

# Development of ireland's economy, retail and housing market



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## Introduction

The post-war world has witnessed prodigious social and economic developments. As Parker (1989, p. 237) has noted, ' society has changed perhaps more rapidly in the last quarter century than at any other time in history.' Inhabitants of the developed nations now enjoy a considerably greater amount of leisure time and disposable income than previous generations. Technological innovations such as the motor car and the aeroplane now permit a larger degree of access to peripheral environments which were formerly the exclusive haunts of social elites.

The Republic of Ireland has been influenced greatly by advancements in the domain of leisure and recreation. Visitors now flock to the island on an annual basis in order to sample its unique cultural and aesthetic appeals. Crawley (2003, p. 332) has emphasised that ' tourism is a growing economic tool in Ireland' and by the mid 1990s was generating £2. 18 billion (Hall and Page, p. 198).

## The Development of the Irish Economy

Many commentators have made reference in recent years to the Irish economical ' miracle' and the development of the ' Celtic Tiger'. The accession of the Republic of Ireland to the European Common Market in 1973 brought considerable advantages such as ' access to a wider market' and the ' opportunity to diversify away from the UK market' (OECD, 2006, p. 24). EU funding and subsidisation also allowed the Irish to develop their infrastructure and modernise their agricultural sector.

However, the Organisation for Economic Co-operation and Development (OECD, 2006, p. 24) has highlighted that during the 1980s the Irish government initiated a policy of 'laying down the foundations for growth in the new industries.' One of these industries was tourism, and it was believed that it could assist in the rejuvenation of local economies in the western and southern coastal regions of the island, and stem the tide of rural depopulation. The subsequent National Development Plan (1989-1993) sought to encourage inbound tourism and support tourist projects in peripheral areas. By the 1990s the service sector accounted for 57.7% of the workforce and has continued to grow steadily ever since, tourism has played a vital role in this trend (Hall and Page, 1999, p. 198).

Hall and Page have drawn attention to Ireland's 'largely rural environment' and the 'unpolluted, uncommercialised and scenic coastline' which attracts so many visitors each year (Hall and Page, 1999, p. 205). The Irish tourist product is clearly an effective package, and many have even taken the step of purchasing a second home or 'holiday home' on the island.

### The Rise of Second Home Ownership

As Butler (2003, p. 522) has succinctly stated, 'second homes are properties maintained for leisure purposes which are not the principle residences of their owners.' The phenomenon of second home ownership has risen sharply throughout the twentieth century in both Europe and North America as a result of 'the democratisation of leisure and increased affluence' (Butler, 2003, p. 523).

In the Republic of Ireland the highest densities of second homes are to be found in Wicklow-Wexford, Donegal, West Galway and South West Ireland. A study in the 1980s showed that most second home owners were likely to be affluent Dublin residents. However, in Donegal there is a tendency for Northern Irish tenure, and in the south west continental purchasers have been enticed to the area (Hall and Page, 1999, p. 207).

Rural depopulation has permitted prospective buyers with access to vacant housing stock. Since the 1970s abandoned farms in West Cork and South Kerry have been converted into second homes and retirement cottages (Glebe, 2003, p. 207). The Seaside Resort Renewal Scheme (SRRS) of the late 1990s also provided generous tax benefits for the construction of holiday homes in twelve specific coastal resorts (Finnerty, Guerin and O Connell, 2003, p. 136). Such a project is further evidence of how the government is attempting to boost the tourist and leisure sectors of the economy.

Attitudes towards the rise of second home ownership are varied and it is often difficult to accurately analyse their effect on the rural locale. In 1978 McDermott and Horner examined developments in Western Connemara and noted a 'positive contribution to rural renewal' (Hall and Page, 1999, p. 209). An increase in visitor numbers to an area will inevitably have beneficial economical effects. Shaw and Williams (1994, p. 235) have also noted that 'weekend homes are likely to bring greater economic benefits to the community, offer more custom to local services and usually lead to greater involvement in community life.' Residents from the more affluent eastern seaboard are likely to visit their secondary dwelling on a more frequent basis

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than those situated abroad. The Irish government and local businesses hope that second home ownership will contribute to the sustainability of peripheral settlements.

However, Shaw and Williams (1994, p. 235) are quick to point out that 'where second homes form a large proportion of the local housing stock this can seriously undermine the viability of rural communities.' Such a phenomenon is evident in Donegal where almost 65 per cent of local stock is of a secondary status (Irish Times, 28 May 1999). House prices have increased sharply throughout Ireland in recent years and a recent study by the International Monetary fund (IMF) estimates that property prices may be overvalued by as much as 10-20 per cent. As Finnerty et al (2003, p. 136) have highlighted 'the greater purchasing power of residential investors or urban households seeking a second dwelling often puts prices of even modest dwellings out of the reach of locals.' Indeed, Labour Deputy minister Eamon Gilmore recently stated that 'Ireland is now building more than twice the number of holiday homes than council houses.' Many are concerned that the government is placing too much of an emphasis on second home ownership and overlooking the needs of disadvantaged residents who are becoming increasingly marginalized. The population of Ireland has been increasing in recent years and more pressure has been placed on existing housing stock.

The seasonality of second home owners can also be problematic for rural settlements. Finnerty et al (2003, p. 137) have commented that 'many resort towns and villages become boomtowns during the summer months, but virtually shut down during the low season.' They are also concerned that <https://assignbuster.com/development-of-irelands-economy-retail-and-housing-market/>

second home owners may contribute little in local taxes, overload infrastructure during the summer period, and do little to encourage the sustainability of local services. They warn that the few benefits of second home ownership in Ireland could truthfully be described as 'cosmetic' and result in 'short-term buoyancy in local building activity, speculative gains for investors and developers and related service providers' (Finnerty et al, 2003 p. 137). Recent government intervention, such as the rejection of a holiday home project in Kerry by the council, highlights the fact that more controls are required in order to curb the detrimental effects of second home ownership. The Irish government have also introduced legislation which prohibits property being sold on as a holiday home for over two years after purchase. Such measures are similar to those implemented in the highlands of Scotland, and encourage home owners to spend more time in the locale, thus contributing more to the community.

Hall and Page (1999, p. 209) concede that there is 'little agreement on the extent to which the advantages of second home ownership outweigh the disadvantages.' Nonetheless, an increase in visitor numbers to the peripheral regions of Ireland, coupled with a significant rise in holiday homes, has had a marked effect on the retailing strategies of local businesses.

### Changes in Irish Rural Retailing

Parker has commented that Irish retailing has shifted dramatically from a 'traditional' to a more sophisticated approach in recent years. He states that 'retailing is one of the most dynamic activities on the economic and social landscape, as new ideas, formats, techniques, companies and locations are

developed' (Parker, 1989, p. 237). The small family owned businesses of the past have declined in number considerably and retailing in Ireland is ' increasingly dominated by largescale multiples, often with international links' (Parker, 1989, p. 238). A second home owner from Dublin will inevitably demand the same high quality of service he receives in the high street when visiting West Cork. Parker (1989, p. 245) compounds this notion by emphasising ' the countryside has seen migratory changes as high status commuters have moved into village communities with a consequent change in the nature and patterns of demand.'

The postmodernist society does however demand that relics of ' traditional' Ireland, or what is perceived to be traditionally Irish, be preserved. Mark McGovern (2003, p. 83) has highlighted how the traditional Irish Pub has become a world-wide symbol of Ireland and that ' Ireland's pub culture is one of the most distinctive and attractive elements of modern Irish society.'

Retailers, particularly in rural areas, acknowledge that second home owners and visitors wish to enjoy a uniquely ' Irish' environment whilst purchasing goods and services. In short, the modern consumer expects to encounter a pleasant shopping environment when visiting the Island's many resorts.

Parker (1979, p. 181) has also noted that small family run businesses in rural Ireland may be ' relatively inefficient in economic terms' but often ' fulfil more than a purely economic role for both their local area and their owners.'

Such enterprises may not be the family's sole source of income, and

McGovern has also noted that premises such as the local pub or post office may serve important social functions involving the exchange of information.

The market town of Skibbereen in South West Ireland is an interesting example of how the retail sector has been adapted in order to cater for the demands of visitors, local people and second home owners. All local businesses are members of Skibbereen Business Promotions, which is a society dedicated to promoting economic sustainability in the locale. This arrangement represents a partnership between local government, businesses and people in order to preserve the unique character of the town and promote prosperity for the community. Such a strategy is of paramount importance when promoting the concept of sustainable development in an area and has been deployed in many tourist resorts, like Les Arcs in the French Alps.

The centre of the town has been renovated in recent years and its unique architecture has been brought to the fore. The brightly coloured facades of the local craft shops and pubs are aesthetically appealing and generate a distinctive and positive identity.

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