

THE RURAL REPORT 2021



EXPLORING THE ISSUES THAT MATTER TO ESTATE OWNERS AND RURAL BUSINESSES

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THE RURAL REPORT

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**HOW WE CHOSE OUR COVER**

Trying to encapsulate a theme as wide-ranging as environment, social and governance (ESG) for a front cover is quite a challenge. A typical way to do it would be to bring together as many graphical elements that represent it into one illustration as possible. But we've used that montage approach before and for this edition of *The Rural Report* we wanted to do something different. ESG evokes an elemental palette of earthy, natural colours and inspiration turned out to be in plain sight in the form of an antique geological map of Britain and Ireland, hanging on the wall in one of our offices. Having found a designer whose works emulated the feel of the changing topography and landscapes embodied by the map, we experimented how best to use their abstract images to achieve the feel we wanted. Covering the page entirely with the designs created a thought-provoking image, but it became a little too abstract, detracting from our core message. Instead, we reverted to the cartographical approach, grounding our ESG-inspired pattern within the boundaries of the UK to embody change, but also represent permanence and tradition – the epitome of Knight Frank's own business in its 125th year and, of course, that of many of our clients.



View *The Rural Report* and properties from around the world on your device: knightfrank.com/ruralreport

Welcome to *The Rural Report* ESG special edition

The UK's food, farming and rural landownership sector is on the cusp of the greatest period of change since the Dig for Victory campaign of World War Two transformed much of our countryside, setting in motion a drive to ever greater efficiency and modernisation.

But now, instead of trying to grow more food, many of our clients are actively looking at ways to produce less, focusing instead on the environment and the health of their soils in a quest for true sustainability.

It is tempting to view Brexit and our departure from the largesse of the Common Agricultural Policy as the catalyst for this latest switch in mindset. In reality, however, the increasingly influential climate change agenda is playing a much more significant long-term role.

When we launched the first edition of *The Rural Report* over a decade ago, renewable energy was the main weapon in the war against greenhouse gases, but now we are being asked to radically transform our businesses and lifestyles, and even our diets, to cut carbon emissions.



Ross Murray
Non-Executive Chairman, Rural

Out of this focus on the Environment, a wider movement has been born. Adding to the E, businesses and investments are now judged on their contribution to Society and their corporate Governance.

Throughout this special edition of *The Rural Report* we take a global view of how the different elements of ESG are influencing all aspects of rural property ownership, from the price of agricultural land to long-term strategic estate planning and diversity. To help bring the topic to life, we are delighted that this year's report contains more client case studies and thought-provoking articles from external contributors than ever before.

The influence of ESG on our rural world is only going to grow, affecting private, institutional and charitable owners, albeit in different ways. Our teams are here to assist you on that journey; to help overcome the inevitable challenges and to take advantage of the many opportunities. We hope you enjoy reading this special edition of *The Rural Report*. Please do get in touch. You can find the contacts for our agency, consultancy and valuation teams on page 76.



Clive Hopkins
Head of Farms & Estates

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Meet the authors

Contributors from the Knight Frank Research team



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CHRIS DRUCE

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ANDREW SHIRLEY

Andrew is Head of Residential Research and editor of *The Rural Report*, which he first created over a decade ago

Talking points

Ross Murray, Non-Executive Chairman of Knight Frank Rural, shares ten key messages for rural property owners, their advisors and trustees, gleaned from this year's edition of *The Rural Report*



Thinking about the future has never been more important, not just for those running rural estates, but also their trustees

Taking a theme as wide ranging as environment, social and governance (ESG) for a magazine is ambitious – there is simply so much to say. To that end, we haven't attempted to provide all the answers, as this is certainly not a "how-to" guide. What we have tried to do is curate a selection of thought-provoking articles that share both insights from our own rural teams and the views of thought leaders from the wider food and farming sector. I hope you find them as inspiring and interesting as I have. On this page I've pulled together my top ten takeaways and conclusions. I'd love to know if you agree.



P8

DIVERSITY MATTERS

Some might dismiss the ongoing diversity debate as woke-ism, but as our big interviewee, the successful food and farming entrepreneur Wilfred Emmanuel-Jones points out, it doesn't make economic sense to ignore a rapidly growing market for goods and services that, in some instances, is right on the doorstep of diversified rural estates. Almost 60% of those who responded to our Rural Sentiment Survey said more should be done to improve workplace diversity. The opinions expressed in My View on page 16 are ones for which I have the highest respect.



P12

NOW IS THE TIME FOR ACTION

As Andrew Shirley points out in his overview of the issues facing the food and farming sector, the consequences and challenges of climate change, the Covid-19 pandemic and Brexit mean rural businesses have to adapt. We have seen a timely spike in commodity prices, but that shouldn't be used as an excuse to delay planning for the future. Even once Brexit is forgotten, the challenge of climate change will continue to drive policy. A business plan would be a good start.



P18

A POSITIVE OUTLOOK

It was heartening to read the results of our Rural Sentiment Survey. Almost 90% of respondents say they are optimistic about the future of their rural businesses. Many are already committing to new projects to make them greener and more sustainable – 58% say they are planning to plant more trees. The government could still do more to help. It really needs to get a grip on two of the scourges regularly highlighted by rural dwellers: fly tipping and poor broadband.



P20

CONSTRUCTIVE DEBATE IS KEY

Species reintroduction is a controversial topic and unfortunately, as with many issues these days, this is a debate that has become increasingly polarised. Hopefully our article on the subject, featuring the views of conservationists and farmers, presents a balanced view. It's important to be led by science and consider the economics of improved biodiversity in an environment where traditional land uses may need to be challenged in the light of environmentally-led public policy.



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ESG HERALDS A NEW ERA FOR THE LAND MARKET

The shift from area-based farm payments post-Brexit to environmental support has led some commentators to predict a slump in agricultural land values. An alternative view is that the focus on the environment will actually help support prices. Our Farms & Estates team is certainly dealing with an unprecedented number of enquiries from a new breed of prospective landowner enthusiastic about rewilding or regenerative agriculture. Funds are also increasingly keen on land-based ESG investments.



P48

DECARBONISATION REQUIRES LAND

Investors and funds are often derided for being solely focused on short-term profit. But, as our client case study looking at the work of Africa's largest agricultural investment fund shows, doing good and offering strong returns are not mutually exclusive. This kind of ESG investment is set to become increasingly important for farmers and landowners in the UK as the role of their land in decarbonising the economy grows.



P52

PROFESSIONAL BODIES MUST LEAD THE WAY

A professional land valuation is an involved piece of work that follows strict criteria laid down by professional bodies such as the Royal Institution of Chartered Surveyors. But what happens when those criteria no longer fully reflect emerging land uses like rewilding and the provision of natural capital? Before making long-term strategic decisions, landowners need the comfort of knowing what the value and taxation implications will be. Valuation standards and the tax code need to keep up.



P56

STRATEGIC PLANNING IS KEY FOR TRUSTEES

Thinking about the future has never been more important – not just for those running rural estates, but also their trustees. As Alastair Paul points out in our strategy discussion, not commissioning a strategic review at a time of radical change could be seen as an oversight by trustees. Subsidy payments are disappearing, ESG is rising up the business agenda, lack of diversity stands out, and more open succession discussions are happening. Understand the risks and opportunities in your governance.



P60

ESG IS ABOUT COMMUNITY STEWARDSHIP

The E in ESG attracts a lot of attention, but landowners with a long-term view also have potential to deliver on the other elements by following a stewardship model when it comes to development on their land. The Southwick Estate's plans to build a new garden village exemplifies this. The development will benefit the environment, create new communities and build a legacy for the estate itself. Patient capital has always delivered ESG.



P68

KNOWING WHAT YOU OWN IS CRUCIAL

Estate income streams are likely to be very different in the future as natural capital starts to become a valuable asset class and income generator in its own right. But you can't properly value or sell something that you don't know you own or haven't quantified. Our client case study focusing on the Pilkington Estate shows how important it is to look at all the options to decide which ones are worth pursuing.

GET IN TOUCH

If you'd like to discuss any of these talking points in more detail, turn to page 76 for contact details of Knight Frank's key rural sales, consultancy and valuations teams.

1



Issues & insights

A GUIDE TO THE CHALLENGES AND OPPORTUNITIES FACING ESTATE OWNERS AND RURAL BUSINESSES

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We debate the pros and cons of reintroducing lost species into the UK



If you do not come to terms with the fact that Britain is changing, you will become a victim of that change

Minority report

Farms and estates will miss out if they don't embrace diversity, argues one of the food and farming sector's leading entrepreneurs. *The Rural Report* opens its mind to find out more

INTERVIEW – ANDREW SHIRLEY

You can't get any more diverse than me," says Wilfred Emmanuel-Jones bluntly as we kick off our interview in a rain-lashed unit on an industrial estate near Chippenham.

The outspoken entrepreneur has a point. "When I started my brand, The Black Farmer, I deliberately wanted to coin it that so people could suddenly ask the question, 'Actually, how many black farmers are there in Britain?' That was back in 2004. All these years later nothing has changed. It's still just me," he laments.

This lack of diversity across the food and farming industry is why I'm here to meet Emmanuel-Jones, in the new fulfilment centre for his burgeoning online business, along with my colleague Edward Dixon. Edward is a senior member of our Rural Asset Management team and also sits on Knight Frank's Business Balance group. He's here to interview The Black Farmer for a short film we are creating.

In a publication devoted to environmental, social and governance (ESG), the obvious interviewee for this slot would have been a conservation-minded estate owner, but that would have been, well, too obvious, and, in all honesty, nothing new. Instead, Edward and I wanted to broaden the report's horizons by focusing on something a bit more thought-provoking – and Emmanuel-Jones doesn't disappoint.

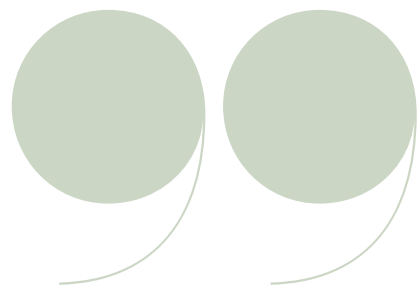
“Everything about my life is a goddamn challenge. If you’re trying to do anything new, to upset the apple cart, you’re going to face challenges. I’ve got some remarkable stories,” he tells us.

“When I bought my farm down in Devon, for example, people were shocked. They thought, ‘Why is a black guy coming to buy a farm in Devon?’ It just didn’t make sense. I can remember putting up a polytunnel and the police were called because they thought, ‘Ah, he’s using it as a cover to grow weed.’”

But Emmanuel-Jones isn’t after sympathy. He’s too focused on new innovations – he introduced the first mainstream gluten-free sausage to the UK – and partnerships to worry about what people think. His main concern is that the rural economy will be the biggest loser if it can’t embrace the power of diversity.

“For those of us who love rural Britain, it is part of our responsibility to try and make it a lot more diverse. That will do a number of things. It will actually bring some interesting ideas to rural Britain. One of the things I’ve always been interested in is that a lot of the foods we import into this country can be grown here.

The best thing that’s going to happen is to get rid of subsidies



“There’s a lot of money that can be made if those people were allowed to be part of the rural community, and it would be good for the British economy. So, I don’t want us to be charitable, I want us to see that there’s an economic reason for doing that. If you do not actually come to terms with the fact Britain is changing, then you will become a victim of that change.”

He also stresses that, despite worrying about lack of diversity, he doesn’t believe people in the countryside are inherently racist. “They might be naïve, they may be different in their language, but you approach it that way, rather than starting by accusing people. That’s nonsense. Sometimes it’s just about understanding the right language.”

As well as building his own brands, Emmanuel-Jones nurtures fledgling businesses either through The Hatchery (see opposite), his dedicated incubator for young entrepreneurs, or by providing support and guidance to passionate entrepreneurs he feels need a helping hand.

“I would not be where I am today if people didn’t say, ‘Look, this guy doesn’t have the

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qualifications, he can’t read and write, but there’s something about him and I’m going to give him a break,’ and that’s why I’m successful. That’s the sort of philosophy that I would like to carry on.”

Speaking to some of those businesses he is championing, it becomes clear that race and colour is only part of the diversity issue facing the wider food chain, and business in general. Suzie Bidlake, a 57-year-old who imports artisan handicrafts from India, tells me post-menopausal women are ignored, while Gracie Tyrrell, one half of the Squirrel Sisters healthy snacks brand, says some potential backers were worried what would happen if one of them became pregnant.

Despite having a keen eye for identifying successful entrepreneurs, Emmanuel-Jones entertains no comparison with the dragons on the popular TV show. “They want people to fight, and I just think with things like Covid-19 that’s no longer relevant. The collegiate approach is what we want.”

That’s not to say he is a paragon of touch-feely wokeness. Innovation and entrepreneurship are what drives The Black Farmer. It’s why he voted “leave” in the 2016 EU referendum. “The best thing that’s going to happen is to get rid of subsidies, so the people who are in the industry are there because they love it and they absolutely want to be,” he explains.

“Change is good. I love change. Most people think they should try to avoid uncertainty, but all entrepreneurs do is make a friend of uncertainty. You go to any developing nation, go to India, there’s death, there’s uncertainty around them all the time, but it’s vibrant. There’s probably more entrepreneurial spirit in that continent because actually they know it’s a part of life, not something to be dreaded.”

And with that Emmanuel-Jones is off to another meeting. No doubt part of

his relentless mission to build his own brand – a Black Farmer visitor attraction is in the works – and those that he supports.

From our short conversation it’s clear he is desperate to see more diversity in the food business, but at the same time he obviously relishes being unique: “I’ve always believed that to be successful in business, especially as an entrepreneur, you need to have the outsider’s mindset.”

DISCOVER MORE
Go to knightfrank.com/ruralreport to watch Edward Dixon interview The Black Farmer.

VIEWS FROM THE HATCHERY



The Squirrel Sisters

Despite creating a range of tasty sugar-free snacks, Gracie and Sophie Tyrrell struggled to find an investor they were comfortable

working with. “A lot of them wanted to know about our personal future plans. At the time we were in our late 20s and I think they assumed in the next few years families might happen,” explains Gracie.

But they clicked with Emmanuel-Jones when they contacted him after hearing a podcast he appeared on. “We didn’t know much about The Hatchery but we arranged to meet up to tell him about Squirrel Sisters,” she says.

“What was supposed to be a 30-minute meeting ended up being three hours. Wilfred saw that what we needed wasn’t money so much as help to define our strategy. It was so interesting talking to him and he had all these amazing ideas.”

With their snacks and share bags already stocked in Sainsbury’s supermarkets, Squirrel Sisters products have recently launched in the US.

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The Gym Kitchen

“If something’s going wrong, we can bounce ideas off each other,” says Segun Akinwaleola, founder of the Gym Kitchen macro ready-meals brand, when I ask him about being part of The Hatchery. “It’s not a Dragons’ Den, because Wilfred hates that model, where entrepreneurs are just bashed for a number. It really is about creating products and brands, and being passionate about them, and just trying to change people’s lives.

“I’m a healthy food brand, and I want as many people to change their lives, to live healthier, if possible. Why should I turn up and be screamed at and shouted at? That’s just not Wilfred’s style. He is a hard-going guy, but not a Dragons’ Den type,” explains Akinwaleola, who says it was valuable to have a role model he



could relate to. “I can probably name on one hand the brands that I know that are black-owned in retail.”

Read more at theblackfarmer.com



If you’re trying to do anything new you’re going to face challenges



ALL CHANGE

Landowners and farmers are at the beginning of a journey into a brave new post-Brexit world that will be greener – and more competitive. Andrew Shirley, Head of Rural Research, surveys the terrain ahead

BREXIT

For the first time in a while there is no need for me to make a nervous prediction on these pages that by next issue we will be completely out of the EU. We left. And, despite last-minute jitters, we even managed to secure a trade deal.

And did the sky fall down? If I was a fisherman, Scottish seed potato grower, produce exporter or somebody used to trading freely across the Irish border I might feel that Brexit wasn't delivering for me. But, by and large, I don't think many farmers will have noticed much of a difference yet, one way or the other. The results of our Rural Sentiment Survey (see page 18) certainly back that up, so far.

However, it is, of course, still early days, and burgeoning global commodity markets and the Covid-19 pandemic have focused attention elsewhere. It is far too soon to judge whether Brexit will deliver the promised trade deals that will benefit UK agriculture. Those struck so far, with Japan for example, have been symbolically important, but in substance largely similar to the ones we enjoyed before as members of the EU. The US shows no sign of rushing to sign an agreement with us, and farmers have lashed out against the proposed free trade agreement with Australia.

There have been a few early signs that the greater flexibility to govern our own affairs outside the EU could benefit farming businesses. Parliament's cross-party Environment, Food and Rural Affairs (Efra) committee is putting pressure on the government to ensure the public sector buys far more of the food it uses from British farmers now it no longer needs to stick to EU procurement rules. ▶



It would be a mistake to view Brexit as the defining event shaping the future of agriculture and landownership

Meanwhile, Defra Minister George Eustice is keen to unlock the potential of gene editing, currently banned in Europe, although his pronouncement on the subject was met with an instant chorus of disapproval from environmentalists. It has to be said that greater freedom to do what we want can cut both ways when it comes to government policy. As dairy farmers in Wales, now declared a Nitrate Vulnerable Zone (NVZ) in its entirety, will attest, farm regulation will only become stricter.

SUPPORT PAYMENTS

The potential pain will start to ratchet up very soon, though, for those whose businesses rely on the current Basic Payment Scheme (BPS) to stay in the black, which is to say a very large proportion of the UK's farmers. Area-based support will be reduced incrementally for English claimants until a last cheque in 2027 (a lump sum payment for those who want to retire before then will also be available). The table clearly shows how quickly this could hit the bottom line, with payments cut in half by 2024, and those receiving the biggest cheques seeing the biggest cuts.

Farmers in Scotland and Wales will enjoy slightly less swingeing cuts to begin with, although no details of what will replace BPS have yet been announced. Scottish livestock farmers are hoping that payments will not be completely disconnected from production, with some kind of area-based payment remaining in place.

The big unanswered question is how much of the lost £3 billion or so of BPS claimed each year by the UK's farmers can be replaced by the government's flagship – although still detail-light – Environmental Land Management scheme and other green payments. At a national level, Defra has promised to match fund it, in the short-term at least, but there is absolutely no guarantee that individual farmers will get anywhere near the same amount of money. Although our Sentiment Survey shows only 26% of our respondents believe cuts to BPS will have a “significant” impact on their businesses over the next five years, that is still a concerning number.

The challenge, however, is quantifiable. Unlike the prospect of bad weather or falling commodity prices, claimants know how much they will be losing and over what period.

How they resolve the issue, whether it's through greater efficiencies and innovation, collaboration (environmental support will be greatest for landscape-scale projects), diversification or business restructuring, will be the ultimate Brexit dividend for UK agriculture, which has been held back from exploiting its true entrepreneurial potential by the safety net of subsidy payments.

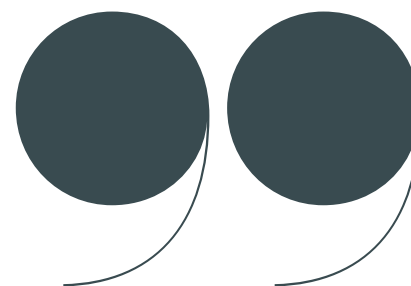
The key will be not using this year's strong farm commodity markets – see the table opposite for details – as an excuse for kicking the can down the road.

ESG

Despite the trials and tribulations of leaving the EU, it would be a mistake to view Brexit as the defining event shaping the future of agriculture and landownership in the UK. There is, in fact, no defining event, instead an alphabet soup collectively referred to as ESG. This has been building momentum over the past decade or so, and will have the longest-reaching impact on how we farm and manage our land.

Climate change concerns were the forerunner of the ESG – environmental, social and corporate governance – movement. When we first published *The Rural Report* over a decade ago, renewable energy was the buzzword in rural circles, and to an extent it still is a hot topic (turn to page 18 to find out why), but cutting carbon through a whole host of other measures and protecting the environment now lie at the heart of government policy. The Covid-19 pandemic seems to have only exacerbated this focus.

ESG will still be influencing rural businesses once Brexit is a distant memory



The Treasury-commissioned Dasgupta Review, published earlier this year, concluded: “Nature needs to enter economic and finance decision-making in the same way buildings, machines, roads and skills do. To do so ultimately requires changing our measures of economic success.”

Easier said than done for a small business, but the government is set to enshrine five internationally recognised environmental principles (see panel) into its eagerly awaited Environment Bill, that will create a duty on ministers when making policy to “[demonstrate] to the world that the environment is at the front and centre of the government's work, ahead of the 2021 United Nations Climate Change Conference.”

Hitting net zero lies at the heart of this and getting there by the target date of 2050 is now more than a manifesto pledge – the government has made it a binding commitment written into law. It has also signed up to the global 30:30 challenge, committing to devoting 30% of land in England to nature by 2030. Biodiversity offsetting is also now mandatory for any new development.

From a food and farming perspective, however, there seem to be a lot of pledges, commitments and exaltations from the government – eat less meat, rear fewer animals, plant more trees – but little substance as to how any of this can happen while sustaining a profitable agricultural sector able to compete with overseas imports from lower-cost farming systems.

While farmers in other parts of the world are, for example, already selling soil carbon credits to big corporations for big money, the UK's carbon trading market remains in its infancy. Only new tree planting qualifies, but few farmers want to forest over productive land, and Scotland is the only country in the union that has managed to encourage significant amounts of new woodland creation so far.

Ultimately though, change will come regardless of whether the government paves the way or not. Food retailers and processors are already setting their own ambitious net zero targets (see panel, right) that will encompass their farming suppliers.

ESG will still be influencing rural businesses once Brexit is a distant memory.

See our ESG case studies on pages 60 and 70 for more on sustainable development and woodland creation.

The big five

The government's environmental principles



INTEGRATION

Policy-makers should look for opportunities to embed environmental protection in other fields of policy.



PREVENTION

Government policy should aim to prevent, reduce or mitigate harm.



RECTIFICATION AT SOURCE

If damage to the environment cannot be prevented it should be tackled at its origin.



THE POLLUTER PAYS

Those who cause pollution or damage to the environment should be responsible for mitigation or compensation.



PRECAUTIONARY

A lack of scientific certainty shall not be used as a reason for postponing cost-effective measures to prevent environmental degradation.

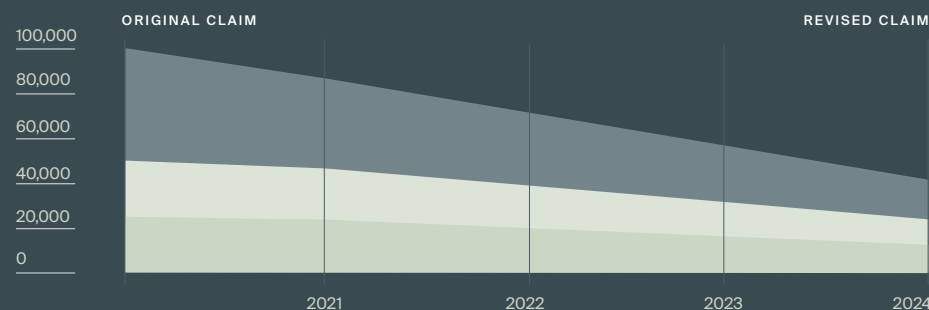
AGRICULTURAL COMMODITY PRICES

OUTPUTS	FEED WHEAT (£/T)	OILSEED RAPE (£/T)	SOFTWOOD LOG (£/T DEL)	BEEF (P/KG DW*)	LAMB (P/KG DW*)	MILK (P/LITRE)
CURRENT PRICE	197	502	105	414	669	29.7
2020 PRICE	149	311	68	337	476	28.6
ANNUAL CHANGE	32%	61%	54%	23%	41%	4%

Source: Farmers Weekly/AHDB Latest data available on 23 May * Deadweight

INPUTS	RED DIESEL (P/LITRE)	OIL (\$/BRL)
CURRENT PRICE	55	64
2020 PRICE	41	33
ANNUAL CHANGE	34%	94%

BASIC PAYMENT SCHEME CLAIMS REDUCTIONS (£)



Source: Defra

NET ZERO TARGETS

ORGANISATION	YEAR TO HIT NET ZERO
MORRISONS ¹	2030
UK GOVERNMENT ²	2035
NFU ³	2040
ARLA ⁴	2050

¹ UK farm suppliers
² 78% reduction in carbon emissions
³ Farms in England & Wales
⁴ Dairy supply chain

Source: Various

My view

ESG is the buzz acronym of the moment, but what does it really mean? We asked contributors from a cross-section of the food, farming and landownership sectors for their personal perspectives



THE POLITICIAN

REBECCA POW
DEFRA MINISTER

As we build back greener from the pandemic, we are taking world-leading action to improve our precious environment for future generations, having already committed to achieving net zero by 2050.

In this crucial year for nature, as the UK takes the lead on the global stage and hosts COP26, our landmark Environment Bill has returned to parliament. This will deliver the most ambitious environmental programme of any country on Earth, including legislation to clean up the air we breathe, restore natural habitats and transform how we manage waste.

We are introducing new legally binding targets on species abundance for 2030, aiming to halt the decline of nature. We will recover threatened native species, treble tree planting rates and restore 35,000 hectares of degraded peatlands.

We are also creating the Office of Environmental Protection to independently review the government's environmental progress.

Beyond this, we are working on various green finance initiatives, including a Task Force for Nature-Related Financial Disclosures to provide a framework for institutions to report and act on evolving nature-related risks.



THE LOBBYIST

SARAH HENDRY
DIRECTOR GENERAL, THE CLA

In a busy world, important terms like “environmental and social governance” quickly shrink to acronyms. After 30+ years in environmental, social and economic policy, I worry that this undermines its meaning, it becomes jargon – nobody remembers to explain it. The risk of box-ticking looms.

In my present role, ESG stands for CLA members' values. I know our members care passionately about their triple bottom line. Their employees, communities and the environment matter deeply alongside, and integral to, business profitability.

I also know it really matters to CLA employees to work for an organisation that holds these values. It motivates excellent people to join us and do a great job for our members.

It means being vocal about what the CLA stands for – not least because “lobbying groups” and “landowners” are ready targets for caricature. That's why the rural economy, environment and communities get equal billing in the CLA's new purpose. It underpins our credibility and influence.

And crucially for me, it means being held to account against our values, which is why the CLA is seeking accreditation under the Good Business Charter, to show it is not just box-ticking!



THE FARMER

SOPHIE ALEXANDER
HEMSWORTH FARM

There is growing market pressure to demonstrate that methods of farming and estate management improve biodiversity, energy efficiency, animal welfare, staff wellbeing, soil health, water quality and waste management – the list is endless.

ESG metrics can be inconsistent and the accompanying greenwash and virtue signalling temper-testing – but the direction of travel is clear. Corporate investors use ESG metrics to evaluate a company's financial prospects, the inference being that unless a business meets the indicators for sustainability and other criteria then its long-term survival is challenged. A sobering thought for a farm enterprise.

In order to help shape policy outcomes and not allow the agenda to be hijacked by algorithms, farmers need to participate in the green recovery momentum and innovation. Our response at Hemsworth has been to commission a long-term biodiversity study that provides an instructive indicator of environmental conditions. Farming organically means nutrient capture, and recycling is vital. Every initiative we take to improve the ecosystem is interdependent and the most recent game changer has been the introduction of an extensive dairy enterprise to help drive the farm's ecological engine.



THE DIVERSIFIED ESTATE OWNER

VICTORIA VYVYAN
TRELOWARREN

It is a truth universally acknowledged that if a computer can generate corporate *lorem ipsum* that reads like the real thing, and it can, there's probably a lot of corporate rubbish being talked. Likewise, if ESG turns up what sounds like corporate *lorem ipsum*... You get my drift, I hope.

Trelowarren is an environmentally and socially responsible small business in a rural and exceptionally beautiful backwater. We built our first carbon-neutral house in 2004, we live in our community and are of our community; we work in Cornwall and represent outside Cornwall for the rural community.

So, let me help with your ESG: on the basis that Trelowarren delivers environmental and social responsibility, the corporate banks that back us should surely value more than the profit-and-loss accounts and the balance sheet. As in New Zealand, they should give better loan rates because we pay an above average wage and try to employ people through the winter; because we invest in woodlands and biomass; and because we try to establish management plans that tackle climate change. Otherwise, ESG is just a load of corporate *lorem ipsum*.



ESG metrics can be inconsistent and the accompanying green wash and virtue signalling temper-testing

Sophie Alexander



THE BANKER

VENETIA HOARE
PARTNER, C. HOARE & CO.

As the 11th generation in a family business which has been trading for nearly 350 years, what is now known as ESG is in my DNA. To be more accountable we are applying for B Corp certification and aiming for carbon neutrality by 2030. Our customers have just started receiving eco-friendly credit cards. Fourteen of the UN Sustainable Development Goals have been supported by our Golden Bottle Charitable Trust. This year we've focused on the environment, supporting causes ranging from sea grass and eels to peat bogs and agroecology. We also enable customers' charitable giving through our Master Charitable Trust.

At home on our small farm in Somerset, we have taken the land back in hand and are encouraging wildflowers under the guidance of Charles Flower. He describes wildflower meadows as “filling stations for nature”, and last summer our valley was full of insects and birds. It's a welcome antidote to managing ash dieback – a grim reminder of the need to protect our environment.



THE RURAL PROFESSIONAL

CAROL HAWKEY, HEAD OF RURAL,
DUCHY OF LANCASTER

Much has been made of the opportunity for a post-Covid reset – one-dimensional answers given in isolation are unlikely to cut it. We've realised healthy individuals thrive in communities; we have a heightened concern for, and appreciation of, a flourishing natural environment; issues of equality and inclusion have raised themselves in diverse ways. A delicate ecosystem, upon which our footprints

can land so heavily, can't be sustained or refreshed without renewed integrity, attention and respect. The health of our soils, water, air, flora and fauna, not to mention our own mental and physical wellbeing, are all holistically linked.

Profit and enduring success don't need to be sacrificed on a “green altar”; quite the opposite. Frequently, working in harmony can enhance the sustainability of an outcome. We must pursue long-term horizons, encouraging robust financial decisions which are the opposite of a smash-and-grab approach. We need a symphonic investment vision which incorporates place-making, community engagement, and a commitment to biodiversity and the environment. As we emerge from lockdown, we can be the generation of regenerators!



THE REGENERATIVE FARMER

LISBET RAUSING
INGLEBY FARMS AND FORESTS

To me, regenerative farming sums up the ethos of ESG. It improves soil health, significantly boosting below-ground biodiversity. It turns the soil into a carbon sink. Farmers save money, because they need fewer synthetic fertilisers and few, if any, pesticides. It is about working with nature, not against it.

Regenerative farmers limit soil disturbance, keeping the soil covered by cover crops and living roots. They use long and complex crop rotations, including intercropping (growing two or even more crops at the same time), and they bring grazing animals back on farms.

Ingleby Farms and Forests works in nine countries. Our management and production teams share best practices between our farms. Ten years ago, we developed our own farm reporting metrics, including production and yields, animal welfare, agro-chemical use, energy and water use, soil health, natural non-farmed areas and social activity.

We now document and measure up to 55 KPIs in our annual Production & Sustainability reports. Our regenerative ambitions and rigorous sustainability benchmarking helps define Ingleby Farms. They uphold our values, and affirm our commitment to continuously become better farmers.

State of the nation

From workplace diversity to greening the countryside, rural businesses have their say as we reveal the results of the 2021 Rural Sentiment Survey

As ever, the results of our annual poll of estates and other rural businesses paint an intriguing picture of the challenges and opportunities facing the countryside.

Overall the tone is upbeat, with almost 90% of respondents saying they are either very optimistic or slightly optimistic about the future of their business. "The world will need to be fed and only farmers can put food on the table," said one. Others are less bullish, however. "After a lifetime in farming I have never seen morale so low in agriculture."

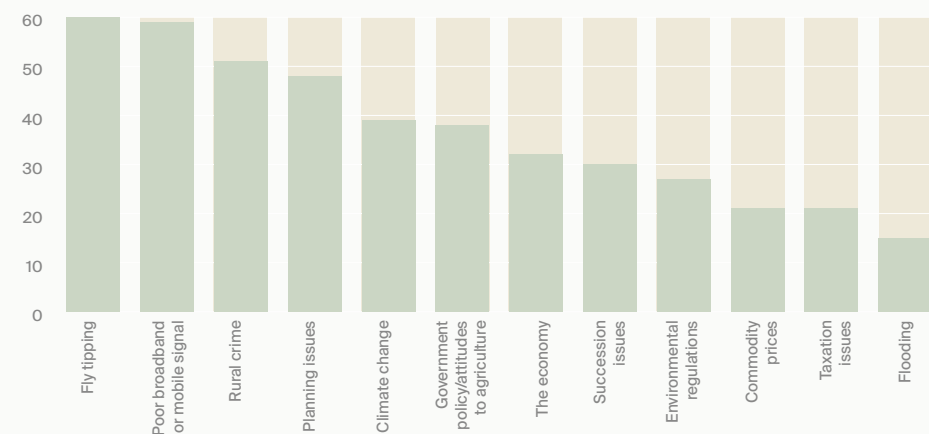
The Covid-19 pandemic has created multiple issues for rural businesses, particularly those with diversified income streams from tourism and leisure, but fewer than 10% of those who took the survey report that the pandemic has had a very negative impact on them. "Covid has forced us to

rethink projects we were developing, but the opportunities may lead us into a better position in the long-term," said one.

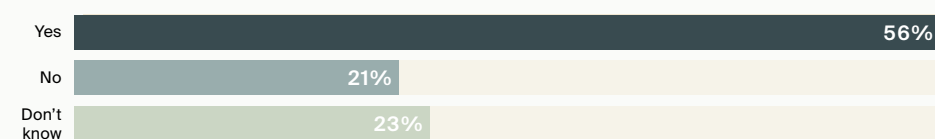
Brexit, of course, is the other big issue of the moment, but relatively few respondents are reporting a significant impact one way or the other so far. The outlook does become slightly more negative over the longer term. When asked specifically about the removal of the Basic Payment Scheme, just over a quarter said it would have a very negative impact on them or their clients – something for government to consider.

Most of those taking the survey were keen to see greater levels of diversity in rural businesses, while the current focus on environmental, social and governance (ESG) was generally seen as a positive trend, although there were some cynics. "Kind words and fuzzy notions," noted one respondent.

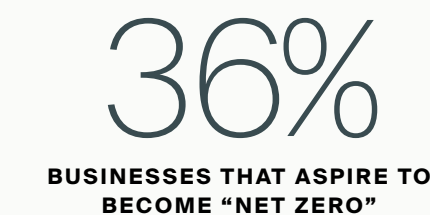
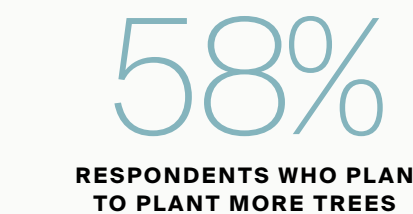
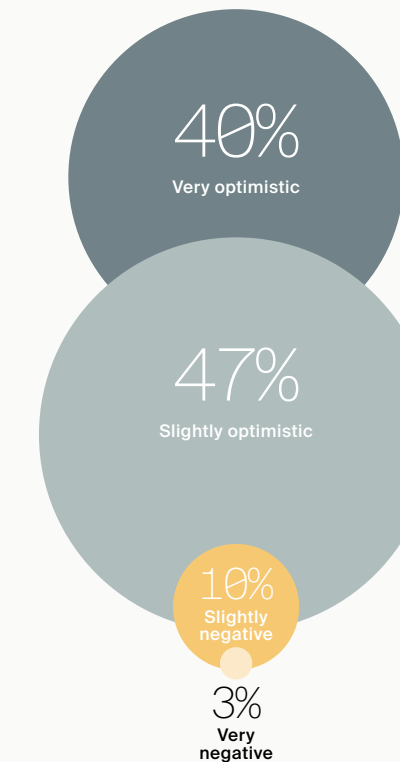
WHICH OF THE FOLLOWING ISSUES HAVE NEGATIVELY AFFECTED YOUR BUSINESS OVER THE PAST YEAR?



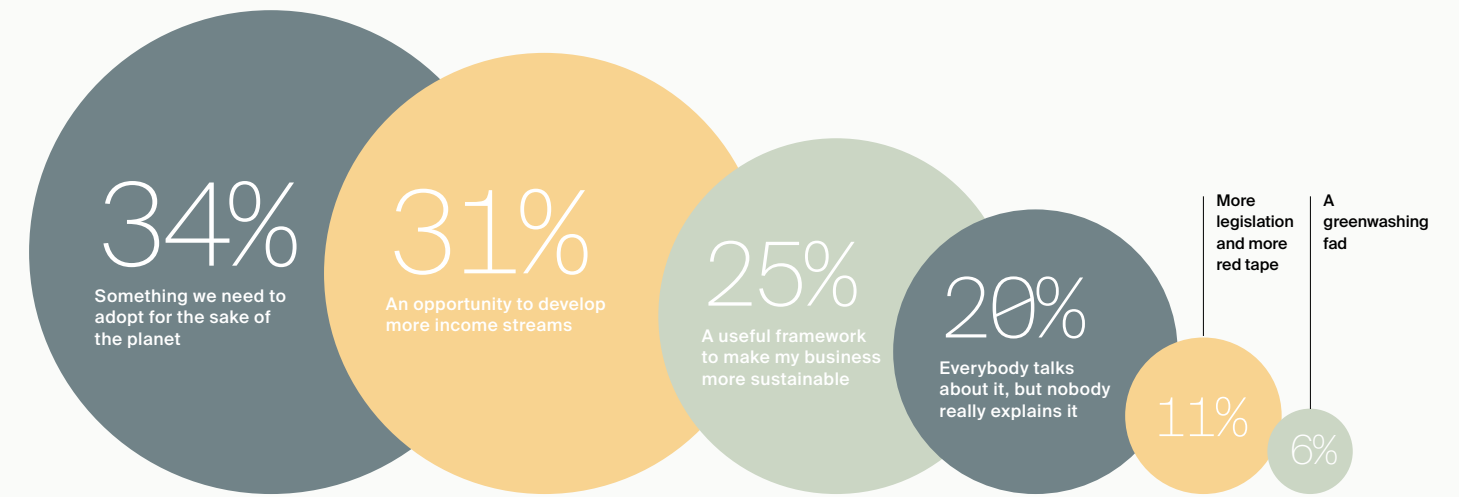
DO YOU THINK THE AGRICULTURAL AND RURAL BUSINESS SECTORS SHOULD BE DOING MORE TO INCREASE WORKPLACE DIVERSITY?



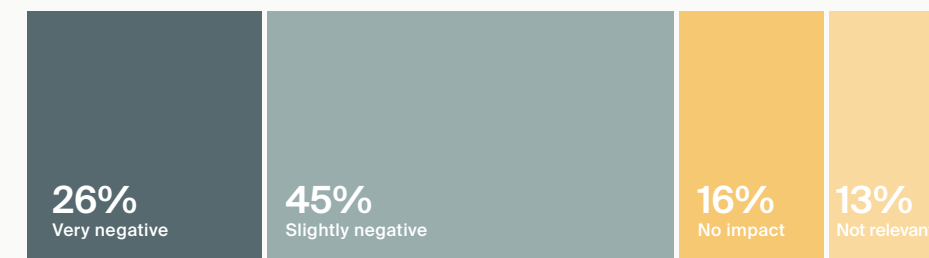
HOW OPTIMISTIC ARE YOU ABOUT THE FUTURE OF YOUR RURAL BUSINESS?



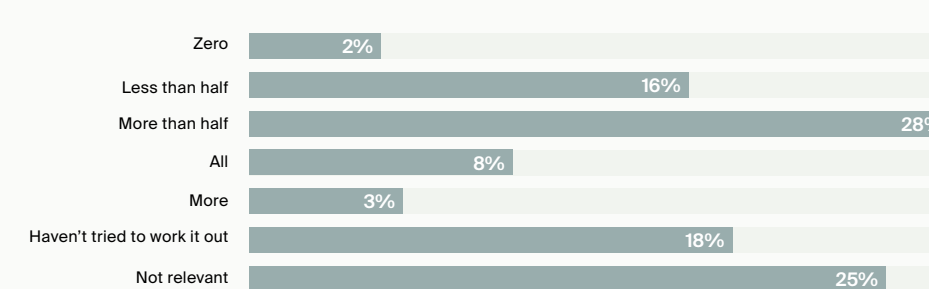
WHAT STATEMENTS BEST DESCRIBE YOUR VIEW OF THE TERM "ESG"?



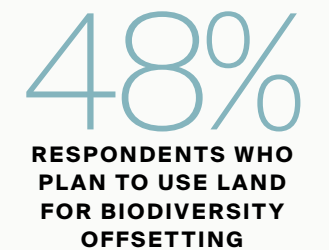
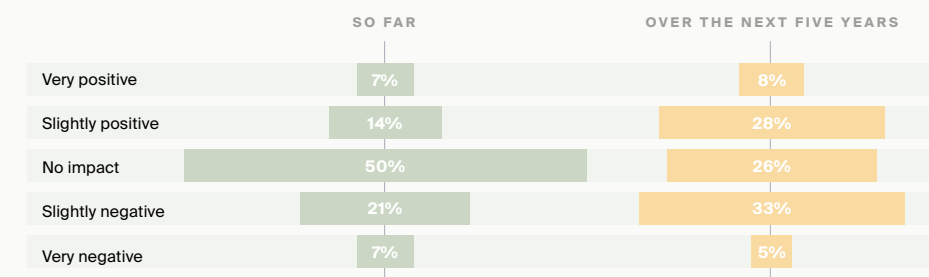
HOW WILL THE REMOVAL OF THE BASIC PAYMENT SCHEME AFFECT YOU OR YOUR CLIENTS?



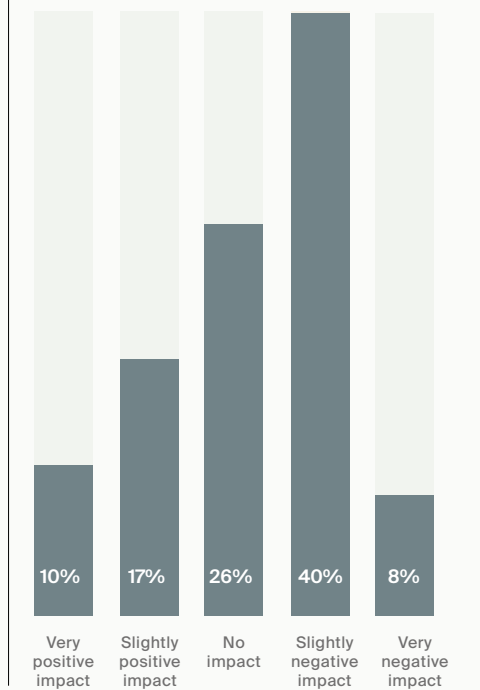
IF YOU OR YOUR CLIENTS RECEIVE BASIC PAYMENTS WHAT PROPORTION DO YOU HOPE TO BE ABLE TO RECOVER FROM NEW ENVIRONMENTAL SCHEMES?



THE IMPACT OF BREXIT ON YOU OR YOUR CLIENTS



HOW HAS COVID-19 AFFECTED YOUR BUSINESS OR THAT OF YOUR CLIENTS?



Some numbers may not add up to 100 due to rounding

Welcome home...

For many conservationists, reintroducing species that have gone extinct is a key part of boosting biodiversity and making more room for nature. But not everybody agrees. Here, advocates for the lynx and the beaver – which already has at least one foot firmly in the door here in the British Isles – suggest how farmers, landowners and the new arrivals might coexist



THE LYNX – DAVID HETHERINGTON

For some, the idea of bringing large carnivores back into Britain's busy, human-modified countryside may seem ludicrous. However, the Eurasian lynx has been subject to a dozen or so reintroduction projects across Europe since the 1970s, typically to wooded, hilly regions, which are nevertheless well populated by people and used for farming, forestry, tourism and hunting.

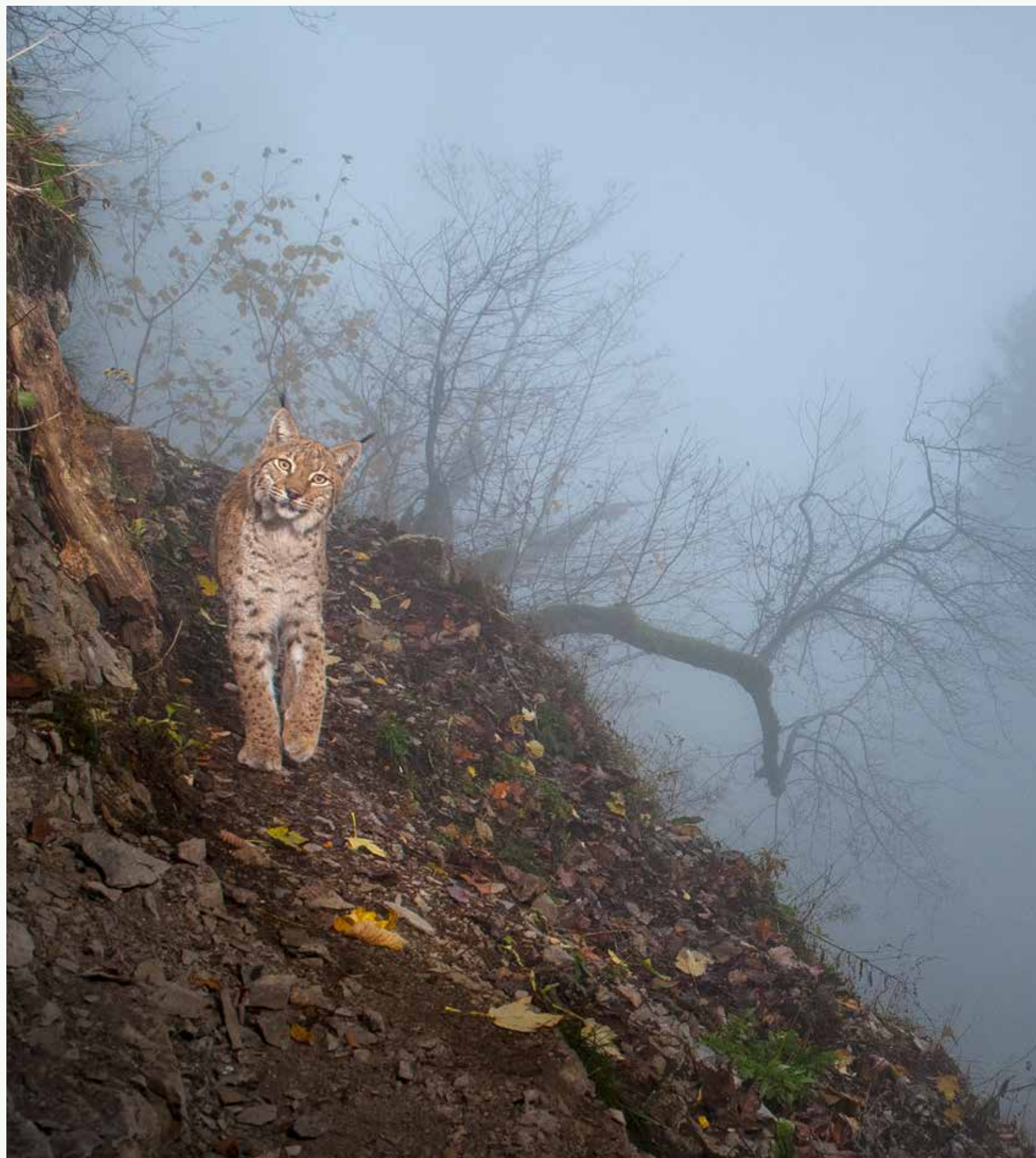
Of Europe's three large carnivore species – the Eurasian lynx, wolf and brown bear – the lynx is generally seen as the least problematic for people to coexist with. At 20-25kg and solitary by nature, it is by far the smallest of the three and very wary of humans. As such, is not considered a threat to human safety. In regions of Europe where all three large carnivore species occur, such as in the Carpathian Mountains of Romania and Slovakia, shepherds' concerns for the safety of their flocks relate to the risk of bear or wolf attack, rather than lynx.

The lynx is a forest-dwelling predator of deer. Roe deer represent the ideal prey, i.e. plenty of meat to last a few days, but not so large that there is a significant risk of injury. In some parts of Europe, where roe are scarcer, lynx also prey on chamois, reindeer

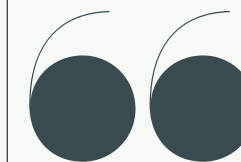
and red deer calves and hinds (but not stags, as these are too big). Typically, a lynx will eat a deer per week.

They are a highly territorial, low-density species, whose territories are far larger than those predators we're used to thinking about in the UK, such as foxes, badgers and pine martens. A male lynx could easily have a territory of 200 sq km, which may straddle the territories of two or three females. The density of deer in the landscape determines the density of lynx.

As the UK rapidly expands its woodland cover to meet the challenges of the climate emergency and biodiversity crisis, as well as the burgeoning timber market, more and more habitat will be created for deer and, potentially, for lynx. At the same time, the costs of managing deer to protect tree growth are likely to increase considerably in the years ahead. Having in our woodlands a year-round ambush predator of deer – whether roe, red or sika in upland conifer plantations, or muntjac and fallow in lowland broadleaved woodland – could come in handy. We know from studies across Europe that lynx also regularly kill foxes. This has been shown in some parts of northern Europe to benefit populations of ground-nesting birds.



Picture: Laurent Geslin



Having in our woodlands a year-round ambush predator of deer – whether in upland conifer plantations or in lowland broadleaved woodland – could come in handy

In parts of Europe where it has been reintroduced, such as in Germany, the lynx's charisma has enabled it to be used as an effective poster child for the growing nature-based tourism sector.

It's not always plain sailing, though (just as it hasn't with reintroduced beavers and sea eagles in the UK). Conflicts with people can and do flare up. As an efficient predator of deer, the lynx competes with human hunters, who can become disgruntled if they think lynx are killing "their" deer. This is the most common source of tension with people across Europe, especially in countries where deer are scarcer and hunting more popular than here in the UK.

A more localised conflict can occur around sheep. In countries where sheep are grazed in open pasture (such as happens in the UK), lynx predation is very small-scale and there are ways of managing it. For example, in Switzerland, problem lynx (those that kill 15 sheep in a year) are shot under licence. There are also government-funded prevention measures available, such as livestock-guarding dogs, and even donkeys or llamas. The Swiss have a compensation scheme that pays out on verified kills, according to the value of the affected sheep. In a country with a lynx population of around 300, annual losses of sheep typically amount to between 20 and 50 (compared with roughly 15,000 wild roe deer and chamois). Lethal control has not been needed since 2003, because no individual lynx has killed 15 sheep per year since then, thanks partly to the prevention measures deployed.

Dr David Hetherington is an ecologist and author of *The Lynx and Us*, published by Scotland: The Big Picture and illustrated with Laurent Geslin's stunning photography.



THE BEAVER – EVA BISHOP

Few species on this planet would have a LinkedIn profile quite like the beaver. Described as a keystone species and ecosystem engineer, its influence across a riparian landscape is not something to underestimate. Beavers breathe life into streams and rivers, returning drained ditches to thriving living systems.

This rodent is casually equipped with the skills to tackle some of man's biggest challenges – biodiversity loss, carbon sequestration, flooding, drought and water quality – simply by way of instinct and evolution. Take their dams, for instance, carefully constructed to conceal and protect through increased water levels – yet these

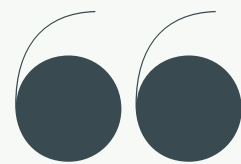
structures create habitat for countless other species, as well as storing carbon and filtering pollutants.

Like it or not, beavers are back and, rather than fighting this reality, we need to remind ourselves how to live with them. Following a four-century-long absence, the historic return of the Eurasian beaver to Britain in recent years has somewhat spun the public and press into a frenzy.

We are learning more about these mammals than ever before. Yet they're challenging us, as we figure out how to accommodate them in a landscape that prioritises a multitude of different agendas since they were last present.

But, rather wonderfully, they also test our attitude to change and generate a need to evolve our relationship with land and nature. At a time when one in four mammals in the UK faces extinction and the national state of nature remains among the most depleted in the world, beavers offer a totem for rapid resilience-building and hope. And we would be foolish to ignore it.

Naturally, reintroducing the world's second largest rodent to an intensively farmed and populated Britain is no easy task. But turning the challenge on its head, the beaver's unique systemic impact necessitates



Beavers offer a totem for rapid resilience-building and hope

▼ Picture: David Parkyn

conservationists, landowners, scientists, farmers, politicians and the public to come together and think differently about how we work the environment, seeing nature as an ally.

Beaver Trust is the first to admit that not all the beaver's much-celebrated impacts are welcome in every location, so we will need a national strategy to avoid negative outcomes, and a robust, resourced management plan in place to respond when beaver impacts are either unwanted or considered a risk.

A few examples include floodplains being particularly at risk if water levels are raised or flood defences burrowed into, or ensuring that the integrity of power lines and other man-made structures are not undermined. Footpaths might be flooded, particularly those following rivers, in some cases without incident, in others causing a major public issue.

But we are not alone in facing these challenges. Beaver management techniques have been established across Europe, where communities are nearly a decade ahead of us in terms of their journey with Eurasian beavers.

We also have proven expertise here in Britain. There is a standard protocol for beaver management that follows a hierarchy of measures, depending on the situation, all of which benefit from rapid response. They start at simple mesh tree guards to deter unwanted feeding, or a sand-glue paste which renders the tree unpalatable to a curious beaver. Field studies have proven the effectiveness of both methods.

A common technique for moderating water levels, well established across Europe, is to implement "beaver deceivers", a simple flow device which is inserted through an opening in the dam to limit the height of the beaver pond and surrounding water level.

At the other end of the scale is beaver trapping and translocation. It is also necessary to consider lethal control as part of the suite of measures. However, beaver population numbers are currently not at sustainable levels in Britain and we must prioritise the rehoming of any unwanted animals.

Beaver-human conflict would continue to remain unresolved in the absence of an effective management regime. This summer, the government will be launching a consultation on a national English Beaver Strategy, to establish a long-term framework for reintroducing beavers safely and responsibly across our river catchments.

In support of this, Beaver Trust has convened a collaborative working group on beavers with cross-sector representation

THE FARMING VIEW

Farming organisations have repeatedly raised concerns about rewilding and the introduction of "lost" species into the British countryside.

While stressing the need to provide biodiversity-rich landscapes, they highlight the importance of food production and the practical problems and costs that reintroductions could bring.

NFU Scotland (NFUS) has dubbed proposals to reintroduce predators such as lynx, wolves or bears as "wholly unacceptable". In relation to beavers, it is advocating a licensing system allowing lethal control where there is clear damage to land and crops.

"Beavers, in the right areas, can enhance wildlife and conservation. In the wrong areas, they are proven to cause significant and costly agricultural damage," says NFUS President Martin Kennedy.

NFU Cymru, meanwhile, opposes beaver reintroductions, claiming there has been insufficient discussion about potential management of the species and compensation for farm businesses adversely affected.

"While beavers are promoted as environmental engineers that would reduce flooding downstream, it has to be noted that they do this by felling trees to create dams that simply cause flooding elsewhere

– risking damage to riverbanks, crops and infrastructures such as roads, bridges and houses," a spokesperson said.

"There are also major concerns about the impacts for freshwater migratory fish such as salmon and sea trout."

Any plans to release lynx spark swift criticism from the National Sheep Association, which believes the imperative to produce food means that combating climate change and aiding nature recovery should be achieved through farming – not instead of it.

"Whether it's apex predators or more passive species such as beavers, there is a need to ensure populations can be controlled to allow farming to function effectively," says Chief Executive Phil Stocker. "For the apex predators like lynx and wolves, there is a very strong case for not seeing these introduced to Britain – we haven't got the habitat or the habitat connections to support genetically viable populations, and we haven't got a culture of large-scale natural and unmanaged landscapes.

"Even if compensation were offered, this will not make sheep mortalities acceptable and, given the general public's reaction to some of the harrowing images caused by domestic dog attacks, I cannot see how any caused by a wild animal will be accepted," concludes Stocker.

to ensure all concerns are heard and discussed. The trust is also instigating beaver management groups alongside new wild beaver populations, offering practical advice and management as well as community leadership.

Working with landowners and farmers must be the foundation of the consultation process: resourcing and a practical management regime will offer these groups the support they need to coexist with a local beaver population.

Another perspective on beaver management is to consider the failing state of our national rivers and their readiness to support wildlife. Returning areas of the river bank bordering farmland back to nature is rapidly being recognised as a solution not only to beaver-human conflict, but to heal our ailing water quality, plummeting biodiversity, need for carbon storage and public connection to nature. Beaver Trust is responding to this by convening a partnership with major environmental NGOs to investigate and propose a programme of river buffer zones along whole river catchments (for

that is where beaver impacts will be felt, top to bottom).

The new partnership wants to see a simplified financial reward for systemic outcomes and for buffer zones to become part of future land management. Our river systems and the challenges they face are highly complex and require serious legwork behind the scenes before we present a simplified, systemic solution that supports good environmental decisions. It cannot be a further bolt-on payment.

Land managers are increasingly asked to support environmental outcomes, so environmental charities are standing by to support this process collaboratively. But it has to be held by government and delivered through national policy, or the opportunity will only add fuel to the agricultural payments fire.

Eva Bishop is Communications Director at Beaver Trust (beavertrust.org).

What do you think about reintroducing lost species to the UK?

Join the debate at knightfrank.com/ruralreport



2



Property focus

DISCOVER OUR LATEST FARMLAND MARKET INSIGHTS AND EXPLORE OUR GLOBAL PROPERTY PORTFOLIO

2

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Green buyers are increasingly supporting farmland values across Britain
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A focus on the country house, development land and forestry markets
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A selection of rural properties from around the world on the market now
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Combining agricultural investment with community benefits across Africa
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Our valuation guru answers questions on rewilding and farmland investing



I've had three A-list Hollywood film stars get in touch this year because they want to buy a farm and rewild it

Will Matthews

▲ West Woodyates Manor in Dorset has attracted interest from potential rewilders

Born to rewild

Conservation and climate change are increasingly driving the agricultural land market in the UK. Andrew Shirley speaks to Knight Frank's Farms & Estates team to find out more

An idyllic landed property in the British countryside has long been on the shopping list for those who've made it to the top of their profession. Business people, industrialists, actors – they've all been tempted by the rural lifestyle.

That allure certainly hasn't diminished. Now, however, it's not just the privacy, access to country sports and the opportunity to entertain friends in the great outdoors afforded by a rural bolthole that is the driving force behind their purchases. More and more are motivated by the desire to do good and help the environment; to the extent that it is becoming an increasingly important driver of the farmland market.

"I've had three A-list Hollywood film stars get in touch this year because they want to buy a farm and rewild it," confirms Will Matthews, a senior member of our Farms & Estates team in London.

"Rewilding certainly seems to have caught the imagination of many of our prospective buyers," adds Clive Hopkins, Head of Farms & Estates. "Although views

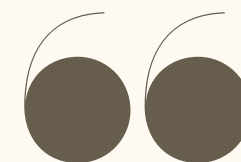
do vary on what exactly that means," he adds. "In reality, it's not just about letting something go completely; it has to be a managed process."

The type of property attracting the attention of environmentally focused buyers also varies immensely. The interest in the 2,763-acre Brentmoor & Dockwell Ridge Estate on Dartmoor is perhaps unsurprising – albeit the land is subject to extensive grazing rights – but Lavington Park, a 340-acre stud farm in West Sussex, at first glance would appear less of a potential target.

Not so, says Knight Frank senior negotiator Annabel Blackett. "We've had enquiries from over 60 potential buyers and while many are keen on the equestrian facilities, some of the strongest interest has come from those wanting to get involved with regenerative agriculture or other wildlife-friendly projects."

So what does all this mean for prices? So far it hasn't pushed up average values, according to the latest Knight Frank Farmland Index, which has remained flat for the past 12 months at just under £7,000/acre. But it has injected extra momentum into a market that is still trying to work out the implications of Brexit for agriculture and subsequent demand for land.

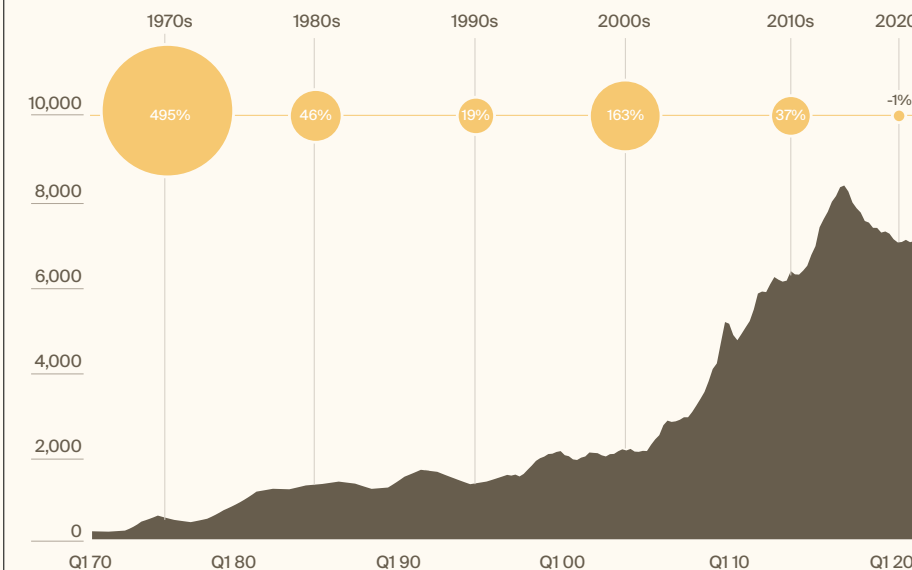
But with area-based agricultural subsidy payments incrementally giving way to the environmental support model – public money for public goods – over the next six years, buyers motivated by a green agenda will become an ever larger part of the market. And they won't ▶



I believe we will see significant increases in prices for lower-quality land as the environmental tidal wave gathers pace

George Bramley

LONG-TERM FARMLAND PRICE PERFORMANCE (£/ACRE) - TO Q1 2021



Source: Knight Frank Farmland Index (England & Wales)

FARMLAND CAPITAL VALUE CHANGES VERSUS OTHER ASSET CLASSES

	ENGLISH FARMLAND	PRIME CENTRAL LONDON RESIDENTIAL	UK HOUSE PRICES (NATIONWIDE PRICE INDEX)	FTSE 100	GOLD
3-MONTH	0%	0%	1%	4%	-12%
12-MONTH	0%	-3%	6%	18%	-5%
5-YEAR	-12%	-17%	16%	10%	43%
10-YEAR	16%	12%	41%	14%	36%
20-YEAR	256%	125%	175%	19%	577%

Source: Knight Frank Research

THE BUYER'S VIEW

"I've been wanting to rewild my 120 acres of land for the past three or four years, but just didn't have the space," says Kate Bigwood. Purchasing neighbouring 153-acre Crowhurst Place, which was launched in last year's edition of *The Rural Report*, has provided the opportunity to realise her dream of creating a mini Knepp, arguably the UK's most famous rewilding project.

"The soil here is heavy clay just like at Knepp and my 'aha' moment really came when I was reading *Wilding* (Isabella Tree's book about her and husband Charlie Burrell's rewilding journey at Knepp). It talked about a lot of the land there only being cultivated for the first time during World War Two."

As an osteopath, Kate's philosophy is to look after the whole body, and she feels that the natural environment, the soil and the food it produces is a vital part of that. "I see the Covid-19 pandemic as an indicator of the health of the planet. To me it doesn't make sense to intensively farm heavy soil just to produce animal feed."

She hopes to incorporate her herd of Highland cattle into the rewilding project, as well as introducing wild pigs and encouraging deer to the estate. Creating new species-rich habitats by retaining water that regularly floods some of her fields is also part of the plan. "I am very excited. I just love the land and being outdoors."

County-by-county farmland values in England and Wales

A unique guide to the indicative value of arable and pasture land of prime, average and poor quality

ARABLE LAND (£/ACRE)
PASTURE* (£/ACRE)

*Please note: Pasture covers fencable land not fell or upland grazing

WORCESTERSHIRE		
PRIME	AVERAGE	POOR
9,800	9,100	8,800
7,200	6,600	6,200

MONMOUTHSHIRE		
PRIME	AVERAGE	POOR
8,880	8,197	6,831
7,514	5,000	3,500

STAFFORDSHIRE		
PRIME	AVERAGE	POOR
9,600	9,000	8,600
7,150	7,000	6,300

POWYS		
PRIME	AVERAGE	POOR
8,197	7,514	5,465
7,514	5,000	3,500

HEREFORDSHIRE		
PRIME	AVERAGE	POOR
9,700	9,000	8,700
7,000	6,500	6,100

GLOUCESTERSHIRE		
PRIME	AVERAGE	POOR
10,250	9,500	9,000
8,800	8,250	7,900

SOMERSET		
PRIME	AVERAGE	POOR
9,800	9,200	8,750
8,000	7,500	7,000

DEVON		
PRIME	AVERAGE	POOR
10,000	9,563	8,900
8,000	7,400	6,950

CORNWALL		
PRIME	AVERAGE	POOR
9,000	8,500	8,000
8,000	7,500	7,000

CUMBRIA		
PRIME	AVERAGE	POOR
9,750	7,000	5,000
6,500	5,123	4,782

LANCASHIRE		
PRIME	AVERAGE	POOR
7,514	7,000	6,700
6,831	6,148	5,500

CHESHIRE		
PRIME	AVERAGE	POOR
9,000	8,000	7,700
7,700	7,300	6,900

SHROPSHIRE		
PRIME	AVERAGE	POOR
9,700	9,000	8,700
7,100	6,700	6,100

SOUTH GLOUCESTERSHIRE		
PRIME	AVERAGE	POOR
10,250	9,500	9,000
8,800	8,250	7,000

WILTSHIRE		
PRIME	AVERAGE	POOR
10,000	9,400	8,800
7,800	7,300	7,000

NORTHUMBERLAND		
PRIME	AVERAGE	POOR
9,563	6,831	4,782
5,000	3,750	2,500

COUNTY DURHAM		
PRIME	AVERAGE	POOR
9,750	7,000	5,000
5,806	5,123	4,782

DERBYSHIRE		
PRIME	AVERAGE	POOR
8,250	7,900	7,600
6,750	6,200	5,700

WARWICKSHIRE COUNTY		
PRIME	AVERAGE	POOR
9,700	9,250	8,750
7,600	7,200	6,800

LEICESTERSHIRE		
PRIME	AVERAGE	POOR
9,000	8,500	8,000
7,514	6,500	6,000

CAMBRIDGESHIRE		
PRIME	AVERAGE	POOR
9,750	9,250	8,500
8,000	7,250	6,750

BEDFORDSHIRE		
PRIME	AVERAGE	POOR
9,750	9,000	8,250
7,500	7,000	6,500

SUFFOLK		
PRIME	AVERAGE	POOR
9,900	9,000	8,250
7,500	7,000	6,500

BUCKINGHAMSHIRE		
PRIME	AVERAGE	POOR
9,800	9,100	8,600
7,800	7,100	6,700

BERKSHIRE		
PRIME	AVERAGE	POOR
10,200	9,400	9,000
8,000	7,050	7,000

SURREY		
PRIME	AVERAGE	POOR
9,500	8,800	8,200
7,700	7,200	6,831

DORSET		
PRIME	AVERAGE	POOR
9,800	9,200	8,750
8,000	7,500	7,000

HAMPSHIRE		
PRIME	AVERAGE	POOR
10,200	9,400	9,000
8,000	7,500	7,000

WEST SUSSEX		
PRIME	AVERAGE	POOR
9,500	8,900	8,200
7,700	7,250	6,700

	ARABLE LAND (£/ACRE)			PASTURE* (£/ACRE)		
	PRIME	AVG	POOR	PRIME	AVG	POOR
EASTERN	9,758	9,000	8,225	7,667	7,067	6,583
SOUTH EAST	9,781	9,038	8,513	7,850	7,281	6,854
WEST MIDLANDS	9,700	9,070	8,710	7,210	6,800	6,300
EAST MIDLANDS	9,063	8,445	7,625	7,241	6,604	6,100
YORKSHIRE	8,750	8,300	7,900	7,500	7,000	6,600
SOUTH WEST	9,871	9,266	8,743	8,200	7,671	7,121
NORTH WEST	8,755	7,333	6,467	7,010	6,190	5,727
NORTH EAST	9,657	6,916	4,891	5,403	4,437	3,641
WALES	8,539	7,856	6,148	7,514	5,000	3,500

LINCOLNSHIRE		
PRIME	AVERAGE	POOR
10,000	8,880	6,800
6,800	6,200	5,700

NORTHAMPTONSHIRE		
PRIME	AVERAGE	POOR
9,000	8,500	8,100
7,900	7,514	7,000

NORFOLK		
PRIME	AVERAGE	POOR
9,900	9,000	8,500
7,500	7,000	6,500

HERTFORDSHIRE		
PRIME	AVERAGE	POOR
9,750	9,250	8,600
8,000	7,250	6,750

OXFORDSHIRE		
PRIME	AVERAGE	POOR
10,300	9,500	9,100
8,100	7,600	7,100

ESSEX		
PRIME	AVERAGE	POOR
9,500	8,500	7,250
7,500	6,900	6,500

KENT		
PRIME	AVERAGE	POOR
9,500	8,500	8,000
8,000	7,500	7,000

EAST SUSSEX		
PRIME	AVERAGE	POOR
9,250	8,700	8,000
7,500	7,050	6,500

Turnover for data on Scottish farmland values

FARM FINANCE

From mortgages to agricultural lending, finance is going green.

There's been a lot of talk for a long time: indeed, banks have been setting their own targets for sustainable lending for several years. But there has been a notable change in recent months that will feed into favourable lending terms in the years ahead.

Now, whenever I speak to lenders about finance for an agricultural client, they want to know if there is a green angle. Whether it's for renewables, carbon capture or wealthy estate owners seeking to set up sustainable farms, it's clear these are the projects the banks want, and if the banks want them it will mean better terms and more options for landowners.

The drive stems from a tapestry of incentives pushing the industry into a greener future. Regulations are shifting to such a degree that lending against sustainable projects often constitutes less risk on a bank's balance sheet. Then there are the public relations advantages of having a greener book, as the UK government pushes the biggest institutions towards public disclosure of the environmental impact of their lending decisions.

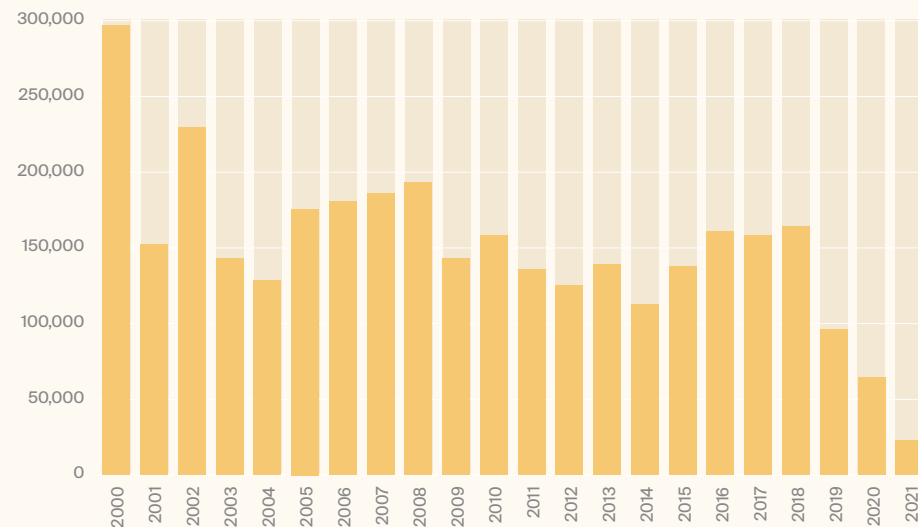
For the moment, demand is concentrated among private banks and specialist agricultural lenders; nimble organisations with short chains of command. The bespoke nature of agri-borrowing means they match up well with innovative farmers. However, there is growing interest from mainstream lenders that we believe will lead to greater competition, to the benefit of our clients.

—Rachel Barnett,
Knight Frank Finance

I fully expect the Scottish land market to remain competitive during the rest of 2021

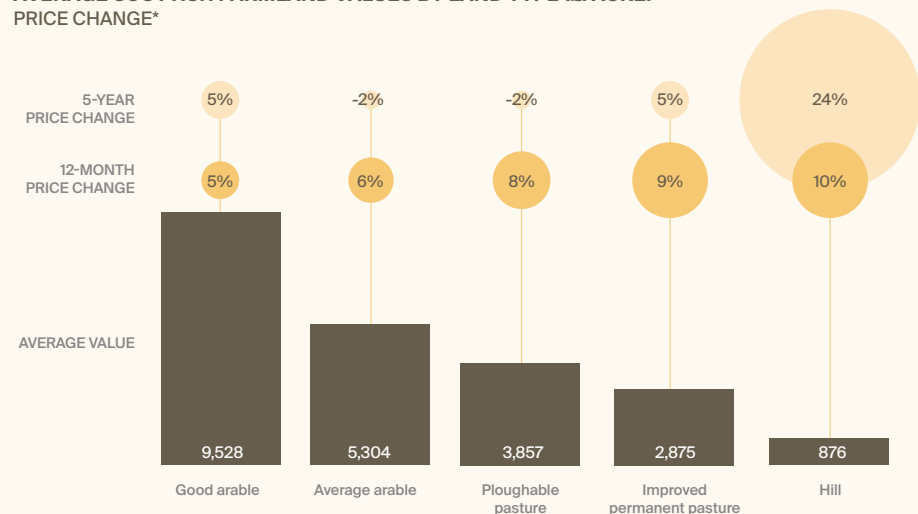
Tom Stewart-Moore

FARMLAND SUPPLY (ACRES)



Source: DEFRA/Farmers Weekly * To 23 May (+353% YoY)

AVERAGE SCOTTISH FARMLAND VALUES BY LAND TYPE (£/ACRE)
PRICE CHANGE*



Source: Knight Frank Scottish Farmland Index *to Q4 2020

just be high-minded individuals. Funds are also extremely interested in the opportunity to invest in the likes of carbon credits, particularly if they become available for soil sequestration schemes.

"I believe we will see significant increases in prices for lower-quality land as the environmental tidal wave gathers pace," predicts team member George Bramley.

However, the environmental, social and governance (ESG) agenda is not the only reason to be bullish about prices, points out Bramley. "There are still a lot of buyers with rollover money to reinvest, and that will only grow as the amount of development increases."

Farmland also still retains its safe-haven reputation, says Hopkins. "We are speaking to buyers who want somewhere safe to go in the event of another pandemic, and

also to those from overseas who view the UK as a stable place to move to if the political or economic situation in their own country deteriorates."

SCOTTISH SURGE

The ESG movement is also supporting the Scottish land market, but in this case it is trees that are the driving force.

As our Scottish Farmland Index clearly shows, it is hill and more marginal land that has seen the biggest price rises over the past five years. Much of it has been snapped up for tree planting by funds and private investors, some of whom are completely new to the market.

This year's purchase of the 9,300-acre Kinrara Estate by BrewDog is a good example. The trendy beer business plans



▲ The environmental aspects of the 3,885-acre Stobo Estate in the Scottish Borders generated huge interest when it was sold recently

to plant 3 million trees, as well as restoring degraded peatlands on the estate, as part of its bid to go beyond carbon neutrality and sequester more carbon than it emits.

The 3,885-acre Stobo Estate in the Borders also attracted interest from a wide range of environmentally minded buyers when it was sold by Knight Frank recently.

On an even larger scale, last year we sold the 28,200-acre Auch & Invermearan estate in the southern Highlands to an overseas buyer looking to develop a landscape-scale habitat restoration project.

"It is very hard at the moment for farmers to compete with the forestry industry and ESG-focused buyers when it comes to this type of more marginal land," points out Tom Stewart-Moore, Head of Knight Frank's Farm & Estates team in Scotland. "The value of land is

really being driven from the top of the hill downwards."

As a result, the traditional ways of valuing the Highlands are becoming less relevant. Previously, land was often priced based on its sporting potential, such as the number of stags it could support or how many brace of grouse a moor yielded per season. Now it is the acreage available for tree planting or other sustainability initiatives that is most important.

The best arable land is also in demand, with prices of well over £10,000/acre being achieved by several recent sales. "Farmers in certain arable hotspots are still prepared to pay extraordinary prices," explains Tom. "There is a feeling that as more farmland is returned to nature, via rewilding or other environmental schemes, top-quality food-producing land will become more valuable."

Although the results of the recent Scottish parliamentary elections will bring a second independence referendum a step closer, the prospect of Scotland breaking away from the rest of the UK doesn't seem to be affecting the farmland market.

"I think the fact that there is very little land for sale at the moment, with no significant increase expected in the near future, shows that farmers and landowners are relatively sanguine about it," says Tom. "I fully expect the Scottish land market to remain competitive during the rest of 2021."

Turn to page 32 for an update on the country house, development land and forestry markets.

Market snapshots

Knight Frank's Research team examines the performance of three asset classes that matter to rural property owners



RESIDENTIAL DEVELOPMENT LAND

Confidence and momentum is returning to the land market amid stronger forecasts for the UK economy and extended government support measures. But a lack of available land and issues driven by the Covid-19 pandemic remain a challenge, as reflected in the first edition of our quarterly *Residential Development Land Index Survey* of nearly 50 SME and volume house builders.

Land prices were broadly flat across the board in the first quarter of 2021. Urban brownfield and greenfield land values nudged up slightly between January and March by 0.2% and 0.9% respectively. However, on an annual basis values are 2.2% and 4.8% lower respectively.

There continues to be demand for good strategic greenfield land, with agents reporting some house builders only have a limited supply coming through their pipelines. The Q1 survey found that around 30% of respondents were seeking strategic land.

By region, new land supply in the south east is particularly constrained. While some large urban expansion parcels have emerged in the region, availability remains limited in the core home counties markets. In the north east, activity has also notably picked up, with a lack of supply driving the market. However, regional builders have not lowered profit margins to compete with the nationals, indicating a slightly less competitive environment.

The government is looking at securing more revenue from capital gains tax

This ongoing lack of supply is also a reflection of planning delays, agents report, which is limiting land being allocated in local plans across England. Planning delays and a lack of available land were identified as the two most challenging factors for house builders in Q1, our survey confirmed. The next most pressing issues were all Covid-related, from legal delays in the transaction process to the medium- to long-term outlook for the UK economy and supply shortages of key building materials.

Landowners also need to think about potential upcoming tax changes as the government is looking at securing more revenue from capital gains tax. This is encouraging some to sell land ahead of these potential tax changes.

—Anna Ward



COUNTRY HOUSES

The enduring escape-to-the-country trend that emerged from the pandemic after the UK's first lockdown in 2020 continues to drive significant demand, as buyers seek space and greenery.

The number of offers accepted by Knight Frank's country house teams in April 2021 was the highest in ten years.

Annual price growth in prime regional markets outside London was almost 7% in the 12 months to March 2021, its highest level since before the global financial crisis.

The higher-value end of the market continues to perform strongly, as it has done since the market reopened on 13 May 2020. Buyers have continued to seek more space, greenery and privacy post-pandemic, exploring a new work/life balance that could see many working from home more often after current restrictions end in June.

This last point is likely to see the traditional commuter belt redrawn and presents an opportunity for the rural property market in the long term.

Country homes valued at £5 million and above saw average prices increase by just over 7% in the first three months of 2021, taking the annual rate of growth to almost 16%, with tight supply a contributing factor. Price growth for higher-value properties has been weaker than the wider market in recent years due to a series of tax changes, leaving greater scope for rises.

However, supply in the country market has tightened in recent months. This is due to a combination of concern over new Covid-19 variants and the challenges of homeschooling, which led to pent-up supply as sellers held

30%

PROPORTION OF DEVELOPERS SEEKING STRATEGIC LAND

Knight Frank Residential Development Land Index Survey

16%

ANNUAL INCREASE IN COUNTRY HOUSES WORTH OVER £5 MILLION

Knight Frank Country House Index Q1 2021

13bn

CUBIC METRES OF GLOBAL TIMBER DEMAND IN 2050

New Generation Plantations



FORESTRY

Accurately gauging market values for the UK's commercial woodlands is becoming increasingly difficult. With a number of funds investing aggressively in the sector and fighting over an extremely limited number of properties for sale, guide prices are being routinely exceeded, often very significantly, and even on blocks of woodland that in the past would have been considered less desirable due to issues such as access. Past performance is certainly no guide to current pricing.

Last year around £200 million-worth of forests were traded, equating to about 40,000 acres, with the majority of deals happening in Scotland. Prices of up to £12,000/acre are being paid for standing timber plantations. Although at these levels yields in some cases can be as low as 1%, low interest rates, the

impact of quantitative easing, improved tree species genetics, increasing global timber demand, the environmental, social and governance (ESG) agenda, and woodland's reputation as a countercyclical investment continue to attract investors.

Interestingly, younger plantations often command the highest prices. The market view is that there will be a global timber deficit in 15 years of more than 1 billion cubic metres, which will coincide with the period when these currently less mature trees are ready to harvest. By 2050, some predictions put global timber demand at over 13 billion cubic metres, compared with less than 4 billion cubic metres in 2010.

Although the market for carbon credits is driving demand for land suitable for new planting, existing trees are not eligible for such schemes. However, the wider ESG agenda, as mentioned earlier, has focused attention on wood as a more environmentally-friendly building material, which is being encouraged by the English, Scottish and Welsh governments. The other natural capital benefits offered by existing plantings, such as flood mitigation, renewable energy and biodiversity creation all add to their perceived attractiveness for funds.

—Andrew Shirley

Buyers have continued to seek more space, greenery and privacy

Chris Druce

off during the latest lockdown. This will have delayed some sellers' preparations for the spring market. Some prospective sellers have also been reluctant to list without somewhere to move to.

Supply is likely to increase, though. Market valuation appraisals moved ahead of the five-year average at the start of March for the first time in 2021, and have continued to climb since. Appraisals take place when owners want to know the market price of their property before listing, and are a leading indicator of supply.

—Chris Druce

The wider ESG agenda, as mentioned earlier, has focused attention on wood as a more environmentally-friendly building material

See our ESG case studies on pages 60 and 70 for more on sustainable development and woodland creation.

FOR SALE

The Leighon Estate, Devon

Situated on the edge of Dartmoor National Park, this secluded estate would be perfect for anybody seeking isolation, and is surrounded by diverse countryside. The estate sits within 37 acres of pasture and 413 acres of moorland, and also includes 118 acres of woodland. There is an extensive range of traditional buildings and a two-bedroom lodge.

Offers in excess of £4,500,000

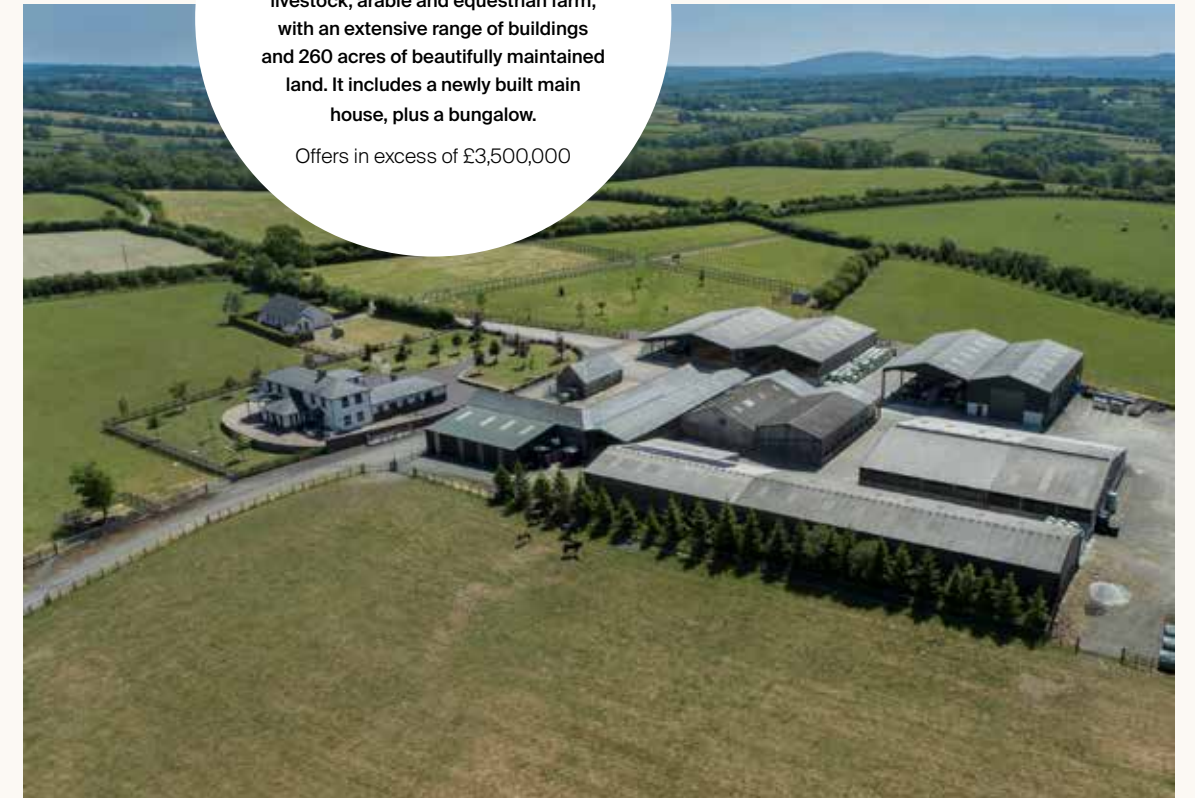


FOR SALE

Manor Farm, Devon

An immaculate and well-laid-out livestock, arable and equestrian farm, with an extensive range of buildings and 260 acres of beautifully maintained land. It includes a newly built main house, plus a bungalow.

Offers in excess of £3,500,000



UK

Market view

From Scottish and Italian lifestyle estates to investment-grade farming opportunities in Africa and Australasia, Knight Frank's global network of rural experts is currently selling an amazing selection of landed properties. *The Rural Report* offers a small selection over the following pages to whet your appetite...



FOR SALE

West Woodyates, Dorset

A diverse residential, farming, sporting and conservation estate, with a spectacular Grade II*-listed family home at its heart. The house is in a private position, surrounded by 970 acres. The estate has considerable sporting appeal and has beautiful formal gardens, parkland and a range of traditional buildings and cottages.

Offers in excess of £18,500,000



FOR SALE

Yarner, Dartmoor

A charming family home in a truly remarkable private setting, with breathtaking views. The extremely comfortable house sits at the heart of a 247-acre farm, with a farmhouse, pasture, woods and moorland.

Offers in excess of £5,000,000

FOR SALE

Chilham Castle, Kent

A magnificent Grade I-listed castle in remarkable condition, surrounded by 300 acres of land. Not only architecturally outstanding, it is also an exceptionally comfortable family home. Stunning gardens with terraced lawns enjoy amazing views over the parkland and lake below.

Offers in excess of £15,000,000



FOR SALE

New Leaze Farm, Wiltshire

An immaculate family home renovated to the highest standard, sitting in 182 acres of unspoilt countryside. This estate has versatility at its heart and includes a separate cottage and courtyard, a collection of attractive gardens, a sheltered kitchen garden, and an AstroTurf tennis court.

Offers in excess of £6,500,000



2

2



FOR SALE

**Great Campston,
Monmouthshire**

This wonderful 276-acre farming estate in the Black Mountains is surrounded by stunning open countryside with far-reaching views. There is a large range of agricultural buildings and approximately 70 acres of woodland.

Offers in excess of £4,500,000



FOR SALE

**Steane Park,
Northamptonshire**

A 16th-century manor house with exceptional gardens, sitting within 276 acres of beautiful private parkland and farmland.

Offers in excess of £9,000,000

2

2

Scotland

UNDER OFFER

Kilnaish Estate, West Coast

A rare opportunity to own a 300-acre slice of the much sought-after west coast of Scotland, including a mixture of amenity woodland and rough grazing, together with a lochan. Superb views across to the Isle of Gigha and Jura, and planning permission to build a home in the wilderness.

Offers over £275,000



FOR SALE

Camusericht Lodge, Highland Perthshire

Camusericht Lodge sits in a wonderfully private position, facing south with impressive views towards Loch Rannoch and the distant peaks of Glen Lyon. The traditional sporting lodge has been refurbished to a very high standard and there are 66 acres of land, with a mixture of pasture, rough grazing and mature woodland.

Offers over £1,500,000



FOR SALE

Synton Mains Farm, Selkirk

Synton Mains provides a rare opportunity to secure a ring-fenced, well-connected, attractive farm. The highly productive livestock farming unit (formerly a dairy farm) extends to about 456 acres in total, situated in a private position within commuting distance of Edinburgh. The farm also offers development opportunities, as well two very popular holiday cottages and a golf driving range.

Offers over £2,400,000



2

2

Europe

FOR SALE

Poggio Torselli, Italy

Recently restored to its former glory, this is one of the largest and most elegant villas in Tuscany. Built in the 1600s, but with records from 1427, the villa is beautifully majestic and at the same time liveable and luxuriously comfortable. The property sits in approximately 101 acres and each room enjoys spectacular views over the gardens, the cypress-lined entrance drive and the rolling Chianti hills.

Asking price €40,000,000

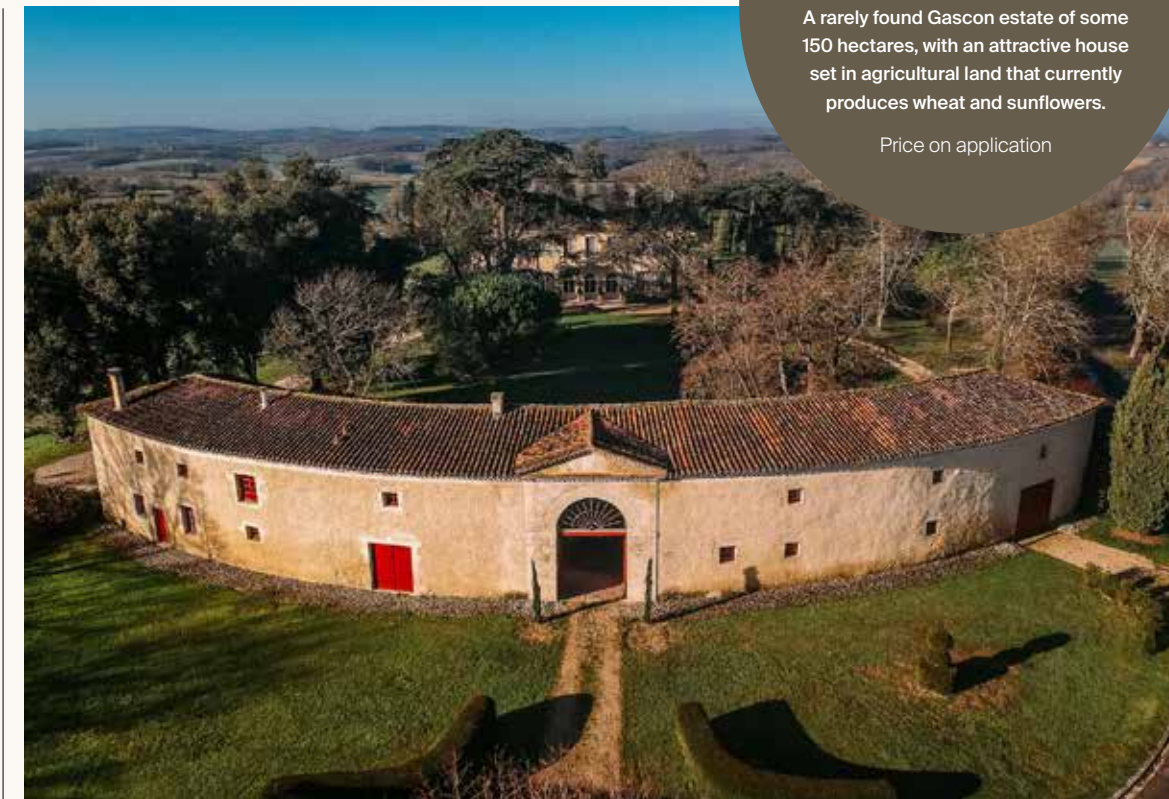


FOR SALE

Mauvezin, Gers, Midi-Pyrénées, France

A rarely found Gascon estate of some 150 hectares, with an attractive house set in agricultural land that currently produces wheat and sunflowers.

Price on application



FOR SALE

Ballinacurra House, Kinsale, Ireland

A unique Georgian property located in beautiful surroundings of 25 acres. The property enjoys private water frontage, extensive gardens and an ancient croquet lawn. All houses on the estate have been renovated and maintained to an exceptional standard and there is no further modernisation required.

Asking price €6,350,000



2

2

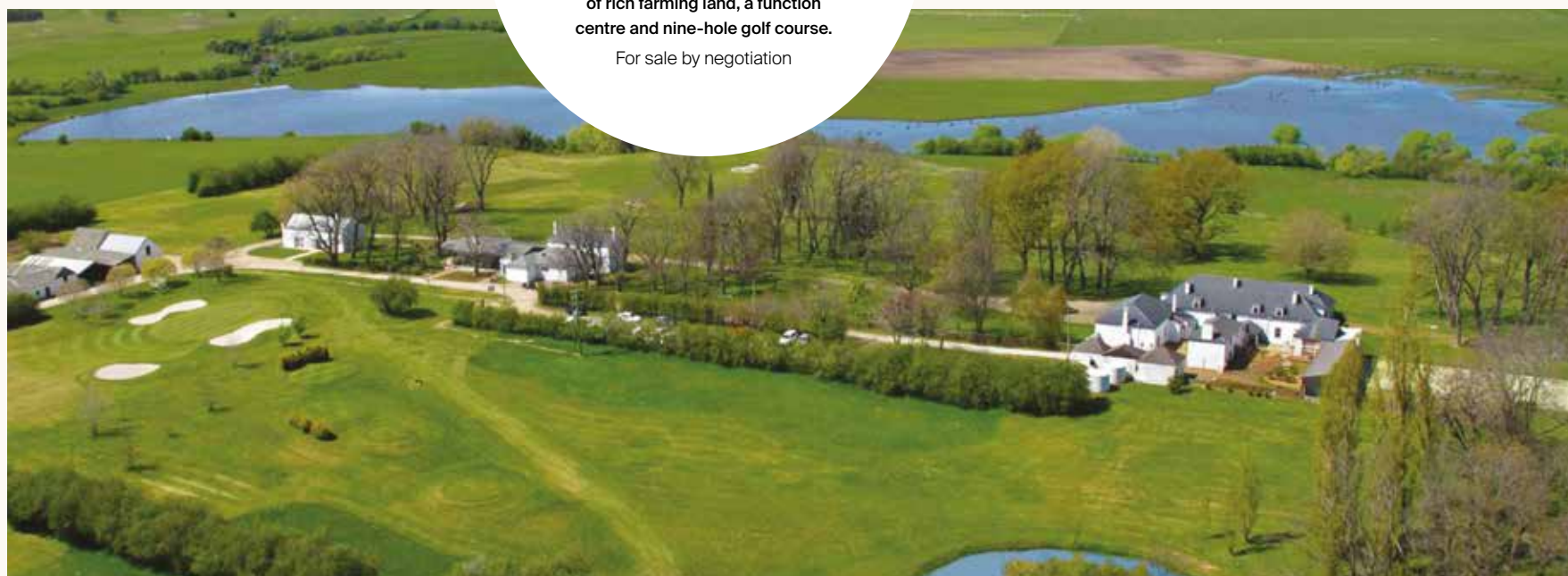
Australia

FOR SALE

Quamby Estate, Tasmania, Australia

Quamby, once home to Tasmania's first native-born premier, is arguably one of Australia's best-known prestigious homesteads. It includes 64 hectares of rich farming land, a function centre and nine-hole golf course.

For sale by negotiation



FOR SALE

Croydon Station, Central Queensland

A 59,669 hectare cattle station complex with a large homestead, manager's residence, two other houses, workers' quarters, ancillary buildings, 25 dams and two boreholes.

Tenders closing 28 June 2021

New Zealand

FOR SALE

Manuka Point Station, Canterbury

One of New Zealand's foremost hunting and recreational estates, Manuka Point Station is nestled at the foot of the Southern Alps.

Along with an architecturally-designed luxury lodge, the property comprises 1,271 hectares of freehold land, 11,138 hectares of concessionary land and 21km of secluded river frontage to the upper reaches of the Rakaia and Mathias rivers.

Price by negotiation



FOR SALE

Waiteitei Road, Tomarata

Just over an hour from Auckland, this 90.5 hectare productive north-facing dairy farm features flat, fertile land, well-laid-out infrastructure and an array of specimen trees. The farm's aesthetic appeal plus its sought-after location make it one of the best-presented properties available.

Auction date 30 June 2021
(unless sold prior)

Africa

FOR SALE

**Living Waters,
Little Karoo, South Africa**

This 700-hectare property, near the iconic Swartberg Pass, already hosts a profitable trekking business and has the potential for further tourism ventures. It offers ideal growing conditions for olives, fruit, vegetables and even cannabis, subject to licence.

Guide price R19,000,000



FOR SALE

**Chisamba Farm,
Chisamba, Zambia**

5,935-acre productive commercial farm in the Chisamba farming area with a cattle herd of approximately 800. The farm comprises of a fully equipped workshop. It also includes 60 boreholes and seven dam stations.

Guide price US\$9,500,000



FOR SALE

**Blooming Oasis,
Naivasha, Kenya**

This expansive lakeside property is situated on the southern shores of Lake Naivasha. The property is approx. 278 acres and includes several houses and cottages, well-kept mature gardens and farmland that is ripe for development (subject to relevant approvals).

Asking price US\$5,000,000



2

2

Food for thought

Focusing on ESG doesn't mean missing out on profits when it comes to global agricultural investments. *The Rural Report* visits a Knight Frank client in Africa to find out more

WORDS – ANDREW SHIRLEY

When a closed-end fund reaches the end of its lifespan, success is usually measured in terms of income and capital appreciation. But for the managers at SilverStreet Capital it goes beyond that.

The African agriculture specialist is evaluating options for its Silverlands I portfolio, the continent's largest agricultural investment fund, which was launched in 2011. Its investments include processing, primary production, beef and poultry assets across South Africa, Namibia, Eswatini, Zambia, Tanzania, Kenya, Uganda and Mozambique.

SilverStreet's objective is to seek attractive returns for investors at the same time as achieving a substantial positive social, environmental and climate impact. Chris Dravers, an associate director in their investment team, says that their clients are keen to understand the impact outcomes their investments provide, as well as the returns.

"In 2020, our investments directly benefited 386,000 people economically, helping to increase smallholder farmer incomes by approximately US\$300 annually from a baseline of US\$600. This resulted in an annual increased community income of US\$116 million," he says.

Dravers' colleague Luke Lowsley-Williams – SilverStreet's environmental, social, governance (ESG) and impact analyst – emphasises that these community benefits aren't so much a byproduct of the fund's performance, but integral to it. "By investing to construct or fix a value chain, a 'wave' of impact is unlocked," he says.

"By unlocking the value chain, the businesses benefit from increased scale

and the smallholder farmers benefit from, for example, access to improved inputs, training and markets. This enables the businesses to grow alongside the positive impact. Most of the world's population growth will occur in Africa over the next three decades, and this presents a unique opportunity to meet demand, reduce poverty and mitigate negative climate and environmental impacts. Building functioning agricultural value chains is integral to achieving this goal."

STARTING SMALL

SilverStreet believes that investment in Africa is best focused on the region's most important food producers – smallholder farmers who, with their families, still account for an estimated 60%+ of the sub-Saharan African population. Smallholder farmers typically grow low-value subsistence crops and achieve very low yields when compared with global averages. They also form the lowest income sector of these economies.

"These farmers have significant capacity to ramp up production. To improve productivity, smallholder farmers need high-quality inputs, such as high-yielding hybrid seed; on-farm support, such as training in conservation farming techniques; and markets for high-value products," says Lowsley-Williams.

"There is a material productivity gain that can be achieved on smallholder farms by increasing yields, with a doubling possible in some important crops. By fixing value chains, offering technical assistance to smallholder farmers and providing markets for higher-value crops, incomes can increase dramatically."



In 2020, our investments directly benefited 386,000 people economically, helping to increase smallholder farmer incomes by approximately US\$300 annually from a baseline of US\$600



We have unlocked the entire value chain for the benefit of smallholder farmers

ADDING VALUE

When it comes to deciding where to allocate funds, pre- and post-farm gate opportunities are often the driver, says Dravers. “We are particularly looking for incomplete value chains that hold significant potential for growth.”

The fund’s rejuvenation of the Tanzanian poultry sector, which was being held back by underperforming breeds and low-quality feed, is a very good example of how financial returns can go hand-in-hand with creating a positive impact.

A lack of accessible protein was resulting in high levels of childhood-growth stunting in Tanzania. This can in part be solved by “fixing” the poultry value chain, as one egg per day can halve the risk of stunting. Soya beans, which provide the main source of protein in chicken feed, was not grown

in Tanzania because there were no soya processing facilities. This hampered the poultry value chain, which instead relied on salmonella-ridden and unsustainable fishing.

To solve this, SilverStreet invested capital into Silverlands Tanzania to build the country’s first soya processing plant and a large feed-mill. This made it viable for surrounding smallholders to produce soya, a high-value crop, to be processed into improved poultry feed. New, modern and more efficient poultry breeds – in particular the dual-purpose and free-range Sasso breed – were then introduced and are sold as day-old chicks. Silverlands developed a national network of 18 distribution centres supplying over 300 agents, and provides skills transfer to smallholder farmers via the Silverlands Poultry Training Centre, online portals and a team of extension officers across the country.

The business expanded rapidly from a standing start and is now benefiting 116,000 smallholder farmers directly, around 70-80% of whom are women. These include 15,300 grain smallholder farmers who supply the business with soya, around two-thirds of whom are women and 100,400 poultry smallholder farmers. In 2020, over 43,000 tonnes of feed and 11 million day-old chicks were sold, from zero in 2013.

“We have unlocked the entire value chain for the benefit of smallholder farmers, improved local protein availability and ultimately created a profitable investment for our investors,” points out Lowsley-Williams.

RISK MANAGEMENT

An impact approach to investing can also help to mitigate some of the challenges of operating in Africa, which Dravers likes to divide into two buckets: macro-economic- and political-related risks; and execution risks.

“Macro-related risk mitigation starts with careful selection of countries and we have developed a risk-scoring system that is quantitative but with a subjective overlay. We spend a lot of time in our investment appraisal process finding optimal locations, not only climatically but also by having good infrastructure and good market access,” he explains.

“For example, we grow table grapes in a unique location in southern Namibia. It not only has strong climatic advantages, with no frost or hail, but the business is able to harvest during a pre-Christmas window when global supply is limited, allowing us to command a premium price from our European supermarket customers.”

Previous page: Careful project selection, such as this Namibian table grapes vineyard, helps boost returns
 ▼ The funds run by SilverStreet Capital invest in the latest technology, such as this deciduous fruit-packing plant in South Africa, to help modernise Africa’s food chains



▼ Helping individual farmers and communities is a vital aspect of SilverStreet’s investment strategy



To manage political-related risk, certain businesses are covered by political risk insurance provided by the US Development Finance Corporation and MIGA, a department of the World Bank. Delivering a genuine social impact also helps mitigate risk, Dravers says. “Providing positive outcomes for local communities and smallholder farmers allows us to receive support from the government, who understand the importance of both developing the agricultural sector and inward private investment.”

When it comes to risk management, putting in place top management teams with deep sector experience is the key mitigation that helps overcome most challenges, reckons Dravers. “Sourcing top talent can be more challenging in countries that are harder to operate in, but we work hard to ensure we have the right people at all levels.”

FUTURE PLANS

The sale of the businesses owned by the Silverlands I fund offers investors the opportunity to benefit from the work of the SilverStreet team, but there will be a rigorous vetting process to ensure investors share the same ethos. And while individual businesses will be of interest to some parties, the real potential for value creation lies in the whole, claims Dravers.

“When the portfolio was initiated, the thought process wasn’t just about individual opportunities, it was about creating a platform of assets diversified by both sector

and geography. This was to manage fund risk and also develop something of scale that would appeal to a wider number of buyers and investors. We believe there is a good opportunity for like-minded investors to build on this platform and create a single regional agribusiness.”

SilverStreet is also continuing to deploy its second fund, Silverlands II, set up in 2016. It so far has made three investments, one in the seed sector in Zambia, one in a table grape and date palm business in Namibia, and another in a regional poultry business.

Overall, the strategy will remain unchanged: continuing to seek attractive returns for investors while achieving a substantial positive social, environmental and climate impact.

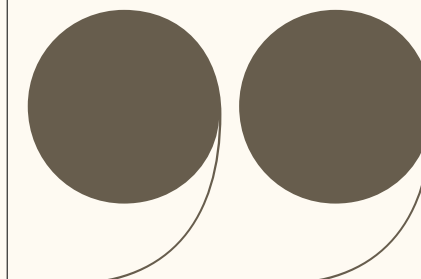
COMMUNITY CENTRE

Number of lives improved by Silverland funds

Employed **+10,400**
 Direct economic benefit **386,000**
 Secondary impact **2.3 million**

For advice on agricultural investments and valuations in Africa, please contact susan.turner@za.knightfrank.com

Sourcing top talent can be more challenging in countries that are harder to operate in, but we work hard to ensure we have the right people at all levels



Ask Alice

Alice Huxley of Knight Frank's Rural Valuation & Advisory team answers some common queries relating to farmland and rural property, many of which increasingly have an environmental flavour to them



PHOTOGRAPHY – HARRY GLADWIN

We are considering a rewilding project on our estate, but what will be the impact on value and our inheritance tax liability?

Rewilding is a form of environmental conservation which actively encourages ecological restoration and improvements to biodiversity. It forms a key part in the fight against climate change, but it does not have to be carried out on a large scale to have an impact. Landowners and managers must play their part as stewards of the landscape, and many are keen to do so, but optimal land use is the key.

The environmental emphasis and intentions of future government policy and funding are likely to support poorer-quality areas and encourage the utilisation of marginal ground. This is the time to look at marginal land and examine closely the latent value in these areas. There are so many opportunities for alternative uses and potential for income creation away from traditional commercial agriculture.

The availability of such support and the rise of the environmental investor is

likely to have a positive impact on value and demand for such marginal land, particularly Grade 4 or poorer-quality Grade 3 land. We anticipate that the introduction of environmental-based payments will increase the income potential of such land, which will be reflected in capital value, too.

Knight Frank has numerous clients looking at rewilding as an option, but this is generally across areas of marginal land that may account for up to 10% of the land holding. As advocates of optimal land use, we believe that rewilding certainly has a place within the farming system, but any change must suit the land and business structure, and you may have to consider the potential tax implications of the scheme if there is a move away from agriculture.

In terms of inheritance tax, the HMRC definition of agricultural property that qualifies for Agricultural Property Relief (APR) does specifically include "land not currently being farmed under the Habitat Scheme" (subsumed into the existing Countryside Stewardship Scheme). With the significant changes to government policy and the environmental drivers, we would hope

this will broaden and extend to include land subject to rewilding and biodiversity aims, but, as ever, there are likely to be associated qualifying requirements.

There are yet to be any test cases on this, so unfortunately we cannot assume this is definitive. In the meantime, therefore, it is essential the land forms part of the trading business to qualify for Business Property Relief. Knepp Estate, which featured in last year's edition of *The Rural Report* is a pioneering example of a rewilding scheme that continues to trade, producing organic pasture-fed meat and offering wildlife tourism.

We have been thinking about investing in farmland or a rural estate. What are the yields like, and which regions should we be looking at?

The UK is identified by many as a safe option for investment in farmland for several reasons. There is a history of steady growth in values, and with a secure Land Registry title system and (comparatively) stable governments, this adds to the security of

the investment. In addition, agricultural land is (currently) efficient from an inheritance tax perspective. This is an area of much debate, and while such reliefs could remain applicable to those actively using the farming land, the ability to claim APR ought not to be the key investment driver while the position is unclear.

There is certainly still an appetite for investment in agricultural land, principally due to the security of the asset class, the income it generates and the latent value, particularly where there are windfalls from development or changes in tenure.

It is these windfalls that offer the best prospects for capital appreciation. There are numerous opportunities for uplift in value and income potential for marginal land which is unsuited to commercial agriculture. There are multiple opportunities with alternative uses for biodiversity, offsetting, renewables and tree planting, which will benefit from both private and public sector funding.

The limited information we have regarding future Environmental Land

Management schemes do seem to favour owner-occupied land, so this must be a key consideration when looking at business structure and the occupation of the land.

When one assesses the market in a broad context, you can buy an estate in the south east (a higher capital value, but also a higher income or income potential) or the north (with a lower capital value, but also a lower income and potential income). The yield will therefore be broadly similar.

Across a diverse estate, the market rate in performance could be between 1% and 2% yield (the gross income divided by acquisition price or capital value). In relation to other asset classes this is therefore typically very low yielding, which is mitigated by the provision of a safe haven and help in balancing the investor's portfolio. With broadly similar yields, the location will likely be determined by supply.

It is important to establish what balance of assets you are looking for, what you want to achieve from the purchase, and keep in mind the importance of a trading entity in relation to income and capital tax liability.



There are numerous opportunities for uplift in value and income potential for marginal land that is unsuited to commercial agriculture

Are there any other environmental or climate change issues I need to be aware of when buying rural property?

These are two topics that are now coming to the forefront of many conversations that you need to be aware of and to be ready to act upon.

1. Energy efficiency regulations

The drive for energy-efficient housing stock will be key to achieving net zero, and this is likely to hit the private rented sector hardest, as it is already illegal to let a property with an F or G Energy Performance Certificate (EPC) rating without an exemption certificate. There are proposals to extend this to properties with a D or E EPC rating from April 2025.

Some lenders are already unwilling to lend on investment properties with F or G ratings, which will only increase as banks pursue their own environmental social and governance agendas.

From April 2023, the Minimum Energy Efficiency Standard will be extended to cover all leases, including where a lease is already in place. The maximum expenditure a landlord must invest to obtain an exemption certificate (which lasts five years) is currently only £3,500, although this is anticipated to rise to £10,000 in 2025.

2. Slurry and silage requirements

Emissions and water quality are also a key focus, with Wales already having introduced stiff regulations and the remaining devolved governments likely to follow. Alongside the Agricultural Transition Plan for England, Defra has now issued its Financial Assistance Plan as part of the Agriculture Act 2020. These include the Farming Investment Fund and the Slurry Investment Scheme, currently proposed for autumn 2022. Applications for funding are generally available in very small windows, so awareness of the schemes and proposed timings is key.

For any valuation enquiries, please contact alice.huxley@knightfrank.com

Working for you



INSIGHT AND ADVICE TO HELP LANDOWNERS ADD VALUE TO THEIR PROPERTIES AND BUSINESSES

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Making a plan

Having a long-term plan is more crucial for farms and rural estates than ever before. *The Rural Report* hosted a virtual meeting of Knight Frank's senior Rural Asset Management team to discuss strategy matters. We share some of the key talking points from the discussion

MODERATOR – ANDREW SHIRLEY

THE PANELLISTS

Tom Heathcote
Head of Agri-Consultancy. Passionate advocate of regenerative agriculture

Edward Dixon
Head of Rural Asset Management, West of England. A champion for rural diversity

Alastair Paul
Head of Rural Asset Management, East of England. Institutional investment specialist

We have to think far more holistically as a whole when we're doing strategic reviews

Tom Heathcote

IS A STRATEGIC REVIEW MORE IMPORTANT THAN EVER?

TH Yes, definitely. Now is the opportune moment to take stock of what you've got. It's the opportunity for the industry as a whole to reform itself and get itself un-addicted to subsidies, to innovate and drive forward.

ED In my mind, this is the biggest change in agricultural and environmental policy – both are completely groundbreaking. No generation alive has seen this level of change, so there's no "this is the way we did it before, this is the way we always do it" option to follow.

AP The role and calibre of trustees is also very important. With all this change they would need a very good reason why they weren't having a strategic review done at the moment. There's so much going on, that if you weren't being seen to be proactive and prepared for that, there is a risk you're not performing your duties. The estate world is full of sleeping trustees.

ED It's interesting, but as a result of all this change, more estates have finally made the decision to talk about succession, or are, in some cases, actually expediting succession

a bit earlier than they might have considered. Obviously that is driving a lot of people to look at their estates from the ground up with a new set of eyes coming on to it.

AP Definitely. This generation of successors is in a position like no generation ever before – in terms of social media engagement, in terms of understanding being public facing, and in terms of understanding branding and identifying with brands. So I think, in a way, the successor has been more useful to the owner than ever before.

TH There's a huge amount of business that's coming to the countryside because of Covid-19 – staycations, local produce... People are more interested in the provenance of their food and people are wanting to get experiences out in open spaces. I was on an estate recently that has taken on a full-time person purely to focus on leisure and tourism opportunities. The local authority are really engaged and happy to dish out lots of planning consents for different things. We haven't seen that sort of opportunity for a while.

WHERE DO YOU START?

TH From my agri-consultancy angle, I always say you can't make the plan until you actually understand what you've got and how your business ▶

is actually performing. When you understand what you've got, then you can make a plan for the future.

AP We'd also start trying to identify what the owner's purpose and aspirations are so we can work out what the portfolio needs to deliver on. One of the things I always look at is which bits of an estate are sacrosanct and which are sacrificial. If you understand the bits you can work with and the bits you just have to leave as they are, that helps as part of that framework. What we end up with is a framework by which to assess opportunity, because you can't predict exactly what is going to happen, but what we do is identify what is acceptable to the estate. It's about testing the boundaries, particularly on things like risk because, historically, a lot of estates we go to, they wouldn't have had debt and they wouldn't have thought about taking debt up. It's not something they would want to consider.

ED As Alastair and Tom said, it's understanding what you've got, and that includes the people around you, the local economy and community, incomes, affordable housing percentages, that kind of thing. We put a lot of effort into really understanding that because it dictates the opportunities you're likely to be able to attract, based on the money and the people around

you, essentially. Ultimately, the process never ends. Once you set a plan, it will continue to evolve and change as you go forward. Some clients have a more strategic approach to how they deal with their assets, whereas others have literally just taken over or they've just done what has gone before them. They do need that help to go right the way through the process, because otherwise they won't get to a conclusion.

WILL LOSING BPS HURT?

AP I think an important point is that most estates have, say, five different income streams. Therefore, if you're losing half of one fifth, it's not as disastrous as it may sound from the outset. It's not ideal by any means and you've got to find that money back again, but in a way, you don't necessarily have to find it back from that particular income stream, as long as you find it back overall.

ED I think Alastair makes a valid point. The Basic Payment Scheme (BPS) is what everyone focuses on, but actually it can almost be a red herring in some respects. People can focus too much on trying to replace it and miss the bigger picture about whether that fundamental land use or that fundamental agricultural enterprise is actually the right thing to have there.

TH You certainly shouldn't look at environmental schemes as a silver bullet that's going to replace BPS and save your estate in the future. I think that's such a misconception among some farmers and farming estates.

WHERE DOES ESG FIT INTO THE PLAN?

AP Environment is a topic you can talk about on an estate forever, but social and governance, which include issues like diversity, are more difficult subjects and I have to try and work my way into it carefully. Gender diversity is probably the main topic of conversation, but if an estate changes its diversity to replicate the community that's around them, it's a natural draw for people to visit.

ED Talking about gender diversity, if you've got an estate where the eldest son is taking over, but there are older

daughters, that's a really difficult thing. How do you get your staff and your workforce to respect gender diversity when that decision has been taken?

TH Ed's so right. We shouldn't shy away from primogeniture. We all understand the reasons why it is there, and it has been a remarkably successful policy over the years, but it can completely wreck your family skill set. That's a big problem, because the future of the estate is not necessarily secured by one person, especially if that person isn't the best person to run it.

AP Primogeniture is just about ensuring an asset doesn't get broken up. There are other ways of doing that where family members can get involved through trusts or through corporate structures.

TH We have to think far more holistically as a whole when we're doing strategic reviews, about how enterprises on estates and farms are interconnected. You can no longer just look at residential property in isolation from the farming, in isolation from environmental income, in isolation from staff.

WHAT ES SHOULD ESTATES CONSIDER?

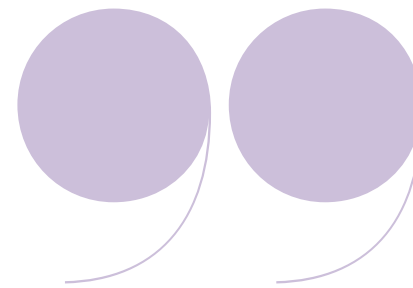
AP For me, the ideological purpose and desires of the owner, the owners, the trustees – that is the key element. They're either up for it or they're not. It's identifying the opportunities that exist or might exist, and seeing how they fit the framework of your review. Net gain is generating a huge amount of excitement, but it's not a magic wand.

ED Something I'm interested in at the moment is the "natural health service". If the General Medical Council is going to offer social prescribing guidance for doctors, there's an ideologically interesting angle there for some estate owners. It's one of those things that might have real traction if the government gets behind it.

AP I was speaking to a commercial property fund manager and he believes that there is a desperation in the market for a serious rural HQ, which is all birds and bees and carbon and everything. He thinks that there will be seriously

Something I'm interested in particularly at the moment is the "natural health service"

Edward Dixon



long leases and high values paid by blue chip tenants.

TH What a lot of people are waiting for is a soil carbon scheme in the UK. It's tricky preparing for something when you don't know when, or even if, it will arrive. But I think you've basically just got to make sure that your structures and everything are in place so that you are best positioned to respond to these things as and when they arrive. That's all you can do.

ANYTHING ELSE TO CONSIDER?

TH Because a lot of environmental support will be for landscape-scale schemes, people definitely need to work out whether they can join up and work in collaborations or joint ventures. The trouble is, though, people often want to achieve something similar. They all have slightly different views, slightly different aspirations, and it can be really hard to achieve.

AP One of the biggest problems in terms of making a plan, and something I seem to come across the whole time, is footfall. I think people forget that Knepp, for example, equals a huge amount of people visiting Charlie Burrell's home. No more than we want people walking around our gardens, do some owners want people walking around their estate. Footfall is the massive, massive downside of income generation. Some owners are prepared to make less money for a quieter

life. I think it's an easy one to forget: "Do you actually like engaging with the public?"

ED I can see regulation being a big factor further down the line. So you may as well make the money while you can. Look at the telecoms industry where the early sites were quite lucrative but then it went through a period where rents went a bit soft except for very select and key locations. And then the government got involved.

TH Because there is so much uncertainty at the moment about future schemes and funding streams, one thing to be slightly careful of is focusing too much on the few things that are clear, like biodiversity net gain, just because we know about them.

ED Exactly. A lot of landowners are being asked to commit their land to future ESG schemes. We're seeing people rushing around promising that they will then broker deals on their behalf, but, frankly, you won't know what you're signing up to. You could be signing away something potentially quite valuable.

AP And while you're signing up to an income stream, you're also signing yourself up for a burden, in terms of management and fulfilling your obligations. I don't think people have quite got their head around some of these carbon schemes yet.

The role and calibre of trustees is also very important

Alastair Paul

FIND OUT MORE

For practical examples of how our rural teams are helping their clients plan for the future, please read the fascinating case studies that follow this article.



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Stewardship and residential development



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Facilitating a sustainable vineyard future



Page 67
Creating a diversified renewable portfolio



Page 68
Making the most of an arable estate's natural capital



Page 70
Helping a council combat the climate emergency



Housing an ESG legacy

Knight Frank's Head of Residential Development Research takes a trip to the south coast to learn more about a landowner-led development that puts quality, sustainability, community, the environment and liveability front and centre

WORDS – OLIVER KNIGHT, PHOTOGRAPHY – SIMON OWEN



Stewardship is fundamentally all about putting the community first, and asking a landowner to ensure that vision becomes reality

Charlie Dugdale

Hanging from the walls of the boardroom of the Southwick Estate office in north Hampshire are several portraits of the Thistlethwayte family, a visual reminder of the previous owners of the estate spanning many generations.

Two are copies of works originally painted by Thomas Gainsborough, the 18th-century portrait and landscape artist who was a founding member of the Royal Academy. The originals now hang in the Scottish National Academy.

This sense of history frames the conversation I'm here to have with Mark Thistlethwayte, current owner of the estate, which has been in his family for nearly 500 years, and Charlie Dugdale who leads Knight Frank's Development Partnerships team.

Thistlethwayte is also chairman of Buckland Development, the master developer behind Welborne Garden Village, one of a growing number of landowner-led large-scale housing developments being planned across the country, using a long-term stewardship model that upends the traditional "build it, sell it, move on" economics of housebuilding.

"We are thinking in generational terms," Thistlethwayte says as we stand in one of his fields, where the first of 6,000 new homes will be built from 2022. "It has taken us 15 years to get to this point, and once we start it will be a 25-year build period, so the whole process will have taken us 40 years."

That's a long time in a sector where success is traditionally measured by short-term results and a focus on housing delivery targets.

"Our approach [to development] has been to start with a clean sheet of paper and decide how we would like to build a community, and what we'd like that community to be in 50 or 100 years' time," explains Thistlethwayte, who

Welborne Garden Village in numbers



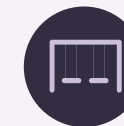
6k
HOMES



4
SCHOOLS



20
NURSERIES*



13
PLAYGROUNDS



27
ACRES OF SPORTS FACILITIES



100k
SQ FT OF RETAIL SPACE



1.1m
SQ FT OF BUSINESS SPACE



208
ACRES OF PARK AND WOODLAND

*subject to demand

▼ Charlie Dugdale (left) and Mark Thistlethwayte on the site of Welborne Garden Village



STEWARDSHIP EXPLAINED

Knight Frank's research for the Building Better, Building Beautiful Commission (BBBC) – a group advising the government on how to promote and increase the use of high-quality design – identified that longer-term investment engendered a more sustainable, resilient, economically productive and beautifully-built product while delivering more value for landowners.

As well as the Southwick Estate, other landowners such as universities, the Church of England, the Duchy of Cornwall (at Poundbury and Nansledan) and other “great estates” recognise the benefit of this long-term stewardship approach to residential development.

The stewardship model encourages landowners to maintain a beneficial interest throughout development projects until homes are built and beyond, in order that they can curate development activity and ensure a project's vision is realised for the benefit of the community.

—Contact charles.dugdale@knightfrank.com for a copy of our research for the BBBC, or to discuss the stewardship delivery model.



▲ A sense of place and community will lie at the heart of Welborne

was motivated to take matters into his own hands after observing the quality of other developments surrounding his estate, and the threat of a compulsory purchase order that would have seen him lose control of what was built.

It's a view shared by Charlie, who has been advising on the project at Welborne for six years. “Stewardship is fundamentally all about allowing landowners to participate in the development cycle by maintaining an interest and ensuring that the value of a site is maximised over the long term,” he says.

LONG-TERM

In Welborne, Buckland's role as a master developer will see it working in partnership with local and regional housebuilders, with strict but varied design guidelines. It is also committing to invest in and build the all-important social infrastructure itself, which includes on-site healthcare. The model has benefits for housebuilders too, who are able to avoid significant up-front land costs, while

giving them the certainty and time to focus on what they do best – building houses.

“By bringing housebuilders into a partnership you create a longer-term relationship, perhaps over decades, which aligns the profit motive of all stakeholders from short- to long-term outcomes. That's when good decisions start getting made that benefit the future community,” adds Charlie.

There's a lot to like in Welborne as a result. Once complete, it will be home to three primary schools, one secondary school, 20 nurseries, 13 playgrounds, 27 acres of sports facilities, 100,000 sq ft of retail space, 1.1 million sq ft of business space and 208 hectares of park and woodland.

A community trust will also be set up. Initial support – both in terms of cash and assets – will come from the estate, but in time it will be led exclusively by residents.

Ex-service personnel and homeless people will be offered the chance to learn new skills, build their own homes and find employment, including learning trades, on the development project as stonemasons, plumbers, plasterers or landscape gardeners.

A lot of the ideas shaping Welborne are not new. “We travelled all over the country – to Poundbury, Bournville, Letchworth Garden City and elsewhere – to try to work out what it is that works, what doesn't work, and what it is that people value. We've unashamedly copied what we think is the best of the past and tried to put a 21st-century twist on it,” explains Thistlethwayte.

That involves a focus on sustainability and an aspiration to “future proof” the site. “We're allowing for drones and for driverless cars,” Thistlethwayte continues. “We've brought in green energy. We've built a solar park that is live now and can power between 13,000 and 16,000 houses, and we're getting rid of pylons. We're using heat pumps, creating cycle routes and encouraging the consumption of local produce.”

That includes produce from across the wider Southwick Estate, ranging from ice cream from the estate's own herd through to beer from the local brewery, thus helping to create a circular economy.

Focusing on the environmental aspect of the development also means that no off-

site biodiversity offsetting measures will be required. “What we are building will be far more biodiverse than this field of wheat,” notes Thistlethwayte.

PATIENT CAPITAL

Of course, no project of this size is without hurdles. “What I've learnt from this – as well as patience – is that you need to be committed,” points out Thistlethwayte.

“Whether you like it or not there are going to be bumps in the road and you need to be sure from the word go that you're not going to fall at the first. You either need the support early on to be able to take it the whole way through or to work with people that will be patient alongside you.”

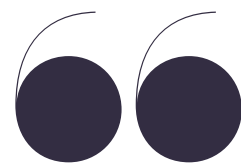
More broadly, it sets up a wider debate about how we use land to deliver housing. On paper the stewardship delivery model fits with a raft of government policies around building beautiful and green development, though it's likely that the timeframes involved jar with policymakers' obsession with housing targets.

As a result, while the number of landowners adopting a stewardship approach to development is growing, it still isn't nearly widespread enough. You need deep pockets to get over the road bump that is planning, while the current tax regime is uncertain and has numerous disincentives. Access to long-term finance is another constraint. Together, it equates to a lot of time, investment and risk before a house has even been built.

“The government has been told countless times what to do,” comments Thistlethwayte. “The answers are in the history of the most successful communities around the country. They know how to support stewardship and how to incentivise responsibility to the future, it's just a question of whether they want to listen, of whether they want to encourage long termism or not.”

LEARN MORE

Head to knightfrank.com/ruralreport to watch Mark Thistlethwayte, Oliver Knight and Charlie Dugdale in conversation.



We've unashamedly copied what we think is the best of the past and then we've tried to put a 21st-century twist on it

Mark Thistlethwayte



The new winery and visitor centre at Sandridge Barton ▲
Knight Frank's Elin Jones and head winemaker Duncan Schwab survey the newly planted vineyard at Sandridge Barton ▶

first visited the picturesque 405-acre Sandridge Barton estate on the banks of the River Dart, and its newly established vineyard, almost a decade ago. Since then, much has changed and the original vision of owner Jane Moon and her husband Andrew is close to fruition.

Looking back at the article I wrote then for *The Rural Report*, all the estate's grapes were sold to celebrated Dart Valley winemaker Sharpham Wine on the other side of the river. But I recall Jane telling me, as she proudly showed me around the vines, of her and Andrew's dream that one day Sandridge Barton would be producing wine under its own name.

A change of strategy by the trust that owned the land and premises rented by Sharpham Wine, combined with the negotiating skills of Knight Frank's Edward Dixon, who has been helping the Moons for more than ten years at Sandridge Barton, and the help of another of my colleagues, Elin Jones, means that dream is about to be realised. The estate's first own-label release is pencilled in for 2022.

A new winery, housed on the site of a former Agricultural Holdings Act tenanted dairy farm that Edward brought back in hand for the Moons, is already up and running, producing and bottling wine from the 2020 grape harvest under the Sharpham Wine brand. A visitor centre and café, housed in a converted traditional barn is due to open next spring. Vineyard safaris could also be on the menu.

Jane and Andrew had previously discussed joining forces with Sharpham Wine, but the decision by the business's landlord not to renew its lease eventually made the decision for them. "It was quite a big step, but it made perfect sense to help us fulfil our ambition," says Jane.

Chief winemaker Duncan Schwab – who first joined Sharpham Wine in 1992 and is one of the UK's most experienced winemakers – and his team, along with all their winemaking equipment and Oak the winery dog, are now firmly ensconced in the new Sandridge Barton winery, which will be able to produce around 120,000 bottles of wine each year.

The move coincides with a surge in demand for a wider variety of home-grown wine, and a new seven-acre vineyard over a limestone ridge has also just been planted that will produce Pinot Noir variety grapes.

"Much of the wine produced in the UK has traditionally been sparkling white, but we can produce really good red wines here because of the soil and climate, so that's an area where we want to expand," explains Schwab, as he gives me a tour of his newly planted vines.



Back to the Moons

Sustainability lies at the heart of ambitious future plans for a Devon wine producer.

The Rural Report journeys to the south west to discover more and find out how Knight Frank is helping with the transformation

WORDS – ANDREW SHIRLEY, PHOTOGRAPHY – JON HARE

SUSTAINABILITY

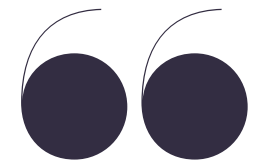
Another change for the business is a greater focus on sustainability throughout the winemaking process. "Climatic conditions make it very hard to grow grapes in the UK without using any chemicals, so we're not going to cut them out overnight," says Schwab. "But we'll be asking a lot more questions of ourselves and setting up trials to see what can work."

"We'll be getting rid of insecticides – I can live with a few wasps – and using mechanical techniques or even sheep to control weeds around the vines. We will also be working with ecology students from the nearby Dartington Trust to help measure and track our levels of biodiversity."

The winery itself is solar powered and supplied with water from its own spring. All the waste material from the winemaking process then goes through a bio-bubble digester. "We are very self-sufficient here," points out Schwab. "We don't want to just talk about doing good, we actually want to do it."

Younger drinkers are increasingly interested in how their wine has been produced and there is growing demand for so called "living" or "natural" wines, says Schwab.

"To ensure consistency, a lot of big winemakers around the world will basically create something that they can strip down and rebuild to their exact specifications in terms of acidity and the like, but they are boring and sterile. Wines that are more natural have a lot more life to them. You ▶



We don't want to just talk about doing good, we actually want to do it

Duncan Schwab



▲ The new winery will be able to produce 120,000 bottles a year

may not be able to create exactly the same wine each year, but I don't mind that. I'm happy to have a variety of vintages over different years."

UNSUNG HEROES

I mentioned Elin Jones earlier, another crucial player in the transformation of Sandridge Barton from grape-growing estate to fully fledged winemaker and visitor attraction. Elin is a chartered accountant in Knight Frank's Rural Asset Management team, who specialises in helping businesses manage change. Her role usually takes place, unsung, behind the scenes, but she is a crucial part of the process.

In the case of the Sandridge Barton expansion, Elin, who also helped the filmmaker and entrepreneur Guy Ritchie with his Gritchie Brewery project, introduced online accounting and reporting systems that helped with the integration of Sharpham Wine into the existing estate, as well as streamlining their wider financial systems.

"It is very useful to work with an advisor who can offer this level of service," says Jane Moon. "A lot of rural consultants will

have lots of good ideas, but aren't always able to facilitate them and make them happen."

As estates face a growing number of challenges, Elin tells me her role is becoming increasingly important. "You'd be amazed at how many rural businesses are still recording everything manually or with spreadsheets that don't always capture a live picture. It makes it very difficult to react quickly to any new opportunities that may arise if you don't have the right systems in place."

The Covid-19 pandemic has also highlighted the importance of being properly connected, adds Elin. "With so many people working from home or remotely, it's really crucial they all have easy access to the information they need. Without that, it's very difficult to make sensible or informed decisions, particularly for owners like the Moons who live elsewhere for much of the time."

After my first trip here a decade ago it's been fascinating to revisit Sandridge Barton to see how the estate has developed. Given all the exciting plans, I'm going to make sure I come back a little bit sooner next time to sample a new era of Devon wine.

Much of the wine produced in the UK has traditionally been sparkling white, but we can produce really good red wines here

Duncan Schwab

LEARN MORE
sharpham.com/sandridge-barton-wines



Into the storm

The Rural Report finds out how Knight Frank helped a Welsh renewable energy business transform a disused airfield into a hub of sustainable innovation

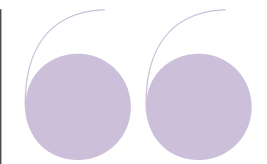
WORDS – PATRICK GOWER

Parc Stormy has been many things. Between 1939 and 1945, the land near Porthcawl in south Wales, then known as Stormy Down, was an RAF air base. More than 10,000 Allied air crew were trained on the site before fighting in World War Two. In the decades that followed, the land fell into disuse, only showing signs of life during occasional markets and car boot sales. Between 1990 and 2005, a go-cart track roared from inside one of the large hangers.

That began to change in 2007 when Parc Stormy was acquired by renewable energy infrastructure company Cenin Renewables.

The company began building a cluster of interconnected renewable energy technologies on the site, which now spans wind and solar generation, anaerobic digestion and ultra-low-carbon cement production. Knight Frank has worked with the owners from the beginning, says David Goatman, head of the company's Energy, Sustainability and Natural Resources unit.

"Right from the start, a lot of effort went into working out what technologies would work well together on the site," Goatman says. "That included modelling all the different revenue streams, the capital expenditure



You can often create more value if you look at bringing together different technologies

David Goatman

when it was required, and aligning pressure on the grid connection."

The park really began to take shape in 2011, when Cenin invested in a photovoltaic solar plant. At the time, the plant was the largest solar array in Wales, with a maximum generating capacity of 735 kilowatts. In 2015, the company commissioned a 1.5 megawatt Vensys 77 wind turbine, then in 2015 Solcer House was built.

Solcer House is effectively an energy-positive concept building of the future. The house is capable of exporting more energy to the national electricity grid than it uses, in an attempt to meet tough new targets for zero carbon housing, according to researchers at Cardiff University.

Solcer House's unique systems approach to design combines, for the first time, renewable energy supply, thermal and electrical energy storage, and reduced energy demand to create an energy-positive house at an affordable cost.

Since the house was built, Cenin has added an anaerobic digestion plant and a Tesla grid frequency-balancing battery. In 2019, the company received approval to build a commercial vehicle EV charging depot.

"The site is truly unique in the sense you don't normally find this tech on the same site owned by one party," says Goatman. "Most recently we advised on the sale of the three most mature assets, so it is fantastic to see parts of the project fully built out, enabling Cenin to recycle that capital."

The project proves what's possible for landowners willing to consider a multitude of green technologies. Though mature, sustainable additions like solar may be the most well-known option for farmers seeking to diversify their revenue streams, innovation is moving at such a pace that it's important consider what else might be possible, explains Goatman.

"It's important that our landowning clients look holistically at their options," he adds. "You can often create more value if you look at bringing together different technologies."

▼ Knight Frank's Tom Heathcote makes a point to colleague Alastair Paul and Estate CEO Tom Duffin



Green capital

Knight Frank's Rural Asset Management team is helping a large farming estate to assess its natural capital options. *The Rural Report* shares some of the findings

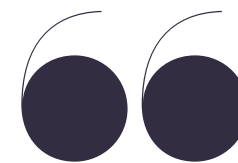
WORDS - ANDREW SHIRLEY, PHOTOGRAPHY - TIM SCRIVENER

Environment, social and governance (ESG) is not a new bandwagon to jump on for the Pilkington Farms Partnership, which has been farming in Hertfordshire and Yorkshire for five generations of the family.

"The ethos of the estate has always been to farm the land properly, but in a way that goes hand in hand with the environment," says estate CEO Tom Duffin as we walk around Offley Hoo Farm, near Hitchin, with owner Richard Pilkington.

"I have always maintained that you can farm commercially without degrading the environment," agrees Mr Pilkington. "We were one of the first farms to join the Higher Level Stewardship scheme and we focus a huge amount of effort on improving our soil by adding lots and lots of green waste and manure."

However, he has mixed feelings about the environmental schemes the estate was involved with in the past. "I did find it ridiculous that we were being paid not to farm some of our land. And I think we've



The ethos of the estate has always been to farm hand in hand with the environment

Tom Duffin

actually seen more wildlife here since we left some of the schemes." There is certainly plenty of insect life: the estate is home to over 2 million honey bees.

With the farming business able to stand on its feet without subsidy payments, the loss of the Basic Payment Scheme post-Brexit is not weighing too heavily on Mr Pilkington's shoulders, but he has been eager to discover more about the government's new initiatives to deliver "public goods" in return for "public money".

Alastair Paul and colleague Tom Heathcote were asked to look at the options. "First on the list was biodiversity net gain," says Alastair. "The estate sits in a sweet spot that pretty much links three large local towns and an airport so there are a lot of potential development opportunities."

A detailed study showed that it would be relatively easy to offset any future developments within the actual site. "You'd have to really wind up the housing density before you'd need to look elsewhere for offsetting," says Alastair.

Providing land for other developments to offset their biodiversity losses was also

considered, but passing on long-term obligations to the next generation didn't really appeal to the owners, Alastair notes. "It would probably be better to buy a piece of lower-quality 'sacrificial' land and use it to house net gain obligations," he says.

With biodiversity net gain looking less attractive, the next stage of the plan is to investigate the potential for carbon offsetting. The most obvious route at the moment is to plant more trees, but Richard Pilkington believes it doesn't make sense to do this on quality arable land. "To get the economics right on tree planting you've got to be in at £2,500 an acre for the naked land."

So instead, Knight Frank's Tom Heathcote is in the early stages of evaluating a bespoke arable carbon sequestration scheme, possibly based around break and perennial crops such as miscanthus. Once certified, this would enable the estate to generate and sell create carbon credits.

The estate is now working towards becoming carbon positive (i.e. sequestering more carbon than it produces) and Tom Heathcote believes that carbon credits from a carbon-positive organisation will attract a premium when sold.

"I think there could be a real demand from local businesses with deep roots in their communities who want to offset locally," he says. "But it is important to work out how your own farming business can reach net zero before selling all your credits to other people."

"What we really want to do is understand the situation in good time before wider carbon markets develop," says Tom Duffin. "We want to stay just ahead of the curve. That's what we were trying to do here on the estate long before everybody started talking about ESG."



PFP in numbers

- LOCATION**
Hertfordshire and Yorkshire
- LENGTH OF OWNERSHIP**
5 generations
- TOTAL AREA**
10,000 acres
- IN-HAND FARMED AREA**
4,000 acres
- ARABLE**
3,000 acres
- GRASS**
1,000 acres
- WOODLAND**
650 acres
- MOORLAND**
3,500 acres
- RESIDENTIAL UNITS**
150
- COMMERCIAL UNITS**
200
- NUMBER OF STAFF**
18



One tree at a time

How Knight Frank is helping Enfield Council reimagine and reforest parts of its rural portfolio in an ambitious fight against climate change

WORDS – PATRICK GOWER
MAPPING – MIKE DENICOLAI

Enfield has big green ambitions. The north London borough is aiming to plant 100,000 trees by 2022, a goal that would increase the number of trees in the borough by a remarkable 35%, according to Knight Frank’s geospatial analysis of Bluesky International data. In order to succeed, the council is seeking to bring together a large tapestry of stakeholders in pursuit of a common goal.

The council’s long-term vision “is to become the greenest borough in London at the heart of the capital’s new national park”, according to the borough’s draft strategy to maintain and enhance its parks, rivers, lakes, gardens and woodlands, published in November 2020. “Over the next ten years, we aim to create more publicly accessible green spaces and areas of woodland than anywhere else in London.”

Enfield’s plan is perhaps the most ambitious of any local authority. However, its strategy fits with a wider national push to radically increase tree planting as part of a range of measures aimed at tackling climate change. The UK’s independent advisor, the Climate Change Committee, has recommended the nation should be aiming to plant around 30,000 hectares of new woodland in the UK every year until 2050, equivalent to nearly a million hectares over the next 30 years. The potential rewards are huge: doing so could absorb approximately 10% of residual greenhouse gas emissions.

For Enfield, the project started with more simple ambitions – as a way to better

manage flood risk, which has created problems in the borough. Rain that settles on leaves evaporates, so less water reaches the ground. The water that does reach the ground does so more slowly through tree cover as rainfall is absorbed into the trees’ structure and root system. Because much of the borough’s potential tree-planting land is part of its tenanted farms’ estate, the council asked Knight Frank for help.

“That sets the tone, because we know the portfolio in great detail as we manage the existing tenancies,” says James Shepherd of Knight Frank’s Rural Asset Management team. “The big priority was getting the team the land to work with, because though the borough owns it, they didn’t have the automatic right to use it because it was tenanted.”

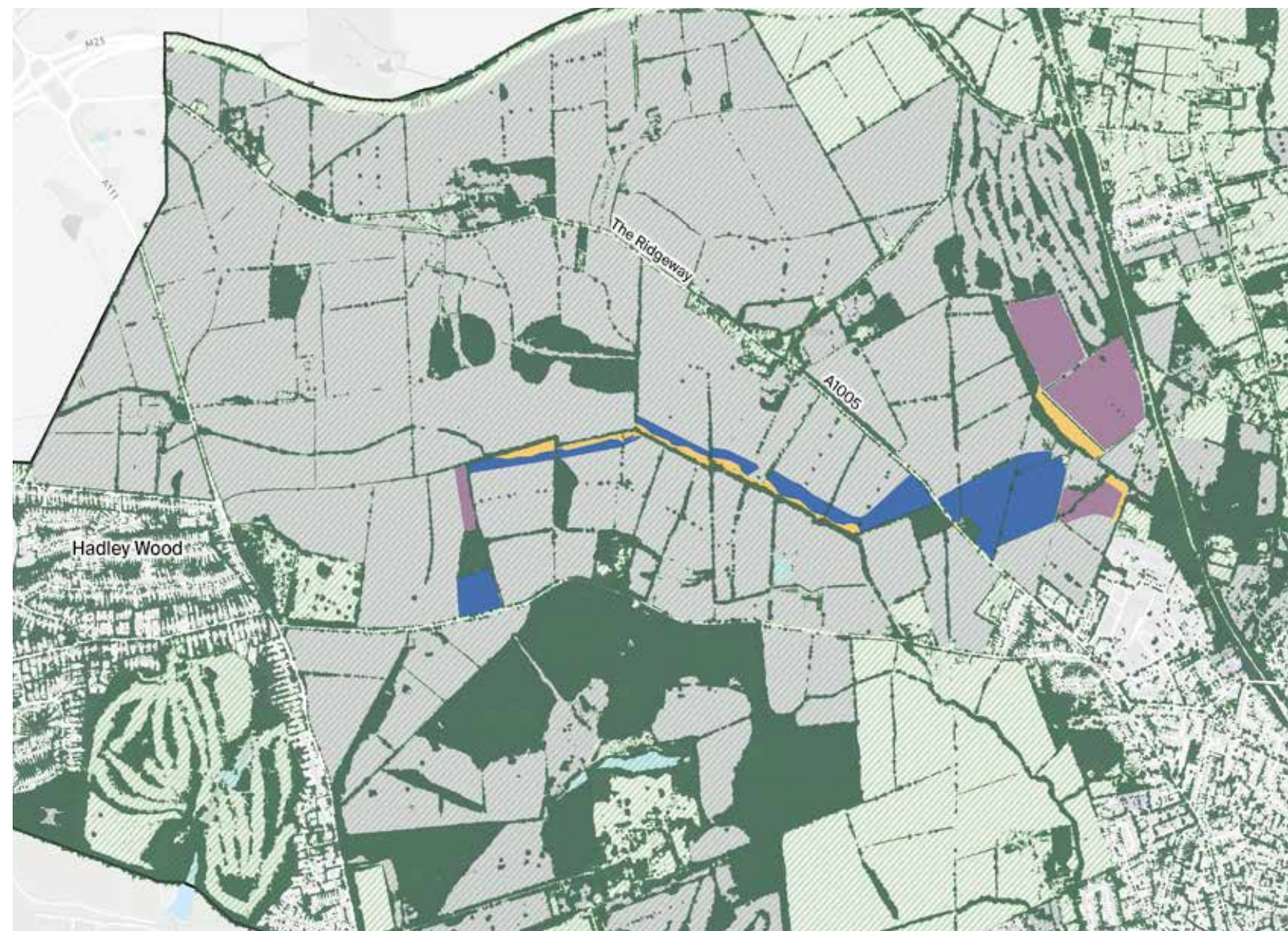
The tree planting plan began to expand in 2019, when Enfield Council declared a climate emergency. In July 2020 the council published its climate emergency action plan, by which point its ambitions had grown to planting 100,000 trees by 2022.

The project reached such a scale that it required a council cabinet decision, which was informed by Knight Frank’s advice outlining the impact of the project on council assets. This included the income receivable, the capital value of the portfolio, plus strategies for engaging with tenants and stakeholders to minimise disruption.

Crucial funding also arrived from the Mayor of London, Enfield Council and the Forestry Commission. In December, the Enfield Chase Woodland Restoration Project

Councils have the funds and the overarching need and desire to use them politically to deliver more public good
James Shepherd, Knight Frank

- Current canopy cover
- Enfield Woodland Carbon Fund – Year 1 planting
- Enfield Woodland Carbon Fund – Year 2 planting
- Associated areas of natural regeneration
- Council-owned land
- Green belt
- Borough boundary



35%
THE INCREASE IN THE NUMBER OF TREES IN ENFIELD IF THE COUNCIL HITS ITS TARGET OF PLANTING 100,000 BY 2022

was also granted £679,000 by Defra, as one of the first environmental projects awarded a grant from the £80 million Green Recovery Challenge Fund.

“Funding enabled us to approach tenants with a more attractive offer,” says James. “Even so, the process remained complex, and included identifying the right approach for each area of the portfolio, depending on the nature of the tenancy.”

Using the reclaimed land, the council has planted 50,000 trees in the last 18 months and is well on the way to hitting its targets. The planting is being delivered by volunteers in partnership with Thames21.

The project will make “a massive contribution to Enfield Council’s plans to make the borough net carbon neutral by 2040,” according to Enfield Council’s Deputy Leader, Councillor Ian Barnes.

Enfield is now a trailblazer in rewilding and tree planting. The successful model is likely to be adopted by other councils, many of which are adopting ambitious net zero targets between 2030 and 2050.

“More councils are starting to wake up to the opportunity, because they have the funds and the overarching need and desire to use them politically to deliver more public good,” says James. “And this isn’t just about tree planting. Rather, it’s about achieving multiple public goods, such as habitat creation, flood management, offsetting carbon and utilising land so it can be enjoyed and appreciated by the community.”

Using data from Bluesky International’s National Tree Map, Knight Frank Geospatial is able to quantify current tree and canopy cover, visualise Enfield’s tree planting programme and identify suitable areas of land for future rewilding.

The more people understand the food production on their doorstep, the better chance we have of people wanting to buy British

James Thompson

Need to know

Throughout this edition of *The Rural Report* we have tackled the big issue of ESG. On these pages, Knight Frank's rural property experts drill down to look at some of the more specific opportunities, challenges and issues – from staff accommodation to community farms – that could influence the decisions property owners need to take over the rest of 2021 and beyond



GREENING HOMES, THE RIGHT WAY

Climate change has become a significant concern for all of our clients and it continues to be a confusing area for homeowners. Regulation can be fluid and there is an abundance of conflicting ideas and opinions.

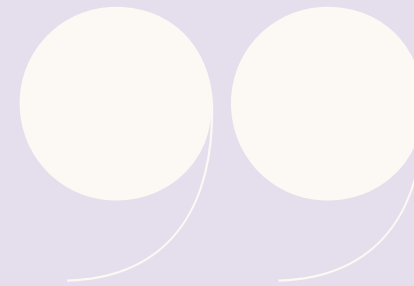
If you're considering a renovation or refurbishment, make sure you speak to your project manager or building consultant at the earliest opportunity to establish what systems you can incorporate. The effectiveness of sustainable solutions will depend on what is right for your property and lifestyle.

Solar PV panels, for example, are becoming increasingly popular, but they aren't right for all homes. Some sustainable systems won't cope with the usage of a busy family household and can end up being more costly for owners and the environment.

Listed and heritage homes present a particularly interesting opportunity and, contrary to popular belief, there's still plenty owners can do to ease their carbon footprint. For larger country homes, electric charging bays for landscaping, farm and maintenance vehicles is increasingly commonplace. Producing energy for all this presents challenges for the National Grid, so we also advise on the development of alternative forms of electricity generation.

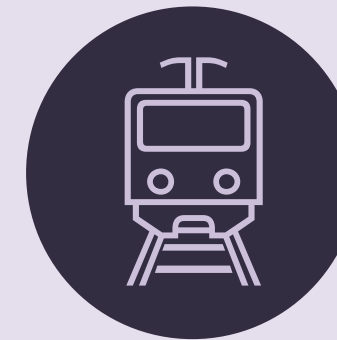
The government's Heat and Building Strategy should be published in the near future and is expected to lay out a timeline for the removal of fossil fuels from the rural heat fuel mix within the next ten years. While that is a short timeframe, it will give us something to plan towards.

—James Carter-Brown, Head of Building Consultancy, and Robert Blake, Head of Private Residential Consultancy



Climate change has become a significant concern for all of our clients

James Carter-Brown



HS2 AND THE BATTLE FOR LAND

Relations between landowners and the controversial High Speed 2 (HS2) project are reaching new lows as the infrastructure project gears up to increase the pace at which it acquires land.

When the High Speed Rail Phase 1 Bill was being scrutinised by parliament, a key concession negotiated by the NFU and the CLA was an undertaking that the minimum amount of land needed for the scheme would be acquired. Anything else would be occupied only on a temporary basis.

Despite project organisers in some cases taking significant areas, landowners have known that possession of the land would soon be returned once HS2 has finished with it. That is about to change with the arrival of the End of Powers project.

The HS2 design process is not yet complete, so it is not clear exactly how much land will be needed, but its powers to acquire land permanently will soon expire. The solution is to act defensively and take a great deal of land, and resolve what it is not needed later.

The effects on some landowners may be devastating. While we understand that any areas not needed in the long term will be offered back, there is no indication as to when that will be. Some plans include the permanent acquisition of land where only easements or right of ways are needed, and taking these could create huge landlocked areas. Compensation negotiations are set to be interesting.

—Jonathan Scott-Smith, Compulsory Purchase & Compensation

WELSH WATER RISK

New water quality regulations seeking to minimise nitrate pollution from agricultural activities were introduced across Wales on 1 April this year, despite fierce criticism from the farming industry.

The proposals, which will be phased in over three-and-a-half years, make the whole of Wales a Nitrate Vulnerable Zone (NVZ) – effectively an environmental “at risk” zone. The resulting rules limit the use of slurry and fertiliser on farmland in an attempt to tackle river pollution and NFU Cymru has launched a legal challenge, warning that the regulations are “heavy and disproportionate”.

There are practical and financial implications for farmers to consider. If farmers don't have a manure store that is likely to comply within three-and-a-half years then they will need to invest, and the capital outlay can be significant.

From a practical view, if you can no longer spread manure in the way you currently do, you may need to change your system of farming, or even reduce stock levels to comply. It's also worth noting that responsibility lies with the individual doing the farming, so landlords are not obliged to engage in the overhauls.

—Edward Holloway, Rural Asset Management





THE VALUE OF COMMUNITY FARMS

The direction of travel has been clear since the Agriculture Bill became law last year – we are moving away from direct subsidy support to be aligned with “public money for public goods”. This will put community at its heart, and there are few better ways of engaging with the public than community farming.

The public good in community farming is clear, and that will secure vital funding. However, the benefits of the movement go beyond funding. By engaging with a local farm, communities get a better understanding of important concepts, such as where their food really comes from. It solidifies a better understanding of food miles and carbon offsetting, and encourages people to engage with British food.

Crucially, people are able to enjoy the countryside. Our village runs its own organisation called the Wye Community Farm. There are 500 people involved out of a village of 2,500. The level of engagement is interesting and encouraging. We also have a community Facebook page where local farmers often post comments and photos, so people feel a connection with the surrounding farmland – they can see where their next loaves of bread will come from.

The more people understand the food production on their doorstep, the better chance we have of people wanting to buy British, while understanding the impact of buying meat produced 3,000 miles away.

—James Thompson,
Head of Consultancy

With incomes across the industry under pressure, the push for diversification is more important than ever

John Williams



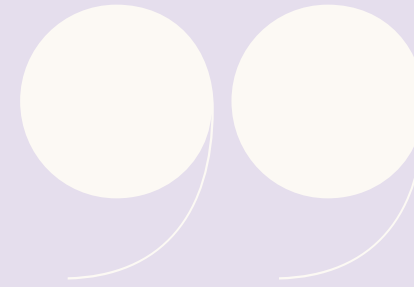
TIGHTENING RULES ON WORKERS' ACCOMMODATION

Farmworkers who live in accommodation provided by their employers have faced extra tax charges since April 2021, after HMRC tightened the rules on exemptions.

These changes allow employees to be taxed as a benefit in kind if the accommodation isn't absolutely central to their role. It can be tempting for busy farmers and landowners to let these issues slide down the list of priorities, however HMRC is giving much greater scrutiny to these issues and will need a solid, evidence-based argument as to why exemptions from the tax have been granted.

The wider impact is likely to be a shift in how compensation packages are structured, particularly for chief executives, resident agents and other workers that would usually live on the estate, but wouldn't be considered essential by HMRC.

—Christopher Terrett,
Rural Asset Management



The effects on some landowners may be devastating

Jonathan Scott-Smith



CHANGING SPACES FOR CHANGING NEEDS

The government has recognised that regulations need to enable a repurposing of buildings on high streets, town centres and rural locations if their vibrancy is to be retained. Officials have sought to do that by consolidating a number of use classes into a single class – Class E.

The class allows a building to be used flexibly by having a number of uses taking place concurrently or at different times of the day. Crucially, changes of

CAR PARKING AS A REVENUE STREAM

With incomes across the industry under pressure, the push for diversification is more important than ever. Farms and estates often include areas that are utilised for free parking that could be converted into a revenue stream.

It's common and understandable that local people may push back against paying for parking they are used to getting for free. However, with the right stakeholder engagement it's possible to communicate the benefits everybody gets from investing, to



ensure land is well kept, particularly due to the growing number of people visiting the countryside as a result of the Covid-19 pandemic.

Knight Frank works with third-party consultants that install digital systems to run and manage car parks at their own cost, with the landowner keeping all of the earnings from those paying to use the car park. The third-party companies ensure relevant signage is in place, ensure the surface is correct and boundaries are properly identified.

—John Williams,
Rural Asset Management



Landowners are increasingly seeking to diversify revenue streams

Tom Stanley

use within this use class do not need planning permission.

The move comes at a critical time for the rural economy. Landowners are increasingly seeking to diversify revenue streams, and they can now react to changing demands for space. Farm shops, for example, could be converted into flexible working space, tapping into requirements from consumers that wish to work closer to home without the distractions of being at home.

—Tom Stanley,
Land & Planning

GET IN TOUCH

If you would like to contact any of our experts please email firstname.surname@knightfrank.com or turn the page for more contact details.



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Key contacts

We can advise on all aspects of rural property ownership. Our principal service lines and the relevant contacts are listed here. Find out more at knightfrank.co.uk

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Our dedicated team of advisors cover renewables, energy storage, waste and minerals.

In this fast moving sector it is crucial to have the right advice across consultancy, valuation and transactions.

We review landholdings of all sizes to unlock new income streams and to help optimise our clients' estates for decarbonisation and the growth of ESG.

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