

English Farmland Market Review

Q1 2015



Key facts at a glance

- During Q1, the supply of land coming to the market was 23% higher than the 5 year average
- Land prices in the South East are rising towards the strong levels consistently achieved in the Eastern region
- The average size of a farm for sale has increased to over 400 acres in size, from under 300 acres three years ago

Land Values

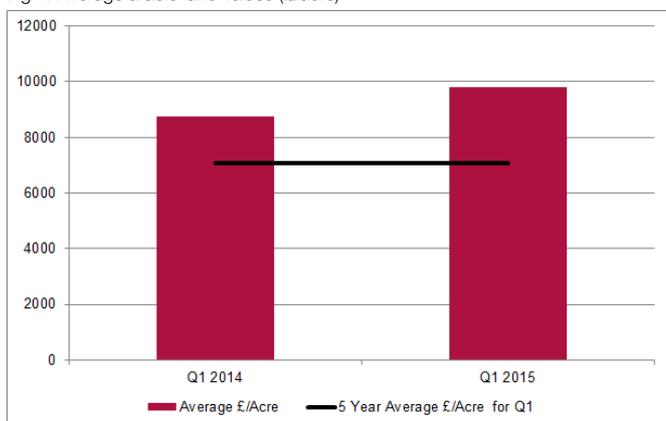
Average arable land values have increased again, now at £9,809 per acre, a rise of 12% over the past 12 months. Traditionally the East of England has always maintained strong arable land values; however, our research tells us that the South East region, which includes Oxfordshire and Hampshire, is now catching up.

There is no doubt that the average arable price not only for the South East but for England as a whole, has been influenced by some large blocks of land which have sold in the last six months.

Pasture prices have dipped slightly since Q1 2014, but are still above the five year average at £6,659 per acre.

There has not been a large number of pasture sales transacted over the past three months so we expect this figure to push back up over the next 6 months.

Fig 1. Average arable land values (£/acre)



Source: Strutt & Parker Farmland Database

Land Supply

A notable change in the statistics for this quarter is the significant increase in the supply of land to the market. Not only that, our research also shows that those farms that have come to the market are bigger than they used to be, with the average farm size now at around 430 acres.

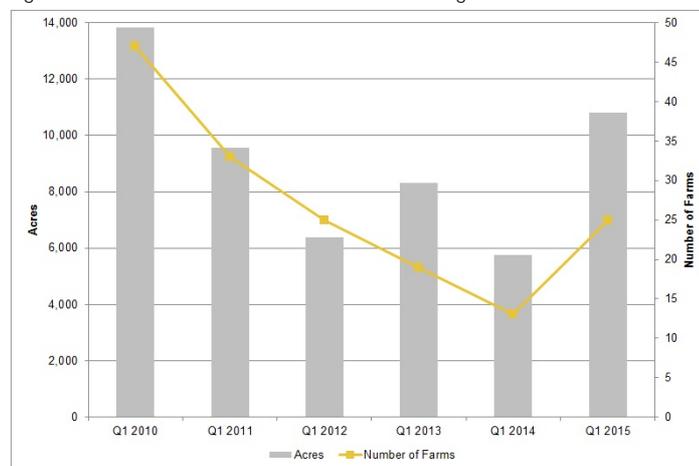
Farms on the market have, on average, been about 400 acres or more for the past three years, compared with up to 300 acres on average before that. This trend is not entirely surprising; for some time we have reported the growing attraction of farmland in the investment market. Given that private and institutional investors are most interested in blocks of land over 800 acres, it is not surprising to see more sizeable parcels of land coming to the market to take advantage of the favourable prices.

The Strutt & Parker Farmland Database, which tracks farms and estates over 100 acres in the market, shows that 10,804 acres came to the English land market in the first three months of 2015, compared to a five year average of 8,767 acres for Q1.

Having reported a consistent drop in supply for some

time, this is a refreshing change and it will be interesting to follow the performance of these sales as we move into the spring and summer months. Will it affect the sustained growth in land values?

Figure 2. Number of acres and number of farms entering the market in Q1



Source: Strutt & Parker Farmland Database

With the general election on 7th May looming, we suspect many vendors decided to either market their land for sale earlier than the traditional spring-time launch or to wait until after the election has taken place, which could also be a contributor to the shift in Q1 supply.

Having said this, the election does not appear to have had any effect on the farmland market at the time of writing, and we suspect there will be little change in activity levels up until the polling day. The obvious concerns of those involved in the market are the effects of any tax changes a new government may implement.

Looking ahead, we remain confident of a steady increase in land prices. We expect a brief pause in market activity whilst the election takes place, with long term average trends to be maintained throughout the next quarter.

Our historical geographical areas have been re-aligned to sit within the recognised Regions used by the Office for National Statistics.

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