

ENGLISH ESTATES & FARMLAND MARKET REVIEW

Spring 2021 | Q1

COMING SOON
500 acres fully equipped mixed farm.
Oxfordshire

GREEN INVESTORS MORE VISIBLE AS FARMLAND MARKET GETS BUSIER

The latest COVID-19 lockdown certainly made it feel like a long winter, but spring's arrival is breathing new life into the farmland market and we are in the process of preparing several farms and estates for sale over the coming weeks.

It contrasts sharply with 12 months ago when we were in the middle of the first national lockdown and movement restrictions effectively put the market on pause for three months.

Analysis of our farmland database shows that the volume of land coming onto the market remained, as we forecast at the start of the year, at record low levels during Q1. With demand also remaining relatively robust, this means prices have remained virtually unchanged at an average of £9,200/acre for arable land and £7,000/acre for pasture, although these figures are based on a small dataset.



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MARKET AT A GLANCE

Supply



Supply remains tight – the number of farms for sale in early 2021 has dropped compared with the past five years.



However, supply is expected to increase in Q2, compared with Q2 2020.



Private sales continue to be popular, particularly for those selling residential farms and estates.

Demand



Demand remains similar to the past three years. In 2020, two-thirds of farms that were sold achieved, or sold for more than, their guide prices.



Buyers looking to manage land for conservation reasons are becoming more visible in the marketplace.



The market for residential estates and country houses with land also remains strong.

Pricing



Prices remain firm and largely unchanged in early 2021, compared with 2020.



The average price of arable land in Q1 2021 was £9,200/acre, while pasture averaged £7,000/acre.



However, demand remains very localised and price depends on the number and strength of bidders in the market.

MARKET OVERVIEW

Market outlook

There had been questions around whether the Chancellor would choose to make changes to the tax regime in the spring Budget which might have had an impact on the market for farmland, but in the end he chose to concentrate his attentions elsewhere. This suggests that demand is likely to remain firm – particularly given that the range of people interested in farmland looks to be getting even wider.

Although farmers remain the major buyers of farmland, we have been saying for some time that non-farmer buyers have become almost equally important in the market. These have typically been investors who see land as a safe asset in which to store their wealth, or people who have made capital gains from the sale of land for development and want to roll over any funds.

However, one of the most notable developments in the marketplace over recent months has been increased demand from green investors looking at alternative land uses. We now receive phone calls on almost a daily basis from buyers interested in purchasing

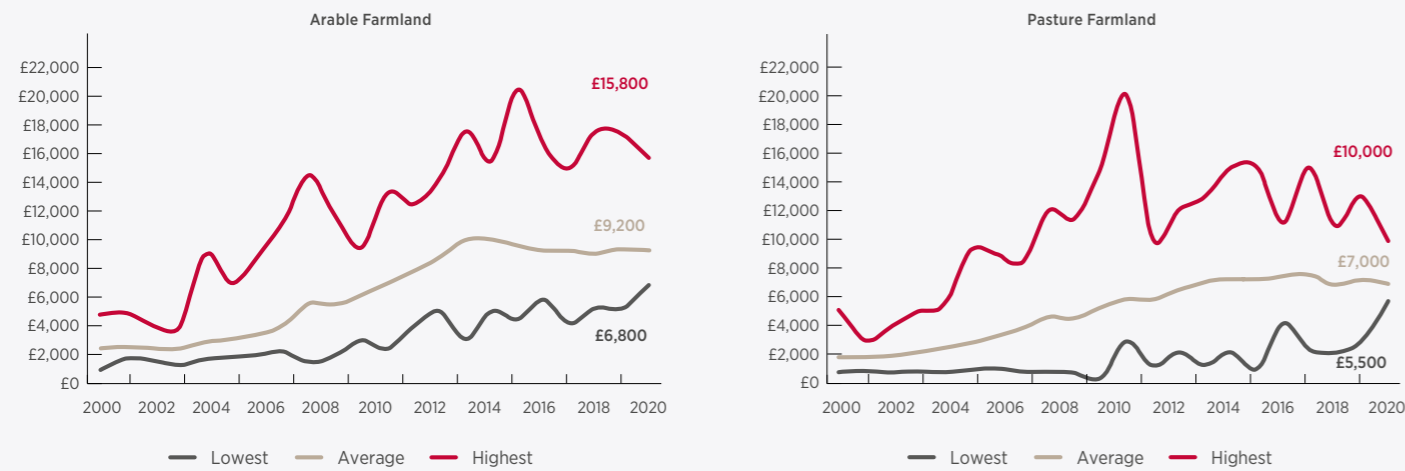
land to be managed environmentally, rather than focusing on food production – with their plans involving tree planting, rewilding and other conservation and carbon-offset projects. Interestingly, such buyers are starting to become active in lowland areas, as well as the uplands.

In terms of supply, we are definitely preparing more farms for sale – both publicly and privately – than we were at the same point last year. But while we do expect to see a noticeable increase in supply over the next six to eight weeks, this will be more of a flurry than a flood. The easing of COVID-19 restrictions may remove one barrier to sales proceeding, but some landowners are also hesitating in anticipation of more information about farm support, for example Defra’s plans for delinked payments, before making any firm decisions about selling.

If you would like to discuss buying or selling land – publicly or privately – then please do get in touch.

Figures 1 & 2 Average, lowest and highest sale prices of arable and pasture farmland (£/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) 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.



SUPPLY

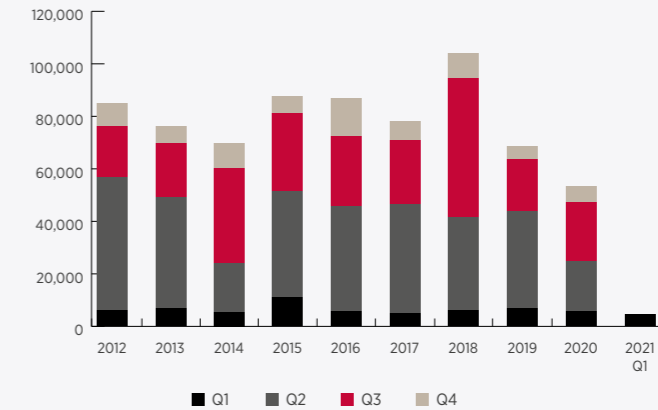
The volume of farmland marketed over the past three months remains low. This is not surprising given the COVID-19 lockdown and Q1 is traditionally a quiet time of the year for launches anyway. There are also still uncertainties about the impact and timing of new agricultural policy initiatives, which may be prompting some potential sellers to watch and wait.

A total of 20 farms were publicly marketed in the first quarter of the year, which is just below the five-year average of 24. The farms were also smaller than in previous years and so the 4,600 acres publicly marketed is well below the five-year average of 6,100 acres.

A number of properties were marketed privately during Q1, but these figures are not included in Figure 3 because of the difficulty in collecting comprehensive details.

SUPPLY

Figure 3 Amount of farmland publicly marketed in England (acres) by quarter



DEMAND

Farmland remains in demand. Our analysis of the sales status of farms publicly marketed between 1 January and 1 September 2020 shows that two-thirds have already sold or are under offer. This is the same proportion as we saw in the equivalent period of 2019, 2018 and 2017.

Additionally, in 2020 two-thirds of farms that were sold achieved, or sold for more than, their guide prices - which is the highest proportion for six years.

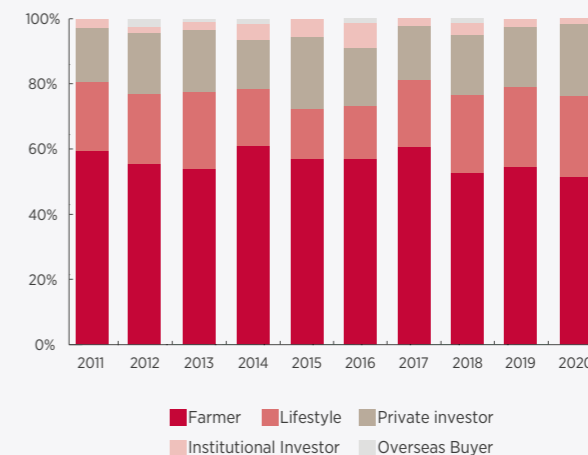
Demand for residential farms and estates is particularly strong at the moment, which reflects the lack of supply and the ‘race for space’ which is driving activity in the wider housing market.

The proportion of farms bought by farmers has dropped to its lowest level since our survey started over 20 years ago, at 52%. Conversely, the proportion bought by lifestyle buyers and private investors has risen to its highest level – accounting for 47%. Non-farmers are now the main type of buyer in the South East and South West.

Demand for land for tree planting and peatland restoration for carbon credits is helping to drive demand for hill land. We are also starting to see market evidence of growing demand from conservation-driven buyers in the lowlands, including in the South East of England, who are buying land for rewilding, natural capital and tree planting projects, rather than food production.

Figure 4 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.



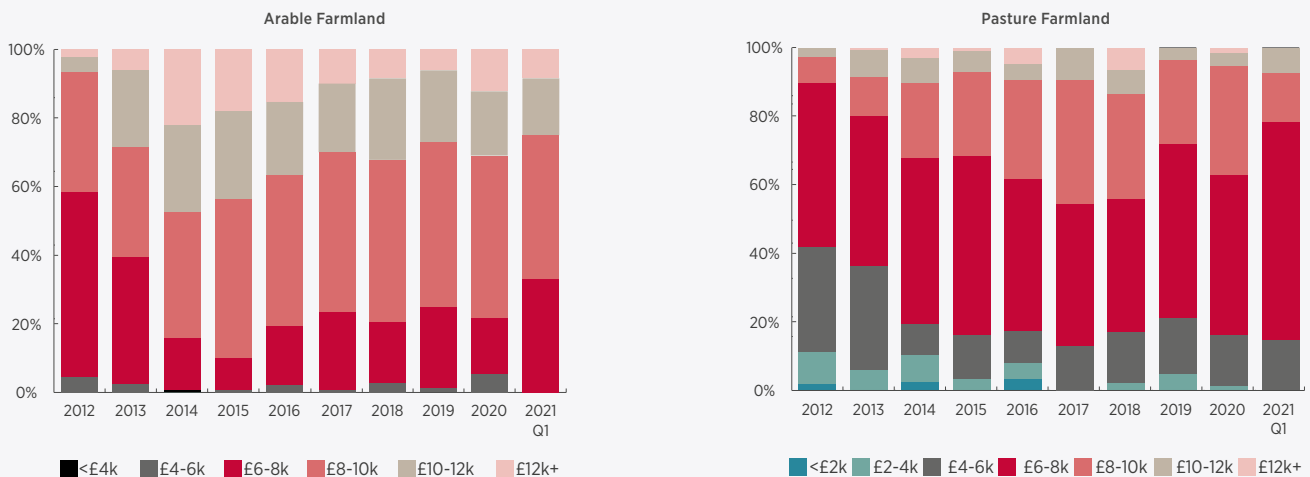
PRICING

The range of prices paid for both arable and pasture land remains large – arable land has sold for between £6,800 and £15,800/acre in Q1. We do not expect the values to change significantly in 2021, as demand remains very localised and price depends on the number and strength of bidders in the market.

For pasture land, we expect to see fewer sales in the lowest price bands as demand for upland and hill pasture continues to grow, due to strong demand for tree planting land and from other green investors. Figures 5 & 6 show the proportion of land sold within different sales price bands.

Figures 5 & 6 Agreed sale price of arable and pasture farmland, by price band (£/acre)

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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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