

# AGENCY REVIEW

2020/2021



## INTRODUCTION

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It was only a little over twelve months ago that the first case of coronavirus was confirmed in the United Kingdom, at that stage the events of last year seemed inconceivable to the vast majority of us. The turmoil, disruption, human and economic tragedy of the past few months have been on a scale that was unimaginable to many of us.

Yet, despite all of the seismic events of 2020 and the scars left to the United Kingdom's economy, the property markets appear to have weathered everything that 2020 threw at them and emerged, if not totally unscathed, in far better shape than anyone could have anticipated.

The agricultural land market, as we report below, rather went into a form of hibernation but, so far at least, appears none the worse for it. The residential and development land markets both, if anything, are slightly stronger than at the end of 2019 and sale prices of amenity land continue to rise. From a property point of view it is almost as if the markets are saying "pandemic, what pandemic?".

Of course, in economic terms, we are far from out of the woods and the combination of the furlough scheme, Stamp Duty holiday, low interest rates and pent up demand in the various markets may all be masking deeper, longer lasting economic wounds. However, our advice to clients as we enter the selling season of 2021 is very much 'make hay whilst the sun shines', the markets are set fair, at least for the short term, and if 2020 taught us anything then surely it must be not to take anything for granted.

## AGRICULTURAL LAND MARKET

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In this publication 12 months ago we referred to 2019 being remembered as the "year in which the farmland market stood still", little did we know that 2020 would see even fewer acres marketed. Although a few Agents did continue to try to market land through the first lockdown, the general consensus was that even if it was technically possible to comply with the restrictions it was not within the spirit of them. Therefore the market was effectively shut down during quarter two which is traditionally the busiest time for marketing farmland.

Supply did increase during the third quarter however it was still significantly down even on 2019 volumes. Additionally, the blocks of land and farms that were offered for sale were generally towards the lower end of the commercial size and there were no real large blocks of commercial land offered by which the market could be tested. However, largely one assumes as a result of the reduced supply matching the cautiousness of buyers in such uncertain times, prices remained stable and consistent with 2019 levels.

Arable land in commercial sized blocks in central southern England generally remains in the price bracket between £9,000 and £12,000 per acre. The value of commercial grassland blocks now appears more volatile and is dependent upon localised demand. The range is between £6,000 and £8,000 per acre but is very much dependent upon there being acquisitive livestock farmers close by.

The outlook for the 2021 market and beyond is difficult to predict. There is likely to be downward pressure on prices following a disappointing harvest for many, the reality of the phasing out of Basic Payment over coming harvests and the continued threat of the Chancellor attacking Inheritance Tax and other reliefs on farmland. Against these pressures are the factors of continued lack of supply and the historic flight to safety in land and gold when the wider economy is struggling. On balance we anticipate prices to remain firm during 2021 for agricultural land.



Arable land at Hook Norton. Sold Autumn 2020 in excess of £11,000 per acre.

## PONY PADDOCKS AND AMENITY LAND

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Amenity land prices (ie. smaller non-commercial sized blocks of land) have continued to strengthen even during the worst of the crisis in 2020. The demand for small blocks of land seems currently unquenchable with many buyers having no particular immediate need for land but rather a sense that it is generally a good investment and that ultimately, they may reap the reward of some form of development.

In part it seems as if the perceived relaxation of planning laws is adding to this demand with people seeing agricultural barns being converted across the countryside and inevitably thinking that gaining permission to build a house has become easier. It also appears that the 2020 lockdowns made many people appreciate space even more and we have definitely seen a new type of buyer enter the market who simply want to acquire land in order to be able to benefit from having their own space rather than for any agricultural or equestrian need. This is a trend we expect to see continue. We are now not surprised to see pony paddocks fetch £35,000 per acre or more where there is competition.



## RESIDENTIAL MARKET

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The word “rollercoaster” seems the most apt to describe the residential market during 2020. At the start of the year Brexit fears were subsiding slightly and confidence was returning to the market just as the coronavirus crisis hit. Like the farmland market, quarter two in any year is generally the busiest for residential Estate Agents and so a lockdown during this period appeared catastrophic. However, when the market was finally released from its’ enforced shut down, Agents and commentators, were taken aback by the strength of the returning market. Agents reported that August and September, particularly at the lower end of the market, were the busiest months that they had experienced in their careers.

The activity at the top end of the market was more restrained, but again stronger than could have been predicted. The further lockdowns that we have endured may well create a similar surge of activity in the short term but how sustained this will be will ultimately depend upon the wider economic factors of mortgage availability and job security. Unemployment, or perhaps more accurately employment, is likely to be the key determining factor in how the residential market performs in the latter part of 2021.



# DEVELOPMENT LAND AND PROMOTION AGREEMENTS

The longer term nature of development land and residential development sites inevitably helps smooth the curve of market forces and this was certainly the case in 2020 where there was considerably less volatility in this market than in the residential end user market.

Shortage of supply was the key factor during 2020 in terms of residential development sites. This resulted in Adkin achieving some extraordinary results and sale prices on the sites which we marketed during 2020. The process to achieve these results for our clients can be a long one and, in addition to the sites which we marketed last year, we are advising on over 3,500 acres of development land either in agreements or with terms agreed. This land has the potential to deliver 20,000 units at a potential market value of £1.2 billion and a Gross Development Value of perhaps £80 billion.

The market for sites, at least in the short term, appears to remain strong and we anticipate little change in 2021 as demand continues to outstrip supply. The longer term outlook will depend upon how long the effects of the pandemic continue to affect the country's economy but, for the short term at least, it seems as if the residential development land market is a sector which has so far weathered the storm.



# CONTACTS

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*Kevin's specialist areas of work are Property Agency and Property Acquisition together with provision of Valuations for a variety of purposes as an RICS Registered Valuer.*

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