

# SCOTTISH FARMLAND MARKET REVIEW

Spring 2021

**UPPERMILL FARM, ABERDEENSHIRE**

Offer over £5,800,000 | 726 acres

Under offer within 7 weeks of marketing

## MARKET OVERVIEW

It is hard to believe that at the beginning of 2020, we were living our lives as *'normal'* with little concern for the Coronavirus murmurings emerging from China. The biggest issue on most people's agenda was Brexit, which quickly took a backseat as Covid-19 reached our shores in late January.

With 2020 being an extraordinary year for everyone, it is therefore perhaps no surprise that the performance of the farmland market in Scotland, in terms of supply and demand, was atypical relative to recent years.

Spring is routinely a busy time when farm sales instructions are being prepared for the open market. In 2020, spring brought lockdown and travel restrictions. Prospective sellers were cautious to commit to selling; faced with an unknown world, a fragile economy for investing sales proceeds and the additional unknowns caused by Brexit and whether or not a trade deal with the EU would be agreed.

On the flip side, active buyers were alert to this reduced supply of farms for sale and did not show the same restraint, competing vigorously for those farms available for sale, which saw demand quickly outstrip supply.

It should be highlighted, that our analysis detailed throughout this report only represents open market sales which masks a noticeable shift in vendor preference for off-market deals.

Based on our own knowledge of some of the private transactions that occurred, it is estimated that up to 30% of farms for sale during 2020 were available on a private and off-market basis.

Following lockdown, a number of vendors chose not to commit to open market advertising but were prepared to accommodate buyer interest on a private basis. With high demand from a frustrated and options-starved body of purchasers, this dynamic resulted in a number of successfully agreed sales without reaching the open market.

Until the pandemic is behind us, it will be unclear whether or not this is a trend which will continue, or if it is merely a response unique to a rare and specific set of market conditions.

**"...the performance of the farmland market in Scotland, in terms of supply and demand, was atypical relative to recent years."**

## THE MARKET AT A GLANCE

### Supply



Supply during 2020 was the lowest on record with only 49 farms available for sale.



The majority of farms were lowland livestock farms under 400 acres.



The main driver for selling was retirement although there was an increase in non-farming vendors.

### Demand



Demand considerably outstripped supply in 2020.



82% of farms successfully found a buyer (either sold or under offer) by the end of the year.



There was increased demand for smaller farms from non-agricultural purchasers.

### Pricing



Prime arable values remain strong due to high demand and low supply.



Strong prices continue to be paid for land suitable for afforestation, including secondary grazing and arable land.



Competitive bidding was seen at closing dates and on the whole good results were achieved.

## SUPPLY

### Amount of farmland marketed

According to analysis of the Strutt & Parker Farmland Database, supply of farmland for sale in Scotland during last year was at its lowest on record. In terms of acreage only 13,100 acres of farmland were advertised for sale, a decrease of 60% when compared to the 32,800 five-year average.

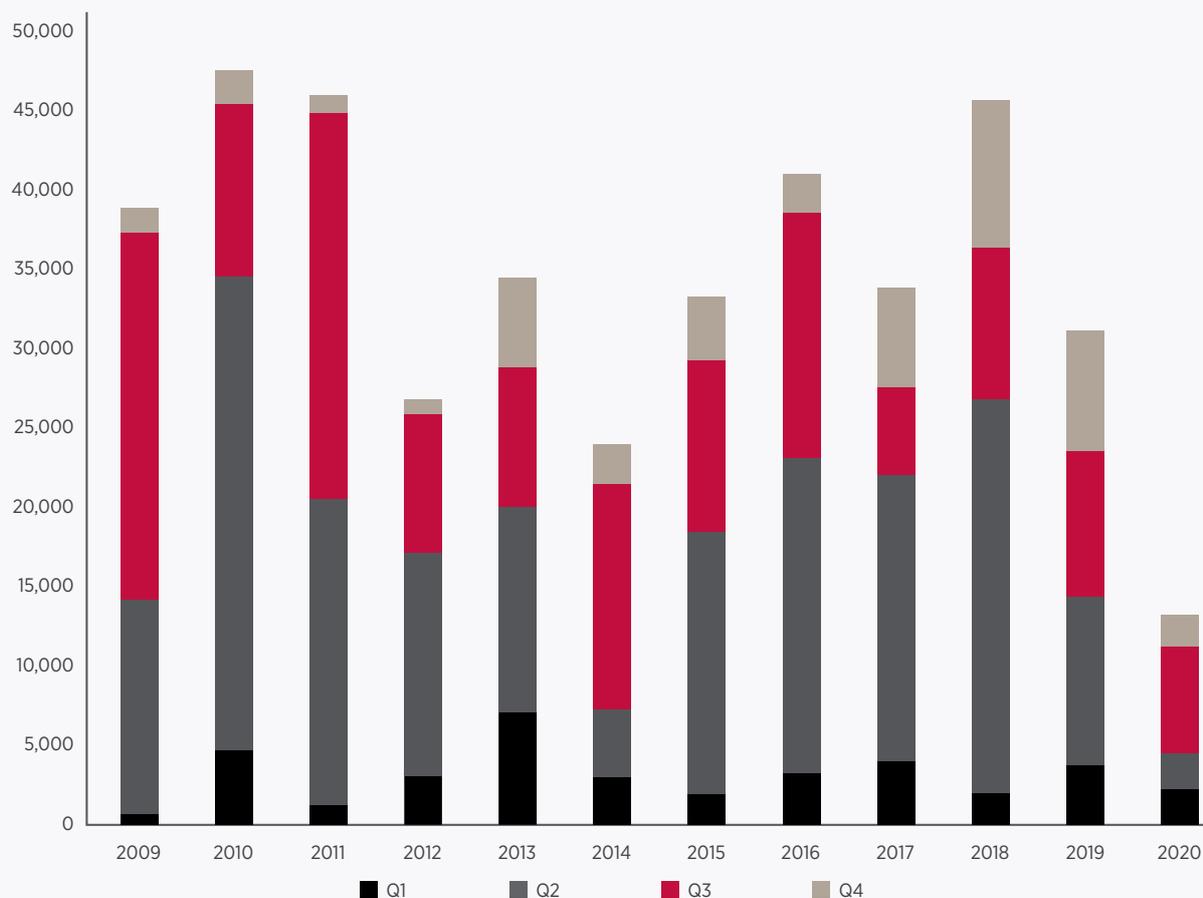
**Figure 1 Amount of farmland publicly marketed in Scotland (acres)**

NB Figures are for whole years and are rounded to the nearest 100 acres. All of the figures on supply or numbers of farms exclude estates, sporting and woodland properties; they also exclude privately marketed farmland due to the difficulty of collecting comprehensive information.

	Highlands and Islands	Lothian	Central Scotland	North East Scotland	Scottish Borders	South West Scotland	West Scotland	Scotland
<b>2016</b>	1,400	3,300	10,600	11,400	3,600	6,800	3,900	41,000
<b>2017</b>	5,000	1,100	2,300	8,900	4,000	7,800	4,800	33,800
<b>2018</b>	4,400	4,400	8,200	12,300	1,700	11,200	3,000	45,300
<b>2019</b>	4,900	500	6,500	7,200	1,000	8,800	2,000	30,800
<b>2020</b>	1,900	400	900	4,700	600	3,400	1,200	13,100
<b>Five-year average</b>	3,520	1,940	5,700	8,900	2,180	7,600	2,980	32,800

**Figure 2 Amount of farmland publicly marketed in Scotland (acres) by quarter**

NB Figures are for whole years unless otherwise stated.



The first lockdown of 2020, saw a huge reduction in farms launched during Q2 of the year. This behaviour was similar to 2014, the year Scotland voted on independence and the market was consequently disrupted.

However, during summer and winter as restrictions eased, more farms came to the market, but not enough to make up the shortfall from spring.

## Number of farms marketed

By the end of the year, supply more than halved, with only 49 farms available to purchase during the course of the year compared to 100 in 2019, and a five-year average of 95.

**Figure 3 Number of farms marketed**

NB Figures are for whole years unless otherwise stated. All of the figures on supply or numbers of farms exclude estates, sporting and woodland properties; they also exclude privately marketed farmland due to the difficulty of collecting comprehensive information

	Highlands and Islands	Lothians	Central Scotland	North East Scotland	Scottish Borders	South West Scotland	West Scotland	Scotland
2016	7	5	34	38	7	18	11	120
2017	10	3	10	24	8	17	13	85
2018	11	6	29	28	6	27	14	121
2019	9	4	25	24	3	25	10	100
2020	6	1	5	13	2	15	7	49
Five-year average	9	4	21	25	5	20	11	95

There was less of a shift in market behaviour when analysing the types of farm, size of holdings, reasons for selling and most active areas, with all data fields returning similar results when compared to 2019.

## Types of farm

Similar to 2019, the majority of farms for sale continued to be made up of lowland livestock farms.

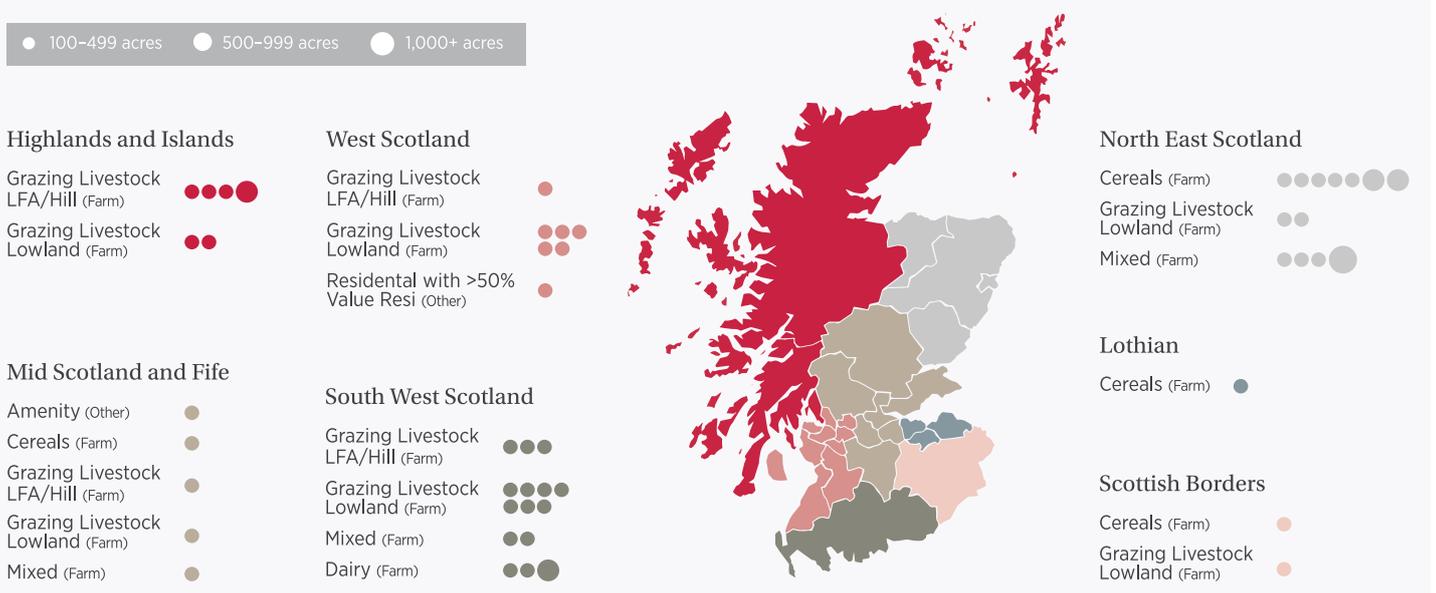
Almost a fifth of farms for sale were arable units and the same number of hill farms as last year were available. If you think about this in percentage terms the proportion of hill farms has doubled in 2020.

**Figure 4 Main type of farms marketed**

	Amenity & Residential	Arable/ Horticultural	Dairy	Hill	Livestock	Mixed
2016	5	39	6	9	36	25
2017	1	19	8	8	24	24
2018	6	37	9	26	24	18
2019	2	14	15	9	45	15
2020	2	10	3	9	18	7
Five-year average	3	24	8	12	29	18

Looking at market sales activity, the busiest areas of the country have not changed with most farms brought to the market in the north east or south west.

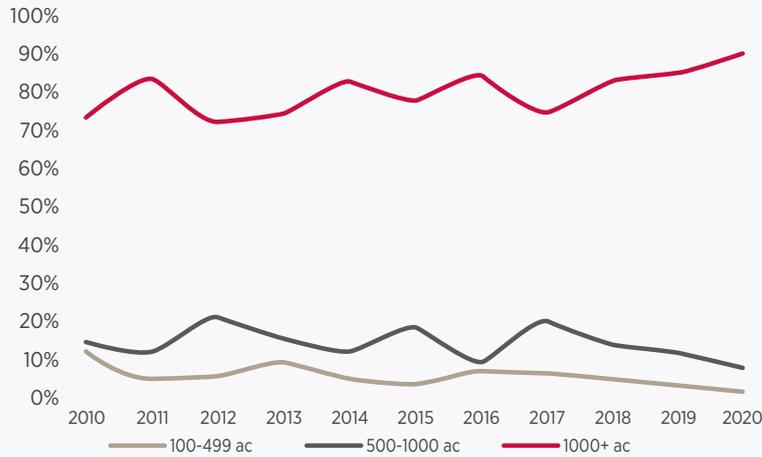
**Figure 5 Number of farms marketed in 2020 by region, farm type and farm size**



## Size of farm

Over two thirds of farms available were under 360 acres. There was a limited supply of large farms (10% were over 500 acres) but this remained much in line with 2019. In total only one farm exceeded 1,000 acres.

**Figure 6** Number of farms for sale, by size as a % of all sales



## Reasons for selling

Through our experience in the market, we found the main driver for selling was retirement. However, we noted an increase in non-farming owners selling to release capital for their core businesses.

As always, other reasons included downsizing, relocation and forced sales due to financial difficulties.

**“...supply of farmland for sale in Scotland during last year was at its lowest on record.”**

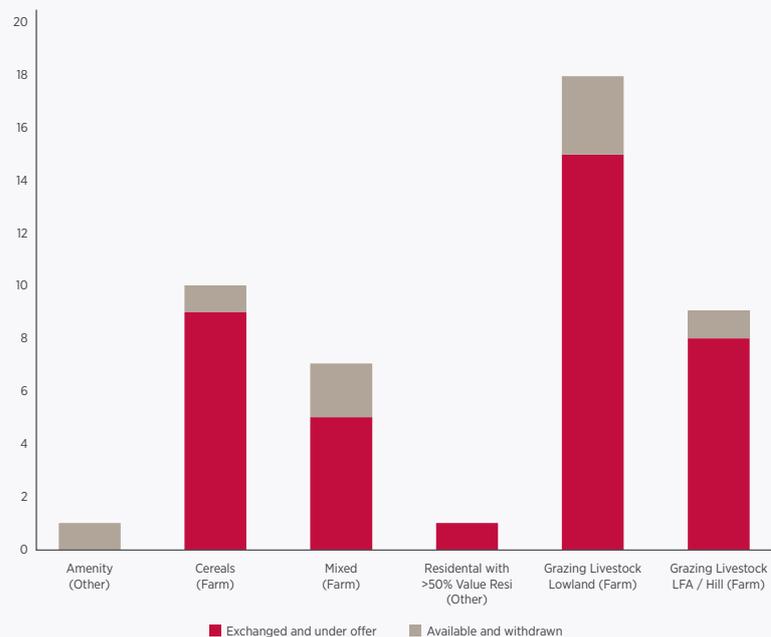
## DEMAND

### Area of farmland sold

It is arguable that rural life was least affected by the restrictions imposed in 2020. It is clear from the evidence of the surprisingly strong performance of the rural residential market that the pandemic has encouraged people to action long held dreams of owning a property in the countryside. Working from home and the long term changes to working patterns has also encouraged buyers to part with high value city centre property and look to reinvest in rural properties which may be larger and include an extent of land.

Scenic, and less populated areas were more sought after as were properties with land and more space to enjoy the outdoors. This in turn increased demand for small farms, as lifestyle, agricultural and investment buyers competed over fewer available properties.

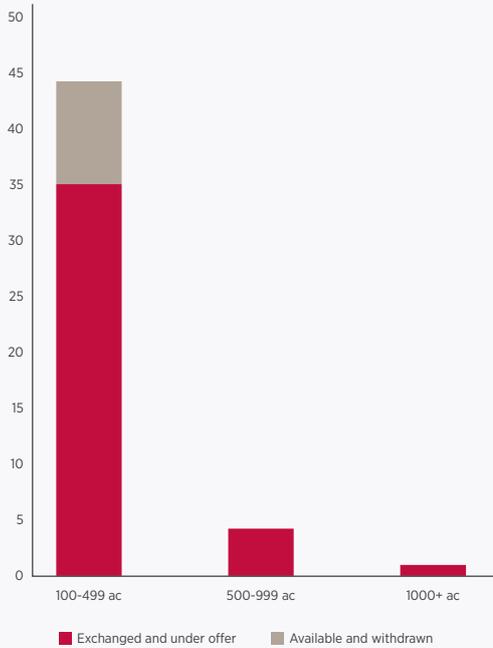
**Figure 7** Number of farms marketed in 2020 by farm type and sale status



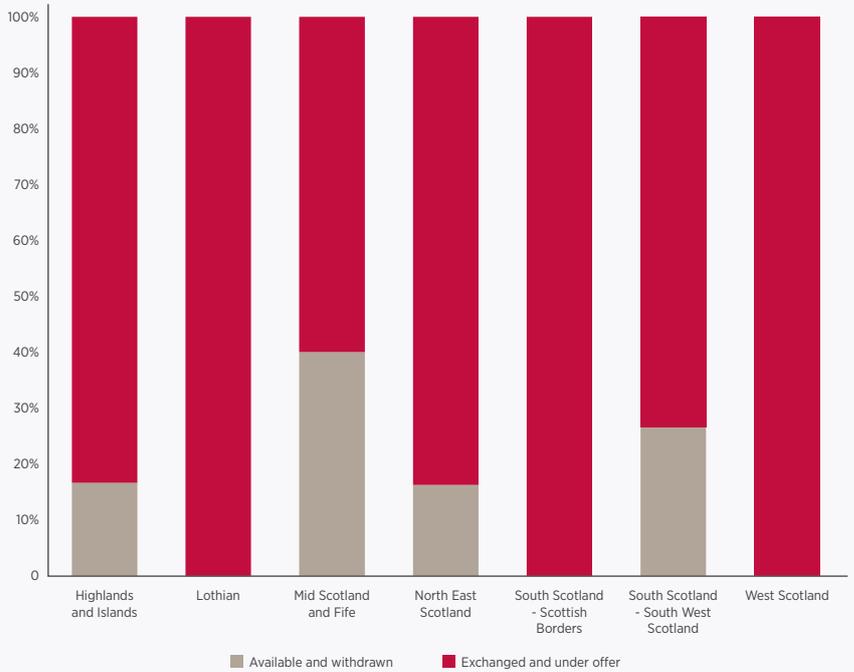
As a result, most farms found a buyer, with conversion of farms for sale to those sold or under offer reaching 82% by the end of the year. When compared to 2019 this was up 26%, and to 2018 an increase of 22%. It is important to remember however that in terms of numbers of farms this equates to 40 in 2020, 56 in 2019 and 73 in 2018.

There was no real trend to be drawn from the 9 farms which struggled to find a buyer before the end of the year. Those still available for sale were smallholdings of varying types, in a variety of locations and with different price points. The only commonality was that they had only been on the market for a maximum of 5 months.

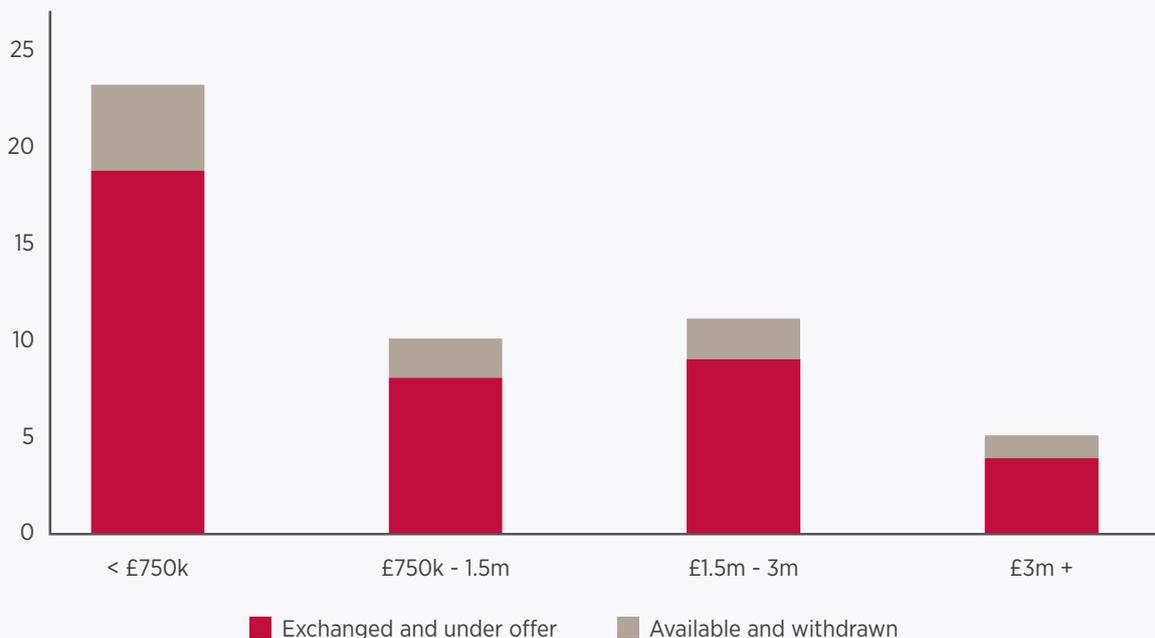
**Figure 8** Number of farms marketed in 2020 by farm size and sale status



**Figure 9** % of farmland exchanged by early December 2020, by number of sales



**Figure 10** Number of farms marketed in 2020, by asking price bands and sale status



## Types of buyer

As a rule of thumb, agricultural buyers from within the UK made up a majority of buyers for farms throughout 2020. There was an increase in lifestyle purchasers for smaller holdings and forestry buyers still dominated when it came to hill ground.

Due to the Covid-19 pandemic, there were very few purchasers from abroad for farms in Scotland in 2020, and less purchasers from south of the border and Northern Ireland. Saying this, we are in touch with a number of buyers from outwith Scotland who remain keen to invest, continue to keep an eye on the market and will resume their searches when restrictions allow.

**“...82% of farms had found a buyer by the end of the year”**

## PRICING

### Highest, lowest and average sale prices

With relatively few farms transacted (16 farms), it is difficult to discern price shifts in land values.

Prime arable values have been forced upwards, mainly due to the lack of first-class land reaching the market, and high demand from successful agricultural businesses looking to expand. It is still true that the highest prices paid for prime arable ground are now in line with prices in the favoured eastern English arable counties.

This is not true for other land grades or residential properties and therefore English farmers can buy more for their money in Scotland.

As seen in recent years, strong prices are continually paid for land with afforestation potential. The forestry market continues to outperform other asset classes in the UK. In addition, tree planting is backed by

government support and afforestation commitments, in the quest to attain carbon neutrality. Private companies/investors are also keen to acquire forests, plant trees or purchase carbon credits to offset their carbon footprint. The environment is not the only draw and purchasers can ultimately benefit from a better return on capital and inheritance tax exemptions. All of these factors are causing hill ground in particular, but also less productive grassland and even marginal arable ground, to be more attractive. In terms of prices paid, the biggest difference between agricultural values and those paid by forestry buyers is seen in hill ground, which can be anywhere up to 30 times higher than, say, a decade ago.

Prices: As a guide the range of values for each land type is stated below.

**Figure 11 Range of the values for each land type**

Type of Land	Prime Arable	Secondary Arable	Grass Leys	Permanent Pasture	Rough Grazings/Hill (if unsuitable for forestry planting)	Rough Grazings/Hill (Depending on if plantable)
Range of Value (£/acre)	6,000 - 16,000	3,000 - 6,000	2,500 - 5,250	1,000 - 2,500	100 - 1,500	1,500 - 3,000

### Sales at or above asking price

In general, competitive bidding was witnessed at closing dates and values above the asking price were achieved.

These successful outcomes were strengthened by a reduction in supply, an increase in demand (especially for smaller farms) and a view that land was a safer investment in 2020, due to the economic outlook of other sectors.

**“...competitive bidding was witnessed at closing dates and values above the asking price were achieved.”**

**Figure 12 Estimates of top 25%, bottom 25% and average prices for arable and pasture farmland by region (£/acre)**

Data is based on the opinions of our regional agents, as it is not possible to calculate reliable regional values based on the small number of sales in each region. Prices are for vacant arable and pasture land only (i.e. it excludes the value of houses or buildings). Bottom 25% means if 100 farms were valued, the price of the 25th farm from the bottom. The average is the 50th from the bottom (and 50th from the top).

	Arable			Pasture		
	Bottom 25%	Average	Top 25%	Bottom 25%	Average	Top 25%
Highlands and Islands	2,750	4,000	6,500	1,250	1,500	2,500
Lothians	5,500	8,000	12,500	1,500	3,000	4,500
Central Scotland	4,250	7,000	9,250	1,750	3,250	4,500
North East Scotland	3,750	7,000	13,000	1,750	2,500	4,500
Scottish Borders	4,500	6,500	8,000	1,500	2,500	3,250
South West Scotland	3,000	4,250	5,750	1,750	3,000	4,250
West Scotland	3,250	4,000	4,750	1,750	2,500	3,500

## LOOKING BACK TO LOOK FORWARD

Yet again, the resilience of farmers and the farmland market were tested during 2020 and together coped well despite the strange and uncertain times.

As predicted, most farm produce achieved better prices than the previous year with the exception of malting barley which offered little or no premium over and above feed prices. Volume played a part in prices strengthening, with wheat and barley yields down. Oilseed rape prices remained strong due mainly to a decrease in production caused by the ban of neonicotinoid seed treatments. The net result of the ban is that cabbage stem flea beetle is now able to decimate the crop rendering Winter OSR unviable in much of England.

Covid and the shutdown of the hospitality sector directly impacted on the consumption of food. This saw beef prices yo-yo throughout the year in correlation with the various lockdowns, helped somewhat by the eat-out-to-help-out scheme and the arrival of BBQ weather. Lamb prices dropped and recovered exceptionally due to the Covid-related closure of the English-French border just before Christmas. Positively, the outlook of lamb has improved due to the Brexit deal regarding exports to Europe. Demand for dairy produce fell steeply initially and then recovered during the second half of the year.

Arable crops (£ per tonne)	A year ago	January 2021	A year ahead
Beans	198	220	200
Oilseed Rape	325	380	352
Feed Barley	125	160	148
Milling Wheat	163	235	182
Feed Wheat	148	200	167
<b>Livestock (£ per kilo dead weight)</b>			
Beef Cattle	3.48	3.80	Possible increase
Lambs	4.66	5.17	Possible decrease
Milk (per litre)	28 -29 ppl (Jan 20)	30.5 (Nov 20)	Become less stable

### Sources

**Arable crops:** AHDB & FW. Prices are ex farm. Future prices are indicative bids from agricultural traders.

**Livestock:** FW. Beef R4L steers and lamb R3L specification. Future prices from outlook reports.

**Milk:** DEFRA.

Looking ahead into 2021, encouragingly some clarity has been gained on the UK's trade position with the EU. This will make it easier for agricultural businesses to make decisions about how to change, grow, adapt and develop. Although not enough is yet known about agricultural policy going forward, it is clear that it will centre around climate change and the environment.

With regards to the farmland market, our sales agents adapted with the pandemic in 2020. More emphasis was put on virtual viewings, which helped focus potential purchasers' attention and decide if a property may be for them before travelling to view. The safety of our clients, potential purchasers and colleagues was at the forefront of our minds and suitable protocols were put in place to mitigate the spread of the disease.

Working on the assumption that the Covid vaccination programme will be rolled out during 2021, and that lockdown could be lifted by the spring, we expect:

- A much more active marketplace, with the supply of farms during the year to be closer to 80 or even 100.
- The balance between supply and demand will be more even than in 2020.
- International buyers to re-emerge toward the middle or end of the year.
- That smaller farms will continue to make up the majority of sales and that the demand for these will remain strong bolstered by continuing (and positive) Covid effect.
- Farm types reaching the market will be varied.
- There to be a continued shortage of supply of prime arable land in the eastern counties.
- Prime arable land and land suitable for afforestation will continue to demand high values.

## CONCLUSION

We are confident that the farmland market will provide much more variety for purchasers whilst continuing to deliver strong results for sellers in 2021 than it did in 2020.

Our dedicated and specialist farm agency team cover the length and breadth of the country. The analysis we undertake of the ever-evolving farmland market puts us in pole position to provide you with the very best advice.

We have a range of instructions which we are preparing to launch in the coming months so please do get in touch with us if you are thinking about buying or selling land this year. All initial discussions and recommendations are provided on a non-commitment basis so please do not hesitate to get in touch, we would be delighted to hear from you.

In the meantime, stay safe, and we hope to see as many of you as possible face-to-face in 2021!

## SUCCESSFULLY SOLD IN 2020



LOWER SWINNIE FARM



LAND AT SAMUELSTON



MUIR ESTATE



GRUINARDS FARM

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#### Methodology

All data in this market report is from Strutt & Parker's Farmland Database of publicly marketed farmland over 100 acres in Scotland. It has recorded detailed information on the farmland, buildings and soils as well as buyer and seller profiles since 1996, and so is one of the most comprehensive databases available. What makes it different to other databases is that it records sold prices (i.e. what the farm exchanged contracts for) as well as guide prices, and so is a more accurate reflection of actual market conditions as guide prices can overstate or understate the prices that buyers are willing to pay. The national prices stated in this report are based on sold prices. Once a farm is exchanged, we have assumed it is sold, following HMRC custom. The prices for the regions are based on the opinions of our regional agents as it is not possible to calculate reliable regional figures based on the small number of sales in each region.

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