

# THE RURAL REPORT

Summer 2014

## RURAL RESEARCH

### **FARMLAND VALUES**

The latest findings from  
our Rural Research team

### **GETTING WHAT YOU DESERVE**

Compulsory purchase  
and compensation

### **RIVER DEEP MOUNTAIN HIGH**

Our new fishing, stalking  
and grouse index

### **SHOULD WE STAY OR SHOULD WE GO?**

Scottish politicians clash  
on independence





FROM COMMERCIAL FARMS



TO LARGE SCALE RURAL ACQUISITIONS



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## WELCOME

### Welcome to the Summer 2014 issue of The Rural Report

As I write, the UK's arable units look set to deliver a bumper harvest, while prodigious grass growth has benefitted dairy and livestock producers. Typically, however, cereal, milk and beef prices are all falling.

This frustrating scenario is all too common in agriculture: the two variables that have the biggest impact on profitability – climate and global commodity markets – are largely beyond our control and rarely seem to work together.

What this highlights for rural property owners is the importance of careful, forward-thinking strategic management to deal with the issues that we do have some influence over, and to prepare as much as possible for those that we don't.

Over the following pages, I'm delighted to be able to share some of the ways that my colleagues in Knight Frank's rural property teams are helping their clients do just that.

For landowners in Scotland the independence referendum later this year offers the potential for seismic change.

On page 16 we interview two of the country's leading politicians from either side of the debate to get their views.

We always welcome any feedback you might have on The Rural Report, and I am very grateful to a reader for clarifying a point mentioned in our article on fracking in the last issue.

Although, as stated, it is true that a number of oil wells in the UK have already been fracked, this was of the vertical kind, rather than the more extensive, and controversial, horizontal fracking that will be required to exploit the country's shale-gas and oil.

I hope you enjoy this edition of The Rural Report. Please get in touch if we can help in any way. Our contacts are on the back page or you can use the postage-paid reply card if you prefer.



**James Del Mar**  
*Head of Rural Consultancy*

**Front Cover:** View across the Abbotswood Estate, Gloucestershire. More details page 08

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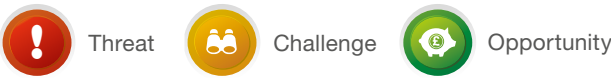
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# THE CRITICAL LIST


Knight Frank’s rural property experts highlight the key threats and opportunities that estate owners should be investigating now



## STRATEGIC PLANNING

### TAX CHANGES

The National Audit Office is increasingly casting its eye over some of the tax reliefs available to rural property owners like Agricultural Property Relief. Meanwhile, a Labour party special advisor has suggested even more radical taxation changes, including levying business rates on farmland. See page 18 for more on taxation issues.




**ACTION POINT:** Review your tax-planning measures to ensure they are not overly reliant on a limited number of tax reliefs

**James Del Mar**  
Head of Rural Consultancy

### INTEREST RATE RISE

Mark Carney, the Governor of the Bank of England, has indicated that interest rates will start to rise within the next 12 months, and possibly before the end of 2014. The expectation is that any rises will be gradual, but after such an unprecedented period of very low rates, even small increases could have a significant impact on the borrowing costs of rural businesses.



**ACTION POINT:** Stress test your business to assess how it will cope with various interest rate scenarios and take appropriate action to restructure your debt if necessary

**James Del Mar**  
Head of Rural Consultancy

## PLANNING

### AGRICULTURAL BUILDINGS

The government changed the planning system earlier this year to allow farm buildings to be converted directly to residential homes without the necessity to apply for full planning consent. Up to three residential units totalling 450 square metres are allowed, but there are still many hoops to jump through and the new permitted development rights do not apply in designated areas, such as National Parks and AONBs.



**ACTION POINT:** Review the development potential of your farm buildings

**James Carter-Brown**  
Building Consultancy

## POLITICS

### SCOTTISH LAND REFORM AND DEVOLUTION

Scottish estate owners may already be concerned about some of the latest land reform proposals, including a suggestion to cap the amount of land one individual can own, but the outcome of the referendum in September offers the potential for even more seismic change. Even if the vote is no, it seems highly likely that the Scottish parliament will be given more devolved powers. Hopefully the economic, social and environmental contribution of landed estates will be acknowledged, but it would be wise not to be complacent.



Read our interview with two leading Scottish politicians from either side of the independence campaign on page 16

## AGRICULTURE

### CAP REFORM GREENING

The vast majority of the outstanding details relating to the new greening requirements have now been released. The three-crop rule will be problematic for some arable units, especially those with contracting operations that use a block-cropping system, but the option to include hedges in Environmental Focus Areas (EFAs) is helpful. However, to avoid confusion, claimants should make sure farm or estate plans are updated to include any EFA features in their claims.



**ACTION POINT:** Calculate whether your current system complies with the new greening requirements and update farm plans if needed

**Michael McCullough**  
Mapping

### WATER ABSTRACTION REFORM

The government is reforming the water abstraction licencing system. Although it is widely accepted that the system does need updating and many of the proposals make sense, some, including the right to claw back unused abstraction rights without compensation, have caused concern within the farming sector. Any businesses that rely on water abstraction licences to irrigate their crops need to be aware of what the changes could mean for them.




**ACTION POINT:** Consider alternative irrigation options such as new reservoirs if you are likely to be adversely affected by the changes

**Alastair Paul**  
Estate Management, East Anglia

### AGRICULTURAL INVESTMENT ALLOWANCE HIKE

In this year’s Budget, Chancellor George Osborne temporarily doubled the Annual Investment Allowance (AIA) for businesses to £500,000. The increase, which could be beneficial to those setting up or expanding agricultural and other rural enterprises, will apply to spending on qualifying plant and machinery between 1 April 2014 and 31 Dec 2015.




**ACTION POINT:** Take advice on whether timing any capital expenditure to take advantage of the enhanced AIA would make sense for your business

**Percy Lawson**  
Estate & Farm Management

### €/£ EXCHANGE RATE

With the economy recovering and interest rate rises around the corner, the value of sterling is trending upwards against the euro. While this is good news for those travelling abroad and buying goods from overseas, it will have a negative impact on farm support payments, which are set in euros. It is possible to fix interest rates in advance.




**ACTION POINT:** Calculate the potential impact of exchange rates on your subsidy payments and take appropriate mitigation action

**James Del Mar**  
Head of Rural Consultancy

## RENEWABLE ENERGY

### SOLAR PV SUPPORT CUTS

If you are one of the increasing number of people concerned about large ground-mounted solar farms, you’ll be delighted that the government has recently announced plans to cut Renewable Obligation payments for schemes over 5MW (around 25 acres) and make gaining planning consent more difficult. If, on the other hand, you’re a landowner who was planning to install a large scheme, you may be ruining a missed opportunity. However, financial support in the shape of the Contracts for Difference scheme could still be available, so it is worth taking expert advice to see if you could qualify.




**ACTION POINT:** Assess whether renewable electricity can still make sense and act while some support remains

**Edward Holloway**  
Renewable Energy Consultant

### RENEWABLE HEAT PAYMENTS FOR HOMEOWNERS

The Renewable Heat Incentive was finally extended to domestic properties earlier this year. This means homeowners who generate heat from an eligible renewable source, such as a biomass boiler or ground-source heat pump, can now claim a payment for every unit of heat produced. Given the upward trend in conventional energy costs, this could be a big benefit to some estates, particularly those that have their own source of wood fuel.




**ACTION POINT:** Assess whether renewable heat could reduce your fuel bills

**Edward Holloway**  
Renewable Energy Consultant

### FRACKING TRESPASS CHANGE

The government remains undeterred by vociferous criticism of its plan to tap into the UK’s potential shale gas and shale oil reserves. The recent Queen’s speech included a proposal to amend legislation to allow fracking companies to drill under people’s land without their consent. As yet, there are no details of what safeguards will be put in place to protect landowners from future compensation claims related to the fracking activities carried out beneath their land.



**ACTION POINT:** Find out if you are in an area that could potentially be affected and consider your options

**Christopher Smith**  
Head of Energy

To find out more about the topics highlighted on these pages or any other rural property ownership issues, please do get in touch. The contact details for Knight Frank’s rural property teams are at the back of the report. For more regular updates you can follow Knight Frank’s rural blog at [www.knightfrankblog.com/ruralbulletin](http://www.knightfrankblog.com/ruralbulletin)



# LAND VALUES CONTINUE TO GAIN GROUND

Farmland markets across the UK remain firm as demand continues to outpace supply

The average value of English farmland rose by almost 3% in the second three months of 2014 to £7,517/acre, according to the latest results from Knight Frank's Farmland Index.

During the past 12 months values have increased on average by 17% and over the past 10 years by 208%. This compares with 254% for gold, 135% for prime residential property in central London, 51% for the FTSE 100, and just 25% for average UK house prices.

Availability remains limited. So far around 17% fewer acres have been advertised publicly for sale this year, according to the Farmers Weekly Land Tracker Index.

At the same time, demand continues to be buoyant, particularly from investors. "Potentially there could be more pension fund and institutional buyers in the market," confirms Tom Raynham, Head of Knight Frank's Agricultural Investment team. "There are some good deals happening off market."

Investors are becoming more savvy and better advised, adds Tom.

**England Farmland 10-year capital growth vs other assets**  
Source: Knight Frank Rural Research

| Asset Class                      | 2004 Q2 | 2006 Q2 | 2008 Q2 | 2010 Q2 | 2012 Q2 | 2014 Q2 |
|----------------------------------|---------|---------|---------|---------|---------|---------|
| Gold                             | 100     | 150     | 250     | 400     | 480     | 500     |
| FTSE 100                         | 100     | 100     | 100     | 100     | 100     | 100     |
| UK house prices                  | 100     | 120     | 150     | 180     | 200     | 220     |
| English farmland                 | 100     | 150     | 200     | 250     | 300     | 350     |
| Prime central London residential | 100     | 150     | 200     | 250     | 300     | 350     |

"Their knowledge of farming systems is growing. They are looking for opportunities where they can increase agricultural productivity and returns, rather than just purchasing land let under long-term agricultural tenancies, which has been the traditional investment target."

James Prewett, Head of Regional Farms, says farmers are also becoming more active. "They took a bit of a pause for breath at the beginning of the year when values rose quite sharply, but now the market seems to have settled into a rhythm and their confidence has returned."

However, there are still massive variations around the country, points out James. "I think values have plateaued in some areas, while there is room for more growth in others." Overall, the Knight Frank Farmland Index predicts further rises of around 6% over the next 12 months.

In Scotland, the average value of 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."

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### Type of Land

- Arable
- Pasture
- Hill

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  - 11 Edinburgh
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  - 17 Henley\*
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  - 20 Hungerford
  - 21 Kingham
  - 22 Lauder
  - 23 London †
  - 24 Oxford
  - 25 Sevenoaks
  - 26 Sherborne
  - 27 Stratford-upon-Avon
  - 28 Stow-on-the-Wold
  - 29 Tunbridge Wells
  - 30 Virginia Water
  - 31 Winchester
  - 32 Worcester
- \* Also provides a lettings service  
† Over 20 offices across Central London offering sales and lettings

## TYPICAL UK FARMLAND VALUES £/ACRE





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.

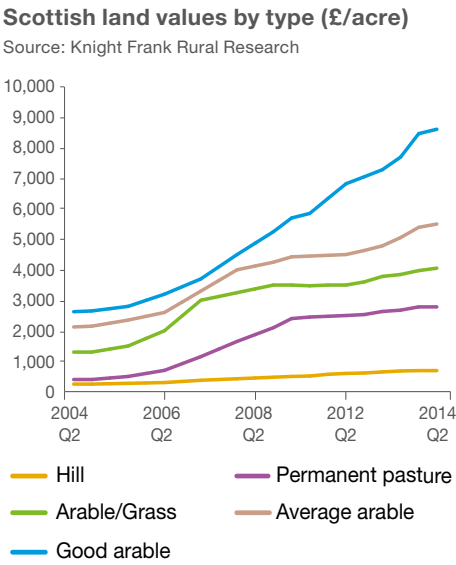
Although a truly stunning sporting and upland farming business, the estate’s potential to generate hydroelectricity was one of the main reasons for the purchase, explains Ran Morgan, Head of Knight Frank’s Edinburgh office.

“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 from outside Scotland.”

Traditionally, Scotland’s land market is more active in the second half of the year, so the next six month 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 after the referendum because they have underestimated the current level of demand, so I am not expecting a huge amount to come to the market this summer,” says James.



# PROPERTY HIGHLIGHTS

The Knight Frank Farms & Estates team sells a diverse range of rural property across Britain that appeals to all types of buyers, from investors to overseas lifestyle purchasers. The properties on these pages provide a snapshot of what is currently available



## Historic quintessential Cotswold Estate

The Abbotswood Estate, near Stow-on-the Wold, Gloucestershire, is the most significant estate sale of 2014 so far, says Clive Hopkins, Head of Farms & Estates. It offers the opportunity to acquire a stunning country house set in renowned gardens and surrounded by 774 acres of the Cotswold’s most beautiful countryside and landscaped parkland.

A former home of tractor icon Harry Ferguson, the estate is being sold by its American owners who bought Abbotswood in 1970. “It is magical, a place where time stands still,” the owners say.

The estate includes a main house remodelled by Sir Edwin Lutyens as well as two entrance lodges and 11 farmhouses and cottages.

For the sporting enthusiast there is fishing for wild brown trout on the River Dikler and also the potential to create a pheasant and partridge shoot.

**Abbotswood** is for sale with a guide price of £27m to £30m  
For more details please contact:  
**Clive Hopkins on 020 7861 1064**

## Agricultural investment opportunity

A number of development opportunities, in addition to its agricultural credentials, means 483-acre Mill Farm, at Mollington, near Banbury, Oxfordshire, is likely to appeal to a wide range of buyers.

Lotted separately with a pair of semi-detached brick cottages, an extensive range of modern portal-framed buildings, which provides 2,500 tons of grain storage, has planning permission for conversion to 7,500 sq ft of light industrial storage space, while a range of traditional buildings has consent for three residential units.

The well-maintained and productive Grade III farmland is split into three lots ranging from 112 acres to 247 acres. Potatoes have been grown on the largest lot in recent years.

**Mill Farm** is for sale as a whole or in four lots with a guide price of £5.25m

For more details please contact:  
**James Prewett on 01285 659 711**



## Compact Borders farming estate

Teviot Bank, an eight-bedroomed country house, designed by architect William Burn, lies at the centre of this attractive 266-acre estate in the heart of the Scottish Borders, near Denholm, Roxburghshire.

Surrounding the house is Knowetownhead, a productive arable and grass farm that includes a good set of modern and traditional buildings. There is planning consent to convert the buildings into two residential units, while the land is available separately in 53-acre and 148-acre blocks.

The estate also includes three cottages and trout fishing on the River Teviot.

**Teviot Bank** is for sale as a whole or in five lots with a guide price in excess of £2.95m

For more details please contact:  
**James Denne on 01578 722 814**



## THE BEST OF THE REST

A selection of other properties for sale or recently sold.

**Shakenhurst**  
A quintessential English sporting and farming estate  
**Acreage:** 1,324  
**Guide price:** £16m  
**Status:** Sold

**Freelands Farm**  
A beautiful and well-located Cotswold estate  
**Acreage:** 1,023  
**Guide price:** £5.75m  
**Status:** Sold

**Suffolk estate**  
Residential, sporting and agricultural estate  
**Acreage:** In excess of 1,500  
**Guide price:** In excess of £20m  
**Status:** Sold privately

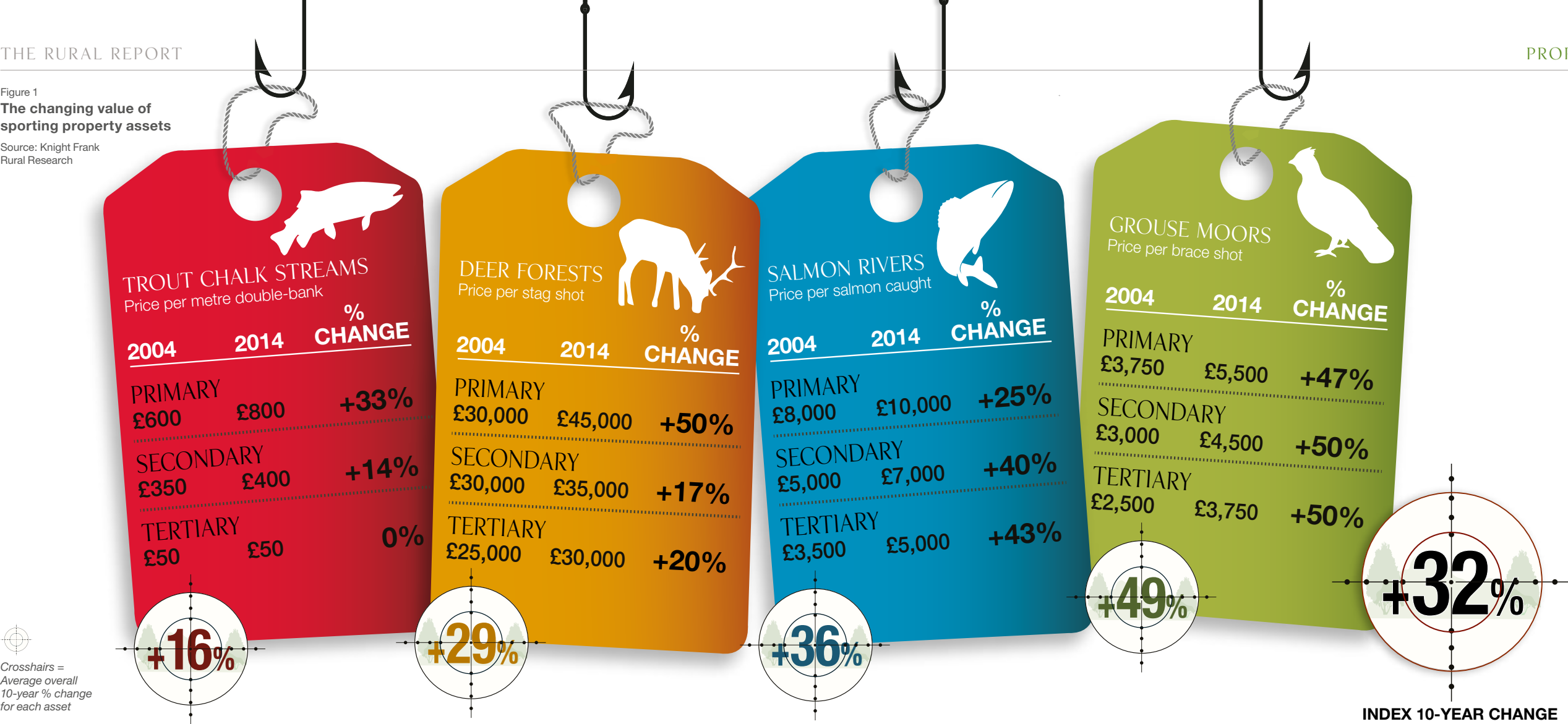
**Martley Hall**  
Beautifully renovated and moated period house in 200 acres of pasture  
**Acreage:** 222  
**Guide price:** £6m  
**Status:** Sold

**Hampton Court**  
An historic Herefordshire country estate  
**Acreage:** 935  
**Guide price:** £12m  
**Status:** Available

**Cilldara**  
Stunning Cotswold farm with excellent equestrian facilities  
**Acreage:** 237  
**Guide price:** £4.5m  
**Status:** Available



Figure 1  
The changing value of sporting property assets  
Source: Knight Frank Rural Research



# RIVER DEEP, MOUNTAIN HIGH

Knight Frank’s new Sporting Property Index tracks the 10-year change in the value of rivers, moors and deer forests. The Rural Report looks at the headlines

Words: Andrew Shirley

The average value of the assets tracked by our new Sporting Property Index has increased by 32% over the past 10 years (Figure 1) with grouse moors showing the greatest rise (+49%).

Although this may not sound high when compared with some of the other property classes mentioned elsewhere in The Rural Report, such as farmland, it is actually evidence of a very robust market, says Clive Hopkins.

“We had a ripper of a recession that tore the heart out of the market in 2008 and 2009. The first thing that suffers during an economic crisis is this kind of very expensive and very discretionary purchase. The fact that growth is positive at all shows how resilient an asset a specialist sporting estate is,” explains Clive, who heads up Knight Frank’s Farms & Estates department.

An analysis of salmon river sales in Scotland by Michael Ireland of our Valuations team

(Figure 2), backs this up. It reveals how the market dipped sharply after the onset of the global financial crisis and then recovered over the following years.

The index includes four iconic assets: salmon rivers, trout chalk streams, grouse moors and Scottish Red deer stalking estates, also known as deer forests. Pheasant and partridge shoots are not included because their value is determined by many factors aside from their sporting potential.

To reflect their diverse nature and levels of desirability, each asset is also split into three broad categories – primary, secondary and tertiary.

The primary category includes “trophy” properties – the ones that if money were no object any sportsman would want to own.

In terms of chalk streams, these would include the best double-bank beats on the

Test and Itchen. For salmon, the best spots on the east-coast rivers the Spey, Dee, Tweed and Tay are most sought-after.

Although personal preferences will vary widely, the moors of the North Pennines offer arguably the best topographical and climatic conditions for grouse shooting. However, the historic level of investment is also crucial.

The most desirable deer forests will be those with exhilarating scenery, where the stalking is largely uninterrupted by other land uses and a sense of isolation is balanced by good transport links. West-coast estates with views over the sea are highly regarded.

Because very few of these trophy properties ever come up for sale predicting their value is difficult. If, for example, The Junction Pool on the Tweed, probably the most famous salmon fishing beat in the world, was ever put up for sale, it would make far more than £10,000 per fish.

Secondary properties still provide very good sport, but are less renowned. This could include the Kennet, Lambourn or Avon for trout fishing and salmon rivers, such as the Findhorn and Oykel.

Tertiary properties might lower bags and catches and may be in less accessible locations, but their lower price tags make them attractive to individuals looking for family fun or syndicates of friends.

Apart from trout rivers, which are historically sold on a per metre or yard basis and in some cases are artificially stocked with fish, values are traditionally measured based on a property’s sporting “productivity” over a period of time, rather than its actual size or length.

So, for grouse moors, the asking price will depend on the average number of brace of birds shot each year multiplied by the value per brace. Because weather conditions and other issues, such as disease incidence, mean bag or catch numbers can change markedly from season to season, a five or 10-year average is used.

Although our index shows the overall value of a brace of grouse has risen by 49% over the past 10 years, the total increase in value of a well-managed and heavily invested moor may be

significantly higher because greater numbers of birds are being shot each year.

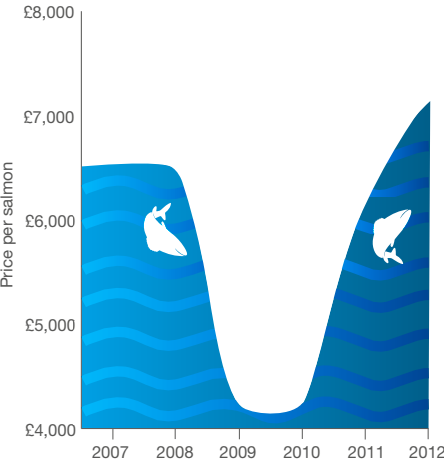
Looking forward, we expect prices to continue growing on the back of continued demand. The question currently being asked by many concerns the outlook for Scottish estates. “Once we know the result of the independence referendum and the outcome of the land reform process, things will be clearer,” says Ran Morgan, Head of Knight Frank’s Edinburgh office.

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Figure 2  
Average value of Scottish salmon river sales  
Source: Knight Frank Rural Research



## A GOOD CATCH

A selection of sporting property for sale across the UK

### The Beresford Fishery, Derbyshire

An historic stretch of the River Dove with about three miles of wild trout double-bank fishing split into three beats.

Guide price: £450,000  
[jonathan.bengough@knightfrank.com](mailto:jonathan.bengough@knightfrank.com)

### The Caron Estate, Ceredigion

Almost 11,000 acres of sporting, mineral and manorial rights with 1,975 acres of freehold land. Includes four miles of single-bank fishing on the River Towy.

Offers over: £600,000  
[james.prewett@knightfrank.com](mailto:james.prewett@knightfrank.com)

### Damerham Fisheries, Hampshire

A stillwater trout-fishing enterprise in the scenic Allen River valley that includes three miles of bank fishing and one mile of natural chalk stream. Joint agent FennWright.

Guide price: £1.8m  
[james.prewett@knightfrank.com](mailto:james.prewett@knightfrank.com)

### Finnart Lodge, Perth & Kinross

A spectacular loch-side house set in eight acres with 300m of water frontage. Includes fishing rights on Loch Rannoch where Ferox Brown trout up to 14lb are caught.

Offers over £1.35m  
[ran.morgan@knightfrank.com](mailto:ran.morgan@knightfrank.com)

### The Mill House, Wiltshire

A stunning former mill on the banks of the River Wyle. Includes fishing rights on the river and mill stream where good-sized trout and grayling can be caught.

Guide price: £1.85m  
[andrew.rome@knightfrank.com](mailto:andrew.rome@knightfrank.com)



# STEAK AND CHIPS

The Rural Report finds out how a range of enterprises managed by Knight Frank’s Paddy Hoare are boosting the amenity, environmental and economic potential of a Cotswold farm

Words: Andrew Shirley  
Main image: Heather Gunn

Arriving at Fir Farm, surrounded by rolling Cotswold countryside, I find Knight Frank’s Paddy Hoare and farm manager Donald Bennett deep in conversation by a huge mountain of freshly produced woodchip.

Ankle deep in chippings, the two are discussing the intricacies of chip size and moisture content. This hands-on approach and attention to detail is typical of Paddy’s relationship with his clients, who include a host of the Cotswolds’ most high-profile estate owners.

“It is very rewarding to work at all levels of a project, from the strategic estate-planning level down to the delivery and operation, bringing in outside expertise where necessary,” says Paddy, who heads up the Cotswold office of Knight Frank’s Rural Consultancy department, at Kingham, near Stow-on-the-Wold.

“In the Cotswolds, people’s estates are very much their homes, as opposed to out-and-out commercial enterprises, and that is reflected in how they want them managed and the diverse nature of the services that they require,” he adds.

The wood-chip operation at Fir Farm, which is home to the Parker family, is the latest diversification project to be masterminded by Paddy.

“It ties in very well with a number of the environmental and amenity things we are trying to achieve as part of the long-term master plan for the farm, and also reflects the growing interest in renewable energy, particularly now that the Renewable Heat Incentive is available for homeowners as well as businesses,” he explains.

Currently, timber for the project is brought in from surrounding farms and estates, but the long-term aim is for it to be self-



Paddy Hoare (left) discusses woodchip with farm manager Donald Bennett. Inset: Some of the farm’s polled Hereford bulls

sufficient using thinnings and other waste products from the 180,000 or so trees that have been planted on the farm to create 45-acres of traditional broad-leaved woodland.

A biomass boiler being installed on the farm will use some of the chips, but the business also supplies a number of neighbouring landowners including Blur bass player turned cheese-maker Alex James.

“The idea originally came out of our own requirements, but by taking it to the next level we’ve created a business that will actually be profitable in its own right,” says Paddy.

Because the farm was a former dairy unit, there were a lot of redundant buildings including concrete silage clamps that

weren’t being used to their full potential, but would have been very expensive to dismantle, he adds.

“With the addition of some cladding and a roof that I designed, two of the silage clamps make excellent storage and chipping locations. We have the capacity to store about 150 tonnes of woodchips.”

A large range of barns that formerly housed the cow cubicles is now the winter home to another of the farm’s new enterprises overseen by Paddy – a herd of polled Hereford cattle.

In 2013, having decided that the recently acquired meadows around the River Dikler, which flows through the 600-acre farm, could form the basis for a grass-fed beef enterprise, Paddy and Jane Parker went to

look at some cattle with a view to buying a small number of them to get the scheme started.

“It is very rewarding to work at all levels of a project, from the strategic estate-planning level down to the delivery and operation.”

In the end, advised by Mike Caunter, who manages local farmer and Country File presenter Adam Henson’s Cotswold Farm Park livestock operations, they came back with the entire herd of almost 180 cows.

“It was too good an opportunity to miss,” recounts Paddy. “This was a herd that

had been built up using the best genetics over 50 years.”

A number of young bulls have already been sold as breeding stock, which is the primary objective, but once the herd is established the plan is to sell and market the meat under the estate’s own label,” says Paddy. “I never expected that I’d end up helping a client to sell steak and chips,” he laughs.

As with the woodchip scheme, the aim is to integrate the beef initiative into the rest of the farms’s enterprises as closely as possible. “The animals spend as much time outside on the grass as the weather allows, but when they are inside we feed them on barley grown on the farm and the pulp from our oilseed rape after it has been pressed locally for its oil.”

Just before I leave Fir Farm, Paddy says his next job is to finalise the plans for a new stable yard and equestrian centre, which he has designed himself, for another client. After that he’ll be advising another landowner thinking of acquiring an estate in the area.

If he does decide to buy, Paddy will undoubtedly have plenty of new ideas to help him make the most of his new home. “He really has played an an indispensable and integral role helping us to create a commercial but sustainable farm we are very proud of, and which gives us a huge amount of pleasure,” says Mrs Parker.

To help realise the economic and amenity potential of your estate please contact [paddy.hoare@knightfrank.com](mailto:paddy.hoare@knightfrank.com) 01608 737 057





James Del Mar (left) and client Andrew Preece look along the proposed route of HS2 where it cuts through Mr Preece's farm. James has successfully negotiated with the government to buy the farm via a Statutory Blight claim.

# THE NEGOTIATORS

If all or part of your land is set to be compulsorily purchased for a railway, road or pipeline, Knight Frank's experts will negotiate on your behalf to ensure you are fully and properly compensated

Words: Andrew Shirley Image: Jonathan Little

With the help of Knight Frank, Andrew and Caroline Preece have just sold their picturesque 81-acre farm near Great Missenden, in south Buckinghamshire, for what they consider to be a fair price.

But it wasn't the fantastic views of the Chilterns, the lovely Grade 2 listed house or even the wide range of equestrian facilities on offer that tempted the new owner. And the Preeces certainly weren't selling for the usual reasons people tend to move home.

The purchaser was, in fact, the government, and the Preeces are moving because part of their property will be required to build the first phase of HS2, the controversial £50bn high-speed rail line that will initially run between London and Birmingham, before heading on to Leeds and Manchester.

Although HS2 is currently grabbing all the media headlines, a general increase in infrastructure spending and upgrades by the government and utility companies is affecting landowners across the country.

"HS2 is an extreme case because of the number of properties and the amount of land involved, but there is a good chance that most farms or estates will at some stage be involved with compensation negotiations in one form or another, points out James Del Mar, Head of Knight Frank's Rural Consultancy department.

### Principles

"And whether you receive a Compulsory Purchase Order (CPO) requiring you to sell your entire farm or just allow a gas pipeline

to cross your estate, the principle remains the same – you deserve to receive the best professional advice and be fairly compensated," he adds.

The overriding tenet of the compensation system is equivalence, that is to say the compensation received should not put somebody in a better or worse situation than they were before. Obviously, however, what that entails is open to interpretation so having a good negotiator to argue your case and make sure you don't lose out is vital.

The main areas that a statutory compensation claim will cover are:

- **The value of the property taken** – this can include future development potential and marriage value
- **Severance and injurious affection** – this applies where not all of a property is taken and covers the diminution in the value of the retained land or business, for example if a field is cut in half by a road

- **Disturbance** – this covers matters like moving and relocation costs, as well as crop loss and damage
- **Professional fees**
- **Home loss payment** – 10% of the value of your home up to £47,000
- **Basic loss payment** – 7.5% of the value of business premises up to £75,000
- **Betterment** – if the scheme in some way increases the value of any retained property, by adding development potential, for example, this will be deducted from the value of the claim

"Compensation legislation is very complex and often quite archaic. Valuations and severance and injurious affection claims also become much more complicated

## COMPENSATION WHERE NO LAND IS REQUIRED

Large infrastructure projects such as railways, airports or roads invariably affect many more people than just those whose property is actually required to build the scheme. Local property markets can suffer, while the amenity value of nearby houses could be affected by the likes of noise, vibrations and light.

The statutory compensation available under such circumstances is limited and

considered by many of those affected to be inadequate. Claims for general blight, known as Part 1 claims, can usually only be made one year and one day after the scheme in question becomes operational. Even then there are tight definitions about what can be claimed. Claims can only cover physical factors such as noise, smell, vibration, fumes and light, not, for example, the loss of the view from a property.

when rural properties and businesses, which all tend to be unique, are involved," says James, who has worked on a number of significant infrastructure projects, including HS1 (the Channel Tunnel rail link) and Stansted Airport, as well as running Knight Frank's HS2 team, which is acting for 450 property owners affected by HS2.

### Reasonable costs

In any case, the body acquiring your land will have to pay for the cost of any reasonable professional advice so there really is no need to go through what can often be quite a protracted and involved process on your own," he says.

"The advice, understanding and sympathy we received from James helped us to make a clear decision about what was our best course of action, and ensured that the claim process itself was as stress-free as it could be, given the circumstances," confirms Andrew Preece.

In-depth knowledge of local property markets, backed up with convincing evidence, is vital, to ensure fair compensation, says Alastair Paul, another of Knight Frank's compensation experts, who has just acted for seven landowners in Kent affected by a new water main.

"For example, not everybody is aware just how strong the farmland market is these days. I had to "rescue" one person who was preparing to settle his claim for £4,000/acre. In the end we were achieving around £13,000 to £14,000/acre."

In another case, rural consultant Edward Dixon, of our Bristol office, managed to increase a utility company's offer of compensation from £1,100 to £22,500 because the work required a string of expensive polo ponies to be relocated during the project.

"Often no amount of monetary compensation can make up for the heartache of losing a farm or house, but if I can ensure my clients receive proper compensation, avoid as much of the stress as possible and are in a position where they are able to move on and build a new life, then I feel I've done my job," says James.

For more information on compulsory purchase and other compensation matters please contact [james.del.mar@knightfrank.com](mailto:james.del.mar@knightfrank.com) 01488 688 507

In the case of very large projects like HS2, which won't be operational for many years and are likely to be political hot potatoes, the government will often introduce extra discretionary schemes to soften the blow.

For more on the various HS2 discretionary compensation schemes go to: [www.knightfrankblog.com/ruralbulletin](http://www.knightfrankblog.com/ruralbulletin)



# SHOULD WE STAY OR SHOULD WE GO?

With the referendum on Scottish independence less than eight weeks away, The Rural Report quizzes two of the country's leading politicians from opposing sides of the arguments on the implications for landowners

Illustration: Liam O'Farrell

**RURAL REPORT** How important do you feel the contribution of Scotland's landed estates is to the economy of the country?

**RUTH DAVIDSON** There are countless examples of well-run estates benefitting local communities. Landed estates provide employment, which is especially important where few alternatives exist. They are almost entirely responsible for preserving traditional employment, such as game keeping, which could disappear without the support of the estates.

**PAUL WHEELHOUSE** The owners, tenants and estate workers on Scotland's crofts, farms, forests and estates each play a vital role in helping to support the vitality of their local communities and, in aggregate, the economy of Scotland as a whole. There are many estates, whether private sector, public or community owned, that are exemplary and which make very valuable contributions to the local economy through reinvesting profits

and sourcing supplies locally, and providing good employment and engagement with their communities. However, others do not play as positive a role as they might.

**RR** Do the owners of these estates have anything to fear from a yes vote in the referendum?

**RD** I think so. The current political climate in the Scottish Parliament suggests that both the SNP and Labour are not instinctively comfortable with the ideal of private ownership. This could be exacerbated in the event of a vote for independence.

**PW** No. Independence will make Scotland a more vibrant country, with a more robust economy. It will provide the people of Scotland the opportunity to shape policies to realise our full economic potential and this will benefit Scotland's rural economy substantially.

**RR** What do you think the biggest impact (positive or negative) of independence would be for estate and farm owners?

**RD** I cannot see any positive impact separation would bring to estate and farm owners. The Scottish Government already has most of the powers that it requires to address issues of a rural/environmental nature. Issues of main concern to many land owners include the introduction of a land tax, Absolute Right to Buy, and the extension of community right to buy. These issues are equally relevant in the current devolved settlement, but independence would only serve to exacerbate them.

**PW** An independent Scotland would be able to negotiate a CAP deal that is in tune with Scotland's needs to the great benefit of our rural communities. In terms of the CAP budget, for example,

if Scotland had already been independent we would have received an additional €1bn of direct support during the most recent CAP talks. And, as an independent EU member state in our own right, we believe we could have secured an extra €2.5bn in rural development.

**RR** The recent report from the Land Reform Review Group (LRRG) recommended a maximum limit on the amount of property that could be owned by a single individual in Scotland. In a democracy is that a fair or sensible option?

**RD** This is ideological rather than practical and I disagree with it. We do not believe you can reasonably limit the ownership of land, either by an individual or another entity.

**PW** The limit on how much land one person can own is an important question for society, is there a point at which the scale of ownership becomes an issue for society as a whole? Other western European countries have tackled this question and found solutions. I don't think many fair minded people would have designed a system from scratch that, on some measures, sees approximately half the private land in Scotland owned by just 0.008% of the population.

**RR** Do you think we will eventually see the absolute right to buy (ARTB) for tenants introduced in Scotland and would that be a good thing?

**RD** There is a distinct possibility that it could be introduced for 1991 tenancies, which could only lead to further calls to extend the scope of ARTB. We do not believe it is a good thing. An inevitable consequence of ARTB is a reduction of the amount of land people will be willing to let, and therefore it will be harder for new entrants to get into farming.

**PW** Richard Lochhead, the Cabinet Secretary for Rural Affairs and the Environment, is currently chairing the Agricultural Holdings Legislation Review Group. The final report will be published before the end of the year and the Cabinet Secretary will take a decision on the way forward thereafter.

**RR** How close do you think the referendum vote will be?

**RD** I hope the margin will be as wide as possible in favour of a No vote. I want Scotland to have her say and move on,

so that we can get back to addressing some of the big issues in our country like health, education and crime. If the margin is narrow, I fear the SNP won't accept the result and will agitate for another referendum shortly after. I don't want to be back here in five years' time.

**PW** I believe that the people of Scotland will judge that Scotland needs the full basket of powers that are only available through voting Yes, to make our economy more competitive, to make it more dynamic and to use the economic power, ingenuity and talent of our people to tackle some of the deep-seated social problems we face. This is a great opportunity for Scotland and one I believe rural and urban voters will opt to seize with both hands.

For more of Ruth Davidson's and Paul Whitehouse's views, including their messages to landowners thinking of leaving Scotland, read the full interview at [www.knightfrankblog.com/ruralbulletin](http://www.knightfrankblog.com/ruralbulletin)



## OUR PROTAGONISTS

### RUTH DAVIDSON

Ruth Davidson is the leader of the Scottish Conservatives and is the Conservative MSP for Glasgow

### PAUL WHEELHOUSE

Paul Wheelhouse is the minister for Environment and Climate Change in the Scottish Parliament. He is the Scottish National Party MSP for South Scotland

If you need advice on the sale or acquisition of Scottish farms or estates please contact [ran.morgan@knightfrank.com](mailto:ran.morgan@knightfrank.com) 0131 222 9600



# TAX RELIEFS IN THE SPOTLIGHT



### Tom Barrow rounds up the latest rural property taxation issues

At the moment it seems that barely a week can go by without some kind of tax issue relevant to rural property owners raising its head.

With the next General Election less than a year away, that is partly to be expected as each party sets out its stall. The Labour party, for example, was quick to deny recently that leaked proposals from one of its special advisors to implement business rates on agricultural land and buildings was official policy, but it shows the current political mind set.

In Scotland, the latest report from the Land Reform Review Group also mooted extending the rates system to cover agricultural and sporting properties, as well as questioning some of the tax reliefs available to farm and estate owners.

So far, the coalition itself has not publicly suggested anything as radical, but in the background questions are clearly being asked about tax reliefs in general and whether they can be justified.

According to a report published by the National Audit Office earlier this year, there were 1,128 tax reliefs available as of December 2013. Interestingly, the report made specific reference to the use of Business Property Relief (BPR) and Agricultural Property Relief (APR) as two of the “tax expenditures” that commonly reduce or remove liability to Inheritance Tax (IHT).

Although the report helpfully acknowledged the purpose of these reliefs – “to ensure that family businesses do not have to be broken up” – it also tellingly mentioned that the cost of the reliefs had actually risen faster than the amount of IHT collected, as well as noting: “The reliefs are regularly cited by firms that undertake tax planning as ways of reducing inheritance tax that are relatively easy to use.”

To my mind this definitely suggests that even if the reliefs themselves are not being questioned, there is a feeling that they are not necessarily being used for the purposes they were intended for. Any estates planning to use APR or BPR as part of their tax-planning strategies need to consider carefully taking advice as to what that might mean for them.

But it’s not just IHT that rural property owners need to keep an eye on.

The government is also planning to tighten up the rules on which of a person’s homes can qualify for Principal Private Residence (PPR) relief from Capital Gains Tax (CGT).

One of the suggestions is to remove the ability to nominate which property you would like to qualify for the relief and use instead a set formula, possibly based on the time spent at each property. In theory, if the legislation is badly worded, that could unfairly hit somebody who owns a large family home in the country, but spends the week working in London staying in a pied-à-terre.

In his last Budget Chancellor George Osborne also announced that he was expanding the scope of the Annual Tax on Enveloped Dwellings (ATED), which I discussed on this page 12 months ago.

The yearly charge and CGT levy on residential property owned by corporations and other “non-natural” persons will apply to homes worth over £1m from April next year, and on homes worth more than £500,000 from April 2016. At present, it only applies to properties worth over £2m. Genuine farmhouses will be exempt, but some estates that have been incorporated could be affected.

In addition, the sale of property owned by people living overseas will fall within the scope of CGT from April next year (on any gains arising from that point), another issue to consider for many of my clients and their advisors.

And, of course, depending on who wins the General Election, we still have the spectre of the “Mansion Tax” being applied to properties worth over £2m looming over us. Because this threshold has remained the same since the idea was first proposed by the Liberal Democrats in 2009, many more houses will would be drawn into the net.

Knowing the value of what you own and how that value is split across your various assets will be a vital first step in planning for any of the tax matters I have just discussed. And if you ever do find yourself in conflict with the tax man, a professional valuation backed up by sound evidence could make all the difference in deciding who wins the day.

**Tom Barrow** is Head of Country Valuations at Knight Frank. For more information contact: [tom.barrow@knightfrank.com](mailto:tom.barrow@knightfrank.com) or 020 7861 1438

# OUR TEAM

Knight Frank can advise on all aspects of rural property ownership. Its principal service lines and the relevant contacts are listed below. Further details are available on our website at [KnightFrank.co.uk/rural](http://KnightFrank.co.uk/rural)

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WHETHER YOU NEED A DETAILED LAND USE MAP



OR WOULD LIKE TO CHECK  
THE POSITION OF YOUR BOUNDARIES



KNIGHT FRANK'S MAPPING TEAM  
IS PERFECTLY PLACED TO HELP

## KNIGHT FRANK KNOWS MAPPING

Michael McCullough, Head of Knight Frank's Mapping team, has created bespoke plans for many of the UK's leading farms and estates.

To discover how Michael and his team can help you make the most of your property and protect your assets, please contact:

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