

## SCOTTISH FARMLAND VALUES FIRM IN FIRST HALF OF 2017

**Two-tier market developing as Brexit concerns dampen grassland confidence**

### Farmland performance

(average all types, unweighted)

|                  |              |
|------------------|--------------|
| <b>6 months</b>  | <b>0.6%</b>  |
| <b>12 months</b> | <b>-3.0%</b> |
| <b>5 years</b>   | <b>15%</b>   |
| <b>10 years</b>  | <b>109%</b>  |
| <b>20 years</b>  | <b>157%</b>  |

### Source of buyers

|                      |            |
|----------------------|------------|
| <b>Scotland</b>      | <b>63%</b> |
| <b>England/Wales</b> | <b>30%</b> |
| <b>Ireland</b>       | <b>7%</b>  |

The average value of Scottish farmland grew slightly during the first half of 2017, according to the latest results of the Knight Frank Scottish Farmland Index.

Across the board, prices rose by 0.6% to £4,253/acre. However, performance varied depending on land type. Good arable land and hill land were the strongest performers with values for each rising by 2% to £9,200/acre and £707/acre, respectively. Poorer quality arable land and pasture either remained static or saw prices fall slightly.

A shortage of supply, combined with continued demand from commercial farmers who feel better placed to weather the implications of Brexit, is supporting the value of quality arable units. So far this year relatively few farms have been launched publicly. However, three good-sized units have sold privately in the Borders.

“Some might argue that the fact the vendors weren’t prepared to test the open market reflects some kind of nervousness about the level of potential demand, but equally it shows that buyers are prepared to pay sufficiently strong prices to make a private sale an attractive option,” points out Tom Stewart-Moore, head of Scottish farm sales.

There is definitely still demand, even for smaller units, he adds. “We have had 20 and 30 viewings for two sub-£1m farms we are selling in the Borders. At that price point farmers seem to view them as viable opportunities for expanding their existing holdings.”

Hill land is attracting demand because of the Scottish government’s ambitious tree-planting targets, says Ran Morgan, Head of Knight Frank Edinburgh. “Trees grow very well here, so it gives people a genuine alternative to upland livestock farming, which is the sector feeling most vulnerable after the Brexit referendum. Several of our clients are thinking seriously about planting significant acreages.”

Looking forward, it appears that the autumn selling season is likely to match the paucity of the early summer market, predicts Tom. “Until we know more about how farmers, particularly, those in upland areas, are going to be affected by any changes to the subsidy regime and our trading arrangements with Europe post Brexit, I think this trend is likely to continue.”

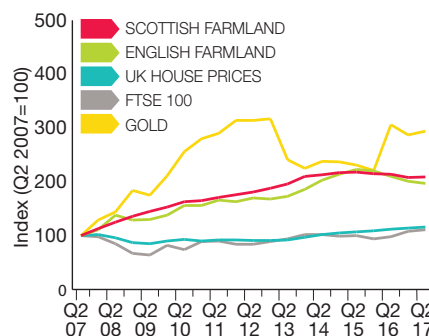


**ANDREW SHIRLEY**  
Head of Rural Research

“Good arable land and hill land were the strongest performers.”

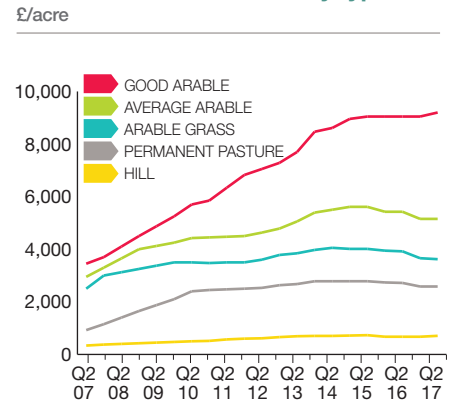
Follow Andrew at [@KFAndrewShirley](https://twitter.com/KFAndrewShirley)

### Capital value growth of Scottish farmland v other asset



Source: Knight Frank Research

### Scottish farmland values by type



Source: Knight Frank Research

## DATA DIGEST

The Knight Frank Scottish Farmland Index tracks the average price of bare (no residential property or buildings) commercial (productive arable and pasture) agricultural land in Scotland. The quarterly index is based on the opinions of Knight Frank's expert valuers and negotiators across the country, that take into account the results of actual sales conducted by both the firm and its competitors, local market knowledge and client and industry sentiment.

### Knight Frank Scottish Farmland Index

Average value £/acre

| Quarter | Good arable | Average arable | Arable/ Grass | Permanent Pasture | Hill | Unweighted average |
|---------|-------------|----------------|---------------|-------------------|------|--------------------|
| 2007 Q2 | 3,450       | 2,950          | 2,500         | 925               | 338  | 2,033              |
| 2007 Q4 | 3,700       | 3,300          | 3,000         | 1,150             | 375  | 2,305              |
| 2008 Q2 | 4,100       | 3,650          | 3,125         | 1,400             | 400  | 2,535              |
| 2008 Q4 | 4,500       | 4,000          | 3,250         | 1,650             | 425  | 2,765              |
| 2009 Q2 | 4,875       | 4,125          | 3,375         | 1,875             | 450  | 2,940              |
| 2009 Q4 | 5,250       | 4,250          | 3,500         | 2,100             | 475  | 3,115              |
| 2010 Q2 | 5,700       | 4,425          | 3,500         | 2,400             | 500  | 3,305              |
| 2010 Q4 | 5,850       | 4,450          | 3,475         | 2,450             | 515  | 3,348              |
| 2011 Q2 | 6,340       | 4,475          | 3,500         | 2,475             | 571  | 3,472              |
| 2011 Q4 | 6,825       | 4,501          | 3,500         | 2,500             | 600  | 3,585              |
| 2012 Q2 | 7,053       | 4,633          | 3,603         | 2,531             | 614  | 3,687              |
| 2012 Q4 | 7,285       | 4,786          | 3,783         | 2,633             | 659  | 3,829              |
| 2013 Q2 | 7,698       | 5,057          | 3,846         | 2,676             | 692  | 3,994              |
| 2013 Q4 | 8,468       | 5,394          | 3,974         | 2,783             | 704  | 4,265              |
| 2014 Q2 | 8,612       | 5,502          | 4,054         | 2,783             | 704  | 4,331              |
| 2014 Q4 | 8,956       | 5,612          | 4,013         | 2,783             | 718  | 4,417              |
| 2015 Q2 | 9,046       | 5,612          | 4,013         | 2,783             | 732  | 4,437              |
| 2015 Q4 | 9,046       | 5,425          | 3,946         | 2,737             | 673  | 4,366              |
| 2016 Q2 | 9,046       | 5,425          | 3,920         | 2,719             | 673  | 4,357              |
| 2016 Q4 | 9,046       | 5,154          | 3,659         | 2,583             | 673  | 4,223              |
| 2017 Q2 | 9,200       | 5,154          | 3,622         | 2,583             | 707  | 4,253              |

Source: Knight Frank Research

## RECENT MARKET-LEADING RESEARCH PUBLICATIONS



The Wealth Report - 2017



The Rural Report - Spring 2017



Edinburgh City Index - Q2 2017



Prime Scottish Index - Q2 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)      | 142    | 31%             |
| Oilseed rape (£/t)   | 300    | 11%             |
| Beef (p/kg dw)       | 377    | 12%             |
| Lamb (p/kg dw)       | 488    | 23%             |
| Milk (p/litre)       | 26.8   | 31%             |
| <b>Input prices</b>  |        |                 |
| Red diesel (p/litre) | 51     | 11%             |
| Oil (£/bbl)          | 35     | 10%             |

For more detailed information on the issues affecting UK landowners and farmers, including the latest on agricultural commodity and input markets, please visit our blog [www.knightfrankblog.com/ruralbulletin](http://www.knightfrankblog.com/ruralbulletin)

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

### RESIDENTIAL RESEARCH

**Andrew Shirley**  
Head of Rural Research  
+44 20 7167 2498  
[andrew.shirley@knightfrank.com](mailto:andrew.shirley@knightfrank.com)

### FARM SALES

**Tom Stewart-Moore**  
+44 131 222 9600  
[tom.stewart-moore@knightfrank.com](mailto:tom.stewart-moore@knightfrank.com)

### ESTATE SALES

**Ran Morgan**  
+44 131 222 9600  
[ran.morgan@knightfrank.com](mailto:ran.morgan@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.