



## Agricultural land market remains robust despite harvest washout

**Knight Frank's experts explain why they think farmland values will continue to rise despite a slight pause in their upwards trajectory over the summer months**

### Farmland performance

3 months	-1.2%
12 months	+2.1%
5 years	+56%
10 years	+193%

English farmland has outperformed the majority of other mainstream asset classes over the past 10 years, recording capital growth of almost 200%. This compares with just 57% for the FTSE 100 equities index and 48% for average UK house prices. Even luxury houses in London have only increased by just over 100%.

The farmland market did, however, experience a slight lull this summer with average prices across England dipping by 1% to £6,220/acre, according to the latest results from the Knight Frank Farmland Index. But Andrew Shirley, Head of Rural Property Research, says the drop needs to be put in context.

"Given that farmers have just experienced one of the worst growing seasons for many decades, switching virtually overnight from drought to monsoon conditions, the fact that farmland is only £70/acre below its all-time high is a reflection of how robust the market remains.

"It is also worth noting that our index reflects the performance of all types of English farmland, from the best soil to the more marginal. Where there is strong demand for land we are still seeing much higher prices being achieved," adds Andrew.

Tom Raynham, Head of Farm Sales in Knight Frank's London office, says decent arable land is still making upwards of £7,500/acre. "Part of the problem is that there is still a real shortage of good quality land for buyers to get excited about. A number of new farmland funds are appearing and I have just been retained by a private investor aiming to spend upwards

of £10m building a portfolio of commercial agricultural land."

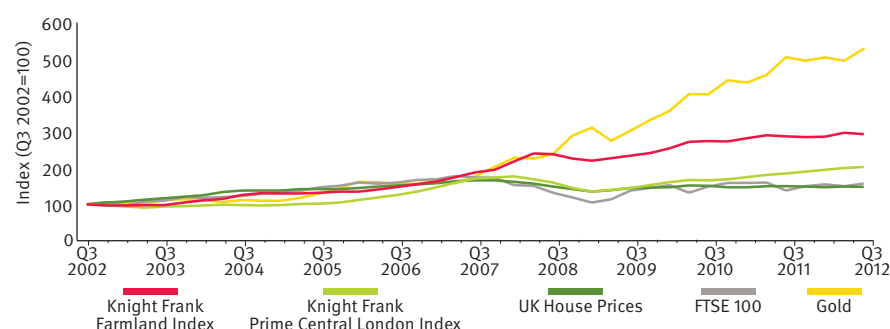
Part of the attraction for investors is the sharp increase in farm rents, both for traditional Agricultural Holdings Act tenancies (which include succession rights and are reviewed every three years), and more flexible shorter-term Farm Business Tenancies.

Trees are also increasingly attracting investors, points out Tom. "We have recently sold blocks of amenity woodland in the south of England to UK and overseas buyers for £5,500 to £7,500/acre – a huge jump from the prices being achieved just five years ago."

James Prewett, Head of Regional Farm Sales in Central and Western England, is also seeing land regularly fetch over £8,000/acre, but says the market is becoming noticeably more polarised. "If there is competitive bidding potential buyers are prepared to pay good prices to secure a deal, but where there is less interest people are being more circumspect about what they will pay."

Clive Hopkins, Head of Knight Frank's Farms and Estates department, is expecting prices to start rising again soon, increasing by around 5% over the next 12 months. "While it has undoubtedly been a difficult year for the UK's farmers, the situation has been the same all over the world. This should help to keep commodity prices high and give producers and other potential purchasers more confidence going forward. I think the land market will experience a bit of a purple patch next spring."

Figure 1  
**Farmland 10-year capital growth v other assets**



Source: Knight Frank Residential Research



**Andrew Shirley**  
Head of Rural Research  
+44 (0)20 7861 5040  
andrew.shirley@knightfrank.com

# RESIDENTIAL RESEARCH FARMLAND INDEX – Q3 2012

## Knight Frank



## 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.

## Key agricultural indicators\*

Commodity prices	Latest**	12-month change
<b>Outputs</b>		
Feed wheat (£/t)	191	26%
Oilseed rape (£/t)	375	4%
Beef (p/kg dw)	355	6%
Lamb (p/kg dw)	389	2%
Milk (p/litre)	26	-7%
<b>Input prices</b>		
Fertiliser (£/t)	298	-14%
Red diesel (p/litre)	69	0%
Oil (\$/bbl)	110	4%

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 quarterly Knight Frank Rural Bulletin or go to [www.knightfrank.co.uk/rural](http://www.knightfrank.co.uk/rural)

\*Sources: [www.fwi.co.uk](http://www.fwi.co.uk) [www.dairyco.net](http://www.dairyco.net)

\*\*29 September

## Knight Frank Farmland Index

	Quarterly price change	Annual price change	Average value £/Hectare	Average value £/Acre
Sep-07	7.8%	27.4%	£9,877	£3,997
Dec-07	3.3%	25.3%	£10,203	£4,129
Mar-08	11.9%	33.6%	£11,419	£4,621
Jun-08	10.4%	37.5%	£12,603	£5,100
Sep-08	-0.8%	26.6%	£12,505	£5,060
Dec-08	-5.2%	16.2%	£11,852	£4,796
Mar-09	-2.6%	1.1%	£11,548	£4,673
Jun-09	3.1%	-5.5%	£11,911	£4,820
Sep-09	3.2%	-1.7%	£12,290	£4,973
Dec-09	3.0%	6.8%	£12,658	£5,123
Mar-10	5.4%	15.5%	£13,336	£5,397
Jun-10	6.9%	19.7%	£14,257	£5,769
Sep-10	0.8%	17.0%	£14,373	£5,816
Dec-10	-0.2%	13.3%	£14,339	£5,803
Mar-11	3.2%	11.0%	£14,803	£5,991
Jun-11	2.8%	6.7%	£15,212	£6,156
Sep-11	-1.0%	4.8%	£15,060	£6,094
Dec-11	-0.8%	4.2%	£14,947	£6,049
Mar-12	0.4%	1.4%	£15,007	£6,073
Jun-12	3.7%	2.3%	£15,556	£6,295
Sep-12	-1.2%	2.1%	£15,369	£6,220

## Residential Research

### Andrew Shirley

Head of Rural Research

+44(0)20 7861 5040

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

### Press Office

### Charlotte Palmer

+44 (0)20 7861 5037

[charlotte.palmer@knightfrank.com](mailto:charlotte.palmer@knightfrank.com)

## Recent market-leading research publications



[The Wealth Report 2012](#)



[The Rural Report Spring 2012](#)



[UK Rural Bulletin Summer 2012](#)



[Prime Central London Sales Index Sept 2012](#)

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

© Knight Frank LLP 2012 - 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 allowed with proper reference to Knight Frank LLP Residential Research. 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.



## Global Briefing

For the latest news, views and analysis on the world of prime property, visit [KnightFrank.com/GlobalBriefing](http://KnightFrank.com/GlobalBriefing)