

Market in Minutes Country Homes

Q2 2018

- 86% of all H1 2018 purchasers were cash buyers
- Over 80% of all sales occurred in the Mid-East and Cork
- Significant interest from international buyers seeking country homes
- Offers bid on Savills' country homes increased by almost 150% in H1 2018 year-on-year

Economic Overview

Ireland's economy continues to perform especially well with output rising faster than in any other EU country. Underpinning this is a strongly performing labour market. In the last twelve months, 74,100 net additional jobs were created across a broad range of sectors, resulting in total employment surpassing its boom-time peak. Moreover, Ireland's unemployment rate in August 2018 was 5.6%. This has further intensified competition for talent and, as a result, average earnings are now rising by 3.3% per annum. At the same time, jobs growth has provided the fiscal space for tax reductions

in consecutive budgets, helping to boost real household disposable incomes by 5.2% on average over the last twelve months.

As ever, there are risks on the horizon. These include the threat of protectionist trade policies between the US and the EU, and Brexit. While uncertainty surrounding Brexit poses a risk to the Irish economy, our agents have continued to see UK interest in Irish country estates, particularly among buyers with Irish heritage. Reflecting this, over 20% of all offers on Savills' country homes between H1 2017 and H1 2018 came from UK buyers.



Goblusk House, Enniskillen, Co. Fermanagh. Sale agreed by Savills for £1,000,000



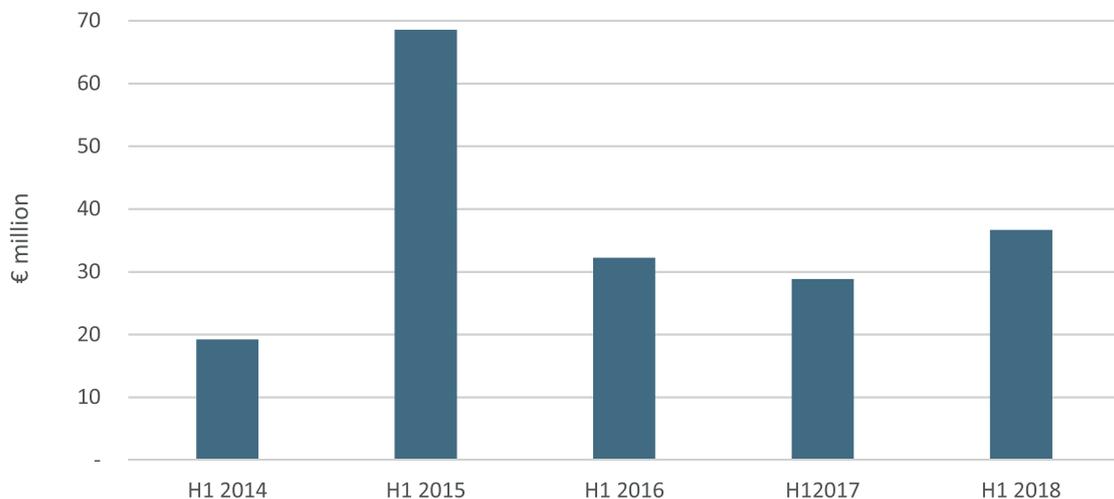
Longstone, Cullen, Tipperary. Sold by Savills in Q2 2018 for €600,000

Country Homes Market Trends

Using data from the Property Price Register, we examined all transactions exceeding €1 million outside Dublin and the major regional cities as a broad proxy for the country homes market. While we recognise this methodology has limitations, it provides insight into activity in the high-end of the market. The value of sales increased by 91% between H1 2014 and H1 2018. This reflects growing sales volumes and rising property prices. If we look

through the spike in 2015, which was caused by one large outlier, Figure 1 shows that the market has been on a generally upward trend and H1 sales turnover was up over 27% in 2018 compared with the same period in 2017. The rising market has been reflected in Savills' own business with viewings, offers and sales up significantly in the year to June.

FIGURE 1:
Value of High-End Sales



Source: PPR, Savills Research

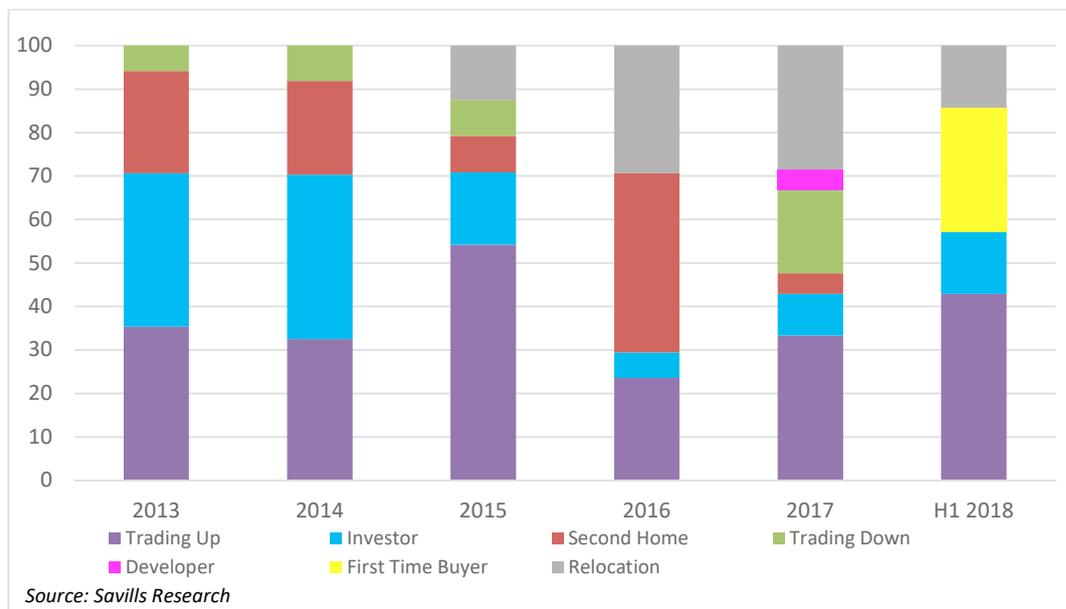
Who is Buying?

Reflective of Ireland's strongly performing economy, and rising house prices, traders-up accounted for one third of Savills' country home sales in 2017. This increased to over 40% in H1 2018, and traders-up have been the largest single buyer group this year. Typically, these buyers are seeking large properties (5/6 bedrooms) with ample gardens and are focused on locations within striking distance of urban centres. Our agents report that demand for properties on 5 - 25 acres of land is most common, with waterfrontage adding a premium of up to 40% to the sales price in some cases.

Relocating families accounted for almost 15% of all Savills' country home buyers in H1 2018. The Irish country homes market has always had an international flavour due to factors like the diaspora, Foreign Direct

Investment (FDI) and the scale and reputation of Ireland's horse breeding industry. In recent years the internet has further encouraged international trade. Unsurprisingly, therefore some of the buyers who are relocating are crossing international borders. These include Irish expats who have accumulated savings and/or equity abroad and are now returning home to a strongly performing economy. Indeed, new CSO figures show net inward migration totalled 34,000 in the year to April 2018, its highest level since 2008. Moreover, for the first time since 2009, the number of Irish people returning home outweighed the number of Irish moving abroad. Nonetheless, between 2010 and 2018, 352,600 Irish people left the country, and to date only 212,900 have returned. This suggests further potential for net inward migration from returning Irish abroad.

FIGURE 2:
Transactions by Buyer Type



The Glebe House, Kilallon, Co. Meath. Sold by Savills in Q1 2018 for in excess of €1,000,000



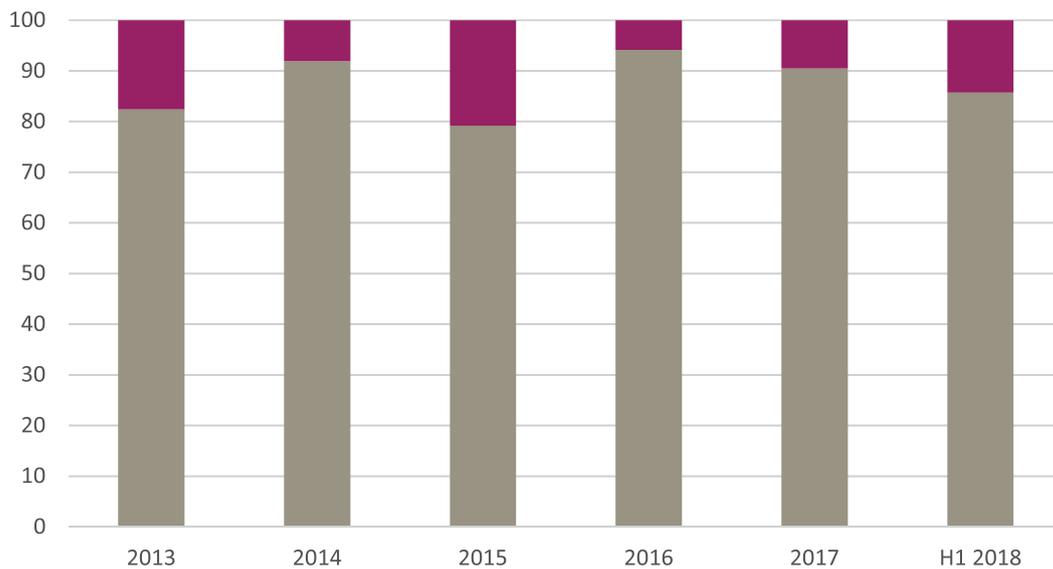
Deetjen Lodge, Dunboyne, Co. Meath. Sold by Savills in Q2 2018 for €905,000

How are Buyers Financed?

Trophy estates - comprising 100+ acres of parklands, overlooking water with adjoining equestrian facilities - will only be attainable to a small minority of wealthy buyers. In addition to the purchase cost, the maintenance of these luxury properties restricts affordability to a somewhat rarefied group

of purchasers. Reflecting this, country home buyers often do not rely on mortgage finance. Figure 3 illustrates that 86% of all Savills' purchases in H1 2018 were cash buyers, largely in line with previous years.

FIGURE 3:
Purchases by Source of Finance



Source: Savills Research

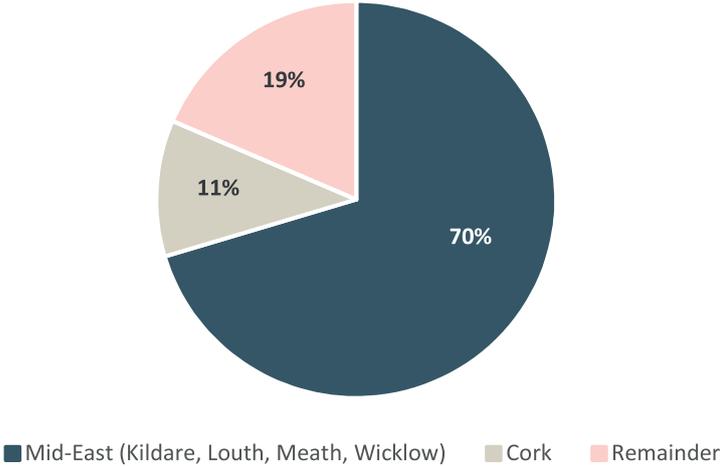
■ Cash ■ Mortgage

Where are Purchasers Buying?

Our analysis of the Property Price Register - again isolating transactions exceeding €1 million outside Dublin and Ireland's major cities - provides insight into the preferred location of country home buyers. In line with previous years, the Mid-East and Cork remained the most popular locations for buyers in H1 2018, accounting for 70% and 11% of all transactions

respectively. Buyers continue to favour these locations as they offer a balance between the attractions of country living and access to urban centres for educational, commercial, cultural and entertainment purposes. Proximity to good road links and international airports are important factors for potential purchasers.

FIGURE 4:
Transactions by Location H1 2018



Source: PPR, Savills Research



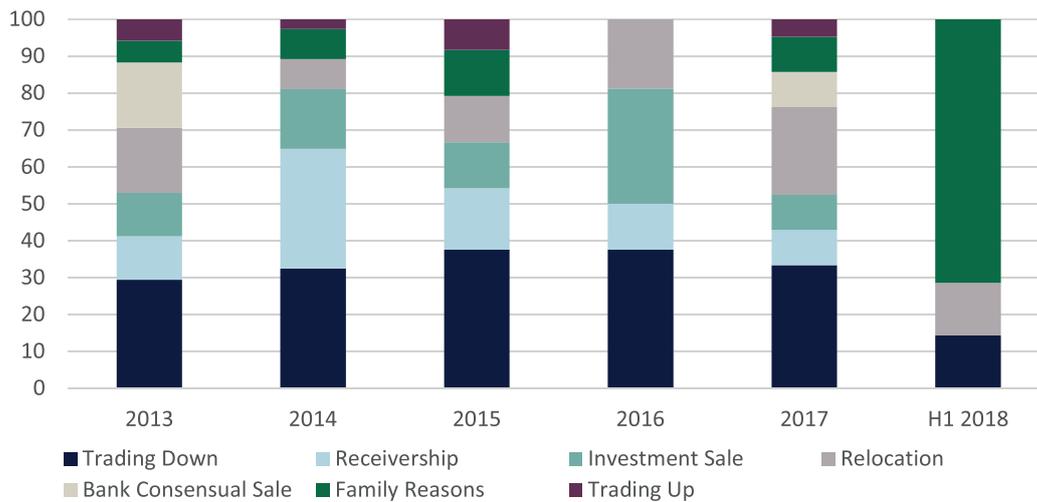
The Beach Haus, Bettystown, Co. Meath. Sale agreed by Savills for in excess of €1,500,000

Who is Selling?

Trading-down accounts for approximately one third of all country homes sold since 2013. Many of these properties have been in the same family for years, thus offering vendors an opportunity to release substantial equity from properties which may have become too burdensome to maintain. With a proportion of sellers falling into the category of 'empty nesters',

some vendors find they want to move closer to their adult children and grandchildren. However, the bulk of sales in H1 2018 occurred due to family reasons, although this motivation for sale can be quite variable between time periods, particularly when analysing shorter time frames.

FIGURE 5:
Transactions by Seller Type



Source: Savills Research



Nine Stones Cottage, Raheenkyle, Borris, Co. Carlow. Sale Agreed by Savills for in excess of €210,000

Outlook

The country homes market has become more accessible through the ubiquity of online platforms and the larger stock of properties currently available. This has filtered through to increased viewing appointments, offers and sales in the first half of this year. Indeed, the number of offers bid on Savills' country homes rose by almost 150% in H1 2018, when compared to H1 2017, and we expect these to flow through to increased sales in the second half of the year.

Despite potential headwinds arising from trade tensions between the US and the EU, and of course Brexit, Ireland's economy looks set to perform favourably with total employment forecast to grow by 2.4% and 2.0% in

2018 and 2019 respectively. Additionally, inward FDI has led to sustained growth in employment levels by foreign companies based in Ireland. According to the Department of Business Enterprise and Innovation, total employment by foreign owned enterprises rose by 5.3% in 2017. As foreign companies continue to invest in Ireland, wealthy employees relocating may seek out suitable country homes, especially within striking distance of the capital.

Above all buyers are looking to seek out value. Country homes that are competitively priced will continue to be in demand from both domestic and international buyers alike.



Rathbrist House, Rathbrist, Dundalk, Co Louth. Sold by Savills in Q3 2017 for €1,275,000



Galtrim Estate, Dunsany, Co. Meath. Sold by Savills in Q4 2017 for €3,000,000

Ireland Office and Research teams

Please contact us for further information



John McCartney
Director
Director of Research
Savills, 33 Molesworth Street, Dublin 2
+353 (0) 1 618 1427
john.mccartney@savills.ie



James Butler
Associate Director
Country Homes, Farms and Estates
Savills, 20 Dawson Street, Dublin, 2.
+353 (0) 1 663 4357
james.butler@savills.ie



Cianan Duff
Senior Negotiator
Savills Country Homes, Farms and Estates
Savills, 20 Dawson Street, Dublin, 2.
+353 (0) 1 663 4307
cianan.duff@savills.ie



Pat O'Hagan
Head Auctioneer & Regional Sales Manager
Country Residential
Savills, 20 Dawson Street, Dublin 2
+353 (0) 1 663 4358
Pat.OHagan@savills.ie



Catherine McAuliffe
Director
Residential
Savills, 11 South Mall, Cork, Co. Cork
+353 (0) 21 490 6117
catherine.mcauliffe@savills.ie



Liam McCarthy
Negotiator
Residential
Savills, 20 Dawson Street, Dublin 2
+353 (0) 1 663 4359
liam.mccarthy@savills.ie

Savills plc

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