



Scotland's Rural Land Market and Natural Capital

Global effort to tackle climate change and associated carbon and natural capital investment has brought a fresh focus on how Scotland's rural land market is changing and the potential implications of those changes. A greater understanding and a more accurate picture of what is happening in Scotland's rural land market is needed to inform effective policy and responsible practice.

The Scottish Land Commission has [published a report](#) by Scotland's Rural College in partnership with land agents Savills and Strutt and Parker, with support from the Royal Institution of Chartered Surveyors (RICS), looking at activity within the rural land market. The report provides a current picture of land owner, buyer and seller motivations to help understand what is happening in the market and the drivers behind it.

Drawing on available market information and interviews with sector experts and land agents, this report provides new insight that builds understanding of what is happening in the market now and why.

What is happening in Scotland's rural land market?

Scotland's rural land market is experiencing significantly increased demand but the amount of land coming to market has remained largely the same.

The report finds that the Scottish land market is experiencing exceptionally high demand and low supply, with non-farming investors playing an increasing role. This includes growing demand for smaller farms as lifestyle holdings, interest from investors in plantable land for forestry and established forestry, and corporate interest in estates. While the nature of buyers is changing, the supply of land coming to the market remains in line with the ten-year average.

Emerging carbon and natural capital value is an increasing factor, but other drivers also remain significant. The increase in demand and values for plantable forestry land is a significant shift in the land market, driven by the rise of investors and commercial forestry.

The report also finds that nearly half of all estates purchased in Scotland in 2021 were sold to corporate bodies, investment funds or charitable trusts. Sales taking place off the market have increased across all land categories in the last two years, driven mainly by the high demand and continued low supply of land.



Farmland

Being able to establish forestry on land is a significant driver of demand due to high timber prices, competitive forestry grants and carbon offset markets. However, investment in forestry and natural capital is less influential in highly productive agricultural regions of Scotland.

40%

of farms were purchased by non-farming, such as lifestyle and forestry, buyers in the UK over the last 5 years

31%

rise in Scottish farmland values in 2021 (6% across UK) due to long term investment potential of land increasing demand

60%

increase in values in 2021 for poor grazing and grass land in Scotland, targeted for forestry

Estates

There have been record increases in the value of Scotland's rural estates. A low number of estates being sold has resulted in very high levels of demand. Opportunities in natural capital have become an important driver for buying estates. Investors interested in carbon offsetting, planting forestry, renewables and rewilding are increasingly competing with lifestyle and sporting buyers. There has also been a rise in interest from corporate buyers due to the potential to carbon offset with the land and increasing government support for environmental measures.

119%

increase in purchase prices in 2021 compared to 2020

64%

of successful estate sales happened off market in 2021

50%

of all estates purchased in Scotland in 2021 were sold to corporate bodies, investment funds or charitable trusts, with a third of estates sold to overseas buyers

Forestry land

High levels of demand for forestry and land that can be planted have been driven by low levels of such land being sold, high timber prices and ambitious government targets for tree planting supported by a generous subsidy scheme. Scotland provided 76% of the UK commercial forestry land market in 2021 and accounted for 62% of plantable land sales in 2021. There is an increasing shift towards acquiring better quality farmland for forestry.

54%

increase in value of plantable land in 2020

32%

of sales in 2020 happened off-market compared to 11% in 2019



Key findings

- Activity in the land market is being driven differently across prime agricultural, plantable forestry, and peatland areas. Across Scotland, with some regional variation, commercial forestry appears to be the biggest driver of increasing land values at the moment.
- Natural capital, and specifically carbon sequestration, is influencing land values in upland regions and areas with large extents of peatland, low quality non-plantable agricultural land and smaller less productive farm holdings.
- The rise in land values is demand led. Agents report a significant surge in interest from a range of new buyers with substantial sums available to purchase land.
- There has been a considerable increase in off-market transactions.
- The basis for valuing land is changing from a focus on agricultural and sporting values towards natural capital values and forestry potential. Limited comparable sales evidence is creating greater uncertainty in valuations particularly for holdings with peatland and plantable land.
- There is an element of speculation in the land market as investors look for a safe haven in a turbulent global economy and bet on future carbon values rising.
- The land market is likely to continue to experience strong growth due to
 - > Continued low supply and high demand for land
 - > High levels of private wealth and corporate interest seeking land
 - > Long term climate change mitigation drivers including net zero commitments
 - > Increasing pressure on global timber markets and food supply chains.

Why is it important?

The land market is shaped significantly by policy and social influences, such as net zero, with a complex mix of competing land uses and the potential for unintended consequences for communities. The way land is bought and sold, the types of buyer, the prices paid and what motivates land purchases effects Scotland's economy, communities, and public policy.

The way the market functions impacts delivery of wider ambitions such as net zero, nature restoration, repopulation, and community empowerment. Being able to participate in the market shapes not just who owns Scotland's land but who is able to make decisions and who benefits from land and its economic, social, and environmental value.

There are four areas the Scottish Land Commission identifies as being immediately impacted by the current market dynamics:

1 Responsible land ownership



What impact does the changing types of buyer have on increasing diversity of ownership and the effective implementation of land rights and responsibilities principles?

The apparent increase in corporate, institutional, and charitable – as well as foreign – buyers raises questions for the diversity and accountability of land ownership and implementation of land rights and responsibilities. There is no reason why these types of land owners cannot be exemplary in handling their responsibilities, but there are risks in an increasing number of owners that are not resident, who may be perceived as distant or disconnected from communities. While the nature of buyers may be changing, these acquisitions have little impact on diversifying the underlying pattern of ownership.

Key issues to consider include:

- Strengthening implementation of the Scottish Land Rights and Responsibilities Statement principles
- What would help realise the potential for more mixed ownership and governance models drawing on new investment in ways that secure long-term benefits for communities.

2 Community participation in the market



What are the implications for communities and individuals seeking to buy land and if there are increasing barriers to their participation in the market how could these be addressed?

The combination of rising land values and increasing off-market sales raises concerns about the practical ability of communities to purchase or lease land. Reduced transparency in the market and the potential for sales to happen at pace and/or in secret can make it harder for communities to make use of rights to buy or engage in negotiated sale opportunities. When combined with significantly increased prices, it is likely to be even harder for communities to act quickly enough to raise sufficient finance and compete with increased demand from other sectors.

Key issues to consider include:

- Whether certain categories of intended sale should be notified in advance
- The interaction with community rights to buy
- The potential role of public interest bodies acting in the market to secure long-term community or shared control.

3 Land use decision-making



What are the implications for accountability and engagement in land use decisions?

The report reflects the connection between land ownership and use, in that ownership brings significant power to determine land use. It identifies an increasing trend for new buyers seeking substantial land use change. Such change may be aligned with some public policy objectives, for example woodland expansion, but may also bring unintended consequences. A public interest test as already proposed at the point of significant transactions could introduce greater accountability and transparency.

Engagement and joined-up land use planning are important in addressing the unease felt among some communities about the pace and scale of land use change. This could undermine public support for the expected changes involved in a transition to net zero.

Key issues to consider include:

- Appropriate engagement on land transactions and significant land use change decisions
- Co-ordination mechanisms such as Regional Land Use Partnerships
- Implementation of the Land Use Strategy and policy alignment.

4 Market transparency and information



How can future market reporting and data be improved?

The report demonstrates the limitations of market information and transparency. Current indexes remain incomplete and do not connect data with an understanding of buyer and seller motivations. This has implications for public policy and for an effectively functioning market. Agents noted the challenge of determining valuations where comparable evidence is limited, and an increasing number of transactions take place off-market and can go unreported.

The second stage of the commissioned work led by SRUC with Savills and Strutt and Parker will provide baseline data and recommendations on a methodology for future reporting on land market activity. The Commission, in collaboration with key partners including Registers of Scotland and RICS, will consider options to improve future reporting.



What are we doing?

The Scottish Land Commission will be engaging on the implications of this report to inform advice for public policy and responsible practice. The picture of the land market provided in this report informs consideration not just of emerging carbon and natural capital value, but of wider reforms to shape the land market in the public interest.

The land market, particularly for estates, reflects Scotland's underlying pattern of concentrated land ownership. The relatively small number of large land holdings influences the constrained supply of land coming to the market. When land does change hands, it can be at a scale which can significantly impact communities and existing land use.

The Scottish Land Commission has already proposed measures to address the risks of concentrated ownership, which can in part help shape the market and improve transparency and accountability. These include:

- Public interest test at the point of significant land transactions
- Review mechanism giving greater weight to the Land Rights and Responsibilities Statement
- Obligation for larger land holdings to publish and engage on a management plan.

We will continue to advise on these as the Scottish Government takes forward consultation on the proposed Land Reform Bill. We have also advised that consideration is given to the role of the Land and Buildings Transaction Tax, a devolved tax within the competency of the Scottish Parliament, in shaping the land market to better support a just transition.

Beyond these previous proposals, shaping the market in the public interest will require a careful and joined up approach across several areas of policy combined with responsible ownership practices. To inform our advice we will be holding a series of events and discussions with stakeholders to discuss the findings of this report and practical options to address the implications. Alongside the next phase of work led by SRUC with Savills and Strutt and Parker, this will inform our advice for public policy and responsible practice.



Read the full 'Rural Land Market Insights Report' [here](#).