

AVERAGE FARMLAND VALUES ALMOST BREAK THE £8,000/ACRE MARK IN 2014

The average value of farmland in England rose by 15% in 2014, according to the latest results from the Knight Frank Farmland Index. Andrew Shirley looks at what 2015 might hold in store

Farmland performance

3 months	+3%
12 months	+15%
5 years	+55%
10 years	+184%
50 years	+4,971%

The farmland market in England continued to set a blistering pace throughout 2014 with the average price of bare agricultural land ending the year at a record-breaking £7,925/acre, according to the Knight Frank Farmland Index.

Growth of 3% in the final three months of the year meant values rose by 15% overall during 2014. This was a markedly stronger performance than the other leading safe-haven assets of gold (+4%) and prime central London luxury residential (+5%).

A continued imbalance between supply and demand helped to push up values in 2014. Around 20% fewer acres of land were put up for sale publicly last year, compared with 2013. Buyers of all types remain active in the market with strong demand from investors, farmers and existing landowners.

Where demand has been strongest, land has been changing hands at prices well above the average figure recorded by our index. Large blocks of arable land have achieved the highest values and £13,000/acre was paid on a number of occasions in 2014.

The big question now is whether the trend will continue during 2015.

A generally gloomy outlook for commodity prices could temper some farmers' enthusiasm for expansion, particularly in the dairy sector, but most take a long-term view and will still be keen to take on land that will add economies of scale to their existing holdings. The dramatic slide in oil prices will also help to reduce input costs.

The outcome of the General Election in May, however, could have a longer-term impact on the market. But, with no real favourite emerging in the run-up to the election and another coalition government a strong possibility, I don't think we will see a rash of farm disposals in 2015. More likely is the prospect that the market will pause for breath until the election and slowly take stock once the result is known.

But, given the many reasons to buy land, not least to obtain roll-over relief on the profits from the sale of farmland for development or infrastructure projects like HS2, I would be very surprised if we don't see average values comfortably exceed £8,000/acre at some point in 2015.



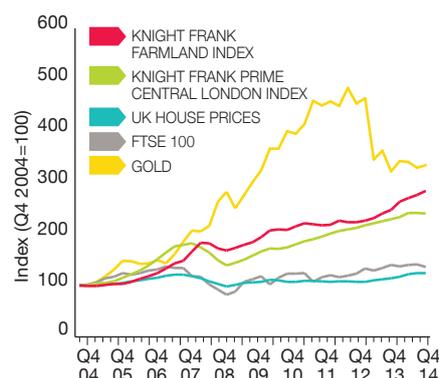
ANDREW SHIRLEY
Head of Rural Research

"As the Mansion Tax debate highlights, high-value property ownership is becoming an increasingly febrile political issue."

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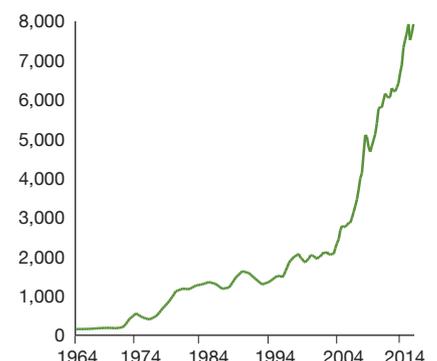
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FIGURE 1
Change in capital values



Source: Knight Frank Residential Research

FIGURE 2
50-year farmland performance
£/acre



Source: Knight Frank Residential 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
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
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%	10.7%	£17,005	£6,882
Mar-14	6.4%	16.1%	£18,098	£7,324
Jun-14	2.6%	17.1%	£18,574	£7,517
Sep-14	2.3%	15.1%	£19,000	£7,689
Dec-14	3.1%	15.0%	£19,583	£7,925

Source: Knight Frank Residential Research

Key agricultural indicators*

Commodity prices	Latest	12-month change
Outputs		
Feedwheat (£/t)	118.3	-21%
Oilseed rape (£/t)	249.5	-14%
Beef (p/kg dw)	374.9	-1%
Lamb (p/kg dw)	422.2	3%
Milk (p/litre)	27.85	-19%
Input prices		
Fertiliser (£/t)	277.5	-1%
Red diesel (p/litre)	50	-27%
Oil (£/bbl)	29.32	-54%

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.knightfrankblog.com/ruralbulletin

*Sources: www.fwi.co.uk www.dairyco.net



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