In a matter of weeks the UK electorate will be taking its biggest political decision in living memory – voting to either leave the EU or remain a member. Since the date of the referendum was announced we have been assailed by a non-stop barrage of arguments from the In and Out camps. For those of you yet to be swayed, we analyse on page 06 some of the key issues facing agriculture, arguably the sector most influenced by the EU.

To add to the uncertainty, the referendum comes at a time when farming remains in the grip of an on-going commodity price slump – the dairy sector being particularly hard hit – and concerns are rising about the general health of the global economy.

The tax environment for the rural landowner in the UK is also becoming more challenging, particularly for those who are domiciled elsewhere.

At the same time, the pent up demand for new housing and infrastructure, combined with changes to the planning system, presents what some estates may see as a great opportunity to unlock the potential of their land, but others view as a threat to their very existence.

Against this backdrop, planning for the future is more important for rural estates than ever before. On page 22, Alastair Paul, the Head of our new Bishop’s Stortford office, explains why a strategic review can be so beneficial.

I hope The Rural Report provides a glimpse of how Knight Frank can help rural property owners, whatever their ambitions. Please do get in touch to find out more.
Almost 60% of farmers will be voting to leave the EU come 23 June, according to the results of a comprehensive survey conducted by Farmers Weekly magazine. Given that farming is the biggest recipient of EU funds, the results might seem counter-intuitive. The latest Total Income from Farming (TIFF) figures released by Defra at the end of April show just how reliant UK agriculture is on the EU’s Common Agricultural Policy (CAP).

In 2015, TIFF was £3.8bn, an annual drop of 29%. Subsidy payments from Brussels accounted for £2.8bn, or almost three-quarters of the total. On a regional basis TIFF is actually lower than subsidy payments in some parts of the UK (see table). Wales, for example, received £249m of support payments in 2014 (the latest regional figures), but had a TIFF of £212m.

So why do so many farmers want to leave the EU? First off, the Farmers Weekly survey did show that in areas such as Wales and Scotland, which are heavily dependent on subsidies, people were more wary of leaving. But even in the parts of the UK where there was most support for an “out” vote, support payments can still be the difference between profit and loss for a significant number of businesses.

Some of it must come down to the fact that in 1971 farmers voted to join the very business-like sounding European Economic Community (EEC). Being a member of the European Union, a far more social and political project, was not something they signed up for. In addition, a heady mix of sovereignty concerns, rising immigration and layers of extra red tape and bureaucracy have caused many to lose patience. The problem for undecided voters is that there is limited conclusive evidence to show that farming, or the UK as a whole, will be better off out of the EU.

One of the most detailed pieces of research on the potential impact on agriculture is a report commissioned by the NFU looking at the effect of various future trade scenarios on farm incomes. The results vary widely, with incomes rising in some instances, but still assuming a continuation of support payments at levels of at least 50% of what farmers receive now.

As a net contributor to the EU, one of the big arguments for staying is that the UK will have more money to spend it chooses. Farming Minister George Eustice has said farmers would continue to be supported via a tailor-made UK version of CAP.

But estimates of how much the UK would actually save vary wildly, ranging from £150bn to £45bn a week, depending on whether things like the rebate negotiated by Margaret Thatcher and EU payments back to UK recipients are factored in. But even at the lowest figure, the UK’s annual net contribution to the EU has averaged £7.2bn over the past five years.

However, one of the main arguments against an “out” vote is that it will hurt the UK economy. The trade deficit is often blamed on the “Brexit dividend”. Forecasts from the likes of the OECD, Treasury, World Bank and many investment banks predict a fall in GDP growth of varying magnitudes.

Of course, economists are not renowned for accurately forecasting anything, especially so far into the future, and many of the assumptions behind their complex calculations can be challenged, but there are far fewer saying a Brexit will be good for the UK’s economy than those warning of its consequences.

In terms of red tape – a huge bugbear for farmers – the verdict is more nuanced although, sadly, there won’t be a spontaneous bonfire of bureaucracy if we leave the EU.

First, the sheer volume of regulation will take years, if not decades, to unpick by our civil service. Second, powerful environmental lobby groups will ensure any new UK farming policy delivers a raft of conservation measures. Third, much regulation actually originates from higher global powers like the UN, and the World Trade Organisation – Brussels just rolls it out.

However, outside the EU, the UK would be free to make its seat on the various committees that make the rules. We could help shape regulation rather than just being bound by it.

Trade is another area where we could be better off after a Brexit – we might be able to strike more favourable deals with whoever we like at a faster pace than the European Commission, which has to negotiate on behalf of all its members.

One of the most detailed pieces of research on the potential impact on agriculture is a report commissioned by the NFU looking at the effect of various future trade scenarios on farm incomes. The results vary widely, with incomes rising in some instances, but still assuming a continuation of support payments at levels of at least 50% of what farmers receive now.

So why do so many farmers want to leave the EU? First off, the Farmers Weekly survey did show that in areas such as Wales and Scotland, which are heavily dependent on subsidies, people were more wary of leaving. But even in the parts of the UK where there was most support for an “out” vote, support payments can still be the difference between profit and loss for a significant number of businesses.

Some of it must come down to the fact that in 1971 farmers voted to join the very business-like sounding European Economic Community (EEC). Being a member of the European Union, a far more social and political project, was not something they signed up for. In addition, a heady mix of sovereignty concerns, rising immigration and layers of extra red tape and bureaucracy have caused many to lose patience. The problem for undecided voters is that there is limited conclusive evidence to show that farming, or the UK as a whole, will be better off out of the EU.

One of the most detailed pieces of research on the potential impact on agriculture is a report commissioned by the NFU looking at the effect of various future trade scenarios on farm incomes. The results vary widely, with incomes rising in some instances, but still assuming a continuation of support payments at levels of at least 50% of what farmers receive now.

As a net contributor to the EU, one of the big arguments for staying is that the UK will have more money to spend it chooses. Farming Minister George Eustice has said farmers would continue to be supported via a tailor-made UK version of CAP.

But estimates of how much the UK would actually save vary wildly, ranging from £150bn to £45bn a week, depending on whether things like the rebate negotiated by Margaret Thatcher and EU payments back to UK recipients are factored in. But even at the lowest figure, the UK’s annual net contribution to the EU has averaged £7.2bn over the past five years.

However, one of the main arguments against an “out” vote is that it will hurt the UK economy. The trade deficit is often blamed on the “Brexit dividend”. Forecasts from the likes of the OECD, Treasury, World Bank and many investment banks predict a fall in GDP growth of varying magnitudes.

Of course, economists are not renowned for accurately forecasting anything, especially so far into the future, and many of the assumptions behind their complex calculations can be challenged, but there are far fewer saying a Brexit will be good for the UK’s economy than those warning of its consequences.

In terms of red tape – a huge bugbear for farmers – the verdict is more nuanced although, sadly, there won’t be a spontaneous bonfire of bureaucracy if we leave the EU.

First, the sheer volume of regulation will take years, if not decades, to unpick by our civil service. Second, powerful environmental lobby groups will ensure any new UK farming policy delivers a raft of conservation measures. Third, much regulation actually originates from higher global powers like the UN, and the World Trade Organisation – Brussels just rolls it out.

However, outside the EU, the UK would be free to make its seat on the various committees that make the rules. We could help shape regulation rather than just being bound by it.

Trade is another area where we could be better off after a Brexit – we might be able to strike more favourable deals with whoever we like at a faster pace than the European Commission, which has to negotiate on behalf of all its members.

One of the most detailed pieces of research on the potential impact on agriculture is a report commissioned by the NFU looking at the effect of various future trade scenarios on farm incomes. The results vary widely, with incomes rising in some instances, but still assuming a continuation of support payments at levels of at least 50% of what farmers receive now.

As a net contributor to the EU, one of the big arguments for staying is that the UK will have more money to spend it chooses. Farming Minister George Eustice has said farmers would continue to be supported via a tailor-made UK version of CAP.

But estimates of how much the UK would actually save vary wildly, ranging from £150bn to £45bn a week, depending on whether things like the rebate negotiated by Margaret Thatcher and EU payments back to UK recipients are factored in. But even at the lowest figure, the UK’s annual net contribution to the EU has averaged £7.2bn over the past five years.

However, one of the main arguments against an “out” vote is that it will hurt the UK economy. The trade deficit is often blamed on the “Brexit dividend”. Forecasts from the likes of the OECD, Treasury, World Bank and many investment banks predict a fall in GDP growth of varying magnitudes.

Of course, economists are not renowned for accurately forecasting anything, especially so far into the future, and many of the assumptions behind their complex calculations can be challenged, but there are far fewer saying a Brexit will be good for the UK’s economy than those warning of its consequences.

In terms of red tape – a huge bugbear for farmers – the verdict is more nuanced although, sadly, there won’t be a spontaneous bonfire of bureaucracy if we leave the EU.

First, the sheer volume of regulation will take years, if not decades, to unpick by our civil service. Second, powerful environmental lobby groups will ensure any new UK farming policy delivers a raft of conservation measures. Third, much regulation actually originates from higher global powers like the UN, and the World Trade Organisation – Brussels just rolls it out.

However, outside the EU, the UK would be free to make its seat on the various committees that make the rules. We could help shape regulation rather than just being bound by it.

Trade is another area where we could be better off after a Brexit – we might be able to strike more favourable deals with whoever we like at a faster pace than the European Commission, which has to negotiate on behalf of all its members.
The first thing Ross Murray does after he meets at the CLA’s Belgrave Square HQ is to point out the photograph of his wife’s great, great uncle, Major General HQ is to point out the photograph of his wife’s great, great uncle, Major General

HQ is to point out the photograph of his wife’s great, great uncle, Major General

HQ is to point out the photograph of his wife’s great, great uncle, Major General

HQ is to point out the photograph of his wife’s great, great uncle, Major General

HQ is to point out the photograph of his wife’s great, great uncle, Major General

The first thing Ross Murray does after his son.

HQ is to point out the photograph of his wife’s great, great uncle, Major General

HQ is to point out the photograph of his wife’s great, great uncle, Major General

HQ is to point out the photograph of his wife’s great, great uncle, Major General

HQ is to point out the photograph of his wife’s great, great uncle, Major General

HQ is to point out the photograph of his wife’s great, great uncle, Major General

“The overwhelming view from the members was: ‘don’t tell us how to vote.’” Instead, the CLA has compiled a comprehensive Remain or Leave document backed by economic analysis setting out each side of the argument to give its members a greater understanding of the issues and the options surrounding Brexit. This has been “well received.”

I ask what his personal opinion is – a Scot, he was very vocal that the land of his birth should remain part of the UK before the 2014 independence vote – but he refuses to say. “I’m keeping my council. I do have a very strong view, but because of my role I’m not expressing an opinion that might overly influence my members. Our duty is to explain to them how both courses of action could affect their businesses.”

However, he will admit that he’s not been particularly impressed by those campaigning on either side of the argument so far. “We need a more positive, realistic vision from both parties.”

He doesn’t sound entirely convinced by the reassurances offered by some “out” campaigners that farmers will be reassured by the reassurances offered by some “out” campaigners that farmers will be reassured by the reassurances offered by some “out” campaigners that farmers will be reassured by the reassurances offered by some “out” campaigners that farmers will be reassured by the reassurances offered by some “out” campaigners that farmers will be reassured by the reassurances offered by some “out” campaigners that farmers will be reassured by the reassurances offered by some “out” campaigners that farmers will be reassured by the reassurances offered by some “out” campaigners that farmers will be reassured by the reassurances offered by some “out” campaigners that farmers will be reassured by the reassurances offered by some “out” campaigners that farmers will be reassured by the reassurances offered by some “out” campaigners that farmers will be reassured by the reassurances offered by some “out” campaigners that farmers will be reassured by the reassurances offered by some “out” campaigners that farmers will be reassured by the reassurances offered by some “out” campaigners that farmers will be reassured by the reassurances offered by some “out” campaigners that farmers will be reassured by the reassurances offered by some “out” campaigners that farmers will be reassured by the reassurances offered by some “out” campaigners that farmers will be reassured by the reassurances offered by some “out” campaigners that farmers will be reassured by the reassurances offered by some “out” campaigners that farmers will be reassured by the reassurances offered by some “out” campaigners that farmers will be reassured by the reassurances offered by some “out” campaigners that farmers will be reassured by the reassurances offered by some “out” campaigners that farmers will be reassured by the reassurances offered by some “out” campaigners that farmers will be reassured by the reassurances offered by some “out” campaigners that farmers will be reassured by the reassurances offered by some “out” campaigners that farmers will be reassured by the reassurances offered by some “out” campaigners that farmers will be reassured by the reassurances offered by some “out” campaigners that farmers will be reassured by the reassurances offered by some “out” campaigners that farmers will be reassured by the reassurances offered by some “out” campaigners that farmers will be reassured by the reassurances offered by some “out” campaigners that farmers will be reassured by the reassurances offered by some “out” campaigners that farmers will be reassured by the reassurances offered by some “out” campaigners that farmers will be reassured by the reassurances offered by some “out” campaigners that farmers will be reassured by the reassurances offered by some “out” campaigners that farmers will be reassured by the reassurances offered by some “out” campaigners that farmers will be reassured by the reassurances offered by some “out” campaigners that farmers will be reassured by the reassurances offered by some “out” campaigners that farmers will be reassured by the reassurances offered by some “out” campaigners that farmers will be reassured by the reassurances offered by some “out” campaigners that farmers will be reassured by the reassurances offered by some “out” campaigners that farmers will be reassured by the reassurances offered by some “out” campaigners that farmers will be reassured by the reassurances offered by some “out” campaigners that farmers will be reassured by the reassurances offered by some “out” campaigners that farmers will be reassured by the reassurances offered by some “out” campaigners that farmers will be reassured by the reassurances offered by some “out” campaigners that farmers will be rea...
Property Taxes
TOM BARROW
Head of Country Valuations
Chancellor George Osborne has made it abundantly clear over consecutive Budgets that he views the taxation of property, particularly high-value houses, second-bomes and residential property wrapped in a corporate structure or owned by those based overseas, as ripe for reform. Some aspects of his changes, like replacing the slab system of Stamp Duty Land Tax, have been progressive, although buying a house for over £2m will now cost the buyer at least £153,750 in SDLT. The 3% extra SDLT on the purchase of additional homes is Mr Osborne’s latest innovation. Anybody thinking of buying or selling property needs to consider how their personal circumstances will affect the associated tax bill. See my article on page 25 for more details.

Scottish land reform
RAN MORGAN
Head of Scottish Farms & Estates
The law of unintended consequences is one that politicians might do well to study in greater detail. The Scottish Land Reform Bill, which was passed on 16 March by the Scottish Parliament, was intended in part to help the country’s tenant farming sector. My fear is that many of the new proposals, including the ability to assign tenancies to a wider number of successors, will have the opposite effect. Removing the exemption on business rates for sporting estates, many of which are not very profitable, will also be counterproductive. A lack of clarity also risks smaller estates and farms with non-commercial shoots being affected. Because many of the bill’s provisions will require further legislation or consultation, the uncertainty will continue for some time.

More CAP reform
CLEVE HOPKINS
head of Farms & Estates
Even if we vote to remain in the EU on 23 June – the most likely outcome of the referendum, albeit by a very fine margin, according to the latest polls – a significant amount of uncertainty will remain regarding the future of support payments. The next review of the Common Agricultural Policy (CAP) is set for 2020 and already proposals are being put forward by the European Parliament to replace some of the Basic Payment with income stabilisation or revenue insurance tools. Although we are unlikely to see direct support disappear completely by 2020, it is clear that farming businesses should be planning for further reductions in their subsidy cheques in the not-too-distant future.

Housing & Planning
JAMES DEL MAR
Head of Rural Consultancy
Whether you see development in the countryside as a threat to your business or an opportunity, there are several important issues to be aware of. The Housing and Planning Bill is a major piece of new legislation currently going through parliament that aims to speed up the delivery of new housing. The House of Lords has made several amendments that could benefit rural landowners looking to develop sites. Under a third of planning authorities have a Local Plan in place that is compliant with the National Planning Policy Framework. This makes them more vulnerable to challenges from developers looking to overturn decisions where planning applications have been refused, even on greenbelt sites. Compulsory purchase legislation is also being reviewed.

Renewables & energy
CHRISTOPHER SMITH
Estate Management & Energy
We are seeing a full in interest for renewable energy projects now that government support payments for the most popular technologies have fallen. However, estates should still be alive to the options available because there will come a time when the balance between installation costs and energy prices will come back into balance. The huge advances being made in battery storage technology will also offer estates the ability to go “off grid” using power from renewable schemes for quicker than many anticipate. We are also seeing a growing demand for sites close to a grid connection that can accommodate large-scale battery storage or diesel or gas-driven generators to cope with peak power demand.

The current cost of stamp duty on a £2m house
£153,750

THE RURAL REPORT SPRING 2016

Our view
Knight Frank’s rural property experts highlight key threats and opportunities that landowners should be keeping an eye on...
The Brexit blues?

With the UK on the verge of voting to stay in or leave the European Union, what are the implications for farmland values?

CLIVE HOPKINS, HEAD OF FARMS & ESTATES

It’s the question everybody is asking me at the moment: what will a Brexit mean for the future value of farmland? But frustratingly it’s the question nobody can really answer with any degree of certainty.

What we can say though is that prices have started to weaken. During the first three months of 2016 the average value of English farmland fell by 3%, according to the Knight Frank Farmland Index, dropping back to below £2,000/acre.

How much of that is due to worries about a potential exit from the EU is hard to gauge. My personal feeling is that the sustained period of growth we’ve been experiencing – prices have risen by almost 180% over the past 10 years – was due for a natural pause anyway.

The slump in grain and meat prices is now much more serious than a one-off Nip and market analysts don’t seem to be predicting a significant upturn by the end of this year. Even though we rarely see an immediate correlation between the price of commodities and land values in the UK, such a sustained dip was going to affect confidence at some point.

But, without doubt, what the referendum is creating is uncertainty, and property markets of all types generally don’t like uncertainty – potential buyers and vendors tend to sit on their hands, waiting for clarity to return.

You only have to look at the sparseness of the land market so far this year to see the impact. Around 26% fewer acres of farmland had been advertised for sale by the end of March compared with the same period in 2015.

If we vote to stay in the EU, prices won’t automatically increase and they may even weaken a little further – the downward pressure from other sources will still be there – but I believe we will see more land coming to the market and deals being done.

On the other hand, a vote to leave will usher in a much longer period of uncertainty as the terms of our exit are finalised, trade treaties negotiated and a new home-grown farm support scheme developed by Defra to replace the Common Agricultural Policy.

As discussed on page 6, subsidies are a vital part of many farms’ incomes. A significant reduction would hit farm profitability, rents and ultimately land prices. David Cameron has indicated direct support would continue after a Brexit, but for how long is uncertain. Defra’s position for some time has been that the EU should move away from direct subsidies and a number of businesses would prefer the Common Agricultural Policy to be replaced.

But this period of uncertainty could offer opportunities. Not all farmers are dependent on subsidies and a number of businesses have told us they will be looking for more land regardless of the referendum outcome. Sterling is forecast to slide extremely price sensitive.

As we move towards the start of the 2016 selling season for farms, there is a lot of uncertainty in the air as to when commodity markets will start to recover and the implications of a potential ‘out’ vote at the EU referendum.

While some might predict a mass of farms coming to the market, the reality is that farmers are very resilient. We don’t predict much more land than normal being offered for sale this year.

While we don’t expect land prices to rise in 2016, prime units with scale or farms facing by farmers – a combination of commodity and weather-related challenges including the passing of The Scottish Land Reform Bill earlier this year. Despite this, 16 estates were sold in 2015 with Knight Frank handling a third of the deals, including the 6,200-acre Kinnaird Estate in Perthshire.

Looking back at 2015, about 29,000 acres of farmland were launched publicly across Scotland. Because of the challenges faced by farmers – a combination of continued poor commodity prices and the introduction of the new Basic Payment Scheme, land prices weakened.

Demand for prime arable units, however, remains robust with up to £8,000/acre paid for one particular farm last year. Stock and dairy units hit by low livestock and milk prices proved more of a struggle to sell, with potential buyers unsurprisingly extremely price sensitive.

The Scottish Land Reform Bill earlier this year. Despite this, 16 estates were sold in 2015 with Knight Frank handling a third of the deals, including the 6,200-acre Kinnaird Estate in Perthshire.

The EU referendum is adding some uncertainty to both the farm and estate markets. Many predict an “out” vote would trigger another independence referendum.
Rural Property Markets

Agricultural Investment team.

because of the slightly reduced emphasis on bare

to housebuilders.

of residential properties and a mix of arable and

portfolio that we will be launching later in the spring.

such as diversified income streams or some kind of

in blocks of land that come with value-add opportunities

agricultural issues such as EU support payments.

term motivations for ownership go beyond straight

prospect of a 2016 bounce. Clearly the impending EU

Last year we saw a significant number of large investment deals

An interesting test of the market will be a 2,000-acre

What we are seeing, however, is an increased interest

in blocks of land that come with value-add opportunities

Despite this, we are still seeing demand for big blocks of

land from a range of investors, some of whom are pretty

agnostic about the results of the referendum. Their long-

referendum is also weighing on investors' minds.

Key town and city locations are likely to outperform, as the trend

We forecast price growth of 3% on average in 2016.

contrast, homes worth £5 million or more saw values fall by

This has also translated into weaker annual growth for large

This contributed to a notable rise in activity in the first

three months of 2016, with Knight Frank figures showing a 24% rise in sales volumes across the prime country market compared with the corresponding period of 2015. During this time, activity has primarily been concentrated on the sub-£1 million market, boosted further by a growing economy and continued low interest and mortgage rates. Accordingly, sub-£1 million homes have experienced the strongest price growth, rising by over 4% over the past 12 months, more in line with the wider housing market. In contrast, homes worth £5 million or more saw values fall by 2.7% over the same period, with the higher transactional costs increasingly factored into pricing.

This has also translated into weaker annual growth for large manor houses compared with farmhouses and smaller cottages. We forecast price growth of 3% on average in 2016.

Key town and city locations are likely to outperform, as the trend

Prices have risen over the past year – in some cases by more than 20%. We have seen this trend not only in the more reliable rainfall areas, but also in traditional grazing areas with reduced levels of rain.

Commodity prices strengthened in 2015 and we are still seeing upward movement with cattle prices just off historical highs. The Eastern Young Cattle Indicator is 545c/kg at present compared with 485c/kg this time last year. Steers are 276c/kg compared with 251c/kg, while wool is 1,217c/kg against 1,126c/kg a year ago.

This has been the factor underpinning the rise in values, whether for grazing, dryland cropping or irrigation. For example, Lockhart, which is a renowned cropping region approximately 60km to the south west of Wagga Wagga in New South Wales with an annual rainfall of approximately 18 inches per annum, has achieved prices up to £1,470/acre (£1 = $2). Twelve months ago prices would have been around £4,400 to £5,000/acre. Grazing country to the east of Wagga Wagga with annual rainfall levels of over 30 inches has been exceeding £2,500/acre – 12 months ago you would have been lucky to make around £2,000/acre. Clearly these values are indicative and prices vary widely based on land category and the extent of any improvements such as fencing and access to the holdings.

Highlighting the diverse range of interest, a Chinese conglomerate is the preferred bidder for Kidman & Co – a 200,000-head, 101,000 square kilometre cattle business valued at $380m – although any deal will require approval from the Foreign Investment Review Board. Kidman & Co is Australia’s largest private landholder, with 10 cattle stations in the Northern Territory, Queensland and South Australia. Large irrigated holdings are still a hot item, however they are few and far between with a lot of competition coming from the larger corporates who have the capital to invest.

Australian farmland

LAURENCE TOOHEY, KNIGHT FRANK AUSTRALIA

Prices have risen over the past year – in some cases by more than 20%. We have seen this trend not only in the more reliable rainfall areas, but also in traditional grazing areas with reduced levels of rain.

Commodity prices strengthened in 2015 and we are still seeing upward movement with cattle prices just off historical highs. The Eastern Young Cattle Indicator is 545c/kg at present compared with 485c/kg this time last year. Steers are 276c/kg compared with 251c/kg, while wool is 1,217c/kg against 1,126c/kg a year ago.

This has been the factor underpinning the rise in values, whether for grazing, dryland cropping or irrigation. For example, Lockhart, which is a renowned cropping region approximately 60km to the south west of Wagga Wagga in New South Wales with an annual rainfall of approximately 18 inches per annum, has achieved prices up to £1,470/acre (£1 = $2). Twelve months ago prices would have been around £4,400 to £5,000/acre. Grazing country to the east of Wagga Wagga with annual rainfall levels of over 30 inches has been exceeding £2,500/acre – 12 months ago you would have been lucky to make around £2,000/acre. Clearly these values are indicative and prices vary widely based on land category and the extent of any improvements such as fencing and access to the holdings.

Highlighting the diverse range of interest, a Chinese conglomerate is the preferred bidder for Kidman & Co – a 200,000-head, 101,000 square kilometre cattle business valued at $380m – although any deal will require approval from the Foreign Investment Review Board. Kidman & Co is Australia’s largest private landholder, with 10 cattle stations in the Northern Territory, Queensland and South Australia. Large irrigated holdings are still a hot item, however they are few and far between with a lot of competition coming from the larger corporates who have the capital to invest.
In this section

CLIENT CASE STUDY
Renovating a unique country house

ESTATE MANAGEMENT
The value of strategic thinking

DEAR TOM
Our Head of Country Valuations answers common tax queries
Arts & Crafts revival

Knight Frank’s Residential Building Consultancy team is helping to give a unique property a 21st Century makeover. Andrew Shirley pays a visit.

“We've never lived in a typical house,” Meg Headley explains as she shows me around The Old Rectory in Aldbury, a picturesque village nestled among the rolling chalk hills and woodlands that straddle the Hertfordshire, Buckinghamshire border.

“What I like is something that is a bit quirky, something that has a character, history and personality all of its own. Somewhere where you can entertain and have fun.”

After just a few minutes wandering from room to room, and up and down the many staircases, I can see why Meg fell in love with the house.

The House was acquired in 2015 with the help of Knight Frank’s Residential Building Consultancy team. Meg engaged Knight Frank right at the beginning of the project and since then has been working closely together with Daniel. “I'd done a few smaller projects myself - this is the first time we haven’t lived in a property during the renovation process - so I knew how much work was going to be involved. We wanted to use a firm that had some weight and infrastructure behind the name,” she explains.

After discussing in detail Meg’s and Andrew’s aspirations for their future home, Daniel began to prepare the specification and bring together a team of other consultants to achieve those aspirations. The project was procured using a two-stage tender process, which meant Daniel was very quickly recommending suitable contractors who could turn their dream into reality.

“I've never lived in a typical house,” Meg Headley explains as she shows me around The Old Rectory in Aldbury, a picturesque village nestled among the rolling chalk hills and woodlands that straddle the Hertfordshire, Buckinghamshire border.

“What I like is something that is a bit quirky, something that has a character, history and personality all of its own. Somewhere where you can entertain and have fun.”

After just a few minutes wandering from room to room, and up and down the many staircases, I can see why Meg fell in love with the house, which she and her husband Andrew acquired in 2015 with the help of The Buying Solution.

Built in 1929 in the Arts and Crafts style, it features numerous fascinating details – many with a nautical flavour – from a large vaulted hall with a minstrels’ balcony to intricate patterned leadwork on the gutters that adorn the property’s multitude of pitched roofs, which are bedecked with a host of splendid Tudor-esque chimneys. Although the house was in good condition and decorative order when the Headleys bought it, they wanted to make a number of improvements, including adding a contemporary glass extension to extend and bring more light into the kitchen and remodelling the one-acre grounds. Things snowballed from there, says Meg. “We thought we might as well bring everything like the plumbing and electrics up to date at the same time.”

With around 25 builders and tradespeople on site at any one time, the project has developed into a major undertaking and from the view of the bystander looks incredibly complicated.

At the helm and making sense of it all is Daniel, a senior member of Knight Frank’s Residential Building Consultancy team.

Daniel Maull, a senior member of Knight Frank’s Residential Building Consultancy team.

The Old Rectory is also quite a complex building because it is built across so many different levels. “The key part of my role is to act as the interface between Meg, the main contractor and all the other people and organisations working on the project. There will always be issues that arise unexpectedly and I’m there to sort those out with the minimum of fuss.”

With so much work going on it is hard to imagine how The Old Rectory will look when it is completed later this year, but Daniel is confident Meg and her family will be delighted with the result. “I’m taking an amazing house and making it even better without losing any of the character or personality.”

The Old Rectory, Aldbury

Owner: Meg & Andrew Headley
Project Manager: Daniel Maull

Back to basics: Daniel Maull and Meg Headley survey progress.

Grand features blend with intricate detail.

Photography by Steve Pearcy.
Estate planning and chess have a surprising amount in common. Unplanned moves are risky. Losing your best pieces early can be a game changer, and if you don’t spot a big move until it’s too late, then it could be checkmate and game over.

In the same way that no game of chess is the same, no estate or property portfolio is either and strategic planning requires a bespoke approach. However, Knight Frank has carried out dozens of strategic reviews all across the country and over the past decade we have found that some common threads do emerge.

One of my favourite phrases that has guided me in my life and business is: “plan for the worst and hope for the best”. It still amazes me how few estates have a clear plan for the future. We like to keep the whole process as simple as possible, and try not to get bogged down with the minutiae of individual properties. One of the key benefits of a strategic plan is that it will provide the governing framework required for these property-by-property decisions. The starting point for the exercise is the owner’s objectives of ownership.

In the case of a publicly owned estate portfolio this may be generating an income that allows the council to reduce taxpayer’s bills, or to provide recreation and access to the local residents. For an institutional client it could be significant residential development on the estate, but it could equally be to provide a very low-risk, long-term income. With private clients, it can be as simple as providing a wonderfully peaceful environment for the owner and family to enjoy, but often the estate is also the sole income for a number of family members.

Once the objectives of ownership are agreed the bones of the review can be fleshed out. The next step is to agree the estate management policies. These are pre-agreed actions for when an event happens. The events can be easily categorised into sales, lettings, rent reviews, renewals, subletting, planning and development. This is not a finite list, but is common to most estates and portfolios.

I think it is fascinating how estate management policy is completely different for each owner or ownership type. Using the example of sales, a public-sector owned estate may have a complete prohibition on land sales as they wish to protect areas from development at all cost and do not believe that the planning system alone is sufficient to do this. An institutional client looking to develop may wish to realise funds through the sale of assets to help with the huge cost of planning promotion, but only if those assets they lose control of will not hamper their key objectives of ownership.

A private client may have a policy of keeping core estate houses around the main house, but disposing of off-lying assets that do not provide either an acceptable return on capital or benefit the core estate environment.

With the core objectives of ownership in place and the estate management policies agreed, this ‘model’ can be applied to each type of property on the estate or portfolio. Any property decisions made will ensure the estate is moving in the desired direction, and annual revisiting of the plan and actions taken over the period will ensure that there are no undesired deviations.

This process is straightforward and I think that it is exactly the right approach. As in chess, estates and portfolios need to have a plan and they need to stick to it. But chess games, like life, are unpredictable and the plan needs reviewing to ensure it adapts and remains current.

See next page for case studies…

Alastair Paul is Head of Knight Frank’s new Bishop’s Stortford Rural Consultancy team. For advice on the matters raised please contact: alastair.paul@knightfrank.com +44 1279 213 351

Playing the long game

Successful estate planning requires a strategic approach, explains Alastair Paul, Head of Knight Frank’s new Bishop’s Stortford Rural Consultancy team.

We like to keep the whole process as simple as possible, and try not to get bogged down with the minutiae of individual properties. One of the key benefits of a strategic plan is that it will provide the governing framework required for these property-by-property decisions. The starting point for the exercise is the owner’s objectives of ownership. In the case of a publicly owned estate portfolio this may be generating an income that allows the council to reduce taxpayer’s bills, or to provide recreation and access to the local residents. For an institutional client it could be significant residential development on the estate, but it could equally be to provide a very low-risk, long-term income. With private clients, it can be as simple as providing a wonderfully peaceful environment for the owner and family to enjoy, but often the estate is also the sole income for a number of family members.

Once the objectives of ownership are agreed the bones of the review can be fleshed out. The next step is to agree the estate management policies. These are pre-agreed actions for when an event happens. The events can be easily categorised into sales, lettings, rent reviews, renewals, subletting, planning and development. This is not a finite list, but is common to most estates and portfolios.

I think it is fascinating how estate management policy is completely different for each owner or ownership type. Using the example of sales, a public-sector owned estate may have a complete prohibition on land sales as they wish to protect areas from development at all cost and do not believe that the planning system alone is sufficient to do this. An institutional client looking to develop may wish to realise funds through the sale of assets to help with the huge cost of planning promotion, but only if those assets they lose control of will not hamper their key objectives of ownership.

A private client may have a policy of keeping core estate houses around the main house, but disposing of off-lying assets that do not provide either an acceptable return on capital or benefit the core estate environment.

With the core objectives of ownership in place and the estate management policies agreed, this ‘model’ can be applied to each type of property on the estate or portfolio. Any property decisions made will ensure the estate is moving in the desired direction, and annual revisiting of the plan and actions taken over the period will ensure that there are no undesired deviations.

This process is straightforward and I think that it is exactly the right approach. As in chess, estates and portfolios need to have a plan and they need to stick to it. But chess games, like life, are unpredictable and the plan needs reviewing to ensure it adapts and remains current.

See next page for case studies…

Alastair Paul is Head of Knight Frank’s new Bishop’s Stortford Rural Consultancy team. For advice on the matters raised please contact: alastair.paul@knightfrank.com +44 1279 213 351
Dear Tom...

Tom Barrow, Knight Frank’s Head of Country Valuations, delves into his inbox to shed light on some topical tax and valuation issues of concern to rural property owners.

I am moving house and have heard that I might have to pay extra stamp duty on the purchase of our new home because we also own a small holiday cottage abroad. Will that be the case?

What you are referring to is the new Stamp Duty Land Tax (SDLT) charge on the purchase of additional homes in England, Wales and Northern Ireland. This was first proposed last November by Chancellor George Osborne as part of his Autumn Statement and then, after a period of consultation, confirmed in his March 2016 Budget speech.

From 1 April 2016, anybody buying an extra house, whether as a second home or buy-to-let, has had to pay 3% extra SDLT on the entire value of the house. The table below shows the impact of the change, which means a buyer could now be paying SDLT of up to 18% on a proportion of the value of their purchase.

<table>
<thead>
<tr>
<th>Slice of value</th>
<th>New SDLT rate</th>
<th>Previous SDLT rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to £400,000</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>+£400,000</td>
<td>5%</td>
<td>0%</td>
</tr>
<tr>
<td>+£250,000</td>
<td>10%</td>
<td>5%</td>
</tr>
<tr>
<td>+£250,000</td>
<td>15%</td>
<td>10%</td>
</tr>
<tr>
<td>+£250,000</td>
<td>15%</td>
<td>10%</td>
</tr>
</tbody>
</table>

*Does not apply to purchases under £40,000

Any property owned overseas will be taken into account when deciding if the new purchase counts as an additional home. So, yes, potentially you could be liable to pay the extra SDLT even though your holiday cottage is abroad. It is up to you to self-declare this on your SDLT paperwork.

I live overseas and have a foreign property. Is it still tax-efficient to buy property through a company?

That of course will very much depend on your personal circumstances and you should certainly take expert advice from a tax specialist, but the threshold for some taxes has recently been lowered. Depending on location, these taxes could now hit relatively modest properties.

From 1 April 2016, the Annual Tax on Enveloped Dwellings (ATED), which affects residential properties owned within a corporate structure, applies to properties valued at over £500,000 as of April 2012, or at acquisition if later. The tax for the 2016/2017 tax year will be £3,500 for houses worth between £500,000 and £1m, rising to £218,200 for properties over £20m. Relief is available in certain circumstances.

Structures liable for ATED will also be subject to ATED-related Capital Gains Tax (CGT), which is charged at a higher rate (28%) than standard non-resident CGT (20%). Overseas residents must now pay Capital Gains Tax (CGT) on the increase in value since April 2015 when selling UK property, although Principal Private Residence Relief may be available. Stamp Duty Land Tax (SDLT) is also charged at a rate of 15% on the entire value of residential purchases over £250,000 a corporate entity. Similar reliefs to ATED apply.

From April 2017, the Inheritance Tax treatment of properties held by non-UK companies is also set to change. Companies will no longer be able to claim Principal Private Residence Relief on UK Inheritance Tax for non-residents.

Tom Barrow is Head of Country Valuations at Knight Frank.

For advice on the matters raised please contact:
tom.barrow@knightfrank.com +44 20 7081 1838

Checkmate

Alastair Paul looks at examples of how Knight Frank has helped different types of client to overcome threats or grasp opportunities

The Private Landowner

GIFFORDS HALL FARM, SUFFOLK

OPPORTUNITY – EXPANSION

The long-term aim of the family is to build up a small, easy to manage family farm. They wish to enjoy it and enhance the surroundings of their worshipped manor house, but they have a keen eye on farming profitability and ensuring that it is an investment that provides a good yield.

We identified an area of land that fitted their investment criteria, identified the owner and their agent and concluded an off-market purchase. The land market isn’t static but this is a long term acquisition that will benefit the family over generations.

The Institution

PLACES FOR PEOPLE, ESSEX, HERTFORDSHIRE

THREAT – FALLING INCOME

One of the key objectives for the client is that they ensure the estate provides income to assist with a major development project.

The estate income is traditionally biased towards agriculture and falling commodity prices have put pressure on returns. To counter this, we have worked hard on improving the estate’s residential properties to ensure that income in the sector is maximised.

The same approach has been taken with the estate’s commercial property. At the same time we have used creative solutions to encourage farm tenants to diversify their farming profitability and ensuring that it is an investment more robust. Creating and enhancing local businesses is a core ambition for the client.

The Charity

DR HADWEN TRUST, THE MIDLANDS

THREAT – FALLING INCOME

The charity’s strategic aim having received a legacy donation of a rural property portfolio was to review and restructure the holdings in order to benefit from short-term capital gains tax relief.

We reviewed the assets and the actions that met with their aims and carried out the restructuring process. This involved a farm sale to a secure tenant with a suitable tenant agreement and a sale of a manor house, but they have a keen eye on farming profitability and ensuring that it is an investment more robust. Creating and enhancing local businesses is a core ambition for the client.

The Public Sector Body

HERTFORDSHIRE COUNTY COUNCIL

THREAT – NEW LEGISLATION

This council has a forward-thinking rural estates team. It spotted that new and emerging energy legislation could have a significant impact on the estate’s financial performance.

We identified an area of land that fitted their investment criteria, identified the owner and their agent and concluded an off-market purchase. The land market isn’t static but this is a long term acquisition that will benefit the family over generations.

I am planning to buy a house with a decent amount of farmland included. I hear that stamp duty on commercial property increased as part of the last budget. Will that apply to the farmland?

Yes, farmland counts as commercial property so the new rate of Stamp Duty Land Tax (SDLT) will apply. However, as well as increasing the top rate of SDLT on commercial property from 4% to 8%, George Osborne also replaced the tax’s old “slab” structure with a “slice” system (in line with the recent change to residential SDLT). The rate of SDLT on the £150,000 to £250,000 “slice” of a commercial property purchase is 2%.

But the best news, which many people are not aware of, is that because the property you are buying could be classified as “mixed-use” (it is made up of commercial and residential property) the entire purchase including the residential element may qualify for the 5% commercial rate of SDLT, not the potentially higher rate of residential SDLT. Depending on the value of the house, this could offer a significant saving. A mixed-use purchase will also not attract the 5% SDLT charge on the purchase of additional homes discussed earlier.
Key contacts

Rural consultancy
We help a wide range of clients with all aspects of rural property management. Some of our services include:
- Long-term strategic estate planning
- Day-to-day estate management
- Country house management
- Energy and Renewables
- Compulsory purchase and compensation
- Mapping and GIS solutions
- Marine property and management
- Charity property endowment advice

James Del Mar
Head of Rural Consultancy
+44 1488 688507
james.del.mar@knightfrank.com
James advises the owners and trustees of many of the UK’s leading estates. He specialises in long-term strategic planning and is also an expert on compulsory purchase and compensation legislation.

Property sales and acquisitions
We help our clients to sell or acquire all types of rural property, from investment farmland to sporting estates. Some of the reasons our clients use us include:
- Global coverage – Knight Frank’s unique international network and database of ultra-wealthy potential buyers gives our clients’ properties exposure to the widest possible audience
- Local knowledge – Our network of offices and experts around the UK and Ireland gives us first-hand insight into the nuances of regional farmland trends and values
- Market intelligence – Our rural research team produces market leading intelligence on land values and insights into the issues affecting rural property ownership

Clive Hopkins
Head of Farms & Estates
+44 1488 688523
clive.hopkins@knightfrank.com
Clive has been involved with a significant proportion of the UK and Ireland’s most important farm and estate sales of the past two decades, either publicly or discreetly off market.

Building consultancy
Whether your property is a country house or a London mansion our team can advise on all building consultancy issues. Some of our services include:
- Project management
- Assemblies and improvements
- Listed buildings advice
- Building and party wall surveys
- Design and architecture
- Insurance valuations
- Expert witness

James Carter-Brown
Head of Residential Building Consultancy
+44 1488 688523
james.carter-brown@knightfrank.com
James has overseen multi-million pound renovations of some of the country’s most desirable rural and urban residential properties. He focuses on partner-led solutions to control costs while maintaining the highest standards.

Valuation advice
We can provide RICS-approved valuations on all types of rural property across the UK for the following purposes:
- Sale or purchase
- Bank lending
- Matrimonial issues
- Tax issues such as IHT, CGT and ATED
- Compulsory purchase and compensation
- Company accounts

England & Wales
Tom Barrow
+44 20 7861 1438
tom.barrow@knightfrank.com
South West & Midlands
Hannah Pike
+44 1295 812809
hannah.pike@knightfrank.com
Scotland
Tom Stewart-Moore
+44 131 222 9608
tom.stewart-moore@knightfrank.com

Valuations
- Expert witness
- Insurance valuations
- Listed buildings advice
- Building and party wall surveys
- Appraisals for tax purposes
- Adjoining property
- Party wall

Rural Consultancy Cotswolds
Paddy Hoare
+44 1608 730757
paddy.hoare@knightfrank.com
Rural Consultancy Bristol
Edward Dixon
+44 1179 426333
edward.dixon@knightfrank.com
Charity property endowment advice
- Estate Management & Energy
- Planning
- Enforcement
- Charity property endowment advice
- Mapping and GIS solutions
- Compulsory purchase and compensation
- Insurance valuations
- Listed buildings advice
- Building and party wall surveys
- Appraisals for tax purposes
- Adjoining property
- Party wall

Country House Consultancy
Angus Harley
+44 1488 688511
angus.harley@knightfrank.com
Marine Property Consultancy
Michael Bapty
+44 1179 426355
michael.bapty@knightfrank.com
Marine Property Consultancy
Stephen Butterfield
+44 1489 667842
stephen.butterfield@knightfrank.com

Rural Consultancy Hungerford
Percy Lawson
+44 1488 688513
percy.lawson@knightfrank.com
Rural Consultancy Bristol
Edward Dixon
+44 1179 426333
edward.dixon@knightfrank.com
Charity property endowment advice
- Estate Management & Energy
- Planning
- Enforcement
- Charity property endowment advice
- Mapping and GIS solutions
- Compulsory purchase and compensation
- Insurance valuations
- Listed buildings advice
- Building and party wall surveys
- Appraisals for tax purposes
- Adjoining property
- Party wall

Rural Consultancy Hungerford
Percy Lawson
+44 1488 688513
percy.lawson@knightfrank.com
Rural Consultancy Bristol
Edward Dixon
+44 1179 426333
edward.dixon@knightfrank.com
Charity property endowment advice
- Estate Management & Energy
- Planning
- Enforcement
- Charity property endowment advice
- Mapping and GIS solutions
- Compulsory purchase and compensation
- Insurance valuations
- Listed buildings advice
- Building and party wall surveys
- Appraisals for tax purposes
- Adjoining property
- Party wall

Rural Consultancy Hungerford
Percy Lawson
+44 1488 688513
percy.lawson@knightfrank.com
Rural Consultancy Bristol
Edward Dixon
+44 1179 426333
edward.dixon@knightfrank.com
Charity property endowment advice
- Estate Management & Energy
- Planning
- Enforcement
- Charity property endowment advice
- Mapping and GIS solutions
- Compulsory purchase and compensation
- Insurance valuations
- Listed buildings advice
- Building and party wall surveys
- Appraisals for tax purposes
- Adjoining property
- Party wall

Rural Consultancy Hungerford
Percy Lawson
+44 1488 688513
percy.lawson@knightfrank.com
Rural Consultancy Bristol
Edward Dixon
+44 1179 426333
edward.dixon@knightfrank.com
Charity property endowment advice
- Estate Management & Energy
- Planning
- Enforcement
- Charity property endowment advice
- Mapping and GIS solutions
- Compulsory purchase and compensation
- Insurance valuations
- Listed buildings advice
- Building and party wall surveys
- Appraisals for tax purposes
- Adjoining property
- Party wall

Rural Consultancy Hungerford
Percy Lawson
+44 1488 688513
percy.lawson@knightfrank.com
Rural Consultancy Bristol
Edward Dixon
+44 1179 426333
edward.dixon@knightfrank.com
Charity property endowment advice
- Estate Management & Energy
- Planning
- Enforcement
- Charity property endowment advice
- Mapping and GIS solutions
- Compulsory purchase and compensation
- Insurance valuations
- Listed buildings advice
- Building and party wall surveys
- Appraisals for tax purposes
- Adjoining property
- Party wall

Rural Consultancy Hungerford
Percy Lawson
+44 1488 688513
percy.lawson@knightfrank.com
Rural Consultancy Bristol
Edward Dixon
+44 1179 426333
edward.dixon@knightfrank.com
Charity property endowment advice
- Estate Management & Energy
- Planning
- Enforcement
- Charity property endowment advice
- Mapping and GIS solutions
- Compulsory purchase and compensation
- Insurance valuations
- Listed buildings advice
- Building and party wall surveys
- Appraisals for tax purposes
- Adjoining property
- Party wall

Rural Consultancy Hungerford
Percy Lawson
+44 1488 688513
percy.lawson@knightfrank.com
Rural Consultancy Bristol
Edward Dixon
+44 1179 426333
edward.dixon@knightfrank.com
Charity property endowment advice
- Estate Management & Energy
- Planning
- Enforcement
- Charity property endowment advice
- Mapping and GIS solutions
- Compulsory purchase and compensation
- Insurance valuations
- Listed buildings advice
- Building and party wall surveys
- Appraisals for tax purposes
- Adjoining property
- Party wall