

Rural Land Values, Sales and Investment Trends

Research Briefing



Glen Coe

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Context

The Scottish Government Rural and Environment Science and Analytical Services (RESAS) division funds the [Strategic Research Programme 2022 to 2027](#) to advance the evidence base in the development of rural affairs, food and environment policies.

One of the themes (Theme E) of the [Strategic Research Programme 2022 to 2027](#) is on Rural Futures. This theme has 3 research topics: rural communities, rural economy and land reform. There are 2 projects within each topic, led by Scotland's Rural College (SRUC) and James Hutton Institute (JHI). This publication sits within a series of publications as part of this theme.

Within the land reform topic, the two projects are

- 1) Impacts of Land-Based Financial Support Mechanisms on Land Values, Landownership Diversification and Land Use Outcomes
- 2) Scotland's Land Reform Futures

This current research on land markets and land use change aims to understand whether recent land transactions are leading to (and fuelled by) land use change, for example, towards achieving net zero. Relatedly, it aims to explore the influence of financial support mechanisms on land values, particularly the recent interest in carbon schemes.

It will provide an evidence base for understanding the effects increased land values are having on Scottish Government land reform goals to further improve transparency of land ownership, help ensure large scale land holdings deliver in the public interest, and empower communities by providing more opportunities to own land and have more say in how land in their area is used.

Previous publications are:

[A Rapid Evidence Assessment of Investment Decision-Making for Land](#)

[Assessing land use change: International evidence review](#)

[Rural Land Values and Land Diversification](#)

This research is part of the wider project "Impacts of land-based financial support mechanisms on land values, landownership diversification and land use outcomes" (SRUC-E3-1/C3-1). This is the first of a series of Briefing Papers concerned with Rural Land Values in Scotland and will be updated throughout the project.

This specific research is entitled "Rural Land Values, Sales and Investment Trends" (Deliverable D3.2).

Acknowledgments:

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Highlights

What were we trying to find out?

This briefing investigates changes in Scottish land values and the trends in investment that have been driving these changes. Previous research has highlighted that land values in Scotland have been increasing.

What did we do?

Secondary data on land values was collated from land agency market reports. Values were adjusted for inflation using the Consumer Price Index in order to account for changes in the overall level of prices over time, then analysed to consider key trends.

Supplementary data on commercial forestry and carbon markets was also sought to further investigate trends in investment and land sales, as demand from these users has previously been identified as contributing to rising land values.

Long term changes in arable land values were compared to Scottish house prices for context.

What did we learn?

We further investigated the much-reported findings that land values at the low and high end of the Scottish land market were drastically increasing. Marginal land (typically defined as land with low productivity and economic value (Shortall, 2013)) has shown the highest levels of growth over recent years, spurred by interest from the commercial forestry sector and natural capital investors. We used various indicators to show there is variance in marginal land sales prices, primarily whether it is suitable for tree planting. Although growth in previous years has been stark, factors driving these changes appear to have recently slowed, with applications to the Woodland Carbon Code slowing, timber prices falling, and an overall fall back from the peak values seen in 2021.

What do we recommend and what happens next?

To continue to monitor key indicators over time to build a stronger picture of land market dynamics over time, as well as helping to explain *why* this is occurring. The next update will be published in 2024.

Executive Summary

This briefing paper offers an analysis of the Scottish land market and seeks to evaluate recent 2019- 2022 changes in land values in the context of longer-term trends. It uses secondary data, including average land values, sales, and investment trends, adjusting for inflation to provide a contextualized view of the market.

The price of land in Scotland is at historic highs, with marginal hill land (typically defined as land with low productivity and economic value (Shortall, 2013)), in particular having undergone a dramatic increase in value. The surge is attributed to heightened demand from natural capital investors, particularly in afforestation and peatland carbon credits, alongside robust interest from the commercial forestry sector. Although Average hill land values only tell part of the story; marginal land considered 'plantable' ground for commercial forestry or natural capital projects far outperformed marginal land not suitable for planting.

Purchasing a Scottish Estate is one means of achieving the scale necessary for natural capital or commercial forestry. Average sale price of Scottish estates were used to track trends:

- The average sale price peaked at £8.8million in 2021, 87% greater than the ten-year average (£4.7million), as assessed in real terms.
- Analysis of sales particulars indicates that upland estates are increasingly marketed and sold as natural capital investment opportunities.

Consistent growth in commercial forestry values over the last two decades, was interrupted in 2023.

- There has been consistent growth in commercial forestry values over the last two decades (tracked using values per stocked hectare), but a recent drop in value has been witnessed in 2023.
- The average value per stocked hectare in 2023 was down 20% on the previous year (in nominal terms), alongside commercial planting land prices which fell by 22% on 2022 (in nominal terms).
- A decline in timber prices is a key contributing factor. Timber prices (as tracked by the Coniferous Standing Sales Price Index) have been strong in recent years. Despite the recent dip, timber prices are 224% greater in real terms than they were twenty years ago. However recent declines of 6.8% during 2022 and a further 28.1% in 2023 have contributed to the fall in forestry values (as tracked by values per stocked hectare and commercial planting land prices)

Natural capital, driven by speculation around carbon markets, played a pivotal role in land demand. However, evidence suggests a slowdown in natural capital investments in 2022 due to various uncertainties.

The Woodland Carbon Code witnessed a rapid increase in applications in 2021 and 2022, followed by a slowdown in 2023 (tracked using Applications to UK Woodland Carbon Code). This indicator helps demonstrate appetite for enrolling on to carbon schemes but is not indicative as to why it has slowed. Prior research has indicated that various factors (war in Ukraine, rising commodity prices, rising interest rates, inflation and the cost of living crisis) contributed to a greater sense of market uncertainty in 2022. Changes in Woodland Carbon Code eligibility criteria, introduced in October 2022, (the Additionality Rule), may have also contributed to the slowdown in applications during 2023.

The pricing dynamics of Woodland Carbon Code Units showed a notable increase, emphasizing that the market is evolving.

- Pricing of Woodland Carbon 'Pending Issuance Units' (PIUs) increased over 50% in real terms between 2021 and 2023.
- The price spread has also increased by 39% suggesting that pricing has become more variable.

At the other end of the market, Arable land has experienced more modest yet consistent growth.

- Between 2006 and 2022. The value of good arable land has grown at 5.4% in real terms while average arable has grown at 3.2% (Tracked using values from Knight Frank's Scottish Farmland Index).
- This growth in real land values is seen to be considerable when compared to Scottish property. Over the same time period, the average Edinburgh house price has grown at 1% per year in real terms while the average Highland house price has grown at 0.5% per year (tracked using values from the UK House Price Index)
- Growth in arable land values correlates to periods of economic uncertainty. The strongest growth in value was observed between 2006 and 2014 following the 2007- 2008 financial crisis, and since 2019 following the coronavirus (COVID-19)pandemic.

1 Introduction

The purpose of this briefing paper is to provide analysis on the performance of the land market in Scotland in terms of land values. This is the first in a series of briefing papers and takes into consideration the main trends in the market over recent history, focusing on 2019-2023.

Historically the Scottish land market has been under-researched, despite an on-going land reform agenda and the recent interest in Scottish land as an investment opportunity. This is now changing, with the Scottish Land Commission and Scottish Government both commissioning research on the Scottish land market. This report builds on previous research by analysing Land Agent sales data and other underlying indicators. It should be read alongside other Scottish Land Commission and Scottish Government reports to provide a more complete (both quantitative and qualitative) analysis of the land market in Scotland.

Land values in Scotland are currently at historical highs. During 2020 and 2021 dramatic increases in rural land values were witnessed, particularly for marginal hill land which had previously been considered to be of low value ([McMorran et al., 2022](#); [Merrell et al. 2023a](#)). 'Marginal land' does not have a universally accepted definition, but typically denotes land with low productivity and economic value (Shortall, 2013). The two key drivers of these rises in marginal land were the potential to develop land for natural capital investments (in particular woodland and peatland carbon credits) which attracted new buyers who saw it as an investment opportunity, and strong demand from the commercial forestry sector. Together these groups increased the demand for Scottish hill land beyond traditional agricultural users resulting in rapid price increases ([McMorran et al., 2022](#)). Meanwhile at the top of the market, values for prime arable land continued to rise, with record prices recorded for sales in East Lothian in 2021 ([Strutt and Parker, 2022](#)).

Following the dramatic increases in 2020 and 2021 a degree of caution entered the market in 2022. Land agents interviewed for the Rural Land Markets Report (2023) considered that the market had peaked in early 2022, though values continue to be high. Buyers began to exercise more caution in view of increasing macroeconomic uncertainty surrounding the war in Ukraine, rising commodity prices, rising interest rates, inflation and the cost of living crisis. Changes to the Woodland Carbon Code eligibility criteria were further reported to have had a cooling effect on the market due to reduced investment return expectations from woodland carbon projects ([Merrell et al 2023a](#)).

Drawing on secondary data from published sources, this Research Briefing reports on land values, sales and investment trends in the Scottish land market and seeks to put recent growth in land values in context of longer- term trends. Values are adjusted for inflation in order to consider real term changes in land values over time.

2 Methodology and Data

While there is much discussion of rising land values, there is little data available in the public domain with which to illustrate that. To produce a dataset, publicly available data from land agent reports were collated, adjusting for inflation in order to account for changes in the price level over time.

Following a desk based review, data on average land values in Scotland were collated from land agency market reports:

- Average values by land class from Knight Frank's Scottish Farmland Index
- High and low values by land class from Strutt and Parker's Farmland Market Review
- The average value of Scottish estate sales from Strutt and Parker's Estate Market Review
- The average value per stocked hectare from Tilhill and Goldcrest's Forest Market Report

Values were adjusted for inflation to 2021 prices using the Consumer Price Index (CPIH) including owner occupiers housing costs (unless otherwise stated) in order to assess real term changes in value over time.

Supplementary data on market drivers was sought to further investigate trends in investment and land sales, with a focus on factors driving the acquisition of marginal land:

- The Coniferous Standing Sales Price Index, Forestry Research
- Woodland Carbon Code Projects and Area by verification status, Forest Research Data Request
- Woodland Carbon Code Transaction Volume and Value, Ecosystem Marketplace
- Peatland Code Transaction Volume and Value, Ecosystem Marketplace
- Edinburgh and Highland House Price Indices, UK House Price Index

Where it was appropriate to add value, real growth rates between periods were calculated as compounded annual growth.

The recent Scottish Land Commission ([SLC](#)) [data report](#) (Published November, 2024) also investigated sales in the market. Their analysis investigated transactional data acquired from Registers of Scotland covering 2020-22, and looked at three sectors; farming, forestry and estates. Whilst this is highly valuable research in terms of researching scale, Registry of Scotland data does not always include prices sold, therefore Land Agent data can help build this understanding. Additionally, Registry of Scotland data does not help us understand underlying factors that may influence a sale, therefore we have used alternative indicators to help tell this story.

The key findings of this report also align with the qualitative analysis of the Scottish Land Commission's [Rural Land Market Insights Report](#) (Published May 2023 and forthcoming in 2024), where interviews with land agents highlighted a slowing down in 2022 with caution entering the market, especially in natural capital investors.



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3 Key Findings

3.1 Marginal Land Values

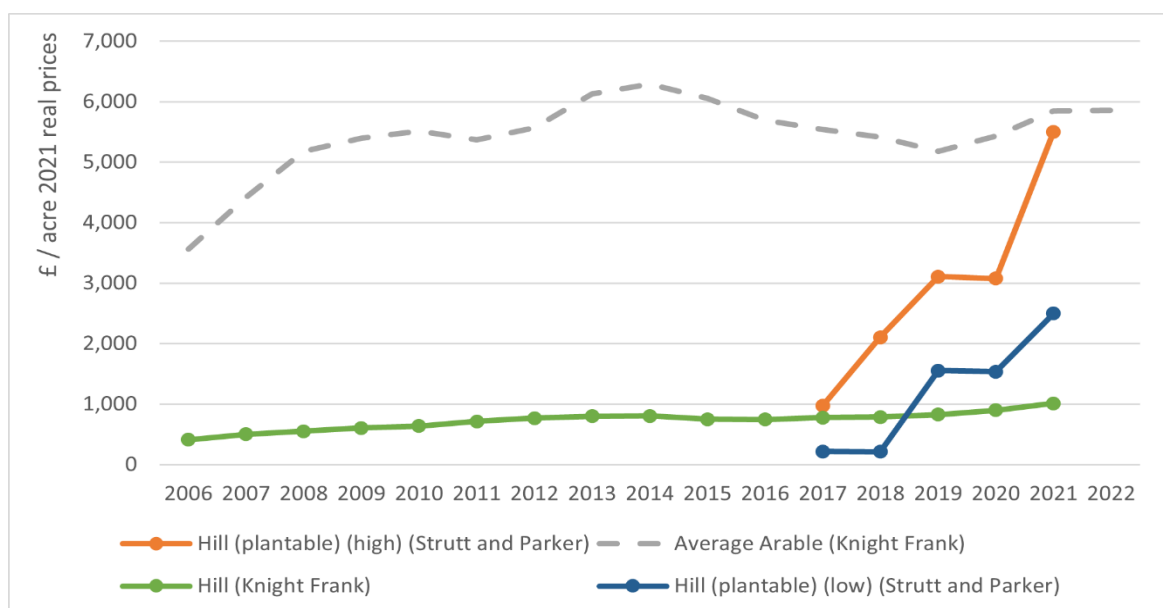
Key Findings

- Average hill land values only tell part of the story.
- Hill land suitable for tree planting now commands a premium in the market. The highest price paid in 2021 (£5,500 per acre) was 467% greater in real terms than in 2017.
- Scottish estates are increasingly marketed as natural capital investment opportunities.
- The average sale price of Scottish estates in 2021 was £8.8million, 87% greater than the ten- year average (£4.7million), as assessed in real terms.
- Although there has been substantial growth in marginal land values in recent years, it appears that the pace of change is slowing.

Average hill land values only tell part of the story.

Following record growth, ‘plantable’ hill ground values have approached levels only before achieved by arable land. Strong demand for land suitable for tree planting (in general; flat, fertile and accessible) is the clear driver, and this has become distinguished in the market, commanding substantially higher prices. Figure 1 below depicts hill ground values reported by Knight Frank and Strutt and Parker alongside arable land values. Following strong growth in the value of plantable hill ground, the highest prices paid for plantable hill ground approach those for arable land, reflecting the strong growth in the value of ‘plantable’ land since 2017.

Figure 1. Strong growth in ‘plantable’ hill ground values



Sources: Strutt & Parker Farmland Market Review (2018- 2022), Knight Frank Scottish Farmland Index (2016; 2018), Knight Frank Scottish Rural Property Update (2020), Knight Frank The Rural Report (2020- 2023)

Caption: Knight Frank's Scottish Farmland Index tracks the bare land value of commercial agricultural land and is based on the opinions of Knight Frank's valuers and negotiators, taking account of known sales. Average Arable refers to the average value of average quality arable land. Strutt and Parker meanwhile report 'high' and 'low' values for Rough Grazings/ Hill land. Values have been adjusted to 2021 prices using CPIH, the consumer price index including owner occupiers housing costs.

Strong demand from forestry has created upward pressure on the value of land suitable for afforestation – *the highest price paid in 2021 was 467% greater in real terms than in 2017* – prompting the need to consider plantable land as land class distinct from non- plantable hill ground.

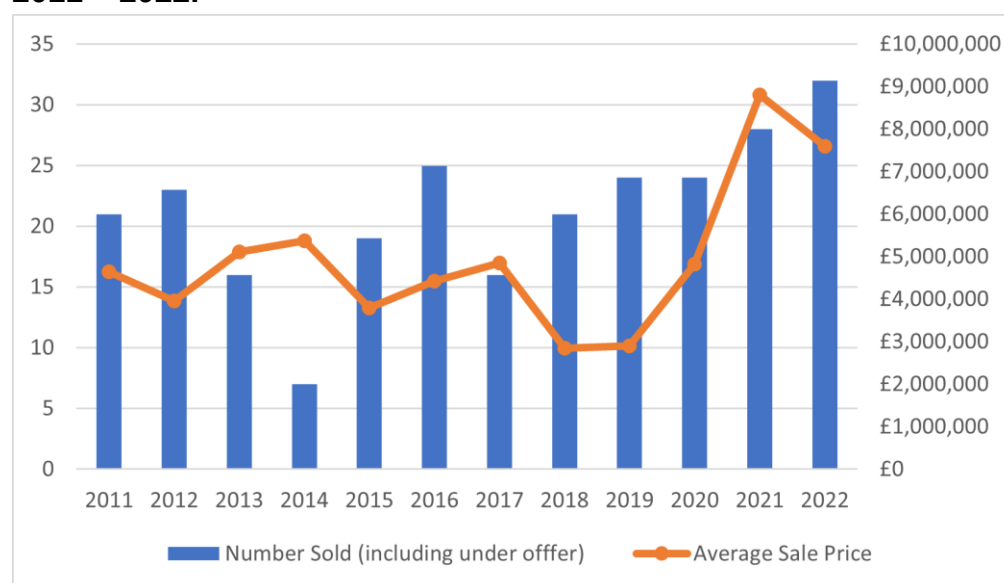
Around the market peak in the latter half of 2021, the highest prices paid for hill ground (£5,500 / acre) approached the price of (average quality) arable land. By comparison, the highest values paid for non- plantable hill ground have not exceeded £2,000 / acre. The differences in the average and highest marginal hill land values help demonstrate that 'hill ground' is a broad category, and that not all hill ground is created equal. Land that is suitable for planting reaches a significant premium compared to less fertile, rockier or less accessible land. Looking at average hill land price only tells part of the story – instead, monitoring the difference between low and high values shows there is more spread in demand.

The average sale price of Scottish estates peaked in 2021.

Scottish estates have mixed land uses and vary drastically in terms of size and land quality. However, many estates are upland and are quickly becoming a prime target for commercial forestry or natural capital investors. A boom in demand for Scottish estates in 2020 and 2021 saw values rise dramatically in 2020 and 2021. The average sale price in 2021 was £8.8million, 87% greater than the ten- year average (£4.7million), as assessed in real terms ([Strutt and Parker, 2023](#)). Estate values fell back slightly in 2022 and Land Agent industry reports began to question whether the market had peaked.

Land valuers with specialist expertise in estate sales indicated that they increasingly focussed on the potential to develop land as natural capital investments through afforestation or peatland restoration, or, based on planting strategies ([Merrell et al., 2023b](#)).

Figure 2. Inflation adjusted Average Sale Price and Number of Estates Sold 2011 – 2022.



Source: Strutt & Parker Scottish Estates Market Review (2016; 2020; 2022)

Caption: Strutt and Parker report the average sale price of Estates in Scotland. Values here have been adjusted to 2021 prices using the Consumer Price Index (CPIH) including owner occupiers housing costs.

The Commercial Forestry sector continue to show interest in marginal land.

Commercial forestry in Scotland has seen consistent growth for the last two decades. Growth in the sector has been underpinned by a range of factors including rising timber values, UK housebuilding commitments, low interest rates, favourable capital taxation, grant support, streamlining of the forestry grant scheme application process¹, and more recently global policy drivers toward net – zero.

However, a recent drop in value marks the first significant departure from a 19-year trend, with figures reported in Tilhill and Goldcrest's [Forest Market Report \(2023\)](#) showing the average value per stocked hectare² is down 20% on 2022. Pricing of commercial forests is down 10- 20% on 2022, depending on location and there has been a dramatic decline in commercial planting land prices, down 22% to £9,900 per gross hectare (£4,000 / acre) in 2023 from a previous high of £12,800 per gross hectare (£5,180 / acre) in 2022.

Values per stocked hectare correlate strongly with timber prices

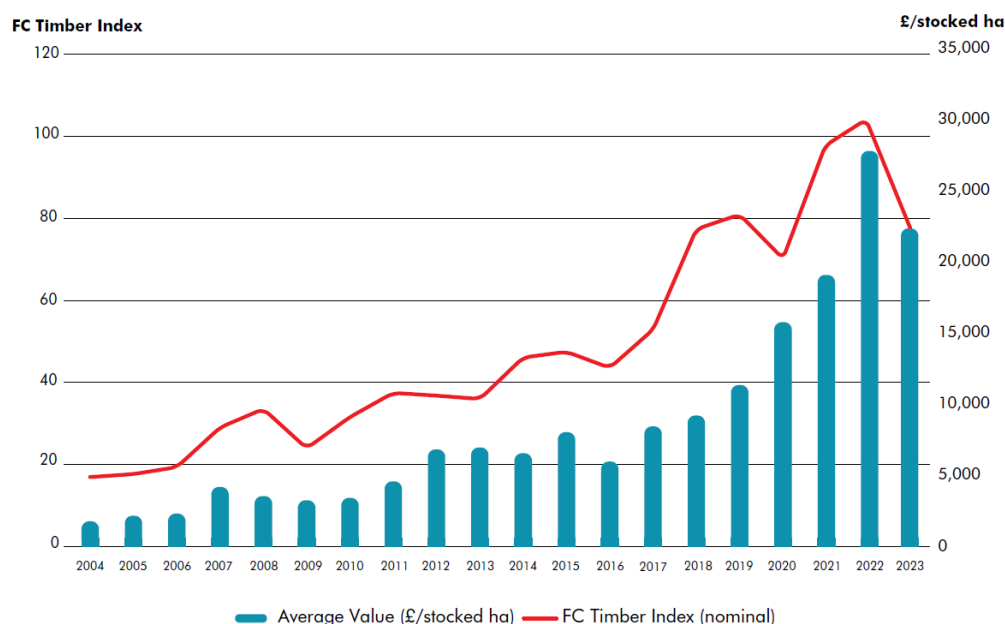
Figure 3. below shows the considerable degree of correlation between timber prices and value per stocked hectare. While forestry investment is a long- term proposition and harvest may not be expected for many years, current timber values influence

¹ Following the [Mackinnon Review in 2016](#)

² A hectare (ha) is a metric measurement of area equal to 10,000 square meters or 2.47105 acres.

future profit expectations and therefore high timber values enhance willingness to pay, both for stocked forestry and for land suitable for afforestation.³

Figure 3. Average Sale price per stocked hectare and the Forestry Commission standing sales index.



Source: [Tilhill and Goldcrest \(2023\)](#)

However, timber values have reversed recently. The Coniferous Standing Sales Price Index ([Forest Research, 2022](#)) fell 6.8% during 2022 and a further 28% in 2023. As seen in Table 1 below however, values continue to be high relative to the long run trend.

Table 1. Coniferous Standing Sales Price Index

Change from previous year	Nominal terms	Real terms
Year to September 2019	0.1%	-2.0%
Year to September 2020	-14.9%	-18.9%
Year to September 2021	51.8%	51.2%
Year to September 2022	-3.5%	-6.8%
Year to September 2023	-22.6%	-28.1%
5 Years	-3.5%	-19.5%
10 Years	107.5%	60.6%
20 Years	427.2%	224.0%

Source: [Forest Research \(2023\)](#)

³ Current timber values may feedback directly to land values if current timber values are used to proxy for future values in investment models.

Scottish estates are increasingly marketed and sold as natural capital investment opportunities. Where once sales particulars would have emphasised sporting potential, marketing from Land Agents is now increasingly focussed on natural capital.⁴

Of nine estates sold by [Strutt and Parker in 2022](#), four were clearly marketed as natural capital opportunities, and one further referred to nationally important ecosystems. (emphasis added)

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

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

*“Sands Estate, Wester Ross (7,156 acres) – An extensive sporting and amenity estate **with natural capital investment opportunity**. Offers over £900,000. Sold in excess of asking price.”*

*“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.”*

*“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.”*

Sales particulars for Glutt estate in Caithness (7,324 acres) currently marketed by Savills (offers over £7,000,000) refer to;

“Spectacular Caithness Estate with Extensive Peatland Restoration Opportunities” before detailing one existing and two planned peatland restoration projects, peatland area by condition status, and estimated claimable peatland carbon credits.

⁴ Land Valuers have further expressed that stocking potential (for commercial forestry) or carbon value (from restoration) have become key factors in valuation of Scottish Estates ([Merrell et al. 2023b](#)).

Figure 4. Marketing Material of Glutt Estate, Savills.



Source: Savills (2023) [The Glutt Estate](#)

Applications to UK carbon standards and the price of carbon credits reveal a more nuanced and cautious understanding of the land market.

The voluntary carbon sector has grown in prominence as an increasing number of institutions have made voluntary pledges to reduce their carbon emissions. Selling offsets into the market provides an income from natural capital investments. Together, the Woodland Carbon Code (WCC) and Peatland Carbon Code (PCC) account for the majority of transactions in the UK voluntary carbon sector ([Reed et al., 2023](#)). Typical purchasers are organisations in financial services and the energy sector ([Climate Change Committee, 2022](#)).

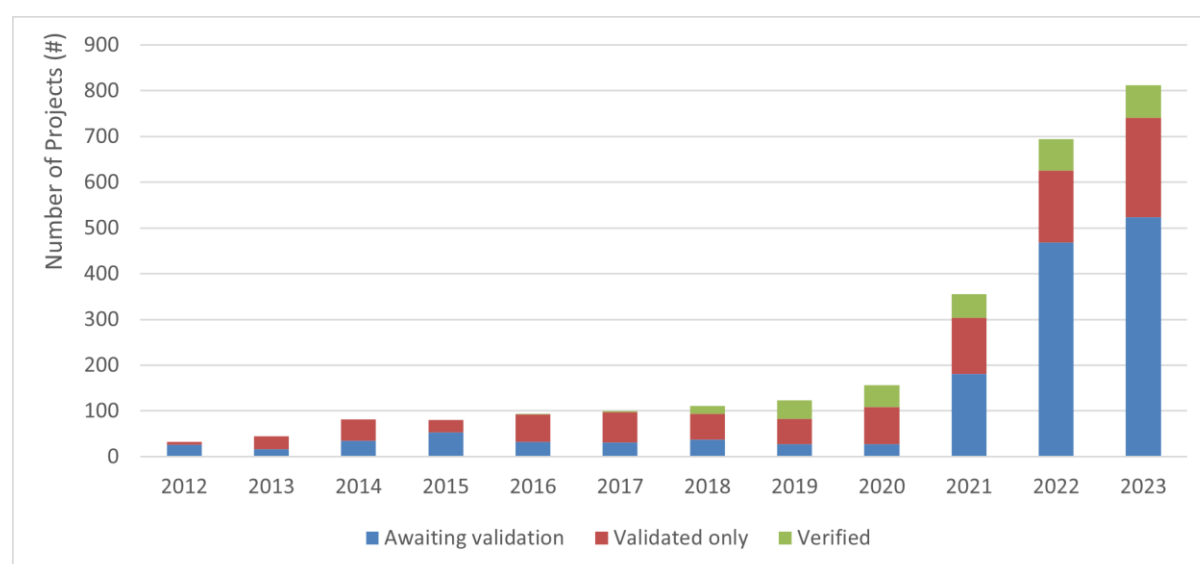
Rapid increase in the number of Woodland Carbon Code projects during 2021 and 2022 have slowed in 2023.

As seen in Figure 5 below, there was a rapid increase in the Number of Woodland Carbon Code projects developed during 2021 and 2022, spurred by the interest in Natural Capital with Scotland's land being a key area of interest. This indicator shows the overall appetite for entering into a carbon scheme, but does not explain *why* applications may have slowed.

From 2022 the rate of project development has slowed. The observed drop in the number of projects developed accords with the findings of [Merrell et al \(2023a\)](#) who found that the pace of investment in natural capital had slowed, with more caution observed toward natural capital investments in 2022 (within an overall climate of uncertainty due to war in Ukraine, rising commodity prices, rising interest rates, inflation and the cost of living crisis). Changes to the Woodland Carbon Code eligibility criteria⁵ were further reported to have had a cooling effect on the market due to reduced returns from woodland carbon sequestration.

One effect of the rule change has been to reduce the range of circumstances under which commercial planting will pass the test, making it harder to obtain carbon credits from commercial forestry. In principle however commercial planting schemes may continue to pass the test, for instance should a decision be made to forgo some grant funding.

Figure 5. Number of Woodland Carbon Code Projects, Scotland, 2012 to 2023



Source: Forest Research Data Request (Appendix)

The price of carbon credits is still emerging.

Woodland Carbon Code and Peatland Carbon Code units together account for the majority of transactions in the UK voluntary sector ([Reed et al., 2023](#)). As yet, price discovery is limited.⁶ Towards increasing market transparency, a recent analysis

⁵ When the Woodland Carbon code was updated in October 2022, a key change introduced was to [the process applied to assess additionality](#). Tests for additionality seek to ensure that carbon credits are only awarded to projects that are significantly unlikely to have occurred otherwise, ensuring that carbon sequestered is 'additional' to the baseline. Under the revised rules, applicants must demonstrate that carbon finance is necessary to create a positive business case.

⁶ The [UK Land Carbon Registry](#) provides a platform through which buyers and sellers may negotiate sales. Through this, buyers may list units for sale with an asking price and sellers may submit bids.

conducted by [Ecosystem Marketplace \(2023\)](#) and published by the Woodland Carbon Code gives an indication of trading volume, average prices and price spread. While this analysis is timely, transaction data could only be achieved for a proportion of sales. The pricing statistics presented here should therefore be treated as indicative rather than definitive.

The price of Woodland Carbon Code Units (PIUs) is increasing:

- The average price of Woodland Carbon Code Pending Issuance Units (PIUs⁷) increased 70% in nominal terms, or 53% in real terms, between 2021 and 2023.
- The difference between highest and lowest prices in the market (price spread) increased 35% between 2021 and 2023 suggesting that variability in pricing may also have increased.⁸
- Writing in Tilhill and Goldcrest's [Forest Market Report \(2023\)](#) David McCulloch suggests that the increase in price spread may be due to investor recognition of wider ancillary benefits (ecological, social, hydrological) of specific woodlands.
- There was a slight decline in transaction volume in 2022.

Figure 6. Average Price of Woodland Carbon Code PIUs



The visibility of asking price and bids submitted provides price relevant information to other market participants. There is however no obligation on either party to disclose the final sale price. In addition to this, a proportion of sales also occur privately through negotiations which take place outside of the platform.

⁷ [PIU – Pending Issuance Units](#) are awarded when the scheme is first registered and represent the carbon that is expected to be sequestered by the project. Every 10 years projects are checked to determine the degree of carbon that has been sequestered, provided that the project has been performing well PIUs are then converted to Woodland Carbon Units (WCUs).

⁸ *Price spread* - [Ecosystem Marketplace](#) report the difference between maximum and minimum price in the market. While indicative, from this it is not possible to conclude anything of *Variance*, the degree to which prices vary on average from the average price.

Peatland carbon units (PIUs) may command a premium:

- There is limited information on the price of Peatland Carbon credits, with data only [available for 2022 and](#) for a much smaller volume of transactions.
- The average price of Peatland Carbon Units reported in 2022 (£23.95) was £4.82 more than Woodland Carbon Code indicating that Peatland Carbon Units commanded an average premium of 25% over Woodland Carbon Units – though due to the limited market coverage some caution is warranted in interpreting this statistic.

In the coming years this Research Briefing series will continue to monitor applications to UK carbon standards and the price of carbon credits as two key indicators of market growth.

3.2 Arable Land Values

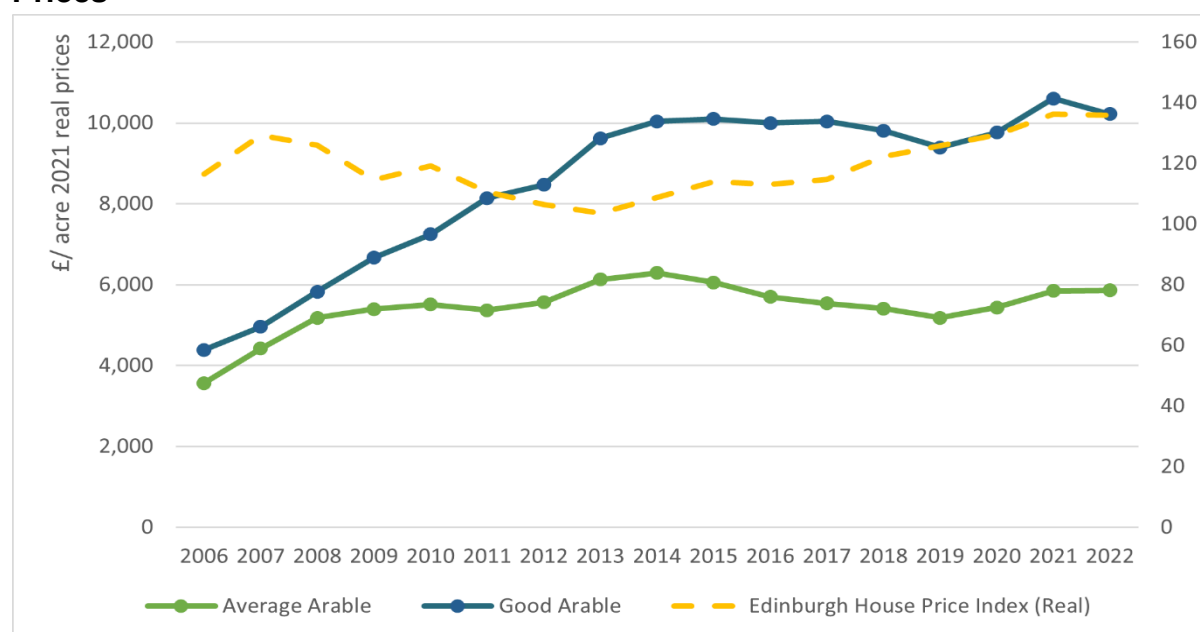
Key Findings

- The price of arable land has increased steadily since 2006, growing at an average rate of 3- 5% per year in real terms depending on land quality.
- By way of comparison Edinburgh house prices have grown at 1% per year over the same period and Highland house prices by 0.5% in real terms.
- Growth in arable land values further correlates to periods of economic uncertainty, this may reflect a perception that land constitutes a 'safe haven' in times of financial uncertainty.

There has been moderate year on year growth in arable land values since 2006. As compared to the dramatic increase in hill land values, value growth in arable land has been more muted. However when viewed in comparison to growth in Scottish house prices over the same period, growth in arable values has been significant.

Figure 6. below shows average values for two classes of arable land within Knight Frank's Scottish Farmland Index. When assessed across the full period 2006 to 2022 there has been moderate growth in value for both classes of arable land. Better quality arable land (Good Arable) has grown at a faster rate, achieving an annual growth rate of 5%, as compared to 3% for Average Arable. Values stabilised, and even fell back for a time between 2014 and 2019 before moderate growth in values resumed in 2019. Between 2019 and 2022, prices for Good Arable grew at 3% where Average Arable grew at 4%. Comparatively however, significantly higher growth rates were seen in the first half of the period. Between 2006 and 2014 the value of Good Arable land grew at 11% per year and Average Arable 7%

Figure 7. Inflation Adjusted Arable Land Values versus Edinburgh Real House Prices



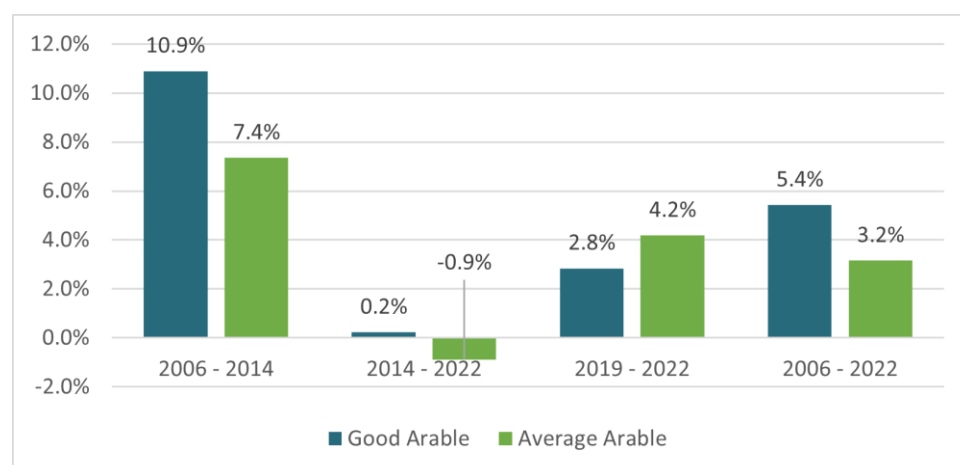
Sources: Knight Frank Scottish Farmland Index (2016;2018), Knight Frank Scottish Rural Property Update (2020), Knight Frank The Rural Report (2020- 2023), UK House Price Index (2022)

Caption. Knight Frank's Scottish Farmland Index tracks the bare land value of commercial agricultural land and is based on the opinions of Knight Frank's valuers and negotiators, taking account of known sales. Average Arable refers to the average price of average quality arable land. Good Arable refers to the average price of good quality arable land.

Growth in arable land values is more significant when compared to house prices.

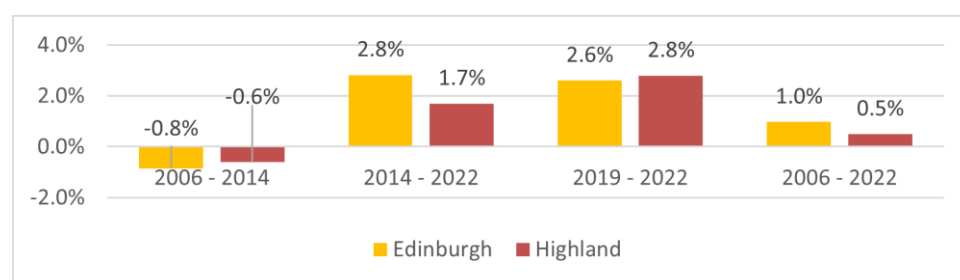
Between 2006 and 2022, the average Edinburgh house price has grown at 1% per year in real terms while the average *Highland House Price* has grown at 0.5% per year. Over the same time period, Good Arable land has grown at 5% while Average Arable has grown at 3%

Figure 8. Real Growth Rates in Arable Land Values



Sources: Knight Frank Scottish Farmland Index (2016;2018), Knight Frank Scottish Rural Property Update (2020), Knight Frank The Rural Report (2020- 2023)

Figure 9. Real Growth Rates in Edinburgh and Highland House Prices



Source: [UK House Price Index](#)

Comparison to house prices helps place the recent growth of arable land values in context. Following consistent moderate growth, Good Arable land values in 2022 are more than double what they were in 2006 having increased 133% in real terms. Average Arable land values have increased 64% in real terms. Over the same period Edinburgh house prices have increased 17% in real terms and Highland house prices 9%.

Comparison to house prices further shows an inverse correlation between land values and the wider economy. Real house prices peaked in 2007 and then contracted sharply following the 2007- 2008 financial crisis, only returning to growth in 2014. Meanwhile, the strongest period of growth in arable land values occurred between 2006 and 2014 during the period of economic uncertainty following the financial crisis. Notably, the recent period of growth in arable land values since 2019 has occurred during and after the coronavirus (COVID-19) pandemic.

Conclusion

Drawing on secondary data from land market reports, this briefing has investigated changes in Scottish land values over time and the sales and investment trends driving those changes.

Prices for marginal hill land have shown the strongest increase in recent years, due to increased demand from commercial forestry and from natural capital investors. Reflecting the increase in demand from these buyer types, hill land suitable for tree planting now commands a premium in the market. The highest price paid in 2021 (£5,500 per acre) was 467% greater in real terms than in 2017. By comparison, prices for non-plantable hill ground have not exceeded £2,000.

Scottish estates have further attracted attention as a means of achieving scale for commercial forestry and natural capital investments. Marketing of estates has pivoted towards these purchase motivations with estates increasingly marketed as natural capital investment opportunities. Due to this increase in demand the value of Scottish Estates has risen substantially. The average sale price in 2021 was £8.8million, 87% greater than the ten-year average (£4.7million), as assessed in real terms.

Although there has been substantial growth in marginal land values in recent years, it appears that the pace of change is slowing, with applications to the Woodland Carbon Code slowing, timber prices falling and an overall drop back from the peak values achieved in 2021.

Meanwhile at the top of the market, arable land values have increased steadily since 2006, growing at an average rate of 3- 5% per year in real terms depending on land quality. By way of comparison Edinburgh house prices have grown at 1% per year over the same period and Highland house prices by 0.5% in real terms. Growth in arable land values further correlates to periods of economic uncertainty, reflecting a perception that land constitutes a 'safe haven' in times of financial uncertainty, with the strongest periods of growth observed between 2006 and 2014, following the 2007- 8 financial crisis, and more recently since 2019 following the coronavirus (COVID-19) pandemic.

This briefing is the first in a series with updates and recommendations being provided over time. Subsequent work will continue to monitor land market indicators to deepen our understanding of land market dynamics. The next update will be published in 2024.

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Appendix 1: Woodland Carbon Code Applications and Total Area, Scotland

Table A1: Number of Woodland Carbon Code projects, Scotland, 2012 to 2023

Year	Awaiting validation	Validated only	Verified	Total
2012	26	7	0	33
2013	17	28	0	45
2014	35	46	0	81
2015	53	27	0	80
2016	33	60	1	94
2017	31	66	3	100
2018	37	57	17	111
2019	28	55	40	123
2020	27	82	48	157
2021	181	123	51	355
2022	468	158	68	694
2023	523	218	71	812

Table A2: Area of Woodland Carbon Code projects, Scotland, 2012 to 2023

Year	Awaiting validation hectare (ha).	Validated only hectare (ha).	Verified hectare (ha).	Total hectare (ha).
2012	1,310	731	0	2,041
2013	718	1,379	0	2,097
2014	10,858	2,222	0	13,080
2015	10,779	2,367	0	13,146
2016	10,264	3,087	0	13,351
2017	10,268	3,139	148	13,556
2018	10,553	2,155	1,358	14,065
2019	8,520	4,498	2,066	15,085
2020	1,750	8,224	2,196	12,170
2021	12,329	10,478	2,379	25,186

2022	33,618	12,275	3,670	49,563
2023	36,377	17,438	3,796	57,611

Appendix 2: Woodland Carbon and Peatland Carbon Code Transaction Volume and Value

Table A3. Woodland Carbon Code Transaction Volume and Value 2021 to 2023

	2021	2022	2023 Part**	2021-2022	2022-2023	2021-2023
Transaction Volume	233,022	212,275	60,355	-	-	-
Price Spread	£27.76	£33.20	£37.50	19.6%	13.0%	35.1%
Average Price per PIU (Nominal Terms)	£14.93	£19.13	£25.36	28.1%	32.6%	69.9%
Average Price per PIU (Real Terms, 2022 prices)	£15.74	£19.13	£24.15	21.5%	26.2%	53.4%

**Year to 14th June 2023

Source: [Ecosystem Marketplace](#)

Table A4. Peatland Code Transaction Volume and Value 2021 to 2023

	2021	2022	2023 Part**
Transaction Volume	--	11,416	--
Average Price per PIU (Nominal Terms)	--	£23.95	--
Average Price per PIU (Real Terms, 2022 prices)	--	£23.95	--
Price Spread	--	£25.00	--

**Year to 14th June 2023

Source: [Ecosystem Marketplace](#)



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