

# Scottish Estate Market Review | Spring 2017



## Market overview

The Scottish estate market was more active in 2016 than any other year this Century to date. With a political backdrop of the EU 'Brexit' vote, the Scottish Government's unfolding Land Reform Agenda and speculation about a second independence referendum, the robustness of this market may come as a surprise to many. It certainly gives rise to the obvious questions as to who were the sellers and buyers and why were they selling/buying.

On the selling side, the reasons estate owners choose to sell their estate (aside from the 'three Ds' of death, debt and divorce!) is often because of a lack of a successor within their family who is keen, willing and able to continue their parents' ownership of an estate – this applies whether the estate has been in a family's ownership for one generation or many – and is the primary reason that many of the estates sold in 2016 were offered for sale. *Continued overleaf.*

## The market at a glance

### Supply

- 36 estates were offered for sale, of which 25 found buyers by the year end.
- The combined total acreage of estates offered for sale was 182,000 acres. The average size of estate sold was 4,994 acres.
- 5 estates of more than 10,000 acres were sold – more than usual.

### Demand

- Demand has remained firm with just under 70% of estates for sale finding buyers – a five-year high.
- The majority of buyers were British, with a higher proportion of Scottish buyers than in recent years.
- A quarter of the buyers were from overseas.

### Pricing

- Just under £100m was spent on buying estates in 2016, again a five-year high and the highest annual spend on record.
- 15 of the 25 estates sold in 2016 were sold at or above their asking price (60%).
- The average price of the estates sold was £4m.

## Market overview

*Continued from page 1*

A perception circulating – particularly in London and southern England – is that many estate owners are choosing to ‘get out of Scotland’ in the face of the perceived threat of Independence or restrictions on land ownership imposed by the Scottish Government. In our experience, however, there is no evidence to support this with the reasons for sale in most cases being free of political motivation.

On the buying side, there remains a romanticism attached to the ownership of a Scottish estate – particularly if it has a picturesque Highland setting – which permeates around the world and is incredibly powerful. Allied to world class field sports, some of Europe’s most dramatically positioned yet private castles and houses, farming, forestry and renewables opportunities, excellent accessibility and recognisable value for money with a track record of delivering capital appreciation, ownership of a Scottish estate has a magnetism to people of wealth and success which takes more than a surprising political event or two to dilute as this analysis aims to demonstrate.

## Supply and demand

During the course of 2016, 36 estates were offered for sale both on the open market and privately.

By the end of the year, 25 had been sold or placed under offer. Both figures are five-year highs. The number of estates sold has recovered from the low of 2014, the year of the Scottish independence referendum, when just seven estates were sold, and increased by 31% from the 19 estates sold in 2015.

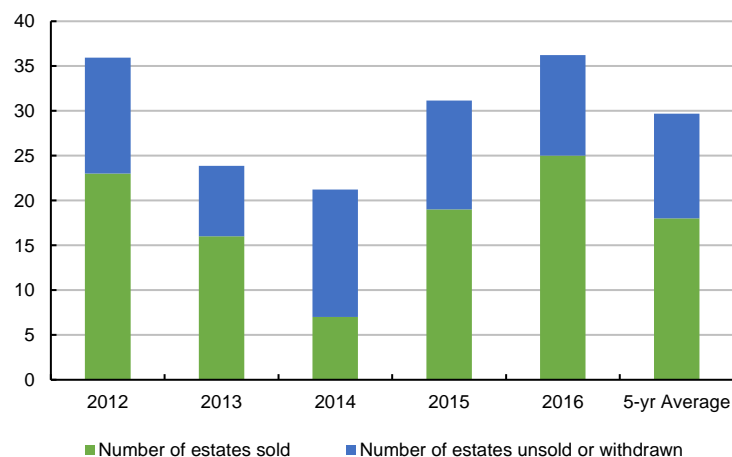
Strutt & Parker (incorporating our wholly owned subsidiary, John Clegg & Co) acted as selling agents for 6 of the 25 estates sold representing a market share of 24%. We also represented the purchaser in a further two deals.

**Table 1 and chart 1**

### Number of estates marketed and sold

N.B. Figures are rounded to the nearest 100 acres. All data includes publicly and privately marketed estates that we are aware of. Marketed privately means that the estate is not publicly advertised but offered to selected potential buyers. Conversion rate shows the number of estates sold (sold and under offer) as a percentage of the number marketed (which includes estates still for sale and withdrawn from the market).

	2012	2013	2014	2015	2016	5-year average
Number of estates offered for sale	36	24	21	31	36	30
% of estates marketed privately	58%	13%	43%	10%	27%	30%
Number of estates sold	23	16	7	19	25	18
Conversion rate	64%	67%	33%	61%	69%	59%
Number of estates unsold or withdrawn	13	8	14	12	11	12



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*Both number of estates marketed, and the number sold are five-year highs*

**Table 2**

**Total area of estates marketed and sold (acres)**

N.B. Figures are rounded to the nearest 100 acres.

	2012	2013	2014	2015	2016	5-year average
Total area of estates offered for sale	143,000	131,500	69,500	133,700	182,000	131,900
Total area of estates sold/under offer	67,800	79,300	44,100	114,300	136,100	88,300
Total area of estates unsold or withdrawn	210,800	210,800	113,600	248,000	46,300	165,900

The types of estate sold/under offer during 2016 can be categorised broadly as follows:

- Upland Sporting Estate – 8
- Residential Estate – 8
- Agricultural Estate – 6
- Other (e.g. forestry/renewables) – 4
- Total – 25

## Size of estate

**Table 3 and chart 2**

**Size of estates marketed in 2016 by sale status (acres)**

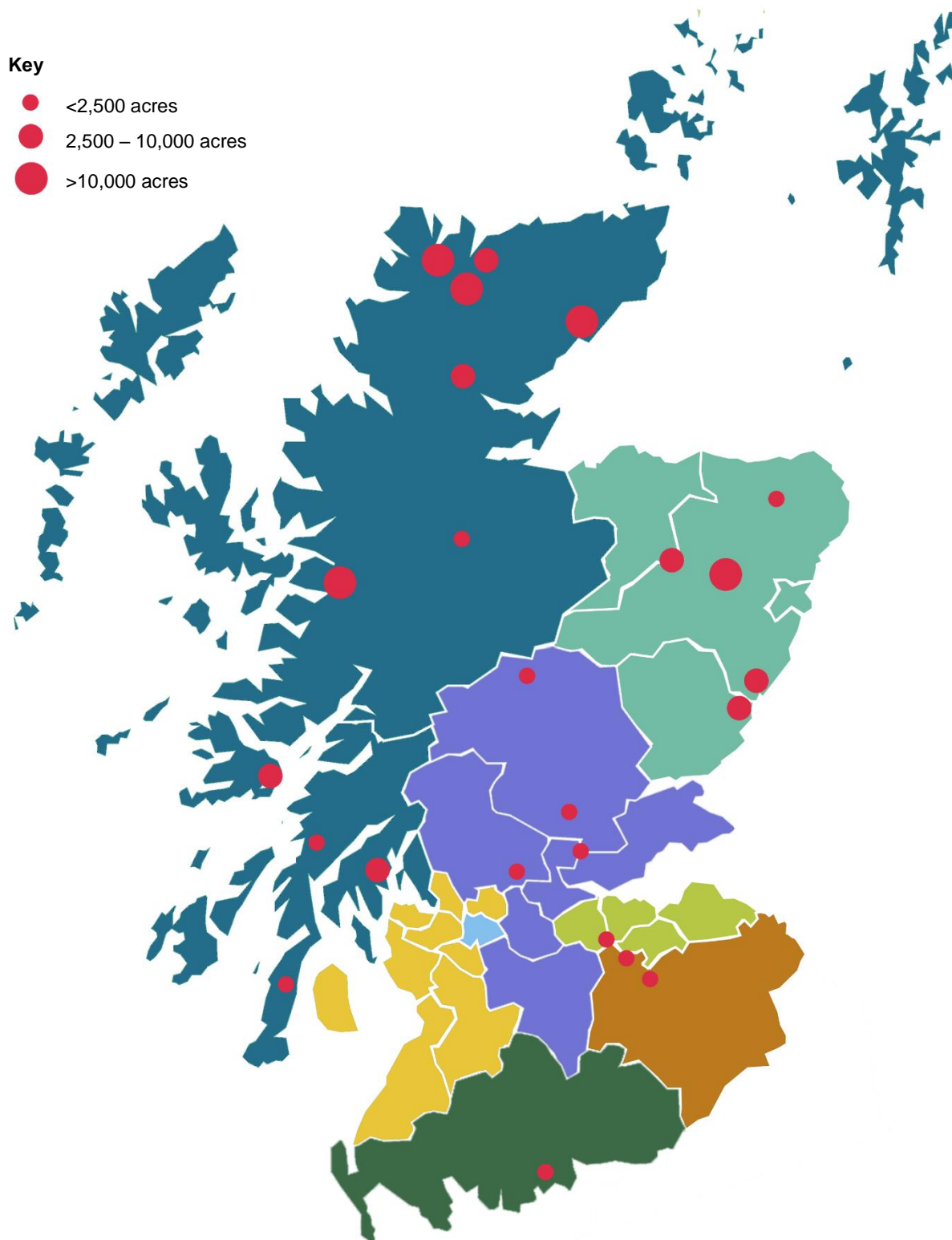
	<1,000ac	1,000-2,500ac	2,500-5,000ac	5,000-10,000ac	>10,000ac	All sizes
Sold & under offer	7	6	2	5	5	25
For sale & withdrawn	6	1		3	1	11
Total	13	7	2	8	6	36



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*25 estates were sold or put under offer during 2016, totalling 88,300 acres*

**Figure 1**  
Estates sold by location and size



## Demand

### Types of buyer

A quarter of the buyers were from overseas (6 of 25), a lower proportion than in 2015 when just under half were from overseas (9 of 19).

Of the 19 British purchasers of Scottish estates in 2016, 8 (42%) were Scottish-based with the remaining 17 (58%) being English-based.

### Key factors attracting buyers to Scottish estates:

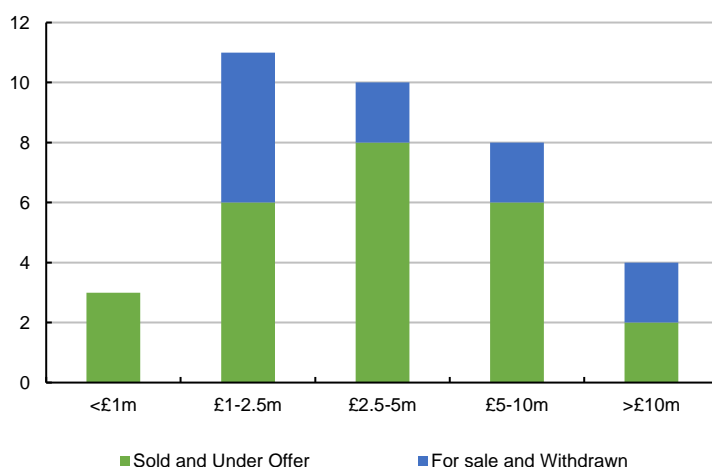
- The pleasure and pride associated with the opportunity to own, enjoy and improve an often beautiful and sometimes extensive part of the UK.
- The emotional attraction of Scotland, due to its heritage, architecture, cultural history, beauty, sporting passion, seclusion and privacy combined with relative accessibility.
- The size of estates available (e.g. up to and over 20,000 acres) and their relative affordability compared with other forms of discretionary property investment.
- Opportunities for both capital growth – e.g. investing in and improving the principal house and additional properties; restoring a redundant/underperforming sporting asset – e.g. grouse moor, pheasant shoot or salmon river; establishing or improving an in-hand farming business; establishing/improving commercial forestry and renewable energy projects.
- The historic performance of this sector which demonstrates that prudent capital investment during the period of ownership can be rewarded through the price achieved at the point of sale.

## Pricing

Four estates were priced at more than £9m with the highest sold price being for Glen Massan Estate in Argyll which sold to a forestry investment company for a price in the region of £12m.

**Table 4 and chart 3**  
Guide price of estates offered for sale in 2016

	<£1m	£1-2.5m	£2.5-5m	£5-10m	>£10m	All estates
Sold & Under Offer	3	6	8	6	2	25
For sale & Withdrawn	0	5	2	2	2	11
All estates	3	11	10	8	4	36



### Sales at or above guide price

15 of the 25 estates sold in 2016 were sold at a price equal to or above the asking price (60%).



# Key political and economic factors affecting the estates market

## Brexit

The UK's decision to leave the EU has created uncertainty about what the future will look like for both individual UK citizens and British businesses. Both recently and historically, the majority of buyers of Scottish estates are successful British-based business people who often rely on the continuing profitability of their business to support their ownership of a Scottish estate which may well trade at an annual deficit. With Brexit creating uncertainty for the future profitability of their core business, some prospective buyers are choosing not to commit to a discretionary purchase like buying a Scottish estate until after the UK has left the EU.

## The Scottish National Party

With an SNP government in Edinburgh controlling administrative matters devolved to Scotland, and 56 out of 59 Members of Parliament representing Scottish constituencies in the UK government in London, Scotland is presently dominated by Nationalist politicians and their agenda. The Scottish Government has significant powers to influence both the way in which Scottish landowners run and manage their estates and the standard of living that Scotland provides, due to its wide array of devolved powers including law; tourism and economic development; planning and the environment; agriculture, forestry and fishing; and – as introduced during the course of 2016 – income tax.

There is a perception – particularly in England – that life in Scotland for landowners and those of high net worth has deteriorated since the rise to power of the SNP. Whilst there is no real evidence of this being the case, the continuing perception is a concern to some estate buyers, a number of whom have proceeded with a purchase nonetheless, while others have chosen not to.

## Land Reform

The Land Reform (Scotland) Act 2016 became law amid high profile concerns about the compatibility of certain provisions with the European Convention on Human Rights. Whilst the Act is now law, the main parts of the Act will not actually come into force until some point in the future. Although called a Land Reform Act, the larger part of the Act covers agricultural holdings matters. When the first Land Reform Act was passed in 2003, it dealt only with three areas of land reform – access rights, the community right to buy, and the crofting community right to buy. A separate Act was passed by the Scottish Parliament around the same time dealing with agricultural holdings matters. Fast forward 13 years, and the Land Reform (Scotland) Act 2016 covers:– agricultural holdings; community right to buy; common good land; deer management; sporting rates; access rights; information about owners of land; community engagement and a new statutory body to deal with land related matters.

With the Act having recently come into force and with further detail to follow by way of secondary legislation, it is still too early to define the impact it has had on the market for estates. Some buyers have become discomfited to such a degree that they have decided to withdraw from the market. The majority however, do not appear to have been dissuaded from buying estates, as evidenced by the performance of the market in 2016.

## Private Rented Housing Sector Reform

The Private Housing (Tenancies) (Scotland) Act 2016 introduces a new form of tenancy, called a Private Residential Tenancy (PRT), as a replacement for the existing Short Assured Tenancy (SAT). Coming into force in the next year or so, the aim of the legislation is to deliver improved security of tenure for residential tenants and to streamline the procedures for starting and ending a tenancy. Whilst it remains to be seen how this legislation will bed down, the proposed strengthening of residential tenants' positions is raising concern amongst existing/prospective landlords about their ability to recover vacant possession of let properties in future.

The potential effect of this legislation is that estates with a portfolio of let cottages may become less attractive to purchasers than before.

## Outlook for 2017

Following a strong year in this sector in 2016, the key question is whether or not this momentum will be maintained during 2017.

The traditional open market 'selling season' is between April and November with the majority of estates sold by the end of the year being launched for sale during this window.

Having acted as agent in the sale of six estates last year, Strutt & Parker has confirmed instructions at this stage to offer five estates for sale in 2017 with further instructions pending. With other firms of agents likely to be similarly active, it appears that the supply of estates to the market this year will be at a similar level – of between 30 and 40 estates for sale.

The early portents are good with a handful of estates having been sold or put under offer since the start of the year including the 22,000-acre Tulchan Estate in Speyside which was for sale at a guide price of £25m.

The activity of 2016 identified that there are plenty of buyers who are active in this sector with several being outbid last year and therefore keen to be successful this year.

The recent announcement by Scottish First Minister, Nicola Sturgeon, of her party's desire to hold another independence referendum between autumn 2018 and spring 2019 is a concern to some but there is comfort in the hitherto robust response of the Prime Minister, Theresa May, in making clear that the Westminster government will not contemplate another referendum until the UK has formally detached from the EU.

This debate will continue and – on the basis of the evidence arising from the previous referendum in 2014 – activity in the estate market might contract in the year in which the referendum is announced.

Until then, however, the attractions and opportunities of Scottish estate ownership will continue to exert their world-wide influence meaning that sellers of estates – where they are both committed to a sale and correctly advised on price – can expect to achieve a successful result. Similarly, estate buyers who are new to the market or were outbid in 2016 can be optimistic that the type of estate they want to buy – be it sporting, residential or agricultural – may well come to the market during the course of the year ahead.

We look forward to the privilege of continued active involvement in this sector representing both vendors and purchasers.

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*There are plenty of buyers who are active, with several being outbid last year and keen to be successful this year.*

### Methodology

All data in this market report is from Strutt & Parker's Farmland Database of privately and publicly marketed farmland over 100 acres in Scotland. It has recorded detailed information on the farmland, buildings and soils as well as buyer and seller profiles since 1996, and so is one of the most comprehensive databases available. What makes it different to other databases is that it records sold prices (i.e. what the farm concluded missives for) as well as guide prices, and so is a more accurate reflection of actual market conditions as guide prices can overstate or understate the prices that buyers are willing to pay. The national prices stated in this report are based on sold prices. Once a farm is exchanged, we have assumed it is sold, following HMRC custom. The prices for the regions are based on the opinions of our regional agents as it is not possible to calculate reliable regional figures based on the small number of sales in each region. This data is for farms only and excludes estates, which are covered in our Scottish Estate Market Review.

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## Estates sold by Strutt & Parker in 2016



### **Tillypronie Estate, Aberdeenshire**

About 12,032 acres  
Offers over £10.5m – Under offer



### **Fasque Estate, Kincardineshire**

About 6,228 acres  
Offers over £9.32m – Sold



### **Fossoway Estate, Kinross-shire**

About 781 acres  
Offers over £2.25m – Sold



### **Elibank Estate, Peeblesshire**

About 214 acres  
Offers over £2m – Sold

## Estates for sale with Strutt & Parker in 2017



### **Highland sporting estate with renewables and forestry opportunities**

About 11,100 acres  
Coming to the market



### **Borders residential, sporting and farming estate featuring a driven grouse moor**

About 6,390 acres  
Privately for sale