THE RURAL REPORT

A UNIQUE GUIDE TO THE ISSUES THAT MATTER TO LANDOWNERS

2019

Issues and insights
Challenges and opportunities

Rural property markets
Latest research and analysis

Working for you
Adding value for our clients

Contents

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Welcome to the 2019 edition of *The Rural Report*

Our dedicated magazine for rural property owners and businesses

ROSS MURRAY
Chairman,
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By now we should have been helping our clients drive their businesses forward in a more certain political environment, making the most of the opportunities presented by Brexit and navigating the challenges.

Our politicians, to be frank, have let us down. The situation in which we all have to operate seems, if anything, even more febrile than it was 12 months ago. As a consequence, sales have been delayed – see pages 20–22 for more on the farmland market – and some investment decisions postponed.

The results of our Rural Sentiment Survey on pages 16–18 provide a clear view of what our clients think of the situation – in short, not a great deal! But they also show that in general terms the furore around the botched EU withdrawal discussions has been an annoying distraction for the rural community, rather than creating widespread and significant financial impact.

Looking beyond the uncertainty is crucial for rural property owners. Ours is a very long game. As our analysis on pages 6–7 makes clear, it is becoming apparent that the environment and climate change are now the prime drivers of government policy. Inevitably, agriculture will be one of the industries to be most affected, with potentially profound changes to land use over the next 30 years.

But rather than viewing this as a threat we should embrace the opportunities for change. Throughout this edition of *The Rural Report* we look at innovative businesses planning for the future, whether it's the Burrell family rewilding the Knepp Castle Estate – Andrew Shirley's interview from page 8 is genuinely thought provoking – or a Leicestershire farmer, profiled on page 39, tapping into the growing demand for meat with impeccable provenance.

With so much entrepreneurialism being unleashed in the UK countryside we remain thoroughly excited about working with some of the country's most forward-looking rural landowners.

At Knight Frank we are fortunate to have such a diverse range of clients, whose energy and enthusiasm make all our jobs extremely rewarding. In return, our wide-ranging insight and expertise provides rural property owners with the intelligence and connections that they need to create the best long-term strategies for their businesses. Our residential development focus on pages 32–33 is a perfect example.

It feels very much as if we are at a unique point in time. The status quo is no more. We'd be delighted to help you to take advantage of that. If we, or any of our colleagues, can help please do get in touch. You will find all our contacts on page 50.

Ross Murray Clive Hopkins

THE RURAL REPORT

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Issues & insights

A guide to the challenges and opportunities facing rural landowners

IN THIS SECTION

Green revolution

Andrew Shirley looks beyond Brexit to the bigger challenge facing farmers and landowners

My opening paragraph on this page in the 2018 edition of *The Rural Report*, which included the words "our departure date [from the EU] is set in stone", makes for uncomfortable reading now.

Probably best then, that I steer clear of Brexit predictions. Perhaps the only thing that can be stated with confidence is that we could all do without another 12 months of uncertainty. This year, thankfully, my colleague Ross Murray, Chairman of our Rural Asset Management team, has taken on the mantle. For his sage views on where we might be heading, see opposite.

Instead, I would like to touch on a trend that, I believe, is going to have a far more significant impact on land managers than leaving the EU: the growing influence of climate change and environmental thinking on government policy and public attitudes.

Of course, government papers on the environment are not new. Sir John Lawton's report *Making Space for Nature* published by Defra in 2010 clearly identified that the amount of land given over to nature in the UK was insufficient and too fragmented.

Previous Defra ministers may have lauded such reports – although Owen Paterson was famously derisive of the "green blob" – but Michael Gove is the first politician with the clout and conviction to really put the environment at the heart of his policy-making. Indeed, the first annual progress report on his 25-year Environment Plan, launched just last January, was published in May this year.

Now, though, it seems momentum is really starting to build. It feels as if we are in a period of seismic shifts rather than gradual incremental change.

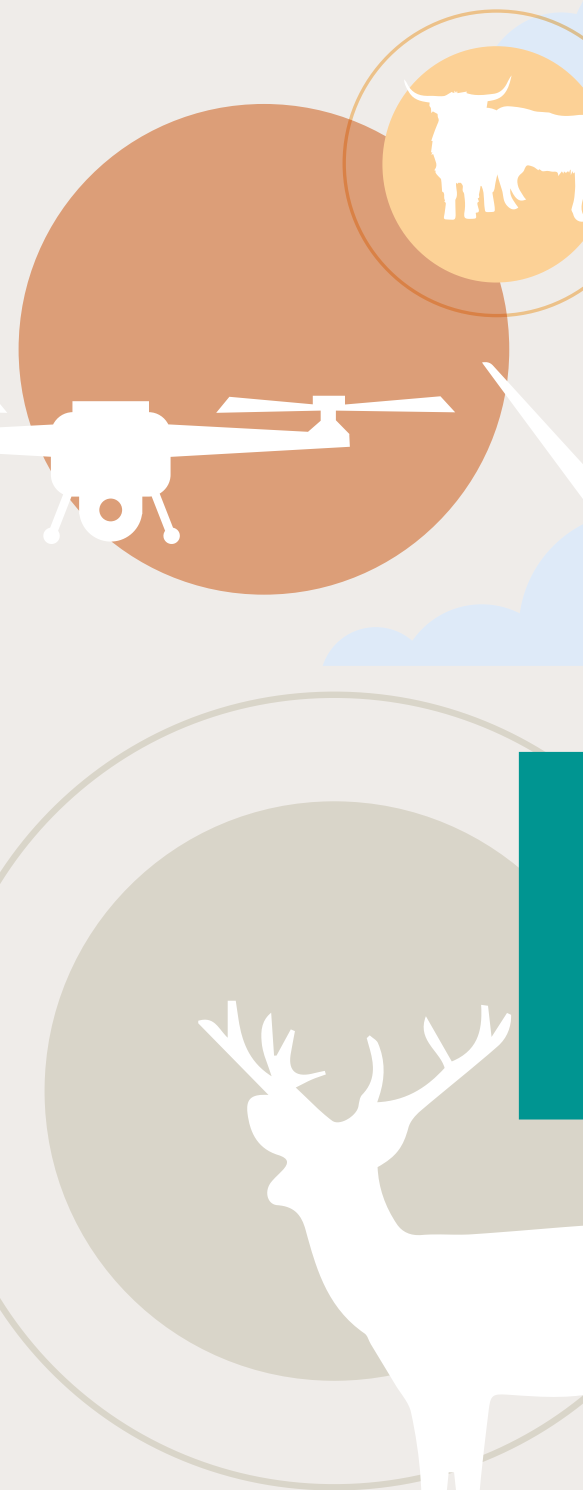
Agriculture is also much more on the front line of the climate change debate now. The recently released report from the government's Committee on Climate Change – which called for carbon emissions to be cut to zero by 2050 – ruffled a lot of feathers by recommending that the UK should have less livestock and that we should all eat less meat.

Given that 65% of the UK's countryside is dedicated to livestock production and that animals are a vital part of the establishment of more wild spaces as demanded by environmentalists, there is a clear conflict here. The science behind the report also glosses over the carbon sequestration capacity of grassland and the fact that grass-fed livestock emits lower levels of greenhouse gases.

Campaigning environmentalism is nothing new. But the speed with which pressure groups can now directly influence the way farms and estates operate is growing. Natural England's revocation of the general licences used to permit the control of certain bird species with just a few days' notice is just one example.

In the uplands grouse moors and stalking estates are a current battlefield, with their critics become increasingly strident. But one expert we talk to suggests there could be a middle ground (page 42).

Pressure on regulators is also delivering significant change. The widely used weedkiller



glyphosate hangs on by the skin of its teeth – although Donald Trump has just declared it safe – and other chemicals will surely follow neonicotinoids on to the banned list. A farmer lamented to me recently that of his 160 hectares of rape, flea beetle had spared only five. Nothing can be taken for granted.

All of the above combines into a melting pot of challenges, opportunities and mixed messages. The good news for landowners is that Michael Gove's commitment to the environment extends to acknowledging the need to reward them for delivering public goods. We just need more details and a reliable way of valuing the natural capital delivered by farms and estates.

The bad news is that all of the potential environmental benefits are still overshadowed by headlines from documents such as the *State of Nature* report highlighting the sharp decline in our biodiversity, for which farming takes much of the blame.

But with better communication and quantifiable results to shout about, that could change quickly. The opportunities are there, as shown over the following pages, but they will require change, compromise and an openness to new ideas.

SHIFTING POLITICAL SANDS

A personal reflection on current events by Ross Murray

As I reflect on the unprecedented political events in Britain over the past year and what might evolve in the 12 months to come, it is sometimes harder to see longer term shifts when the immediate focus is so confused.

Clearly, Brexit will continue to dominate the news and the nation's outlook. Scottish independence rears its head again and the old dog barks in Northern Ireland. There are some indications that the economy moves on despite and not because of our government and its governance of the country. What the implications of trading relationships with the continent will be remains the subject of speculation. On these UK agriculture is very dependent.

What was clear from the start of the Brexit process in 2016 was that there was no margin for error in the negotiations with the EU. It is self-evident that our team has been trumped by the European Commission, hindered as we are by seismic political differences throughout the UK establishment. Only a radically different political make-up in the European Parliament will alter the resolve of the EU now and, as we creep closer to the end of October, a hard Brexit becomes the default and reality.

The prospect of change within the Conservative Party is now real, the extent depending on who is elected leader this summer. The scheduled General Election in 2022 feels some way off, but that too could change and the challenge for rural landowners and their professional advisors is to anticipate public policy as it will affect their businesses under a range of scenarios.

Despite the delays to both the Agriculture and Environment Bills, the general direction of travel for land use policy in the coming decades seems set. This will mean a fundamental move away from direct support as per the Common Agricultural Policy to the public goods model, rewarding positive work on the ground to deliver a range of benefits, perceived and tangible.

At the same time the whole industry is expected to reform and modernise to better withstand economic shock and become less reliant on public support. Market realignment remains illusory for producers of base commodities, often trading at world prices. A cheap food policy has more political resonance than an expensive one.

Meanwhile for the tenanted sector a consultation on significant reform is open at the time of writing (see page 45) in both England and Wales. Whether parliamentary time can be found to rewrite primary legislation is another matter. But the reality is that both landlords and their tenants are starting to have conversations about the future in advance of whatever changes to agricultural tenancy law might emerge.

In 12 months' time we will judge whether the Conservative Party's instinct for political survival prevails over the historic schism on Europe. It smells to me like a split is coming. The greatest irony of Brexit would be that the party system dissolves into multi-party coalitions, and that we actually become more European in our politics.

Time to de-risk, and wait for opportunities to emerge, as they surely will. But it could be a bumpy ride for some, if not all.

Transformers – Isabella and Charlie Burrell in front of a wild landscape that was until recently arable fields. Image: Sofia Yang Martinez

Take a walk on the wild side

Charles and Isabella Burrell talk candidly with Andrew Shirley during a tour of their pioneering yet controversial estate

The sun is strong on my face, the soil is dusty around my boots, and a symphony of birdsong emanates from acres of thorny scrub. In the distance a large animal skips fleetingly across a narrow track.

For a brief moment it feels like I've returned to the African bush where I spent my early working years, but reality soon inevitably intrudes. The sunlight also glints off planes circling overhead, waiting to land at Gatwick airport, while the avian chorus isn't quite loud enough to drown out the dull drone of cars on a nearby dual carriageway.

I'm standing in the middle of the 1,400-hectare Knepp Castle Estate, not far from Horsham in West Sussex. And yet it still seems a million miles away from any farm or estate I've visited in the UK before.

Having spent his early years in what was then Rhodesia, Sir Charles, or Charlie as he much prefers to be known, understands the feeling well. And in her recently published book about the estate, *Wilding, the return of nature to a British farm* – one of the Smithsonian's top ten science books for 2018 – Charlie's wife Isabella recounts numerous such moments evoking memories of other places and times: the return of the warbling coo of the turtle dove, almost extinct in the UK; a vivid haze of resurgent Purple Emperor butterflies; and, perhaps most evocatively of all, the complex and staccato conversations of nightingales once again proudly proclaiming their territories to each other.

It feels that something revolutionary is afoot here. The reviews on the back of Isabella's book – "One of the landmark ecological books of the decade," cries *The Sunday Times*; "Hugely important," implores *The Guardian* – certainly bear that out.

The fact that some of Knight Frank's biggest landowning clients were keen to accompany me on my visit also confirms that things are done differently, very differently, at Knepp. And they're not alone. "Last year we were visited by the owners of a million acres and this year it will be a million more," confirms Charlie.

Their curiosity is driven in part by the need to solve the conundrum currently facing many of the UK's farm and estate owners: how to keep their land profitable after Brexit when area-based subsidy payments will gradually fade away. The transformation of Knepp seems to offer one of the answers.

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TALKING POINT

Rewilding is destroying traditional British landscapes

Look further back and “rewilded” landscapes were common

But for Charlie and Isabella, it wasn’t a single defining event that catalysed the creation of this seemingly foreign landscape surrounding me. Rather, it was the gradual realisation at the tail end of the last century that farming grade 3 and 4 land on 320 metres of Sussex clay, despite their best efforts to modernise and become more efficient, just wasn’t profitable.

The estate’s dairy farms were the first to go. Then in-hand arable farming bit the dust, machinery auctioned off to be replaced by a contractor. The Repton parkland ploughed up during the Dig for Victory campaign of the second world war was restored to permanent pasture, and fallow deer were reintroduced. “The estate began to breathe again,” recalls Isabella. “And as the land began to relax, so did we.”

But it wasn’t enough. More radical surgery was required to satisfy the Burrell’s growing hunger to be surrounded by nature and wild spaces. A visit to Holland’s pioneering – and controversial – 6,000-hectare Oostvaardersplassen (OVP) nature reserve where grazing animals live, roam, reproduce and die freely with minimal human intervention, all the while reshaping the landscape in unexpected ways, inspired them to look again at Knepp’s potential in a completely new light. The decision to rewild had been taken.

“Until recently the consensus among ecologists was that land left to its own devices would eventually revert back to closed canopy woodland, but the impact of large herbivores at OVP has turned that theory on its head,” says Charlie.

Eager to capitalise on the interest stirred up by these findings, he submitted an ambitious “letter of intent” to establish a biodiverse wilderness area involving bison, beavers and wild boar

Grazing licence – English Longhorn cattle are a vital part of Knepp’s herbivore mix

Chilling out – glamping offers attractive margins.

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TALKING POINT

Rewilding is irresponsible because the world needs more food

Crop and food wastage is a far bigger threat

to English Nature. Unsurprisingly, this was considered too much too soon, particularly on an estate criss-crossed with public rights of way.

But the Burrells persevered, eventually getting the entire estate accepted into the Higher Level Stewardship scheme and gradually substituting the wilder animals on their original wish list with more acceptable breeds – old English Longhorn cattle, Exmoor ponies, Tamworth pigs and fallow and red deer – that would nevertheless roam freely with minimal human intervention, replicating the different feeding habits of the original herbivores that inhabited the Sussex Weald without scaring ramblers and dog walkers.

The results in little more than a decade have been phenomenal, both environmentally and financially (see boxes overleaf). Sales of the estate's totally organic and free-range meat generate a significant income, while visitors flock to go on safaris or stay at Knepp's campsite and in its glamping tents and treehouses. "We are fully booked for the whole season," says Charlie. "Our profit margins are 30 to 40%. You can't get that from farming."

And, of course, there is that landscape, so redolent to me of African savannah. Left to its own devices, it has changed beyond recognition with dense scrub and thicket replacing crops and manicured grassland, while hedges billow out into 30-metre wildlife havens. "We have purposefully not tried to recreate habitats for the benefit of specific species like nightingales, but to let nature take its own course and see what returns of its own accord," says Charlie. "The results have been beyond what we could ever have hoped for."

Nevertheless, not everybody approves of the changes. One of the biggest criticisms levelled at Knepp is that it is somehow wrong to let farmland "go to waste" when there are more mouths to feed in the world and the UK is becoming less self-sufficient in food. "It does seem to have upset a lot of farmers and the NFU," admits Charlie.

But to Isabella, this is something of a red herring. "The world already produces enough food to feed ten billion people, two-and-a-half billion more people than are alive today. What's so shocking is that about a third of that, some 1.3 billion tonnes, is wasted every year."

Charlie also finds some of the accusations hypocritical when "the NFU and government are happy to give up 20% of productive farmland to produce fuel". "There are valleys

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TALKING POINT

Subsidising rewilding just benefits large estates

The positive environmental effects spread far beyond estate boundaries

in the south-west covered in maize grown for anaerobic digestion plants where the soil is just disappearing.”

Another argument is that a mass movement towards rewilding will require the remaining agricultural land to be farmed even more intensively. Again, Charlie is not convinced, nor does he agree with the proponents of “spare not share” who argue that, rather than adopting low input or organic farming methods, it is better to farm some areas very intensively, allowing more land to be released for rewilding.

“Nobody is advocating that we rewild most of the UK. Tony Juniper, the new head of Natural England, is talking about 1 per cent of the country by 2030 and even that is ambitious. I also think this idea that farming should be all or nothing is quite sad.

“Even in intensively farmed areas there is room to have some woolly edges and let nature in, and those practising regenerative agriculture have proven that you can still have high yields while looking after your soils and the environment.”

A further barb often aimed at Knepp comes from those uncomfortable that plants they view as weeds, in particular ragwort, which when eaten in large quantities can be poisonous to horses and livestock, are allowed to grow wild on the estate.

Again, Isabella believes the ire is misguided, pointing out that the study often quoted by horse lovers to justify the danger of ragwort, which animals will only eat if no other food is available, was deeply flawed. Its benefits to wildlife are also largely ignored, she says. “Ragwort is one of the most sustaining hosts to insects we have. In all, 177 species of insects use it as a source of nectar or pollen.”

Fears about the spread of this native plant are also overstated, believes Charlie, who says research shows that only a tiny fraction of its seeds will travel more than 36 metres. “We mow 50-metre strips along the boundaries with our neighbours so it is highly unlikely we are going to create problems for anybody else.”

Despite all the facts and figures that show rewilding isn’t a threat – those worried about the introduction of apex predators can relax, Knepp isn’t large enough to revert to a true wilderness where wolves run free – many people still remain deeply uncomfortable with the idea of what is happening at Knepp, admit the Burrells.

Isabella attributes much of that to a kind of nostalgia. “What we see as children, particularly where we grow up, becomes what we want to continue to see. As well as creating a fear of change, this ‘baseline syndrome’ can have a corrosive effect as more and more species and habitats are denuded or lost completely


Royal visitor – the Purple Emperor butterfly

Environmental wins *Species spotted:*

Violet dor dung beetle – not seen in Sussex for 50 years

Bats – 13 of 18 UK species

Owls – all five UK species

Nightingales – 34 territories recorded at peak

Turtle doves – UK’s only growing population

Purple Emperor butterfly – 388 counted in one day

Financial wins *Income 2018:*

Meat sales – £120,000

Environmental stewardship – £191,000

Rent from former farm cottages – £120,000

Tourism and glamping – £320,000

Rent from converted farm buildings – £500,000

Birdwatching – Knight Frank clients spot a rare stalks' nest during their visit to Knepp. Image: Sofia Yang Martinez

and each generation's perceptions of what is normal start to shift.

"When we look at a landscape we see what is there, not what is missing. And if we do appreciate some sort of ecological loss, we tend to only go back as far as our childhood memories or those of our parents," explains Isabella. "We don't have to look too deeply into contemporary accounts for scenes dramatically different to our own to be normal. Yet we live in denial of these catastrophic losses."

The ability to reset this baseline is one of Knepp's biggest benefits, she enthuses. "When people come here and hear so much birdsong they realise what they have been missing."

Resetting the nation's baseline, however, is a rather more difficult – and expensive – prospect, says Charlie. "If we do leave the EU there is the feeling in some quarters that we will be able to spend the £3 billion or so paid by Defra to farmers and landowners each year on other things. But if we want to get nature back to where it should be, it is going to need billions and billions of pounds."

And that, I suppose, rather than worries about so-called weeds or food security, will ultimately determine the future of rewilding in Britain. Will government and the public have the appetite to swap one subsidy for another, I ask Charlie, particularly when it is large estates like Knepp that are best placed to benefit.

"That's above my pay grade," he quips, but he is utterly convinced that the benefits of what has been achieved at Knepp stretch far beyond the estate's boundaries. "There is so much life here now. We are a reservoir waiting to pump it out into the rest of the landscape; we just need to join everywhere up."

In a world ruled by balance sheets, the future may revolve around the ability to better measure and financially quantify the tangible and not so tangible outputs of rewilding, whether it's the river that emerges from Knepp with lower levels of nitrates than when it entered, or the improved mental wellbeing of those who come to visit and to stay.

For now, though, rewilding has put Knepp in a better financial position than farming, even with subsidies, managed to achieve. "We're pragmatic estate owners so I would never rule out farming again. If we had to go back to agriculture we could, but it seems inconceivable at the moment that it would ever make sense," says Charlie.

It seems a safe bet that the flow of curious landowners, mingling with day-trippers and besotted campers, wondering if Knepp perhaps offers a solution to their own worries, is set to continue.

To find out more about Knepp visit
knepp.co.uk

Wilding, the return of nature to a British farm by Isabella Tree has been published in paperback.

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TALKING POINT

Rewilding spreads dangerous "weeds"

Plants considered weeds are some of the most beneficial to insects. They don't spread as freely as people believe

My view

Kicked down the road for now, but still set to be delivered at some point in 2019, Brexit will create a new landscape for farmers and landowners. A cross-section of the industry share their plans for the future

The arable farmer

Tim Breitmeyer, *CLA President*

With my weekend farming hat on, there is little doubt uncertainty hangs over us all like a darkening cloud, coupled with a yearning to know more detail so we can plan and invest for the future. But we should all recognise that whatever the outcome of the current grinding impasse, significant changes loom on the horizon, and the sooner we start engaging the better.

In response, the CLA has made pragmatic interventions – making the case that a no-deal Brexit will have negative consequences for the entire rural economy and that we should be working towards a free and frictionless trading relationship with the EU. We also urge government to recognise the scale of the likely upheaval, and the level of investment needed to achieve greater rural productivity and resilience.

We live in unprecedented political times, and we stand ready to redouble our efforts to ensure the rural voice continues to be heard clearly in the corridors of Westminster.

The farming company

Paul Christian, *MD, Sentry*

Preparing for the unknown is not only difficult, but arguably foolhardy. However, we have been using the time to establish fit for purpose, healthy and adaptable businesses for ourselves and our clients in the post-Brexit world, including mitigating risk where we can on the back of risk sharing with our marketing partners.

But while leaving the EU could have a dramatic effect in the short term, our view is that the real challenges – and they are happening at the same time – come from climate change and it is this that has been preoccupying our thoughts.

Building soil resilience is, I believe, key to creating some degree of protection against climatic extremities. We applied over 100,000 tonnes of organics last year and this will increase if we can find enough. As a result, some of our farms recorded incredible performances. But not all fell into this category and we have further to go with this policy.

The livestock farmer

Minette Batters, *President, NFU*

For the livestock side of my business, particularly sheep, the future will be influenced more than anything else by what our final relationship with the EU looks like. With one in three lambs exported it's unlikely we'll see consumption increase in the UK, so exports will be a vital part of post-Brexit Britain.

At home we've focused on being as efficient and effective as we can and are constantly striving to improve. Animal health, genetics and soils are at the forefront of our livestock business. I've always believed that overall herd health is a hugely important defence to achieving and maintaining TB-free status.

Our suckler herd is predominantly Simmental cross cows, selling strong stores through Salisbury Auction Market, but we also have a small herd of pedigree Herefords and are about to start a pedigree Aberdeen Angus herd.

My advice would be to prepare for change and make sure your business is Brexit match fit.

The traditional estate

Charles Courtenay, *Earl of Devon, The Powderham Estate*

Several months since Theresa May's original Brexit day, we find ourselves none the wiser as to the ultimate impact of our EU exit.

Many great minds have considered the effects of various departure models on agriculture and rural businesses; all of them remain hypothetical and debatable. Even the Agriculture Bill, our first substantial agricultural legislation since the 1940s, has been marooned, and details of future government support for agriculture remain shrouded beneath the Delphic slogan of "public money for public good."

All we can sensibly do is remain light on our feet, and embrace two great strengths of rural business – long-term planning and diversification. At Powderham, we look towards a 100-year horizon in our land management strategies, and ensure a varied portfolio of farming and land management activities. This has allowed our business to endure over 700 years of European ambiguity; we hope it will get us through Brexit.

The organic farmer

Patrick Holden, *Chief Executive, Sustainable Food Trust*

We are told we only have ten years to avoid irreversible climate change. One of the best ways to rebuild the lost soil carbon that 50 years of continuous arable farming has removed is to switch to a mixed farming system.

But how can such a switch be profitable, especially when the younger generation is reducing its intake of red meat, believing it is the right thing for their health and the health of the planet, and even in some cases going vegetarian and vegan?

We must all encourage Michael Gove (or his successor) to introduce incentive payments directly linked to increasing soil carbon, ideally taking most of the money that is presently given to us in the form of the Single Farm Payment.

Farming must also unite to explain that the methane emitted by grass-fed ruminants is offset by the resulting carbon sequestration in the soil and that, counter to the current orthodoxy, animal fats, especially from grass-fed animals, are actually healthier than palm oil, genetically modified soya, oil seed rape and other plant-based fats.

The politician

Robert Goodwill MP, *Minister of State, Defra*

One of the areas I was most looking forward to working on when I was appointed to Defra earlier this year was the planning for a future Environmental Land Management Scheme (ELMS) to replace the Common Agricultural Policy (CAP).

My family has been farming in Yorkshire on the Castle Howard Estate for well over 150 years. Over time we have adapted to change, diversifying the business and learning to farm in more sustainable ways. However, we have also had to contend with the CAP, which has become increasingly dated, holding back innovation with its "one size fits all" policy for 28 member states.

The Agriculture Bill sets out ambitious plans for a future in which we plan our own policy, with ELMS at the heart of that. ELMS is still in the very early stages, but over the coming months and years we will carry out pilot schemes and trials with farmers, land managers, advisors and other local experts, using their expertise and knowledge to design a new system.

I am looking forward to progressing with the development of ELMS in my role at Defra.

The institution

Christopher Sparrow, *Head of Rural, The Duchy of Lancaster*

The whole Brexit process has encouraged us to look closely at our farming assets and how we manage them. In order to gauge the impact of a more environmentally weighted support regime in the future we really need to understand the operational capabilities of our farms as they exist today.

A move to an in-house estate management team has brought us closer to our tenants. Work is ongoing to review tenants' business models, clarify our obligations and identify the right capital projects into which we should invest to improve efficiency and longevity.

We will be looking to build on a recently completed field-by-field biodiversity audit part-funded by Natural England and facilitated by the Game & Wildlife Conservation Trust. This two-year project has identified where there is scope for improvement and areas where we can beat regional benchmarks without taking any land out of production. Hopefully a useful segue toward ELMS and Natural Capital calculations as and when they go live!

Whatever the future holds in terms of policy and legislative changes, confidence in our starting point will be vital and working in partnership with our tenants to give them a head start in this "all new" regime will be key.

Brexit – it's time to move on

Rural landowners and businesses share their views in the latest instalment of our Rural Sentiment Survey. Andrew Shirley crunches the numbers

This year's survey was never supposed to be about Brexit. At the time respondents were answering the questions, we should have just embarked on our voyage of discovery outside the EU instead of facing yet more months of uncertainty.

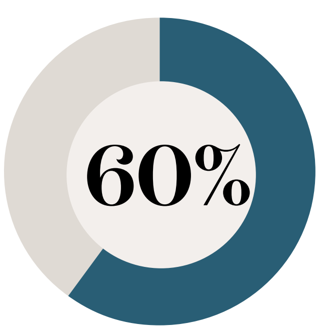
So my apologies for inflicting more Brexit on you, but it seemed important to quantify just what impact all the uncertainty is really having on rural businesses. The answer, for a majority, is not much. Six out of ten respondents said that the farrago had been an annoying aggravation, but had not had an economic impact.

However, a significant minority – almost 30% – said their businesses had suffered financially in some shape or form, whether that was through lost business, putting plans on hold or spending time and money preparing for a no-deal Brexit. One respondent lamented: "I have been planning for my retirement and my plans are now completely up in the air."

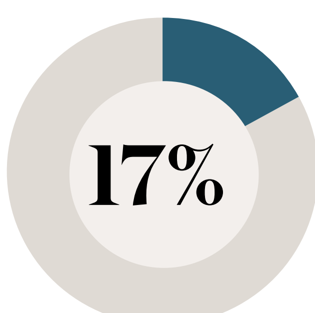
But just as in the original referendum, our respondents were fairly evenly split on how they wanted the mess sorted out. The top two choices were a second referendum with a vote to remain (25%) and, just squeaking into the lead with 26%, a no-deal "hard" Brexit.

> *"We are finding that our commercial tenants and events businesses are suffering from a lack of certainty*

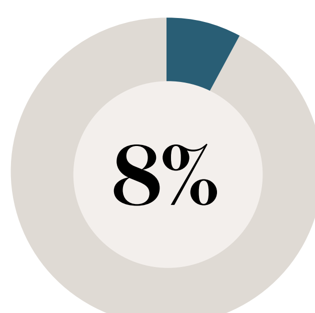
WHAT IMPACT HAS THE UNCERTAINTY SURROUNDING BREXIT HAD ON YOUR BUSINESS?



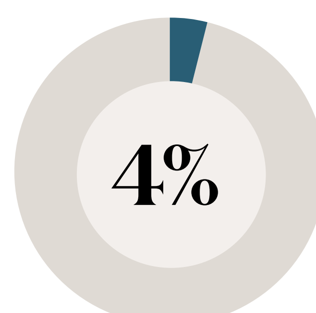
An annoying aggravation, but no real economic impact



We have lost business because of the uncertainty

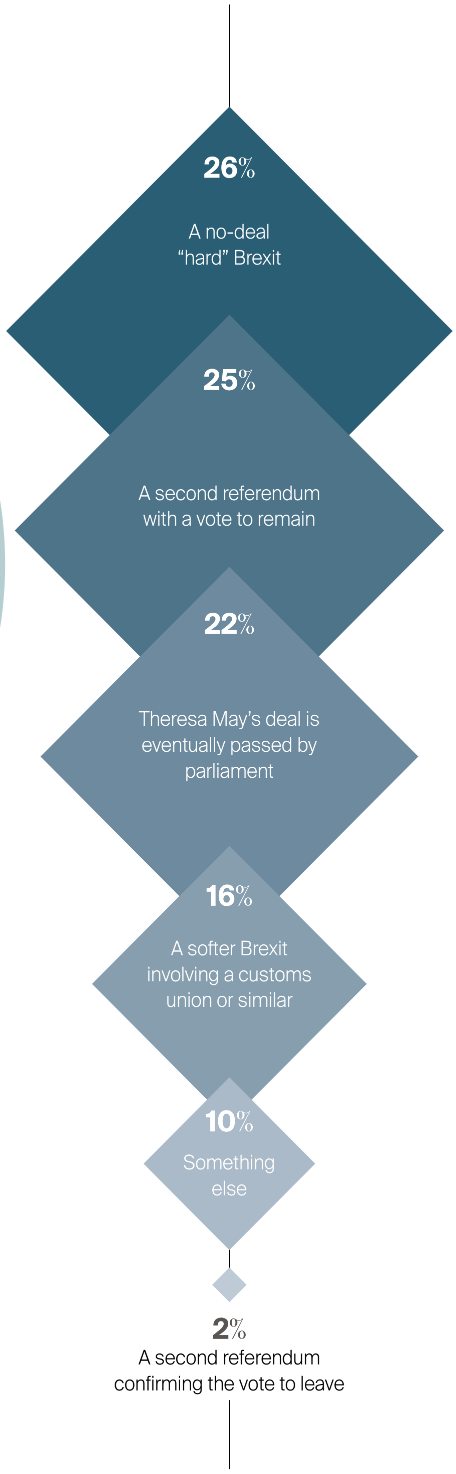


We have suffered financially by putting business plans on hold



We have spent time and money preparing for a no deal Brexit

HOW DO YOU HOPE BREXIT WILL EVENTUALLY BE FINALISED?



Much of the blame for the inability to strike a deal seems to be laid at the door of Brussels. This is reflected in the responses when we asked if people would vote differently if they had a second chance. While 84% haven't changed their minds, of those that had, almost 80% said they would now vote leave instead of remain, a slightly higher proportion than when we asked the same question last year.

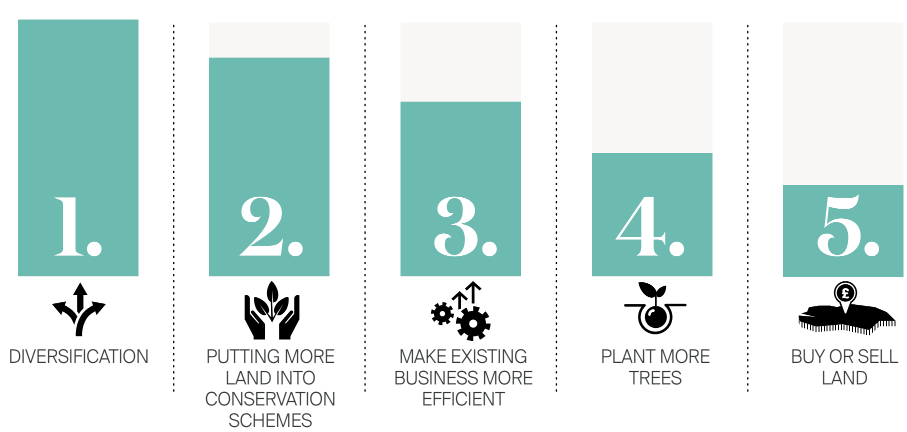
One of the themes running through the survey was a broad polarisation of respondents. For example, there was a fairly even split between those planning to change their businesses to cope with the challenges and opportunities of Brexit and those maintaining the status quo. Of those planning to make changes, some kind of diversification was the most popular option, followed by putting more land into environmental schemes.

> *"I'm sick of the bully boy tactics. I didn't want to leave, but it's confirmed everything that's bad about being in the EU*

ARE YOU PLANNING TO CHANGE YOUR BUSINESS TO COPE WITH THE CHALLENGES AND OPPORTUNITIES OF BREXIT?

49% *Yes* **51%** *No*

TOP FIVE FAVOURED CHANGES



When we asked whether people were more or less optimistic about the prospects for their businesses than this time last year there was an even split between those feeling more optimistic (25%) and those that were less upbeat (26%). Interestingly, that still means almost half of those taking the survey haven't changed their outlook.

Something else that hadn't changed according to the results of this year's survey were the issues affecting the ability of our respondents to manage their businesses as efficiently as possible. Once again, restrictive planning polices, poor broadband or mobile connectivity, commodity prices and succession planning all featured in the top five gripes.

While government can do little about commodity prices or succession, its inability to deliver decent connectivity to many rural businesses is winning it few friends, especially as over half of respondents taking the survey said they were already using social media to promote their businesses.

The one question we didn't ask was whether those taking the survey were confident that the Brexit process would eventually be concluded within the next 12 months. Let's hope so. In the words of one of our respondents: "Brexit is a massive distraction, there are so many other issues we need to get a grip on."

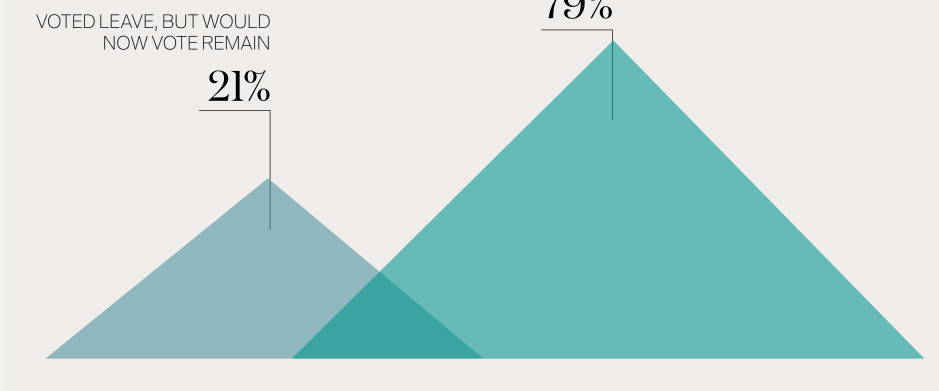
> *"We are now dictated to by Natural England and their political masters who have no idea about real conservation*

HAVE YOU CHANGED YOUR MIND ON BREXIT SINCE THE REFERENDUM?

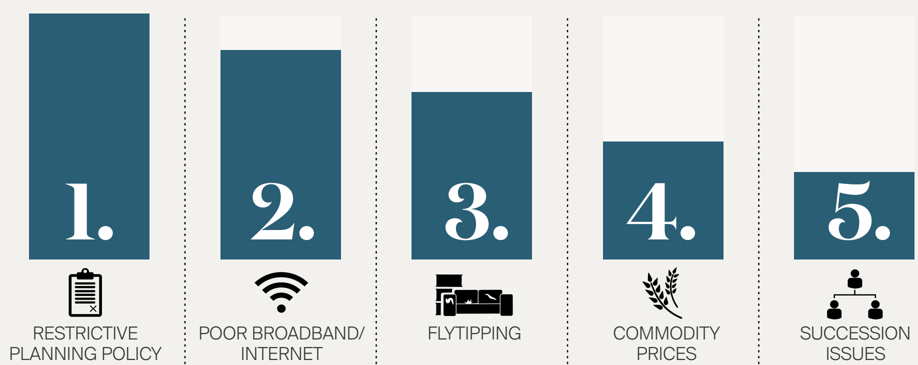
16% *Yes*

84% *No*

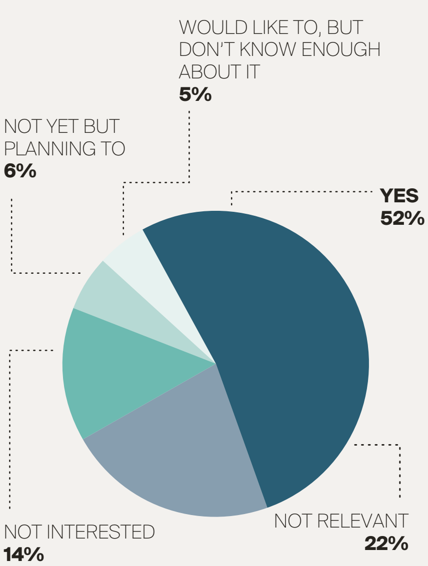
IF YES, HOW HAVE YOUR VIEWS CHANGED?

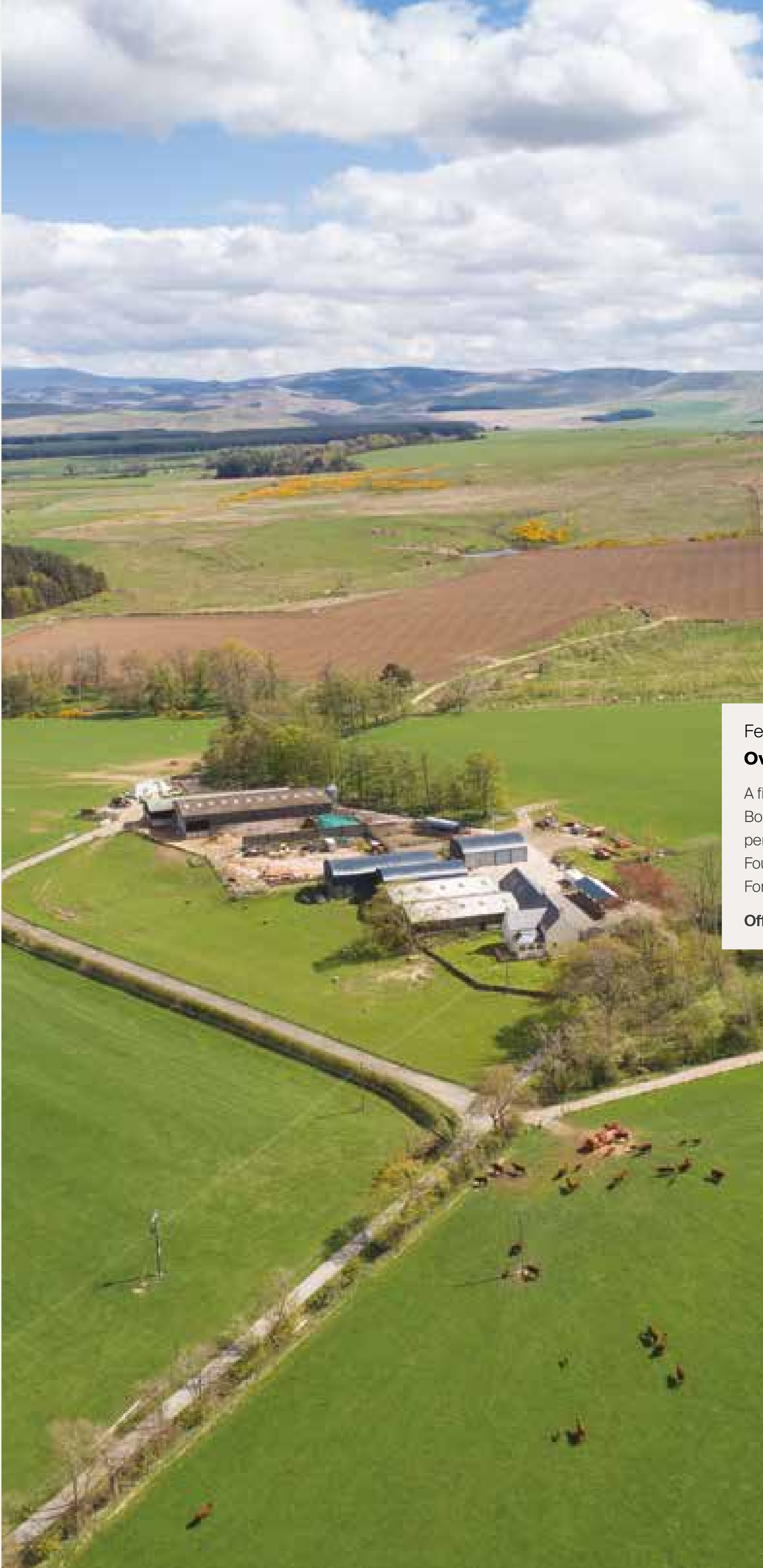


WHAT ARE THE OTHER BIG ISSUES AFFECTING YOUR ABILITY TO MANAGE YOUR BUSINESS AS EFFICIENTLY AS POSSIBLE?



DO YOU CURRENTLY USE SOCIAL MEDIA TO PROMOTE YOUR BUSINESS?





Property markets

Changing values and future outlook

Feature property:

Overton Bush, Scottish Borders

A first class, ring-fenced stock farm on the Scottish Borders with over 500 acres of productive arable land, permanent pasture, rough grazing and woodland. Four-bedroom farmhouse and three-bedroom cottage. For sale as a whole or in two lots.

Offers over £1,750,000

IN THIS SECTION

Pressure building

Clive Hopkins, Knight Frank's Head of Farms & Estates, takes the temperature of the current farmland market

Earlier this year I was predicting that more land would have come to the market by now and that we would have a clearer picture as to where prices were heading.

That, however, was of course based on there being some clarity regarding the Brexit process, clarity that is still at the time of writing (13 May) sadly lacking.

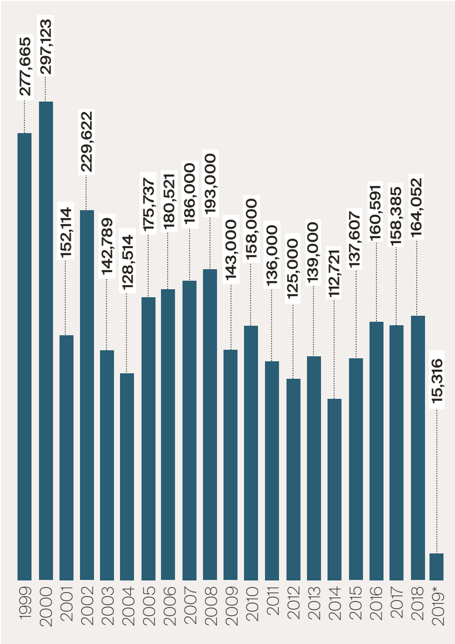
According to the latest results of the Knight Frank Farmland Index (to Q1 2019), average prices for bare agricultural land have been treading water so far this year, holding firm at just under £7,000 per acre, 5% lower than they were five years ago, but still 50% higher than in 2009.

Uncertainty among both vendors and potential purchasers has created a bit of a pressure cooker situation where only those strongly motivated to buy or sell are active.

My own feeling was that a Brexit deal of any form as scheduled would have allowed the market to let off steam and we might have even seen a slight bounce in values by the summer. Not necessarily back to the highs of 2015, when our farmland index broke the £8,000/acre barrier, but perhaps enough to wipe out the 3% slide of the past 12 months.

But with the deadline for reaching a deal now extended to October it seems unlikely that we will see any meaningful movement in prices for the rest of the year. By mid-May the amount of

THE AMOUNT OF FARMLAND FOR SALE PUBLICLY



SOURCE: DEFRA/FARMERS WEEKLY * TO 17 MAY (-32% YOY)

Feature property: **Dinmore Manor, Herefordshire**

An iconic 1,468-acre estate, in beautiful, secluded countryside. The estate comprises the main Grade II listed manor house, parkland, productive arable land, pasture and woodland, outbuildings, excellent shoot, 20 cottages, and a remarkable cattle breeding facility and equestrian complex.

Offers over £28,000,000

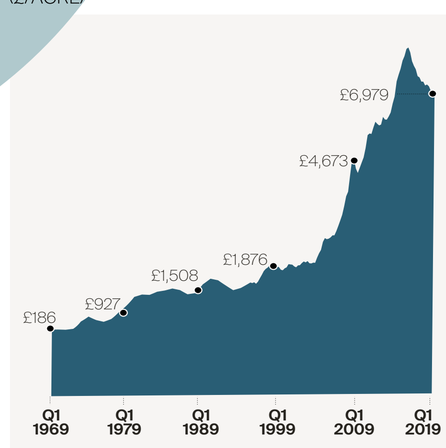
> “Longer term, some commentators are arguing that Brexit will lead to an inevitable sharp decline in the average value of farmland. I’m not so sure that this should be taken as a given

land advertised for sale publicly was well down on 2018 and I don’t see too many signs of this trend being reversed, although activity has picked up slightly.

Longer term, some commentators are arguing that Brexit will lead to an inevitable sharp decline in the average value of farmland. I’m not so sure that this should be taken as a given – regardless of whether we are in the EU or not, there are still plenty of reasons to own farmland and, as mentioned elsewhere in this report, there are other arguably more pressing challenges facing farming – but what I do believe is that the market will become even more variable than it already is (see map opposite).

For example, as area-based support payments are gradually scaled back, soil quality and productivity will become much more important to commercial farming buyers. But that’s not to say only the best agricultural land will be in demand. As support shifts towards the delivery of environmental benefits, more marginal farms may well be able to create new income streams.

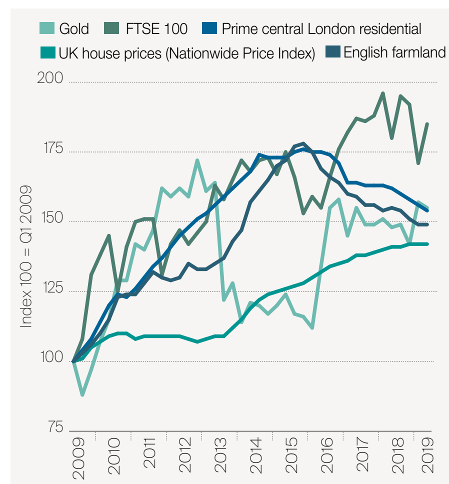
LONG-TERM PERFORMANCE OF FARMLAND
(£/ACRE)



In the meantime, cereal prices are holding up and those high quality farms that do come to the market will sell well – see my colleagues’ regional round-up over the following pages for some examples – but until politicians in Westminster and Brussels get their acts together we can only wait impatiently for some kind of normality to resume.

Please contact clive.hopkins@knightfrank.com if you are thinking of buying or selling an estate, farm or land.

THE 10-YEAR PERFORMANCE OF FARMLAND VS OTHER ASSETS



FARMLAND PERFORMANCE

3-month change	0.1%
12-month change	-3%
5-year change	-5%
10-year change	49%
50-year change	3,660%

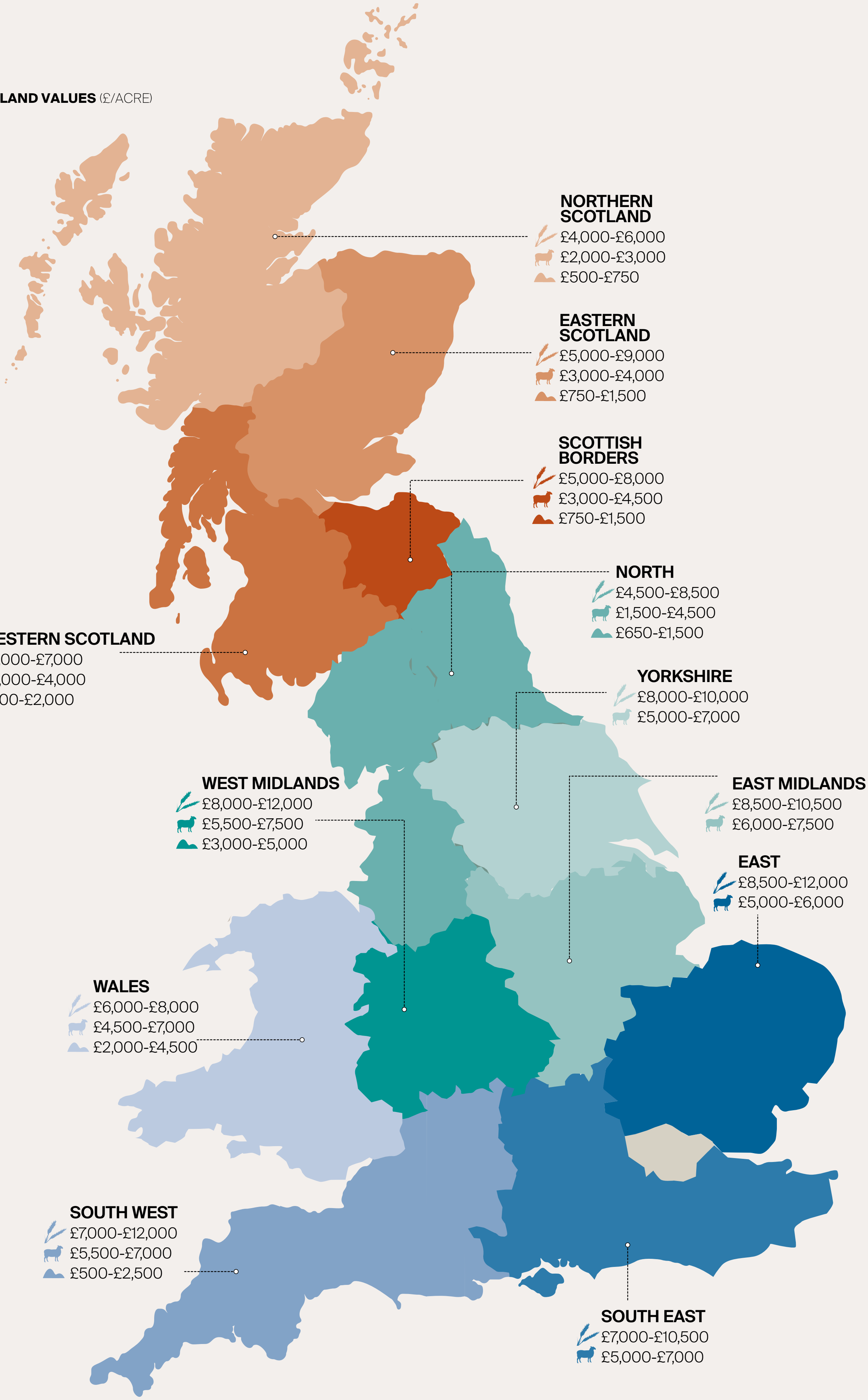
KEY AGRICULTURAL INDICATORS (MAY 2019)

OUTPUTS	FEEDWHEAT (£/T)	OILSEED RAPE (£/T)	BEEF (P/KG DW)	LAMB (P/KG DW)	MILK (P/LITRE)
LATEST	148	301	359	458	28.9
ANNUAL CHANGE	-2%	5%	-6%	-22%	8%

INPUTS	RED DIESEL (P/LITRE)	OIL (£/BRL)
LATEST	64	54
ANNUAL CHANGE	7%	-2%

SOURCE: KNIGHT FRANK RESEARCH

REGIONAL FARMLAND VALUES (£/ACRE)



Regional round-up

Knight Frank's experts analyse the farmland market near you and share details of a selection of properties new to the market

Feature property:

Finnich Malise Estate, Stirlingshire

A private residential estate in Stirlingshire with views towards Ben Lomond. Available as a whole or two lots: Lot 1 – approx. 152 acres encompassing the house, estate buildings, gardens, woodland and in-hand farm; Lot 2 – about 66 acres of grazing land and paddocks.

Offers over £2,450,000

SCOTLAND – *Tom Stewart-Moore*

During 2018 we saw a slight increase in the number of farms for sale in Scotland. In total, 77 farms with a guide price of over £1 million totalling 36,000 acres were publicly marketed. This compared with 62 farms the year before, but was still historically low. Demand was strongest for prime arable units and for stock and hill farms with tree-planting potential. Aberdeenshire saw two large farming units of about 4,000 acres come to the market in excess of £13 million. Both units were sold, highlighting the resilience of the farms market despite Brexit uncertainty. Knight Frank also purchased a 700-acre arable farming unit in Angus, and a 700-acre mixed unit in Dumfries and Galloway for clients. Buyers for farms are coming from throughout the UK and abroad. Scottish farmland is still deemed good value compared with the south, with purchasers moving north to acquire larger farming units. We expect to see less land on the open market this year, but plenty available privately.

tom.stewart-moore@knightfrank.com

WALES – *Jonathan Bengough*

Predictions for 2019 remain mixed. Larger stock farms of 300 acres or more will be relatively rare this year, but prices are holding up well for hill farms, with larger units averaging £6,000/acre depending on the quality of the house and buildings. Smaller farms of up to 100 acres will be more plentiful with demand possibly outstripping supply from those interested in lifestyle changes, not to mention living in beautiful countryside. The residential element and location will largely drive these values, with a smallholding near Monmouth of some 30 acres making close to £900,000 recently.

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Feature property:
Newport House, Herefordshire

A magnificent Georgian house with fine landscaped gardens and lake at the heart of an idyllic country estate. Coach house, Victorian stable block, manège and paddocks, beautiful restored productive walled garden, 11 additional cottages and farmhouses, parkland and woodland, working farms.

Guide price: £10,000,000

THE COTSWOLDS – *Will Matthews*

Despite unprecedented political uncertainty, the Cotswolds' fanbase remains unwaveringly committed. There is no doubt that demand for this micro-climate remains as high as ever at a time when supply is low. Good quality farms and estates, particularly those with amenity value, attract significant interest from a wide sector of the market, from neighbouring landowners to national and international buyers. This level of interest in the Cotswolds keeps prices at a premium with extraordinary sales taking place for best-in-class properties.

will.matthews@knightfrank.com

Feature property:
Bishops Court Farm, Oxfordshire

A 298-acre residential farm with extensive residential planning permission for a principal house and two further substantial houses in addition to the existing listed farmhouse which has consent for an extension, cottage, agricultural buildings, large lakes, pasture and arable land. **Guide price: £5,600,000 for the whole, or available as nine lots**

Feature property: **The Hawfield, Gloucestershire**

A 17th-century estate with a lovely outlook over the River Severn. Three cottages, a courtyard, stone barns and outbuildings with development potential, in all about 140 acres with farmland and woodland. **Guide price: £2,900,000**

THE WEST MIDLANDS – *Will Kerton*

The past year has seen a mixture of attitudes from buyers. Some have naturally hesitated and been cautious, while others have pushed forward with committed determination to buy their next farm. One recent overseas buyer was motivated to purchase a Worcestershire farm of over 210 acres due to his commitment to environmental and charitable causes. A mainly arable farm of 100 acres was bought purely as investment earlier in 2019 by a local buyer planning ahead for his family. Looking ahead we have farming buyers eager to expand their businesses with requests from arable farmers looking to take on more land in order to manage their economies of scale and reduce their production costs. Dairy farmers are looking in earnest and one dairy farmer said he would rather consider an arable farm with no current dairy set-up to allow him to invest in a blank canvas. The Midlands offer a mixed farming landscape with great accessibility, good climate and value for money. We will no doubt see more interest from buyers from outside the region over the next year and with more certainty to come in the political and economic arenas it will prove to be a good year for sellers to approach the market.

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Feature property:

Sussex Farm House, Sussex/Kent border

A Grade II listed family home in 197 acres with swimming pool, tennis court, stabling, indoor arena, manège and range of farm buildings. Three cottages, pasture, woodland and arable.

Guide price: £5,500,000

THE SOUTH EAST – *Will Matthews*

Generally speaking, land prices in the south east have continued to struggle to keep pace with much of the rest of country. Even during the heady days of 2015 values remained muted here. That said, in the current market, demand continues to outstrip supply by a margin and this is seen more in this region than others. This increased demand is only further heightened by the continuing rise of rollover buyers looking to spend funds derived from development projects in the region. These buyers have been frustrated by the lack of available farmland and are willing to pay premium prices to secure land purchases. This, along with expanding landowners and general interest in the region, will lead to premium results.

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THE EAST – *George Bramley*

A shortage of quality stock in the east of England remains. Despite all the political uncertainty the landmark sale of the Sutton Hall Estate (as featured in last year's edition of *The Rural Report*) proved that exceptional results can be achieved with the property's irrigated land making over £12,000/acre. It is now increasingly clear that there is change ahead in agriculture, but the old adage about the limited amount of good quality land is as strong as ever. There is significant demand to invest in the east, an example of which was a recent private deal for a 450-acre farm that sold in excess of expectations and exchanged and completed within a month.

george.bramley@knightfrank.com

Feature property:

Worlingham Hall, Suffolk

A 448-acre conservation and sporting estate in Suffolk, with parkland, woodland, lakes and marshes. Stable courtyard, farm building and plenty of secondary accommodation.

Guide price: Lot 1: Offers in excess of £2,900,000, or available as a whole for offers in excess of £5,500,000

Feature property:

Fell House Farm, Northumberland

A renowned Northumbrian stock farm within commuting distance of Newcastle upon Tyne. In all, 428 acres of arable land, mowable grassland, permanent pasture and woodland. For sale as a whole or in five lots.

Offers over £2,250,000

THE NORTH – *James Denne*

There seemed to be a sense of déjà vu during the first quarter of this year with market activity on the low side. A limited volume of land, however, has transacted (or is transacting), even though the position in respect of farm subsidy payments remains as uncertain as it was 12 months ago. Values have changed little and £8,000/acre for the best arable soil is still a reality, while good grazing land remains at £4,000 to £4,500/acre. Well maintained fixed equipment and a good house (or two) are always an asset. As ever, demand continues to outstrip supply. Knight Frank Melrose is currently instructed on two high quality stock farms (either side of the border) that we expect to generate significant interest in the market, both locally and from further afield. Interest in farms and farmland remains as strong as ever, whether that is from existing businesses (particularly family-run farms), investors or lifestyle buyers.

james.denne@knightfrank.com

Feature property:

Stanton Farm, Wiltshire

A Robert Adam-designed family house with well-proportioned rooms at the core of 288 acres in a sought-after location. Gardens with beautiful views and lakes. Courtyard with barn, garaging and storage. Three-bed cottage, seven stables, tack room, manège, agricultural buildings, pasture and arable.

Guide price: £4,950,000

THE SOUTH WEST – *Ed Clarkson*

As with the rest of the country, the prolonged period of political and economic uncertainty has had an impact on the market in the south west, although more in terms of supply than demand. Volumes are lower as some potential vendors seem cautious, but prices are broadly holding up due to strong demand from a variety of different sources. Generally, interest in land is underpinned by amenity and lifestyle buyers. Larger blocks of land, with or without buildings and residential accommodation, are proving popular with a steady stream of rollover buyers, expanding farming operations and diversifying businesses. Smaller blocks are dependent upon local, rather than national, interest and the greater the diversification potential, the wider the demand. There has also been a recent surge in interest in upland areas, driven by the proposed changes to agricultural policy to meet environmental and climate change targets, as well as population pressure in other parts of the country. A number of transactions are happening privately, especially where it is easy to highlight potential buyers, and we expect this trend to continue in the coming 12 to 24 months. A particular highlight was the recent purchase of a 500-acre estate in Dorset for an investment buyer by our Investment farms team on behalf of a retained client.

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Property feature:

Emmetts Grange, Minehead

An attractive estate with nine-bedroom Grade II listed Georgian-style house, annexe, four cottages, Grade II listed stone courtyard with party barn, stables, traditional and modern farm buildings, pasture, woodland and about 461 acres of moorland. In all 894 acres.

Offers over £6,000,000

Trophy fishing

A stunning stretch of Nordic fishing offers the perfect retreat for the dedicated angler

If you're not a keen fly-fishing aficionado, a five-year average of 1,252 salmon a year probably won't mean much. If you are, however, then it's the kind of statistic that will have you salivating and packing your rods and flies ready for a glorious adventure.

And the news only gets better. It might be further away in terms of distance, but the stretch of river in question is arguably quicker to get to from London than many of Scotland's famous beats.

Elverhøi, an historic five-bed lodge, which includes significant fishing rights on the Tengs, one of Norway's most productive, if less well known, salmon rivers, is just 45 miles from Stavanger airport which itself is less than two hours flying time from Gatwick or Heathrow.

The property has long attracted British rods and was purchased in 1887 by Leonard Pelly, one of the so-called salmon lords, as his local base. Mr Pelly always arrived from England for the season in some style in his own steam yacht, complete with a full complement of staff.

"As a keen fisherman myself I can say that this really is an Atlantic salmon enthusiast's trophy asset. You can't find catch records like this so close to London anywhere else and it is very rare for fishing in Scandinavia to come up for sale," notes Knight Frank's George Bramley, who is handling the sale.

For more information please contact george.bramley@knightfrank.com

From kiwi fruit to lamb: a focus on New Zealand

Knight Frank has joined forces with Bayleys, New Zealand's leading residential, commercial and rural property agency. Duncan Ross, the firm's National Director Rural, takes a look at how the country's farmland market is performing and the opportunities for investors

New Zealand's rural land values are nearing record highs across most sectors underpinned by a sustained period of rising farm-gate returns and low interest rates.

Income prospects for the agriculture sector have improved. Supported by a lower New Zealand dollar, commodity prices have again lifted over the past few months, according to the ANZ Commodity Price Index, with dairy prices notably higher.

Productivity growth across the rural sector has also been good, with some sectors starting to deliver on value-added strategies that enable them to extract a price premium.

However, the outlook for commodity prices still contains a number of risks, including the trade dispute between the US and China. A further dampening in global growth would likely weigh on commodity prices.

Uncertainty also surrounds government policy including on the economy, climate change and the environment. Farming intensification remains under the spotlight, particularly in the dairy sector. In addition, there are still restrictions in place on the ability of overseas entities to invest in New Zealand farmland.

That said, our location next to the world's fastest growing trading block is undoubtedly going to support commodity prices in the future.

There also remains an acknowledged need for international capital investment. This means there are still opportunities for overseas investors prepared to invest to improve the productivity of rural enterprises, particularly in land use changes and the forestry sector – either in the form of greenfield planting or established timber blocks.

Sector round-up

DAIRY

The dairy sector is New Zealand's largest agricultural export earner, reaching a new record of NZ$14.8 billion* in the year to March 2019. The market is being driven by increased demand from China, which has resulted in a rebound in commodity prices from a cyclical low reached in mid-2015.

The sector, however, faces a number of challenges, primarily the increasing cost of

Lagoon Hills Station – mixed use pastoral drystock, forestry and trophy hunting unit, around 4,000 hectares. Currently under contract to an offshore party compliance with environmental legislation. Those most at risk are producers in more marginal areas who expanded heavily during the last commodity price boom. However, in the more established dairy regions such as Waikato, Canterbury and Taranaki, land values remain firm, particularly in respect of tier 1 farms benefiting from good infrastructure and access to economic water.

HORTICULTURE

New Zealand's horticultural sector is dominated by kiwi fruit, avocado, apple and viticulture production.

The largest export earner is the kiwi fruit sector, centred in the Bay of Plenty region. The industry has rebounded from an outbreak of PSA disease in the early part of the decade that crippled the industry. The introduction of new disease-resistant varieties such as Gold 3 has seen the sector move into a significant period of expansion with prime grade, mature orchards commanding values over NZ$1 million (£500,000)/hectare.

Viticulture has been another of the country's boom export sectors, driven by production of Sauvignon Blanc grapes in the Marlborough region. A global wine glut in the early part of the decade put vineyards under pressure with the price paid for grapes falling to NZ$1,240/tonne in 2012. In 2017 this had rebounded to $1,750 with a corresponding uplift in land values.

The pip fruit sector is another that has seen a reversal in fortunes over recent years. The introduction of new varieties has bolstered demand for New Zealand apples, lifting export values to new highs and halting the decline in orchard numbers, particularly in Hawkes Bay, the leading production region.

FORESTRY

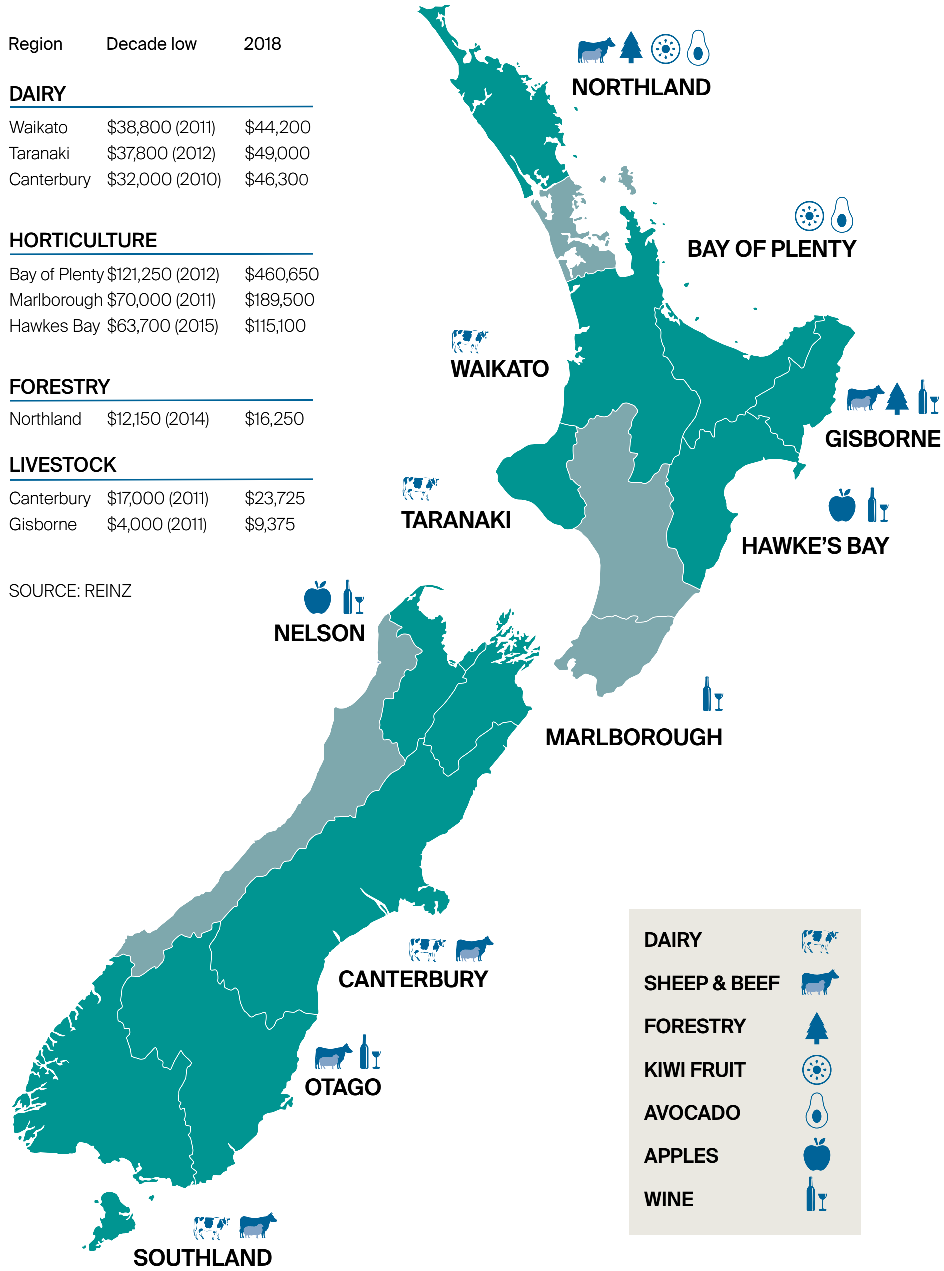
A significant lift in demand from China and the domestic construction sector has driven timber prices upwards. Again, export values have reached new highs.

Demand for forestry land has increased with demand being bolstered as a result of a new government policy aimed at planting an additional 1 billion trees nationally. Further support to the sector has been provided by changes to the national emissions trading scheme that aim to improve the way the scheme incentivises forestry.

MEDIAN LAND VALUES
(NZ$/HECTARE)

Region	Decade low	2018
DAIRY		
Waikato	$38,800 (2011)	$44,200
Taranaki	$37,800 (2012)	$49,000
Canterbury	$32,000 (2010)	$46,300
HORTICULTURE		
Bay of Plenty	$121,250 (2012)	$460,650
Marlborough	$70,000 (2011)	$189,500
Hawkes Bay	$63,700 (2015)	$115,100
FORESTRY		
Northland	$12,150 (2014)	$16,250
LIVESTOCK		
Canterbury	$17,000 (2011)	$23,725
Gisborne	$4,000 (2011)	$9,375

SOURCE: REINZ



Land values have responded positively to these drivers.

SHEEP AND BEEF

The drystock sector has been buoyed over recent years by high red meat returns. Throughout 2018 the average price paid for lambs (all grades) sat at approximately NZ$120 compared with approximately NZ$95 per lamb as recently as 2016.

The price paid for beef cattle rose from approximately NZ$2.90/kg in 2014 to around NZ$4.00/kg in late 2018. The lift in international demand for New Zealand meat looks likely to slow the long-term decline in herd and flock numbers across the country.

Current market conditions are having a positive impact on land values in regions such as the east coast of the North Island and Canterbury. Further impetus comes from the growth in forestry, which has added to demand.

*Exchange rate: as of May 20 2019 £1 = NZ$2

Delivering a development legacy

Estate owners and farmers with land suitable for housebuilding can benefit from a long-term delivery structure. Charlie Dugdale explains how

The provision of new homes can provide a much-needed cash boost for landowners but many, particularly those committed to future multi-generational ownership, are naturally concerned that poorly designed or delivered developments could have a negative impact on both their properties and their surrounding communities.

That is why Knight Frank supports delivery structures that offer the best of both worlds: significant financial benefits without losing control or compromising on quality.

The financial benefits from a patient capital approach, rather than an outright sale to a developer, can be considerable, with recent examples from schemes we have been involved with showing a 200% uplift in value (and almost 300% in nominal terms) by comparison with an outright sale.

This does not need to be at the expense of quality. In fact, a patient approach can realign a development partner's profit motive towards building good quality housing.

In April 2019 planning permission was granted for 2,350 homes, along with 25 acres of employment land, within the Bathurst Estate at Chesterton to the south of Cirencester. The landowner, Earl Bathurst, is adopting a patient capital approach in order to stay involved in the project right through to its completion and beyond. "It might sound a very nice problem to have, but what keeps me up at night is how we get this right for the future community," he says. "We have taken great comfort in a delivery strategy which allows us to keep the freehold and maintain quality control for the residents of Chesterton. This will be achieved alongside a Community Management Trust which will maintain and manage the green infrastructure and amenities of the new sustainable development."

For those landowners in a position to be able to wait, we suggest that, rather than sell, they bring on a development partner via a building lease arrangement. In financial terms, the landowner receives an up-front premium followed by a "distribution" calculated as a percentage of each unit sold by the development partner.

Such an arrangement allows both the landowner and the development partner to share in house price inflation and therefore favours a business model that focuses on finding ways to build value rather than cutting costs.

The Grosvenor Estate used a similar approach when establishing a framework for development in Mayfair in the 18th century. Now, Knight Frank is adapting the model and tailoring it to the specific needs of its 21st century clients.

HRH The Prince of Wales has long advocated for a landowner legacy approach to building communities and his Duchy of Cornwall estate has been pioneering this at their ambitious mixed-use developments, most notably Poundbury in Dorchester and Nansledan in Newquay. Poundbury and Nansledan have shown that a strong design ethos delivers the necessary price premium to more than outweigh the higher cost of building high quality homes. At Poundbury the premium is estimated to be 25%, while at Nansledan it is more than 20% in excess of nearby areas.

Housing at Poundbury phase 2, photograph by John Critchley, architecture by ADAM Architecture

The building lease arrangement has a number of associated benefits:

- **Financial efficiency:** paying the distribution at the moment the dwelling is sold reduces financing costs and maximises returns, allowing more to be shared with the landowner
- **Risks:** the landowner shares in house price movements but is not exposed to cost risk
- **Resource:** responsibility for infrastructure and housing delivery is passed on to the development partner
- **Security:** the landowner retains the freehold until dwellings are sold
- **Alignment:** all parties share the same goal.

As rural property owners search for new ways to make the most of their land's potential in a potentially post-Brexit world, considered residential development could be part of the solution.

Charlie specialises in tailoring delivery structures for large-scale development projects across England. If you would to find out more, please contact charles.dugdale@knightfrank.com

CLIENT CASE STUDY

NEWHALL, HARLOW, ESSEX

Landowner: Newhall Projects

Developer: Countryside Properties

Units: Circa 1,000

Lease length: 20 years

Status: The agreement for lease was executed in December 2016. Countryside Properties has since obtained its reserved matters consent on the early phases, assigned part of the lease to a single family housing provider and launched private sales in February 2019.

“

A very significant milestone has now been reached at Newhall with the remainder of the land to be developed by Countryside Properties. Like all good deals, this works well for both parties.

The deal structure embraces the importance of value in design while allowing the landowners to participate in the success of the project.

The landowners will: (a) transfer their freehold interest in the land on a plot by plot basis directly to the end purchasers; (b) maintain an influential interest in the Newhall design ethos and, not least; (c) retain a beneficial financial interest in the project until its ultimate conclusion

Jon Moen, Newhall Projects Limited

Ask Tom

Tom Barrow, Knight Frank's Head of Country Valuations, delves into his inbox to shed light on some common issues that can have an impact on the value of rural properties

I am a sole executor for my sister's estate and an application for grant of probate is required. I have been told by the solicitors that the application should be progressed soonest because of the threat of an increase in fees. Is this right?

There are two issues here. First, the government has previously announced its intention to increase probate fees based on the value of the deceased's estate. There was an announcement to increase probate fees in 2017 but this was never progressed. The Law Society has stated its objection to the proposal as it perceives the measure as a "stealth tax". The change was meant to have come into force from April 1 2019 but insufficient parliamentary time has led to a delay.

The proposed fees based on the value of the deceased's estate are: £1 million to £1.6 million – £4,000; £1.6 million to £2 million – £5,000; £2 million+ – £6,000. Current fees for probate applications for estates worth more than £5,000 are just £155, if made by a solicitor and £215, if made by an individual.

Second, roll out of new software at probate registries has caused long delays in the grant of probate. The influx of applications to avoid the probate fee increase is another factor.

I have been offered the opportunity to purchase 50 acres adjoining my home. My solicitor's due diligence enquiries have revealed that the sporting rights are excluded from the freehold title. Can I do anything about this?

Sporting rights can be divorced from the freehold title of land and within the ownership of a third party. This often happens where the land was part of a larger estate, which over time sold off land and property, but retained the sporting rights for the operation of its shoot. The third party with the sporting rights will be able to exercise the rights as set out in a deed of conveyance from when the land was sold.

You should check this document so you can verify the rights and ascertain who has them. Do check whether they are still exercised and work out how this could affect your use of the land. Your bid would need to reflect the value of the land without the benefit of the sporting rights. You may wish to make an approach to the owner of the sporting rights and ascertain whether these can be purchased separately.

Is Capital Gains Tax (CGT) on the profit from the sale of a residential property due more quickly now?

At present, CGT on a sale in, say, July 2018 (tax year 2018/19) would be liable by 31 January 2020. But from April 1 2020 vendors will need to ensure that they can assess their liabilities in good time so that the tax can be paid within 30 days. This will require apportionment of purchase price and sale price between the permitted area of the property that is free from CGT and the non-permitted area where CGT is applicable.

Evidence of the purchase price, the date of exchange, a brochure from the purchase, details of improvements and professional fees and any subsequent sales and acquisitions are all needed, so do ensure your property files are up to date. Preparation will be key here in good time at the start of the sale process when you instruct your agent, and early liaison with your accountant and valuer will be essential.

I am a non-UK resident with various properties in London and the Home Counties and I understand that there are plans for a Stamp Duty Land Tax (SDLT) surcharge for buyers not resident in the UK. How will this affect me?

HM Revenue & Customs and HM Treasury launched a consultation on this in February 2019 following the announcement by the government in the 2018 Budget that it would consider a 1% SDLT surcharge on non-UK residents who purchase residential property in England and Northern Ireland. The consultation has now ended. If implemented the change will apply to non-UK resident individuals and non-natural persons including companies, trusts and partnerships. The surcharge will apply to freehold and leasehold purchases and will be at a rate of 1% on top of existing SDLT rates. For example, a property acquired for more than £1.5 million as a second home would have an SDLT rate of 16% to include the surcharge. For now, the outcome of the consultation is awaited.

Tom Barrow is Head of Country Valuations at Knight Frank. For advice on the matters raised please contact tom.barrow@knightfrank.com

Tom Heathcote (right), Knight Frank's Head of Agri Consultancy, talks to Dan Belcher.
Read the story on page 39. Image: Tim Scrivener

Working for you

How we help our clients and add value to their properties

IN THIS SECTION

New horizons

Tom Heathcote, our new Head of Agri Consultancy, examines the options for farmers and landowners concerned about profitability in a post-Brexit world

The first thing I should stress is that everything in this article holds true even if we don't actually "Brexit".

While the threat of the withdrawal of the Basic Payment Scheme (BPS), which underpins the profitability of many, if not most, of the UK's farming businesses, has added a certain urgency to the mix, change is long overdue across the industry.

Further reform of the Common Agricultural Policy (CAP) will likely see farm support payments fall across the EU anyway, so the UK's potential exit later this year just speeds up the inevitable.

And, as Paul Christian, who as Managing Director of Sentry runs one of the UK's largest farming businesses, points out earlier in this report, many of the challenges he is reacting to – like climate change and soil quality – are far more significant over the longer term than Brexit.

In this article I discuss some of the options that I'm examining with my clients at the moment to help safeguard their businesses during the coming years and decades.

But before you can plan for the future you have to know where you are in the present. And surprising though it may seem, too many farming businesses still don't have a true idea of their costs or real profitability.

Without that knowledge it is virtually impossible to make sensible plans. There is no point, for example, in cereal growers investing in better technology or risk management strategies if their soils cannot produce yields that deliver a profit in a world of unsubsidised agriculture.

If that is the case, more radical thinking such as that exhibited by the Knepp Estate (see pages 8-13), may be needed.

Of course, for most businesses there will be no one silver bullet and the optimal solution will probably be a mix of the ideas outlined here, and discussed in further detail over the following pages, or perhaps something entirely different. If nothing else, I hope you find them thought provoking.

TOM'S TOP FIVE

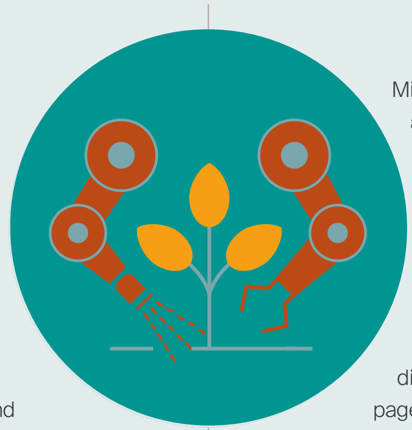
01.

DIVERSIFICATION

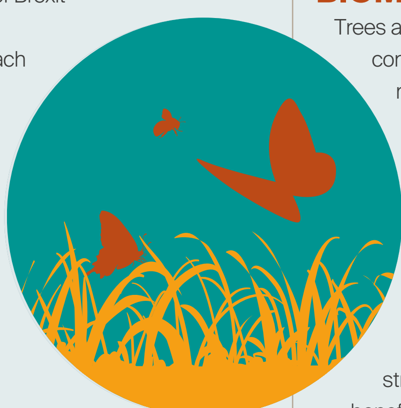
According to the results of our latest Rural Sentiment Survey (pages 16-18), diversification is the most popular choice for rural businesses looking to protect or boost their incomes, but it covers a multitude of options. At a basic level it could involve introducing new crops into a rotation – it's surprising what a big difference seemingly small changes can make. Alternatively, it might revolve around the introduction of entirely new income streams such as turning redundant farm buildings into holiday cottages. On pages 38-39 we take a look at two businesses that have taken different routes to add value to their farming operations.

02.

BETTER USE OF TECHNOLOGY



Average agricultural productivity has been flatlining in the UK and too little has been invested by government into research and development for years. However, with the safety net of the BPS set to disappear farmers, in particular those wishing to remain focused on the core business of arable or livestock production, will need to utilise every opportunity to become more efficient. On pages 40-41 we look at ten technologies that could make a difference. Not all will be applicable to every farm – vertical farming will likely remain niche – while others, like gene editing, are currently blocked by the EU. Could one benefit of Brexit perhaps be a more enlightened approach to scientific progress?



03.

PROFITING FROM NATURE

This is of course nothing new to landowners, most of whom have been involved with the Entry or Higher Level Schemes and now Countryside Stewardship. However, as we already know from Michael Gove's speeches and his Agricultural Bill, which is still progressing through parliament, the environment looks set to be at the heart of future government agricultural policy, something my colleague Andrew Shirley discusses in more detail on pages 6-7. On page 42 I look at some of the practical ways farmers and landowners can increasingly benefit from this drive to link agriculture with nature.

04.

TREES AND BIOMASS

Trees are a neat link between conservation and farming. Unlike many conservation measures they can generate a direct income via timber production, albeit with a fairly long investment horizon, but they also offer a huge variety of more intangible benefits such as habitat creation, carbon sequestration, leisure facilities and mental wellbeing. Creating income streams from all these benefits is the holy grail of woodland ownership. On page 42 I ask two tree-planting proponents working at opposite ends of the UK for their ideas and also share some of my own.

05.

RISK MANAGEMENT

You could argue that the CAP was the ultimate risk management tool; a guaranteed payment decoupled from production delivered year in year out that could mitigate the impact of volatile commodity cycles or weather events. But of course that wasn't how it was seen by either its recipients or the agricultural supply chain, which viewed it as just another income stream rather than something to be set aside for a rainy day. Adjusting to life outside the CAP and the gradual loss of area-based payments will require a new approach to risk management. On page 43 we look at some of the options.

01. Diversification

The Rural Report heads to the heart of England and the north of Scotland in search of advice on setting up successful diversified farm businesses

THE POWER OF SOCIAL MEDIA

Social media has played a key part in the success of both Kilchoman and March House Farm

Kilchoman Distillery

A unique product with a great story is key to the success of the Kilchoman Distillery on Islay in the Inner Hebrides, says founder Anthony Wills who owns a 450-acre farm on the island and rents in 1,700 acres of additional hill ground.

"We are the only distillery in Scotland producing a single malt whisky (100% Islay) that is made entirely from barley grown in the surrounding fields and malted on site," he explains. "I think it's really important to have a USP, and I'm surprised that a number of the new distilleries that are opening now don't."

Location helps as well, points out Anthony. "Most distributors around the world will want to include an Islay whisky in their line up, but the smaller ones can struggle to get bottles from the eight other distilleries on the island, which are all owned by big multinationals. We are able to fill that gap."

Timing is also crucial and the market for single malt whisky was just starting to take off when Anthony first considered setting up the distillery in 2003. Since then demand from collectors around the world has rocketed, as has the number of distilleries – malt whisky is now produced in 25 different countries.

Prices have also risen sharply with the Knight Frank Rare Whisky Index increasing by almost 600% over the past ten years (see page 49).

Kilchoman now sells around 290,000 bottles a year of its four different whiskies, most of which are exported overseas. "Only 10 to 15% of what we produce stays in the UK, the rest goes to Europe, North America and Asia."

Finding a home for all that whisky is unsurprisingly where much of the efforts of the business are directed, but Anthony says marketing is too often overlooked. "Anybody with £10 million can build a distillery, but if you don't employ experts who know all the routes to market or have sufficient expertise in sales and marketing you will flounder."

Anthony and his family are now considering applying the same model that has made Kilchoman such a success to another iconic spirit. "We're thinking about setting up a rum distillery in the Caribbean using sugar cane that we'll grow ourselves."

kilchomandistillery.com

Anthony's top tips

- Work out how much you need to spend – then double it
- Employ the best experts
- Make sure you have a unique selling point
- Focus on your route to market

> “Facebook and Instagram are the only ways that we market ourselves. Sharing details of what is happening on the farm also adds to the sense of home-grown provenance that our customers appreciate
> Dan Belcher

Dan’s top tips

- Listen to your customers
- Price match supermarkets
- Try to grow incrementally
- Keep farming at the heart of the business

March House Farm Butchery

The Belcher family originally started to diversify in 1999 when it became clear that March House Farm, their 160-acre Leicestershire livestock operation, wasn’t sustainable in its current form, explains fourth-generation farmer Dan Belcher.

“Mum and dad went to Camden Market in London with three lambs and a pig and realised they could make double the money selling meat direct to the public. Within three years they were selling everything they produced through seven markets.”

By 2005 the family had taken on more land to grow the livestock business – 250 acres on a 15-year farm business tenancy – built their own cutting room and started selling from the farm gate in addition to the markets. It was at this point that Dan got involved after returning from a stint in New Zealand.

“A farm shop was always in the back of my mind, but I knew if we were going to do it we should do it once and do it right,” he says.

While Dan was making plans with younger brother Tom, who had by now also joined the farming partnership, the farm continued to grow, including becoming largely self-sufficient in grains used for animal feed. “We’ve basically used our subsidy payments to fund our expansion and reduce a lot of our exposure to volatile commodity markets,” points out Dan.

In November 2017 the farm shop and deli opened in a converted lambing shed, followed 12 months later by a café. “The original plan was to do them at the same time, but by waiting we learned a lot from the shop’s customers,” he says.

The March House Farm business now stretches to 1,800 owned and rented acres, and employs 16 full-time and eight part-time staff, including four butchers. Combined, the shop and café have a weekly footfall of around 1,000.

Dan now has plans to increase the size of the cutting room and kitchen to cope with demand and provide the capacity to utilise 100% of the farm’s meat, as well as creating a viewing experience so customers can see how the animals are reared.

“Our big selling point is our home-grown provenance so it’s really important that we keep the farm at the heart of our business,” points out Dan. “A lot of farm shops will sell meat, but they can’t all boast that they’ve reared and cut it themselves.”

marchhousefarm.co.uk

02. Better use of technology

Post-Brexit, driving efficiencies and cost control will become more important than ever. The Rural Report looks at ten technologies that could help farmers and land managers increase productivity and efficiencies, and create lower cost bases

> *"Shunning traditional big kit, tech companies are realising small machinery is the answer to more efficient, precise and environmentally sustainable farming*

01.

DIGITAL FARMING

Combining data science with advanced sensors, precision location tools and automation, digital farming provides growers with real-time insights into what's happening in a field, helping guide decisions that could increase yields.

This spring Yara and tech company IBM announced their plan to become leaders in the movement with their Digital Farming platform, which will provide farmers with everything from hyper-local weather forecasts to real-time recommendations for individual crops.

With worldwide coverage, the platform plans to reach close to 7% of the world's arable land, including small farms. The first services are expected by the end of the year.

02.

BIG DATA

Huge amounts of data are being collected by smart devices and sensors on farms every day, prompting the development of systems to help people make sense – and use – of it all.

Data platform Climate FieldView collects, stores and analyses information across farms to monitor and improve crop performance thanks to informed agronomic decisions.

Owned by Bayer following its purchase of Monsanto, it uses sensors to collect information on everything from soil type to field regions, which it then interprets to guide management decisions and raise productivity – including which seed varieties to select to achieve higher yields.

The subscription service was developed initially for use in maize crops in the US, where almost 600,000 hectares of farmland is currently signed up at a cost of US$1/acre. Roll out into Europe is imminent, and while it will focus on maize initially, other crops will be added.

03.

SATELLITE MAPPING

According to industry experts, more than half of nitrogen fertilisers are wasted because they aren't applied at the right time or at the correct dose.

Satellite mapping tools help farmers to apply what the plant actually requires instead of the "flat rate" approach and this reduces waste and results in more consistent output.

Many firms already offer this in the UK, but Swedish start-up Vultus claims it can cut leaching from nitrogen fertiliser by as much as 40%, saving the average farmer over £13,000 per year while increasing yields and crop quality. It is currently developing its platform after being awarded more than £200,000 in funding last year, and will cost farmers £5/hectare for annual analysis.

04.

DRONES

From checking on livestock and crops to more sophisticated soil and field analysis, drone technologies have quickly evolved from novelty gadgets to invaluable tools on farms.

While prices start at a few hundred pounds for basic models with short flight times, more specialist equipment can run into the thousands.

UK-based DroneAg offers complete systems that produce plant counts and establishment checks, detect weeds and disease, and measure nitrogen and biomass for £8,000 to £11,000. Precision spraying systems, flight training and certification cost extra.

05.

AUGMENTED REALITY

It may be fairly new to agriculture, but the potential of augmented reality (AR) for farmers is generating considerable excitement and investment. From inspecting fields to detect pests and insects, to determining the quality of land to decide which crops will best grow there, AR uses sensors to collect data that builds up a detailed picture of a crop and how the landscape behaves and evolves.

Startup Plant Vision is currently working with Wageningen University in the Netherlands to create what it calls a "hands-free system for understanding plants". While it's still in development, it says its AR systems will be a bridge to automation and much cheaper than robots.

06.

MINI ROBOTS

Shunning traditional big kit, tech companies are realising that small machinery is the answer to more efficient, precise and environmentally sustainable farming.

The Small Robot Company is developing tiny robots that will go out into fields and care for plants individually, cutting costs and reducing waste by only feeding and spraying plants that actually need it.

By focusing on plants' needs, they claim they can increase farm revenues by 40% while cutting costs by 60% – all while reducing soil compaction and using fewer chemicals.

The first round of monitoring robots are currently in trials, while weeding robot trials are expected in October.

07.

GENE EDITING

With the potential to speed up the development of hardier, more productive and nutritious crops, gene editing has been hailed as one of the next major developments in crop production.

Unlike genetic modification – which involves inserting new genetics into a plant to create a new trait – gene editing is a highly-targeted breeding technique that involves scientists removing negative traits from a plant.

But while scientists have been getting excited about the possibilities for agriculture, it seems that farmers across Europe won't be getting their hands on the tech any time soon.

Last year, the European Court of Justice ruled that gene-edited plants must come under the GMO Directive – a stringent rule that has resulted in GM technology being all but shut out of the EU.

08.

VERTICAL FARMING

With growing urban populations and increasing competition for space, experts claim vertical farming offers a sustainable way to feed cities.

Typically using spaces in warehouses or skyscrapers, vertical farming involves plants being stacked in layers, where they are lit by low-energy LED lighting and fed by nutrient-rich misters – eradicating the need for soil and slashing water consumption.

There are countless startups already in operation and making impressive claims: Canadian company VertiCrop says its system can produce 20 times more yield while using just 8% of the water typically needed for soil farming.

09.

DAIRY MONITORS

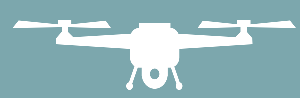
From heat detection to rumination and injury alerts, gadgets to monitor cows are increasingly commonplace on dairy units.

Edinburgh-based IceRobotics is one of the biggest names in dairy tech thanks to its cloud-based data collection system – the first of its kind in the world.

Utilising a series of wearable sensors, the company's services include fertility and health monitoring and automated mobility scoring, helping farmers reduce treatment costs and boost productivity.

Individual sensors are priced around £70, while there is also an installation cost for the sensor or a monthly rental fee.

> *"From checking on livestock and crops to more sophisticated soil and field analysis, drone technologies have quickly evolved from novelty gadgets to invaluable tools on farms*



10.

BLOCKCHAIN

The biggest buzzword in tech circles, "blockchain", allows businesses to record and share information in a way that can't be altered thanks to its use of cryptography.

As well as having implications for food safety and traceability by allowing farmers to record production data, it could also help improve production by streamlining operations and driving sustainability.

Blockchain startup ripe.io is already making waves in the tech world thanks to its system that tracks the ripeness, colour and flavour of tomatoes, helping farmers determine when a plant is ready to be harvested.

Sainsbury's and Unilever are also trialling the technology to create green contracts for farmers in Malawi to track inputs and receive a premium for using them sustainably.

03 & 04. Profiting from nature and trees

Tom Heathcote discusses some of the opportunities for landowners

> "Before rushing to plant new trees, look at what you already have. Ancient woods were factories and woods do much better when they are managed. As you thin them out you're adding value to the timber that remains

We all wait with baited breath to see what the new post-Brexit new Environmental Land Management Scheme (ELMS) will look like, and how values will be assigned to natural capital, but in the meantime land managers should not overlook the options currently available.

The latest Countryside Stewardship Scheme (CSS) has got a bad rap from some quarters, but to my mind it is well worth considering, especially on more marginal land. I'm working with a number of clients to "square off" their fields – removing unproductive and loss-making areas and in doing so increasing the profitability of the remainder of the field – and putting these unproductive areas into CCS, for which they will receive up to £640/hectare.

Rewilding their entire property will not be for everyone, but as our feature on the Knepp Castle Estate on page 8 shows, tourism and nature work well together – and can be extremely profitable. If you are in a part of the country popular with visitors and are interested in the hospitality sector, a mini Knepp utilising some woodland and some of your land might be for you.

Biodiversity offsetting as an income stream is another option worth exploring for those able to lock up land for longer periods. The opportunities look set to increase as the forthcoming Environment Bill is going to make the concept of biodiversity net gain mandatory for developments.

Of course, the big wins, as mentioned earlier, could be getting paid to offset carbon emissions or deliver other public goods. But while there are opportunities already for this – water companies have schemes that reward certain land management techniques, for example – they are very localised.

However, to take advantage of future schemes you will need to know exactly what you have to offer, so it could pay to be one step ahead and have your farm or estate's biodiversity professionally assessed.

TIMBER!

Trees, of course, go hand in hand with nature conservation and tourism, but the timber they produce is also becoming increasingly valuable. As 2019 marks the 100th anniversary of the Forestry Commission, I asked its chairman Harry Studholme for some advice.

"Before rushing to plant new trees, look at what you already have. Ancient woods were factories and woods do much better when they are managed. As you thin them out you're adding value to the timber that remains."

In terms of new planting, marginal livestock farms will be the most obvious candidates. "Financially, trees are probably better than beef and sheep on steep land and attractive planting grants are available," says Sir Harry.

"But because of climate change I would be thinking very carefully about what species to plant," he adds. "Look at what is growing well in slightly warmer European climates and don't put all your eggs in one basket."

In Scotland, the support for tree planting is even greater, explains Dr David Hetherington, Ecology Advisor to the Cairngorms National Park, the EU's largest. "The national target for tree planting has recently been increased from 10,000 to 15,000 hectares per year."

In addition to the standard planting grants, top-up payments of 12.5% are available in the national park for woodland creation that links up existing woodlands and also for new scrubby, yet species-rich, woodland at higher altitudes, as well as for riparian tree planting that will, in time, shade upland streams – a bid to mitigate the negative effect of rising water temperatures on salmon.

Although tree-planting, deer stalking and grouse shooting don't always go hand in hand, they needn't be mutually exclusive, says David. "It doesn't have to be all or nothing."

Different landscapes can also create new sporting opportunities, he points out. "If you go to south western Norway, which has a similar climate, but where trees are growing at higher altitudes because of reduced grazing pressure, you''ll find that they shoot the same species of grouse as ours but in an open, scrubby birch landscape, as well as red deer more than a third heavier than ours and with more impressive trophy heads."

Stacking woodland with other enterprises – agro-forestry – is something I think offers a lot of potential. For example, when the trees are young you can graze poultry between them. As they mature they become ideal for out-wintering cattle.

Bio-mass production is also something I am working with some clients on. This is an alternative use for less productive land that locks up land for less time than forestry.

05. Better risk management

In a way, everything that this article has already covered constitutes risk management – whether it's diversifying, rewilding or investing in new technology.

But I think it's worth spelling out the four key areas that businesses should focus on when identifying their exposure to risk, and ways to mitigate it: climate, pests and diseases, labour and, of course, price volatility.

With crops, that includes thinking about the varieties being grown and how you grow them, whether you are spring or autumn cropping, and what disease possibilities you have. For example, if you are growing oilseed rape and are affected by flea beetle, that's not sustainable. Similarly with livestock, if you are continually having TB breakdowns, that has long-term commercial implications.

They sound obvious things, but such decisions can have big ramifications for a business and may not be easy to make.

Fluctuations in weather patterns are becoming more common, as is the volatility of commodity and input prices. Growing a greater mix of crops and varieties can spread the risk, but financial tools such as crop insurance, common in the US but rarely used here, are now becoming more widely available.

As an example, insurance company Stable – the brainchild of a Nuffield Scholar – recently launched a risk management platform to offer businesses protection against rising input costs and falling commodity prices. It calculates premiums using independent indexes from Defra and the Agriculture and Horticulture Development Board to insure against anything from falling milk prices to increasing diesel costs.

Crop marketing is an area that still doesn't always get sufficient attention. Sentry's Paul Christian says the firm has moved to more forward and fixed-price contracts after switching to more niche crops.

"Getting involved in new markets involves risk, and we're not prepared to take all that risk ourselves," he says. "We've found that one successful approach has been to work collaboratively with bespoke marketing pools, giving us flexibility to respond faster to market changes."

Need to know

Knight Frank's rural property experts advise clients on all aspects of their businesses. Here the team digs out some of the key non-Brexit-related challenges and opportunities facing landowners

1. THE COST OF DEBT

The constant threat of interest rate rises has caused a lot of market uncertainty recently. However, there are many fixed-rate options available and the agricultural sector has access to some of the best deals. Lenders recognise the multi-generational and long-term outlook of many farms and estates – there are now 20-year+ rates on offer from as little as 3.8%.

Lenders are adapting to the requirements of estate owners, and as such are much more flexible in their approach to loans that historically may not have ticked all the right boxes. With interest roll-up facilities and competitive bridging, now would be a good time to review your arrangements.

For more information on how Knight Frank Finance's specialist rural team can help you, please contact rachel.barnett@knightfrankfinance.com

2. CHANGES TO AGRICULTURAL TENANCY LAW

The legislation governing agricultural tenancies is set for a potential shake-up based on proposals in a consultation document released by Defra. The proposals are designed to remove barriers to entry, improve investment and productivity and increase future environmental scheme take-up in the tenanted land sector.

Specific proposals relating to the Agricultural Holdings Act include allowing tenants to assign their tenancies, capping the retirement age of tenants and updating rent review provisions to encourage investment by both landlords and tenants.

For farm business tenancies, proposals include allowing landlords to more easily recover possession of new tenancies with a term length of ten years or more where a tenant is in default of rent, has died, or where the landlord has planning consent for a non-agricultural use.

Many of the proposals should be welcomed by landlord and tenants alike, although the detail of some have been more thought through than others. How many of the proposals make the statute book, and how they then operate, remains to be seen. For anybody interested in having their say, the consultation is open until July 2.

For more information on the consultation and other landlord and tenancy issues please contact james.shepherd@knightfrank.com

3. OPPORTUNITIES FOR LANDOWNERS PART 1: BUNDING

The UK's existing road and railway networks continue to get busier and these are having a greater impact on landowners, the environment and local villages. However, no government is expected to retrospectively deal with issues such as noise pollution, creating an opportunity for landowners to resolve these issues themselves – and get paid for it at the same time.

Developers will pay landowners within trucking distance of their projects to take the excess soil and materials extracted during

construction and this can be used to create noise-baffling bunds, which can be attractively landscaped with trees and other wildlife friendly habitats.

Local planning authorities appear willing to grant planning permission for such works and increasing infrastructure and development in London means there is a surplus of inert material that needs to find a home.

There are hoops to jump through and consents to be gained, but these are very lucrative opportunities and come with the benefit of an income stream, capital value uplift and importantly peace and quiet.

To find out if you are in an area with bunding opportunities please contact alastair.paul@knightfrank.com

4. OPPORTUNITIES FOR LANDOWNERS PART 2: BIODIVERSITY OFFSETTING

Construction on greenfield sites can damage local ecology and traditionally developers pay local councils to mitigate this. However, with increased public concern for wildlife, planning authorities are now encouraging construction firms to make efforts to re-home displaced wildlife through biodiversity offsetting and to demonstrate that they have done so into the future.

This is an opportunity for landowners to get paid by developers to provide wildlife habitats for long-term secured leases, which is especially useful at a time when the future of subsidies is uncertain. There is inherent value locked up in land that landowners may be unaware of and, unlike natural capital payments, which are still at an embryonic stage, biodiversity offsetting is something developers understand, want to do and are prepared to pay for.

To discover if your farm or estate could offer biodiversity offsetting please contact tom.heathcote@knightfrank.com

5. HEALTH AND SAFETY, A JOINT RESPONSIBILITY FOR LANDLORDS AND TENANTS

Agriculture overtook construction as the most dangerous industry several years ago, clearly highlighting that health and safety should be of paramount concern. However, the industry has reacted slowly and a number of very serious incidents have been investigated by the Health and Safety Executive.

In response to this, the government is now proactively auditing farms and estates. Based on the first round of audits, findings have indicated that many farm businesses have poor health and safety procedures in place. Estates, however, have generally been good.

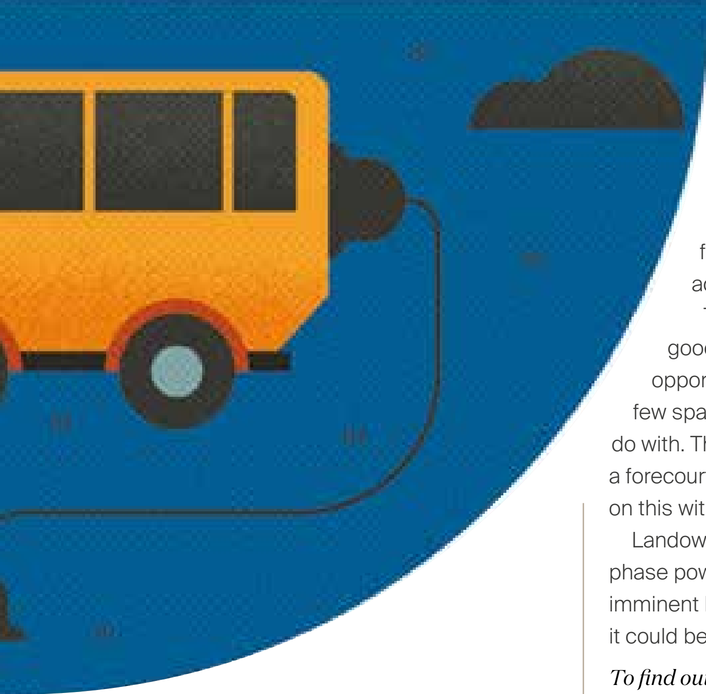
There is an apparent disconnect between estates and farm tenants, but health and safety is a joint responsibility and collaborative discussions are now required.

If you would like advice on whether your health and safety policies measure up please contact sophie.bacon@knightfrank.com

6. AVOID DISASTERS WITH PROACTIVE BUILDING MAINTENANCE

Owners of estates, property or any built environment should put in place a maintenance procedure to help manage ongoing maintenance and repair requirements. A planned preventative maintenance or PPM survey is the perfect tool to assist you in running and managing your buildings efficiently. Dealing with maintenance obligations earlier can prevent costly failures in the form of defects and overall degradation to the building fabric, or much worse as was recently the case in Paris.

Buildings are often described as bricks and mortar. However, we shouldn't forget the mechanical and electrical services that generally account for up to a third of the initial capital cost of any new building. Each element has a design life and property owners should invest time and money into a survey



to determine the specific maintenance requirements. The PPM survey will identify a time period in which maintenance tasks should be undertaken, helping to manage statutory and legal obligations, plan financial output and run estates efficiently.

Find out more about PPM surveys by contacting christopher.bailey2 @knightfrank.com

7. FILL IN THE ELECTRIC CHARGING POINT BLACK SPOTS

Increasing pressures from environment groups and changing government legislation have seen a surge in electric car ownership, with many calling for the ban on the sale of new fossil fuel vehicles to be brought forward from the current target of 2040. However, in terms of electric charging points, the country is logistically unprepared to go fully electric, with huge blackspots across the countryside.

This could therefore provide a good diversification and investment opportunity for landowners who have a few spare acres they are wondering what to do with. There could be opportunities to create a forecourt with charging facilities and expand on this with a café or other facilities.

Landowners would need to have a three-phase power supply, but, based on the imminent ban on the combustion engine, it could be a safe bet.

To find out if you are in a suitable location to offer electric charging please contact james.carter-brown@knightfrank.com

8. BENEFIT FROM THE STRUCTURES AND BUILDINGS ALLOWANCE

The Autumn Budget 2018 introduced proposals for a Structures and Buildings Allowance, a new tax relief to support business investment in the UK through the development of new structures.

Available on new construction expenditure for non-residential buildings, the allowance would be given over 50 years at a rate of 2% per annum. All contracts for the physical construction work would need to have been entered into on or after October 29 2018, with any allowances claimed reducing the base cost of the property for Capital Gains Tax.

However, it is unlikely that this will be available for assets that qualify for plant and machinery allowances.

A consultation on key features of the policy, covering residential use exclusion, leasing and disuse provisions was due to be published in May 2019.

Please contact john.williams@knightfrank.com to see if the new allowance could benefit your business

9. DON'T GET CAUGHT OUT BY BOUNDARY ISSUES

Ensuring your land and property interests are registered with the Land Registry is an essential part of protecting your boundaries from adverse possession. When selling your property, complications can still arise, such as incorrectly drawn plan boundaries not reflecting the position on the ground, issues with older plans and out-of-date Ordnance Survey data, physical encroachment, multiple titles under the same ownership not adjoining correctly and conflicting neighbouring title plans.

Anyone planning a property sale that may involve either splitting Land Registry titles or older/multiple title plans should ensure that proposed plans reflect the actual position on the ground. This will ensure issues can be addressed in good time to prevent sales falling through. For larger properties, full boundary surveys are recommended prior to sale and as part of good practice to prevent issues arising.

For advice on your boundaries please contact michael.mccullough@knightfrank.com

10. MOBILE PHONE MAST MISFORTUNE

The new Electronic Communications Code, which came into effect on December 28 2017, has created some difficulties in the mobile mast market, as the rental value of mast sites now must be assessed in the "no-scheme world", ignoring the existence of the telecoms equipment. For a small mast compound on agricultural land, the value could be virtually zero, so landowners are understandably resisting changes to rents. Market evidence for rooftop sites may be difficult to come by.

The Central Association of Agricultural Valuers (CAAV) has provided a useful schedule of alternative use value comparables that could help. These include temporary works compounds, parking sites, airfield landing lights, wind turbines and similar uses. Knight Frank also has a large amount of rental values evidence covering many situations and types of property. As yet, it is still too early to determine how the Code will work in practice and the level of rents that are likely to be agreed or imposed.

If you are concerned about the rental income from your mast site please contact jonathan.scott-smith@knightfrank.com

11. REVISED NATIONAL PLANNING POLICY FRAMEWORK PROVIDES RURAL OPPORTUNITIES

In February 2019 the government published new revisions to the National Planning Policy Framework (NPPF). This implements reforms that will have implications for those with land and development interests in rural areas. Below are some of the potential new opportunities:

1. Rural exception sites The NPPF promotes opportunities to bring forward "rural exception sites" (small sites used for affordable housing in perpetuity where housing development would not normally be allowed) that will provide affordable housing to meet identified local needs, and considers whether allowing some market housing on these sites would help to facilitate this.

2. Village development There is a requirement for planning policies to identify opportunities for villages to grow and thrive, especially where this will support local services and facilities.

3. Rural economy The government seeks to promote sustainable rural tourism and leisure developments that respect the character of the countryside. Sites that are important to meet local business and community needs in rural areas may have to be found adjacent to or beyond existing settlements, and in locations that are not served by public transport.

There are also intricate changes made to the wording of national Green Belt policy, particularly with regard to the provision of affordable housing.

To discuss how the National Planning Policy Framework may affect your development plans, please contact george.yates@knightfrank.com

12. WELSH LANDLORDS, GET REGISTERED OR FACE FINES

As of November 23 2015, landlords and letting agents in Wales have been required to register and be licensed to let properties. This came about in order to protect tenants from unscrupulous landlords and to encourage greater trust in the letting market.

In January 2018, the first round of prosecutions against landlords who had not registered were issued, with around 15 landlords fined for failing to comply with the system. Therefore it is very important to be registered and fully compliant.

Anyone who owns residential property in Wales and is thinking of letting must be registered with the scheme and make sure any agent they use is also registered and licensed, or they may face prosecution.

To ensure you are complying with the law please contact edward.holloway@knightfrank.com

Spotlight on alternative investments

The UK's country houses are home to some of the nation's greatest collections. To see how they might be performing The Rural Report shares the 2018 findings of the Knight Frank Luxury Investment Index (KFLII), which tracks the value of ten luxury investments.

Figures based on change in last 12 months (in brackets on last 10 years)

SOURCES: COMPILED BY KNIGHT FRANK RESEARCH USING DATA FROM ART MARKET RESEARCH (ART, COINS, FURNITURE, JEWELLERY, STAMPS AND WATCHES), FANCY COLOR RESEARCH FOUNDATION (COLOURED DIAMONDS), HAGI (CARS), RARE WHISKY 101 AND WINE OWNERS. ALL DATA Q4 2018 EXCEPT WATCHES (Q2 2018). STAMPS PROVISIONAL.

Key contacts

We can advise on all aspects of rural property ownership.
Our principal service lines and the relevant contacts are listed here.
Find out more at knightfrank.co.uk

RURAL ASSET MANAGEMENT

Ross Murray
Chairman of Rural Asset Management

Our Rural Asset Management team helps the owners and trustees of many of the UK's leading estates with all aspects of rural property management. We advise clients on strategic planning, succession planning, staff management, accounts, farm management, restructuring and business diversification.

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FARM & ESTATE SALES

Clive Hopkins
Head of National and International Farm & Estate Sales

Our Farm & Estate Sales team helps our clients to sell and acquire all types of rural property, from a single field to a large commercial or residential farm. We've been entrusted to sell some of the most important and valuable farmland properties and country estates in the UK, and provide market-leading intelligence on land values and rural property ownership trends.

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AGRI CONSULTANCY

Tom Heathcote

Our Agri Consultancy team provides strategic farm advice across the UK. Led by Tom, the team advise farming clients and landowners on everything from crop rotations and farming systems to tax planning and strategic farm reviews. Working closely with our Rural Asset Management team and other consultancy services, we deliver dynamic solutions for clients with both commercial and non-commercial aspirations for their farming businesses.

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PROPERTY ACQUISITION

Mark Lawson

The Buying Solution

Mark specialises in the purchase of high value residential and rural estates. No other consultant has such a comprehensive knowledge of, and insight into, this exclusive market or access to its properties, many of which are offered privately to Mark and are therefore not available on the open market.

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VALUATIONS

Tom Barrow

Our Country Valuations team provide RICS-approved valuations on rural property across the UK for a variety of purposes, including sale or purchase, bank lending, matrimonial issues and tax issues such as IHT, CGT and ATED. We can also provide expert witness advice for valuation disputes and legal issues.

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MAPPING

Michael McCullough

Michael and his team offer bespoke mapping in support of sales; acquisitions; valuations; land registration; estate, farm, forestry and portfolio management; compulsory purchase; strategic development and succession planning. We also undertake boundary audits and site surveys and can provide our own drone for high resolution imagery, 4K video and 3D mapping, as well as providing a consultancy service in regard to guidance on the acquisition of mapping software, including installation, training and ongoing support.

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BUILDING CONSULTANCY

James Carter-Brown

James has overseen multi-million pound renovations of some of the country's most desirable rural and urban residential properties.

Whether your property is a country house or London pied-à-terre, we can advise on all building consultancy issues including project management, renovations and improvements, listed buildings advice, building surveys and party wall advice.

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COUNTRY HOUSE CONSULTANCY

Angus Harley

If you own a country house or small country estate and need advice on managing it, Angus and his team can assist with staffing and recruitment, project planning, running cost-control, third party and neighbour issues and problem solving across a remarkably wide range of matters.

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COMPULSORY PURCHASE AND COMPENSATION

Tim Broomhead

We provide advice for private and institutional clients who are affected by a compulsory purchase order or who need to make a compensation claim.

Compulsory purchase and compensation legislation, including Statutory Blight, is notoriously complex. Different rules apply depending on the purchasing authority. While individual discretionary compensation schemes can also apply to specific schemes, professional advice can help to ensure fair compensation.

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RESIDENTIAL DEVELOPMENT

Charlie Dugdale

Charlie runs a national Land Consultancy team, and oversees our Public Sector, Home Counties Land Agency and London Acquisitions teams. His overarching ambition is to get Britain building homes that people are proud to live in. This ambition straddles public as well as private sector land, and social as well as private housing. Our teams tailor delivery structures that marry landowners with development partners, and are involved in a wide range of projects across England including major greenfield development areas and urban regeneration projects.

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PLANNING

Tom Stanley

Our planning department can assist with all matters of planning and development for applications or planning strategy regardless of scale, from barn conversions and farm diversification projects to major housing developments and neighbourhood plans.

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MARINE CONSULTANCY

Rachel Wylde

Our Marine Consultancy department specialises in all aspects of marine-related property matters. The team manages a range of diverse marine and coastal portfolios for a number of unique clients and also offers a bespoke professional service. We can assist owners of ports, marinas, foreshore and seabed, estuaries, reclaimed and adjacent land and beaches.

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RESTRUCTURING AND RECOVERY

Harry Dunger

Harry is a restructuring and insolvency specialist in our Recovery & Restructuring team. The team accept fixed charge/LPA appointments, assisting lenders in the recovery of their debts. As well as acting for lenders, Harry has 15 years' experience of providing solutions to farms and rural businesses looking to restructure their debt liabilities and maximise asset values.

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AGRI FINANCE

Rachel Barnett

Rachel is an agri lending specialist in Knight Frank Finance's Agri Finance team. Rachel provides advice and financial solutions for farms and rural businesses looking to refinance or diversify across the UK. Rachel has many years of experience supporting clients in arranging finance for rural renewables projects, diversification projects and land/property/ equipment acquisitions.

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ACCOUNTS

Elin Jones

Our Client Accounting team provides a fully managed accounts service for owners of large country homes, farms, rural estates and businesses. We can help with rent collection, accounts payable, payroll, VAT submissions, management accounts preparation and bespoke reports.

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