



Off-farm investment continues to gain popularity

By Michelle Devane

Off-farm investment is a growing sector in Ireland, with an increasing number of farmers choosing to invest in non-farm related projects, in particular in commercial property syndicates, by using the huge value locked up in their land to secure bank borrowing for investment.

A survey by Dublin-based consultant Farrelly and Mitchell has shown that an increasing number of farmers want to leverage the value of their land to grow their personal wealth. The survey found that almost 60 per cent of the 200 farmers surveyed are intending to invest off-farm within the next 12 months.

More than half of those respondents intend to invest more than €100,000, while 17 per cent are inclined to spend the same amount on the farm. The survey of farmers was carried out at a series of seminars held by Farrelly and Mitchell. costs and highly valuable land assets along with reducing cash incomes is generating investment planning needs and opportunities for farmers to-

day," said Malachy Mitchell, managing partner of Farrelly and Mitchell.

The firm specialises in off-farm investment and assisting farmers evaluate their current financial position, and recently completed the acquisition of a number of major commercial mixed-use properties in Germany valued at over €35 million on behalf of private clients.

Mitchell said farmers are typically spending in the region of €100,000 but this figure can reach the €1 million. He added that farmers are not moving away from the land altogether, but are aware that they have significant land assets which they can use to grow their personal wealth outside of traditional farm enterprises.

"Some farmers, traditionally milk farmers, have a strong affinity with property in that they own a lot themselves, and since the 1980s they have started to use their land to put money into alternative investment," Mitchell said. "For instance, farmers with 100 acres of land might have €3 million to €4 million worth of assets. In yield terms that would be about a 1

per cent return on those assets, but if they leverage it in strong investment they can create a greater yield."

According to Mitchell, in the early 1990s a strong cohort of farmers were investing in Ireland, but they are turning to outside Ireland to invest. The most popular investment category with farmers, according to the survey, are commercial property syndicates at over 40 per cent followed by shares at 33 per cent and overseas property at just under 30 per cent.

"Investment in commercial syndicates has stronger returns and investors do better overall – syndicates take the headaches away for investors," Mitchell said. He added that the recent series of interest rate rises has put pressure on investors to select and identify stronger deals and undertake greater due diligence.

"As with any investment, farmers should do their homework on the investments and should fully understand the risks involved. Farmers should also consider using land parcels that are not part of the core

farming enterprise as security to obtain borrowing," Mitchell said.

In 2005, Farrelly and Mitchell set up Green Oak Holdings, a US-registered company, raising equity from farmer investors. They recently assisted more than 100 Irish farmers fund a €200 development of a championship golf course and condo development in Florida. Green Oak Holdings is the lead partner in the development.

The company will also be launching more German and US commercial property investments in the next couple of months.



Malachy Mitchell

Irish farmers busy buying up Cornwall and Scotland

JEROME REILLY

WEALTHY Irish farmers who have made fortunes selling their land to property developers here are now snapping up some of the best farms in Cornwall, the Celtic enclave in the South West of Britain.

What is astonishing is that many Irish farmers who have sold out their family farm for property development in the Republic are ending up with holdings in Britain three times the size of those they left behind.

And they still have plenty of money left in the bank, according to David Kivell of DR Kivell & Partners. He says there is more to Cornwall than the humble pasty and says that the Irish are also picking up the cream of farmland in bordering Devon.

"They are looking for well-equipped farms and good land. Good quality dairy farms are prized," he said.

"Certainly the Irish fit in

very well here," Mr Kivell said. "The first Irish buyers arrived some five years ago attracted by the price of land here and that has now accelerated. It seems that people are selling land in Ireland for three times what they are paying for it here," he added.

"There is more choice here in terms of types of holdings. The Irish are not corporate buyers but private individuals. People settle in well here. They are welcomed."

In Britain working farms are exempt from inheritance tax which may be a consideration for some buyers.

The availability of larger properties in the UK at good value and with less red tape is attracting farmers from overseas, particularly Danish and Irish producers, according to Charles Dudgeon of property group Savills.

Buyers from Ireland, the Republic and the North, account for 22 per cent of enquiries about farms in Scotland.