

Market in Minutes

Q1 Farmland Market

May 2012



SUMMARY

Farmland across Great Britain continues to steadily increase in value

■ Farmland values continued to move upwards across Great Britain during the first quarter of 2012, albeit at a slower rate than during the same period of 2011. Average grade 3 arable land recorded growth of 0.9% compared to 2.3% in the first three months of 2011.

■ Supply increased across Great Britain in the first quarter of 2012 compared with the same period in 2011, but the amount of farmland publicly marketed is still significantly lower today than it was at the turn of the new century. During 2010 and 2011 just 150,000 acres were openly

marketed in Great Britain, which is only half the amount marketed in 2000.

■ Moreover, according to our most recent research on average farmland turnover, in the early 1950s more than 650,000 acres were traded annually in England alone and accounted for over 2.5% of the total farmed area. In comparison, the turnover of farmland marketed today amounts to only 0.5% in England, 0.25% in Scotland and 0.2% in Wales.

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Ian Bailey, Savills Research
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→ Focus on turnover

Savills new Farmland Turnover Analysis compares the total farmed area with the total average acreage openly marketed between 2007 and 2011 to give a percentage turnover.

Map 1 illustrates where turnover is highest and lowest at a county/regional level; the darker the colour, the higher the average percentage turnover.

In England, between 2007 and 2011 turnover was highest in Lincolnshire, Oxfordshire, Cambridgeshire, Hertfordshire and Surrey with the lowest average percentage turnover in West Yorkshire, East Sussex and Cleveland & Darlington.

The concentration of higher turnover surrounding London is largely explained by there being a greater proportion of non-farming buyers for whom farmland is a trading asset and less of a way of life.

Unsurprisingly, the average percentage turnover is lower in the whole of Wales and most of Scotland when compared to the majority of the English counties. In Scotland, the average percentage turnover is highest in Fife at 0.61%.

Supply 2012

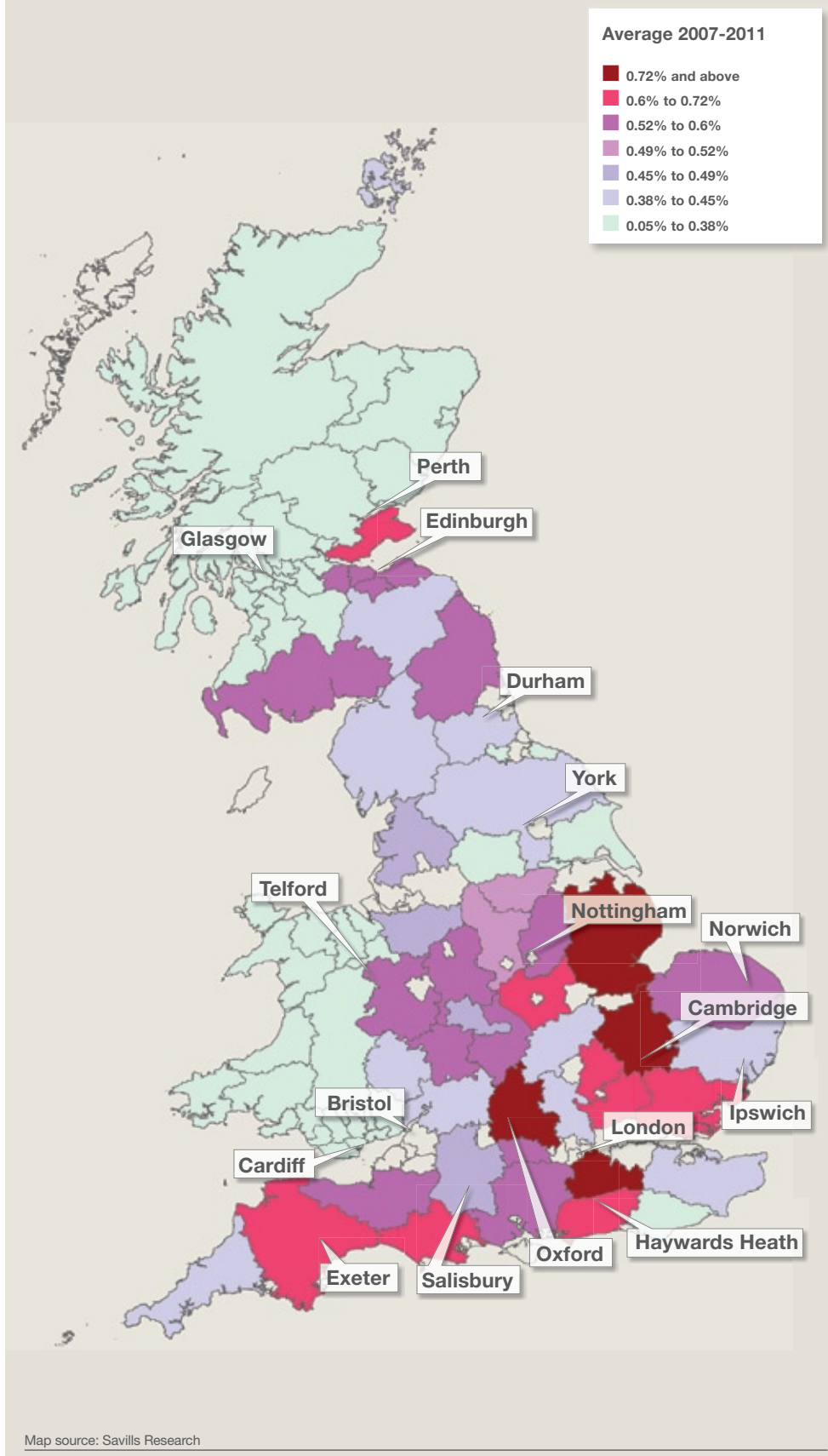
Our research shows that across Great Britain during the first quarter of 2012 the volume of publicly marketed farmland increased by 20% compared with the same quarter of 2011. The national picture, however, conceals some significant regional variations in market activity (see Graph 1).

In England, no change was reported in the volume of publicly marketed farmland during the first quarter of 2012 compared to the same period in 2011.

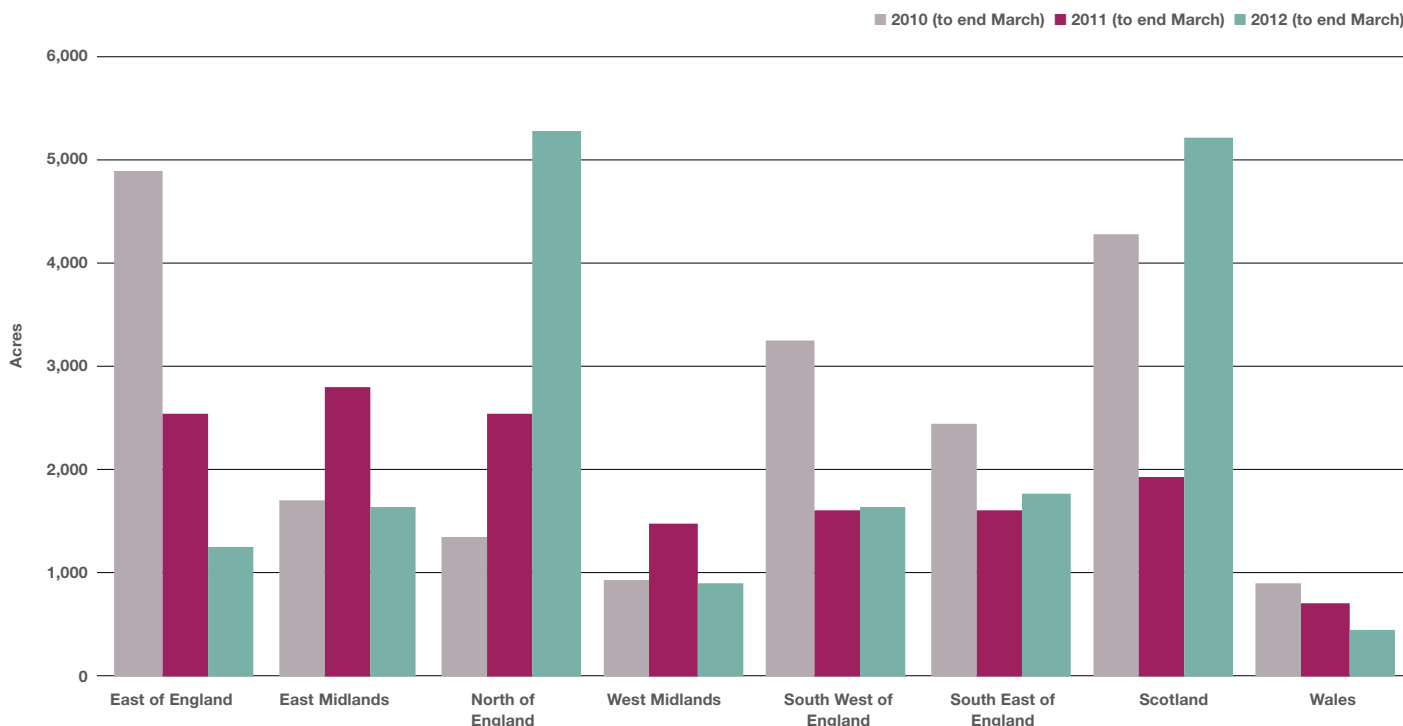
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 “During the first quarter of 2012 the volume of publicly marketed farmland increased by 20% compared with the same quarter in 2011”
 Ian Bailey, Savills Research

MAP 1

Average Percentage Farmland Turnover 2007-2011



GRAPH 1
Regional Market Activity



Graph source: Savills Research

→ In Scotland 5,214 acres of farmland were publicly marketed during the first three months of 2012 compared to 1,913 acres up to the end of March 2011. This equates to a 173% rise. Supply has not been this high in Scotland since 2000 when 11,791 acres were publicly marketed.

Increased supply was also recorded in the North, South East and South West of England. In the North, supply rose by a significant 109%, this figure being inflated by a large acreage of land launched by the UK Coal Group. In the

“Higher prices continue to be paid for the best quality land, especially the larger commercial arable farms” Ian Bailey, Savills Research

South East and South West, supply rose 12% and 3% respectively.

In contrast, supply fell furthest in the East of the country, where the volume of farmland publicly marketed fell by -50% in the East of England and -41% in the East Midlands.

In Wales the amount of farmland openly marketed decreased by -34% during the first quarter of 2012 to just over 450 acres.

Values

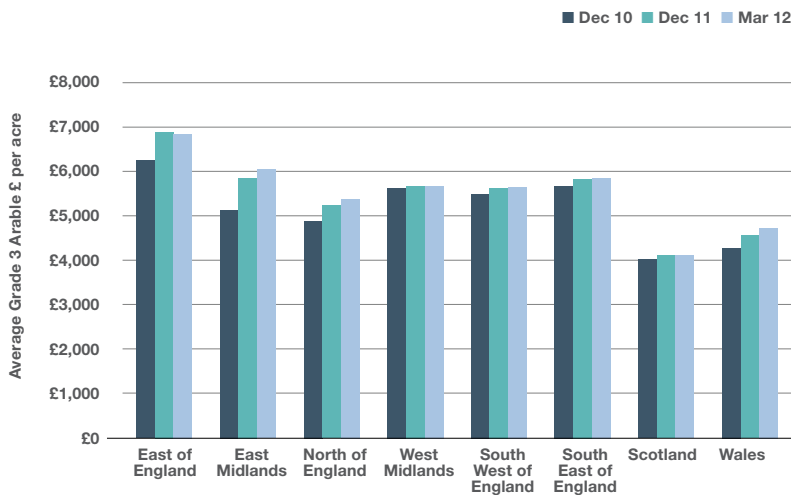
Our Farmland Value Survey shows that in the first quarter of 2012 the average value of grade 3 arable land in Great Britain rose by 0.9% to £5,700 per acre. This follows a rise of 6.5% throughout 2011, 11% in 2010, 7.2% during 2009 and 16.7% in 2008.

This report focuses principally on average values of grade 3 arable farmland. However, it should be noted that Savills forecast for an increasingly diverse market is holding true and the range in prices paid and rates of growth now vary. Higher prices continue to be paid for the best quality land, especially the larger commercial arable farms.

In England, the average value of grade 3 arable land rose by 1.0%



GRAPH 2 Average Farmland Values Move Steadily Upwards Through Quarter 1



Graph source: Savills Research

➔ to £6,050 per acre in the first three months of 2012.

Scotland reported zero growth in farmland values during the first three months of the year, with supply at its highest since 2000.

Closer analysis reveals that between September 2010 and June 2011 Scottish values remained unchanged until the Summer of 2011. It will be interesting to see if this pattern is repeated during 2012. Also,

historically the farmland market is known to start trading later in the year north of the border.

As illustrated in Graph 2, the highest increase in values during the first quarter of this year was recorded in the East Midlands at 3.3%.

The North of England and Wales also recorded higher than average rates of growth at 2.9% and 2.8% respectively. ■

OUTLOOK

The market in 2012

■ Farmland values continued to rise during the first quarter of 2012, and we expect the average value of all types of farmland in Great Britain to increase by around 5% throughout 2012.

■ Nationally and internationally we continue to be faced with severe economic uncertainties but, as we have regularly reported, it is these conditions which often drive buyers to farmland as a safe haven for their money.

■ According to our research there has been an increase in the number of buyers looking to spend over £5 million on farms and estates this quarter.

■ There is a strong demand for good quality, large commercial farms and these are likely to exceed our average growth predictions. However, the prevailing economic uncertainty will manifest in a diverse farmland market with poor quality, poorly located, small blocks and commercial farms with a substantial residential weighting struggling to reach this level of growth.

■ Despite an increase in the supply of farmland in the first quarter compared to 2011, we believe supply will be limited for the rest of the year.

■ If you would like further information on our Farmland Turnover Analysis or any other aspect of our research, please email Ian Bailey (ibailey@savills.com).

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