

Farmland values stable as very little land marketed

Review of the Scottish farmland market for October – December 2009

Prices for bare and equipped land remained stable in the final quarter due to the tiny amount of land marketed and continuing strong demand for good quality farms. Early indications are that more land will be marketed in 2010 than in 2009.

Niall Macalister Hall
Head of Scottish Farm Agency, Smiths Gore

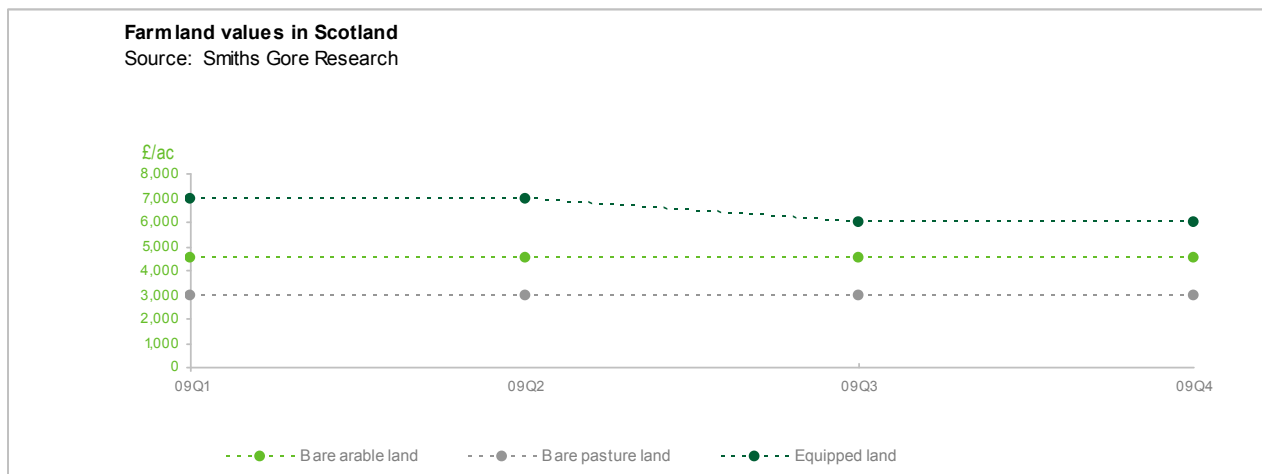
This review is based on Smiths Gore’s database of all publicly marketed farmland over 50 acres in Scotland, which is collated by our in-house research department, and commentary on the farmland market from our farm agency team.

Values

1. Bare arable land remains at an average of £4,500 per acre and bare pasture land at £3,000 per acre, so values have stayed at around the same level throughout 2009.
2. Although equipped land stayed at an average of £6,000 per acre between October and December 2009, they have fallen by around 14% from £7,000 at the start of the year.
3. Values have been maintained despite the downturn in the Scottish economy and lower availability of credit due to the limited amount of land being marketed.

Farmland values in Scotland (£/ac) (Opinion-based data from Smiths Gore farm)			
	Bare arable land	Bare pasture land	Equipped land
09Q1	£4,500	£3,000	£7,000
09Q2	£4,500	£3,000	£7,000
09Q3	£4,500	£3,000	£6,000
09Q4	£4,500	£3,000	£6,000

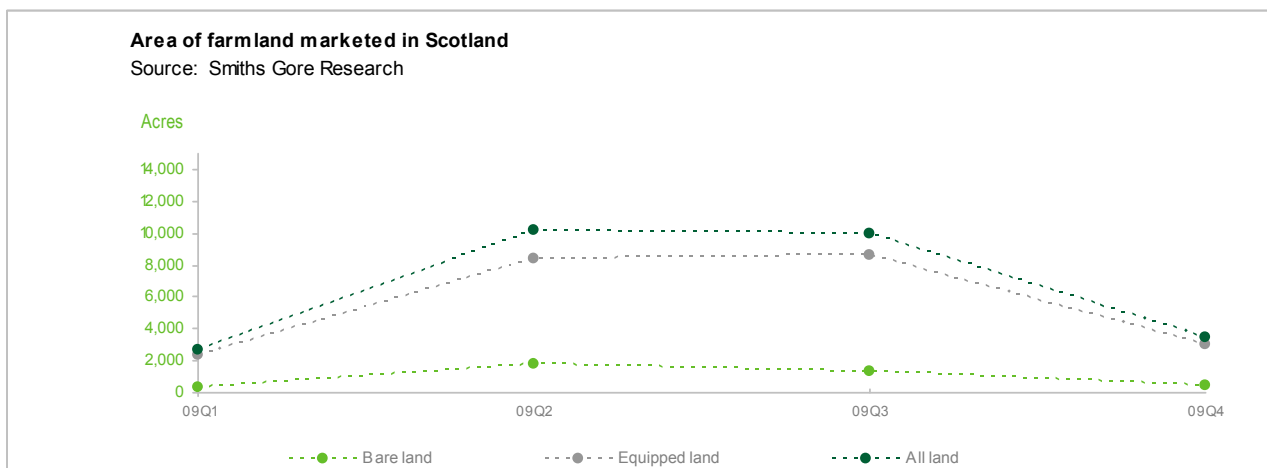
Farmland values in Scotland (% change from previous quarter) (Opinion-based data from Smiths Gore farm)			
	Bare arable land	Bare pasture land	Equipped land
09Q1			
09Q2	0%	0%	0%
09Q3	0%	0%	-14%
09Q4	0%	0%	0%



Supply

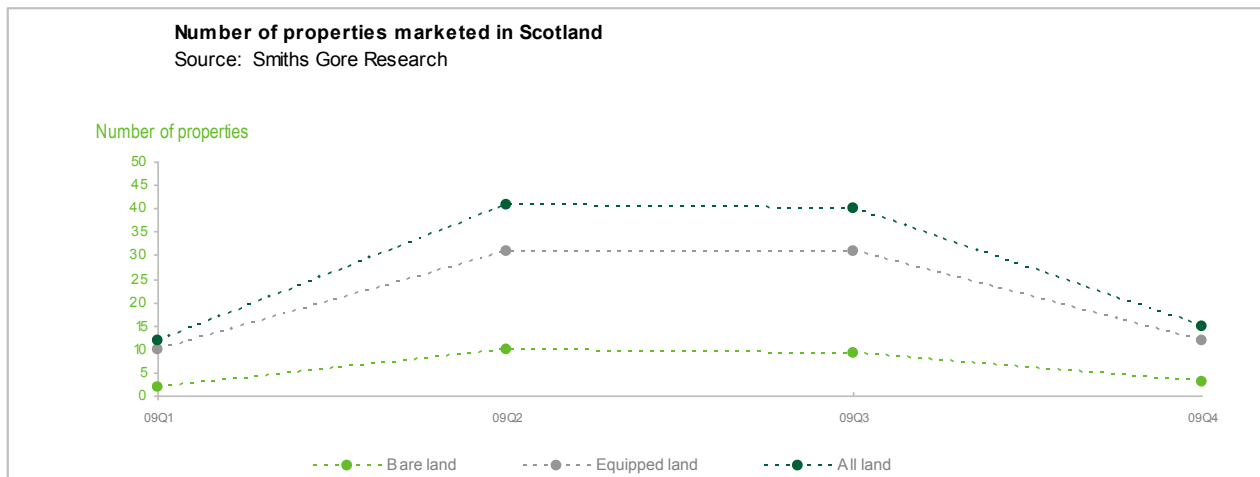
4. Supply of land was very low. Less farmland was marketed between October and December of this year than during the final quarter of 2008.

	Area of farmland marketed in Scotland (acres)		
	Bare land	Equipped land	All land
09Q1	310	2,300	2,600
09Q2	1,800	8,400	10,200
09Q3	1,300	8,600	9,900
09Q4	440	3,100	3,500



5. 440 acres of bare land was marketed in 3 parcels, which is the same amount but half the number of sales as 2008 (430 acres, 6 parcels).
6. Marketing of equipped land was also significantly reduced, with 3,100 acres marketed in 12 parcels, which is 60% lower than the area marketed in 2008 (7,700 acres, 23 parcels). This is a similar pattern to the English market.

	Number of properties marketed in Scotland		
	Bare land	Equipped land	All land
09Q1	2	10	12
09Q2	10	31	41
09Q3	9	31	40
09Q4	3	12	15



Demand

7. As in the previous quarter, the demand for bare land from commercial farmers remained strong between October and December and helped maintain values. This demand is based on confidence that commodity prices will remain at their current levels and may even increase as the strategic importance of agriculture is becoming more recognised by national and European politicians.
8. Demand and values are strongest in eastern Scotland due to the lower availability and in general the better quality of land available. Farms in western Scotland are taking longer to sell, due to there being more supply, particularly in Ayrshire and Dumfries-shire, and also the almost complete removal of buyers from Ireland from the market place as a result of their own economic woes.
9. We expect demand from non-farmer buyers to strengthen in 2010 as some confidence returns to the economy and as the housing market improves. Both of these factors will support and lead to increases in the prices of equipped farms. Our model of the English farmland market clearly shows that growth in the wider economy, in earnings, inflation and share prices, and rising house prices, all support increases in farmland values.

Outlook for 2010

10. 2010 will continue the trend from the end of 2009 – with a shortage of good farming units for sale, which means that competition for them remains strong, which helps maintain values.
11. From our contacts with vendors, we expect there to be more farms and land being sold towards the end of the year.

Summary

Our review shows that there was very little land marketed in the final quarter of the year and that values remained stable. Bare land values for both arable and pasture stayed constant throughout 2009 while equipped farm values fell in the second quarter.

We expect more land to be marketed in 2010 than in 2009 based on our contacts with vendors – but lack of supply and firm prices should continue.

If you have any questions about the review, please contact Dr Jason Beedell, Head of Research, on 01733 866562 or jason.beedell@smithsgore.co.uk.

If you would like to discuss buying or selling farmland, please contact Niall Macalister Hall, Head of Scottish Farm Agency, on 0131 561 7111 or niall.macalisterhall@smithsgore.co.uk.