

ENGLISH ESTATES & FARMLAND MARKET REVIEW

AUTUMN 2023

FOR SALE:
Carlton Ashes & Barkston Gorse Farm,
Lincolnshire
Guide Price: £6,750,000

MARKET OVERVIEW

Farmland market levels off, but outlook remains positive

Farmland values in England appear to have plateaued after several quarters of impressive growth, with the average price of arable land sold so far during 2023 at £10,900/acre.

Our Farmland Database records the sale of all farms, estates and blocks of publicly marketed land in England over 100 acres in size. It shows that despite rising interest rates and a squeeze on farm profitability, the farmland market remains extremely resilient. While the growth in values has slowed in some locations in Q3, more than 60% of the arable land traded in England this year has sold for more than £10,000/acre, compared with 33% in 2021.

Our figures point to the average value of pasture land dropping from £8,700/acre in 2022 to £8,000/acre today. However, this figure should be treated with some caution as the price of pasture can be extremely variable depending on geography, so the average value can be heavily skewed by the sample of farms sold during each period.

The feeling among our agents is that demand is more variable than it was a year ago, but prime farms in popular areas of the country

continue to sell well. Buyers include farmers with rollover money to spend, private individuals, the investment sector and green investors. We're also seeing some significant purchases from a handful of overseas buyers, who like the fact it is easier to buy at scale in the UK than it is in some other European countries. The UK's appeal is being enhanced by our farming industry's enthusiasm for adopting regenerative farming techniques.

Supply did rise in Q3, taking the total amount brought to the open market during the first nine months of the year to 65,600 acres, which is 9% above the five-year average. There also continues to be plenty of activity on the private market, but overall supply remains constrained in historical terms.



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MARKET AT A GLANCE

Supply



67 farms have been publicly marketed since June 2023.



In total, 65,600 acres have been publicly marketed during the first nine months of the year, which is 9% above the five-year average.



The private market is also busy, but due to the difficulty of collecting comprehensive information we do not publish figures on this.

Demand



Demand is more variable than it has been, but best-in-class farms in the right location are still generating lots of competition.



85% of the farms that were marketed in 2022 are now exchanged or under offer – one of the highest levels in our records.



Farmer buyers have accounted for around 40% of transactions so far in 2023. Historically, this figure tends to be 50-60%.

Pricing



The average price of arable land sold so far in 2023 is £10,900/acre, which is slightly lower than the £11,100/acre we reported for H1 2023 but the same as the 2022 average.



The average price of pasture land has fallen by 9% on 2022 levels to £8,000/acre, but this drop may relate to differences in the geography of the land sold.



Less land is selling in the lowest price bands, with the majority of arable land currently selling for £10,000 – £12,000/acre and the majority of pasture making £6,000 – £8,000/acre.

MARKET OUTLOOK

There is lots of talk about whether we could soon start to see a noticeable rise in the volume of land available, if farmers decide to sell up in the face of a difficult harvest, high input costs and falling Basic Payments receipts. This is clearly a possibility, although we aren't seeing hard evidence of it happening yet.

The prospect of a general election at some point before January 2025 does add another layer of uncertainty. Some potential vendors may like the idea of selling before a possible change in government, although if the Prime Minister chooses a Spring 2024 election date time is now running out. History suggests that at times of uncertainty there can be a tendency for landowners to sit tight, although the most common reasons for sale that we have recorded are retiring, profit taking and downsizing (in that order).

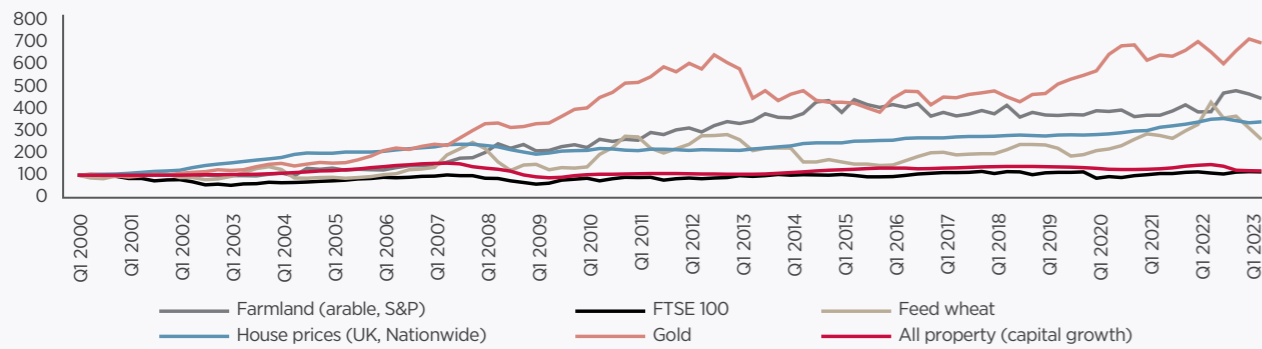
With demand becoming more variable, location is once again becoming an increasingly important factor. The market looks set to remain buoyant in the perennially popular areas of the country, such as the Cotswolds and counties close to London, and in other parts of the country where we know there are existing landowners looking to upsize. But farms in

less popular regions focused on productive farming may struggle to achieve the same level of interest as they would have seen last year. This could lead to greater polarisation in values.

However, overall, farmland remains a solid investment prospect, with a proven track record of capital growth, for a range of buyers. The value of arable farmland has risen by 29% over the past 10 years and by 351% over the past 20 years. Since 2000, arable farmland has outperformed the commercial and residential property sectors, and equities, delivering an annualised return of 7.8%. The return from gold (8.9% per year over 20 years) has been slightly higher, although gold started from a very low base in 2000. While it does feel as if the bull run in the farmland market might be over for now, our forecast is that we are in a period of stabilisation, rather than facing any significant decline in values.

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.

Figure 1 Arable farmland values in England compared with other assets (Index, 2000 = 100)



SUPPLY

Amount of farmland marketed

It was a busier quarter with 67 farms marketed since June, taking total supply on the open market to 65,600 acres, which is now greater than the five-year average. The profile of farms for sale looks

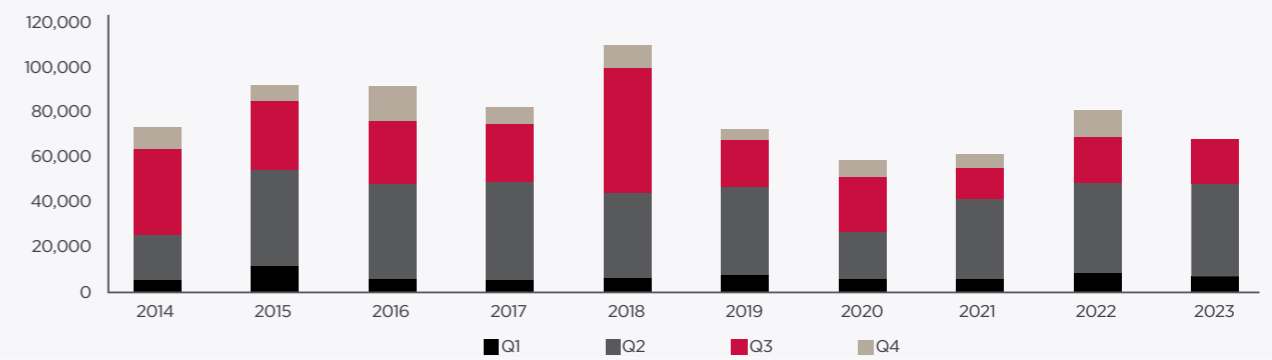
much more like the pre-pandemic pattern although, in historical terms, availability remains low.

Figure 2 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
Q1,2 & 3 2019	7,700	8,200	6,900	4,700	7,400	16,500	6,200	7,400	65,100
Q1,2 & 3 2020	5,800	9,700	3,500	3,600	6,400	14,400	4,100	2,100	49,600
Q1,2 & 3 2021	6,500	9,400	2,600	11,300	8,800	7,900	2,400	4,600	53,500
Q1,2 & 3 2022	3,900	16,700	3,700	9,500	12,400	9,600	3,900	7,100	66,800
Q1,2 & 3 2023	8,500	11,300	14,200	4,300	9,700	8,000	6,800	3,000	65,600
Five-year ave	6,480	11,060	6,180	6,680	8,940	11,280	4,680	4,840	60,120
% diff from ave	31%	2%	130%	-36%	9%	-29%	45%	-38%	9%

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



Number of farms marketed

184 farms and estates have been publicly marketed to date in 2023, which is just below the five-year average, although many regions have had more farms available than in 2022.

There have been fewer large farms for sale than in 2022 but that was an exceptional year (23 farms over 500 acres in 2023, compared with 30 in 2022 and a five-year average of 24).

Figure 4 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
Q1,2 & 3 2019	22	27	12	14	29	52	27	24	207
Q1,2 & 3 2020	19	32	11	17	22	41	23	7	172
Q1,2 & 3 2021	23	30	12	20	35	34	12	16	182
Q1,2 & 3 2022	19	26	9	28	36	36	20	15	189
Q1,2 & 3 2023	22	35	12	14	30	37	25	9	184
Five-year ave	21	30	11	19	30	40	21	14	187
% diff from ave	5%	17%	7%	-25%	-1%	-8%	17%	-37%	-1%

Types of farm

There has been a large increase in the number of arable farms for sale, which is perhaps surprising given the high profit levels of 2022.

There have been fewer residential and hill farms for sale than usual.

Figure 5 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
Q1,2 & 3 2019	89	8	9	25	36	23	6
Q1,2 & 3 2020	66	6	7	25	32	19	9
Q1,2 & 3 2021	67	9	10	31	21	16	6
Q1,2 & 3 2022	61	9	17	21	25	16	7
Q1,2 & 3 2023	85	4	6	29	27	11	9
Five-year ave	74	7	10	26	28	17	7
% diff from ave	15%	-44%	-39%	11%	-4%	-35%	22%

DEMAND

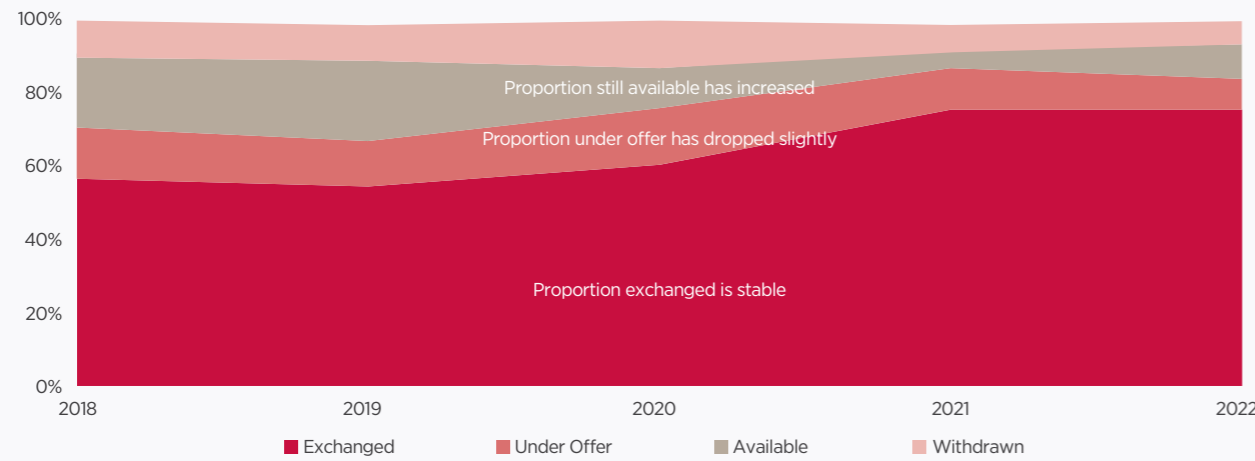
As reported last quarter, demand remains strong, with over 90% of farms that have exchanged in 2023 to date selling for their guide price or more.

Just under half of the farms marketed in 2023 are already exchanged or under offer; this is a high proportion but slightly lower than at the same time in 2022, so a (small) sign of cooling in the market. 2022 was a particularly strong year for the market – 85% of the farms that were marketed in 2022 are now exchanged or under offer, which is one of the highest levels in our records.

In 2023, almost 60% of cereal farms marketed have sold while livestock and dairy farms are less likely to have sold (25% and 33% have sold respectively); this has led to the proportion sold in northern England being lower than in the south, and farms less than £1.5m being less likely to have sold. This may be a reflection of higher interest rates affecting farmer-led purchases more, given they represent a bigger proportion of the northern market. The farmland market in the south is more investor and lifestyle buyer-led.

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



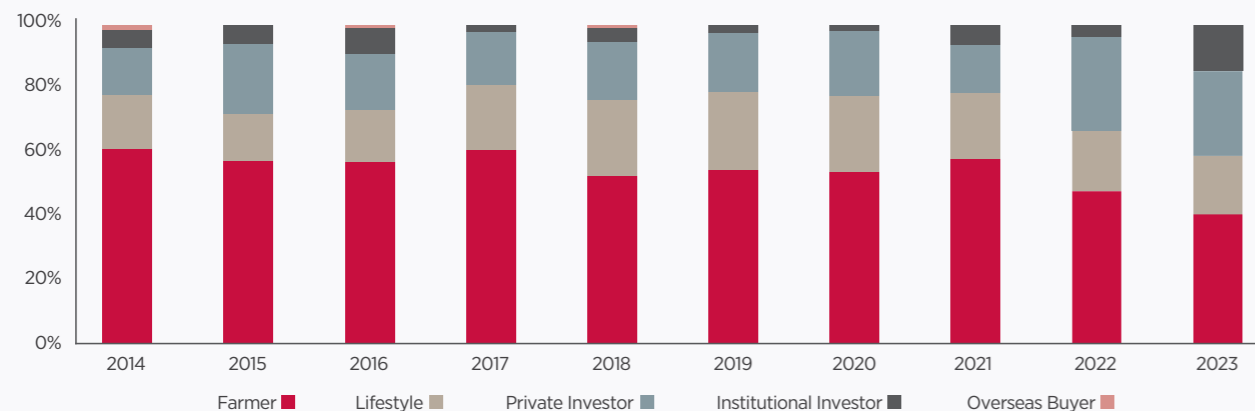
Type of buyers

Investors and lifestyle buyers have bought 60% of the farms exchanged in 2023 to date. This proportion may fall by the end of the year but it is a continuation of the trend of fewer sales being to farmers.

The main reason for buying for farmers was upsizing, followed by rolling over capital gains. Lifestyle buyers were similarly upsizing but for investor buyers the main driver for sales that we have records for has been acquisitions to grow newly founded property funds. They remain mainly focused on cereals farms in southern England.

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

The average price of arable land is the same as it was during 2022 at £10,900/acre, which is 19% higher than five-years ago. Despite over 60% of arable land selling for over £10,000/acre, which is the highest proportion apart from in 2022, the average price did not increase as there were fewer sales at £12,000/acre or more.

The average pasture price for land that has sold in 2023 to date is £8,000/acre, which is 9% lower than the average for 2022. This is as almost 60% of sales were for £6-8,000/acre, a much higher proportion than in 2022, which recorded the record average price of £8,700/acre. Pasture is much more variable in quality than arable land, so its price is more variable and the average price can be affected by changes in the sample of farms from year-to-year.

Average sale prices

Figure 8 Average sale price of arable and pasture farmland (£/acre)

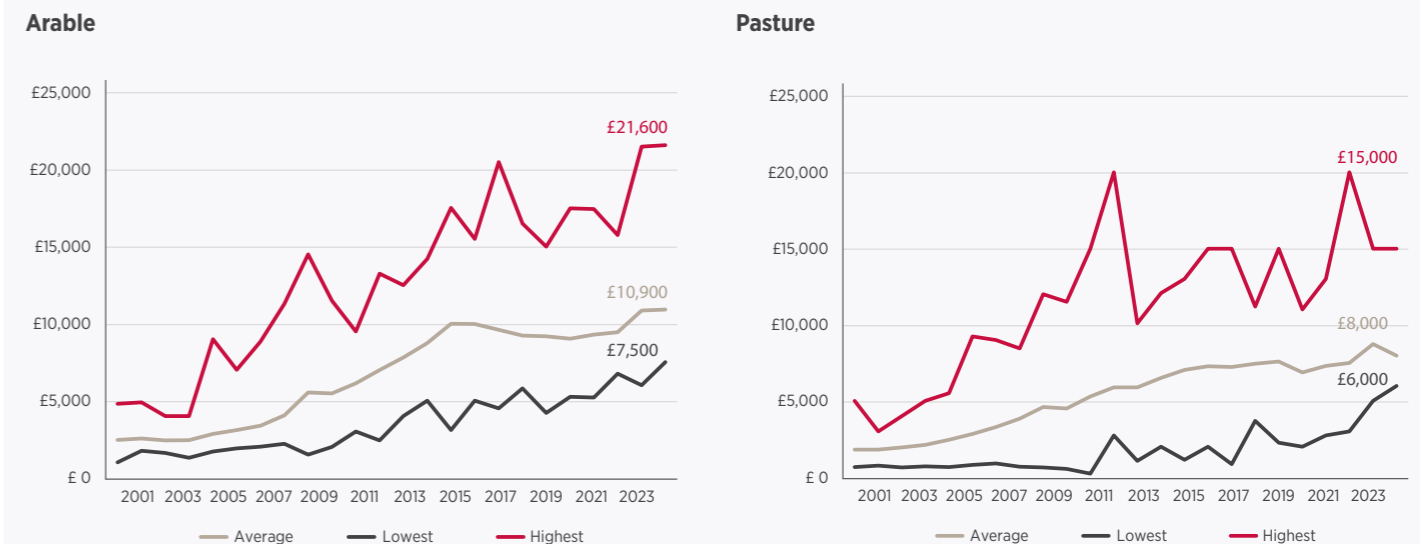
N.B. Data is based on sold (exchanged) prices for vacant arable and pasture land only (i.e., it excludes the value of houses or buildings). The year is when the farmland was sold (exchanged).

	Arable	% change during year	Pasture	% change during year
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	-9%
2020	£9,300	3%	£7,300	6%
2021	£9,400	2%	£7,500	3%
2022	£10,900	15%	£8,700	16%
2023	£10,900	1%	£8,000	-9%

Average, lowest and highest sale prices

Figures 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.

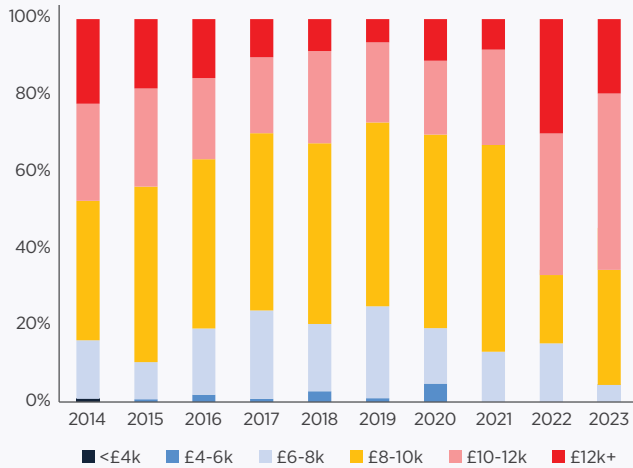


Sale price bands

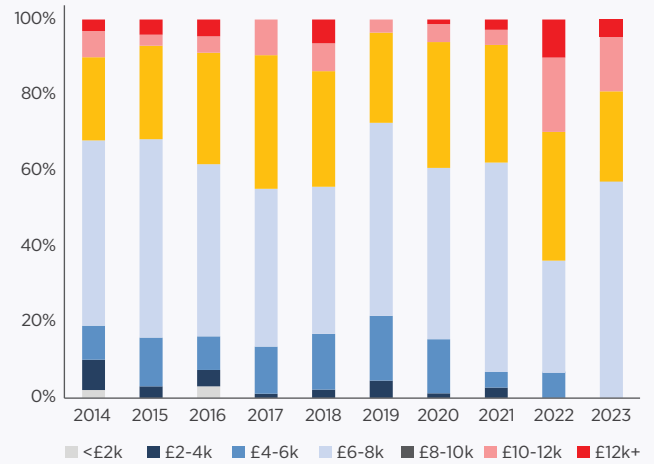
Figures 11 & 12 Agreed sale price of arable and pasture farmland, by price band (£/acre)

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



CONTACT YOUR LOCAL AGENT FOR A REGIONAL VIEW ON THE MARKET



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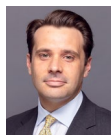
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Methodology

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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