

ENGLISH ESTATES & FARMLAND MARKET REVIEW

Spring 2023

FOR SALE:
COMPTON DANDO, SOMERSET
Guide Price: £7.5m

MARKET OVERVIEW

Average arable land values revised upwards to £10,800/acre

We reported at the start of the year that farmland values in England had reached record levels. Now that the dust has settled on 2022's transactions, we can see that prices actually climbed by even more than we had previously thought.

Our Farmland Database records the sale of all farms, estates and blocks of publicly marketed land in England over 100 acres in size. It is constantly updated as we receive new information on transactions. It shows that nearly 70% of arable land traded in England in 2022 sold for over £10,000/acre, compared to 33% in 2021. The average value of arable land is currently at £10,800/acre, which is £200/acre more than we reported in our last review in January 2023 and 15% higher than a year ago.

The average value of pasture land is £8,500, which is 13% higher than 12 months ago.

Supply in the first three months of the year has been down. Just 4,300 acres has been brought to the open market, which is the smallest amount for the past 20 years. But the first quarter of the year is often quiet and we do expect things to get busier over the coming weeks.

Due to the relatively small number of transactions since the start of the year, it is not possible to report a Q1 2023 average price. However, with demand remaining strong the feeling among our agents is that the market remains very buoyant.



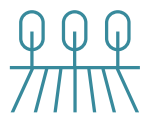
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MARKET AT A GLANCE

Supply



20 farms were publicly marketed in the first quarter of 2023, one of the lowest numbers in the past 20 years.



They cover 4,300 acres, the smallest amount in the past 20 years. However, we expect the market to return to more normal levels in the spring and summer.

78k+
acres

Our updated figures for 2022 show that 78,100 acres were publicly marketed, the most since 2018.

Demand



Demand remains strong, from a wide range of buyers.



85% of farms that exchanged in 2022 sold at or over their guide price, the highest proportion since 2000.



Private and institutional investors accounted for 33% of transactions in 2022 – the highest level for at least a decade.

Pricing



Based on our updated data, the average price of arable land in 2022 rose by 15% to set a new record of £10,800/acre.



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



68% of arable land sold for more than £10,000/acre, with a falling proportion selling for £8,000-10,000/acre.

MARKET OUTLOOK

Looking ahead, we do expect more land to be marketed this year. We are getting more enquiries and instructions than at the same point in the past few years – a number of them involving some quite sizeable farms and estates. The reasons for selling remain varied, but vendors increasingly mention a keenness to sell while the market is high; awareness of returns from Basic Payments falling; the opportunity to benefit from delinked Basic Payments after 2024 even once their land has been sold; and the possibility of a change in government leading to a shift in capital taxation policy.

It seems likely that more livestock farms could be sold as the squeeze on profitability due to the rise in farm input costs – particularly animal feed and fertiliser – continues and as the cuts to Basic Payments, which remain the major component of profits, become greater.

At the same time, we are seeing no signs of demand for farmland weakening. Investors – who accounted for 33% of transactions in 2022 – are continuing to look for tangible assets that are likely to appreciate. There is also still strong demand from buyers looking to rollover capital gains and there are farmers looking to expand (albeit the last category is relatively small).

Given this outlook, we expect prices for both arable and pasture land to remain at their current record levels, and possibly increase further.

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

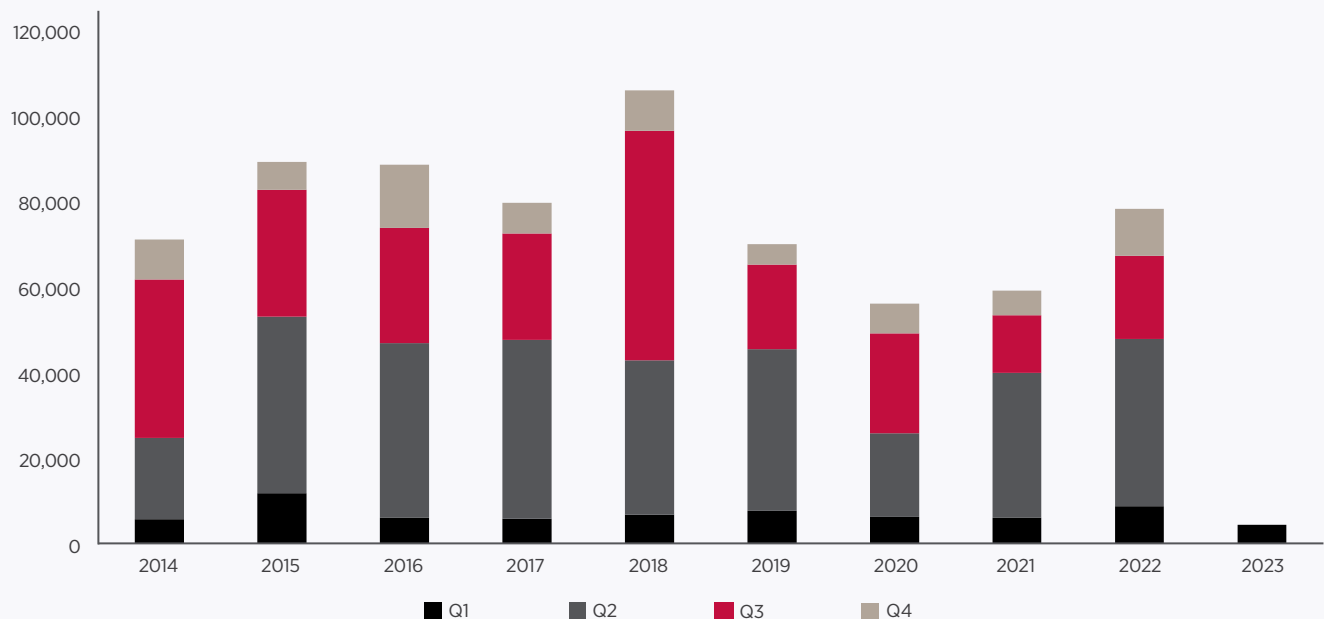
In total, 20 farms were publicly marketed in the first quarter of 2023, one of the lowest numbers in the past 20 years. They cover 4,300 acres, which is also the smallest amount in the past 20 years.

However, the first quarter is always quiet with few farms marketed. Based on the number of enquiries and instructions we are currently getting, we expect the market to return to more normal levels in the spring and summer, although it is likely to vary between regions. We also expect some large landowners to sell portfolios containing multiple farms.

One of the things that makes our Farmland Database different is that it is based on sold prices, rather than guide prices or opinion-based estimates. We update it on a rolling basis which means we can add data to it on sales in previous years as it becomes available. Based on latest information, we now estimate that 78,100 acres were publicly marketed in 2022, which is the most since 2018 and 6% above the five-year average. Most regions had more land marketed in 2022 than during each of the past three years.

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

NB In all tables and charts in this report, data are for whole years unless otherwise stated. Areas are rounded to the nearest 100 acres. Privately marketed farmland has been excluded due to the difficulty of collecting comprehensive information.



DEMAND

Demand for farmland remains strong, with a wide range of buyers continuing to be active.

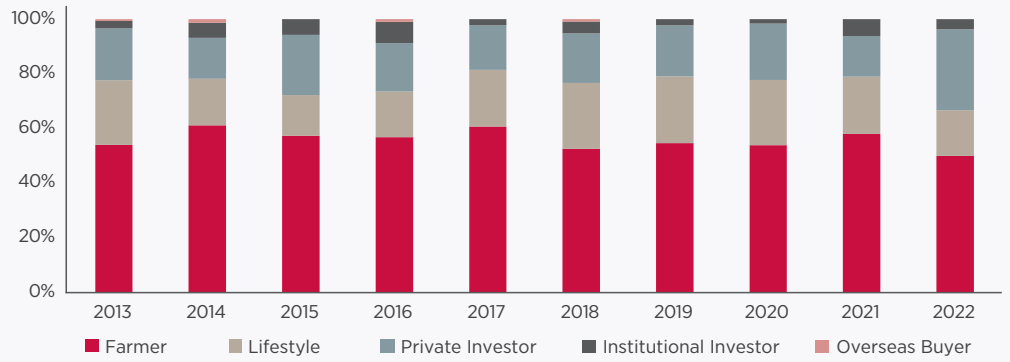
Over 80% of farms that were marketed in the first three quarters of 2022 (Q1, 2 and 3) are now exchanged or are under offer; this is the highest level of the past five years.

The strength of demand is also illustrated by 84% of farms that have exchanged selling at or over their guide price, which is the highest proportion since 2000.

Demand has been particularly strong for cereals farms, with only 10% of the farms marketed still available. It is, perhaps surprisingly, weakest for hill and lowland livestock farms.

Figure 2 Buyer Type

N.B. Data is by number of sales, not acres. The year is when the farmland was sold (exchanged).



Type of buyers

The increase in the percentage of farms bought by private and institutional investors that we reported in our last report has become even greater. In 2022, they bought 33% of all farms sold, well above the ten-year average of 23%, and almost half of the acreage sold.

PRICING

Average sale prices

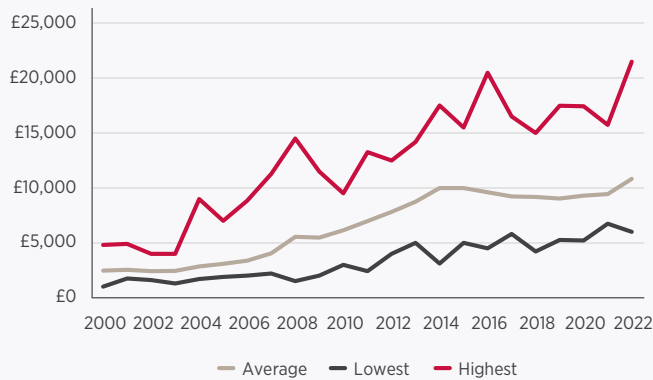
Based on our updated data, we now estimate that the average sale price paid for arable land increased by 15% in 2022 to £10,800/acre, which is a record level.

In addition, the average price for pasture land went up by 13% to a new high of £8,500/acre.

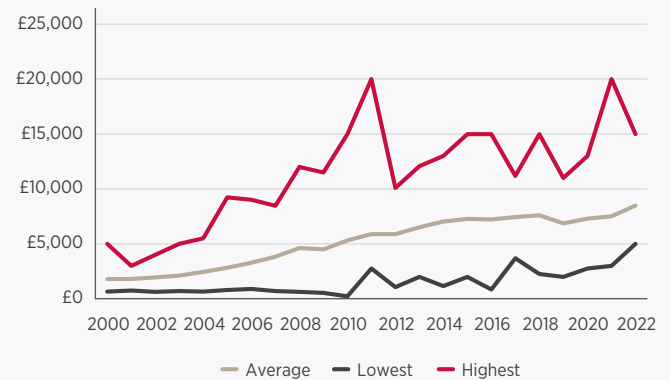
Figure 3 & 4 Average, lowest and highest sale prices of arable and pasture farmland (£/acre)

N.B. The year is when the farmland was sold (exchanged). 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

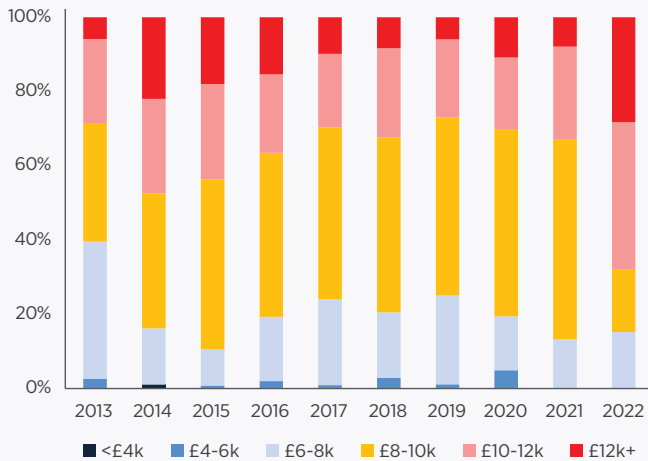
Not all land which is sold reaches the national average price and the range in prices achieved is still wide.

Our sales band data shows there has been a large increase in the amount of arable land selling for more than £10,000/acre, from 33% in 2021 to 68% in 2022. This has reversed the compression of arable prices that we have been reporting on for the past few years.

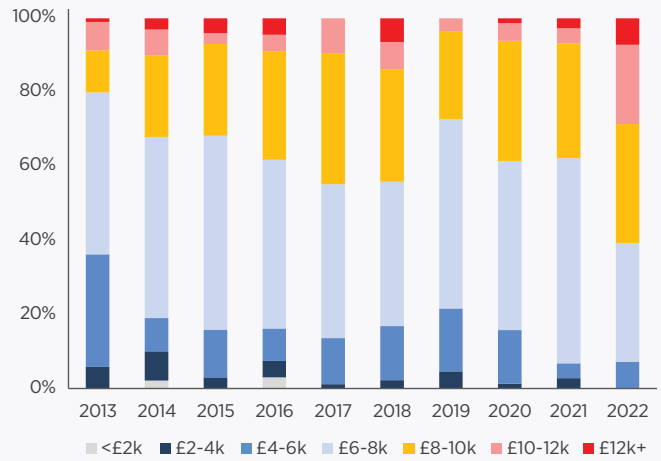
Pasture land has also seen a similar change, with more selling for more than £10,000/acre and less for below £8,000/acre.

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

Arable



Pasture



CONTACT YOUR LOCAL AGENT FOR A REGIONAL VIEW ON THE MARKET



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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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