

SCOTTISH FARMLAND VALUES FIRM IN FIRST HALF OF 2017

Two-tier market developing as Brexit concerns dampen grassland confidence

Farmland performance

(average all types, unweighted)

6 months	0.6%
12 months	-3.0%
5 years	15%
10 years	109%
20 years	157%

Source of buyers

Scotland	63%
England/Wales	30%
Ireland	7%

The average value of Scottish farmland grew slightly during the first half of 2017, according to the latest results of the Knight Frank Scottish Farmland Index.

Across the board, prices rose by 0.6% to £4,253/acre. However, performance varied depending on land type. Good arable land and hill land were the strongest performers with values for each rising by 2% to £9,200/acre and £707/acre, respectively. Poorer quality arable land and pasture either remained static or saw prices fall slightly.

A shortage of supply, combined with continued demand from commercial farmers who feel better placed to weather the implications of Brexit, is supporting the value of quality arable units. So far this year relatively few farms have been launched publicly. However, three good-sized units have sold privately in the Borders.

“Some might argue that the fact the vendors weren’t prepared to test the open market reflects some kind of nervousness about the level of potential demand, but equally it shows that buyers are prepared to pay sufficiently strong prices to make a private sale an attractive option,” points out Tom Stewart-Moore, head of Scottish farm sales.

There is definitely still demand, even for smaller units, he adds. “We have had 20 and 30 viewings for two sub-£1m farms we are selling in the Borders. At that price point farmers seem to view them as viable opportunities for expanding their existing holdings.”

Hill land is attracting demand because of the Scottish government’s ambitious tree-planting targets, says Ran Morgan, Head of Knight Frank Edinburgh. “Trees grow very well here, so it gives people a genuine alternative to upland livestock farming, which is the sector feeling most vulnerable after the Brexit referendum. Several of our clients are thinking seriously about planting significant acreages.”

Looking forward, it appears that the autumn selling season is likely to match the paucity of the early summer market, predicts Tom. “Until we know more about how farmers, particularly, those in upland areas, are going to be affected by any changes to the subsidy regime and our trading arrangements with Europe post Brexit, I think this trend is likely to continue.”

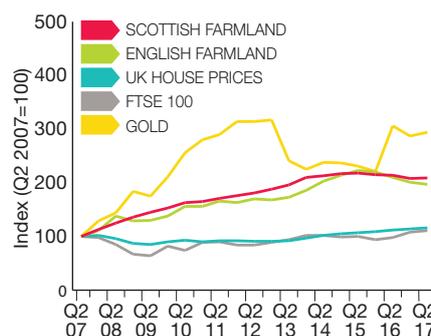


ANDREW SHIRLEY
Head of Rural Research

“Good arable land and hill land were the strongest performers.”

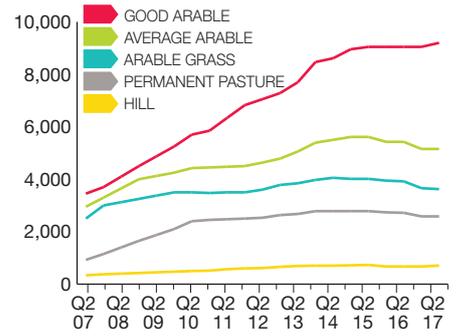
Follow Andrew at [@KFAndrewShirley](https://twitter.com/KFAndrewShirley)

Capital value growth of Scottish farmland v other asset



Source: Knight Frank Research

Scottish farmland values by type



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.

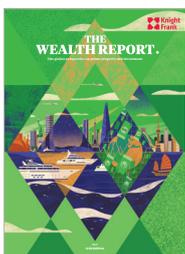
Knight Frank Scottish Farmland Index

Average value £/acre

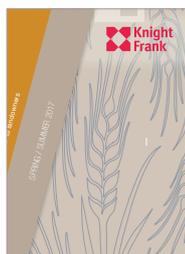
Quarter	Good arable	Average arable	Arable/ Grass	Permanent Pasture	Hill	Unweighted average
2007 Q2	3,450	2,950	2,500	925	338	2,033
2007 Q4	3,700	3,300	3,000	1,150	375	2,305
2008 Q2	4,100	3,650	3,125	1,400	400	2,535
2008 Q4	4,500	4,000	3,250	1,650	425	2,765
2009 Q2	4,875	4,125	3,375	1,875	450	2,940
2009 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
2017 Q2	9,200	5,154	3,622	2,583	707	4,253

Source: Knight Frank Research

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Knight Frank Research Reports are available at KnightFrank.com/Research

Key agricultural indicators*

Commodity prices	Latest	12-month change
Outputs		
Feedwheat (£/t)	142	31%
Oilseed rape (£/t)	300	11%
Beef (p/kg dw)	377	12%
Lamb (p/kg dw)	488	23%
Milk (p/litre)	26.8	31%
Input prices		
Red diesel (p/litre)	51	11%
Oil (£/bbl)	35	10%

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

*Sources: www.fwi.co.uk www.dairyco.net

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