

MARKET IN MINUTES

GB farmland market

The supply of farmland across Great Britain in the first quarter of the year has shown a decrease of -38% when compared to the long-term average. While this is significant, we have seen this trend before when there has been uncertainty surrounding major, especially political, events.

% CHANGE ON Q1 AVERAGE SINCE 2001



Supply down

Our research shows that supply of farmland to the market in the first quarter of 2017 is down 42% compared to Q1 2016, and 38% compared to the long-term average from 2001 (see above). In total, across Great Britain just over 11,000 acres were publicly marketed in the first three months of 2017. In England, specifically, supply

decreased by 26% in the first quarter, while in Scotland market activity was just half what it was in Q1 2016, with around 2,500 acres of farmland publicly marketed in the national farming press. In Wales, the situation was even more significant: just 100 acres were publicly marketed compared to over 2,200 in the same

period last year. The farmland market is generally weak in the first three months of the year, and we have to be careful with percentage swings on low overall numbers. However, anecdotal evidence suggests that while so much political uncertainty remains, this pattern will likely continue at least into the second quarter of 2017.

SUPPLY 2017 TO END MARCH (Q1) COMPARED WITH Q1 2016

-42%



Great Britain

History repeating itself

Currently, there is a considerable amount of political uncertainty surrounding the Brexit negotiations and the triggering of Article 50, with perhaps even a second Referendum on Scottish Independence on the horizon. We know from past experience that such uncertainty has an impact on the amount of farmland coming onto the market – for example, during each Common Agricultural Policy (CAP) reform negotiation, the volume of land marketed usually reduces, recovering once the position becomes clear.

Furthermore, the weak pound is possibly providing some respite on farm debt by increasing the value of subsidies and wheat prices, which may be holding off potential debt-related sales.

Diminishing supply may help sustain land values, while uncertainty, combined with good local advice, often provides opportunities for both buyers and sellers. In addition, land values are still supported by long-term low supply, competing land uses and a variety of ownership motives. However, we expect the demand profile of buyers to remain diverse and, for investors, lower capital values will be partly offset by improved income yields.



Market commentary



England

Alex Lawson

As we enter the traditionally active spring marketing period, the supply of high-quality farms and estates publicly available remains scarce. Inevitably, the current political uncertainty is deterring some vendors from going ahead with a

sale; however, there are committed buyers who are looking for the best properties in good locations if they are correctly priced. It will be fascinating to see how 2017 continues to evolve, but, as we know from previous property cycles, uncertainty for some often means opportunity for others.



Scotland

Charles Dudgeon

Negotiations around Brexit and a potential second Referendum on Scottish Independence will inevitably create some uncertainty over the next few years and may lead to a prolonged shortage of supply, which will continue to support land values. However, we expect

value for money to be a more significant driver: the price differential is encouraging farmers from England to expand their farming enterprises north of the border and this is likely to continue. The quest for scale is a predominant driving force, with progressive farmers focused on expansion.



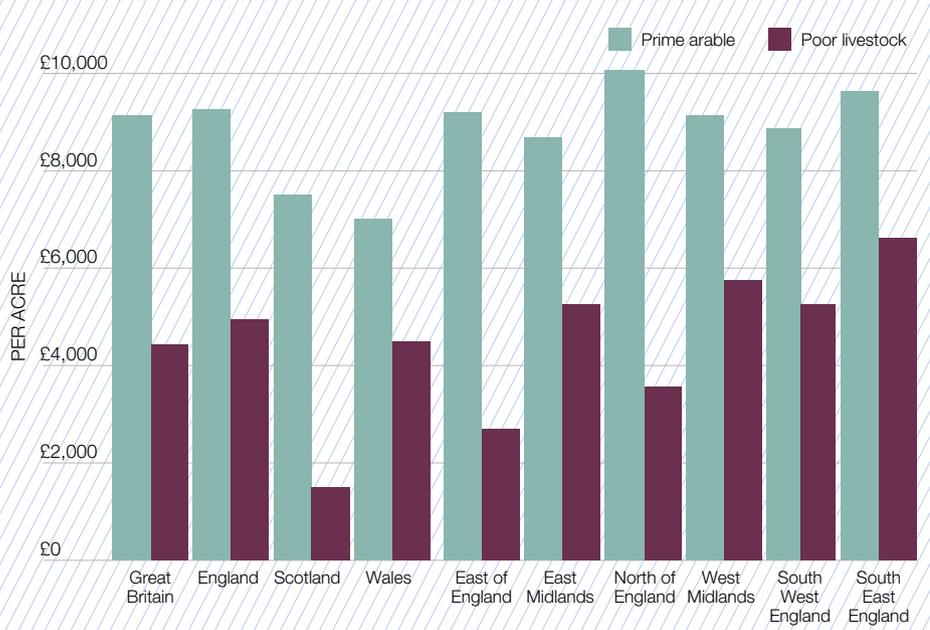
Wales

Daniel Rees

The first quarter has been busy in Wales, with the sale of two of the largest dairy farms to come to the market for many years – just under 1,300 acres in total. Activity within the farms and farmland market has been slow, but it's still very early in our season. We have

already visited a number of farms that will potentially come to the market this year and there have been encouraging viewing numbers on existing farms for sale. Buyers include existing farmers looking to expand or relocate, investors and 'lifestyle change' buyers from both the UK and overseas.

A WIDE RANGE OF VALUES ACROSS LAND TYPE AND REGIONS OF GB



Farmland Value Survey

So far in 2017 there is very little transactional evidence. Our research indicates that there continues to be some pressure on values across all farm types, although less so on grassland than arable land. The market continues to record a wide range of actual prices achieved, with the end result depending largely on local and especially neighbouring demand. Buyers are generally selective about what they want and the distance they are willing to travel.

The graph (left) illustrates the wide range of average values as recorded by our Farmland Value Survey. However, average values, as noted above, only tell part of the story and there are some sales that are completing well above these values. Conversely, the same is true at the lower-value end of the market, where local demand is, at best, weak.

Savills Farm Agency team

Please contact us for further information

Ian Bailey

Director, Rural Research
020 7299 3099
ibailey@savills.com

National

Alex Lawson
020 7409 8882
alawson@savills.com

Central/West/Wales

Richard Binning
01865 269 168
rbinning@savills.com

North

Andrew Black
01904 617 831
ablack@savills.com

Scotland

Charles Dudgeon
0131 247 3702
cdudgeon@savills.com

South West

Penny Dart
01392 455 747
pdart@savills.com

Julie Baxter

Analyst, Rural Research
07807 999 896
jbaxter@savills.com

National

Giles Wordworth
020 7075 2823
gwordworth@savills.com

Midlands

Andrew Pearce
01522 508 933
apearce@savills.com

East

Christopher Miles
01603 229 235
cmiles@savills.com

South

George Syrett
01962 834 052
gsyrett@savills.com

South East

Chris Spofforth
01444 446 064
cspofforth@savills.com