

FARMLAND MARKET UPDATE

Three months on from the start of official Brexit negotiations, and the UK's position on the future of the agricultural sector remains unclear. This uncertainty in the economy has somewhat hampered confidence in the rural land market as far as purchasers are concerned however, there is still a market and the outcome for correctly priced properties is, on the whole, successful.

KEY FINDINGS

- Average bare arable land in the UK has fallen by over -10% during the last 12 months to £8,967 per acre, although some areas have managed to withstand the downward pressures and remained at last year's levels.
- Correctly priced land in sought after areas continues to generate strong interest, particularly in the South and South West regions.
- Banks continue to support the sector as a whole, but are displaying more caution when considering proposals.
- Input prices, although showing minimal movement over the quarter, have increased significantly during the last 12 months, encouraged by the weak pound.
- Increasing milk and pork prices, over the last 12 months, continues to offset the rising input prices and restore the confidence of farmers.

In terms of values, average bare arable land in the UK reduced by -1.9% to £8,967 per acre over the quarter. The only notable reduction was in the Midlands, where average values are now viewed to be in the region of £8,000 per acre. However, over the last 12 months, pricing reduced significantly across the regions, on average by over -10%.

The lack of supply coming to market continues to hinder transaction activity. According to the Farmers Weekly land tracker of publically marketed farmland in the UK, as at September 2017, supply was down by almost -25% on the same period last year.

The regions of Yorkshire and Northern England however, continue to oppose this view and have seen stock levels actually increase in comparison to a year earlier. North West England in particular witnessed an influx of stock coming to market in August and September, after economic and political uncertainties in the UK stalled activity during the late-Spring and early-Summer months.

In Western England and parts of Wales, the market is still characterised by the lack of larger commercial units

or 200+ acre blocks of arable or high quality grassland. Nevertheless, demand is high, and property sales are increasingly reliant on other factors such as the extent of work required on a property or parcel of land, or if there are opportunities for generating a secondary income.

Demand throughout the UK is largely positive and correctly priced land in sought after areas continue to generate strong interest. This is particularly apparent in the Central, Southern and South Western regions, where the success of a sale and price achieved is very location specific and extremely dependent on the purchasers buying capability. Strong prices may also be achieved to reflect the additional opportunities that are available on the site.

In the West Midlands land market, rollover relief funds are playing an increasingly significant role as landowners continue to benefit from the recent upsurge of the housing market. This has resulted in specific areas benefitting from high levels of demand and consequently commanding in excess of £12,500 per acre, compared to similar land in the East Midlands, which is achieving less than £7,500 per acre.

With respect to finance, banks continue to support the sector as a whole. However, a degree of caution has been observed over the last 18-24 months and each proposal is being considered on a case-by-case basis.

Figure 1

Key Agricultural Prices, Q3 2017

	Commodity	Unit	Price	Quarterly Change	Annual Change
INPUTS	Crude Oil	£/barrel	38.3	0.5%	16.3%
	Red Diesel	pence/litre	51.0	0.0%	12.4%
OUTPUTS	Feed Wheat	£/tonne	132.1	-6.0%	4.2%
	Rapeseed Oil	£/tonne	307.4	-1.6%	-4.7%
	Milk	pence/litre	27.8	3.2%	33.6%
	Beef	pence/kg dw	371.4	4.4%	8.0%
	Pork	pence/kg dw	167.8	2.8%	21.7%

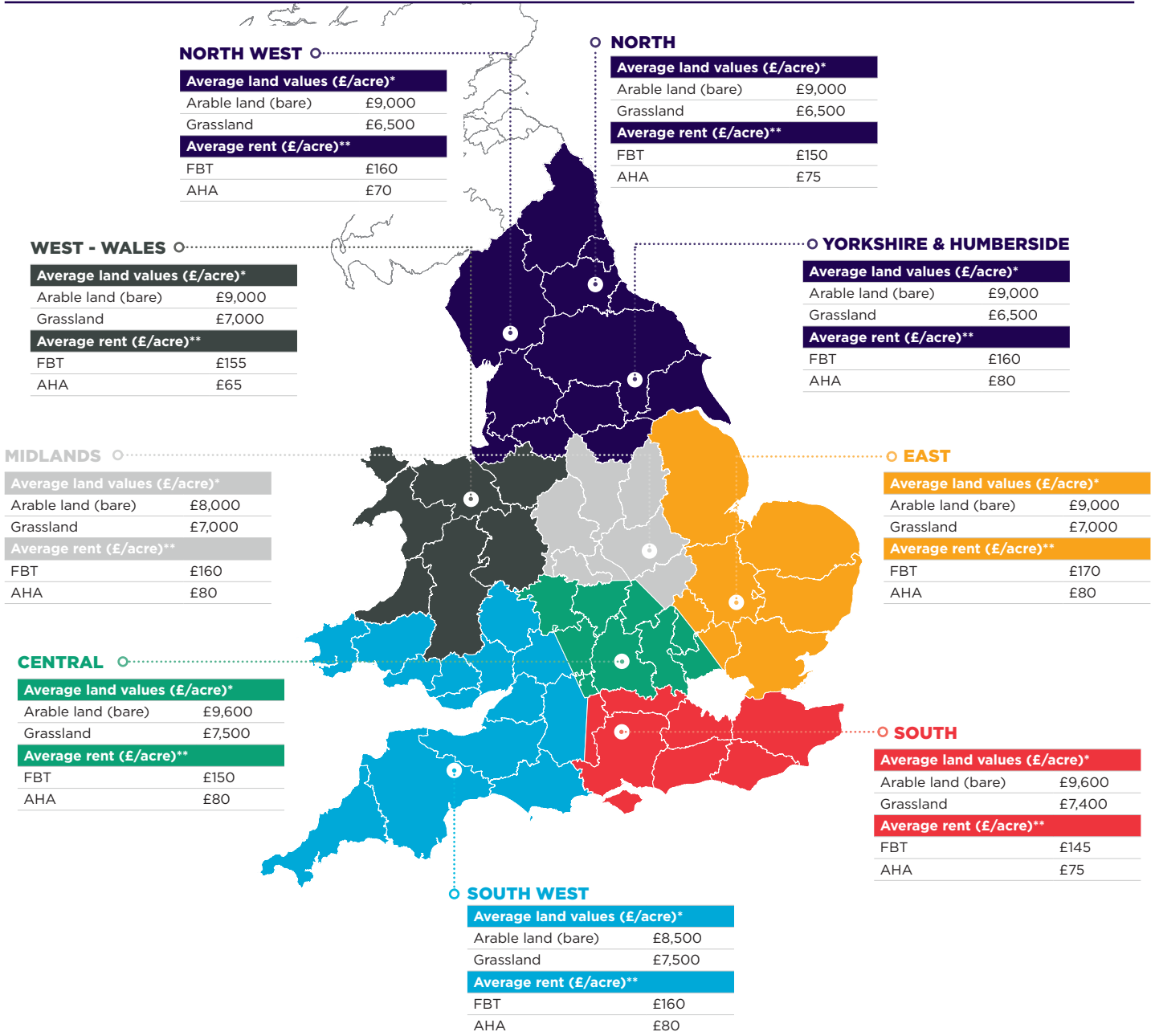
Source: Carter Jonas Research, AHDB, Farmers Weekly



DEMAND THROUGHOUT THE UK IS LARGELY POSITIVE AND CORRECTLY PRICED LAND IN SOUGHT AFTER AREAS CONTINUE TO GENERATE STRONG INTEREST.

RURAL DATA DASHBOARD

REGIONAL UPDATE



Source: Carter Jonas Research

* Grade 2/3 land quality, vacant | ** Rents on review, on a 5 year lease for 100 acres of arable land (bare)

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