

Key findings

Caribbean buyers are primarily looking for lifestyle rather than investment returns, in a tax neutral environment

Long-favoured by US, Canadian and northern European buyers, the Caribbean is increasingly popular with the rising number of HNWIs from Russia, the CIS and Latin America

More influenced by the trajectory of the US economy than the Eurozone, improving US indicators in late 2012 are expected to act as a bellwether for the Caribbean in 2013

Prime prices have fallen by 10-20% since the financial crisis but the rate of decline is slowing and we expect some markets to experience price growth in 2013

The Barbados Government's move to loosen residency permit rules to attract HNW investment is a trend that may be replicated across the region

Network update: Jumbay Bay Island

Knight Frank, one of the few RICS accredited global agencies operating in the region, has recently expanded its Caribbean residential network and now represents Jumbay Bay for the international marketing of their properties, a secluded island two miles off Antigua accessible by boat only.

Wholly-owned by a consortium of private homeowners the 300-acre island will be home to 56 properties (along with Hawksbill turtles), 52 of which have been completed with prices ranging from \$5m to \$30m+. To find out more about this secluded island please contact [Christian De Meillac](#)

"The combined effect of globalisation and the climate of austerity has led many wealthy investors to seek out the world's best properties in the world's best locations."



Kate Everett-Allen, International Residential Research

Six years on from the first signs of the financial crisis, the Caribbean looks to have weathered the storm. Sales volumes took the brunt of the impact, not just prices, but 2013 may see activity strengthen if the spike in enquiries seen at the end of 2012 persists:

The positive economic noises emanating from the US Federal Reserve in late 2012 has boosted buyer confidence in the Caribbean's luxury housing market. Under the influence of the US economy more than that of the Eurozone, the steady flow of good news – falling unemployment, strengthening GDP and rising house prices – had a direct impact on markets such as Barbados, St Barts and Mustique, translating into enquiries and sales in early 2013. Not since 2007 has the year started so positively.

That said, the prime Caribbean market continues to lag the recovery seen in US prime cities such as New York and Miami, but it has been the large hotel-condo developments which have been most heavily affected with many mass market developments shelved. The positive news is that those developers that are not reliant on bank finance have either continued or restarted high-end or 'trophy' projects in the more active markets such as St Barts, the Bahamas and Barbados.

In 2012, the scramble amongst HNWIs for safe havens was intensified by the introduction of austerity-driven property taxes in Europe (UK, France, Spain and Portugal) which has led some HNWIs to review their investments from a tax perspective and although the Caribbean has yet to benefit significantly, it may have an increasing bearing on buyers' decisions in 2013.

The combined effect of globalisation and the climate of austerity has led many wealthy investors to seek out the world's best properties in the world's best locations, in particular those

that offer the most tax-efficient environment and lowest transactional costs. The Caribbean ticks all these boxes, and generally enjoys a backdrop of political stability, legal transparency, as well as increasing accessibility.

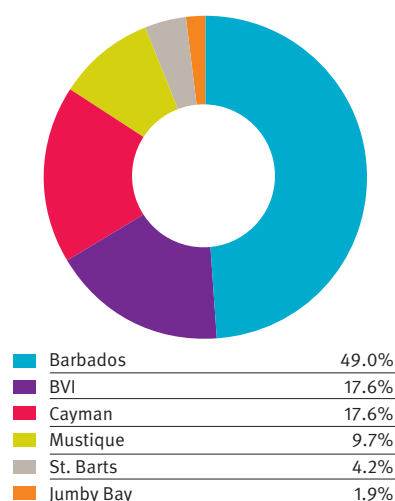
Governments, such as that of Barbados, keen to attract further investment, have provided further incentives by adjusting residency rules to allow HNWIs with assets of \$10m or more to gain an "indefinite special residency permit," a trend we may see replicated elsewhere in 2013.

The exponential rise in HNWIs worldwide set against a relatively finite supply of homes, particularly on the privately-owned islands of Mustique and Jumbay Bay, has helped protect prices since the global economic downturn.

US, Canadian and northern Europeans have traditionally been the mainstay of Caribbean demand but these lines are becoming increasingly blurred as newcomers from Russia & CIS and Latin America enter the market. With the number of HNWIs in Brazil and Russia forecast to rise by 59% and 76% between 2011 and 2016, their presence is likely to be increasingly evident on Caribbean shores.

For some buyers the weaker US dollar* has provided a currency play. We estimate prime prices have softened on average by 15% since the low point of the financial crisis in late 2008. Taking currency shifts into account this means Swiss and Canadian buyers enjoy, in real terms, an effective discount of 18% and 29% respectively.

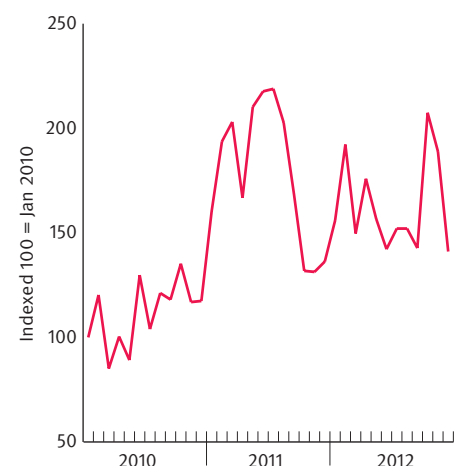
Figure 1
Where are our applicants looking to buy in the Caribbean?



Source: Knight Frank Caribbean

* for those islands where the US dollar is legal tender or where the local currency is linked to the US dollar.

Figure 2
Volume of online Caribbean property searches
Indexed, 100 = Jan 2010



Source: Knight Frank Residential Research

RESIDENTIAL RESEARCH CARIBBEAN INSIGHT

Prime market snapshot

1. Grand Cayman

In the first half of 2012, 230 properties were sold across the Cayman Islands with a total value of \$151m, largely mirroring trends in 2011. Prime prices fell marginally by around 5% but prices in the most desirable locations such as Seven Mile Beach have held up.

Foreign buyers represent around 85% of luxury property purchases on the islands, with most activity confined to Grand Cayman, and most seeking permanent residency. In 2012, Grand Cayman represented 18% of all our Caribbean enquiries, up from 13% in 2011.

As the world's sixth largest banking centre and the number one hedge fund jurisdiction, demand from HNWIs with offices in New York (a three hour flight) and Miami (a one hour flight) is consistently strong.

2. British Virgin Islands

Comprised of 50 hilly and volcanic islands and islets, the British Virgin Islands are very popular with wealthy yachting enthusiasts.

Both the top-end of the market and the \$3m-\$5m bracket are performing well. The sale of homes priced between £1m and \$3m are patchier as buyers push for often unachievable discounts. Most sales above \$800,000 are largely discretionary and vendors are willing to wait to achieve their target price, or thereabouts.

Although the market share of "non-belongs" has shrunk since 2008, we expect the development of North Sound (Oil Nut Bay, Yacht Club Costa Smeralda and surrounding islands) to spark more foreign interest in 2013.

3. St Barts

Prime prices on St Barts - often described as the "St Tropez of the Caribbean" - remained largely static in 2012. High quality, contemporary villas are most in demand, both on the waterfront and inland. The €2-€8m price bracket is currently the strongest.

Gustavia, Saint Jean, Gouverneur and Flamands continue to be the main focus for international buyers. Together, these areas in the north and west, account for around half of the island's property sales.

French, Belgian, South American, and increasingly, US buyers represent the key nationalities purchasing on the island. Monegasque residents, many originating from the UK, are also evident. The final quarter of 2012 saw enquiries rise and these have been converted into sales early in 2013.



4. Jumby Bay

A 300-acre private island, accessible only by boat, Jumby Island lies two miles off the north east coast of Antigua. The island will be home to a maximum of 56 homes, 52 of which are completed.

Prices range from \$5m-\$30m+ with most recent activity focused on properties in the \$10m+ price bracket. On completion the buyer becomes an equal shareholder in the Jumby Bay Island Company (JBIC).

The JBIC has funded the \$30m regeneration of the island's only hotel, the 40-room Jumby Bay Hotel, managed by Rosewood on behalf of JBIC, the profits from which are reinvested into the preservation of the island.

British, US and Italian buyers have been the most active nationalities in the market to date.

5. Barbados

Demand, particularly from British, Italian and Canadian nationals strengthened in 2012. Favoured areas include Sandy Lane, Royal Westmoreland and waterfront property along the West Coast (in areas such as Holetown, Gibbs Beach and Mullins Bay) has also generated healthy interest.

2012 saw prime prices on the island dip by around 5%. The average price of a typical prime property on the island now stands at approximately \$850 per sq ft. However, prime waterfront properties remain in high demand with very limited supply.

In 2012, nearly 50% of all our Caribbean enquiries related to Barbados. The island continues to appeal to a younger demographic than some of its Caribbean neighbours, many drawn to the relaxed lifestyle, and first class surfing.

6. Mustique

Together with St Barts, Mustique offers a high level of exclusivity. Managed by its consortium of owners, the Mustique Company, the island is comprised of more than 80 properties.

Prices have been supported by the finite nature of supply - usually only 5%-10% of the island's properties are on the market at any one time - yet demand for homes in this long-established market is stronger.

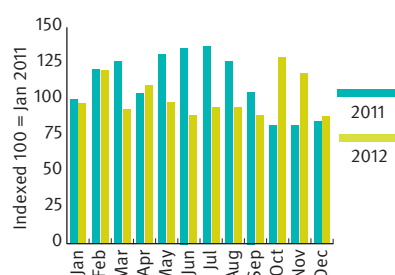
Since 2008, although asking prices may look to have fallen, achieved prices have remained static. Properties priced between \$2 and \$8m are currently seeing the strongest demand.

The island is favoured by French, Belgian, Swiss and British buyers, many are motivated by the island's unrivalled privacy and security.

Prime market trends

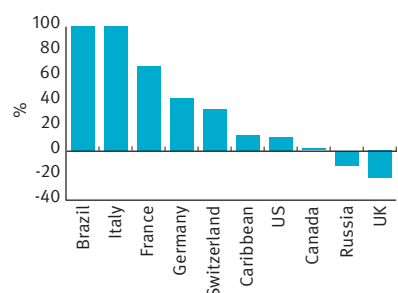
Knight Frank's Global Property Search website (GPS) receives up to 700,000 hits per month making it a unique barometer of the demand for prime international property. The following charts highlight the key trends in the prime Caribbean market.

Figure 3
Monthly activity
Volume of property searches Jan 2011-Dec 2012



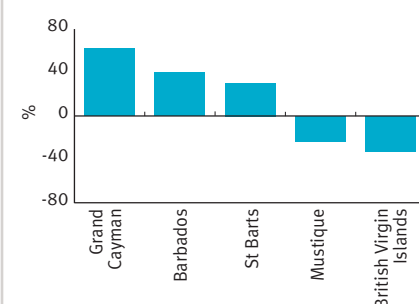
In 2011, the volume of online searches for homes in the Caribbean peaked in the summer months. This is in contrast to 2012 when the final quarter of the year saw activity spike. Online searches in October 2012 were 57.4% higher than a year earlier.

Figure 4
Who is searching for Caribbean property?
% change Jan-Dec 2012 versus Jan-Dec 2011



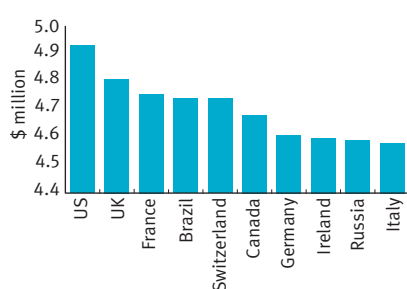
The Caribbean has long been favoured by US, Canadian and British buyers seeking a sunshine retreat, however Latin Americans, Russians and Germans are also increasingly evident. The introduction of new austerity-driven taxes may account for the surge in interest from Italian and French residents.

Figure 5
Change in search volumes by island
% change Oct-Dec 2012 versus Oct-Dec 2011



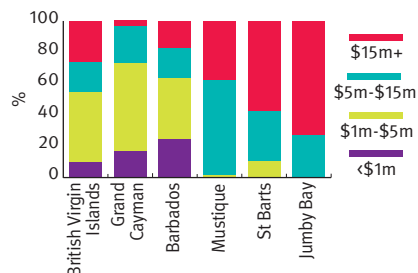
Grand Cayman, St Barts and Barbados all saw the volume of online property searches increase in 2012 year-on-year. Although the volume of searches fell in the British Virgin Islands, this was due primarily to shrinking stock volumes in 2012.

Figure 6
Average price searched by key nationalities
Jan to Dec 2012



In 2012, US nationals searched for the highest-priced Caribbean properties (c.\$4.9m) closely followed by the British who, on average were seeking homes priced at \$4.8m). Of the selected nationalities, Italians searched for the lowest-priced homes (\$4.5m).

Figure 7
Property searches by island and price bracket
Jan to Dec 2012



The breakdown of searches by price bracket shows a diverse split across the islands. In 2012, most property searches for homes on Barbados, Grand Cayman and the British Virgin Islands related to homes priced below \$5m. In contrast, almost 73% of online searches for homes on Jumby Bay related to homes above \$15m.

Figure 8
Where are Caribbean residents looking to buy a luxury home?*
% change Jan-Dec 2012 versus Jan-Dec 2011

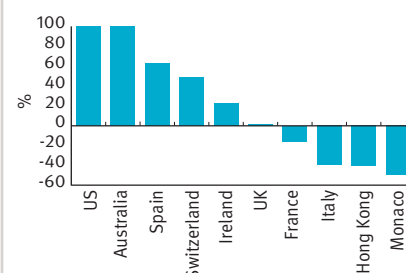


Figure 8 shows the top 10 second-home locations favoured by Caribbean residents and the change in the volume of searches between 2011 and 2012. Although the US and Australia saw the largest rise in searches, in real terms, the UK, the US and France remain the preferred second-home locations for Caribbean residents.

Source: www.knightfrank.com/search

*excluding the Caribbean

Table 1 **Top nationalities buying prime property by island/s**

Rank	Barbados	British Virgin Islands	St Barts	Mustique	Grand Cayman	Jumby Bay
1	UK	US	Monaco	UK	UK	UK
2	Canada	UK	France	Canada	US	US
3	Italy	France	Belgium	Switzerland	Spain	Italy
4	Germany	Italy	UK	US	Canada	Germany
5	Russia	Sweden	US	France	Cayman Islands	Brazil

RESIDENTIAL RESEARCH CARIBBEAN INSIGHT



Instructions and sales

BARBADOS



Location: St James
Sold: Q3 2012

What's in demand:

Property type: Detached villas
Price band: \$1-\$2m and \$5m+
Area: Beachfront West Coast, Sandy Lane, Royal Westmoreland (St James, Holetown)

Local knowledge:

Up and coming area: North of St Peter
Who buys: Lifestyle purchasers also seeking rental income between family visits
Closest airports: Grantley Adams Int'l (GAIA)

BRITISH VIRGIN ISLANDS



Location: North East Tortola
Sold: Q3 2012

What's in demand:

Property type: Waterfront and ocean view villas
Price band: \$3-\$5m
Area: North Sound (VG), West End (Tortola)

Local knowledge:

Up and coming area: Oil Nut Bay/North Sound
Who buys: Lifestyle purchasers with a passion for watersports and tax-motivated professionals
Closest airports: Terrance B. Lettsome (EIS) or Virgin Gorda (VI)

ST BARTS



Location: Saint Jean
€14.5m

What's in demand:

Property type: Contemporary villas with sea views
Price band: €2-€8m
Area: Beachfront

Local knowledge:

Up and coming area: All are established markets
Who buys: An international mix of HNWIs wanting a family retreat and luxury lifestyle
Closest airport: St Barts (SBH) or Princess Juliana Int'l Airport (SXM)

MUSTIQUE



Location: Endeavour Hills
Asking price: \$11.5m

What's in demand:

Property type: Inland villas with sea views
Price band: \$2-\$15m
Area: Island-wide

Local knowledge:

Up and coming area: All are established markets
Who buys: Wealthy buyers seeking a secure and private residence in a low-key environment
Closest airports: Grantley Adams Int'l (GAIA) Barbados

GRAND CAYMAN



Location: South Sound
Asking price: \$4.95m

What's in demand:

Property type: Waterfront homes and condos
Price band: \$ 500,000-\$1m and \$2-\$3m
Area: Seven Mile Beach corridor

Local knowledge:

Up and coming area: South Sound
Who buys: Savvy corporate and private investors relocating for lifestyle and tax benefits
Closest airports: Owen Roberts International (GCM)

JUMBY BAY



Location: Jumbay Bay
POA

What's in demand:

Property type: Waterfront villas and estate homes
Price band: \$10m+
Area: Island-wide

Local knowledge:

Up and coming area: Jumbay Bay
Who buys: Lifestyle buyers seeking privacy, luxury and exclusivity
Closest airport: V C Bird International (ANU), Antigua

Contacts

Research and PR

Kate Everett-Allen
International Residential Research
+44 20 7861 1513
kate.everett-allen@knightfrank.com

Bronya Heaver
International PR Manager
+44 20 7861 1412
bronya.heaver@knightfrank.com

Caribbean sales team

Christian De Meillac
+44 20 7861 1097
christian.demeillac@knightfrank.com

Edward de Mallet Morgan
+44 20 7861 1553
edward.demalletmorgan@knightfrank.com

Vanessa Purdon
+44 20 7861 1108
vanessa.purdon@knightfrank.com



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