

Country Homes Market in Minutes Q2 2017



Lisselan House, Clonakilty, Co Cork. 315 acre estate for sale - asking price €3.6m

Economic Overview

Ireland's economy continued its strong run in 2016 with growth of 5.2% making it the best performing economy in the EU for the third consecutive year. This growth was driven by the domestic economy with consumer spending, the largest component of domestic demand, increasing by 3% annually. Underpinning this was a sustained improvement in the labour market which saw employment rise by 3.3% per annum in Q4.

Early indications are that the robust economic performance has continued in 2017. Annual employment growth accelerated to 3.5% in Q1, its fastest rate since before the economic crash. Meanwhile the unemployment rate fell to 6.4% in April, its lowest rate since mid-2008. While earnings growth has remained sluggish the tightening labour market will put upward pressure on wages which will ultimately support confidence and the housing market.



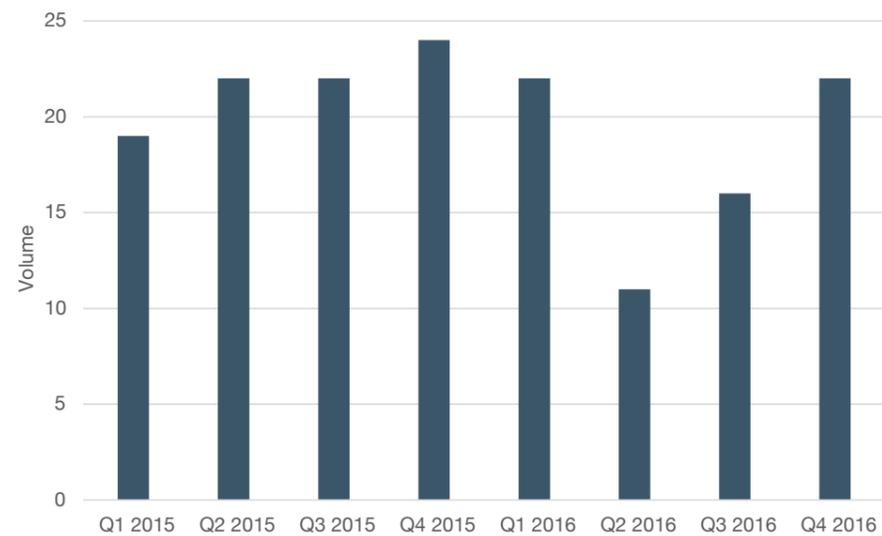
Upper Aughrim House, Aughrim, Co. Wicklow, sold by Savills in Q1 2016 for €1.8m

Country Home Market Trends

As a broad proxy of the country homes market we looked at all transactions over €1m outside Dublin recorded in the property price register between 2013 and 2016. While recognising that this has its limitations in specifically identifying country homes, it does give us an indication of the overall trends in the high end of the market outside Dublin over those four years. In line with the broader recovery in the economy transactions in this sector of the market increased by almost 70% between 2013 and 2015. This momentum continued in early 2016. However, Q2 and Q3 saw a significant slow-down in activity with sales almost 40% lower than in the same period of 2015. This coincided with the run up to and immediate aftermath of the Brexit

vote and supports agents' views that uncertainty weighed on mid-year sales. This uncertainty affected both the buy and sell sides of the market. On the one hand, overseas buyers, who have traditionally accounted for a material share of sales in value terms, withdrew to take stock of political developments. This was compounded for UK buyers by the depreciation in the value of Sterling. On the other hand, agents reported that sellers became reluctant to put property on the market and transactions suffered as a result of tighter supply. Despite Brexit Savills, as a subsidiary of a UK company, continued to see activity by UK buyers in the Irish market last year. However, perhaps reflecting uncertainty around the Brexit vote, activity was concentrated in the opening and closing months of the year.

FIGURE 1
High end Sales by Quarter Ex. Dublin



Source: PPR, Savills Research



Phepotstown House, Kilcock, Co. Meath. 28 acres for sale - asking price €1.5m

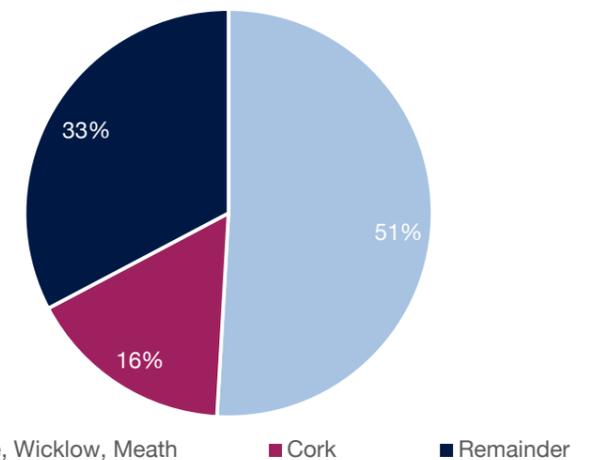
Our analysis of the property price register shows that a high proportion of ex. Dublin properties that traded above the €1m price point were within striking distance of the larger cities. Just over two thirds of transactions took place in the Mid-East commuter counties of Wicklow, Meath and Kildare and in County Cork.

Agents report that these locations provide the opportunity for purchasers to meet their living space and land requirements without having to forego the convenience of proximity to the city. Indeed, the value the market places on location explains why the counties around our major urban centres contain a higher weighting of €1m properties.



Foxwood, Co. Kildare. 4.5 acres for sale - offers over €1,500,000

FIGURE 2
Sales by Location



Source: PPR, Savills Research

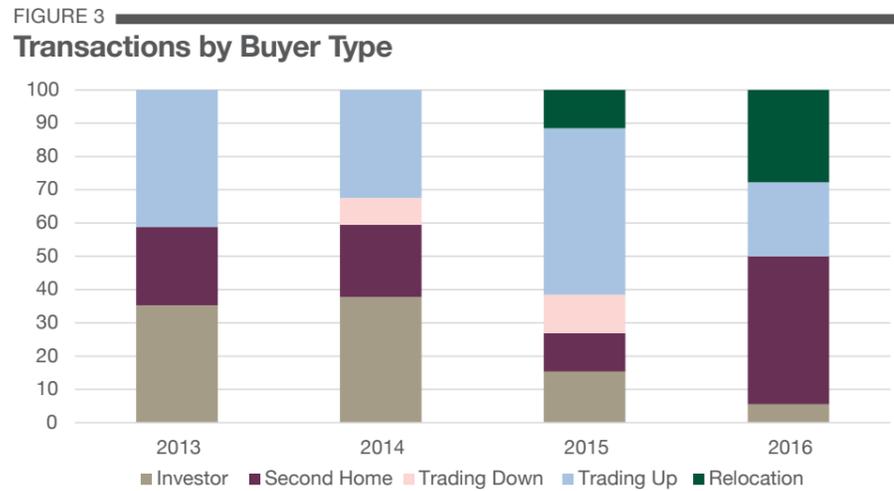
Who is buying?

Perhaps unsurprisingly in a strongly recovering economy there was a significant jump in the proportion of buyers purchasing second homes. This group accounted for 44% of buyers in 2016, up from 12% in 2015. These buyers put a premium on large well-maintained properties in picturesque, secluded locations. Proximity to nearby towns was also important and, given that these homes were likely to be used for weekends and holidays, good road and air transport links were valued. →

Traders-up accounted for just over a fifth of all Savills' country homes purchasers. Unsurprisingly space - in terms of both accommodation and land - was critical to this buyer group. In addition, convenient locations close to amenities and in many cases within a commutable distance of Dublin were also high on the list of priorities.

Last year we noted that the proportion of sales accounted for by relocating families had increased, and this continued in 2016 with relocators' share rising from 12% to 28% of Savills' country homes sales. Returning migrants are driving this increase. This group are undoubtedly responding to Ireland's rapidly improving economy and the increased job opportunities that exist. But some are also perhaps taking the opportunity to switch their housing equity out of slowing markets and into the Irish market which is seeing a faster rate of house price inflation. This may be a factor particularly for buyers coming from the UK. Property prices in England have risen by c.30% in the last 10 years versus a decrease of similar magnitude in Ireland. As a result Irish country homes now represent very good value in relative terms. Moreover, whereas the rate of house price growth has been slowing in the UK, inflation in the Irish market is getting stronger and this offers the opportunity for capital appreciation.

The proportion of sales to investors continued its downward trend in 2016, falling to just 6% and making investors the smallest buyer group in the Savills country homes dealbook. This contrasts with 2014 when the Capital Gains Tax incentive (which was discontinued at the end of that year) made investors the single biggest purchaser group. Unlike investors in other segments of the property market country homes investors are predominately interested in owning land and the potential for capital appreciation, while income generation is often a secondary concern. ■



Source: Savills Research

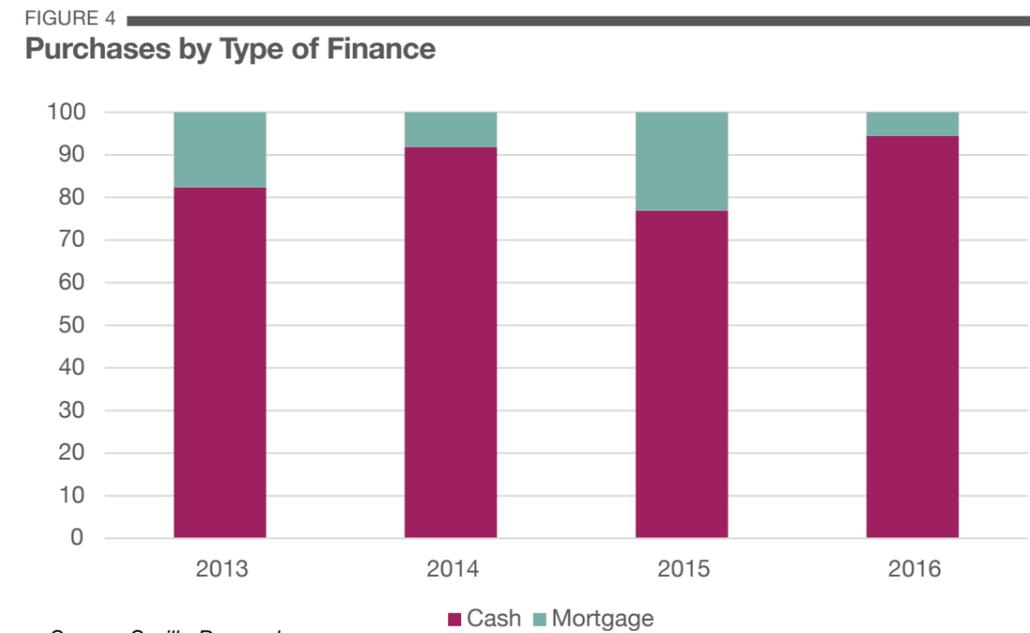


Ballindoolin Estate, Co. Kildare on 250 acres sold 2016 – European purchaser



Dromin House, Co. Louth on 20 acres Sold 2017 – Irish purchaser – price not disclosed

Given that country homes are invariably priced at the top end of the market and only affordable to those already in a solid financial position, it is unsurprising that the vast majority are purchased for cash. Over the past four years Savills' agents have seen almost 90% of country homes purchased in cash.



Source: Savills Research



Longfield House, Kiltimon, Newtownmountkennedy, Co Wicklow, sold by Savills in Q1 2017 for €1,737,500



Galtrim Estate, Co. Meath – 109 acres. For sale – asking price €2.25m



Griesemount House, Co. Kildare – 3.5 acres – asking price €925,000



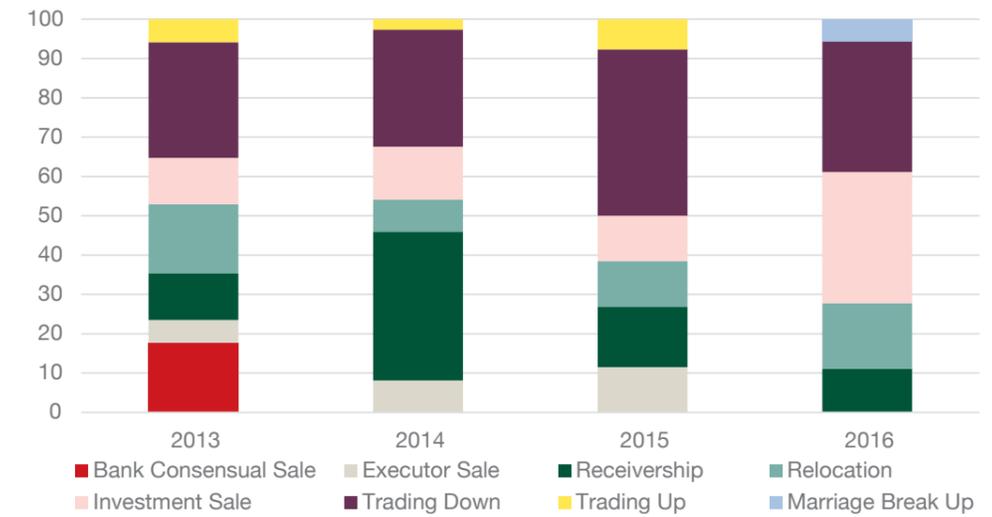
Blackhall House, Blackhall, Balbriggan, Co. Dublin - 18.5 acres for sale - asking price €1.5m

Who is selling?

Over the past four years Traders Down have averaged a third of total sales and this trend continued in 2016. Many of these houses had been in the same families for years, offering vendors the chance to release substantial equity from properties that may have become too burdensome to maintain. In addition, many want to move closer to their adult children and grandchildren.

There was a big increase in investor sales which also accounted for around one third of the properties sold through Savills country homes. This compares to an average of 12% over the previous three years. In contrast receivership sales continue to see their share of the market fall. It may be that the recovery in prices has allowed some investors to restructure their property portfolios without having to go into receivership.

FIGURE 5
Transactions by Seller Type



Source: Savills Research



The Rectory, Glandore, West Cork, sold by Savills in Q1 2017 for €1.4m

OUTLOOK

Despite the potential headwinds posed by Brexit and the new administration in the US, the economic outlook for Ireland remains favourable and the economy is expected to grow by 3.8% and 3.2% in 2017 and 2018 respectively. Employment is forecast to grow by 4.4% over the same timeframe. This will support wage growth and underpin confidence which, in turn, will support domestic buyers who traditionally account for the bulk of Irish country homes purchases.

On the international front there is a more mixed picture. Brexit may weigh on confidence in the coming year which could stay the hand of some UK purchasers. That said after taking stock of the outcome of the referendum vote in mid-2016 many UK buyers still regard Irish country homes as good value and agents report that they are returning to the market. Indeed, the uncertainty associated with Brexit may also increase the attractiveness of Ireland to some UK buyers particularly if they have Irish roots. However, the recent inconclusive result in the UK general election may create some short term uncertainty. Americans tend to favour large estates with water frontage and their activity in the market will largely be dictated by the availability of suitable opportunities.

Looking ahead agents report that interest in the market has accelerated with viewings in the four months to the end of April up 65% on the same period in 2016. Above all buyers are looking for value. Thus country homes that are priced competitively will continue to be in demand from domestic buyers, returning Irish and international buyers alike.

Ireland Country Homes and Research Teams

Please contact us for further information



John McCartney
Director – Research
+353 (0) 1 618 1427
john.mccartney@savills.ie



Harriet Grant
Head of Country Homes
+353 (0) 1 663 4306
harriet.grant@savills.ie



Catherine McAuliffe
Director – Residential, Cork
+353 (0) 21 490 6117
catherine.mcauliffe@savills.ie



Pat O'Hagan
Head Auctioneer and Regional Sales
Manager
+353 (0) 1 663 4358
pat.o'hagan@savills.ie



James Butler
Associate Director
+353 (0) 1 663 4357
james.butler@savills.ie



Juliet Tennent
Economist - Research
+353 (0) 1618 1729
juliet.tennent@savills.ie

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