

## Growth in value of Scottish forestry sector as demand for timber exceeds supply

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The COVID pandemic has not been smooth sailing for the forestry sector, any more than it has for any other sector in the economy. However, things have not been all bad.

The 2020 Forest Market Report, published jointly by Tilhill Forestry, and forest agents, John Clegg & Co, shows that while 2020 has seen the number of forest sales fall by some 25 percent this year, by comparison with 2019, the total value of the sales has increased markedly.

Bruce Richardson, Head of Investment and Property at Tilhill says that overall, 2020 will go down as a very robust market for forestry, despite both Brexit and the pandemic.

Fenning Welstead, a senior director at John Clegg & Co, points out that while the usual expectation would be for some 80 to 85 forestry properties to come onto the market in a year, during 2020 only 60 properties had come up for sale.



Senior director Fenning Welstead

However, as both he and Richardson point out the quality of the properties coming to market this year has been exceptional. So whereas in 2019 the total value of forest properties sold amounted to £126 million. This year the total was £200 million.

Richardson notes that there are some complex drivers behind the increase in value, which is around 39% up, year on year. Broadly speaking, the properties that did come to market this year were larger than last year. The total area of all sales in 2020 amounted to 12,500 hectares of woodland, which is just a 14% increase on the 11,000 hectares sold in 2019.

One of the key drivers according to both Richardson and Welstead is that the world generally has reached a point where demand for resources exceeds supply. This is as true of timber as it is for

minerals or other 'natural assets'. This dynamic means that the laws of supply and demand tend to work to raise prices over time.

Another dynamic, Richardson suggests, is that investors have started to value young forests more highly than they used to. This is driving up the value of young, properly planned and planted woodlands. Fenning points out too, that there has been a big influx of people into the forestry investment market whose objectives are driven by ESG priorities (environmental, social and governance) rather than by straight commercial considerations," he says.

Supply is increasing, of course, at least in the UK, which is way behind Europe in terms of the percentage of land under forests. The Committee for Climate Change wants to plant some 30,000 kilometres of woodland a year in the UK.

"If Scotland plants 15,000 to 18,000 hectares a year, as it plans to do, and Wales does 5,000, then England will have to plant at least 8,000 hectares a year to make up the total. In 2019 England only managed plant a couple of hundred hectares, so they have a long way to do," Welstead says.

Richardson notes that the whole forestry sector, right across the UK, is getting much smarter about 'mixed use' woodland, where social amenity is as important as commercial considerations.

He points out that the UK's replacement for the Common Agricultural Fund, as the UK leaves the EU, may well drive more planting, in and of itself.

"The replacement funding is still under consideration, but current indications are that there is going to be much more of a focus on the provision of public goods, when grants are being made. This is already very explicit in England, but has yet to be made so in Scotland," he notes.

"Once we get a change in the direction of travel in the agricultural grant system, that could well make it more profitable year in and year out, for farmers to put land under mixed use forestry," he concludes.

Source: <https://www.heraldscotland.com/news/18898114.growth-value-scottish-forestry-sector-demand-timber-exceeds-supply---despite-brexit-pandemic/>