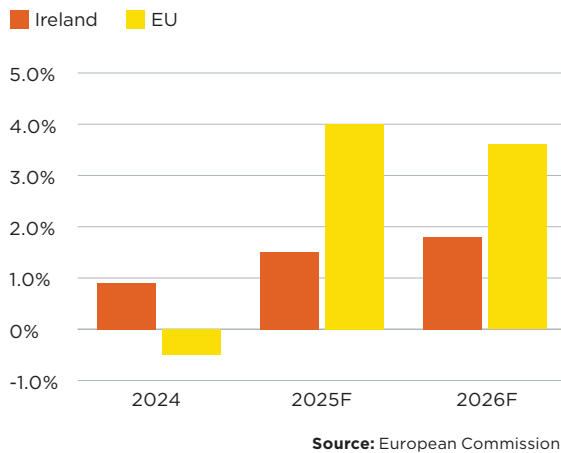
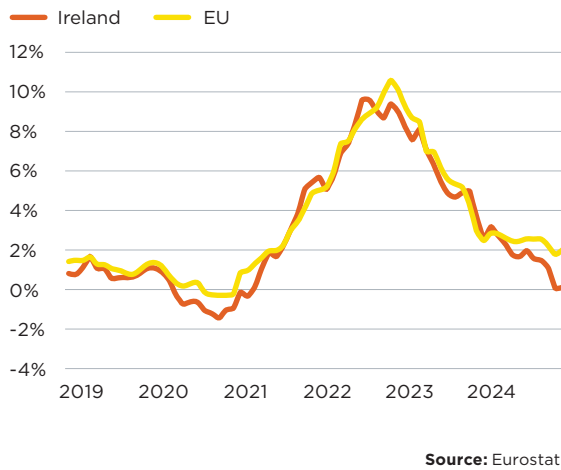


Prime Country Homes Market

savills



Figure 1: GDP growth

Figure 2: Consumer inflation


Economic Overview

Economic growth expected to pick up this year.

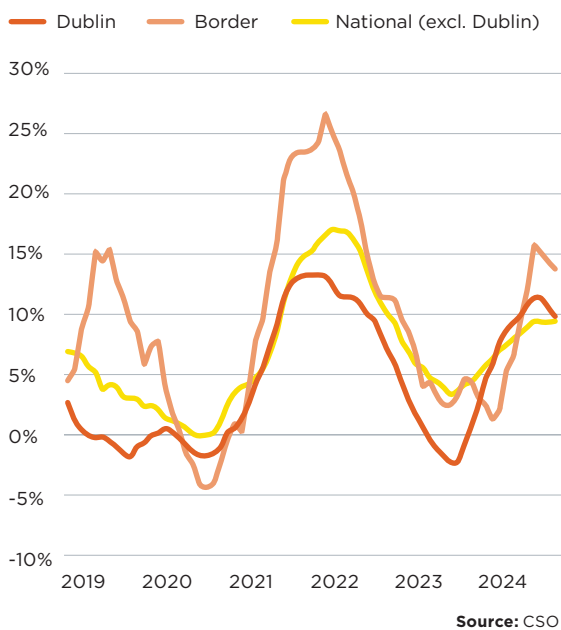
The European Commission is predicting Irish GDP growth of 4.0% in 2025 and 3.6% in 2026. This is well ahead of the EU averages of 1.5% and 1.8%, respectively, with Ireland's positive outlook second only to Malta. Slowing inflation, which has eased the cost-of-living crisis, is helping to support the more optimistic outlook following weak GDP growth last year. The moderation in prices has been driven by the European Central Bank's (ECB) interest rate hiking cycle, with the subsequent rate reversal alleviating the pressure on borrowing costs. Last year, the external environment also presented a number of geopolitical challenges; war in Ukraine and the Middle East, the collapse of the French and German governments, and the US Presidential election, all caused uncertainty. Amid this, businesses paused their investment decisions while the outlook became clearer. In returning Donald Trump to the White House, the US election provided some clarity, albeit not all of it positive. Trump's proposed trade tariffs would weigh heavily on Ireland given our significant goods trade surplus with the US. Policy headwinds look likely considering Trump's pick for Commerce Secretary, Howard Lutnick – a protectionist who has previously criticised Ireland's surplus.

There is also concern that Trump's plan to reduce US corporation tax (CT) from 21% to 15% could erode US investment in Ireland. This has likely been overstated as US firms based in Ireland are also attracted by the well-educated, English-speaking workforce, and our position as the gateway to the EU. Irish government analysis also shows that CT receipts have grown despite previous tax reforms including the phasing out of hybrid tax planning structures, as well as the OECD's BEPS project. Impactful risks to foreign investment are more likely to be domestically driven, namely the ongoing infrastructure and housing deficits, where significant inroads remain to be made.





Figure 3: House price inflation



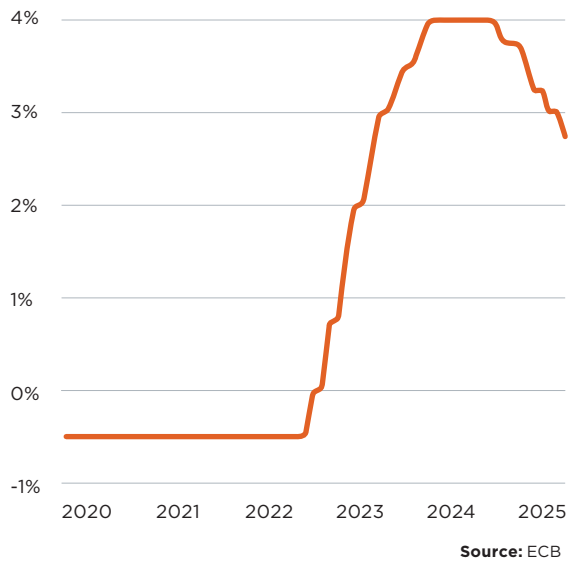
WIDER HOUSING MARKET CONTEXT

National house prices both within Dublin and outside of the capital are growing at a rate of 10% as supply continues to undershoot demand. Regionally, house price inflation is strongest in the border region, followed by the midlands and the mid-west. This is consistent with the fact that these areas have experienced a faster pace of population growth than housing delivery, over the past ten years. By comparison, Dublin and the mid-east have experienced a slightly quicker pace of housing delivery compared with population growth which has helped to constrain prices somewhat.

House price growth has also been outpacing inflation for more than a year now, meaning there has been a return to real growth in property values. Also notable is the fact that house price inflation is higher in the second-hand market at 11.0% y/y, compared with 6.4% y/y for new homes.

Transactional activity remains mixed as evidenced by a number of metrics; although mortgage approvals are growing by 11.2% y/y, drawdowns for second-hand homes are declining by 7.2% y/y whereas they are growing by 14.7% y/y for new homes. This is reflective of the fact that supports for home purchase are primarily targeted at first-time buyers in the new homes market. However, the issue is more acute in Dublin, where second-hand sales volumes are down 11.7% y/y, compared to a decline of 5.4% y/y for the rest of the country.

Figure 4: ECB deposit rate



INTEREST RATE CONDITIONS

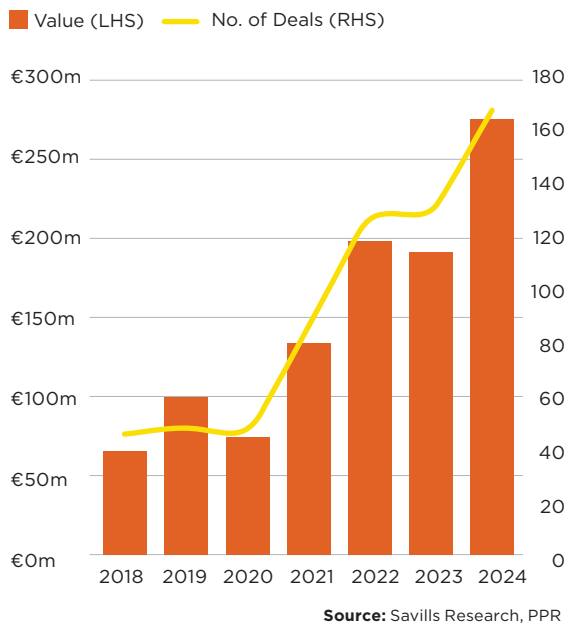
The other factor that has impacted sales activity is the high interest rate environment. The ECB began its rate hiking cycle in July 2022 in response to the surge in pandemic-related inflation. Rates were raised by 450 basis points between then and September 2023 to reach 4.00%. The ECB started a rate cutting cycle in June 2024 with rates now standing at 2.75%.

Forward looking indicators currently suggest that interest rates will continue to fall in 2025, perhaps reaching approximately 2.00% by the end of 2025. This would release pressure on borrowing costs, and, in turn, should help to restore activity to the second-hand market. For prime country home purchasers specifically, however, interest rate conditions are largely irrelevant as most are cash buyers, and this is evident in Savills data which shows that 75% of 2024 sales were by cash purchasers.

In 2025, we expect house price inflation to remain positive given the substantial imbalance in supply and demand. Although the government has raised its target delivery volume from 33,000 units per year to 50,000, last year's delivery of just over 30,000 suggests that the supply-demand gap will continue to widen in the period ahead.



Figure 5: Country home sales



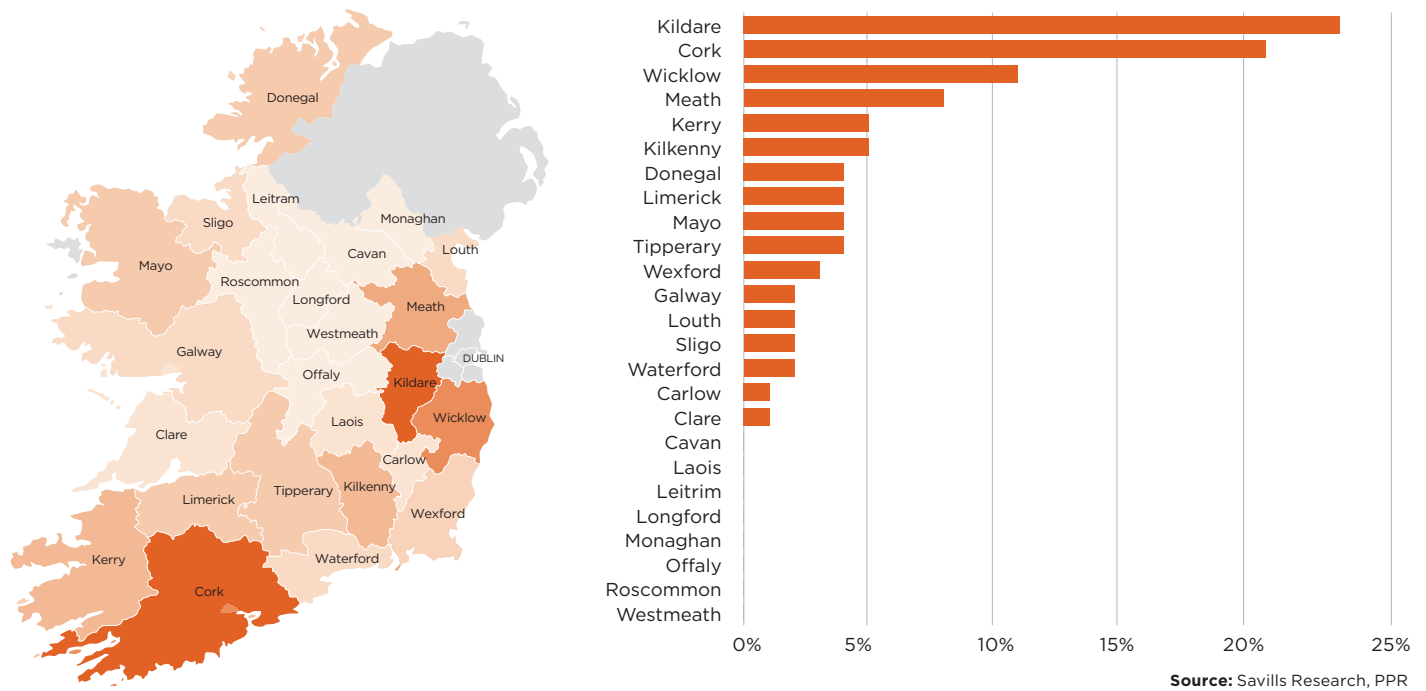
TRENDS IN THE PRIME COUNTRY HOMES MARKET

In analysing the prime country homes market, Savills applies certain exclusionary criteria to the Residential Property Price Register (PPR) to ensure we capture the most appropriate sales. For this, we exclude transactions that took place within Dublin, north Wicklow and the regional cities, as well as any sales below €1 million. There are two main caveats to this approach; firstly, property inflation drives more homes over the sales price threshold over time and, secondly, the fact that boundaries might eliminate a property from inclusion based on a short distance. Despite these limitations, the analysis remains useful for observing trends in the market over time.

As such, prime country home sales reached €275 million across 168 deals in 2024. That represents growth of 44% y/y, with total sales worth almost twice the 10-year average of €139 million. The average deal size was €1.6 million, which was in line with the 10-year average, meaning total sales were primarily driven by transaction volumes rather than values. That said, 2024 also recorded the single largest deal since the dataset was established in 2010. This was the €29 million sale of Ballynatray House, Youghal, Co. Cork, in February. The last time there was a sale of a similar size was in January 2015 when the late Tony O'Reilly sold his Castlemartin Estate, Kilcullen, Co Kildare.



Figure 6: Prime Country Home Sales, 2024



WHERE ARE THEY BUYING?

Analysis of the PPR dataset sheds more light on the most popular locations for prime country home purchases last year. Cork County accounted for 31% of total sale values in 2024, amounting to €84.0 million across 35 deals. The average deal size excluding the €29.3 million sale of Ballynatray House, was €1.6 million, whereas the inclusion of Ballynatray raises it to €2.4 million. Notably within Cork, Kinsale accounted for €24.1 million in sales across 11 deals, making it the most sought-after prime country homes location in Ireland.

The second-most popular county by value was Kildare, which made up 23% of sales valued at €64.5 million, albeit it had the highest number of transactions at 40. The second and third most popular locations were in Kildare, with Straffan sales totalling €17.0 million, followed by Naas at €16.2 million.

The share of sales attributable to Wicklow stood at 8%. This was reflected in a total figure of €21.6 million across 18 deals, with the average deal standing at €1.2 million. The popularity of the top three counties has been stable in recent years which, as previously mentioned, likely reflects their ideal positioning for

those wishing to avail of hybrid working given their easy access to city centres and airports.

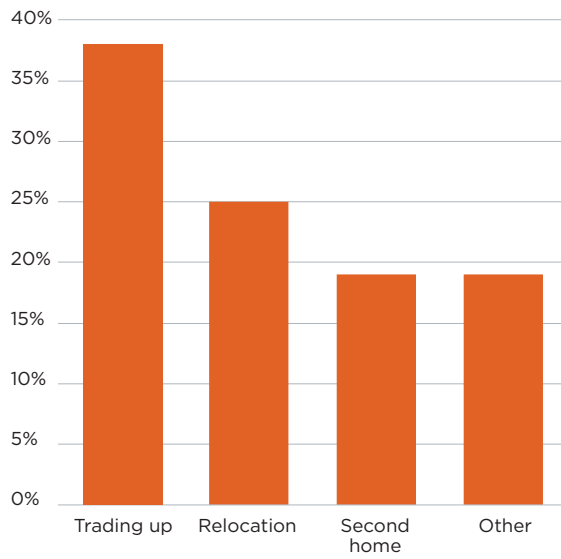
Meath was another consistent performer, making up 6% of sales in 2024, albeit this compares with a five-year average of 11%. This amounted to €16.4 million across 13 deals, producing an average deal size of €1.3 million.

Elsewhere, the pattern in prime country home sales has been broadly in line with previous years. Last year, Kerry accounted for 5% of transactions, at a value of €13.4 million across nine deals. This was followed by Kilkenny at 4% with sales of €11.7 million across eight deals. Limerick, Donegal, Tipperary and Mayo each made up 3% of transaction values. Limerick sales amounted to €9.2 million, while Donegal sales totalled €8.6 million. Tipperary transactions totalled €7.9 million, while Mayo's total came to €7.5 million.

Waterford, Wexford, Sligo and Louth also made up 2% of deals each, at values of €6.2 million, €5.9 million, €4.7 million and €4.6 million, respectively. Meanwhile, eight counties did not record any transactions; namely, Cavan, Laois, Leitrim, Longford, Monaghan, Offaly, Roscommon and Westmeath, albeit there was otherwise a broad distribution of sales across the country.



Figure 7: Reasons for purchase among those aged 25-54



Source: Savills Research

TRADING UP AND DOWN

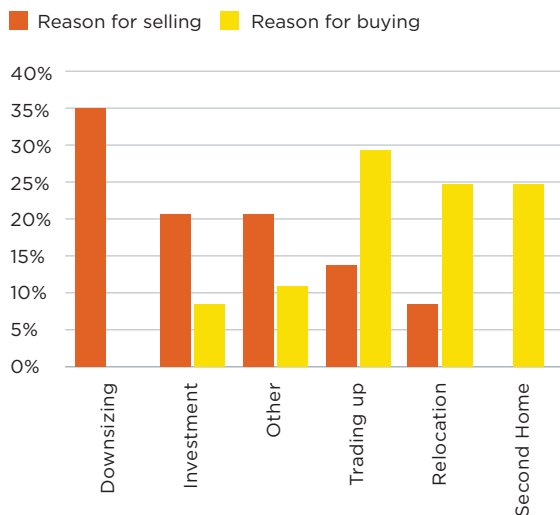
In addition to the PPR, we have analysed the sale of prime country homes made by Savills in 2024. While this only provides a snapshot of overall market activity, it nevertheless gives indicative patterns of buyer preferences. According to these data, the most common reason for buying was to trade up, especially among those aged under 55 as shown in Figure 7. The most common reason for selling was for downsizing. There was not much difference in the average price paid between those downsizing and trading up, indicating some symbiosis between these types of sellers and buyers.

Last year's growth in the prime country homes market defied expectations that the normalisation of working-from-home trends might lead to a slowdown in activity. The most popular locations, including Cork, Meath and Galway, tended to be within commutable distance of international airports and city centre business districts – a feature which facilitates hybrid working. Reflecting this, the majority of Cork and Meath property buyers were Irish, whereas the more remote location of Donegal was favoured by UK and US buyers. Consistent with this was also the fact that most Irish purchasers were trading up, while the most common reason for buying stated by international purchasers was for the purpose of acquiring a second home.





Figure 8: Reasons for transacting, all ages



Source: Savills Research

REASONS FOR TRADING

While downsizing was the most popular reason for selling, the Savills data show that 21% of sales were driven by a desire to dispose of an investment, while a further 14% of sales were undertaken to allow the vendor to trade up. Those selling to relocate reached the highest average price, at €2.2 million, with their share of overall transactions standing at 9%.

Although trading up was the biggest reason for purchase, 25% of deals related to relocations, followed by the purchase of a second home. The share of buyers acquiring a country home as an investment was 9%, with this category representing the highest average price paid of €2.4 million, suggesting these buyers appreciate the security of this type of asset.

Given the nature of the properties and the type of buyer they attract, it is unsurprising that 75% of sales were cash transactions, with the outstanding 25% being mortgage financed. The average cash purchase was also 37% higher than that for mortgages. Notable also is the fact that 90% of mortgage buyers were Irish, whereas they only accounted for 36% of cash purchases. This is consistent with the finding that most Irish buyers were trading up, whereas international buyers were purchasing a second home.



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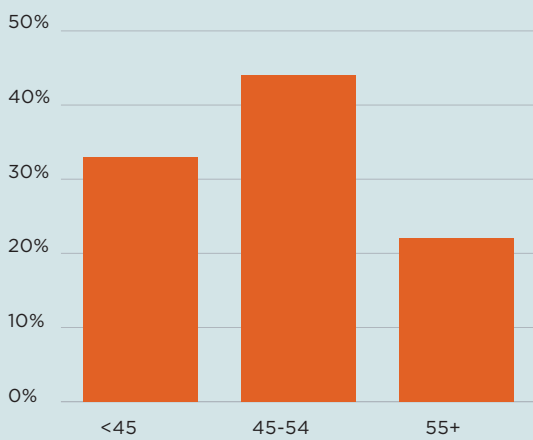
Agent's View

One striking trend is the growing preference for modern properties, especially among younger buyers. A modern home is one which is ready for immediate occupation, not requiring extensive refurbishment. Buyers in the past were more willing to spend time on renovations whereas today's affluent buyers are often younger and more eager for a ready-to-go property.

In line with this, Savills data show that 45% of deals were for modern properties. Within this, a third of buyers were under the age of 45, while a further 44% were aged 45-54. The outstanding 22% was attributable to buyers aged 55 and over. This trend is supported by strong underlying economic factors, most importantly the strength of professional services and the tech sector, which can support workers to achieve higher incomes at a younger age than many other sectors. This is evidenced by the fact that those aged 30-39 working in the professional services sector receive average earnings which are 20% higher than the average across all sectors. The gap is even higher for those in the 40-49 age range at 26%. There is little doubt that these buyers have a preference for modern homes with minimal refurbishment requirements.

The "race for space" also continues apace with buyers broadening their location searches to identify homes which offer privacy and spacious accommodation and – ideally – with a waterfront. Indeed, properties with water access often achieve premiums up to 50% above their guide price. The overall growth in country home sales has been partly driven by flexible working arrangements, which have raised buyers' appetite for larger homes where they will be spending more time than they might have in previous years.

Figure 9: Modern purchases by age



Source: Savills Research



Nirvana, Carlingford, Co Louth

Outlook

One of the interesting outcomes in the immediate aftermath of last year's US election was a significant spike in US interest in Irish homes. Savills Ireland recorded more than a three-fold surge in search traffic from across the Atlantic following the election of Donald Trump. This interest primarily arose from Democratic-leaning states such as New York, Massachusetts and California. Although this may have reflected a somewhat knee-jerk reaction to the election result, US buyers have historically been important players in the prime country homes market. In particular, they are attracted by Ireland's heritage-rich properties, especially with many being of Irish descent, and also benefit from the connectivity that Ireland offers between the US and the rest of Europe. The trend therefore suggests that, at the very least, North Americans will continue to be key purchasers within the prime country homes market in 2025.

Another boon to the market will be the lower interest rate environment. While this should ease the pressure on mortgage costs, it should also support transactional activity. Those sitting on properties during the high interest rate period may now be ready to put their asset on the market given that investors and owner-occupiers alike, will be more confident in the overall economy, which should transmit to the country homes market. Sales will also be supported by the strong labour market, which has grown by an average rate of 3.4% per annum over the past ten years. Regions with the strongest rates of growth are the Midlands, the West and the Mid-east, which are key locations

for prime country properties. The labour market is also expected to remain robust in the year ahead, with the Central Bank of Ireland expecting employment to grow by 2.4%, or an additional 67,000 persons.

The main headwind for the year will be sustained high rates of house price inflation given the major supply/demand imbalance in the housing market. While more affluent purchasers will be less affected by the affordability issues that this creates, they will nevertheless see prices rise. That could make prime Irish country homes less attractive relative to similar markets, such as those in the UK, which may dampen demand among international buyers. The strain on domestic buyers may stem from those requiring mortgage finance to support their purchase, with higher prices making the Central Bank's mortgage lending rules harder to meet, meaning some would-be buyers may be squeezed out of the market. This would generally affect those at lower price points, however, with cash buyers in a better position to buy more expensive properties. One final thing to note is Budget 2025's introduction of 6% stamp duty on any amount above €1.5 million paid for a residential property, although we have not seen this affect sales activity.

On balance, and taking all factors together, we expect 2025 to be another positive year for prime country homes demand. The luxurious nature of the asset, which is most accessible to cash purchasers, means the target buyer is generally shielded from the potential headwinds facing the sector.



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