

## FARMLAND MARKET STEADIES, BUT SHEDS £1,000/ACRE IN 24 MONTHS

The value of agricultural land was virtually unchanged in the third quarter of 2017, but the market remains finely balanced.

### Farmland performance

<b>3-month change</b>	<b>0.0%</b>
<b>12-month change</b>	<b>-5%</b>
<b>5-year change</b>	<b>18%</b>
<b>10-year change</b>	<b>83%</b>
<b>50-year change</b>	<b>4,179%</b>

The average value of bare agricultural land in England and Wales remained static at just over £7,310/acre in the third quarter of 2017, according to the Knight Frank Farmland Index. This brings to an end a seven-quarter run of sliding values, the longest period of decline since the early 1990s when prices fell for 12 consecutive quarters.

Over the past 24 months, average values have fallen by 12%, slicing £1,000 off the price of an acre of land. Despite this, farmland remains one of the best long-term investments with values up 83% over the past 10 years, comfortably outpacing the mainstream housing market (+15%) and even prime central London homes (+28%).

Given the low transaction volumes of recent years, the vast majority of landowners will still be sitting on an asset that has greatly increased in value since they purchased or inherited it. The most pressing question is whether the current equilibrium between the factors putting downwards pressure on values and those helping to sustain them remain in place.

The main downwards threat of course remains the uncertainty surrounding

the Brexit process. Defra minister Michael Gove has consistently repeated his support for farmers, albeit with an increasing focus on the delivery of environmental benefits, but has provided little detail to back this up. This uncertainty limits the upside for land values in the near term, but unless a significant number of farmers exit the industry because of Brexit it is unlikely to cause a slump in prices.

A short-term exodus seems unlikely given many farmers advocated leaving the EU and some kind of financial support is likely to remain in place for the foreseeable future.

In addition, a number of factors are helping to support the market. The decline in sterling and more favourable economic conditions continue to underpin farm-gate prices for most agricultural commodities.

An increasing amount of development, including HS2, is also helping to boost competition for the limited amount of agricultural currently available. A significant number of farmers or landowners who have sold land or had it compulsorily purchased for development are looking for alternative property.

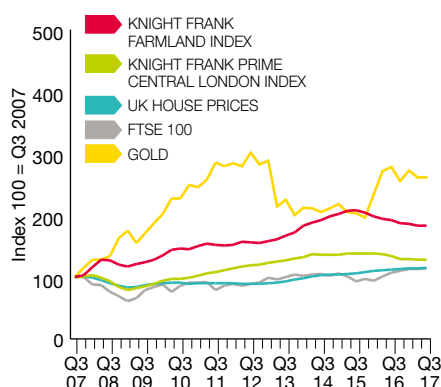


**ANDREW SHIRLEY**  
Head of Rural Research

“A short-term exodus seems unlikely given many farmers advocated leaving the EU.”

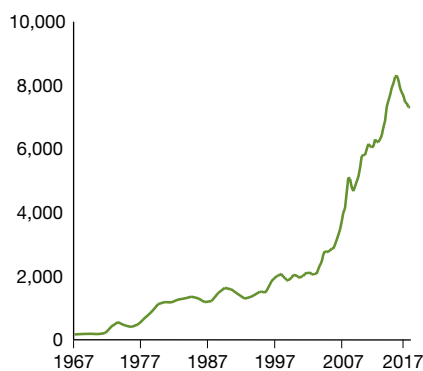
Follow Andrew at [@kfandrewshirley](https://twitter.com/kfandrewshirley)

FIGURE 1  
**Farmland 10-year performance versus other assets**



Source: Knight Frank Research

FIGURE 2  
**Historic farmland performance £/acre**



Source: Knight Frank Research

## DATA DIGEST

The Knight Frank Farmland Index tracks the average price of bare (no residential property or buildings) commercial (productive arable and pasture) agricultural land in England. The quarterly index is based on the opinions of Knight Frank's expert valuers and negotiators across the country, which take into account the results of actual sales conducted by both the firm and its competitors, local market knowledge and client and industry sentiment. When combined with UK government statistics, the index shows the performance of farmland since 1944.

### Knight Frank Farmland Index

	Quarterly price change	Annual price change	Average value £/hectare	Average value £/acre
Sep-12	-1.2%	2.1%	£15,369	£6,220
Dec-12	-0.1%	2.7%	£15,354	£6,214
Mar-13	1.5%	3.9%	£15,585	£6,307
Jun-13	1.8%	2.0%	£15,866	£6,421
Sep-13	4.0%	7.4%	£16,501	£6,678
Dec-13	3.1%	11%	£17,005	£6,882
Mar-14	6.4%	16%	£18,098	£7,324
Jun-14	2.6%	17%	£18,574	£7,517
Sep-14	2.3%	15%	£19,000	£7,689
Dec-14	3.1%	15%	£19,583	£7,925
Mar-15	1.7%	10%	£19,914	£8,059
Jun-15	2.6%	10%	£20,423	£8,265
Sep-15	0.5%	8%	£20,524	£8,306
Dec-15	-1.7%	3%	£20,176	£8,165
Mar-16	-3.2%	-2%	£19,538	£7,907
Jun-16	-1.7%	-6%	£19,207	£7,773
Sep-16	-1.3%	-8%	£18,957	£7,672
Dec-16	-2.6%	-8%	£18,464	£7,472
Mar-17	-0.5%	-6%	£18,372	£7,435
Jun-17	-1.6%	-6%	£18,069	£7,313
Sep-17	0.0%	-5%	£18,064	£7,311

Source: Knight Frank Research

## RECENT MARKET-LEADING RESEARCH PUBLICATIONS



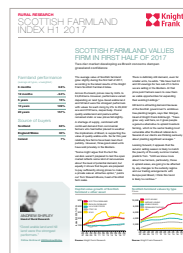
The Wealth Report - 2017



The Rural Report - Spring 2017



Knight Frank Luxury Investment Index - Q2 2017



Scottish Farmland Index - H1 2017

Knight Frank research reports are available at [KnightFrank.com/Research](http://KnightFrank.com/Research)

## Key agricultural indicators\*

Commodity prices	Latest	12-month change
<b>Outputs</b>		
Feedwheat (£/t)	133	13%
Oilseed rape (£/t)	311	-1%
Beef (p/kg dw)	387	3%
Lamb (p/kg dw)	388	-4%
Milk (p/litre)	26.8	31%
<b>Input prices</b>		
Red diesel (p/litre)	51	7%
Oil (£/bbl)	38	17%

For more detailed information on the issues affecting UK landowners and farmers, including the latest on agricultural commodity and input markets, please request a copy of The Rural Report, our magazine for rural property owners.

\*Sources: [www.fwi.co.uk](http://www.fwi.co.uk) [www.dairy.ahdb.org.uk](http://www.dairy.ahdb.org.uk)

### RURAL RESEARCH

#### Andrew Shirley

Head of Rural Research

+44 1234 720534

[andrew.shirley@knightfrank.com](mailto:andrew.shirley@knightfrank.com)

### PRESS OFFICE

#### Celia Welham

+44 20 7861 1033

[celia.welham@knightfrank.com](mailto:celia.welham@knightfrank.com)



### Important Notice

© Knight Frank LLP 2017 – This report is published for general information only and not to be relied upon in any way. Although high standards have been used in the preparation of the information, analysis, views and projections presented in this report, no responsibility or liability whatsoever can be accepted by Knight Frank LLP for any loss or damage resultant from any use of, reliance on or reference to the contents of this document. As a general report, this material does not necessarily represent the view of Knight Frank LLP in relation to particular properties or projects. Reproduction of this report in whole or in part is not allowed without prior written approval of Knight Frank LLP to the form and content within which it appears. Knight Frank LLP is a limited liability partnership registered in England with registered number OC305934. Our registered office is 55 Baker Street, London, W1U 8AN, where you may look at a list of members' names.