

SCOTTISH FARMLAND MARKET REVIEW

WINTER 2023/24

MARCHMAR, ABERDEENSHIRE

A quality mixed livestock farm located
on the Highland fringe of Aberdeenshire.

1,310 acres | SOLD

MARKET OVERVIEW

Arable values are slightly up, but upland pasture prices fall

The Scottish farmland market performed well in 2023, although there were a number of challenges and headwinds which have impacted market sentiment. The most obvious was the steep rise in interest rates which impacted not just the agricultural sector but also society as a whole. The increased cost of servicing debt resulted in a number of buyers unable to complete purchases as planned in 2023. That said, the reduction in number of farms for sale from 90 in 2022 to 85 in 2023, with an accompanying 36% reduction in the number of acres for sale on the open market, resulted in good demand for the properties that were publicly advertised.

War in Eastern Europe and the Middle East continues to impact global markets with the knock-on effects felt by agricultural businesses. Farmers looking to plan for their future have also warned that the lack of clarity on the future of farming support continues to cause them problems. Harvest was slightly longer than in recent years due to poor weather at the outset, but yields were generally above average across the country. Despite the challenges, farmers continue to be the main buyers of farmland in Scotland.

A notable shift in the farmland market was the reduction in the prices paid for upland farmland suitable for afforestation with investors becoming stricter with their investment criteria and undertaking considerably

more due diligence prior to making offers. In many cases this resulted in significantly lower offers being made – in some instances offers were 40% lower than those seen at the peak of the market in 2022.

Demand remained strong for quality arable land on the east coast with strong prices in excess of £12,000/acre being achieved on a number of occasions. There were transactions where even higher prices were reached, although this wasn't the norm.

The popularity of off-market transactions continued with some of the largest Scottish farm transactions of recent times going under offer or completing privately in 2023. Our Farmland Database records the details of all farms and blocks of land openly marketed in Scotland over 100 acres in size, so it is important to consider this when reviewing this report.



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MARKET AT A GLANCE

Supply



26,200 acres were publicly marketed, down 36% on 2022 levels but only 7% below the five-year average.



2023 was the third smallest market in acres in the past 10 years.



Fewer farms were marketed than last year (85 compared with 90) but 2023 has been a fairly typical year, at just over the five-year average.

Demand



There are signs that demand has weakened compared with 2022 and 2021, as the proportion of farms that were marketed in the first half of the year that are still available has increased significantly.



In 2023, arable and mixed farms were the most sought after but 40-55% of the hill and lowland livestock farms are still available.



The main buyers for farmland continued to be farmers, however, there was a notable rise in interest from non-farming investors.

Pricing



Generally, land values increased in 2023, albeit by a smaller amount than in previous years and with the exception of upland pasture.



The average value of prime arable land on the east coast increased to approximately £10,000/acre.



Prices paid for upland pasture suitable for tree planting reduced significantly, in some cases by as much as 40%. This in part explains the high proportion of hill farms still available.

SUPPLY

Area of farmland marketed

The amount of farmland for sale fell back to close to the five-year average after a much larger market in 2022.

26,200 acres were publicly marketed, down 36% on 2022 levels and 7% below the five-year average. This makes it the third smallest market in acres in the past 10 years. The reduction is largely due to fewer large hill farms being for sale in the Highlands and Islands than in 2022.

However, the number of farms for sale on the private market appeared to increase in 2023. It is very difficult to quantify the number of farms available privately, due to the nature of the method, but based on our own instructions and experience we feel that the private market has increased from about 20% of the market in 2022 to 20-25% in 2023.

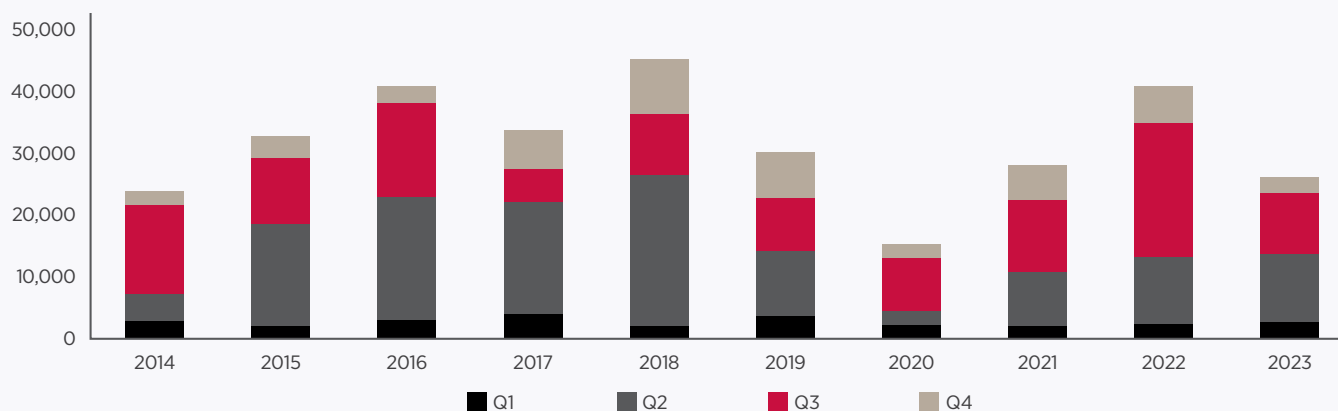
Figure 1 Amount of farmland publicly marketed in Scotland (acres)

N.B. 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
2019	4,900	500	6,500	7,000	1,000	8,300	2,000	30,200
2020	3,700	400	1,400	4,700	600	3,400	1,200	15,400
2021	6,500	1,300	4,300	6,700	1,000	4,800	3,500	28,100
2022	14,600	600	7,100	7,800	2,400	5,900	2,600	41,000
2023	4,000	300	4,100	3,500	4,700	6,500	3,200	26,200
Five-year ave	6,740	620	4,680	5,940	1,940	5,780	2,500	28,180
% diff from ave	-41%	-52%	-12%	-41%	142%	12%	28%	-7%

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

NB Figures are for whole years unless otherwise stated.



Number of farms marketed

Fewer farms were marketed than last year (85 compared with 90) but 2023 has been a fairly typical year, at just over the five-year average.

The busiest areas of the country for sales remain the south west and north east. There have been fewer sales in central Scotland than usual and more in the borders.

Figure 3 Number of farms marketed

N.B. 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	Lothian	Central Scotland	North East Scotland	Scottish Borders	South West Scotland	West Scotland	Scotland
2019	9	4	25	23	3	25	10	99
2020	6	1	6	13	2	15	7	50
2021	15	2	16	17	5	16	6	77
2022	10	3	20	21	7	18	11	90
2023	9	2	11	14	15	22	12	85
Five-year ave	10	2	16	18	6	19	9	80

Type of farm

The mix of farms for sale was typical of previous years, with the majority being lowland livestock, mixed and arable farms, although there were

more mixed farms for sale than usual.

Figure 4 Main type of farms marketed

	Amenity & Residential	Arable	Livestock (Hill)	Livestock (Lowland)	Mixed	Dairy
2019	1	14	9	44	16	15
2020	2	11	9	18	6	4
2021		19	11	21	23	3
2022	1	18	23	19	27	2
2023	1	18	10	20	30	6
Five-year ave	1	16	12	24	20	6

Figure 5 Main type of farms marketed

● 100-499 acres ● 500-999 acres ● 1,000+ acres

Highlands and Islands

- Arable ●
- Livestock (Hill) ●●
- Livestock (Lowland) ●●●
- Mixed ●●●●●

Central Scotland

- Arable ●●
- Livestock (Hill) ●●●
- Livestock (Lowland) ●●●
- Mixed ●●●●●

South West Scotland

- Amenity & Residential ●
- Arable ●
- Livestock (Hill) ●●
- Livestock (Lowland) ●●●●●●●●
- Mixed ●●●●
- Dairy ●●●●

West Scotland

- Livestock (Hill) ●
- Livestock (Lowland) ●●●
- Mixed ●●●●●
- Dairy ●

North East Scotland

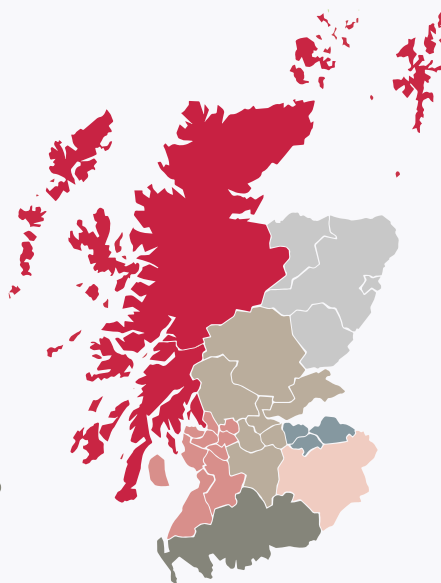
- Arable ●●●●●●
- Livestock (Lowland) ●●
- Mixed ●●
- Dairy ●

Lothians

- Arable ●●

Scottish Borders

- Arable ●●●
- Livestock (Hill) ●●●
- Livestock (Lowland) ●●●
- Mixed ●●●●●



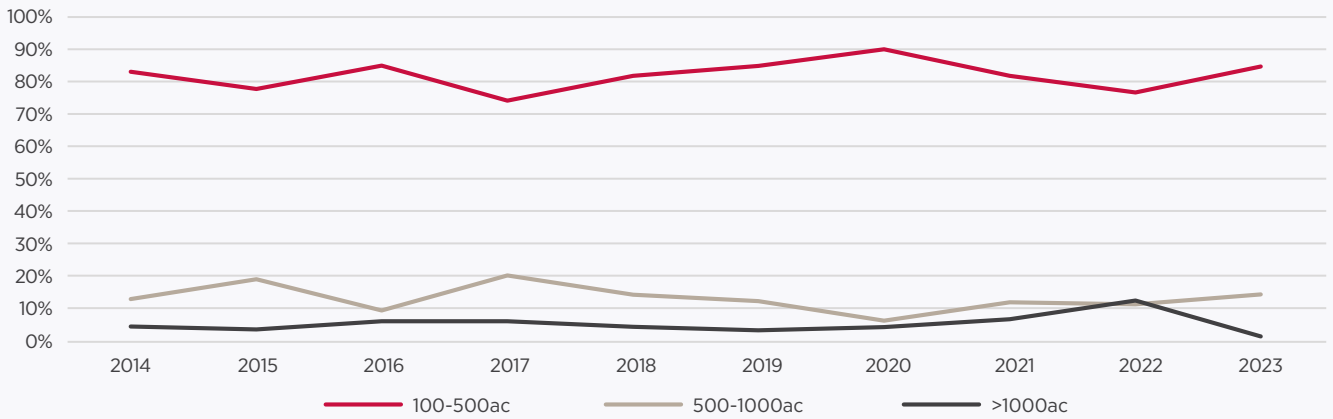
Size of farm

As usual, most farms for sale were under 500 acres but there were even fewer large farms (over 1,000 acres) than typically seen.

In total, one farm exceeded 1,000 acres – the lowest in over a decade and a large shift from the 11 marketed in 2022, which was the highest

number in 10 years. This may be the result of the softening in prices being paid for upland units for forestry planting, which has reduced supply.

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



Reasons for selling

From our experience of the market this year, the main reason for selling remains retirement, with farmers looking to cash in their assets at a time when the farmland market is strong. Many retiring in 2023 did

so as a result of continued economic uncertainty and perceived future challenges in the agricultural sector.

DEMAND

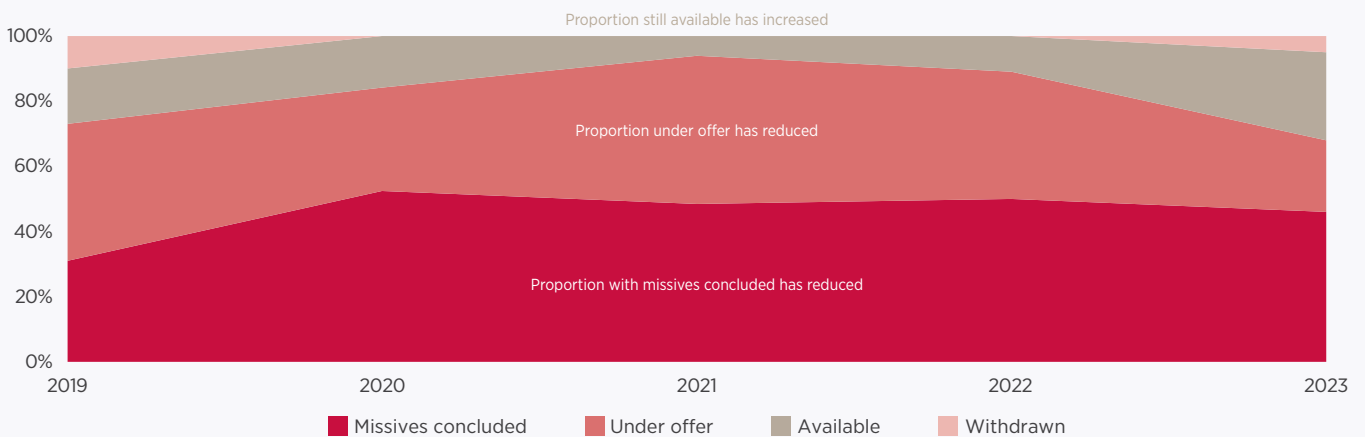
Strength of demand

There are signs that demand has weakened compared with 2022 and 2021 as the proportion of farms that were marketed in the first half of the

year that are still available has increased significantly from 11% to 27%.

Figure 7 Speed of land transactions - % of farms with missives concluded

N.B. Data shows the sale status by number of sales, not acres. Data captures the sale status of land marketed during the first half of each year, so that the land has had time to sell. Privately marketed farmland has been excluded due to the difficulty of collecting comprehensive information.



In 2023, cereals and mixed farms were the most likely to have sold, while 40-55% of the hill and lowland livestock farms are still available.

Figure 8 Number of farms marketed in 2023 by farm type and sale status

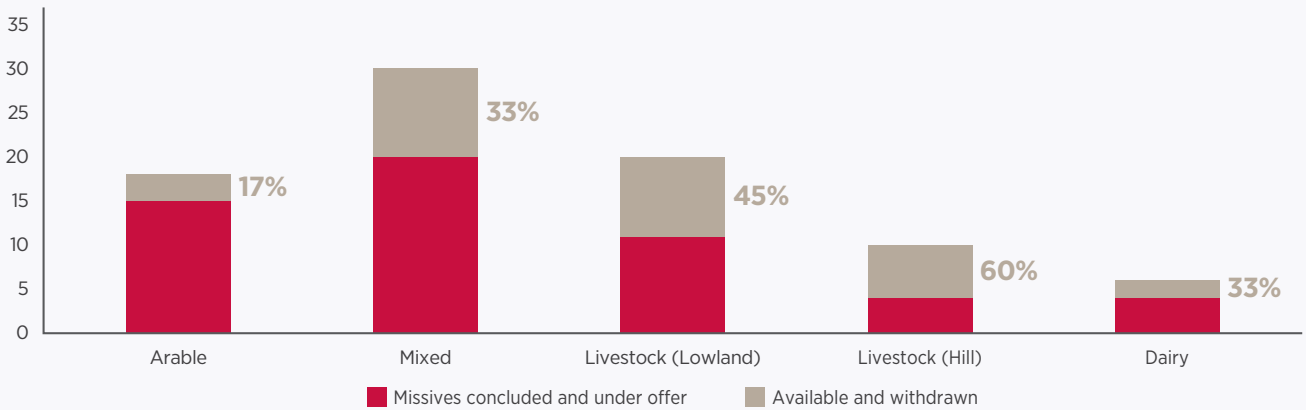


Figure 9 Number of farms marketed in 2023, by asking price bands and sale status

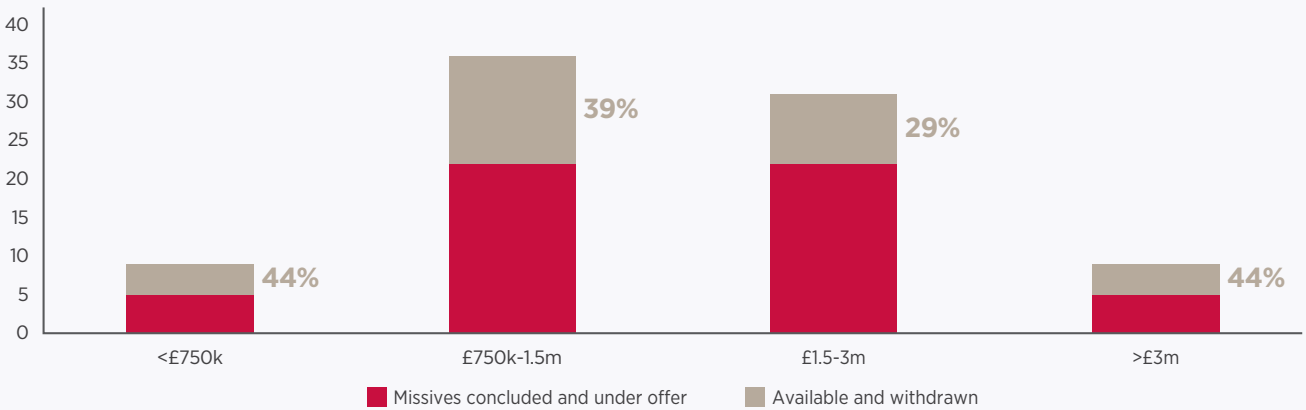
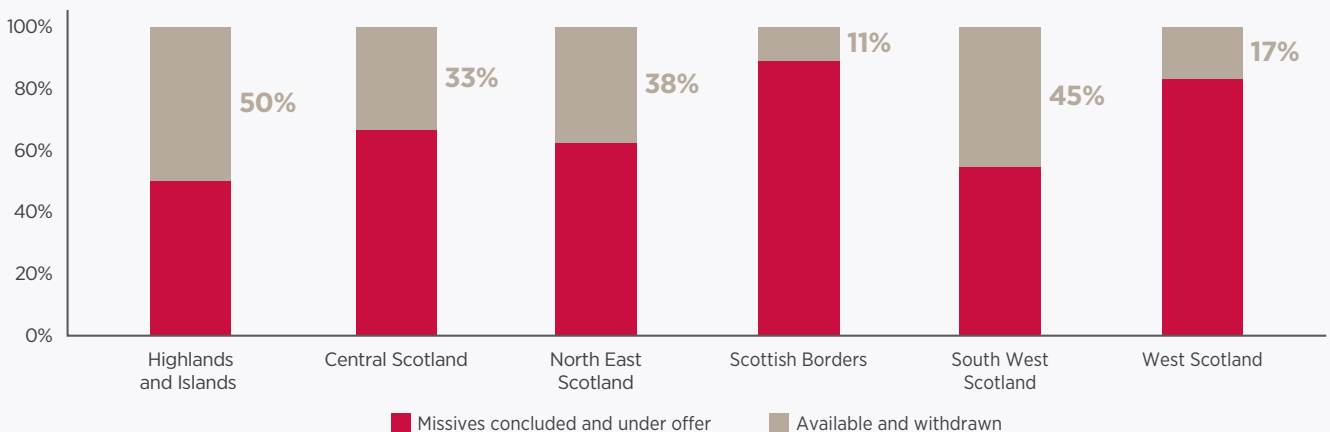


Figure 10 Sale status of farms marketed in 2023 by region

N.B. Data shows the sale status by number of sales, not acres. Data captures the sales status of land marketed during the first half of 2023, so that the land has had time to sell. Privately marketed farmland has been excluded due to the difficulty of collecting comprehensive information.



Types of buyer

Farmers continue to be the main buyer of farms and farmland, the majority looking to expand their acreage, reinvest profits and improve their farming businesses.

However, agricultural land continues to be perceived as a safe investment, with a number of new investor buyers coming into the market in 2023 keen to buy land for tax, capital growth, amenity, lifestyle and environmental reasons.

Forestry and Environmental, Social and Governance (ESG) type buyers are still active in the market, however, they are becoming more selective with their investments which has had a cooling effect on upland values.

The downturn in the economy more widely, as well as the reduction in number of farms sold for forestry, has resulted in a reduction in the number of rollover buyers in the market although this has not yet impacted land values.

PRICING

Average, lowest and highest sale prices

In general, land prices rose in 2023, albeit by a smaller amount than in previous years. However, this was not the case for all land types, with the values paid for upland land suitable for tree planting reducing significantly in some cases. This type of land sold for £3,500 - 4,000/acre, compared with up to £5,500 in 2022, although the 2023 prices are still higher than traditional agricultural values.

The average value of prime arable land on the east coast was approximately £10,000/acre, but values varied greatly depending on

location from an average of £4,500/acre in the Highlands to £7,000/acre in the borders. In the Lothians, the top price reduced from in excess of £20,000/acre in 2022 to £13,000/acre in 2023. This does not necessarily represent a dip in the market but more the effect of unprecedented prices being paid for a small number of quality acres in 2022.

Sales at or above asking price

In general, land is selling well with competitive bidding witnessed at closing dates and values above the asking price being achieved for

83% of the sales for which we have data, which is about the same proportion as in 2022.

Figure 11 Estimates of bottom 25%, average and top 25% 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%
Highland and Islands	£3,750	£4,500	£6,500	£1,500	£2,500	£3,500
Lothians	£6,500	£10,000	£13,000	£2,750	£5,000	£5,500
Central Scotland	£5,500	£7,000	£9,250	£2,000	£3,750	£5,000
North East Scotland	£4,750	£7,500	£14,000	£2,000	£3,750	£5,000
Scottish Borders	£5,000	£7,000	£11,000	£2,000	£3,250	£5,500
South West Scotland	£4,000	£4,500	£6,000	£2,000	£3,250	£4,500
West Scotland	£3,750	£4,500	£5,500	£2,000	£3,500	£4,500

MARKET OUTLOOK

Our data demonstrates that the market for agricultural land is proving to be incredibly resilient against the backdrop of turmoil in the economy, rising interest rates and large increases in farm input costs. The big question, of course, is can this continue? Interest rate rises have resulted in a cooling in demand from many who simply cannot afford to service debt at its current level. That said, we also know there is a considerable pool of cash buyers – including farmers – who will be keen to buy land for expansion, tax, capital growth, amenity, lifestyle and environmental reasons.

It is hard to make detailed predictions given the level of economic uncertainty. But looking ahead, it does seem likely that the trend of non-farming investors seeing land as a relatively safe place to hold

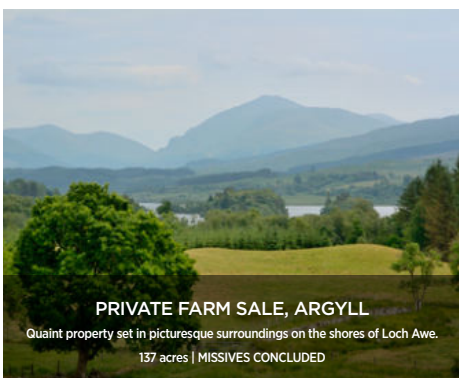
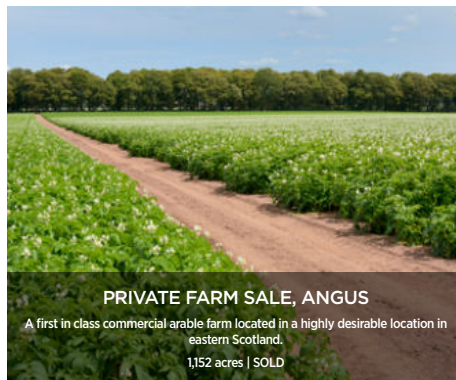
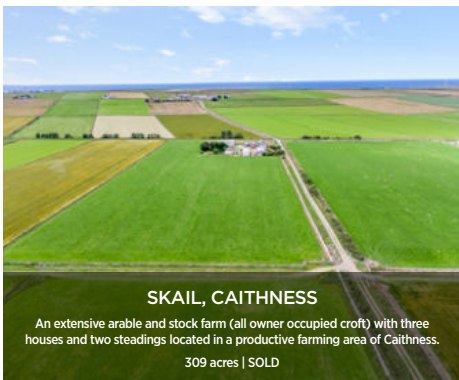
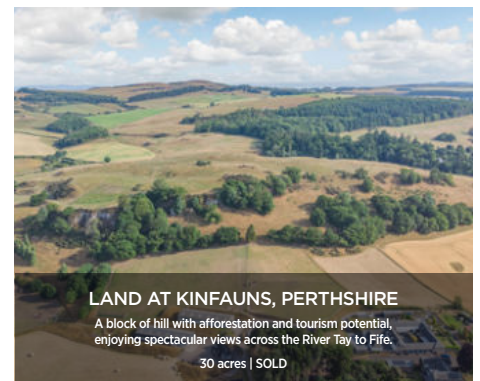
capital will continue. However, our expectation is that the market will continue to contract in 2024, demand will become more settled with potential for prices to level off until the fiscal outlook improves.

Covering the whole of Scotland, our specialist estates and farm sales team, working closely with our land management, farming and forestry colleagues, offer advice to those considering buying or selling farms, bare land and forestry.

We offer non-obligatory advice and would be delighted to assist you in making the right decision for you, your family and business.

If you wish to discuss a potential on- or off-market sale, do not hesitate to contact one of our experts (see over).

HIGHLIGHTS OF 2023



CONTACT YOUR LOCAL AGENT FOR A REGIONAL VIEW ON THE MARKET



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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 concluded missives 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, unless otherwise stated. Once a farm concludes missives, 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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