

RESIDENTIAL RESEARCH BRITISH VIRGIN ISLANDS RESIDENTIAL INSIGHT

Knight Frank



Christian de Meillac, Head of Knight Frank's Caribbean Department, offers his insight into the British Virgin Islands' exclusive property market and discusses how prices are faring, who's buying and where

How did the property market perform in 2011?

The price of luxury homes remained largely static in early 2011. The market gained momentum in the second half of 2011 as vendors re-assessed their asking prices leading to renewed interest from purchasers.

Traditionally, purchases in the BVI are lifestyle driven and as a result the market is better insulated against economic fluctuations. The small size of the BVI property market, along with the continued demand and the limited supply, has helped support prices.

The BVI has emerged as a thriving financial centre, partly due to its reputation as a low tax jurisdiction (residents pay no death duties or income, corporation, capital gains or wealth taxes) making it a key target for HNWIs.

What sets the BVI apart from other Caribbean Islands?

The chain of islands remain one of the more 'unspoilt' countries in the Caribbean. Considered a yachtsman's paradise, the BVI provide 50 islands and islets for sailing enthusiasts to explore. Its natural beauty and striking elevations make for a truly private and relaxed lifestyle.

What type of properties are in greatest demand?

Waterfront property always attracts competitive interest, even in a subdued market and homes with private moorings appeal to the islands' many yachting enthusiasts. The two main islands of Virgin Gorda and Tortola are popular with overseas buyers, in particular the western tip of Tortola, near Smugglers Cove and Long Bay Beach.

What's your outlook for the market in 2012?

The tumultuous global economy has tested the residential resort model in the Caribbean which has led investors and buyers back to independent villas and sites on sub-divided plots – a market on which the BVI has traditionally traded.

This positive trend, along with Virgin Gorda's new super-yacht marina, with a capacity for 38 super-yachts, should drive further investment and HNWI interest. We expect prices to hold firm in 2012 and current sales volumes to continue.

What impact did the global financial crisis have?

The wealthy profile of residents means that forced sellers are a rarity, most are willing to ride out the dip in the market and await more favourable conditions.

While a number of neighbouring islands saw their high-density residential resorts struggle post-2008, the BVI's minimal exposure to such projects, combined with strict planning regulations led to more muted price falls.

Who's buying in the BVI?

At the luxury end of the BVI market, European buyers dominate (accounting for 60% of luxury sales) with North Americans as a close second and local BVI purchasers making up the remainder of the market. This profile of buyers has remained largely unchanged for decades.



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Figure 1
Who is looking to buy prime property in the British Virgin Islands?

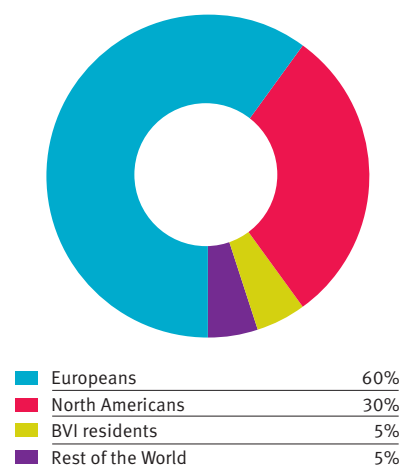
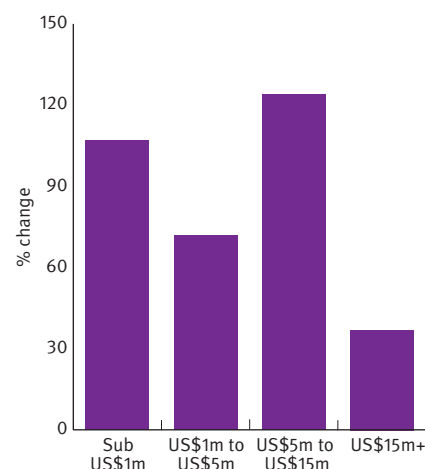


Figure 2
Searches by price bracket
Percentage change in searches by price bracket, 2010 vs 2011



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Knight Frank's Global Property Search website receives 600,000 hits per month making it a unique barometer of the demand for prime international property. The following charts highlight some of the trends in the BVI market.

Nationality

Europeans continue to represent the largest source of demand for prime property on the islands, with north Americans a close second. The average price of homes searched for by US residents equated to US\$6m in the final quarter of 2011.

Figure 3

Nationality and average price

Average price searched by selected nationalities

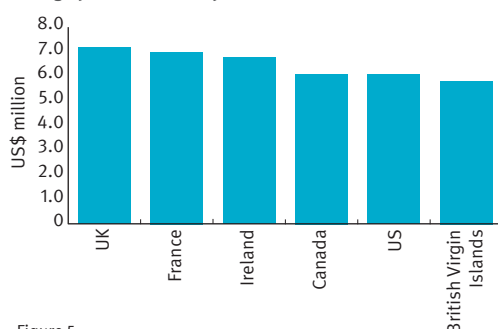
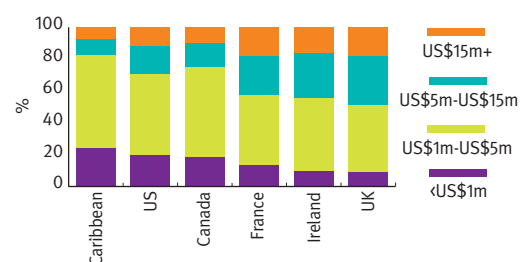


Figure 4

Nationality and price bracket

Proportion of searches by price band and nationality, 12 months to Dec 2011



Seasonality

2011 saw a dramatic increase in BVI property searches via Knight Frank's Global Property Search website, particularly between May and September (figure 6). The uptick in market activity that we have experienced since December 2011 suggests many serious buyers used the summer to research the market thoroughly.

Figure 5

On-trend?

Search activity compared to the monthly average for each location

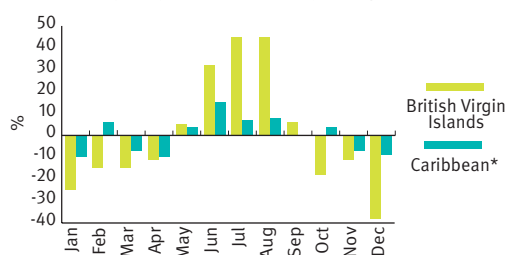
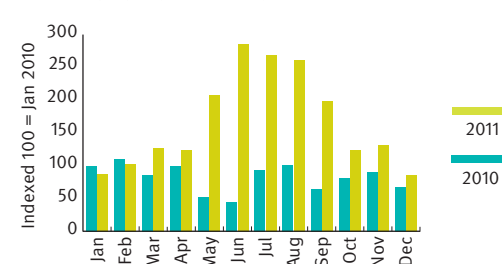


Figure 6

Monthly activity

Volume of property searches by month, 2010 vs. 2011



Source: Knight Frank Residential Research

*Caribbean data relates to Antigua and Barbuda, Bahamas, Barbados, Cayman Islands, Grenada, Saint Barthelemy, Saint Vincent, The Grenadines and the British Virgin Islands

What can you buy for up to US\$3m?

VIRGIN GORDA

Hillside villa

Asking price
US\$2.3m-US\$4.2m

3-4

What can you buy for more than US\$5m?

TORTOLA

Waterfront estate

Asking price
US\$6.5m

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For more details please click on the images above...

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