



AGRICULTURAL LAND MARKET REVIEW Q3 2023



OVERVIEW

The first 9 months of 2023 saw strong growth across the Irish agricultural market. Over this period, land values have increased by 8.7%, according to the Sherry FitzGerald Agricultural Land Barometer.

The market has remained resilient despite ongoing challenges within the wider economy. Price growth in quarter three returned to a more normalised level, rising 1.3%, following growth of 6.1% over the second quarter. As such, the weighted average price of an acre of farmland in Ireland, excluding Dublin, stood at approximately €11,783 at the end of September 2023.

On a year-to-date basis, prime arable land experienced the most significant price growth, at 9.7%. This was followed by prime grassland, which grew by 8.5%, while marginal grassland prices grew by 7.1%.

Over Q3, prime arable and grassland experienced growth of 2.1% and 2%, respectively. Marginal grassland prices declined over the quarter by 1%, the first quarterly decline seen across any land type in over three years.

In terms of location, the Midlands saw the most significant growth in value over the first 9 months of 2023, followed by the West and Border regions.

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MARKET COMMENTARY

ECONOMIC OVERVIEW

Growth has now returned to a more moderate level in the Irish economy following its robust performance while emerging from the Covid pandemic. Gross Domestic Product (GDP) fell by 2.6% in Q1 followed by growth of 0.5% in Q2. Unemployment rose marginally to 4.8% in October, as measured by the Live Register, but the labour market still remains close to full employment.

The interest rate environment continues to be a challenge but the ECB's October decision to pause rate hikes could indicate that we have reached the peak rate. This is aided by the fact that inflation has moderated in the Eurozone, most recently falling to 2.9% in October. Price inflation in Ireland, as measured by the Consumer Price Index, has proven to be stubborn with annual inflation rising in both August and September to 6.3% and 6.4%, respectively.

In the 12 months to August 2023, agricultural output prices fell by 16.2%. The most notable of these was milk prices, which decreased by 38%, substantially impacting the incomes of dairy farmers. Cattle prices fell by a more modest 4.6%, however increases were recorded in potatoes (+37.1%), eggs (+14.2%) and pigs (+13%).

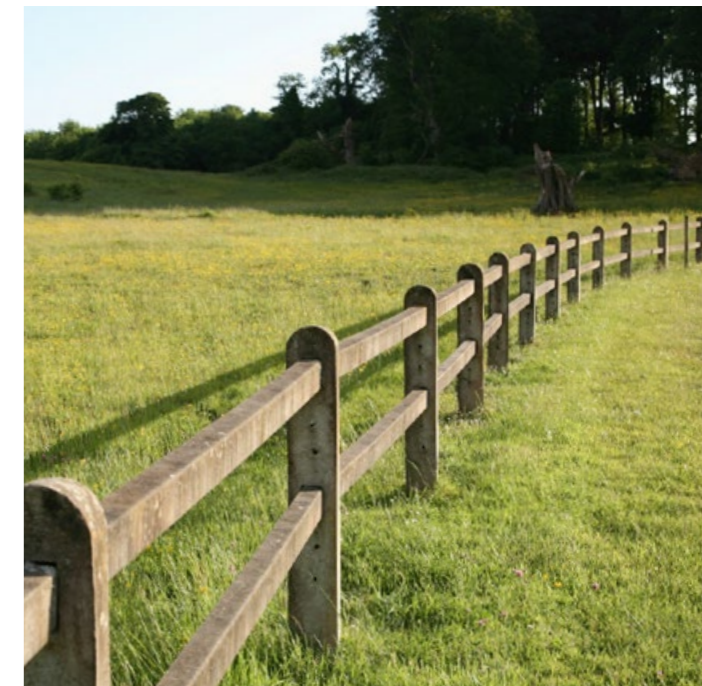
Over the same period, agricultural input prices fell by a lesser amount of 12%, with fertiliser (-45%) and motor fuel prices (-12.9%) recording significant drops. Conversely, electricity prices increased by 25.1% over the year to August.



Philip Guckian,
Associate Director, Sherry FitzGerald
Country Homes, Farms & Estates

Commenting on the market, Philip Guckian, Associate Director Country Farms, Homes & Estates said...

"Unsurprisingly, the land market has emulated the trends seen in 2022. Following some uncertainty at the beginning of the year, strong growth was seen over the past six months. Overarching demand during the Spring and Summer, for good quality land in particular, has been a key factor of the market's impressive performance. A number of large and medium sized farms have been brought to the market in the Summer and coming into the Autumn months as landowners seek to capitalise on elevated values. Transactions have been positive at all ends of the market, aided by the developments surrounding nitrate limitations. This is positive news given the turbulent economic environment being faced by farmers, with significant drops being recorded in output prices. Withstanding these concerns, I expect Q4 to be another positive quarter for the agricultural land market"



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GENERAL FARMLAND

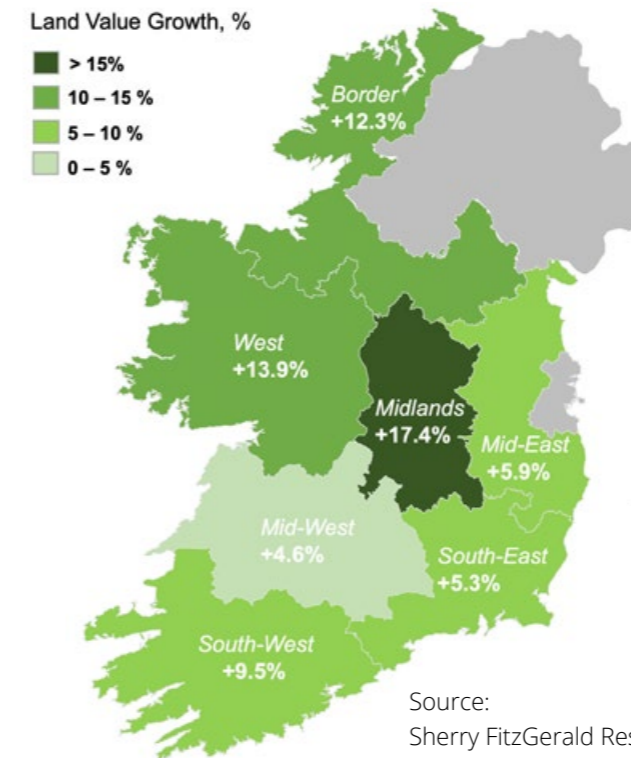
In the year to date, agricultural land values nationally, excluding Dublin, rose by 8.7%.

This is a significant increase and the strongest rate of growth seen in the first three quarters of any year since the series began in 2013. The weighted average price of an acre of farmland at the end of Q3 stood at approximately €11,783, up from €10,843 at the end of 2022.

In terms of location, price growth was seen across all regions, with the Midlands seeing the strongest growth

of 17.4%. This was followed by the West (+13.9%) and Border (+12.3%) regions. These levels of growth come on the back of some high-profile sales within the agricultural land market, such as the 458-acre Rostalla Farm in Kilbeggan, Co. Westmeath, which sold for €4.5 million in Q2. An increasing number of purchasers are coming from an investment background rather than farming, as agricultural land is being seen as a safe alternative investment in the current economic climate.

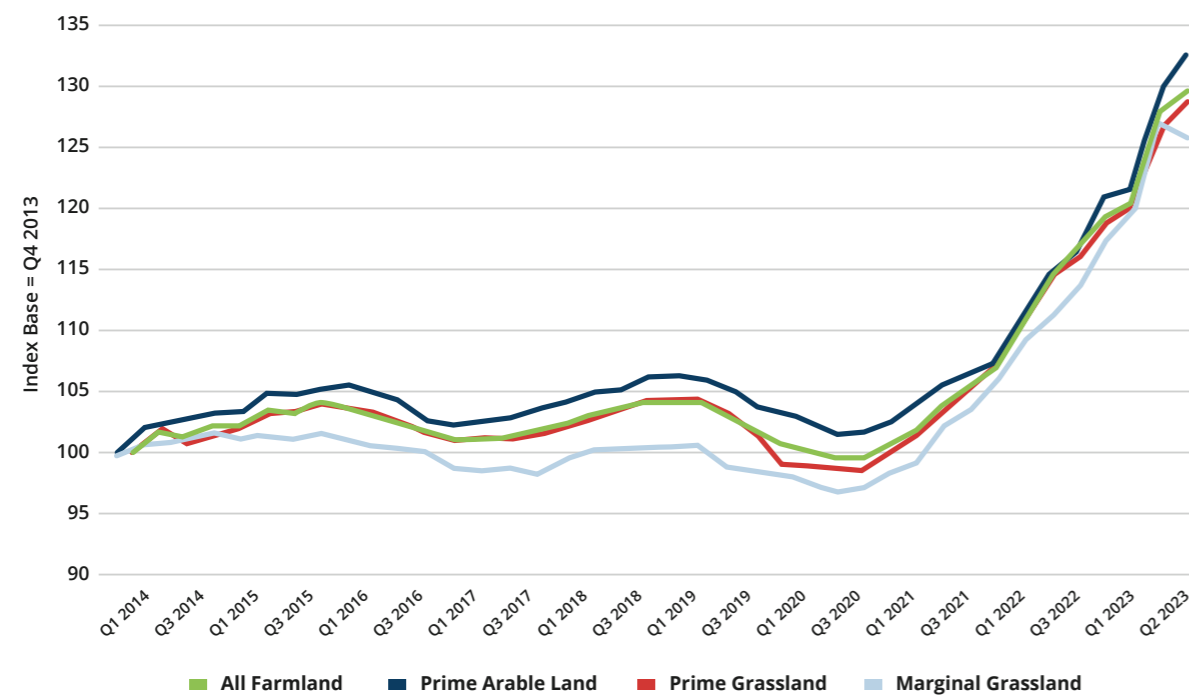
Agricultural Land Price Performance, YTD Q3 2023



As of the end of Q3, the most valuable agricultural land in the country is now located in the Mid-East, with a price of €13,416 per acre. Notable growth was seen in Kildare, Louth and Meath. The West region continues to have the most inexpensive land, despite the significant growth over the year to date, where the price of an acre is €8,200.

In contrast to 2022, which saw steady growth in each of the first three quarters, the opening half of this year saw higher than average growth in values, before returning to more moderate growth of 1.3% in Q3. The largest increase seen on a quarterly basis over the first three months was in County Laois where land values grew by 15%

Agricultural Land Price Barometer, Q4 2013 – Q3 2023



GRASSLAND

Prime grassland values grew by 8.5% in the first 9 months of 2023, slightly higher than the 8.1% growth seen over the same period of 2022.

The weighted average price of an acre of prime grassland now stands at €13,207, up from €12,170 at the end of 2022.

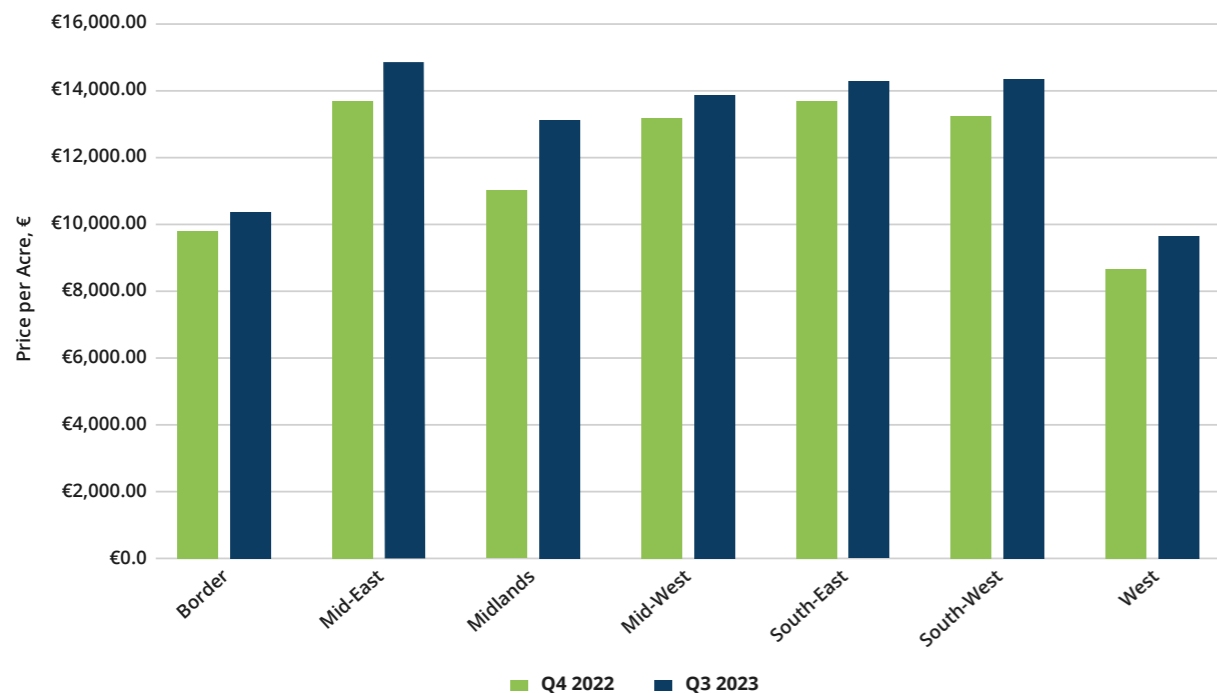
All regions experienced price growth over the year to date, with the most substantial of this being in the Midlands, where prices grew by 19.3%. This is the highest 9 month increase in prime grassland values for any region since the series began in 2011. The West (+11.6%), Mid-East (+9.2%) and South-West

(+8.4%) regions also recorded significant levels of growth. The recent introduction of nitrate rules has resulted in increased demand for prime grassland from dairy farmers as the alternative for many would be a reduction in milk production numbers.

At the end of Q3, the most valuable prime grassland in Ireland was in the Mid-East region, with a price of €14,875 per acre, whereas the most inexpensive was the West region, where an acre will cost €9,600.



Prime Grassland Prices, YTD Q3 2023



Source: Sherry FitzGerald Research

Marginal grassland values also recorded high levels of growth in the year to date, growing 7.1% and bringing the weighted average price of an acre nationally to €7,870. Notable growth was seen in the Border (+27.1%) and West (+19%) regions while the Mid-East region recorded a slight decrease of 1.9% over the first 9 months of the year. Farmers are less likely to discriminate between prime and marginal grassland as they pursue higher amounts of acreage to accommodate nitrate regulations, resulting in the upsurge in demand for marginal land.

On a quarterly basis, marginal land prices experienced a 1% decrease nationwide, the first quarterly fall in value for any land type since 2020. The South-East (-5.5%) and Midlands (-3%) saw the largest drops in marginal grassland values over Q3.

ARABLE LAND

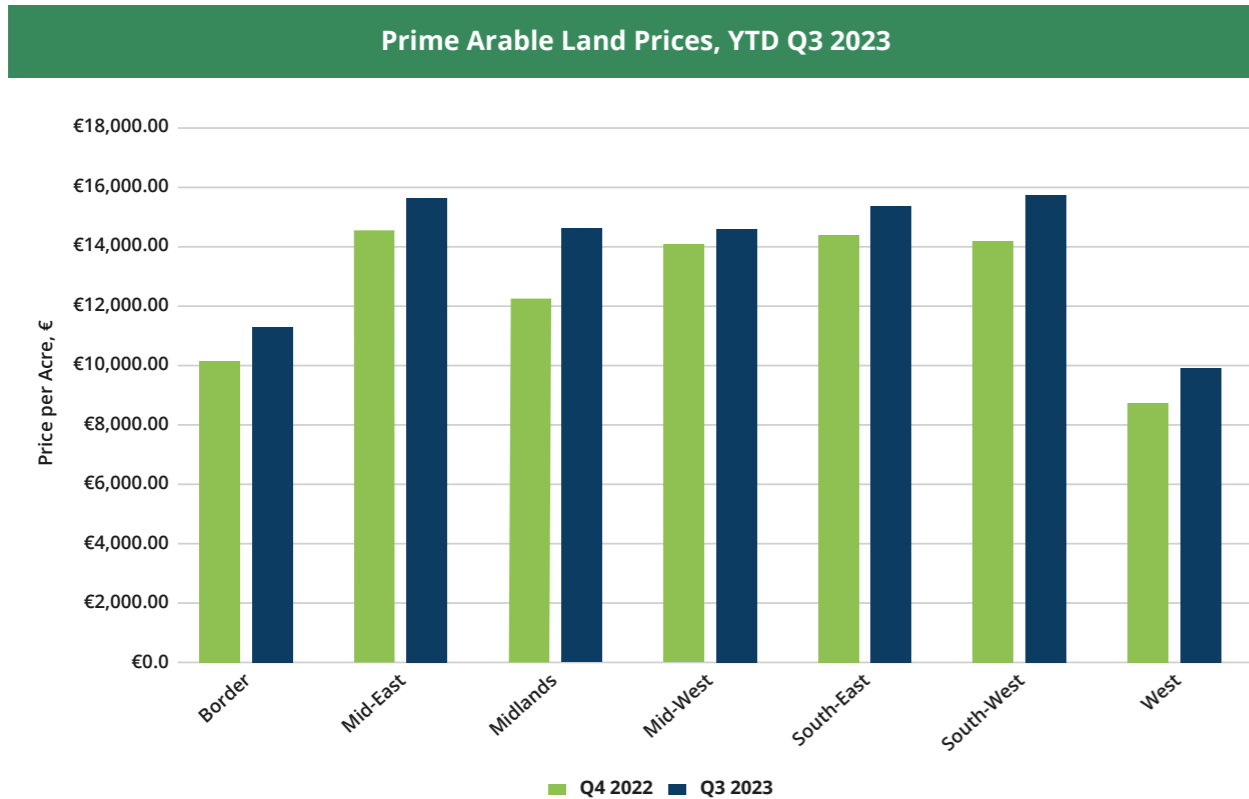
Arable land values grew by an impressive 9.7% in the year to date, an increase from the 8.3% growth over the same period of 2022.

The weighted average price of an acre of prime arable land now stands at €14,723, up from €13,014 at the end of 2022.

Again, the Midlands experienced the most substantial growth over the first 9 months of 2023, with values growing by 20%. The West (+13.6%), South-West (+10.9%) and Border (+10.6%) regions each experienced notable growth also. The most valuable

region for prime arable land as of the end of Q3 is now the South-West, overtaking the South-East. The most inexpensive location continues to be the West region, with the price of an acre being €10,000.

Quarterly, the Mid-East experienced the largest growth rate of 5.4%. The South-East was the only region to experience a fall in values, of 3.6%, but prices remain 6.9% higher than at the end of 2022.



Source: Sherry FitzGerald Research



OUTLOOK

Land values are likely to continue their growth over the short-term, albeit at a slower pace than what was witnessed in H1 2023. Taking into consideration both domestic and international factors, the market will feel the effects of macroeconomic conditions further into 2024.

The introduction of the nitrate rules has already caused a surge in demand for both prime and marginal grassland, underpinning both purchase and rental prices. Combined with the recent fall in milk prices, farmers are certain to be in pursuit of more land or risk facing reductions to their income. Investors will also be seizing the opportunity to acquire appreciating assets as a hedge against stubborn inflation.

As for interest rates, there is a lagged effect associated with these meaning that their full impact will not be

realised until at least early 2024. This will inevitably hamper demand, both for land and the goods being produced by farmers. In the meantime, farmers will have to tackle high input costs and the potential for rising temperatures to impact land quality.

Despite these concerns market conditions look set to allow for sustained growth for the remainder of 2023.



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