

ENGLISH ESTATES & FARMLAND MARKET REVIEW

Winter 2020/2021

SOLD:
Fordham, Essex. 590 acres

MARKET OVERVIEW

Tight land supplies forecast to continue into 2021

2020 was an extraordinary year and it looks as if this year could be much the same.

Even without COVID-19, 2020 was always going to be a pretty momentous year for the farming industry, given the sector faced a new Agriculture Act and uncertainty over whether there would be a Brexit deal, as well as dealing with the pressures of one of the worst harvests in decades.

Analysis of our Farmland Database suggests that a combination of these factors caused the volume of land coming to the open market to shrink significantly. The first COVID-19 lockdown in March and April resulted in a sharp fall in the number of new launches with many sellers choosing to hold back. A number did choose to sell privately instead, which has been a growing trend in some regions, increased by COVID-19. However, although market activity bounced back relatively quickly in the summer, it was not enough to make up the shortfall in volumes available and the year ended with total supply down by a third on the five-year average.

In contrast, demand has been relatively robust with farms and estates that were put to the market continuing to sell. Rollover buyers, along with private investors, continue to be active in many regions, viewing farmland as a safe, long-term investment. We have also had an increased number of enquiries from overseas. While those farmers

needing to borrow against future farm profits to fund a purchase are bidding cautiously, they know a block of land next to them is likely to be a once-in-a-lifetime opportunity to buy.

The second half of the year also saw an extremely busy housing market, which translated to greater activity in the market for country houses and residential estates than we have seen for a number of years, particularly in the south and west of the country.

The combination of low supply and sustained demand means that average prices have remained firm. Indeed, the consistency of average prices in recent years is a remarkable story – the 2020 average arable price of £9,300/acre is exactly the same as the five-year average. However, the range in prices achieved continues to be wide, with location the critical factor. We are now seeing instances where some of the best quality land is selling for the least amount of money, because it is located in areas which are less appealing to lifestyle buyers or other non-farmers.



Matthew Sudlow
Head of Estates & Farm Agency
07912 391202
matthew.sudlow@struttandparker.com

MARKET AT A GLANCE

Supply



The volume of farmland publicly marketed in 2020 was the lowest on record at 54,000 acres.



It is the first time since 2009 that fewer than 200 farms and estates were for sale in England.



The drop in supply was most marked in northern England.

Demand



Demand remains relatively robust, although there are different dynamics in different regions.



Buyers with capital from outside of agriculture are driving the market.



COVID-19 has fuelled strong interest in residential farms and estates, in some areas, from buyers seeking a change in lifestyle.

Pricing



The average price of arable land remains remarkably consistent at £9,300/acre – this is the same as the five-year average.



About half of arable land sold in 2020 made £8,000-10,000/acre, with about 30% selling for £10,000/acre or more.



The average price of pasture land sold in 2020 was also firm at £7,200/acre.

MARKET OUTLOOK

The signing of the deal between the UK and EU just prior to Christmas has been seen as positive news for the farming industry, given it allows tariff-free access to continue with the UK's largest trading partner.

Historically, greater certainty about the policy framework has increased the supply of land for sale, but there are still many unknowns about the practical implications of the trade deal and new regime. 2021 is the first year that farmers will see cuts in their Basic Payments, which could focus the minds of some who are contemplating selling and make purchases less appealing. Yet it can also be argued that the true impact of the Basic Payment reductions on cashflow won't really be felt until 2022, so people may choose to wait a while longer unless they are already feeling financial pressures following last year's poor harvest.

The other big questions affecting the market outlook are connected with whether the government chooses to make changes to Capital Gains Tax or introduce a wealth tax as a way of paying for the response to the COVID-19 pandemic. Changes to CGT would influence demand by affecting the amount of non-farming money available to buy land – either increasing it or reducing the number of rollover buyers in the market – depending on how changes are applied.

There is certainly little hard evidence at present to suggest many landowners are actively preparing to sell, particularly during this current COVID-19 lockdown. So our view is that supply is likely to remain tight this year. *If you would like to discuss buying or selling land, please do get in touch.*

SUPPLY

Amount of farmland marketed

Just under 54,000 acres were publicly marketed in 2020, which is the lowest amount on our records and we think in history. It is well below last year's 69,300 acres, which was already one of the lowest years on record. It is also a third below the five- and ten-year averages.

Overall supply never fully recovered from the 43% fall in farms and estates for sale in the second quarter, when the first COVID-19 lockdown happened. Many sellers continued to hold off from marketing their land in 2020 because of uncertainty about Brexit trade arrangements and changes in the subsidy system.

In three regions, supply in 2020 was over 40% below the five-year average – in Yorkshire and Humber (72% below average), the East Midlands (-43%) and the West Midlands (-41%). Only in the South West (-6%) and North East (-15%) was supply within 20% of the usual.

Supply dropped much more in northern England (-44%) than in the south (-27%).

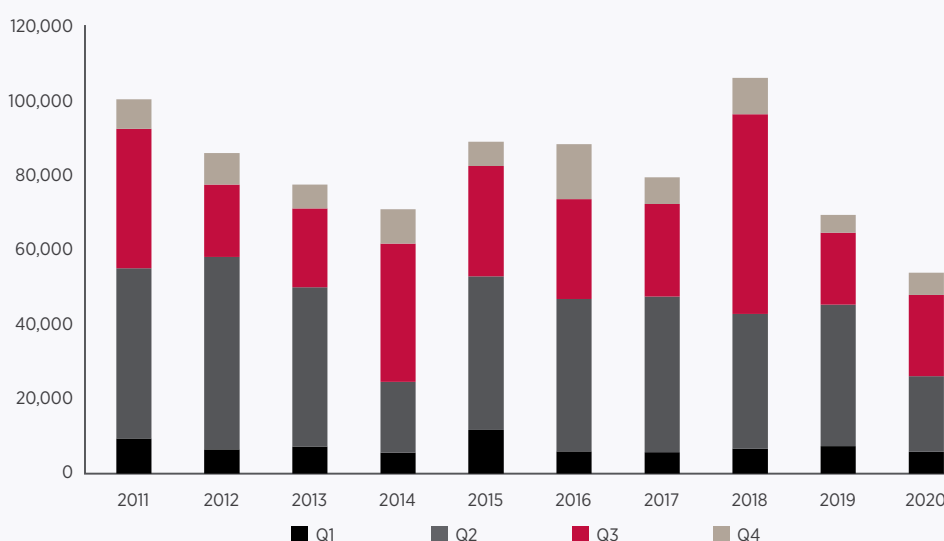
Private sales are not included in this data because of the difficulty of collecting comprehensive information. In some regions, private sales have been a growing trend in the market, but the rise in off-market transactions has only partially offset the fall in public sales, so overall supply has been tight.

Figure 1 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
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	5,900	10,400	13,300	11,600	11,300	79,500
2018	14,000	30,200	7,800	3,300	11,800	18,800	11,100	9,100	106,100
2019	7,700	8,600	7,200	4,800	8,400	17,500	6,400	8,600	69,300
2020	6,000	11,100	4,400	3,300	7,400	14,700	4,500	2,500	53,900
Five-year ave	10,480	15,920	5,200	4,260	11,280	15,700	7,660	8,900	79,420
% diff from ave	-43%	-30%	-15%	-23%	-34%	-6%	-41%	-72%	-32%

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



Number of farms marketed

Only 187 farms and estates were publicly marketed during 2020. This is the first time since 2009 – the global financial crisis – that fewer than 200 were for sale in a year.

Supply dropped particularly in Yorkshire and Humber and the East Midlands.

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
2016	33	52	11	12	35	39	20	24	226
2017	31	37	10	20	40	40	29	25	232
2018	34	40	17	14	42	57	30	25	259
2019	22	29	13	15	33	58	32	28	230
2020	18	36	11	15	26	47	26	8	187

Types of farm

The number of estates, residential farms and hill farms for sale publicly were around 40% below average. The number of estates available in Figure 4 looks particularly low, but this is because it is a sector of the market, along with residential farms, where the increase in the number of private sales has been most noticeable.

Figure 4 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.

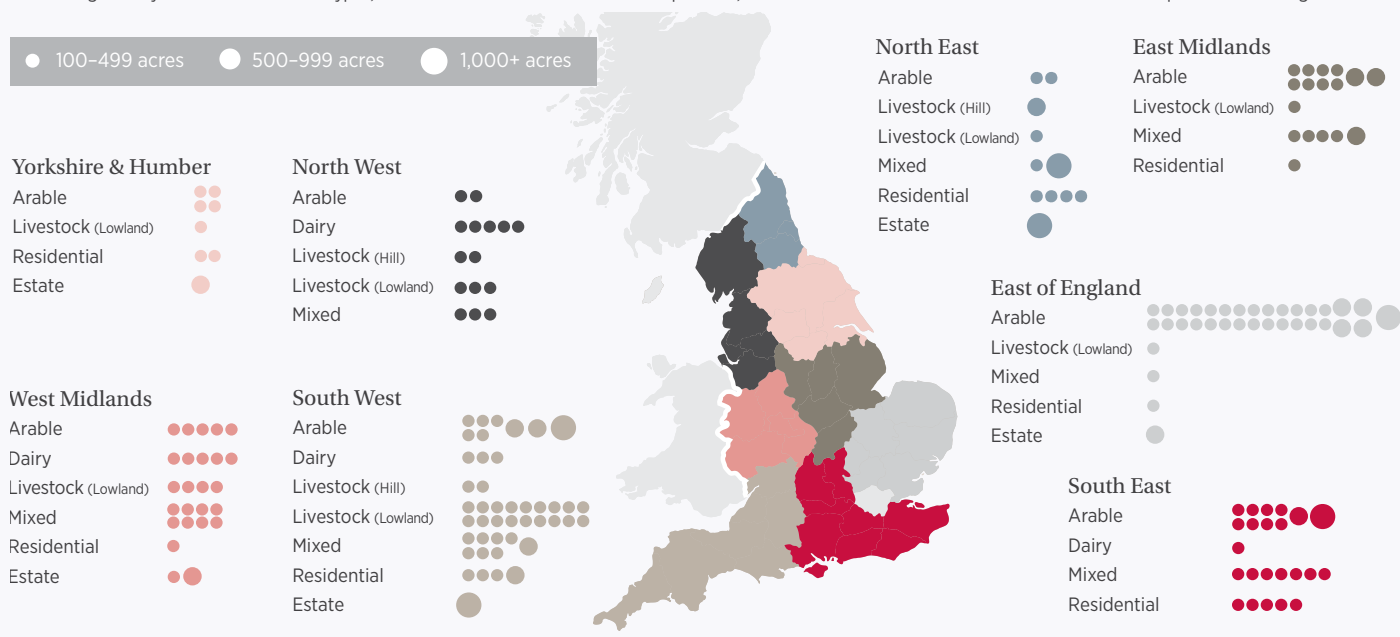
	Arable	Estate	Livestock (Hill)	Livestock (Lowland)	Mixed	Residential	Dairy
2016	110	12	3	16	29	34	18
2017	92	10	5	22	45	33	9
2018	91	12	16	23	42	44	16
2019	95	8	12	26	42	26	8
2020	72	6	5	29	34	18	14

Size of farm

As is usual, the majority of properties for sale were less than 500 acres. However, as we noted for 2019, there have been fewer farms and estates over 1,000 acres publicly marketed (six in 2020, compared with the five-year average of 10). There was also a significant fall in the number of farms of 500-1,000 acres for sale.

Figure 5 Number of farms marketed in 2020 by region, farm type and farm size

NB 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.



DEMAND

Area of farmland sold

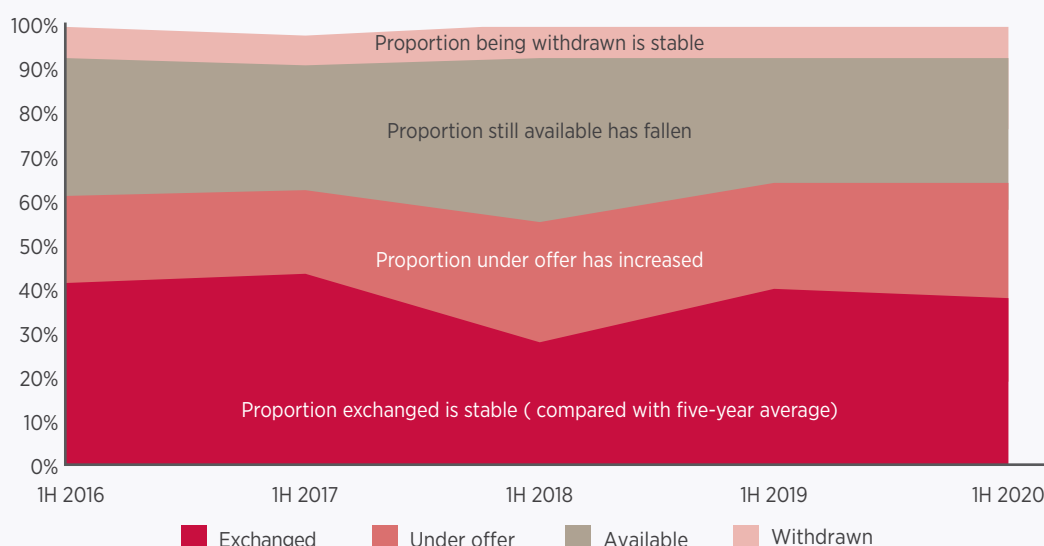
Positively, there are signs that demand remains firm. The proportion of farms and estates for sale that have either exchanged or are under offer is well above the five-year average and has increased since 2019. There are motivated buyers in the marketplace, although the rise in the proportion of properties which have sold will also reflect the drop in supply. With fewer farms and estates available, but demand relatively robust, it is inevitable that a bigger proportion will have sold.

The overall strength in demand is also reflected in the rise in the number of farms that sold at or for more than their guide price, which was 62% of farms in 2020 compared with a five-year average of 55%.

Of course, there are different dynamics in different regions, which has an impact on demand and ultimately price. Since the end of the first COVID-19 lockdown, the housing market has been the busiest it has been for more than a decade, with the country house market performing particularly strongly as buyers seek a lifestyle change. In the South of England and counties like Gloucestershire and Oxfordshire, this has fuelled strong interest in residential farms and estates from buyers.

Figure 6 Speed of land transactions

N.B. 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.



Livestock farms, both lowland and hill, and dairy farms have been less likely to sell than the other farm types.

Given this, the regions with the highest proportions of farms that have not sold are the East Midlands, West Midlands and Yorkshire and Humber. This is quite a change from a year ago, when the West Midlands and Yorkshire and Humber had the lowest rates of unsold farms.

Larger farms over 500 acres have been more likely to sell in 2020, with only a quarter of the 500-1,000 acre farms available or withdrawn by the end of the year compared with 43% of the farms under 500 acres.

Type of buyers

Existing farmers and landowners remain the largest type of buyer of farmland, but they account for less of the market than historically. Many of these farmer-buyers are also using capital generated from outside of agriculture (such as rollover from development) to fund their purchase, rather than income generated from farming the land. In 2020, they bought 53% of farms sold, compared with the 20-year average of 60% and an average between 2000 – 2009 of 64%.

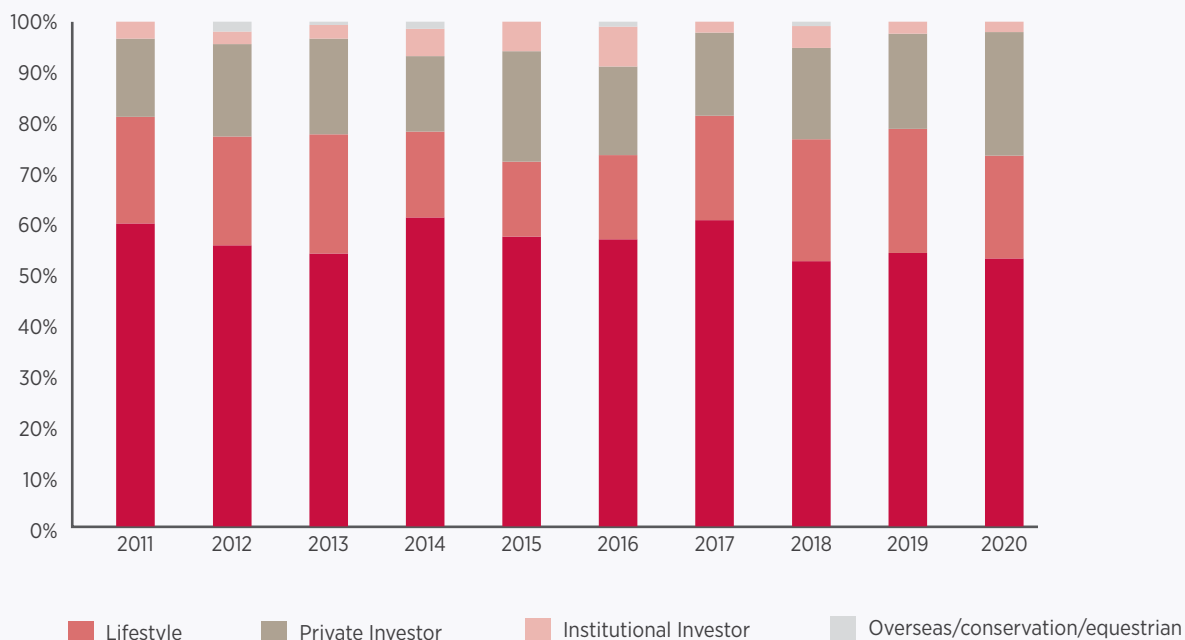
Demand from private investors has grown and, combined with demand from lifestyle buyers (who are sometimes tricky to differentiate), they have bought over 40% of farms in the last three years.

It is hard to predict whether this trend will continue during the 2020s. The cut in Basic Payments may make farmland less attractive to investors as the guaranteed income associated with farmland will be removed over the seven-year agricultural transition period. However, the growth in other markets such as carbon credits and natural capital may appeal to buyers who are not as focused on agricultural production as traditional farmers. We are already seeing demand for marginal land suitable for tree planting increasing.

Demand from private investors and lifestyle buyers is also very focused on southern England, where they accounted for 60% of sales in the South East and 71% of sales in the South West. Their demand falls the further north you go.

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 whole years unless otherwise stated.



PRICING

Average sale prices

The average price paid for arable land in 2020 was £9,300/acre, which is 3% higher than the average paid in 2019 and the same as the average over the past five years. However, prices ranged from a low of £5,200/acre to a high of £17,500/acre, showing the impact of whether land is located in an area that appeals to wealthy individuals or in a region where productive agriculture dominates.

The average price paid for pasture land also increased by 3% in 2020 after a significant fall in 2019. However, as we usually state, the quality and use of pasture land is highly variable – from very highly priced parkland around mansions and estates to the poorest hill land – so care should be taken in interpreting average prices.

We continue to think that sale price bands show a more complete picture of how pricing is changing (see Figures 11 & 12).

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

N.B. Data is based on the year when the farmland was sold (exchanged) and is for entire years.

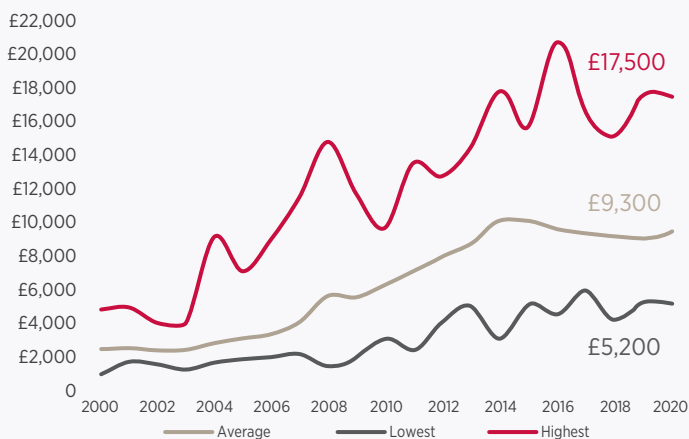
	Arable	% change during year	Pasture	% change during year
2011	£7,000	14%	£5,900	11%
2012	£7,800	12%	£5,900	0%
2013	£8,800	12%	£6,500	11%
2014	£10,000	14%	£7,000	8%
2015	£10,000	0%	£7,300	3%
2016	£9,600	-4%	£7,300	0%
2017	£9,300	-4%	£7,500	3%
2018	£9,200	-1%	£7,600	2%
2019	£9,000	-2%	£6,900	-9%
2020	£9,300	3%	£7,200	3%

Average, lowest and highest sale prices

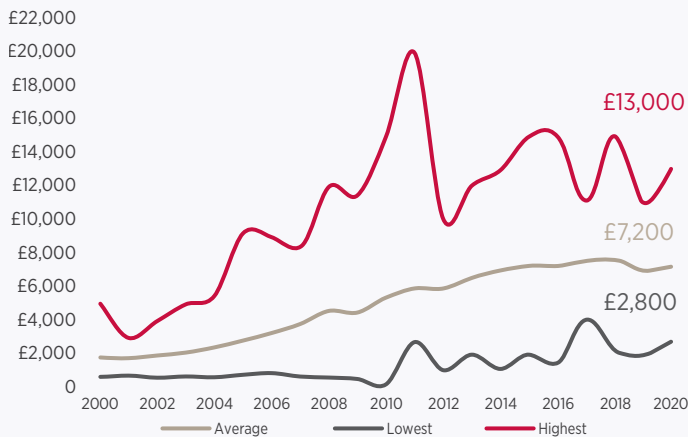
Figure 9 & 10 Average, lowest and highest sale prices of arable and pasture farmland (£/acre)

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.

Arable



Pasture



Sale price bands

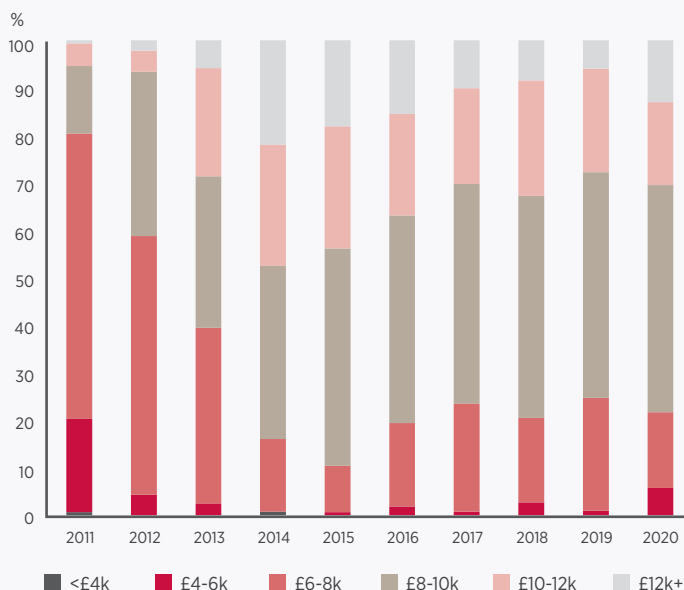
About half of arable land sold in 2020 sold for £8,000-10,000/acre, which is about the same proportion as over the past five years. Similarly, around 30% of land sold for £10,000/acre or more, which is also the same proportion as over the past five years. The only change has been that more sold for over £12,000/acre, which reflects the desire to secure land in the right place when it comes up for sale – given this can be very infrequent.

For pasture land, there has been a slight strengthening in prices, as more sales were for over £8,000/acre than in 2019. The large range in prices paid is illustrated in Figure 12, with prices ranging from £2,800 to £13,000/acre.

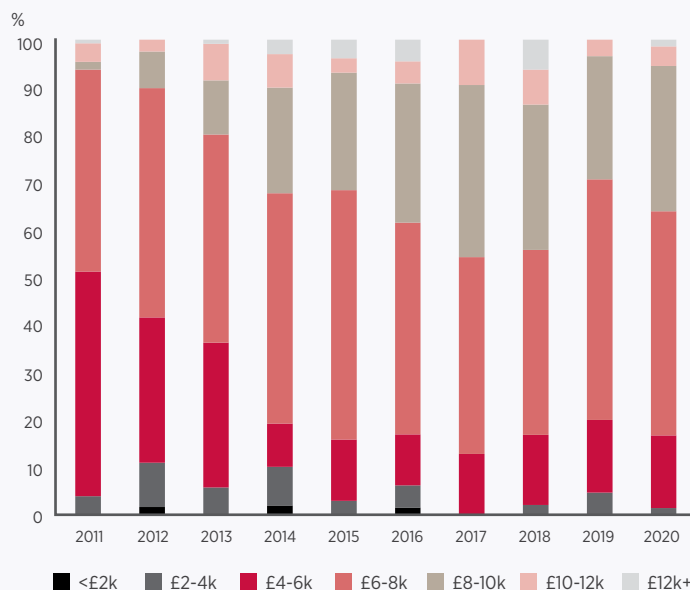
Figure 11 & 12 Agreed sale price of arable and pasture farmland, by price band (£/acre)

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).

Arable



Pasture



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
Bottom 25%	£7,400	£5,900
(change)	(1%)	(2%)
Top 25%	£11,100	£8,700
(change)	(3%)	(5%)

South West

	Arable	Pasture
Bottom 25%	£8,000	£6,000
(change)	(3%)	(0%)
Top 25%	£11,000	£9,000
(change)	(0%)	(0%)

East of England

	Arable	Pasture
Bottom 25%	£7,250	N/A
(change)	(-3%)	
Top 25%	£10,000	N/A
(change)	(-5%)	

East Midlands

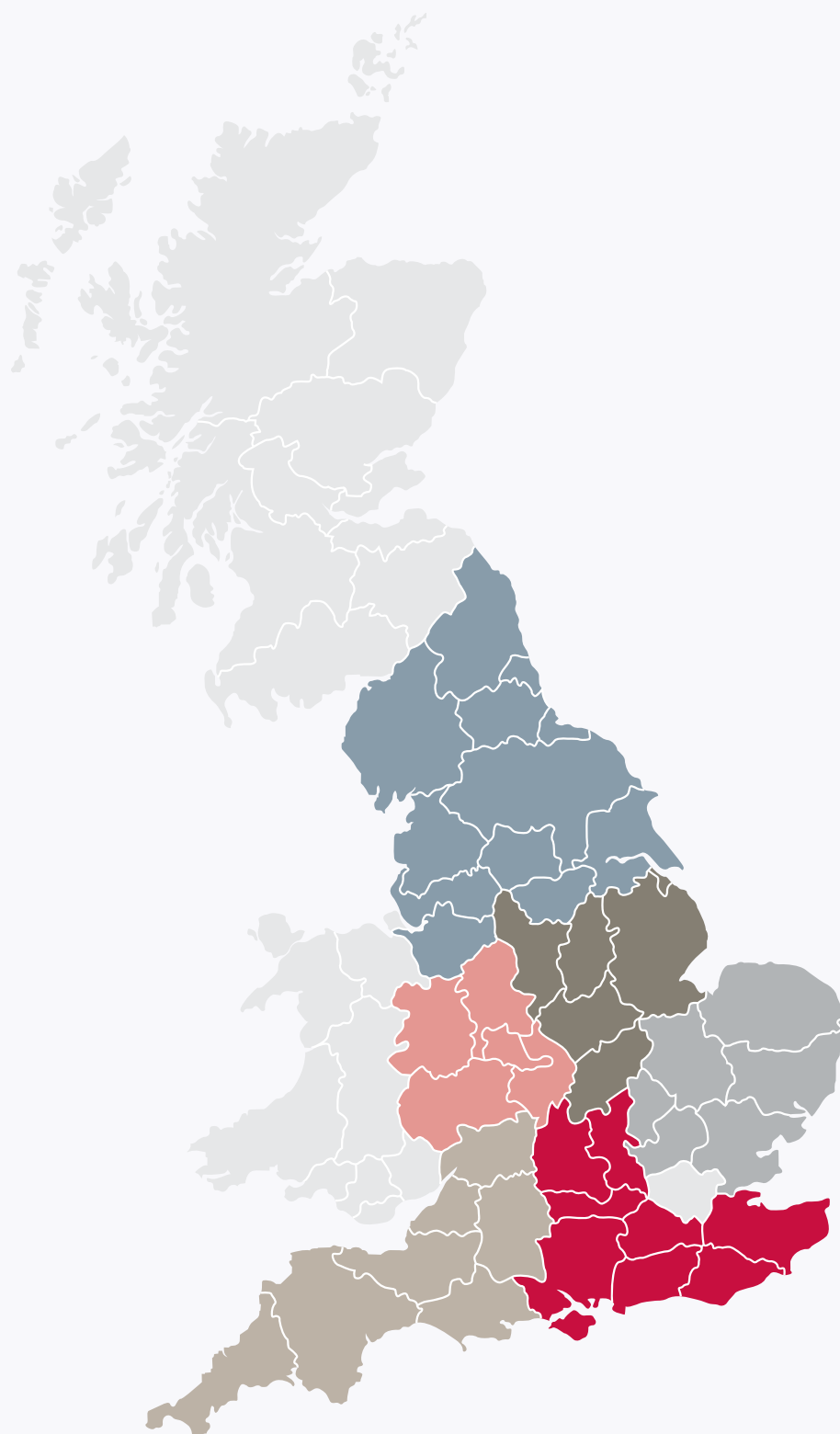
	Arable	Pasture
Bottom 25%	£6,000	£6,000
(change)	(0%)	(0%)
Top 25%	£11,500	£8,500
(change)	(5%)	(-3%)

Central & West Midlands

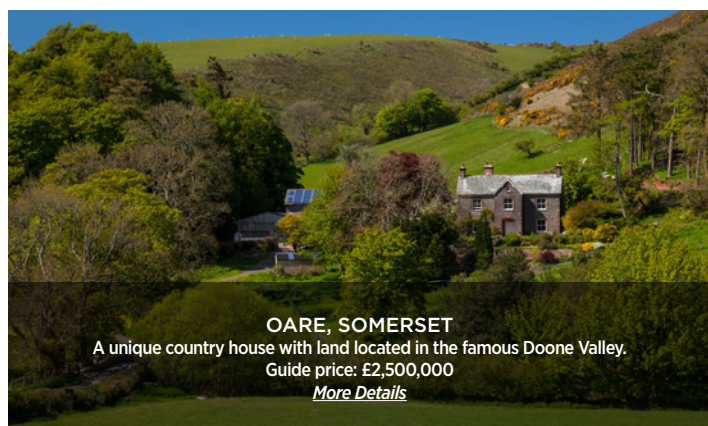
	Arable	Pasture
Bottom 25%	£7,800	£6,900
(change)	(-5%)	(-1%)
Top 25%	£11,000	£8,500
(change)	(-4%)	(3%)

North

	Arable	Pasture
Bottom 25%	£6,500	£4,500
(change)	(8%)	(13%)
Top 25%	£11,000	£8,000
(change)	(-8%)	(0%)



FOR SALE WITH STRUTT & PARKER IN 2021



CONTACT YOUR LOCAL AGENT FOR A REGIONAL VIEW ON THE MARKET



NATIONAL

MARK MCANDREW
07702 317231
mark.mcandrew@struttandparker.com



NORTH

TOM DAVID
07469 155950
thomas.david@struttandparker.com



EAST MIDLANDS

SAM HOLT
07702 317301
sam.holt@struttandparker.com



CENTRAL & WEST MIDLANDS

MATTHEW SUDLOW
07912 391202
matthew.sudlow@struttandparker.com



EAST ANGLIA

MICHAEL FIDDES
07702 317239
michael.fiddes@struttandparker.com



SOUTH EAST

WILL WHITTAKER
07884 866275
will.whittaker@struttandparker.com



CENTRAL SOUTHERN

WILLIAM LANGMEAD
07764 790494
william.langmead@struttandparker.com



SOUTH WEST

WILLIAM MORRISON
07920 813184
william.morrison@struttandparker.com



SCOTLAND

ROBERT MCCULLOCH
07734 545972
robert.mcculloch@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. 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.

© BNP PARIBAS REAL ESTATE ADVISORY & PROPERTY MANAGEMENT UK LTD.
ALL RIGHTS RESERVED No part of this publication may be reproduced or transmitted in any form without prior written consent by BNP PRE. The information contained herein is general in nature and is not intended, and should not be construed, as professional advice or opinion provided to the user, nor as a recommendation of any particular approach. It is based on material that we believe to be reliable. While every effort has been made to ensure its accuracy, we cannot offer any warranty that it contains no factual errors. Strutt & Parker is a trading style of BNP Paribas Real Estate Advisory & Property Management UK Limited, a private limited company registered in England and Wales (registered number 4176965) and whose registered office address is at Aldermanbury Square, London EC2V 7BP.