

## RICS/RAU Rural Land Market Survey H2 2018

# Prices edge lower in H2

- Transaction based price index pulls back after rise in H1
- Demand continues to fall slightly while supply holds steady
- Rents increase for both arable and pasture farmland

The H2 2018 RICS/RAU Rural Land Market Survey results show activity continuing to soften slightly, with contributors again citing Brexit uncertainty to be negatively impacting investor sentiment. This is likely to remain the case until there is clarity over outstanding issues such as the long term future of farming subsidies and the UK's final trading terms with the EU after Brexit.

Demand at the headline level continued to drift lower during H2, with the pace of decline very similar to that seen during H1 in net balance terms (-16% vs -15%).

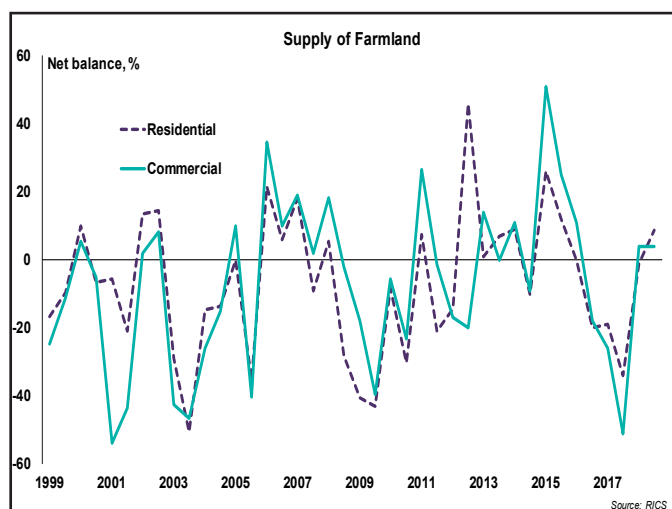
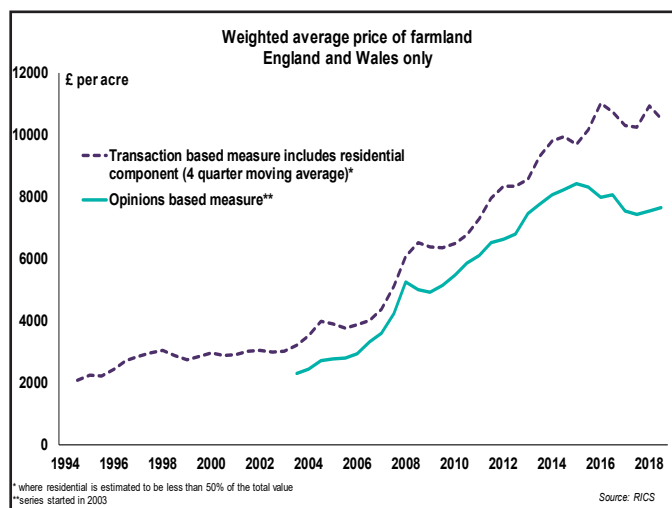
At the same time, the supply of farmland available on the sales market held more or less steady for a second consecutive report (albeit this follows relatively steep declines in 2017).

The survey's transaction based measure of farmland prices, which includes a residential component where its value is estimated to be less than 50% of the total, slipped -4% over the half year to £10,520 per acre. Nevertheless, that still leaves this measure of prices up 3% year on year (all growth rates calculated using 4 quarter moving averages to strip out volatility).

The survey's opinion based measure (a hypothetical estimate by surveyors of bareland prices excluding the residential component) actually edged up by 1% in H2, but has also increased by 3% on a year on year basis.

The majority of purchases were made by individual farmers (65%). Lifestyle buyers accounted for 18% of transactions whilst only 14% of sales were made to agricultural businesses and institutional investors combined.

Average arable land rents increased by roughly 3% in H2, leaving them up approximately 6% compared with a year prior. Meanwhile, rents for pasture land were up 12% year on year.



Farmland prices: England and Wales												
	Bare land: opinion based			Farmland: transaction based* - p				Rents - wgt average £per acre				Yields
	Wgt price	Arable	Pasture	Wgt price	Price index	No. of sales	AVG trans	Arable		Pasture		
	£ per acre	£ per acre	£ per acre	£ per acre	H1, 95 =100	reported	size, acres	AHA 86	ATA 95	AHA 86	ATA 95	
<b>H1-2018</b>	7,542	8,586	6,497	10,936	521	192	101.6	76	144	57	93	1.5
<b>H2-2018 (p)</b>	7,638	8,516	6,759	10,519	501	356	73.9	80	149	60	104	1.5
p=provisional data which is subject to revision in the next half												
*includes residential component where estimated value is less than 50%												

# Chartered surveyor market comments

## England

Stephen Hall MRICS Carter Jonas, London, 020 7518 3264 - Unsurprisingly, Brexit looms large for many when making investment decisions. The lack of certainty over future income has proved destabilising when it comes to committing to long term investment in land. The correlation between land values versus income to date has been disparate at best, but when assets are achieving sub 2.5% cash yield on investment, the connection between the two is likely to align more closely, especially if income drops off. Farming subsidies are an important element as to how sustainable farm incomes are going forward. The phasing out of subsidies has and will bear ramifications, but post-Brexit trade deals are far more important. In a market where income changes may impact value more closely, investors are keen to understand what environment we will be operating in before making significant investment decisions. Therefore, interest in commercial farmland remains variable. Farms in the east still represent the market which has seen the dramatic price adjustment. Depending on the outcome of the BREXIT negotiations, values could fall further. Faced with this uncertainty, many investors are standing back. Less commercial, amenity areas remain in places buoyant, with interest from outside the agricultural sector sustaining values. For overseas buyers, currency value has and will be an important element of their decision making. Sterling dropped significantly post the 2016 vote. The type of BREXIT achieved in Spring 2019 could result in further falls to the value of the Pound, meaning non sterling investors could be brought into the market.

Richard Gadd MRICS Fisher German Banbury 07966481487 -With the supply of land up in 2018 against 2017 levels we have seen more opportunities for buyers across the country. Mirrored by increased caution, some farms have struggled to gain serious interest. Tax driven and lifestyle buyers continue to drive the strongest values reported in the marketplace.

Farmers remain the predominant buyer type but are focusing on neighbouring or local opportunities and those of the best quality or with additional income streams. Smaller farms are attracting more interest than larger commercial holdings as the market remains cautious over future farming policy and agricultural support. Location remains the key consideration for buyers.

## Scotland

George Hipwell MRICS Davidson & Robertson, Linlithgow, 01506 811812 - Davidson & Robertson concluded 2018 with strong activity for purchase and sale of both publicly and privately marketed properties. There is still a surplus of demand against supply in the main rural property sectors (agriculture, forestry and lifestyle) which is a key factor in market performance.

There are variations in prices achieved for region and the characteristics of the property, for example fixed equipment and land quality, and factors such as funding external to agricultural businesses, low interest rates associated with finance, an aging agricultural workforce and Scottish Government land use policies also played key roles in the marketplace.

## Wales

Glyn Owens, McCartneys, Knighton 01547528621 – “The current uncertainty over Brexit is impeding the likelihood of land transactions and also affecting prospective purchaser’s confidence. An early resolution is required.”

Jeremy Jehan, Brightwells, Hereford 01432 261325– “2018 has seen a short supply with the gap between the haves and have not’s increasing. Land with progressive neighbours, seemly dearer than 2017 and that, without the neighbourly interest getting harder to shift, at less money. Brexit has made no difference what so ever for purchasers - whether it has for vendors, then the rest of the year will tell.”

## Eastern

Jim Major, Brown & Co, Norfolk 01553 770771 – “In the second half of 2018 buyers were found for most offerings, especially for better quality soils, but noticeably sellers’ expectations were harder to meet than buyers’ when the land concerned was not quite of the right ilk and/or in quite the right pace. There was a widening in the premium between “good” and “not quite so good”, with space opening up between the two that was not in evidence at the peak of the market where quality was of less importance compared with the keenness of demand.

The private investor buyer, fresh to acquisition, has apparently retreated into other classes of investment. Farmers and previous non-farmer-turned-farmer buyers now provide the backbone to the market bringing demand but not at any price, unless looking to add to existing holdings and shelter future tax liability.”

Bruce Holley, Robinson & Hall, Bedford 01234 362921 – “Brexit uncertainty making buyers and sellers hesitant. Overage clauses delaying transactions.”

## East Midlands

Stephen Knipe, Stephen Knipe & Co, Bourne 01778 421900 – “Very little concrete evidence to draw from as the market has been (and may remain) rather quiet. It remains to be seen if the Brexit fiasco is resolved in time to have any effect on the amount of land brought to the market over the next 6 months or so. I am not holding my breath!”

## West Midlands

Jeremy Jehan, Brightwells, Hereford 01432 261325– “2018 has seen a short supply with the gap between the haves and have not’s increasing. Land with progressive neighbours, seemly dearer than 2017 and that, without the neighbourly interest getting harder to shift, at less money. Brexit has made no difference what so ever for purchasers - whether it has for vendors, then the rest of the year will tell.”

Robert Browne, Fisher German, Stafford 01785273984 – “We have seen some very large offerings of farmland and agricultural holdings brought to the market during the last 6 + months. In reality it is near impossible to truly assess the impact of Brexit and other uncertainties on the market at this time. There is still an abundance of roll-over money that has not yet been spent and we are seeing a keen interest from institutional buyers. Overall there is a considerable amount of demand in the market place but purchasers across the board increasingly more discerning in their choices of investment.”

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# Chartered surveyor market comments

Mike Taylor, Barbers Rural, Market Drayton 01630 692500 – “The impact of Hs2 on the edge of the region and sales of residential development land throughout mean that there are plenty of buyers for all but the smaller and more remote parcels of bare land. Several Agri-business buyers have made their mark this year and left local and regional farming buyers standing. Overall, while we don't expect price rises, we are encouraged by demand and expect to achieve similar price levels in the coming year.”

## North East

Sam Johnson, Carter Jonas, Harrogate 01423 707801 – “The Yorkshire market continues to be characterised by hot-spots, with the A1(M) corridor and the Yorkshire Wolds achieving the highest price tags. There is strong demand for good quality, well equipped, medium to large scale commercial farms, however supply remains scarce and when such properties do become available, good interest is engendered from the market. The same can also be said for best in class bare land and equipped farms, which continue to attract premium prices. Rollover buyers are still present in the market but as with all purchasers, they remain more discerning and in some instances are willing to elect to take entrepreneurs relief, where eligible, as opposed to buying an asset that doesn't necessarily suit their requirements.”

The uncertainty surrounding Brexit and in particular market access and future trade deals, both critical factors in the UK agricultural market continue to be a concern for many landowners with some putting off strategic decisions until greater certainty is delivered. Although the criteria against which Banks lend, remains stringent, the main high street banks with strong agricultural divisions continue to support new business however, serviceability remains key. Pricing has stabilised over the last 12-months, following the falls from their peaks in 2015, however there are still wide variances. Full bodied arable land is achieving, on average, £8,500 per acre, while good quality stock is achieving up to, £10,000 per acre and in excess in some instances. Whilst values remain under pressure in the short term, they are likely to be tempered by the lower levels of supply which should help maintain values in the medium to longer term.

Tim Michie, George F White, Alnwick 01665 603231 – “As a firm we haven't been too involved in many deals towards the back end of 2018. We had a lot of bigger sales opened early in the year and concluded by the half way point. Demand still outweighs supply in North

## North West

John Seed, Brown Rural Partnership, Macclesfield 01625 442705 – “Whilst purchaser activity has increased a little since the new year, we are still in the bleak mid-Brexit, and the overall picture is of a slow market, with second tier farmland continuing to take longer to sell. The shortage of strong commercial farms will owe much to current political uncertainty which in turn could mask other factors.”

## South East

Andrew Chandler, Carter Jonas, Winchester 01962 833360 – “Evidence this year has suggested a three tier market. Smaller blocks of pasture are still achieving good premiums from local and lifestyle buyers with strong demand in village locations. Larger 200 acre+ tranches of bare or equipped land, as well as farms with modest residential values, are in high demand with the rollover and private buyer market. The middle market includes bare land between 50 – 150 acres, which has remained static in terms of values and is very much location dependant as the buyers are generally neighbours rather than regional investors.”

Russell Parks, Batcheller Monkhouse, Pulborough 01798 872081 – “Whilst sales are taking longer, demand still exists for farms and farmland in the South East, particularly from purchasers with Rollover funds.”

Rowan Allan, HJ Burt, Steyning 01903 879488 – “Unpredictable political and economic times are not helping fuel general market confidence, but 2018 saw some robust sales and market activity for the right units which were appropriately priced and marketed to then produce some excellent results. 2019 will no doubt have its challenges, but there are still some strong buyers out there.”

Matthew Alexander, Bidwells, Oxford 07918 561606 – “Demand weakened over the second half of 2018 as 29th March draws ever closer. However, in some areas there has been good demand, mainly for land with medium to long term development potential and land bought for its amenity value. For this we have seen values far exceeding £10,000 per acre. For the larger, productive arable blocks there has been apprehension in the market from the more traditional purchaser for this type of land, and values have struggled to exceed £8,000 per acre for blocks in excess of 100 acres. Nonetheless land is selling, and we suspect an increase in activity in Q2 and Q3 of 2019. Values are likely to remain stagnant for some time until it is clear how our relationship with the EU will develop, which will hopefully bring more confidence to the market.”

## South West

Andrew Tuffin MRICS FAAV Rural Partner, Symonds & Sampson LLP, Sturminster Newton 01258 472244 – “In H2 2018 the supply of farms and land across the region increased on recent years yet the majority of property still met healthy demand from a range of farmers, investors and residential buyers. In general values have held across our region however values have diverged further due to localised demand and we have seen figures from £5,500 to £15,000 per acre. Another continuing theme is transactions taking longer to complete”

Adrian Cannon, Tayler & Fletcher, Bourton-on-the-Water 01451 820913 – “The market continues to be determined by neighbour interest, with progressive farmers, rollover money and entrepreneurs still seeking land.”

## Chartered surveyor market comments

Andrew Ranson, Stags, Launceston 07834 032248 – “Market continues to be patchy. Valuing is more a game of assessing the neighbours rather than physical features/quality of the land. Supply has increased slightly and in most cases there remains sufficient demand wanting to snap up opportunities. Majority of buyers are local - a contrast from pre-Bexit. Market is remarkably resilient given the political uncertainty, with most buyers taking a long-term view. As to the future - more of the same. Nothing short of a significant increase in supply will cause a notable reduction in values and this looks unlikely.”

Richard Greasby, Butler Sherborn, Cirencester 01285 883740 – “During H2 demand in the Cotswolds from farmers has subsided with buyers being largely non farming purchasers. Location is still a significant factor resulting in a wide range of values still being achieved.”

Richard Webber, Greenslade Taylor Hunt, South Molton 01769 574500 – “The land market in North Devon remains extremely localised with land still achieving strong interest where neighbouring and local demand dictates. However, in the more marginal areas purchasers are noticeably cautious with financial constraints having a greater impact, which is understandable in the current political climate.”

Andrew Dodds, Stags, South Molton 01392 680059 – “Farm buyers were more active in the second half of 2018 and we sold or agreed sales in 10 farms during the autumn with 6 of those as a whole. There was still appetite from farmers to buy commercial sized blocks of land or smaller blocks nearer to their existing holdings and values appear to have remained steady despite the uncertainty around future trading relationships with the EU. Smaller amenity sized land lots continue to sell well.”

Kit Harding, Carter Jonas, Bath 07780 667001 – “Bare land prices are holding firm in the Wiltshire and Gloucestershire area, although the further south west you look values are more changeable and localised. Equipped farms are selling well, with a lack of supply ensuring good demand.”

Matthew Peters, Bruton Knowles, Gloucester 01452 880000 – “The Market has become ever more discerning and wide ranging. Anything perceived to be overpriced will not sell with some remaining on the Market for some time. If it were not for Roll Over Money in this area it would be a rather Gloomy Picture. Private Sales have been the fore to those with Money from Development who can proceed quickly. The Average Land Price hides a great deal.”

# Information

## RICS/RAU Rural Land Market Survey Management

### RICS

#### Tarrant Parsons

Economist

t +44 (0)20 7695 1585

e tparsons@rics.org

### RAU

#### Nick Millard MRICS, FAAV, REV

Senior Lecturer

School of Real Estate and Land Management

t + 44 (0)1285 652531

e Nick.Millard@rau.ac.uk

## About the RICS/RAU Rural Land Market Survey

The statistics provided by RICS members in England, Wales and Scotland, are collated by the Royal Agricultural University, Cirencester.

## About the Royal Agricultural University [RAU]

Founded in 1845, the Royal Agricultural University (RAU) is the oldest agricultural college in the English speaking world and has a long-standing, global reputation in education, research and consultancy.

The RAU currently provides a unique learning environment for approximately 1200 students from over 40 different countries. The College offers almost 30 different degree courses in disciplines as varied as agriculture, business, equine, food, and land and property management.

Since the 1930s, the Royal Institution of Chartered Surveyors (RICS) has accredited courses at the RAU. Today, the University offers a choice of five degree programmes at undergraduate and postgraduate levels within its School of Real Estate and Land Management, from where it continues to train and educate the future leaders of the land and property professions.

The RAU has always pioneered research as part of its academic output and also has an established track record of working with government, institutional and private sector clients, utilising the expertise of its academic resources to deliver high quality contract research and consultancy.



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We accredit 118,000 professionals and any individual or firm registered with RICS is subject to our quality assurance. Their expertise covers property, asset valuation and real estate management; the costing and leadership of construction projects; the development of infrastructure; and the management of natural resources, such as mining, farms and woodland. From environmental assessments and building controls to negotiating land rights in an emerging economy; if our members are involved the same professional standards and ethics apply.

We believe that standards underpin effective markets. With up to seventy per cent of the world's wealth bound up in land and real estate, our sector is vital to economic development, helping to support stable, sustainable investment and growth around the globe.

With offices covering the major political and financial centres of the world, our market presence means we are ideally placed to influence policy and embed professional standards. We work at a cross-governmental level, delivering international standards that will support a safe and vibrant marketplace in land, real estate, construction and infrastructure, for the benefit of all.

We are proud of our reputation and we guard it fiercely, so clients who work with an RICS professional can have confidence in the quality and ethics of the services they receive.

### United Kingdom RICS HQ

Parliament Square, London  
SW1P 3AD United Kingdom

**t** +44 (0)24 7686 8555

**f** +44 (0)20 7334 3811

[contactrics@rics.org](mailto:contactrics@rics.org)

### Media enquiries

[pressoffice@rics.org](mailto:pressoffice@rics.org)

### Ireland

38 Merrion Square, Dublin 2,  
Ireland

**t** +353 1 644 5500

**f** +353 1 661 1797

[ricsireland@rics.org](mailto:ricsireland@rics.org)

### Europe

[excluding UK and Ireland]

Rue Ducale 67,  
1000 Brussels,  
Belgium

**t** +32 2 733 10 19

**f** +32 2 742 97 48

[ricseurope@rics.org](mailto:ricseurope@rics.org)

### Middle East

Office G14, Block 3,  
Knowledge Village,  
Dubai, United Arab Emirates

**t** +971 4 446 2808

**f** +971 4 427 2498

[ricsmenea@rics.org](mailto:ricsmenea@rics.org)

### Africa

PO Box 3400,  
Witkoppen 2068,  
South Africa

**t** +27 11 467 2857

**f** +27 86 514 0655

[ricsafrica@rics.org](mailto:ricsafrica@rics.org)

### Americas

One Grand Central Place,  
60 East 42nd Street, Suite 2810,  
New York 10165 – 2811, USA

**t** +1 212 847 7400

**f** +1 212 847 7401

[ricsamericas@rics.org](mailto:ricsamericas@rics.org)

### South America

Rua Maranhão, 584 – cj 104,  
São Paulo – SP, Brasil

**t** +55 11 2925 0068

[ricsbrasil@rics.org](mailto:ricsbrasil@rics.org)

### Oceania

Suite 1, Level 9,  
1 Castlereagh Street,  
Sydney NSW 2000. Australia

**t** +61 2 9216 2333

**f** +61 2 9232 5591

[info@rics.org](mailto:info@rics.org)

### North Asia

3707 Hopewell Centre,  
183 Queen's Road East  
Wanchai, Hong Kong

**t** +852 2537 7117

**f** +852 2537 2756

[ricsasia@rics.org](mailto:ricsasia@rics.org)

### ASEAN

10 Anson Road,  
#06-22 International Plaza,  
Singapore 079903

**t** +65 6635 4242

**f** +65 6635 4244

[ricssingapore@rics.org](mailto:ricssingapore@rics.org)

### Japan

Level 14 Hibiya Central Building,  
1-2-9 Nishi Shimbashi Minato-Ku,  
Tokyo 105-0003, Japan

**t** +81 3 5532 8813

**f** +81 3 5532 8814

[ricsjapan@rics.org](mailto:ricsjapan@rics.org)

### South Asia

48 & 49 Centrum Plaza,  
Sector Road, Sector 53,  
Gurgaon – 122002, India

**t** +91 124 459 5400

**f** +91 124 459 5402

[ricsindia@rics.org](mailto:ricsindia@rics.org)