

SCOTTISH ESTATE MARKET REVIEW

2023

TAYVALLICH ESTATE, ARGYLL
Offers Over £10,465,000

HAS THE BUBBLE BURST OR JUST GENTLY DEFLATING?

After a year of extraordinary activity in the Scottish estate market sector in 2021, there was evidence of cooling in market sentiment during 2022 but this should be considered in relative terms.

To recap – 2021 saw record investment in this sector with nearly £250m being spent on the purchase of 28 Scottish estates at an average of £8.8m each. This should be considered by contrast with two years previously – in 2019 – when a gross total of £67m was spent on the purchase of 24 estates at an average of £2.8m each.

The results of our analysis of the market in 2022 show that there was gross investment of around £190m from the purchase of 23 estates at an average of £8.2m each. This shows a reduction in gross spend of 24% and a reduction in volume of sales of 18% between 2021 and 2022. A further relevant statistic is that the number of estate sales achieved on an off-market basis diminished substantially from 61% in 2021 to 33% in 2022.

As an overview, there has been a demonstrable cooling of the market between these two years but, in terms of total investment and average sale price, the numbers still bear little relation to the market that existed steadily prior to 2020 when the £100m barrier of gross purchase prices for Scottish estates was broken for the first time.

In considering the reasons for the apparent deflation in activity and sentiment, it is worth a reminder why we have seen such rapid and extraordinary growth in this sector.

Prior to 2020, most Scottish estates were purchased on a discretionary basis by wealthy buyers with personal autonomy over their decision making motivated by the concept of ownership of estates for pleasure rather than financial return through an annual yield. During 2020 and again throughout 2021, the rise of the carbon accreditation market from peatland and woodland attracted a new type of investor whose motivation was based on the combination of investor return allied with a land-based investment which is ethical, sustainable and aligned to the global imperative for human society to exist on a carbon neutral footing.

This demand has seen 'Highland sporting estates' re-packaged for promotional purposes as 'landscape-scale natural capital investment opportunities' which have successfully attracted purchasers which include global pension funds; foundations, companies and trusts established by ecologically tuned-in philanthropists, UK-based and international corporations, charities and government bodies. The prices paid for these 'investment opportunities' reflect both the demand and the emerging forms of land use and income generation and whilst they averaged £8.8m during 2021, several transactions took place at prices in excess of £20m and even £30m.

This trend appeared to continue for the first 8 months of 2022 when 6 estate sales were either concluded or agreed at prices in excess of £15m. The autumn months saw a reduction in activity however with some estates either taking longer to find buyers at sale prices below expectations or remaining available for sale after a number of months of promotion for sale – either privately or on the open market.

We should perhaps not be surprised by this as 2022 was a turbulent year. The ongoing war in Ukraine; rising interest rates and inflation; the ill-fated premiership of Liz Truss and its financial consequences; the cost-of-living crisis and even the death of our Monarch, Queen Elizabeth all combined to impact investor confidence. With Scottish estates – particularly those of the large, upland variety – being considered as investments rather than indulgences (as was previously the case), the statistics of circumspection which our analysis reveals are only to be expected.



ROBERT MCCULLOCH

Head of Estate & Farm Agency in Scotland
0131 718 4593
07734 545 972
robert.mcculloch@struttandparker.com

THE MARKET AT A GLANCE

Supply



29 estates were offered for sale during 2022. 19.5% lower than 2021.



17 of the 29 estates available for sale were offered privately (58%).



The largest estate available for sale in 2022 was 28,030 acres, with the smallest being 190 acres and the average was 6,000 acres - 54% higher than 2021.

Demand



23 of the 29 estates for sale (79%) found buyers in 2022 compared with a 5-year average of 69%.



39% of the successful transactions were handled privately in 2022, a decrease of 22% on 2021 when 61% of sales were off-market.



83% of purchasers were UK-based and 17% were based overseas and 39% of buyers were individuals/families whilst 61% were entities (funds, charities, corporate bodies etc.).

Pricing



£188m was the gross cumulative sum spent on the purchase of Scottish estates in 2022 - a reduction on 2021, but still significantly higher than previous years.



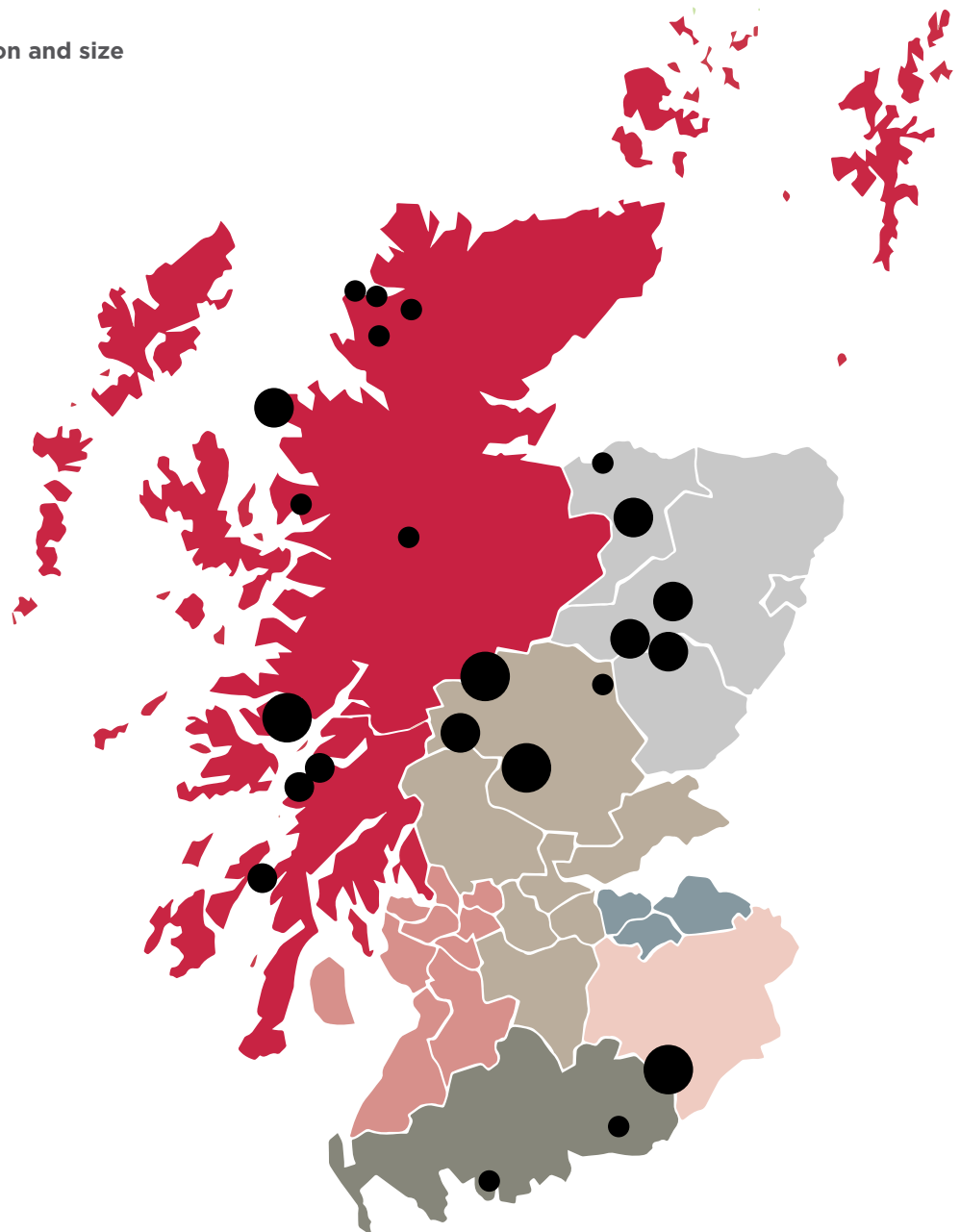
The highest price achieved for an estate was in excess of £20m and the average sale price was £8.2m - a decrease of 7.2% on the 2021 average price of £8.8m.



Two estates in excess of £20m and 7 estates between £10m and £20m were sold in 2022.

Figure 1 Estates sold by location and size

- <2,500 acres
- 2,500 - 4,999 acres
- 5,000 - 10,000 acres
- >10,000 acres



ESTATES SOLD BY STRUTT & PARKER IN 2022

SOLD - PRIVATELY



Angus
8,530 acres An upland estate offering extensive natural capital investment opportunities, alongside traditional sporting and agricultural uses.
Price £17,600,000

SOLD - PRIVATELY



Inverness-shire
5,791 acres An upland mixed use estate and natural capital opportunity in the Cairngorms National Park.
Price confidential.

SOLD - PRIVATELY



Kirkcudbrightshire
675 acres A residential, silvicultural and sporting estate in the Galloway hills.
Price confidential.

SOLD - OPEN MARKET



Sands Estate, Wester Ross
7,156 acres An extensive sporting and amenity estate with natural capital investment opportunity.
Under offers over £900,000.
Sold in excess of asking price.

SOLD - OPEN MARKET



Oldany Estate, Sutherland
190 acres A stunning coastal residential and amenity estate in the north west Highlands.
Under offers over £900,000.
Sold in excess of asking price.

SOLD - OPEN MARKET



Ardhuncart Estate, Aberdeenshire
1,593 acres A residential and agricultural estate in the valley of the River Don.
Offers over £5,645,000.
Sold in excess of asking price.

MISSIVES CONCLUDED - OPEN MARKET



Upper Drum & Lower Durris Fishings, Aberdeenshire
87 acres A riverside dwelling, extensive amenity woodlands and a magnificent beat of salmon fishing on Scotland's famous River Dee.
Offers over £800,000.

MISSIVES CONCLUDED - OPEN MARKET



Lagg Estate, Sutherland
618 acres A sporting, residential and amenity estate with natural capital opportunities in the stunning Assynt region of Sutherland.
Offers over £1,200,000.

UNDER OFFER - OPEN MARKET



Tayvallich Estate, Argyll
3,380 acres A spectacular residential and agricultural estate occupying a majestic peninsula incorporating a variety of nationally important ecosystems.
Offers over £10,465,000

COMING TO THE MARKET IN 2023

At the time of publishing this review, we have instructions to prepare the sale of several estates – both on an off-market and open market basis. This includes a variety of upland and low ground estates with a variety of land use potential including carbon and natural capital investment, commercial forestry, agriculture, renewable energy, leisure and residential. If you are an active investor, please contact us to ensure that you receive particulars of sale for any purchasing opportunities that may be of interest to you.

THE MARKET IN NUMBERS

Supply

	2018	2019	2020	2021	2022	5-year average
Number of estates offered for sale	36	36	36	36	29	35
Average size of estate (acres)	3,400	4,200	2,400	3,900	6,000	4,000
Total area offered for sale (acres)	122,000	150,000	85,000	124,000	174,000	131,000

Demand

	2018	2019	2020	2021	2022	5-year average
Number of estates sold (including under offer)	21	24	24	28	23	24
Proportion sold versus those available for sale (Conversion Rate)	58%	67%	64%	77%	79%	69%
Ratio of UK-based to international buyers	68:32	63:37	67:33	68:32	83:17	70:30
Total area sold (acres)	63,000	120,000	72,000	108,000	118,026	96,205

Pricing

	2018	2019	2020	2021	2022	5-year average
Average Sale Price	£2.7m	£2.8m	£4.7m	£8.8m	£8.2m	£5.4m
Total Spent	£57m	£67m	£113m	£247m	£188m	£131m

Price Banding - Estates Sold/Offered for Sale in 2022

	<£1m	£1m - £2.5m	£2.5m - £5m	£5m to £10m	£10m - £20m	>£20m
Sold/Under Offer	1	9	1	3	7	2
Unsold / Withdrawn	0	0	0	1	4	1

OUTLOOK

Based on the book of instructions which Strutt & Parker/John Clegg & Co have for 2023, together with our knowledge of those being prepared for sale by other agents at the time of publishing, it would be a surprise if we did not see an increase in the number of estates available in 2023 from the 29 estates that were offered for sale in 2022.

Whilst there were undoubtedly headwinds which produced a little more deliberation amongst purchasers last year than in

2021 and some of these continue to blow, the opportunities that Scotland's landscape and natural resources offer purchasers of varying budgets – both at landscape scale and at a more modest level – are likely to dictate another year of active trade in the sector.

If you are contemplating either the sale or purchase of a Scottish estate in 2023, please get in touch for a confidential introductory discussion.

CONTACT



ROBERT MCCULLOCH

0131 718 4593
07734 545 972

robert.mcculloch@struttandparker.com



EUAN MACCRIMMON

01463 727 593
07974 304 375

euan.maccrimmon@struttandparker.com



MURDO NICOLL

0131 718 4487
07918 362 134

murdo.nicoll@struttandparker.com



DOUGLAS ORR

0131 718 4590
07920 813 225

douglas.orr@struttandparker.com

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 prices stated in this report are based on sold prices. Once an estate is exchanged, we have assumed it is sold, following HMRC custom.

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