

ENGLISH ESTATES & FARMLAND MARKET REVIEW

Winter 2022/2023

FOR SALE:
Shropham, Norfolk.
Guide Price: £9,500,000

MARKET OVERVIEW

Prices reach record levels in competitive farmland market

Our prediction that we would see the average value of arable land exceed £10,000/acre by the end of 2022 has proved correct. Farmland values in England have now reached record levels, with rising levels of demand from private and institutional investors proving the adage that at times of economic uncertainty and high inflation there tends to be renewed interest in land.

Our Farmland Database, which records the details of all farms, estates and blocks of publicly marketed farmland in England over 100 acres in size, shows the average price of arable land in England rose by 12% in 2022 to reach £10,600/acre. This is £600/acre more than the previous peak of the market in 2014 / 2015. Meanwhile, the average price of pasture also rose by 13% to establish a new high of £8,500/acre.

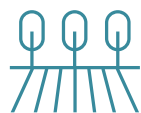
What is even more startling is that two-thirds of arable land sold on the open market in 2022 exchanged hands for more than £10,000/acre, which is about double the amount of land that did in 2021. Demand has been particularly strong for larger blocks of commercial arable land, where competitive bidding has meant, in some instances, the price per acre achieved has been well in excess of the national average.

Although the volume of land available has increased, much of this is to do with a small number of larger sales, rather than a jump in the number of farms and estates available. This means demand has continued to outstrip supply.

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MARKET AT A GLANCE

Supply



The volume of farmland publicly marketed in 2022 was 77,400 acres – nearly 20,000 acres more than in 2021.



A total of 220 farms were publicly marketed, which is in line with the five-year average.

500+
acres

There were more farms over 500 acres for sale than in each of the past three years.

Demand



Demand remains strong, from a wide range of buyers.



Land is going under offer at the fastest rate for at least five years.



Private and institutional investors accounted for 30% of transactions in 2022 – the highest level for at least a decade.

Pricing



The average price of arable land in 2022 rose by 12% to set a new record of £10,600/acre.



The average price of pasture land sold in 2022 rose by 13% to £8,500/acre.



66% of arable land sold for more than £10,000/acre, with a falling proportion selling for £8,000 – 10,000/acre.

MARKET OUTLOOK

Our data demonstrates that the market for agricultural land is proving to be incredibly resilient against the backdrop of turmoil in the economy, rising interest rates and large increases in farm input costs.

The big question, of course, is can this continue? Interest rate rises mean that where buyers need to borrow money then the outlook is more challenging than it has been for a number of years. But we also know there is still likely to be a pool of cash buyers – including farmers – who will be keen to buy land for expansion, tax, capital growth, amenity, lifestyle and environmental reasons.

It is hard to make detailed predictions given the level of economic uncertainty. But looking ahead, it does seem likely that the trend of non-farming investors seeing land as a relatively safe place to hold capital will continue. However, our expectation is that the market will become more settled than we have seen over recent months and prices may start to level off. We will continue to monitor the situation closely.

If you would like to discuss any aspect of this report, or for advice on selling or buying farmland in your region, please do get in touch using the contact details at the back of this publication.

SUPPLY

Amount of farmland marketed

A total of 77,400 acres were publicly marketed in 2022, which is the most since 2018, and most regions had more land marketed than during the past three years.

However, this is not a large amount of land in historical terms. 77,000 acres is the 10-year average and it is below the 20-year average, which is 86,700 acres. Therefore, supply remains low.

More land was launched in the final months of 2022 than for several years, but the majority of land (77% on average) is marketed between April and September each year.

Supply jumped significantly in the East of England, but this was down to a small number of significant sales in terms of acreage, rather than an increase in the number of farms available. Twelve farms over 500 acres were marketed in the region – the most in 10 years and double the usual number.

Supply was also high in the North West, due to more farms for sale and them being larger than usual.

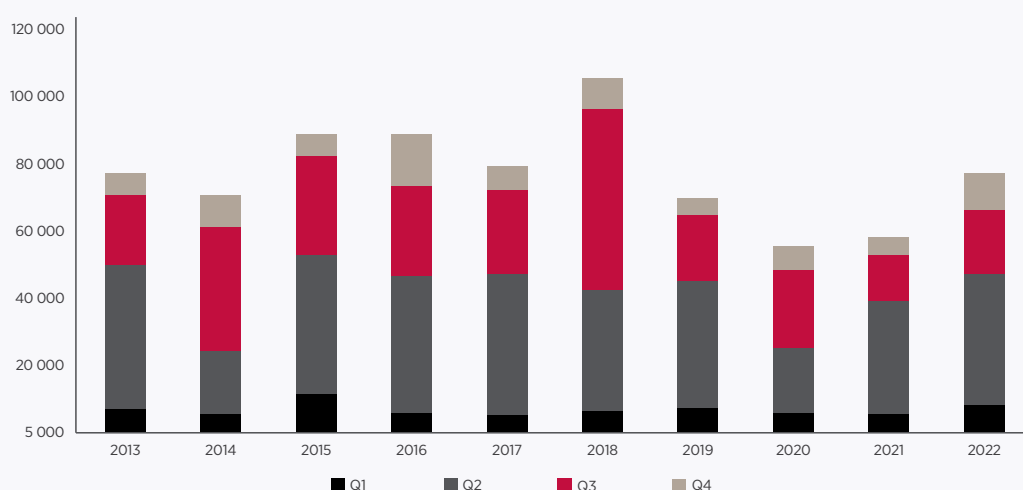
Private sales are not included in this data, because of the difficulty of collecting comprehensive information. But in most regions, off-market sales continue to be popular, accounting for anywhere between 20-40% of the market.

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
2018	14,000	30,200	8,100	3,300	11,500	18,800	11,100	8,800	105,700
2019	7,900	8,600	7,200	4,800	8,000	17,500	7,200	8,600	69,800
2020	6,800	11,300	3,600	4,000	7,300	15,100	4,900	2,500	55,400
2021	6,700	10,600	2,600	12,000	9,600	9,100	2,600	5,200	58,500
2022	5,100	19,100	4,000	13,500	13,200	9,800	5,400	7,400	77,400
Five-year ave	8,100	15,960	5,100	7,520	9,920	14,060	6,240	6,500	73,360
% diff from ave	-37%	20%	-22%	80%	33%	-30%	-13%	14%	6%

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



Number of farms marketed

A total of 220 farms were publicly marketed during 2022, which is the most since 2019 and in line with the five-year average.

However, supply was actually below the five-year average in every region other than the North West and South East. This highlights that while the total acreage available was up, finding the right farm in the right location can be a challenge.

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	Yorks & Humber	England
2018	34	40	17	14	41	57	30	24	257
2019	23	29	13	15	30	58	34	28	230
2020	23	37	12	19	26	46	29	9	201
2021	25	31	12	23	39	39	13	19	201
2022	24	33	10	32	41	38	26	16	220
Five-year ave	26	34	13	21	35	48	26	19	222
% diff from ave	-7%	-3%	-22%	55%	16%	-20%	-2%	-17%	-1%

Type of farm

The type of farm marketed was similar to the usual pattern, with arable and mixed farms being the most common types.

However, the number of hill farms for sale was the highest for ten years. This may be a reflection of the financial pressure on them and also of the strong demand for land for tree planting and environmental purposes. We will continue to monitor the situation.

Figure 4 Main type of farms marketed

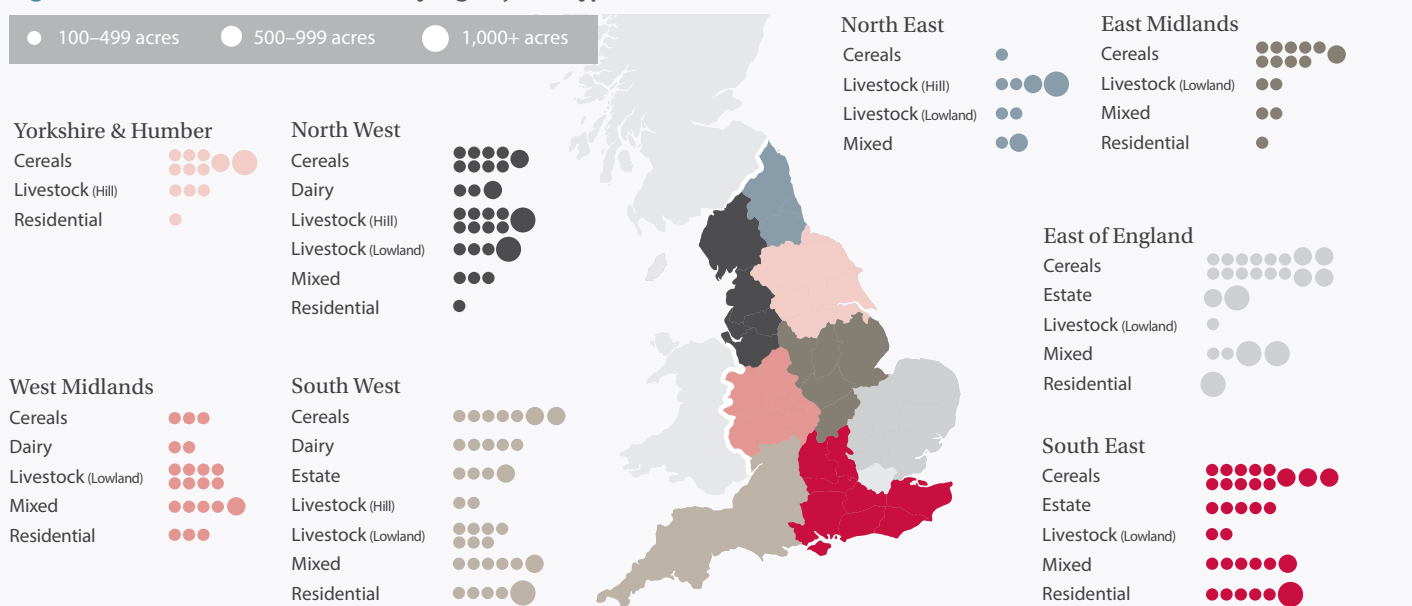
	Arable	Estate	Livestock (Hill)	Livestock (Lowland)	Mixed	Residential	Dairy
2018	91	12	16	23	42	43	15
2019	95	9	12	28	41	24	8
2020	76	7	7	30	34	20	16
2021	71	11	11	35	25	16	7
2022	67	11	18	26	28	18	10

Size of farm

As is usual, the majority of farms for sale were less than 500 acres. However, there have been more farms over 500 acres for sale than in the past three years, with 34 publicly marketed in 2022. A high proportion

of them have been in the East of England and a further 10 were spread across the South East and South West.

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



DEMAND

Demand for farmland has been strong, with a wide range of buyers active.

The proportion of farms that have either exchanged or are under offer is at its highest level for the past five years, with 85% of the farms marketed in the first half of the year under offer or sold by the end of 2022. The five-year average is 70%.

Demand has been particularly strong for cereals farms, with only 7% of the farms marketed still available. It is weakest for hill livestock and mixed farms, but this may also be a reflection of slightly weaker demand in northern England.

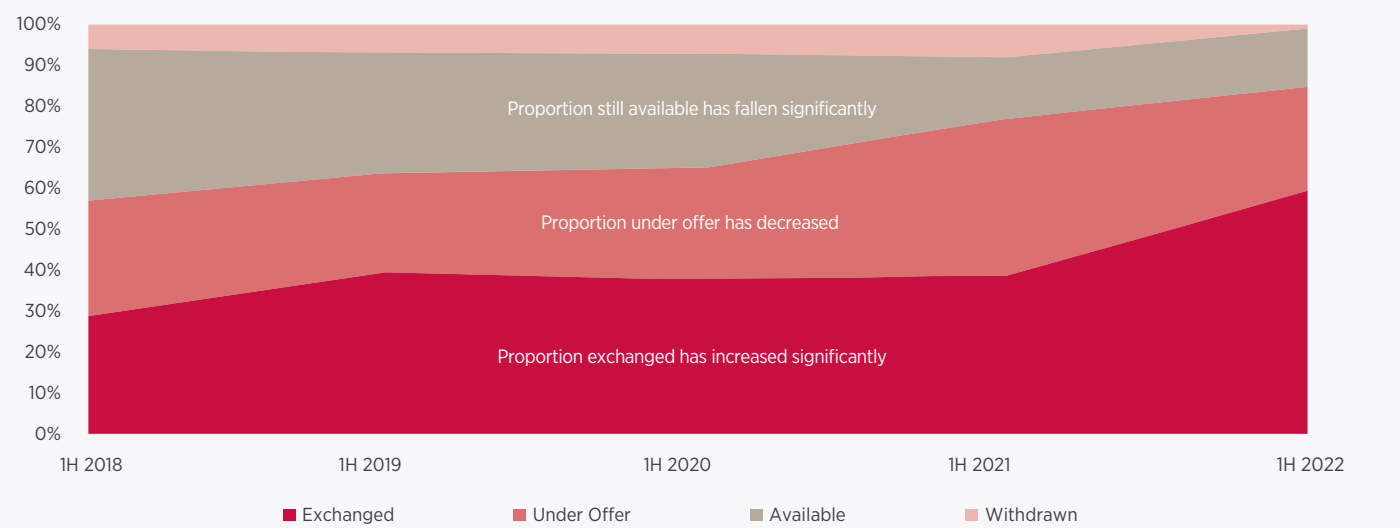
The strength of demand is such that many sales have been very competitive. For example, a 500-acre farm we launched in Hampshire sold in six weeks for 40% more than its guide price, after generating seven offers from 22 viewings.

Larger commercial arable farms have been in short supply. While there was an increase in the number of farms over 500 acres for sale, only 13 of these were arable farms.

The strength of demand is also illustrated by 85% of farms that have exchanged selling at or over their guide price, which is the highest proportion since our database started in 2000.

Figure 6 Speed of land transactions - % of farms sold (exchanged)

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. Privately marketed farmland has been excluded due to the difficulty of collecting comprehensive information.



Type of buyers

There was a shift in the percentage of farms bought by private and institutional investors. In 2022, they accounted for 30% of all transactions compared to an average over the past decade of about 22%.

The role of these non-farming investors in the market becomes even more significant when we look at how many acres they purchased, because they have typically been buying larger farms and estates. Our analysis showed that out of a subset of 32,000 acres of publicly marketed farmland which reached the point of exchange by the end

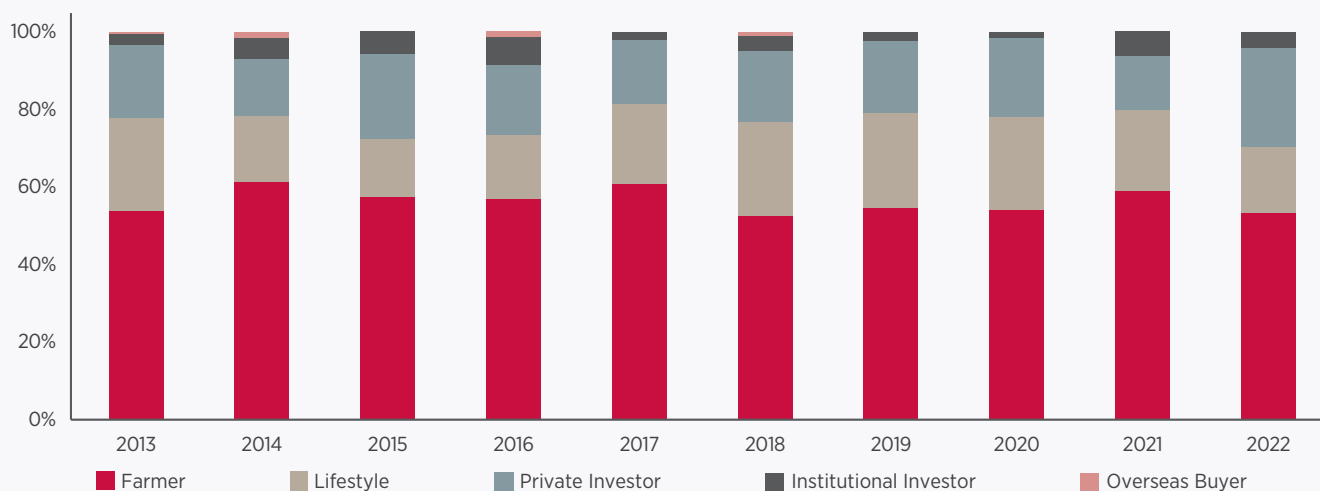
of 2022, 15,300 acres had been purchased by either a private or institutional investor, which was double the area bought by farmer buyers.

The investors mainly bought cereals and mixed farms in southern and eastern England.

As usual, the market was dominated by domestic buyers, with only a handful of sales involving overseas buyers.

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 sale price paid for arable land increased by 12% to £10,600/acre, which is the highest it has ever been. In addition, the average price for pasture land went up by 13% to a new record of £8,500/acre.

It is worth stressing that not all land which is sold reaches the national average price. The nature of averages inevitably means that

some land sells for far more and some for less. As shown by Figures 9 & 10, the range in prices achieved is still wide. The land, farms and estates selling for the most money tend to be larger commercial units in attractive countryside. Given the significant regional variation in prices and range of prices within regions, we recommend consulting the prices for farmland by region, which are on the following page.

Figure 8 Average sale price 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).

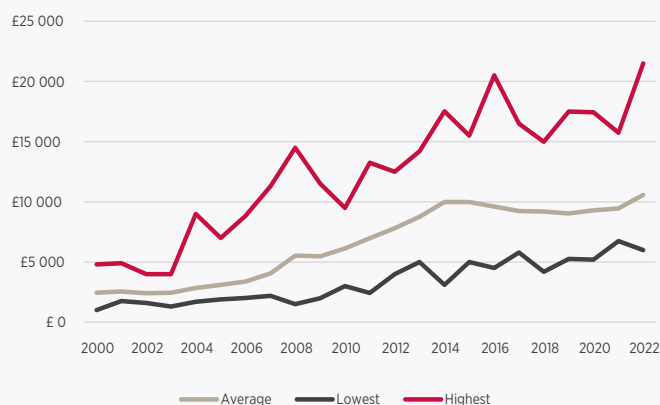
	Arable	% change during year	Pasture	% change during year
2013	£8,800		£6,500	
2014	£10,000	14%	£7,000	8%
2015	£10,000	0%	£7,300	3%
2016	£9,600	-4%	£7,200	-1%
2017	£9,200	-4%	£7,400	3%
2018	£9,200	0%	£7,600	2%
2019	£9,000	-2%	£6,900	-10%
2020	£9,300	3%	£7,300	6%
2021	£9,400	2%	£7,500	3%
2022	£10,600	12%	£8,500	13%

Average, lowest and highest sale prices

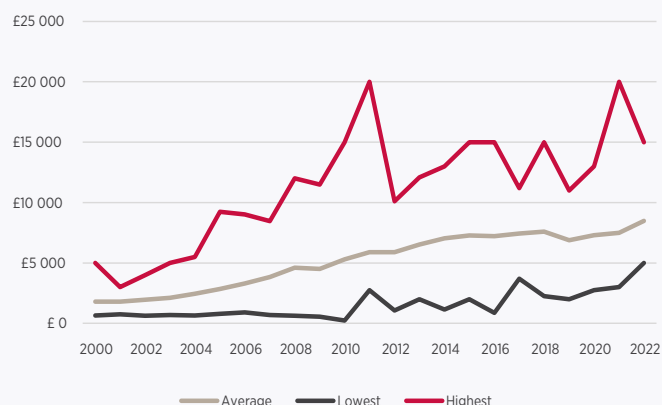
Figure 9 & 10 Average, lowest and highest sale prices of arable and pasture farmland (£/acre)

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.

Arable



Pasture



Sale price bands

Our sales band data shows there has been a large increase in the amount of arable land selling for more than £10,000/acre. In 2021, about 30% of land sold at this level. In 2022, this rose to 66%.

The amount of arable land selling for less than £8,000/acre is not significantly out of line with previous years, but the proportion selling for £8,000 - £10,000/acre has shrunk significantly.

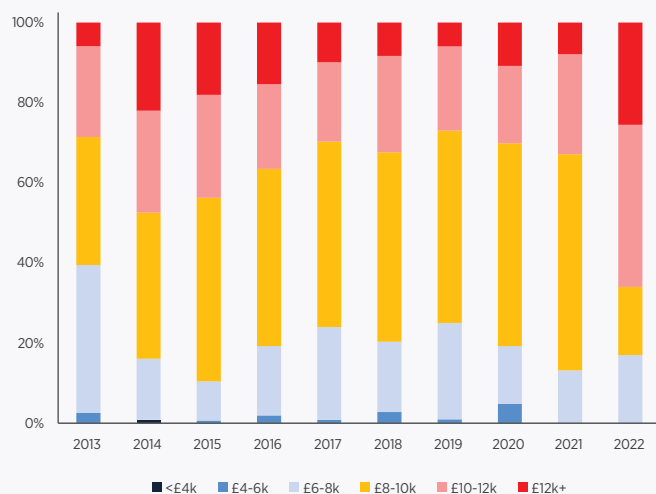
This has reversed the compression of arable prices that we have been reporting on for the past few years, when less was selling at both above £12,000/acre and below £8,000/acre. As stated above, this reflects the strong demand in 2022 coupled with supply remaining at historically low levels.

Pasture land has also seen a similar change, with more selling for more than £10,000/acre and less for below £8,000/acre.

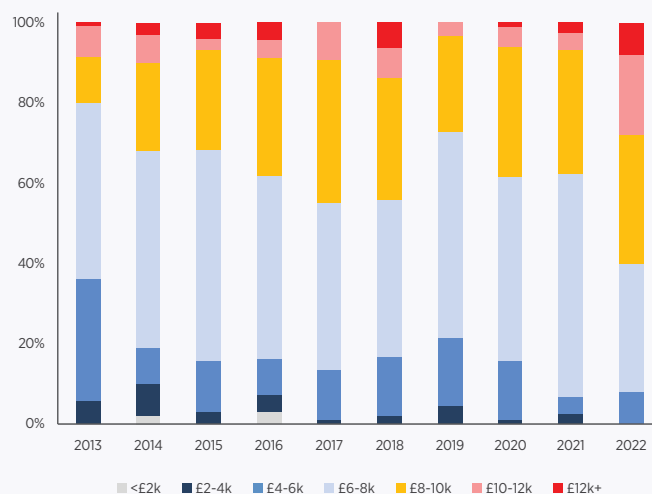
Figure 11 & 12 Agreed sale price of arable and pasture farmland, by price band (£/acre)

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% (change)	£7,800 (4%)	£6,100 (5%)
Top 25% (change)	£11,800 (2%)	£9,000 (3%)

South West

	Arable	Pasture
Bottom 25% (change)	£7,800 (0%)	£6,000 (0%)
Top 25% (change)	£11,500 (5%)	£9,250 (3%)

East of England

	Arable	Pasture
Bottom 25% (change)	£8,000 (7%)	N/A
Top 25% (change)	£11,000 (7%)	N/A

East Midlands

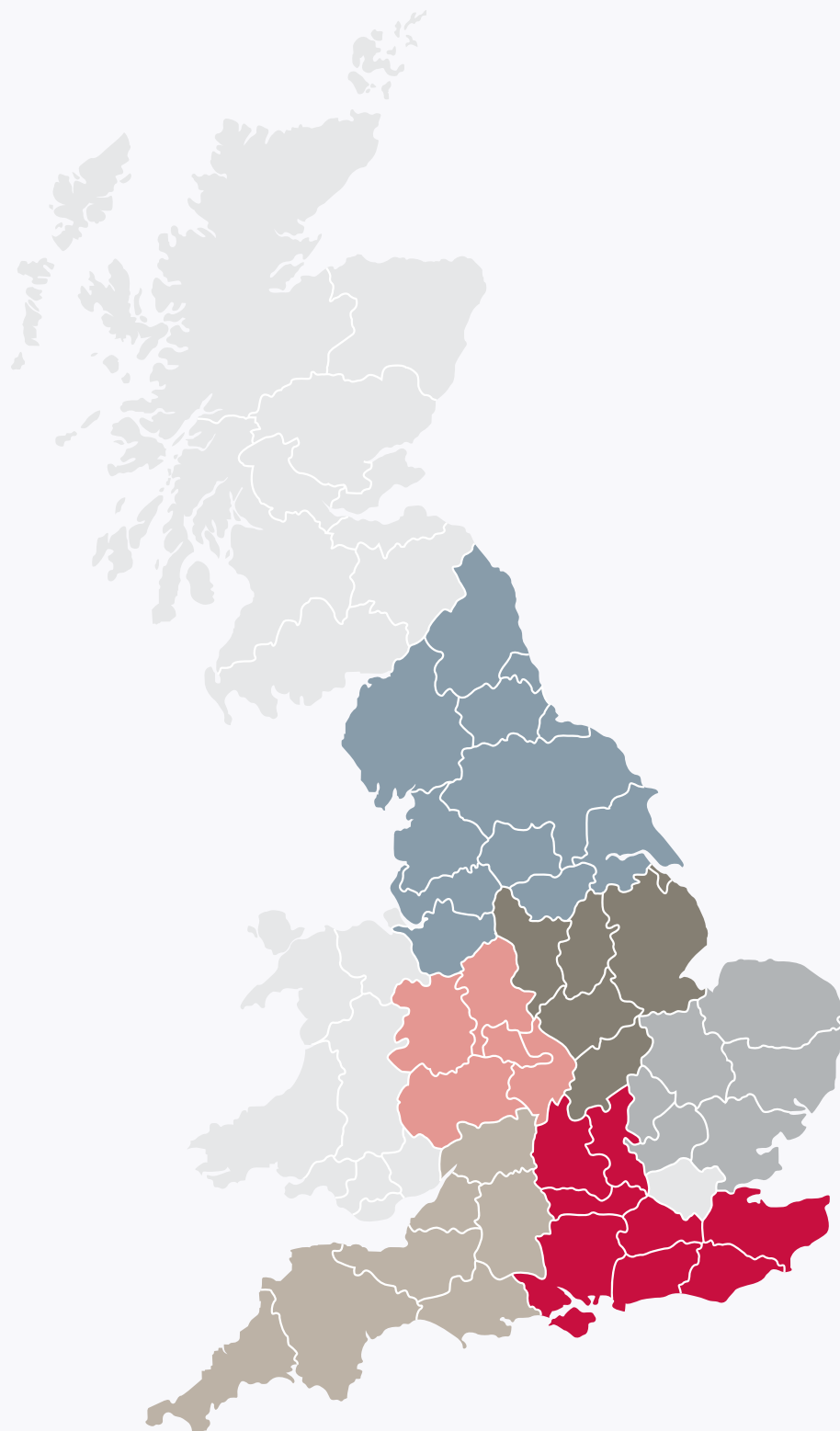
	Arable	Pasture
Bottom 25% (change)	£7,600 (9%)	£6,750 (13%)
Top 25% (change)	£12,200 (11%)	£9,250 (9%)

Central & West Midlands

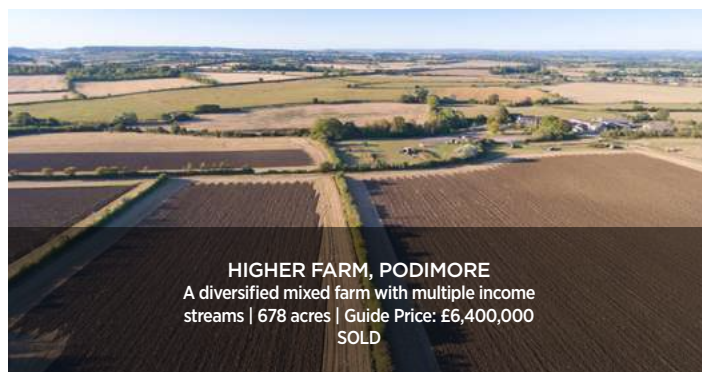
	Arable	Pasture
Bottom 25% (change)	£8,250 (3%)	£7,000 (8%)
Top 25% (change)	£11,500 (10%)	£9,500 (9%)

North

	Arable	Pasture
Bottom 25% (change)	£7,000 (6%)	£5,000 (9%)
Top 25% (change)	£12,000 (4%)	£9,000 (8%)



SOLD BY STRUTT & PARKER IN 2022



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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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