

Country Homes Market in Minutes Q2 2016



Capard House, Co. Laois. 134 acre estate sold by Savills in Q4 2015 for €5m.

Overview

Ireland's economy is advancing at a remarkable pace, with the latest National Accounts confirming GDP growth of 7.8% in 2015 – the strongest rate of annual growth since 2000. To put this into context, the Irish economy grew five times faster than that of the Eurozone last year, and over three times faster than the US and UK. Strong exports in recent years have paved the way for a return to domestically driven growth, something which was absent during the early stages of the recovery. Despite a slight moderation in the pace of employment growth, Ireland

still created over 44,000 jobs in the twelve months to Q4. Consequently, 142,000 more people are at work than at the low point in 2012. With unemployment falling, earnings are rising. This, coupled with modest tax cuts, is supporting a notable pick-up in disposable incomes which, alongside cheaper commodity prices, is helping restore confidence.

Following five stagnant years of slow, drawn out sales, which resulted in prices falling by as much as 70%, activity within the country homes market began to pick up at the tail-end of 2012. With the domestic economy

only beginning to find its feet, activity was initially driven by international buyers looking to capitalise on the value which was on offer. Since then, however, the buyer profile has become more diverse. While international clients continue to account for some of the more high-profile sales, the strengthening economy has created demand from domestic buyers and those returning to the country after spells living abroad. As a result, competitive bidding within the core country homes market has re-emerged. →



Mount Hanover, Co. Meath. 109 acre estate sold by Savills in Q3 2015 for €2.4m.

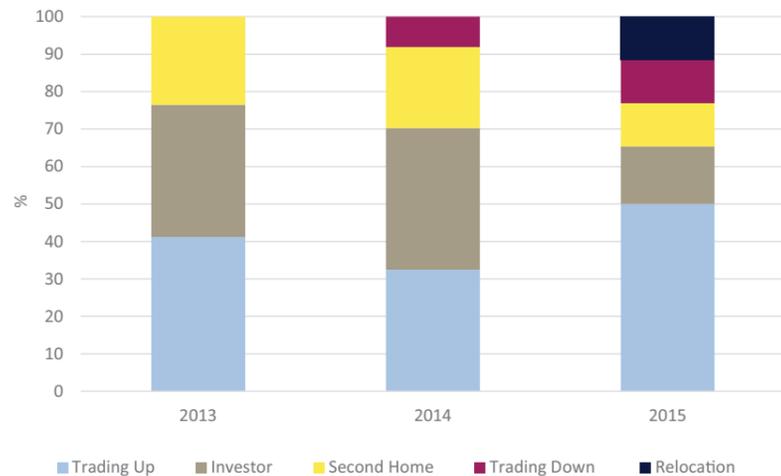
Who is buying?

Reflecting the recovering economy and property market, home owners trading up accounted for half of Savills' country home sales in 2015 (see figure 1). These buyers tend to be in the market for 5/6 bedroom properties with mature gardens and outbuildings, located close to good schools, road networks and airports. Relocating families are also accounting for an increased proportion of country home sales. A number of these are returning migrants, some of which built up savings and housing equity abroad and capitalised on windfall foreign exchange gains upon returning home.

While a high level of investor activity was recorded in 2014, some of this was due to the Capital Gains Tax (CGT) incentives which were withdrawn that December. Since the CGT removal, investor activity in the country homes sector has inevitably dropped off, with this group of buyers falling from 38% of sales in 2014 to 15% last year.

According to the Property Price Register, Cork and Wicklow have been the most popular locations for buyers in the €1 million plus country homes market in recent years. This suggests that many of those seeking the benefits of country living are also looking to

FIGURE 1 Buyer Type (2013 - 2015)



Source: Savills Research

remain within arm's reach of major cities, be it for shopping and entertainment purposes, prestigious schools or access to good road links and international airports. Indeed, Savills' sales data support this view, with a disproportionate number of transactions located in Dublin and neighbouring counties, and along national arterial routes (see figure 2).

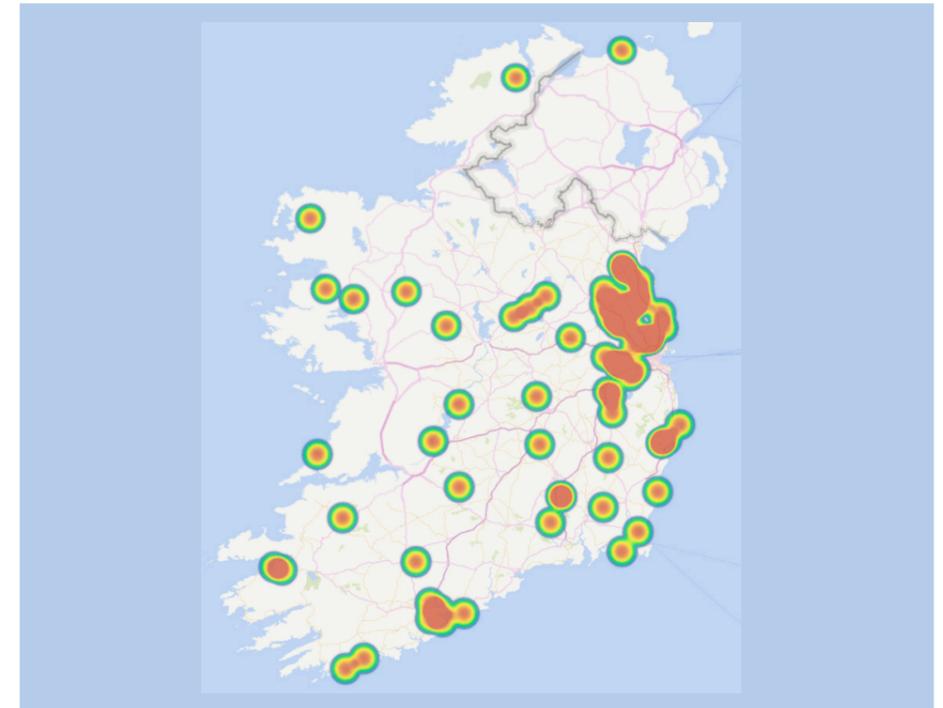
Buyers at the top-end of the price spectrum also highlight location as a top priority. However, this group tends to be on the lookout for much grander homes with secondary accommodation

and staff quarters, overlooking water, with 100 or more acres of parklands and, in many cases, adjoining equestrian facilities. Many of these properties are used for weekend entertainment purposes or summer retreats. Typically, country homes buyers are not reliant on mortgage finance. In reality, a trophy estate will only ever be attainable to a small minority, not only because of the higher price point, but also due to maintenance costs. Therefore, it is little surprise that almost 85% of Savills' country homes sales over the last three years have been cash transactions. Those deals that are being

FIGURE 2 Savills Country Homes Sales (2013 - 2015)

financed with a mortgage tend to involve existing homeowners trading up and are generally smaller in value – averaging €520,000 in 2015, compared with almost €1 million for cash buyers.

While domestic buyers account for a majority of Savills country homes sales, it is interesting to note that the single biggest deal in each of the last three years was a cash purchase from the UK or US. Indeed, in the last year, our agents have noted a greater level of interest from American applicants, many of whom are looking to purchase a piece of family heritage here in Ireland. High net worth individuals from the UAE and the Far East have also been more acquisitive. For the most part, they are making discretionary purchases – usually a second home – with buyers tending to place a greater emphasis on properties with architectural merit, access to idyllic coastlines or lakes and, importantly, within reasonable distance of an international airport.



Source: Savills Research



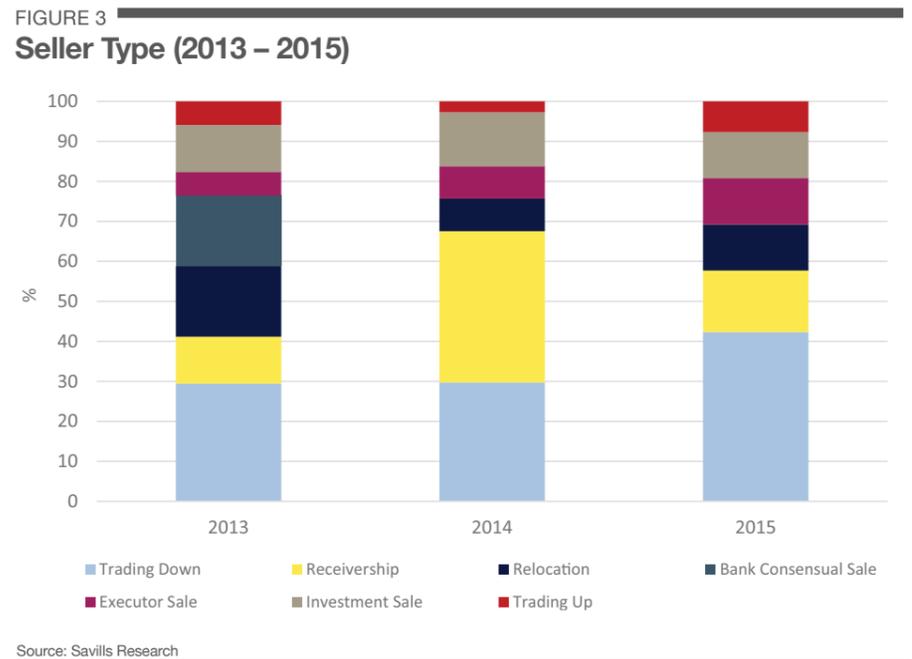
The Old Coastguard Station, Co. Sligo. Sold by Savills in Q1 2016 for €1.2m.



Tynite Park, Co. Wicklow on 144 acres - For Sale, asking price €3.25 m.

Who is selling?

The seller profile has been quite diverse over the last three years. However, those trading down, and unlocking equity in the process, are bringing their properties to the market at a faster rate, accounting for over 40% of sales in 2015 (see figure 3). Receivership sales have gone the other way. These tend to be second homes, purchased by developers and business people during the Celtic Tiger era, the majority of which have now been offered for sale or sold. As a result, we have seen fewer and fewer coming to the market and receivership sales have fallen from 38% of Savills' country homes transactions in 2014 to 15% last year. Interestingly, while there has been an increase in the number of buyers relocating, the share of those selling due to relocation has fallen from one-in-five sales in 2013 to one-in-ten last year. Again, this can be explained by the strongly recovering home economy, greater job security and a pick-up in earnings.



Quinville Abbey, Co. Clare on 15 acres, sold Q1 2016 price region €1.4 m.



Mountainstown House, Co. Meath on 120 acres - For Sale, asking price €3.5 m.

OUTLOOK

While the outlook for the economy remains positive there are, as ever, potential headwinds, none-more-so than political concerns around 'Brexit'. This has left many of our UK clients in 'wait and see' mode until the outcome of June's referendum is known. Our agents are also noting a shortage of supply within the popular €1 million - €2 million price bracket and, as a result, 2016 got off to a slow start. Nonetheless, following a standout year for the Irish economy in 2015, the latest consensus forecasts are pointing to further, albeit less pronounced, GDP growth of 4.8% this year and 3.8% next year. Employment growth forecasts also remain strong. Total employment is set to pass the two million mark for the first time in seven years in 2016, with an additional 84,000 jobs expected to be generated over the course of this year and next. This will inevitably put further downward pressure on the unemployment rate, underpinning earnings and drawing more domestic buyers into the market. With global interest rates expected to remain lower for longer, international clients with large sums on deposit – generating minimal interest – will continue to be attracted to real assets. Although the country homes market in Ireland has recovered strongly, it is still some way off its peak and continues to offer good value for money compared with competing international markets. Therefore, this should continue to attract a large client base going forward.

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Savills plc

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