

Country Homes



The Station House, Ballina, Co. Tipperary. Sold by Savills in Q3 2018 for in excess of €1,000,000

Country Homes Market Overview



90%

of all 2018 purchasers were cash buyers



OVER

40%

of all sales occurred in the Mid-East



Buyers are fully pricing-in renovation requirements



Energy efficiency is an emerging theme

Economic Overview

Ireland's economy continues to perform exceptionally well with output growth exceeding that of every other country in the EU. Some 50,500 net new jobs have been created across a range of sectors in the past year, bringing total employment back above its boom-time peak. Unemployment is currently at 5.4%, further intensifying competition for talent. As a result, average real earnings are now rising by 3.3% per annum. These job gains have enabled tax cuts across consecutive budgets, helping to boost real household disposable incomes by 5.3% per

annum, which will support the affordability of country homes for domestic buyers.

As ever, there are uncertainties, including a slowdown in the global economy and Brexit. Yet despite Brexit, or perhaps because of it, our agents have continued to see UK interest in Irish country houses even among buyers without Irish heritage. Reflecting this, almost 20% of the value of all Savills country homes sales was accounted for by UK buyers last year.



Thornbrook, Kilmeaden, Co. Waterford. Sale agreed by Savills in Q3 2018 for €500,000

Country Homes Market Trends

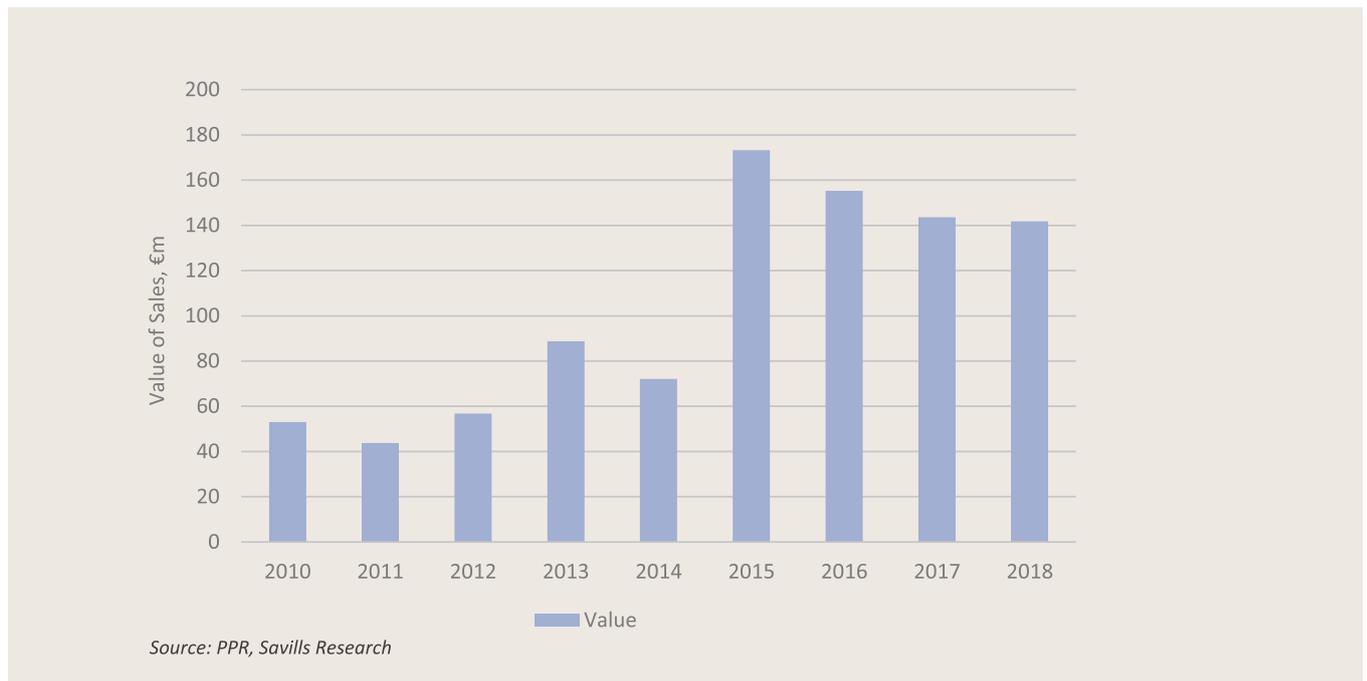
Using Property Price Register data, we examined high-end transactions outside of Dublin and the major regional cities as a broad proxy for the country homes market¹. Although this methodology has limitations, it does provide insight into activity trends. The value and volume of sales remained broadly constant between 2017 and 2018, locking-in previous gains. This reflects the broader trend in the second-hand market, where transactions growth outside of Dublin has been 1.4%.

Notwithstanding this recent levelling-off, Figure 1 shows that the market has experienced a marked increase in sales over the past four

years. The volume of country homes deals more than doubled between 2014 and 2015 and has remained buoyant since then.

One of the emerging trends Savills agents have observed among potential buyers is a greater interest in energy efficiency and this is being captured in the bid price. Another important attribute is water frontage, which has the potential to add up to 50% to the value of a country home. Last year, all country homes with direct access to water had an average marketing period of only seven weeks and achieved an average premium of 24.8% above the asking price. By comparison, overall asking prices were exceeded by an average premium of 5.3%.

Figure 1: Value of High-End Sales



¹ This refers to transactions over €1m excluding block sales in all areas excluding Dublin, Cork City and Galway City.

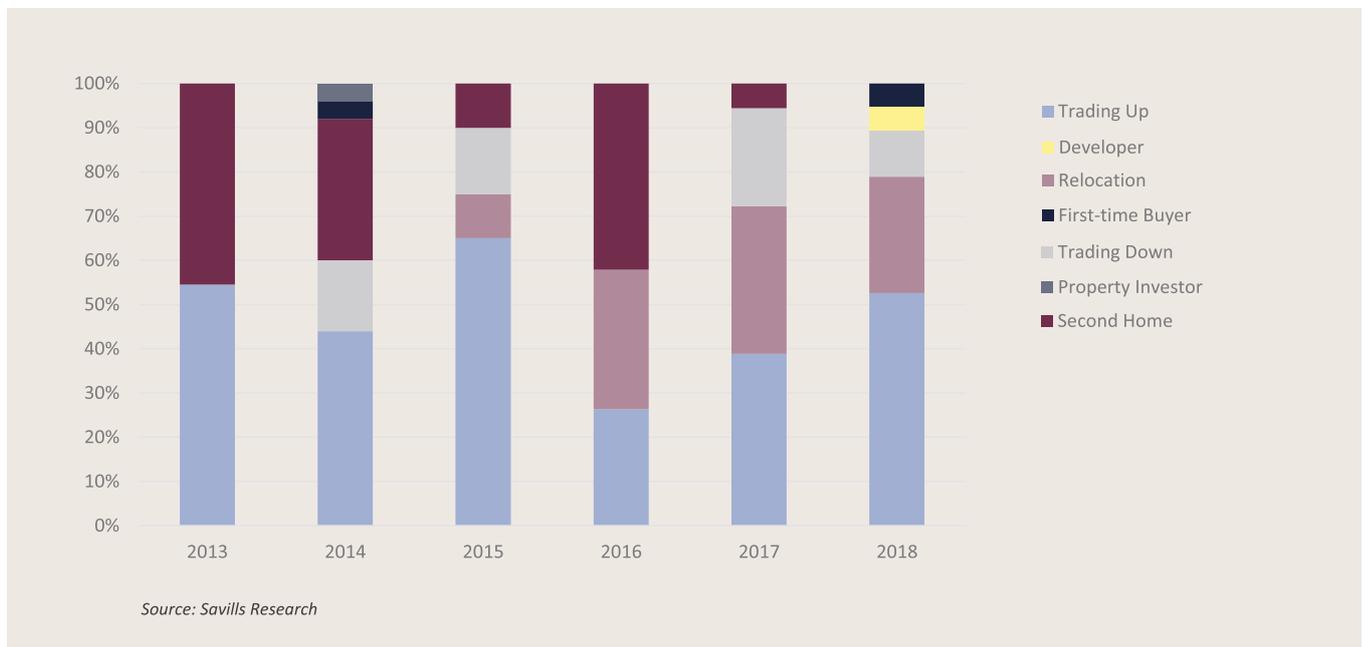
Who is Buying?

Reflective of Ireland’s strongly performing economy and rising house prices, traders-up accounted for half of all Savills country home buyers in 2018. This was a sharp increase from just over a quarter in the previous year, with the average value of deals among traders-up exceeding €1m. While the majority of these purchasers were Irish, 20% were from the UK. These purchasers may have been influenced by slowing price inflation on detached houses in England, viewing Irish country homes as a better store of wealth.

Interestingly, relocations accounted for 26% of all Savills country home buyers last year. The Irish country homes market has always

had an international flavour due to factors like Foreign Direct Investment (FDI), the Irish-American diaspora and the scale and reputation of Ireland’s horse breeding industry. In recent years, returning Irish expats who have accumulated savings and/or equity abroad have formed another group of potential purchasers. According to the CSO, the number of Irish people returning home in 2018 outweighed the number of Irish moving abroad for the first time in almost a decade. Nonetheless, between 2010 and 2018, 352,600 Irish people left the country while only 212,900 have returned. This suggests further room for net inward migration by Irish people returning from abroad.

Figure 2: Transactions by Buyer Type, Volume



Cruit Island House, Cruit Island, Co Donegal. Sold by Savills in Q1 2018 for €400,000



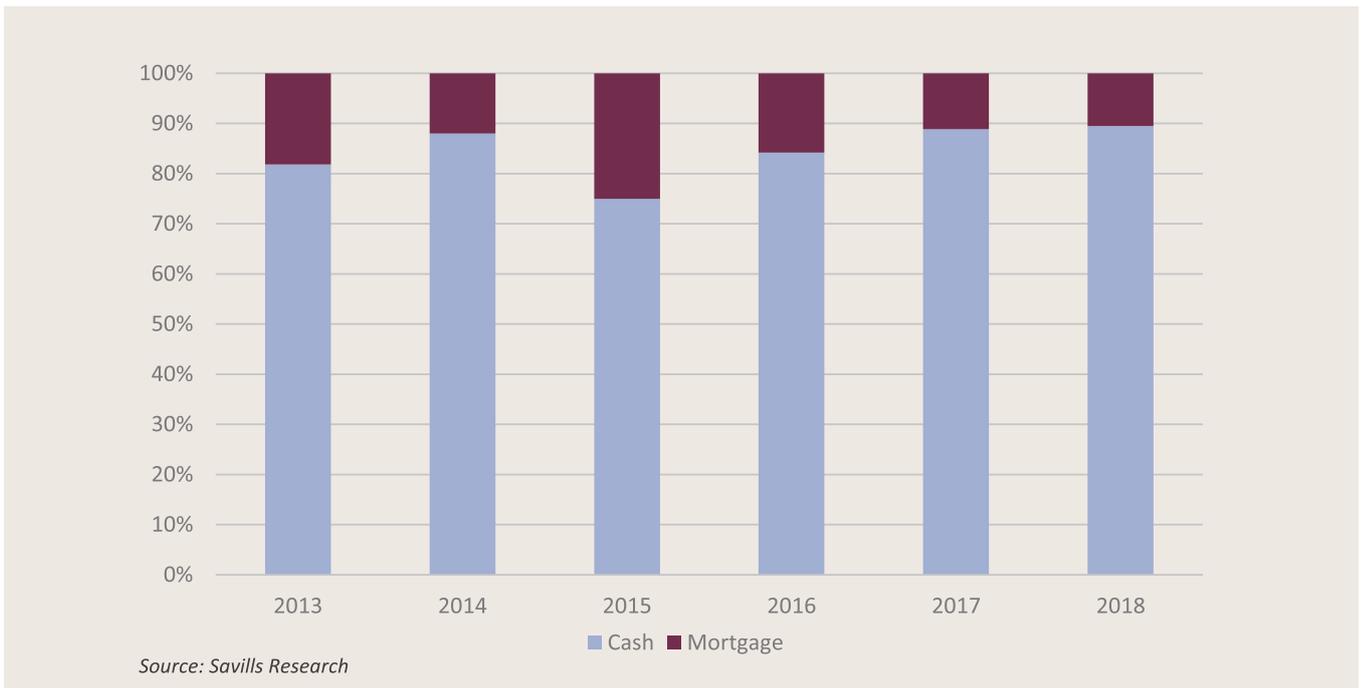
Deetjen Lodge, Dunboyne, Co. Meath. Sold by Savills in Q1 2018 for in excess of €900,000

How are Buyers Financed?

Looking at the historical data beginning in 2013, cash purchases account for 85% of all transactions. The prevalence of cash likely reflects the niche nature of the market, which can be subdivided into high-end and core sales. While luxury country houses will appeal to affluent purchasers, core properties are more achievable for existing homeowners looking for

a cosy rural or coastal retreat. For either case, spare cash is more likely to be available than it is for first-time buyers. Figure 5 below illustrates the trend in buyer finance across all transactions involving Savills over the past six years.

Figure 3: Purchases by Source of Finance, Volume

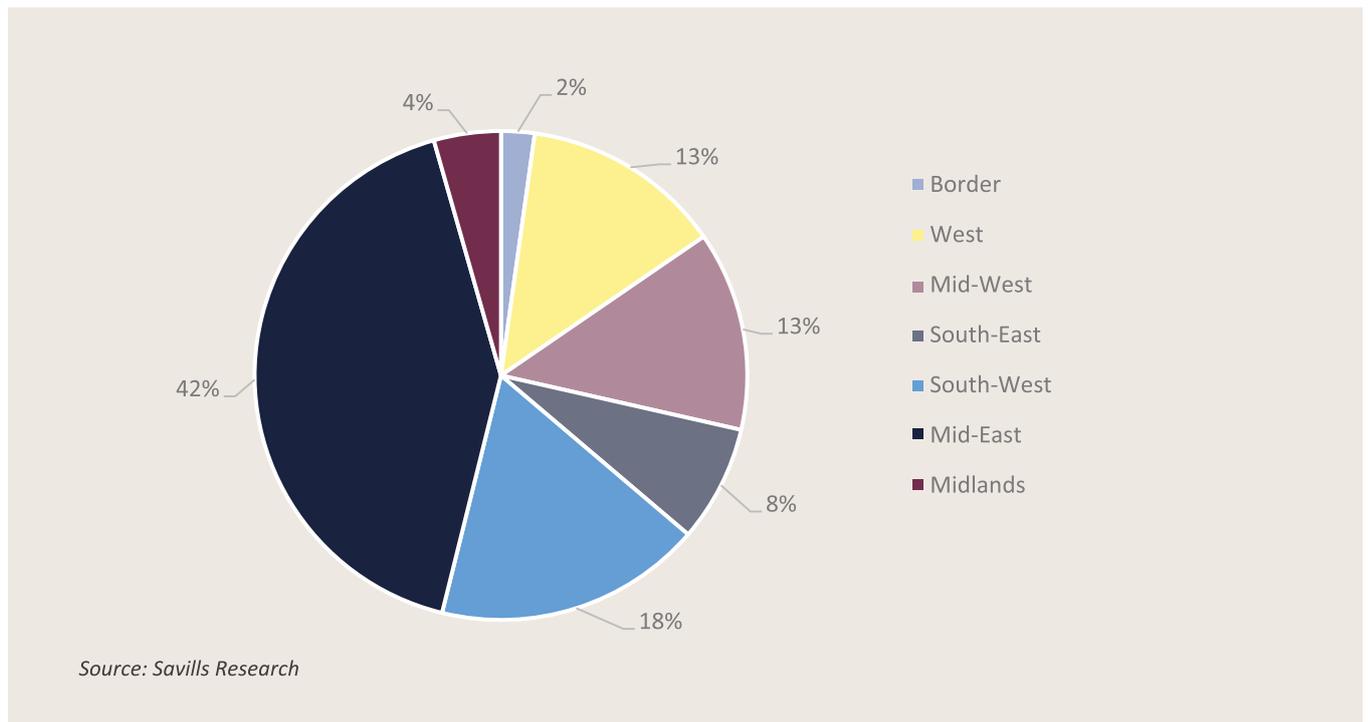


Where are Purchasers Buying?

Our analysis of the Property Price Register - again isolating transactions exceeding €1m outside of Dublin and Ireland's major cities - provides insight into the preferred location of country home buyers. In line with previous years, the Mid-East remains the most popular location accounting for 42% of all transactions. The South-West was the second-

most popular at 18%. 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 other important factors for potential purchasers.

Figure 4: Transactions by Location, 2018



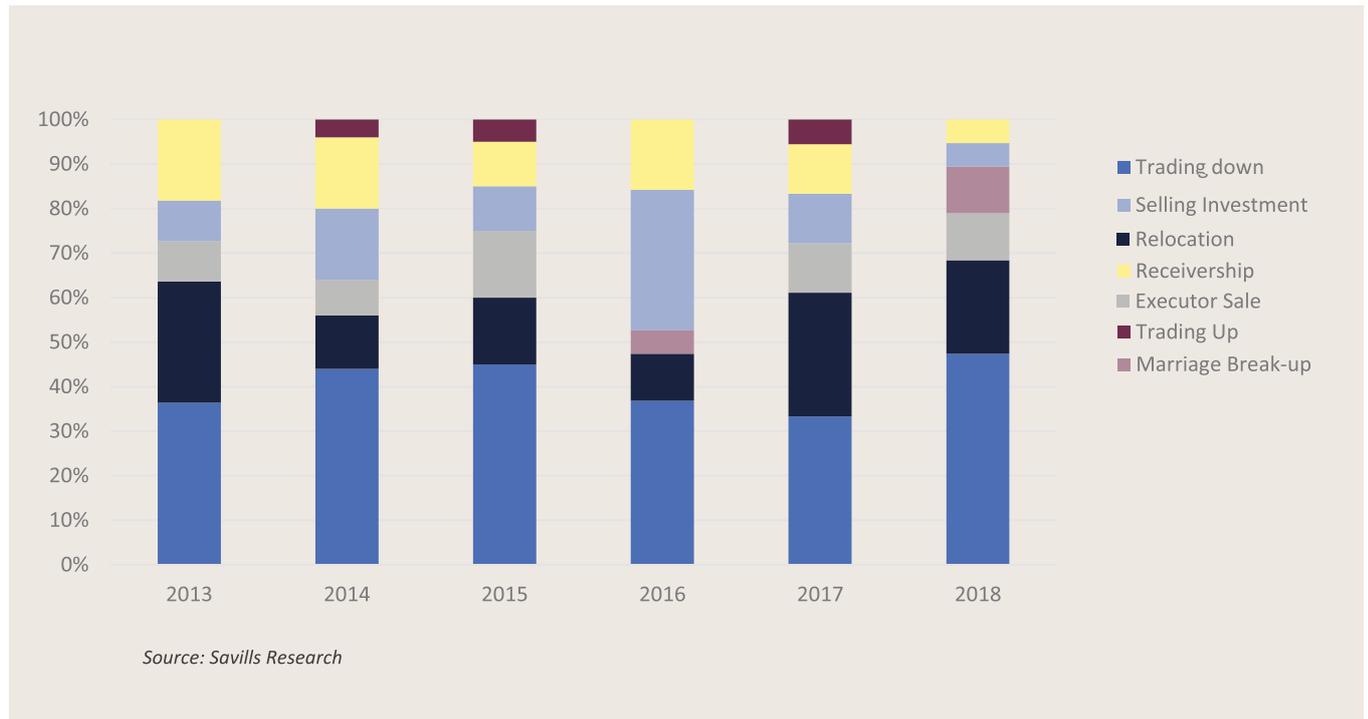
The Beach Haus, Bettystown, Co. Meath. Sold by Savills in Q3 2018 for in excess of €1,500,000

Who is Selling?

Trading-down was the most popular reason for selling last year, accounting for almost half of all Savills country homes deals. This compares to a third in 2017. Many of these properties may have been in the same family for years, offering vendors an opportunity to release substantial equity from houses which may have become too burdensome to maintain.

Another important reason for selling was relocation, which will capture households that either moved to other parts of the country or abroad. The share of sales made up by relocations has been trending upwards, rising from 12% in 2014 to 21% in 2018.

Figure 5: Transactions by Seller Type, Volume



Nine Stones Cottage, Raheenkyle, Borris, Co. Carlow. Sold by Savills in Q4 for in excess of €210,000



Cahermoyle, Ardagh, Co. Limerick. Sold by Savills in Q3 2018 for in excess of €1,300,000

Outlook

The country homes market has experienced another solid year, with many purchasers seeking out homes that are in good condition. Indeed, any significant renovation or re-decoration requirements are being reflected in pricing. This is understandable given the costs involved, with construction wages alone currently rising by 7.2% per annum.

The Irish country homes market is now more accessible through online platforms, which has filtered through to increased enquiries from the UK. According to Savills agents, the weaker exchange rate on Sterling has not deterred British interest. In fact, UK enquiries are often from people with a financial services background who are interested in establishing a base in Ireland.

Despite potential headwinds arising from the slowing global economy, and of course Brexit, Ireland's economy looks set to perform well in the near term. Output is expected to increase by 4% and 3.3% in 2019 and 2020 respectively. Employment growth forecasts also remain strong, with 97,000 net new jobs expected to be added over the next two years. This will inevitably put further downward pressure on the unemployment rate, underpinning earnings and supporting affordability among domestic buyers.

Ultimately, purchasers want value. As such, country homes that are competitively priced will continue to be sought after by domestic and international buyers alike.



Goblusk House, Emmiskillen, Co. Fermanagh. Sold by Savills in Q3 2018 for - guide price £1,350,000

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