

Knight Frank launches *The Island Review*

15 July 2015, Singapore – Knight Frank, the independent global property consultancy, today releases *The Island Review* which assesses current property market conditions across the world's top island destinations in 2015.

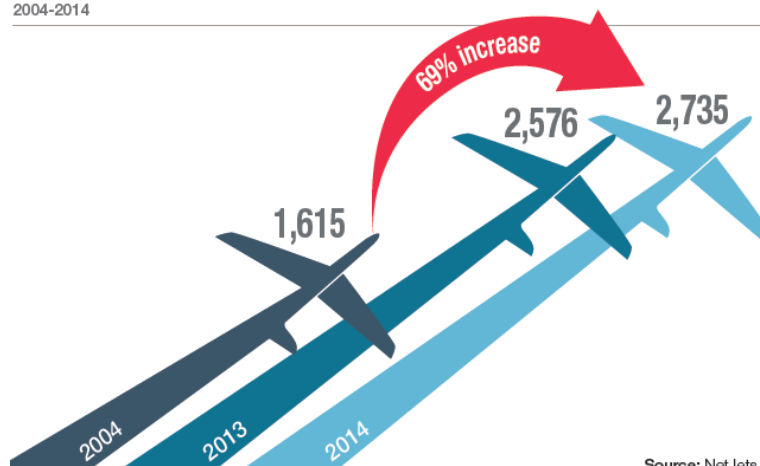
Key Findings

- Online viewings of island properties for sale increased by 21% in 2014 compared with a year earlier.
- Tight planning restrictions are protecting prices on some islands.
- Of the key island markets, **Bali**, followed by Mustique and Ibiza, recorded the strongest rise in prime prices in 2014.
- In the last decade there has been a 69% increase in private flights to island destinations.
- Central America (Panama, Costa Rica, Belize) and **Asia Pacific (Philippines, Tonga)** represent key emerging island destinations.
- In **Asia**, the concept of a second home or 'lifestyle' purchase is slowly becoming more established and we expect this trend will increase significantly in the next five years with major repercussions for global markets. Together **Bali, Phuket** and **Fiji** represent the most mature island markets but they remain tourist destinations rather than established hotspots in the western model.

According to Erin van Tuil, Director of International Project Marketing at Knight Frank, "Anecdotally, we find **Australians** that are seeking to invest in island destinations look towards places like Fiji and the Whitsundays. The Whitsundays are popular for Australians as a second-home destination as it is still within the country so not too far to travel. Whilst Australians continue to invest in Bali strong price growth over the past five years has made it tougher to purchase an entry level holiday home there."

Island Living

FIGURE 1
The rise in private flights to island destinations
2004-2014



While some islands and archipelagos are back on the radar of second home buyers, others are still struggling to see sustained price growth following the financial crisis.

As the world shrinks due to improved transport links, new markets are opening up. Exclusive data from NetJets confirms there has been a 69% increase in private jet flights to island destinations in the last ten years. However,

established resort islands as opposed to private islands are driving the majority of this growth.

In 2014 online viewings of island-based properties via Knight Frank's website increased by 21% year-on-year. Homes on Ibiza, Barbados and **Bali** were amongst those generating the strongest viewing rates.

Buyers appear increasingly attracted to tight planning restrictions, and even some outright building moratoriums, which is making an island property in many locations an increasingly rare commodity.

Marllocca & Ibiza

In the Balearics, Mallorca and Ibiza are seeing something of a revival. Tourist numbers increased by 8% and 12% respectively in 2014 and online property viewings via Knight Frank's website surged 31% and 11% respectively in the first three months of 2015 compared with the previous quarter.

Caribbean

In the Caribbean, the global financial crisis meant numerous development projects were halted in 2008-09, those islands with a bias towards mid-range apartments such as the Turks and Caicos islands, Anguila and St Lucia were hit hard. However, the upturn in tourist numbers evident post-2011 has been mirrored in sales volumes and the strengthening US dollar since mid-2014 is filtering through to investor sentiment.

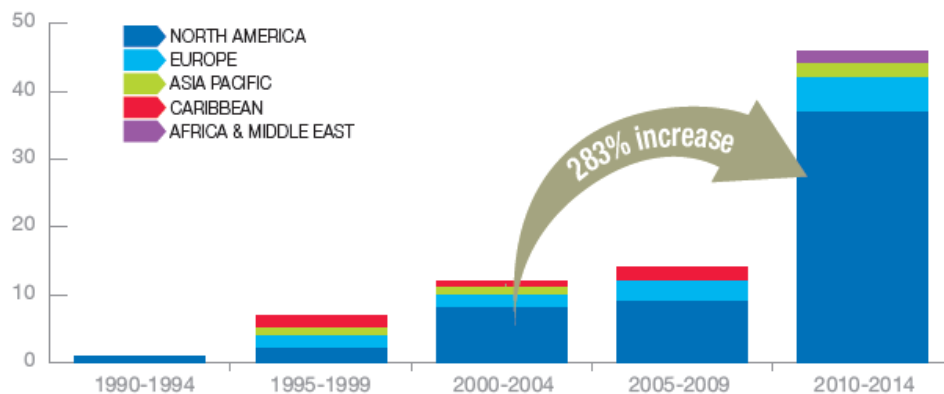
Private Island Myths Debunked

1. Celebrities and UHNWIs are the main buyers

In fact Governments, NGOs and Conservationist groups are competing for ownership.

FIGURE 5 **Government purchases**

No. of islands purchased by Governments, NGOs and Conservation Organisations



Source: Vladi Private Islands

2. Private Island = Private Jet

Most UHNWIs fly to a nearby hub and then travel by boat to their island.

3. Tax benefits are the key motivation for buyers

Less than 10% of islands provide tax advantages to residents.

4. Private islands are only for millionaires

65% of private islands currently for sale are priced below US\$500,000.

5. Private islands are a shrinking resource

Volcanic eruptions are creating new islands each year with Tonga, Russia and Japan home to the latest additions.

Risk & Opportunities

If supply is constrained – either due to strict planning controls or because there is a sustained period of economic growth – the long-term prospects for capital appreciation can be positive. According to our recent *Prime International Residential Index* which tracks prices across 100 luxury residential markets worldwide, mainland second home markets recorded a 2.6% fall in prices in 2014, whilst the 13 island destinations included within the index recorded flat growth by comparison (0%).

Asian interest in second home 'lifestyle' purchases will strengthen in the next five years but there will still be a desire to generate an income from their acquisition via a commercial enterprise such as a holiday let or small vineyard etc.

For some UHNWIs developing a private island can be a challenging task. Alternative trophy assets, such as acquiring and designing a super yacht presents an exciting challenge. A private island by comparison requires engineers, new infrastructure and utilities as well as on-going management. As a result, we expect developed private islands to generate stronger demand than those requiring large-scale utility installations. For younger UHNWIs renting is the way forward. Many wealthy millennials are opting to island hop, spending a month in Mustique, followed by Fiji or the Whitsundays.

Islands on the market

- Yadua Island Fiji, Fiji Islands
<http://bit.ly/1QnAzVV>
- Jumby Bay, Caribbean
<http://search.knightfrank.com/rsi131211>
- Oil Nut Bay, Caribbean
<http://search.knightfrank.com/rsi102965>

END

To download the report, please click:

<http://www.knightfrank.com/research/the-island-review-2015-3013.aspx>

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About Knight Frank

Knight Frank LLP is the leading independent global property consultancy. Headquartered in London, Knight Frank, together with its US alliance partner, Newmark Grubb Knight Frank, operate from 370 offices, in 55 countries, across six continents and has over 12,000 employees. The Group advises

clients ranging from individual owners and buyers to major developers, investors and corporate tenants. For further information about the Company, please visit www.knightfrank.com.