



## **APPENICIES 8-9**

# **Review of Applicant's Financial Viability Assessment (FVA)**

**Planning Application Reference Number 21/01630/OUT  
Land at North West Bicester, Home Farm, Lower Farm and  
SGR2, Caversfield, Oxfordshire, OX27 8AN**

21 November 2022



# Appendices

Appendix 8 – HLD Email following Viability Workshop dated 14 July 2022

Appendix 9 – HLD Email dated 1 August 2022

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## Appendix 8

### HLD Email following Viability Workshop dated 14 July 2022

## Nigel Simkin

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**From:** Nigel Simkin  
**Sent:** 14 July 2022 15:42  
**To:** Archie Mackay-James  
**Cc:** Nick Fell  
**Subject:** RE: 20-00678 - Bicester - Land at North West Bicester - Firethorn - Firethorn Trust

Archie,

I hope that you are keeping well.

Further to our workshop on development viability at your offices on Tuesday afternoon, as discussed, I write to provide a brief note of the meeting and the actions arising.

As you are aware, our meeting focused on the surveying (i.e. 'commercial') appraisal points in the Development Viability Appraisal, focussing on items where there are areas of difference between us, with a view to either seeking some agreement on these issues, or identifying the additional actions that either you or I need to undertake in an effort to try and reach agreement on these items. In a number of respects, we did however conclude that it was likely that differences of opinion would remain between us.

I set out below a summary of the meeting (utilising the headings I sent last week) and highlight the actions arising.

### **HLD's proposed changes to the dwelling sizes (and the impact this has on the square footage/mix etc.)**

We had a lengthy discussion regarding the two schemes that you have appraised, namely the 530 dwelling scheme (which is the original mix and dwelling sizes that you proposed) and also, the alternative scheme that you have now appraised with some increased dwelling sizes (e.g. the 2 and 4 beds, along with the inclusion of 5 beds in the development mix). This later scheme has a reduced number of dwellings achievable of 500.

As you are aware from our discussion, I remain sceptical about the 500 dwelling scheme, the key reason being that whilst I appreciate that the increase in dwelling sizes has increased the level of square footage generated by the scheme, I cannot understand why the 500 dwelling scheme generates a square footage *significantly above* the 530 dwelling scheme (i.e. the 530 dwelling scheme only delivers a site coverage of approximately 475k sq ft gross, whereas the 500 dwelling scheme delivers a square footage significantly above this of 525k sq ft gross). This makes no sense to me.

***ACTION: Archie - Therefore, the action arising was for you to discuss with your architects, Mosaic, to explore whether there is any further information that they can provide to me to explain/justify this.***

In the absence of a robust justification my approach will be to continue to assess the 530 dwelling scheme as my baseline (given that I understand that the planning application will be up to 530 dwellings), and given that the dwelling sizes remain very small, I will also undertake a sensitivity test of altering this mix to increase the average size of the 2 beds, possibly some of the 3-4 beds and the inclusion and a small element of 5 beds as part of the development mix. As I reiterated at the meeting, in the absence of a detailed master plan, and given that the planning application is submitted in outline, with layout to be determined at the reserved matters stage, I do need to consider how a typical developer would seek to deliver housing development across the 530 dwellings that will be permitted by the outline consent.

**Private Gross Development Value and Sales Values** – We discussed that Green & Co had updated their exercise as at Q1 2021 values, and their updated assessment includes garages only on the 4 and 5 bedroom dwellings (where appropriate). In some cases, the values for some dwellings have reduced slightly (e.g. the apartments). I will now consider this revised pricing exercise as at Q1 2021 for both schemes and hopefully some agreement can be reached on the private sales values for each dwelling type.

***ACTION: Nigel to review sales values***

**Affordable Values (social rental values, affordable rental values, shared ownership values)** – Your note of 11 May 2022 had requested that I seek to market test my proposed affordable values (given that my proposed affordable rented

and social rented values were higher than yours, albeit that my shared ownership values were lower). We discussed this in detail at the meeting, and we agreed that you were happy to accept my lower value of 65% for shared ownership and my higher value of 55% for the affordable rented. **Therefore these items are AGREED.**

You queried the merits of undertaking further analysis of the social rented affordable housing values at the scheme, given that the current appraisal does not include any social rented dwellings. However, I anticipated that CDC may require this still to be sensitivity tested and I reiterated that I have not seen social rented values as low as 30% of Market Value, typically assuming 35% as a minimum.

**ACTION: Archie** - You were going to review the 30% assumption for social rented to see whether it could be increased with your team and see what justification can be provided in order to demonstrate that it is robust, or whether it can be increased more in line with my 35%. I have looked at the Local Plan Viability Study, which as far as I am aware, only assumed 'blended' affordable values of 50% across all tenure types (which we both agreed was too blunt an approach to be adopted here). **Nigel** - I will therefore consider any viability studies in neighbouring districts to see what percentages for social rented have been applied.

### **Approach to HIF funding**

We discussed this briefly and that you anticipated that your client would not receive any monies from the HIF as this infrastructure had already been delivered, but as the HIF funding needs to be repaid by CDC, you were anticipating that there would be a request that you meet your share of the contribution to the infrastructure (which we both anticipated was likely to form part of a Section 106 Agreement or similar). You estimated that your contribution would be in the order of £300,000.

**ACTION: Nigel** - The action was for me to pick this up with CDC Officers to seek confirmation on the position and update the appraisal accordingly.

### **Professional fees of 8% on contingency**

We discussed that whilst we have both applied 8% for professional fees on the scheme, you have applied 8% professional fees on construction costs, other costs AND contingency, whereas I have not applied professional fees to the contingency. I discussed that my rationale for this was that I believe that applying professional fees on contingency was an element of 'contingency on contingency'. In contrast, your view was that it was typical to apply professional fees on contingency, as if construction costs moved up, contingency would also move up and hence professional fees would also increase. My experience of this is that this is not the approach taken in the Midlands, but your view was that this is more typical of appraisals in London and the South East. I also checked the sample appraisal from the Local Plan 2016 Viability Study that was undertaken for CIL, and believed that Montagu Evans had applied professional fees on the contingency in their appraisal.

**ACTION: Nigel** - I will check and consider this further in my revised appraisal.

### **Phasing (in particular lead-in periods, lag times between construction and sale)**

We had a significant discussion examining the phasing approaches on the model and the merits of each, which I found helpful. Whilst there are some discreet differences in the phasing approach as set out in my original note in March, we broadly agree that the key differences likely to have the most significant impact on viability were as follows:

- **The lead-in period for assessing the viability of the site** – your approach assesses viability from the point that the outline planning application is granted – and hence includes a more significant lead-in period of approximately a year for procuring contractors and also undertaking reserved matters application(s). In contrast, my approach does not include this period (as it assumes that the reserved matters have been approved and all conditions discharged and a start can be made on site). This latter approach is in line with my experience, and I stated that my concern with adopting your approach would be that this significantly increases the lead in period into the future – and hence future inflation in both values and costs would need to be considered, given that a start is not made on site for a significant period of time. This would likely complicate the viability appraisal (particularly given the volatility of both the costs and values at present).

**ACTION: My notes suggest that there were no actions on this point and that this remains the difference between us.**

- **The S curve** – a further key difference between us was that you had adopted an ‘S curve’ for the construction costs in your cash flow, whereas I had pro-rata’d construction costs on a ‘monthly’ basis over the life of the development. You agreed that you were happy to accept my proposed approach of phasing construction costs on a monthly basis, given my rationale that the S curve was more appropriate for apartment developments where no units are being sold during the construction period. You also acknowledge that my proposed approach actually reduced the viability of the scheme (rather than enhanced it).

*This aspect of the Phasing approach is therefore now **AGREED**.*

- **Construction period and how infrastructure works are phased in the cash flow** – we also discussed this point at length, and the additional information included in your submission of 11 May provided by G&T as to how they have advised you to phase infrastructure works into the viability appraisal model. Whilst I can see some merits to G&T’s approach (subject to checking this with RLF), I reiterated that my concern was that their approach assumed that enabling works would start simultaneously to the construction of houses. A key aspect of my approach is that I have tried to actually ‘front load’ some construction costs into my six month pre-commencement period, and hence in cash flow terms, finance is accruing on those upfront works earlier than in your model. This again was likely to have a negative impact on viability.

***ACTION: Nigel** - We resolved that I would consider the additional rationale provided on 11 May by G&T with RLF, and it may be that a ‘hybrid’ between the two approaches is adopted in my updated model.*

- **Lag between construction and sale** – we discussed that whilst we broadly agreed with the assumption of four dwellings being sold a month for private market sale, you would include the apartments within this analysis. I have highlighted that whilst I would consider this point, there was not much difference between us, and given that we do not know where the apartments are on site and hence when they can be phased, I have pro-rata’d the income and cost of these over the life of the development. I also stated that given that there are only 35 market apartments proposed in the development mix, this was unlikely to have an impact on the overall delivery rate.

***ACTION: Nigel** - I will further consider this point in my revised appraisal.*

- **Marketing and sales costs** – we discussed that there was very limited difference between us on marketing and sales costs, other than that I have applied 2.85% of the GDV and you have applied 3% on the GDV, the difference being the allowance for legal fees. I discussed that 0.35% as opposed to your 0.50% was in line with my experience, and in reality, for larger schemes, we do see some allowances lower than 0.35% (i.e. £500 - £750 on a per dwelling basis).

***ACTION: Archie/Nigel** - We anticipated that we were unlikely to resolve this issue, but agreed that the overall impact on the viability position was negligible. We also discussed that the Local Plan had assumed 4% for marketing costs (which we both agreed was excessive and hence provided little guidance for the appraisal of the current scheme).*

### **Sales Agent’s Fees – Affordable**

Whilst we acknowledge that we both have legal transaction fees of 0.35% for the affordable housing, you had also allowed an agent’s fee for the affordable housing transaction whereas I had not. You stated that you typically allow for these in development appraisals and that you were aware that an agent was likely to be undertaking the affordable housing transaction for the subject scheme. In contrast, I stated that my experience was that such fees are never allowed for in development viability appraisals, and whilst they do happen, it is typical that many housebuilders undertake this affordable housing transaction in-house.

***ACTION: Archie/Nigel** - My notes of our meeting suggest that we were going to park this issue, as it was unlikely that we would agree on each other’s alternative approach.*

### **Finance Assumptions – Debit and Credit**

You had applied a 7% debit rate in your Argus model with a 1% credit rate on interest, whereas I had applied 6.5% on debit with no credit interest rate. I acknowledged that since both viability appraisals had been completed, the Bank of England interest rates had continued to rise and base rate is now at 1.25%. We also looked at the Local Plan Viability Study which assumed a 7% debit rate as far as we could ascertain, but 0% interest on credit rates.

***ACTION: Nigel** - I will therefore consider this point in my revised appraisal.*

**Benchmark Land Value (BLV)** – at present, you have proposed £200,000 per gross acre and I have proposed £150,000 per acre. We rehearsed the approach in your original FVA submission, and the underlying agricultural land values, and that whether a multiplier of 15 on the agricultural land values of approximately £11,000 per acre would be appropriate. This would give a Benchmark Land Value of £165,000 per acre. I stated that I had looked at the Local Plan Viability Study which adopted £200,000 per gross acre as a benchmark in the most latest version in 2019, and that this documentation stated that this was a ‘generous’ Benchmark Land Value, and also commented that BLVs should be determined on a site by site basis. We also discussed that North West Bicester did not appear to have been subject to a site specific viability test in the Local Plan, and had always been allocated on the basis that there would be additional sustainability requirements (which in my view were likely to increase costs but also suppress land values).

We also discussed your response to the appeal I provided to you in Farringdon, and I reiterated that the point I was making in tabling that appeal was that in that instance the inspector had appeared to depart from the benchmark figure relied upon for viability testing at the Local Plan level. Therefore, and in light of the fact that my benchmark was already above that which had been proposed by the previous applicant for the wider site, the initial further reading research that I have undertaken on this issue has not led me to believe that my proposed benchmark is inappropriate.

**ACTION: Nigel** - *You asked me to explore agricultural land values further, and whether they would assist in increasing the benchmark. I will consider this albeit that I was sceptical whether this would change my view on the BLV I have proposed for the reasons given above.*

I trust that the above is an accurate synopsis of our discussion on Tuesday afternoon and the key actions arising. I am glad that we have been able to streamline some of the actions through detailed debate on each issue, and in some cases, reach agreement.

I will begin working on my actions as soon as I can and if you are able to get any additional information over to me as soon as you can next week to enable me to consider it, I would appreciate it.

If you have any queries on the above note, or wish to make any comments, please do not hesitate to do so.

Kind regards

Nigel

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**From:** Archie Mackay-James <Archie.Mackay-James@rapleys.com>

**Sent:** 13 July 2022 12:20

**To:** Nigel Simkin <Nigel.Simkin@hld-uk.com>

**Cc:** Nick Fell <Nick.Fell@rapleys.com>

**Subject:** RE: 20-00678 - Bicester - Land at North West Bicester - Firethorn - Firethorn Trust

Thanks Nigel

**Archie Mackay-James**

MRICS

Senior Associate

Residential Development Consultancy

07467 941544



RAPLEYS LLP

66 St James's Street London SW1A 1NE

## Appendix 9

### HLD Email dated 1 August 2022



## Nigel Simkin

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**From:** Nigel Simkin  
**Sent:** 01 August 2022 11:03  
**To:** Archie Mackay-James  
**Cc:** Rob Bolton; Nick Fell  
**Subject:** RE: NW Bicester - Development Appraisal Actions  
**Attachments:** Copy of Bicester Area comparison 26.07.2022.xlsx; Copy of NW Bicester updated schedule analysis 22.07.2022.xlsx; FWI Land Values April 2022.pdf; spotlight---the-farmland-market-2022.pdf; Bicester Viability assumptions 01.08.2022 with HLD Comments.docx

Archie

Thanks for the below. Please see attached (which I have made some minor amends to the second version you circulated on Friday – please see in red). The main thing that I have changed is the comments regarding finance. My notes suggest that my proposal was to split the difference at a 6.75% debt rate, but remove the credit rate (the latter you were going to check). As previously discussed at your offices, 7% with no credit rate would be higher than both of our original approaches!

In the meantime, please find attached:

- A draft of my analysis on the accommodation schedule(s) and the draft scheme (on the second tab) which I will sensitivity test (as discussed in detail on our call last Tuesday). Caroline is going to come back to me with comments on this hopefully tomorrow, to enable me to then re-price it.
- The article on land values from the Farmers Weekly – showing the average figure of £9,941 per acre for agricultural land in the South East. I also attach a document from Savills which has £8,390 per acre for all agricultural land types in the South East. We discussed on the call that the land is classified as Grade 3.

I'm happy to join a call on Friday and I am available in the afternoon but do need to finish at 5pm that day, so please let me know what time suits. That is also on the basis that Rob is comfortable that I attend an additional call in terms of the additional time and hence fees I will accrue - I'm conscious that I hadn't allowed for a further call in my original budget. Please confirm.

Kind regards

Nigel

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**From:** Archie Mackay-James <Archie.Mackay-James@rapleys.com>  
**Sent:** 29 July 2022 16:45  
**To:** Nigel Simkin <Nigel.Simkin@hld-uk.com>  
**Cc:** Rob Bolton <rb@reviewpartners.uk.com>; Nick Fell <Nick.Fell@rapleys.com>  
**Subject:** RE: NW Bicester - Development Appraisal Actions

Nigel,

We've noted a discrepancy on the table I circulated yesterday on s106 costs, it detailed that these were £35.8 million but it should have read £19.015 million total / £35.8k per unit which is the figure currently adopted in our respective appraisals.

The amended table is attached, have a good weekend.

**530 unit scheme**

|                          | Dwelling Type          | House/Flat | Storey | Beds | No. of Units | Individual Unit Area (Sqft) | Total Area (Sq ft) |
|--------------------------|------------------------|------------|--------|------|--------------|-----------------------------|--------------------|
| <b>Market Housing</b>    | Flat                   | Flat       | 3      | 2    | 24           | 753                         | 18,072             |
|                          | Flat over Garage (FOG) | Flat       | 3      | 2    | 11           | 753                         | 8,283              |
|                          | Semi-Detached          | House      | 2      | 2    | 93           | 590                         | 54,870             |
|                          | Terraced               | House      | 2      | 3    | 47           | 737                         | 34,639             |
|                          | Semi-Detached          | House      | 2      | 3    | 10           | 958                         | 9,580              |
|                          | Wide-Front - Semi      | House      | 2      | 3    | 36           | 947                         | 34,092             |
|                          | Terraced 2.5 Storey    | House      | 2.5    | 3    | 44           | 1,068                       | 46,992             |
|                          | Terraced 3 Storey      | House      | 3      | 3    | 12           | 1,210                       | 14,520             |
|                          | Semi-Detached          | House      | 2      | 4    | 79           | 1,045                       | 82,555             |
|                          | Detached 2.5 Storey    | House      | 2.5    | 4    | 6            | 1,235                       | 7,410              |
| <b>Affordable Rented</b> | Detached               | House      | 2      | 4    | 6            | 1,546                       | 9,276              |
|                          | Flat                   | Flat       | 3      | 1    | 26           | 538                         | 13,988             |
|                          | Flat over Garage (FOG) | Flat       | 3      | 1    | 5            | 538                         | 2,690              |
|                          | Flat                   | Flat       | 3      | 2    | 15           | 753                         | 11,295             |
|                          | Terraced               | House      | 2      | 2    | 4            | 755                         | 3,020              |
|                          | Terraced               | House      | 2      | 2    | 12           | 856                         | 10,272             |
|                          | Semi-Detached          | House      | 2      | 2    | 8            | 856                         | 6,848              |
|                          | Terraced               | House      | 2      | 3    | 19           | 1,000                       | 19,000             |
|                          | Semi-Detached          | House      | 2      | 3    | 14           | 1,000                       | 14,000             |
|                          | Detached 2.5 Storey    | House      | 2.5    | 4    | 5            | 1,235                       | 6,175              |
| <b>Shared Ownership</b>  | Detached               | House      | 2      | 4    | 6            | 1,546                       | 9,276              |
|                          | Bungalow               | Bungalow   | 1      | 3    | 1            | 1,114                       | 1,114              |
|                          | Terraced               | House      | 2      | 2    | 5            | 755                         | 3,775              |
|                          | Terraced               | House      | 2      | 2    | 17           | 856                         | 14,552             |
|                          | Semi-Detached          | House      | 2      | 2    | 10           | 856                         | 8,560              |
|                          | Terraced               | House      | 2      | 3    | 6            | 1,000                       | 6,000              |
|                          | Semi-Detached          | House      | 2      | 3    | 8            | 1,000                       | 8,000              |
|                          | Bungalow               | Bungalow   | 1      | 3    | 1            | 1,368                       | 1,368              |
|                          | <b>TOTAL</b>           |            |        |      | <b>530</b>   |                             | <b>460,222</b>     |

**500 unit scheme**

| Dwelling Type   | Storey | Beds | Individual Unit Area (Sqft) | No of units | Total Area (Sq ft) |
|-----------------|--------|------|-----------------------------|-------------|--------------------|
| Flat            | 3      | 2    | 753                         | 24          | 18,072             |
| FOG             | 2      | 2    | 753                         | 11          | 8,283              |
| House Semi      | 2      | 2    | 678                         | 85          | 57,630             |
| House Semi      | 2      | 3    | 824                         | 15          | 12,360             |
| House Terr/Semi | 2      | 3    | 977                         | 77          | 75,229             |
| House Detached  | 2      | 4    | 1212                        | 49          | 59,388             |
| House Detached  | 2      | 4    | 1375                        | 40          | 55,000             |
| House Detached  | 2      | 5    | 1684                        | 22          | 37,048             |
| House Detached  | 2      | 5    | 1923                        | 26          | 49,998             |
| Flat            | 3      | 1    | 538                         | 35          | 18,830             |
| House Terr      | 2      | 2    | 765                         | 10          | 7,650              |
| House Terr      | 2      | 3    | 824                         | 34          | 28,016             |
| House Terr      | 2      | 3    | 977                         | 48          | 46,896             |
| House Terr      | 2      | 4    | 1212                        | 24          | 29,088             |
| <b>Total</b>    |        |      |                             | <b>500</b>  | <b>503,488</b>     |

349 69.80%  
151 30.20%

**Comparison Table**

| Dwelling Type | No. of units difference between 530 unit scheme and 500 unit scheme | Area difference between 530 unit scheme and 500 unit scheme |                          |
|---------------|---|---|--------------------------|
| 1 bed flats   | 4   | 2,152   | More Units in 500 Scheme |
| 2 bed flats   | -15   | -11,295   | Less units in 500 scheme |
| 2 bed houses  | -54   | -36,617   | Less units in 500 scheme |
| 3 bed houses  | -24   | -26,804   | Less units in 500 scheme |
| 4 bed houses  | 11  | 28,784  | More Units in 500 Scheme |
| 5 bed houses  | 48  | 87,046  | More Units in 500 Scheme |
| <b>Total</b>  | <b>-30</b>  | <b>43,266</b>   |                          |

| Dwelling Type              | Average Size (psf) | % of Total Mix | No. of Total Mix |
|----------------------------|--------------------|----------------|------------------|
| 1 Bed Flat                 | 538                | 5.85%          | 31               |
| 2 Bed Flat                 | 753                | 9.43%          | 50               |
| 2 Bed House                | 659                | 28.11%         | 149              |
| 3 Bed House (inc Bungalow) | 956                | 37.36%         | 198              |
| 4 Bed House                | 1,124              | 19.25%         | 102              |
| 5 Bed House                | 0                  | 0.00%          | 0                |
|                            |                    | <b>100.00%</b> | <b>530</b>       |

|                              | Density Analysis |            |
|------------------------------|------------------|------------|
|                              | 530 Scheme       | 500 Scheme |
| Net Developable Area (Acres) | 30.12            | 30.12      |
| Net Developable Area (ha)    | 12.19            | 12.19      |
| Density per net acre         | 17.60            | 16.60      |
| Density per net ha           | 43.48            | 41.02      |
| Sq Ft per net acre           | 15,279.61        | 16,716.07  |

**HLD Scheme Sensitivity Test**

**530 unit scheme**

|                          | Dwelling Type          | House/Flat | Storey | Beds | No. of Units | Individual Unit Area (Sqft) | Total Area (Sq ft) |
|--------------------------|------------------------|------------|--------|------|--------------|-----------------------------|--------------------|
| <b>Market Housing</b>    | Flat                   | Flat       | 3      | 2    | 24           | 753                         | 18,072             |
|                          | Flat over Garage (FOG) | Flat       | 3      | 2    | 11           | 753                         | 8,283              |
|                          | Semi-Detached          | House      | 2      | 2    | 93           | 700                         | 65,100             |
|                          | Terraced               | House      | 2      | 3    | 47           | 900                         | 42,300             |
|                          | Semi-Detached          | House      | 2      | 3    | 10           | 958                         | 9,580              |
|                          | Wide-Front - Semi      | House      | 2      | 3    | 36           | 947                         | 34,092             |
|                          | Terraced 2.5 Storey    | House      | 2.5    | 3    | 44           | 1,068                       | 46,992             |
|                          | Terraced 3 Storey      | House      | 3      | 3    | 0            | 1,210                       | 0                  |
|                          | Semi-Detached          | House      | 2      | 4    | 60           | 1,045                       | 62,700             |
|                          | Detached 2.5 Storey    | House      | 2.5    | 4    | 18           | 1,235                       | 22,230             |
|                          | Detached               | House      | 2      | 4    | 6            | 1,546                       | 9,276              |
|                          | Detached               | House      | 2      | 5    | 19           | 1,684                       | 31,996             |
| <b>Affordable Rented</b> | Flat                   | Flat       | 3      | 1    | 26           | 538                         | 13,988             |
|                          | Flat over Garage (FOG) | Flat       | 3      | 1    | 5            | 538                         | 2,690              |
|                          | Flat                   | Flat       | 3      | 2    | 15           | 753                         | 11,295             |
|                          | Terraced               | House      | 2      | 2    | 4            | 755                         | 3,020              |
|                          | Terraced               | House      | 2      | 2    | 12           | 753                         | 9,036              |
|                          | Semi-Detached          | House      | 2      | 2    | 8            | 753                         | 6,024              |
|                          | Terraced               | House      | 2      | 3    | 19           | 904                         | 17,176             |
|                          | Semi-Detached          | House      | 2      | 3    | 14           | 904                         | 12,656             |
|                          | Detached 2.5 Storey    | House      | 2.5    | 4    | 11           | 1,235                       | 13,585             |
|                          | Detached               | House      | 2      | 4    | 0            | 1,546                       | 0                  |
|                          | Bungalow               | Bungalow   | 1      | 3    | 1            | 1,114                       | 1,114              |
|                          | Terraced               | House      | 2      | 2    | 5            | 755                         | 3,775              |
| <b>Shared Ownership</b>  | Terraced               | House      | 2      | 2    | 17           | 753                         | 12,801             |
|                          | Semi-Detached          | House      | 2      | 2    | 10           | 753                         | 7,530              |
|                          | Terraced               | House      | 2      | 3    | 6            | 904                         | 5,424              |
|                          | Semi-Detached          | House      | 2      | 3    | 8            | 904                         | 7,232              |
|                          | Bungalow               | Bungalow   | 1      | 3    | 1            | 1,368                       | 1,368              |
|                          | <b>TOTAL</b>           |            |        |      | <b>530</b>   |                             | <b>479,335</b>     |

**500 unit scheme**

| Dwelling Type   | Storey | Beds | Individual Unit Area (Sqft) | No of units | Total Area (Sq ft) |
|-----------------|--------|------|-----------------------------|-------------|--------------------|
| Flat            | 3      | 2    | 753                         | 24          | 18,072             |
| FOG             | 2      | 2    | 753                         | 11          | 8,283              |
| House Semi      | 2      | 2    | 678                         | 85          | 57,630             |
| House Semi      | 2      | 3    | 824                         | 15          | 12,360             |
| House Terr/Semi | 2      | 3    | 977                         | 77          | 75,229             |
| House Detached  | 2      | 4    | 1212                        | 49          | 59,388             |
| House Detached  | 2      | 4    | 1375                        | 40          | 55,000             |
| House Detached  | 2      | 5    | 1684                        | 22          | 37,048             |
| House Detached  | 2      | 5    | 1923                        | 26          | 49,998             |
| Flat            | 3      | 1    | 538                         | 35          | 18,830             |
| House Terr      | 2      | 2    | 765                         | 10          | 7,650              |
| House Terr      | 2      | 3    | 824                         | 34          | 28,016             |
| House Terr      | 2      | 3    | 977                         | 48          | 46,896             |
| House Terr      | 2      | 4    | 1212                        | 24          | 29,088             |
| <b>Total</b>    |        |      |                             | <b>500</b>  | <b>503,488</b>     |

349 69.80%

151 30.20%

**Comparison Table**

| Dwelling Type | No. of units difference between the revised 530 unit scheme and 500 unit scheme | Area difference between 530 unit scheme and 500 unit scheme |
|---------------|---|---|
| 1 bed flats   | 4   | 2,152   |
| 2 bed flats   | -15   | -11,295   |
| 2 bed houses  | -54   | -42,006   |
| 3 bed houses  | -12   | -15,433   |
| 4 bed houses  | 18  | 35,685  |
| 5 bed houses  | 29  | 55,050  |
| <b>Total</b>  | <b>-30</b>  | <b>24,153</b>   |

More Units in 500 Scheme  
Less units in 500 scheme  
Less units in 500 scheme  
Less units in 500 scheme  
More Units in 500 Scheme  
More Units in 500 Scheme

| Dwelling Type                 | Average Size (psf) | % of Total Mix | No. of Total Mix |
|-------------------------------|--------------------|----------------|------------------|
| 1 Bed Flat                    | 538                | 5.85%          | 31               |
| 2 Bed Flat                    | 753                | 9.43%          | 50               |
| 2 Bed House                   | 695                | 28.11%         | 149              |
| 3 Bed House (inc 2x Bungalow) | 957                | 35.09%         | 186              |
| 4 Bed House                   | 1,135              | 17.92%         | 95               |
| 5 Bed House                   | 1,684              | 3.58%          | 19               |
|                               |                    | <b>100.00%</b> | <b>530</b>       |

| Density Analysis             |            |            |
|------------------------------|------------|------------|
|                              | 530 Scheme | 500 Scheme |
| Net Developable Area (Acres) | 30.12      | 30.12      |
| Net Developable Area (ha)    | 12.19      | 12.19      |
| Density per net acre         | 17.60      | 16.60      |
| Density per net ha           | 43.48      | 41.02      |
| Sq Ft per net acre           | 15,914.18  | 16,716.07  |

| HLD Analysis           |            |        |          |              |             |                   |                  |                               |
|------------------------|------------|--------|----------|--------------|-------------|-------------------|------------------|-------------------------------|
| Dwelling Type          | House/Flat | Storey | Bedrooms | No. of Units | Area (Sqft) | Total Area (Sqft) | Tenure           | Mosaic updated mix to fit nda |
| Flat                   | Flat       | 3      | 2        | 24           | 753         | 18,072            | Private          | 26                            |
| Flat over Garage (FOG) | Flat       | 3      | 2        | 11           | 753         | 8,283             | Private          | 11                            |
| Semi-Detached          | House      | 2      | 2        | 93           | 678         | 63,054            | Private          | 91                            |
| Terraced               | House      | 2      | 3        | 47           | 820         | 38,540            | Private          | 42                            |
| Semi-Detached          | House      | 2      | 3        | 10           | 958         | 9,580             | Private          | 10                            |
| Wide-Front - Semi      | House      | 2      | 3        | 36           | 947         | 34,092            | Private          | 34                            |
| Terraced 2.5 Storey    | House      | 2.5    | 3        | 44           | 1,068       | 46,992            | Private          | 44                            |
| Terraced 3 Storey      | House      | 3      | 3        | 12           | 1,210       | 14,520            | Private          | 8                             |
| Semi-Detached          | House      | 2      | 4        | 79           | 1,156       | 91,324            | Private          | 72                            |
| Detached 2.5 Storey    | House      | 2.5    | 4        | 6            | 1,235       | 7,410             | Private          | 6                             |
| Detached               | House      | 2      | 4        | 6            | 1,546       | 9,276             | Private          | 6                             |
| Flat                   | Flat       | 3      | 1        | 26           | 538         | 13,988            | Affordable Rent  | 22                            |
| Flat over Garage (FOG) | Flat       | 3      | 1        | 5            | 538         | 2,690             | Affordable Rent  | 5                             |
| Flat                   | Flat       | 3      | 2        | 15           | 753         | 11,295            | Affordable Rent  | 18                            |
| Terraced               | House      | 2      | 2        | 4            | 755         | 3,020             | Affordable Rent  | 6                             |
| Terraced               | House      | 2      | 2        | 12           | 856         | 10,272            | Affordable Rent  | 12                            |
| Semi-Detached          | House      | 2      | 2        | 8            | 856         | 6,848             | Affordable Rent  | 10                            |
| Terraced               | House      | 2      | 3        | 19           | 1,000       | 19,000            | Affordable Rent  | 13                            |
| Semi-Detached          | House      | 2      | 3        | 14           | 1,000       | 14,000            | Affordable Rent  | 10                            |
| Detached 2.5 Storey    | House      | 2.5    | 4        | 5            | 1,235       | 6,175             | Affordable Rent  | 5                             |
| Detached               | House      | 2      | 4        | 6            | 1,546       | 9,276             | Affordable Rent  | 6                             |
| Bungalow               | Bungalow   | 1      | 3        | 1            | 1,114       | 1,114             | Affordable Rent  | 1                             |
| Terraced               | House      | 2      | 2        | 5            | 755         | 3,775             | Shared ownership | 5                             |
| Terraced               | House      | 2      | 2        | 17           | 856         | 14,552            | Shared ownership | 13                            |
| Semi-Detached          | House      | 2      | 2        | 10           | 856         | 8,560             | Shared ownership | 9                             |
| Terraced               | House      | 2      | 3        | 6            | 1,000       | 6,000             | Shared ownership | 6                             |
| Semi-Detached          | House      | 2      | 3        | 8            | 1,000       | 8,000             | Shared ownership | 8                             |
| Bungalow               | Bungalow   | 1      | 3        | 1            | 1,368       | 1,368             | Shared ownership | 1                             |
| <b>TOTAL</b>           |            |        |          | <b>530</b>   |             | <b>481,076</b>    |                  | <b>500</b>                    |

| HLD Analysis |                       |
|--------------|-----------------------|
|              | New Total Area (Sqft) |
|              | 19,578                |
|              | 8,283                 |
|              | 61,698                |
|              | 34,440                |
|              | 9,580                 |
|              | 32,198                |
|              | 46,992                |
|              | 9,680                 |
|              | 83,232                |
|              | 7,410                 |
| 350          | 9,276                 |
|              | 11,836                |
|              | 2,690                 |
|              | 13,554                |
|              | 4,530                 |
|              | 10,272                |
|              | 8,560                 |
|              | 13,000                |
|              | 10,000                |
|              | 6,175                 |
|              | 9,276                 |
|              | 1,114                 |
|              | 3,775                 |
|              | 11,128                |
|              | 7,704                 |
|              | 6,000                 |
|              | 8,000                 |
| 150          | 1,368                 |
| 500          | 451,349               |

| HLD Analysis  |                      |            |        |          |              |             |                    |
|---------------|----------------------|------------|--------|----------|--------------|-------------|--------------------|
| Dwelling Type | House/Apartment Name | House/Flat | Storey | Bedrooms | No. of Units | Area (Sqft) | Total Area (Sq ft) |
| Semi-Detached | Cromer               | House      | 2      |          | 2            | 765         | 1,530              |
| Semi-Detached | PR201                | House      | 2      |          | 5            | 824         | 4,120              |
| Terraced      | PR201                | House      | 2      |          | 13           | 824         | 10,712             |
| Terraced      | PR202                | House      | 2      |          | 13           | 824         | 10,712             |
| Terraced      | PR203                | House      | 2      |          | 2            | 852         | 1,704              |
| Semi-Detached | PR202                | House      | 2      |          | 1            | 824         | 824                |
| Semi-Detached | PR203                | House      | 2      |          | 2            | 824         | 1,648              |
| Terraced      | PR301                | House      | 2      |          | 0            | 977         | 0                  |
| Semi-Detached | Evesham              | House      | 2      |          | 8            | 933         | 7,464              |
| Terraced      | PR301                | House      | 2      |          | 36           | 977         | 35,172             |
| Semi-Detached | PR301                | House      | 2      |          | 8            | 977         | 7,816              |
| Terraced      | PR302                | House      | 2      |          | 1            | 1,005       | 1,005              |
| Terraced      | PR303                | House      | 2      |          | 1            | 977         | 977                |
| Detached      | Dartford             | House      | 2      |          | 7            | 1,375       | 9,625              |
| Detached      | Dorking              | House      | 2      |          | 2            | 1,517       | 3,034              |
| Detached      | Marlborough          | House      | 2      |          | 6            | 1,347       | 8,082              |
| Detached      | Romsey               | House      | 2      |          | 14           | 1,191       | 16,674             |
| Detached      | PR401                | House      | 2      |          | 25           | 1,212       | 30,300             |
| Detached      | PR402                | House      | 2      |          | 1            | 1,212       | 1,212              |
| Detached      | Buckingham           | House      | 2      | 5        | 4            | 1,517       | 6,068              |
| Detached      | PR501                | House      | 2      | 5        | 1            | 1,744       | 1,744              |
| Detached      | PR502                | House      | 2      | 5        | 6            | 2,026       | 12,156             |
| Detached      | Roydon               | House      | 2      | 5        | 3            | 1,684       | 5,052              |
| Detached      | PR503                | House      | 2      | 5        | 4            | 1,769       | 7,076              |
| Detached      | Windsor              | House      | 2      | 5        | 4            | 1,755       | 7,020              |
| Detached      | PR504                | House      | 2      | 5        | 3            | 1,923       | 5,769              |
| Terraced      | AF201                | House      | 2      |          | 16           | 824         | 13,184             |
| Terraced      | Cromer               | House      | 2      |          | 2            | 765         | 1,530              |
| Terraced      | AF301/AF302          | House      | 2      |          | 30           | 977         | 29,310             |
| Terraced      | AF303                | House      | 2      |          | 1            | 1,005       | 1,005              |
| Semi-Detached | Evesham              | House      | 2      |          | 1            | 933         | 933                |
| Terraced      | AF401                | House      | 2      |          | 9            | 1,212       | 10,908             |
| <b>TOTAL</b>  |                      |            |        |          | <b>231</b>   |             | <b>254,366</b>     |

| HLD Analysis |             |                |                |               |
|--------------|-------------|----------------|----------------|---------------|
|              | No of Units | % of Mix       | Total Sq Ft    | Average Sq ft |
| 2 Beds       | 56          | 24.24%         | 45,964         | 821           |
| 3 Beds       | 86          | 37.23%         | 83,682         | 973           |
| 4 Beds       | 64          | 27.71%         | 79,835         | 1,247         |
| 5 Beds       | 25          | 10.82%         | 44,885         | 1,795         |
|              | <b>231</b>  | <b>100.00%</b> | <b>254,366</b> | <b>1,101</b>  |

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# Find out average farmland prices where you live

**Farmers Weekly Reporters** 31 March 2022



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Find out what the average price is for arable land and pasture in English and Welsh counties on our land map.

It shows a full breakdown of average values on a county-by-county basis for prime, average and poorer quality arable and pastureland.

The data are drawn from Knight Frank's opinion-based survey of its agents across the country and cover the last six months of 2021.

See also: [So you want to... sell your farm?](#)

## Explore more / Know How

Visit our [Know How](#) centre for practical farming advice

Click on the county town in each case to see the values for farmland where you are.

| Average land values 2021 (£/acre) |        |         |       |         |         |       |
|-----------------------------------|--------|---------|-------|---------|---------|-------|
| Region                            | Arable |         |       | Pasture |         |       |
|                                   | Prime  | Average | Poor  | Prime   | Average | Poor  |
| <b>Eastern</b>                    | 10,734 | 9,900   | 9,048 | 8,433   | 7,773   | 7,242 |
| <b>South East</b>                 | 10,759 | 9,941   | 9,364 | 8,635   | 8,009   | 7,539 |
| <b>West Midlands</b>              | 10,670 | 9,977   | 9,581 | 7,931   | 7,480   | 6,930 |
| <b>East Midlands</b>              | 9,969  | 9,290   | 8,388 | 7,965   | 7,264   | 6,710 |
| <b>Yorkshire</b>                  | 9,625  | 9,130   | 8,690 | 8,250   | 7,700   | 7,260 |
| <b>South West</b>                 | 10,859 | 10,193  | 9,617 | 9,020   | 8,439   | 7,834 |
| <b>North West</b>                 | 9,630  | 8,067   | 7,113 | 7,711   | 6,809   | 6,300 |



|                   |        |       |       |       |       |       |
|-------------------|--------|-------|-------|-------|-------|-------|
| <b>North East</b> | 10,622 | 7,607 | 5,380 | 5,943 | 4,880 | 4,005 |
| <b>Wales</b>      | 9,393  | 8,641 | 6,763 | 8,266 | 5,500 | 3,850 |

*The values in this map and table are opinion-based and meant to be indicative only. They should not be used for formal valuation purposes and will vary based on location, quality and other factors. Certain counties will include land types not covered by this survey.*

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UK Rural - January 2022

Q  
**SPOTLIGHT**  
*Savills Research*

# The Farmland Market



Market update • Regional values • Farmland forecasts

“ Despite the shift in farm sizes, there is not a clear trend among the farm types being brought to the market, suggesting no single sector is undergoing more significant structural change ”

# The farmland market 2021

Change in sentiment sees farmland values growing strongly throughout the year, while supply continues to remain stubbornly low

Renewed confidence in the farmland market has contributed to an unexpected increase in demand, resulting in land values growing strongly throughout 2021 and gaining a momentum that looks set to continue. This confidence is being led by investors who see that global regulatory accountability for environmental impacts is shifting and that in response farmland presents a real asset investment opportunity that is high in Environmental, Social and Corporate Governance (ESG) values. A growing population and focus on decarbonising the economy means farmland is in demand for a broader range of uses than ever before – it is no longer just about food production.

Farmer buyers, the largest group in the GB farmland market, appear cautiously optimistic. Throughout 2021, successive policy

announcements have shone increasing light on the nature and role of the industry once the Common Agricultural Policy’s influence comes to an end. Alongside this, emerging alternative markets have boosted opinion that dynamic farming businesses can navigate this tumultuous time.

## SUPPLY AND DEMAND

After the record-breaking lows in 2019 and 2020 for publicly marketed farmland, there was an expectation that farm businesses would use the clarity provided by the raft of policy announcements to make decisions that would lead to a “bounce back” in supply in 2021. While supply increased by 7% on 2020 levels, it has only recovered to the volume seen in 2019 at 122,400 acres. This slower rate of supply increase suggests levels may not

return to the 10 year average of 150,000 acres per annum for some time yet.

Nationally supply has increased from the low of 2020, but it varies regionally. Supply in Scotland has increased 63%, which is a significant turnaround, but still falls short of the five year average. Meanwhile 83,500 acres were brought to the market in England, which was slightly less than in 2020.

For farm businesses improved yields and strong commodity prices supported farm profitability in 2021 despite the first cut in subsidy support for farmers in England, while those in Scotland and Wales continued to benefit from their governments’ policies of maintaining support levels. However, average annual agricultural input inflation of 21.9% (according to the AF Agricultural Inflation Index) will impact farm profitability and



**7%**

The increase in farmland supply on 2020 levels

**21.9%**

Average annual agricultural input inflation

**1%**

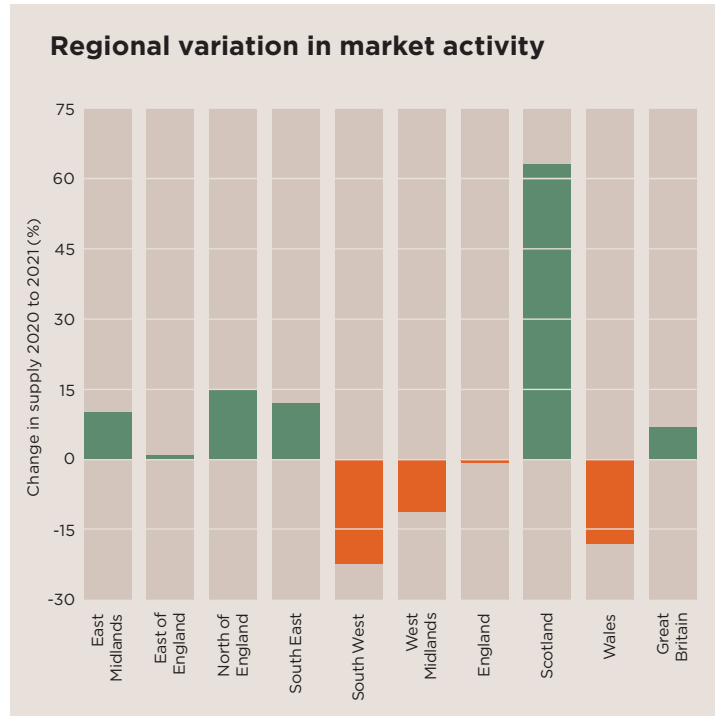
The average proportion of annual farm sales that are over 1,000 acres in size

challenge those that will not be sustainable without direct payment subsidy support. This may lead to an increase in the amount of farmland for sale, but the Environmental Land Management scheme (ELM) in England and emergence of other markets offering alternative sources of income will temper the extent to which supply is increased due to retirement or giving up farming.

Sustainable food production is at the core of Welsh and Scottish policy plans. In England, however, the emphasis upon it was weaker until the Sustainable Farming Incentive (SFI) was announced as one component of the ELM “public money for public goods” scheme. In 2022 the SFI will consist of three soil management standards with variable payment rates according to the level of ambition selected. Farmers can now evaluate its compatibility with their existing crop and livestock production systems. There are already some significant changes from the pilot, but it remains true that the scheme does not offer the same income or profit margin as the Basic Payment Scheme (BPS) and cannot be seen as its replacement.

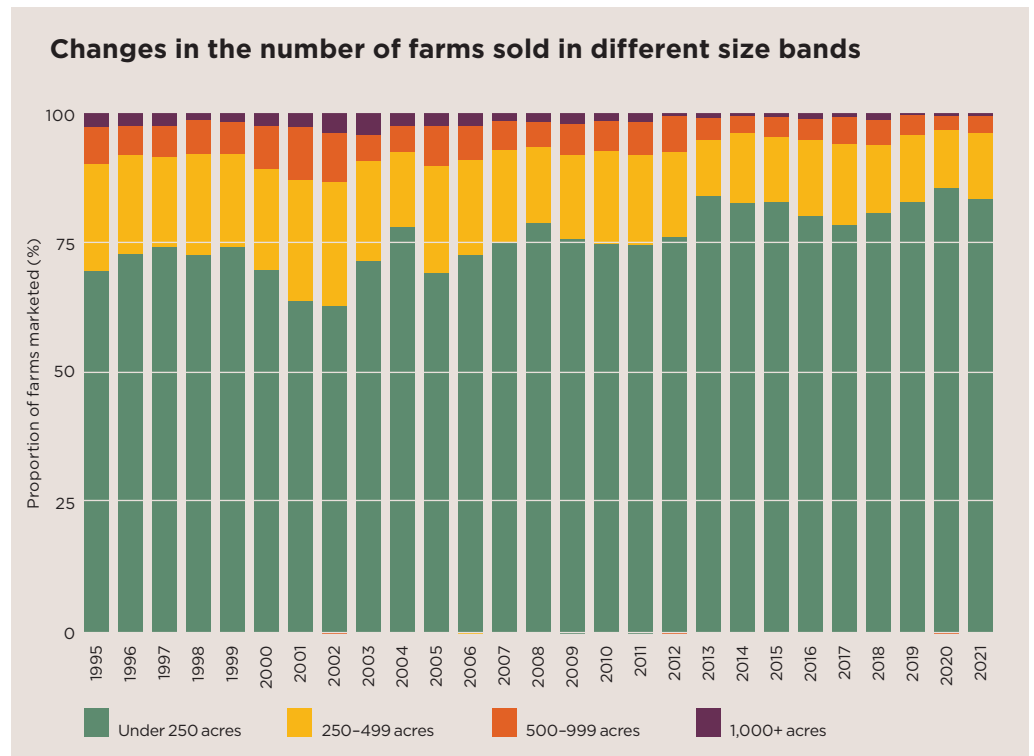
The emphasis is upon creating a scheme that de-links agricultural support from production. Defra argues that there is little correlation between the two; in 2017, almost 60% of agricultural output came from just 8% of farmers operating on a third of land in England. Around half of this output is from the pig, poultry and horticulture sectors, which typically operate on small farms and could face productivity challenges unless a solution to their labour supply issues can be developed.

While specialist smaller farms can thrive, across the wider industry the economies of scale favour larger businesses, meaning industry exits are more common among smaller farmers. Since 1995, smaller farms have become a larger proportion of the properties on the GB farmland market; their share has increased by 10%, reducing the proportion of larger farms on the market, particularly those between 250 and 999 acres. The largest farm sales, over 1,000 acres, remain rare and since 2011 make up on average only 1% annually of publicly marketed sales. Despite the shift in farm sizes, there is not a clear trend among the farm types being brought to the market, suggesting no single sector is undergoing more significant structural change than others.



Source Savills Research

**63%**  
Supply in Scotland has increased 63%, which is a significant turnaround, but still falls short of the five year average



Source Savills Research

“A growing population and focus on decarbonising the economy means farmland is in demand for a broader range of uses than ever before, it is no longer just about food production”

**8.8%**

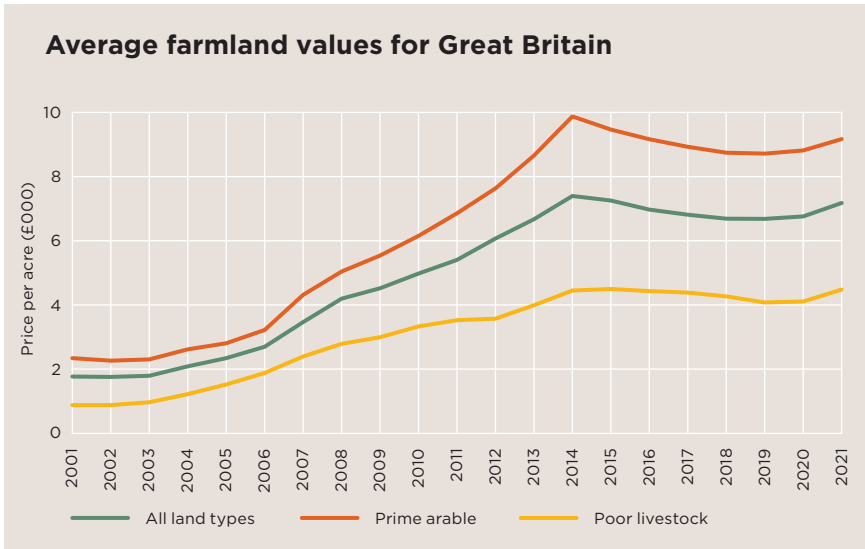
The increase in value of poor livestock land

**4%**

The increase in value of prime arable land

**31.2%**

The strongest growth across all land types has been recorded in Scotland this year



Source Savills Research

# Growth across the spectrum

Constrained supply and the increasing demand for rural land brings an end to six years of poor performance

Results from the Savills Farmland Values Survey show values increased by an average of 6.2% during 2021. This is the strongest annual growth since 2014 and is clear evidence of renewed interest in the farmland market. The sustained lack of supply is driving values higher as more active purchasers compete in a crowded market.

Building on the trend that emerged in 2021, it is pasture land that is leading this growth. Poor livestock land and average livestock land have increased 8.8% and 8.7% respectively since December 2020. By comparison, prime arable and Grade 3 arable grew 4% and 5.5%. The average price for poor livestock land has almost equalled its previous peak and has already reached it in some regions.

Regionally, the strongest growth across all land types was recorded in Scotland where values increased by 31.2% during 2021. In part this is as a result of the demand for tree planting land in a buoyant forestry sector, as well as building interest from environmentally-motivated buyers. As a result of these potentially competing interests, these

buyers are broadening their search criteria beyond poor livestock land and hill land in order to make purchases, which is causing values across all land types to increase.

The growth in land values across the full spectrum of farm types and qualities is a signal of the change in sentiment towards investing in farmland. The market has been subdued for several years due to prolonged political and economic uncertainty, which started with the EU referendum in 2016. However, UK farmland's history of long-term, stable returns looks appealing against the volatility of other asset classes in recent years.

Looking beyond average values the market continues to exhibit a significant amount of variation. Property quality, local demand and other special purchaser motivations may have a greater influence on buyer sentiment and we have seen that land can remain on the market for some time if sufficient demand does not exist. This highlights the importance of identifying a property's strengths and developing a marketing strategy that targets the key markets for it.

## BUYERS AND SELLERS

Analysis of Savills transactions in 2021 shows that existing farmers continue to be the largest proportion of buyers in the market, but they fell from 49% of buyers in 2020 to 46% last year. Non-farming buyers were successful in 38% of deals and there was a second successive strong year for institutional and corporate investment in farmland. Institutional and corporate buyers accounted for 16% of buyers compared to a 10 year average of 10%.

Compared to 2020, farmers were more active as vendors, as a proportion of transactions their share increased from 23% to 29%, but was still below average. Institutions and corporate bodies formed a smaller proportion of vendors than previously, perhaps as a result of net zero targets strengthening their business case for holding rural investments. Overall 68% of sales were due to retirement or personal reasons, a significant increase from the 10 year average of 39%. This suggests that farmers and non-farmers, including retirees or those who have inherited land, are becoming more confident making major investment decisions in the current business environment.

**68%**

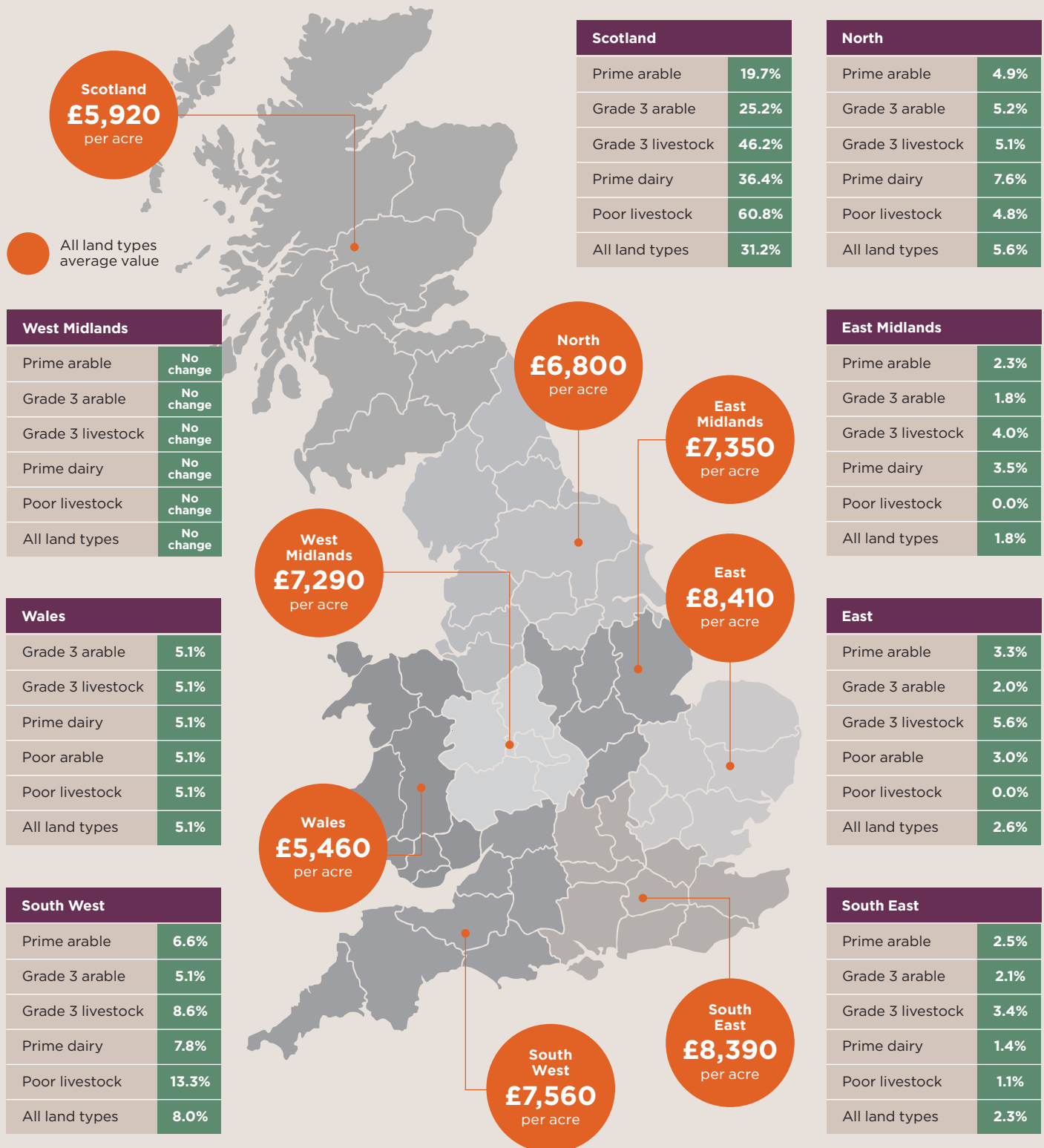
Savills transactions show 68% of sales were due to retirement or personal reasons



👉 Results from the Savills Farmland Values Survey show values climbed by an average of 6.2% during 2021. This is the strongest annual growth since 2014 👈

“ The sustained lack of supply is driving values higher as more active purchasers compete in a crowded market ”

Farmland market value dynamics across Great Britain 2021



💡 Investment in farmland is seen as a hedge against increasing inflation and we may see investors looking to diversify their portfolios with agricultural assets 💡

# The outlook for farmland values in Great Britain

A more dynamic market will develop due to the broader relevance of agricultural land, but scarcity will remain a key market influence

In the run up to COP26 in Glasgow, companies and governments across the world committed to ambitious net zero targets. Land is the only asset class that can be both a source and a solution to climate change. It is this need to provide a solution to the broader economy that will drive a change in use of a quarter of the UK's land over the next 30 years and directly impact farmland values.

This strong sentiment in the farmland market is buoyed by a lack of supply. Our revised forecasts for supply support the improved outlook for farmland values, as the supply and demand imbalance continues to create a scarcity factor for available land.

## SUPPLY EXPECTATIONS

On average 160,000 acres have been advertised each year since 2000, but this falls to an average of 150,000 per annum over the last 10 years. While the last few years have been exceptional for limited supply, due to uncertainty over Brexit and then the Covid-19 pandemic, there has been a downward trend in publicly marketed farmland for some time. We expect the next five years to buck this trend as the agricultural transition progresses and deepening BPS income cuts encourage sales. It is anticipated that the area of publicly marketed

farmland will increase to the previous 10 year average of 150,000 acres per year.

The government's announcement of the Lump Sum Exit Scheme, designed to assist farmers in England with retirement by capitalising their subsidy payments, has been met with little enthusiasm. Criticisms include that the scheme is too complex and its eligibility conditions are too restrictive. As such, we do not believe it alone will trigger a significant increase in farmland brought to the market. Those who take up the scheme are likely to be intending to retire from the farming industry anyway. However, the agricultural transition plan more generally removes support for farm incomes in England, which will see farmers find new ways of making their businesses viable, through existing markets, diversifications or emerging environmental schemes. While Scottish and Welsh policy

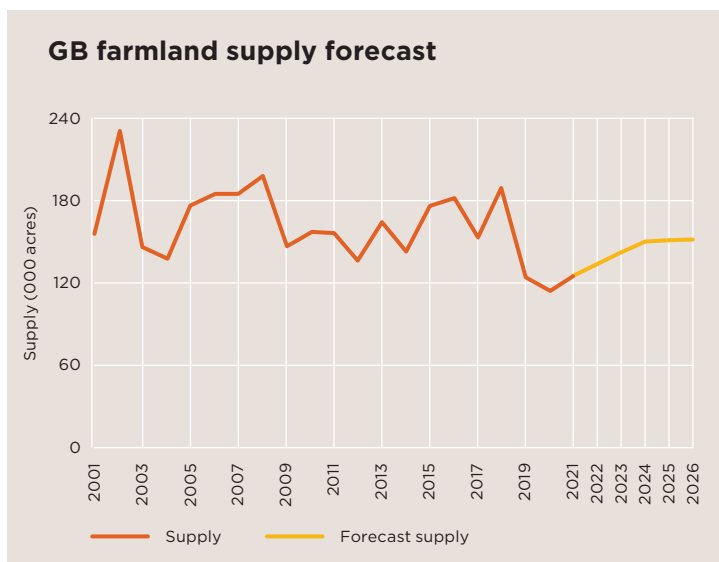
looks to be more reminiscent of Common Agricultural Policy schemes, changes in every nation are likely to result in consolidation of farm businesses and an increase in the area of agricultural land traded.

As the UK is learning to live with the Covid-19 pandemic, the dust is beginning to settle on the economic fallout. The Bank of England base rate was kept low in 2021, until the announcement in December to increase it to 0.25%. With inflation at 5.1% and agricultural inflation at 21.9%, there is increasing pressure on farm finances. However, the other side of the same coin is that investment in farmland is seen as a hedge against increasing inflation and we may see investors looking to diversify their portfolios with agricultural assets.

The economic recovery looks set to focus on taxing income through the new Health and Social Care Levy for now, and the risk of damaging capital taxation reform has reduced. In November, the Treasury confirmed that it would not be proceeding with any changes to inheritance tax or its important reliefs and will only be making minor changes to the capital gains tax regime. The status quo will continue to support the retention of farmland by keeping farms intact, but also increase demand as rollover buyers seek eligible assets.

**160,000**

**On average 160,000 acres of farmland have been advertised each year since 2000**



Source Savills Research



**12%**

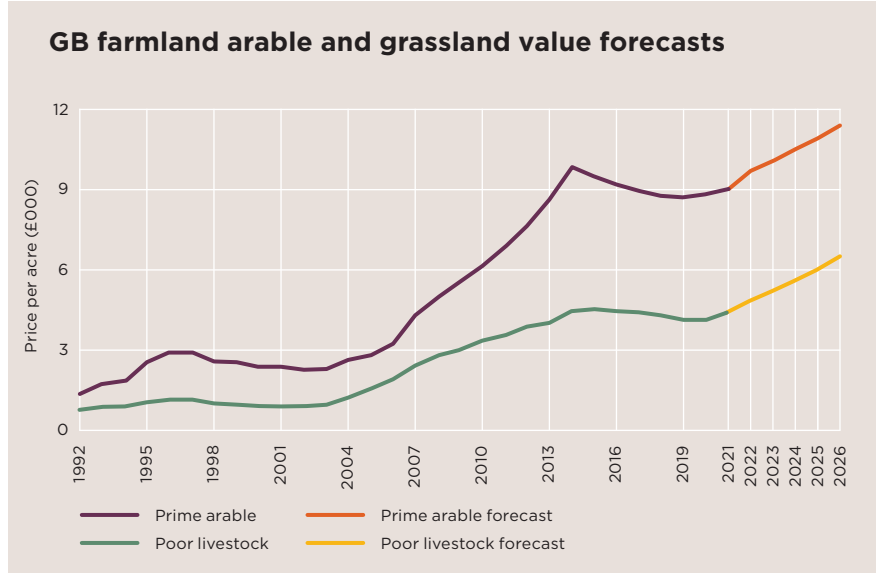
Rise in real terms for barley prices forecast in next decade

**13%**

Drop in beef prices forecast in next decade

**6%**

Rise in grassland values per annum expected in the short term



Source Savills Research

## Forecast values

Environmental concerns are likely to be a key driver in the highest levels of growth

Food production is a fundamental function of farmland and returns from the sale of agricultural produce contribute strongly to farmland values. In the next decade, global demand for food will increase due to population growth. The World Bank forecasts an increase in food commodity prices, such as wheat (1%), barley (12%) and chicken (3%) over this period, while the price of beef will fall (13%). This is likely to translate to domestic pricing, which supports farm returns and farmland values by extension.

In addition, commodities (including grains, oils and grasses) will likely experience a strengthening market for biofuels to help reach the government’s 2050 net zero target. This market has the potential to compete with food and the increased demand for crops could push prices up.

However, it is the natural capital markets that are generating the “buzz” in the farmland market. Net zero and biodiversity targets from the government as well as industry will result in land being used for renewable energy, tree planting and rewilding, which will continue to result in a supply and demand imbalance that will strengthen farmland values.

The royal assent of the Environment Act in November 2021 has confirmed the

requirement for developments to achieve 10% Biodiversity Net Gain (BNG) in England. Developers can obtain additional biodiversity units through habitat enhancement and creation onsite, offsite, or through the purchase of statutory biodiversity credits. As a legislated mechanism, BNG is likely to be among the first substantial drivers of natural capital based income streams for farmland and the requirement for offsetting to be local means regions across Great Britain will benefit from this emerging market.

The ability for pasture land to provide valuable carbon and water management services is strengthening demand for it over other land types. For example, woodland planting projects for carbon offsets are targeting grassland due to the constraints of planting on more productive arable land, including the constraint of the price of land. Furthermore, the rules surrounding carbon offsetting and additionality means companies may opt for ownership models over purchasing credits, as land that is already sequestering carbon can represent a negative value on their carbon balance sheet.

While afforestation and peatland restoration are the best-known nature-based carbon storage solutions in the UK,

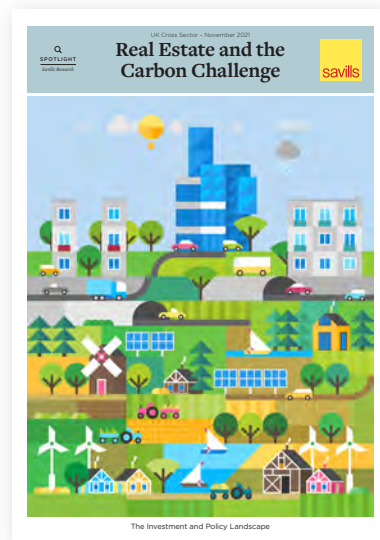
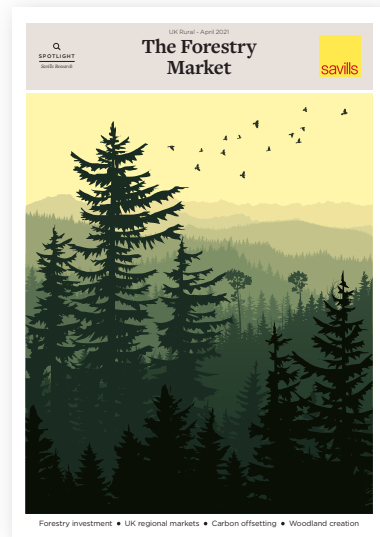
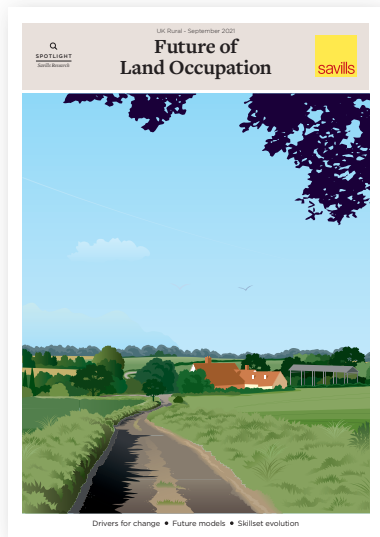
the less mature soil carbon sequestration market is attracting significant interest and is of potential relevance to all farmland. The announcement that the Sustainable Farming Incentive (SFI) scheme will not rule out private financing for soil carbon may be a welcome relief to land managers who can potentially stack ecosystem services and funding on the same land parcels to increase profitability. We would expect policy in Scotland and Wales to follow suit.

At the other end of the scale, demand for lifestyle farms is expected to remain as a result of the pandemic’s long lasting impact on working practices and recognised importance of one’s health and wellbeing.

Combining these factors, we anticipate real values for poorer quality grassland will climb, on average, 6% per annum in the short term although, as with every asset class, location and specific environmental characteristics are likely to be key drivers in achieving the highest levels of growth. For prime arable land, commodity prices in the short term look set to hold firm and an increasing interest in energy crops and renewables may continue to support profit from production. We expect this to support growth, forecasted at 2.5% annually excluding inflation.

“While afforestation and peatland restoration are the best-known nature-based carbon storage solutions in the UK, the less mature soil carbon sequestration market is attracting significant interest”





## Savills Research

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| Appraisal input                            | Rapleys Submission position   | HLD initial position   | Current status  |
|--|---|--|---|
| <b>Private and Values</b> <b>GDV Sales</b> | £185.3 million (£402 psf)   | £188.8 million (£410 psf)  | NS to review private sales values.  |
| <b>Social values</b> <b>Rent</b>           | 30% of OMV  | 35% of OMV   | Agreed at 35%   |
| <b>Affordable Rent values</b>              | 50% of OMV  | 55% of OMV   | Agreed at 55%   |
| <b>Shared Ownership Values</b>             | 70% om OMV  | 65% of OMV   | Agreed at 65% of OMV  |
| <b>HIF funding</b>                         | £6.7 million subsequently amended to £390,610 which equals 5.83% (proportionate amount of land under ownerships) of £6.7 million. | £1   | £1 assumed subject to confirmation by Cherwell.   |
| <b>Base Costs</b> <b>Build</b>             | Amended build costs position following negotiations: £114.5 million   | Based on RLF cost position following negotiations with G & T: £108.6 million | NS reviewing updated RLF cost plan  |
| <b>Cashflow of construction costs</b>      | S Curve   | Pro-rata'd   | Agreed to Pro-rata  |
| <b>Infrastructure Contingency</b>          | 10%   | 10%  | Agreed.   |
| <b>Developer Contingency</b>               | 5%  | 5%   | Agreed  |
| <b>Professional fees</b>                   | 8%  | 8%   | Agreed (linked to contingency <b>in line with Monatgu Evans' approach in CDC's Local Plan Viability Study</b> )                   |
| <b>Phasing</b>                             | One month for purchase  | One month for purchase   | Agreed  |
|  | 12 month pre construction for detailed planning and procurement   | 0 months allowance for detailing planning and procurement process            | AMJ reviewing internally with client team   |
|  | 6 month period for enabling works   | 6 months for enabling works  | Agreed at 6 months.   |
|  | 6 month construction period / lag for before first sale   | 4 month construction period / lag before first sale                          | NS offer to split difference and agree at 5 months. AMJ reviewing internally with client team                                     |
|  | 88 month construction period  | 83 month construction period.  | Agreed private construction rate of 4 units per month (92 months) <b>over both houses and apartments for private market sale.</b> |

|                                     |   |   |  |
|-------------------------------------|---|---|--|
|                                     | 93 months sales period.   | 83 month sales period.  | Agreed private sales rate of 4 units per month (92 months) <b>i.e. in line with construction period.</b>   |
| <b>Infrastructure Phasing</b>       | Cashflowed in line with G & T advice.   | Initial £2,892,525 during 6 months enabling period with the remaining infrastructure costs delivered over the life of the construction period.  | NS to <b>finalise revised approach</b> with RLF  |
| <b>S106 / CIL Costs</b>             | £19.015 million total / £35.8k per unit   | £19.015 million total / £35.8k per unit   | Case officer to update the S106 heads of terms matters. AMJ and NS to update accordingly.  |
| <b>Marketing Sales Costs</b> /      | 3% for marketing, agency and legals for private sale units.                                   | 1.5% for marketing; 1% for agents fees and 0.35% for legal fees. This provides a slightly lower marketing and disposal fees allowance of 2.85%. | Agreed at 3%   |
| <b>Sales Agent Fee (Affordable)</b> | 0.5%.   | 0%  | Agreed at 0%   |
| <b>Finance assumptions</b>          | 7% debit and 0.5% credit  | 6.5% debit and 0% credit  | NS suggestion to agree Debit rate at <b>6.75% (i.e. split the difference between 6.5% and 7% debt interest rate)</b> with a credit rate of 0%. AMJ reviewing internally with client team |
| <b>Profit</b>                       | 20% on GDV for private and 6% for affordable  | 20% on GDV for private and 6% for affordable  | Agreed   |
| <b>Benchmark Land Value</b>         | £11.8 million based upon a gross site area of 59 acres and a rate of £200,000 per gross acre. | £8.85 million based upon a gross site area of 59 acres and a rate of £150,000 per gross acre.   | AMJ reviewing internally with client team  |