STRUTT & PARKER
BNP PARIBAS GROUP

English Estates & Farmland Market Review

Summer 2019

Market overview

Supply of farmland shrinks as vendors take 'wait and see' approach

The year started quietly and has continued that way, with economic and political uncertainty creating an environment in which buyers and vendors are finding it equally difficult to make decisions about the future.

Many landowners who are considering selling appear to have decided they will wait to see the outcome of Brexit before making their minds up to proceed. As a consequence, the first half of 2019 has seen the lowest number of farms for sale in the past five years – with only 115 farms publicly marketed. They cover 43,000 acres, which is also the lowest area marketed since 2014.

But tighter supplies are helping to underpin average values which remain consistent at £9,100/acre for arable land. However, the range in values is as wide as ever – this quarter ranging from £6,000 to £16,000/acre.

Overall, farms and estates where there is potential to generate mixed revenue streams, combining residential, commercial and agricultural enterprises, are tending to attract strong interest, as are best-in-class farms where there is a neighbouring farmer looking to expand. Location remains critical, but buyers are also placing greater emphasis on the

Continued overleaf.

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The market at a glance

Supply

- Supply is tight with only 43,000 acres publicly marketed during the first six months of 2019, which is the lowest area marketed since 2014. 2019 has also seen the lowest number of farms marketed for five years.
- The South West of England is the one region bucking this national trend.

Demand

- Demand is variable, with buyers generally being more cautious because of economic uncertainty.
- Quality farms in the right location are still selling well, but buyers are generally being more selective.

Pricing

- £9,100 is the average price of arable land sold in the first half of 2019, but the range in values achieved remains large, from £6,000 – 16,000/acre.
- Fewer sales are happening at £10,000/acre or more than at the peak of the market in 2014–15, and more are being agreed at £8,000 – 10,000/acre.
- The average price of pasture land in H1 2019 is £7,100/acre, but this is based on a small number of sales.

Market overview (continued)

quality of the holding than perhaps they were three or four years ago. For example, they are now looking more closely at issues such as accessibility, water availability, soil type and how well the farm has been maintained.

The market is complex, with different factors in play across each region. Knowledge of the local market and the major players in it is essential. Good sales results are achievable, but vendors may need to be patient.

Supply

Spring is traditionally one of the most popular times to launch a farm to the market, but while Q2 was busier than Q1, supply is historically tight.

The first half of 2019 has seen the lowest number of farms for sale in the past five years – with only 115 farms publicly marketed. They cover 43,000 acres, which is also the lowest area marketed since 2014.

The fall is not unexpected as landowners who have a choice about when to sell are holding back until there is greater economic certainty. This is something we have seen during previous rounds of CAP reform, where uncertainty about agricultural policy has led to a fall in the amount of land being marketed. The biggest fall has been in the East Midlands, with only ten farms publicly marketed, compared with 20 or so usually. Supply is also below average in the East of England, West Midlands and Yorkshire and Humber. Bucking this trend has been the South West, where 37 farms were marketed, which is almost 50% more than usual; half of these farms are small (less than 200 acres) mixed or lowland livestock farms. Agents in this region report a mix of factors behind this trend – one being an increase in retirement-driven sales, in particular where family members do not want to carry on farming, and another being a rise in debt-related sales.

There have been fewer residential farms for sale (six compared with the five-year average of 16) and almost a quarter fewer cereals farms (43 compared with the five-year average of 56). As ever, only a small number (four) of large farms (over 1,000 acres) have been marketed.

Private sales are not included in the figures because of the difficulty of collecting comprehensive information. However, we are aware that there are significant numbers of private sales, which range in size and location.

Figure 1 **Amount of farmland publicly marketed in England (acres)**
N.B. Figures are for whole years unless otherwise stated and are rounded to the nearest 100 acres. Privately marketed farmland has been excluded due to the difficulty of collecting comprehensive information.

	East Midlands	East of England	North East	North West	South East	South West	West Midlands	Yorkshire & Humberside	England
2014	6,500	14,100	4,600	2,400	11,400	13,600	12,200	5,300	70,000
2015	15,800	16,600	4,900	7,700	18,800	13,400	6,100	4,500	87,800
2016	12,900	17,000	4,100	4,000	18,400	13,900	4,700	13,000	88,100
2017	11,900	12,700	2,500	6,100	10,400	12,600	11,600	11,300	79,100
2018	12,800	30,600	7,600	2,800	11,800	20,200	12,800	8,700	107,300
Q1&2 2017	7,100	9,400	800	4,400	5,500	6,700	8,900	5,100	47,900
Q1&2 2018	7,800	11,800	2,800	800	6,000	6,900	5,700	3,900	45,600
Q1&2 2019	3,400	5,300	3,800	2,900	5,300	17,500	2,800	2,100	43,000

Demand

Demand is proving to be variable both across regions and between regions. Agents are finding that there are fewer active buyers in the marketplace and those buyers are being more selective about what they buy. They are a mix of progressive farmers, rollover buyers and non-farming investors.

Well-priced farms, in good order, where there are neighbouring farmers keen to secure acres close to their existing holdings, are still selling relatively quickly, but there may only be a handful of bidders. Anything which looks overpriced, without an obvious local buyer or is in an unfashionable area (in particular where accessibility is an issue) is taking longer to sell. A third of the farms marketed in 2018 remain either unsold or have been withdrawn from the market.

Sales data suggests demand remains strongest for cereals and general cropping (cereals and root crops) farms, but again they must be in the right location.

Demand is weakest for amenity and equestrian farms, with over half of those marketed in 2018 still to be sold. Many of these are in areas of strong demand from non-farmer buyers but their guide prices of £12,000 or more per acre may be putting buyers off in the important £1.5m to £3m price bracket where a lot of sales happen.

As we have previously stated, the proportion of farms being bought by farmers is falling, with buyers with capital made outside of farming playing a more significant role in the market.

Pricing

As might be expected, the lack of supply does seem to be helping to underpin values.

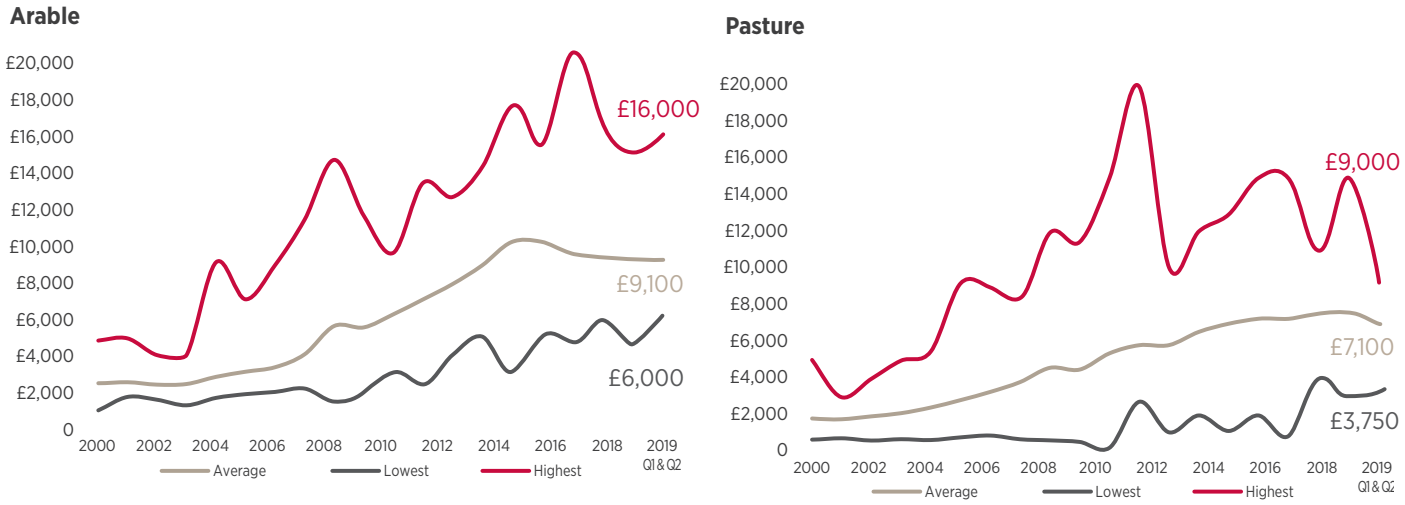
The average price of arable land sold in 2019 is £9,100/acre, which is down from the 2018 average of £9,300/acre and 9% below the peak of £10,000/acre in 2015. The range in values achieved remains large, from £6,000 – 16,000/acre, but this does not tell the whole story. There are fewer sales happening at £10,000/acre or more than at the peak of the market in 2014–15, and more being agreed at £8,000 – 10,000/acre.

The average pasture sale price was £7,100/acre, which compares with an average of £7,600/acre over the whole of 2018. Care should be taken in drawing very firm conclusions as the 2019 data is based on a relatively small number of sales; however, fewer sales are happening at £8,000/acre or more since 2017. Most of the pasture sales continue to be for £7,000 – 8,000/acre.

The change in the market seen since the peak of 2014-15 is reflected by the fact that almost half of the sales agreed are not reaching their guide prices; this compares with 75% reaching or exceeding the guide price in 2014.

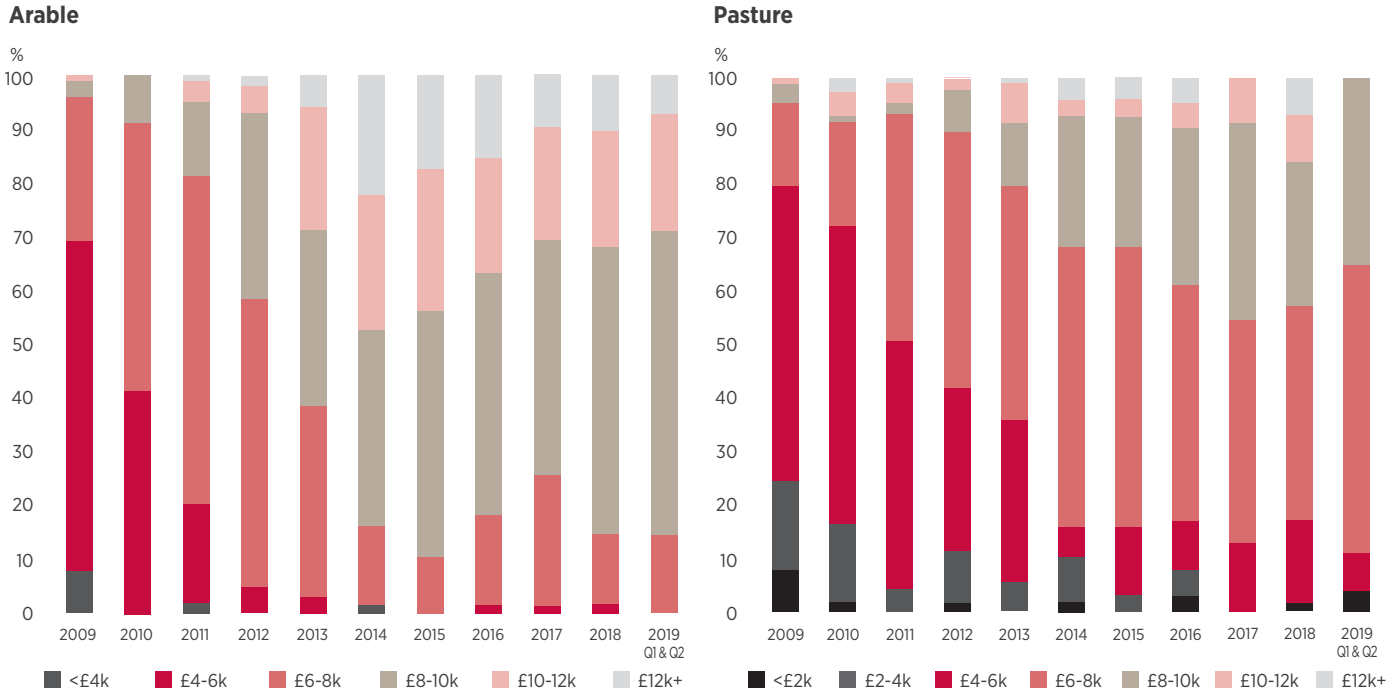
Figures 2 & 3 **Average, lowest and highest sale prices of arable and pasture farmland (£/acre)**

N.B. The year is when the farmland was sold (exchanged) and is for whole years unless otherwise stated. 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, they 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 prices for farmland by region, which are on the following page.



Figures 4 & 5 **Agreed sale price of arable and pasture farmland, by price band (£/acre)**

N.B. The year is when the farmland was sold (exchanged) and is for whole years unless otherwise stated. Data is based on sold (exchanged) prices for vacant arable and pasture land only (i.e., it excludes the value of houses or buildings).



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

NORTH

WILL PARRY
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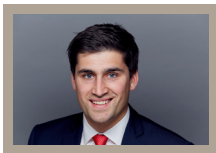
ARABLE	£6,000 (-4%) ▼	£11,000 (+10%) ▲
PASTURE	£5,000 (+25%) ▲	£8,000 (+0%) —

WEST MIDLANDS

MATTHEW SUDLOW
01865 366640
matthew.sudlow@struttandparker.com

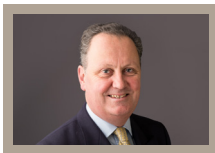
ARABLE	£9,000 (+3%) ▲	£11,000 (+0%) —
PASTURE	£7,000 (+0%) —	£8,500 (+0%) —



EAST MIDLANDS

SAM HOLT
01780 484042
sam.holt@struttandparker.com

ARABLE	£6,400 (-5%) ▼	£11,500 (+15%) ▲
PASTURE	£6,300 (+1%) ▲	£8,000 (-11%) ▼



SOUTH WEST

WILL MORRISON
07920 813184
william.morrison@struttandparker.com

ARABLE	£7,750 (+3%) ▲	£11,000 (-8%) ▼
PASTURE	£6,000 (+4%) ▲	£9,000 (+0%) —

EAST OF ENGLAND

TIM FAGAN
01473 220449
tim.fagan@struttandparker.com

ARABLE	£7,000 (-7%) ▼	£10,000 (-5%) ▼
PASTURE	£N/A	£N/A

SOUTH EAST

WILL WHITTAKER
020 7318 5166
will.whittaker@struttandparker.com

ARABLE	£7,500 (0%) —	£11,000 (+4%) ▲
PASTURE	£6,000 (+13%) ▲	£8,000 (-6%) ▼

N.B. The prices are 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.
Percentage annual change is the change from the same quarter in the previous year.

For further information on the national estates & farmland market please contact Mark McAndrew on 020 7318 5171 or email mark.mcandrew@struttandparker.com

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.

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