

SAFER ANNUAL RURAL LAND MARKET STUDY

Earlier this month the Fédération Nationale des SAFER published its annual analysis of the French rural land market.

The national picture

After a small increase in 2022 in both the number of transactions and the surface area changing hands, 2023 saw declines of -7.6% and -12.8% respectively. However, thanks to a small number of exceptional transactions, the total value of transactions increased by 15.8%, from €1.008 billion to €1.167 billion.

		Change 2022/2023
Number of transactions	8,770	- 7.6%
Surface area	16,000	- 12.8%
Value	€1,167m	+ 15.8%

According to the SAFER the decrease in the number of transactions and the surface area changing hands was primarily driven by significant contractions in the vineyard markets in the Bordeaux-Aquitaine (-20.6%), Rhone Valley-Provence (-18.5%) and Charentes-Cognac (-17.9%) regions.

On a regional level, Bordeaux saw significant decreases in both the number of transactions and the surface area sold but registered a significant increase in the value of those transactions due to a small number of large transactions:

	Number of transactions	Change 2022/2023	Surface area (ha)	Change 2022/2023	Value (€m)	Change 2022/2023
Alsace - East	810	+ 11.7%	220	+ 1.5%	25	+ 9.7%
Bordeaux - Aquitaine	680	- 20.6%	2,350	- 24.3%	298	+ 32.9%
Burgundy - Beaujolais - Savoie - Jura	910	- 14.3%	940	- 10.7%	167	+ 64.0%
Champagne	980	+ 2.23%	280	+ 31.3%	217	+ 4.1%
Charentes - Cognac	500	- 17.9%	1,850	- 9.2%	68	+ 5.0%
Languedoc-Roussillon	2,040	- 3.7%	5,140	- 5.7%	82	- 23.8%
South West	170	- 7.0%	670	- 27.8%	10	- 27.7%
Loire Valley	1,520	- 2.7%	2,030	- 11.0%	32	- 22.6%
Rhone Valley - Provence	1,140	- 18.5%	2,430	-18.7%	267	+ 20.4%
All France	8,770	- 7.6%	16,000	- 12.8%	1,167	+ 15.8%

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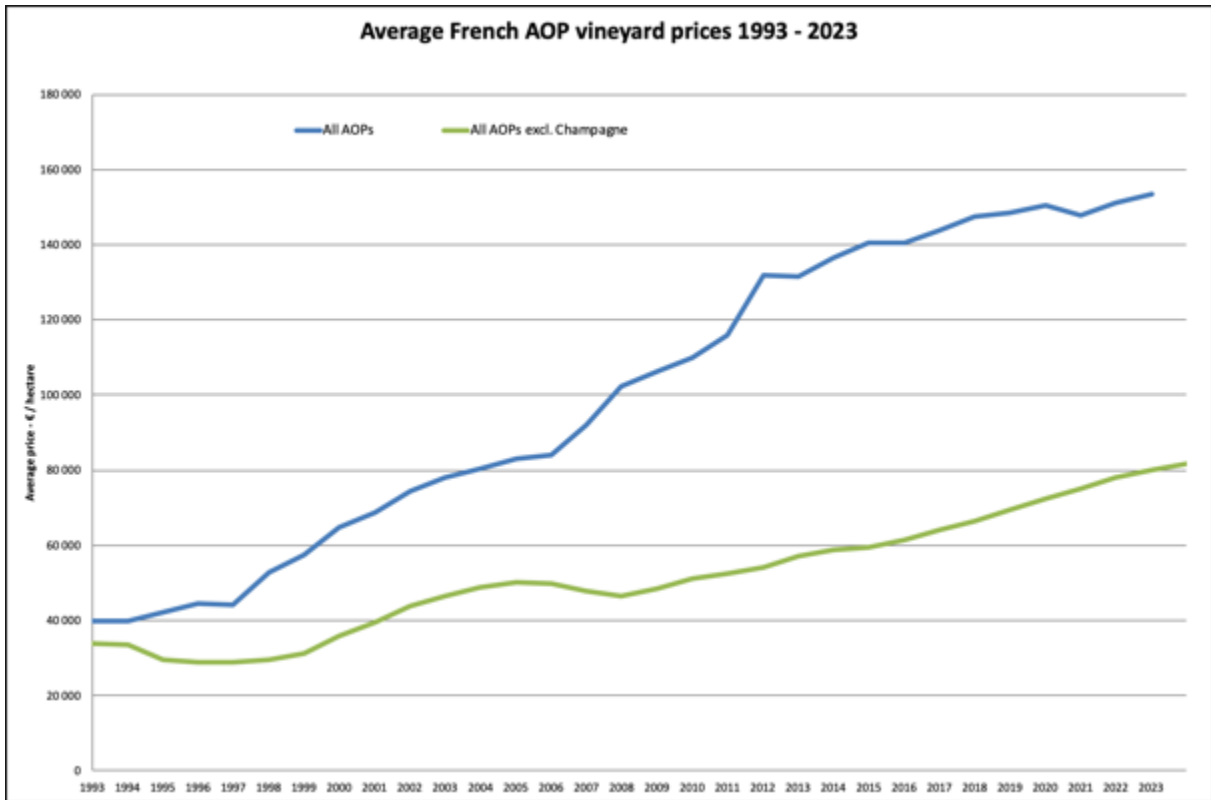
The average price per hectare for all AOP vines remained broadly stable in 2023, registering a small increase of 1.5% (0.7% excluding Champagne):

	2022 €/ha	2023 €/ha	Change 2022/2023
AOP	151,200	153,500	+ 1.5%
AOP excluding Champagne	81,600	82,200	+ 0.7%
Non AOP	15,300	15,000	- 1.8%

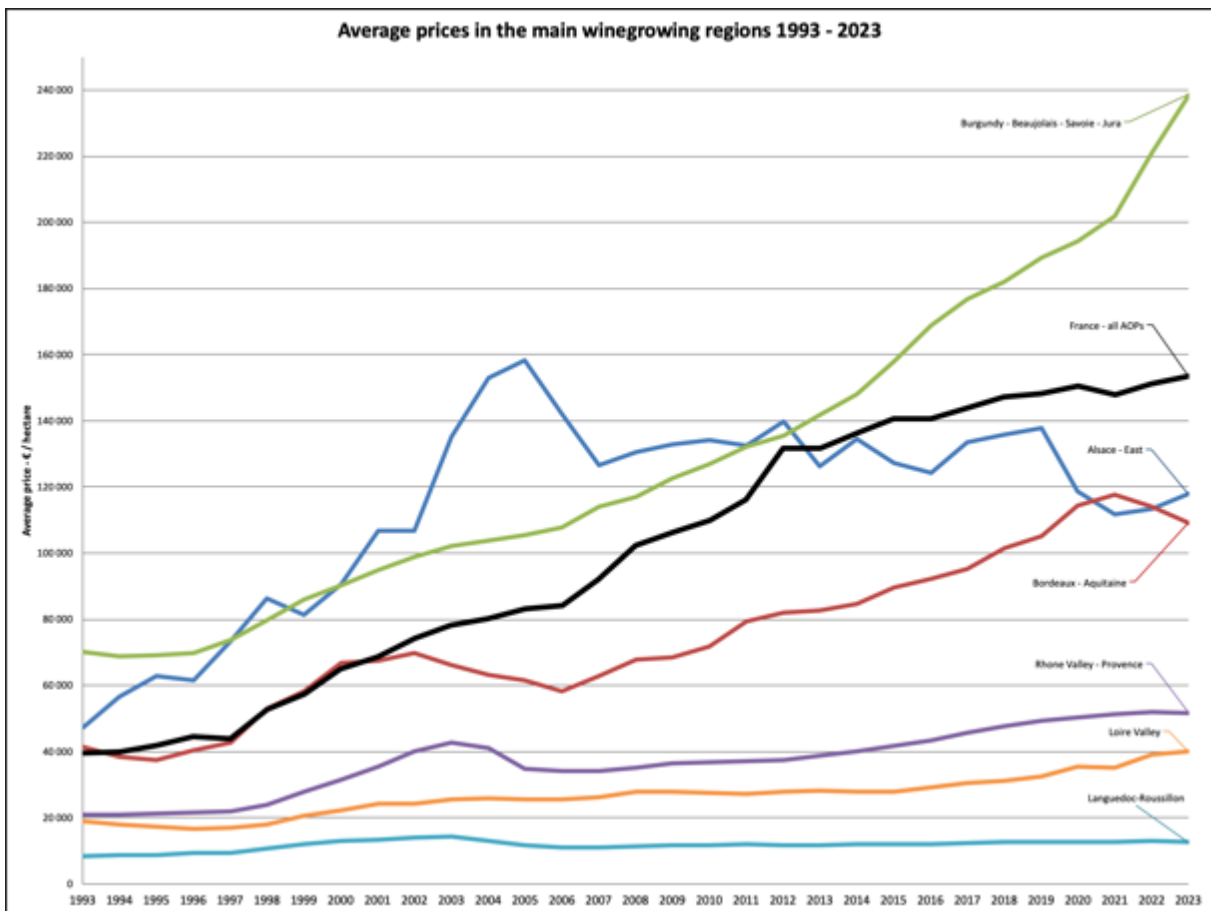
While Burgundy, Champagne and the Loire registered modest increases in average vineyard prices, Bordeaux and the Languedoc saw decreases of – 4.3% and – 3.1% respectively:

	2022 €/ha	2023 €/ha	Change 2022/2023
Alsace - East	113,200	117,900	+ 4.1%
Bordeaux - Aquitaine	114,000	109,100	- 4.3%
Burgundy - Beaujolais - Savoie - Jura	220,900	238,500	+ 8.0%
Champagne	1,065,700	1,090,100	+ 2.3%
Languedoc-Roussillon	13,000	12,600	- 3.1%
South West	14,000	13,400	- 4.0%
Loire Valley	39,200	38,900	+ 1.8%
Rhone Valley - Provence	51,800	51,700	- 0.3%
All AOPs	151,200	151,200	+ 1.5%
All AOPs excl. Champagne	81,600	81,600	+ 0.7%

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Source: Groupe Safer-SSP



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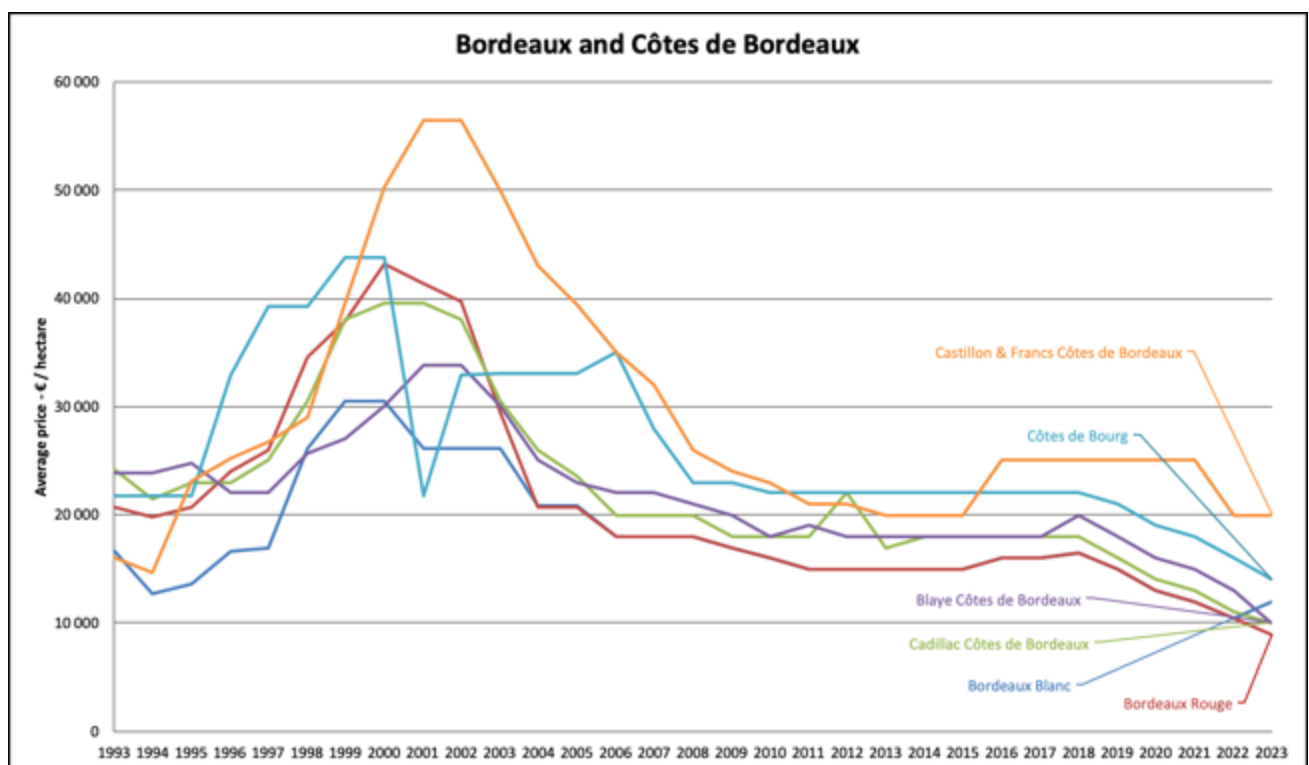
The Bordeaux market

The decline in the average price per hectare of Bordeaux vineyards that commenced in 2022 continued in 2023, with a further decrease of 4.3%. The SAFER one again blamed this primarily on the crisis affecting the sale of generic AOP Bordeaux and Côtes de Bordeaux wines, noting that AOP Bordeaux vineyards have lost almost half of their value in five years (-45%). However, other areas of Bordeaux also saw declining values in 2023, notably the Médoc (- 29%) and the Haut-Médoc (- 17%), while even some of the more prestigious appellations saw prices going into reverse, with Pessac-Léognan recording a 10% decline after several years of increasing prices.

Vineyard prices in the **Bordeaux** and **Côtes de Bordeaux** appellations continued to deteriorate in 2023 with the average price of a hectare of AOP Bordeaux vineyards dipping to €9,000. The SAFER noted that while in a few very rare cases parcels were changing hands at around €15,000 per hectare, less well-situated parcels were selling for around €4,000 per hectare. However, rather than selling at such low prices, many growers opted to take up the subsidies on offer to pull out their vines, while some growers bought neighboring parcels to prevent them from being taken out of production.

Only a handful of investors and negociants were tempted to take advantage of the historically low prices to and increase their holdings in these appellations. However, vineyards planted with white varieties fared slightly better, achieving an average of €12,000 per hectare in the Bordeaux and Entre-Deux-Mers appellations.

Prices in the **Côtes de Bordeaux** appellations continued to fall in 2023, with a hectare of vines in Cadillac and Blaye selling for €10,000 on average, while those in Bourg achieved €14,000 and in Castillon reached €20,000.

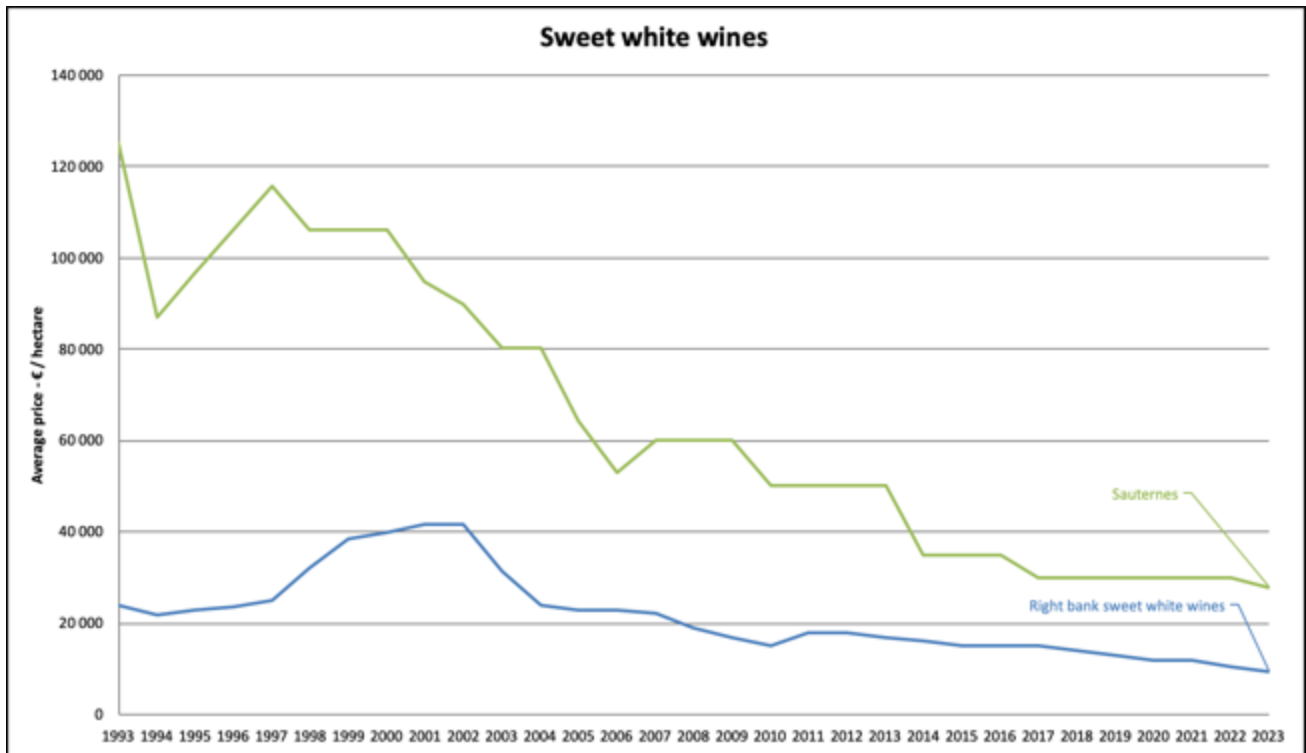


Source: Groupe Safer-SSP

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In **Pessac-Léognan** the fall in prices that commenced in 2022 continued in 2023, with the average price per hectare falling to €450,000 per hectare, having risen to €650,000 in 2021. However, parcels situated on the best terroir continued to change hands for around €600,000 per hectare. In **Graves** the average price suffered another small decline, from €27,000 to €26,000 per hectare, for both red and white. However, buyers were willing to pay a premium for vineyards in the best sites, in the region of €38,000 per hectare, while lower quality sites struggled to find buyers above €10,000 per hectare.

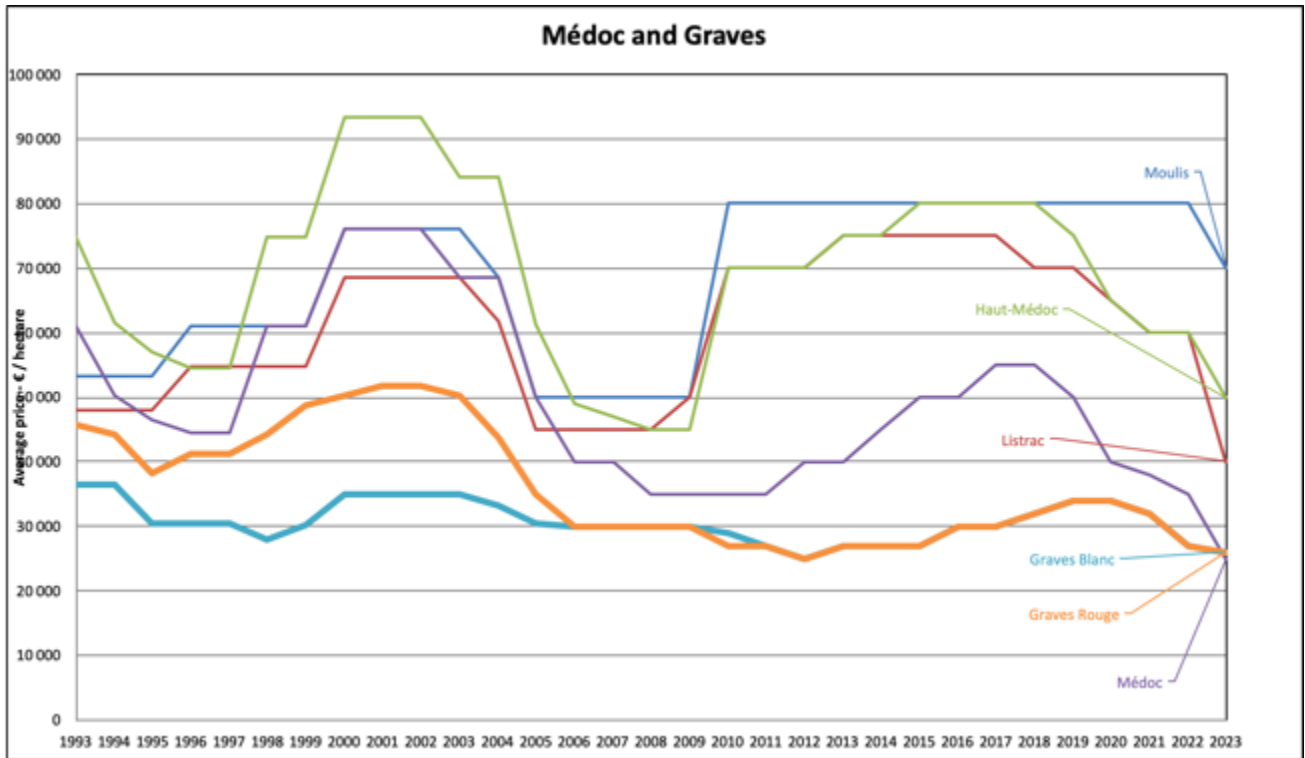
Vineyards in the sweet white wine appellations continued to fall in value, with **Sauternes** registering another small decrease from €30,000 to €28,000 per hectare, while on the other bank of the Gironde vineyards in appellations such as **Loupiac** and **Sainte-Croix-du-Mont** dipped below €10,000 per hectare.



Source: Groupe Safer-SSP

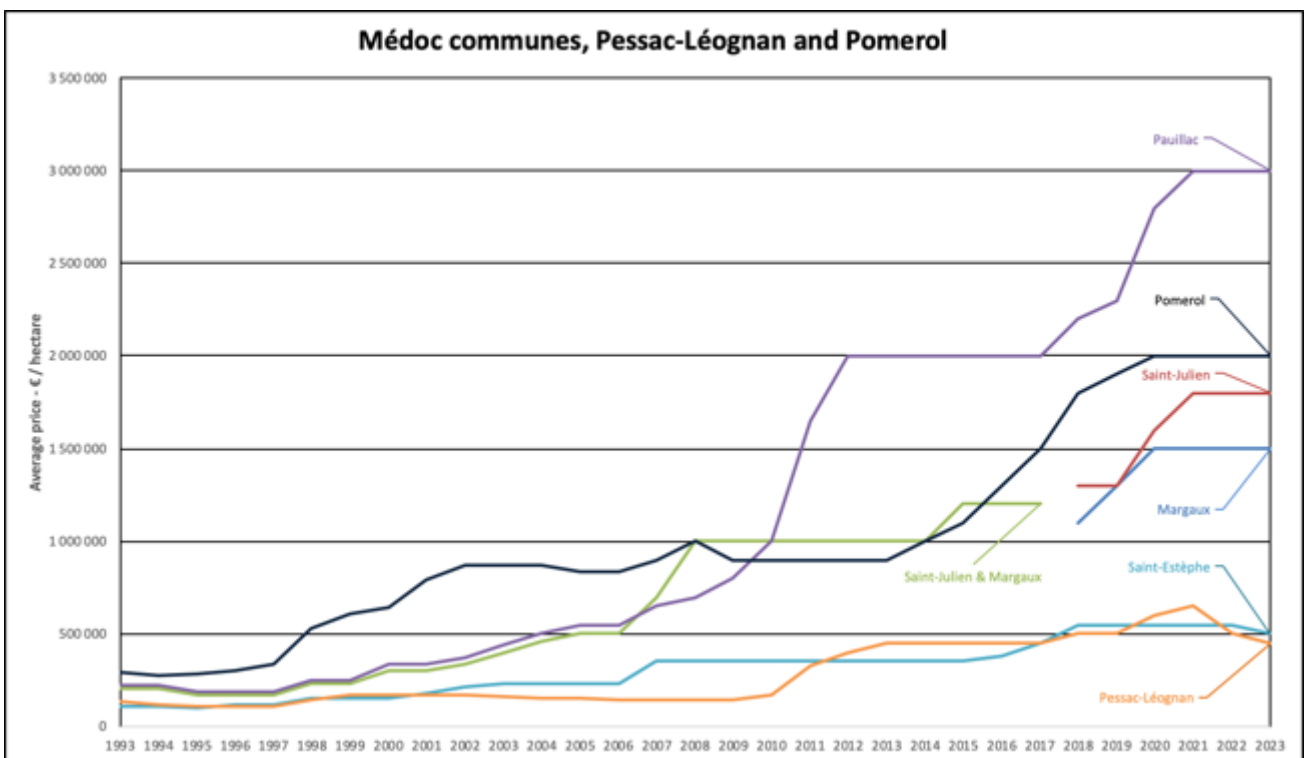
The **Médoc** and **Haut-Médoc** appellations saw a significant decline in average prices, with vineyards in the former dropping to €25,000 per hectare and in the latter to €50,000 per hectare. Having remained stable in 2022, prices in the **Listrac** and **Moulis** appellations also fell in 2023. With little sign of an end in sight to the current crisis the SAFER noted that local buyers limited their purchases to small, landlocked parcels.

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Source: Groupe Safer-SSP

The SAFER did not register any changes in average prices in the Left Bank communal appellations of **Margaux, Saint-Julien** and **Pauillac**, although there was a small decrease in the average price of **Saint-Estèphe** vineyards, from €550,000 to €500,000 per hectare. However, the gap widened between the most and least sought-after terroir in Saint-Estèphe, with the former changing hands for €1,200,000 per hectare and the latter for €300,000 per hectare.



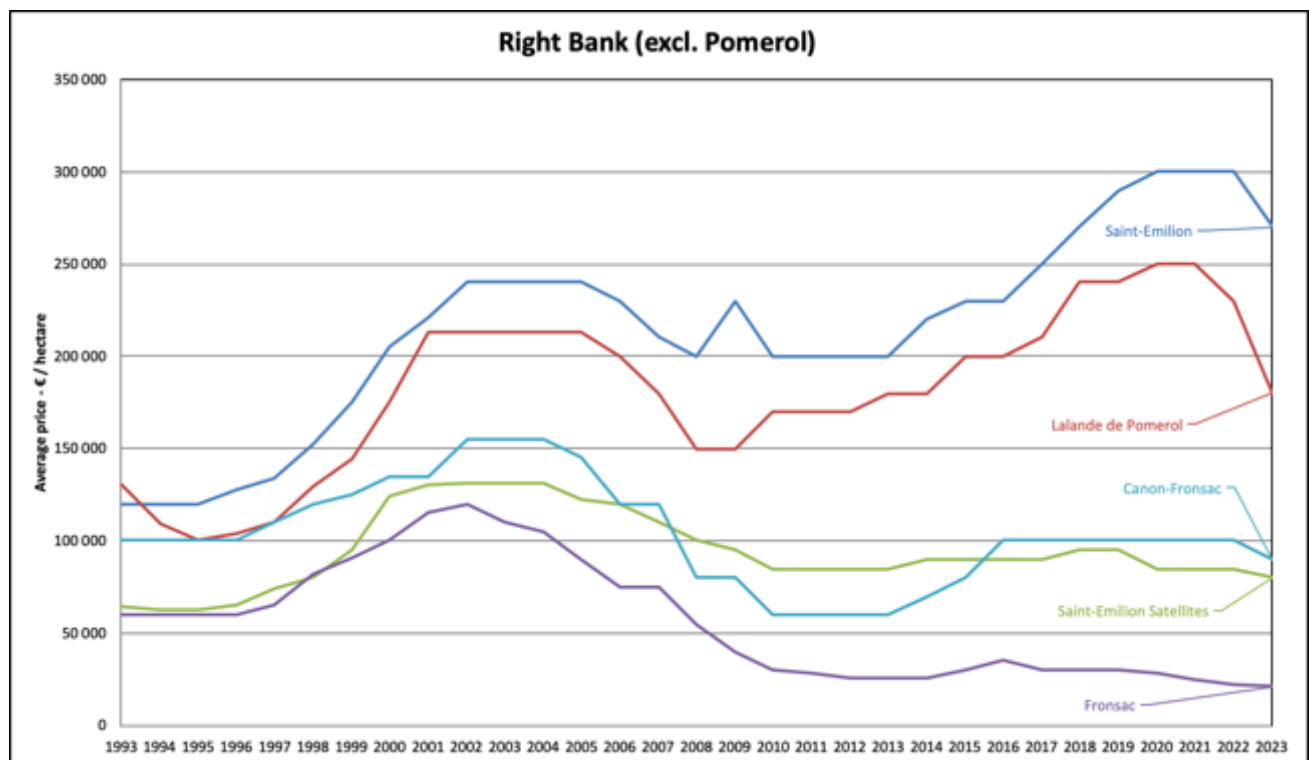
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Source: Groupe Safer-SSP

Having seen prices unchanged over the previous three years, **Saint-Emilion** saw a drop in the average price per hectare from €300,000 to €270,000, with vineyards in the least attractive sectors the most affected. There was a significant increase in area for sale while local buyers were reluctant to invest in the face of further difficulties selling their wines. According to the SAFER this resulted in “a sluggish market waiting for a new definition of price levels.” Buyers were even more selective, leading to vineyards in the least sought-after sectors selling for as little as €180,000 per hectare, while competition for vineyards located in the best sites was also more restrained, although exceptional parcels still changed hands for 4 to 5 million Euros per hectare.

Demand for vineyards in the Saint-Emilion Satellites was also weak, leading to a fall in average prices in both **Lussac** and **Puisseguin**. The best sites in **Montagne** continued to change hands for a little over €100,000 but vineyards on less favorable terroir saw much lower values.

The average price of **Pomerol** vineyards was unchanged, at €2,000,000 per hectare, although buyers were willing to pay over €7,000,000 per hectare for the best vineyards, while marking down the least attractive sectors to €1,300,000 per hectare. The average price in **Lalande-de-Pomerol** fell significantly, from €230,000 to €180,000 per hectare and **Fronsac** saw a further decline in the average price in an almost total absence of transactions.



Source: Groupe Safer-SSP

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Here are some of my observations on the current state of the Bordeaux vineyard market.

- Vineyards are not immune to the challenges currently facing many sectors – high interest rates, softer consumer spending, geopolitical uncertainty, etc.
 - The state of the vineyard market is inextricably linked to the state of the wine market and Bordeaux producers are encountering headwinds across the board, from producers in the less prestigious appellations to the Grand Cru Classé estates.
 - A significant proportion of the market is made up of local buyers. If they are struggling to sell their wine they are unlikely to be looking to increase production.
 - The above data is for 2023 and there has been a further, significant degradation in the market this year. I would be surprised if the figures for the number of transactions, surface area sold and transaction value do not fall considerably this year.
 - Many growers in the lower tier appellations are simply pulling up their vines, with or without subsidies. There simply aren't any buyers for most of these vineyards, the majority of which are losing money and require significant capex to restructure their vineyards and upgrade their facilities and equipment.
 - What is most telling in the above data is the fall in prices in some of the more prestigious appellations, notably Saint-Emilion and Pessac-Léognan, while even the top appellations – Pomerol, Pauillac, Margaux etc – are treading water. Growers in these appellations are starting to feel the effects of softer demand for their wines, leading to an increase in properties coming onto the market and fewer buyers are competing to acquire them.
 - Buyers are scarce and are being highly selective: they are only interested in the exceptional assets in the best appellations. This is evidenced by the widening of the “spread” between the lowest and highest price paid per hectare, across all appellations. Properties with faults are being marked down severely, while prime assets are still attracting a premium.
- ...however, it is not all bad news !
- Firstly, there are some excellent opportunities to acquire very high-quality assets/brands at extremely attractive prices, with relatively little downside risk.
 - Secondly, reducing production by pulling up vineyards, particularly those of lower quality, will do no harm in addressing quality and pricing issues and thus benefit all producers going forward.
 - Lastly, there are still plenty of high quality producers in Bordeaux, right across the quality/price spectrum, quietly going about their business successfully making and selling excellent wines.

Alexander Hall

www.vineyardintelligence.com

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