

# GREAT BRITAIN FOREST MARKET REVIEW - INTERIM Q1-Q3 2023

PUBLISHED NOVEMBER 2023



ON MARKET  
Peel Forest, Scottish Borders  
Offers Over £4,000,000

## MARKET AT A GLANCE

### Supply



Only 16 forests had sold by the end of September 2023, fewer than during the same periods in 2022 and 2021 and well below recent levels. As usual, the vast majority were in Scotland.



They cover 2,300 hectares and 1,900 stocked or plantable hectares; this is 80% lower than 2022's levels and 73% below the five-year average for Q1-3.



Their asking price totalled £41m, and they sold for £43m, the lowest amount in our database for Q1-3.

### Demand



Demand remains strong but slightly weaker than in 2021/22, which is what we identified in our 2022 review, published in March. 69% of the forests sold to date in 2023 sold within six months of being marketed, which is a high percentage and more than in the very strong market of 2022.



While 44% of forests sold for above their guide price, this is well below 2022's 77%, and there were no sales at 50% or more above guide, unlike in 2022 and 2021.



The average selling price was 104% of the asking price, which is below 2022's 118%, 2021's 138% and the five-year average of 124%. This may be a reflection of asking prices being at record levels in 2022.

### Pricing



The average asking price increased to £17,500/hectare, breaking the record set in 2022. The average selling price was £21,900/stocked hectare in Great Britain. This is 6% higher than the average for 2022 but well below the record level of 2021.

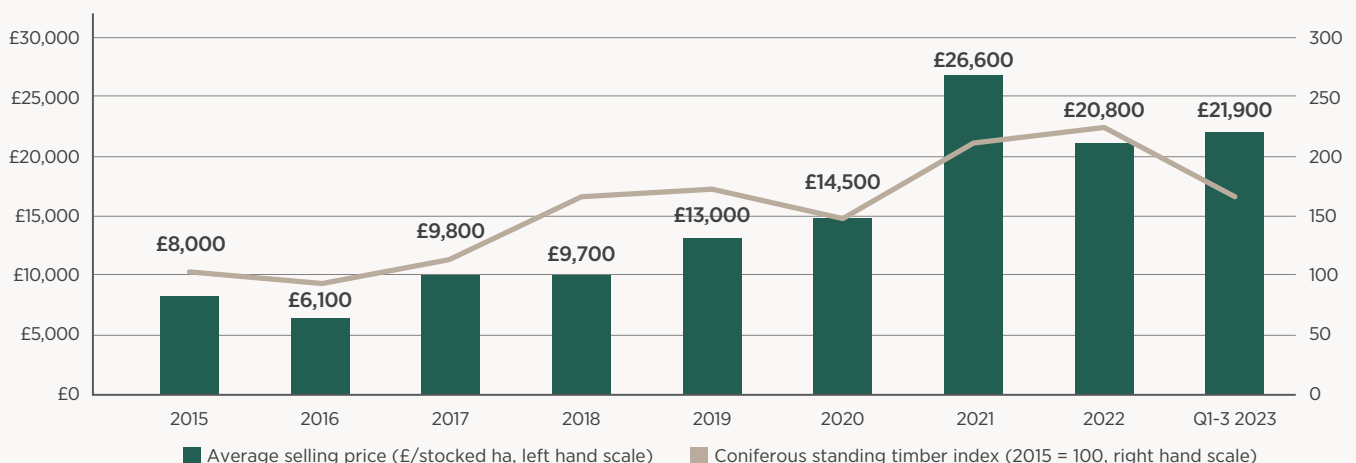


Over half of the forests sold for over £20,000/stocked hectare (56% in 2023 compared with 40% in 2022 and 51% in 2021) and fewer sold below £15,000/stocked hectare (25%).



The sale value increased for the majority of the forest age categories and forests over 100 hectares had a price premium over smaller ones.

Figure 1 Average selling price of commercial forests per stocked hectare and Forestry Commission coniferous standing timber index



## MARKET COMMENTARY AND OUTLOOK

**Ask any forestry agent about woodland prices and they will say that values have fallen during 2023. However, our data for Q1-3 suggests a slight rise. So what is really going on?**

Firstly, we always stress that each year a different population of woodlands is traded, so it is unwise to over scrutinise the data. Also, to date, 2023 has seen very few sales, so the sample size is small. It is better to look at trends, and what we can say is that prices are clearly off their peak by 10-20%.

In our 2022 review we highlighted how there was more caution in the market. Lower timber prices, higher interest rates and continued economic uncertainty has resulted in forestry investors looking for greater returns on capital, and that means lower prices for the asset.

The fall in property values neatly follows lower timber prices (see chart over). This correlation is pronounced over the long term and shows the importance of timber prices to woodland values. The Covid-19 commodity price spike is mirrored in plantation values. Longer term, global timber demand is expected to more than double by 2050 as more timber is used in an effort to decarbonise construction. We therefore remain confident on timber price in the long term and consequently on commercial forestry values.

Most forestry investors are in it for the long term and are not using debt. Therefore, when values fall they can choose to hold their investment and are under no pressure to sell.

This means that the supply of woodlands to the market can significantly reduce when prices fall.

As ever, a number of sales are off market and this could easily account for another 50% or more of transactions. We are aware of a small number of off market transactions, one being substantial. However, compared to previous years the number of private deals does seem to be significantly lower.

One notable feature of the 2023 market has been the failure of two very large woodlands to sell. Lying in Perthshire and Argyll in Scotland, these two woods extended to over 6,000ha with a combined guide price of some £160 million. There has been interest in these woods, but at the time of writing neither have sold as the seller's price expectation and market reality have not yet coincided.

It is important to appreciate it is not all doom and gloom, there is capital keen to invest in forestry and good woodlands have sold at prices above pre-Covid levels. Provided there are no major shocks to the economy, we expect steadily rising woodland values over the long-term.

We will publish our full year detailed analysis of the market in March 2024. If you would like more information on this mid-year report, or on any aspect of buying or selling a woodland, please do not hesitate to contact one of the John Clegg & Co team.

## ABOUT THIS REPORT

Please see our 2022 full year report for the methodology used to compile this report. The data includes completed sales of commercial forestry properties, so predominantly conifer, of 20 hectares or more in Great Britain which have been publicly or privately marketed in the calendar year. Please note the average selling price when expressed as a percentage of asking price is calculated on the total hectareage sold (not stocked hectareage).

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