

# VITICULTURE REPORT

Summer 2023

## OVERVIEW

### Demand for land for vines outstrips supply

Interest in the British wine sector is as strong as we can remember – over the past 12 months the number of calls we have received from people interested in either buying a vineyard or establishing a new one has tripled.

We continue to see premium prices paid for vineyards and land suitable for vines, with average prices about £1,000/acre higher than they were 12 months ago, in line with the wider rise in farmland values.

In recent years there have been some exciting examples of high-profile established brands such as Taittinger, Pommery and Freixenet investing in the UK. However, the majority of potential buyers are people who have had a successful career in business and are looking for a change in direction. They often view a vineyard as an investment which they hope will be financially sustainable, but also enjoyable.

It is an investment that requires deep pockets – the upfront costs of establishing a vineyard are significant and it takes five years before the vines reach full productivity, so cash flow needs careful planning. Our new wine sector investment tracker shows the significant investment made into the sector (see page 5).

Wine producers are also facing increases in their costs of production and there is a duty rate rise set to take effect on 1st August 2023. The

key to success is managing the margins on every bottle produced, with most businesses focusing on growing their sales channels direct to consumers – whether that is through online sales or cellar door – so they can retain as much of the retail value as possible.

Yet despite the challenges, there seems to be no shortage of people seeking land on which to establish vines. The continued success of English sparkling wines on the international stage has put the sector on the map, sales are on the rise and there is real sense of optimism about the future.

If you are yet to sample English wine, we would urge you to give it a try. Bacchus is one of the most reliable styles, but in recent months our team has also had the pleasure of trying some delicious white Pinot Noir and some really impressive red wine (from 2018 when the long, hot summer provided perfect conditions for the grapes).



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## AT A GLANCE

LAND



Enquiries about buying or establishing a vineyard have tripled in the past year.



Many areas now suitable for vines remain undeveloped.



The price of land suitable for vines continues to increase, and is now typically between £16,000 to £20,000/acre, while established vineyards can sell for more than £35,000/planted acre.

THE UK  
SECTOR



There are now over 900 vineyards in the UK covering about 10,000 acres.



An estimated 12m bottles of wine were produced in the UK in 2022, above the five-year average of 10.7m.



A total of £480m is estimated to have been invested in vineyards and wineries over the past five years.

INTERNATIONAL  
COMPARISON



While 10,000 acres is still dwarfed by the historical wine-growing countries, the area of vineyards in the UK is growing faster than in any of the top 25 wine-producing countries.



UK wines won 143 medals at the Decanter World Wine Awards 2023, cementing their reputation on the world scene.



The areas of UK suitable for viticulture are expanding. We expect the increasing scale and quality of UK wines to further raise the sector's profile globally.

## VALUE OF LAND SUITABLE FOR VINES



There are only about 10,000 acres planted with vines in the UK, so the market for established vineyards is limited. Very few vineyards come to the market in any one year and those which do are usually sold privately.

A vineyard is quite a personal venture, so buyers often find that even if there is a vineyard available it may not be quite what they envisaged. This means buying land on which to establish their own vineyard can become their preferred option.

Strutt & Parker was one of the first agents with access to specialist vineyard mapping software able to identify land suitable for growing vines. The best sites have free-draining soils, gentle south-facing slopes that are not susceptible to strong winds and late frosts, are less than 100m above sea level and where average temperature and sunshine hours are highest.

Very little land suitable for vines comes to the open market, so we help buyers approach landowners of suitable sites and negotiate with them to sell, often by offering a premium. Farmland values in south east England - where growing vines is most established for climatic reasons - have risen over the past 12 months to about £10,000-12,000/acre, so the value of ground suitable for vines has also risen and now often sells for £16,000-£20,000/acre.

Where buyers are only looking for a small plot of say 10-12 acres, which is the minimum size required for anyone looking to establish a vineyard as a viable business, then prices can rise as high as £25,000/acre. This is because the base value becomes an amenity one and there is more competition for smaller plots of land.

Over recent months we have noticed buyers are increasingly looking to Norfolk, Suffolk and Essex, which share many of the same characteristics as East and West Sussex, Kent, Surrey and Hampshire, but where there is perhaps more untapped potential for planting vines.

## VALUE OF ESTABLISHED VINEYARDS



The best vineyards can sell for more than £35,000/planted acre, but they need to be on the right site, well-maintained and with a good track record of producing quality fruit.

This high price reflects the cost of buying the land and establishment costs which are now as high as £16,000-£17,000/acre.

However, vineyards which are perceived to have a 'problem', for example vines which have not been well-managed or are unfashionable, will either sell for a discount or stick on the market.

## JOINT VENTURES AND LETTINGS



Leasing of land on which to establish vines is becoming more common. A landowner entering into a lease agreement for a vineyard would typically need to be willing to grant a lease of 25 to 40 years, so it is a long-term commitment. However, rental values in regions with the strongest demand can be between two and three times what might be offered to rent land for arable production.

Joint ventures are a useful tool where a landowner is not keen to sell their land for vines, but wine producers need to expand. Typical

arrangements see the landowner provide the land, while the joint venture partner provides the capital to fund the planting of the vines. Agreements then define how variable costs will be shared and the share each party will take from the harvest - often a 50:50 split.

Strutt & Parker has also been involved in the letting of established vineyards, which is still relatively unusual. In 2022, we completed one of the first lettings of an established champagne trio vineyard for approximately £1,850/acre.



## GROWING GRAPES – THE GROWTH OF UK VINEYARDS

There are now over 900 vineyards in the UK – up by 80% in the past five years and almost triple the number 20 years ago.<sup>1</sup>

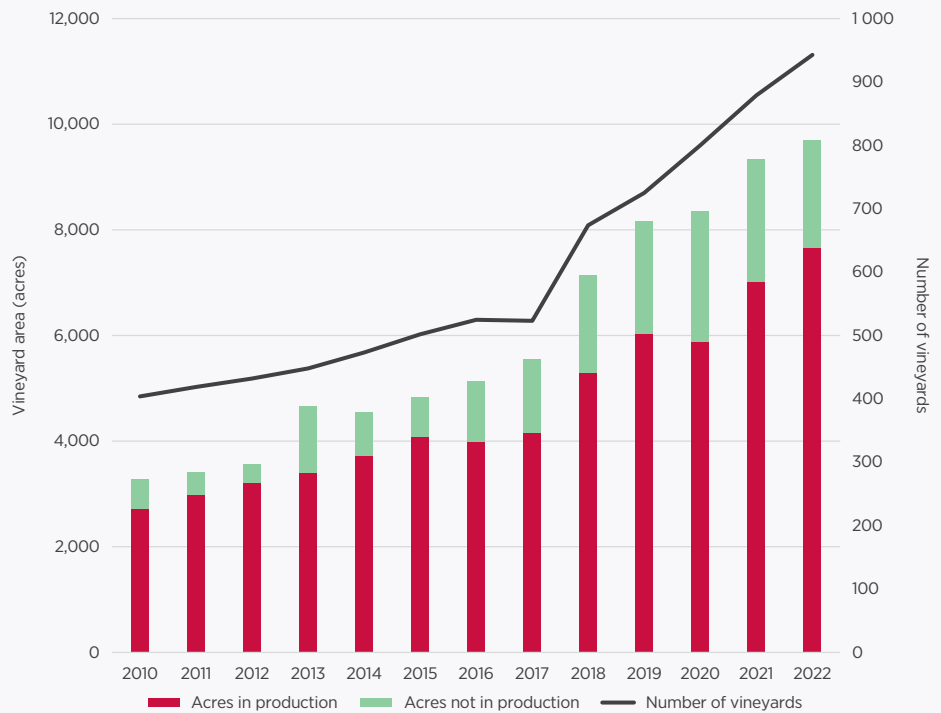
They cover just under 10,000 acres, with the 7,700 acres in production now producing 91,000 hectolitres of wine. The UK is now consistently producing over 8 million bottles of wine a year.

While this area is still dwarfed by the historical wine-growing countries, the area of vineyards in the UK is growing faster than in any of the top 25 wine producing countries<sup>2</sup>.

<sup>1</sup>Sources: Wine GB, Wine Standards Branch of the Food Standards Agency and English Wines. Particular thanks to Stephen Skelton MW of English Wines.

<sup>2</sup>UK vineyard surface area grew by 41% between 2018 and 2022, compared with a reduction in area globally (-0.8%). The only other ‘major’ countries with double digit growth in vineyard area were India (14.1%), Afghanistan (15%) and Egypt (15%). Sources: OIV, FAO, National Statistical Offices, WineGB and Strutt & Parker analysis.

**Figure 1 Area and number of vineyards (UK)**



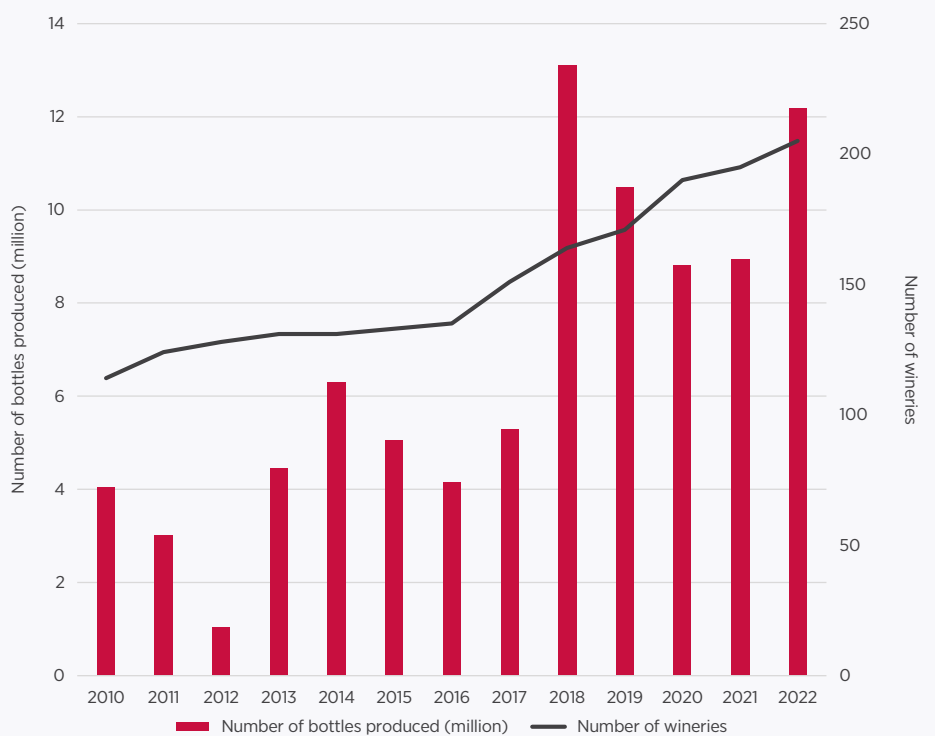
The number of wineries in the UK has almost doubled in the past 20 years.

The processing capacity of the wineries has greatly increased. The ‘average’ winery now processes 2-3 times the area of grapes than in the 1990s and 2000s, and produces 45-60,000 bottles now, compared with an average of 10-20,000 bottles per winery per year 20 years ago. It is another sign of the growth of the sector.

Ensuring that there is enough winemaking capacity in wineries to match the growth in production does not appear to be a challenge for the sector at the moment, even in bumper production years like 2018 and 2022 when there were few grapes left unharvested or unprocessed.

We are starting to see the establishment of stand-alone wineries. And we also advise grape producers to agree winemaking contracts at the point of planting, so in advance of actual production.

**Figure 2 Number of wineries and bottles produced (UK)**

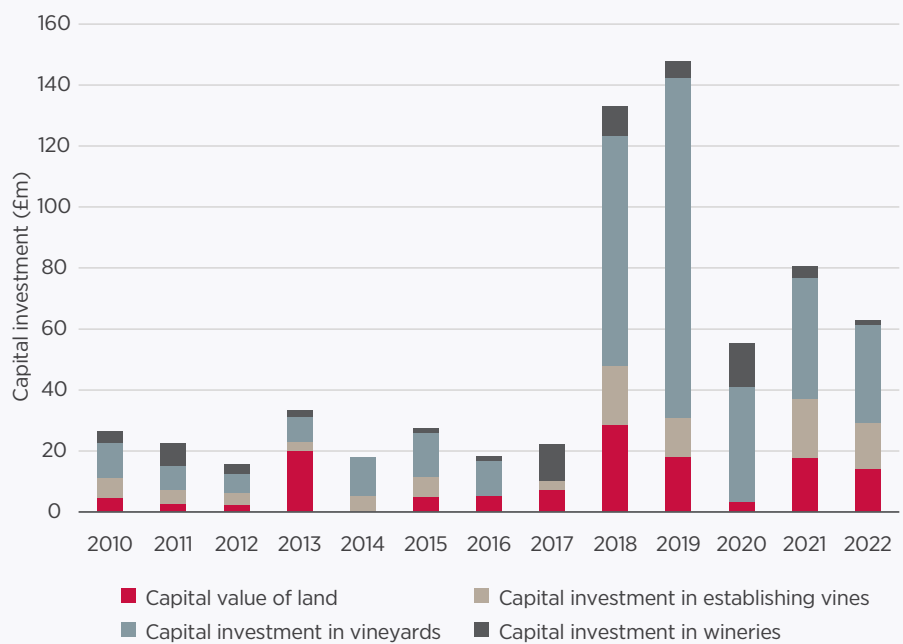


## THE STRUTT & PARKER UK WINE SECTOR INVESTMENT TRACKER

A total of £480 million has been invested in vineyards and wineries over the past five years, according to our model of capital investment in the sector. This is a record amount and we don't think that investment prior to 2018 has been near these levels.

Our model produces a broad estimate of the total invested in the sector based on the amount of land bought for use as a vineyard, the cost of establishing vines and developing a vineyard, and the cost of setting up new wineries.

**Figure 3 Capital investment in the UK wine sector**



## AREA SUITABLE FOR VITICULTURE TO EXPAND DUE TO CLIMATE CHANGE

Climate change is projected to impact the UK wine sector by 2040, with growing season temperatures expected to rise, according to the CREWS-UK project<sup>3</sup>.

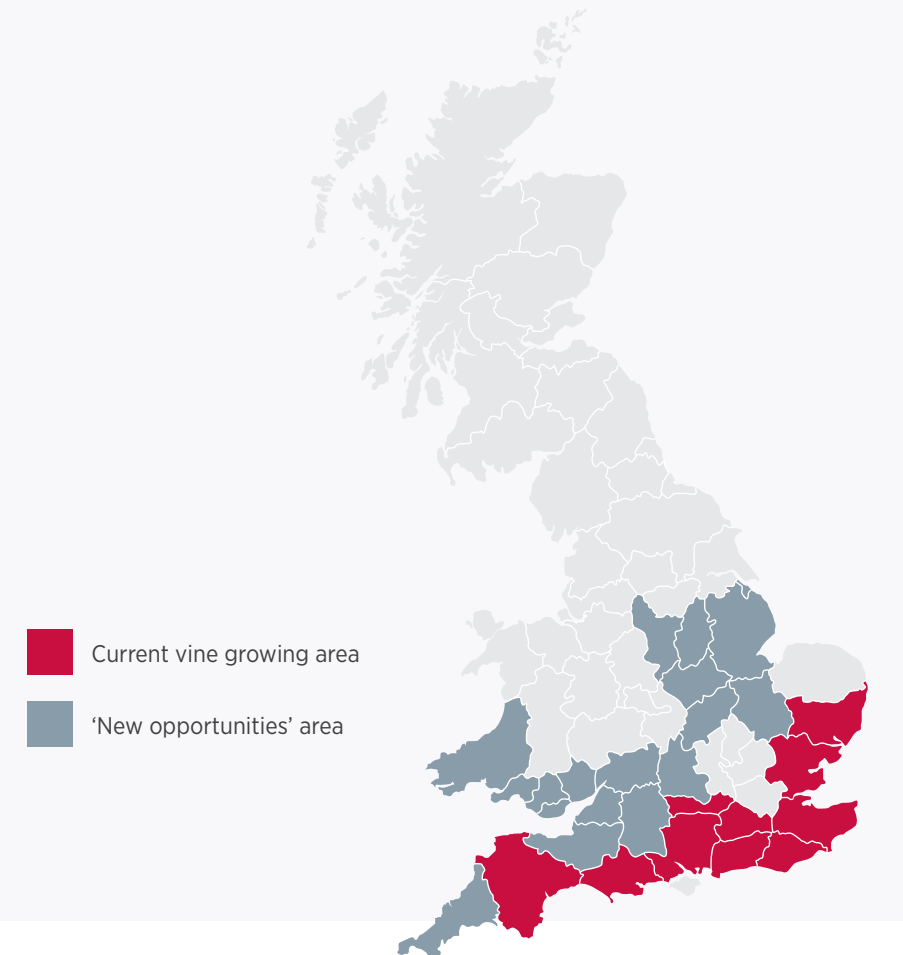
This could present opportunities for still red wine production and the growth of white wine varieties such as Sauvignon Blanc, Semillon and Riesling.

Large new areas in the UK could become more suitable for viticulture, including Cambridgeshire, Oxfordshire, Berkshire, the East Midlands, the Severn Valley, Southwest England and South Wales.

However, the sector will need to remain climate-agile as some areas, including south east England, may become too warm for high-quality sparkling Pinot Noir, and the risk period for air frosts could expand as budburst is expected to be earlier.

<sup>3</sup>Source: Nesbitt A, Dorling S, Jones R, Smith DKE, Krumins M, Gannon KE, Dorling L, Johnson Z and Conway D (2022) Climate change projections for UK viticulture to 2040: a focus on improving suitability for pinot noir. OENO one 56: 69-87.

**Figure 4 Current vine growing area and 'new opportunities' area**



## HOW STRUTT & PARKER CAN HELP YOU

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Strutt & Parker's viticulture team is expert in identifying land suitable for vines and can assist with purchases, long leases and joint venture agreements. We can also assist in the planning, development and project management of wineries and visitor centres.

The following are some common problems we are asked by vineyard owners to assist with:



### Planning

It is vital for anyone establishing a vineyard and winery to understand the planning implications of any local land designations, for example whether the land is in a National Park or Area of Outstanding Natural Beauty. Viticulture is classified as an agricultural use of the land, so should benefit from agricultural permitted development rights if certain criteria are met.

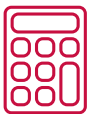
Where dealing with planning applications, it is important to present a picture of an agricultural diversification providing employment and potentially tourism opportunities.



### Business rates

Anyone producing and processing their own grapes should be exempt from business rates on their winery as they are carrying out an agricultural process.

If a significant part of the business is making wine on behalf of others, business rates are likely to apply. Business rates are determined by complex rules and we use our specialist Business Rates team, not generalists, to advise on them.



### Financial planning

We can assist with budgeting and cash flow forecasting to help keep a business on track and aid decision making.

We sometimes find that people will be more focused on the cost of buying land and establishing vines, and overlook the management costs they will incur before the vines start to bear fruit.



### Footpath diversions

We are often asked about the possibility of footpath diversions to make planting and managing a vineyard easier.

While it is certainly possible, owners should prepare themselves for it being a long and slow process. To divert a footpath the applicant must be able to demonstrate that they are providing an attractive alternative route which is at least as 'commodious' as the existing one.



### Securing wine contracts/storage

As has been highlighted earlier in this publication, it is important for anyone without their own winery to secure a winemaking contract at the point they first plant their vines. If vineyard owners do not have their own storage facilities, they will also need to agree a storage contract for their wine. In terms of capacity, someone producing sparkling wine will require space to accommodate at least three years' worth of production at any one time.



### Grants

The team can identify if there are any grant schemes available from government or local authorities which a vineyard will be able to take advantage of. This may be in the form of financial support for equipment or could be grants for making environmental improvements on the land, for example by planting trees and hedgerows.

## OUR TEAM

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