THE RURAL REPORT

A unique guide to the issues that matter to landowners

AUTUMN 2016

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Please refer to the important notice at the end of this report.

Welcome to the autumn 2016 edition of *The Rural Report*, our biannual magazine for rural property owners

In the last edition of *The Rural Report* we asked the question: should we stay or should we go?

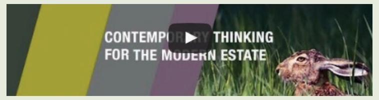
On June 24 we got the answer. The country spoke and the country said it wanted to go. Many were surprised at the outcome, but with our new Prime Minister firmly of the view that "Brexit means Brexit", we now have to grasp the opportunities and overcome the challenges that leaving the EU will present.

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.

We also released a short film to demonstrate what we do.



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.

JAMES DEL MAR
Head of Rural Consultancy

RURAL ISSUES & INSIGHTS

A GUIDE TO THE CHALLENGES AND OPPORTUNITIES FACING RURAL LANDOWNERS

In this section

Issues and insights

30 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

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 cling 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 claiming "breakfast means breakfast" – are we going to end up with a Continental croissant-esque "soft" Brexit, or the full English "hard" version demanded by many "leavers"?

Until the Conservative Party Conference the runes were ambiguous. Mrs May hadn't been afraid to slap down her Brexit-minded ministers Liam Fox, Boris Johnson and David Davies when they took too hard a line on issues such as trade, but she has now conceded that it may be difficult for the UK to remain within the single market.

She also announced that she will press the infamous button marked "Article 50", which formally fires the starting gun for the two-year race to negotiate the terms of the UK's exit, by the end of March 2017.

Phoney War

So what has Brexit meant for the UK and in particular the agricultural sector so far? The "in" and "out" camps continue to indulge in a phoney war, with each swooping on positive or negative short-term scraps of economic data to justify their cause. In reality, however, it is impossible to attribute much of what has happened solely to the referendum result.

The one unambiguous effect was the immediate slide in the value of sterling against nearly all of the world's currencies. While this may indicate a lack of confidence in the UK, it is beneficial for farmers as it has made our exports cheaper on world markets – commodity prices rebounded following the referendum – and also boosted the latest round of EU farm subsidy payments, which are set in euros, by 16.5% compared with 2015.

Longer term, farming is gearing up for the fight of its life. No other sector of the UK economy is as closely linked to Brussels as the agricultural industry. Direct support, trade and labour will be the main battle grounds that shape the future of the sector.

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 22,371 or 6% of the UK's agricultural labour force, excluding 67,000 seasonal workers, most of whom come from Europe. Some East Anglian businesses are already reporting difficulties finding enough temporary staff following the referendum.

Resurrecting the former Seasonal Agricultural Workers Scheme (SAWS) in some shape or form should partially solve the problem of seasonal labour, but a politically acceptable solution to the issue of filling longer-term roles will be trickier to find. An Australian-style points-based system, touted by some Brexiteers, has been ruled out already.

In terms of support, many farms would struggle in their current form without subsidies – they accounted for around £2.8bn or 75% of Total Income from Farming (TIFF) across the UK in 2015. Despite this, it was definitely a case of "trade not aid" when we asked those who took part in Knight Frank's latest Rural Sentiment Survey what DEFRA's Brexit priorities should be.

"Businesses should be allowed to fail in order to create a more robust modern agriculture fit for the 21st century. Too much subsidy and regulation encourage timidity and are the enemies of enterprise," was the blunt message from one respondent.

Only 26% of respondents said maintaining direct subsidies was "very important", compared with the 48% and 55% who highlighted maintaining tariff-free access to the EU and negotiating new trade agreements with non-EU countries, respectively, as crucial.

When we asked which aspects of leaving the EU were the most worrying, the results followed a similar pattern. Just over 30% of respondents said they were very concerned about a potential reduction in direct subsidy payments, but almost 41% ranked agriculture not being prioritised during Brexit and trade negotiations as a top concern.

There are various trade models that the UK could use as a template for its future relationship with the Europe and the rest of the world. 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 steadied 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.

Model farm

Farm business consultant Andersons has modelled the long-term impact of a hard (no EU trade agreement in place) and soft (single market access retained and lower cuts in direct payments) Brexit on different types of farm businesses. As the table below shows, the effect varies considerably.

Although these figures are based on a huge number of assumptions, including a drop in farmland rents, they clearly show that lowland grass enterprises, which are heavily dependent on direct subsidies and exports, and could also be vulnerable to cheaper imports from the likes of Latin America, are likely to be hardest hit. Politically, they are also less likely to attract the level of environmental and social support directed at upland units.

Over time, the boost in innovation and productivity that a cut in subsidies should encourage will hopefully help redress the drop in income – lamb productivity in New Zealand has doubled since support payments were removed in the 1980s.

But what happened next will be down to the ability and inclination of farmers and landowners to plan for, adapt to, and embrace life outside the EU.

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

Predicted business surplus 2025	Soft Brexit	Hard Brexit
Specialist dairy (p/litre)	2.7	0.6
Specialist arable (£/ha)	143	16
Mixed lowland (£/ha)	8	-169

Source: Andersons

ESTATE PLANNING FOR BREXIT

Given the number of unknowns it is almost impossible to make definite plans for Brexit yet, says James Del Mar, Knight Frank's Head of Rural Consultancy. "What I am advising my clients to do is work out how various scenarios, such as a drop in farm rents or subsidy payments, will affect them and devise strategies to mitigate the impact. It is gratifying that over 60% of our Rural Sentiment Survey respondents say they have already started to do that."

Issues and insights

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 in the first place. Arguably, it's even greater as leaving is almost certainly a one-way ticket.

"It is very challenging", he admits. "But I just have to try to stay positive and believe that I can help to deliver a policy that will offer a profitable future for food and farming, and make sure agriculture isn't sacrificed when new trade deals with the EU and other countries are being struck. Brexit also offers exciting opportunities, as well as challenges."

> "The really urgent things we need to resolve are access to labour and trade

Early indications from DEFRA ministers were encouraging, but alarm bells started to ring when agriculture was conspicuous in its absence from statements put out by other government departments like International Trade.

But the rest of government is prepared to listen, "I'm having conversations everywhere," insists Mr Raymond, who has already been bending the ear of Westminster's big hitters, including new Brexit minister David Davies, Trade Secretary Liam Fox and, perhaps most importantly, the man with the money, Chancellor Philip Hammond. "When I was talking to the Chancellor he certainly was aware of the £108bn contribution that the food and farming industry makes to the economy."

It seems that the effort is paying dividends following the announcement in August that the Treasury will pay farmers the equivalent of their EU subsidies up to 2020, even if we have left the union by then.

When I suggest it was the least that the government could offer following some of the generous pre-referendum promises made by pro-Brexit politicians like farming minister George Eustace, Mr Raymond says the commitment wasn't a foregone conclusion.

"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 for now on 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.

Issues and insights

My view

Influential figures from across the farming and landowning sector share their Brexit hopes, fears and advice

The Landowner

ROSS MURRAY
CLA President

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.

The Economist

EMERITUS PROFESSOR ALLAN BUCKWELL
Imperial College

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 avoided following further adaptation 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 that the government immediately sets up a well-supported and chaired committee of inquiry into the agricultural/rural consequences of the policy choices ahead so that Britain goes into the next bout of political decision making rather better informed than the shambles of the referendum campaign.

The Scientist

PROFESSOR IAN CRUTE, PHD, FRSB, CBE
Non-Executive Director and former Chief Scientist, Agricultural and Horticultural Development Board

In a post Brexit world, unfettered by scientifically ill-informed regulation and policies bolstering inefficiency, UK farming now has the opportunity to become the proving-ground for development and adoption of innovative products and practices that will demonstrate globally how increased productivity and environmental sustainability can go hand-in-hand. However, the acquisition and application of scientific knowledge on which innovation in agriculture is founded is a global venture. This demands the ready exchange of ideas, information, materials and, most importantly, talented people. The UK farming industry should insist that our funders and providers of research do whatever it takes to ensure they are well tuned-in to this international action, and will continue to both pay their dues to the "club" and play a leading part in its future direction.

The Former Trade Minister

SIR LOCKWOOD SMITH
New Zealand High Commissioner, London

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, does boost productivity and ultimately international competitiveness.

The Banker

MARK SUTHERN
Head of Agriculture, Barclays

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 325 years, throughout that time we have seen many periods of change and uncertainty. The resilience of the sector has been demonstrated time and time again, individual businesses will make decisions on core production, diversification & adding value in 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 or out of the EU we remain committed to the sector.

The Scottish landowner

DAVID JOHNSTONE
Chairman of Scottish Land & Estates

There is nowhere where Brexit will be more significantly felt than across our rural economies; leaving the European Union presents substantial challenges, but also new opportunities. We believe we have a chance to create a world leading food, farming and environmental policy and have been working with our counterpart, the CLA in England and Wales, to plan what rural businesses need from Brexit. Our recent policy focus has been on direct support, trade, regulation and the labour market. However, we are only at the start of a very wide debate. Many stakeholders will want a shift in support from farming towards environmental concerns. Brexit will also bring challenges for how the devolved nations fit into an overarching framework, which currently exists with the EU. There are plenty of questions presently – and there is much to be pondered before we find the answers.

The Conservationist

MARTIN HARPER
RSPB Director for Conservation

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 (or 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.

The Retailer

ANDREW OPIE
BRITISH RETAIL CONSORTIUM

In the short term all retailers will be focusing on delivering value. Whilst they 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 any increased costs on 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.

80,000

PAGES OF UK LEGISLATION DERIVED FROM EU

RURAL PROPERTY MARKETS

CHANGING VALUES AND FUTURE OUTLOOK

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

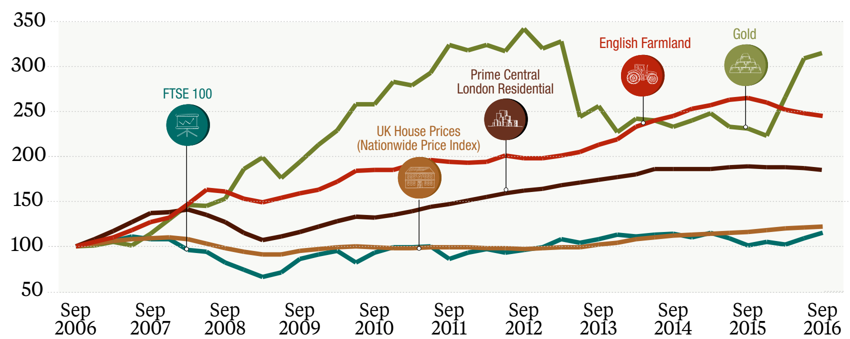
The level of hubris generated by both sides of the referendum debate in the run up to the poll on 23 June suggested that if the UK did vote to leave the EU then markets of all descriptions were bound to react strongly.

Well, we did vote to leave, but to date the impact on farmland values has been far from dramatic. According to the latest instalment 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 stared 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 and caused it to pause for breath. Land prices rose by 8% in the 12 months to September 2015, so in effect we are now back to the levels seen two years ago.

Overall, the average value of land is 145% higher than it was 10 years ago, which is a significantly better performance than most other major asset classes.

Capital values – How farmland has performed against other investment and property classes
Index 100=September 2006



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 21% 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 £140m 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

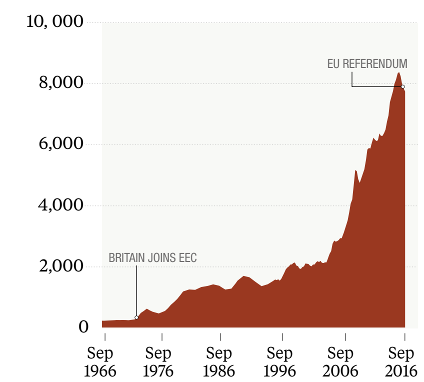
Looking further forward, some might argue that the farmland market will only react properly when the UK actually leaves the EU – until then at least farmers are still being supported by the Common Agricultural Policy.

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%.

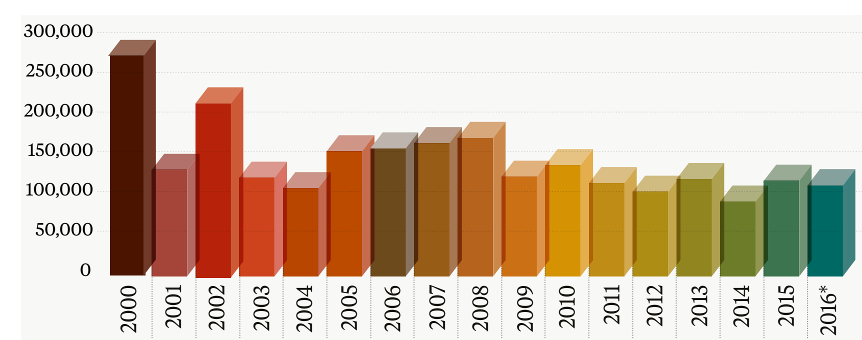
Land values did dip, but by 1990 were rising again sharply. On average, the price of land in New Zealand has risen around 8% per annum over the past 30 years, according to bank ANZ.

The long-term trend – Farmland values over the past 50 years £/acre



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.

A rare commodity – acres of publicly marketed farmland



* to 30 September

Rural Property Markets

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.

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South West England

It is a very interesting market in the South West at the moment with a number of significant trends emerging.

One is the growing demand from lifestyle buyers for small to medium-sized farms with an attractive house. These purchasers have been heavily influenced by the recent increase in stamp duty land tax (SDLT). Farms and other mixed-use properties only attract a flat 5% rate of SDLT, compared with up to 12%, or even 15% if it is a second-home, for a high-value house. The land is easily let to a local farmer keen to expand without increasing fixed costs and provides a welcome income stream for the new owner. Properties with some kind of diversified business attached are also in demand – I was almost knocked over in the rush when we launched a small vineyard in East Devon over the summer and there was keen interest for a property with an established venison operation. Outside the areas popular with lifestyle buyers the market can be patchier. Neighbouring farmers will still generally snap up any smaller blocks that become available, but small dairy farms or livestock units can struggle to find buyers given the current low commodity prices.

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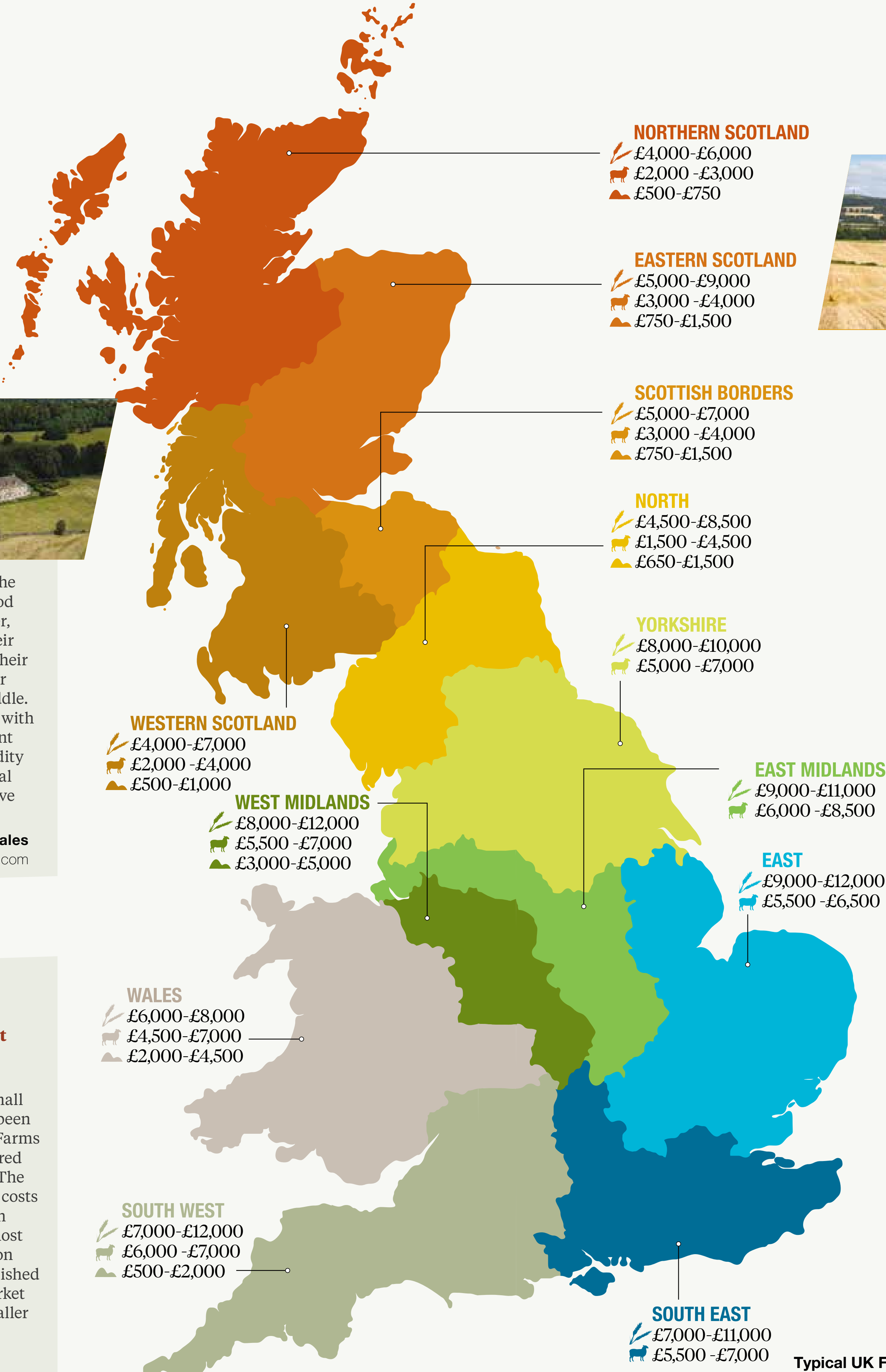

Scotland

This year there has been a significant decrease in the amount of land put up for sale publicly.

Given the general air of political and economic uncertainty hanging over the country at the moment, potential vendors, who have not "had to" sell, have been reluctant to test the market. Last year saw the first dip in Scottish land values since the recession, but, despite the uncertainties of Brexit and poor commodity prices, we are unlikely to see the trend continue in 2016. The sheer lack of farms currently available will prevent prices falling significantly. In some sectors, prices have remained firm, especially for large, well-equipped farms, which are highly sought after. There seems to be a light at the end of the tunnel in the dairy sector, with some quiet optimism going forward on milk prices and this has resulted in a few dairy units transacting over the summer. There is also still an appetite for bare blocks of arable land. At the end of the summer we launched a 280-acre block of Grade 2 and 3 bare arable land called "Land at Mounthooly" for offers over £1,360,000. After only a fortnight, significant interest led to a closing date being set and the land going under offer to a farming business for a significant premium.

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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 £9,000/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 2,000-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.

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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 than others to analyse with indices and statistics.

However, where certain factors collide, market activity can be extremely strong. A combination underpinning many good deals is the four to six-bedroom period house, with modernised interiors and within 25 minutes of a popular private school. Competition among tenants can become positively 'emotional' and we have experienced yields of up to 4.5% – outstripping the usual 2-3% range for rural residential lettings.

Landlords owning an attractive, private and peaceful three to five-bedroom property within two hours of central London may like to consider another distinct breed of tenant – the London-based professional looking for a bolthole. Strong rents can be achieved by landlords prepared to offer higher standard interiors within a protective estate environment.

The considerable disparity between London and country rental values (the pictured property, which sits in 3.5 acres of land, is available for £4,500/month, the equivalent of a three-bedroom flat in prime central London) can allow for bold guide rents if the product is of quality and the marketing strategy right. We have seen premiums of 30-40% paid for houses that best identify with this market.

We have also been successful in letting substantial country houses for five to 10 years on internal repairing terms. This is an increasingly attractive option for those who were intending to buy, but who would rather spend their money on rent than stamp duty.

Because of the unique nature of country houses and their associated grounds and land, the rental and management agreements we create for our clients tend to be more bespoke and may, for example, incorporate the provision of security or gardening services or accommodating a tenant's equine, sporting or hobby-farming interests through supplementary agreements.

Despite the ever more burdensome regulation of the rental sector, there are certainly rewards if you take the right advice.

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The London market

TOM BILL,
KNIGHT FRANK
RESIDENTIAL RESEARCH

While the decision to leave the European Union has created a degree of short-term uncertainty in the prime London property market, it needs to be understood in the context of the two-year period preceding the vote.

Annual growth in prime central London has been slowing since summer 2014, from 8.1% in June that year to -1.8% by August 2016. There are two primary causes, however neither is related to Brexit.

First, the slowdown followed a four-year period of exceptionally strong growth, even by the standards of the London property market. Second, two stamp duty hikes and a series of tax changes accelerated this process.

A stamp duty increase in December 2014 for properties above £1.1 million was compounded by the introduction in April this year of an additional 3% rate for buy-to-let properties and second-home buyers.

Higher transaction costs have reduced sales volumes in prime central London by about 20% and in many instances have led to a stand-off between vendors and buyers. The latter are highly price sensitive and vendors need to reflect this in the asking price to achieve a timely sale or, in some instances, get prospective buyers through the door.

While it remains too early to discern any longer-term impact from the EU referendum vote, in the short-term, it has been a catalyst for some overdue price reductions, which is providing grounds for cautious optimism that activity will increase this autumn.

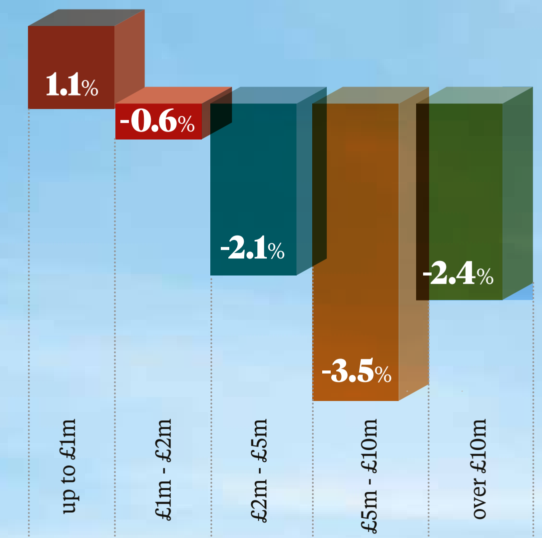
In the eight weeks following the vote, the number of new prospective buyers rose 22% compared with the same period in 2015, while the number of properties under offer rose 19% and viewing levels increased by almost 50%.

Furthermore, currency is playing a more significant role, with the weaker pound spurring interest from buyers denominated in foreign currencies. The volatility of sterling in the past few weeks is leading many to speculate that overseas interest in the London market will filter through more strongly when there is greater confidence that the pound has hit its low point.

It should also be remembered that other asset classes are showing weak returns. Bond yields are at historic lows, hedge funds are struggling to anticipate central bank policy and many believe stocks look fully priced after successive rounds of quantitative easing. These are factors which, combined with rate cuts in large economies like India and Indonesia, make property investments more attractive, particularly in a city with the global significance of London.

The London market

Average 12-month prime central London price change
(to August 2016)



Source: Knight Frank Research

Zambian farmland

TANYA WARE, KNIGHT FRANK ZAMBIA

Zambia has one of the most developed commercial farming sectors in Africa and our specialist farms team is currently seeing a lot of interest from private individuals, investment consortiums and funds, both from within the continent and further afield, looking to buy farms here.

Smaller short-term investors are often searching for tracts of very cheap bush land that they can purchase from the local chief and develop, thereby increasing the capital value. This type of land can be acquired with a secure title on a 99-year renewable lease for as little as a few hundred US dollars, but the cost of clearing it and providing all the required infrastructure can be extremely expensive.

Most of the serious money that wants to invest in Zambia for the longer-term is looking for established irrigated units that will be cash generative from day one. The bare land price of these varies from around $1,200 to $3,000/acre depending on location, with values highest in Lusaka and Central provinces. Any equipment will, however, be priced separately.

Although most larger businesses have tended to focus on irrigated row crops and cattle, we are seeing a trend towards more diversification with citrus, fruits, nuts, sugar cane, oils and vegetables becoming increasingly popular.

The rapid growth of Zambia's economy and the subsequent increased spending power of consumers means these markets are becoming increasingly profitable, but diversification also protects income streams from price and climatic volatility.

Many unfamiliar with farming here may be surprised at how sophisticated many of the businesses are, with yields, agronomy and the use of technology on a par with European operations. A good example, which I have just launched, is a 10,250-acre irrigated unit near Chisamba. It's one of the country's best farms and includes a wide range of arable and livestock enterprises. The guide price is $65m.

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KNIGHT FRANK

WORKING FOR YOU

HOW WE HELP OUR CLIENTS ADD VALUE TO THEIR PROPERTIES

In this section

PHOTOGRAPHY BY TIM SCRIVENER

Working for you

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

The Raynham Estate in north Norfolk is steeped in history and since the 1500s 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 Viscount was elevated to a Marquess in 1787), it once again has soil husbandry at its heart, but this time also uses home-grown produce and agricultural by-products to generate significant amounts of renewable energy.

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 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 aspects from farming and property to new ventures, allowing his father and stepmother to focus on running the family seat, Raynham Hall.

"It is a ground-breaking time for the estate so I wanted to be here to steer things, he says.

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 enthuse 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

01: TOM AT THE ENTRANCE TO THE WALLED GARDEN
02: THE ESTATE'S NEW AD PLANT
PHOTOGRAPHY BY TIM SCRIVENER

Working for you

> 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 that will allow the waste water and digestate from the plant to be used as a fertiliser, improving soil structure and fertility, while slashing input costs. There are plans for a combined heat and power (CHP) plant that will also utilise a small proportion of the gas produced to generate enough electricity to power the AD and chicken ventures.

"I am really excited," says Tom. "It is a totally integrated scheme and the estate benefits from every stage of the process in so many different ways. Using a natural fertiliser is not only good for the soil and environment, but it cuts input costs and lowers our exposure to global commodity prices, reducing risk in an increasingly volatile climate."

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 revolve 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 access 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."

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" Townshend would approve.

03: THE SOLAR FARM
04: TOM IN FRONT OF THE AD PLANT
PHOTOGRAPHY BY TIM SCRIVENER

60 seconds with...

Michael McCullough, Head of Knight Frank's specialist rural mapping team, unfolds for *The Rural Report*

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 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 (1:2,500 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.

WHERE CAN WE FIND YOU?

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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.

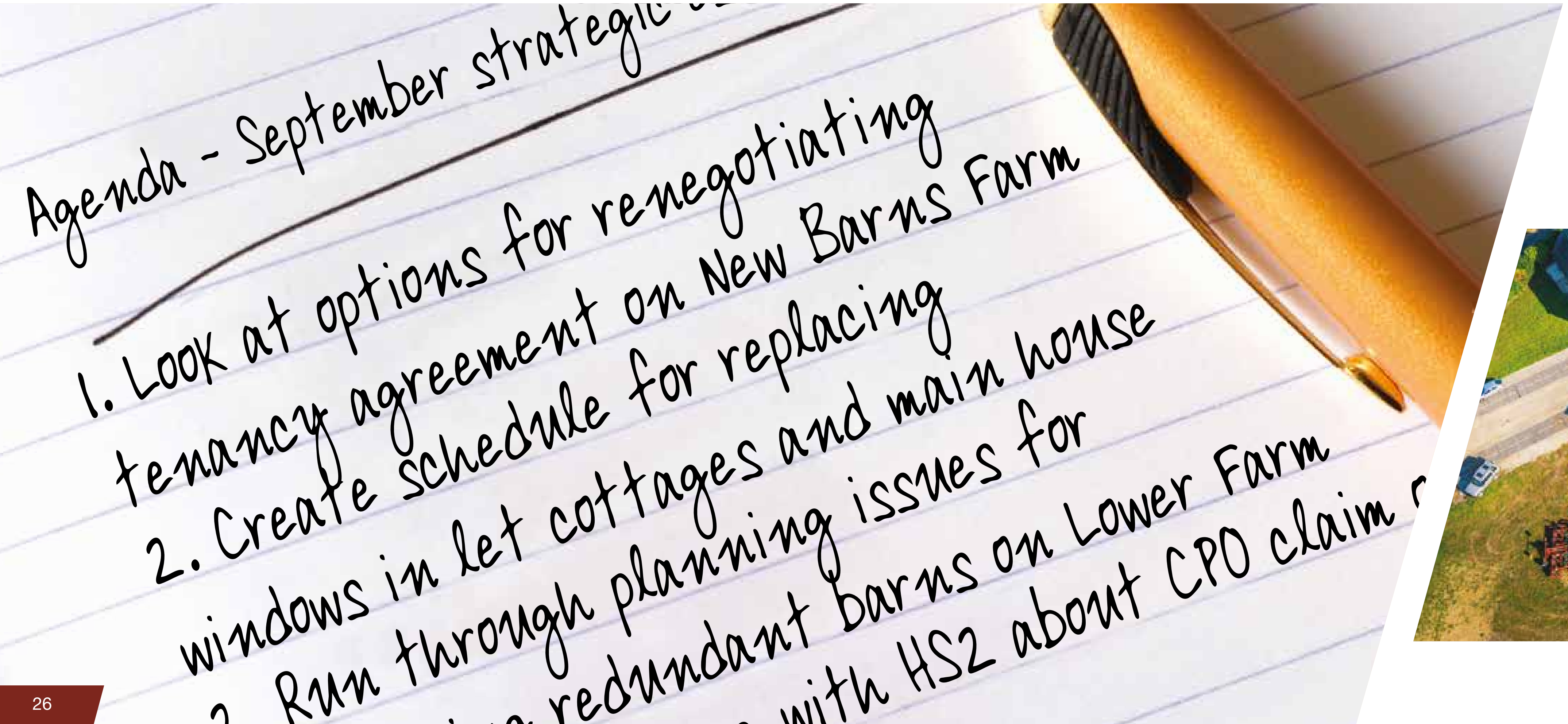
Recently, due to the ongoing commodity price slump, I have had numerous conversations with tenants who are seeking to reduce their costs and are closely scrutinising the rents they pay for their holdings. While they may well be sympathetic, any reduction in rent is obviously undesirable for a landlord; 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

a millstone for their owners is equally important. Unexpected repairs to historic buildings tend to be far more costly than planned maintenance. Creating a long-term maintenance plan may sound eminently sensible, but it is surprisingly rare and quite often is left on the 'to do' list of many estate managers.

In addition to considering on-going works such as roof repairs, external decorations and the like, there can be added complications if the property is listed as this makes the maintenance of the house much more onerous.

Within Building Consultancy we have significant experience working with estates and on listed properties across the south of England, developing a number of planned preventative maintenance plans to help the owners successfully budget for future works and reduce costly emergency maintenance or repairs.

Our experience as building surveyors is key in this regard as we understand the age and limitations of building materials and the restrictions working with listed buildings so can give clear advice to our clients.

As an example, in a period property I was involved with, I saw the advantage of retro-fitting double-glazing into original timber sash windows when this procedure was still relatively new. The works resulted in reduced energy bills and were carried out simultaneously while the timber windows were being overhauled and decorated to extend their lifespan.

We have recently been appointed to provide property and maintenance advice to an estate on the south coast which includes a Grade II listed house. One of our goals will be to switch the reactive and less efficient spend into a proactive and planned regime, replicating the success we have enjoyed with other estates and country houses.

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 bill 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 of time it is free of tax.

However, the qualifying asset doesn't have to be a like-for-like purchase of farmland, it could be a completely different investment or enterprise that allows the next generation of a family business to diversify in an exciting new direction.

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). The next valuation is on 1 April 2017, which is the fifth anniversary of 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. It initially 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 circumstance 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 own 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 a 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.

Tom Barrow is Head of Country Valuations at Knight Frank.
For advice on the matters raised please contact:
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Contacts

Key contacts

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**

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James advises the owners and trustees of many of the UK's leading estates. He specialises in long-term strategic planning and is also an expert on compulsory purchase and compensation legislation.

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 endowment advice

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Clive has been involved with a significant proportion of the UK and Ireland's most important farm and estate sales of the past two decades, either publicly or discretely off market.

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 around 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

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James has overseen multi-million pound renovations of some of the country's most desirable rural and urban residential properties. He focuses on partner-led solutions to control costs while maintaining the highest standards.

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

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Tom is one of the UK's most experienced valuers of estates, farms, land, rural businesses and country houses. He also provides consultancy and expert-witness advice for valuation disputes and legal issues.

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

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THE RURAL REPORT

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