

# Market in minutes

## Q1 Farmland market



### Introduction

Continued demand combined with a further reduction in the volume of available farmland has resulted in the best first quarter growth in farmland values since 2008.

This continued demand is supported by the number of new applicants registering to buy farmland, which were 16% up during the first quarter of this year compared with the same period of 2010.

High crop prices and the fundamentals of feeding the world's population continue to drive the interest in farmland as an investment asset, especially at a time when the performance of many alternative assets is muted.

Across Great Britain average grade 3 arable land recorded growth of 2.3% during the first quarter of 2011 with the Eastern regions of England recording the strongest growth in values of 5%. ➔

“Continued demand combined with a further reduction in the volume of arable farmland has resulted in the best first quarter growth in farmland since 2008.”

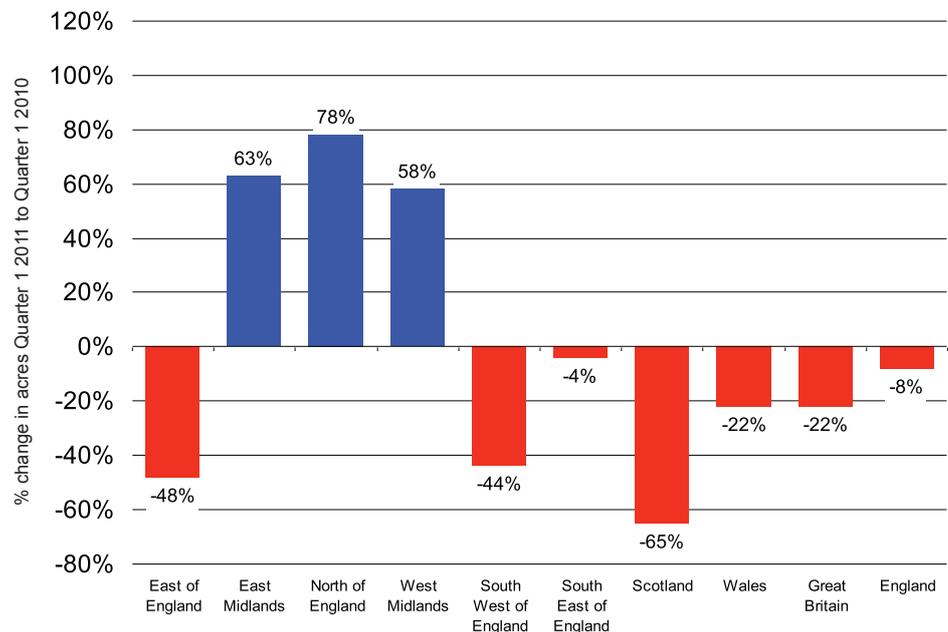
→ **Supply 2011**

Our research shows supply was constrained during the first quarter of 2011 with a 22% reduction in the volume of farmland marketed across Great Britain, compared with the same period of 2010.

In England, just under 13,500 acres were publicly marketed during the first quarter of 2011, around 1,000 acres fewer than for the same period of last year.

However, as illustrated in Graph 1, this pattern was not consistent across all the English regions. Increased supply, albeit from a low base, was recorded in the North of England, East and West Midlands, where supply increased by 78%, 63% and 58% respectively. Although representing a relatively small number of farms, this increase in activity was generally made up of more farms, rather than larger farms coming to market.

GRAPH 1 **Regional differences in supply**



Graph source: Savills Research

“Savills Farmland Survey shows the average value of grade 3 arable land across Great Britain rose by 2.3% in the first quarter of 2011 to £5,400 per acre.”

In Scotland just over 1,600 acres were publicly marketed in the first quarter of 2011 compared with just under 4,600 acres in the same period of 2010, a decrease of 65%.

The above figures do not account for any privately marketed farms. However, anecdotal evidence suggests, that privately marketed farms have already this year made up a fairly significant part of the total farmland market activity, particularly in the Eastern counties.

**Values**

Savills Farmland Value Survey shows the average value of grade 3 arable land across Great Britain rose by 2.3% in the first quarter of 2011 to £5,400 per acre. This follows an increase of 11% throughout 2010 and 7.2% in 2009.

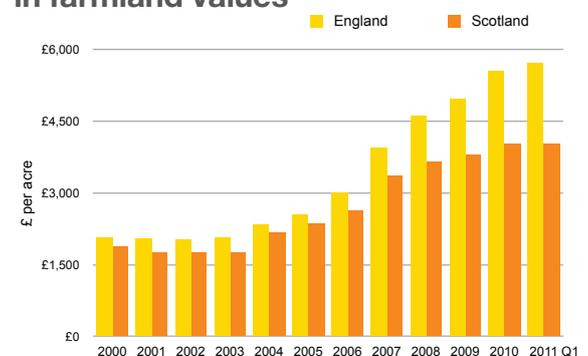
In England, during the first quarter of 2011 the average value of grade

3 arable land increased by 2.7% to £5,700 per acre. This represents a stronger start to the year compared with the past two years, when a 1% increase was recorded during the first quarter of 2010 and a fall of -0.85% for the same period of 2009.

Arable land values continue to record the strongest levels of growth across England.

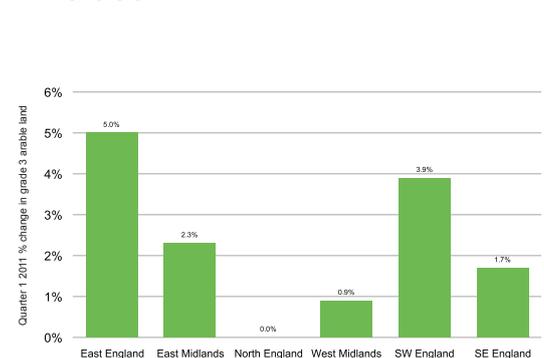
The highest increases for average grade 3 arable values were in the Eastern counties of England reflecting the ongoing strength of the commercial arable market (see Graph 3). In addition, the level of growth partly reflected the shortage of supply (as noted in Graph 1 above) with the South West of England recording an increase of 3.9% compared to 2.3% in the East Midlands, 1.7% in the South East of England and 0.9% growth in the West Midlands.

GRAPH 2 **First quarter records further rises in farmland values**



Graph source: Savills Research

GRAPH 3 **Eastern Counties see largest rise in values**



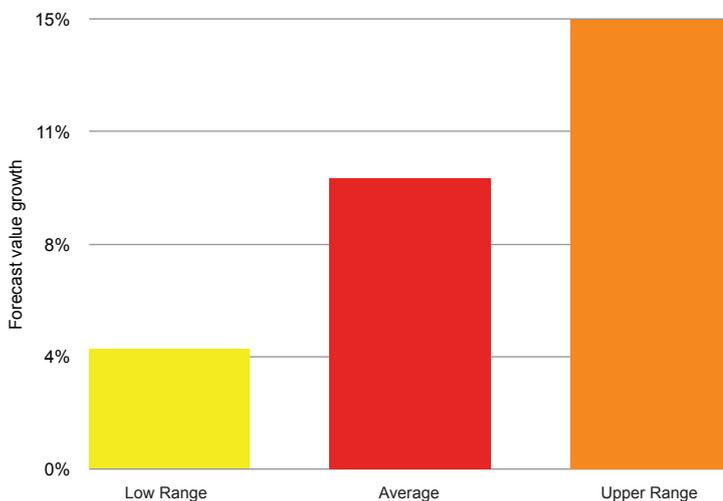
Graph source: Savills Research

→ The range of prices paid continues to be diverse with top prices being well above the averages discussed in this bulletin and in some cases exceeding £10,000 per acre.

In Scotland, the average value of grade 3 arable farmland remained unchanged at just over £4,000 per acre. Historically, the farmland market starts trading later north of the border and it will be interesting to see, with the current lack of supply, what happens to land values during the second quarter of this year. ■

“Supply, in the historical context, remains tight and we do not expect any change in the short term.”

GRAPH 4  
**2011 Forecasts show more divergence**



Graph source: Savills Research

## OUTLOOK

■ We still expect our farmland value forecasts detailed in our Agricultural Land Market Survey to apply. Our 2011 baseline forecast for average values across Great Britain remains at 9.7%. This was revised upwards at the beginning of this year following an improvement in sentiment for the prime country house market and factoring in what we expect to be a reasonably robust run of strong commodity prices. The rate of growth may soften slightly in 2012 as the outcome of the latest CAP reform becomes clearer.

■ Supply, in the historical context, remains tight and we do not expect any change in the short term – this has been confirmed by the first quarter supply figures.

■ While demand is not expected to falter, buyers will remain price sensitive especially where future income-generating opportunities are limited.

■ In addition to the main baseline forecast for the short to medium term, it is expected that growth in values will be diverse and largely related to quality. This is illustrated in Graph 4.

Please see our 2011 Agricultural Land Market Survey at [www.savills.co.uk/research/rural-research.aspx](http://www.savills.co.uk/research/rural-research.aspx)

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