

ENGLISH ESTATES & FARMLAND MARKET REVIEW

WINTER 23/24

Read the full review >>

COMING SOON:
291 acres of arable land and
woodland in Herefordshire

MARKET OVERVIEW

Farmland bucks wider property market trends

Farmland continued to be an attractive investment in 2023, despite higher interest rates, the challenging weather and a squeeze on farm profitability.

Our Farmland Database – which records the sale of all farms, estates and blocks of publicly marketed land in England over 100 acres in size – shows high prices have continued to be paid for best-in-class properties, pushing up average values.

The average price of arable land in England rose by 4% between 2022 and 2023, with an average price paid of £11,300/acre. Over 70% of the arable land traded in England during 2023 made more than £10,000/acre. As is usual, there was a much greater variability in pasture prices, because grassland can differ so much in terms of quality, with prices ranging from a low of £4,000/acre to a high of £16,100/acre, with an average of £8,700/acre.

It is interesting to note that total supply on the open market was 75,500 acres, which is 11% above the five-year average, but less than was available in 2022. However, the feeling among almost all

agents is that supply was higher in 2023 than the previous year, and our market knowledge suggests that once off-market sales are considered then more than 100,000 acres were available.

The data points to demand being slightly weaker in 2023 than in 2022, with interest becoming more variable in some regions, leading to a slightly lower percentage of farms and estates selling at or above the guide price. The trend of farmers accounting for a smaller number of transactions than in the past also continues.

However, it was certainly a very busy year for our agency team at Strutt & Parker with notable highlights including the sale of the 848-acre Hutton Grange Farm in North Yorkshire, the 327-acre Deanery Farm in Oxfordshire and the 1,068-acre Thistleton Estate in Rutland.



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MARKET AT A GLANCE

Supply



Slightly fewer acres were publicly marketed in 2023 than in 2022, but it was the second highest total in the past five years.



75,500 acres on 228 farms were publicly marketed in 2023. With at least 30,000 acres privately marketed, over 100,000 acres were for sale in the year.



Other than death and divorce, the most common reason for vendors selling was profit taking.

Demand



After the strong market of 2022, demand has weakened slightly, as the proportion of farms marketed in the first half of 2023 that are under offer or exchanged is lower than in 2022.



The proportion of farms selling at or above their guide price has also fallen, from 83% in 2022, but is still high at 71% in 2023.



The proportion of land bought by farmers continues its long-term downward trend and private investors, lifestyle buyers and institutional investors bought over double the area of land as farmers.

Pricing



The average price of arable land sold in 2023 increased by 4% to £11,300/acre, which is the highest annual figure we have recorded.



Over 70% of the arable land traded sold for more than £10,000/acre, which is a record. However, prices can be variable, with a 200% difference between the lowest and highest amounts paid.



The average price paid for pasture land was £8,700/acre in 2023, which is 7% below 2022's record level. In 2023, fewer sales were for over £10,000/acre and more were for £8,000/acre or less.

MARKET OUTLOOK

To understand the outlook for the farmland market, it is important to understand who is currently active in the marketplace and to what extent. Given the rather torrid year that many farmers faced in 2023, it is perhaps unsurprising that they accounted for the lowest level of transactions since our records began (44% compared with 50-60% in previous years). Where farmers are buying, many are reinvesting rollover funds, rather than funding their purchase from farming income. This seems unlikely to change for the foreseeable future.

Over half the farms available in 2023 were bought by a mix of private investors, lifestyle buyers and institutional investors. Institutional investors accounted for 10% of sales in 2023, which is the highest for 10 years. This group is very varied, but includes entities buying land for tree planting, or to meet other biodiversity and climate change mitigation goals, which is a small, but growing part of the market. Private investors is a category which includes many High Net Worth Individuals who tend to fund their purchases with cash, rather than borrowings. This does mean that farmland has arguably been less affected by higher interest rates than other parts of the property market. While demand is certainly more variable than it was in 2022, and non-farmer buyers are becoming more circumspect, there are few signs that any of these buyer groups are retreating.

Supply is expected to increase in 2024 – with the big unknown being by how much. We are having more conversations with potential vendors, but selling a farm is a significant decision and so not all of these discussions will translate into action. However, 2024 is the year when cuts to Basic Payments will really start to bite and factor

in the horrendous weather we have seen since the autumn and more people may feel that the time is right.

On the other hand, we have the prospect of a general election later this year which experience tells us tends to lead to farmers delaying making any major decisions until there is greater certainty. There is still a window to get in ahead of the election with a Spring launch, but others may choose to wait. It is positive that, to date, there has been no mention of any proposed changes in fiscal policy that will impact the farmland market, which does at least help to bolster confidence if there is a change in government.

One of the other reasons why the supply pipeline is tricky to assess is the scale of the private market. We tend to avoid publishing figures on the private market due to the difficulty in collecting comprehensive information. The reality is that some sales are private in name only and almost all agents know about them. However, there are others where only a handful of people will know that a particular farm or estate is on the market.

Overall, our view is that land will continue to be seen as a safe and steady investment for a wide range of buyers, but with the market cooling in some regions and growth much flatter than it has been over recent months.

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

Slightly fewer acres were publicly marketed in 2023 than in 2022, but it was the second highest total in the past five years. If we take private sales into account, then it does feel as if overall there has been an increase in supply, but not one that has been big enough to change the fundamentals of the market.

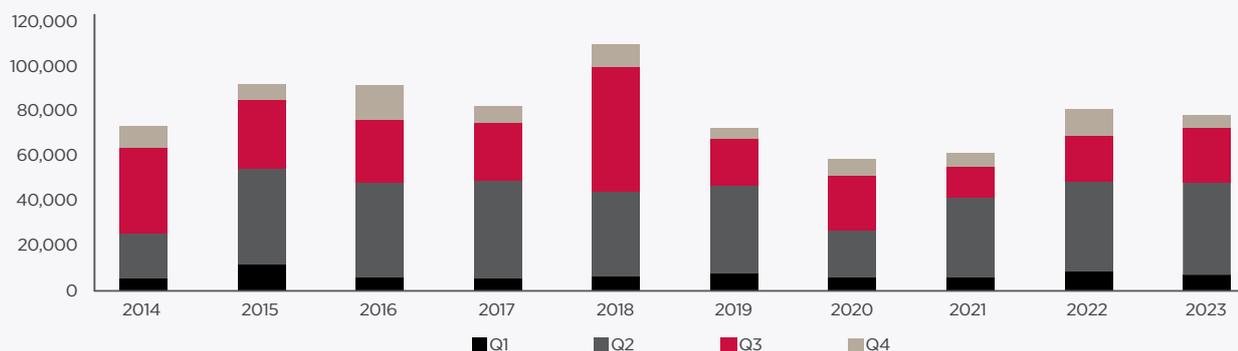
As usual, most farms available were under 500 acres in size and there were only 25 farms over 500 acres marketed.

There is currently very little evidence of sales due to financial reasons or being forced. Other than death and divorce, the most common reason for vendors selling was profit taking.

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
2019	7,900	8,600	7,200	4,800	800	17,500	7,200	8,600	69,800
2020	6,800	11,300	3,600	4,200	7,700	15,400	500	2,500	56,500
2021	7,300	10,700	3,100	11,600	9,600	9,300	2,600	4,900	59,100
2022	4,900	18,700	4,100	13,900	13,200	10,900	5,100	7,100	77,900
2023	10,100	13,800	14,200	4,600	11,700	9,900	8,200	300	75,500
Five-year ave	7,400	12,620	6,440	7,820	10,040	12,600	5,620	5,220	67,760
% diff from ave	36%	9%	120%	-41%	17%	-21%	46%	-43%	11%

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

Number of farms marketed

About the same number of farms and estates were marketed as in 2022, which is a little above the five-year average.

There was a marked difference between the south of England, where almost 160 farms were for sale, which is 10% above the five-year average,

and the north of England, where there were 69 farms for sale which is 10% below the average.

In the north, there were fewer livestock hill farms, mixed and residential farms for sale than usual.

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
2019	23	29	13	15	30	58	34	28	230
2020	23	37	12	20	27	47	30	9	205
2021	26	32	13	22	39	40	13	18	203
2022	23	32	10	33	41	43	24	15	221
2023	28	45	12	16	38	48	32	9	228
Five-year ave	25	35	12	21	35	47	27	16	217
% diff from ave	14%	29%	0%	-25%	9%	2%	20%	-43%	5%

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.

The number of estates for sale was well down on the five-year average.

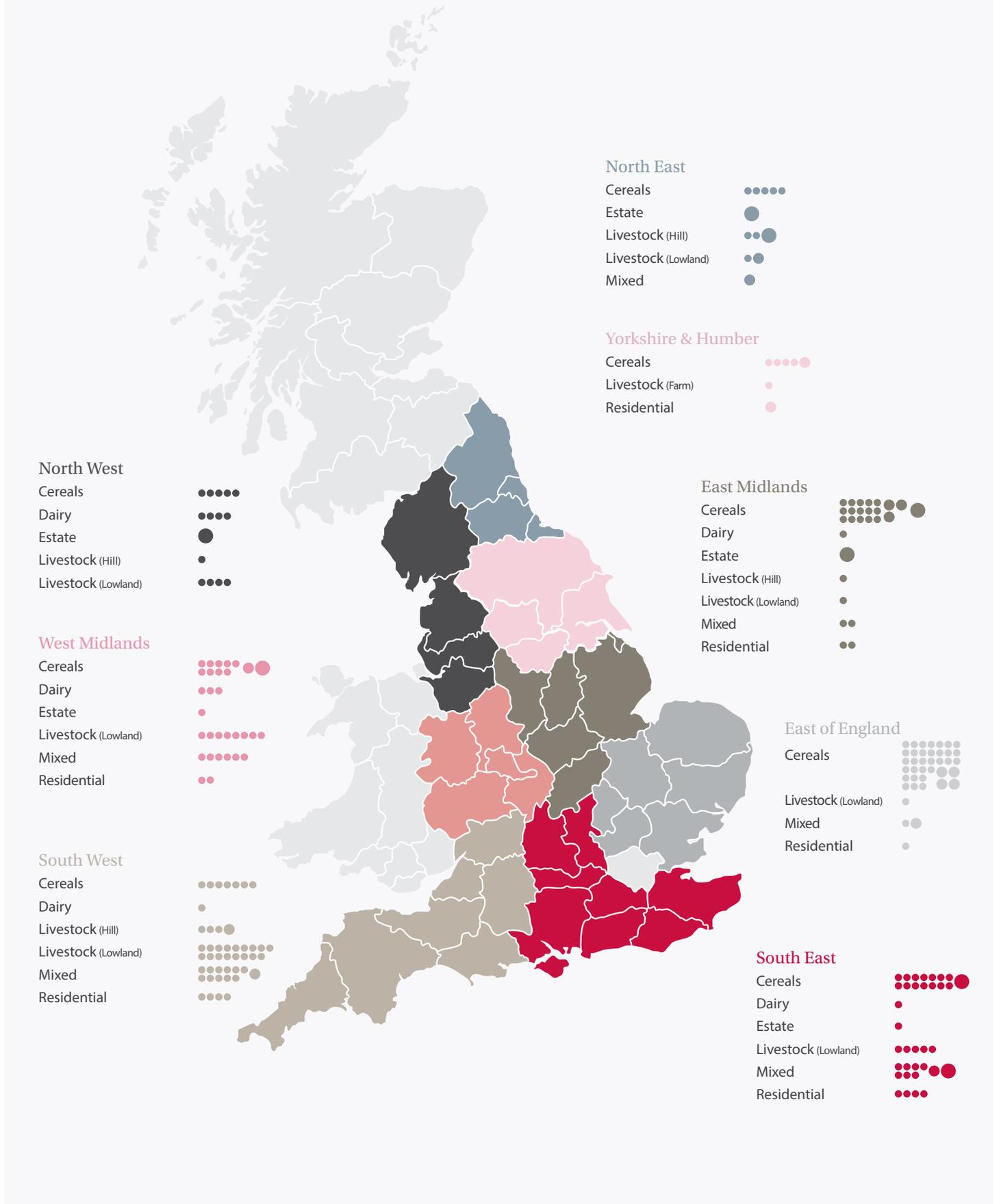
Figure 4 Main type of farms marketed

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
2019	95	9	12	29	40	24	8
2020	77	7	7	32	34	20	17
2021	74	11	12	34	25	16	8
2022	69	11	19	27	30	17	11
2023	102	5	9	39	32	14	10
Five-year ave	83	9	12	32	32	18	11
% diff from ave	22%	-42%	-24%	21%	-1%	-23%	-7%

Figure 5 Main type of farms marketed

N.B. This figure only shows the main farm types, not minor ones like horticulture and equestrian, and so the total number of farms marketed does not equal the total in figure 3.



DEMAND

After the strong market of 2022, demand has weakened slightly.

The proportion of farms marketed in the first half of 2023 which are already under offer or exchanged is 76%, compared with 85% at the same time in 2022, but this is still high compared with recent historical levels.

There is some evidence that sales are taking longer to progress from being under offer to exchanging, as only 35% of the farms marketed in the first half of 2023 had exchanged, compared with 60% in 2022 and the five-year average of 42%. Our experience is that all elements of sales are taking longer, from local authority searches, through conveyancing to Land Registry searches and registration.

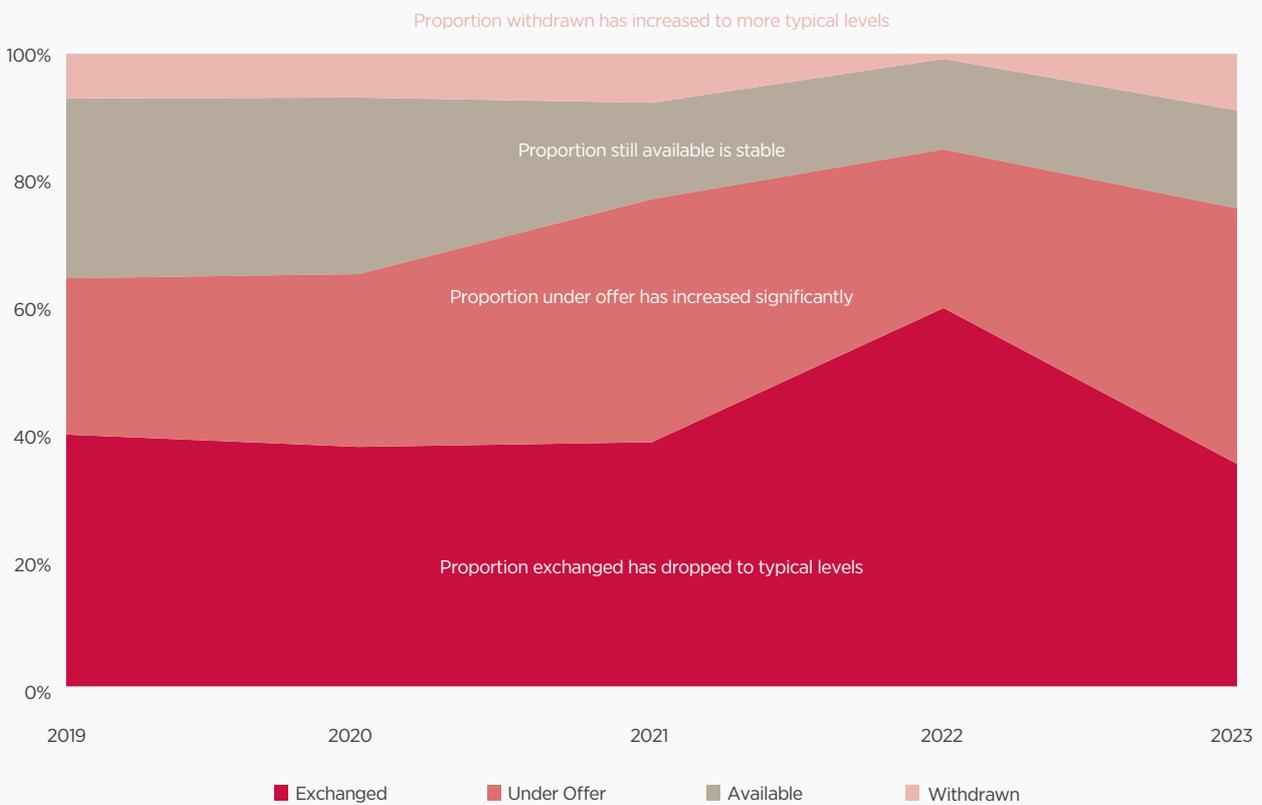
The proportion of farms selling at or above their guide price has also fallen, from 83% in 2022 to 71% in 2023, but this is still a historically high level.

There is some evidence that livestock farms are not selling as easily as cereals, residential and mixed farms, with over 55% of them not under offer or exchanged, compared with 22% of the others. Due to this, there are more farms still available in the north west, West Midlands and south west than in other regions.

There is also some evidence that farms with asking prices over £3m are less likely to have sold.

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 31st 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

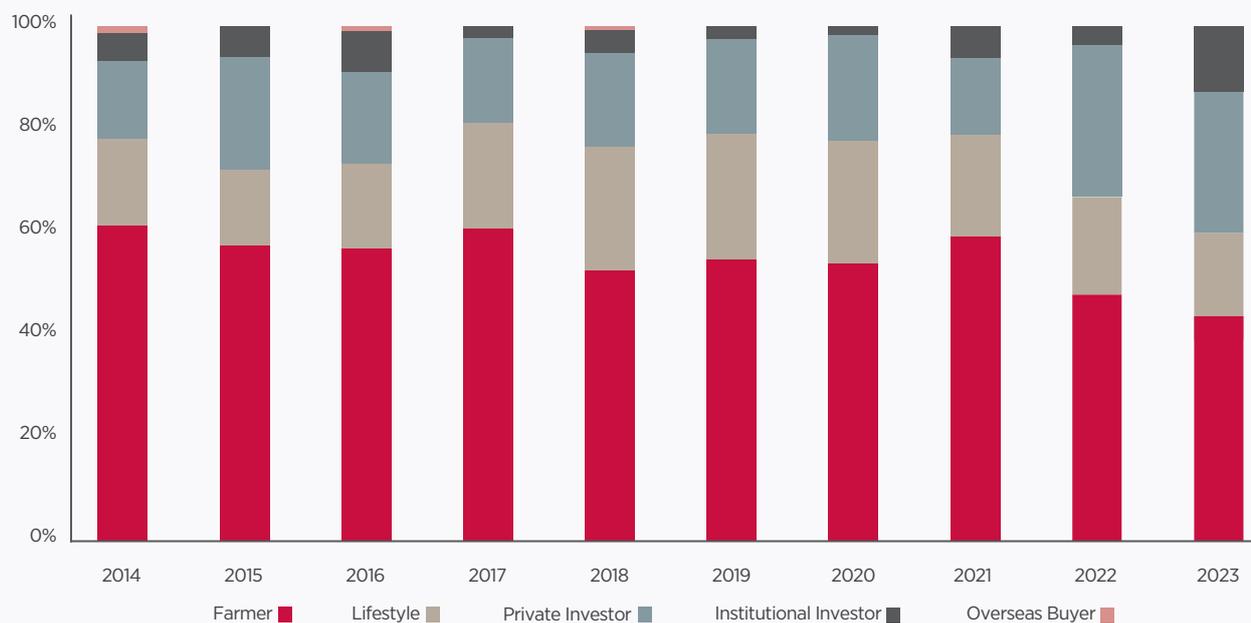
The proportion of land bought by farmers continues its long-term downward trend, accounting for only 44% of sales that exchanged in 2023. The main reason farmers are buying more land is upsizing their operations.

For the second year in a row, private investors, lifestyle buyers and institutional investors (in that order) have bought over half of the farms available, and over double the area of land as farmers, as they buy larger areas on average.

The institutional investors were particularly active, buying mainly commercial lowland cereal farms but also some upland ground for natural capital/forestry projects. That said, although purchases for conservation, natural capital or enterprises such as wine growing tend to attract lots of media attention, when seen in the context of the whole market, they remain relatively small.

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 sold in 2023 increased by 4% to £11,300/acre, which is the highest annual figure we have recorded.

Over 70% of the arable land traded sold for more than £10,000/acre, the highest proportion in our records. High prices are still being paid for best-in-class farms or land in desirable locations. Although demand for arable land and cereals farms remains strong, it is patchier, so prices can be variable, with a 200% difference between the lowest and highest amounts paid.

The average price paid for pasture land was £8,700/acre in 2023, which is 7% below 2022's record level. As we have previously stated, the quality of pasture is much more variable than arable and so the average is more affected by changes in the quality of land sold. In 2023, fewer sales were for over £10,000/acre and more were for £8,000/acre or less, hence the reduction in the annual average.

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).

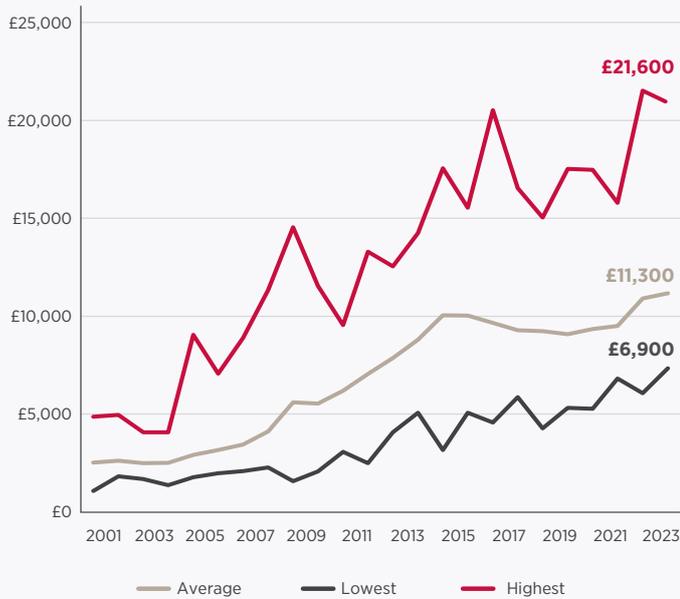
	Arable	% change during year	Pasture	% change during year
2014	£10,000		£7,000	
2015	£10,000	0%	£7,300	3%
2016	£9,600	-4%	£7,200	-1%
2017	£9,200	-4%	£7,400	3%
2018	£9,200	0%	£7,600	2%
2019	£9,000	-2%	£6,900	-9%
2020	£9,300	3%	£7,500	9%
2021	£9,500	2%	£7,600	1%
2022	£10,900	15%	£9,300	22%
2023	£11,300	4%	£8,700	-7%

Average, lowest and highest sale prices

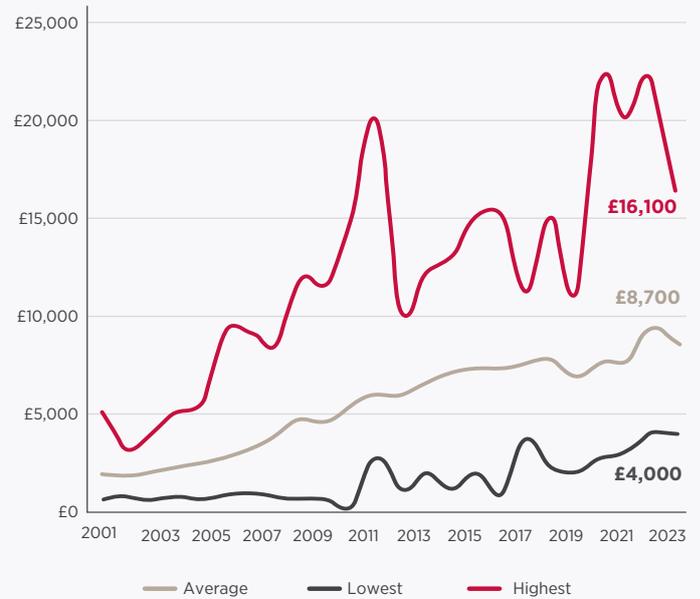
Figures 9 & 10 Average, lowest and highest sale prices of arable and pasture farmland (£/acre)

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.

Arable



Pasture

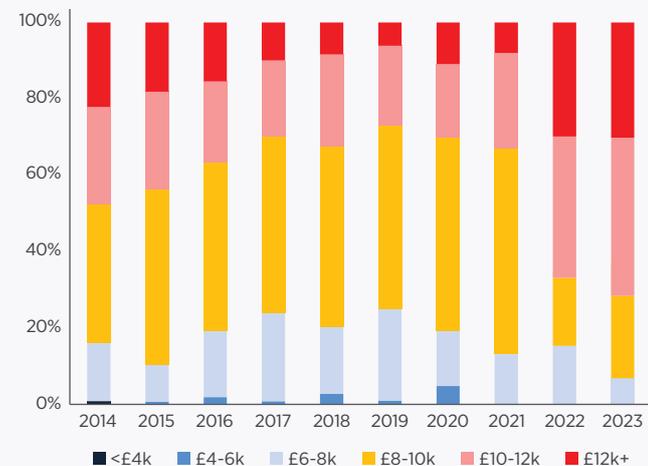


Sale price bands

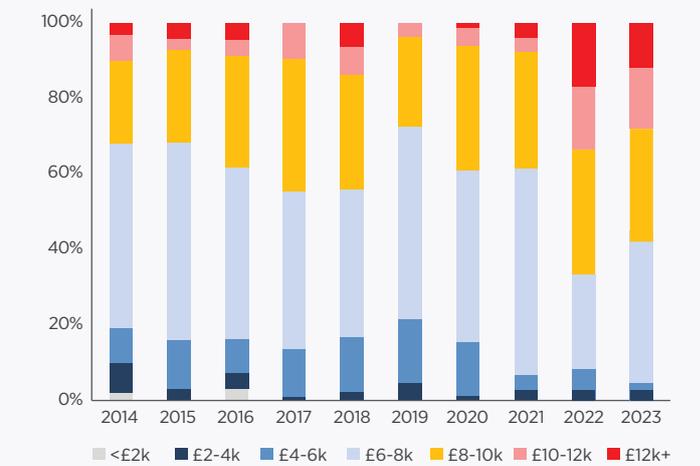
Figures 11 & 12 Agreed sale price of arable and pasture farmland, by price band (£/acre)

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



Figures 13 Estimates of bottom 25% and top 25% prices for arable and pasture farmland by region (£/acre and % annual change)

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.

	Arable		Pasture	
	Bottom 25%	Top 25%	Bottom 25%	Top 25%
South East	£7,800 (0%)	£11,800 (0%)	£6,100 (0%)	£9,000 (0%)
South West	£7,800 (0%)	£11,750 (2%)	£6,000 (0%)	£9,250 (0%)
East of England	£8,500 (6%)	£11,500 (5%)	n/a	n/a
East Midlands	£7,500 (-1%)	£12,200 (0%)	£6,600 (-2%)	£9,300 (1%)
West Midlands	£10,000 (21%)	£12,000 (4%)	£8,000 (14%)	£9,000 (-5%)
North	£7,500 (7%)	£12,500 (4%)	£6,000 (20%)	£8,750 (-3%)

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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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