

THE RURAL REPORT

A unique guide to the issues that matter to landowners

SPRING / SUMMER 2017



Issues and insights

Threats and opportunities for landowners

Rural property markets

Our latest research and analysis

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04

ISSUES AND INSIGHTS

The challenges and opportunities facing rural landowners

- 06. The implications of a hard Brexit
- 08. Q&A with Defra minister George Eustice
- 10. "My View": The issues concerning you
- 12. Need-to-know insight

14

PROPERTY MARKETS

Detailed analysis of rural property markets and their drivers

- 16. Our latest farmland research
- 18. Regional Focus: Farmland markets in western England
- 20. Market Focus: Country houses, Irish farmland, Scottish estates
- 22. Valuation matters: The power of a professional valuation

24

WORKING FOR YOU

How Knight Frank can help you make the most of your property

- 26. Contemporary thinking: Diversifying into beverages
- 30. Client case study: Helping The Kennel Club
- 33. Dear Tom: Your tax questions answered

34

CONTACTS

Welcome to the spring/summer 2017 edition of *The Rural Report*, our dedicated magazine for rural property owners and businesses



JAMES DEL MAR
Head of Rural
Consultancy

As I write, Theresa May has just triggered Article 50 – the UK’s official goodbye note to the EU.

The government now has two years to try and agree the terms of our departure and also to pave the way for the crucial trade deals needed to replace our existing relationships with Europe and the wider world.

Quite how the negotiations will play out remains to be seen, but what we do know is that Mrs May favours a “hard”, or in softer political parlance, “clean” Brexit. This means the UK will no longer be part of the Single Market that allows us to trade goods freely within the EU. With the EU being the biggest marketplace for our agricultural exports, this will clearly have significant implications for farmers and landowners. On page six we analyse the potential impact.

But, of course, great change brings opportunities as well as challenges. One of our contributors, Wilfred

Emmanuel-Jones, better known as The Black Farmer, believes the time is right for small businesses wanting to develop their own food and drink brands. We have prevailing strong property values, low interest rates and banks willing to lend – a huge opportunity for those looking for investment to expand and improve.

For more inspiration, read on page 26 how Cornwall’s Tregothnan Estate proved the doubters wrong by establishing Europe’s first tea garden and harnessing the power of marketing and product innovation to create a world-beating brand.

The short-term outlook for the rural economy may be unclear at present, but while there is no room for complacency most of our clients are planning far beyond Brexit. For those prepared to adapt and innovate a bright future awaits.

Please do get in touch to find out how we can help take you there.

THE RURAL REPORT

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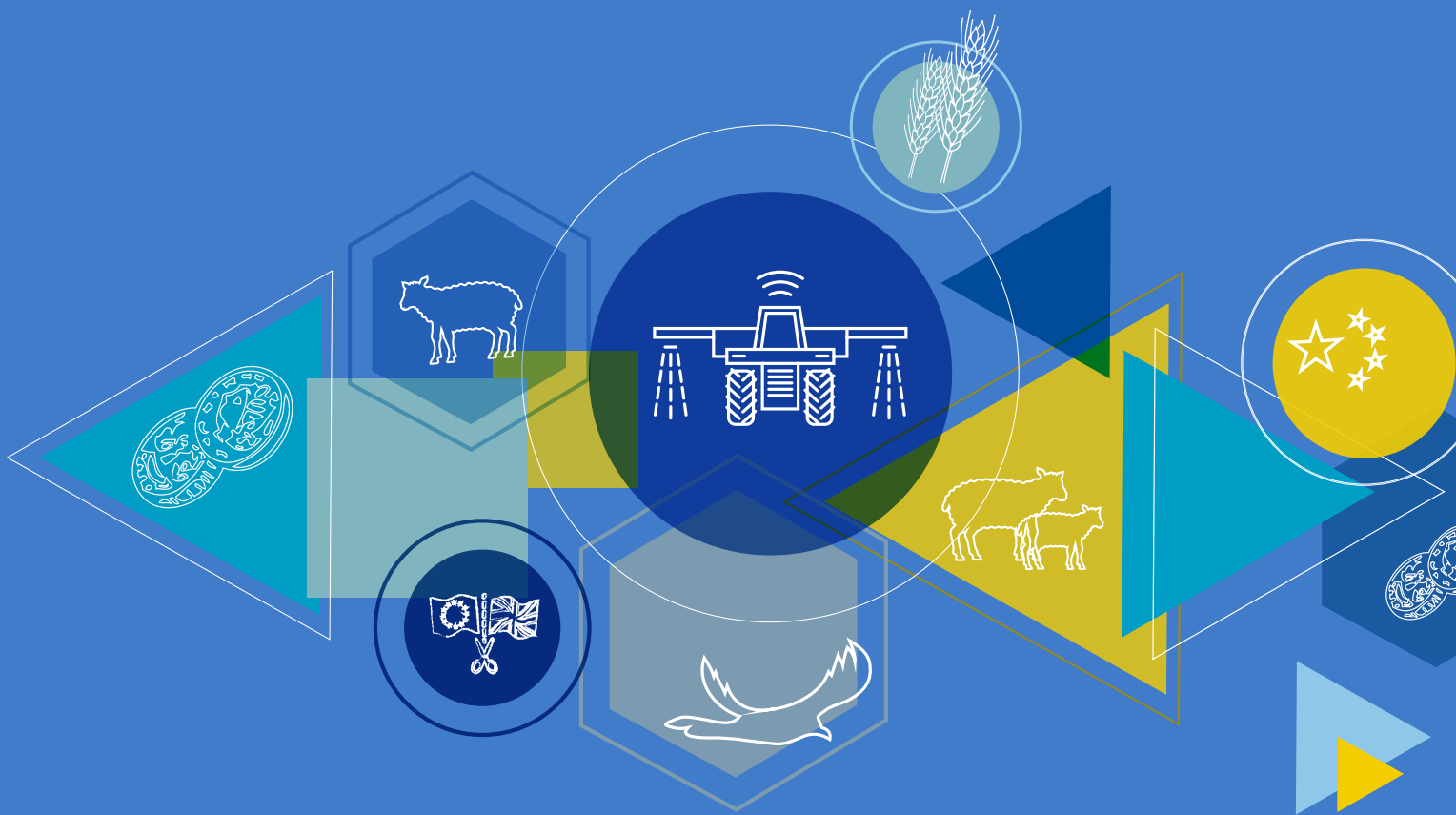
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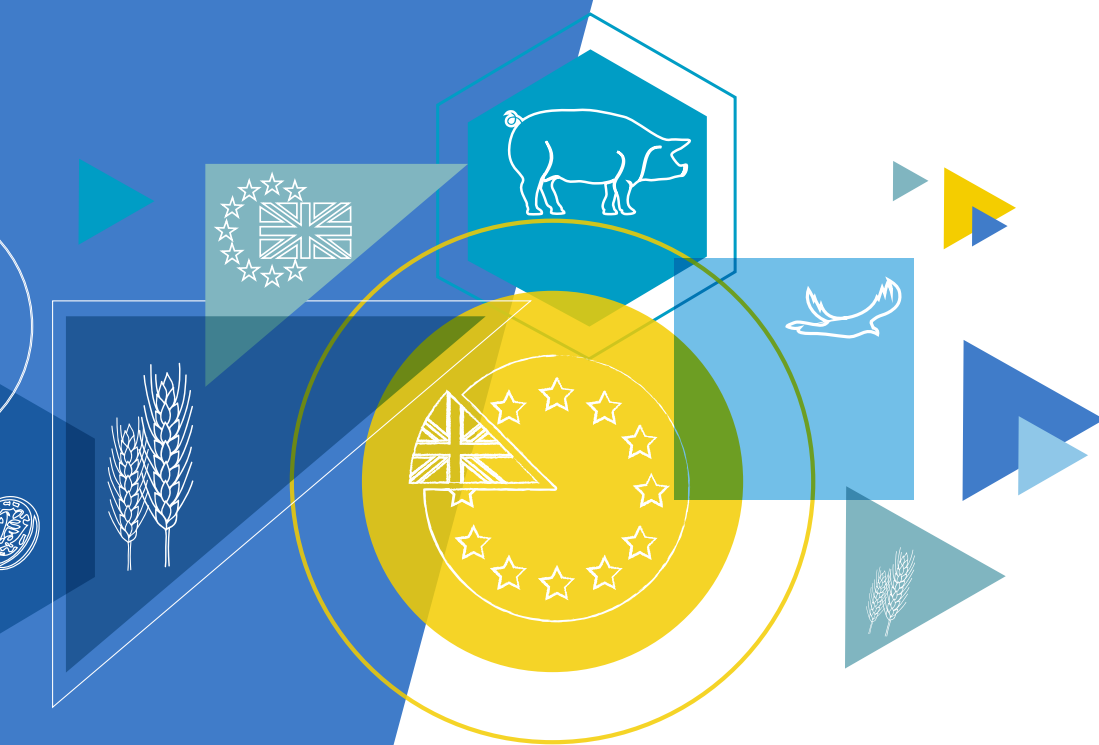
Published by Knight Frank LLP

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



RURAL ISSUES & INSIGHTS

A GUIDE TO THE CHALLENGES AND OPPORTUNITIES
FACING RURAL LANDOWNERS



IN THIS SECTION

ANALYSIS

The implications of a hard Brexit

INTERVIEW

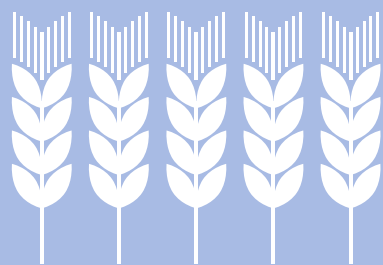
Q&A with Defra minister
George Eustice

MY VIEW

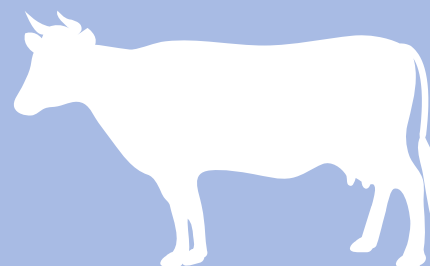
Industry experts share their
hopes, fears and advice

HOT TOPICS

Need-to-know issues for rural
property owners



£6.25bn UK annual agricultural commodity exports



93% Proportion of UK beef exports by value destined for EU

TRADING PLACES

Theresa May has ruled out remaining in the Single Market once we leave the EU. Andrew Shirley looks at the implications for farming

Theresa May's triggering of Article 50 of the Lisbon Treaty on 29 March marked the official beginning of the end for the UK's four-decade-long European Union membership. Under the terms of the treaty, negotiators representing the EU and UK now have two years to agree the terms of our departure.

Initially, the EU insisted that trade talks could commence only once an exit deal had been agreed, but this stance has recently been relaxed. Assuming sufficient progress has been made, trade discussions could start in parallel this autumn, although given their complexity it seems unlikely a comprehensive agreement will have been reached by the time we formally leave the EU.

The importance of these trade talks for agriculture cannot be overestimated. The extent to which the government continues to support farming once we leave the Common Agricultural Policy will be important in the short term, but it is the UK's trading relationship with the EU and the rest of the world that will have a longer-term impact.

Mrs May has already declared that we will leave the Single Market and EU Customs Union, which allow tariff and barrier-free trade between EU member states. Staying in would involve accepting freedom of movement, something that

would be politically unacceptable. It would also hinder the UK's ability to strike trade deals with other countries, particularly in the service sector, again negating one of the perceived benefits of Brexit.

Given that the EU is the largest export market for the UK's farming industry (see table), any increase in the cost of trade, either in the form of direct tariffs or non-tariff barriers, like customs checks or extra paperwork, will have a significant impact – not just for farmers, but also for consumers.



The prospects are very exciting, but it will take time to strike those deals



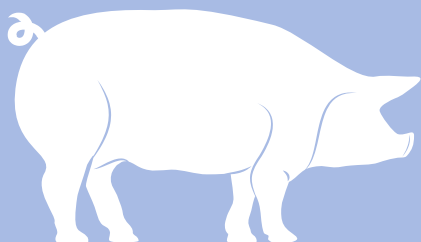
The deals we strike with the rest of the world will be important, but the numbers suggest the EU is likely to be our most important trading partner for some time. Logistics mean nearby markets are often the most profitable and easily accessed. This is clearly illustrated by the volume of agricultural commodities that flow across

the Irish border. Almost 70% of the UK's dairy exports go to Ireland with a significant volume being processed and sent back to Northern Ireland. For beef, 37% of exports and 68% of imports are with the Republic.

The Prime Minister still hopes to maintain "frictionless" tariff-free trade with the EU, but this will be hard to deliver given the concessions that the EU would want in return. Even using the trade deals with Norway or Switzerland as a template could be problematic. Not only do they involve financial contributions to the EU and freedom of movement, but they specifically exclude free movement of agricultural goods – a trend they share with many so-called free trade deals. Agriculture is often considered too complex to deal with.

Despite this, there is clearly an incentive for the EU to strike some kind of free trade agreement as it exports more to the UK than we import from it, but political rhetoric will play a major role – Brussels won't want to offer the benefits of membership without the costs.

If a deal cannot be struck – and various people within government have proclaimed "no deal is better than a bad deal" – our trading relationship with the EU would be governed by the WTO rules that dictate the maximum tariffs payable on the import of goods. This would create winners and losers.



968,000^t Pork imports to UK in 2015



£63^m Value of UK crisp exports in 2015

The impact of any tariffs applied to food and agricultural commodities traded across our borders with the EU could benefit some farmers and food processors by reducing competition and pushing up prices. Others more reliant on exports will suffer as their products become less competitive on world markets, although a sustained weakness in the value of sterling will mitigate some of the impact.

According to Nick Von Westenholz, the NFU's Director of EU Exit, any tariff costs, while unwelcome, will not be the biggest long-term consequence of moving to a default WTO position. "The issue will be as much political as economic."

Mr Von Westenholz believes the UK government will be unhappy with the situation because trading under WTO rules is essentially akin to putting up trade barriers and adopting a protectionist

policy, things that often push up prices for the consumer.

"A plausible outcome is that the government could unilaterally cut import tariffs across the board or rush to tie up free-trade agreements without enough attention to all the consequences. If that is the case there is a massive risk that agriculture could be the sacrificial lamb."

Massive risk

A bad trade deal with the EU could have a knock-on effect on the UK's ability to make the most of the independent trade deals it will be able to strike with other countries after Brexit, says David Swales, Head of Strategic Insight at the Agricultural and Horticultural Development Board (AHDB).

Much of the potential over the next 10 to 20 years lies in countries where the

EU doesn't have trade deals, like China, Indonesia and the Philippines, says Mr Swales. "By 2030 it is predicted that two-thirds of the world's middle class will live in Asia Pacific."

This means more demand, not just for things that we already export to China like pork offal, which has a much higher value there, but also beef and sheep offal as well as premium cuts of meat for the hotel and restaurant trade.

"The prospects are very exciting, but it will take time to strike those deals and reap the benefits. The worry is that if tariff barriers affect our trade with the EU, sectors like the sheep industry will become less profitable, they will contract and we will lose capacity before the opportunities come online. These are the kind of things that the government needs to consider."

	TOTAL EXPORTS	EXPORTS TO EU		TOTAL IMPORTS	IMPORTS FROM EU		% UK CONSUMPTION IMPORTED
	Value	Value	% of total	Value	Value	% of total	
DAIRY	£1.1bn	£784m	72	£2.2bn	£2.1bn	99	50%*
CEREALS	£498m	£409m	82	£815m	£600m	74	N/A
BEEF	£335m	£312m	93	£955m	£819m	86	35%
LAMB	£300m	£289m	96	£385m	£24m	6	33%
POULTRY	£232m	£180m	77	£953m	£908m	95	40%
PORK	£195m	£135m	70	£563m	£561m	100	60%
OILSEEDS	£115m	£104m	91	£409m	£93m	23	N/A
POTATOES	£87m	£51m	58	£58m	£42m	72	N/A

Source: AHDB using HMRC 2015 data *Butter

QUESTION TIME

George Eustice, Minister of State for Farming, Food and the Marine Environment, shares his views with *The Rural Report* on some of the critical aspects of Brexit and the future of farming



I believe leaving the EU is a great opportunity to secure the best possible outcome for the UK research base and ensures we can continue to maintain our global status as a science and research superpower.



Trade

One of the big benefits of Brexit, according to those who campaigned to leave the EU, will be the ability to improve our trading relationship with the rest of the world. What and where are the big opportunities that you see for agriculture?

I am determined to see the UK get the best deal possible on leaving the EU – including for our farming industry. Securing a bold and ambitious free-trade agreement with our European partners is a priority – allowing for the freest possible trade in goods and services. I am optimistic about our departure and see it as an opportunity to do business right across the globe.

On the flip side, are you worried that farmers will have to compete with increased volumes of cheaper and lower quality food imports as part of any bilateral trade deals? For example, if the financial sector gets increased access to the US market will we have to allow imports of hormone-treated US beef in return?

British meat has a fantastic reputation around the world for its taste and quality and we are working hard to tap into new international markets and build stronger relationships with trading partners around the world. I was recently in Kuwait to fly the flag for the UK, securing market access for our lamb to this important market.

Maintaining the safety and public confidence in the food we eat is a priority and we will not compromise on animal welfare and food safety. I am clear that future trade deals must work for UK farmers, businesses, and consumers.

Labour

Some farming and horticultural sectors that rely on EU labour are concerned that they will suffer once free movement is restricted. How will you ensure the industry has access to sufficient full-time and seasonal labour?

I fully understand that access and availability of labour is a concern for some sectors of the industry. However leaving the EU and establishing controlled immigration does not mean closing off all immigration – it means we will be able to identify where we have needs and put in place the right arrangements.

Science and technology

Will the UK's farmers be free to take advantage of GM technology and use chemicals such as neonicotinoids, whose use is restricted by the EU, after Brexit?

Our position remains a science-based approach to both GM and pesticide use. The use of neonicotinoids is restricted and strict controls are in place. Even after leaving the EU, we are committed to ensuring pesticides are available only when the scientific evidence shows they do not pose unacceptable risks to the environment.

Becoming more efficient will be vital for the industry post-Brexit. How will the government encourage the R&D investment that will be needed to make this happen?

I believe leaving the EU is a great opportunity to secure the best possible outcome for the UK research base and ensures we can continue to maintain our global status as a science and research superpower.

Support payments

Given the demands of high-profile departments such as the National Health Service and the ongoing need to cut government spending, it is unrealistic to think that beyond 2020 farmers will continue to receive the same level of financial support currently delivered by the Common Agricultural Policy (CAP). How do you plan to replace CAP and is it inevitable that some farmers will go out of business?

This government fully recognises the contribution that our farmers make to our economy and the environment and there

is no doubt that there will be support for this vital industry after we leave the EU. I remain clear leaving the EU presents a major opportunity for UK agriculture with new opportunities to design policies which work for farmers, the countryside and the environment. Negotiations will take time, but we will be seeking the very best deal for the UK and we will be fighting your corner at every opportunity.

And finally.....

Where do you see the farming industry in 10 years?

I see the UK continuing to be a world-leading food, farming and fishing nation

that is growing more, selling more and exporting more of our food around the world whilst ensuring we become the first generation to leave the environment in a better state than we found it.

I am committed to doing all I can to see our agriculture sector grow, become more competitive and more profitable - attracting talented new entrants who can rise to the exciting opportunities ahead. As we prepare to leave the EU, we will be designing a farming system tailored to our needs. We want everyone to have their say as we shape the future of this vital industry.



MY VIEW

Stakeholders from the world of rural property, farming and business share their hopes, fears and insight



The Rural Entrepreneur

WILFRED EMMANUEL-JONES
The Black Farmer

I believe a combination of Brexit and the changing retail environment make it a very exciting time for those farms and estates thinking about selling their own branded food products. For the past 20 years or so, in a bid to boost their margins, supermarkets have tried with a great deal of success to wean consumers off brands by introducing premium own-label grocery lines. But competition from the discounters and the growth of digital channels, which promise much quicker delivery, are making life significantly harder for them. With the likes of Amazon starting to deliver food, we are set to see big, big changes in the sector, which will be brilliant for small and medium-sized businesses, for whom distribution has always been a problem. Subsidies have been a curse on the industry and encouraged us to be lazy. Without them we will see more innovation and younger people getting involved.



The Saviour of Buildings

DR ANNA KEAY
Director, Landmark Trust

One of the crucial issues for the future of our historic rural environment is the availability of the craft skills necessary to look after it in the future. While we hear a lot of praise for traditional trades the truth is that in many long-standing family businesses – be it silk weaving, lime plastering or bell making – the older generation is contemplating retirement and the next is simply not interested or able to take up the baton. It is vital that we all find ways of incorporating training and apprenticeships into our own work, not simply as an act of altruism or because it's a "good thing", but because the future of our landscape and buildings depends on these skills being passed on. Rather than grumbling about the new Apprentices Levy we need to see it as a reminder that we must act, or we will unquestionably regret it in the long term.



The Agri-Business

MAX WINKLER
Managing Director, Omex

I believe it is time to accept the realities of the future and embrace the challenges and opportunities that lie ahead of us. Amid all the noise and complexity of BREXIT it is clear that British farmers will need to speed up innovation to drive efficiencies and maximise profitable output in a competitive global marketplace. There are many forms this can take, depending on your farming activities. In the arable world, we continue to see a move to liquid fertilisers because of the clear benefits it brings in terms of cost, logistics, yield and the environment. Current farming practices should be tested with new affordable technologies so that British farmers put themselves in the strongest position to prosper post negotiations, whatever the outcome may be in regards to FX rates, input costs, subsidies, tariffs, duties and labour. As previously seen in New Zealand, it's about being proactive and focused on innovation that brings real value to the farm gate.



The Conservationist

KATIE-JO LAXTON
Director, RSPB Wales

The future of our food, farming and nature are inextricably linked. However, CAP has failed to secure the essential public value that farming can provide – such as clean water, healthy soils, thriving wildlife and a beautiful countryside. Agri-environment schemes have been positive, but have not managed to restore our environment at anywhere near the scale needed.

Leaving the EU presents significant risks that hard won protections for nature will be weakened, but there is also an unprecedented opportunity to revitalise our countryside in ways that better meet the needs of nature, the prosperity of people today and the well-being of future generations. Hill farming is particularly vulnerable, but it is possible to imagine a new regime that underpins upland management based on stewardship of wildlife, natural resources and tourism. Now is the time to reshape public policy and support for land management around environmental outcomes that benefit people and nature.





The Farmer

ANDREW BLENKIRON
Director, Euston Estates

Fascinating is probably the best description of where we find ourselves on rural estates at this present time. Our ability to forge ahead into the future will no doubt depend on just how we have managed to adapt to the challenges of recent years. Looking back through history there is nothing new in that, one could argue that at least this time we have some warning that things are about to change. Unfortunately, it's not that easy – with the goalposts still very much moving, we will have to either be risk takers or very wise to know just how to pitch. I would suggest that, as always, flexibility and adaptability will be the key to future success. We will have to be ready to redo strategic plans with the short, medium and long terms potentially being very different. Key to all of this will be using our combined influence to help steer the ship in the right direction.



The Corporate Landowner

LISA HARROWSMITH
Land & Property Lead
Surveyor, Yorkshire Water

The uplands form a significant part of our catchment in Yorkshire, where tenants and other land managers work to maintain raw water quality, as well as delivering significant value to society, our communities, customers and stakeholders. This is because the land has the capability to deliver multiple outcomes, including improved water quality, biodiversity, carbon storage and sequestration, and recreation, while still supporting grazing and sporting enterprises.

It is essential that those farming in these areas have viable businesses. At the moment, this is not possible without subsidies. Future policy now has the opportunity to look at integrated management for water, food, farming, the environment and societal benefits, and how these all work together to maximise the values. While land managers should not be funded for “not polluting”, funding regimes need to incentivise environmental enhancement and reward those delivering ecosystem services.

Post-Brexit negotiations offer the opportunity to work together to reform and develop policies and funding systems that promote and support a sustainable farming and environmental future.



The Rural Landowning Charity

VICTORIA EDWARDS
Chief Executive,
Ernest Cook Trust

The post-Brexit farm payments debate is talking much about the provision of “public goods.” A pure public good is both non-rival (one person's consumption of it does not subtract from another's) and non-excludable (no one can be excluded from consumption). The vast array of goods and services that land supplies lies on a broad spectrum, from pure public goods (such as clean air) to pure private goods (such as food). It will be up to individual owners and occupiers to identify the most valuable bundle of goods and services they might supply and devise appropriate markets and pricing mechanisms to charge for them. Some can be sold through traditional private markets (food, leisure), whilst others will necessitate contracts with government acting on behalf of the public. The role of a good agent will be to maximise the public/private supply mix for the client. No one ever said it was going to be easy, but a thorough audit and appraisal of what each estate or land holding is capable of is a good starting point.



The Farmers' Champion

MINETTE BATTERS
Deputy President, NFU

We are extremely concerned about leaving the EU without having carried out any impact assessment as to what the consequences of trading under WTO default rules will have on rural Britain. If we don't have a deal and we default to WTO rules, tariffs could be in place that price us out of the marketplace.

One of the big unanswered questions is how we see our future trading relationship with Europe and subsequent trade agreements with the rest of the world. We have to do a deal with Europe and it is a deal that will shape our landscape for generations to come. The problem is that getting free trade deals in agriculture is notoriously difficult.

Moreover, we pride ourselves on our quality food production and high animal welfare standards and we want these qualities to be recognised in any future trade agreements. Food security is so important to us all – we do not want to be disadvantaged by imports that do not meet our own exacting standards.

€60bn

THE AMOUNT SOME SAY THE
UK WILL HAVE TO PAY THE EU
WHEN IT LEAVES

NEED TO KNOW

Knight Frank's rural property experts highlight some important legislative changes and policy issues that estates should be aware of

Compulsory purchase

TIM BROOMHEAD

One of the biggest difficulties with the process and practice of compulsory purchase, is that there is no single rule book. Although the entire system is well overdue for wholesale reform, no government has tackled the issue and put forward clear rules. The method in recent years has been to add compulsory purchase elements to other acts of parliament – since 2008 this has happened five times.

Changes introduced as part of the *Housing and Planning Act* last year were welcome for landowners and claimants. Among other measures the Act has reformed the 90% advance payment system streamlining the request for payment. It has also endeavoured to deal with the 0% interest on late payments of compensation that currently exists. The proposal is to levy a penal rate of interest to encourage acquirers to settle early.

The latest changes are currently being

debated as part of the *Neighbourhood Planning and Infrastructure Bill*. The proposals are described as “intending to make the compulsory purchase process clearer, faster and fairer”. Here's hoping.

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Energy efficiency

EDWARD HOLLOWAY

Minimum energy efficiency standards (MEES) were introduced in March 2015 by the *Energy Efficiency (Private Rented Property) (England and Wales) Regulations 2015*. These make it unlawful to let domestic and commercial property in England and Wales from 1 April 2018 if the EPC rating is below level E, unless exemptions apply. Furthermore, all rented property (both new and existing lets) will need to achieve level E by 1 April 2023.

With the date for compliance fast approaching, it is crucial for landlords of domestic and commercial buildings to

identify how best to manage their portfolio in order to comply. This should involve an assessment of the status and occupation of buildings, as well as looking at where the responsibility for meeting the regulations lies, and determining if any exemptions apply.

The MEES are expected to evolve and increase over time and therefore consideration should also be given to undertaking more in-depth renovation beyond the minimum required level to ensure longer term compliance.

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Employment issues

ANGUS HARLEY

As part of his March Budget, the Chancellor Philip Hammond announced a consultation on the tax-treatment of accommodation provided for employees. This is currently tax exempt if it is required to help the employee to properly perform their duties or do so more efficiently. However, the government





thinks this approach is outdated. Removing the tax exemption could have implications for many farms and estates as it could put upwards pressure on wages for estate and farm workers or domestic staff. Other exemptions are also being examined.

Country house and estate owners will also have followed with interest the Uber and Pimlico Plumbing rulings setting the latest precedents in the age-old conundrum of employed versus self-employed. These cases serve as a reminder that it is the reality of the relationship not the purported one that governs whether a provider of services, irrespective of their HMRC status, has a right not to be unfairly dismissed or discriminated against, and to receive holiday pay and so on. The tests have always been the same.

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Health & Safety

ALASTAIR PAUL

A big bonfire of bureaucracy was one reason many people voted for Brexit. In fact, the “Great Repeal” Bill will simply transfer EU laws onto the UK’s statute books en-masse ready to be reviewed at “some point” in the future. However, it is unlikely that legislation concerning health-and-safety issues will be relaxed. Given the complexity and range of legislation, not to mention the increased penalties, including incarceration, that can be levied on landowners in breach of any rules, it makes sense for all rural property owners to conduct a thorough review of their own practices as deaths on farms and estates are all too common – there were 10 in February this year alone.

A Staffordshire farming partnership has just been fined £60,000, with costs of almost £30,000, following the death of its farm manager who fell from a fragile roof while dismantling farm buildings in 2014. The partnership had told the court it assumed their manager’s day-to-day running of the farm meant he was ultimately responsible for health-and-safety matters, when in fact they were the duty holders with responsibility for their employees.

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Planning

SOPHIE WATKIN

In February the government revealed its highly anticipated Housing White Paper, with the minister Sajid Javid, promising radical and lasting reforms to the UK’s housing system. The paper aims to provide a long-term strategy to deliver the homes the UK needs. Among the measure proposed, local authorities will come under greater pressure to ensure an up to date Development Plan is in place, which should be reviewed at least once every five years. This could create opportunities for farms and estates, but contrary to speculation existing Green Belt protections will be maintained and boundary amendments will only be permissible where authorities can evidence they have fully examined other reasonable options. Offsetting will be required where land is released from the Green Belt, which may include higher developer contributions being sought. Overall, the White Paper did not meet the hype created by the government and lacked the radical reform that was promised. However, a number

of measures are proposed that will have implications and it will be important to monitor how these are brought forward in future legislation. Public consultation on the paper ends on 2 May.

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Rights of way

MICHAEL MCCULLOUGH

Landowners can now prevent third parties from claiming rights of way over their land by simply erecting a sign, following a landmark decision by the Court of Appeal relating to the creation of rights of way by prescription – when individuals have enjoyed continuous access for 20 years. Until recently, landowners had to tell individuals they had no right of access, or lodge a declaration with the county council.

However, the decision involving a dispute between a chip shop and its neighbour means landowners simply have to erect prominent and legible signage stating access is not permitted. The shop’s patrons used the neighbour’s car park, despite the erection of a private car park sign. No further action was taken until the chip shop went to court, claiming it had acquired the right to park on the land.

But the court held that the erection of the sign was sufficient to show that the use of the car park was contentious. The neighbour did not have to install physical barriers, lodge a declaration with the council, or resort to physical confrontation.

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RURAL PROPERTY MARKETS

CHANGING VALUES AND FUTURE OUTLOOK

IN THIS SECTION

AGRICULTURAL LAND VALUES

Our latest research

REGIONAL ROUND-UP

The farmland market in western England

MARKET FOCUS

Country houses, Irish farmland,
Scottish sporting estates

VALUATION MATTERS

The power of a professional valuation

PAUSING FOR THOUGHT

As the reality of Brexit sinks in, *The Rural Report* takes a trip around Britain to find out how farmland markets are reacting

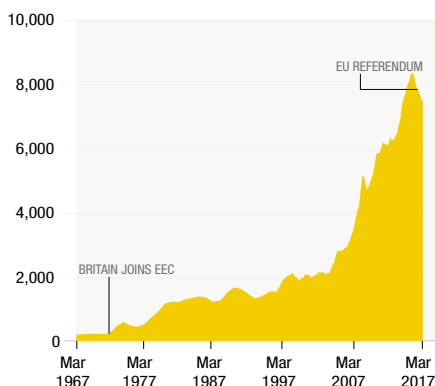
England

CLIVE HOPKINS

Head of Farms & Estates






Since the beginning of the year many of the farms or estates that had been on the market for some time have been sold, so the current trend really is a shortage of stock. Buyers seem to have got their heads around Brexit, but vendors are more cautious about selling unless they really have to. This is reflected in values by type with our Farmland Index stabilising in the first three months of 2017, following a drop of 8.5% last year. The average value of bare farmland is now £7,435/acre, according to the index. A 760-acre block of arable land in Oxfordshire is currently attracting offers of around £9,500/acre.

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



Source: Knight Frank Research

Capital values – How farmland has performed against other investment and property classes

	ENGLISH FARMLAND	PRIME CENTRAL LONDON RESIDENTIAL	UK HOUSE PRICES (NATIONWIDE PRICE INDEX)	FTSE 100	GOLD
					
Change to Q1 2017					
3-MONTH	-0.5%	-0.1%	1%	3%	7%
12-MONTH	-6%	-6%	4%	20%	16%
5-YEAR	22%	13%	27%	27%	-4%
10-YEAR	115%	50%	18%	16%	194%

Source: Knight Frank Research

However, looking forward it is hard to predict the longer-term impact of Brexit. The real issue that will affect values is supply. Although most farmers I speak to have come to terms with the fact that by 2020 agricultural subsidies will be much diminished, I do expect that more of them will decide to call it a day in the coming years.

I think the market will stand a limited increase in the number of farms for sale, in fact prices could be higher for those that bring their units to the market early, but if interest rates rise hastening the trend, prices will start to suffer. We won't see the huge drops experienced in Ireland following the financial crisis, but it's not inconceivable that average values could settle at around £6,500/acre until supply and demand comes back into balance. After that I think we will see prices begin to increase steadily again.

Scotland

TOM STEWART-MOORE

Scotland Farm Sales

Last year the Scottish farmland market remained fairly resilient despite the Brexit vote – average values fell by just over 3% to £4,223/acre, according to our Scottish Farmland Index. In 2016, 71 units priced at £1m or more were launched in Scotland, totalling just over 30,000 acres. Nearly 80% of this stock is now sold or under offer. Looking ahead it doesn't seem that 2017 will bring a flood of farms for sale.

The market faces challenges, but we have been saying that for a while. The prospect of only two more years of the current Basic Payment Scheme for farmers in Scotland is now becoming a reality. There remains a big question mark as to how both the Scottish and UK government are going to support farmers going forward.



However, despite all of this, the early signs so far this year suggest that there is still a strong appetite for farms. Interestingly, the first few months have seen two large farms sell privately for premiums in the Scottish Borders, which shows the health of the marketplace. We expect large, well-equipped farms to continue to sell well. The market will remain price sensitive so pricing is key. We have a book of active buyers looking to invest, including farmers wanting to expand or relocate and investors looking to take advantage of the tax benefits of ownership.

Wales

HOLLIE BYRNE






Regional Farm Sales

Farms in Wales are the most dependent on subsidy payments and agri-environment schemes of any region in the UK. There is therefore a certain amount of trepidation about the shape of the new home-grown agricultural policy that will take the place of the EU's Common Agricultural Policy. So far we haven't seen a huge impact on prices; mainly because Welsh land values never hit the peaks seen in England and Scotland. Topography is such a limiting factor here that regardless of commercial acumen it is very difficult for farming businesses to be highly profitable. Looking forward some people are pessimistic about where values will head if the financial support for farming is cut back, but I believe the Welsh Assembly

will be fighting strongly to make sure this doesn't happen. It firmly believes that support for agriculture is support for the wider social fabric of rural communities and their economies. Payments for agricultural

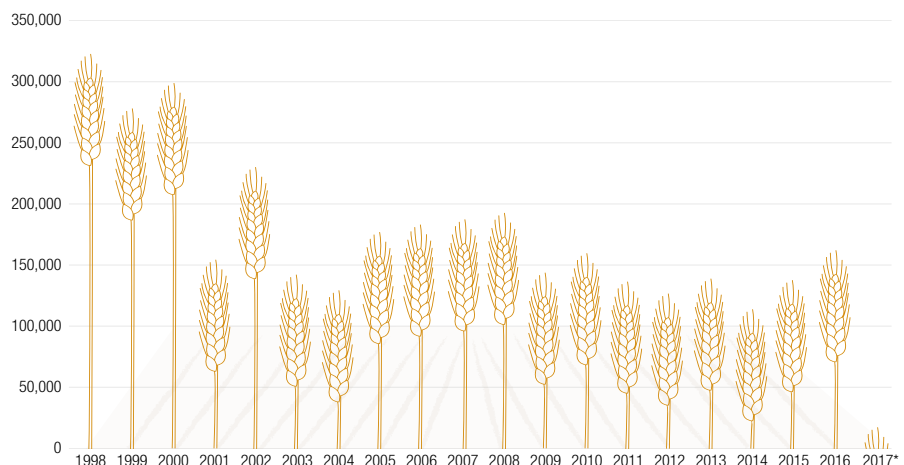
activities may well be cut, but they could be replaced by schemes promoting rural enterprise, the environment, biodiversity, water quality and carbon sequestration to mitigate the impact of global warming.

North of the border – Scottish land values by type

	GOOD ARABLE 	AVERAGE ARABLE 	ARABLE/GRASS 	IMPROVED PERMANENT PASTURE 	HILL 
£/ACRE Q4 2016	9,046	5,154	3,659	2,583	673
12-MONTH CHANGE	0%	-5%	-7%	-6%	-2%
10-YEAR CHANGE	183%	98%	83%	269%	124%

Source: Knight Frank Research

A rare commodity – acres of publicly marketed farmland



Source: Defra/Farmers Weekly *to 31 March

REGIONAL FOCUS

For this issue of The Rural Report, Knight Frank's regional property experts head west to offer a detailed insight into the region's farmland markets



Somerset & Dorset

We are experiencing good activity in these counties with demand for both large and small blocks of land.

Significant interest is currently being generated in two blocks of land of over 100 acres we have recently launched from farmers. Most of the interest is from within a 10-mile radius and is from

landowners and neighbouring farmers all looking to expand their existing acreage and some looking to create a new standalone farmstead. Prices being achieved are in excess of £9,000/acre. It is also clear that many smaller farmers are looking to dispose of blocks of between 10 and 30 acres to their neighbours to settle debts and keep the banks happy.

WILLIAM MORRISON

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Devon & Cornwall

A quick assessment of the recent RICS sales returns shows a greater number of sales of small blocks of land being reported in Devon than many of the other counties in the UK.

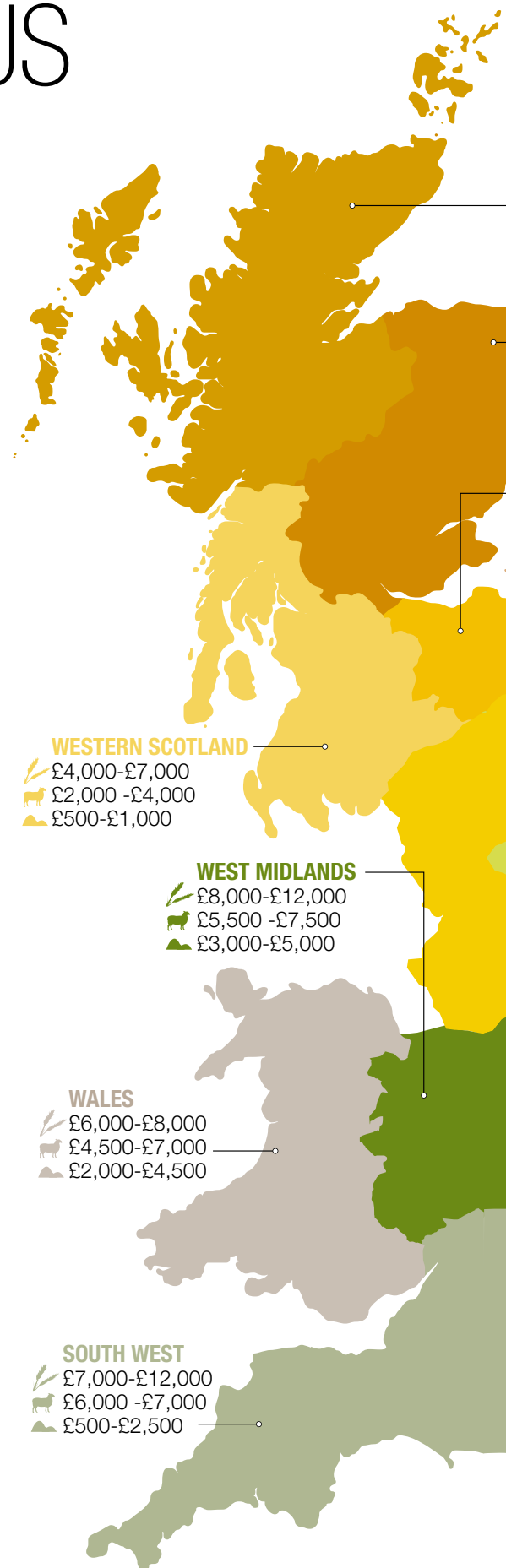
This clearly shows that farmers are selling parcels from 10 to 40 acres, whereas in the rest of the

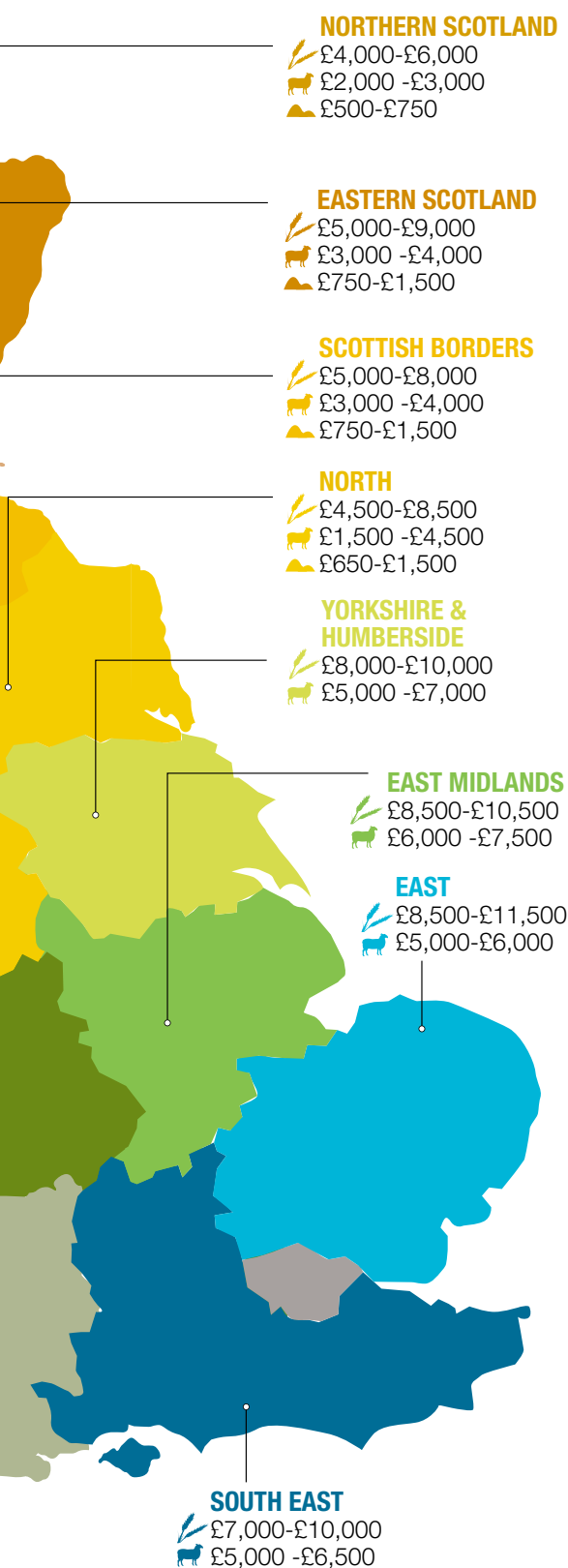
UK it is mainly larger blocks of land. It is predominantly smaller farms who are selling in order to raise cash to meet the demands of their banks. This raises the question whether this leaves them with a viable holding. Most of these sales are to neighbouring farmers expanding their acreage, residential purchasers occupying them for pony paddocks or as amenity land beside their house.

Demand remains good for all land in Devon and the larger blocks of land, particularly with houses, are attracting a good premium and significant interest.

WILLIAM MORRISON

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The Cotswolds

Despite the recent plateau in land prices, the Cotswolds land market has continued to thrive. The area remains extremely popular and demand has continued to outstrip supply.



This has helped to keep prices strong, with competitive bidding from special purchasers or interested neighbouring landowners often also helping. However, as with many other areas in the country, the market continues to be variable. Good quality land in favourable locations has seen high levels of interest and achieved strong prices. Blocks of lesser quality land, or land that is blighted in some way, have not achieved the same levels of interest or prices. Purchasers have become more sensitive in terms of what return on investment is being achieved, a few years ago this would have been of less importance.

Recent transactions in the Cotswolds have seen Grade 3 arable land making in excess of £10,000/acre and traditional pasture reaching up to £8,000/acre.

HOLLIE BYRNE

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The Three Counties

Over the past 12 months we have seen that price sensitivity is key in Gloucestershire, Herefordshire and Worcestershire. Setting a realistic guide price from the outset is essential in achieving a successful sale.



Adding to this, the recent triggering of Article 50 has created further uncertainty and will provide challenges for the UK agricultural industry going forwards. However, agricultural land remains a strong asset with various advantages for investors. We continue to see strong investor demand along with lifestyle purchasers and agricultural expansion – with stock levels remaining short the demand is outweighing supply.

We have seen through recent sales, figures for quality arable land reaching between £8,000 to £9,500/acre. Presentation to the market, location, quality of land and acreage are all factors which are key in terms of saleability. As the spring market kicks off and the English countryside comes into its own, we anticipate a strong year ahead.

WILL KERTON

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Typical UK Farmland value (£/acre)

TYPE OF LAND ARABLE PASTURE HILL

COUNTRY HOUSES

OLIVER KNIGHT Residential Research

Prime country house prices increased by 0.6% between January and March, according to Knight Frank data. On an annual basis, values were essentially unchanged at -0.1%. This slight pick-up in prices over the first three months of 2017 is an indication that prime markets are starting to stabilise following three consecutive quarters of price falls. That said, a closer look at the figures shows that performance is being driven by property value and type, especially at the top end of the market, which continues to adjust to higher purchase costs following recent changes to stamp duty.

Manor houses, for example, have felt the impact of taxation most keenly, with average values falling by 1.7% over the year. Farmhouses also saw values drop on an annual basis, albeit by a more marginal 0.8% on average. Cottages outperformed, with 3.6% growth. However, despite all of this, there are encouraging signs that the appetite for prime country houses remains strong.

Knight Frank figures, which track leading indicators of demand, show the number of new prospective buyer registrations has risen by 3% annually over the year to March 2017. The number of viewings rose by 11% year-on-year over the same period. And against this backdrop, overall sales volumes have been robust at the start of 2017. While fewer deals have been completed so far this year compared with the same point in 2016 – when transactions spiked ahead of the introduction of additional stamp duty – the volume of sales was 5% higher than the comparable period of 2015, and 8% higher than in 2014.

A shortage of good prime housing stock continues to act as a barrier to further growth in sales volumes and this could affect the market over the remainder of the year.

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“

Prime country house prices increased by 0.6% between January and March

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IRISH FARMLAND

JAMES MEAGHER

Knight Frank Dublin

The average price of farmland in Ireland fell by 1.6% in 2016, which follows on from a decline of 9.9% in 2015. In total, 34,000 acres changed hands at an average price of €8,771/acre during the year. This represented the seventh successive year that farmland values have stayed below €10,000/acre and remain less than half of the peak of 2006, when average prices were €20,000. Data contained within the Irish Farmers Journal's *Land Price Report 2016* also shows that 73,778 acres were brought to market in 2016, representing under 0.5% of the total farmland market. This small proportion of land coming on stream for sale can partly be explained by suppressed land values, while low commodity prices and a scarcity of finance are driving an increasing preference for leasing rather than buying land.

Looking ahead, of all the European property sectors that Brexit will impact most, it is likely that none will be more affected than the Irish farmland market. The statistics speak for themselves. The UK is Ireland's largest food trading partner and the destination for 56% of Ireland's meat exports and 30% of its dairy exports. Because of this, the primary Irish concern is that the depreciation of the pound against the euro will hurt the competitiveness of Irish agricultural exports. On the other hand, there are a number of positive market drivers that should support a rise in farm incomes. Chief among these is the anticipated continued recovery in dairy prices as the pace of global milk production slows, while the Irish government's 10-year plan for the agricultural sector sets out ambitious targets for longer-term growth. Therefore, despite the current Brexit headwinds, we expect farmland to appreciate over this period.

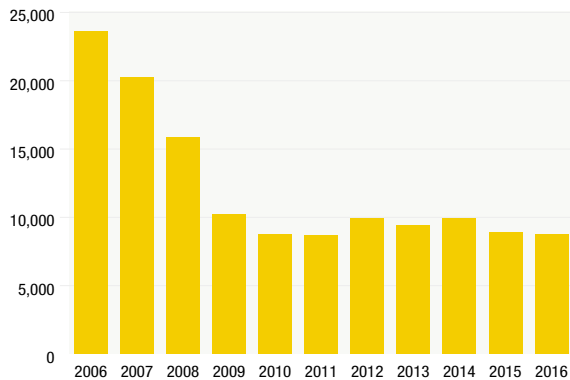
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SCOTTISH SPORTING ESTATES

RAN MORGAN
Knight Frank Scotland

Average Irish farmland values
€/acre



Source: Irish Farmers Journal

The market for sporting estates in Scotland has remained surprisingly resilient over the past few years, despite concerns over land reform, independence and now Brexit. While it would be fair to say that in general the majority of properties are not selling for huge premiums over their guide prices, they are selling, and often to buyers from outwith Scotland.

Of the 23 estates that have been sold during the past 12 months over two-thirds have been bought by buyers from England or further afield. Seven were purchased by Russians or EU nationals. This suggests that the wider world is prepared to take a view on issues like land reform, many of which I personally feel were overblown in the first place. A big part of this is the staggering value for money on offer. You have to travel a long way – think Africa and Australasia – to find similar opportunities offering as much sporting, landscape, ecological and amenity potential.

Although marketed as sporting estates, a significant trend I have noticed is the emergence of the buyer who is more interested in their wilderness value. This is somebody who values privacy, big space and the natural environment, and wants to possess their own stunning chunk of this planet. Often, they will want to manage it sustainably and can be viewed as eco-philanthropists.

A good example was a very large west coast estate I sold privately last year. Previously the chances are it would have sold to somebody focussed purely on sport, but it was actually bought by a private individual who fell in love with its stunning beauty and remoteness. Valuing estates with this kind of buyer in mind can be tricky because we can no longer rely on the tried-and-tested formulas based on the amount of deer, fish or birds that the property can support.

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VALUATION MATTERS

Everybody likes to know how much the property they own is worth, but there's more to a good valuation than meets the eye. And getting it wrong can prove costly. Four of Knight Frank's expert valuers explain why valuations matter



Preparation for grant of probate

TOM BARROW
Head of Country Valuations

The Ministry of Justice proposal to increase probate fees from £215 to £20,000 from May 2017 for estates worth more than £2M, has been shelved as a result of the snap General Election. The proposal was dropped as the relevant Statutory Instrument could not be completed before the Election. It will be up to the next Government whether this proposal is reintroduced. From the start of any valuation for Inheritance Tax (IHT) purposes, establishment of the facts is essential, particularly where a claim for Agricultural Property Relief (APR) is likely because the deceased was a farmer and/or owned land and buildings that were used for agricultural purposes.

As a starting point, if the death certificate refers to 'retired farmer' that is not helpful in relation to any claim for APR on the farmhouse. Farmhouses and cottages that form part of an agricultural business are subject to particular scrutiny and there is a range of questions over ownership, occupation, farming practices and whether the deceased was a farmer.

The Valuation Office Agency, which is the valuation arm for Her Majesty's Revenue & Customs (HMRC), requests a 30% deduction on the market value of any residential property on the basis that its use is agricultural. This effectively reduces the amount of APR that can be claimed. The 30% figure is not in any way sustainable as a matter of law, so the key aspect is to negotiate and reduce this figure where possible. The facts of the case based on the history of the farmhouse and its occupation for agricultural purposes will help.

Prior to any valuation, the issue of due diligence enquiries and establishment of the facts will help in advising the executors, their solicitors and accountants in submission of a robust case to HMRC in any APR claim.

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Business planning

HANNAH ROSE

I recently undertook a valuation of a substantial commercial farm for bank lending with a range of different assets and ownership structures. While at the farm and working through the due-diligence process for the valuation instruction, it became clear that there was a wider issue of succession planning in the family that needed addressing to smoothly move assets to the next generation. This had been a topic that was on their "to-do" list for quite some time, but none of them knew how to approach it. As a result, they all had their own views on the farming business and its future, although they had never taken the time to sit down as a family and understand each other's viewpoints. The valuation process enabled this to happen in a natural way and raised a number of pertinent points that had never been considered. The farmers were able to look at the business from a different angle and question why they were doing what they were. As part of this, I was able to offer advice and solutions to allow them to take the matter forward. It also came to light that some land was still registered at the Land Registry in the name of the vendor, even though the purchase was 10 years ago, so this was addressed at the same time.

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Bank valuations

JESSICA ROBINS

A professional and realistic valuation is vital when borrowing against a property so that the borrower can get the best terms from their bank.

The key to this is accurate, honest and up-to-date information from both the bank and borrower. Good plans and knowing exactly what is to be valued at the start may seem obvious, but on numerous occasions we are asked to quote on valuations with the bank knowing very little about the property.

As RICS-registered valuers we are governed by a complex set of professional standards – “The Red Book”. The questions asked and research required can appear intrusive, but as we are the “eyes and ears” for the bank, it is vital this information is accurate to enable a realistic valuation. Banks are also governed by strict rules and regulations, so providing this information enables us to deliver valuation reports within their timescales.

Without this information the bank and borrower are at risk of an inaccurate valuation that may lead to later financial problems. If a valuation is inflated, not only does this put the bank at risk, but it also puts the borrower at risk as they think it may be worth borrowing more, which can cause undue stress if this proves unsustainable. Alternatively, an under-valuation may reduce the loan amount or increase costs to the borrower.

RICS-registered valuers are able to provide an accurate, robust and supportable valuation that reduces the risk for both the bank and borrower.

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Capital taxation

GEORGE JEWELL

Capital Gains Tax (CGT) is chargeable on the sale of property assets subject to various reliefs. The key relief is Principal Private Residence (PPR) under the *Taxation of*

Chargeable Gains Act 1992. This relief applies to the taxpayer’s principal house and its gardens and grounds that are required for the reasonable enjoyment of the house. Subject to specific circumstances it can also apply to ancillary buildings.

By this relief the increase in value of the PPR is exempt from CGT. Advice on the size, location and apportioned value of the PPR is crucial to owners of farms and houses with land in excess of what Her Majesty’s Revenue & Customs (HMRC) view as the standard permitted area, which is 0.5 hectares (1.25 acres).

In one case we were involved with following the death of a client, the foundation of the CGT advice needed was a valuation, using historic records, of the farm at the deemed acquisition date of 31 March 1982. This value was then apportioned, as was the sale price between the PPR and the assets subject to tax.

We were able to reduce the client’s tax liability by providing effective IHT and CGT advice. We were able to justify a larger than standard PPR with HMRC and then support an appropriate apportionment of value of the acquisition cost and sale price which ultimately reduced the client’s exposure to tax.

Crucial to our success in this case was our involvement from the outset. This allowed us to fully inspect the property and to access all available records to support our case.

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KNIGHT FRANK WORKING FOR YOU

HOW WE HELP OUR CLIENTS ADD VALUE TO THEIR PROPERTIES

IN THIS SECTION

CONTEMPORARY THINKING

Getting into the drinks business

CLIENT CASE STUDY

The Kennel Club's rural estate

DEAR TOM

Our Head of Country Valuations answers
common valuation-related queries

WORKING FOR YOU



TOASTING SUCCESS

Andrew Shirley visits three pioneering farms and estates whose home-grown beverages are helping to quench thirsts in the UK and beyond

The days when most estates could rely on traditional revenue streams such as agricultural rents or in-hand farming to survive are gone. Diversification is the order of the day and innovative new enterprises and sources of alternative income have been created with gusto.

This trend very much ties in with our own mantra: contemporary thinking for the modern estate. Brexit should be the catalyst for estates to think even harder about their long-term future and the strategic planning they will need to do to achieve their aspirations.

To offer some inspiration, we decided to visit a selection of the country's most forward-thinking estates to find out more about how they have diversified. In this issue of *The Rural Report* we focus on those that produce their own wine, tea, and gin. Cheers.

Tea – The Tregothnan Estate

"It's possible to drink our tea all the way from Cornwall to Amsterdam," Jonathon Jones tells me proudly as we discuss the remarkable story of Europe's first tea plantation that he helped to set up at Cornwall's historic Tregothnan Estate.

Tregothnan tea is now served on the GWR trains linking Penzance to London and to Eurostar's first-class passengers, as well as being exported all the way to China, says Mr Jones, who looks after the estate's unique 100-acre garden and its varied trading activities.

Although the mere thought of producing tea in England was ridiculed by many when he first proposed the idea of creating "the most British of teas" almost 20 years ago, Mr Jones stuck to his guns. He was convinced that Tregothnan's unique microclimate, not dissimilar to Darjeeling in India where the "champagne of teas" is produced, meant he could be on to a winner.

The estate was already home to over 2,000 varieties of ornamental Camellia and other plants native to areas where tea is traditionally grown – collected by members of the Boscawen family who have lived there since 1334 – so why not Camellia sinensis, the tea bush, he thought.

But success did not come by chance, Mr Jones made sure he did his homework before embarking on the new venture – a valuable lesson for anybody thinking of setting up a new business. "I applied for a Nuffield Scholarship and travelled to tea-producing regions all over the world to learn about how it was produced."

One thing he quickly realised was that marketing would be the key to success. "You have to approach diversifications like this as a brand manager, not just a producer. Being a price taker is hopeless. Most tea is basically sold as a cheap commodity so we needed to have the confidence that we could redefine the market and create a brand that would be perceived as affordable luxury. People said we were crazy."

But his doubters have been proven spectacularly wrong – the operation is now a multi-million pound international business based around a 100-acre tea garden, and Mr Jones has showed that people will pay for good tea, just 200g of the estate's finest will set you back £150 in Fortnum & Mason.

However, success is not taken for granted. "The need for innovation is constant," he says. The estate now produces a wide range of traditional and herbal teas, more correctly known as tisanes, and Mr Jones is constantly on the lookout for new opportunities.

In March he was in Florida at the launch of a new tea brand – Sunset Polo – that Tregothnan has created for the eight-goal US polo player Nic Roldan. He is also working on a Manuka honey smoked Earl Grey tea with chef Raymond Blanc.

By 2020, Mr Jones expects the estate to be growing 150 acres of tea bushes, but he is also looking at other areas where Tregothnan can excel using the brand presence created by its tea as a spearhead. "We could grow way more cut flowers; it's a market that's worth over £1bn in the UK."

The estate also sells tea bushes to other estates around the UK, although none as yet has rivalled the success of Tregothnan. "There are lots of opportunities on all farms and estates, but the answer will be unique to each," advises Mr Jones. "You just need to be innovative and remember that nobody owes you a living."

TREGOTHNAN.CO.UK



Wine – Sharpham Vineyard and the Sandridge Barton Estate

When it comes to English vineyards the south-east hogs the headlines with tales of French champagne houses buying up swathes of Kent and Sussex, but the south-west is at the forefront of the industry, with 49 registered vineyards in Devon alone.

Sharpham Vineyard, near Totnes, established 36 years ago, was one of the pioneers and is still going strong under the ownership of Mark Sharman, who also produces an award-winning range of cheeses using milk from his herd of Jersey cows.

Mr Sharman says diversification or adding-value weren't even part of the farming vocabulary when the vineyard was first set up, but even then it was clear that it was going to be difficult to run a profitable business on the steep land and small fields of the Sharpham Estate based solely on traditional farming enterprises.

However, the sheltered Dart valley and the area's "English Riviera" climate meant it stood a better chance than many parts of England when it came to grape production, says Mr Sharman who now produces 14 different wine styles, many of them award-winning.

"People said we were mad at the time, but English wine has gone from strength to strength. In a tourism-driven area like this visitors are particularly keen to consume

locally produced food and drink when they stay."

The success of Sharpham Vineyard has inspired others to set up their own vineyards, including Knight Frank client Jane Moon, who owns the nearby Sandridge Barton Estate. *The Rural Report* first visited Sandridge Barton in 2011 and since then the estate has achieved its target of planting 25 acres of vines, says Knight Frank's Edward Dixon who advises Mrs Moon.

"My husband and I both love wine so it was a dream to set up our own vineyard once we'd bought the estate," explains Mrs Moon. "When you're doing something new it's always helpful to talk to people like Mark who have set up successful businesses. He was able to tell us which varieties did best in the local conditions and where would be the right place on the estate to plant the vines."

Although the vineyard is just one of a number of businesses that Mrs Moon and her husband Andrew are involved with, it is run as a commercial venture and is starting to be profitable, says Edward. "The last vines were planted in 2014 so are still not in full production, but we have harvested as much as 80 tonnes of grapes in one year."

So far the Moons have not created their own wine, preferring to sell their grapes to other producers to be bottled. "We may do that one day, but I think it's important to learn to walk before you can run," says Mrs Moon. "It's a steep learning curve when you set up a vineyard from scratch."

SHARPHAM.COM

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You can't cut corners
with a premium
product, people see
straight through it.
”

03: THE SANDRIDGE BARTON ESTATE
04: TOM WARNER
05: ELDERFLOWERS FOR WARNER EDWARDS' GIN
06: ELDERFLOWER PICKING AT WARNER EDWARDS



Gin – Warner Edwards

When Tom Warner decided that the family beef farm needed to diversify, little did he realise that he would end up as one of the leading lights of the burgeoning British gin industry.

But gin wasn't even near the top of the list of 30 or 40 potential ideas that he and his family discussed in 2009 over the kitchen table of Falls Farm, nestled in a picturesque corner of Northamptonshire. "We were actually thinking about the distillation of floral oils, but gin sounded more exciting," explains Mr Warner as he shows me around the Warner Edward's distillery, which he runs with his wife Tina and is housed in a converted 200-year-old barn on the farm.

Much of the farm's land is classified as a scheduled ancient monument because it sits on the remains of medieval monastic fishponds. That makes it impossible to do anything bar grazing livestock, but the springs that fed the ponds now provide the water for the gin distillation process. "The terroir of the land is going into every bottle," says Mr Warner.

A botanical garden is the source of inspiration when developing new recipes – Warner Edwards now boasts five gins, all of them award winners – while elderflowers picked on the farm are the crucial ingredient for one of the business's fastest-growing flavours. Rhubarb originally grown for Queen Victoria on a Crown Estate farm, and used in another of their best sellers, is also pressed on the farm.

Authenticity is crucial when you're trying to establish a brand, says Mr Warner.

"It's something that big companies cry out for and spend huge amounts of money trying to fabricate, but if there's one thing that small farm businesses like us can really bring to the market it's authenticity. There has never been a better time to start a business."

But that doesn't mean creating a brand is easy, quick or cheap, even when you have the right credentials, he points out. "You still have to invest a lot of time and money, the amount we have spent on branding and our website is scary. There is a big difference between a brand and a business that has a name. You can't cut corners with a premium product, people see straight through it."

Social media has also played a vital role in promoting the business. Although a lot of content is created in-house, Mr Warner uses a specialist agency for strategic advice. "What we've discovered is that Facebook is now used by an older demographic. Most of our followers are 30 to 40-year-old women, but the real growth in gin consumption is among 20 to 30-year olds. We've had to raise our game on things like Instagram and Snapchat."

However, it's not just about technology, he stresses. Engaging with potential customers in the real world by attending specialist gin festivals, trade shows and consumer events like the BBC Good Food Show is also crucial. "You have to be everywhere, because you never know who will be in the room – you make your own luck."

All the passion and investment that Mr Warner and his team have put into the business is really starting to pay off. Annual production is forecast to triple this year to almost 400,000 bottles and Warner Edwards' gin is now stocked in both Waitrose and Marks & Spencer.

"Our rhubarb gin is the fifth best-selling gin for M&S and it's still only being stocked in a third of their stores," says Mr Warner proudly. Exports are also growing with strong demand from Germany and Denmark, and potential interest from China and Canada.

The forecasts for the growth in gin consumption are very positive, but with over 200 new distilleries opening since Warner Edwards first launched four years ago, staying ahead of the competition is vital. A new "top-secret" gin developed using ingredients from the botanical garden is due to be launched this summer and Mr Warner tells me that something "very special" is being planned for this year's Chelsea Flower Show.

Mr Warner is a man on a mission. "I want to save the world from mediocre gin."

WARNEREDWARDS.COM



04

05

06

BEST IN BREED

Buying and running a country estate for the first time can be a daunting prospect, so the Kennel Club turned to Knight Frank for help. Andrew Shirley finds out more about the organisation's exciting acquisition

Think of the Kennel Club and Crufts, the organisation's world-famous showpiece of canine obedience and breeding, will immediately spring to mind for many. But away from the razzamatazz and TV cameras the club runs numerous other competitions and courses throughout the year.

One thing it lacked, however, was somewhere that it could dedicate to training and trialling the working breeds

that are such an important part of country sports and are so beloved by many of *The Rural Report's* readers.

"There is limited ground for the expansion of the rapidly growing sport of gundog field trials and training days in the UK that allow gundogs to do what they are bred for, which is working with live game," says Paddy Ledingham, the Kennel Club's Head of Property. "We are very lucky to be

invited to use some of the grand estates like Chatsworth and even Sandringham for our big championships, but there isn't much for regular club events."

The sale and relocation of the club's London headquarters gave it the financial wherewithal to think about filling the gap itself, but finding somewhere that possessed all the attributes needed was never going to be simple.



“We wanted somewhere that had at least 1,000 acres of land, the potential to develop a shoot with accommodation for a gamekeeper, but no large house that would make the price prohibitively expensive. It also needed to be relatively convenient for competitors to get to, yet tucked away,” explains Mr Ledingham.

Recognising the scale of the task, the club engaged The Buying Solution, Knight Frank’s independent property search and acquisition service, to help. “It was a very unusual and challenging brief,” agrees Mark Lawson, who specialises in buying country estates. “We scoured the open market and found nothing that was suitable, but remembered a property called Emblehope that had been available previously. We approached the owners and purchased it off-market.”

Located near Hexham in Northumberland, The Emblehope & Burngrange Estate’s

7,500 acres of extensively farmed hill land, bog and woodland, which are home to 1,500 Blackface sheep and a breeding herd of 43 Galloway cattle, were ideal. But there was still a stumbling block that had to be overcome before the deal could go through: the estate is designated as a Site of Special Scientific Interest (SSSI) by Natural England and its permission would be needed for the Kennel Club to implement its plans.

“We couldn’t really have bought the site without Natural England’s buy in,” stresses Mr Ledingham.

To make this happen, Edward Dixon of Knight Frank’s Rural Consultancy department was engaged to work with Natural England to create a management plan for the estate that would provide the organisation with the assurances it needed.

“Having worked with Natural England in the past, our established relationship meant we were able to balance the important



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We wanted somewhere that had at least 1,000 acres of land, the potential to develop a shoot with accommodation for a gamekeeper, but no large house that would make the price prohibitively expensive.

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There are very few facilities in the UK that allow these dogs to do what they are bred for, which is working with live game.



conservation requirements of the SSSI with the practicalities of running a commercial enterprise and farm,” says Edward.

Bradley Tooze, Natural England Area Manager, adds: “We have been working closely with the Kennel Club to develop a management plan that would capture the shared vision we both have to make environmental improvements, which could run alongside the commercial business at Emblehope.

“Although it is still early days, the Kennel Club has already started to address some of the issues raised and these will go a long way to meeting our joint objectives and we are looking forward to a continuing relationship that will see even greater benefits.”

Centre of Excellence

After the 25-year agreement was struck with Natural England, the Kennel Club became the proud new owner of The Emblehope & Burngrange Estate in March 2016. “We hope the estate will become

a centre of excellence for working dogs. There are endless possibilities to conduct gundog field trials and training days, working trials, bloodhound trials and working tests. We have already held our first Bloodhound Club championship trials there,” says Mr Ledingham.

However, there is still a lot to do before the estate’s true potential can be realised, he adds. “There has been plenty of fencing, ditching and access work done, together with refurbishing the gamekeeper’s cottage. We also intend to invest in the farming business to help it become more efficient, as well as ensuring our activities on the estate benefit the wider local community.”

As a new estate owner, knowing exactly what you own is a vital aspect of planning for the future. Even older Ordnance Survey (OS) maps are not as accurate as some people might believe, so one of Knight Frank’s first jobs was to ask its mapping team to create new estate plans based on the latest OS 1:2,500 mapping data.

With no experience of running a rural estate, Mr Ledingham says it made sense

for the Kennel Club to retain Knight Frank in an ongoing managerial role. “Looking after an estate can be complicated enough at the best of times, but here we have to balance so many things – our canine activities, the needs of the farm, our environmental obligations and the process of keeping the estate. We don’t want dogs mixing with summer ground-nesting birds, for example,” he points out.

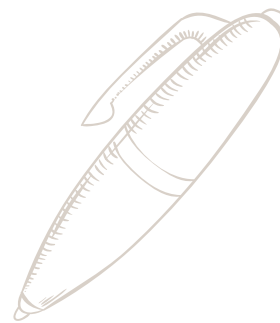
“While The Emblehope & Burngrange Estate has been acquired primarily for working gundog trials, we will not be missing the opportunities available to any estate to add value. Initially, we’ll be focusing on maximising the farming operation with improved facilities and buildings, and also extracting more revenue from the estate’s woodland,” says Edward.

Brexit is another issue that Mr Ledingham will be looking for guidance on. “It brings a lot of uncertainties, such as what will happen to environmental payments – but we want to be estate owners who can react to change and we are very excited about the future of Emblehope, there are so many opportunities.”





DEAR TOM...



Tom Barrow, Knight Frank's Head of Country Valuations, delves into his inbox to shed light on some common issues that can have a negative impact on the value of rural properties

I have recently obtained planning permission for a development of new houses on land that I own. Some objectors to the planning application have applied for a Judicial Review. How does this affect the permission granted?

A Judicial Review is a type of court proceeding in which a judge reviews the lawfulness of a decision by a public body (in your case, the local planning authority, which will be a district council or unitary authority). A Judicial Review is a challenge to the way in which the decision has been made rather than the rights and wrongs of the conclusion reached. This may mean in your case that the same decision could be made again so long as it is done in a lawful way. The grounds of the challenge may well be on the basis of illegality, irrationality and unfairness.

A Judicial Review (if successful) could lead to the court granting a remedy by making of one of six orders. A quashing order is the most commonly requested remedy and it overturns an invalid decision.

Claims for Judicial Review have to be brought promptly and there are strict time limits to be complied with. In your case, even if the council has acted unlawfully, there is no right to any of the remedies. Any order is at the absolute discretion of the Court.

An adjoining property owner (who is my neighbour) has written to claim an easement over land which is within my ownership. What are the implications of this?

An easement is a right enjoyed over a specific part of an area of land for the benefit of other land, for example a path or driveway. When you bought the land, your solicitor will have checked whether the land was subject to any easement in favour of third parties.

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The inability to sell without vacant possession could affect the value of your property
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An easement can be claimed by express grant or reservation of a legal easement. This can be done by a deed forever (in perpetuity) or for a fixed period.

Your neighbour may be entitled to an easement if they can claim long use of the land for 20 years or more. The use must be enjoyed as a right which was used without “force, secrecy and permission”. It should be noted that if you gave permission for the use of the land, an easement cannot be claimed. If the claim is successful the right should be documented and any future sale of the property will be subject to the easement.

I have some surplus land and buildings which I let on an informal verbal arrangement with a third party. I have plans to sell my property and wish this to be with vacant possession. The third party is claiming security and that he has “rights”. What are my options?

Informal arrangements are easy to implement as often they are by “word and mouth” or shaking hands. However, when the relationship fails, or in your case the occupier refuses to vacate, problems arise. If there is nothing in writing, it is your word against that of the third party. The inability to sell without vacant possession could affect the value of your property and the ability to sell it. There are grounds under the *Landlord & Tenant Act 1954* in the case of commercial tenancies that a landlord can obtain vacant possession

where the let property is required for his own use and/or planning permission exists for redevelopment.

The key aspect for any letting, (especially where a rent is paid, there is exclusive occupation, the letting is for greater than six months and the use is commercial) is to have a lease prepared by a solicitor and which is contracted out of sections 24 to 28 of the 1954 Act so no security is conferred beyond the term of the lease.

I own various residential properties that are currently let and I understand that it may soon become unlawful to let them unless there is compliance with minimum energy standards.

The Energy Act 2011 contained various provisions that affect property owners as well as occupiers. The most significant is the proposed minimum energy standard. From April 2018, it will be unlawful to let a residential or commercial property with an Energy Performance Certificate (EPC) of F or G (which are the lowest grades of energy efficiency). This will not apply to listed buildings.

The 2011 Act could have significant implications as some properties will be impossible to market unless they are upgraded to meet the minimum standards. Valuations of such properties could be affected if their marketability is diminished.

Owners and occupiers are recommended to obtain a full understanding of the energy efficiency of their property. Further details can be found on the Department for Communities and Local Government website together with details of how to find a domestic energy assessor.

Tom Barrow is Head of Country Valuations at Knight Frank. For advice on the matters raised please contact: **tom.barrow@knightfrank.com**
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Key contacts



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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

If you are interested in any of the properties featured in this publication please contact one of our dedicated team. We help our clients to sell or acquire all types of rural property. 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

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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