

ENGLISH ESTATES & FARMLAND MARKET REVIEW

Summer 2023

FOR SALE:
Deanery Farm, Bampton, Oxfordshire
Guide Price: £5,150,000

MARKET OVERVIEW

Record high price set for arable land in first half of 2023

It has been a busy year so far for the Estates & Farm Agency team at Strutt & Parker which has launched a total of 7,200 acres to the market since the start of the year spread across a portfolio of 19 farms and estates.

The market for farmland remains very buoyant, with arable land values continuing to show growth. The average sale price of arable land in England rose by 2% during the first half of the year and is now at a new high of £11,100/acre. Although average pasture prices have dropped back from the record levels seen in 2022, it remains to be seen if this is a temporary blip – reflecting differences in the quality and location of the properties sold – or a lasting trend.

The sentiment is that the market is busy and that supply has been creeping up. So, it may be a surprise to some people to discover that our Farmland Database shows the volume of land launched on the open market in England so far this year is 18% below the five-year average. Admittedly it does feel like there has been an increase in privately marketed farms available, but the total amount of available land, whether public or private, remains very low in historical terms.

While demand overall is very robust, there are some early signs that it may be cooling slightly in specific parts of the market. We have noticed rising interest rates and squeezed farm profitability are making farmer buyers more cautious where they are reliant on the proceeds of their farming activities, rather than rollover money. Consequently, they have accounted for a smaller number of purchases than normal during the first half of 2023. However, interest from non-farmer buyers – comprising a diverse mix of private investors, lifestyle buyers, environmental buyers and institutional investors – remains strong and it is these buyers which are driving the market and underpinning average values. Our analysis points to them tending to buy the bigger farms or blocks of land and they typically pay more per acre than traditional farmer buyers.



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MARKET AT A GLANCE

Supply



30,800 acres were publicly marketed in the first half of 2023.



Fewer farms were publicly marketed than during the early stages of the Covid-19 pandemic in 2020.



The acreage on the open market is one of the smallest amounts of the past 20 years and is 18% below the five-year average.

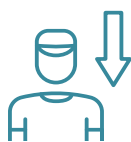
Demand



The proportion of farms selling at or above their guide price remains at historically high levels, so the market remains strong.



However, there are some early signs that demand may be cooling slightly in parts of the market.



Farmer buyers accounted for less than 50% of purchases in 2022, which is the first time this has happened in our records, and this trend is continuing in 2023 so far.

Pricing



Arable prices continue to rise, with the average price paid rising to £11,100/acre in 2023 to date, which is a record.



Over half of the arable land that has exchanged so far this year did so at £10,000/acre or more.



The average pasture price paid has dropped back to £7,800/acre in the first half of the year, but this may be a reflection of a change in the quality of land exchanged.

MARKET OUTLOOK

The outlook for the rest of 2023 remains positive, with land still in short supply and demand holding firm.

If we look at possible headwinds, then many farmers will be facing a profit squeeze this year as lower commodity prices, higher working capital requirements and the drop in Basic Payments hit their margins. Given they have been buying a smaller proportion of farmland in recent times, this is not expected to place a significant downward pressure on values. However, there may be some properties that become a little harder to sell if they do not appeal to non-farmer buyers.

There is a possibility that the fall in farm profitability may encourage more farmers to sell up, taking advantage of the high farmland prices we are seeing. Some may also be mindful of the prospect of a general election in 2024 and want to guard against the threat of a new government making changes to tax reliefs on farmland. The volume of land being marketed in the first few weeks of Q3 does

seem to be higher. But it feels unlikely that there will be enough farmers choosing to exit the industry to drastically change the balance between supply and demand.

Overall, we anticipate the market to remain buoyant through the rest of the year, although there are signs it may not be quite as superheated as it has been over the past eighteen months. Considering the timeframe required for a property to progress from offer to completion, the record-breaking arable values currently observed are likely to be based on deals made in autumn/winter 2022. Consequently, there is a possibility that average values may stabilise or even slightly decrease over the next two quarters of 2023, as the slight cooling of demand witnessed recently gradually reflects in the data.

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

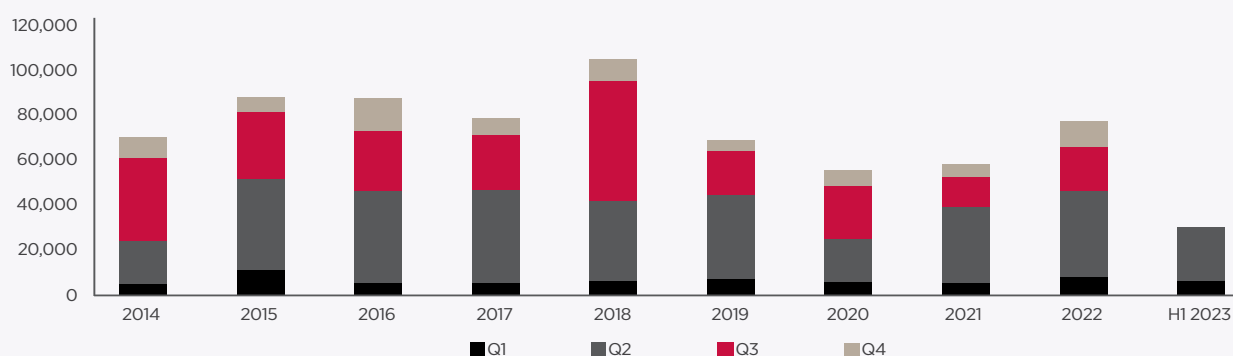
The 30,800 acres that were publicly marketed in the first half of 2023 is the lowest amount since 2020 and one of the smallest amounts of the past 20 years.

It is 18% below the five-year average and supply is below average for all regions except the East of England and the West Midlands.

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

N.B. 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 Midlands	East of England	North East	North West	South East	South West	West Midlands	Yorkshire and 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	4,200	7,300	15,400	5,000	2,500	56,000
2021	7,300	10,600	3,100	11,600	9,600	9,300	2,600	4,900	59,000
2022	5,100	18,700	4,100	13,900	13,200	10,800	5,100	7,100	78,000
H1 2018	7,800	11,200	3,200	1,200	6,000	5,600	4,100	3,500	42,700
H1 2019	3,900	5,600	6,700	3,000	4,400	12,700	3,500	5,400	45,300
H1 2020	2,800	5,700	600	2,600	3,400	7,500	2,300	1,000	25,800
H1 2021	5,500	5,800	1,700	9,100	5,400	6,200	1,900	4,000	39,700
H1 2022	2,200	14,000	2,900	5,500	10,000	3,800	2,200	6,600	47,100
H1 2023	3,200	8,300	1,200	2,900	3,400	6,000	3,500	2,400	30,800
Five-year ave	3,520	7,880	2,620	4,620	5,320	7,240	2,680	3,880	37,740
% diff from ave	-9%	5%	-54%	-37%	-36%	-17%	31%	-38%	-18%

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

Number of farms marketed

The small size of the market is highlighted by there being fewer farms marketed than during the early stages of the Covid-19 pandemic in 2020.

In over half of the regions there were fewer than 10 farms marketed, with supply in south-east England falling particularly significantly.

Figure 3 Number of farms marketed

N.B. 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 and 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	20	26	47	30	9	204
2021	26	31	13	22	39	40	13	18	202
2022	24	32	10	33	41	42	24	15	221
H1 2018	18	19	7	7	19	25	15	15	125
H1 2019	14	19	10	7	18	38	15	16	137
H1 2020	9	19	4	12	11	26	13	5	99
H1 2021	19	19	6	12	23	25	9	11	124
H1 2022	10	20	6	20	25	19	11	13	124
H1 2023	9	25	6	6	9	23	11	6	95
Five-year ave	12	20	6	11	17	26	12	10	116
% diff from ave	-26%	23%	-6%	-47%	-48%	-12%	-7%	-41%	-18%

Types of farm

As usual, arable farms accounted for a large proportion of the market. There were falls in the number of livestock and mixed farms for sale.

Fewer large farms have been available - about half the number of farms over 500 acres for sale than in 2022 - which has compressed the market for buyers looking for large blocks.

Figure 4 Main type of farms marketed

N.B. 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
H1 2019	57	7	6	15	27	12	4
H1 2020	37	1	3	17	20	10	5
H1 2021	48	5	7	20	13	12	5
H1 2022	46	5	12	12	17	12	5
H1 2023	46	2	2	15	13	6	4
Five-year ave	47	4	6	16	18	10	5
% diff from ave	-2%	-50%	-67%	-5%	-28%	-42%	-13%

DEMAND

There are some early signs that demand may be cooling slightly, as the proportion of farms still available that were marketed in 2022 has increased.

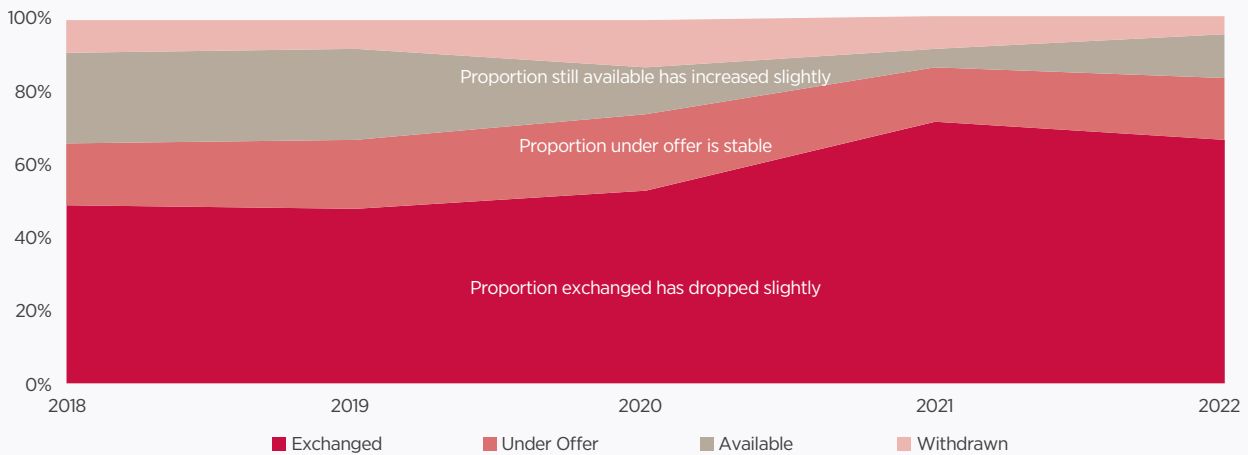
It should be noted that the proportion available has returned to historical levels after an exceptional 2021 and that the proportion exchanged or under offer remains above 80%, which is well above the historical average. Also, the proportion of farms selling at or

above their guide price remains at historically high levels, so the market remains strong.

Demand is particularly strong in the East Midlands and East of England with only about 5% of farms marketed in 2022 still available or withdrawn. It is also strongest for farms valued at £1.5-£3.0m and with a guide price of £6,000-£10,000/acre.

Figure 5 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 30th June of land marketed during the previous year. Privately marketed farmland has been excluded due to the difficulty of collecting comprehensive information.



Type of buyers

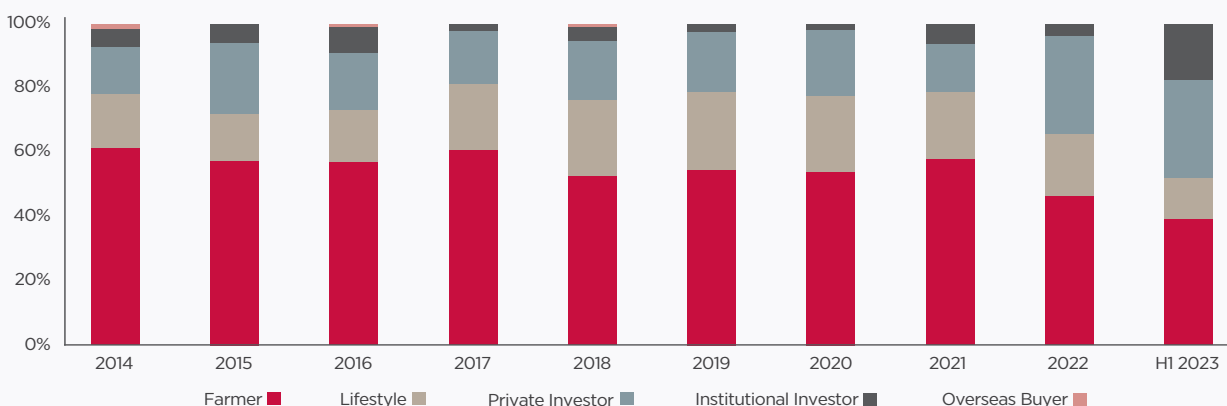
Farmer buyers accounted for less than 50% of sales in 2022, which is the first time this has happened in the past ten years, and this trend is continuing in 2023 so far.

Over the past three years, non-farmer buyers have bought 50% more acres than farmer buyers. They tend to buy bigger farms and pay more per acre.

The non-farmer buyers continue to be most acquisitive in the East of England, South East, South West and East Midlands, with relatively little bought in the north. They are mainly buying estates, residential farms and also arable and mixed farms.

Figure 6 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 price of arable land continues to rise. The average price paid across England in 2023 to date is £11,100/acre, which is the first time it has averaged over £11,000/acre. Over half of the farms that have exchanged did so at £10,000/acre or more, which is the highest proportion in our records apart from 2022.

The average price paid for pasture in England this year has fallen to £7,800/acre but this may be due to a change in the quality of land exchanged in the year to date, as pasture tends to be more variable in quality than arable land. 40% of sales have been over £8,000/acre and we will monitor the price trends closely.

Average sale prices

Figure 7 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).

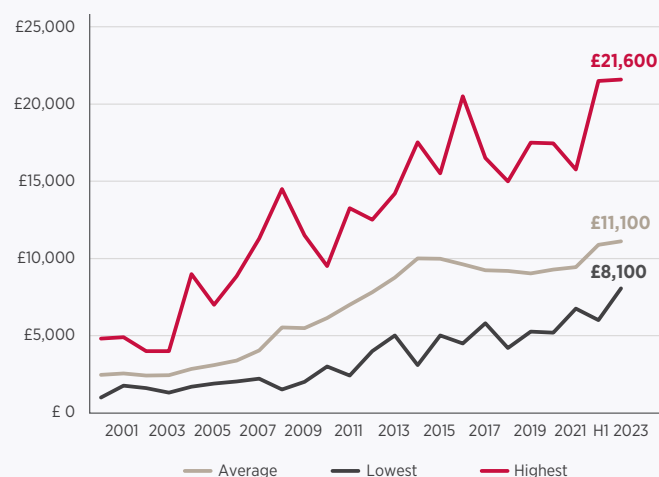
	Arable	% change during year	Pasture	% change during year
2014	£10,000		£7,000	
2015	£10,000	0%	£7,300	3%
2016	£9,600	-4%	£7,200	-1%
2017	£9,200	-4%	£7,400	3%
2018	£9,200	0%	£7,600	2%
2019	£9,000	-2%	£6,900	-10%
2020	£9,300	3%	£7,300	6%
2021	£9,400	2%	£7,500	3%
2022	£10,900	15%	£8,700	16%
H1 2023	£11,100	2%	£7,800	-10%

Average, lowest and highest sale prices

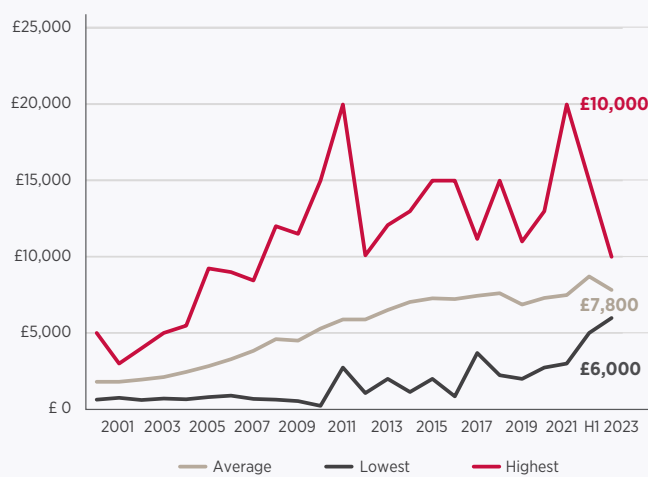
Figures 8 & 9 Average, lowest and highest sale prices of arable and pasture farmland (£/acre)

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

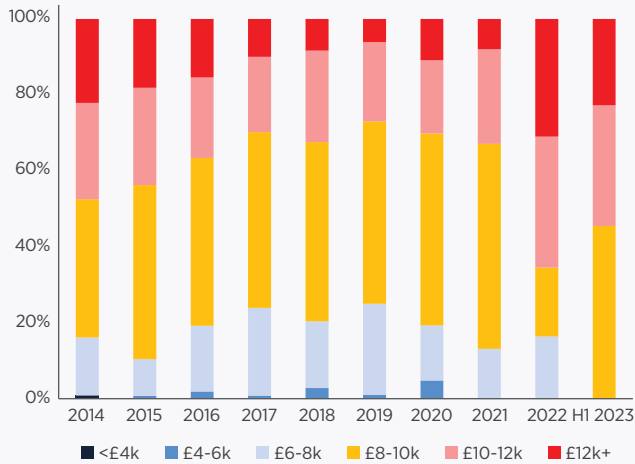


Sale price bands

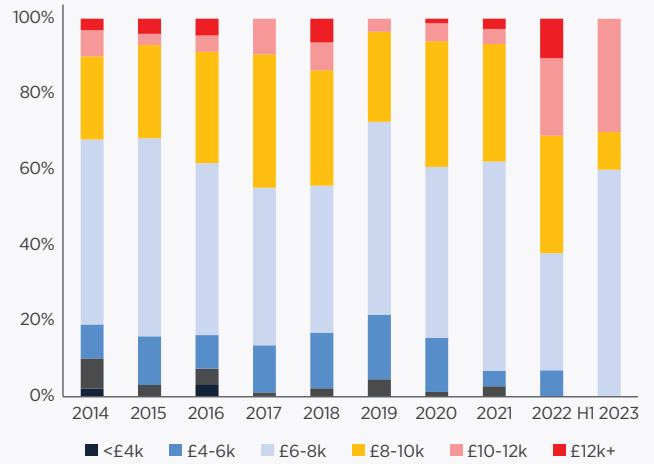
Figures 10 & 11 Agreed sale price of arable and pasture farmland, by price band (£/acre)

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



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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