Scottish Land Commission
Coimisean Fearainn na h-Alba

RURAL LAND MARKET

INSIGHTS 2025

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Contents

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Executive summary

This is the fourth report in the Rural Land Market Insights Report series. It used qualitative insights from a range of Land Agents operating across Scotland to report on recent and emerging trends occurring in all sectors of the land market. This year 13 agents were interviewed between December 2024 – February 2025, who were asked how the market performed in the calendar year of 2024.

Overall impressions of the market

This year the market was seen to be much slower than in previous years, with the agents describing the market as “steady”, “challenging”, “static” and “subdued”.

Agents attested much of this steadiness to low demand in commercial forestry and natural capital sectors which were previously seen to be a source of demand and were driving the market the higher. The subdued activity was having spill-over effects on the farm (marginal land suitable for planting) and estates markets.

The agents suggested there were multiple external “disruptors” in the market which caused hesitancy amongst buyers and (to a lesser extent) sellers. The UK General Election followed by the October 2024 Budget caused significant hesitancy. Changes to Inheritance tax, Agricultural Property Relief and Business and Property Relief caused uncertainty but the full effects of these changes were not apparent at the time of interviewing.

External economic factors were a key theme in last year’s report which still affected the market (high interest rates and inflation) but were mentioned less. The low timber price was frequently cited as a key commodity that influenced the market.

Compared to previous years, the dynamic between and supply and demand was seen to be reaching more of an equilibrium (increased supply and lower demand), however there were mixed responses from the agents. Most agents thought that lower demand was creating a “buyer’s market”, but some agents thought there was an absence of both supply and demand. Therefore, getting the price right was essential.

Some regional variation was reported, particularly the South West market where supply was rising. Additionally, some sectoral variation was also reported, with the potato and dairy sectors both seen as having successful years and were looking to expand (increased demand).

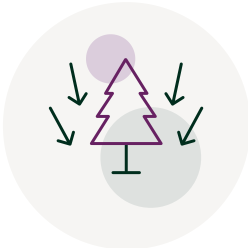
Off-market transactions were seen to be largely down from previous years, particularly in the estates sector. There were off-market transactions occurring in the farmland sector when selling to a neighbour. Semi-private sales did still occur when selling to a specific group (i.e. forestry, natural capital or estates) however these were seen to be select cases. Some estates were initially off-market sales which were brought to the market when no buyers were identified.

There was an overall reduction in lotting, mainly due to the residential market underperforming and agents being unwilling to separate farmhouses from their surrounding land.

Forestry

There was a fall in demand from the commercial forestry sector which lowered the value of land suitable for planting, having ripple effects on the market overall. Motivations for buying forestry land (and/or land suitable for planting) were replaced with a range of disincentives including changes to Inheritance tax (using forestry as an inter-generational investment), lengthy tree planting approvals, reduced grants and no guarantees around species mix. These were all considered disincentives for investors, with too many risks and unknown variables.

Land suitable for natural capital schemes



Demand for land suitable for natural capital projects waned significantly since the initial period of demand between 2020-2022. As with forestry, the reduction of grants and planting approval timeframes was reported to be off-putting to many potential new investors. The realities of owning land and getting land into schemes was seen to be cooling demand for future purchases and expansion. Additionally, the carbon credits market is starting to emerge and carbon prices are not performing in line with some initial projections. Companies with business models based solely around carbon sequestration were looking to diversify their incomes. The economics of peatland restoration are also off-putting to some, as the economies-of-scale required are large. Early discussions around Biodiversity Net Gain are emerging, but these are yet to be introduced into Scotland.

Lower demand and the pull-back of values for marginal land suitable for natural capital is resulting in more lifestyle buyers (re)entering the market to buy with personal and altruistic motivations. For the first time, discussions about selling land that has been entered into a natural capital scheme occurred, with agents hinting at little demand for these.

Farmland

The main driver for purchasing agricultural land was still expansion, with land fetching a premium if a neighbouring farm is looking to expand. If there were no interested neighbour, then demand was much lower. Despite wider market sentiment, arable land continued to sell reliably, with strong demand.

Lack of clarity around new agricultural subsidies is starting to become a disincentive, although there were mixed perspectives as to how this was affecting the market. However, for Scottish farmers looking to expand, subsidies were not seen to be a key factor in decision making.

Rollover Relief funds, which had kept the farmland market strong in recent times, are now “petering out”. Some agents suggested some people were less inclined to reinvest their funds back into land, especially considering the changes to Inheritance tax.

The proposed changes to Inheritance Tax moved the narrative of selling farmland away from ‘Death, Debt, Divorce’ towards ‘Retirement, Debt, Divorce’, as farmers are now considering their options more carefully.

Estates

Two sub-markets within the estates market are more emphasised than in previous years - largescale sites suitable for natural capital or forestry, and smaller amenity estates. Demand for larger environmental projects is considerably lower than for amenity estates.

External disincentives for buying an estate were raised, including high energy costs and maintenance costs, the Land Reform Bill, and high borrowing rates. Agents' views were mixed as to whether this was affecting international purchasers. Buyers with sporting and amenity interests were seen to be re-entering the market, despite perceived issues around sporting land uses.

Renewable developers have re-entered the market, although there is a preference to revisit existing sites for expansion or to enter into tenancy agreements. Housing developers were not seen to be particularly active, mainly due to an underperforming residential sector.

Future predictions

Reported predictions revolved around Inheritance tax changes, with most agents foreseeing an increase in supply over the coming year (prior to implementation of the changes). These tax changes may also deter some farmers from looking to expand, and potentially quell demand (as land is no longer as attractive an investment). Despite all this rhetoric, agents still thought that the changes would not affect prime arable values or have a great impact on land in general over the mid- to long-term. Predictions were also made that more amenity and lifestyle buyers would enter a market with less fierce competition.

1 Background and context

1.1 Introduction

This research was commissioned by the Scottish Land Commission ('the Commission') to provide continued insights into the Scottish rural land market. This is the fourth report in the 'Rural Land Market Insights' series, following previous reporting by McMorran et al (2022) covering the 2021 calendar year, Merrell et al (2023) covering the 2022 calendar year and Merrell et al (2024) covering the 2023 calendar year.

The aim of this series is to report on and understand activity in the Scottish land market in each year (with this report focusing on Jan – Dec 2024). This is achieved by seeking the expert opinions of land agents operating across Scotland, as these are the people closest to the market with deep knowledge of the sector. Interviews were conducted with 13 agents and/or valuers, some of whom specialised in different sectors of the land market (specialists in farmland, forestry, estates), others who viewed themselves as generalists.

The interviews were concerned with the agents' perceptions of: (i) current motivators for buying and selling land (including farms, forests and estates); (ii) performance of the market (including discussion around values, on-/off-market transactions, lotting and supply/demand); (iii) the impact of natural capital payments, agricultural support and grants on land prices, and (iv) predictions of future trends.

The Commission recognises the need to regularly monitor activity within Scotland's rural land market to maintain an accurate picture of landowner, buyer, and seller motivations. This study provides qualitative context to the rural land price and sales data analysis undertaken by the Commission (analysis of 2020-2023 available here). Comparing results from this study with the previous year helps to begin to form a long-term narrative of rural land market activity in Scotland, making it easier to identify trends that can inform policy decisions (discussed in Section 1.2). Key insights from industry updates are then presented (Section 2). The methodology is presented in Section 3, including how analysis was conducted. Following this, the main thematic analysis derived from the interviews with land agents is presented in the findings section (Section 4). Section 5 draws conclusions and makes comments on emerging trends in the land market.

The rural land market in Scotland is relatively small, with very little land transacted every year. For example, the Commission's analysis of transactions between 2020-2023 showed only 0.5% of Scotland's land transacted in 2023. 936 land transactions occurred over this 4-year period, with the overwhelming majority (up to 95% in one year) being under 500 Hectares.

1.2 Previous Rural Land Markets Insights Report findings

This ongoing series of reports has been running for four years, covering the calendar years of 2021 to 2024. In hindsight, this appears to have been an important and turbulent period of the Scottish land market to document.

During 2020 and 2021 (as covered by McMorran et al, 2022), the land market was characterised by a lack of supply and significant demand. A 'perfect storm' of demand was created. Firstly, it was a time when the Covid-19 outbreak had caused new out-migration to rural areas, forcing the supply of rural houses to fall and prices to rise. This demand bled into the smallholding and crofting sectors as people were keen to leave cities.

Secondly, global supply chains were disturbed and it became apparent that Scotland (and the rest of the UK) had serious supply issues for timber, and there were favourable grants available for tree planting. These factors led the commercial forestry sector to seek new land for planting. Backed by institutional investment, they were able to outcompete the farming sector for marginal land suitable for planting and drove prices to historic highs.

Thirdly, there was a newfound interest in natural capital and generating carbon credits, either to sell for profit or for 'insetting' (i.e. generating carbon credits to offset carbon emissions arising from internal business activities). Scotland was seen as an ideal site for new natural capital projects as it has significant amount of degraded peatland and land

suitable for establishing new woodland. The UK also had some of the first government approved standards for generating, attaining, and selling carbon credits in the Woodland Carbon Code and the Peatland Carbon Code. Compared to other parts of the UK, marginal land in Scotland was seen to be both cheaper and more attractive for generating credits. This included interest in Scottish estates, due to their scale and ability to achieve significant carbon capture. Levels of off-market activity in the estate sector reached record highs and values also followed.

Following this initial report, Merrell et al (2023) carried forward the analysis into the 2022 market. The main tone of this report was that caution had begun to enter the market; land values had begun to stagnate, times taken to close sales had increased, off-market activity had begun to slow down, and supply was starting to steadily increase. There were multiple external macro-economic factors that contributed to this pattern. Firstly, as the Covid-19 pandemic faded, the extent of the economic damage became apparent, a period of high inflation began and interest rates increased. This was also coupled with Russia’s invasion of Ukraine which affected supply chains and international commodity prices. These factors fed into the cost-of-living crisis. In times of high inflation land is seen as a ‘safe haven’ asset, and some larger corporate and institutional buyers acquired large Scottish estates in 2022 as a means of hedging against inflation. However, for the majority of the land market these factors caused more hesitancy.

Another emerging trend (particularly in the forestry and natural capital sectors) was that the changes to the Woodland Carbon Code’s additionality rules checked interest in afforestation as a means of sequestering carbon, and rising inflation caused the Forestry Grant Scheme (FGS) to become less economically attractive (rising costs in fencing and labour outweighed the level of the grant). Attaining planting permission for bare ground was also seen as a lengthy process that was slowing down demand.

In the third report of the series, covering the calendar year 2023, Merrell et al (2024) reported how the market was being perceived as “sluggish”. Supply remained sparse, but demand continued to increasingly waver, with the exception of prime arable land which continued to trade consistently.

Regarding marginal land suitable for planting and/or natural capital potential, two distinct buyer groups continued to emerge: commercial forestry investors and natural capital investors. Commercial forestry investors focused on long-term timber price outlook and domestic timber scarcity, with long-term predictable cash flows remaining appealing. Natural capital investors were interested in different land, which had the potential for native tree planting and peatland restoration. Despite this, marginal land values dropped considerably (although still higher than in 2020). It is within this context that this year’s report continues to investigate.

2 Methodology

The methodology for this research has remained the same since the second report (see Merrell et al, 2023 for a full explanation). This is qualitative research which complements the quantitative research the Commission conducts in-house on the Scottish land market (the 2020-2023 report available here, with the next report due later in 2025).

As in previous years, the research involves conducting semi-structured interviews with land agents or valuers. This year, 13 land agents or valuers were interviewed between December 2024 and February 2025. Each year the aim is to have a good balance of agencies that cover national or regional markets, as well as agents who have a range of expertise, some of whom specialise in different sectors (farm, forestry, estate, residential or natural capital) whilst others consider themselves generalists. Retention of participants from previous years is sought to provide a longitudinal perspective. This is a useful strategy as rapport and trust is built between researcher and agent and the conversation can be returned to without agents having to explain trends or factors from previous years. However, it is also important to introduce new perspectives, so each year a cohort of new agents are also recruited. Finally, the inclusion of multiple perspectives from within the same agency can be helpful, particularly where agents operate in different sectors, have different roles (e.g. agency or valuation) or have different remits (e.g. strategic perspectives or 'on the ground' perspectives).

All interviews were conducted online using Microsoft Teams. The interviews lasted roughly 45 minutes. The semi-structured interviews (see Appendix 3) followed key questions but provided flexibility to explore different or unexpected avenues of enquiry as they emerged – these remained largely the same as previous years, but with slight amendments.

For the analysis, interview transcripts were anonymised and analysed thematically. A NVivo[1] coding framework (see Appendix 2) was developed to enhance the qualitative analysis. After discussions within the research team, it was decided that the same codebook from the previous report was used as a starting point. This enabled results to be analysed thematically (mainly by land sector, but also themes such as 'future trends', 'natural capital' or 'types of buyers') all of which have sections dedicated to them in the findings.

In previous years, desk-based analysis of industry reports from the largest agencies in Scotland was conducted, as a means of triangulating findings. A similar analysis is provided below, though commentary on the Scottish land market has been less than in previous years.

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[1] A qualitative data analysis software package (https://support.qsrinternational.com/)

3 Industry reports

Each year, industry reports from larger agencies are analysed as an additional source of gauging market sentiment. This year fewer industry reports were published than in previous years and in some cases the report covered the entirety of the UK rather than spotlighting Scotland.

Savill's 'The Farmland Market' (2025) covers the whole of the UK, but with a section dedicated to the Scottish market. Their 'top three takeaways' (for the UK) were that there was a "significant increase" (p.2) in large farms brought to the market, that Inheritance tax changes would result in up to 50% of a generations profit being used for these taxes, and a prediction that supply would reduce in over the coming two years before recovering. They report that more land was sold across the UK since 2018, citing the national agricultural transition and poor weather conditions as contributing factors. The three most frequent reasons for selling farmland were 'investing elsewhere', 'debt and financial restructuring' and 'death and personal reasons'. Regarding farmland values, 2024 was "a more challenging market than we've had for some years … and prices achieved varied widely between and within regions" (p.3). When considering just Scotland, the report states that "38,000 acres of farmland were marketed in 2024, compared to 26,800 acres in 2023" (p.3), however, larger unit sizes meant that the number of overall farms on the market seemed roughly the same as previous years.

The report dedicates two pages to the proposed Inheritance tax changes including what the proposed changes are, whether the changes will achieve the objectives set out by the government, and the impact the changes will have on different sized farms. The report also indicates a series of push and pull factors that will affect the UK land market. Push factors include climate change, regulation and policy, and environmental recovery. Pull factors include financial incentivisation, technological advancements and economic factors. Statistics are provided for buyer type and motivation to own land – interestingly the report suggests that 33% of institutional or corporate buyers are looking at land for environmental motivations (natural capital schemes, rewilding etc.).

Strutt & Parker did publish a report specifically focused on the Scottish farmland market – the 'Scottish Farmland Market Review 2024'. They report slightly less acreage (33,000 acres) marketed in 2024, but state that over 100 farms were marketed – "only the third time … in the past 20 years" that this has happened (p.1). Demand was seen to be strong, but "unpredictable" (p.2) and has weakened from the highs experienced in 2021-2022. Land suitable for tree planting continues to fall in value, but other land classes have held their value.

Whilst acknowledging motivations for selling farmland are mixed, the report hints that the changes to Inheritance tax was driving some farmers close to retirement to reconsider their exit plan. Changes to the tax are mentioned in buying motivations, but overall, the report suggested the effects on land values will be “relatively limited” (p.2). Interestingly, the report suggests “after a quieter period in 2024, there are signs that investment funds are already becoming more active in the marketplace” (p.2) going forwards into 2025.

Two industry reports for the UK forestry sector were published – Tillhill Forestry and Goldcrest’s ‘The UK Forest Market Report 2024’, and John Clegg & Co and Strutt & Parker’s ‘The Forest Market Review 2024’.

Tillhill and Goldcrest’s report suggests that 44 forestry properties were advertised (across the entirety of the UK) which is a 26% increase, however the total value of these listings were down 55%, total stocked hectarage was down 39% and average cost per stocked hectare was down 18%. When considering the Scottish market, the average price per stocked hectare actually increased by 1%, although the total gross area listed was down 40%. This report came out prior to the UK Government’s budget, therefore could only speculate on proposed Inheritance tax changes. When considering natural capital projects, the headline finding was that “consolidation and stabilisation have characterised the market for woodland carbon” (p.15).

The John Clegg & Co and Strutt & Parker co-authored report covers the whole UK, but does comment on the Scottish market as well. The overall message for the UK market in 2024 is that supply recovered from 2023 lows, but is still “well below the five-year average” (p.1). Demand was also seen to be weakening, with half of the advertised forests selling for over guide price, however, there were rising levels of those sold below the guide price. Macro-economic and geo-political factors were suggested for a market that “had a little more caution and somewhat less optimism than anticipated” (p.2). Interestingly the report passes comment on the demand for woodland with carbon units attached: “One woodland with over 50,000 carbon units was offered for sale, but was withdrawn when market appetite did not meet the seller’s expectation” (p.2).

4 Findings

This section will present the perspectives of the land agents who were involved in the research. The analysis begins with overall impressions of the market (comparing it to previous years) across all sectors, supply and demand dynamics, off-market transactions and lotting. Following this, each of the major land market sectors are explored (forestry, natural capital, farmland and estates) before future predictions end the analysis.

4.1 Overall impressions vs previous years

Each year the interview begins by asking the agents their opinions of how the overall market performed. Compared to previous years, the market was seen to be much slower.[2] Some descriptions from the agents included "steady" (P1, P4, P11, P12), "challenging" (P3), "static" (P8), "subdued" (P9), or a "slow and sticky year" (P5).

Agents were quick to attest much of this steadiness to the underperformance of the commercial forestry and natural capital sectors which had a particularly slow year:

> "I think the reason is probably because the forestry market dipped. So the forestry investors were less keen and they were pushing the whole market up." (P12)
>
> "Some of the major funds that have driven the market to a high level in recent years have been much more circumspect or out of the market altogether … so that [natural capital] market been a bit more subdued" (P9)

These two sectors were seen as a major driving force in the market (both in terms of demand and value) in recent years, therefore their hesitance has had spillover effects into the farm market (bareland for planting) and estate markets (large landscape-scale natural capital projects). This theme will be returned to throughout the analysis.

As in previous years a number of external factors were also cited as important.[3] The agents suggested there were multiple "disruptors" in the market that "suppressed what was offered for sale" (P5). Firstly, political and legislative factors (at both the UK Government and Scottish Government levels) were commonly discussed.

2024 was an election year for the UK Government which typically causes hesitancy in the market, with this year being no different. The predictions

[2] Drastically different to in 2020-22, see p.26 of the 2022 Report

[3] See p.13 in the 2024 report


Image credit: James MacKessack-Leitch

that there would be a change of Government were true, and inevitably a change of policy direction would occur. This caused a degree of “reticence and nervousness” (P2) amongst some sellers and buyers.

> “We knew the general election was coming … it was there in the background. And then of course, literally within weeks, everybody obviously knew there was going to be a budget … It was going to be in October. So again, there was a long period of, well, what’s going to happen? What are they going to say?” (P5)

With the announcement of the new Budget on October 30th 2024, significant changes to the taxation system were seen to have a dramatic impact on family farms. Changes were made to Inheritance tax – specifically the Agricultural Property Relief and Business and Property Relief, which would see many farming families having large tax bills when a farm is passed down through inheritance. This caused many farms to be passed on the next generation prior to the budget:

> “There were quite a lot of transactions before the election, but generally they were transactions of passing stuff to the next generation. People were pretty sure Inheritance tax was going to be hit in advance. It was pretty well flagged, so there was a massive amount of activity” (P8)

As this was such a big change, the theme of Inheritance tax will be returned to in various sections of this analysis. The announcement came towards the end of the year, therefore the full effects of this change have not yet been witnessed. Often when the land agents discussed Inheritance tax they were predicting future effects therefore much of this debate is included in the 'Future Predictions' section. It was apparent in the short term however, that agents felt that "land holding, investing in land" (P12) would certainly become less prevalent due to this change.

Another legislative factor was that recent changes to the residential lettings legislation (including short term lets and minimum EPC ratings) were now starting to be seen as affecting the housing and residential markets in rural areas:

> "Properties are sticking on the market. There are sales falling through, you know, the budget changes one thing and another. Residential holiday letting changes. Those are impacting [particularly] on the West Coast or up north." (P11)

External economic factors were a key theme in last year's report[4] which were still affecting the market in 2024, but were less prominent in agent responses.[5] Higher interest rates were still cited. "Every interest rate increase that we've seen, we've seen buyers fall out of the market" (P5), particularly farmers reliant on borrowing funds for expansion:

> "[Farmers borrowing have] been pretty quiet since interest rates hiked up a bit in the last sort of 18 months, two years. Of course, people are still buying neighbouring land if they can. But they just think twice if the interest rates are going to be high." (P11)

Interestingly, as savings interest rates rose during 2023-24, it made saving money potentially more appealing that investing in forestry for the first time since the financial crash of 2008:

> "Why invest in forestry at 1% when frankly money in the bank, albeit taxable might get you, I don't know, 4 or 5%." (P4)

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[4] See p.13 in the 2024 Report

[5] This could be considered as recency bias, as agents discussed Inheritance tax more as it occurred close to the interviews

The price of timber still appears to be a key commodity that directly affects the land market. The "rebasing of timber values" (P4) has had knock-on effects on land suitable for planting:

> "We're all hoping for a rise in timber values which would drive things a bit more, but I don't foresee that." (P4)

This low timber price appears, in turn, to have affected other sectors of the market, particularly land suitable for planting:

> "The last year or two like the bottom of the market has been the forestry land. So that puts the base in the market. Now the forestry land prices, particularly in Scotland have dropped considerably. … So when the lowest value land drops, then by definition everything else would drop to match." (P3)

4.2 Supply vs demand

There were mixed responses from the agents around supply and demand dynamics. In previous years the market was characterised by a lack of supply and increased demand[6] which peaked in 2022[7]. This year some agents perceived the dynamic between and supply and demand to be reaching more of an equilibrium, resulting in a balanced market:

> "There was certainly less competition out there than previous years, but there seemed to be more on the market. So more for people to choose from" (P12)

Most of the agents agreed that there had been slightly increased supply:

> "I would say there's possibly a little bit more come to the market" (P11)

However, what was clear was that the demand from the commercial forestry and natural capital buyers was "significantly down" (P4), meaning marginal land, land suitable for planting, or land with high natural capital potential saw less overall demand:

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[6] See p.26 of the 2022 Report

[7] See p.11 of the 2023 Report

> “Two or three years ago, a lot of the poorer farmland was being chased by forestry planting purchasers. I think that slowed down a lot, if not stopped” (P11)

Lower overall demand and increased supply has created what some agents described as a “buyers market”:

> “Buyers in the market know that they have quite a lot of strength in the market because it’s a buyer’s market at the moment so they can afford to be a bit slower and even potentially looking for faults in properties to try and reduce the price if they can” (p10)

However, other agents perceived there to be an absence of both supply and demand, resulting in a slow market:

> “I think in some respects this year for … bare land, I would say we’ve seen very little on the market and even less demand.” (P4)

Set within this context, multiple agents expressed how setting the appropriate value is “key to get things actually sold” (P13) and even more critical than in previous years:

> "We sold a couple of farms recently. Priced them realistically and got in excess of our asking prices and I think if … you over price it, it just turns people away. They don't even look at it." (P3)

Regional variation in supply and demand dynamics appeared more acute than in previous years. Two agents suggested the South West in particular was seeing a stark increase in supply with lower demand:

> "The Southwest seems to have just been a bit slower down there in terms of getting properties sold and across the line." (P13)
>
> "There are some regional areas where there's a lot of land that could be bought." (P6)

There was also some sectoral variation. As already touched upon (and returned to in later sections) the forestry and natural capital sectors saw lowered demand, but some agents suggested the potato and dairy sectors had a successful year and in some cases were looking to expand:

> "Some sectors very strong others not, yeah, probably static and maybe one or two just eased back a bit." (P7)
>
> "I think there's still more demand than there is supply. … there are still buyers there with cash desperate to buy land. This potato season was so good, there is a lot of cash to get rid of" (P7)

4.3 Off-market transactions

Each year agents are asked about the degree of off-market activity that has occurred. Off-market transactions did occur in 2024, however again it was a mixed picture with some agents suggesting they were increasing whilst others thought they were reducing.

A frequently cited driver was if the (farm) land was being sold as "a targeted sale to a neighbour" (P11) or to forestry:

> "There's a sort of profile of why somebody sells a farm privately - It's because they want to stay in the farm house. They could sell the land to the neighbour … or do contract farming until they die." (P5)

As reported in previous years[8], a semi-private approach is sometimes taken when land is identified as suitable for planting (targeting a select group of forestry buyers), having high natural capital potential (targeting a select group of Natural Capital investors) or having high amenity value (targeting a select group of wealthy individuals who have previously expressed an interest in owning a Scottish estate):

> "[Off market activity is] probably growing slightly. Particularly with forestry [or] planting ground sales. A lot of that's done off market and just sort of tendered out to the investors." (P1)

In the estate market however, some agents thought off-market sales had decreased significantly from previous years:

> "There's quite a high proportion of private offerings. But of the properties actually sold I suspect the majority will be through the open market. ... I suspect private deals this year will be down to maybe [between a quarter and a third] from a high of [nearly two thirds]." (Participant ID removed)

One agent suggested that reduced off-market activity is an indicator of the overall health of the market, with more on-market sales suggesting a reduction in demand:

> "In a strong market where you've got more demand than supply you can deliver a satisfactory outcome without going to the open market. In a weakened market like we are in now then the private route, buyers ... have a suspicion that ... it might be overpriced and they prefer to make their offer once they've seen it exposed to the open market." (P9)

As further evidence towards a weakening market, one agent suggested that off-market sales were not finding a buyer and therefore were moving on to the open market:

> "[There were] a few [farms] last year where we started on an off-market basis and then moved to open market. I think there's probably more of that happening than previously thought." (P.13)

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[8] See p.18 of the 2024 Report

4.4 Lotting

Agents are asked whether they have noticed any changing dynamics in lotting activity. This year there was not a lot of commentary about lotting, with most agents awaiting the new Land Reform Bill to become enacted[9] before advising their clients on whether to lot their land.

Some agents had witnessed an overall decrease in lotting in 2024. One agent suggested this was somewhat due to the rural housing market performing poorly, so there was less incentive to split a farmhouse from the land:

> "None of ours were lotted. And one of the drivers was they were quite nice, 250-300 acre units … that's quite a nice farm for somebody to get a start on. Also, some of the houses didn't lend themselves to separating out, so it wouldn't be easy to sell the farmhouse and maintain the integrity of the farm. Others, the house were too big. And we just thought we're going to get left with this. The housing market … for a big rural house is calming down quite significantly." (P7)

One participant noted estates only get lotted in open market transactions, relating back similarly to the previous point raised about off-market activity indicating the overall health of the market:

> "A lotted of sale only works on the open market because the purpose of a lotted sale is to stir up market enthusiasm. Competitive tension between different types of buyers, those that want individual lots, those are interested [in] packages of lots, those that might be interested in the whole estate, all competing collectively to make their offers on the same day on a closing date so that the seller has a range of options." (P9)

[9] See p.18 of the 2024 Report

4.5 Forestry

As stated earlier, there has been a considerable fall in demand from the commercial forestry sector which has had ripple effects on the market overall, therefore the sectoral analysis will begin with sector of the land market. In last year's report, agents alluded to an initial slowing down of the commercial forestry sector, with this trend (and evidence to support this) developing into this year:

> "I think [the market is] generally down … demand is significantly down certainly from a natural capital and forestry perspective … We've made those assumptions in the last few years, but I think we've got more certainty around that now." (P4)

Lower demand translated into lower forestry values. One agent reflected on value over multiple years, suggesting this year values had largely plateaued:

> "I think the values really plateaued. It hasn't risen at all in the last year. If anything, I would say it's a little bit back on last year …. Bare land values, from where they were probably 18 months or two years ago, are back about 25%, maybe even 30%. That's for planting land." (P10)

4.5.1 Motivations for buying forests (or land suitable for planting)

Our initial report in 2022[10] cited multiple (heightened) motivations for purchasing forestry land or land suitable for planting. These motivations were reported to be weakened in subsequent reports[11]. Interestingly, this year the conversations with agents saw a distinct shift, with agents instead raising several disincentives for purchasing forestry land.

As mentioned earlier, the UK Government election and subsequent budget had cooling effects on institutional investors and wealthy private individuals investing in commercial forestry. One agent suggested that changes in inheritance were affecting wealthy individuals who use forestry as a pension option or an inter-generational asset, and the changes "will be more to the benefit of institutions" (P4):

> "A lot of people would be investing not just for Inheritance tax, but knowing that that was a good option to have it in the family, forestry as a long-term investment … And it was a very good vehicle as a pension." (P10)

At the Scottish Government level, a combination of reduced planting grants and lengthy planting approval processes have had a twofold effect. Firstly, it made afforestation schemes less financially viable, and secondly it knocked long-term confidence of investors:

> "The reduction in the planting grant budget has an impact where it put through quite a lot of negativity in the press. Which filters through to investors who ultimately got the impression that the government would no longer [be] supporting afforestation." (P10)
>
> "Talking to investors and effectively telling them "you can buy this land, which might be millions of pounds, but we can't guarantee what you'll be able to achieve on it" - in most investment scenarios it just wouldn't fly." (P4)
>
> The approval process has recently resulted in one high profile case going to court which is "not good for business … it gets to the point where they go "it's too high risk"" (P10)

One agent suggested that this was causing some investors to consider England instead:

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[10] See p.35 of the 2022 Report

[11] See p.17 of the 2023 Report and p.24 of the 2024 Report

> "There is real concerns from some land purchases who want to plant trees, who are saying we'll go to England. It's too complicated in Scotland, takes too much time." (P6)

Agents stressed the importance of long-term planning for land use policies and incentives:

> "Personally, I think we need to get politics out of Land Management. It's just interfering too much because you need a long term management plan and strategy. Rather than every four or five years, on the back of elections, changing things around and nobody knows what's happening next. Particularly when it takes you three years to get approval to plant a tree." (P10)

Despite this negative sentiment surrounding the commercial forestry sector, some agents still perceived an opportunity for buyers, as both bare ground and timber prices are currently lower than previously:

> "It might be 5 or 10 years down the line where today's timber price, people won't believe how cheap it was. And that, I think is much more of a driver for purchasers. People who really get it and understand it" (P4)

Buyers are continuing to become more educated and diligent and more selective in their decision-making, being "not so desperate to get their first acquisition" (P5):

> "Buyers are [becoming] much more educated and informed about what they're buying into. Years ago, you used to find buyers would not be represented by agents and they would just come in and buy a forest off their own back and then employ a forester. But now they engage with a management company or a forestry company or an agent to help them in the system. Understand what they're buying and investing into which I think is very good. So they're well informed. And they are sympathetic to how the land should be managed appropriately." (P10)

4.5.2 Motivations for selling forestry

As in previous years, there was little discussion on selling forests beyond the typical Death, Debt and Divorce factors.

4.6 Land suitable for natural capital schemes

Demand for land suitable for natural capital projects has waned significantly since the "massive surge in interest" and "heady heights" (P10) seen in the market between 2020-2022.

Trends around demand over the previous years are becoming apparent to the agents, with initial demand starting to waver. There is evidence emerging to support these trends:

> "Natural capital buyers (these figures probably need to be refined because I think we've added one or two more estates), accounted for 14% of purchases, previous three-year average 47%. That's really dictated by what was offered in a way. There weren't very many estates that you would say that is going to be of interest to a natural capital buyer." (Participant ID removed)

Although the agent did suggest that this was somewhat dictated by a lack of supply for natural capital projects, there was still a stark drop in sales for new natural capital projects.

Multiple agents (including generalists who do not specialise in natural capital or forestry sales) recognised that, in hindsight, planting approval times and the change to the additionality rule in the Woodland Carbon Code were two major contributing factors.

As raised in previous sections of this report, investor confidence was seen to have reduced further over the past year which includes the natural capital market:

> "And there's been a lot of chat by Scottish Government saying that, you know, the natural capital space will be funded by private investment or whatever. Well, every message that they're giving out is anti-investment. Because they're reducing the grant funding on peatland restoration. They were reducing the budget on afforestation and all of that is negative press." (P10)

The reduction of these financial incentives and negative press around planting approval timeframes is off-putting to potential new investors into natural capital schemes. Additionally, for those who have already purchased land the challenging realities of owning land and getting land into schemes is cooling institutional demand for future purchases and expansion:

> "Yes, I think some of the institutions have now recognised that it takes quite a long time to deliver carbon credits and even getting consents, it takes quite a long time ... maybe those type of people ... taking carbon credits off the shelf is an easier option" (P5)
>
> "I've got several thousand hectares of land which we've either planted or peat restoration ... and we're becoming disillusioned about whether or not we should continue because it's taking so long to get the actual Registration process through, 3-4 years." (P8)

Another key factor which may be affecting future expansion or institutions entering the space is that the carbon credit market is starting to emerge and prices are not performing in line with some initial projections. This is making investors realise that some of the land values paid in previous years were too high and return on investment might be significantly lower than first thought:

> "Carbon credits have stayed pretty stable [around] £20 a tonne. So yes, I think that's why they've gone away, it might not go as high as they anticipated." (P1)
>
> "Carbon pricing structure hasn't changed at all, and the volume being traded is really low." (P10)

In light of this, companies looking to generate carbon credits for offsetting purposes are coming to the realisation that they need to diversify their activities to ensure returns to their shareholders:

> "Natural capital investment funds … are looking at every way to make a project work. … They have to have it underpinned by some kind of investment that is good to produce capital income in the future and that is commercial forestry or renewables." (P10)

There were very few mentions of peatland restoration being a motivation for buying land by the agents. Factors included the economics of scale required to make a peatland carbon project financially viable, and the removal of financial incentives:

> "Peat restoration. It is happening but I don't think anyone's buying property to restore peat … The big grants are now [finished], folk are now being expected to offer 15-20% of their own money beforehand … that's probably a disincentive. I think people will do it if it's going to be part of the next subsidy round" (P7)
>
> "In order to make a peatland scheme work economically, by the time you do the survey work, you pay 20% of the cost of it. … you need to be somewhere over 170 hectares before it's even worth looking at. There's not everybody who's got 170 hectares of peat." (P8)

Early discussions are beginning to emerge around compensatory Biodiversity Net Gain (BNG) on infrastructure and housing projects, suggesting these might provide more opportunities beyond the limited opportunities of carbon sequestration for landowners:

> "For both renewable projects, for building land in towns and cities for battery storage sites for any kind of development that you can think of that is going to use land and take it out of, or impact its biodiversity. And that's going to be a huge factor, I think in the next five years. … We've got one or two projects we've actually decided we're not going to do at the moment because we're waiting to see what happens with the [Biodiversity credits]" (P8)

However, one agent reported low uptake of BNG in northern England:

> “Biodiversity net gain. That [isn’t] north of border, but you know, we don’t see that much of it in Northumberland … it’s not a big thing” (P2)

Lower demand and the pull-back of values for marginal land suitable for natural capital is resulting in more lifestyle buyers (re)entering the market to buy with altruistic motivations:

> “It’s interesting you actually start to see more lifestyle buyers looking at the Highlands again thinking “well, actually values have come back a bit. We can now afford to come into the market again”. And I think that’s one of the positive aspects of the values coming down. … It’s the new motivation, the sense of stewardship of the planet. …. [It might be] a couple who have maybe sold the business and have a reasonable sum of money to spend on something which they feel is their legacy for the future of the planet and their family, by buying a place and looking after it in an environmentally responsible way” (P10)
>
> “People who are looking at smaller and probably less valuable properties talk about [natural capital] as well, which is really interesting. You know, planting trees or rewilding, just personally, rather than looking at it as a business … it’s almost filtered into the amenity market as well.” (P12)

For the first time in this series of reports, there was discussion about selling land that has been entered into a natural capital scheme.

> “You see all these big swathes of ground that have been planted with trees in the last couple of years coming to the market being sold by large funds or conglomerates who thought the idea of buying into it was a good idea. They obviously are now thinking we need to get out of this sector.” (P13)

4.7 Farmland

The “vanguard” (P12) of farmland purchases in Scotland were, as in previous years, driven by the farming sector, particularly those who are looking to expand.

Despite all the market sentiment, arable land continues to perform well, with strong demand:

> "I would say the most robust has been the commercial farmland market particularly for arable land, which hasn't seen the same sort of spike in prices and demand in the way that forestry land or that Natural capital land has, there's been a sort of steady increase on a year to year basis for many, many years." (P9)

For units which are not arable, some agents suggested that diversification was the only way to make the finances work on purchasing a new farm:

> "Traditional farming is not going to cut the mustard when you're paying well in excess of seven figures for some of these farms now. … You've got to be looking at doing other things … renewable energy, whether it be solar panel, wind turbines, anything like that. Anaerobic digestion … Farm shops. Anything that would generate income other than traditional farming." (P3)

4.7.1 Motivations for buying farmland

The main driver for purchasing agricultural land is expansion. This sentiment was described by multiple agents. Linked to this, if the land is neighbouring a current holding then it is attracting a premium:

> "In some cases and we've seen within the same county, some land making £15,000 an acre. Another [parcel of] land was struggling to make £8,000 [per acre] and it's the same land classification - it's just how able your immediate neighbours are to finance those purchases. So it's very, very varied" (P5)

Further, a few agents suggested that if there weren't "hungry" (P6) neighbours, then the demand was significantly lower for some units:

> "If you haven't got those neighbours, then the market price can fall away very quickly. In this market, you know in the farm market, there's not a lot of buyers out there." (P6)

This year there were some interesting discussions around agricultural subsidies, and whether these were acting as a buying motivation. Some agents perceived the unconfirmed status of future agricultural subsidies to be a disincentive of buying Scottish farmland (for someone with mobility because they have sold their farm) as the English subsidy system has been confirmed and there is therefore less uncertainty:

> "There was less movement of interest from commercial farmers from south of the border. And actually my view on that is we still don't know categorically what's happening in Scotland in terms of policy and payments. And South of the border they have the sustainable farming initiative. … My understanding is that the payment is pretty attractive. … Why jump out of that regime into one where you don't know what's happening?" (P5)

Opposingly, one agent suggested the Basic Payment Scheme that still remained in Scotland was a motivating factor to purchase in Scotland (as this has been removed from the English system):

> "He said, "I'm not going to buy south the border because basic payments virtually gone and we've still got it north the border."" (P2)

Another agent suggested that agricultural subsidies were not a motivating factor in purchasing farmland:

> "Well, interesting enough, because there's so many non-farmers purchasing land, I don't think subsidy drives anyone's decisions to purchase or not." (P1)

In previous reports rollover relief[12] was seen as a strong driver which was keeping agricultural land values high (or steady). During 2021 considerable amounts of marginal land was being bought at high prices for commercial forestry or natural capital, and this money has been steadily reinvested back into land. However, many of these funds are now "petering out" (P12) and some agents thought that rollover relief might not be considered as a key driver anymore:

> "We have seen rollover buyers … influencing the market; the strong prices, the land price averages (etc.) have all been swayed by several years of being fuelled by rollover money. This year we did not see very much or, you know, the amount of rollover funds coming from the sale of planting land has really reduced." (P5)

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[12] See p.32 of the 2022 Report and p.20 of the 2024 Report

To add further nuance to this discussion of rollover relief, one agent suggested that some people were less inclined to reinvest their funds back into land, particularly if they were a farmer who was winding their activities down as they were approaching retirement:

> "So it's still a driver, definitely. But there do seem to be a lot of people who … at that age and stage in their life where they go: "Well, I don't really want to continue farming. So we'll roll over a bit into perhaps a farmhouse and a small bit of land, but we're not going to be rolling over the bulk of the proceeds" … People are opting to just pay the tax, not a lot, but I have heard of people just opting to pay, rather than rolling over." (P13)

This will be an interesting trend to monitor in future reports.

4.7.2 Motivations for selling farmland

Inheritance tax was heavily discussed this year, albeit that most agents were considering the future impact it may have (interviews were conducted 7-16 weeks after the announcement), therefore, most of this debate is descried in the 'Future Predictions' section.

It does appear that the proposed changes to Inheritance tax have moved the narrative away from 'Death, Debt, Divorce' towards 'Retirement, Debt, Divorce' as there were early indicators that some farmers were deciding to sell following the announcement:

> "In the 10 days before Christmas I saw three farms of people who'd, off the back of the budget, had got together as families and they've said "Right, OK, what are we going to do with this farm - do you want to farm?" They've said "No, we don't want to farm". And the farmer … might be mid 50s, late 50s and they've gone: "Well, you know why slog it out for another 10 years if the children don't want to come and take on the farm"." (P12)

4.8 Estates

Conversations about Scottish estates were interesting this year and there appears to be a pattern emerging around primary land use and size. As noted in previous sections, both the forestry and natural capital markets have been subdued this year, and estates often provide scale to undertake these activities. This has led agents to place greater emphasis on the two sub-markets within the estates market – largescale sites suitable for natural capital or forestry, and smaller amenity estates. One agent suggested that the two performed quite differently over the past year:

> “My sense is that the landscape scale places have struggled to sell, but the lifestyle type more residential type places seem to have traded quite respectably.” (P9)

Digging deeper into this emerging trend, there has been a lowering demand for largescale estates suitable for natural capital:

> “And there just isn’t demand for these places. There’s quite an oversupply of big estates for sale relative to smaller estates for sale” (P9)

The lure of high values spurred by natural capital investors had tempted some landowners to put their estates on the market in previous years, but some agents suggested this trend was reversing and that supply for largescale estates had returned to average annual figures:

> “Estates market, we’re back very much to sort of average number of acres for sale. You know, there was a big peak in 2022, when I think a lot of people offered their estates thinking I’ve got natural capital, bring it on. And of course, we know those estates didn’t sell” (P5)
>
> “some people have tested the market and withdrawn because it’s just not there anymore and they’re not prepared to sell it at a much lower figure” (P9)

4.8.1 Motivations for buying estates

Similarly to the forestry sector, buying motivations were eclipsed with a range of disincentives for buying Scottish estates. As previously discussed, the “softened” (P5) natural capital market was one of the main disincentives with “more interest in doing a joint venture or a long lease rather than a purchase” (P5). Beyond this, there were other disincentives also mentioned by the agents.

Firstly, external economic factors were acting as disincentives:

> “The cost of energy and interest rates and inflation are impacting big businesses, which means that their owners are winding their horns in and not indulging in the discretionary purchase, which is what the estate represents” (P9)

The quote above demonstrates how businesses are less profitable and therefore their owners or managers have less disposable income to buy a large estate as a luxury purchase. Additionally, high energy rates are increasing the running and maintenance costs for an estate which typically requires heat for a large house and several smaller buildings, coupled with new legislation to improve the Energy Performance Ratings of rented accommodation.

Some agents suggested the Land Reform Bill measures may disincentivise people buying and selling estates:

> “I think it would be naive to suggest that [the Land Reform Bill] hasn’t had an impact on the market for these big landscape scale places.” (P9)

Interestingly, there were conflicting opinions as to whether these disincentives were deterring international buyers. Some agents thought that the land reform agenda might “curb the interest from overseas” (P13) as there will be extra levels of bureaucracy to owning land. However, others thought that the international market is still active, particularly sporting interests where “the foreign market for stags is still pretty healthy” (P7):

> “The perception has been that there is an increase in attraction of Scotland to American purchases for a number of years, for three or four years, that has been an increase.” (P9)

Despite this international sporting interest, the agents did see several issues around sporting motivations, revolving around grouse moor legislation, poor salmon seasons and attitudes towards red deer culling.

Despite the disincentives coming through strongly in the analysis, there were still incentives, and these tended to focus around the smaller 'lifestyle' or 'amenity' estates (as demand for these was still robust):

> "We were selling an estate … which is very much a sporting amenity estate, so it didn't have genuine natural capital opportunities. There were nine viewers, eight of them were motivated by amenity, enjoyment, sport etc" (P5)

4.8.2 Motivations for selling estates

Some agents perceived that changes to the tax system and other legislation were causing a few people to sell estates, however they stated this number was much lower than they predicted:

> "I would say on the private estate side a few of the sellers were concerned about the budget. And the changes that could have been happening to capital gains tax and also what would be coming with land reform next year. And so there were a couple of people were influenced by that, but not nearly as much as I thought there would be." (P10)

Interestingly, disincentives for selling estates were raised by the agents. Factors revolved around land reform (described by one agent below) and investor confidence (in that fewer investors on the demand side is putting people off bringing estates to market):

> "if people are thinking about selling and then all of a sudden they're going to have to go to a public consultation over whether the local village should have the opportunity to buy 300 acres around the village or next to the village, then that I think is going to put people off wanting to sell them. And I think you might see them just being held on to for longer … A lot of the reason these people sell is because they can't afford to maintain them, and if there's a disincentive to actually sell them, I think that there could be a case where we see a lot of these places deteriorate and aren't looked after as well as they should be." (P13)

The trend towards large estates being used for afforestation and peatland restoration projects is causing some owners with sporting motivations to sell:

> "Sporting estates which were managed with a team of people for world class game shooting, grouse moors or pheasant shoots are increasingly being rewilded or used as carbon projects. So there's a slight sense of distaste from some of the traditional mindsets as to the change in the pattern of land ownership. And I can think of one or two people who said "the world's changing, I'm out of here". (P9)

4.9 Other buyers – Windfarm developers and house builders

Agents reported that after a few quiet years, renewable energy developers re-entered the market:

> "Developers are active trying to get a lot of sites for battery, onshore [wind] and solar as well." (P1)

One agent suggested that the developers were more interested in expanding preexisting schemes, potentially due to grid capacity issues on new alternative sites:

> "My understanding is the energy developers have revisited every existing site to see what else they can do. And then they've also revisited all the applications that were knocked out originally" (P5)

Another alternative rationale for this approach is that the compensatory payments or measures (in terms of Biodiversity Net Gain or replanting felled commercial forestry) needed for new schemes are too high or complex:

> "This new scheme needs something like 5000 hectares ... of forestry they need to compensate, replant." (P8)

When purchases for renewable energy projects do occur, new rollover money enters the market:

> “Interestingly enough we’ve seen the first rollover money from SSE, Scottish and Southern buying up a farm for solar and the person they bought it from has just rolled it straight back into a farm.” (P7)

Like in the previous natural capital section of this report, agents were noticing that smaller players beyond the large developers are considering land for renewable energy projects:

> “Yeah, but it seems to be quite a lot of smaller players that I was speaking with, you know, individuals again who are buying small bits of land potentially from Lotted farm sales going, could I do something there? Is it near a power line? … It’s almost filtered down to the kind of individual investors, rather than the larger investors” (P12)

One agent suggested that an increased potential for solar farms may stop some older farmers from selling their farms when they retire, instead leasing the land out for a solar farm or selling the electricity directly to the grid as an income during retirement (P3).

In previous years house builders were reported to be active in the market, however this year appeared to be quiet for them, with little mention by the agents. Those who did mention house builders suggested that the overall health of the residential sector was slowing their progress.

4.10 Future predictions

Considering that proposed changes to Inheritance tax occurred only weeks prior to interviews commencing it was too early for the agents to say with confidence what (short-term, medium-term or long-term) effect these changes will have on the Scottish land market. However, the agents still provided predictions of how these changes would play out.

Some agents thought that the changes to Inheritance tax reliefs would drive an increase in supply, particularly this year (2025) with more properties coming to market prior to the changes being made:

> “Going forward and with changes to agricultural property relief, I think that is certainly going to be a driver for more sales” (P1)

Some agents suggested that the true extent of the effect will not be apparent until the end of Autumn 2025:

"And that might precipitate an increase in the supply of certain types of farm next year. Or it might not. … It's a spring to autumn market in terms of when these things are presented for sale. This budget was announced at the end of that season. People will chew on it over the winter. … So I suspect this time next year, that's a question that I can possibly answer a little bit more substance than I can now." (P9)

"I think that still remains to be seen and I don't think we've got any evidence at all of what impact that might have." (P4)

Of those who did comment on future predictions, some thought that the changes may make people reconsider expanding their agricultural holdings. In previous years, lending money was reasonably cheap, previous capital growth of existing land provided the means of securing a loan, and Inheritance tax reliefs made the decision "an absolute no brainer" (P5). However now, farmers will have to "really think about it and plan a little bit more" (P5).

The changes may also make people who were only hobby farming to reconsider owning a farm:

"Yeah, I think people who were buying land maybe to 'Jeremy Clarkson it' are finding it maybe not as attractive as it was now? What impact that will have on the market, I don't know." (P8)

The changes may make some people reconsider their retirement plan; instead of holding onto the farm into retirement and letting it out for contract farming, they might be persuaded to sell entirely, therefore "the rationale for contract farming has perhaps reduced with that budget" (P2).

More than one agent suggested that prior to the upcoming implementation of the Land Reform Bill an increase of supply at the larger end of the market might occur:

"Spring [2025] we might suddenly see a rush, an exodus of people thinking, look, let's just sell up and get out. If they're actually going to bring in these land reform proposals that's been suggesting. " (P10)

Agents considered the effects that an increased supply would have on values:

> "My slight worry at this stage is there's going to be too much supply and not enough demand, which you know the effects will be - that the values ... sort of level off." (P13)

Changes to Inheritance Tax Relief will also have knock-on effects on demand, with people less likely to invest in land for tax planning purposes. However, the relief is still more appealing than other forms of investment:

> "We suspect that what's going to happen is because of the Inheritance tax changes, there's going to be less outside money coming in, although with the 20% as opposed to 40% on business relief, it's still attractive for outside money to protect their wealth." (P3)

Despite all this rhetoric, agents still thought that the changes would not affect prime arable values or overall performance of that sector:

> "I can't see the [arable] values changing too much even though agricultural property relief isn't as favourable, it's still more favourable than a lot of other things." (P1)

This confidence in values was extended to other agricultural sectors when a longer-term perspective was considered. The two comments below suggest that any pricing shocks to the market in the short-term will probably be negligible in the medium-term:

> "I think the medium-term effect will be fairly slim and the reason for that is that I think that tax is a secondary motivation for buying land." (P2)
>
> "Everyone's saying, you know, will the changes to IHT lead to falling values? Personally, I don't think it will because there are still tax advantages in owning land and I think land is being gobbled up for other uses" (P5)

Two miscellaneous predictions emerged from the analysis which are worth monitoring in future reports. Firstly, multiple agents expressed that more lifestyle and amenity buyers are (re)entering the market, with a range of motivations:

> "Inquiries from non-farming people have certainly been prevalent this last 12 months or so. So yeah, there's more people like the idea of owning land and owning farms." (P3)

One of these agents had noticed increased enquiries around farms that may provide an opportunity for community living:

> "We get a lot of people looking and saying, oh, we want to sort of create a slightly sort of off grid community type thing. ... There seems to be a movement towards that sort of community living. ... And interestingly, these are people who are not the sort of typical people ... I've got a group of [university graduates] who want to do that ... they've clubbed together and want to create this community living scenario" (P13)

Secondly, agents have been told by some agricultural buyers (especially from English buyers) that their locality is becoming too populated, and it is restricting their farming practices too much and are instead looking for somewhere less populated.

> "Frequently the Midlands, actually. Yorkshire, Cheshire, that sort of thing. There's too many people for them and they can sell their lands a good price. They're coming up here to farm the way they want to farm. And with hopefully more acres. And some of that will be rollover money because, you know. They're on the edge of Leeds or something and managed to sell something." (P2)


Image credit: Caron Munro

5 Conclusion

This report has documented land agent perspectives of how the Scottish land market performed in the calendar year of 2024. It is now the fourth report in the series which has tracked these markets since 2021. Over this four-year period trends have emerged and then seemingly reverse. This is particularly noteworthy for marginal hill land suitable for planting or natural capital schemes, which has seen a dramatic rise and fall over the period of 2021-2024 in terms of both demand and value.

Over this period, it has also become apparent that multiple external factors influence the market in a variety of ways. These external factors partially revolve around macro-economic conditions. Previously the Covid-19 pandemic and the invasion of Ukraine caused periods of high inflation (causing commodities to rise) and higher interest rates. Most of these factors are external and are out of the control of the Scottish Government or players in the market.

In this year's report the effects of the UK government election and the subsequent October 2024 Budget (changes to Inheritance tax relief) were voiced in that both events caused hesitancy in the market. Changes to Inheritance Tax Relief and Business/Agricultural Property Relief were commonly discussed topics across all agents interviewed. It is still too early to confidently evidence the effects of these changes on the land market (and the agricultural sector more broadly). However, agents predicted they would see increased supply over multiple sectors in the short-term with values remaining steady or falling slightly. Again, this was an external factor and requires a thorough discussion in the next report of this series.

Some Scottish Government legislation and policy has also affected the market, sometimes causing demand and values to rise, sometimes causing the opposite effect. For example, financial incentives for the establishment of new forestry/woodland or peatland restoration schemes caused increased demand, and the later amendment to the additionality rule in the Woodland Carbon Code cooled this demand. Recently, the changes to residential (short-term) letting and Energy Performance Ratings have been seen to negatively affect the confidence in the market.

The main finding from 2024 is that demand from the commercial forestry and natural capital sectors continued to diminish. This was highlighted in various sections of the analysis as this cooling of demand has had knock-on effects on to other sectors. This was evident in the estate sector where agents described how smaller amenity-style estates were still receiving attention, but larger landscape-scale estates were struggling to sell. There was also discussion this year about land that been entered into natural capital schemes starting to appear on the market, as the challenging realities and economics of owning land was becoming apparent to those buyers. With the benefit of hindsight and having mapped these trends over multiple years, it would appear that the initial 'rush' into land for carbon sequestration has waned and the market for marginal land is returning to levels broadly similar to 2019-2020. It is important to continue to track this trend over time.

Appendices

Image credit: James MacKessack-Leitch

6 Appendix 1: Participant list

Participant number	Main expertise	References to different themes/ codes	Individual statements coded during analysis
1	Generalist	48	90
2	Farmland	35	71
3	Farmland, Generalist	36	73
4	Generalist	39	85
5	Estates, Generalist	46	108
6	Forestry	37	73
7	Farmland	42	79
8	Generalist, Estates	51	112
9	Estates	49	112
10	Forestry	51	260
11	Valuer, Generalist	39	95
12	Generalist	55	104
13	Farmland, Generalist	53	114

7 Appendix 2: Coding framework for analysis

Name	Files	References
Buyers	2	2
Big commercial farmers	9	15
Commercial forestry companies	8	22
Community groups buy out	1	1
Farmers (neighbours)	11	18
House builders	3	4
Institutional buyers	12	42
Companies (for insetting)	2	2
Companies (for offsetting)	7	10
Funds (pension or investment)	6	14
Private individuals	7	19
Lifestyle amenity	10	20
New entrants	6	10
Renewable developers	7	11
Community (general)	6	12
Disincentives (general)	6	16
Estates	3	4
Buying motivations and factors (estates)	10	31
Overall impression of estates	10	19
Selling motivations and factors (estates)	9	26
Sporting	7	16

Farm land	3	4
Buying motivations and factors (farms)	10	39
Issues surrounding farmland	8	17
Mixed	7	13
Prime arable	7	15
Selling motivations and factors (farm)	11	46
Upland marginal	7	21
Financial mechanisms	2	6
Agricultural support and subsidies	10	11
Grants (mainly planting grants)	4	7
Inheritance tax	13	52
Natural capital payments	11	28
Afforestation	9	24
Biodiversity	4	8
Issues around natural capital	10	27
Peatland	7	16
Rewilding	4	7
Roll over relief	5	10
Tax (other)	11	17
Wind and solar farms	6	12
Forecasting	0	0
Future trends	13	44
Opportunities	5	7
Threats	12	22

Forestry	1	3
Bare land for planting	11	35
Buying motivations and factors (forest)	8	19
Commercial forestry	6	23
Issues surrounding forestry	8	25
Natural capital woodland	8	18
Selling motivations and factors (forest)	3	4
Housing market	6	9
Market factors (generic or external)	4	7
Commodity prices (e.g. timber)	4	6
Inflation and interest rates	8	11
Input costs	3	4
Politics election budget	5	8
Overall impression of market performance	8	18
Compared to previous years	12	43
Lotted sales	9	17
Off market vs on market activity	11	22
Regional variation	7	16
Supply vs demand	13	30
Values 1	3	56
Public organisations	0	0
Scottish Forestry	4	11
Scottish Government	8	21
Land reform agenda	9	32
SLC Scottish Land Commission	7	11
UK Government	4	14
October 24 Budget	7	17
Substantial land use change	5	7

8 Appendix 3: Semi-structured interview schedule

Current trends in the market

How is the land market performing since last year? Is it largely up or down?

What does the supply against demand look like?

What is the amount of off market activity compared to on market?

Are there particular types of land (farm/estate/forestry) that you have noticed a significant change in?

> **Farm land** – is it smaller or larger farms that have experienced changes? Are farms being broken into lots and are these being bought as lots or package? Are people buying farms to farm on, or run other businesses? What is the amount of off market activity compared to on market?
>
> **Estates** – is it smaller or larger estates coming on the market? Are they above or below market value? What is the amount of off market activity compared to on market? Splitting of estates (small parcels or splitting into lots)? Succession?
>
> **Forest** – Are forests being sold or is it bare land for planting? What is the amount of off market activity compared to on market? Are sales relating to commercial forestry or afforestation/rewilding?

Are current subsidies and/or agricultural support affecting the market?

How much of a driver or barrier are current government policies and grants around natural capital?

Current primary motivations/drivers for selling rural land

Are there any new patterns arising in terms of motivations?

Are you noticing an increase or decrease in lotting this year? If so, what are the motivations for this?

Current primary motivations/drivers for purchasing rural land

What are the main types of buyers you have seen this year? Where is demand coming from?

Have you noticed land going to development/infrastructure/housing buyers?

What are the motivations of buyers?

What proportion of new owners have a natural capital related motivation and can you expand on this in terms of effects on sales/acquisitions? (scale, type of activity etc.)

To what extent are new acquisitions/changes in ownership resulting in a substantive change in land use (e.g. farm-forestry conversion etc.)

Forecasting

How do you see the market changing in the future? What are your reasons for this?

Are there any future threats or challenges you foresee?

Have you found the Land Commission's work on rural land markets helpful? How?

Ma tha sibh ag iarraidh lethbhreac den sgrìobhainn seo sa Ghàidhlig, cuiribh post-d gu **commsteam@landcommission.gov.scot** no cuiribh fòn gu **01463 423 300**.

If you would like to request a copy of this document in Gaelic, please email **commsteam@landcommission.gov.scot** or call **01463 423 300**.

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