

# Market in Minutes **UK Farmland Update**

August 2016



We are now six weeks post-referendum. This note provides an update of the farmland market and looks ahead to what type of market we can expect going into the second half of this year. Figures to the end of June showed that the UK economy grew in the second quarter of 2016, by 0.6% compared with 0.4% in quarter one.

The FTSE has more than recovered from its slide in the week after the referendum but, although the pound has strengthened slightly, especially against the dollar and the euro, it still remains weak. In addition, interest rates have fallen to 0.25%, the first cut since 2009.

Most of the questions surrounding Brexit and its impact on the UK remain unanswered and will do for some time, but our analysis to date is beginning to suggest that the impact of changes to trade agreements could be far more significant than changes to the existing agricultural subsidy.

The key issues determining prices achieved for farmland remain low commodity prices and location-based demand.

## Supply to the end of July

### The key points:

Our research shows just over 123,000 acres were publicly marketed across Great Britain in the first seven months of 2016, which is comparable with the acreage marketed during the same period of last year.

Historic trends suggest uncertainty creates a lull in market activity and this year's market dynamics so far reflect some interesting trends (see Figures 1–4):

- In England, activity tempered by uncertainty and down -6%
- In Scotland, the opposite, a degree of referendum fatigue may have helped increase activity (+8%)
- Wales shows a similar pattern to Scotland, where activity (albeit from a smaller base where a few farms can distort either way) was up 35%.

The market normally quietens in the summer so it is difficult to assess the 'actual' Brexit effect. In some areas there is evidence of a good →

## Monthly market activity graphs with estimates to the end of 2016

FIGURE 1

### Great Britain

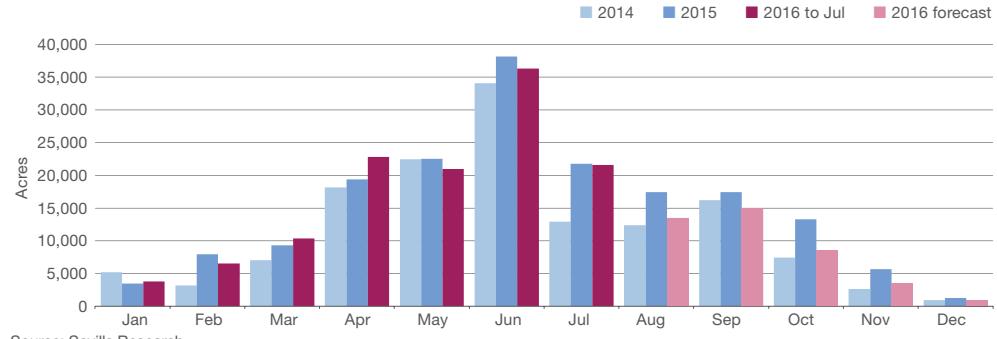


FIGURE 2

### England

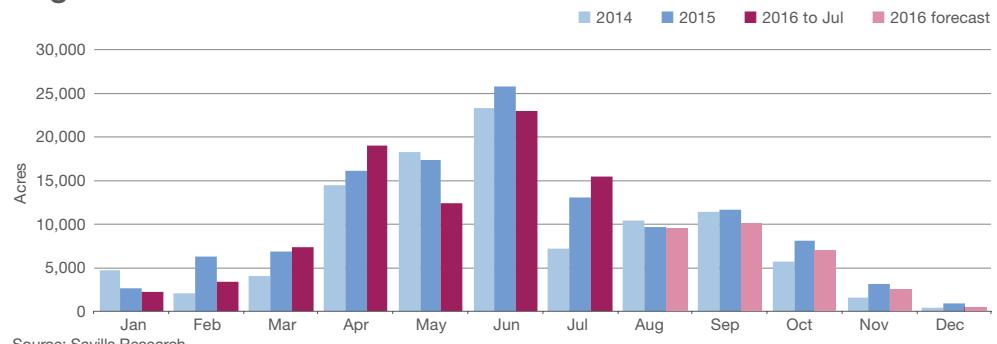


FIGURE 3

### Scotland

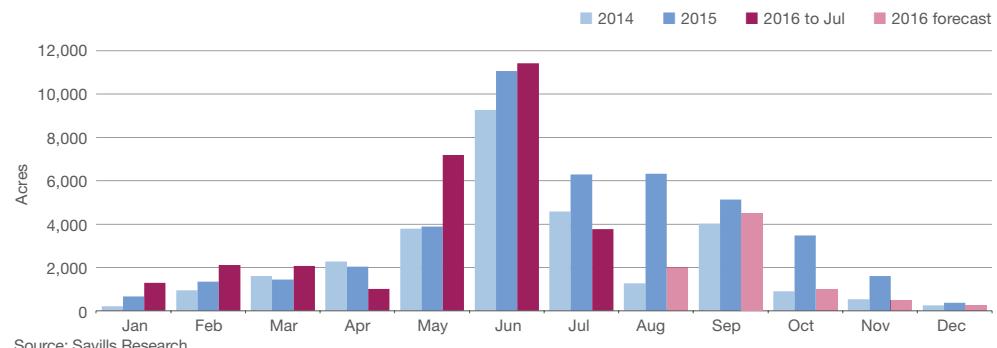
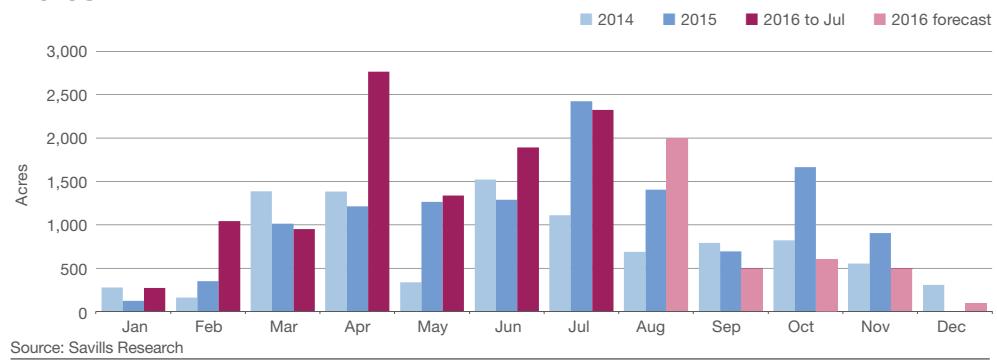


FIGURE 4

### Wales



→ number of larger farms coming to the market, especially across the southern half of England.

However, in many areas there is an expectation that the second half of the year will be quieter than during the first six months.

Via a straw poll of our agents from Lands End to Dover up to John O'Groats and back down the west coast to Pembrokeshire in Wales, our estimates to the end of the year are shown in Figures 1–4.

## Supply estimates

The key points:

- Subdued activity overall with GB 2016 supply down around -8% on 2015
- England following this pattern with the muted activity continuing to the end of the year (-8% on 2015)
- Significantly reduced supply for the rest of the year in Scotland following an active first half
- Some good quality dairy farms in

Wales coming to the market soon will boost supply in August before it follows its usual pattern to the end of the year.

## Buyers and sellers

Our analysis of farm transactions, where Savills acted for the buyer or seller, for the first half of the year indicates that there has not been any material change in the profile of buyers and sellers during the first half of this year compared with last year and our analysis in February (see [www.savills.co.uk/UKAgriculturalLand](http://www.savills.co.uk/UKAgriculturalLand)).

We expect this to continue into the second half of the year although, the opportunities offered by weak sterling, may increase the activity of overseas buyers.

## Values

Our research shows that, during the first half of 2016, the average value of farmland across Great Britain fell by just under -2%. The average downward trend continues to be

led by arable values, which are more exposed to pressure from low commodity prices.

## Brexit and our forecasts on farmland values

In the short term, there are factors that suggest the additional downside (over and above our current forecasts) of Brexit on farmland values may be muted. Agriculture tends to do well in time of economic uncertainty. In addition, the weak pound creates opportunities for overseas buyers. Both of these factors, along with the anticipated reduced supply, may help support farmland values. ■

### MORE ON BREXIT:

For more detail and our Brexit Briefings across the property sectors see [www.savills.co.uk/research/uk/brexit-research.aspx](http://www.savills.co.uk/research/uk/brexit-research.aspx)



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