

Prime Country Homes Market



Clonganny House, Ballygarrett, Co. Wexford, sold by Savills in Q4 2021, asking price €1.6m

Economic overview

The heightened interest in the prime country homes market is being supported by the strength of the domestic economy.

Despite the pandemic, there are a number of tailwinds supporting the prime country homes market. Following on from expected growth of 5.5% in 2021, the domestic economy is forecast to grow by 7.1% and 4.1% in 2022 and 2023 respectively¹. The resilience of the Irish economy can be attributed to the robust performance of multinational companies, especially those in the technology and pharmaceutical sectors.

One notable feature of the economy through the pandemic has been the rise in household savings due to diminished opportunities

to spend. In total, net household deposits have increased by €21.6bn¹ since the onset of the pandemic in March 2020, which is boosting residential purchasing power.

Another supportive factor has been falling mortgage costs, with rates now at their lowest levels on record. Lower interest rates are supportive of higher residential prices as they cut the monthly mortgage costs of prospective purchasers allowing them to pay more for a property. Finally, changing work practises through the pandemic have led to a greater interest in country homes

facilitated by increased flexible working arrangements. Taken together, these factors help explain the macro environment that has supported the heightened interest in the prime country homes market in the face of a global pandemic.

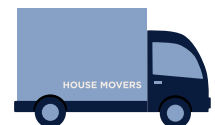
🗨️ **Net household deposits have increased by €21.6bn since the onset of the pandemic.** 🗨️



2021 was a very strong year for sales in the prime country homes market



Purchasers are increasingly coming from the tech sector



Buyers are exhibiting a preference for properties that are ready to move-in

¹ Central Bank of Ireland, quarterly bulletin No.4 (2021)



Rathbrist House, Dundalk, Co. Louth, sold by Savills in Q2 2021, asking price €995,000

Wider housing market context

Average house price inflation jumped 12.4% in the year to Q3, with Dublin growing 11.5% over this period while prices outside the capital grew by 13.2%². Supply factors have been fundamental in driving prices of the wider housing market. In particular, new construction has been delayed while the ability to inspect property has been impacted. With the easing of restrictions there has been an improvement in the number of properties coming to market, however, availability continues to remain tight. Demand in the market has been supported by movement of buyers out of cities, an increased savings ratio and supportive government policy, including the first-time buyer scheme. Demand for housing is forecasted to be strong over the long-run, as natural population growth and a reduction in the average persons per household continues to support demand.

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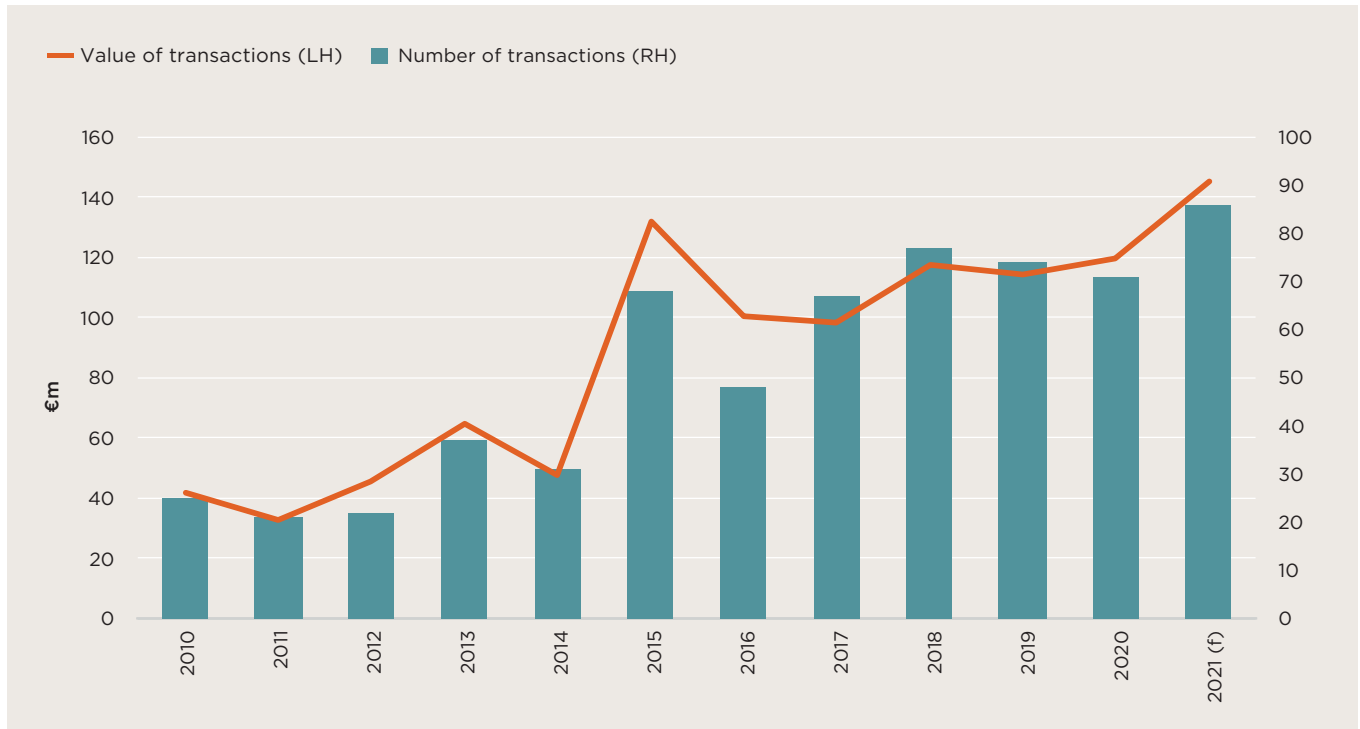


Donegal Shore House, Kincasslagh, Co. Donegal, sold by Savills in Q2 2021, asking price €1m

² CSO (2021)

Trends in the prime country homes market

Figure 1: Value and number of prime country home sales



Source: PPR, Savills Research

🔗 In the prime segment of the market, purchasers have traditionally been from the investment and finance fields, but are now increasingly coming from the technology sector. 🔗

Using the Property Price Register data (PPR), we examined prime country homes transactions (defined as greater than one million euro) outside of Dublin, north Wicklow and the major regional cities. Although this methodology and data has limitations, it does provide an insight into activity trends.

The early years in Figure 1 were hampered by the negative effects of the Global Financial Crisis as confidence in the sector and foreign investment remained subdued. 2015 however, provided a turning point for the sale of prime country homes as values increased significantly on previous years. Between 2015-2020, the average annual value of sales has remained in a range from €100-€132m. 2021 is expected to exceed this range, with an estimated €145m of transactions, the number of sales is also expected to top 86 transactions, the highest values in the series.

The year has seen greater appetite for prime country homes as a combination of macro-economic factors and increased workplace flexibility has supported sales.

2021 is estimated to have €145m of sales transactions

the highest sales in the series



An Culu, Kenmare, Co. Kerry, sold by Savills in Q4 2020, asking price €4.5m

“ Foreign buyers account for approximately 50% of purchases in this selective segment of the market. ”

Who is buying?



James Butler
Head of Country Agency,
Divisional Director

Reflective of the structural changes that the pandemic has made to working patterns, we've seen a dominant relocation theme in the country homes market. There's strong appetite in the market as buyers look for properties with greater space than their previous dwellings. Prices have reflected this increased demand and are generally selling over the guide price.

In the prime segment of the market, purchasers have traditionally been from the investment and finance fields, but are now increasingly coming from the technology sector. These buyers are younger and impatient,

preferring contemporary or refurbished properties that are energy efficient.

Foreign buyers account for approximately 50% of purchases in this selective segment of the market. Irish country homes have always had an international flavour due to Foreign Direct Investment (FDI) and the Irish-American diaspora. In recent years, returning Irish expats, who have accumulated savings and/or equity abroad, have formed another group of potential purchasers.

There has also been a noticeable increase in second home purchasers from European markets who are attracted to the lifestyle that prime country homes can offer. Flexible working policies are allowing these buyers to split their time more easily between city and country properties.

Buyers in the prime segment of the market are incredibly selective and are willing to wait for the right property, once found they are willing to pay a premium knowing that there's a finite supply of perceived perfect homes. Buyers are also becoming savvy at generating income from these properties. At the higher end of the market, properties are unlikely to be their sole residence, therefore owners are utilising digital platforms to let-out their houses as luxury retreats.



Viewmount House, Longford, Co. Longford, sold by Savills in Q4 2021, asking price €1.1m

How are buyers financed?

Cash purchases have typically accounted for approximately 85% of the entire country homes market. 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 where cash purchases make up a small percentage

of their overall wealth, core properties are more achievable for existing homeowners looking for a cosy rural or coastal retreat. There has been slight downward trend in the number of cash purchases in the market, as younger families with mortgages start to purchase more core country homes. For either case, spare cash is more likely to be more readily available than it is for first-time buyers.

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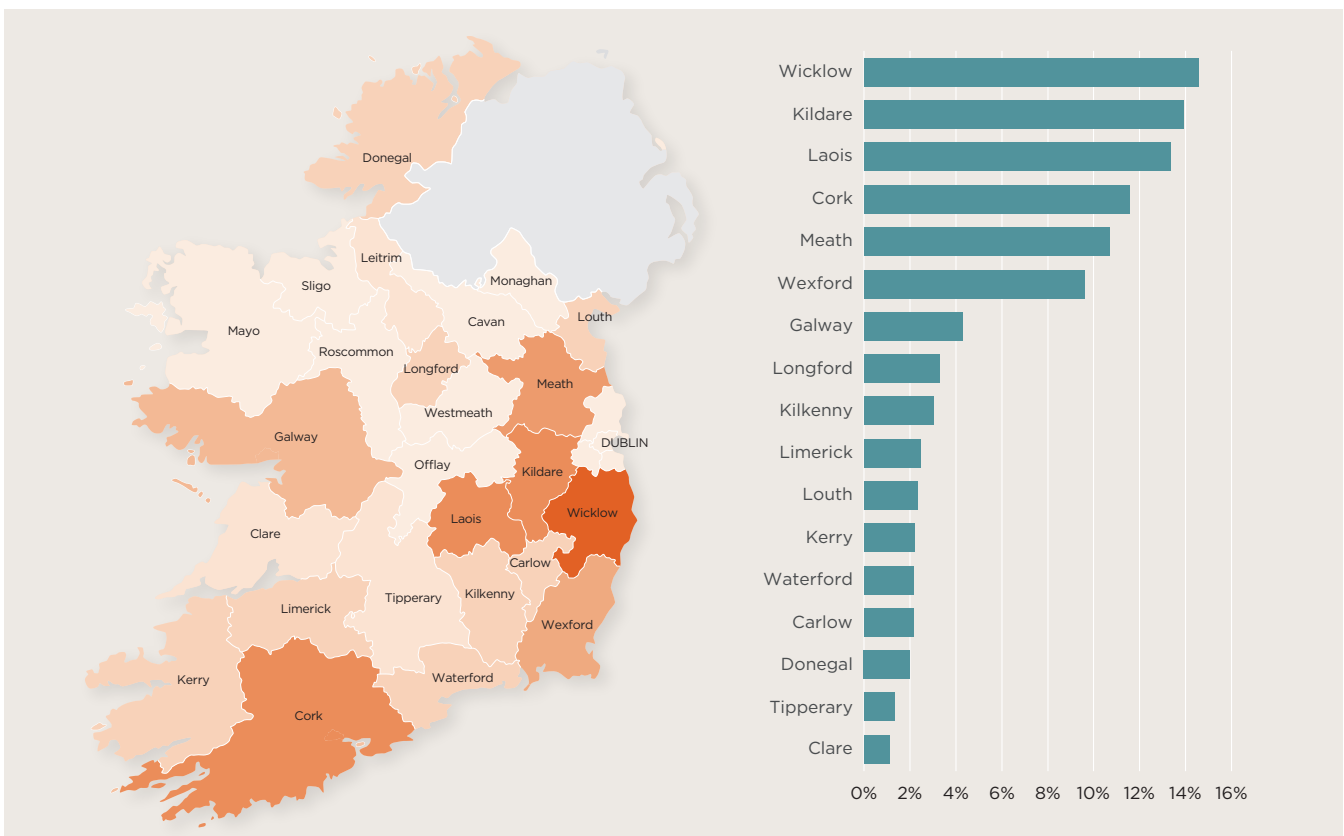
Carramore House, Westport, Co. Mayo, sold by Savills in Q4 2021, asking price €950,000

Where are purchasers buying?

Our analysis of the Property Price Register – again isolating transactions exceeding one million euro outside of Dublin, north Wicklow and Ireland's other major cities – provides insight into the preferred location of prime country home buyers. As illustrated in the map below, we can see that the counties surrounding Dublin have accounted for most of the transactions with Wicklow accounting for 15% market share, followed by Kildare (14%) and Laois (13%). Purchasers are favouring these locations in Dublin's surrounding

counties and County Cork, as they offer a balance between the attractions of country living and access to urban centres for educational, commercial, cultural and entertainment purposes. Remote working policies are facilitating high earning buyers, usually in the tech or financial sectors, to purchase in these locations, whilst continuing to be employed by a Dublin based company. These locations typically offer greater value and proximity to good road links and international airports, which are increasingly important as foreign travel starts to increase again and buyers become more familiar with flexible working patterns.

Figure 2: Transactions by location, 2021



Source: PPR, Savills Research

Outlook

The prime country homes market has experienced an excellent year, with buyers exhibiting a preference for properties that don't require refurbishment, and are in ready to move-in condition. Indeed, any significant renovation or re-decoration requirements are being reflected in pricing as buyers are increasingly price sensitive in this regard. This is understandable given the costs involved, with annual labour and material costs currently rising by 7% and 13%³, respectively.

The Irish country homes market is now more accessible through online platforms with buyers utilising these platforms to drive income from these properties through a diversification of uses. This is particularly attractive to

foreign purchasers as it simplifies the ownership and management of these assets.

The pandemic has brought a confluence of factors that have supported prime country home sales through 2021. The structural changes and increased flexibility of the workplace have provided new housing options for homeowners. Record low interest rates continue to provide cheap financing for borrowers. Whilst, Ireland's comparatively low stamp duty rates and the gradual increase in foreign travel continues to be a positive driver for foreign buyers.

These factors, combined with a strong macro-economic environment, suggest that sales will continue to increase over the short-term and provide a positive outlook for 2022.

³ CSO (2021)



Savills team

Please contact us for further information



James Butler
Head of Country Agency,
Divisional Director
+353 (0) 1 663 4357
james.butler@savills.ie



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



Michael O'Donovan
Divisional Director,
Residential Cork
+353 (0) 21 490 6342
michael.odonovan@savills.ie



Cianan Duff
Associate Director,
Country Agency
+353 (0) 1 663 4307
cianan.duff@savills.ie



Pat O'Hagan
Consultant, Country Agency
+353 (0) 1 663 4358
pat.ohagan@savills.ie



John Ring
Director, Research
+353 (0) 1 618 1431
john.ring@savills.ie



Alex Norwood
Senior Research Analyst
+353 (0) 1 618 1466
alex.norwood@savills.ie