

**Scotland's Rural College**

## **Rural Land Market Insights Report 2023**

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SCOTTISH LAND COMMISSION  
COIMISEAN FEARAINN NA H-ALBA

# Rural Land Market Insights Report 2023

A report to the Scottish Land Commission





SCOTTISH LAND COMMISSION  
COIMISEAN FEARAINN NA H-ALBA

# Rural Land Market Insights Report 2023

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and Steven Thomson

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## Table of Contents

|  |           |
|--|-----------|
| <b>Executive Summary</b>   | <b>ii</b> |
| <b>1 Background and Context</b>                                  | <b>1</b>  |
| 1.1 Introduction   | 1         |
| 1.2 Rural Land Markets Insights Report from 2021                 | 3         |
| <b>2 Industry Insight Reports 2022</b>                           | <b>5</b>  |
| 2.1 Land Price   | 5         |
| 2.2 Themes   | 5         |
| 2.3 Outlook  | 6         |
| <b>3 Methodology</b>   | <b>7</b>  |
| <b>4 Findings</b>  | <b>9</b>  |
| 4.1 Overall Market Impressions                                   | 9         |
| 4.2 Off-Market Versus Open-Market Transactions                   | 12        |
| 4.3 Main Buyers in the Market                                    | 13        |
| 4.4 Forestry   | 16        |
| 4.5 Estates  | 20        |
| 4.6 Farmland   | 24        |
| 4.7 Future Trends, Opportunities and Threats in the Market       | 26        |
| 4.8 Natural Capital Payments                                     | 28        |
| <b>5 Conclusion</b>  | <b>32</b> |
| <b>Appendix 1: Database of Land Market Report</b>                | <b>34</b> |
| <b>Appendix 2: Land Agent Participant List</b>                   | <b>38</b> |
| <b>Appendix 3: Land Agent Semi-Structured Interview Schedule</b> | <b>39</b> |
| <b>Appendix 4: Valuer Semi-Structured Interview Schedule</b>     | <b>40</b> |
| <b>Appendix 5: NVivo Coding Framework</b>                        | <b>41</b> |



## Executive Summary

The rural land market in Scotland is relatively small, with very little land transacted every year. Strutt and Parker estimated that only 1.12% of Scotland's total farmland and estates (excluding forestry) was transacted in 2022. Despite regular reports of natural capital payments being a significant purchase motivation, these new types of buyers are a sub-set of the market who are competing with more traditional buyers. This demand for the small amount of available land underpins land values achieved.

During this research project, land agency market updates were reviewed, followed by interviews with 21 land agents and valuers operating across Scotland. A range of national, larger agencies and smaller regional-scale agencies were included (some covering island communities) who had experience and specialisms in all sectors of the land market. Findings were analysed thematically and compared to both the industry updates and the 2021 report (McMorran et al, 2022) to triangulate results and to begin identifying early trends.

Land agents reported that the land market had slowed in 2022 with more “caution” observed by some buyers, especially in relation to natural capital investments. The changing macroeconomic climate following war in Ukraine, increased commodity prices, rising interest rates, inflation, and the ‘cost of living’ crisis resulted in an increased sense of uncertainty and re-evaluation among potential purchasers. Greater uncertainty and changing risk perceptions were accompanied by an increased emphasis on due diligence being required for some types of land purchase – particularly relating to changes in Woodland Carbon Code eligibility criteria that affected investment return estimates from woodland carbon sequestration.

Off-market transactions remained an important feature of the Scottish rural land market. However, it was overall inconclusive whether the proportion of off-market (non-advertised) transactions had increased or decreased during 2022. A variety of reasons for engaging in off-market transactions were stated, including: the strength of the market, privacy, debt, and unwillingness to be seen to sell out to forestry.

### Forestry

Commercial forestry buyers remained active in the market throughout 2022, seeking suitable plantable land meaning the forestry sector continued to have significant influence on part of the land market. Commercial forestry companies were seen to be able to outcompete upland and livestock farmers in acquiring appropriate land for planting, both on the open market and off-market. A noted feature of the 2022 market was that demand from the commercial forestry had “come down the hill” to better quality farmland because of competition for more marginal land from natural capital buyers. It was notable that commercial forestry investors became more selective in their purchases – seeking more fertile soils and flatter topography in more accessible locations.

It was noted that demand for plantable land fell during the final quarter of 2022 where land agents reported a decline in forestry buyers' confidence and land values. Factors influencing the change included: a drop in the price of timber; delays and uncertainty in the planting



permission process; changes to the additionality rules of the Woodland Carbon Code; and companies fulfilling their quotas or exhausting annual purchasing budgets.

### Estates

Agents referred to institutional 'players' with significant capital backing that were seeking land for investment, both due to high long-term yields, but also a perception that there are increasing means to monetise land beyond rental payments, including carbon credits and ecosystem service payments.

Whilst the 2021 estate market was characterised by excess demand, it was reported that supply and demand were beginning to level out during 2022. Overall, the market for estates remained strong in 2022 from a sellers' perspective, with some signs that demand was weakening at the end of the year.

Agents highlighted a wide variety of estate buyer motives during 2022. The most noted theme was that environmental, social, and governance (ESG) motivations had become drivers for estate acquisition. Whilst amenity purchases continued to be a motivator for smaller estates, it was suggested that demand from lifestyle buyers was less significant through 2022 compared to previous years. Sporting potential was perceived to be a weakening motive for estate buyers in 2022, although many estates continued to be heavily managed for sporting interests.

### Farmland

Farmers remained the most active actors in Scotland's farmland market and more widely in the rural land market during 2022. However, many other types of buyers were active in the farmland market that caused increased competition, particularly for more marginal (plantable) land. The upward trend of the value of prime arable and upland farms continued in 2022 driven by competing demands from existing farmers, the commercial forestry sector, and natural capital driven investors.

For prime arable land, demand typically arose from neighbouring farms or large "commercial farmers" with money to reinvest from farming profits, or development monies. The most common purchase motive for upland agricultural land in 2022 was tree planting potential. There was comparatively less demand for mixed farms. A clear theme that emerged during 2022 was that upland farmers that had previously sold hill ground for forestry, natural capital or renewable energy buyers had started to reinvest that money in better quality land "down the hill". Due to the high milk price in 2022, it was reported that some dairy farmers had started to expand their business, and, in some instances, this was leading to the reconversion of historic dairy units.

### Future Trends

One of the most common discussion points regarding the future of land markets related to the role of natural capital – in particular carbon – as a driver of the market. Further, most land agents suggested that the end of the current agricultural support system was a threat to



farmers, and thought “a flush of smaller, less viable units” might come onto market in the subsequent years – particularly of farm types more reliant on support payments.

It was also highlighted that due to the very limited supply of good farmland, some farmers with Capital Gains Tax relief monies had not yet had the opportunity to reinvest development funds. With rollover relief being time-bound it was explained that 2023 may see considerable competition for farmland as some buyers race to avoid taxation.

Uncertainties arose over the continuation of volatile and downward global macroeconomic conditions. If commodity prices and interest rates continue to rise, land agents suggested this may cause some farmers to sell their land. Some land agents also suggested that future political events could be seen as a threat to the land market, particularly any independence referendum or a general election which may suddenly change the political landscape.

### Natural Capital

Natural capital payments were considered one of the key drivers in the estates and upland farmland markets in 2022. It was reported that large institutional or corporate ‘carbon offset/inset’ buyers became more obviously differentiated from commercial foresters during 2022. Changes to Woodland Carbon Code rules, particularly to the additionality test, were reported to have had a “cooling effect” on institutional demand for land for planting in 2022. Overall, peatland restoration was not as prominent as a main driver in the 2022 market compared to afforestation. Whilst biodiversity potential was considered an important factor for buyers, rewilding type projects were not reported as a strong driver of land prices in 2022. Although reported as an important driver of land sales and land value in previous years, demand for renewable energy infrastructure projects remained relatively consistent (or slightly slowed) throughout 2022.



# 1 Background and Context

## 1.1 Introduction

This research was commissioned by the Scottish Land Commission ('the Commission') to provide updated insights into the Scottish rural land market, following previous reporting (McMorran et al, 2022). Land agents and valuers, as well as some land managers, operating across Scotland were interviewed on their perceptions of land market activity in the previous 12 months (i.e. the 2022 calendar year). Specifically, the interviews were concerned with the agents' perceptions on: (i) current motivators for buying and selling land (including farms, forests and estates); (ii) performance of the market (including discussion around values, on/off market transactions and supply/demand); (iii) the impact of natural capital payments, agricultural support and grants on land prices, and (iv) predictions of future trends. Results were triangulated with recent commentaries from land agents operating in Scotland, including their analysis of estate, farmland, and the forestry sector. The main findings regarding the market in 2021 were also compared against the data for 2022 land market activity.

The Commission wants to regularly monitor activity within Scotland's rural land market to maintain an accurate picture of landowner, buyer, and seller motivations. This study provides qualitative context to the rural land price and sales data analysis undertaken by the Commission. Comparing results from this study with the previous year helps to begin to form a long-term narrative of rural land market activity in Scotland, making it easier to identify emerging trends that can inform policy decisions.

In the first report of this series, the research team adopted a two-stage methodology which also involved the gathering of land sales data from land agents and Registers of Scotland. For 2022 land sales the Commission has undertaken the data analysis in-house, leaving this research to focus exclusively on qualitative interviews with the land agents. Since this report is the second in a series of ongoing research, it reflects on the main findings of the first report ([Section 1.2](#)). Key developments in the 2022 market reported through recent land market reports is then presented ([Section 2](#)). Following on from this background context, the main methodology is presented ([Section 3](#)). The largest share of the report is dedicated to presenting the thematic analysis derived from the interviews with land agents ([Section 4](#)). [Section 5](#) draws conclusions and offers some reflections on the methodological approach.

The rural land market in Scotland is relatively small, with very little land transacted every year. For example, using Strutt and Parker's figures of farmland and estates<sup>1</sup> sold in 2022, only 1.12% of Scotland's total rural land was transacted. Additionally, despite talk of natural capital payments being a large motivation in agency reports, the press – and throughout this

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<sup>1</sup> Total acreage of forestry sales was not available at time of publishing. This is hard to determine as some bare land (either farms or estates) may have been sold with the intention of turning to forestry.





report – these buyers are a sub-set of the market who are competing with other groups over the small amount of available land.



## 1.2 Rural Land Markets Insights Report from 2021

The first report in this series was published by the Commission in April 2022<sup>2</sup> (referred to throughout this current report as McMorran et al, 2022). The report was timely, as it documented the effects of lockdown measures caused by the COVID-19 outbreak, as well as uncovering the newfound land market driver of natural capital. During the lockdowns a trend was reported in the press,<sup>34</sup> and later in the academic literature,<sup>56</sup> that city dwellers wanted to escape to the countryside, forcing the supply of rural houses to fall and prices to rise. As markets began to open again, initial industry updates from land agents suggested this pattern was also applicable to rural land (farmland, forestry land and estates), where demand drastically outpaced supply and prices rose considerably.

Key conclusions of the report were:

- The 2021 land market was characterised by exceptionally high demand and low supply resulting in rapid price increases at both ends of the market.
- Farmland values were underpinned by constrained supply, favourable capital taxation, low interest rates and a perception of strong long-term investment performance. Demand for higher quality arable land continued to be driven by agricultural buyers.
- Non-farming investors were observed to be playing an increasing role in the market with forestry buyers increasingly outbidding for land considered suitable for afforestation.
- An increase in plantable land values was considered a major dynamic in the market.
- While woodland carbon was noted to be an influence, commercial forestry was thought to be a more significant driver for acquisitions of plantable land.
- A shift in buyer motivations for Scottish estates, notably a decline in traditional sporting motivations and a parallel increase in natural capital as a driver for estate acquisitions.
- Further dynamics in the market included: increased demand for smaller farms as amenity holdings; increased prevalence of corporate and institutional buyers alongside the emergence of new investment vehicles; and increased frequency of off-market sales.
- Regional variation in the influence of forestry and natural capital motivations, relative to agriculture.
- An increase in off-market sales across all land types driven by: (i) COVID-19 restrictions; (ii) strong demand for planting land, with some forestry agents directly

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<sup>2</sup> McMorran, R., Glendinning, J., and Glass, J. (2022) [Rural Land Market Insights Report](#). Scottish Land Commission, Commissioned report.

<sup>3</sup> Sabljak, E (2020) [City populations fell as Scots moved to rural parts during pandemic](#). *The Herald*.

<sup>4</sup> Marsh, S. (2020) [Escape to the country: how Covid is driving an exodus from Britain's cities](#). *The Guardian*.

<sup>5</sup> Gallent, N. and I. Hamiduddin (2021). "COVID-19, second homes and the challenge for rural amenity areas." *Town Planning Review*.

<sup>6</sup> Åberg, H. E. and S. Tondelli (2021). "Escape to the Country: A Reaction-Driven Rural Renaissance on a Swedish Island Post COVID-19." *Sustainability* 13(22): 12895.



approaching landowners for sales; (iii) concerns among the farming sector selling to the forestry sector.

- The emphasis on off-market transactions was unlikely to decline in the near future.

### Farmland

Retirement (or death) was the most cited motivator of sales, followed by other personal factors such as relocation, divorce, or a need to release capital. Increased demand for smaller holdings from lifestyle buyers due to the effect of the pandemic was noted. Local farm businesses continued to be the key purchasers of higher quality farms, while forestry buyers were increasingly the key purchasers of lower-grade agricultural land.

### Estates

There was an increased emphasis on environmental and rewilding motivations, alongside a parallel decline in sporting motivations. A trend toward corporate ownership was noted, driven by carbon offsetting opportunities in peatland restoration and afforestation. High levels of investment were driven by the impact of the pandemic on desired lifestyles and wider acceptance of climate and biodiversity crises.

### Forestry

High levels of demand for forestry and plantable land were reported driven by; (i) global timber shortages; (ii) global policy drivers toward net zero; and (iii) grant availability alongside long-term afforestation drivers. Forestry buyers were increasingly willing and able to outbid farm purchasers for land considered suitable for afforestation, often without firstly attaining planting permission.

### The influence of carbon markets

The influence of carbon markets was more significant for less productive land in upland regions. Despite increasing investment interest in woodland carbon, the demand for plantable land was primarily motivated by commercial forestry. There are risks for those investing in natural capital markets, but these were not seen to deter investors.



## 2 Industry Insight Reports 2022

This section summarises land market activity in 2022, based on a review of existing published evidence from industry updates and insights reports. Table 1 in [Appendix 1](#) provides an overview of the documents reviewed. It was noted that large land agency commentators tended to have more of a focus on natural capital and tended to deal more with larger institutional buyers than the smaller agencies did.

### 2.1 Land Price

In 2021 land prices generally increased across the board, however, whilst this trend continued at the start of 2022, farmland prices flattened at the end of the year. Strutt and Parker reported that the *“average value of prime arable land on the east coast was approximately £9,500/acre [£23,500/ha], but varied greatly depending on location, from an average of £4,500/acre [£11,100/ha] in the Highlands to £16,000/acre [£39,500/ha] in the Lothians”*. The demand for poorer land was largely driven by afforestation and peatland restoration pushing market prices much higher than agricultural value, with bare land reaching over £8,000/acre (£19,800/ha). In some cases, this increased competition was reported to have priced farmers out of the market. Knight Frank reported that *“something of a backlash is starting to emerge”*; this, alongside questions being asked by communities and politicians about the impact that largescale Sitka plantations have on food security, highlights the complexity and emotiveness of land use and land ownership. There does appear to be some regional variation, with land in some areas offering more (or less) potential for forestry, housing developments, renewable energy infrastructure and overall potential for high profitability farming (i.e. prime arable land).

The reports suggested supply of land rose again in 2022; however, demand continued to outstrip supply, thus maintaining the “sellers’ market” apparent in 2021. Higher land values were attributed to this supply and demand imbalance, with Savills reporting that land was being marketed “under offer” (minimum asking price) for 20% more than guide price.

Despite persistent high demand for all land types reported, agricultural purchasers remained the main investors. Other active purchaser types included commercial forestry, natural capital, and lifestyle buyers. The agricultural demand held strong throughout the year with farms generally selling quickly, although there was regional variation reported in the speed of sales. Forestry investors (who were not prevalent in the market five years ago) purchased an increasing number of farms in 2021 and 2022. It was generally reported that forestry and ESG buyers fell away at the end of 2022.

### 2.2 Themes

Strutt and Parker reported an increase in the number of upland farms for sale, a trend that was expected to continue into 2023, possibly supporting the rhetoric that high prices are tempting farmers to sell. Environmental opportunities (such as rewilding) were discussed in many of the reports, however the quantity sold for these purposes was not stated. Short



reports and blogs were published by larger agencies, sometimes using case studies to show potential purchasers how these activities could be monetised.

Off-market sales were considered important by many market reports, with Strutt and Parker estimating as many as one in five sales occurred off-market in 2022. Uncertainties around land investments were reported in many reports, which included: the carbon market; taxation; agricultural support payments, and how these could change in the future. These sentiments were echoed in the land agent interviews.

### **2.3 Outlook**

The reports predicted that the land market will not slow in 2023. The market outlook is seen by the agents as largely positive, with strong demand from farming and non-farming buyers looking to buy land for a variety of uses. There were, however, land market challenges expected in the future including political and policy uncertainties, increasing interest rates and high input costs which could all impact on future land prices.



### 3 Methodology

The methodology involved three stages. Firstly, a desk-based stage involved collating and analysing market reports from land agents operating in Scotland and the RICS/RAU Rural Land Market Survey.<sup>7</sup> This included reports focusing exclusively on Scotland as well as more widely across the United Kingdom and the main elements are presented in [Section 5](#) and summarised in Table 1 in [Appendix 1](#).

During the desk-based stage, the previous Rural Land Market Insights report (McMorran et al, 2022) was reviewed alongside the appropriateness or relevance of their interview schedule and interviewees for this research. Key insights, themes and trends<sup>8</sup> were synthesised (see [Section 1.2](#)) and provided the basis for a draft interview schedule as well as an initial contact list for potential land agents.

The strategy for recruiting participants involved contacting previous participants and undertaking internet searches of agents operating across Scotland. Previous participants were considered important to include, as they could critically reflect on the market a year later and permitted them to develop perspectives further. Some of the previous participants were no longer involved in the Scottish market.

The number of land agents invited to participate was expanded for this report, to ensure new perspectives were heard. In particular it was deemed important to include smaller agencies that could provide a more detailed regional account of their markets.

A total of 19 agents were interviewed, 11 of which were involved in the 2021-22 research (a list of anonymised participants can be found in [Appendix 2](#)). Interviews occurred between December 2022 and late January 2023 and were conducted online using Microsoft Teams. The interviews lasted between 40-90 minutes. The semi-structured interviews (see [Appendix 3](#)) followed key questions but provided flexibility to explore different or unexpected avenues of enquiry as they emerged. As the 2021-22 research had a slightly different scope and aim, the 2022-23 questions were rearranged into themes. The interview schedule was piloted and amended after feedback from a member of the advisory team within project partner Strutt and Parker, with a second round of amendment concluded after the Commission and Scottish Government's feedback.

It is worth noting that some interviewees had little to say about forestry as they did not have expertise here, instead specialising in farmland, estates or residential properties. However, the majority still had some dealings with the forestry sector in terms of selling land or were at least aware of this activity. To balance this, several forestry specialists were interviewed.

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<sup>7</sup> RICS/RAU Rural Land Market Survey & Land Prices (<https://www.rics.org/uk/news-insight/research/market-surveys/ricsrau-rural-land-market-survey--land-prices/>)

<sup>8</sup> 'Trends' in this report is used when agents discussed multi-year dynamics. The aim of the Rural Land Market Insights Reports, over multiple years, is to document trends as they emerge, but with only two years of reporting, this process is still in its early stages.



To further enrich the findings, an interview was conducted with two valuers in February 2023, with a different interview schedule (see [Appendix 4](#)). This provided a more detailed understanding of how land was currently being valued, reflecting the growing emphasis on potential/actual natural capital payments for estates and upland farmland.

The third phase of the project was data analysis. Interview transcripts were anonymised and then analysed thematically. A NVivo<sup>9</sup> coding framework (see [Appendix 5](#)) was developed to enhance the qualitative analysis. Some codes were set *a priori* whilst others emerged during the data analysis. This enabled results to be analysed thematically (mainly by land sector, but also themes such as ‘future trends’, ‘natural capital’ or ‘types of buyers’) all of which have sections dedicated to them in the findings. Themes were also cross-analysed using ‘matrix coding queries’ which helped to identify relationships and linkages between themes.

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<sup>9</sup> A qualitative data analysis software package (<https://support.qsrinternational.com/>)



## 4 Findings

This section reports on the insights and impressions of the various land agents interviewed. The analysis will begin with a broad overview of the land market ([Section 4.1](#)), including a discussion of off-market transactions and open market activity ([Section 4.2](#)) and main groups of buyers in the market ([Section 4.3](#)).

Each of the key segments of the land market have a dedicated section – forestry ([Section 4.4](#)), estates ([Section 4.5](#)), and farmland ([Section 4.6](#)). Lastly, a discussion of future trends, threats, and opportunities ([Section 4.7](#)) and the influence of natural capital payments ([Section 4.8](#)) is provided.

### 4.1 Overall Market Impressions

#### Key Findings:

- Land agents reported that the land market had slowed in 2022 and a degree of “caution” had entered the market.
- The changing macroeconomic climate caused uncertainty and re-evaluation among potential purchasers.
- There was an increased emphasis on due diligence within transactions, causing the market to slow.

The most common theme amongst the land agents was that the land market in 2022 had slowed down compared to 2021, describing it as “cooling,” “softened,” “quiet,” “less frothy,” “steady,” and “wobbly”. Land agents were in general agreement that the market had already shown signs of cooling by Q1 2022. They suggested that the absolute peak of the market – described by one interviewee as a “frenzy” – occurred between Q4 2021 and Q2 2022, whilst the McMorran et al, 2022 research was being undertaken. Land agents interviewed for this report reflected on that period that:

*“There was just a period that we could put anything on the market, and it would sell” (2)*

*“Last year [2021] there was a huge reduction to supply...and demand was quite crazy... I think it’s calmed down this year [2022].” (13)*

2021 was characterised as “a dynamic year” when natural capital became an influential driver in the land market, headed by large players, referred to by some as “green-washing”. However, it was generally accepted that “caution is entering the market,” with the amount of time to complete a sale increasing:

*“Towards the end of 2022 deals were taking longer to complete, properties were taking longer to sell. Admittedly prices were still holding, and have been holding fairly strong – just a bit more caution.” (12)*

There were several reasons provided by the land agents as to why caution and uncertainty were entering the market; macroeconomic factors, increased due diligence scrutiny, and supply and demand dynamics.





#### 4.1.1 Macroeconomic Factors

Macroeconomic conditions had changed significantly since 2021 which was a period typified by the economy re-opening after the mandatory COVID lockdowns of 2020-21. The war in Ukraine was cited as causing geopolitical instability, increasing commodity prices including agricultural inputs, steel, and timber – all of which affected farming profits and stalled building projects. Many interlinked economic factors were further cited as contributing to an economic downturn that consequentially caused higher borrowing interest rates, inflation, and the ‘cost of living’ crisis. These factors led some buyers to reconsider taking on large debts, moving into energy inefficient rural dwellings or to expanding their (farming) businesses. Whilst this led to some types of purchasers being more cautious, interviewees also suggested that this resulted in changes to the purchasing behaviour of large-scale/institutional buyers – particularly moving away from significantly inflated purchase prices:

*“The investors and the pension companies (etc.) have softened and are pulling back – or not investing. A bit to do with how they’re going to get a return on it. ... what happens if all your trees burn down?...also rising interest rates.” (15)*

There was sentiment amongst some of the land agents that higher commodity prices (e.g. dairy and arable) were beneficial to farmers, some of which would be looking to expand their ventures in the future (see [Section 4.5](#)). Further, forestry experts highlighted that the value of forests and bare land for planting was heavily correlated to timber values. It was reported that the timber prices fell in 2022<sup>10</sup> which caused investors to reconsider their forestry investment appraisals that led to a dampening of the market (see [Section 4.4](#)).

#### 4.1.2 Due Diligence

As well as greater economic uncertainty and changing buyers’ risk perceptions, increased due diligence scrutiny became normalised in larger institutional and corporate purchasing behaviours particularly relating to carbon off-setting and in-setting opportunities.

*“That’s affecting investor confidence in the market; people are now wanting to buy land, but they’re having to do so much more due diligence studies.” (5)*

A commonly cited example related to changes to the Woodland Carbon Code (WCC)<sup>11</sup> announced in 2022 that introduced tougher tests to provide assurances on the reliability and ‘additionality’ of carbon carbon-credits (discussed further in [Section 4.4](#)). It was reported that WCC changes resulted in buyers looking to acquire forest assets (whether driven by commercial or natural capital markets) to reassess the economics of their investment, thus dampening of the market.

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<sup>10</sup> See Forest Research (2022) Timber Price Indices – Data to September 2022 for data to corroborate this: [https://cdn.forestresearch.gov.uk/2022/11/TPI\\_Sep\\_22.pdf](https://cdn.forestresearch.gov.uk/2022/11/TPI_Sep_22.pdf)

<sup>11</sup> Changes to ‘additionality’ tests were announced in May 2022 (see: <https://forestry.gov.scot/news-releases/rules-strengthened-around-woodland-carbon-schemes>)



*“Values have come back because of changes in Woodland Carbon Code making it more difficult to get woodland carbon units on anything but predominantly native woodlands.” (5)*

### **4.1.3 Supply and Demand**

Demand for residential properties, small farms and residential estates was reported to have spiked when lifestyle buyers sought an escape to rural areas during the COVID pandemic, causing land price inflation. That demand surge appears to have subsided. The pace of general housing developments was reported to have slowed, impacting on appropriate development land transactions.

It was also reported that there was previously (2021-22) significant excess demand for estates (including buyers with natural capital motives) that increased competition and land prices. However, land agents suggested estate supply and demand in 2022 was more evenly matched, partly due to the 2021-22 inflated prices deterring some potential buyers and more supply stimulated by desires to capitalise on high values:

*“There was an awful lot more acres offered for sale this year [2022] ... I think on the back of natural capital and perhaps owners thinking that values had increased significantly. 80,000 acres [32,000 ha] is about the norm that we see [transacted], and 250,000 acres [100,000 ha] were available this year”. (10)*

When the land agent interviews were conducted (Dec 2022-Jan 2023) land agents suggested that institutional and corporate buyers had either exhausted their current annual land acquisition budgets or were taking a more considered (i.e. less hasty) approach to their land investments. This was noted by some agents to have impacted relative demand and therefore general prices achieved. However, in direct contrast, some land agents suggested that the overall price of land remained at its historically high levels and had not seen any significant downturn. These differences in observation perhaps reflect variation in buyer and seller typologies between selling agent firms and indeed, whilst not universal, some smaller and regional-scale agencies suggested the market had slowed more than the larger multi-branch agencies.



## 4.2 Off-Market Versus Open-Market Transactions

### Key Findings:

- Off-market transactions remained an important feature of the Scottish rural land market – although it was inconclusive whether the proportion of off-market transactions had increased or decreased during 2022.
- A variety of reasons for engaging in off-market transactions were stated, including: the strength of the market; privacy; debt; and unwillingness to be seen to sell out to forestry.

This research suggests that off-market transactions (i.e. private transactions concluded without public advertisement) remain a feature of the Scottish rural land market during 2022. McMorran et al, (2022) reported a sudden increase in off-market transactions during 2021 attributed to factors such as: (i) farmers not wanting to openly advertise they wanted to sell their land for woodland planting/afforestation; (ii) institutional buyers wanting to maintain a degree of privacy/discretion; and (iii) residential buyers offering cash payments in a hope of escaping urban environments during the pandemic. Reflecting on one 2021 transaction, one land agent commented that:

*“Before we even got to the open market, it was taken off market, sold privately at a huge premium for planting trees.” (11)*

The estates sector typically has a higher prevalence of off-market transactions than forestry and farmland sectors. However, one agent suggested that a higher proportion of estates were being marketed in 2022 compared to 2021, noting:

*“60% were off market last year [and it] looks like around 60% are on the open market this year [2022]. So, it’s slightly shifted back towards open market.” (1)*

However, some land agents suggested that in forestry and farmland sales, off-market activity remained similar to 2021 levels, with some actually suggesting greater off-market transactions in 2022:

*“I think there was probably more off market activity in Q2/Q3 [2022] ... than last year.” (3)*

*“The forestry market, we generally trade about £200 million a year on market and then a similar amount off market.” (7)*

Multiple agents suggested that the higher levels of off-market transactions during 2022 were due to the overall strength of the market. However, some land agents stated that they would prefer to sell properties on the open market and actively advised clients to do so:

*“We didn’t do anything off market because generally – my advice is always to go to the market... I’m just aware of quite a lot of off market transactions..” (14)*

The motivations for selling off-market were reported as being mixed, with some themes continuing from findings from 2021, including “privacy,” reduced “hassle” and costs, debt (an “element of embarrassment”), reputation (in terms of farmers selling to forestry) or locally between neighbouring farmers.



An interesting observation was provided by one land agent that some estate owners prefer to sell privately to minimise perceived interference from any Community Right to Buy option:

*“[It’s] another interference when, quite realistically, communities can’t afford to buy these assets, but can lodge an interest and totally ruin the chances of that individual selling their asset at market value.” (5)*

However, despite all of this rhetoric, some sellers did want to follow an open market route, especially if they were a company or have trustees who “need to demonstrate that [they have] achieved the very best value” by “exposing it to a worldwide audience” (1).

### 4.3 Main Buyers in the Market

#### Key Findings:

- Farmers remained the most active group of actors in the rural land market.
- Institutional buyers with significant capital backing seeking land for investment were active, but their appetite had slowed.
- Commercial forestry buyers remained active in the market and demand for plantable land had extended to better quality farmland during 2022.
- Interest among lifestyle buyers was reduced.
- Demand for land from housebuilders was reported to be lower than in previous years.
- Young farmers were not observed to be active in the market.

There were multiple types of buyers active in the market throughout 2022 – farmers, wealthy individuals/families, forestry companies, corporations and investment funds, house builders, and lifestyle buyers. Two groups who were barely mentioned during land agent interviews were young farmers and community groups.

#### 4.3.1 Farmers

The interviewees reported that farmers remained the biggest players in Scotland’s rural land market during 2022. Large-scale commercial farmers continued to look for opportunities to expand their operations – particularly when prime arable land became available:

*“I wouldn’t say they [large institutions] are making up the majority of the market. The majority of the market is still made-up by farmers.” (13)*

The buying and selling motivations of farmland are presented in 0. However, there were multiple parties in the market interested in purchasing farmland, increasing competition particularly for more marginal land.

#### 4.3.2 Institutions

Many of the agents spoke of ‘institutional players’ with a significant amount of capital backing. This group can be divided in several sub-groups: investment funds (pension funds and asset management companies); corporations and large companies; natural capital companies/investors; and wealthy private individuals/family offices.



Investment funds (such as pension funds) or “asset manager landowners”<sup>12</sup> manage investments on the behalf of their clients, who in turn expect a return on their investment. A key rationale for their ongoing interest in land was suggested by one agent:

*“Basically, you’ve got pensioners who are saying I don’t want my money invested in tobacco... I don’t want my money invested in fossil fuels. Ah tree planting? Yes, please. ... They can’t afford to go and buy a big forest, but they can afford to buy shares in a pension fund. And that pension fund buys land.” (4)*

There is understanding amongst these investment funds that land is a good long-term investment and that over a longer timeframe outperforms other asset classes. However, it is even more appealing now that land can also be monetised in multiple ways beyond rental incomes through, for example, carbon credits and ecosystem service payments.

Another largescale buyer active in 2022 were corporate landowners<sup>10</sup> (sometimes multi-national) and large businesses who were looking for ‘carbon insetting’ opportunities – that is funding their own carbon avoidance/removal projects by planting trees or restoring peatland, to help them move toward corporate carbon neutrality:

*“There are other [offsetting/insetting] options for these businesses, but they want to say, we’ve got our own thing – we may have the ability to trade carbon units in the future, but we will certainly [in]set our own footprint.” (12)*

A sub-set of large companies are driven by the potential to monetise land by attaining carbon credits and selling them to others to offset their emissions (i.e. the carbon offset market):

*“The big prices are being paid by companies which have excellent credentials in terms of ecological restoration and ambitions towards... helping climate change. But at the same time, they’re driven by investors who are seeking a return on their investment.” (1)*

Wealthy individuals and families were still active in the 2022 land market and tended to be searching for estates for recreational purposes with future natural capital potential. Included within this segment were those seeking rewilding opportunities – but those were generally driven by personal motivations rather than financial returns:

*“There are people out there ... very wealthy individuals in the world who do want to do that [rewilding] and want to achieve that sort of thing. So, Scotland seems like a sensible place for them to come and do that.” (12)*

Most of the land agents considered this wider group of corporate/institutional players to remain a key driving force behind estate purchases and upland/marginal land wherever peat

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<sup>12</sup> Macfarlane, L. and M. Brett (2022). [Community Wealth Building and a Just Transition to Net Zero](#), Oban, Argyll: Community Land Scotland.



was present throughout 2022. These buyers have considerable budgets and see long-term potential in owning Scottish land, although some caution was observed specifically on peatland sales in 2022 as the realisation of peatland restoration challenges became better understood (see [Section 4.2](#)).

### **4.3.3 Commercial Forestry**

Land agents suggested that three or four major commercial forestry companies were still very active in the market throughout 2022 – engaging in both off-market and on-market transactions. The availability of forestry establishment grants to help the Scottish Government reach their planting targets, coupled with considerable domestic demand for commercial timber, were identified as key drivers alongside potential carbon credit sales. These companies tended to look for land suitable for planting trees and the demand for this land spread towards better quality farmland in 2022:

*“Seven or eight years ago you got marginal hill grazing and thought ... we might be able to plant that with trees. But as we all know, that’s now come down the hill” (11)*

Between natural capital and commercial forestry interests, demand was still rising for plantable land during 2022 competing with farmers. It was evident that the motivations for buying this land and the motivations for selling (from farmers) are beginning to intertwine.

### **4.3.4 Lifestyle Buyers**

Lifestyle buyers were reported to have lower interest in the market throughout 2022. There was a clear and recognisable trend during the early stages of COVID, and the ensuing months where rural land and properties became desirable. This affected the housing market, smaller estates, and, to a degree, small farms. However, during 2022 this trend slowed, and lifestyle buyers were mentioned less frequently than other purchaser types:

*“In terms of lifestyle buyers, that definitely has cooled down, there was a mass exodus from the city, and everyone wanted to live in the countryside [2020-21] ... There still is demand for properties like that [in 2022], but not near as [much] as there was.” (13)*

### **4.3.5 House Builders**

Generally, house builders were reported to be less active in the 2022 land market than in previous years (meaning there was perhaps less capital gains tax rollover relief monies within the market). There was a clear theme that housing developers were focusing more attention on the central areas and around other large cities. There was only one report of housing developers “land banking” which was more common in previous years. Developers struggled with higher material and labour costs, increased land prices and wider economic factors that affect the overall residential market (interest rates, economic down-turn, etc).

*“The big developers are ... quite choosy what they’re buying. They’re certainly not land banking, they’re not going out and buying, buying, buying.” (2)*





### 4.3.6 Young Farmers and Community Groups

Young farmers were not observed to be active in the 2022 market – and many of the agents spoke sympathetically about the current, almost-impossible, situation they face to get a property and start farming.

*“Unfortunately, I just think it’s too difficult for them to get into the industry and it’s quite an expensive feat to try and buy ground and also compete with established farmers. There are plenty of people that would love to own a farm that are young. ... I haven’t seen a young person buy a farm for quite a long time.” (13)*

Likewise, there was very little mention of community groups purchasing in 2022, with issues around access to capital, steep competition with other interested purchasers, and internal community dynamics:

*“The community groups – they’re still there and they’re still interested ... but there hasn’t been any great strong interest locally”. (2)*

## 4.4 Forestry

### Key Findings:

- Forestry buyers remained active in 2022, although it was reported that purchases slowed towards the end of the year.
- Commercial forestry companies were seen to be able to outcompete upland and livestock farmers in acquiring appropriate land for planting.
- Land agents reported that multiple factors had affected market confidence and values.

The buying and selling of forests or land for planting new forests has been a topic of much conversation and interest in recent years. Land agents suggested that forestry was sometimes perceived by those from outwith the sector as being in conflict with other land use sectors – in particular providing stiff competition for other types of buyers.

Land agents acknowledged competition for land between the forestry and farming sectors, particularly in upland areas traditionally used for livestock grazing. McMorran et al (2022) reported on the competition from forestry for upland farms, although land agents reported that in 2022, forestry demand had moved “*down the hill*” (11), buying better quality agricultural land. Land agents reported a similar trend in the estate market, particularly large estates in (for example) the Highlands, where competition was occurring between the forestry sector and those with sporting or lifestyle motivations.

To add further complexity, land agents reported a clear distinction between commercial timber afforestation, and planting projects that principally had natural capital and carbon sequestration aims. These two forestry sub-sectors created competition, and some conflict, within the sector itself. Most of the land purchased in 2022 by these forestry sub-sectors was reported to be former farmland. When discussing the forestry sector land agents referred to commercial forestry (21 mentions) most often as a buying motivation, followed by natural capital (17 mentions) and bare land for planting (12 mentions).



#### 4.4.1 Commercial Forestry

Commercial forestry buyers were reported to be active in 2022 and were seen to be able to outcompete upland and livestock farmers in acquiring appropriate land for planting, both on the open market and off-market:

*“[Farmers] were completely out priced of the market. Yeah, farmland that was worth £500 was then suddenly worth £4,000-£5,000 an acre [£10,000 to £12,000 a hectare]”.*  
(13)

Higher land values, in part driven by forestry interests, was considered by land agents as a key motivation for selling land in 2022, with more land being supplied for sale. Land agents considered forestry buyers to remain a big driver in the 2022 land market, although it was reported that purchases slowed during the final quarter of 2022:

*“They’re all dictated by cashflows and discounted cashflows and everything else. Their appetite – they just pegged back a bit and some of those [investment] funds again have accumulated quite a lot of acres to go through the planting process.”* (10)

Land agents reported that the price of timber, the technicalities of acquiring planting permissions (including the species mix permitted), and the time it takes for permission to be granted all affect market confidence and land value. The price of timber was reported to be directly correlated to the price of plantable land for creating commercial forestry. Since McMorran et al (2022) gathered evidence on the 2021 market, the price of timber fell<sup>13</sup> (some agents reporting up to 25% decline), although some report that the long-term trend of import substitution and timber as a building material is underpinning long term prospects for forestry:

*“Yeah, commercial forestry has come down. That is mainly the influence of timber price [which] is bringing back people’s forecasts ...so we’re now seeing forest values significantly lower than they were.”* (5)

Woodland creation permissions affect the price of plantable land. Land agents reported that attaining planting permission requires a significant amount of time and expertise, especially as projected returns on investments are affected by planting decisions – such as conditions on the relative mix of commercial conifer species and native broadleaves required. Land agents considered these decisions to be both unpredictable (on almost a case-by-case basis, with significant regional variation) and unfair – referencing that any broadleaves within a commercial plantation cannot be included in any carbon credit scheme despite reducing potential profits from the commercial timber component. This was reported as a recent addition to the Woodland Carbon Code that caused increased caution by forestry investors. The following quotes provide useful insight on these difficulties buyers are facing:

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<sup>13</sup> See Forest Research (2022) Timber Price Indices – Data to September 2022 for data to corroborate this: [https://cdn.forestresearch.gov.uk/2022/11/TPI\\_Sep\\_22.pdf](https://cdn.forestresearch.gov.uk/2022/11/TPI_Sep_22.pdf)





*“The biggest problem is the uncertainty, because the Woodland Carbon Code [has no] standard standardisation through each Conservancy....so, Perth and Argyll Conservancy, might want 50/50% [conifer to broadleaf]....go to south Scotland, they’ll let you have 65% [conifer and] 35% broadleaf. ... There’s no standardisation on land.” (5)*

*“It’s a combination of uncertainty ... and the time scale in which it takes to get approval. Effectively if you’re told that you can’t plant it because of certain bird species or you’ve been told that you can only plant 35% of it with conifer, and you’ve budgeted on 55%, that’s a massive blow on your investment.” (5)*

The specialist forestry land agents suggested that Scottish Forestry were affecting the planting permission process, by being too understaffed to effectively deal with the increased amounts of new applications, by adding levels of complexity to the process, and requiring community consultation.

*“With the level of detail of scrutiny required for a lot of these projects, now there simply isn’t enough staff to help process and get these schemes through the system. If you’re looking at a large-scale woodland project, you could be looking at two years.” (5)*

*“You could have to wait two, possibly three years to get through EIA process where it’s surveys, habitat surveys and of course community consultation.” (5)*

It was reported that existing landowners (either farmers or estate owners) were obtaining planting permissions on their land to increase the value – similar to how obtaining planning permission for housing on bare land increases value. Current landowners are either beginning to plant with a view to sell in the future, or selling when permission is granted:

*“There’s a view that it’s good value creation – taking a piece of land and putting a high-quality plantation on it ... we have seen that. A good quality young plantation that is maybe five or ten years old can add a significant premium to a piece of bare land.” (17)*

In terms of buying motivations for new forest creations, there were two main themes. Firstly, the location of the land is an important factor, with a regional preference towards the southwest of Scotland, rather than the Highlands, as sites with very good market access for mature timber continued to be in high demand. Secondly the quality of the land remains important, in terms of soil fertility, soil depth and topography:

*“Effectively you can’t really look at the uplands, the Highlands for commercial forestry anymore because you’ve got deep peat. You’ve got a very inaccessible areas and it doesn’t make any sense to plant these areas with commercial forestry ... Fertility is a big issue. ... [if we want to] to plant Douglas fir, Western red cedar and other faster growing species ... you need relatively good soil.” (5)*

*“We don’t get involved in arable land – we avoid that, and similarly we avoid some of the rougher land because it’s often got high biodiversity value as it is. ... A good example [is] improved grassland, which, for productivity, is good for farming and for forestry, but livestock farming is not bidding strongly on that kind of land.” (17)*



In terms of motivations for selling commercial forestry land, little to no evidence was present in the interviews and instead land agents reported that “clients hold on to it” (6). However, there were motivations for selling bare land for planting, discussed in 4.6.2 and 4.5.3.

Financial incentives, in the form of planting grants, were reported by McMorran et al (2022) as a driver of commercial forestry creation. However, due to inflation, the increase in commodity prices and demand for forestry services, the land agents reported that in 2022 grants were no longer cost-effective, with some buyers being put off or negatively affected by this:

*“The big change we’re noticing with [planting] grants is that, partly because of inflation, the grant you get ... no longer comes close to covering the costs of establishment.” (8)*

#### **4.4.2 Native Forestry**

There is now a perception that competition between commercial forestry and native woodlands for carbon markets causes even greater inflationary pressure on suitable plantable land:

*“The carbon side of it is distorting the market massively. And as I say, I’ve heard of planting land in the South West of Scotland at £20,000 a hectare, and that that’s just crazy – that’s horrible land.” (6)*

However, as with commercial forestry, a sense of hesitation was reported to have entered the market late in 2022 for similar reasons. Further, there is uncertainty regarding the capacity of some broadleaves to actually sequester carbon on some land types:

*“I know some sites that their intention is to grow broadleaves to a high yield class and sequester carbon – they’re planting at [high altitudes] on thin soils and 25% of that crop will fail, 50% of the crop be there thinking about growing 25 years later, and 25% of the crop will actually get established.” (3)*

*“Now, when you ... sell a big chunk of land, it’s evident very early on that you could only plant maybe a quarter or half of it. I guess some people are buying these things on hope value for future ecosystem services.” (17)*

Some of the land agents doubted whether buyers knew these issues in 2021, but did consider this buyer type as becoming more educated and perhaps more cautious than previously observed.

Amongst the interviewees there were mixed opinions as to whether planting new native woodland was a viable strategy for investors. Those involved in the commercial forestry sector appeared to oppose these buyers, suggesting they were taking land away from land that should be planted commercially and clogging up the application process. Some saw the carbon market as “ethereal” (2) and too speculative, driving up the price of land based on this speculation. On the other hand, some agents (particularly those with a natural capital role in their jobs) saw this as one important tool in tackling climate change.



## 4.5 Estates

### Key Findings:

- The estates sector remained strong in 2022, but with signs that it was slowing.
- Supply and demand were beginning to level out.
- Environmental, social, and governance (ESG) motivations were drivers for purchasers.
- Amenity continued to be a motivator for smaller estate purchases.
- Sporting potential was a weakening buyer motivation.

### 4.5.1 Estate Market Overview

The overall impression from agents was that the market for selling estates remained strong in 2022, but perhaps with signs slowing at the end of the year. At the beginning of 2022 estate sales continued the trend set in 2021, where the market was particularly “hot” or “dynamic”:

*“The market was absolutely red hot and overheating [in 2021] ... Whether [buyers have] saturated themselves in that market ... I don’t know. But at the moment [early 2023], it’s pretty slow. I think the market’s still there, but it’s not got the froth on it.” (6)*

One participant noted that a particularly prominent (environmentally-motivated) buyer had since stepped back from the market:

*“He’s got huge backing from [investors] and was buying these places up for rewilding, peatland restoration, you name it. Anyway, he’s the first one that I’ve seen who took a rain check and said, hang on, we’re a bit nervous about this”. (11)*

Where the 2021 market was driven by excess demand, in 2022 it was reported that supply and demand were beginning to level out. It was suggested that buyers had become more “picky in what it’s going for” (6), and whilst some land agents thought that values had remained strong, they acknowledged less familiarity with the estate market.

### 4.5.2 Estate Buying Motivations

Interviewees stressed there was no such thing as a typical estate and that a degree of subjectivity is sometimes required to distinguish an estate from a large farm. Within the estate market the agents perceived two main types of estate that have different buying motivations. Firstly, smaller estates with a main house (and potentially several smaller houses) tended to be driven by lifestyle buyers (considered amenity estates). Secondly, larger estates (that can extend to tens of thousands of acres) with significant upland areas previously used for sporting activities tended to attract the attention of buyers wishing to pursue natural capital projects (i.e. peatland restoration, afforestation or rewilding).

Estates are located across the country and across a wide range of land classifications. Accordingly, estate holdings are purchased for a variety of reasons and investors may evaluate acquisitions over multiple factors. Occasionally, purchasers decide to parcel off



sections of a newly acquired estate (such as the house and outbuildings) that are unsuitable to their business model:

*“Some of that’s been sold as a house and a small number of acres (20 or 30 acres [8-12 Ha] and we’ve seen a lot of people relocating from the South of England. ... A lot of the [named estate] land has been sold for forestry.” (14)*

Interviewees highlighted how the purchase of an estate offers a unique opportunity due to the particular character of Scottish estates, in that they are one of the only assets with the scale to undergo landscape scale projects such as peatland restoration or rewilding:

*“He didn’t want to shoot anything. He just wanted wilderness [and] that scale. So, these rewilding buyers ... it’s just a case of scale.” (11)*

This scale is inherently attractive to certain buyers, whether centred on traditional sporting motivations and rural development or more recent environmentally motivated purchases.

### Natural capital

The most significant theme from land agents was that general environmental, social, and governance (ESG) motivations had become drivers for investment in the estates market. Specifically, the key new drivers were identified as peatland restoration opportunities for carbon emission avoidance, native woodland creation opportunities to capture carbon, and rewilding opportunities for nature restoration. Within the natural capital umbrella, carbon was the most discussed factor:

*“Key drivers of interest are the extent of peat and extent of land that is suitable for planting – and doesn’t have any or many designations which might limit planting.” (1)*

It was reported that COP26 (November 2021) was an important trigger for potential buyers of Scottish land. It was suggested that Scotland was attractive for land-based carbon offsetting due to a variety of reasons: scale; low population density; patterns of large landholdings; existence of degraded peat; and land suitable for afforestation. Interestingly, a small number of land agents suggested that, somewhat perversely, the estates with the highest levels of peatland degradation were in fact the ones gaining the highest prices:

*“The biggest prices have been paid for the estates with the largest amounts of degrading peatland in very crude terms, as well as having a significant extent of plantable land”. (1)*

One interviewee further noted that some buyers may also be speculating on the emergence of further ecosystem markets, such as soil carbon:

*“They may be thinking forward because although at the moment you don’t get any carbon credits from soil, it is something that’s been talked about for future potentially.” (13)*

Rewilding was noted as a motive by some interviewees, though in most cases reference was made in passing and it was not evident that they considered this a core driver of the market.



Land agents further pointed to concerns around natural capital investment, including that the valuation of carbon credits was inherently speculative. Acquiring land for carbon investments was described by one interviewee as essentially taking “a gamble or a punt of where they believe the price per carbon unit is going to go” (11) in the future, while others questioned how much market participants really knew about natural capital (see [Section 4.8](#) for further natural capital discussion).

### Return on Investment

A common sentiment was that the 2022 market (particularly for the largest acquisitions) was driven by investors seeking a return on investment. Institutional and corporate investors have a fiduciary responsibility to maximise shareholder value. For private individuals, buyer motivations were noted to be complex, and for some private investors the need to generate a return may not be the overriding motivation. It was further noted that some estates provided privacy and exclusivity that was desirable to high net-worth individuals:

*“I think that that’s the sort of a natural desire within people to try and achieve something and own an asset like that.” (12)*

During economic downturns land offers investment stability compared to other asset classes:

*“When we look at ... recession or times of hardship – when things have been bad with the economy, and the residential housing markets not been good, the farming market and the estates market has always been ‘Top of the Pops’.” (11)*

### Amenity

Interviewees highlighted that amenity continued to be a motivator for smaller estate purchases in 2022. Though still a feature of the market in 2022, it was suggested that demand from lifestyle buyers was less significant to the overall market compared to previous years, due to the influence of natural capital.

*“The lifestyle buyer – they’ll go for much smaller ... they are still there, but they’re looking at nice house, 20 acres and few trees, a river or burn”. (2)*

Further, one interviewee highlighted how some estates were purchased as a principal residence, leading to demand for properties within commutable distance of major cities (12).

### Sporting

Sporting potential was a weakening motivation for estate purchase in 2022, although some interviewees considered that many estates continued to be heavily managed for sporting interests. More commonly, however, sporting was referenced alongside the assertion that purchase motives for estates had shifted more toward natural capital in 2022:

*“I think the traditional shooting estates are now being offered to market as a carbon opportunity a natural capital opportunity, not a traditional sporting opportunity which is just part and parcel of the market we are in and [the] changing times we’re seeing.” (7)*



### **4.5.3 Estate Selling Motivations**

Interviewees highlighted that the opportunity to achieve a premium value was the most significant driver of estate sales and that current values had brought more supply to market in 2022. Other reasons given for selling estates included: succession; internal and external business management factors; and the prospect of market regulation around shooting.

#### Current Values

Strong values were seen as significant in reducing the proportion of off-market transactions, as higher prices could be achieved in a global market. The opportunity to achieve a premium value was highlighted as the most significant driver of estate sales and current values achieved were considered a leading factor in bringing supply to market in 2022. Strong values, particularly for marginal ground, may have stimulated supply, as some landowners may have considered that current values may not be sustained:

*“There was an awful lot more acres offered for sale this year. I think roughly 80,000 acres [32,000 hectares] is about the sort of norm ... and 250,000 acres [100,000 hectares] were available this year.” (10)*

*“I suspect [sellers] think this natural capital thing is going to be a bubble and that they’re going to sell the land now while... the price is very high.” (8)*

#### Succession

It was noted that 2022 values may have prompted some owners to consider retirement, with a sale more likely if no successor is in place:

*“If the next generation don’t want the responsibility of ownership, then quite often that’s a trigger for selling – that remains the case”. (1)*

Land agents also highlighted that landowners’ views on inheritance are changing with a desire to divide landholdings equally between their offspring rather than a single heir:

*“[They] want to leave their wealth to their children in equal proportions ... [For] hill land that was (5, 6, 7 years ago) worth very, very, little there’s now demand – the value’s gone up a great deal and [they’re] thinking, is this the right point ... to sell some of it?” (3)*

#### Business Reasons

Land agents noted that changes in the general operating environment of businesses can also impact on landowners’ wider business portfolios that can influence estate purchase, sale, and investment decisions. One land agent described an estate as a “collection of rural assets” and that the decision to dispose of parts of the estate are sometimes based on return-on-investment assessment (3). It was also highlighted that failure/re-evaluation of estate development proposals could act as a catalyst for selling – an example provided





being an estate bought by a consortium to develop hydro power, which ultimately failed, resulting in the estate being brought back to market at a reduced price.

## 4.6 Farmland

### Key Findings:

- The value of prime arable and upland farmland continued to rise, driven by high demand.
- For prime arable land, demand typically came from large commercial farmers or from those who had sold land for development.
- Demand for upland farmland was significantly influenced by tree planting potential.
- There was comparatively less demand for mixed farms – except from upland farmers reinvesting funds attained from sales and also from dairy sector expansion.

McMorran et al (2022) referred to significant rises in land prices achieved across both ends of the farmland market in 2021 – on prime arable land and upland ground. This trend was reported to have continued in 2022 reflecting that farmland remained highly desirable amongst farmers, the commercial forestry sector, and natural capital-driven investors throughout 2022.

### 4.6.1 Farmland Buying Motivations

#### Prime arable land

For prime arable land, several buying motivations were reported for 2022. Firstly, the quality of the land was a significant driver, particularly for large farmers seeking prime arable land to expand and benefit from economies of scale. These buyers reportedly have money to invest in land, whether it is from farming profits or having sold development land.

For arable land that came to the market in 2022, land agents suggested that neighbouring farms were strong bidders alongside large commercial farmers from within the region – particularly potato growers that were looking for new land to enter into rotations. Due to the profitability of prime arable land, agricultural support or other financial mechanisms were not considered a buying driver in this land class. There were some examples provided of English farmers that opted to increase the scale of their farm business by selling land in England and moving to a larger farm in Scotland (although these were infrequent and not considered a main driver in the market).

#### Upland farmland

By far, land agents said the most common motivation for upland agricultural land purchase in 2022 related to tree planting potential – but there was a limited pool of buyers for this type of land. There was recognition amongst the land agents that natural capital afforestation projects had become the key buyers of upland units, as commercial forestry buyers had started to look for more fertile and flatter ground with deeper soil. Tree planting was considered to have led to upland value increases in 2022 – but some agents believed that



upland prices had settled and even fallen slightly in the later part of 2022. Notably, it was suggested that there was limited demand for upland land in 2022 if it was not suitable for planting (whether due to topography, soil depth or the presence of archaeology features):

*“Hill farms, if they’re not suited to forestation there aren’t many people looking to get into the hill farming lifestyle these days and it’s a struggle.” (4)*

There was still some interest from lifestyle or amenity buyers, particularly if the farm had a desirable farmhouse. Tied to this, one agent reported a longer-term trend prevailed in 2022 where upland farms sold to forestry would often be split with the house and steadings re-sold to a lifestyle buyer:

*“When it’s a hill farm or a livestock farm and we know that there’s going to be forestry interests, we do tend to lot out the buildings and the farmhouse.” (13)*

### Mixed farmland

Land agents suggested the change in mixed farm values in 2022 was lower than those witnessed for prime arable or upland farms. It was reported that there was comparatively less demand for mixed units, although the commercial forestry sector was reported to have moved attention towards this type of land as it typically is more fertile, less likely to have peat present, and generally is more accessible to timber markets than upland units. The clearest theme that emerged in 2022 was that upland farmers that had previously sold hill ground for forestry, natural capital or renewable energy had started to buy better farmland further down the hill.

*“Land further up the hill – a lot of people who have sold land for planting this year, either their whole farm or part ... they are reinvesting in better acres further down the hill.” (10)*

Due to the high milk price in 2022, it was reported that some dairy farmers had started to expand their businesses. Many mixed farms are suited to dairy – and indeed many historically were dairy farms that converted to mixed cropping and livestock systems when milk prices were low and there was consolidation in the dairy sector:

*“Currently the milk price is very good. There’s a strong demand of people looking for dairy farms and looking for farms to convert to dairy.” (12)*

### **4.6.2 Farmland Selling Motivations**

Whilst many motivations for selling farmland in 2022 were identified, by far the most important driver suggested by land agents was retirement and a lack of succession plan for the farm. This continued to be a long-term trend.

*“Arable or mixed arable operations, you are only really seeing them coming to the market [if there are] succession issues”. (11)*

Like reported for estate selling motives, there was some suggestion of an emerging pattern where families with several children are tending to split wealth evenly amongst them, rather





than handing it all to the eldest son/one who wants to farm. With high prices and forestry demand high, it was suggested more upland units came onto the market to liquidise the asset for the next generation:

*“If they gave the land to the oldest son – all their wealth is tied up in that land – they haven’t got the equivalent to give to the other children. So, one child gets it all. They’ve taken a 21<sup>st</sup> century decision that enough is enough of this sort of feudal [approach]”.*  
(3)

Tied to this, and somewhat regardless of the land class, some farmers had seen their land reach historically high prices and decided to sell:

*“When it comes to farms, there have been a couple of people ... think right, OK, well, hill ground is selling pretty well at the moment. Then taking advantage of a high price and investing that money elsewhere.”* (12)

Another common selling motive reported was debt, particularly with changing wider macroeconomic factors. Farmers with large amounts of debt saw their interest payments increase in 2022 and selling (entirely or parcels) provides an opportunity to clear debts or restructure and improve business resilience/viability. This feature was reportedly more common on smaller, less viable units where agricultural support was a high proportion of incomes:

*“The most unproductive, the most unprofitable farms ... predominantly those beef and sheep farms that are not making any money, they’re selling off 200 or 300 acres [80-120 hectares] of hill .... There’s appetite for that at the moment.”* (16)

Sales driven by uncertainty around future agricultural support were reportedly uncommon, with most farmers willing to wait and see what future agricultural and land management support schemes might deliver before making any decision to sell.

With some early signs of increased supply of farms to the market in 2022 agents perceived some farms to be less attractive than others:

*“If you’re located between two progressive dairy farmers ... [who are] wanting to expand, you’re absolutely onto a winner. But if you’re located between two beef and sheep farms, who are probably thinking about selling themselves in the next 5 to 10 years, it’s not as positive.”*

#### 4.7 Future Trends, Opportunities and Threats in the Market

##### Key Findings:

- One of the clearest discussion points was about the role of carbon markets as a driver of future land markets. There was no firm conclusion from land agents if carbon would continue to be key driver.
- The end of the current agricultural support system was considered a threat to farm profitability, with potentially more farms coming to the market next year.



- The continuation of volatile and downward global macroeconomic conditions was deemed a threat to future land market investments.
- Due to the very limited supply of good farmland, substantial competition may occur among farmers looking to invest Capital Gains Tax rollover relief monies and other buyer types in 2023.

Agents were asked to forecast future trends in the market, including any threats or opportunities they saw. One of the clearest themes when discussing the future of land markets was whether the carbon market would continue to be a driver or not.

*“The difficult thing to predict is the extent to which carbon is going to continue to affect the market ... I think there’s been a vanguard of a new movement, which has driven prices to extraordinary levels quite quickly.” (1)*

Some agents thought the natural capital market would eventually fail completely, being based on something too speculative and ethereal. Others saw a more successful future, so long as more options are incentivised by the Scottish Government beyond merely carbon capture:

*“I hope that natural capital becomes broader set of income streams. ... The biodiversity crisis is massive and if we don’t catch up with that we’re in a lot of trouble.” (17)*

*“Those natural capital markets have the potential to go either way. I mean, very quickly we could look at land and it could double [in value] again ... or it could stop overnight.” (16)*

Another future change discussed by the land agents was the end of the current agricultural support system. Most agents saw this as a threat to farmers, and thought “a flush of smaller, less viable units” might come onto market in the subsequent years, especially of farm types more reliant on support payments for income.

Other agents thought that farmers (and therefore the farmland market) were incredibly resilient and would adapt to new legislation (slurry storage for example) and support payments, potentially if they better integrate woodlands into their systems:

*“Say the tug of war between different land uses, particularly farming and forestry, I think there’s a real issue there that needs to be overcome and the only means of doing that is by encouraging farmers to see forestry as another crop and of benefit.” (5)*

Another theme concerned the continuation of volatile and downward global macroeconomic conditions. If commodity prices and interest rates continue to rise it was believed this may cause some farmers to sell their land. Further, there was a belief that if inflation continues to rise then investors may move their money to land and forestry, considered a safer “recession-proof” (5) asset:

*“A lot of people say that if you buy a land asset too expensive ... time will save you.” (17)*



More competition could occur in the coming years, between those wishing to hedge against inflation and natural capital buyers who are interested in estates for renewable energy, carbon offsetting or wider ecosystem service provisioning potential. However, one agent thought the smaller estate owners may be more inclined to sell than larger, “landscape-scale” estates:

*“I think that the smaller residential estates are the ones that will struggle more, which are less land, more bricks and mortar people – obviously there’s more risk involved.”*  
(11)

It was highlighted that due to the very limited supply of good farmland, farmers with Capital Gains Tax rollover relief money had not yet had the opportunity to reinvest development funds. With rollover relief only lasting three years, it was explained that 2023 may see considerable competition for farmland as buyers race to avoid taxation:

*“There are still individuals ... who have got a lot of rollover money, ... So next year we know there will be farmers ... who are just going to have to buy something.”* (2)

Some agents saw future political events as a threat to the land market, particularly any independence referendum or a general election which may suddenly change the political landscape. Relatedly, there was discussion from the agents about the role of the Scottish Government in providing more legislative clarity over issues such as agricultural support, forestry planting grants and permissions, and proposed land ownership rules:

*“I would say a lot of it will come down to how Scottish Government deals with legislation on landownership. ... I think realistically, we need a proper strategy for land use. To give certainty for buyers, investors, even existing landowners, as to which way we’re going.”* (5)

*“The planting market will be largely dictated by what the government do. If they soften planting regulations, I imagine the planting market will go crazy. If they tighten the market [and] put more policies in place to stop people planting, I think the opposite will happen.”* (7)

## 4.8 Natural Capital Payments

### Key Findings:

- Natural capital payments were considered one of the key drivers in the estates and upland farmland markets in 2022.
- It was reported that large institutional or corporate ‘carbon offset/inset’ buyers became more obviously differentiated from commercial foresters.
- Changes in Woodland Carbon Code rules, particularly changes to the additionality test, were reported to have had a cooling effect on institutional demand for land for planting in 2022.
- Overall, peatland restoration projects were not as prominent in the land market compared to afforestation projects.
- Rewilding-type projects were not reported as a strong driver of land prices in 2022.



Although reported as an important driver of land sales and land value in previous years, demand for renewable energy infrastructure projects remained relatively consistent (or slightly slowed) throughout 2022. Natural capital payments were widely discussed by land agents and considered one of the key drivers in the estates and upland farmland markets in 2022. Natural capital payments relate to a complex set of (current and potential) economic transactions that impact motivations for buying and selling land.<sup>14</sup> Those payments relate to emerging markets, such as payment for ecosystem services, developing carbon markets as well as more traditional payments such as those through agri-environment and climate schemes, as well as woodland planting grants.

Natural capital was generally referred to in the context of larger institutional and corporate buyers engaging in afforestation, peatland, and rewilding projects. There was no discussion of natural capital payments in the context of 'large commercial farmers' or 'prime agricultural land' suggesting their main focus was on commercial agricultural activities. Commercial forestry was regularly discussed in the context of woodland establishment grants and natural capital payments – except the key point being stressed was that commercial forestry was excluded from many natural capital payment schemes.

#### **4.8.1 The Woodland Carbon Code**

There was much debate in the interviews around capturing carbon through new afforestation projects and how this was affecting the market. It was reported that large institutional or corporate 'carbon offset/inset' buyers became more obviously differentiated from commercial foresters where the principal driver was to acquire land to afforest for commercial timber production.

It was reported that changes in the Woodland Carbon Code rules, particularly changes to the additionality test required for projects to be eligible under the Woodland Carbon Code,<sup>15</sup> had meant that some commercial schemes could not be validated under the WCC in their current form, leading some investors to question how to monetise woodland assets:

*“Yes, [rules around additionality] are affecting investor confidence in the market. So, people are now wanting to buy land, but they’re having to do so much more due diligence studies.” (5)*

*“If you’re looking at something of scale, with ... timber production, then it’s very unlikely you’ll get carbon units.” (5)*

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<sup>14</sup> See the Commission’s advice to Scottish Ministers for an overview of Natural Capital and Land: [https://www.landcommission.gov.scot/downloads/62baa9e7e982e\\_Natural%20Capital%20and%20Land%20Recommendations%20Report.pdf](https://www.landcommission.gov.scot/downloads/62baa9e7e982e_Natural%20Capital%20and%20Land%20Recommendations%20Report.pdf)

<sup>15</sup> Rules on additionality are detailed in section 1.6 of [WCC Version 2.2](#).



These Woodland Carbon Code rule changes were reported to have affected the commercial forestry sector in 2022 and some land agents criticised that carbon credits could not be generated on commercial timber:

*“In the same time as a native tree takes to grow and mature (100 years), we could have grown two crops of Sitka spruce, yielding massive quantities of carbon, which is locked-in...certainly for a couple of hundred years if it goes into a house.” (6)*

The land agents also discussed a wide range of factors (e.g. forest fires, windblow, tree disease) that could affect the price of woodland/forest which were part of carbon credit schemes such as the Woodland Carbon Code.

#### **4.8.2 Peatland Restoration Projects**

Overall, peatland restoration projects were not as prominent in the feedback from land agents as a 2022 land market driver as afforestation. There appeared to be far less contention around this form of natural capital payment and its associated Peatland Carbon Code. This was perhaps due to the Peatland Carbon Code still being a developing area, and peatlands only being found in certain geographies. However, some land agents did refer to a degree of uncertainty entering the market in 2022 where peatland were involved – noting increased requirements for due diligence around potential peatland restoration costs for:

*“One of the estates I look after, we have got peat, that could be restored. The family are taking the view that there might be a carbon market, but it’s far too young yet to be dipping their toes.” (2)*

When peatland was discussed by agents it was within the context of estates. One interesting insight provided by agents was that the quality of peatland was negatively correlated to the cost of the land, in that poor quality peatland continued (in 2022) to sell for a higher price than peatland kept under good management:

*“The water has eroded it and you’ve got extensive areas of peat hags and gullies. That gives the greatest opportunity to reprofile and rewet ... So that is the most valuable [land] in a perverse sense. Perhaps the poorest managed or the most heavily grazed uplands in the Highlands ... are now the most valuable.” (1)*

#### **4.8.3 Biodiversity and Rewilding**

Increasing biodiversity was considered important, however, rewilding type projects were not reported as a strong driver of land prices in 2022. Land agents reported being aware of projects occurring, but these tended to be either on smaller amenity pieces of land, or the purchaser had personal motives that were not necessarily financially driven, instead “because it’s an interest for them.” (13).

One agent suggested that there were no clear financial incentives to undertake rewilding projects and that created some uncertainty in the market:



*“In Scotland it’s very loose that the new National Planning Framework talks about securing positive effects for biodiversity, but there’s no actual substance to that. How’s that going to happen?” (8)*

#### **4.8.4 Renewable Energy**

Although reported as an important driver of land sales and land value in previous years, demand for renewable energy infrastructure projects remained relatively consistent (or slightly slowed) throughout 2022:

*“There seems to be a continued demand for sites for wind farms, but what people are focusing more on, I would say, is on improving the efficiency of existing wind farms ... I’m seeing less demand or less people looking for new sites for wind farms.” (12)*

However, in most cases landowners have been entering into lease agreements rather than selling their land to energy companies. Further, a constraint on renewable energy companies buying more land for wind farms relates to the capacity and location of the electricity grid network. A steadily increasing trend was towards the establishment of solar farms and battery storage. The initial capital overheads were seen as much lower than windfarms, with some farmers seeing the financial benefits of leasing land to companies developing solar farms:

*“I think the [solar farm companies] seem to be happier renting land ... and not having the huge capital outlay. The returns for farmers who are renting their land for solar panels and also for battery storages, it’s pretty good, quite lucrative.” (2)*





## 5 Conclusion

The insights provided by agents regarding Scotland's 2022 rural land sales demonstrate that the land market has been cooling, with some shifts in buying and selling motivations. Compared to the 2021 land market, the amount of land for sale increased in 2022 – with continued high demand for most land types. Some potential buyers were acting with more caution and conducting more due diligence on potential purchases. This was particularly the case for upland and marginal land which attracted much attention from the forestry sector and buyers with natural capital motivations.

The report has provided an overview of how different sectors of the land market (forestry, estates, and farms) performed in 2022 from the land agent perspective. As drivers around natural capital continue to develop, the distinctions between the different types of land are becoming blurred, with the forestry sector increasingly interested in better quality farmland and some estates. The selling motivations of upland farmers are beginning to be affected by the high prices paid for plantable land, and existing estate owners are also beginning to contemplate land sale due to high prices driven by investors with natural capital motivations. The exception to this being prime arable land which remains in high demand for largescale commercial farmers and prices are expected to remain buoyant.

Various uncertainties affecting the market in 2022 have been highlighted throughout this report. Uncertainty around agricultural support, carbon credit markets, the Woodland/ Peatland Carbon Code and macro-economic factors have all contributed. Land agents tended to point towards the Scottish Government, Scottish Forestry and the Scottish Land Commission for guidance and to provide clarity on some of these uncertainties.

Insights from the interviewees largely matched the messaging in the land agency industry reports and updates reviewed in [Section 2](#). However, one major divergence between the industry reports and the interviewees' insights was the emphasis placed on rewilding projects. The industry reports thought rewilding was going to be a key driver in the market, however, the land agent interviews suggested very few buyers wanted to purchase land for this purpose.

The findings of this report have further implications worth considering. Firstly, the agents frequently mentioned that well-resourced (wealthy) parties were active in the market, whether these be large-scale expansionist farmers, institutional or corporate investors building their portfolios, or three to four major commercial forestry companies increasing their standings. This implies that the land purchases in 2022 were potentially reinforcing the pattern of concentrated land ownership in Scotland towards private/corporate ownership. The prices achieved in the market meant there were fewer opportunities for communities, young farmers or less affluent individuals that could further diversify the ownership of Scottish land.

Secondly, although off-market activity was a more mixed picture than in 2021, deals were still occurring in this fashion – particularly in the estates sector and for upland plantable land. This raises questions of land transaction transparency, as the price paid and owners of



these off-market deals are not always publicly available. Further, off-market transitions limit participation in the market, particularly from communities that may wish to register an interest in the land when it is brought to market.

Building on the methods from McMorran et al (2022), important methodological considerations should be given to future research that requires land agent engagement. To provide adequate commentary of the rural land market, interviews with 20-25 land agents spread across agency type and geographies is recommended. Timing of interviews in the Christmas/New Year period should largely be avoided due to staff leave and busy schedules immediately following return to work. Not all agencies work around the calendar year, meaning some of their market analysis was incomplete at the time of interviews and better alignment of interviews around main land market reporting periods would likely be beneficial.

A qualitative coding framework is recommended to draw out themes for future research and using the approach developed in this project may allow longer term trends to be more readily be identified for any future research in this series.





## Appendix 1: Database of Land Market Report

**Table 1 Summary of land market evidence**

| Company           | Report                          | Country         | Period  | Sector | Overall trend  | Emphasis on natural capital/carbon credits  |
|-------------------|---------------------------------|-----------------|---------|--------|--|---|
| Carter Jonas      | Farmland Market Update          | England & Wales | Q3 2022 | Farm   | Year-on-year growth has decelerated slightly since last quarter yet continues on its upward trajectory.  | No discussion of natural capital.   |
| Strutt and Parker | Scottish Farmland Market Review | Scotland        | Q1 2023 | Farm   | “Overall land values increased across all land types over the first half of the year and flattened off during autumn and winter”.  | Notes that forestry and ESG type buyers were prevalent, especially during the first half of the year. Demand from this buyer type reduced in autumn and winter. Suggests due to change of rules on the attribution of carbon credits to commercial forestry, as well as purchasers having met targets/spent budgets.  |
| Strutt and Parker | Estate Market Review            | Scotland        | Q1 2023 | Estate | Evidence of cooling following peak in 2021. Suggests this should be considered in relative terms.  | Describes change in buyer profile for estates. Notes that prior to 2020 most estates purchased by wealthy individuals. During 2020, through 2021 and first half of 2022 there was rise of carbon market, woodland and peatland carbon. Demand strong through first half of 2020 then cooled in autumn.  |
| Strutt and Parker | Scottish Farmland Market Review | Scotland        | Q1 2022 | Farm   | “Overall, the unprecedented levels of interest in land in 2021 resulted in the continuation of the robust upward trajectory of land values.”<br>“The increase in the volume of land available to purchase in 2021 is a sign that vendor confidence is returning, although supply is not yet back to where it was in 2019. Demand for land in Scotland is extremely strong. While agricultural purchasers, for varying reasons, are still the main investors in farmland in Scotland, newer entrants such as forestry and lifestyle buyers are increasing.” | Two thirds of the introduction has a natural capital focus. For example:<br>“Purchasing forests or land for afforestation/peatland restoration enables them to offset carbon. As a result, we have recently seen companies such as BrewDog, Standard Life, and Aviva Investors and Par Equity successfully purchase large areas of land in Scotland to meet their ESG (Environmental, Social and Governance) commitments.”<br>“Farmer buyers continued to make up the majority of buyers for farms in Scotland during 2021. Yet it is important to note that forestry investors, which were not prevalent in the market as little as five years ago, purchased an increasing number of farms in 2021. Forestry/ESG buyers tend to be most interested in upland and marginal livestock farms.” |
| Strutt and Parker | Scottish Farmland Market Review | Scotland        | Q1 2021 | Farm   | COVID caused disruptions in supply of farmland and off-market sales became more common.  | Barely any mention of natural capital except it is expected to be policy focus in coming years/months.  |



| Company           | Report                          | Country                              | Period  | Sector  | Overall trend   | Emphasis on natural capital/carbon credits  |
|-------------------|---------------------------------|--------------------------------------|---------|---------|---|---|
| Strutt and Parker | English Farmland Market review  | England. Good for overall trends     | Q3 2022 | Farm    | Increasing upward trend, especially for arable land which is hitting record highs or matching 2015-16 market peaks.   | No real mention but discusses English arable mainly.  |
| Strutt and Parker | Scottish Estate Review          | Scotland                             | Q2 2021 | Estates | Trend is that the market has proven resilient (largely flat) throughout the pandemic.   | Starting to emerge in Q1 2021 in the Scottish estate sector.  |
| Strutt and Parker | Scottish Estate Review          | Scotland                             | Q4 2021 | Estates | Sharply up to record levels: 119% increase in gross investment between 2020 and 2021 (from £113m to £247m).   | Moving to the forefront in Q4: "The second and perhaps more significant key factor driving demand is the climate crisis and the international drive to net zero – particularly in the corporate sector – and the fast-developing market for carbon credits from appropriately qualifying new woodland creation and restoration of damaged peatland. The international commitment to achieving net zero and the obligations for business and industry to forge their own route to carbon neutrality has seen a massive increase in demand for those Scottish estates which have potential for extensive carbon reduction." |
| Strutt and Parker | Scottish Farmland Market review | Scotland                             | 2022    | Farm    | Farmland values remain strong with demand for all farm types overall land prices increased during first half of 2022 but flattened in Autumn.   | Mentions of ESG-motivated buyers.   |
| Savills           | Farmland Market Update          | UK – some Scotland                   | Q3 2022 | Farm    | Scotland's supply is down 16%. This has generated such a demand that land can be under offer for up to 20% more than its guide price, from smaller farms to larger commercial estates.                  | Upland land is attracting natural capital buyers.   |
| Savills           | Spotlight: The Forestry Market  | Scotland – not focused on the market | 2022    | Forest  | This spotlight is not directly concerned with the market, and is reflecting on the current appropriateness of carbon schemes and whether a more balanced approach to carbon and timber would be better. | Much has been made of the devolved governments' ambitious tree-planting targets as part of the net zero challenge and the mounting interest from institutional investors for land for tree planting. This interest in afforestation is courting controversy partly because it focuses largely on sequestering carbon to combat climate change.  |
| Savills           | Forestry investment analysis    | Scotland – includes England & Wales  | 2021    | Forest  | The value of the UK market has increased with a significant jump in average values.   | Acknowledgement that trees help capture carbon, but not much of a focus on natural capital in general.  |



| Company      | Report                 | Country                              | Period  | Sector                               | Overall trend   | Emphasis on natural capital/carbon credits   |
|--------------|------------------------|--------------------------------------|---------|--------------------------------------|---|--|
| Savills      | Farmland Market Update | UK, but some focus on Scotland       | 2021    | Farm                                 | Supply is slowing going back up to pre-COVID figures. Investors with ESG goals a key player in demand (16% of buyers), but farmers still the biggest buyers (40%).  | Discussion around new forms of subsidy and what that could mean for growing food vs environmentalism.  |
| Carter Jonas | Farmland Market Update | England & Wales                      | Q1 2022 | Farm                                 | Supply at an all-time low resulting in competition in the market. Anticipate supply in England will increase as farmers utilise "Lump sum Exit scheme" and choose to retire. More non-farmers buying land as it is seen as a safe investment.   | No mention of natural capital.   |
| Carter Jonas | Farmland Market Update | England & Wales                      | Q2 2022 | Farm                                 | Arable land prices increased per acre. Geopolitical landscape remains challenging. Agricultural input prices spiralling, and prices not balanced out the rising costs of production.  | "The secondary market is being underpinned by environmental buyers who, at an increasing rate, are purchasing land to deliver natural capital or meet biodiversity net gain (BNG) objectives. With the introduction of mandatory BNG imminent, we anticipate that environmental buyers will continue to bring capital to the market, increasing competition for land and, subsequently, applying upward pressure on prices."   |
| Carter Jonas | Farmland Market Update | England & Wales                      | Q3 2022 | Farm                                 | Long-term trends remarkably strong.   | Market resilience discussed. "Demand for bare and/or unproductive land, especially for natural capital purposes, remains at all levels. In the near-term, we can expect land requirements for 'green' schemes to continue to build momentum. The natural capital market as a monetised asset class is developing and new, non-agricultural players are emerging, notably developers who are seeking to offset biodiversity loss or carbon. With mandatory Biodiversity Net Gain (BNG) for development projects now only a year away, this trend will only accelerate." |
| Knight Frank | The Rural Report 2021  | Global. Farmland values for Scotland | 2021    | Rural land, mainly farms and estates | Hill land saw the biggest increase in prices up by 10% on previous year and up by 24% over last five years. ESG is supporting the Scottish Land Market. Hill and marginal land have seen the biggest price rises over the past five years. Much of it bought for tree planting by funds and private investors some completely new to the market. Kinrara Estate bought by BrewDog referenced. | Environment, social and governance special. Information on species reintroductions. The ESG movement is supporting the Scottish Land Market. Reference to BrewDog buying Kinrara Estate.   |



| Company             | Report  | Country  | Period | Sector                               | Overall trend   | Emphasis on natural capital/carbon credits                 |
|---------------------|---|--|--------|--------------------------------------|---|--|
| <b>Knight Frank</b> | The Rural Report 2022   | Scotland included: people, planet & profit theme | 2022   | Rural land, mainly farms and estates | Land for sale very scarce. Prices high. Prices high on good arable and poorest ground.  | Information on rewilding and diversification, mainly wine. |
| <b>Knight Frank</b> | Forestry Market Update  |  | 2019   | Forestry                             | Forestry in rural report now. Prices rising.  | Mainly commercial forestry.                                |
| <b>Savills</b>      | The Business of rewilding                                     |  | 2022   | N/A                                  | Providing a business case for rewilding. Justification for rewilding.   | Whole report on rewilding.                                 |
| <b>Savills</b>      | In plain English: applying natural capital accounting to land |  | 2021   | N/A                                  | Blog looks at natural capital accounting and how it works in practice. Terms like trade-offs.   | Whole report on natural capital.                           |
| <b>Savills</b>      | Natural capital and offsetting in the planning system         |  | 2021   | Estates                              | Looks at how landowners could be more successful in planning if they invest in natural capital. Focused on England but concepts applicable in Scottish context. | Whole report on natural capital.                           |
| <b>Savills</b>      | Rewilding Britain's country estates – Portfolio by Savills    |  | 2022   | Estates                              | Motivations to buy estates not just for sporting activities. Prestige in owning land?   | Whole report on rewilding.                                 |



## Appendix 2: Land Agent Participant List

| Participant Number     | Main Sector             | Total References to Each Code | Total References |
|------------------------|-------------------------|-------------------------------|------------------|
| Participant 1          | Estates                 | 42                            | 141              |
| Participant 2          | Farms and Estates       | 68                            | 188              |
| Participant 3          | Forestry                | 59                            | 138              |
| Participant 4          | Farms                   | 57                            | 150              |
| Participant 5          | Forestry                | 54                            | 267              |
| Participant 6          | Mixed                   | 59                            | 143              |
| Participant 7          | Forestry                | 40                            | 88               |
| Participant 8          | Natural Capital         | 40                            | 111              |
| Participant 9          | Farms and Residential   | 45                            | 85               |
| Participant 10         | Farms and Estates       | 62                            | 123              |
| Participant 11         | Estates and Residential | 73                            | 177              |
| Participant 12         | Farms and Residential   | 63                            | 136              |
| Participant 13         | Farms                   | 70                            | 182              |
| Participant 14         | Farms and Estates       | 44                            | 96               |
| Participant 15         | Farms                   | 34                            | 68               |
| Participant 16         | Farms and Estates       | 53                            | 161              |
| Participant 17         | Forestry                | 46                            | 115              |
| Participant 18         | Farms                   | 26                            | 43               |
| Participant 19         | Farms and Residential   | 14                            | 15               |
| Participants 20 and 21 | Valuers                 | 36                            | 121              |



## Appendix 3: Land Agent Semi-Structured Interview Schedule

Can you explain your agency's remit – which sectors do you (personally) work in?

### **Current trends in the market**

How is the land market performing since last year? Is it largely up or down?

What does the supply against demand look like?

What is the amount of off-market activity compared to on-market?

Are there particular types of land (farm/estate/forestry) that you have noticed a significant change in?

Are current subsidies and/or agricultural support affecting the market?

How much of a driver or barrier are current government policies and grants around natural capital?

What current factors are of greatest importance in influencing values? (Size, location, topography, amenity value, access, sporting, natural capital values, asset base/income potential, land use and land use potential (including increased focus on food security), running costs, development controls.)

### **Current primary motivations/drivers for selling rural land**

Are there any new patterns arising in terms of motivations?

Reasons to hold on to land – do these outweigh the drivers for selling?

Are you noticing any institutional investors/corporations deciding to sell?

### **Current primary motivations/drivers for purchasing rural land**

What are the main types of buyers you have seen this year? Where is demand coming from?

What are **the motivations** of new entrants?

To what extent are new acquisitions/changes in ownership resulting in a substantive change in land use (e.g. farm-forestry conversion, etc.)

### **Forecasting**

How do you see the market changing in the future? What are your reasons for this?

Will current drivers remain the same or will these change over time?

Are there any future threats or challenges you foresee?

Have you found the Commission's work on rural land markets helpful? How?



## Appendix 4: Valuer Semi-Structured Interview Schedule

Which sectors do you (personally) work in?

How are land values performing since last year? Are they largely up or down?

What current factors are of greatest importance in influencing values?

Que: Size, location, topography, amenity value, access, sporting, natural capital values, asset base/income potential, land use and land use potential (including increased focus on food security), running costs, development controls.

Are these factors changing over time? Which are more relevant, and which are less relevant?

How useful are (traditional) comparables in this new market? Are you developing new comparables relating to natural capital?

Are there particular types of land (farm/estate/forestry) that you have noticed where comparables are drastically changing? Are there significant changes in value as well?

**Farmland** – Prime arable land, mixed farms (potentially diversified), marginal/upland

**Estates** – Peatland restoration, sporting, renewables potential

**Forest** – Commercial forestry, afforestation (native broadleaves) for natural capital payments

How much of a driver or barrier are current government policies and grants around natural capital?

Probe: different types of natural capital forestry, commercial forestry, peatland, and wider natural capital (carbon, biodiversity credits, flood water retention, renewables), planning permission for forestry, planting regulations, inset/offset debate.

How do you see values changing in the future? What are your reasons for this?



## Appendix 5: NVivo Coding Framework

| Code name  | Interviewees who referred to code | Individual references to each code |
|--|-----------------------------------|------------------------------------|
| <b>Agency Tactics and Adaptations</b>            | 18                                | 58                                 |
| <b>Buyers</b>                                    | 6                                 | 10                                 |
| <b>Big Commercial Farmers</b>                    | 7                                 | 15                                 |
| <b>Contract Farming</b>                          | 6                                 | 16                                 |
| <b>Commercial Forestry Companies</b>             | 6                                 | 7                                  |
| <b>Community groups buy out</b>                  | 5                                 | 12                                 |
| <b>House Builders</b>                            | 11                                | 18                                 |
| <b>Institutional Buyers</b>                      | 18                                | 105                                |
| <b>Companies (for inseting)</b>                  | 10                                | 10                                 |
| <b>Companies (for offsetting)</b>                | 6                                 | 10                                 |
| <b>Funds (pension or investment)</b>             | 11                                | 19                                 |
| <b>Private individuals</b>                       | 8                                 | 8                                  |
| <b>Lifestyle Amenity</b>                         | 11                                | 21                                 |
| <b>Young Farmers</b>                             | 9                                 | 11                                 |
| <b>Estates</b>                                   | 10                                | 26                                 |
| <b>Buying Motivations and Factors (Estates)</b>  | 13                                | 55                                 |
| <b>Afforestation</b>                             | 8                                 | 9                                  |
| <b>Amenity</b>                                   | 5                                 | 8                                  |
| <b>Carbon</b>                                    | 9                                 | 25                                 |
| <b>Community Ownership</b>                       | 1                                 | 1                                  |
| <b>ESG</b>                                       | 2                                 | 3                                  |
| <b>High Net Worth Individuals</b>                | 2                                 | 5                                  |
| <b>Incentives</b>                                | 1                                 | 1                                  |
| <b>Mix of Reasons</b>                            | 4                                 | 4                                  |
| <b>Natural Capital</b>                           | 9                                 | 15                                 |
| <b>Proportion Motivation NC</b>                  | 1                                 | 1                                  |
| <b>Renewables</b>                                | 1                                 | 1                                  |
| <b>Return on Investment</b>                      | 2                                 | 3                                  |
| <b>Rewilding</b>                                 | 4                                 | 5                                  |
| <b>Scale</b>                                     | 2                                 | 2                                  |
| <b>Sporting (Negative)</b>                       | 5                                 | 9                                  |
| <b>Sporting (Positive)</b>                       | 2                                 | 2                                  |
| <b>Selling Motivations and Factors (Estates)</b> | 13                                | 29                                 |
| <b>External Business Reason</b>                  | 2                                 | 2                                  |
| <b>Internal Business Reason</b>                  | 2                                 | 3                                  |
| <b>Non-Price Factors</b>                         | 1                                 | 1                                  |
| <b>Premium Values</b>                            | 4                                 | 6                                  |
| <b>Regulation or Market Sentiment</b>            | 3                                 | 4                                  |
| <b>Retirement or Succession</b>                  | 4                                 | 5                                  |
| <b>Sporting</b>                                  | 3                                 | 6                                  |
| <b>Farmland</b>                                  | 15                                | 39                                 |
| <b>Buying Motivations and Factors (Farms)</b>    | 16                                | 101                                |
| <b>Agricultural Support or Subsidies</b>         | 7                                 | 9                                  |
| <b>Amenity</b>                                   | 4                                 | 4                                  |
| <b>Biodiversity Enhancement</b>                  | 0                                 | 0                                  |
| <b>Buying 'Down the Hill'</b>                    | 1                                 | 2                                  |
| <b>Commodity Prices</b>                          | 2                                 | 2                                  |
| <b>Contract Farming</b>                          | 4                                 | 4                                  |
| <b>Development Land</b>                          | 4                                 | 5                                  |
| <b>Increase Holding or Economies of Scale</b>    | 9                                 | 16                                 |
| <b>Investment Potential</b>                      | 4                                 | 4                                  |
| <b>Macroeconomic Factors</b>                     | 7                                 | 13                                 |
| <b>Money to Invest</b>                           | 8                                 | 12                                 |
| <b>Natural Capital Payments</b>                  | 2                                 | 4                                  |
| <b>Plantable Land</b>                            | 8                                 | 21                                 |
| <b>Prime Land</b>                                | 5                                 | 9                                  |
| <b>Relocation from England</b>                   | 6                                 | 8                                  |





| Code name                                | Interviewees who referred to code | Individual references to each code |
|--|-----------------------------------|------------------------------------|
| Renewables                               | 3                                 | 4                                  |
| Mixed                                    | 12                                | 27                                 |
| Prime arable                             | 10                                | 29                                 |
| Selling Motivations and Factors (Farm)   | 19                                | 96                                 |
| Parcels and Lotting                      | 14                                | 27                                 |
| Upland Marginal                          | 15                                | 36                                 |
| Financial Mechanisms                     | 4                                 | 8                                  |
| Agricultural Support and Subsidies       | 16                                | 39                                 |
| Grants (mainly planting grants)          | 7                                 | 16                                 |
| Inheritance tax (and other tax)          | 13                                | 21                                 |
| Natural Capital Payments                 | 17                                | 88                                 |
| Afforestation                            | 13                                | 30                                 |
| Woodland Carbon Code                     | 10                                | 31                                 |
| Peatland                                 | 11                                | 24                                 |
| Peatland Carbon code                     | 4                                 | 8                                  |
| Rewilding                                | 9                                 | 15                                 |
| Roll Over Relief                         | 12                                | 24                                 |
| Wind and Solar Farms                     | 11                                | 30                                 |
| Forecasting                              | 0                                 | 0                                  |
| Future Trends                            | 20                                | 61                                 |
| Opportunities                            | 11                                | 16                                 |
| Threats                                  | 17                                | 51                                 |
| Forestry                                 | 12                                | 38                                 |
| Bare Land for Planting                   | 15                                | 36                                 |
| Buying Motivations and Factors (Forest)  | 16                                | 75                                 |
| Commercial Forestry                      | 10                                | 68                                 |
| Planting Permissions                     | 8                                 | 23                                 |
| Natural Capital Woodland                 | 11                                | 36                                 |
| Consultation and Surveys                 | 1                                 | 10                                 |
| Selling Motivations and Factors (Forest) | 11                                | 24                                 |
| Housing Market                           | 6                                 | 15                                 |
| Institutions and Organisations           | 6                                 | 12                                 |
| Forest and Land Scotland                 | 5                                 | 21                                 |
| Scottish Government                      | 9                                 | 30                                 |
| SLC Scottish Land Commission             | 18                                | 25                                 |
| Market Factors (Generic)                 | 18                                | 63                                 |
| Input costs                              | 5                                 | 6                                  |
| Overall impression of market performance | 20                                | 82                                 |
| Compared to previous years               | 18                                | 44                                 |
| Off-market vs On-Market Activity         | 17                                | 42                                 |
| Reasons to Hold on to Land               | 14                                | 20                                 |
| Regional Variation                       | 18                                | 43                                 |
| Supply vs Demand                         | 20                                | 70                                 |
| Peatland                                 | 10                                | 18                                 |
| Substantial Land Use Change              | 14                                | 21                                 |
| Valuation of land                        | 19                                | 53                                 |