

English Estates & Farmland Market Review

Spring 2017



FOR SALE

Baythorne Park, Essex
676 acres | £11 million

Market overview

The year 2017 started unusually. There was a significant carryover of land on the market – over 40% of the farms launched in 2016 were still available at the end of the year, which is a far higher proportion than we have seen before.

However, there has been a flurry of activity since Christmas, so a considerable amount of this has now gone under offer. A quarter of the land launched in Q1 of 2017 also looks to have found a buyer.

This is encouraging and suggests that buyers remain confident about land as a long-term investment, although it is now taking longer to get property to the point of exchange. *Continued overleaf.*



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The market at a glance

Supply

Only 19 farms came to the market in the first quarter, compared with 26 in Q1 2016.

This is just over a quarter less land than was marketed in Q1 2016.

We expect supply to 'catch up' later in the year, given the number of farms that we know are going to market.

Demand

Demand remains extremely variable and dependent on location.

70% of the land marketed in 2016 is now sold or under offer – with lots of sales agreed in the last four months. This has reduced the unusually large amount of land that had been unsold that we previously reported on.

However, livestock and residential farms are taking longer to sell than other types of farm.

Pricing

High prices are still being achieved where there is strong local demand.

The highest prices paid for arable land are still more than double the lowest. The variance is demonstrated by just under 40% of arable sales being agreed at £6-8,000/acre, and most of the rest selling for more than £10,000/acre.

Most pasture land sold for £6-8,000/acre in Q1.

Market overview

Continued from page 1

Based on the transactions in our Farmland Database, the average price of arable farmland sold in the first quarter was £9,800/acre. However, this is based on a small number of sales, three of which took place under exceptional circumstances. Excluding them, the average was £8,400/acre, which suggests a significant drop in prices.

However, prices remain highly variable. A better measure that shows the variability that an average can hide is that almost 40% of arable sales were for £6-8,000/acre, with most of the rest selling for over £10,000/acre. This highlights how polarised the market has become with strong prices still being achieved where there is both a committed buyer and a vendor with a farm that is attractive to the market.

Looking at supply, there was a significant drop in land marketed in the first quarter, possibly due to some vendors delaying marketing to avoid the carryover from 2016 and due to more land than usual being marketed at the end of 2016.

Based on our knowledge of what is going to be marketed this year, there are no indications of a large increase in supply to above the levels of recent years. This is likely to support prices, although undoubtedly a wide range in values will continue to be achieved dependent on location.

Farms are generally taking longer to sell and most prices have eased back from the highs of 2015 but overall the market remains pretty resilient given the uncertainties associated with Brexit.

Supply

Amount of farmland marketed

There was a 27% drop in the amount of land which came to the market in Q1 of 2017 – 5,900 acres compared with 8,100 acres in Q1 2016, and below the five-year average of 7,900 acres. This may be a result of more land than usual being marketed in Q4 2016 (15,000 acres, compared with 9,000 acres in Q4 2015).

Given that, at the end of 2016, around 40% of the land marketed was still available, farmland supply is not as tight or restricted as the Q1 figures might initially suggest.

Table 1
Amount of farmland marketed in England in Q1 (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
Q1 2012	1,000	1,200	200	1,100	1,300	600	600	400	6,400
Q1 2013	3,900	200	300	0	1,000	1,300	300	1,100	8,200
Q1 2014	100	2,500	0	400	0	500	1,000	1,100	5,600
Q1 2015	3,000	1,700	0	400	5,700	500	600	0	11,900
Q1 2016	900	2,900	1,000	600	600	900	700	400	8,100
Q1 2017	400	700	0	300	1,700	1,500	500	700	5,900

Number of farms marketed

While it is not unusual for the number of farms marketed in the first quarter of the year to be low, only 19 have been launched so far this year, compared with 26 in 2016 and the five-year average of 21.

Table 2
Number of farms marketed

	East Mids	East of England	North East	North West	South East	South West	West Mids	Yorks & Humber	England
Q1 2012	2	5	1	4	4	3	3	3	25
Q1 2013	6	1	1	0	3	4	2	1	18
Q1 2014	1	4	0	2	0	2	2	1	12
Q1 2015	8	6	0	1	7	3	3	0	28
Q1 2016	4	7	2	3	2	3	4	1	26
Q1 2017	2	3	0	2	4	3	3	2	19

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There was a significant drop in land marketed in the first quarter

Types of farm

The majority of farms marketed are either arable or livestock, with no estates marketed so far.

Table 3
Main type of farms marketed

	Arable	Dairy	Estate	Livestock	Mixed	Residential, Amenities, Equestrian
2012	5	1	1	2	3	9
2013	10	0	1	2	0	3
2014	4	2	0	3	2	0
2015	14	1	0	2	2	8
2016	16	3	1	1	3	2
2017	5	1	0	6	2	3

Demand

Area of farmland sold

Buyers are being more cautious and this has led to more land remaining available on the market than has been the case in recent years.

However, there is still an encouraging amount of activity with plenty of farms being sold or going under offer.

This has reduced the amount of land remaining unsold (or withdrawn), but is still higher than in previous years. This was at 42% (35,600 acres) at the end of 2016, but now sits at 32% (28,000 acres).

A quarter of the land which has come to the market in 2017 is already sold or under offer.

Looking at the market by the number of farms, rather than by acreage, shows that 38% of the farms marketed during 2016 are still available or have been withdrawn, with over half of livestock and residential farms still available, which is a higher proportion than for the other types of farm.

Smaller farms or blocks of land are more likely to stick on the market.

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.

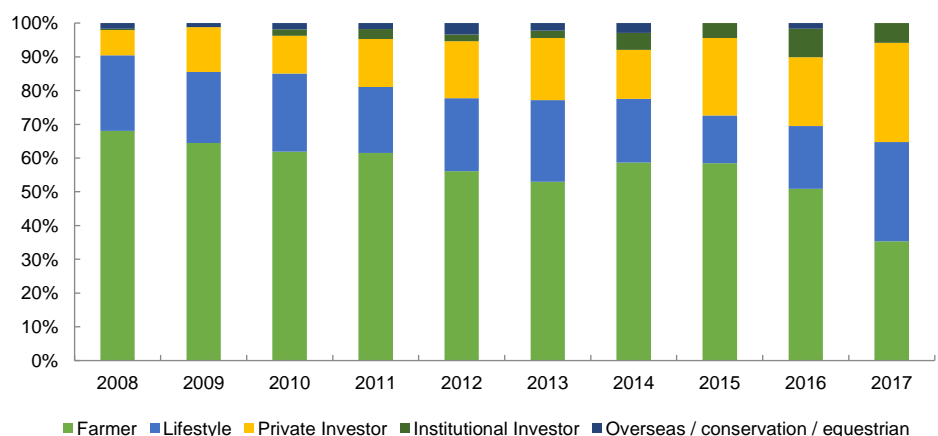
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017 Q1 only
Available	0%	0%	5%	2%	2%	2%	9%	10%	23%	76%
Exchanged	74%	88%	76%	76%	85%	89%	79%	69%	52%	5%
Under Offer	0%	0%	0%	0%	0%	1%	1%	3%	17%	20%
Withdrawn	26%	12%	19%	22%	13%	8%	11%	18%	9%	0%

Type of buyers

Private investors and lifestyle buyers have been involved in a high proportion of the sales that have completed in Q1, proving that they continue to see land as a relatively safe type of investment in uncertain times. However, beware reading too much into these Q1 figures; a more usual pattern of buyers should appear over the year.

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 for 2017, which is Q1 only.



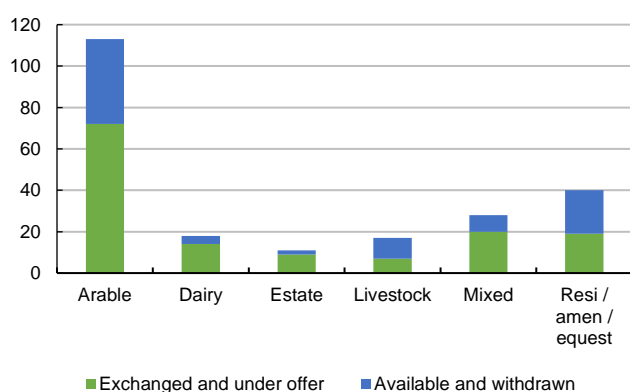
Status of farms marketed in 2016

Charts 2 and 3

Sale status of farms marketed in 2016, by type of farm and farm size

N.B. Data shows the sale status by number of farms, not percent of acres

Farm type



Farm size

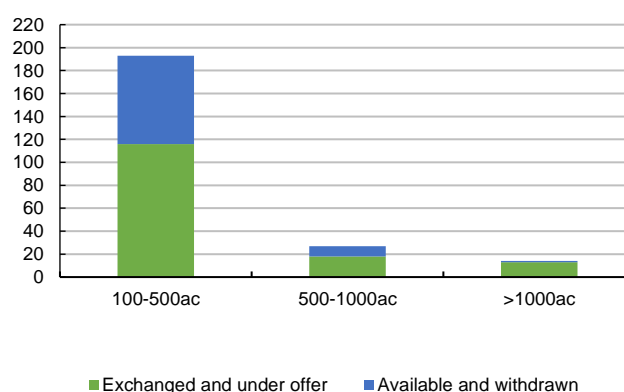


Table 5

Sale status of farms marketed in 2016 by farm type as a percentage

N.B. Data shows the sale status by number of farms, not percent of acres

	Exchanged and under offer	Available and withdrawn
Arable	64%	36%
Dairy	78%	22%
Estate	82%	18%
Livestock	41%	59%
Mixed	71%	29%
Residential / amenity / equestrian	48%	53%
Total	62%	38%



A quarter of the land which has come to the market in 2017 is already sold or under offer.

Pricing

Average sale prices

The average price of arable land sold in Q1 was £9,800/acre, which is above the average in Q4 and the same as the average for the whole of 2016. However, it was significantly affected by three sales, which all achieved £15,000/acre due to exceptional circumstances. If they are excluded, the average price of arable land drops to £8,400/acre, which suggests a significant drop in prices. However, this still masks the wide variability in prices achieved.

The average price of pasture sold in Q1 was £7,600, which is 2% higher than at the same point in 2016.

N.B. These averages are based on the arable and pasture land that is sold during a quarter. Although we have stripped out the value of buildings and houses, the data can still be affected by differences in the quality and location of the land sold. Therefore, it should only be used as a broad indicator of changes in prices. Given the significant regional variation in prices and range of prices within regions, we recommend using the average, bottom 25% and top 25% prices for farmland by region, which are on pages 7 and 8.

Average, lowest and highest sale prices

Sale prices remain highly dependent on local demand, with high prices still being achieved where demand is strong. The highest prices paid for arable land are still more than double the lowest.

The difference between the highest and lowest prices for pasture land appears to have narrowed.

Table 6

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

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

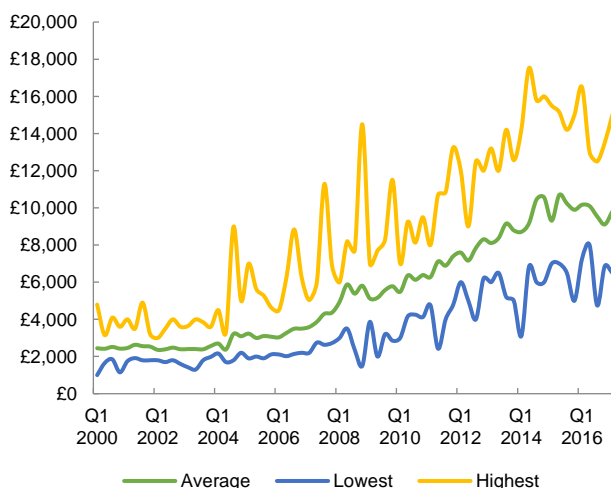
		Arable	Change from Q1 2017	Pasture	Change from Q1 2017
2013	Q1	£8,100	21%	£6,700	14%
	Q2	£8,400		£6,700	
	Q3	£9,200		£6,300	
	Q4	£8,800		£6,700	
2014	Q1	£8,700	13%	£6,900	10%
	Q2	£9,200		£6,600	
	Q3	£10,400		£7,200	
	Q4	£10,600		£7,200	
2015	Q1	£9,300	5%	£6,900	11%
	Q2	£10,700		£7,800	
	Q3	£10,200		£7,400	
	Q4	£9,900		£7,200	
2016	Q1	£10,200	-4%	£7,500	2%
	Q2	£10,100		£7,900	
	Q3	£9,500		£7,300	
	Q4	£9,100	8%	£7,300	4%
2017	Q1	£9,800		£7,600	

Charts 4 and 5

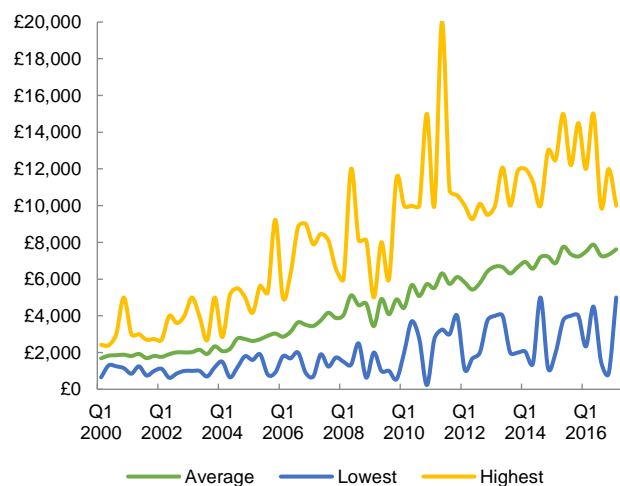
Average, lowest and highest sale prices of arable and pasture farmland (£/acre)

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

Arable



Pasture



Sale price bands

Our analysis highlights the wide range of prices being agreed – in particular for arable land. During the first quarter, almost 40% of agreed sale price sales were £6-8,000/acre, but equally more than 40% sold for more than £10,000/acre.

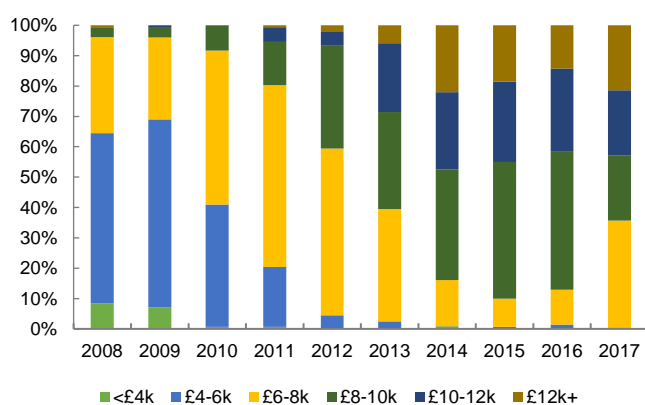
Most pasture land sold for £6-8,000/acre.

Charts 6 and 7

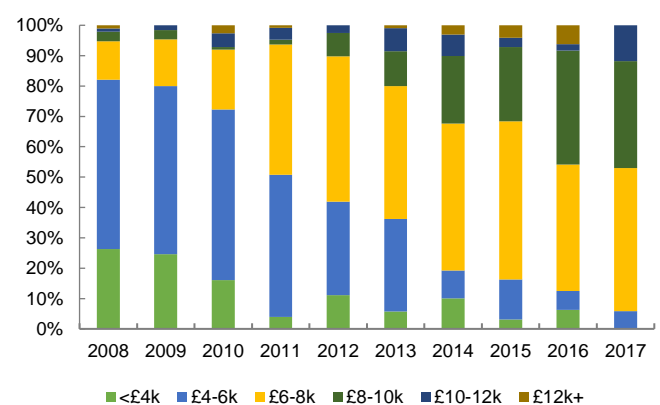
Agreed sale price of arable and pasture farmland, by price band (£/acre)

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).

Arable



Pasture



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During the first quarter, more than 40% of agreed sale price sales were more than £10,000/acre.

Prices around the regions

The sentiment from our regional farm agency teams is that prices for all types of land, from the highest quality to the lowest, fell in Q1, although more slowly than during 2016.

They estimate that arable prices have fallen by around 10% since the start of 2016 for the top 25% land and by slightly more for average and bottom 25% 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 7

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)	£7,500 (0%)	£5,200 (4%)
Average (change)	£9,700 (2%)	£7,500 (0%)
Top 25% (change)	£11,200 (2%)	£8,800 (-2%)

“Smaller residential farm buyers are showing increased interest in the south east, with particular interest in the counties of West Sussex and Berkshire. Farmer buyers are tending to sit back, unless they are looking to roll-over funds from recent sales. Those that are buying are seeking for value for money. Arable prices are ranging between £7,500/acre and £12,000/acre.”

Mark McAndrew, South East region

South West

	Arable	Pasture
Bottom 25% (change)	£6,500 (0%)	£5,500 (0%)
Average (change)	£8,500 (0%)	£7,250 (4%)
Top 25% (change)	£11,000 (-15%)	£9,000 (0%)

“Farms which were stuck on the market are now selling, but the period between exchange and completion is longer than it used to be. It feels like it could be a lean year for supply in the south west of England – only three farms have launched since the start of the year totalling 1,543 acres. The lack of supply could help to underpin values, although location will remain the key driver for the price paid.”

Charlie Evans, South West region

East of England

	Arable	Pasture
Bottom 25% (change)	£7,000 (-7%)	n/a n/a
Average (change)	£8,500 (0%)	n/a n/a
Top 25% (change)	£9,500 (0%)	n/a n/a

“2017 started on a positive note with sales agreed on several offerings of land that had remained available during the second half of 2016. Buyers are now prepared to move forward albeit paying prices which are typically 5% to 10% lower than a year ago. There are two commercial farms, a residential estate and several blocks of land due to come to the market this spring and we predict several more will be available by early summer.”

Tim Fagan, Eastern region

East Midlands

	Arable	Pasture
Bottom 25% (change)	£8,000 (7%)	£6,500 (-2%)
Average (change)	£8,500 (1%)	£7,000 (-4%)
Top 25% (change)	£9,000 (2%)	£8,250 (3%)

“The supply of land has been tight in the first quarter of 2017, however, we have a number of farms which will be launched in the East Midlands shortly. Demand remains extremely location specific with strong prices still being paid for good arable blocks in accessible locations. Farmers continue to look to add to their existing holdings, with more upmarket areas of the region attracting non-farming buyers who are underpinning the higher prices in these areas.”

Sam Holt, East Midlands region

West Midlands

	Arable	Pasture
Bottom 25% (change)	£8,000 (-3%)	£6,600 (-2%)
Average (change)	£8,900 (-1%)	£7,000 (-1%)
Top 25% (change)	£9,750 (-3%)	£8,250 (-3%)

"The vast majority of sales that came on to the market towards the end of 2016 exchanged contracts during the first quarter of 2017. Some prices achieved were slightly lower than a year ago, but other sales have fared well, normally when in a sought after location. There are still some strong local buyers looking to enter the market if they spot the right opportunity; some are looking for livestock or dairy farms, but there is also demand for commercial arable units too."

Matthew Sudlow, West Midlands region

North

	Arable	Pasture
Bottom 25% (change)	£6,700 (0%)	£4,300 (0%)
Average (change)	£8,000 (0%)	£6,100 (0%)
Top 25% (change)	£9,700 (0%)	£7,300 (0%)

"We are continuing to see demand for residential farms, or land which offers additional income potential, with farms of 150-300 acres with a modest farmhouse topping buyers' lists of demands. There seem to be fewer purchasers out there which does mean less competition, but there is more and more rollover money in the region and also good quality diversified farm businesses looking for land to aid their expansion. The best arable land is still selling for around £10,000/acre."

Will Parry, Northern region

Market outlook

We work 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 adjust the forecasts with Volterra based on our experience and expectations.

Farmland prices are currently more varied than in living memory and we expect the difference between high and low prices to increase even further, as demand remains strong from non-farmer buyers (and some farmers) and weakens for purely agricultural land in many areas of the country.

Non-farmer demand is not greatly affected by farming profitability – more so by the tax treatment of land and by other asset markets. This type of buyer continues to view farmland as a safe, long-term store of wealth, which is particularly important when the effect of Brexit on other asset types remains largely uncertain. There is also growing interest in land that has long-term potential for development, especially for housing, which has been boosted by the pro-development message in the Government's recent White Paper on housing.

Farming profitability has more of an effect on farmer buyers, and it is greatly affected by farm subsidies and agricultural policy.

Although the UK government has published little detail on agricultural policy after leaving the EU in 2019, the signals are that farmers will continue to be supported and that the transition from the Common Agricultural Policy to a UK one will be 'softer' rather than 'harder'. This will be reassuring for many farmers who were fearing the worst but can tentatively plan to receive subsidy payments at least into the early 2020s.

We expect farmland prices to remain varied but the 'softer' Brexit in terms of agricultural policy should support demand for farmland from farmers, which will support prices.

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We expect the difference between high and low prices to increase even further

Table 8

Forecast percentage change in English farmland prices for next five years

N.B. Forecasts made December 2016.

	2016	2017	2018	2019	2020
Central	0%	0%	0%	5%	5%
High	3%	3%	3%	10%	10%
Low	-7%	-7%	-7%	0%	0%

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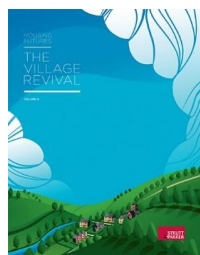
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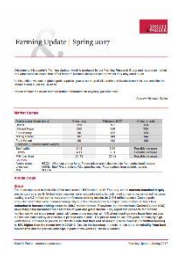
Land Business



Basic Payment Facts



Housing Futures



Farming Update



FOR SALE
Baythorne Park, Essex
676 acres | £11 million

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Methodology All data in this market report is from Strutt & Parker's Farmland Database of privately 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.

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