had a lot of enquiries from farmers, mostly Scottish, but also some from England, looking either for a standalone unit

or as an addition to their current holdings. Interestingly, one prospective buyer was also considering returning it to a dairy unit, which suggests that confidence in milk production is returning."

There was also competitive bidding for two 110-acre blocks of arable land in Fife that fetched between £7,000 and £8,400/acre. "There was strong demand from farmers," says James.

However, not all sectors of the market are growing at the same rate, says Michael Ireland, Head of Scottish Farm Valuations.

"There is definitely continuing strength in the arable sector, particularly for the best soil, but a softening of growth in the more marginal stock and grassland areas is giving rise to a more diverse market, both geographically and between productive types within the same locality."

This is confirmed by the results of our index when broken down by land type. In the second half of the year the average value of prime arable land and average arable land rose by 10% and 7%, respectively. Improved permanent pasture and hill ground rose by 4% and 2%.

This could be partially due to the higher levels of uncertainty regarding the future level of subsidy payments for livestock farms under the latest round of CAP reform.

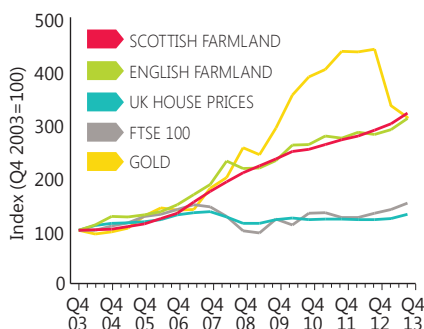


**ANDREW SHIRLEY**  
Head of Rural Research

*"Scottish farmland reinforced its credentials as a solid investment in 2013."*

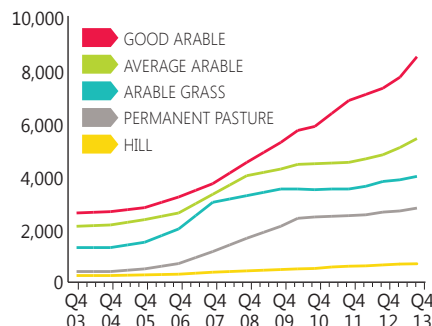
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**FIGURE 1**  
Scottish farmland capital value performance versus other assets



Source: Knight Frank Residential Research

**Figure 2**  
Scottish farmland values by type  
£/acre



Source: Knight Frank Residential Research

# RESIDENTIAL RESEARCH

## SCOTTISH FARMLAND INDEX Q4 2013



### Key agricultural indicators\*

Commodity prices	Latest	12-month change
<b>Outputs</b>		
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%
<b>Input prices</b>		
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](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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### 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
2003 Q4	2,600	2,100	1,300	400	250	1,330
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

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