

## Market Overview

### Sales

English agricultural land is generally sold by auction or private treaty. Commercial farms may be simply advertised in the farming press and details circulated to those likely to be interested. Land with residential or sporting interest is advertised more widely. A private sale would usually be preceded by an informal tender or request for best offers. Sale by auction will only take place where there is expected to be competition amongst purchasers. Farmland is usually sold by the acre. There is a growing tendency to sell it by the hectare.

Consortiums of adjoining owners sometimes purchase farms and agree to divide up the land and sell the farmhouse on. This is facilitated by longer closing dates and sub-selling.

The trigger for a sale may be that a tenant is retiring and has served a notice to quit. The sale price may be shared between the freehold owner and tenant. This will depend on the respective rights of compensation for improvements and other tenant's rights which may arise. The sale may also involve issues in connection with Single Farm Payments entitlements, transfer of employees and Environmental Agreements.

Traditionally sales took place at Michaelmas, 29th September and a small number at Lady Day, 25th March. Factors which can affect the date of sale include qualification for Single Farm Payment, taxation issues and end of year accounting.

The standard method of sale is the transfer of the freehold interest. About two thirds of English farms are held for freehold estates. Traditionally there were a large number of landed estates comprising a number of farms and other rural areas, such as woods and moorlands. Today there are fewer traditional landed estates and those that remain are reduced in size. The traditional estates are now commonly managed for economic return as businesses.

## **Leasehold Sales**

In the case of a tenanted property, there may be a long term lease to which the freehold estate is subject. In this case, the sale of the freehold is effectively an investment comprising the landlord's interest under the lease. Historically, most rural land in England was owned by aristocratic families, family trusts or institutions such as the Crown or Church for the principal purpose of producing income. These owners still retain a great deal of land but this has reduced very dramatically in the last 100 years.

Longer leasehold interests and leases carrying statutory rights of renewal may themselves be saleable by way of assignment. The consent of the landlord will generally be required. Longer lease of agricultural land were common earlier in the last century but are becoming rare.

A sale may take place by way of a grant of a modern farm business tenancy at a premium, for example, for a 30 year term. If a farm business is being sold, considerations will arise in relation to business assets such as livestock, machinery, milk quotas, single farm payments etc.

## **Land Types**

Most types of farming are found in most parts of England and Wales where climate, soil and geography permits. There is a broad distinction between the pastoral west and the arable east. In the West, farmers will be concerned with herds of cattle and sheep, milk quotas, environmental problems with silage and slurry. In the East, they may be more concerned with drainage ditches, set aside and pollution from nitrates.

Land at the edge of a village which is capable of expanding may have development value. Provisions for overage may be applied whereby if there is a prospect of medium term improvements, additional consideration will become payable.

Tourism is having a big impact on farming particularly in areas such as the West Country. Some buyers of substantial houses will wish to take ownership of additional land and lease it to a neighbour.

Many uplands are designated for protection and are subject to tight planning controls. Many are within national parks or areas of outstanding beauty.

A buyer of land for a long term investment will wish to ensure that the investment is as sound as possible, the buildings are in good repair and will have regard to all the factors that would be relevant to a working farmer. The Government Department of Environment Farming & Rural Affairs (DEFRA) has classified farm land into grades so that the most productive land (Grade 1) to the least productive (Grade 4).

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*This Guide is intended as an overview and broad outline of the matters covered in it. Its purpose is to inform and raise awareness. We are happy to offer specific legal advice on particular circumstances.*

*This Guide should not be relied on as a substitute for comprehensive legal advice with reference to the particular circumstances.*

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