

# English Estates & Farmland Market Review

Winter 2019/2020



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## *The market at a glance*

### Supply

- The volume of farmland publicly marketed in 2019 was 20% down on the five-year average and 35% lower than in 2018.
- The drop was most marked in H2 2019.
- There were fewer farms for sale in the South and East of England, but above average for sale in the North.

### Demand

- The percentage of farms sold or under offer during the first six months of the year was higher than in 2018.
- Demand is strongest for cereals, general cropping, mixed and dairy farms.
- Farmers accounted for 55% of sales in 2019, below the ten-year average.

### Pricing

- Average arable land values remain unchanged at £9,200/acre, but values paid range from £6,000/acre to £17,500/acre.
- Over the past three years, around 30% of arable land has traded at £10,000/acre or more, with a quarter selling for below £8,000/acre.
- The average price of pasture land sold was £7,000/acre.

## Market Overview

The headline is that the market continues to be far more resilient over the past two or three years than some expected. Analysis of our Farmland Database shows that average arable values remain unchanged from 12 months ago at £9,200/acre.

However, average values do mask what is essentially a multi-tiered market for farmland. In 2019 we saw nearly a 300% range between the lowest and highest price paid for arable land – from a low of £6,000/acre to a high of £17,500/acre.

There is also a wide polarisation in the price paid for pasture land, although some of this variation is because pasture land ranges so dramatically in quality and appeal, from marginal hill land through to parkland on residential estates.

As we have noted in previous reviews, demand has become extremely location specific over the past three or four years, with farms and estates in the right location to attract lifestyle and non-farmer buyers tending to realise higher prices. Focusing too much on average values can be misleading.

Another statistic that stands out from 2019 is that the percentage of farms marketed during the first half of the year that had either sold or were under offer by the end of the year was higher than in 2018. This is initially surprising as while demand from lifestyle and non-farmer buyers remains stable, buyers who derive their primary income from the land are taking a more cautious approach. There is still ongoing uncertainty about farm incomes, which has made many farmer buyers more reticent about borrowing against future farm profits.

Given this backdrop, it is interesting to consider further what might lie behind the increase in the percentage of farms sold during 2019 and the stability in average prices. One explanation is the fact that the volume of land which came to the market in 2019 was 35% lower than the previous year and 20% below the five-year average. This was something we expected – we've seen before that previous rounds of Common Agricultural Policy (CAP) reforms tend to lead to a fall in the amount of land marketed. But the fact there has been such scarcity in the marketplace raises the question as to whether supply-side factors are having the greatest influence on average values at present.

## Market outlook

Looking forward, while the UK does now have a clearer sense of direction politically, there are still plenty of questions facing farmers and landowners in terms of the financial implications of the Agriculture Bill and the new Environmental Land Management System (ELMS).

Some vendors will decide that they have put decisions on hold for long enough and are no longer willing, or able, to delay selling. But equally, others could decide to sit tight for another year to see what happens. So while there is a chance that more land could come forward in 2020, it feels unlikely supply will be above the five-year average.

Demand from non-farmer buyers is expected to remain firm, particularly in a hotspot 'crescent' comprised of Hampshire, Berkshire, Gloucestershire and Oxfordshire. Overseas buyers have also become more visible in today's market – due in part to the weakness of Sterling.

A phenomenon seen over the past year or so in Scotland is unprecedented demand from forestry investors for hill ground suitable for planting trees, which has seen prices rise significantly. We believe this could become a growing trend in England and Wales.

The net result is that the outlook for the land market will continue to be highly dependent on location. Demand from lifestyle buyers and other non-farmers is expected to remain a key driver of the market, underpinning values in the more popular areas. While some high-quality commercial arable land in those areas focused on productive farming is currently achieving below average prices, this does mean it looks good value for money in the long-term.

## Supply

### Amount of farmland marketed

69,200 acres of farmland were publicly marketed in England during 2019, which is the second smallest amount in the past 20 years, 20% below the five-year average and well below the ten-year average of 86,400 acres.

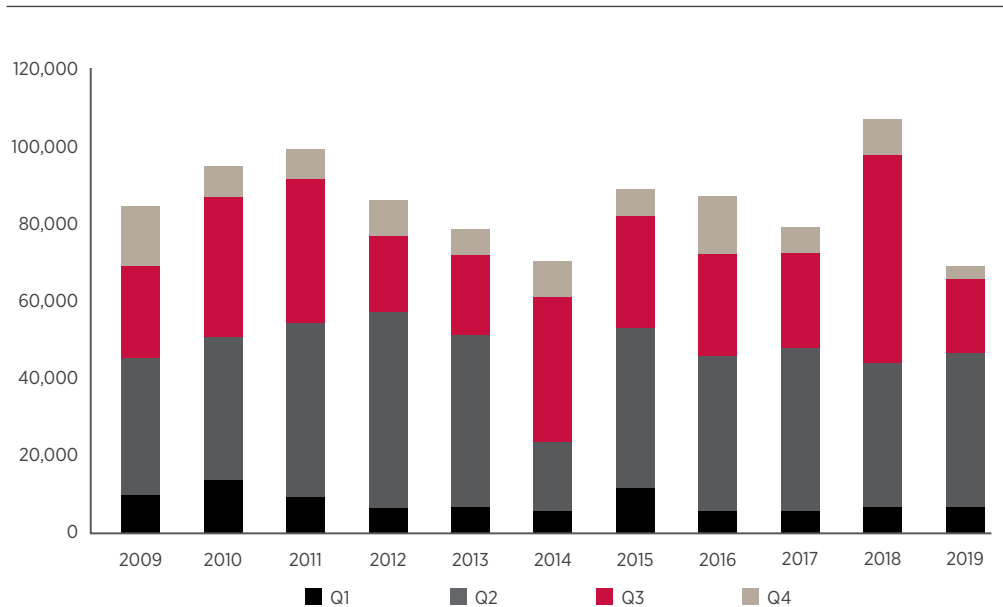
At a regional level, supply was below average in all but two regions (the North East and South West), but was especially low in the South East and East of England, where it was 40% and 37% below the five-year average respectively<sup>1</sup>. The East of England showed the most dramatic year-on-year fall, dropping from 30,200 acres to 8,600 acres, although the 2018 figure was affected by the sale of one very large farming business.

In total, a similar amount of land was marketed in the first half of the year compared to recent years, but much less was advertised after June.

Our experience has been that sellers have held back marketing their land due to political and Brexit-related uncertainties, which has affected overall economic sentiment and investment, and the more specific uncertainty for farming on the future of agricultural and environmental policy.

The three most common reasons for selling remain death, profit-taking and retirement. Private sales are not included in the figures because of the difficulty of collecting comprehensive information. We estimate private sales account for 20-30% of the market.

**Figure 1** Amount of farmland publicly marketed in England (acres) by quarter



**Figure 2** Amount of farmland publicly marketed in England (acres)

NB 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 Mids	East of England	North East	North West	South East	South West	West Mids	Yorks & Humber	England
2015	15,800	16,600	4,900	7,700	19,100	14,300	6,100	4,500	89,000
2016	12,900	17,000	4,100	4,000	18,400	14,200	4,700	13,000	88,300
2017	11,800	12,700	2,500	6,100	10,400	13,300	11,600	11,300	79,700
2018	14,000	30,200	7,800	3,200	11,800	19,900	11,100	9,100	107,000
2019	8,000	8,600	7,000	4,600	8,100	18,300	6,100	8,400	69,200

<sup>1</sup> The 37% fall in the East of England excludes 2018 as it was affected by the sale of one very large farming business; if 2018 is included, the amount marketed was half the average.

## Number of farms marketed

**Figure 3 Number of farms marketed**

NB Figures are for whole years unless otherwise stated. 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 & Humber	England
2015	40	54	7	18	51	46	28	17	261
2016	33	52	11	12	35	39	20	24	226
2017	31	37	10	21	40	40	29	25	233
2018	34	40	17	13	42	59	30	25	260
2019	21	29	12	14	32	60	29	28	225

There were only 225 farms publicly marketed in 2019, which is the lowest number for the last five years. The biggest drop was seen in the southern half of England, with the number of farms for sale down by 13% compared with the five-year average. However, the opposite happened in northern England, with 6% more farms for sale than on average.

Overall, the total number of livestock farms marketed was down, but there was an increase in the number of livestock farms marketed in the North of England, possibly due to the pressure that the sector has been under recently.

## Types of farm

There was a significant fall in the number of estates, residential and dairy farms marketed during 2019.

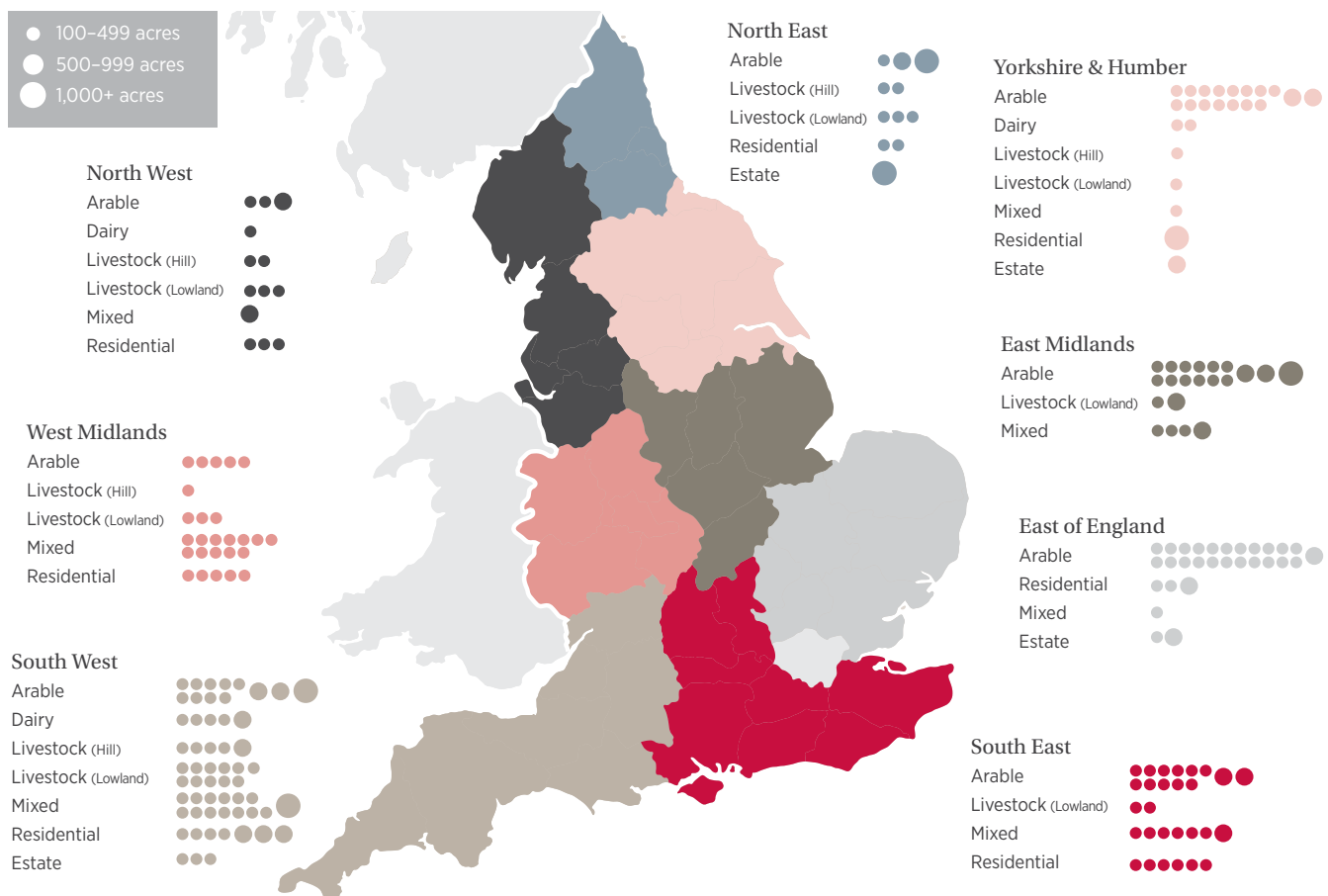
## Size of farm

The majority of farms for sale were less than 500 acres, which fits with the long-term pattern. However, it is notable that there have been fewer farms over 1,000 acres publicly marketed (six in 2019, compared with the five-year average of 11).

**Figure 4 Number of farms marketed in 2019 by region, farm type and farm size**

NB Figures are for whole years unless otherwise stated. Privately marketed farmland has been excluded due to the difficulty of collecting comprehensive information.

This figure only shows the main farm types, not minor ones like horticulture and equestrian, and so the total number of farms marketed does not equal the total in Figure 3



**Figure 5 Main type of farms marketed**

NB Figures are for whole years unless otherwise stated. Privately marketed farmland has been excluded due to the difficulty of collecting comprehensive information.

	Arable	Estate	Livestock (Hill)	Livestock (Lowland)	Mixed	Residential	Dairy
2015	137	9	1	28	30	42	6
2016	110	12	3	16	29	34	18
2017	92	10	5	22	45	33	10
2018	92	11	16	24	42	43	16
2019	91	7	12	24	40	27	8

**Figure 6 Speed of land transactions – percentage of farmland sold (exchanged)**

NB Data shows the sale status by number of sales, not acres. Data captures the sales status on 31 December of land marketed during the first six months of that year, so that the land has had time to sell. Privately marketed farmland has been excluded due to the difficulty of collecting comprehensive information.

Sale Status	1H 2016	1H 2017	1H 2018	1H 2019
Available	31	28	37	29
Sold	42	43	28	40
Under Offer	20	20	28	24
Withdrawn	7	7	7	7

## Type of buyers

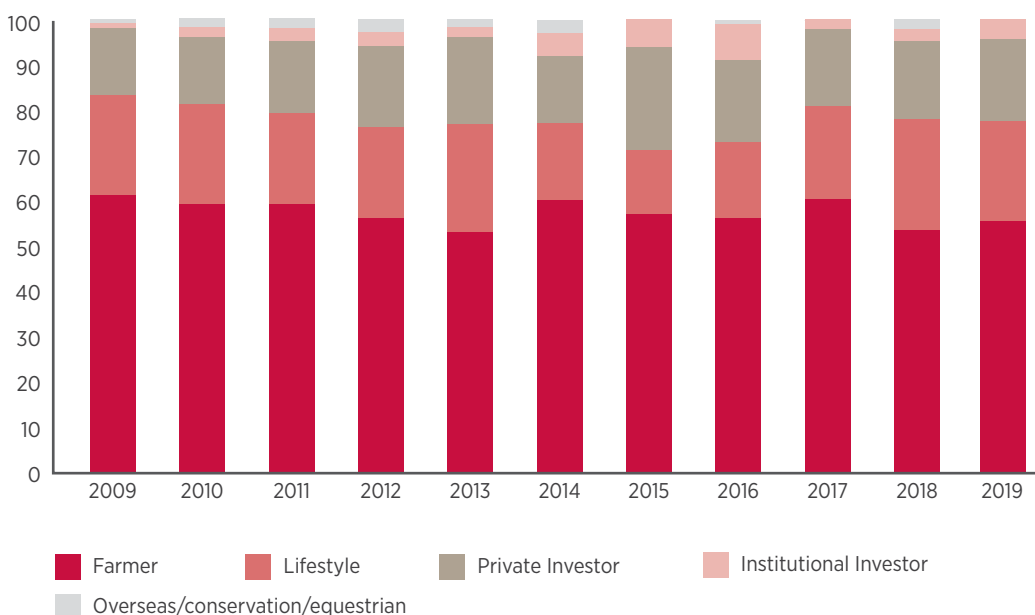
Farmers remain the predominant buyer of farms, but the long-term trend of lifestyle buyers and private investors buying more land continues. They buy a greater proportion of amenity, equestrian and residential farms than farmers do, and they are also very active in the estates and sporting land markets.

Most of the farms they buy are smaller than the average and they have paid slightly above the average for arable land (£10,000/acre compared with £9,100 by farmers in 2017 - 2019) and for pasture (£8,200/acre compared with £7,400/acre by farmers).

For the purposes of our analysis, farmer buyers are defined as those who already farm and are buying land with the intention of deriving their primary income from it. It excludes those who are funding a purchase through the reinvestment of development gains.

**Figure 7 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.



*‘Demand from lifestyle buyers and other non-farmers is expected to remain a key driver of the market.’*

## Demand

### Area of farmland sold

Positively, 64% of land marketed in the first half of 2019<sup>2</sup> had either been exchanged or was under offer by the end of the year. This is a greater proportion than in 2018 and slightly higher than in 2017 and 2016.

However, the strength of demand does vary between different types of farm. The strongest demand, which is measured as having the highest proportion of farms exchanged or under offer, is for cereals, general cropping, mixed and dairy farms. Demand is weaker for livestock farms, in both the lowlands and the hills, because of reduced profitability in the sector.

Unusually, there is some evidence that it has been more difficult to sell larger farms, for which there has historically been stronger demand. This may however be an effect of the type of properties marketed, which included two large estates in the North of England.

Demand has also varied significantly between regions. Over 80% of the farms marketed in the East of England during the first half of 2019 have sold, compared with just over 30% in the East Midlands. These are both areas where farmer buyers dominate, so it appears that it is farm type and precise location, rather than the region it is in, that has the greatest impact on demand.

The proportion of land that sold at or for more than its guide price remained at around 50% of land sold. This is lower than the levels seen at the peak of the market in 2014 and 2015, when almost 70% of land sold for above its guide price, and so is an illustration of a weakening in demand, although it remains very localised.

## Pricing

### Average sale prices

The average price of arable land sold in 2019 was remarkably firm at £9,200/acre, which is the same as in 2018 and about 15% lower than at the peak of the market in Q2 2015. However, the range of prices paid increased compared with 2018, from a low of £6,000/acre to a high of £17,500/acre. For the past three years, about 30% of arable land has been trading at £10,000/acre or more, which is well below the peak of the market in 2014 and 2015 when almost half traded above £10,000/acre. There is also now a significant proportion - almost a quarter - that is selling at below £8,000/acre.

There was a significant drop in the average price of pasture land, which averaged £7,000/acre in 2019. However, care should be taken as the mix of the different types of grassland sold can greatly affect the average, with sales ranging from hill land through to parkland. As a consequence, there is almost a 400% range between the lowest and highest prices paid for grassland, although most now sells for £6,000–8,000/acre. About a third of grassland sells for more than £8,000/acre and is largely found in southern England up to the West Midlands. It is bought by lifestyle or private investor buyers.

**Figure 8 Average sale price of arable and pasture farmland (£/acre)**

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

	Arable	% change during year	Pasture	% change during year
2010	£6,100	12	£5,300	18
2011	£7,000	14	£5,900	11
2012	£7,800	12	£5,900	0
2013	£8,800	12	£6,500	11
2014	£10,000	14	£7,000	8
2015	£9,900	0	£7,300	3
2016	£9,600	-3	£7,200	-1
2017	£9,300	-4	£7,500	4
2018	£9,200	0	£7,600	2
2019	£9,200	0	£7,000	-8



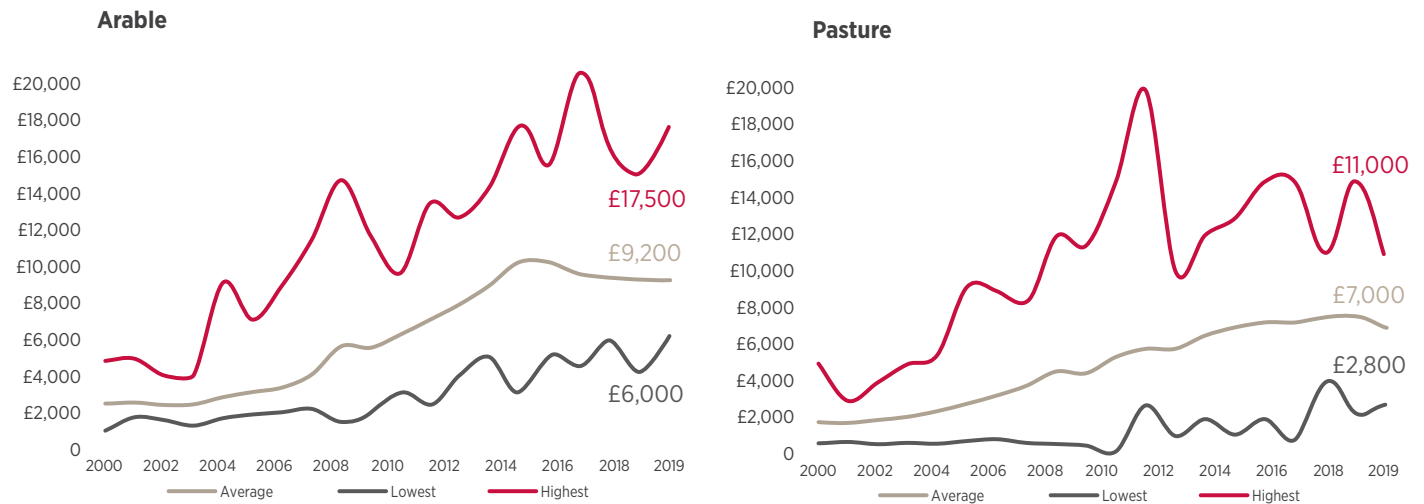
*‘We expect average prices to remain fairly static - but we will see a large range in values’*

<sup>2</sup> Land marketed after June has been excluded from this analysis so that it has had time to sell.

## Average, lowest and highest sale prices

**Figures 9 & 10 Average, lowest and highest sale prices of arable and pasture farmland (£/acre)**

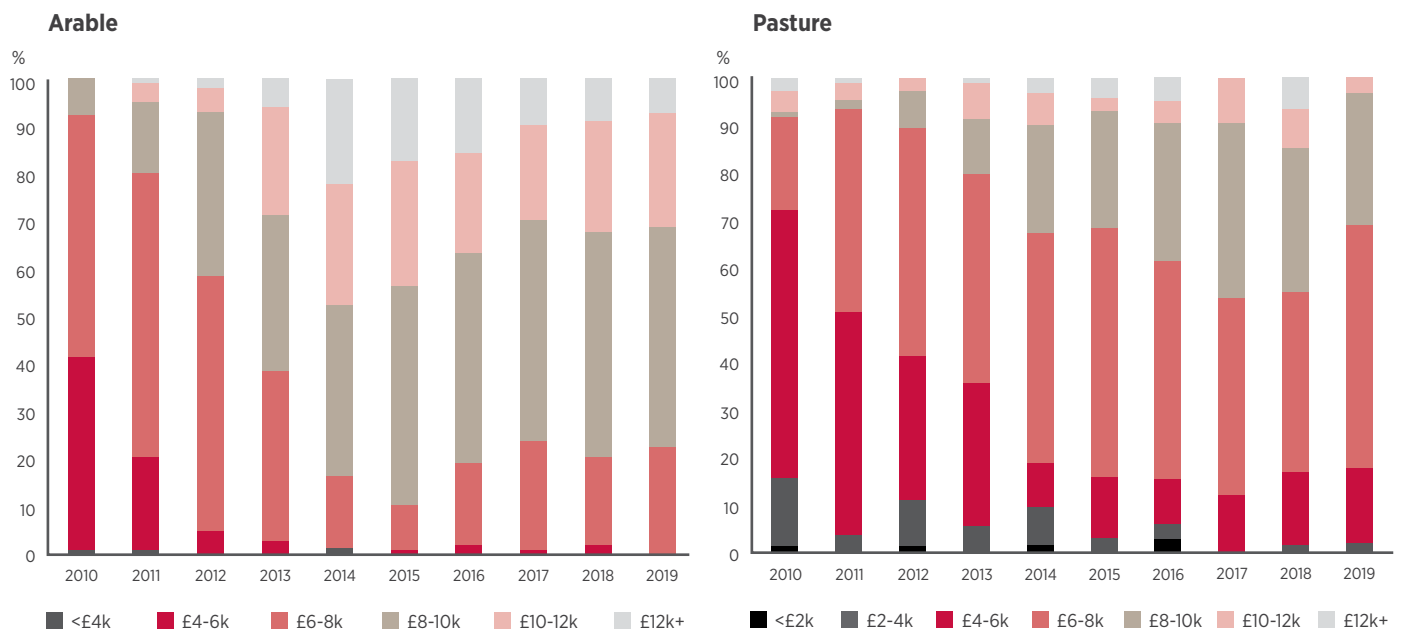
NB Data is based on sold (exchanged) prices for vacant arable and pasture land only (i.e., it excludes the value of houses or buildings). The year is when the farmland was sold (exchanged).



## Sale price bands

**Figures 11 & 12 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). The year is when the farmland was sold (exchanged).



## Prices around the regions

**Figure 13 Estimates of bottom 25% and top 25% prices for arable and pasture farmland by region**

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.

### South East

	Arable	Pasture
<b>Bottom 25%</b>	£7,300	£5,800
(change)	(-3%)	(9%)
<b>Top 25%</b>	£10,750	£8,250
(change)	(2%)	(-3%)

### South West

	Arable	Pasture
<b>Bottom 25%</b>	£7,750	£6,000
(change)	(0%)	(0%)
<b>Top 25%</b>	£11,000	£9,000
(change)	(0%)	(0%)

### East of England

	Arable	Pasture
<b>Bottom 25%</b>	£7,500	N/A
(change)	(0%)	
<b>Top 25%</b>	£10,500	N/A
(change)	(0%)	

### East Midlands

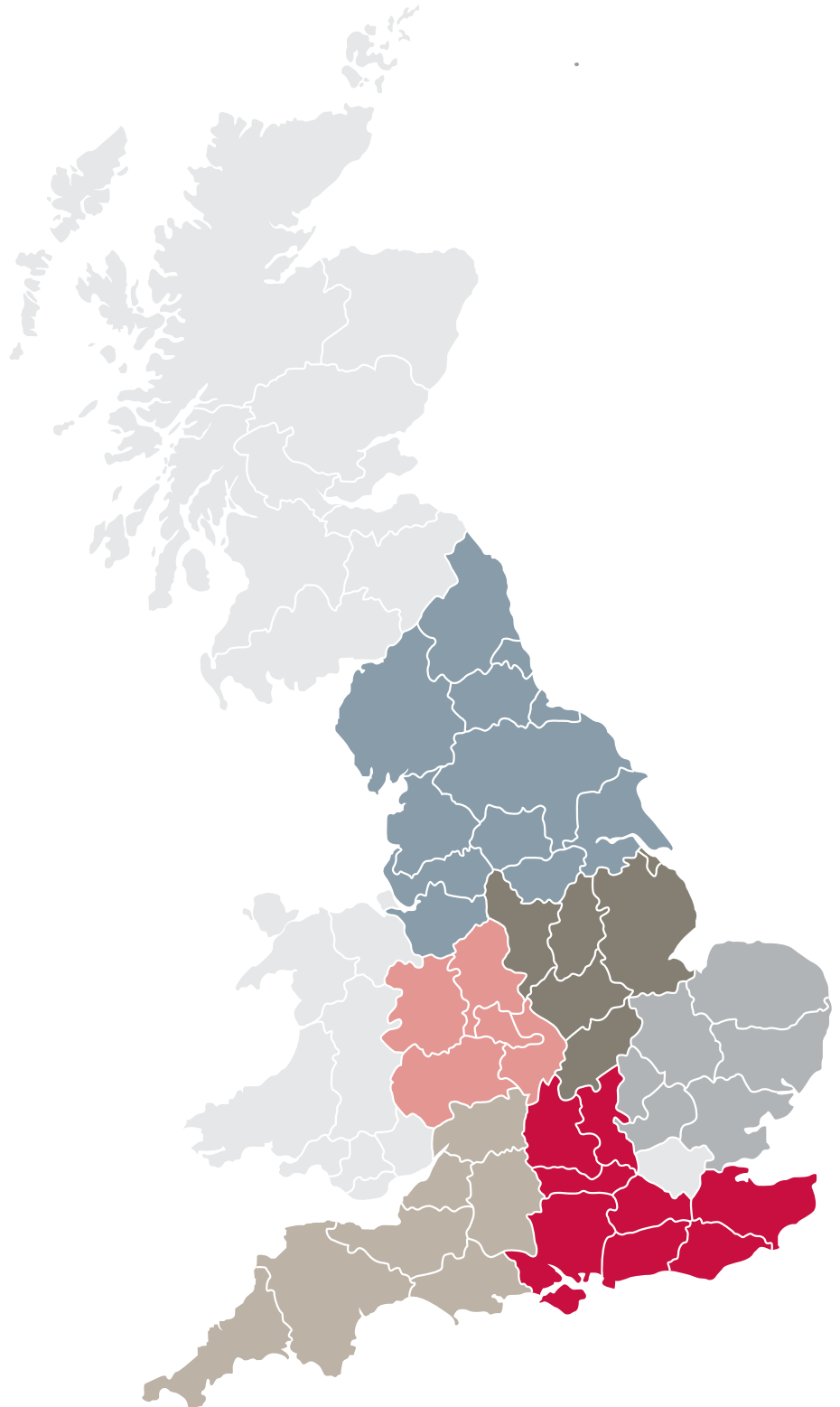
	Arable	Pasture
<b>Bottom 25%</b>	£6,000	£6,000
(change)	(-8%)	(0%)
<b>Top 25%</b>	£11,000	£8,750
(change)	(5%)	(-5%)

### Central & West Midlands

	Arable	Pasture
<b>Bottom 25%</b>	£8,250	£7,000
(change)	(-8%)	(-7%)
<b>Top 25%</b>	£11,500	£8,250
(change)	(0%)	(-6%)

### North

	Arable	Pasture
<b>Bottom 25%</b>	£6,000	£4,000
(change)	(0%)	(0%)
<b>Top 25%</b>	£11,950	£8,000
(change)	(14%)	(3%)



## Sold by Strutt & Parker in 2019

### CHERINGTON, GLOUCESTERSHIRE

A highly attractive Cotswold arable farm extending to 939 acres, with a wonderful farmhouse at its heart.

**Guide price: £12,500,000**



### SOUTHPORT, LANCASHIRE

A substantial area of highly productive Grade 1 land capable of supporting a wide range of crops. Including a farmhouse and farm building.

**Guide price: £7,700,000**



### GREAT CHISHILL, HERTFORDSHIRE

An outstanding commercial arable farm extending to 430 acres.

**Guide price: £3,600,000**



### HODSOLL STREET, KENT

A compact rural estate including a country house with stunning views across its 183 acres.

**Guide price: £3,000,000**



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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.

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