

# English Estates & Farmland Market Review

## Winter 2016/2017



FOR SALE  
Butlers Hill, Cowley, Gloucs  
113 acres | £2 million

## Market overview

The Brexit vote may have been the defining moment of 2016 politically, but its immediate impact on the land market has been more muted than perhaps some anticipated. While a number of sales were renegotiated in the weeks following the vote, very few deals fell through.

Brexit's biggest impact was to cause uncertainty, which did result in a slowdown in the amount of land coming forward over the first nine months of the year. However, there was a resurgence in the last quarter, meaning that while supply was down on 2015 levels it is in line with the five-year average.

The big story in the farmland market has continued to be the impact of the squeeze on farm profits as a result of low commodity prices. *Continued overleaf.*



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## The market at a glance

### Supply

15% less land was marketed in 2016 than in 2015, although levels are in line with the five-year average.

Private marketing of land has increased.

There is a question mark about how much land could come to the market in 2017. Brexit uncertainty could put some sellers off, but others may need or choose to sell to profit from current values.

### Demand

Demand for land continues to be driven by location more than quality.

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

Only a quarter of the land marketed during 2016 was sold at the year end, although a further third was under offer. However, what has sold continues to sell well.

### Pricing

Average prices mask a large variation in prices paid within a region, with the highest prices more than double the lowest in some instances.

Most arable land sold for £8-10,000/acre, with just under half selling for over £10,000/acre.

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

## Market overview

*Continued from page 1*

With around half of all farmland transactions being 'farmer-led', it is not surprising that as farm incomes have dropped so have average land prices. Arable values are averaging 4% lower than a year ago and 10% lower than at the end of 2014.

However, as we have been saying for some time, the average price only tells part of the story as it masks a huge range in the prices achieved. The market is now more polarised than in living memory, with demand extremely location specific. An example from the south west of England highlights the extent to which this is the case. While one 150-acre block of Grade 3 arable land recently achieved just under £8000/acre, another very similar block four miles away sold for £15,000/acre.

Higher prices are typically being achieved where there is a good house that appeals to residential buyers or a neighbouring landowner particularly focused on expansion. In addition, there are a number of institutional buyers willing to invest in blocks of land which have long-term potential for residential development. But demand, like prices, is highly variable and almost 40% of the land marketed in 2016 still remains available.

Looking forward, an improvement in commodity prices, due mainly to the weakening of sterling, may have a positive effect on land prices going forward. However, location rather than quality will continue to be the key factor in determining farmland values in 2017. The level of supply will also be a critical factor. Getting the right advice on local market conditions has never been more critical - for buyers and sellers. Knowledge is power.

## Supply

### Amount of farmland marketed

Q4 saw an increase in the amount of land coming to the market, with 15,000 acres marketed compared with 9,000 acres in the last quarter of 2015.

Sellers held off until Q4 because of wet weather earlier in the year and a perception that demand would be dented by the result of the EU referendum.

Overall, about 15% less land was marketed in 2016 compared with 2015, with less in all regions apart from the South West and Yorkshire and Humber, and with particularly large reductions in the East Midlands and the North West.

However, while the amount marketed is down on the previous year, it is in line with the five-year average.

**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	5,600	12,200	15,900	10,800	6,900	100,400
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	11,400	14,400	12,200	5,500	72,800
2015	19,000	21,800	4,500	9,600	22,500	13,600	5,900	4,800	101,800
2016	12,800	18,300	3,900	2,200	18,800	14,500	4,600	10,300	85,300

### Number of farms marketed

It is not surprising that the data shows the number of farms for sale has also dropped – also by about 15% nationally.

**Table 2**  
**Number of farms marketed**

	East Mids	East of England	North East	North West	South East	South West	West Mids	Yorks & Humber	England
2011	58	50	11	16	48	48	29	24	284
2012	32	57	21	19	38	44	22	18	251
2013	28	36	13	11	45	42	33	20	228
2014	27	51	9	10	27	42	35	10	211
2015	43	59	6	19	55	40	27	18	267
2016	32	50	10	11	38	43	19	21	224



*The farmland market is now more polarised than in living memory.*

## Types of farm

There were fewer farms for sale of all types during 2016 – apart from estates where a more usual number were marketed compared with 2015's low number.

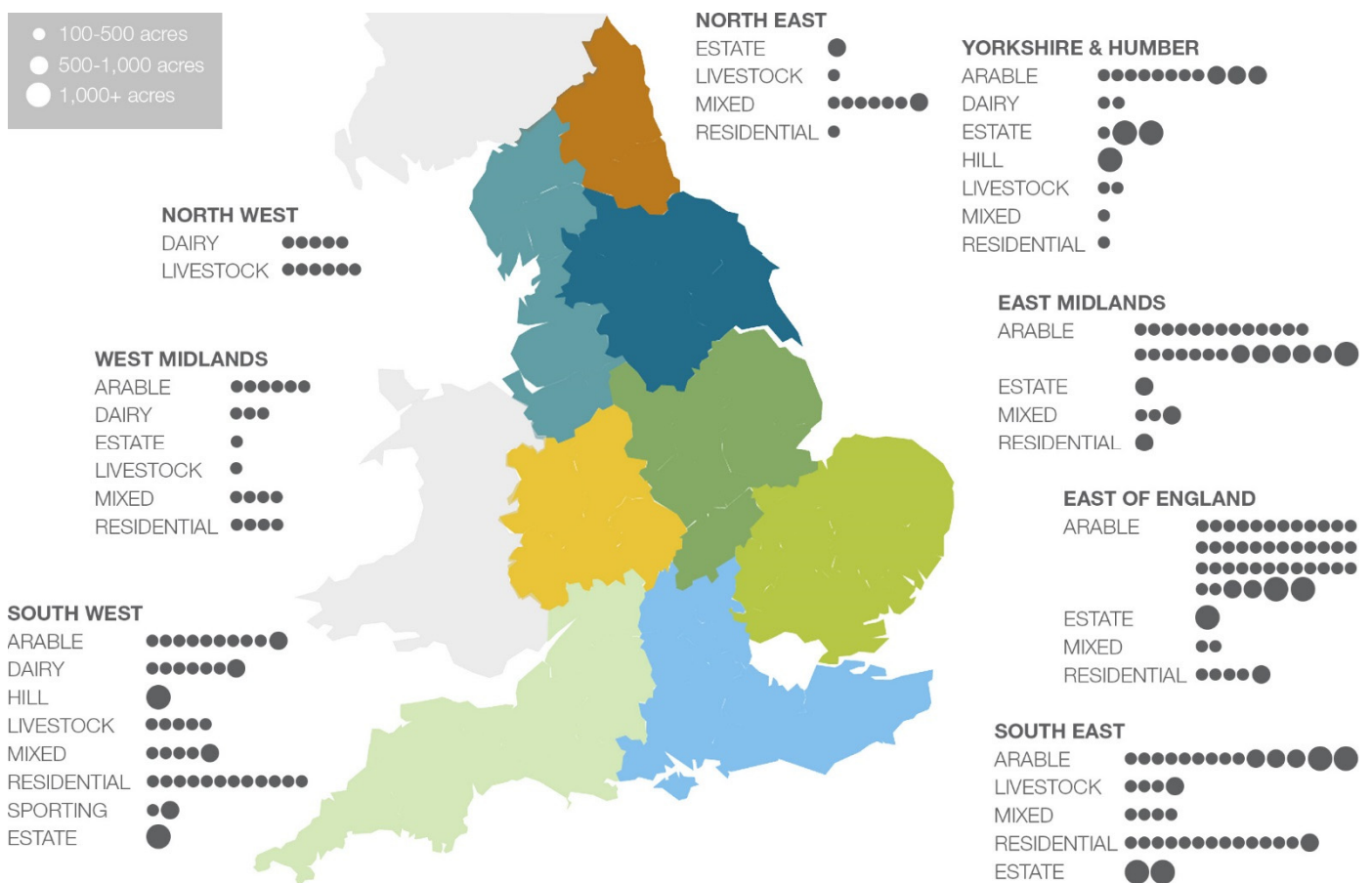
## Size of farm

Only 13 farms and estates over 1,000 acres were marketed over the year, compared with 16 in 2015. There was also a 16% fall in the number of 100 to 500 acre farms for sale.

**Table 3**  
Main type of farms marketed

	Arable	Estate	Livestock	Mixed	Residential
2011	100	12	17	45	50
2012	78	10	29	26	51
2013	84	5	22	34	58
2014	84	13	23	34	30
2015	144	6	24	31	47
2016	109	10	19	26	36

**Figure 1**  
Number of farms marketed in 2016 by region, farm type and farm size



## Demand

### Area of farmland sold

As we reported last quarter, although the supply of land has been lower, farms are typically taking longer to sell and a greater proportion of land than normal remained available on the market at the end of the year.

This is particularly the case in areas where farmer buyers dominate.

The demand from investors and lifestyle buyers continues to be 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 estates.

Only a quarter of the land marketed in 2016 had exchanged by the end of the year, although a further third was under offer, leaving around 37% or 31,500 acres on the market, most of which is in the East of England, East Midlands and South East.



*Almost 40% of the land marketed in 2016 remains available.*

**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.

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Available	1%	0%	0%	5%	3%	2%	2%	10%	13%	37%
Exchanged	92%	74%	88%	76%	76%	85%	89%	79%	69%	24%
Under Offer	0%	0%	0%	0%	0%	0%	1%	1%	3%	34%
Withdrawn	8%	26%	12%	19%	21%	13%	8%	10%	14%	5%

### Type of buyers

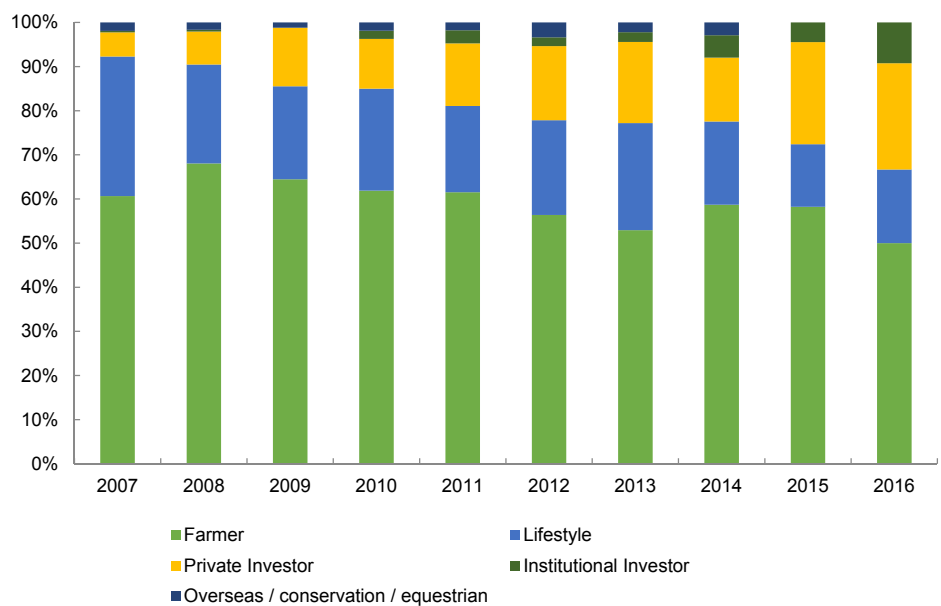
Farmers remain the major buyer of farmland despite private and institutional investors taking a larger share of the market. The investors are mainly 'cash buyers' and do not need to borrow to buy the land. They have mainly bought arable farms under 500 acres in the southern half of England.

The proportion of buyers who are farmers picked up slightly in the final quarter so that they accounted for 50% of the purchases made during 2016. However, this is 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.

**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.





## Pricing

### Average sale prices

The average price of arable farmland that has sold remained at £9,500/acre, the same as in Q3, but 4% lower than a year ago and 10% lower than at the end of 2014.

The average price of pasture sold in Q4 was £8,500/acre, but this figure was inflated by the sale of one farm which sold for £12,000/acre. The average drops to £8,100/acre if it is excluded.

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

As we have stated before and above, 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.

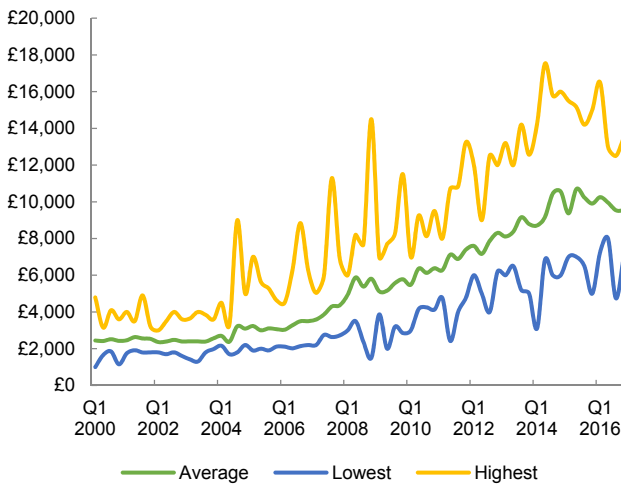
		Arable	Change from Q4 2016	Pasture	Change from Q4 2016
2013	Q1	£8,100		£6,700	
	Q2	£8,400		£6,700	
	Q3	£9,200		£6,300	
	Q4	£8,800	8%	£6,700	28%
2014	Q1	£8,700		£6,900	
	Q2	£9,200		£6,600	
	Q3	£10,400		£7,200	
	Q4	£10,600	-10%	£7,200	18%
2015	Q1	£9,400		£6,900	
	Q2	£10,700		£7,800	
	Q3	£10,200		£7,400	
	Q4	£9,900	-4%	£7,300	16%
2016	Q1	£10,300		£7,500	
	Q2	£10,000		£7,900	
	Q3	£9,500	0%	£7,300	17%
	Q4	£9,500		£8,500	

**Charts 2 and 3**

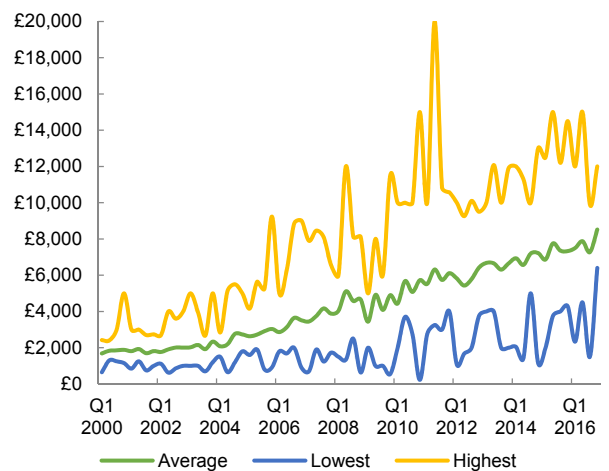
**Average, lowest and highest sale prices of arable and pasture farmland (£/acre)**

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

**Arable**



**Pasture**



“ The average price of arable farmland sold in Q4 remained at £9,500/acre.

**Sale price bands**

In 2016, just under half of arable land was sold for £10,000/acre or more, which is one of the largest proportions ever. However, less was sold for over £12,000/acre than during 2014 or 2015. The price band for the bulk of arable land sold was £8-10,000/acre. Less than 10% sold for below £8,000/acre.

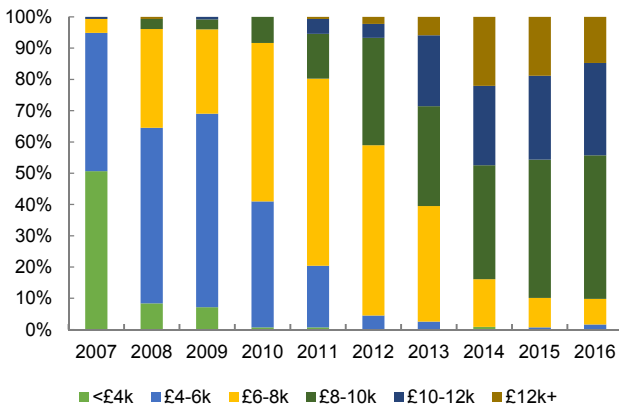
Most pasture land sold for £8-10,000/acre, with prices occasionally exceeding £10,000/acre.

**Charts 4 and 5**

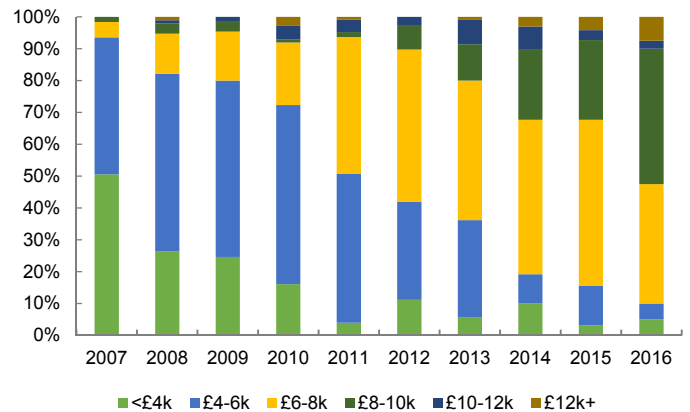
**Agreed sale price of arable and pasture farmland, by price band (£/acre)**

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).

**Arable**



**Pasture**



**Sales at or above guide price**

While our research shows that more land is remaining unsold, what is selling is selling well, with 72% of farmland selling at or above its guide price – one of the highest levels in our records. This shows some strength in the market.



*72% of farmland is selling 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.



## 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 Q4, although more slowly than earlier in the year.

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 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
<b>Bottom 25%</b> (change)	£7,500 (-12%)	£5,000 (0%)
<b>Average</b> (change)	£9,500 (-10%)	£7,500 (-12%)
<b>Top 25%</b> (change)	£11,000 (0%)	£9,000 (-10%)

“The farms that are most in demand in the south east of England are those that buyers can see will require little capital expenditure - they are mainly looking for as straightforward a purchase as possible. Residential farms where the house might need a lot of work, or there are other compromises, are sticking on the market for longer”

*Matthew Sudlow, South East region*

#### South West

	Arable	Pasture
<b>Bottom 25%</b> (change)	£6,500 (-13%)	£5,500 (-15%)
<b>Average</b> (change)	£8,500 (-11%)	£7,000 (-7%)
<b>Top 25%</b> (change)	£13,000 (4%)	£9,000 (-5%)

“One of the biggest changes we have seen over the past year is that there are now usually only one or two buyers for a farm. Properties that are best in their class still attract a great deal of interest from further afield, but in most instances the eventual buyers are neighbours looking to increase their acreage. There is always a buyer, but the price has to reflect the quality of the ground and the demand.”

*Charlie Evans, South West region*

#### East of England

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

“Following the EU referendum result arable farmland values have generally held up well and are currently ranging between £7,500/acre and £9,500/acre. The Eastern market continues to be dominated by farmers, which means location is key, as well as quality. There is increasing demand for residential farms on the back of the improving country house market. The larger (> 800 acres) farms market has been largely untested in 2016 and could outperform the market.”

*Giles Allen, Eastern region*

#### East Midlands

	Arable	Pasture
<b>Bottom 25%</b> (change)	£7,500 (0%)	£6,600 (-3%)
<b>Average</b> (change)	£8,400 (-1%)	£7,300 (-3%)
<b>Top 25%</b> (change)	£8,800 (-2%)	£8,000 (-6%)

“The biggest group of buyers in the market are farmers looking for blocks of ground adjoining their existing holding. This means, as is the case across much of the rest of the country, demand for land remains extremely localised. The best arable land in the region is making upwards of £9,000/acre, but we are seeing prices paid sub £8,000/acre for less desirable blocks.”

*Sam Holt, East Midlands region*

**West Midlands**

	Arable	Pasture
<b>Bottom 25%</b> (change)	£8,250 (-3%)	£6,750 (-1%)
<b>Average</b> (change)	£9,000 (-2%)	£7,100 (-3%)
<b>Top 25%</b> (change)	£10,000 (-2%)	£8,500 (0%)

“Most of the farms that were put on the market during 2016 have sold, but average prices for the region have eased back. Buyers are looking for well-equipped, ring-fenced farms – arable and livestock. Poor quality or more remote farms are looking much less attractive as potential purchasers know they can afford to be more stringent about quality. I expect the market to continue in much the same way for 2017.”

*Will Whittaker, West Midlands region*

**North**

	Arable	Pasture
<b>Bottom 25%</b> (change)	£6,700 (3%)	£4,300 (8%)
<b>Average</b> (change)	£8,000 (-9%)	£6,100 (22%)
<b>Top 25%</b> (change)	£9,700 (-12%)	£7,300 (22%)

“Medium-sized arable farms in an appealing location with a good house are selling well, but bare blocks of land in unfashionable areas where there are limited options for development or diversification are proving more difficult. Premium properties will still attract top values, but they need to be in the right area and with good communications.”

*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 now 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. Average prices have fallen for the past two years – for six of the last eight quarters – and are almost 10% lower than two years ago.

Since the 1990s, this sort of price fall has

usually been followed by an almost immediate bounce back. That is positive and we are certainly seeing consistently strong demand for certain types of land and farms as stated in our commentary above.

It is possible that we are moving into a different market due to Brexit, but we do not think so for a number of reasons. A significant proportion of buyers are non-farmer buyers and capital taxation is more important to them than agricultural subsidies; their demand will remain if the tax regime remains supportive. Also, it is worth examining how farmers have historically reacted to previous reforms of the Common Agricultural Policy (CAP) which have seen the level and nature of agricultural subsidies reviewed every five years. These reforms have not had a lowering effect on prices, although there is usually less land marketed for the two

years before a reform as farms hold back to see what the impact will be.

Changing from the CAP to a UK agricultural policy may lead to more radical changes in policy, as there is the distinct possibility of direct payments ending. However we expect them to be replaced by other types of payment, probably linked to the provision of public goods, such as wildlife management, landscape protection and water quality management. We also expect the government to promote policies that help farmers deal with price and profit volatility.

If this is the case, so there is some (possibly better) support for farming profits, which have been highly volatile in the past, we do not expect there to be a prolonged or significant fall in farmland prices in the medium-term (2019 – 2023).



*We do not expect a significant fall in prices in the medium term.*

**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.

	2017	2018	2019	2020	2021
<b>Central</b>	0%	0%	0%	5%	5%
<b>High</b>	3%	3%	3%	10%	10%
<b>Low</b>	-7%	-7%	-7%	0%	0%



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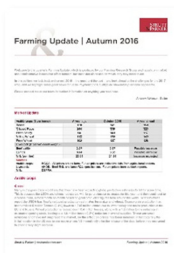
Land Business



Basic Payment Facts



Housing Futures



Farming Update



**FOR SALE**  
Butlers Hill, Cowley, Gloucs  
113 acres | £2 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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