

# English Farmland Market Review

Q2 2015



## Key facts at a glance

- The Q2 2015 supply of land to the open market is 123% higher than Q2 2014
- The national average arable land price is continuing to increase, now at almost £10,500 per acre
- Farmers continue to represent over 40% of purchasers in the farmland market

## Land Values

Average values of arable land in England have risen again, now at £10,463<sup>1</sup> per acre. Despite the increased supply of land to the market during Q1 and Q2 2015, prices have continued to increase by just over 2.5% over the past three months.

That said there are wide variations in prices achieved across the country. The average rise is due to some strong sales of arable land predominantly across the East of England, East Midlands and the South East. Other regions have also seen price increases, however, not at the same level (£/acre).

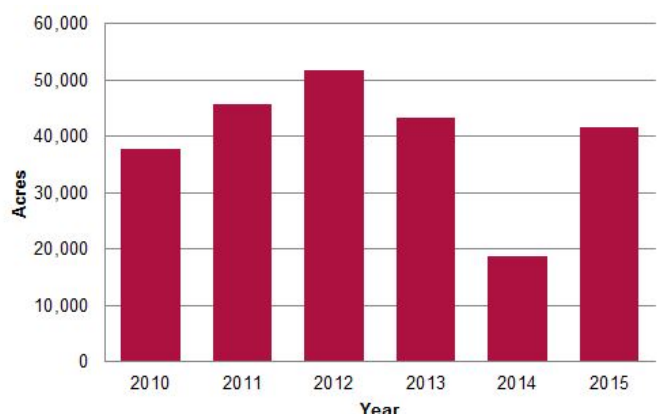
Pasture prices have also increased, now at £6,851<sup>1</sup> per acre for England, ahead of the 3 year cumulative average of £6,497 per acre.

<sup>1</sup> These are rolling annual figures

## Land Supply

The second quarter of every year has historically always been a busy time for the farmland market, with a high proportion of the total acreage brought to the market during the spring months. This year there is no exception to this trend. Our research also shows that over 41,000 acres were brought to the market in Q2 2015, compared with only 18,625 acres during Q2 2014. This initially appears as a big difference, however, looking back over the past five years, it is clear that 2014 was an anomaly to the trend and we are back up to normal levels of supply.

Fig 1. Land coming to the market in Q2 (acres)



Source: Strutt & Parker Farmland Database

Why the sudden change? The general election is likely to have had an impact. Some landowners waited for the result before they made the decision to sell. The outcome was unpredictable which created a good deal of uncertainty throughout the property market during the weeks preceding 7<sup>th</sup> May. For landowners, a Conservative majority was the best possible result which provided comfort and presented a positive atmosphere to bring their property to the market.

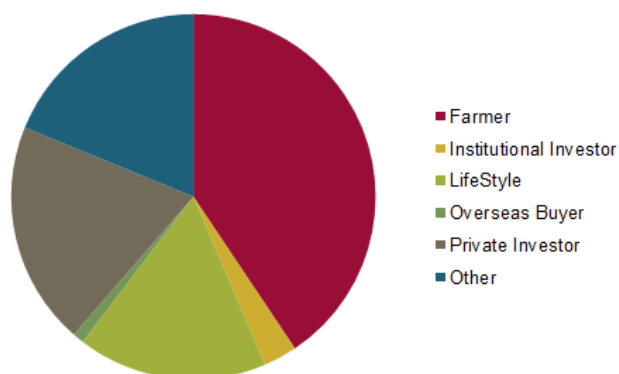
In addition, with commodity prices as low as they are, we suspect some farmers are deciding to retire or others may be looking to raise capital and take advantage of the continuing high prices as they feel the effects on their bottom line.

What better opportunity therefore is there for buyers in the market who now have a selection of good quality bare land, farms and country estates to choose from? Whilst the low commodity prices do not encourage farmer buyers into the market, there is hope that prices will return to more tenable levels on the back of a predicted, less fruitful US harvest. There is also hope the pound will lessen against the euro as the Greece debt crisis is resolved.

Our research shows that farmers still represent 41% of the buyers in the market which, given the circumstances, is a significant share. We have noticed a rise in the number of buyers registered with us who are due to receive significant funding through gaining development on some or all of their property. Typically these applicants register before the funding comes through but, if any buyers have the funding now, today's buoyant market provides a good opportunity to rollover the funding into a safe investment.

Whilst the investor buyers in the market are becoming less active and are being more cautious and selective about what they buy, we suspect it will be these development funded buyers who will drive the market forward.

Figure 2. Buyer types in Q2 2015



Source: Strutt & Parker Farmland Database

However, in the short term, with supply levels as they are, we suspect prices will plateau.

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