The UK Forest Market Report 2024

Tilhill Forestry

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This research is a snapshot of the commercial forestry market in the year to September 2024. Woods discussed in previous years are different from those analysed here; therefore this is not a like-for-like comparison. While these results show useful trends, readers should not base investment decisions on these comparisons alone and should always seek professional advice before committing to an investment.

Forestry in the UK has thus far been insulated from the worst of climate change – and may even benefit from it – but given our reliance on a single species, we need to be prepared.

introduction

Preliminary research suggests that land-based nature absorbed almost no carbon last year due to wildfires and droughts. The European spruce bark beetle has been found on Sitka spruce for the first time in England.

Forestry in the UK has thus far been insulated from the worst of climate change – and may even benefit from it – but given our reliance on a single species, we need to be prepared.

As an industry we are observing the growing threats – droughts killing young trees and stressing older ones, wind from unusual directions felling mature trees, all followed up by pests and diseases preying on the weakened forests. Is the solution a wider range of species prioritising resilience over productivity? Is it avoiding having trees in marginal places where they are vulnerable due to exposure or patchy rainfall? Whatever the answer, good silviculture will be key. It will not be as easy as just growing Sitka.

And what of carbon? The Woodland Carbon Code prioritises native species, which provides further diversity. The absence of harvesting considerations and the diversity of sites means that we plant a mix of species where possible.

Planting permission for natives is not easy, but it is easier. Might the new government's drive for more construction provide both a demand for timber and have a knock-on effect of reducing the nationwide resistance to land use change? Over the course of the past year interest rates have not changed much. Timber prices have not changed much. Yet forestry values are slightly down. What gives?

After a huge run up in values over recent years and facing tax uncertainty, some investors are taking profits or holding off on new deals. Prices have definitely changed. Only two deals this year were at a higher price per hectare than the average from 2022!

By the time this is published we'll have seen the government budget of the 30th October but at the time of writing, forestry hasn't been in the spotlight. Might we get caught up in broader changes to taxes or reliefs? Regardless of the outcome, there are investors looking to deploy capital once there is certainty.

the data

By Xander Mahony

Xander Mahony
Head of Forestry Investment
Tilhill Forestry

Commercial forestry

In 2023, the commercial forestry market experienced an unusually tight supply of assets, except for two huge opportunities that combined for £150m in value.

This year, while the headline numbers are down considerably, this is without support from any deals north of £10 million. Indeed, if we exclude the two opportunities mentioned above, this year would have seen an 80% increase in the value of forestry coming to the market. This trend has continued after our August year-end, with more large deals expected to list imminently. 2025 will be a big one!

We were surprised to see another significant negative move in the pricing of agreed deals. Our expectation was for prices to remain flat, or to decrease slightly. Little analysis was required to understand the discrepancy. 2023's data included one significant deal that was agreed before the "mini-budget" at a valuation that now seems unimaginably high.

2024's data includes a property at a valuation so low that it is hard to believe until you consider its exceptionally remote location. Adjusting for these two outliers takes the change down to 8.8%, closer to our expectations.

Commercial Forestry Market Summary

Market size

£95.4m of listings — -55% change

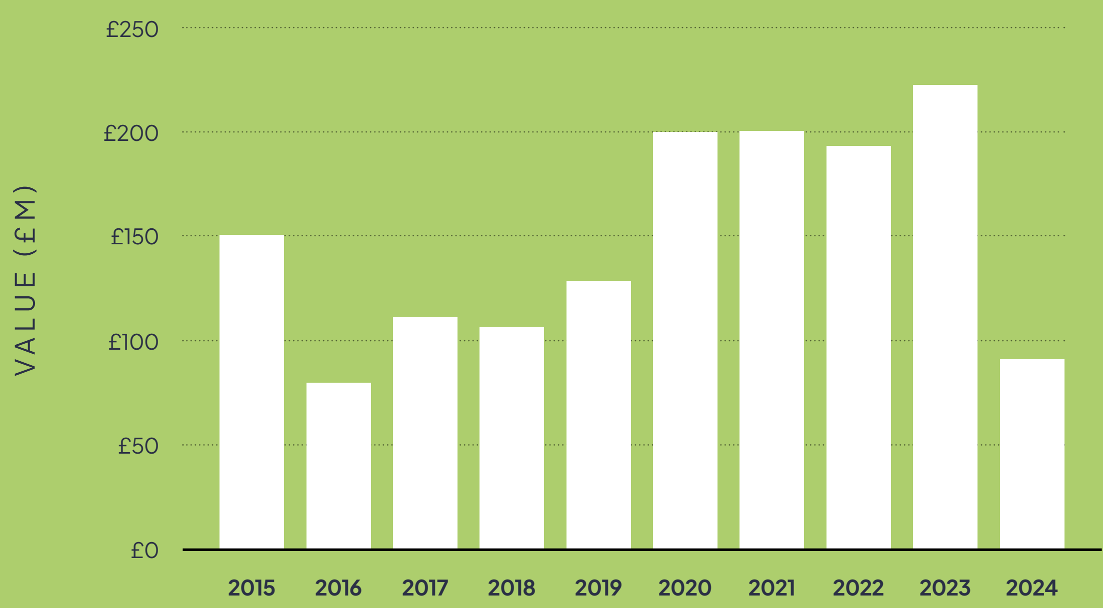
44 properties — +26% change

5,400 stocked hectares — -39% change

Average agreed valuation

£18,600 per stocked ha — -18% change

Total annual value of forestry properties listed

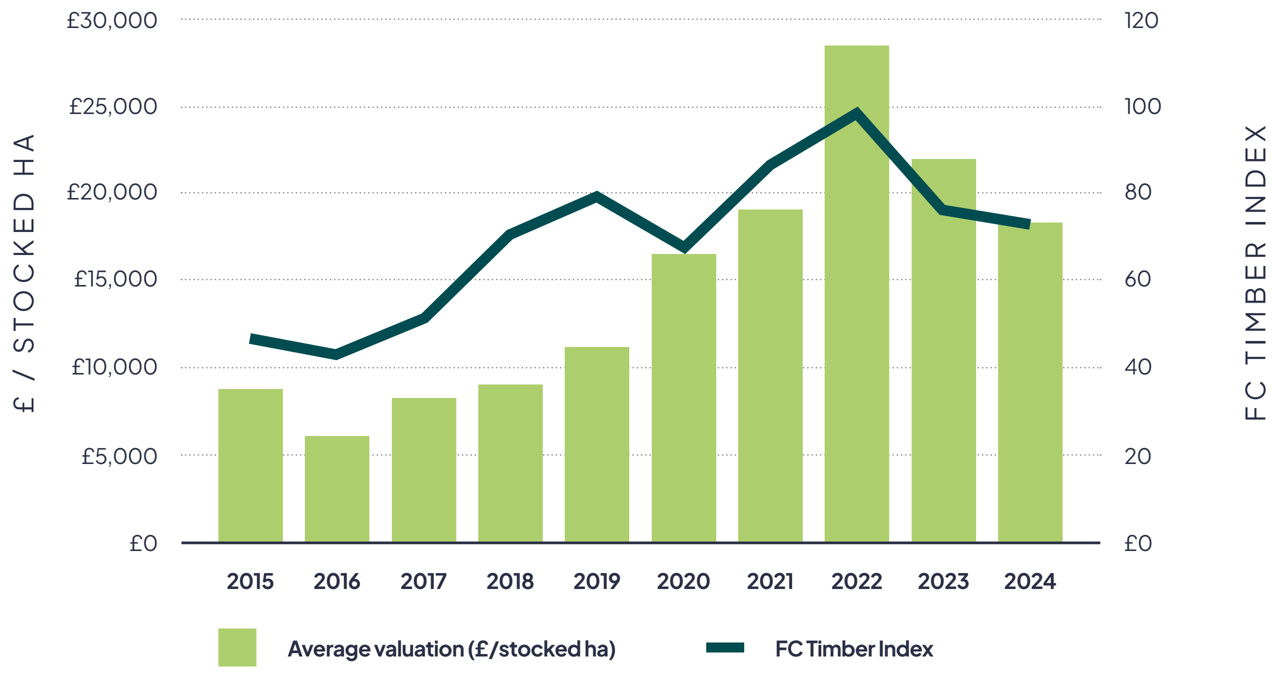


Further depressing values this year is an unusually high proportion of northern Scotland properties, which typically achieve a lower value than the rest of the UK due to distance from core timber markets. These properties were also more mature, which typically attracts a higher valuation, but still, northern Scotland was the lowest valuation region overall showing the impact of location.

Combined, **we are comfortable in our belief that like-for-like valuations have declined by a mid-single digit percentage at most**. Scotland overall retained its dominance with 79% of the market by value.

If we dig into the data for clues on buyer motivations beyond location, we can see that the most critical variable for explaining pricing is the proportion of Sitka spruce. This suggests a focus on returns from highly productive assets. Surprisingly, an older planting year is not hugely correlated with price, even though we know that buyers are seeking mature timber for near-term felling income that is less impacted by higher interest rates. Both scale and yield class also had little impact, but there wasn't an especially widespread of yield classes this year.

Forestry average value per stocked hectare and the Forestry Commission timber price index



Planting Land

While pricing has stabilised for commercial afforestation land in Scotland, the availability of land has continued to shrink. Our data represents a blend of on- and off-market deals.

Our headline figure (see overleaf) is around where on-market deals are happening, with off-market deals a touch lower. Of course, we are unable to capture all off-market activity so the total market will always be larger.

The desire to diversify outside of Scotland and Wales is driving activity in England, despite the regulatory challenges. The pricing is somewhat skewed by a property in the Midlands, outside of the typical conifer region, but it illustrates the affordability challenge of land south of the border. Wales has shown an uptick in potential investment opportunities, but many are smaller and higher priced. Larger Welsh landholdings are more attractively priced but are few and far between.

the market

By Jon Lambert

Jon Lambert
Partner
Goldcrest Land & Forestry Group

Firstly, a friendly disclaimer: a property market is created when 'willing sellers and willing buyers' come together and transact at a level they are both happy with. The majority of parties use a number of trusted advisers to understand the variables, discuss time frames and the disposal/acquisition strategy. The data we compile on a daily basis gives us an unrivalled insight into trends and the ability to understand market nuances of quality, quantity, location, distance to markets and market aspirations. Mark Twain's quote that "Facts are stubborn things, but statistics are pliable" is never truer.

Planting Land Market Summary

Average price per gross hectare

Scotland	£10,000	+1% change
England	£14,500	-13% change
Wales	£16,800	+26% change

Total gross area listed

Scotland	1,600ha	-40% change
England	1,600ha	+92% change
Wales	1,300ha	+92% change

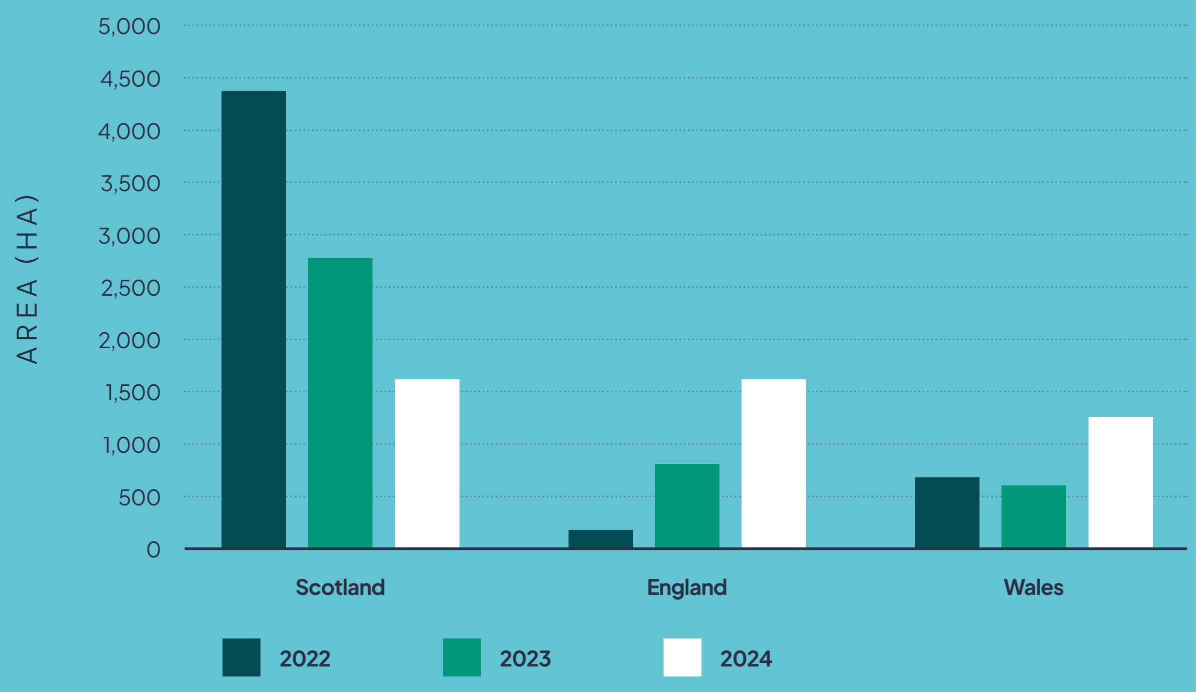
Undoubtedly, there is a lot of cash out there, but similar to my words of 12 months ago, buyers are somewhat cautious and selective. As I type these words, we are just over three weeks away from our new government's first Budget. Speculation abounds plenty, with potential tax changes galore; Business Property Relief adjustments, increases in Stamp Duty Land Tax and the question of whether pension funds become subjected to Inheritance Taxation. The answer is - by the time you read this, we will know - but in the meantime, the uncertainty dents market confidence and the forestry market has been sticky for the last six weeks.

Timber species remains a fundamental decision, and undoubtedly, the firm favourite remains Sitka spruce. A fast-growing, high-quality species, greatly liked by the end users. Timber prices have stabilised and began to rise a little in some regions, but the much-vaunted building program is being partly frustrated by the lack of buyers for affordable housing. The Housing Associations who buy affordable housing from builders and then let them out to tenants have no available funds. Pension funds seeking reliable, long-term yields have emerged as potential buyers.

Interest base rates seem quite settled around the 5% mark for now. If forecasts for lower base rates become reality, forestry could be increasingly attractive.

Some investors appear happy to sit on cash, but it may not be the best home from a tax perspective. Others see a land-based investment with the actual physical growth of trees of 5–6% per annum over their life to be a good start. Combined with potential timber price inflation, we have definitely seen a mature market buying forest assets that is focused on growing timber, a global commodity in short supply, with taxation incentives being less of a driver. Perhaps surprisingly, ESG (Environmental, Social, and Governance) buyers have moved away from commercial forestry in the past 12 months.

Total area of commercial planting land listed

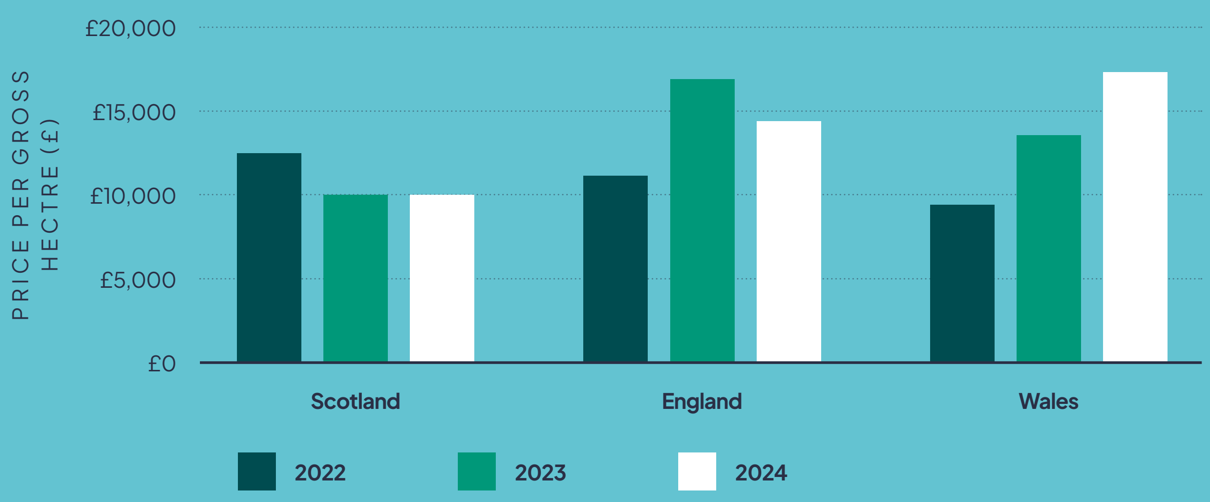


The planting land market has seen a further downward trend, as the ability to secure planting consent becomes increasingly challenging. The heat has come out of the market, but demand definitely still outstrips supply, which has been greatly reduced over the last 18 months.

Carbon pricing has not yet climbed to the astronomic figures that some predicted. The British are generally pretty good at doing their bit for the planet. We like growing and nurturing trees and timber, but the carbon market is still reserved for early adopters with an eye on net-zero targets.

Hesitant investors, institutions with less money than they had 18 months ago, and low timber prices provide a wonderful opportunity for decisive, well-funded investors.

Commercial planting land average price per gross hectare



timber

By Harry Stevens

Harry Stevens
Forestry Director
BSW Group

Reflecting on the standing Timber Market, I cannot help but feel nothing has changed by comparison with this time last year.

We find ourselves again in a position where we are pinning our hopes on some sort of recovery sometime early next year, only this time it is 2025 rather than 2024.

So, let's start with the good news: standing timber prices have been underpinned by strong small roundwood markets notably through the winter of 2023/24. The underlying reason for this is 'peak biomass' (a bit of hyperbole on my part), which refers to the position we see, where almost all biomass plants are grant-aided by the central government and are now up and running fully, with peak demand through cold periods.

It is now only a few years until the first projects given grant funding come to the end of their 20-year grant cycle, and we will start to get an indication of what the future of these plants is as they transition to a potential new grant structure.

The result of the above has led to a position where the supply and demand balance has been very close and small roundwood prices, recycled fibre and co-products have all seen intense demand. This has been augmented by demand for recycled fibre from Scandinavian operators.

At the same time the more traditional users of small roundwood, panelboard and paper were also reasonably busy, and the combination of these differing users saw very healthy demand for 'fibre' in all its differing forms, and prices at the top of the range were butting up against those being offered for palletwood and indeed sometimes sawlogs.

By contrast, the construction market for sawn timber saw sluggish worldwide demand with low activity in USA and central Europe which continues to the current day. Sawn timber tends to have a strong seasonal element to it and demand will likely fall away between now and spring of 2025.

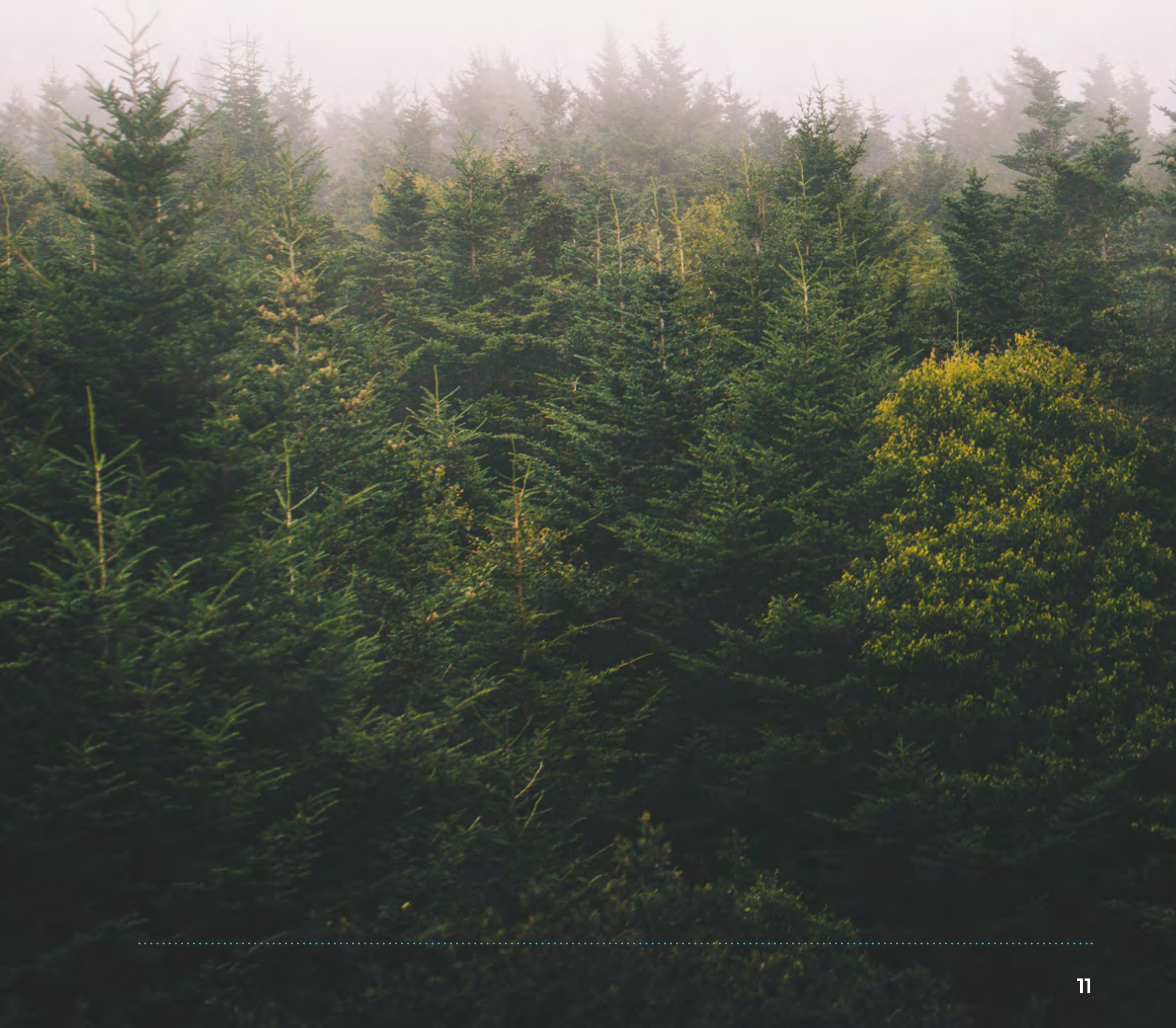
Consequently, the British market has been dominated by cheaper imports holding the price down throughout 2024, and whilst importers did seek price increases and for a while were successful for a period in spring 2024, many of these gains have now been eroded.

Sawn fencing was, for spring and summer, a brighter area of the market with relatively strong demand. This was especially notable for garden sleepers, which drove the market for a period. Palletwood is always a barometer of the wider economy and has seen at best steady demand with overall prices being similar to 2023.

All of this adds up to a market where, from a historical perspective, small roundwood prices are strong and are holding up the market. Sawlog prices are steady, giving an overall position where standing prices, while not at the dizzy heights of the covid period, still provide a decent value.

What of the market for 2025?

Small roundwood prices will undoubtedly continue to prop up the market, and at some stage, the construction sector will undoubtedly pick up. This will likely be partly due to all the new houses being built, which should stimulate demand for sawmills and therefore create an uptick in sawlog prices.



Oliver Thompson
Chartered Forestry Agent
Goldcrest Land & Forestry Group

mixed woodlands

By Oliver Thompson

After a buoyant few years, the prognosis for market activity in 2024 was unclear. We have seen further economic uncertainty. The series of interest rate rises by the Bank of England has levelled at 5% and seemingly worked, helping to bring inflation down from 6% a year ago towards the target of 2%.

However, this is a mere steadying effect. Both owners and investors held a close eye on the UK general election in July. A change of government has mooted changes to UK tax rules, suggesting further considerations for those on either side of any transaction.

England

England's share of the market by value was unusually small this year, the first time since 2020 that it hasn't exceeded 50%. This was accompanied by an 8% drop in price per hectare.

One of the most notable sales has been Sandford Wood, Berkshire. At the higher end of the market, priced at £23,600 per hectare, this picturesque mixed woodland had everything a woodland owner may want: seclusion, a hut, a ½ hectare lake, mature timber and attractive broadleaves - an additional 68 hectares of sporting rights over a neighbouring property added to the appeal.

A duo of other notable properties are Cleobury Coppice and Bell Coppice in south Shropshire, the former marketed by Goldcrest.

While being within a mile of each other, they are markedly different. Cleobury Coppice is predominantly a mixed conifer plantation managed under low-impact silviculture with some quality mature Douglas fir and Norway spruce.

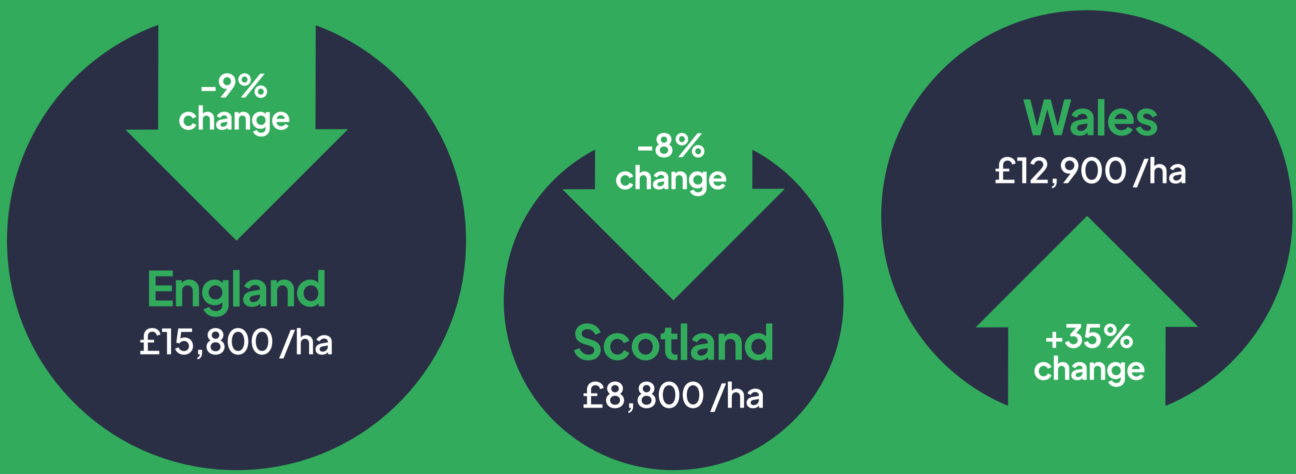
Its neighbour, Bell Coppice, is dominated by mature oak, producing quality timber. Notwithstanding, they were both marketed around the £20,000 per hectare mark.

Scotland

Scotland has seen a similar slight decline in pricing. We have excluded all 1,500-plus hectares of the slightly hard-to-define Far Ralia sale from this data but were it to be considered a mixed woodland based on planting progress made so far, it wouldn't have moved the average that much.

At the top end of the scale is Quarryhill & Ardlarach Woodland, listed in excess of £23,000 per hectare but boasting recent planting with carbon credits attached, mature woodland, and a derelict building that could be redeveloped.

By far the largest property, Fleet Forest, spans 324 hectares and was also one of the cheapest, priced at just £3,200 per hectare. It could be described as a rewilded conifer plantation, and thus the price reflects the reduced commerciality.



Wales

Wales has produced another unusually high value per hectare. Unlike 2022, the only comparable year from history, which was dismissed due to the small sample size, this year it is backed up by 14 listings.

Care must be taken with the data as only about 50% of these have sold, and a good proportion were commercial forestry in all but size. A good example is Blaen Waun, a 10-hectare parcel of Sitka spruce offered for £23,500 per hectare. Dolgarrog Woodland in Snowdonia is offered at £18,000 per hectare but also includes carbon units.
Still the mixed woodland market plays a small but important role in the GB woodland marketplace.

It may be slightly insulated from some economic factors that directly influence the values of purely commercial properties, but guide prices are certainly just as sensitive if not more. The addition of carbon credits to the freehold sale adds a new dimension, but the jury is out on how the market will view this nascent commodity.

natural capital

By Jay Li Sanderson

Jay Li Sanderson
Forestry Investment Advisor
Tilhill Forestry

Natural capital opportunities are broadly comprised of native afforestation, peatland restoration, and biodiversity enhancement. The most notable natural capital development in 2024 was the introduction of Biodiversity Net Gain (BNG) in England.

BNG in England places a mandatory requirement on residential developers to create an ecological improvement of at least 10% over a pre-identified baseline on either a development or donor site.

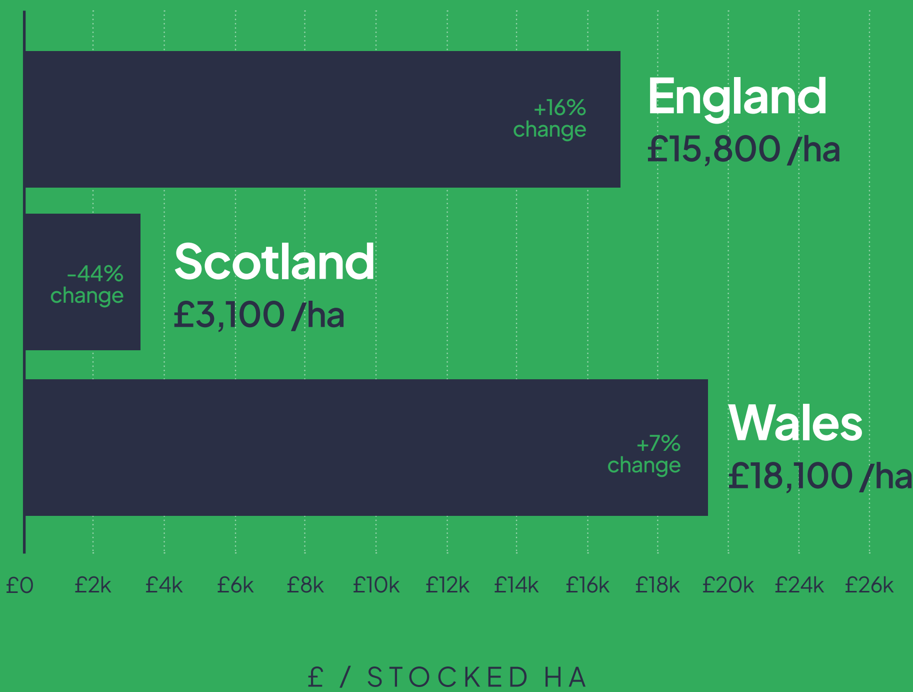
The 2025 introduction of compulsory BNG on commercial developments in England alongside potential future Scottish and Welsh biodiversity enhancement schemes, coupled with a governmental pledge to increase house building, have the potential to drive the UK natural capital market in the coming years.

Natural capital land pricing

In England, the 16% pricing increase is potentially driven by the emerging BNG land market. The impact from the value of buildings, however, can also be considerable, particularly further south.

Across Scotland, the 44% price decrease was driven by a couple of large highland estates offered at relatively lower prices. Excluding these, land values are in line with last year at £5,800 per hectare.

Looking at Wales, the increased prices were driven by many small landholdings, which are more expensive per hectare, plus a few cases of misplaced optimism about forestry suitability.



carbon

By David McCulloch

David McCulloch
Head of CarbonStore
CarbonStore

Headline data suggests consolidation and stabilisation have characterised the market for woodland carbon in 2024.

Between March and September 2024, the total area of woodlands verified, validated and/or registered with the Woodland Carbon Code increased by just 927 hectares. Pending Issuance Unit (PIU) prices stabilised between £25–£30 each while the number of purchase enquiries decreased, likely reflecting wider challenges in the UK economy.

In contrast, beneath the surface, encouraging signs of progress are afoot. In May, DEFRA published a consultation into the inclusion of Woodland Carbon Units (WCUs) within the UK Emissions Trading Scheme, the market where the UK's most energy intensive industries must purchase their carbon credits to meet their mandatory emissions targets. There seems to be a supportive political wind behind such a development which would likely see trading volumes and prices rise for PIUs and WCUs.

In June, the Scottish government released a £600,000 contract tender for companies to propose ways of streamlining and optimising the monitoring, reporting and verification process for Woodland Carbon Code (WCC) projects. This is a corroborative and encouraging step which allows the full force of the private sector's innovation and creativity to benefit the WCC directly.

Efforts are underway to quantify and evaluate the wider benefits of woodlands, beyond their capacity to capture CO2e. The Woodland Water Code's launch is expected in early 2025 which will quantify the improvements to water quality generated by riparian planting. In September, the Woodland Carbon Code and the Peatland Code jointly circulated their White Paper "which will be used to evaluate biodiversity and to calculate the production of biodiversity credits".

These developments clearly reflect the market's direction of travel. Most large-scale purchase tenders from companies now require us to evidence the ancillary benefits of the underlying woodlands. Moreover, anecdotal pricing data suggests that woodlands doing so are achieving PIU prices almost 2–3x higher than the headline figures mentioned above.

The market for woodland carbon sits at an important juncture. The optimistic enthusiasm of the early-2020s has given way to calmer and more considered reflection. Indeed, the consequences of further economic headwinds across the UK may start to sow seeds of doubt among certain participants. Such highs and lows are characteristic of even the most promising but nascent markets so the next few years could therefore offer the richest opportunities for this market.

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