

MARKET IN MINUTES

GB farmland market

The supply of farmland across Great Britain improved in the second quarter of 2017, but there are significant regional variations. Here, we look at supply and values, and give a market outlook

Farmland stock The percentage change of publicly marketed land to end of June 2017 compared to end of June 2016



Source Savills Research

Supply of farmland

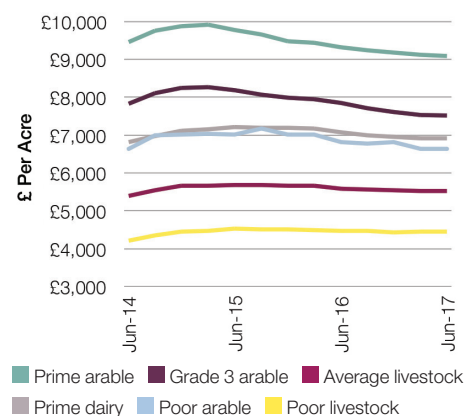
With just 11,000 acres of farmland marketed across Great Britain by the end of the first quarter, it looked as if 2017 could be a year of constrained supply. However, the market played catch-up during the second quarter, reaching 95,026 acres at the half-year stage; matching the five-year national average.

Analysis on a country-by-country basis shows differing markets. In England, supply was only down 1%, but this masked some eye-catching regional variations. In the West Midlands, a 90% increase was the result of marketing a large Herefordshire Council farms portfolio (see right). In the East and East Midlands, though, supply of mainly prime and secondary arable land is lower than previous years. This is possibly accounted for by weaker sterling, increasing both subsidy receipts and raising commodity prices to boost returns from arable land.

Scottish market activity was up 2%, with 25,467 acres marketed.

In Wales, supply was down 54%, with only 3,746 acres publicly marketed. This compares to more than 8,000 acres in 2016 and an average of 5,800 acres over the past five years.

Peak progress Changes in land values across GB since peak of 2014



Values

At the half-year stage, our Farmland Value Survey is still recording a slight fall (0.9%) in average values of 'all-types' of farmland across Great Britain to around £6,900 per acre.

Most pressure is on prime arable land values in the East and East Midlands where prices have fallen 4% in some locations. However, on average across England, values fell just 1% with no change recorded in Scotland. Wales maintained a 1.6% fall in values, albeit coupled with a limited supply of land to the market as reported above.

Since the high point of late 2014, values have fallen in some areas and sale prices are now wide ranging.

Council sells its farmland portfolio

The launch of the 4,196-acre council farms portfolio greatly boosted supply in the "West Midlands. Announcing the sale, Herefordshire Council said it was "committed to its duty of care to the local community and to tenants" and that the sale will "ensure best value for money for taxpayers".

The move follows the example of other councils who need to secure capital receipts to support other council services because of budget cuts.

Buyers and sellers

The profile of buyers and sellers shows no difference from 2016. Nearly half of all purchases were made by farmers, with 48% (46% in 2016) looking to expand and 56% (48% last year) being the predominant buyer type.

There has been a drop in residential/sporting-type purchases, down to 12% (from 25% in 2016) possibly due to Brexit uncertainty and its effect

on some residential markets. At 46%, farmers remain the predominant sellers, and detail the same key reasons of debt, relocation and investment. The number of sales because of retirement are down to 15% (compared with 28% last year). Again, weaker sterling has caused a lift in subsidy receipts and commodity prices, perhaps postponing some retirement decisions.



Market outlook

Political uncertainty associated with the snap general election and start of Brexit negotiations constricted the market to the end of the first quarter. Since then, land has been sold and supply figures are almost back in line with the longer-term average.

How Brexit negotiations will progress now the UK has a perceived weaker footing since the election may lead to a softer Brexit. This could represent a relief to our agricultural industry if change to the trading position is less onerous.

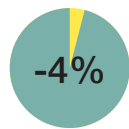
That said, the new Secretary of State for Agriculture has hinted at less subsidy support, albeit at the end of this five-year parliament. It might well be that the uncertainty is only delayed until more is known about the domestic agricultural policy the Government proposes.

Given the weakened position of the SNP, the possibility of a second Scottish independence referendum now on hold, and the value for money relative to land values in many English regions, there is little to suggest there will be

any change to the current levels of confidence in the Scottish market.

It is also worth noting that the annual supply of publicly marketed farmland represents just 0.45% of the total GB farmland area. If supply remains at this level and in the absence of immediate pressures on earning capacity on farmland – especially where weaker sterling is helping to increase subsidy payments and commodity prices since Brexit – average farmland values are unlikely to weaken.

Publicly marketed farmland represents just 0.45% of the total GB farmland area



The percentage change of publicly marketed land in Great Britain (year to end of June 2017)

Market commentary



England

Alex Lawson

Following the lull leading up to the general election, the market has been playing catch-up, with a significant increase in the number of farms and estates offered for sale. But supply is still below what it was for the same period last year and the

overall agent sentiment is of no change – competitive interest can make a huge difference in sale results, and good-quality properties – priced correctly – continue to sell well. Political events can shape markets and we all hope for greater clarity on the post-Brexit landscape.



Scotland

Charles Dudgeon

Against market perception, the first half of 2017 has shown only a 2% increase in supply compared to 2016. Farms offered have generally been of a mixed-farm type and have received a good level of interest, particularly from buyers

in the North of England and the Midlands looking for larger-scale units. Few farmers are asking for guidance on Brexit implications because of government assurances that subsidies will remain at least until 2022. All indications are that land values have held steady, at similar levels to 2016.



Wales

Daniel Rees

The second quarter in Wales has seen the market awaken in terms of supply with new farms and acres of land coming to the market, although supply is still around 54% down on this time last year. Some potential sellers were

holding off until the traditional selling period began and this, followed by the snap general election, delayed some sellers further. Lifestyle buyers are the most active buyers as they recognise that Wales offers good value when compared to farms in England.

Savills Farm Agency team

Please contact us for further information

National

Alex Lawson
020 7409 8882
alawson@savills.com

Central/West/Wales

Richard Binning
01865 269 168
rbinning@savills.com

East

Christopher Miles
01603 229 235
cmiles@savills.com

Midlands

Andrew Pearce
01522 508 933
apearce@savills.com

North

Andrew Black
01904 617 831
ablack@savills.com

Giles Hanglin

Head of Rural Research
020 7016 3786
ghanglin@savills.com

National

Giles Wordsworth
020 7075 2823
gwordsworth@savills.com

Scotland

Charles Dudgeon
0131 247 3702
cdudgeon@savills.com

South

George Syrett
01962 834 052
gsyrett@savills.com

South East

Chris Spofforth
01444 446 064
cspofforth@savills.com

South West

Penny Dart
01392 455 747
pdart@savills.com

Julie Baxter

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