THE RURAL REPORT
A unique guide to the issues that matter to landowners

Issues and insights
Challenges and opportunities for landowners

Property markets
Our latest research and analysis

Working for you
Adding value for our clients
In the last edition of *The Rural Report* we asked the question: should we stay or should we go? On June 24 we got the answer. The country spoke and the country said it wanted to go. Many were surprised at the outcome, but with our new Prime Minister firmly of the view that “Brexit means Brexit”, we now have to grasp the opportunities and overcome the challenges that leaving the EU will present.

Over the following pages we speak to influential industry figures and look at some of the key implications of Brexit, including its potential impact on the value of agricultural land, as well as sharing the fascinating results of our latest Rural Sentiment Survey.

During such a time of change, innovative and forward-looking businesses, particularly those with the support of innovative and forward-thinking partners, will prosper.

Earlier this year we identified an opportunity to better explain the identity and role of our Rural Consultancy department; we wanted a mantra that explained concisely why so many rural property owners choose Knight Frank to be their partner. We needed just six words: contemporary thinking for the modern estate.

This edition of *The Rural Report* offers a glimpse of how Knight Frank really does offer contemporary thinking and solutions for the modern estate, or indeed any type of rural property owner, whatever their ambitions.

Please do get in touch to find out more.
A GUIDE TO THE CHALLENGES AND OPPORTUNITIES FACING RURAL LANDOWNERS

ISSUES & INSIGHTS

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INTERVIEW
NFU President Meurig Raymond

MY VIEW
Industry experts share their Brexit hopes, fears and advice
Brexit – a brave new world

Andrew Shirley, Knight Frank’s Head of Rural Research, looks at the implications of Brexit for farming and shares some of the results of our latest Rural Sentiment Survey

Once again the polls got it wrong. Even those who had campaigned hardest to leave the EU seemed surprised when it became clear in the early hours of June 24 that the UK had been persuaded to turn its back on Brussels. While some clinge to the hope of a second referendum, the new Prime Minister Theresa May insists that “Brexit means Brexit”. A good sound bite, but in terms of policy direction, about as revealing as an orange croissant-esque “soft” Brexit, or the full English “hard” version demanded by many “leavers”?

Which it chooses will very much depend on whether it views Brexit as an opportunity to look outwards and become a major player on the global stage, or whether it wants to prioritise safeguarding its existing links with the EU, which accounts for just under 50% of total exports, but 61% of agricultural exports.

Given the complexities of trade negotiations, the one certainty is that this will not be a quick process, taking many years, if not decades, to fully resolve.

When it comes to direct payments, the Chancellor Philip Hammond may have steered some nerves by committing to match Pillar 1 and 2 subsidies up to 2020, but environmental groups are lining up to demand that future support payments be linked much more closely to the delivery of environmental benefits. Given that DEFRA has long harboured a dislike of direct subsidies, it is likely to be sympathetic to this view.

An insurance-based replacement is apparently also under consideration.

In the short-term, the boost in innovation and productivity that a cut in subsidies would bring will be one of the most contentious issues Mrs May has to deal with, given the prominent role controlling immigration played in the referendum. Many businesses rely on EU labour, which, according to some estimates, accounts for 22.37% or 6% of the UK’s agricultural labour force, with most of whom come from Europe. Some East Anglian businesses are already reporting difficulties finding enough temporary staff following the referendum. Access to labour will be one of the most contentious issues Mrs May has to deal with, given the prominent role controlling immigration played in the referendum. Many businesses rely on EU labour, which, according to some estimates, accounts for 22.37% or 6% of the UK’s agricultural labour force, with most of whom come from Europe. Some East Anglian businesses are already reporting difficulties finding enough temporary staff following the referendum.

Issued and Insights

UK civil servants with trade negotiation experience -15% 12-month drop in value of £ against $ and € £358m Beef exports from UK in 2015 76% UK self-sufficiency in indigenous foods 30

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For the full results of the Knight Frank Rural Sentiment Survey please email andrew.shirley@knightfrank.com
The Negotiator

Andrew Shirley asks NFU President Meurig Raymond how the discussions with government that will define the future of the UK’s farmers and landowners post Brexit are shaping up.

There hasn’t been much white space in Meurig Raymond’s diary since the results of the EU referendum were declared on June 24.

“I was surprised, then slightly dismayed and then all of a sudden realised my life was about to change dramatically,” he says, recalling that moment.

Since then, not only has the NFU embarked on the biggest “conversation” ever with its 48,000 members to find out their vision for the industry outside the EU, but Mr Raymond and his fellow office holders have been stalking Westminster’s corridors of power even more relentlessly than usual to ensure the voice of farming is heard above the mounting Brexit hullabaloo.

I ask how Mr Raymond is coping with the responsibility. After all, this is certainly the biggest issue any NFU President has had to deal with since the debate over 40 years ago about whether we should join the European Community.

“It wasn’t plain sailing to get the Treasury to change its principles and support farming to the tune of £3bn a year. It marks a big shift in attitude considering the government’s position on CAP reform has always been that direct subsidies should be reduced significantly.”

Crucially, explains Mr Raymond, it buys the NFU and other lobby groups more time to fine tune their blueprint for a domestic agricultural policy to replace CAP. This is allowing them to focus on now tackling the most immediate Brexit-related issues confronting the food and farming industry.

“The really urgent things we need to resolve are access to labour and trade,” he emphasises.

Retaining tariff-free access to the EU single market is vital for the UK’s farmers says Mr Raymond, as is keeping the ability to recruit workers from the EU. “And it’s not just seasonal workers, many full-time staff are also employed, especially in the food-processing industry,” he stresses.

But, I point out, free movement of labour is likely to be the price the EU demands for free trade – and that’s a price that many of those who voted “leave” regard as a red line that can’t be crossed. Can the circle actually be squared?

“I don’t underestimate the difficulty, but we have to make the economic case and remove the emotion from the debate,” he says. However, when I wonder if any big solutions to these big issues are starting to emerge within government and the civil service yet, Mr Raymond is blunt. “None whatsoever.”

The NFU is well placed to help fill this “vacuum”, he claims. “The fact that we conducted such a large consultation of our members carries a lot of weight with government.”

Of course, farming and landowning groups aren’t the only lobbyists trying to influence the future of the British countryside – organisations like the National Trust and RSPB are making their voices heard, too. The National Trust has already stated provocatively that all subsidy payments should be based on the delivery of environmental benefits.

“It’s a view that will find a sympathetic ear among many politicians. In one of her first major policy announcements, DEFRA Secretary Andrea Leadsom suggested clearly that farmers will have to do more to protect the environment once the UK leaves the EU.

I put it to Mr Raymond that there is a real danger that charities with millions of members, many of whom are motivated voters, will simply drown out the voice of farming.

He admits to being frustrated that many detractors don’t seem to recognise the significant environmental benefits agriculture has delivered over the past decade, but assures me Mrs Leadsom is equally sympathetic to his argument that profitable farming is what delivers the best environmental outcomes. “It’s up to us to put forward credible policies in the months ahead. It will be a challenge to us all.”

When I ask what the consequences of losing the debate would be, Mr Raymond tellingly chooses to address the wider impact beyond his members’ livelihoods. “We’ll export a lot of our production overseas where environmental standards may not be so high, imports will rise and the balance of payments will suffer, all at a time when the public wants to see more British food on their plates.”

Winning the argument with government will largely depend on winning the argument with the public. I don’t predict many gaps in Mr Raymond’s diary, or even his successors’, for some time to come.
Farmers and the wider rural economy will be reassured by the Treasury’s pledge to continue farm payments at current levels up to 2020. This was the most urgent commitment we asked of government following the vote for Brexit. Now we must focus on developing a world-leading UK Food, Farming and Environmental policy ready to begin in 2021. This is our opportunity to pull together with government to create a new framework that better supports farm business resilience and rural economic growth, as well as food security and environmental improvements. This summer, our series of CLA New Opportunities papers has set out specific commitments that government must make on direct support, trade, regulations and labour. We continue to meet with the government, both ministers and civil servants, to discuss these themes and secure support for the future of farming, land management and rural businesses.

As a conviction remainer, who views the creation of the European Union as the greatest historical/political achievement of our hemisphere since 1945, my hope is that Brexit can be seen as the opportunity for further adaption of the EU and a UK general election fought around continued membership. My fear is that the only workable economic strategy upon leaving the EU single market is for the UK to adopt an ultra-liberal trade stance. However, this would expose large sections of UK farming and rural communities, particularly those associated with grazing livestock and marginal arable, to highly-destructive competition with dire social and environmental impacts. My advice therefore is to build a well-supported and chaired committee of inquiry into the agricultural/rural-consequences of the policy choices ahead so that decision goes into the next bout of political decision making rather better informed than the shambles of the referendum campaign.

With Brexit, the UK has the opportunity to expand its influence as a major player in global trade and unlock a new era of innovation and agricultural productivity. But for the UK to take advantage of these opportunities it has to decide where its priorities lie. For New Zealand, pursuing an independent, open trade strategy with the rest of the world has benefited our economy considerably over the past three decades. How the government supports farming after 2020 will also be crucial. When we removed subsidies in the 1980s and started to liberalise our trading relationships, it was initially unpopular and tough, but since then productivity has doubled in some sectors, and no one wants to go back. I’m not suggesting the UK removes subsidies in one fell swoop as we did – the economic situation is very different – but in our experience greater funding for technological R & D and skill development, rather than direct support, boost productivity and ultimately international competitiveness.

The result of the referendum will obviously have implications for agriculture in the UK, however at the current time the policy makers are yet to decide the operating structure of the industry post EU exit. Despite this uncertainty, the government’s welcome pledge to pay farmers the equivalent of their EU support cheques up to 2020 provides valuable breathing space for businesses to closely examine their balance sheets and prepare for what lies ahead. Barclays has been supporting clients for over 125 years, throughout that time we have seen many periods of change and uncertainty. The resilience of the sector has demonstrated time and time again, individual businesses will make decisions on core production, diversification & adding value to just the same way as they always have. Barclays will continue to support requests for funding when it is clearly the right direction for the individual business to take. In out of the EU we remain committed to the sector.

The outcome of the referendum is an opportunity to fundamentally reform agriculture policy, and to reorient it around supporting environmental land management and the promotion of more sustainable farming methods. Through the recent State of Nature Report, we can see a clear link between the direction of agricultural policy and the decline of over half the UK’s wildlife. However, we have a government ambitious enough to want to restore biodiversity within the next 25 years, so the time is right to change the system so we can deliver both nature and agriculture. This work must sit alongside steps to improve the way the market works for farmers and the environment to ensure that farmers get a fair return for their produce. Areas such as trade policy, which have been EU competencies for over 40 years, will now come back to the UK. What sort of arrangement we come to with the European Single Market, and how tariffs are applied for not will have a major impact on farming, and therefore on nature. What is clear though is that this is something we all have a stake in, these decisions will affect us all. The food we eat, the water we drink, the air we breathe and the quality of life we enjoy for years to come.

In the short term all retailers will be focusing on delivering value. Whilst they had hedged currency in advance of the referendum, there will shortly be upward pressure on costs from the devaluation of the pound combined with other increases from the national living wage and apprenticeship levy. However, the market remains just as competitive which means consumers want value and passing on increased costs is extremely difficult. Our supply chain is rooted in the UK so it is important future government support drives a competitive, efficient and consumer-focused farming sector. However, we will focus most of our work on the future trade deals that will be key to ensuring a stable and competitive supply chain. As Europe is our key trading partner our immediate priority is no new tariffs on trade with the EU. In the longer term, more progressive trade deals with the rest of the world will open up opportunities for both UK retailers and farmers.
LIFE AFTER THE EU
Latest market research and analysis

REGIONAL ROUND-UP
The farmland market around the UK

MARKET FOCUS
Country house rentals, luxury London residential and Zambian farmland

In this section
With or without EU
How is the market for farms and estates in the UK shaping up in the immediate aftermath of the historic vote to leave the European Union and what are the longer-term prospects?

Clive Hopkins
Head of Farms & Estates

The level of hubris generated by both sides of the referendum debate in the run-up to the poll on 23 June suggested that if the UK did vote to leave the EU then markets of all descriptions were bound to react strongly.

Well, we did vote to leave, but to date the impact on farmland values has been far from dramatic. According to the latest installment of Knight Frank’s Farmland Index, the average value of bare agricultural land in England and Wales fell by just 1.3% in the third quarter of 2016 to £7,672/acre. This was the lowest three-month drop since prices started to slide at the end of 2015. Over the past 12 months the index has dropped by 8%. Some of that fall could be attributed to concerns about a potential Brexit, but the ongoing slump in agricultural commodity markets is the main factor that has taken the heat out of the market.

As with all major political events, the EU referendum did have an impact on market activity in the preceding months, both in terms of the amount of land being put up for sale publicly and bids from potential buyers. Once the result was known, even though it was not the outcome many expected, we saw the majority of the deals that had been put on hold being wrapped up quickly. The slide in the value of sterling against most currencies in the aftermath of the referendum has also had a positive impact. As an example, the price of farmland has dropped by 22% in US dollar terms over the past 12 months, making now an attractive time to buy for overseas individuals or investors. What surprised me was how quickly this sparked interest – we literally had potential buyers from around the world phoning us up just hours after the result was declared. Now that it is clear the world isn’t collapsing and for the first time in several years we have no major elections or referendums ahead of us, a lot of the hesitant vendors we have been talking to over the course of the year have decided that there seems little point in delaying a sale.

Since the summer we have launched over £440m of rural property ranging from large blocks of land of interest to investors in the Cotswolds (pictured above) and Essex to a unique conservation estate on the Norfolk Broads. In my mind this autumn crop of farms and estates was always going to be the first real post-referendum test of the market – if the phones stayed silent then maybe Brexit was going to have an effect after all. That, however, hasn’t been the case and we have had strong interest from buyers based both in the UK and abroad. It would of course be wrong to claim that we are in the midst of a one-track market. Regional and local variations are greater than they have ever been and buyers are very sensitive to overly ambitious guide prices. Better to be realistic and generate competition than kick off a marketing campaign with a false start that it may be difficult to recover from.

To avoid the risk of this happening the number of private sales is increasing – the logic being that it is easier to test the market away from the glare of publicity. Where there is a known pool of potential buyers interested in the kind of property being offered, this approach can work well, but you always run the risk of missing the unknown buyer. It can also take away some of the impact if the farm is subsequently launched on the open market.

Long term trends
Looking further forward, some might argue that the farmland market will only react properly when the UK actually leaves the EU – until then at least farmers are still being supported by the Common Agricultural Policy. But making any kind of predictions as to what will happen then is difficult as we have very little idea what kind of support agriculture will get from the government post-Brexit, or what trade deals will be struck with the EU and the rest of the world. Much will depend on supply and demand – if lots of farmers call it a day, either voluntarily or following a nudge from their bank manager, prices could come under more pressure.

There are no real precedents to suggest how likely that would be, but an extreme example would be New Zealand. In 1984 farm support was almost completely withdrawn and the country embarked on a period of trade liberalisation. Despite the shock, just 1% of the country’s farmers went out of business immediately and in the following decades producer numbers have dropped by only 5%. Land values did dip, but by 1990 were rising again sharply. On average, the price of land in New Zealand has risen around 8% per annum over the past 30 years, according to bank ANZ.

It seems highly unlikely that farmers in the UK will face anything nearly as drastic as their New Zealand counterparts. I remain confident that the farmland market and agriculture as a whole will weather Brexit and ultimately be the stronger for it.
Regional focus

Knight Frank's rural property experts offer a detailed insight into selected regional farmland markets across the UK.

West of England and Wales

There continues to be a huge variety in the price being paid for land in the Cotswolds and Three Counties region. In Gloucestershire, for example, Grade 3 brash land sold on the open market recently has made from £7,000/acre to £16,000/acre. The highest results are achieved when local landowners in an expansionist mood compete against farmers with rollover funds that need to be spent. However, in some areas such as Herefordshire, some farmers now see investing in their existing units as the better option unless the land for sale directly borders their holding. For much of this year there has been an imbalance between vendor and purchaser expectations, but people are now starting to meet in the middle. Properties most in demand are 400 to 500-acre well-equipped arable units with some form of diversified income or development potential, but no significant residential element. Although people aren't complacent about low commodity prices or Brexit, low interest rates and the tax benefits of owning agricultural land are helping to put a floor in the market. We are seeing more conservative bidding for pure pasture units with a large house at the moment.

East Anglia

Given that the east of England is the arable heartland of the UK, it might have been expected that the uncertainty surrounding Brexit would have caused land prices to dip. So far, however, that hasn't happened and the vote actually unlocked some of the paralysis that was stalling some sales, although more deals are being conducted privately. Prices have undoubtedly peaked following extremely strong growth in 2014 and the first half of 2015, but this happened prior to the EU referendum and was largely driven by the extended period of low cereal prices that we are still seeing now. In terms of total farm income, subsidies, while still significant, account for a relatively small proportion (29%) in the east compared with other parts of the UK. This, combined with a notable shortage of farms and land on the market, should help to keep prices steady. Prices of £12,000/acre are still being achieved, although sensible guide prices of around £8,000/acre are crucial to stimulate interest. Investors looking for long-term stable assets are still in the market – we've had a lot of interest in a 2,050-acre diversified portfolio we are selling in Essex. There are also buyers with significant rollover funds looking for land, as well as those from overseas keen to take advantage of the drop in the value of sterling.

Southern UK Farmland values (£/acre)

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| Typically UK Farmland value (£/acre)

*Typical UK Farmland value*
Rural Property Markets

Country house rentals

EDWARD PAGE, COUNTRY HOUSE CONSULTANCY

The lettings market for larger country houses is a narrow one and therefore less easy to compare with other indices and statistics. However, where certain factors collide, market activity can often be extremely strong. A combination of underpopulation in many good deal areas results in strong demand for a lifestyle that can only be obtained in the country. The affluent buyer prefers to purchase a lifestyle and to be able to walk from home to the nearest shops, schools and medical facilities. This makes the market for larger, prestigious country houses particularly strong. The market for smaller houses is much more fragmented, with many individual local markets and it is often difficult to compare like with like across different parts of the country. While the demand for large houses is strong, the supply is limited and, as a result, prices are often high. The market for larger houses is therefore particularly strong, with many new and existing houses being sold for over £1 million. This is a result of a combination of factors, including strong demand from overseas buyers, a lack of new houses being built, and the limited availability of larger houses in the market. The demand for larger houses is also driven by the fact that they are often located in areas with good schools and other amenities. This makes them popular with families who are looking for a more rural lifestyle. In the past, the demand for larger houses has been driven by the desire of families to move to the country and to be able to walk from home to the nearest shops, schools and medical facilities. However, the demand for larger houses is now driven by a combination of factors, including the desire for a more rural lifestyle, the desire for larger houses in areas with good schools and other amenities, and the desire for larger houses in areas with good schools and other amenities.
HOW WE HELP OUR CLIENTS ADD VALUE TO THEIR PROPERTIES

WORKING FOR YOU

HOW WE HELP OUR CLIENTS ADD VALUE TO THEIR PROPERTIES

CLIENT CASE STUDY
Energising an historic estate

SERVICE LINE FOCUS
Our mapping team opens up

CONTEMPORARY THINKING
How Knight Frank’s forward-looking advice benefits clients

DEAR TOM
Our Head of Country Valuations answers common tax queries
The Raynham Estate in north Norfolk is steeped in history and since the 1560s has been a part of the Townshend family, which has always had its roots in agriculture and stewardship of the land. Over the centuries, it has also produced numerous high-ranking politicians and soldiers. But the estate’s greatest son is best known for his association with a humble root vegetable. Charles “Turnip” Townshend, the 2nd Viscount Townshend, revolutionised agriculture by creating a four-course crop rotation featuring for the first time clover and turnips. This allowed animals to be fed over winter and also provided vital nitrogen-fixing qualities to the soil that improved fertility.

As a result of this and other improvements, wheat exports from the UK increased nine-fold between 1705 and 1765.

Nine generations later and the Raynham Estate is at the forefront of another new agricultural revolution. Spearheaded by the current Viscount Raynham, who will one day become the ninth Marquess Townshend (the fourth of his grandfather in 2010, however it wasn’t all plain sailing to begin with. “As is the case with a lot of landed estates, there were quite a few complicated succession issues to resolve, but with the help of some newly appointed professional trustees and Knight Frank’s strategic estate management team, we have managed to work through them,” explains Tom.

“Succession planning is one of the biggest issues for many of the estates we deal with,” confirms James Del Mar, Knight Frank’s Head of Rural Consultancy. “Understandably, people don’t want to dwell on what will happen when they pass on, but we do find that once a proper plan is in place most of our clients feel a great weight has been lifted from their shoulders.”

Earlier this year Tom decided the time was right to return home, having spent 15 years as a land agent. He is now CEO of the Raynham Estate, overseeing all newly appointed professional trustees

The estate so I wanted to be here to steer new ventures, allowing his father and stepmother to focus on running the family seat, Raynham Hall.

To the passer by driving through the narrow lanes that crisscross the 5,500-acre estate, it would be easy to miss the revolution taking place at Raynham, but closer inspection reveals an array of cutting-edge renewable energy technology hidden away behind its neatly trimmed hedges and verges. Covering around 225 acres of the former RAF West Raynham airbase, which was adroitly repurchased from the MOD by Tom’s grandfather under Crichel Down rules, is one of the UK’s largest solar farms.

Usually these glistening lakes of glass are highly controversial, but the scheme didn’t receive one objection, says Tom. “We are lucky because there is minimal visual impact due to the lay of the land. A proportion of the income goes into a community fund – it’s a really good habitat for birds and insects, and as it’s classified as a brownfield site we’re not sacrificing productive agricultural land.”

Funding such a large venture would have been highly risky for the estate so the land was leased to a specialist developer. “It’s a hugely complicated area involving very significant long-term revenue streams and implications for the estate”, says Edward Holloway, a renewable energy expert at Knight Frank, who helped broker the deal. “Just a few years ago such agreements didn’t exist, and there are many things that need to be considered including what will happen when the site comes to the end of its life decades into the future. As estates increasingly venture into new areas, the right advice will be crucial.”

But it’s not the many thousands of panels, however impressive, that really excite Tom. It’s when he starts talking about the opportunities presented by the estate’s state-of-the-art, gas-to-grid AD plant that his eyes really begin to light up.

For many, renewable energy is simply an additional income stream, but the Raynham anaerobic digester, which pumps over 550 cubic metres of gas into the national grid per hour, lies at the heart of an ambitious plan.

Tom, as the Viscount prefers to be known, first began to take a more active role in the estate following the death of his grandfather in 2010, however it wasn’t all plain sailing to begin with. “As in the case with a lot of landed estates, there were quite a few complicated succession issues to resolve, but with the help of some newly appointed professional trustees and Knight Frank’s strategic estate management team, we have managed to work through them,” explains Tom.

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Generation games

Knight Frank’s innovative and forward-looking approach to estate management is helping an entrepreneurial East Anglian landowner to adapt and prosper in the 21st century. Andrew Shirley finds out more...
I really want what we do here to benefit the local community, not just ourselves and our visitors.

Tom Raynham

that Tom hopes will benefit the estate’s entire farming operation, much as his illustrious forebear’s new innovations did 300 or so years ago.

Unlike some AD schemes, all of the plant’s feedstock is produced on the estate and is designed to complement a low-tillage, soil-friendly rotation. “I like to see diversity and prefer not to plough,” says Tom. It is currently fed a mixture of whole-crop rye and sugar-beet pulp and will soon also take chicken manure from the Raynham broiler chicken enterprise on the same site – another significant diversified business for the estate producing birds for the Hook2Sisters food group. The next stage of the project is to install a ring main around the estate and is designed to complement the long-term vision of the estate and to help set up the right structures and agreements with any partners involved to maximise the benefits of new ventures while mitigating their risks.”

As custodian of this great property, Tom admits he does feel the responsibility keenly. “I really want what we do here to benefit the local community, not just ourselves and our visitors. We’ve lost most of the local pubs and village shops so there is a real need for something that will create employment and allow people to get together and enjoy themselves.”

After some tough talking, Tom has already negotiated a high-speed fibre broadband connection that is crucial to his plans for maximising the estate’s potential. “broadband here is pretty non-existent at the moment”, but will also be shared with residents via a local network.

Tom is writing his own chapter of Raynham’s history and it’s one he is keen to share with the rest of the world. “Turnip” Townsend would approve.

We want to know you better

I have been working within the mapping and GIS industry for many years, with experience in the utility, leisure, land and property sectors, including spells at British Gas Transco, British Waterways, Gloucestershire County Council and, for the past nine years, as Knight Frank’s Head of Mapping.

My colleague Chris Wright did his Master’s Degree in Geographical Information Management at Cranfield University. Before joining Knight Frank nine years ago, Chris spent 18 months working as a consultant to the Foreign and Commonwealth Office providing alternative uses; and creating tree-house style accommodation in some of the estate’s woodland.

“Around two million cars drive by us every year on their way to the coast, but relative to some of the other local estates like Sandringham we’re not that well known, so there is huge potential.”

All of this entrepreneurialism makes the role of strategic advisor extremely exciting, says James. “It is very rewarding to work with estates like Raynham where there is a new generation at the helm. Our job is to work with the family to ensure any new ideas complement the long-term vision of the estate and to help set up the right structures and agreements with any partners involved to maximise the benefits of new ventures while mitigating their risks.”

“Of course, such benefits come with a price tag and the project has required significant capital investment. But again risk has been mitigated by involving a carefully selected commercial partner who has contributed half of the costs. This partnership approach extends to the second stage of Tom’s diversification plans for the estate, which revolves around making the most of its retail, leisure and let property potential. “We’re working closely with different partners who will not only help share the risk, but also bring their own knowledge and skills. It is important to know one’s limitations and we are certainly not experts at everything.”

The plans include creating a new brand identity for the estate, revitalising its abandoned four-acre walled garden into a retail and events venue, complete with farm shop (selling meat from the estate’s beef cattle), pub, microbrewery, children’s play area, and a 600-seat amphitheatre; renovating traditional farm buildings with the help of apprentice craftsmen to then maps and training local NGO staff in Afghanistan, which he found very interesting and rewarding, while at the same time ever so slightly scary.

What keeps you busy?

The majority of our time is spent supporting the various business needs of the wider firm, which predominately involves sales and legal plans, but also strategic and day-to-day management plans. The rest of our time is split between preparing various bespoke plans for our own clients; undertaking site surveys where required and setting clients up with the right software, data and training to meet their own estate and farm business needs.

Who do you help?

We help anybody involved with the sale, acquisition and management of land and property, which in addition to all the various sectors within Knight Frank, includes private clients, charities, institutions, local authorities, solicitors, bankers and other agents.

Most rewarding job?

It is very difficult to pick just one, as each job brings its own set of challenges and rewards. However, it is always satisfying to hear that our plans can, and often do, make a difference in helping our clients achieve their own particular business needs – sometimes even uncovering land they didn’t know they owned. But if I had to pick one type of rewarding instruction, it would probably be providing a full suite of plans for a client’s estate with the on-going management of the data. This always ensures the client has everything they need to meet the demands of the modern estate.

What don’t we know?

Despite it affecting many landowners, few people have heard of the Positional Accuracy Improvement (PAI) programme that the Ordnance Survey (OS) undertook over 10 years ago! Completed in 2006, all rural mapping data (0.2,300 scale) was resurveyed to a greater degree of absolute accuracy to improve the mapping data for rural areas. This resulted in features shifting (albeit on OS mapping – as they don’t move on the ground!) by as much as eight to nine metres, with the average being 1,9m, according to the OS.

Unfortunately, many people are still relying on older mapping data to prepare plans and this can have an adverse impact when calculating accurate acreages, not to mention the general accuracy of the new plan itself. It also gets more complicated when reviewing and compiling multiple Land Registry titles based on the older OS data, when comparing them to the latest more accurate OS data – they often do not match up, leading to potential confusion in the wrong hands. If in doubt, please do ask us for assistance – we would be delighted to help.

We need to know you better.

I am really excited,” says Tom. “It is a low-tillage, soil-friendly rotation.

The plans include creating a new brand identity for the estate, revitalising its abandoned four-acre walled garden into a retail and events venue, complete with farm shop (selling meat from the estate’s beef cattle), pub, microbrewery, children’s play area, and a 600-seat amphitheatre; renovating traditional farm buildings with the help of apprentice craftsmen to then improve the mapping data for rural areas. This resulted in features shifting (albeit on OS mapping – as they don’t move on the ground!) by as much as eight to nine metres, with the average being 1,9m, according to the OS.

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Where can we find you?

michael.mccullough@knightfrank.com

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Where can we find you?

michael.mccullough@knightfrank.com

chris.wright@knightfrank.com

Michael McCullough

Head of Knight Frank’s specialist rural mapping team, unfolds for The Rural Report

60 seconds with... 

Michael McCullough

Loves it when a plan comes together...

Chris Wright

Relishes a tough assignment...
Contemporary thinking for the modern estate

Innovative thinking is helping Knight Frank’s clients, whether private or institutional, to make the most of their rural properties

Tenancy renegotiations to help landlord and tenant

JAMES SHEPHERD, BISHOP’S STORTFORD RURAL CONSULTANCY

Landowners and tenants often feel stymied by seemingly inflexible or restrictive tenancy terms, but with a pro-active approach and a thorough understanding of the relevant legislation, relationships can be developed and solutions found to realise goals for both parties.

A vital part of my day-to-day role for remote landlords, as their representative, is to engage with tenants while keeping a close eye on the estates’ objectives. It is my experience (after doing a little listening) that tenants often have ambitions aligning with their landlords, and are prepared to work in partnership to achieve a particular goal, and vice versa.

Recently, due to the ongoing commodity price slump, I have had numerous conversations with tenants who are seeking to reduce their costs and are closely scrutinising the rents they pay for their holdings. While they may well be sympathetic, any reduction in rent is obviously undesirable for a landlord; but it is possible to find a compromise. At a recent review I handled for a landowner, we kept the rent for their holding fixed at the same level (despite market evidence suggesting a reduction would otherwise be justified). This was while improving asset value, reducing landowner’s liabilities and improving the tenant’s resilience to future commodity price fluctuations.

In return for the fixed rent, I advised the landowner to allow, and encourage, their tenant to improve and sub-let two dilapidated farm buildings for uses compatible with the farmyard and estate. The buildings were no longer suitable for modern agricultural use and were soon going to pose an unacceptable health and safety liability for the landlord, who unfortunately held the repairing obligation for their structure.

Such improvement and sub-letting was not permitted in the tenancy agreement, and the nuances of the relevant governing legislation meant careful consideration and close dialogue with the tenant from the outset was required. Matters such as end of tenancy compensation and planning permission had to be dealt with. In this case the tenant was prepared to undertake all improvements, and seek planning permission, at their own cost. Compensation from the landlord was capped at a nominal sum, providing the tenant was permitted to keep all income from sub-letting for a period of three years.

The result in the above instance was exceptionally convenient; however, how the matter was dealt with was particularly pleasing and is where I believe most value was given to our client. A solid, working landlord and tenant relationship arose from dealing with a potentially contentious matter in the right way – devoid of traditional, restrictive and sometimes lazy land agency tactics.

Estate restructuring and profitable partnerships

EDWARD DIXON, BRISTOL RURAL CONSULTANCY

When it comes to modern estate management there is no such thing as a “normal” client or a “one-size-fits-all” strategic plan. Every owner has different aims, ambitions and areas of expertise and often these will revolve around one specific aspect of an estate. For example, I act for a number of water companies whose main aim is to ensure a reliable and safe supply to their customers from the reservoirs on their estates. They do not want to farm the surrounding land or woodland, or be exposed to the vagaries of global commodity markets themselves, but clearly maintaining the integrity of the reservoirs’ catchment area is of paramount importance. Our role has been to establish innovative agreements or joint ventures with appropriate organisations, often charities and public-sector environmental bodies, that can act as long-term partners and custodians of the land.

We are also helping institutional clients to rebalance the property and tenure mix of their agricultural portfolios. A large, traditional estate often has many buildings or farmsteads that no longer fit in with modern farming methods, while the small size of some let farms means they struggle to remain viable. We have overseen the sensitive residential conversion of six farmyards for one client, while amalgamating a number of farms let under Agricultural Holding Act tenancies into larger, more cost-effective Farm Business Tenancies.

Country house maintenance, saving money and mitigating risk

OWEN MARSDEN, RESIDENTIAL BUILDING CONSULTANCY

Helping to manage the creation of stunning new properties is perhaps the most visible aspect of my job, but ensuring existing ones don’t become...
Making the best of Compulsory Purchase

TIM BROOMHEAD, CPO AND COMPENSATION

Having their land or farm acquired compulsorily can be a devastating experience for landowners, but once the initial shock has passed a good advisor will not only negotiate and secure the best compensation payment possible, but will also work out the long-term implications for the property owner. HS2, the UK's most extensive infrastructure project in living memory, has given us ample opportunity to do just that as we are currently representing over 450 affected owners. In some cases we are helping clients to swallow a very bitter pill and look at HS2 as an opportunity, not a threat. Their compensation will be used to restructure a business or enable one generation to hand over to the next. If compensation is “rolled over” into a qualifying asset within a certain period it is free of tax.

Dear Tom...

Tom Barrow, Knight frank’s head of country valuations, delves into his inbox to shed light on some topical tax and valuation issues of concern to rural property owners.

I currently have a company ownership of a residential property that I occupy and which is subject to the annual tax on enveloped dwellings (ATED). I understand that I could ‘de-envelope’ the property to avoid paying the tax, but what does this mean? No specific ATed reliefs are applicable.

ATED has applied since 1 April 2013 to high-value residential properties owned within a corporate ‘envelope’, whether by UK or non UK residents. Initially it applied to residential properties worth over £2m, but the threshold was subsequently dropped to £1m from 1 April 2015 and £500,000 a year later. Since 6 April 2013, ATED-related capital gains tax (CGT) has also applied on the sale of properties subject to ATED. These were rebased for CGT purposes (tax free) as at 5 April 2013. A rate of 28% CGT applies.

Given the substantial increases in tax payable under ATED, some may wish to review their existing arrangements. The ultimate question is whether holding the residential property via a company is the ideal option for the future as the inheritance tax (IHT) protection provided by company ownership will also be removed from 6 April 2017.

De-enveloping will take the property out of company ownership, thus ending any ATED charges, but it will incur the payment of Stamp Duty Land Tax (SDLT), the rate of which will depend upon the direct circumstances of the buyer. The rate could be as high as 15% if the additional-home rate of SDLT applies.

I am acquiring a farm subject to a freehold title and have been informed by my solicitors that certain rights are excluded from the title. I am concerned that these may affect my amenity and enjoyment of the property.

There is a diverse range of rights that could affect your ownership of the property. ‘An Englishman’s home is no longer his castle’ and hence it is essential to undertake full due diligence and be clear on what is being acquired and what rights your property will be subject to. The reservation of sporting rights to a third party and how they can be exercised, whether for shooting and fishing and associated management, is a particular issue. One ultimately has to take a view of how this will affect your enjoyment of the property and the lack of control subject to the rights granted. Would there be the possibility to buy out the rights and what would be the cost?

Mines and minerals are often reserved and the Minerals Local Plan should be checked to see whether the property is in an area that has reserves which are capable of being extracted subject to planning permission. This could be particularly onerous as far as noise, dust, smell and view. Do research who owns the rights and the prospect of them being exercised. Would compensation for the exercise of the rights provide any comfort?

Other third party rights could well apply such as definitive rights of way, and be aware of any prescriptive rights. Do ensure that full and detailed enquiries before contract are issued to the vendor after you have inspected the land and property.

I have acquired a property with a private water supply and subject to an obligation to provide water to residential properties in third-party ownership. What are my liabilities and obligations?

Private water supplies might be regarded as a benefit, but for many they are an onerous obligation with numerous risks. The source of the water, whether from a borehole, spring or reservoir, is the primary issue.

The Water Supply (Water Quality) Regulations 2016 and the Private Water Supplies (England) Regulations 2016 apply. Water must be tested to ensure it complies with the regulations and failure of any test opens up the requirement for remediation of any issues and improvements to satisfy the Environmental Health Department from the Local Authority.

If a Water Abstraction Licence is applicable for water abstracted in excess of 20 cu metres per day, do check the licence use, amount and term. Do ensure it is transferred to you within six months of completion. The Environment Agency will need to approve this.
### Key contacts

**Rural consultancy**

We help a wide range of clients with all aspects of rural property management. Some of our services include:

- Long-term strategic estate planning
- Day-to-day estate management
- Country house management
- Energy and Renewables
- Compulsory purchase and compensation
- Mapping and GIS solutions
- Marine property and management
- Charity property ownership advice

**Property sales and acquisitions**

We help our clients to sell or acquire all types of rural property, from investment farmland to sporting estates. Some of the reasons our clients use us include:

- Global coverage – Knight Frank’s unique international network and database of ultra-wealthy potential buyers gives our clients’ properties exposure to the widest possible audience
- Local knowledge – Our network of offices and experts across the UK and Ireland gives us first-hand insight into the nuances of regional farmland trends and values
- Market intelligence – Our rural research team produces market-leading intelligence on land values and insight into the issues affecting rural property ownership

**Building consultancy**

Whether your property is a country house or a London mansion our team can advise on all building consultancy issues. Some of our services include:

- Project management
- Renovations and improvements
- Listed buildings advice
- Building and party wall surveys
- Design and architecture
- Insurance valuations
- Expert witness

**Valuation advice**

We can provide RICS-approved valuations on all types of rural property across the UK for the following purposes:

- Sale or purchase
- Bank lending
- Matrimonial issues
- Tax issues such as IHT, CGT and ATED
- Compulsory purchase and compensation
- Company accounts

### Knight Frank can advise on all aspects of rural property ownership. Its principal service lines and the relevant contacts are listed here. Further details are available on our website at [KnightFrank.co.uk/rural](https://www.knightfrank.co.uk)