

*A guide to Scottish country house and  
farmland market performance*

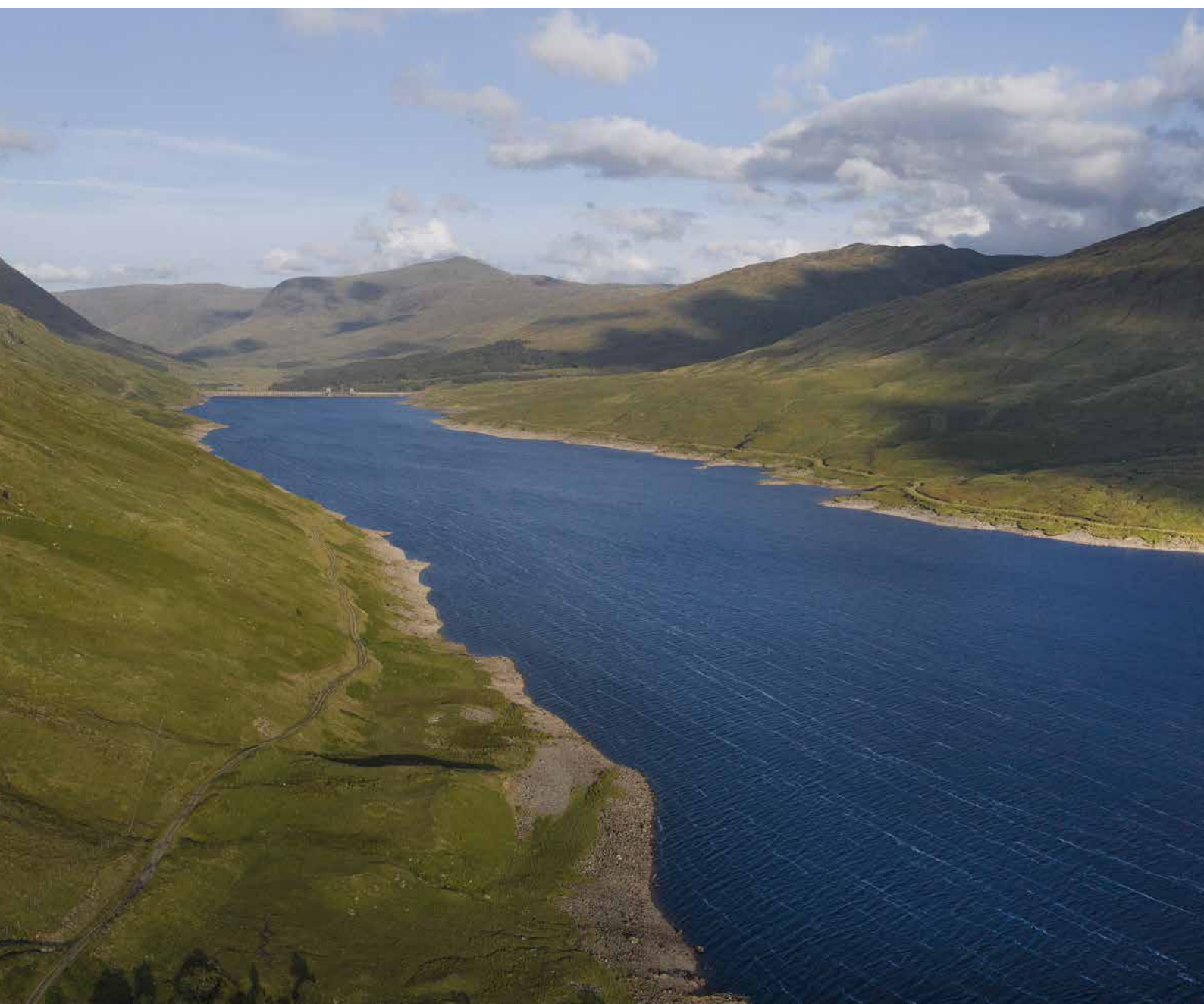


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# Scottish Rural Property Update

**Research 2020**

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COUNTRY HOUSE PERFORMANCE

**0%**  
6-MONTH CHANGE

**0%**  
12-MONTH CHANGE

**1.6%**  
5-YEAR CHANGE

**-1.7%**  
10-YEAR CHANGE

# COUNTRY HOUSES

CHRIS DRUCE, RESIDENTIAL RESEARCH

The certainty provided by December’s decisive general election result is likely to translate into greater activity in the Scottish country market this year.

However, while there is renewed appetite among buyers and sellers to put delayed plans into action, it may take several months for this to translate into sales. Seasonal patterns mean that Easter is traditionally the period when both supply and activity levels rise. The market is also discretionary compared to more urban locations.

As well as the relatively stable political backdrop, ultra-low mortgage rates should also help support demand, despite last month’s decision by The Bank of England to leave the base rate unchanged at 0.75% rather than cut it.

In the short-term, supply remains tight, which will keep upwards pressure on prices. Political uncertainty meant new listings were low by historical

standards last year. There was a 27% drop in the number of properties listed for sale above £1m outside major Scottish cities in 2019 compared with the previous year. It was also the lowest number of listings in the past six years at that price point.

Despite the clarity in Westminster, increased rhetoric around Scottish independence may start to have an impact on buyer sentiment. While the issue has to some degree become linked to the UK’s departure from the EU, the extent of support for independence should become clearer over the next two years, particularly following the Scottish Parliamentary elections next year.

Tight supply levels meant country house prices in Scotland remained flat during the course of 2019, however average prices remain around 20% off their pre-financial crisis peak in 2007. This, combined with the fact that

Scotland remains competitively priced compared to other parts of the UK, should underpin demand.

Over the last five years, country properties in Scotland were on average 39% cheaper than equivalent properties in England and Wales on a £psf basis.

Our forecast for Scotland as a whole in 2020 is an increase of 2% in house prices (excluding new build), with cumulative growth of 13% between 2019 and 2024.

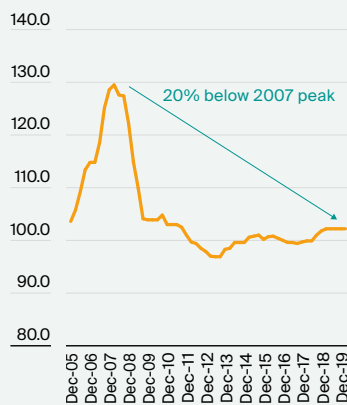
**SALES LISTINGS OVER £1M**  
(excludes major cities)

2014	150
2015	155
2016	121
2017	122
2018	118
2019	86

Source: Rightmove / Knight Frank Research

## Prime Scottish property prices are still below peak levels

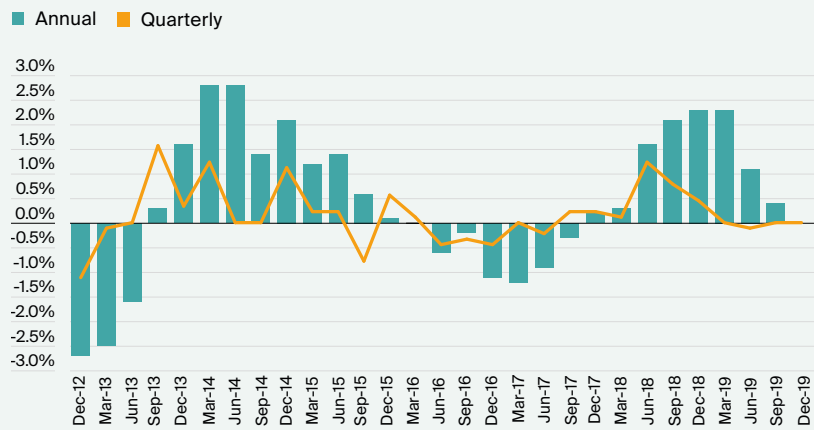
Indexed, 100 = March 2005



Source: Knight Frank Research

## Prime Scotland price change

Annual and quarterly % change



Source: Knight Frank Research

FARMLAND PERFORMANCE



# FARMLAND

ANDREW SHIRLEY, HEAD OF RURAL RESEARCH

Scottish farmland ended the past decade worth 35% more on average than it was at the beginning of 2010, according to the latest results of the Knight Frank Scottish Farmland Index.

However, it was a decade of two halves. During the first five years, prices rose strongly by 42%, but then lost 4% over the next five as lower commodity prices, concerns over land reform, Scottish independence and, latterly, Brexit all combined to dampen market sentiment.

Given these headwinds, one might have expected values to fall further, but the market uncertainty has severely restricted the supply of land and farms for sale. This has meant supply and demand has remained broadly in balance and helped to put a floor in the market.

It is also worth noting that farmland still managed to significantly

outperform other Scottish property markets, such as prime Edinburgh homes (+25%) and country houses, discussed in more detail elsewhere in this report.

Looking at the market in more detail, the average price change of Scottish farmland hides some diverging trends. While lower quality arable soil and grassland underperformed – ploughable pasture showed 10-year growth of just 2% – good arable land (+73%) and hill ground (+68%) have seen good growth.

Even during the past five years, when most land types experienced negative growth, hill ground managed a respectable 11% hike.

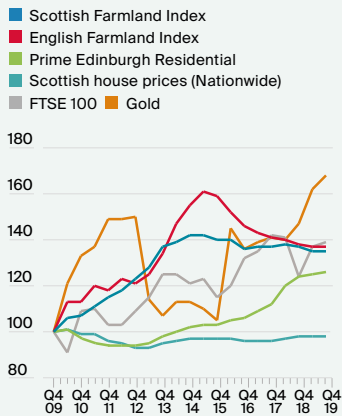
This outperformance is an early indicator of how land markets are set to develop now that the UK has officially left the EU and farm support is set to

be more closely linked to the delivery of environmental benefits and other public goods.

A surge in demand for land suitable for tree planting, partly driven by the ability of woodland to offset carbon emissions, looks likely to continue. Oil firm BP has, for example, pledged to offset the carbon produced by motorists using its fuel. Planting more woodland in Scotland will be one of the ways it achieves that goal.

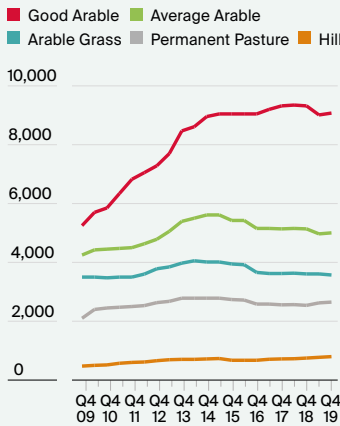
As this model gains momentum, demand for other types of more marginal ground that could offer, say, carbon sequestration benefits will increase. The farmland market over the next 10 years could look very different to what we have been used to.

## Capital value growth of Scottish farmland v other assets Index 100 = Q4 2009



Source: Knight Frank Research

## Scottish farmland values by type £/acre



Source: Knight Frank Research

## KEY AGRICULTURAL INDICATORS\*

	LATEST PRICE	ANNUAL CHANGE
<b>OUTPUTS</b>		
FEEDWHEAT (£/T)	143	-16%
OILSEED RAPE (£/T)	335	4%
BEEF (P/KG DW)	340	-7%
LAMB (P/KG DW)	434	5%
MILK (P/LITRE)	29	-5%
<b>INPUTS</b>		
RED DIESEL (P/LITRE)	61	-2%
OIL (£/BRL)	51	13%

\*Sources: www.fwi.co.uk www.dairy.ahdb.org.uk

For more detailed information on the issues affecting UK landowners and farmers, including the latest on agricultural commodity and input markets, please request a copy of The Rural Report, our magazine for rural property owners.

# DATA DIGEST

**The Knight Frank Scottish Country House Index** tracks the change in values of prime property across Scotland. The index is compiled quarterly and is a valuation-based index based on the opinions of Knight Frank's expert valuers and negotiators across the country, that take into account the results of actual sales and local market knowledge.

**The Knight Frank Scottish Farmland Index** tracks the average price of bare (no residential property or buildings) commercial (productive arable and pasture) agricultural land in Scotland. The quarterly index is based on the opinions of Knight Frank's expert valuers and negotiators across the country, that take into account the results of actual sales conducted by both the firm and its competitors, local market knowledge and client and industry sentiment.



**Banner image:**  
Auch and Invermearan Estate, Argyll  
28,000 acres. Offers over £10,000,000.

**We like questions, if you've got one about our research, or would like some property advice, we would love to hear from you.**



**Tom Stewart-Moore**  
Head of Rural Agency Scotland  
+44 131 222 9608  
tom.stewart-moore@knightfrank.com

## PRIME SCOTLAND PRICE CHANGE Q4 2019

	COTTAGE	FARMHOUSE	SMALL COUNTRY HOUSE	LARGE COUNTRY HOUSE	AVERAGE
3 MONTH	0.0%	0.0%	0.0%	0.0%	0.0%
6 MONTH	0.0%	0.0%	0.0%	0.0%	0.0%
1 YEAR	0.0%	-0.2%	0.3%	-0.3%	0.0%

	UP TO £500K	£500K TO £1M	£1M TO £2M	£2M TO £3M	£3M+
3 MONTH	0.0%	0.0%	0.0%	0.0%	0.0%
6 MONTH	0.1%	0.0%	0.0%	0.0%	0.0%
1 YEAR	-0.2%	-0.2%	0.0%	0.3%	0.6%

Source: Knight Frank Research

## KNIGHT FRANK SCOTTISH FARMLAND INDEX

QUARTER	GOOD ARABLE	AVERAGE ARABLE	ARABLE/GRASS	PERMANENT PASTURE	HILL	UNWEIGHTED AVERAGE
2009 Q4	5,250	4,250	3,500	2,100	475	3,115
2010 Q2	5,700	4,425	3,500	2,400	500	3,305
2010 Q4	5,850	4,450	3,475	2,450	515	3,348
2011 Q2	6,340	4,475	3,500	2,475	571	3,472
2011 Q4	6,825	4,501	3,500	2,500	600	3,585
2012 Q2	7,053	4,633	3,603	2,531	614	3,687
2012 Q4	7,285	4,786	3,783	2,633	659	3,829
2013 Q2	7,698	5,057	3,846	2,676	692	3,994
2013 Q4	8,468	5,394	3,974	2,783	704	4,265
2014 Q2	8,612	5,502	4,054	2,783	704	4,331
2014 Q4	8,956	5,612	4,013	2,783	718	4,417
2015 Q2	9,046	5,612	4,013	2,783	732	4,437
2015 Q4	9,046	5,425	3,946	2,737	673	4,366
2016 Q2	9,046	5,425	3,920	2,719	673	4,357
2016 Q4	9,046	5,154	3,659	2,583	673	4,223
2017 Q2	9,200	5,154	3,622	2,583	707	4,253
2017 Q4	9,319	5,139	3,622	2,557	719	4,271
2018 Q2	9,347	5,154	3,633	2,565	725	4,285
2018 Q4	9,319	5,139	3,607	2,539	748	4,271
2019 Q2	9,012	4,969	3,607	2,624	773	4,197
2019 Q4	9,075	5,004	3,571	2,650	797	4,219

Source: Knight Frank Research

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