

# INSIDE VIEW

## CARIBBEAN 2018





For Sale - Hummingbird, Mustique, St Vincent and the Grenadines

## Caribbean market overview

**The Caribbean has long been sought-after for its laidback charm and sociable lifestyle set against a backdrop of some of the world's most exquisite beaches and landscapes. They are the reasons people keep going back, often developing an affinity for one island above any others.**

Ahead of this Caribbean season, much of the conversation with buyers has been on the recent hurricanes that hit some of the islands. As in many regions of the world, extreme weather is a way of life that people learn to adapt to in the Caribbean. The inevitability of the annual hurricane season has always been part of visiting, living in or owning a property in this part of the world – and those who have a main residence in the hurricane belt will usually stay away at that time of year.

St Barts was among the islands to see significant damage, but backed by French President Emmanuel Macron's pledge to rebuild the island in a way that can withstand future extreme weather, is using this opportunity to come back better and stronger than ever. As a buyer, enquiring about standards of construction and hurricane code has never been more relevant.

St Barts may not be on the agenda for many regulars this winter, but much of the island is back operational again and certainly will be for the Bucket Regatta. This brief hiatus may be a useful one for St Barts too, as an opportunity not just to rebuild itself better than ever, but to potentially bring some new stock to the market, following a few years that have seen a high volume of property sales.

Here, and on other islands, owners increasingly show their affection for

their Caribbean home by becoming involved in local charities or ecological projects. This sense of stewardship is particularly prevalent on smaller islands such as Mustique, where property owners share control of the island and have a tangible part to play in its future.

For islands like Mustique and Barbados, outside of the hurricane belt, now is a chance to raise their flag and snare some of the attention diverted away from the BVIs, St Maarten and St Bart's. Barbados is a prime case. Its property market has been going through its own climate change in recent years, with prices slipping year on year, almost back to 2008 levels. The most affordable it has been in years, means buyers seem happy to make offers again and owners need to be sensible with negotiations. Some British owners are benefitting from the exchange rate, recouping any loss they make from a lower sales price in the gains from the dollar-to-pound currency exchange.

A couple of big deals recently, around US\$10m, suggests a certain appetite has returned to the market. Buyers who have been contemplating the Caribbean for years, and who are perhaps unsure about investing in Europe, or who are deterred by the cooling market in the UK, are feeling that now is the time to reconsider the Caribbean.

Mustique is looking particularly robust, having seen a record number of sales in the last two years, with some of its biggest houses changing hands. Like Barbados, it has also seen a huge rise in the number of rental enquiries.

A noticeable trend is that American buyers are back in Mustique, with the recent purchase of a large villa marking the first sale to an

American on Mustique in almost 10 years, with others under offer to American buyers. Some are cautious about investing further in New York in the current political climate, or are deterred from Miami by its softening market. They have homes already in Manhattan and the Hamptons and want a place to get away from their usual social set. They want their children to meet a more diverse range of people from around the world, but in a place with a reassuringly safe, old school feel.

Barbados also has a new talking point this winter – the opening of its Nikki Beach club on the west coast near Speightstown, bringing a new youthful beach club scene akin to St Tropez or Miami. It will be a big draw for the buyers that the island attracts, and particularly for some older buyers whose children may now feel this is a reason to revisit Barbados and spend family holidays together.

For buyers in St Barts, Mustique or Barbados, the priority is the lifestyle. In the Bahamas, it's tax. A wider range of nationalities than seen on other islands choose the Bahamas specifically for its fiscal element. The range of chic branded restaurants and the convenience and luxury of resorts such as Atlantis, Albany and the One & Only Ocean Club are big draws. The news that the \$3.5bn Baha Mar is back on track, with new five-star hotels opening soon, is also a sign of a healthy and strong market, in the Bahamas, certainly for New Providence and Paradise Island.

It's a message we can confidently expect to see across other islands too in coming months.



**Edward de Mallet Morgan**

Head of the Caribbean Desk



# The best in the West

**How a one-off collection of villas, new beach clubs and innovative restaurants are bringing new vibrancy to Barbados's Platinum Coast.**



It's a busy time on Barbados's west coast, with a new branch of Nikki Beach near Port Ferdinand breathing some youthful energy into the island's beach club scene and a raft of new residential and hotel development taking place along the beachfront north and south of Holetown.

Almost every visitor to Barbados will at some point gravitate to Holetown, the pulse of the West coast. Many, indeed, will stray little further during their entire stay, enjoying the latest nightspots such as Fusion Rooftop,



Barnaby Kelham

on the roof of the upmarket Limegrove Lifestyle Centre, or a couple of kilometres further south, The Cliff Beach Club and Scarlet, a new cocktail bar set in a vibrant red chattel house opposite Daphnes, one of the coast's upmarket dining institutions.

It is in Holetown, too, that you will find a very rare new development taking shape – Beachlands, whose show house, the 13,174 sq ft Villa Tamarindo is just receiving its finishing touches. This collection of four new villas is set on a four and a half acre beachfront plot, with more than an acre of private land for each villa and a shared 700 ft stretch of prime "Platinum coast" beachfront between them.

"It is probably the best piece of developable land left on the West coast," says Barnaby Kelham, CEO at property development and investment company UK & European Investments Ltd, who bought this site 10 years ago.

The company is working on projects worldwide, but this is their first investment in Barbados. "We were looking across the wider Caribbean for exceptional development sites and this was

clearly a unique opportunity, to find something of this size in this location," says Kelham. "It had four, rundown old houses on it – Pavarotti used to stay in one of them regularly – set among 400-year old magnolia and mango trees." This natural paradise is also a regular nesting spot for Hawksbill turtles, and the living reef at Beachlands is home to a huge range of sealife.

The original plan was for a scheme of 50 large, high-end apartments. "We got ready to launch, then we changed our mind because the market was changing," says Kelham. When the global recession bit Barbados in 2008, some high-profile projects were permanently put on ice. In the case of Beachlands, however, it offered an opportunity for a rethink.

"At the same time, one of the high net worth locals we knew approached us about having houses on the site instead," says Kelham, who then teamed up with Barbados's most famous architect, Larry Warren – the man behind many of the island's most prestigious properties, including Four Winds, just north of Holetown, which sold in 2016 for US\$35m – and together they considered the options for one

of the best beachfront locations in the Caribbean.

Their answer was four detached villas that give traditional West Indian architecture a highly luxurious and contemporary twist – a style for which Larry Warren has made his name, influenced by the late British artist and stage designer Oliver Messel. "They are more modern than many of the other houses you see in Barbados – no arches, but lots of clean lines, for example. We wanted a modern house, but it doesn't have to be a shiny white box," says Kelham.

"We could have squirreled more properties onto the plot, but it was more important for us to get them proportionally right," he adds. "The type of customer who we'll be talking to has homes around the world and they expect world class architecture and interiors of the sort they would have in New York, Miami or London."

Villa Tamarindo has a palatial grandeur to its proportions and finishes, with its high-coffered ceilings, sweeping staircases and exquisite marbles, but it is quite different from the kind of luxury you usually see in Barbados,

Kelham comments. "We wanted understated luxury. We didn't want bling, which is what you see in a lot of houses in Barbados," he says. "The landscaping was crucial too. We have retained the historic trees and things grow fast there, so the houses are on the beachfront but shielded." He adds that there is no need for high walls here. "Security is one of the attractions of Barbados. It's one of the safest places in the Caribbean."

Barbados has never lost its lustre, ever since Concorde put it on the map for the super-rich from the mid-1980s. Such supersonic travel times may no longer be feasible – or not for now, anyway – but Barbados remains easily accessible, with daily direct flights from numerous countries, "and it's one of the most genuinely liveable places in the Caribbean," says Kelham. "It is becoming a truly international place, with no longer just English voices around you, but French Italian, Spanish. There are certainly far more Americans there now too," he adds.

"It feels like it's getting its buzz back again. There is a new energy back there," says Kelham. "Places such as Nikki Beach are broadening its

**"We could have squirreled more properties onto the plot, but it was more important for us to get them proportionally right."**

appeal to younger generations, it constantly sees new restaurant openings, from simple to high end, and it is outside of the hurricane zone, which is a huge positive as it didn't suffer in the recent storms."

What drives people to Barbados, ultimately, is having warm sand between their toes on some of the Caribbean's most beautiful beaches, says Kelham. For an elite few, that simple pleasure will come with the rare privilege of being able to step off that golden sand and straight into the cool, contemporary expanses of their Beachlands villa.

# Road to recovery

Far from a homogenous market, the Caribbean residential sector, which extends across 7,000 islands and approximately 1 million square miles, has ebbed and flowed at different rates since the market downturn in 2007.

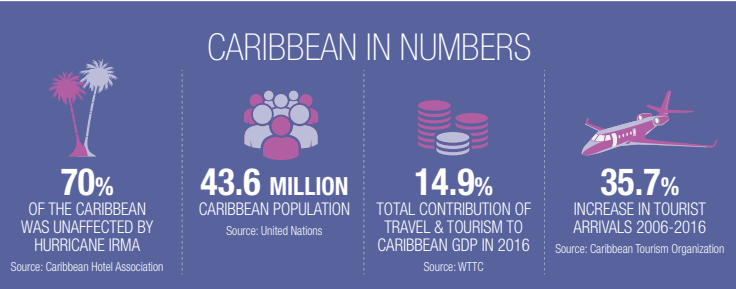
By Kate Everett-Allen

The performance of the Caribbean’s prime residential market varies significantly from island to island.

In recent years momentum has been firmly focused on the island of Mustique, the Bahamas (in particular New Providence and Paradise Island) and prior to Hurricane Irma, St Barts. These islands have all recorded strong sales activity, the only constraining factor being their lack of inventory. Elsewhere, the BVI and Barbados have experienced weaker market sentiment.

In the decade post the global financial crisis prime prices across the region declined on average by about 30% but some islands such as St Barts and Mustique have recorded positive annual price growth in the last few years.

According to the Caribbean Hotel Association, 70% of the Caribbean was unaffected by Hurricane



Irma which battered the central belt but left the southern islands such as Barbados and Mustique largely untouched.

Irma’s impact on the market has been augmented by Brexit, UK Stamp Duty changes, the Zika virus, the US election, and for those islands popular with UK buyers, the weaker pound, has influenced UK applicant numbers.

However, there have been positives too. For British buyers purchasing

on USD-denominated islands, sterling’s weakness has served as a catalyst for UK vendors to be more flexible on price.

Further optimism is evident in the region’s GDP forecasts. Following 2016 when the region’s economy contracted, the IMF forecasts the economy to expand by 1.1% in 2017 and 2% in 2018.

For owners looking to rent their holiday home, the latest tourist figures also provide welcome news.

The growth in tourist arrivals in the Caribbean outpaced worldwide growth for the third consecutive year in 2016, according to the Caribbean Tourist Organization.

Demand from the Canadian market has proved notably strong, rising by 6.4% year-on-year in 2016 according to the Caribbean Tourist Organization, with cruise ships and boat charters a growth segment within the industry.

Future tourist spending will be critical to the region’s recovery particularly on those islands hit hardest by Irma including St Barts and the British Virgin Islands (BVI). Additional challenges for the BVI include its post-Brexit discussions with the UK regarding its status as an Overseas Territory, as well as the OECD’s new Common Reporting Standards for offshore financial centres.

A recent survey by our partners Terra Caribbean, which assesses investor attitudes, found that real estate remains the number one investment choice on the island of Barbados with many focusing on rental income rather than capital growth in the short to medium-term.

With the US economy in good health, US private equity firms are investing in key infrastructure projects across the region once more. The Bahama’s new US\$4.2 billion Baha Mar resort launched in 2017 and on Barbados, the Beachlands development near Holetown, consisting of four beachfront villas, has injected some dynamism back into the market.

## FIVE KEY TRENDS

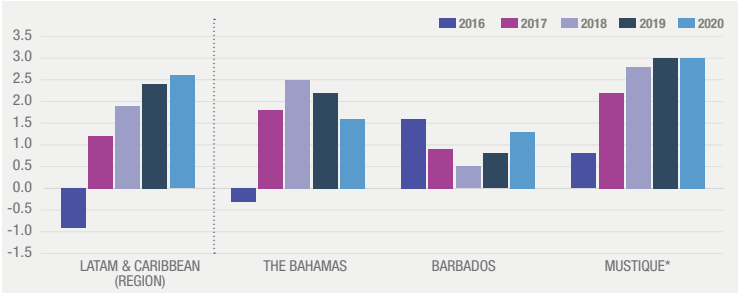
- The return of the US buyer**  
Following a lull in 2016, US enquiries have strengthened in 2017. Rising consumer confidence, firm economic fundamentals and easy connections from the East Coast explain the strengthening demand.
- Mustique sees sales and rentals strengthen**  
Home to only 100 villas and with the Cotton House Hotel at its heart, the island has witnessed strong sales activity in 2017 with a property sold at circa US\$35m, being the highest price for several years.
- Hurricane season – impact on build quality**  
The Florida Building Code (FBC) a set of standards used as a benchmark in Hurricane-exposed areas, is being widely implemented across the region. In the short-term expect greater focus on less-exposed islands.
- Bahamas on the radar of Chinese investors**  
Stronger opportunities for investment and trade co-operation have been formed between Chinese companies and the Bahamas which in turn is leading to rising interest from Chinese HNWIs.
- Post-Brexit – a new safe haven?**  
There is potential for northern European and UK buyers seeking a second home in a warm climate to look more closely at the Caribbean as a safe-haven destination post April 2019. New direct flight routes from Europe are making the Caribbean more accessible but future currency shifts are likely to influence the scale of interest.

Real estate remains preferred investment choice amongst Barbados investors %



Source: Terra Caribbean Investor Attitudes Survey 2017

GDP Forecast % change year-on-year



Source: IMF \*St. Vincent and the Grenadines



# The purchase of real estate in the Caribbean

Buying property in the Caribbean should be relatively straightforward, but we would always recommend that you engage the services of a reputable agent, lawyer and notary.

Please find below an approximate outline of the buying and selling costs for a few of the islands.

## BUYING COSTS

TRANSACTIONS	BARBADOS	MUSTIQUE	ST BARTS	BVI	BAHAMAS
Attorney fees	1-2.5% plus 17.5% VAT	Alien Land Holders Licence processing US\$1,250 plus varying conveyancing fees	Optional and % can vary	2% of the first US\$50,000 and 1% of the remaining consideration, but not less than US\$150	1-2.5% plus 7.5% VAT
Non-Belongers / Alien Land holders licence for individuals	NA	US\$68,000 plus 7% of the value over US\$1,120,000	NA	Licence filling fee of US\$200 and fee for the grant of the Licence is US\$600 for each person named	
Non-Belongers / Alien Land holders licence for companies	NA	US\$68,000 plus 7% of the value over US\$1,120,000	NA	Licence filling fee of US\$500 and fee for the grant of the Licence is US\$1,000 plus US\$600 for each director and shareholder	
Land tax	Proportionate amount of Land Tax		NA	Land Tax: US\$150 for the first half an acres to one acre and US\$50 for any additional acreage thereafter. House tax: 1.5% of the assessed annual rental value	1% (maximum per year US\$50,000)
Stamp duty	NA	10% (5% payable by the seller, 5% payable by the buyer)	Approximately 5%	12% of the sale price or appraised value	10% (7.5% VAT and 2.5% stamp tax)
Mortgage/ Finance	US\$ mortgages minimum loan value US\$250,000; LTV Ratio 40-50%; Interest pegged against International LIBOR Rates; maximum 20 years to repay; Bank's attorney Fees 1-2% plus 17.5% VAT, Bank's fees 1%	Possible, but unusual	Although it is possible, it is very difficult to get financing	Interest rates generally pegged to New York Prime rate, between 5-7%	Stamp Duty on mortgages is payable at a rate of 1% on the amount borrowed. The down payment required is normally in USD and 40-50% of market value
Deposit	10%	10%	10%	10%	10%
Conveyance Tax / Fee	NA	0.25% of property value for deed registration	Notaire and registration fees are approximately 1% of the sale price	NA	0.5%
Balance of the purchase price	90%	90%	90%	90%	90%



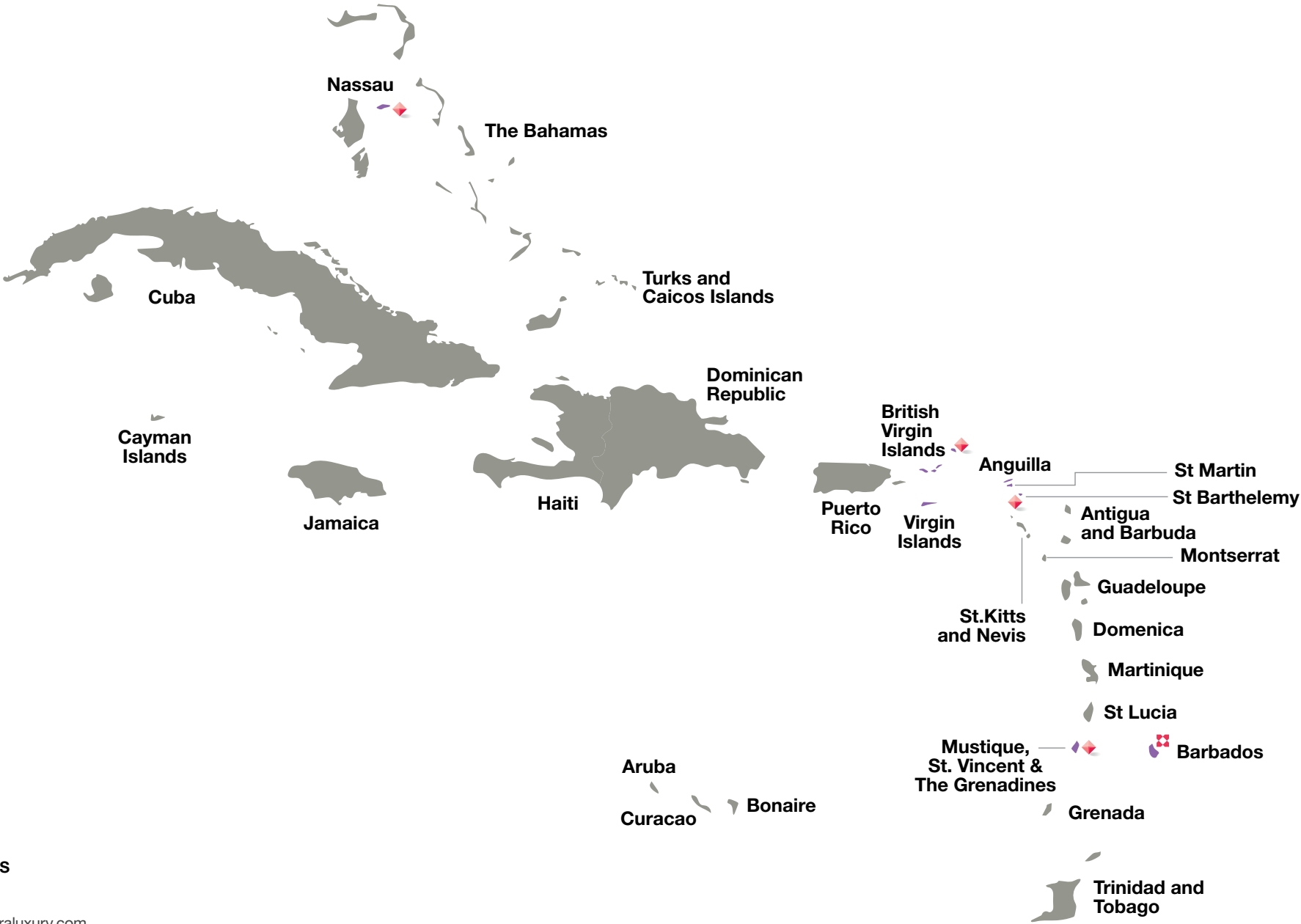
## SELLING COSTS

TRANSACTIONS	BARBADOS	MUSTIQUE	ST BARTS	BVI	BAHAMAS
Attorney fees	1-2.5% plus 17.5% VAT	Varying	Optional and % can vary	2% of the first US\$50,000 and 1% of the remaining consideration, but not less than US\$150	1-2.5%
Real Estate agent's fees	4-5% plus 17.5% VAT	5%	6%	4-7%	6%
Stamp duty	1%	NA	NA	NA	NA
Conveyance Tax / Fee	NA	5%	NA	NA	NA
Property transfer tax	2.5% (first US\$75,000 is exempt on an improved property)		NA	NA	2.5%
Other	NA		The local capital gains tax is 20% which reduces with the length of ownership	NA	

# The Caribbean Network

The London team works closely with several local experts throughout the Caribbean, who have been carefully selected for their integrity, experience and professionalism.

- ❖ Terra Luxury | Knight Frank office
- ◆ Associate office



## London

**EDWARD DE MALLET MORGAN**  
Head of the Caribbean desk  
+44 20 7861 1553  
edward.dmm@knightfrank.com

**VICKI MILLS**  
Caribbean Team Secretary  
+44 20 7861 1275  
victoria.mills@knightfrank.com

**KATE EVERETT-ALLEN**  
International Research  
+44 20 7861 2497  
kate.everett-allen@knightfrank.com

**ASTRID RECALDIN**  
International PR  
+44 20 7861 1182  
astrid.recaldin@knightfrank.com

## Barbados

**RACHEL EDWARDS**  
Sales Negotiator  
+1 246 622 3250  
rachel.edwards@terraluxury.com

**ANNA LEE WARREN**  
Sales Negotiator  
+1 246 622 3230  
annalee.warren@terraluxury.com

**JEANIE MAHON**  
Sales Negotiator  
+1 246 622 3242  
jeanie.mahon@terraluxury.com

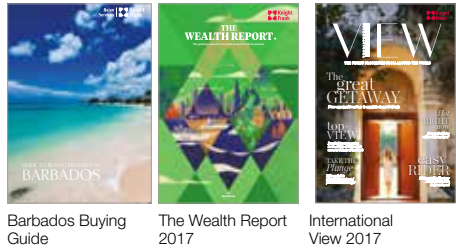
**KARYN FAKOORY**  
Sales Negotiator  
+1 246 430 3782  
karyn.fakoory@terraluxury.com

Other locations covered: Mustique, St Barts, British Virgin Islands and the Bahamas.

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