

English Estates & Farmland Market Review

Autumn 2016



Market overview

Three months after the EU referendum result, it is still too soon to say what the effect on farmland values has been. While Q3 saw a 7% drop in arable land values compared to Q2, the majority of the land sold over the past three months was under offer prior to 23 June.

The Brexit debate has contributed to a slowdown in the amount of land coming forward – about 30% less has come to the market in 2016 compared with the same period in 2015 – but there is no real evidence of deals falling through as a consequence of the ‘leave’ vote.

We will have to wait a while longer before we can assess the full impact.

Continued overleaf.

The market at a glance

Supply

Almost 30% less land has been marketed to date in 2016 than during the same period of 2015.

The total volume of land marketed is at historic lows.

More land is being privately marketed, that is to say it is not publicly advertised.

Demand

The market remains very driven by location, which has led to a greater proportion of land remaining unsold.

Farmers remain the single biggest group of buyers, but now account for less than 50% of transactions.

The demand from private and institutional investors has held up better than farmers’.



Michael Fiddes

Head of Estates & Farm Agency

T: 01223 459 505

E: michael.fiddes@struttandparker.com

Pricing

Arable prices are down 7% on Q2, and are about 10% lower than a year ago. Despite this, just under half the arable land sold for more than £10,000/acre during 2016 - one of the largest proportions ever.

Pasture prices are about 4% lower than a year ago, with most selling for £6-10,000/acre.

Despite more land remaining unsold, what is selling is selling well, with over 80% at or above its guide price.

Market overview

Continued from page 1

The drop in arable land values is mainly due to falling demand from farmers who, for the first time in two decades, now account for less than 50% of the market. It is apparent that, over the past 12 months, farmers have become more circumspect about purchasing land, with their ability to service debt not what it once was, due to falling profitability in the agricultural sector.

Non-farmer buyers continue to play a growing role in the market, the consequence of which is that in some areas farmland is still selling very well. Whilst some of these buyers are seeking farms with an attractive residential element, others are also driven by the belief that, in times of uncertainty, land is a good place to invest money. High levels of housing development in certain regions means that rollover money is also in evidence.

As we head into Q4, we may see more land coming to the market than during the last three months of previous years. There is evidence that sellers who have waited to see the impact of Brexit on values are now feeling sufficiently confident to proceed – even if some are choosing to market privately, rather than launch their farms publicly. However, as has been the case for some months, how easy it is to sell and the price eventually achieved will continue to be more about location than quality.

“

Farm profitability, more than Brexit, has lowered farmer demand and prices.

Supply

Amount of farmland marketed

Our analysis shows a key characteristic of the market has been the relatively small amount of farmland for sale. So far in 2016, almost 30% less land has been marketed than during the same period of 2015, with less for sale in all regions apart from Yorkshire and Humber.

Unsurprisingly, farmers remain the main group selling farmland, with retirement the primary reason for choosing to sell. Farm profitability remains under severe pressure, but there have been few forced sales as a result.

Table 1
Amount of farmland marketed in England (acres)

N.B. Figures are rounded to the nearest 100 acres.

	East Mids	East of England	North East	North West	South East	South West	West Mids	Yorks & Humber	England
2011	23,600	21,000	4,500	5,900	12,200	15,900	10,800	7,000	100,900
2012	10,100	16,400	16,200	4,500	14,200	14,200	6,500	5,000	87,000
2013	11,500	13,400	9,100	2,600	12,800	17,500	9,600	6,600	83,000
2014	6,500	15,900	4,600	2,400	11,900	14,400	12,000	5,500	73,200
2015	19,000	21,800	4,500	9,600	22,500	13,600	5,700	4,800	101,600
Q1, 2, 3 2015	18,000	19,700	4,500	9,400	19,700	13,000	4,200	4,100	92,600
Q1, 2, 3 2016	11,600	15,200	3,100	1,800	9,200	10,900	3,100	10,700	65,800

Number of farms marketed

Given the fall in acres for sale, it is not surprising that the data shows the number of farms for sale has also dropped - by about a quarter nationally, and by almost half in the North West and South East.

Table 2
Number of farms marketed in the first nine months of the year

	East Mids	East of England	North East	North West	South East	South West	West Mids	Yorks & Humber	England
2011	51	48	10	16	42	42	27	23	259
2012	24	46	19	18	30	36	22	16	211
2013	23	28	13	9	40	38	29	18	198
2014	20	46	8	8	24	38	31	8	183
2015	39	53	6	17	48	37	20	15	235
2016	28	38	8	9	27	34	13	19	176

Types of farm

There have been fewer arable, mixed and residential farms for sale – but the number of livestock farms and estates for sale is similar to last year.

Size of farm

Only nine farms and estates over 1,000 acres have been marketed so far this year, compared with 15 in 2015. There has also been a 25% fall in the number of 100 to 500 acre farms for sale.

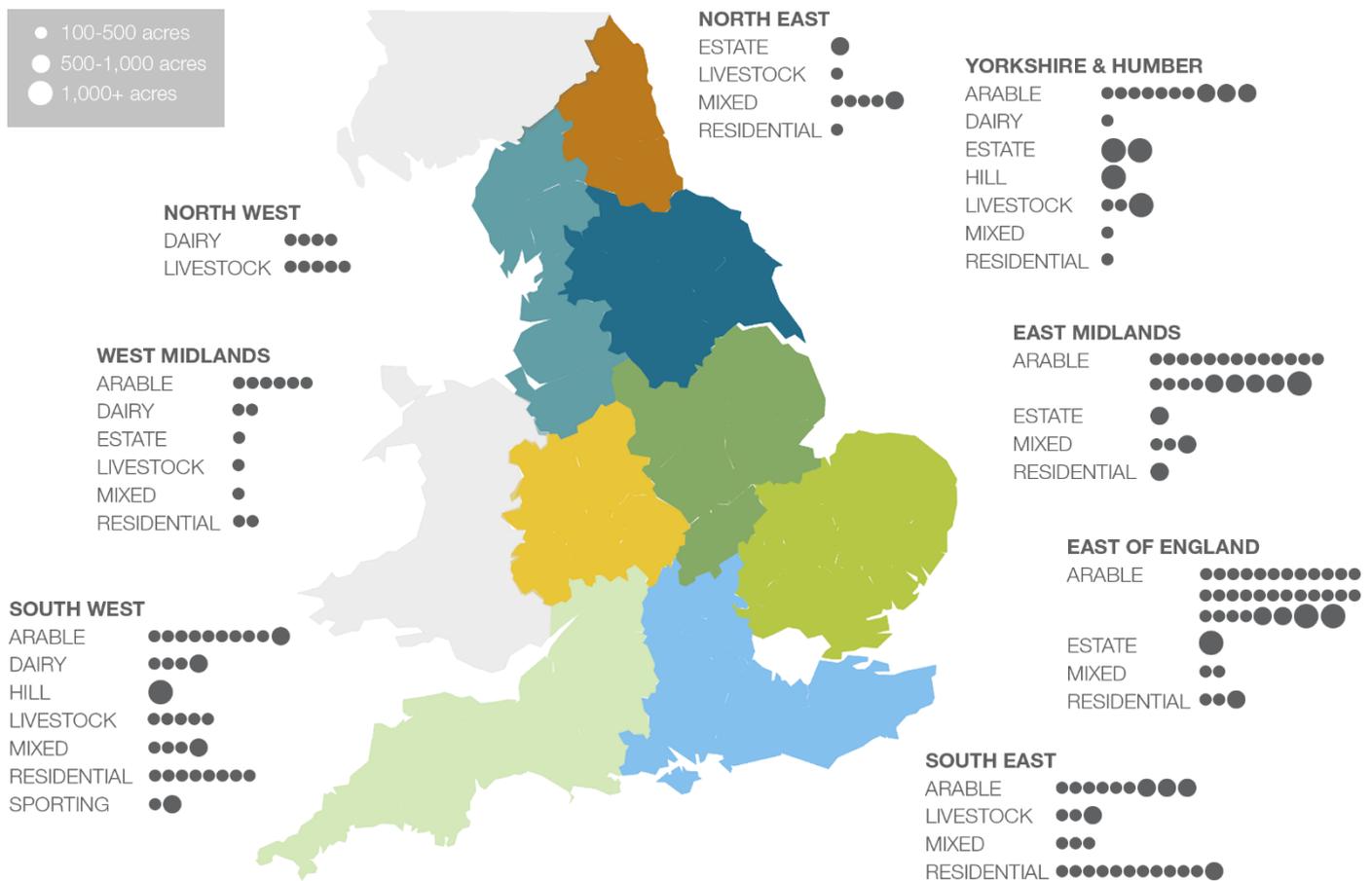
Table 3

Number of farms marketed in the first nine months of the year by farm type

	Arable	Estate	Livestock	Mixed	Residential
2011	95	11	16	38	46
2012	63	10	24	23	43
2013	74	5	19	30	49
2014	79	13	20	28	24
2015	127	6	19	30	37
2016	89	6	18	19	26

Figure 1

Number of farms marketed in the first nine months of the year by region, farm type and farm size



Demand

Area of farmland sold

Although the supply of land is tighter, farms are typically taking longer to sell and a greater proportion of land than normal remains available.

Demand is very variable. Generally demand has weakened in purely agricultural areas like the Fens but has remained strong in areas like the Cotswolds, where land quality may be lower, but there are greater lifestyle and amenity aspects.

The demand from investors and lifestyle buyers is being driven by farmland being seen as a relatively safe type of investment, increasing amounts of money being 'rolled over' from residential development, and continuing demand for attractive country houses.

Most of the land sold during Q3 was under offer before the referendum, when prices were already falling in some areas due to lower farming profits. There is little evidence that sales have fallen through due to the vote.



Farmers remain the single biggest group of buyers, but now account for less than 50% of transactions.

Table 4
Speed of land transactions – % of farmland sold (exchanged)

N.B. Data shows the sale status by percent of acres, not number of sales. All data is for Q1, 2 and 3 only for consistency.

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Available	0%	1%	0%	6%	3%	1%	2%	12%	15%	53%
Exchanged	92%	82%	88%	76%	76%	86%	88%	78%	65%	16%
Under Offer	0%	0%	0%	0%	0%	0%	0%	0%	5%	29%
Withdrawn	8%	17%	12%	18%	21%	13%	9%	10%	14%	1%

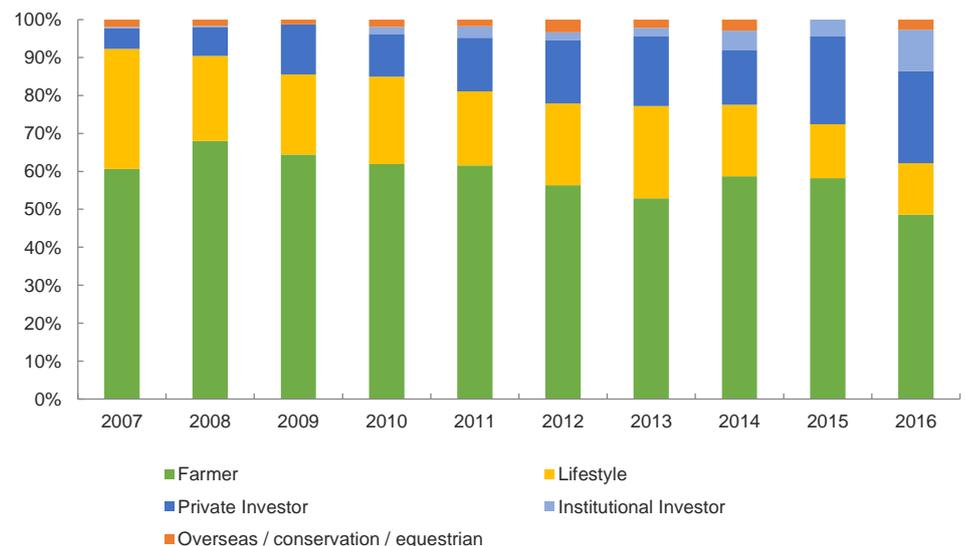
Type of buyers

Farmer buyers have accounted for less than 50% of the purchases made during 2016, the lowest level since our survey started 20 years ago. This is mainly due to the pressure on farming profits, which affects farmers' ability to borrow, but also the fact that some farmers are hoping that prices may ease back further.

Farmers remain the major buyer of farmland despite private and institutional investors taking a larger share of the market. The investors are mainly 'cash buyers' and do not need to borrow to buy the land. They have mainly bought farms under 500 acres in the southern half of England.

Chart 1
Buyer type

N.B. Data is by number of sales, not acres. The year is when the farmland was sold (exchanged) and is for entire years apart from 2016 which is for Q1, 2 and 3 only.



Pricing

Average sale prices

The fall in arable farmland prices continued during Q3. The average price was £9,300/acre, 7% lower than in Q2 and 10% lower than a year ago.

The average price of all pasture sold in the third quarter was £7,100/acre, the same as the previous quarter and around 4% lower than a year ago.

Average, lowest and highest sale prices

As we have stated before, demand is very localised and so the average masks a large variation in prices paid, with the highest prices more than double the lowest.

Table 5

Average sale price of arable and pasture farmland (£/acre)

N.B. Data is based on sold (also called exchanged) prices.

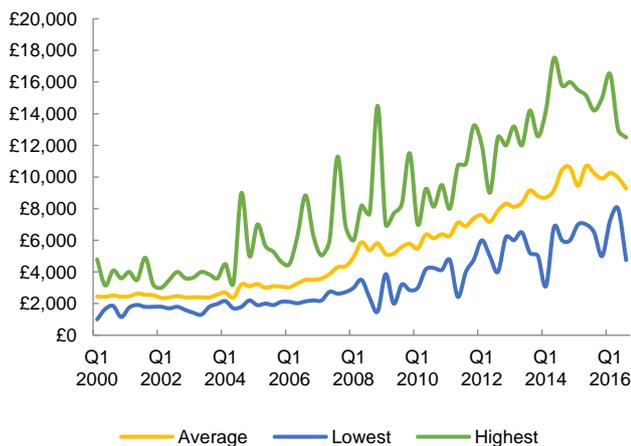
		Arable	Change from Q3 2016	Pasture	Change from Q3 2016
2013	Q1	£8,100		£6,500	
	Q2	£8,400		£6,700	
	Q3	£9,200	1%	£6,300	12%
	Q4	£8,800		£6,700	
2014	Q1	£8,700		£6,900	
	Q2	£9,200		£6,600	
	Q3	£10,400	-11%	£7,200	-2%
	Q4	£10,600		£7,200	
2015	Q1	£9,400		£6,900	
	Q2	£10,700		£7,800	
	Q3	£10,200	-10%	£7,400	-4%
	Q4	£9,900		£7,400	
2016	Q1	£10,300		£7,500	
	Q2	£10,000	-7%	£7,100	0%
	Q3	£9,300		£7,100	

Charts 2 and 3

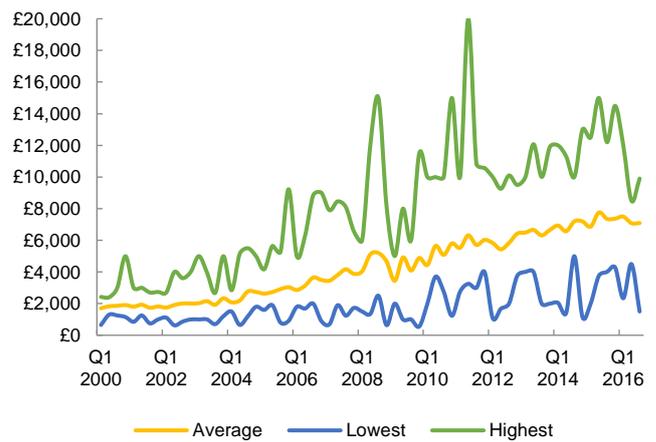
Average, lowest and highest sale prices of arable and pasture farmland (£/acre)

N.B. Data is based on sold (exchanged) prices.

Arable



Pasture



Demand is very localised and so the average price masks a large variation.

Sale price bands

Despite the fall in average prices, just under half of arable land was sold for £10,000 or more per acre, which is one of the largest proportions ever. The price band for the bulk of arable land sold was £8-10,000/acre.

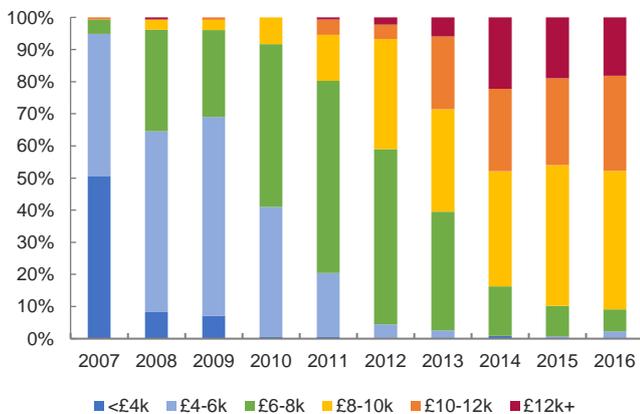
Most pasture land is selling for £6-10,000/acre with prices occasionally reaching £10,000/acre.

Charts 4 and 5

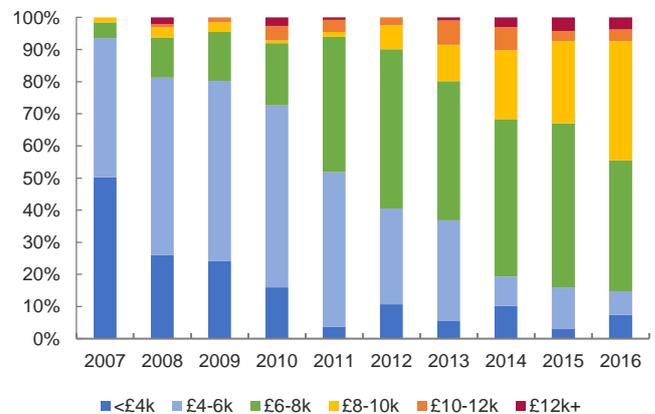
Agreed sale price of arable and pasture farmland, by price band (£/acre)

N.B. Data is based on sold (exchanged) prices for vacant arable and pasture land only (i.e., it excludes the value of houses or buildings). Data is for entire years apart from 2016 which is for Q1, 2 and 3 only.

Arable



Pasture



Sales at or above guide price

While our research shows that more land is remaining unsold, what is selling is selling well and is achieving good prices, with over 80% of farmland selling at or above its guide price – the highest level in our records. This proves there remains some strength in the market.

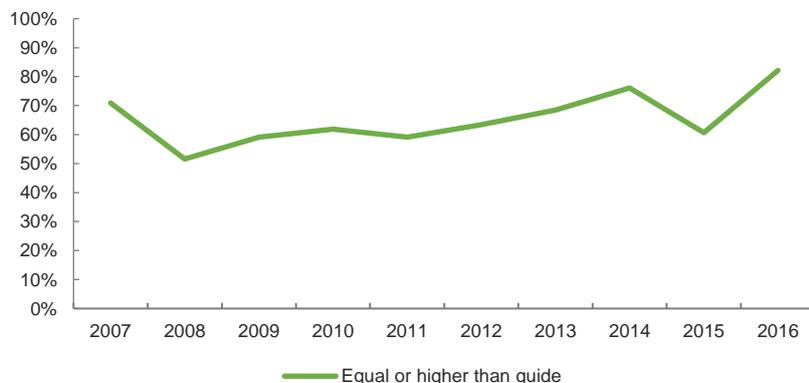


Over 80% of land that is selling is sold at or above its guide price.

Chart 6

% of sales at or above guide price

N.B. Data shows the proportion of farmland sold for more or equal to its guide price. Year is when the farmland was marketed and is for entire years apart from 2016 which is for Q1, 2 and 3 only.



Prices around the regions

The sentiment from our regional farm agency teams is that the top prices for arable farmland have weakened the most, and in all regions. They put this down to falling demand from farmers, who have become more circumspect about purchasing land.

While pasture prices have fallen in some regions, and particularly the top prices, the drop has not been as large or widespread as for arable land.

Table 6

Estimates of average, bottom 25% and top 25% prices for arable and pasture farmland by region

Data is based on the opinions of our regional agents, as it is not possible to calculate reliable regional values based on the small number of sales in each region. Prices are for vacant arable and pasture land only (i.e. it excludes the value of houses or buildings). Bottom 25% means if 100 farms were valued, the price of the 25th farm from the bottom. The average is the 50th from the bottom (and 50th from the top). Change is from previous quarter.

South East

	Arable	Pasture
Bottom 25% (change)	£8,500 (0%)	£5,000 (0%)
Average (change)	£10,500 (0%)	£8,500 (0%)
Top 25% (change)	£11,000 (-15%)	£10,000 (-9%)

“There are pockets of the South East where we are seeing lots of buyers, but in general there are fewer buyers than we have been used to. It is a very price sensitive market at the moment. Bare arable land with buildings is most in demand and there is a shortage in the market. People are also looking for land where there might be an opportunity for an additional income stream. Residential farms where the house needs a lot of work or where there are other compromises are sticking on the market.”

Matthew Sudlow, South East region

South West

	Arable	Pasture
Bottom 25% (change)	£7,500 (-12%)	£6,500 (0%)
Average (change)	£9,500 (-10%)	£7,500 (-6%)
Top 25% (change)	£12,500 (-4%)	£9,500 (0%)

“There are fewer buyers in the market than in recent years, but there are enough and land is selling. Some are tax-driven buyers looking for farms with a low residential element, while others are lifestyle buyers after a good house. Large mixed farms and best-in class sporting estates are most in demand and there is also a shortage of commercial arable farms in the region. I am expecting more land to come to the market next spring.”

Charlie Evans, South West region

East of England

	Arable	Pasture
Bottom 25% (change)	£7,500 (-6%)	n/a n/a
Average (change)	£8,500 (-6%)	n/a n/a
Top 25% (change)	£9,500 (-5%)	n/a n/a

“While land is still selling in the East of England, probably half is selling below the guide price, which is a higher proportion than in the rest of the country. This probably reflects the dominance of farmer buyers in the Eastern counties. How well something sells is much more to do with geography.”

Michael Fiddes, Eastern region

East Midlands

	Arable	Pasture
Bottom 25% (change)	£7,500 (-6%)	£6,800 n/a
Average (change)	£8,500 (-6%)	£7,500 n/a
Top 25% (change)	£9,000 (-10%)	£8,500 n/a

“Since the start of July, about 4,200 acres across eight farms has been put on the open market in the East Midlands and only one of these farms has sold. Generally speaking, we have two types of buyers: farmers looking to add to their existing unit and people with funds to invest from selling land for development. The result is that demand is very location specific and, where competition is strong, prices are stable.”

Sam Holt, East Midlands region

West Midlands

	Arable	Pasture
Bottom 25% (change)	£8,500 (8%)	£6,800 (-3%)
Average (change)	£9,200 (2%)	£7,300 (-9%)
Top 25% (change)	£10,200 (-7%)	£8,500 (-15%)

“Supply is tight in the West Midlands, which has maintained competition for anything that has come up in the region. This means that guide prices have been achieved and, in contrast to the rest of the country, arable prices have actually increased. Farms of 300 to 400 acres, in a ring-fence, are most in demand, largely from farmers who are looking to expand.”

Will Whittaker, West Midlands region

North

	Arable	Pasture
Bottom 25% (change)	£6,500 (0%)	£4,000 (14%)
Average (change)	£8,750 (3%)	£5,000 (0%)
Top 25% (change)	£11,000 (-8%)	£6,000 (-4%)

“There are not a lot of buyers in the market at the moment, which means that about 30% of the land on the market remains unsold. However, there are plenty of buyers for the right farm. In those instances, we are seeing demand coming from farmers with diversified income streams, who are looking to expand, or from non-farming investors. They are looking for medium-sized farms or blocks of quality land. There is also interest in sporting estates, although these are in short supply.”

Will Parry, Northern region

Market outlook

In Q4 of 2015, we worked with independent economic consultants Volterra to produce forecasts for how farmland prices might change over the next five years. The forecasts are based on Auto-Regressive Integrated Moving Average (ARIMA) models of the market since 1997. We then adjusted the forecasts with Volterra based on our experience and expectations.

These figures will be reviewed again shortly, but for now we believe that the market over the next five years is more likely to be closer to our low forecast than the central one, as prices have continued to fall in most regions in the third quarter.

Data from the main bodies that forecast agricultural commodity demand, supply

and consumption is that demand will not greatly outstrip supply, so there will be little upward pressure on commodity prices. This will continue to curtail demand for land from farm buyers.

However, we expect lifestyle and investor buyers to continue to be attracted to farmland, particularly if the uncertainty due to the referendum vote significantly affects other types of investment. Demand from buyers with money to roll over from residential developments is also likely to increase given higher levels of house building.

The amount of land for sale could remain low as farmers generally avoid selling when they expect prices to fall and we do not expect there to be many forced sales.

The main unknown is what the UK’s agricultural and environmental policy post-Brexit will be. Many farmers will be hoping for something similar to the current policy of direct payments based on the area farmed, as those payments have been a significant proportion of farm incomes. A policy that is more based on the environmental and social benefits from land, as is being advocated by most environmental groups, could see any payments from the government move ‘uphill’ from the lowlands to the uplands, which would affect farmland prices in both places. The timetable for the new policy has not been announced, and it may become another reason for sellers to hold off putting their land on the market – or lead to more land being privately marketed, to test demand.



The market over the next five years is more likely to be closer to our low forecast.

Table 7
Forecast percentage change in English farmland prices for next five years

N.B. Forecasts made before the EU referendum vote in June 2016.

	2016	2017	2018	2019	2020
Central	0%	2%	5%	5%	4.5%
High	5%	7%	6%	5.5%	5%
Low	-4%	0%	4%	4%	4%

Who to contact

National

Mark McAndrew

T: 020 7318 5171

E: mark.mcandrew@struttandparker.com

South East

Matthew Sudlow

T: 020 7318 4668

E: matthew.sudlow@struttandparker.com

West Midlands

Mark Wiggin

T: 01584 873711

E: mark.wiggin@struttandparker.com

North

Will Parry

T: 01423 706761

E: will.parry@struttandparker.com

East of England

Michael Fiddes

T: 01223 459 505

E: michael.fiddes@struttandparker.com

South West

Charlie Evans

T: 01722 344010

E: charlie.evans@struttandparker.com

East Midlands

Sam Holt

T: 01780 484042

E: sam.holt@struttandparker.com

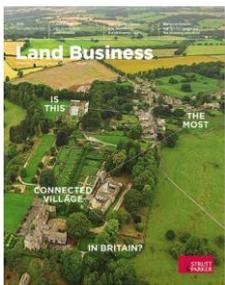
Research

Jason Beedell

T: 020 7318 4757

E: jason.beedell@struttandparker.com

Read more...



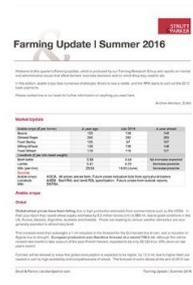
Land Business



Basic Payment Facts



Housing Futures



Farming Update



FOR SALE
Manor Farm, Cattistock, Dorset
319 acres | Excess £3m

View all estates and farms for sale
at struttandparker.com/farms

Methodology

All data in this market report is from Strutt & Parker's Farmland Database of private and publicly marketed farmland over 100 acres in England. It has recorded detailed information on the farmland, buildings and soils as well as buyer and seller profiles since 1996, and so is one of the most comprehensive databases available. What makes it different to other databases is that it records sold prices (i.e., what the farm exchanged contracts for) as well as guide prices, and so is a more accurate reflection of actual market conditions as guide prices can overstate or understate the prices that buyers are willing to pay. The national prices stated in this report are based on sold prices. Once a farm is exchanged, we have assumed it is sold, following HMRC custom. The prices for the regions are based on the opinions of our regional agents as it is not possible to calculate reliable regional figures based on the small number of sales in each region. The Strutt & Parker Farmland Forecast Model was developed jointly with Volterra, an independent economic consultancy.

Copyright Strutt & Parker, 2016. All rights reserved. No part of this publication may be reproduced or transmitted in any form without prior written consent by Strutt & Parker. The information contained herein is general in nature and is not intended, and should not be construed, as professional advice or opinion provided to the user, nor as a recommendation of any particular approach. It is based on material that we believe to be reliable. Whilst every effort has been made to ensure its accuracy, we cannot offer any warranty that it contains no factual errors.