

GB Farmland



A good appetite for farmland is driving the market

Results from the first half of 2022 show that farmland values in Great Britain are being driven by an appetite for commercial agriculture as much as environmental outcomes. National average land values are back close to their 2014 peak and supply is increasing. The evidence of keen investor appetite for large holdings launched on to the market in 2022 suggest upbeat market sentiment for commercial agriculture, notwithstanding the Ukraine crisis and the environmental narrative of recent years.

SUPPLY

Supply of farmland remains constrained, but more land has come to the market in the first half of the year than for the past two years. An unusual number of large farms feature prominently – 21% of the farmland area advertised to date in 2022 is on farms over 1,000 acres, with the average for the previous 10 years being 11% of all farmland advertised. These large units are commercial farms in the East and North of England, with two being over 4,000 acres. Both the Coldham Estate, Cambridgeshire and The Goole Estate, East Riding of Yorkshire are being marketed by Savills on behalf of Urban&Civic.

GB publicly marketed farmland by region (end June)

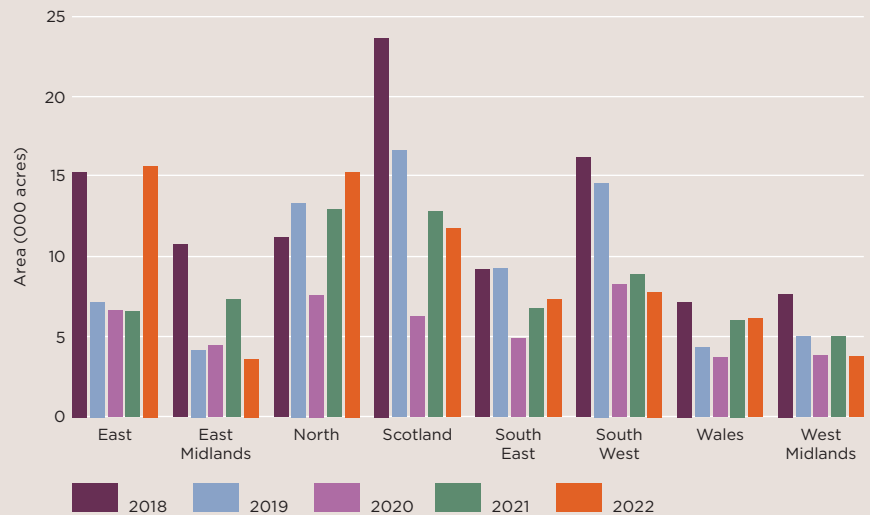
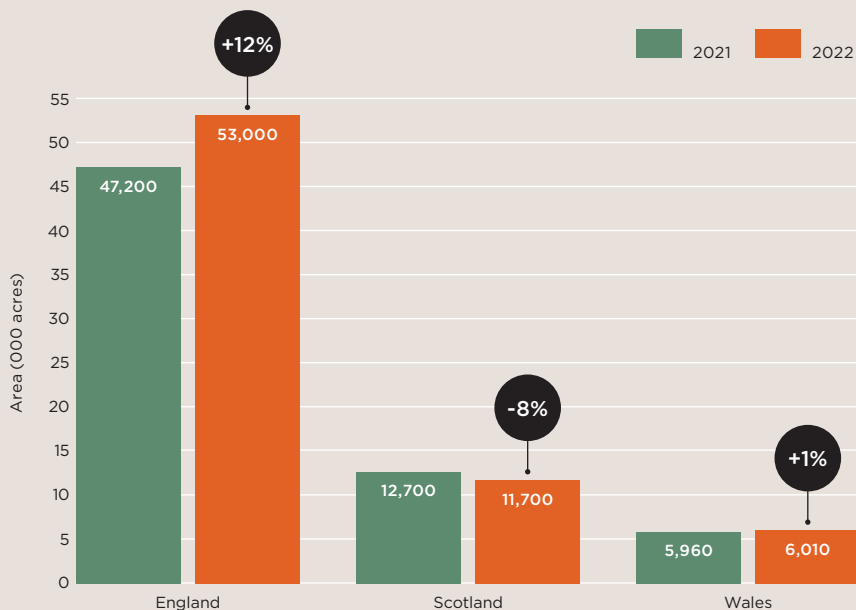


figure 1

Source Savills Research

Acres of GB farmland marketed*

during 2022 (end June) compared with 2021 (end June)



* Lowland farms/farmland over 50 acres with vacant possession marketed in national/regional press and online

figure 2

Source Savills Research

21%

of the farmland area advertised to date in 2022 is on farms over 1,000 acres

£9,420

The average value per acre of prime arable land across GB

In other English regions supply levels remain low (figure 1) and is driven in many areas by retirements. The Ukraine war has had a huge impact on the cost and risk of production, and is likely to be accelerating retirement decisions that could have been delayed until later in the agricultural transition. We still expect supply to rise this year and next.

VALUES

Farmland values have performed strongly in the first half of 2022, with a 2.6% increase in value for “All land types” in Great Britain. The average value of prime arable and grade 3 grassland across GB now is around £9,420 and £6,100 per acre respectively. Scotland was the only area not to record value rises so far this year, but typically has a later marketing year; those sales that have completed in 2022 support 2021 prices, with the most competitive activity being for larger holdings for environmentally focused buyers. →

🍷 Supply of farmland remains constrained, but more land has come to the market in the first half of the year than for the past two years. An unusual number of large farms feature prominently 🍷

In England, prime arable values (up 3%) performed ahead of market averages, whereas in Wales poor livestock land grades (up 10.8%) were driving value appreciation, again tracking buyer demand for environmental outcomes.

While it has undoubtedly made farming more difficult, global disruption caused by the conflict in Ukraine is likely to further stoke investors' appetites for inflation-hedging investments such as farmland. The food-energy nexus has been thrown into sharp relief by the energy crisis, with demand for biomass and biofuels likely to

outstrip global growth in food demand in the long term.

CAVEAT

It is important in current market conditions, with so little supply available and the wide range of variables that influence prices paid, to not over rely on average values. Local markets for offsetting land, competition between neighbours and rollover funds continue to act as disruptors to predicted values.

DEMAND

Our analysis of registered buyers shows that there is a good appetite for farmland across Great Britain. Demand for land suitable for environmental schemes remains a competitive factor in buying patterns. Corporate investors and environmentally focused buyers are still searching for poorer farmland for carbon offsetting and tree planting schemes, driving up lower land grade values in both Scotland and in particular in Wales this year. With this diverse range of buyers in the market we expect good results for our selling clients that are entering the market this year.

£6,100

The average value per acre of grade 3 grassland across GB

10.8%

increase in the value of poor livestock land grades in Wales

Market Comment

ENGLAND – Alex Lawson

The positive response from potential buyers to the sale of a number of 1,000-acre plus commercial farming estates is a good market indicator. During the past few years, there have not been many units of this scale and type to test this segment of the market and it is clear from the sales where we have been involved that there are considerable funds out there looking for such assets. In comparison, the discretionary nature of the estates market means price and quality can easily impact on the outcome of a sale.

At the other end of the spectrum the main feature of the market is a lack of stock. Demand for smaller farms is at unprecedented levels with a growing pool of buyers frustrated by the lack of opportunities. Values are supported by the continued supply and demand imbalance and there is currently little to suggest this will change.

SCOTLAND – Evelyn Channing

Buyers remain keen to take golden opportunities to acquire additional acres or to relocate to more productive land, notwithstanding the repercussions of the war in Ukraine and the position regarding



future agricultural support in Scotland that leave farmers with many unknowns to navigate. Much of the market activity to date has been greatest further up the hill, driven by natural capital and afforestation buyers, with owners choosing to take advantage of current values by selling all or part of their holding often to reduce borrowings or buy better quality acres nearby. This activity is having a knock-on effect on values lower down. The response to recent launches would indicate a sharp appetite for commercial agricultural units predominantly from a farming base.

WALES – Daniel Rees

Many of our new instructions so far this year have been livestock and dairy farms with some owners looking to retire from farming. In addition, there is an increase in the supply of land that is suitable for environmental schemes. Buyers include neighbouring farmers, who are looking to add to existing holdings and also farmers relocating from England and Northern Ireland, who are looking to acquire more acres for their money. Lifestyle buyers remain in the market for smaller units to run as “hobby farms” and potentially some form of rural diversification.

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