

GB Farmland



Current farmland market trends

Brexit-related uncertainty continues to weigh heavily on farmers' minds and decisions over releasing land to the market continue to be delayed.

It is well documented that market activity over the past 15 to 20 years has been low in the historical context with, on average, farms now changing hands just once every 200 years. However, this year we seem to have almost set a new low. To the end of June 2019, at 74,000 acres across GB, it is almost the lowest recorded acreage of publicly marketed land since our records began in 1995. The exceptions are:

- 2001, the year foot and mouth closed the countryside, when just 61,000 acres were publicly marketed; and
- 2004, the year before the single farm payment was introduced, when supply to end of June was 74,000 acres; the same as this year.

The combination of policy change and political uncertainty is causing sellers to be more nervous than buyers and our research shows that average values across GB have remained stable during the second quarter of this year. We are predicting the current stability in average values will continue while demand continues, especially for the “right” farms, in a market where product is very limited.

Values

At a national level the picture is similar at both country and regional levels. The average value of prime arable and grade 3 grassland across GB is around £8,700 and £5,500 per acre respectively. Our agents however reported that there is a broad range of prices achieved either side of the average, with neighbours working quickly to secure rare opportunities to acquire adjoining land, and renewed international interest in

farmland assets in well located areas. The recent correction in the value of bare commercial farmland is now creating opportunities for investors to make a reasonable return, and conservation-minded buyers continue to express an interest in marginal and high-nature value areas.

Given the current market conditions with so little supply available and the wide range of variables that influence prices paid, it is important to not over rely on average values.

Supply

As the industry experienced in 2004, the expected change of support regime is delaying decisions to market land, regardless of the presence of active buyers in a quiet market. At a country level the key figures are:



MARKET COMMENT

ENGLAND – Alex Lawson

Although there has been limited supply in the first half of this year some buyers and sellers remain cautious, given on-going political uncertainty. However, as the year has moved on, pragmatic sellers have applied realistic pricing strategies and have been rewarded with decent levels of interest. Lifestyle and amenity estate buyers are frustrated by the lack of stock and commercial farm buyers are more selective than before, but active for the right property. The quality of the property and sensible pricing is now more important than ever before.

SCOTLAND – Charles Dudgeon

This has been an unusual year in terms of a restricted supply of acres in the first six months of the year and not seen since 2001. This confirms that in times of uncertainty decisions are delayed until the direction of travel becomes clearer. It is very apparent that a conundrum exists whereby farm purchasers want to enact their expansion plans almost irrespective of Brexit, while sellers seem to find it hard to believe there is actually an active market for farmland.

WALES – Dan Rees

The farm market has been active during the first half of this year with keen buyers looking for the right farm. The supply of new farms and land has been limited and so those that have entered the market have attracted good interest. Farms already on the market have generated new interest by lotting so as to appeal to both the lifestyle and agricultural buyers, the latter being both local and from further afield with rollover funds.

👉 **The recent correction in the value of bare commercial farmland is now creating opportunities for investors to make a reasonable return** 👈

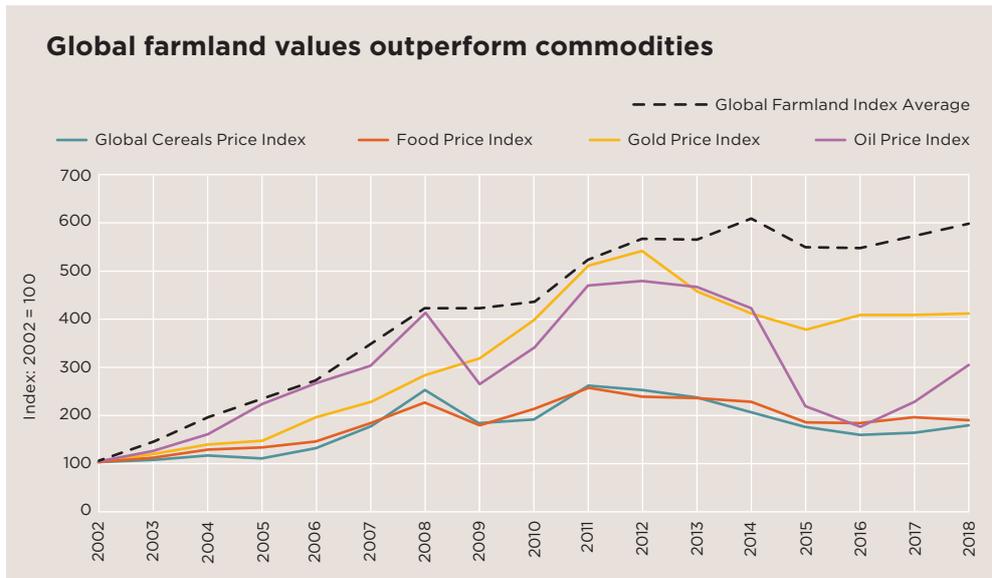


figure 1 Source Savills Research and USDA, Eurostat, WTO, OPEC, FAO and various other data sources/estimates

AN INTERNATIONAL PERSPECTIVE

The importance of farmland in terms of global food and energy security, environmental sustainability and economic growth is unequivocal and continues to attract considerable interest from around the world. Farmland values, on average across the globe, have outperformed commodities over the long term (see figure 1) and provide an inflation hedge in recessionary times. Not only do the long-term fundamentals of farmland ownership still apply, but GB also remains an attractive destination for international investors in farmland as a result of currency differentials, the security of our property laws and global connectivity via transport hubs like Heathrow.

With a rising global population and a new urgency on climate change responses in some developed

economies, the long-term importance of food and energy security is not expected to abate. Globally, we expect the demand for all types of farmland to increase, as technology and sustainability concerns drive new uses for marginal land. Even straight commercial investors need to have a clear objective for sustainable agricultural production as there is an increasing need to balance economic productivity goals with environmental and social costs.

Finding the right investment opportunities and combining with effective management protocols will be key for long-term sustainable returns.

■ For more information see https://www.savills.com/research_articles/255800/284093-0 for our latest Spotlight on Global Farmland



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