

ENGLISH ESTATES & FARMLAND MARKET REVIEW

Spring 2020

FOR SALE
Manor & Lovells, Hampshire
Guide Price: £3,650,000

FARMLAND MARKET 'PAUSED', BUT DEALS IN PIPELINE PROCEEDING

Our quarterly review of the farmland market is normally an opportunity for us to give an overview of what is happening based on market data. Given the unusual circumstances, this time our review is less focused on the data, instead aiming to give an insight into how the farmland market is currently operating.

What market activity is there?

The ban on non-essential travel as part of the COVID-19 lockdown effectively stops viewings, pressing the 'pause' button on the market.

Our Estates & Farm Agency team continues to operate, from home, working on deals that were struck before the lockdown was implemented on 23 March and preparing property to market later this year.

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MARKET AT A GLANCE

Supply



4,500 acres of farmland were publicly marketed in Q1 of 2020, which is the smallest acreage in the last 20 years.



However, the same number of farms were marketed in the first quarter of 2020 as during the equivalent period of 2019 and 2018.

Demand



The market is on pause at present, but our agents are still getting enquiries from people wanting to buy land.



While farmers remain the predominant type of buyer, lifestyle buyers now buy around a quarter of the farms sold.

Pricing



Average prices in Q1 are based on a small dataset so need to be treated with caution.



£9,900/acre was the average price of arable land exchanged in Q1, compared with a 12-month rolling average of £9,100/acre.

MARKET OVERVIEW (CONTINUED)

To date, we have seen very few **farmland deals fall through**, with most buyers still committed to their purchase. For example, our Central and West Midlands team have this month successfully purchased 600 acres in the Cotswolds on behalf of a client. However, **people are having to be flexible and patient** about getting these purchases over the line. Completion dates are being pushed back in line with official government guidance that if contracts have already been exchanged all parties should work together to agree a delay if necessary.

For property with a residential element that are yet to reach the point of exchange, the government advice is to either delay exchange until COVID-19 stay-at-home measures have been lifted or contracts need to include explicit contractual provisions to take account of the risks presented by the circumstances.

Other challenges include delays in funds being released by banks because they are focused on getting emergency lending in place for businesses needing support as a result of COVID-19. Local authorities are also struggling to turn around searches in some instances.

What is happening to new launches?

We had a number of farms and estates with a residential element on the books which we were planning to launch to the market during April, May and June. While vendors have put these sales on hold for now, **the intention is they will launch as soon as restrictions have been lifted.**

Some vendors selling bare land are choosing to go ahead with marketing now with some success. They are accepting they may not get the full audience of buyers at this time, but taking the view that if the property is online, potential buyers can still register their interest and it may get them ahead of any competition. A 295-acre block of land with buildings in Hampshire which was launched to the market on 20 March, just days before lockdown, has attracted considerable interest from potential buyers.

We are also marketing a 110-acre bare block in Kent, 70 acres in Oxfordshire and another 140 acres in Oxfordshire will be marketed shortly.

What are buyers saying?

We saw **good demand in January and February, supported by historic lack of supply** and an end to some of the political-related uncertainty that had been slowing the market. Many of these buyers are still active.

We are also **getting new enquiries from buyers looking to buy land despite COVID-19.** Many of them are farmers or landowners with rollover money to invest and others seeing land as a safe asset class to invest funds during uncertain times.

Final thoughts

It would be wrong to make predictions about what is going to happen over the coming months – the reality is that we are in uncharted territory and no one knows.

What we can say is that **there should be a good pipeline of farms and estates coming to the market once restrictions have been lifted** and the fact that buyers are still registering their interest suggests that **demand has not gone away.** There will inevitably be some investor buyers with less capital due to falls in the stock market, but equally we have registered buyers on our books with cash ready to invest.

Ahead of lockdown, we were also seeing **new buyers entering the market wanting land for forestry or natural capital investment.** Our view is that once the market does get going again, all parties will need to show continued patience when progressing sales. There will be a backlog to get through in terms of valuations and searches, and agreeing lending is also likely to take longer than it may have previously.

If you have any questions or want to start preparations for a possible sale or purchase, then please do get in touch with one of our regional agents.

SUPPLY

Amount of farmland marketed

The area of land marketed in the first quarter of 2020 was 4,500 acres, **one of the smallest amounts in the last 20 years** and 35% lower than last year. This was predominantly down to COVID-19 and the wet weather over the winter, with vendors who might have chosen to sell in January or February being forced to wait.

The number of farms marketed in Q1 was actually the same as in 2019 and 2018. This includes some farms launched in the final week of March, so after the COVID-19 lockdown had started. All of the farms marketed in Q1 were below 500 acres.

The lack of supply is a continuation of the long-term trend of less land for sale over the last 20 years.

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
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	30,000	7,800	3,300	11,800	19,200	11,100	9,100	106,300
2019	8,300	8,800	7,200	4,300	8,400	18,100	5,900	8,300	69,300
2018 Q1	2,300	1,100	0	200	1,400	1,100	700	0	6,700
2019 Q1	400	1,100	100	2,100	100	1,300	500	1,300	7,000
2020 Q1	400	1,100	300	800	600	1,000	100	0	4,500

DEMAND

The market is currently paused during lockdown, but **we are still getting new enquiries from buyers looking to buy land.**

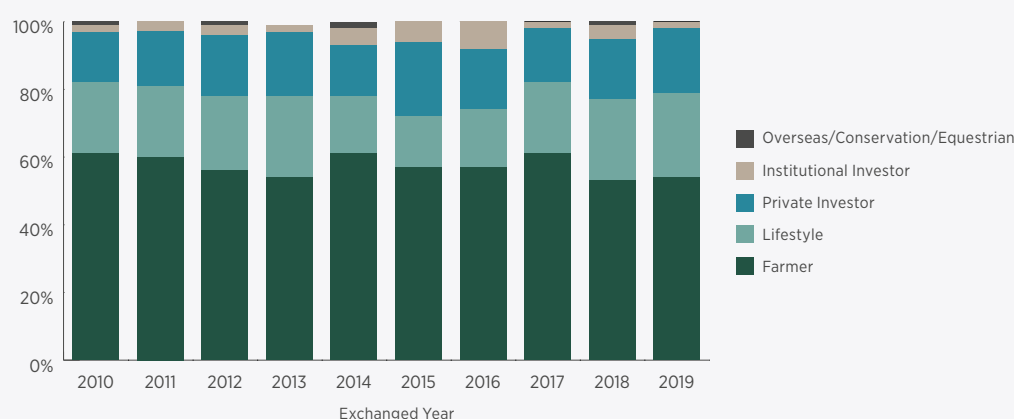
Before the lockdown the market remained strong, with two thirds of the farms marketed in mid-2019 exchanged or under offer, which is the same proportion as in 2018 and more than in 2017. N.B. We analyse demand by looking at the speed of transactions, using this ‘time delay’, back to Q2 and Q3, to give the land time to sell.

Type of buyers

While farmers remain the predominant type of buyer, **the proportion of farms bought by lifestyle buyers has increased to around a quarter of the market**, which is its highest level for the past 10 years.

Figure 2 Buyer type

N.B. Data is by number of sales, not acres. The year is when the farmland was sold (exchanged) and is for whole years unless otherwise stated.



PRICING

Average sale prices

It is always difficult to draw conclusions about pricing based on Q1, as we are inevitably dealing with a small dataset and it can be distorted by two or three high-priced sales. Based on the small number of transactions that exchanged in Q1 the average price of arable land in England was £9,900/acre, which is higher than the 12-month rolling average of £9,100/acre.

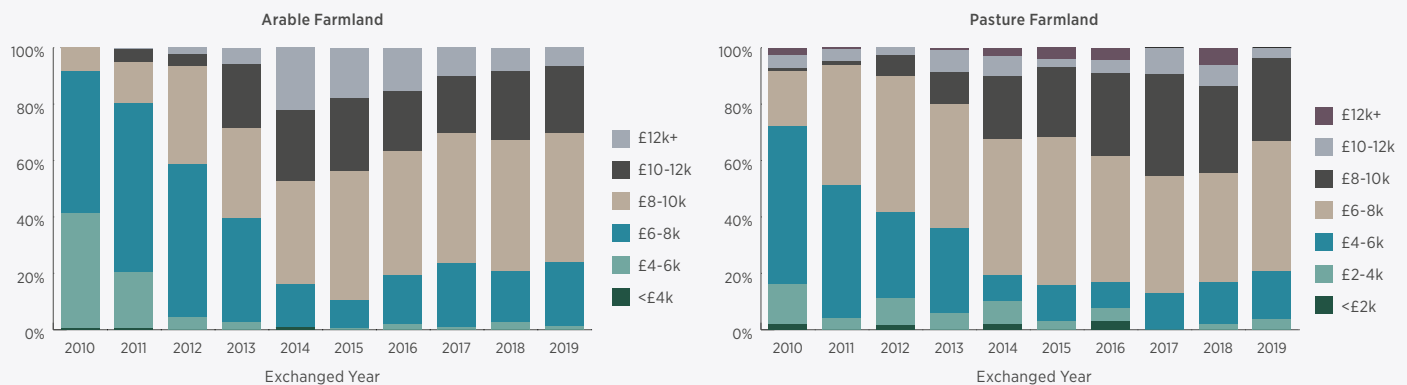
Sale price bands

Sale prices remain highly variable and our analysis of the sale price bands is a better reflection of the market (see figures 3 & 4 below). It shows a **greater proportion of land selling in the lower price bands and less in the top ones** – for both arable and pasture – however, some top prices are still being paid for the right land in the right places.

70% of the land sold in 2019 achieved its guide price or above, which is some evidence of strength in the market (and also that realistic guide prices are, in the main, being set).

Figure 3 & 4 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).



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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.

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