

## **An astonishing year for forestry**

30 November 2020

According to the latest edition of the UK Forest Market Report, produced by Tilhill and John Clegg and Co, the forestry and woodland sector continues to have a very positive outlook.

Woodland is an investment which over many successive years has steadily outperformed many other asset classes, and one which will have a key role to play as the UK moves to a low carbon economy. The report found that in 2020 a total of £200.18m of forestry properties were traded, the highest value traded on record, with the average cost of a forest property more than doubling from £1.56m in 2019 to £3.28m in 2020.

Key findings included:

- 39% increase in forestry values from £11,749 per stocked hectare in 2019 to £15,962 per stocked hectare in 2020;
- 58% increase in total value of forestry market from £126.5m in 2019 to £200.18m in 2020;
- 16,595 ha (gross) of forestry traded in 2020 (61 forests);
- Increase in average size of a property sold from 136ha in 2019 to 206ha this year;
- Scotland provided largest share of commercial forest market at 69% by value;
- England shows welcome increase in planting with 2,330ha, up from 1420ha last year;
- But Wales planted just 80ha, the lowest annual figure seen in 50 years.

Head of investment and property at Tilhill, Bruce Richardson, said: "We have seen a truly astonishing year for forestry values. Despite the problems with the Covid-19 related restrictions, the UK forestry market has performed robustly through 2020, producing record results in scale and unit prices rising by 39% over the past year. The market in 2020 has been very competitive. This year most properties were sold above guide price.

"The most striking story this year has been the level of interest shown in younger restock sites as opposed to the more mature forests. The younger forests are attracting higher unit prices per ha partly because the 2020 market included some very high-quality younger forestry in prime locations; we believe these prices show investor confidence in the future of the timber market, based on evidence that the improved varieties of spruce, a result of many years of genetic research, planted in recent years are performing as forecast with improved yield and form."

Director at John Clegg and Co, Fenning Welstead, said: "Forestry and land prices have moved ahead strongly again this year. The factors that appear to be influencing the strong upward movement include the low base rates – forecast to be in place for some time – and uncertain prospects for other types of investments, which make forestry look a very compelling investment.

"Other significant drivers for people owning forestry include moves to decarbonise the economy which are backed by government policy, the emphasis on renewable and sustainable raw materials

and the desire for positive environmental PR. Statutory requirements for Environmental, Social and Governance (ESG) corporate reporting are also a factor.

“Demand for timber as a raw material is also increasing, as is a desire to strengthen biodiversity and natural capital. We see a very positive future for forestry and woodlands.”

There has also been an increase in interest for smaller woodlands, according to the report. The number of such properties which came to the market in 2020 was down on the previous year from 44 in 2019 to 30 in 2020, but with demand outstripping supply between June and September.

There was an enormous variation in values of smaller woodlands, even within a region, with the differential between the lowest and highest value properties, per acre, being more than tenfold. The market for these types of woodland is strongly influenced by local factors such as ease of access, species composition, biodiversity quality and that elusive characteristic ‘attractiveness’.

This year, the report also includes a guest contribution from Sir William Worsley, chairman of the Forestry Commission and a woodland owner, with a focus on the rapidly rising profile of woods and forests in the current social, political and environmental landscape. Sir William talks of the challenge in returning to levels of woodland creation last seen over forty years ago, as well as ensuring these woodlands are sustainably managed for the long term.

He said: “The government commitment to Net Zero emissions by 2050 is supported by an ambition to plant 30,000 hectares of trees per year, across the UK, by 2025. This was recommended by the Committee on Climate Change report Land use: Policies for a Net Zero UK and spells out a step change from the current levels of woodland creation, of just over 13,000 hectares across the UK in 2019/20.”

The UK Forest Market Report has been produced since 1988 and the data series now covers 23 years, incorporating 1842 transactions which total some £1.46 billion and 289,000 stocked hectares (ha). As such, it is believed to be the most comprehensive publicly available record of forestry transactions in the UK.

Source: <https://www.thescottishfarmer.co.uk/news/18908057.astonishing-year-forestry/>