



rural property specialists

RURAL BRIEFING

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@BCM_LLIP



Welcome to the first edition of our new *BCM Rural Briefing*, a snapshot of our view of the rural world generally, our business, and developments moving forward

As we move into the second half of 2017, endless column inches continue to be dedicated to Brexit, Trump, and the world order. To completely cloud any certainty going forward, we now have the General Election outcome of a hung Parliament.

A possible welcome outcome is the appointment of Michael Gove as Secretary of State at DEFRA - he has committed to put food producers at the heart of Government policy-making as the UK readies for Brexit. However, time will tell how long he or his party can maintain a mandate to deliver this commitment or indeed quite what this 'commitment' is going to entail for farmers and landowners.

Every time we set foot on a client's farm, the question inevitably arises as to the position going forward. It is impossible to know at this stage how the rural economy will look over the next five years. What is certain is that it will look very different!

A vast amount of energy is being wasted trying to guess where these enormously complex Brexit negotiations will end up; and that is even before we consider the propensity for economic and wider relationships to break down as the current system unravels. We feel this activity is best left to the rural lobbyists and our cry to them would be to unify in pursuit of a prosperous and sustainable rural world moving forward.

The short term effect of the fall in value of sterling has led to a welcome boost to farm income in terms of commodity prices and an increased BPS cheque. This has been further bolstered (at last) by an improvement in milk prices. The current tricky harvest will not help matters financially.

Post-Brexit agricultural income from subsidy payments may be greatly reduced, with likely redirection of aid geographically. The environment and natural capital will come to the fore and payments are unlikely to be receivable purely for traditional "farming". It now seems certain that 'Plan Gove' will entail significant commitment from farmers in terms of delivering specific measurable environmental and wider benefits.

Once specific proposals are drawn up, enabling legislation will have to go through the UK parliament and whilst we must all continue to strive to make sure the rural voice is heard, such issues have not in recent times featured prominently in overall decision making coming out of Westminster. However, what we are already seeing is that scrutiny of the current regime will lead to calls for a widening focus in terms of the current fiscal 'benefits' farmers and land owners receive and clearly there is a definite risk these may be eroded as part of the current review.

Meanwhile, as a business, we continue to grow in terms of service offering and our overall team with a number of significant promotions and new members to our team. Despite the wider uncertainty, we remain cheerfully and resolutely concentrated on serving our clients' rural needs in an energetic, informed, and diligent manner.

I hope you enjoy the read.

IAIN CURRY
Senior Partner
Rural Consultancy



“ THE ENVIRONMENT AND NATURAL CAPITAL WILL COME TO THE FORE AND PAYMENTS ARE UNLIKELY TO BE RECEIVABLE PURELY FOR TRADITIONAL 'FARMING' ”



Farmland market largely unaffected by changes in political landscape

Despite the momentous changes in the political and wider landscape, in general the market for farms and farmland has remained remarkably unaffected, including post the General Election. This in itself is a clear indicator of what drives the market - concepts of “an asset you can kick”, “they do not make any more of it” and “gold with a coupon” are often trotted out, but they remain as true today as they ever were.

We are proud to have acted for buyers or sellers in a large proportion of the farmland sales that were carried out in our region recently. A number

of the deals featured bare arable prices well in excess of £10,000 per acre, with some exceeding £14,000 per acre. However, it would be totally false to suggest that all land in southern England is worth more than £10,000 per acre and the values remain extremely location specific. A couple of miles can literally make all the difference.

A number of farms came onto the market (not via BCM) and were then withdrawn having not found a buyer. Often the cause has been an initial overpricing emasculating the marketing impact from the outset.

You need be certain your agent fully knows the local and wider markets and can advise you on the most appropriate marketing strategy and lotting to set the tone for the campaign from the word go.

There are inevitably potential headwinds on the horizon and questions over the tax treatment of farmland and the valuation impact of reduced subsidy income continue to be raised. However, in our area income from the farm in question is rarely a main driving force for non-farmer buyers. Farmer buyers will always think about the largely cyclical nature of farming. Meanwhile, the availability of

historically cheap agricultural loan finance and farmers with development rollover money continue to bolster demand for farms and land. We are also seeing a resurgence of foreign buyers into the market, driven by exchange rates and the concept of UK farmland as a safe haven for investment.

An increasing number of developers want to buy farmsteads and the like, with land, for housing, with some London-centric developers now moving into our market as they see better returns here than in central London.

We remain confident over the land market going forward and expect to see continued demand. Inevitably, the political and economic climate could throw up factors which

impact the land market, but that is true of any asset. At the moment the safe nature of the asset continues to drive demand.

In the spring we launched a varied mix of properties onto the market.

Highlights include

- a 600 acre farm in north Hampshire, sale now agreed
- more than 680 yards of double bank and almost 190 yards of single bank fishing south of Stockbridge on the River Test, sale now agreed
- an oil well producing a very healthy annual rental income close to Sutton Scotney, sale now agreed
- Houghton Farm Yard, a redundant farmyard near Stockbridge where we achieved planning consent for 13 dwellings, marketed as a development site, sale now agreed

We continue to see strong private off-market demand from buyers seeking substantial farms and estates in our area.

“ We continue to see strong private off-market demand from buyers seeking substantial farms and estates in our area ”

HENRY McCOWEN
Partner
Rural Consultancy



TEST VALLEY, HAMPSHIRE

Grade II listed farmhouse, outbuildings, farm buildings, three bungalows. In all about 588 acres

SOLD



SOUTH DOWNS, HAMPSHIRE

Arable farm with 6 bedroom farmhouse, 5 further dwellings and farm buildings. In all about 670 acres

PURCHASED



ALRESFORD, HAMPSHIRE

Arable farm with farmhouse, four further dwellings and farm buildings. In all about 202 acres

SOLD



DORCHESTER, DORSET

*Commercial mixed farms.
In all about 880 acres*

PURCHASED



SOUTH DOWNS, HAMPSHIRE

200 acres of arable land

SOLD PRIVATELY



NEWPORT, ISLE OF WIGHT

In all about 407 acres arable and grass land with three farm buildings

SOLD



HOUGHTON, HAMPSHIRE

*Rural residential development opportunity with planning consent for 13 dwellings.
In all about 2 acres*

SOLD STC



STOCKBRIDGE, HAMPSHIRE

*First class fishing on the River Test.
In all about 682 yards double bank and 189 yards single bank.*

SOLD STC



CARISBROOKE, ISLE OF WIGHT

Residential and commercial arable farm including farmhouse and range of farm buildings. In all about 267 acres

SOLD



ALRESFORD, HAMPSHIRE

50 acres of watercress beds and pasture land for retained estate client

PURCHASED PRIVATELY

REPORTED DEMISE OF SOME LETTINGS PROPERTIES “GREATLY EXAGGERATED”

Landlords can ill afford to be complacent about the approaching deadline for Minimum Energy Efficiency Standards (MEES) for properties in the residential sector.

But reports of the death of properties with EPC ratings in Bands F and G are being greatly exaggerated.

There have been many comments lately about the impending impossibility of letting residential properties in Bands F and G after April 1 next year but the situation needs clarifying to avoid landlord panic.

The new regulations only come into effect for new tenancies on or after April 1 next year and existing tenancies remain outside the scope of any changes for another two years from that date.

It's true there's a great deal of confusion about MEES and how it applies to older homes but at present the Government is clear that listed buildings are exempt although that is enshrined in advice rather than legislation.

We support the CLA's call for the Government to give unequivocal exempted status to listed buildings in law but until that happens we must continue within the existing framework.

An important feature of the current situation is the possibility to claim an exemption in specific circumstances. The exemptions register is due to open no later than October 1 this year and I would urge all affected landlords to consider using it as an option to apply for a 5 year exemption certificate, although only as a temporary stopgap.

It is suggested in some quarters that by 2026 the MEES for residential lettings will be Band C. With that in mind, all landlords should continue to monitor developments in energy efficiency and review how they can be applied to existing properties.

It is common sense to invest in upgrades to properties wherever possible, even though they are no longer tax allowable. Protecting the asset value should have prime importance.

It is also worth bearing in mind that no Government will risk

removing possibly hundreds of thousands of properties from the residential lettings market at a time when there is huge pressure for more homes, especially in rural areas where much of the current housing stock struggles within the MEES framework.

Even so, landlords should look to review their EPCs, many of which are almost a decade old, and consider whether or not a new assessment that takes account of improvements made since the original survey will help relieve pressure by placing the property in a higher EPC band.

It is worth remembering that only recommendations, given on the EPC, covered by the Government's green deal finance are deemed relevant. Moreover, if the landlord has a written opinion from a 'relevant person' (surveyor) advising that an improvement is "inappropriate due to its potential negative impact on the fabric and structure of the domestic property"; it can be disregarded. In most cases, the remainder of improvements required are low cost and seem logical actions to take.

Owners of commercial property need to be aware as the new legislation also affects them. They need to make sure that from April 1, 2018, no new tenancies or re-grants to existing tenants take place on properties with an EPC below E and from April 1, 2023, they can't let the property to anyone at all if the EPC is below an E. There are exemptions, and the register for these is already open, but owners should take advice on how to progress. The same procedure of whether recommendations are seen as 'relevant energy efficiency improvements' can be taken from residential properties.



ANDREW BAYS
Partner
Rural Consultancy



COASTAL PATH 'SPREADING ROOM' COULD ERODE LANDOWNER'S RIGHTS



JAMES ATTRILL
Partner
Rural Consultancy

The potentially heavy impact of proposals for a new coastal path on the Isle of Wight have been highlighted at a special seminar organised jointly by the CLA with rural property specialists BCM.

As a BCM partner and president of the CLA's Isle of Wight branch we considered it important to examine Natural England's proposals for the new coastal path on the Isle of Wight and show how this new coastal path and the 'spreading room' that comes with it has the potential to impact heavily on coastal property owners. All those affected must engage with the process before it is too late.

Attended by CLA members and BCM clients, the joint Coastal Access Seminar examined Natural England's proposals for the new coastal path on the Isle of Wight. Belinda Walters, the CLA's Regional Director for the Isle of Wight, Sarah Slade, the CLA's National Access Advisor, and James Attrill led the round table event.

Sarah Slade, the CLA's National Access Advisor, presented an overview of the proposals being put forward under the Marine and Coastal Access Act 2009, as well as the process involved. Attendees were then given a chance to discuss their property and potential issues with Sarah directly.

Sarah Slade told the audience: "In our work across the country we see how coastal access is being implemented and this provides useful knowledge and experience which we can use to help CLA members understand how coastal access might affect their own situations. We are seeing, in particular, different types of solutions – according to circumstance – for estuaries,

parcs, and areas of high environmental importance."

Spreading room secures a margin of land associated with the path and where the path does not run along the coastline some land between the path and the coast will be designated as spreading room.

The land will be considered open access for the public to enjoy as they see fit, but this does not include camping or caravanning.

Arable land and domestic gardens gain exemptions but permanent pasture or amenity land does not. There will be temporary exemptions for fields containing calving cattle or bulls, but in principle the arrival of the coastal path will mean that members of the public can enter non-exempted land for the purposes of enjoyment, either in conjunction with access to the coast or otherwise.

Where the coast is subject to erosion, there is a new principle of "roll-back" - this means that should the path become unusable due to erosion, the path will move with the coastline to the next most appropriate route, taking into account natural or man-made features such as housing.

Letters to landowners and tenants will be issued by Natural England in July to make them aware of the process.

If you would like to discuss how the proposals may affect you, contact me at BCM.



ALASTAIR WILSON
Partner
Rural Consultancy

LOW INTEREST RATES BRING PLENTY OF INTEREST TO FARMERS

We continue to build and grow our valuation facility at BCM and are now proud to be appointed valuers for a wide number of major clearing banks and the AMC

As we are living in times of what many believe to be historically low interest rates, we have been busy on behalf of clients securing finance either to improve the infrastructure on existing farms, to purchase more land, or to consolidate credit arrangements generally.

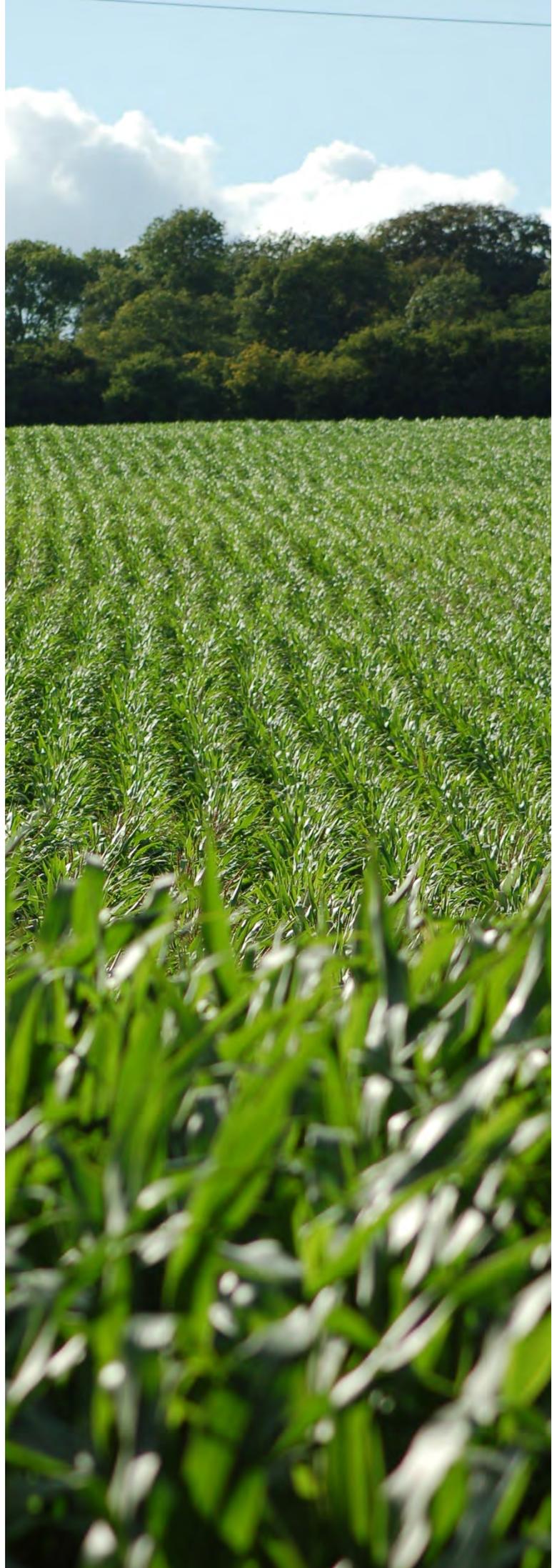
This can be an extremely important exercise and can yield significant gains in terms of improved loan terms. The ability for farmers to leverage their asset which is still of significant value can also facilitate investment off farm.

Whilst some lenders do not support borrowing for non-agricultural purposes, many of the major clearing banks will.

In a family situation it is often attractive for land owners to look to purchase off-farm assets to yield off-farm income streams as, where perhaps one of the next generation is going to go into farming, this can provide alternative income after generational change. This alternative income can also be viewed as a hedge against future agricultural income and the possibility this may fall over time.

Generational change and succession, as the principal farming members of the family or partnership grow older, is often addressed only reluctantly.

It's an issue to which we will return in future editions of BCM Rural Briefing - we are well-placed to advise on this and have already undertaken the neutral chairmanship of farming partnership and other meetings, enabling us to see all sides of a discussion, analyse the content, and recommend a way forward to suit all parties.



STRESS TEST & REVIEW FOR AN UNCERTAIN FUTURE (AKA FASTEN YOUR SEATBELTS)



ANDREW BAYS
Partner
Rural Consultancy

Whilst no one can predict what the rural world is going to look like in terms of rural support and future trade deals post Brexit, businesses can take various obvious themes and use those to stress test their existing enterprises to ensure measures are taken to allow farms and estates to try and optimise resilience and profitability moving forward.

We also believe clients should use what might prove to be relatively benign times now to “fix the roof while the sun is shining”.

The surprising hung parliament result adds another dynamic to the whole picture. Albeit the Conservatives maintain a majority, the prospect of a Labour controlled government must now be greater than previously thought.

BREXIT

Turning to the more immediate and tangible concerns of Brexit, we see *certainty* in substantial changes to the current CAP support mechanisms and *strong probability* that the money received by most businesses in lowland England being substantially reduced unless there are significant changes to farming systems. The precise timing of these events remains to be seen.

This decrease in income could, for some sectors, herald a perfect storm in terms of profitability when viewed in tandem with the risk that undoing existing EU trade agreements may have some dire consequences for certain commodity prices.

Notwithstanding this, there will undoubtedly be considerable opportunities as change, in our experience, always brings opportunities. This represents the best chance the agricultural industry has had for decades to reset the way the food we consume is grown and distributed; and there may well be significant challenges to the current norm.

STRESS TEST & PLAN NOW

So, while many of our clients subscribe to the Churchillian edict to “keep bugging on” (a view we have considerable sympathy with), we are advising our clients to review their businesses as follows:

- ◆ Analyse current income streams and stress test businesses for a dramatic fall in current BPS income. This includes analysis of current rental income from farmland as a significant proportion of this is in effect supported by the current BPS regime.
- ◆ Take all steps to make businesses as robust as possible in the present climate through actions such as consolidation of current borrowings to lock into present favourable interest rates and using farming joint ventures to ensure top quartile performance on land farmed in-hand.
- ◆ Continue to review diversification and development opportunities. The government continue to espouse their intention to “fix the broken housing market” (although the efficacy of their intent will only be judged over time). Consider other alternative sources of income such as;
 - local generation and storage of power
 - tourism and leisure
 - natural capital opportunities
 - green space mitigation
 - other emerging and innovative rural income streams
- ◆ Continue to review the next generation strategy to minimise financial pressure on farms and estates when the inevitable generational change event occurs. Changes in the income profile received from the wider farm and estate business may interact with existing tax planning advice and this will need ongoing review to make sure certain assumptions still hold true in the wider business context.

Whilst the drivers of these reviews are the clear concern of imminent and substantial change to farm and estate businesses, it is interesting how often the net result of the process is both positive and invigorating. It is also, by definition, a catalyst for bringing in the next generation to such discussions.

However, our advice remains the same. Review the business now and make any necessary changes in order to strap in for what will be a rocky ride ahead.

“ This represents the best chance the agricultural industry has had for decades to reset the way the food we consume is grown and distributed ”





BUILDING HOMES IN RURAL LOCATIONS

MIKE PAPPS
Partner
Design & Planning



Building homes in an established village setting can lead to friction with the local population.

But tackled correctly, there is an opportunity to get things right from the outset, thereby possibly avoiding an additional, prolonged and costly planning process, and also taking the chance to enhance the scheme on the back of local comment.

A perfect illustration is at Houghton Farmyard, a scheme first conceptualised around two years ago. Meetings with local people and parish councils involving both BCM and Turleys, planning experts from Southampton, saw the scheme carefully guided to planning consent – and along the way the number of homes increased from 12 in the original scheme to 13 as it exists now.

There was local concern about landscape impact and the Bossington Estate, the landowners, wanted to create a scheme that did not result in over development or destroy the character of the area.

Our work with planning officers from Test Valley Borough Council has brought about a scheme that remains sensitive to the Conservation Area in which it is set.

Nine of the resultant homes will be offered on the open market and at present it's not certain how the affordable homes will be occupied, although it's generally hoped that local people should have access to them.

BCM have successfully agreed terms to sell the site.

Another illustration of how cooperation helps deliver is the recent gaining of planning permission for 21 homes at Rookley on the Isle of Wight.

The site, almost in the geographic centre of the Island and behind Rookley Post Office at Blackwater Hollow, is currently occupied by an industrial building and open parking.

Among the subsequently consented mix of 21 dwellings are two flats, five terraced houses, six semi-detached houses, each with a garage, two bungalows with garages, four detached houses with garages, and two detached houses with double garages.

The houses, built in brick of a traditional design to complement the existing stock in Rookley, will also include a number of affordable homes.

David Long, Partner, Isle of Wight office, held an open evening with residents to enable them to comment and also attended parish council meetings. As a result, the consented decision was made by planning officers under delegated powers, clearly demonstrating the efficiency for all concerned when local opinion is taken into account from the outset.

BCM continue to raise and promote a number of similar sites for clients.

“...thereby possibly avoiding an additional, prolonged and costly planning process...”



BACK PAGE NEWS

EFA GREENING

The highly anticipated changes to the rules on greening options and the application of Plant Protection Products (PPPs) (including most conventional sprays) for nitrogen fixing crops and other crops grown on EFA land. A complete ban on the use of PPPs applies for the entire growing cycle of the crop, which will make most farmers rethink their crop rotations.

The same ban also affects fallow land, with a period of 6 months without PPPs. With these changes coming in for the autumn sowing period, farmers should carefully consider alternatives in order to meet their 5% requirement.

FARM RENTS

The recent upswing in commodity prices has led some to consider rental levels (after recent years of standstill / downwards reviews). Whilst the demand for short term arable land let on FBTs and contract farming agreements remains strong, we would advise caution when considering rent reviews for longer term arrangements.

Attention must be given to rent review cycles in tandem with the confirmation that the current BPS payment will remain in situ until 2022, but delivered through greater environmental stipulations. It would be beneficial to both tenant **and** landlord to ensure the next review is carefully considered to include these alterations.

NATURAL CAPITAL

“Natural Capital” is a relatively recent buzz word in the wider economy. It is driven by various targets in terms of biodiversity and wider sustainability.

The government has set up a natural capital committee and in the rural world it is felt likely to lead to payments for tailored natural capital measures designed to deliver specific, quantifiable benefits. Those benefits can be paid for by government bodies but also wider users such as utility companies and other organisations seeking to “harvest” environmental benefits. These measures in our area would include woodland creation, field margins and trees, wildflower meadows, and pond or wetland habitats. There may well be linkage here with current and future support measures.

WHOLE FARM PLANS

For many years, landowners have used whole farm plans showing environmental, economic and future landscape considerations as an aid to overall planning aspirations.

However, some planning authorities are insisting upon such an information resource. We believe these will be taking an ever-increasing role in future planning, not only in helping form the future built environment but also by informing wider considerations such as sustainable energy use and farming practices, natural capital considerations, and employment and leisure provision.

SECTION 31(6) STATEMENTS & PREVENTING ESTABLISHMENT OF ACCESS RIGHTS

Whilst these statements to register public rights of way have been in existence for many years, the process has now been considerably streamlined. They act as a first line of defence in rebutting claims by the public of new access rights accrued by long uncontested use. We are also seeing some of the statements reach their 10 year life from inception, at which stage they need to be renewed.

Physical boundaries are also important to prevent encroachment and encroachers need to be made aware of their misdemeanour to protect the landowner's position. Licences can be used to grant users a personal right to use an access.

Landowners should also refresh themselves of the Village Green rules and take the necessary steps to prevent land being claimed as a Village Green as this can have hugely damaging consequences to land value.

VAT & COTTAGES RENTED ON ASTS

The VAT treatment of cottages rented on Assured Shorthold Tenancies is largely understood insofar that it falls within the scope of this tax and cannot be reclaimed. However, some confusion exists where cottages are occupied by employees of the farm or estate business. In many cases, such “tied” cottages have been regarded as part of the farm business with VAT therefore reclaimable. However, the preferred method of tenure for such cottages often involves using a minimum rent AST in conjunction with the employment contract. HMRC hold that if there is any such AST involved, then VAT is not reclaimable, regardless of the duties or occupation of the occupant.

RDPE GRANTS

In a big push to improve water security and forestry productivity, the Rural Development Programme for England (RDPE) have allocated funding support of up to 40% with a minimum grant of £35,000 for projects in agriculture or horticulture to improve irrigation and water storage infrastructure; together with enhancing the resilience to growing water scarcity.

The forestry funding supports the purchase of machinery necessary for landowners or forestry enterprises to create employment, expand rural businesses and improve the management of UK woodlands.

Both grants are attempting to bring farmers, landowners and rural businesses closer together to work collaboratively to overcome the current issues facing the industry.

WOODLAND GRANTS

The creation and maintenance of woodland to boost biodiversity has been a hot topic recently with the government offering £13 million in grants for landowners to consider woodland as both an agricultural tool and an asset. The grant aims for a sustainable long term increase in the quality of our British woodlands through the planting of both native and honorary species.

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