

Comments by **Robert Brodrick, Private Client Partner at Payne Hicks Beach** first published in The Sunday Times online on 2 December 2018 and reproduced with kind permission <https://www.thetimes.co.uk/article/why-10m-plus-trophy-estates-are-booming-pq29t8dx7>



COUNTRY



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Why £10m-plus trophy estates are booming

The rarefied market is stronger than it has been for a decade. So who's buying in the country, and why now?

Hugh Graham

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Gentryfication: recent sales include Bibury Court, Dorset (guide price £17.5m)

The property market may be in the doldrums, but, amid all the doom and gloom, one sector is quietly booming: trophy estates. The rarefied market of country houses worth more than £10m, with more than 100 acres, is having its best run in a decade, according to the buying agent Jess Simpson. This comes as a surprise. Last time we checked, huge country estates were seen as anachronisms. Bankers' wives no longer want to live in draughty piles at the end of a long drive in the middle of nowhere, the theory ran; cash-strapped toffs selling off acres to keep their family seat was the story of recent decades.

Yet Simpson reports that 11 estates in this category sold in 2017, with a further 11 sold or under offer this year — up from four deals in 2016 and six in each of 2014 and 2015. This may not sound like much, but the hefty price tags make up for the low volume. Just look at the guide prices on some of the piles that have sold in the past two years: Abbotswood Estate (£27m) and Bibury Court (£17.5m), both in Gloucestershire; Kingston Lisle, Oxfordshire (£18.5m); Woolmers Park, Hertfordshire (£16.5m); and Stubhampton, Dorset (£13m). “The values being achieved are phenomenal,” Simpson

says. “We haven’t seen a market like this since 2007.”

It is a counterintuitive trend: when the country market is valued in separate categories such as stately homes, farms, land or cottages, prices are flat, or even down. But when estates are sold as a whole, rather than packaged in separate lots, their average “marriage value” is 13.8% more than the sum of their individual components, the highest price differential since 2007, according to Savills estate agency. Over the past two years, the annual rate of increase has been about 30%.

Imagine an estate in Oxfordshire, on the market as three lots: a country house, three cottages and 100 acres for £10m; a farmhouse and 400 acres for £5m; and 500 acres of land with a couple of outbuildings for £4m. Taken individually, they should sell for a total of £19m — but bundled together they are more attractive, and could go for, say, £22.8m, representing a 20% marriage value.

Marriage values fell significantly after the 2008 crash. “Estates were broken up,” Simpson explains. “The only way to sell one was by lotting it — that way, you had a better chance of finding a buyer by appealing to different markets. You’d sell to neighbouring farmers, investors, pension funds.”

So why are buyers splashing out on big estates, with all the land and buildings that go with them, at a time when ordinary buyers are sitting on the sidelines? “There are a lot more wealthy people around now,” Simpson says. According to The Sunday Times Rich List, there were 145 billionaires in the UK in 2018, compared with 77 in 2012.



The guide price of recently sold Abbotswood Estate, Gloucestershire, was £27m

As for the 11 £10m+ buyers in the country market this year, Simpson says, five were British, two European, two American, one Russian and one Asian. The new squirearchy includes hedge funders, tech entrepreneurs and European royalty, and they’re more likely to wear leather jackets and trainers than tweed.

As always, they want the trophy asset; but, most of all, they want the land. For lifestyle reasons, yes: privacy is the luxury du jour, so public footpaths will dent values, while shooting and fishing rights boost them. But financial incentives play a significant role. There are the usual tax advantages for properties with agricultural land: lower stamp duty (5%, rather than 12%-15% for a similarly priced property without mixed-use status) and zero inheritance charges. There’s also capital-gains tax relief if you sell land for development (which makes it worth a lot more), then use the proceeds to buy more land.

“In uncertain times, land does well,” Simpson says. “Buyers are inflation-proofing. They’re saying, ‘Let’s buy this before inflation really kicks in.’ Many have sold businesses and are putting their money into something solid. They’re taking it out of the stock market.”

They are “spreading their assets” in an unpredictable age, agrees Crispin Holborow, country director at Savills, especially as the London market has slowed. “There is a feeling that country houses haven’t risen much since 2007. If a family is saying, ‘Do we buy London or country?’, the country is a nicer place to bring up children, and health is increasingly important. And for investment, the country hasn’t had a strong run. You’re confident you’re not buying at the top of a cycle.”

Lack of supply, and the subsequent competition, is also fuelling demand for “best in class” estates. “It’s like hunting for unicorns, they are so rare,” says Mark Lawson, partner at the Buying Solution. “Often they are sold off market. There’s plenty of pent-up demand. A lot of people have made a lot of money in the past 10 years.

“At the same time, estate owners don’t need to sell. Interest rates are low and there are fewer people in debt.”

Owners are no longer bumbling Lord Granthams struggling to keep inheritances going. “Estates are businesses now, and are run efficiently,” Lawson says. “Owners maximise opportunities. It’s all about diversity — making the asset sweat and work.”

Myriad revenue streams are derived from letting cottages and land, farm income, development, timber (prices are up 30% in a year), shops, pubs, hotels, festivals and glamping. Green energy (biomass heating, solar and wind power) is another new money-spinner.

Examples of thriving multifaceted modern estates include 4,000-acre Great Tew, Oxfordshire, famous for the Soho Farmhouse members’ club, and 850-acre Miserden, in the Cotswolds, which is going big on biomass.

Ethical investment and “natural capital” are the buzz terms among high-net-worth buyers. Sensitive development is part of that, says Matthew Woods, partner in private clients and taxes at the law firm Withersworldwide. “Historically, estates would sell off land for development, pocketing the cash, then ugly boxes were built. Now they’re trying to build sensitively and integrate houses into the estate, create a community. The designer Ben Pentreath is masterplanning estates now.”

The chance to burnish your environmental credentials means investing in a rural estate is more in tune with the zeitgeist than purchasing a private jet or a townhouse in Belgravia, says Robert Brodrick, a partner at Payne Hicks Beach who advises on taxes and estates. “They generate an income and help your social conscience.”



Kingston Lisle, Oxfordshire, one of the estates that have sold in the past two years

It helps that estates can now apply for government subsidies for environmental stewardship: planting woodland and restoring species-rich meadows. The Danish billionaire Anders Holch Povlsen has

bought up 221,000 acres in Scotland, reportedly for environmental reasons; other eco-savvy Scandinavians are following suit. “The rhetoric coming out of Michael Gove’s Agriculture Bill suits big landowners,” says Bertie Hoskyns-Abrahall, estate adviser and partner at Withersworldwide.

So what do these super-rich buyers know that we don’t? Sir James Dyson, the inventor, is said to have spent £37m this year on 2,000 acres of land in Lincolnshire, Oxfordshire and Gloucestershire, adding to his existing 33,000 acres; in 2017, his Beeswax Dyson Farming company reportedly made £8.2m from the sale of farm produce. “My take on Dyson is that the yields from land are very, very low, and he spotted an opportunity to improve the efficiency of farming,” Hoskyns-Abrahall says. “Agricultural subsidies will fall away over seven years after Brexit, so, if you’re not farming profitably, you will be in a difficult position.”

Indeed, land values might fall when subsidies end, which will hurt small farmers. But big landowners may be sitting pretty. “Commodity prices may rise,” Hoskyns-Abrahall says. “We may be feeding our own people with our own crops. Entrepreneur landowners will do well.” They may have to do without inheritance-tax exemptions, however: there is speculation that this government, or a Labour one, could stop them. And if marriage values haven’t been this high since the heady days of 2007, is the big estate boom a sign of a wider impending crash?

Not likely, Holborow says. “It’s not a bubble, because overall values of prime country property are not high. They are only 22% higher than in 2007, whereas values in prime central London rose 40% between 2007 and their 2014 peak. Also, land prices were up at £15,000 an acre in 2015, and are now down to £8,000 an acre.”

In 2007, it didn’t matter what kind of estate you had, it would sell in six to nine months, Holborow says. Now it’s taking two to three years.

“The whole country market is not doing this well. It’s a discrete part — the top end. The point about high marriage values is that there’s a finite supply of these estates. When the best come up, buyers are prepared to pay more than they have in the past.”

All of which bodes well for the revival of the great British estate. Vendors can only hope the good times soon trickle down to the rest of the shires.

Super-size manors for sale



Surrey, £11m

Frensham Manor is a grade II listed house with eight bedrooms; four cottages in the grounds are let. It’s set in 180 acres, with an outdoor pool, a lake, stables, a manège and paddocks. Farnham is 4½ miles away.

020 7016 3780, savills.co.uk



Shropshire, £8.15m

The owners of 10-bedroom Dallicott Hall, four miles from Bridgnorth, have bought back land to try to recreate the estate. Its 444 acres include three cottages, a second house, a shoot and a working farm. 020 7861 1078, knightfrank.co.uk



Gloucestershire, £16.5m

Two miles from Winchcombe, Sudeley Lodge is a classic Cotswolds shooting estate. Its 519 acres contain an eight-bedroom main house, three cottages, an arable farm, pasture and woodland. 020 7318 5166, struttandparker.com



Cheshire, £12.5m

Cogshall Hall looks bigger than its five bedrooms. It has an indoor pool and eight more bedrooms in other dwellings, as well as stables and a tennis court in 68 acres. Northwich is six miles away. 01625 540340, jackson-stops.co.uk



Herefordshire, £10m

Newport House has it all: the Georgian pile, a coach house, a total of 11 flats, cottages and farmhouses, woodland, stables, a working farm, a manège and paddocks in 427 acres. Hay-on-Wye is 12 miles away. 020 7861 1440, knightfrank.co.uk