

RESIDENTIAL RESEARCH



CARIBBEAN PRIME RESIDENTIAL INSIGHT

2014

PRICE PERFORMANCE

MARKET SNAPSHOT

PROPERTY SEARCH TRENDS

MARKET OVERVIEW

Six years on from the global financial crisis, is the Caribbean's luxury housing market moving towards a period of recovery? Kate Everett-Allen assesses current market conditions.

KEY FACTS

Barbados and the British Virgin Islands saw the number of prime sales increase by 10%-15% in 2013

The average price of a luxury home on the Bahamas, Mustique, St Barts and Jumby Bay rose marginally (by 0-2%) in 2013

British, US and Canadian buyers continue to represent the key component of foreign demand across the Caribbean

Vendors need to be realistic on price given the high level of supply following six years of subdued market activity

The Caribbean's development market is improving with projects such as Oil Nut Bay and Albany recording strong sales rates



KATE EVERETT-ALLEN
International Residential Research

"2013 marked a watershed for several markets with Barbados and the Bahamas in particular seeing sales volumes increase."

Luxury homes across the Caribbean islands were not immune to the travails of the global financial crisis. Prices on the smaller, more exclusive islands such as Mustique, Jumby Bay and St Barts have performed better than some of their neighbouring islands over the last six years.

The larger markets, such as Barbados and the Bahamas, where residential and leisure development had been expanding rapidly in 2007-08, felt the reverberations more strongly.

Some islands have seen luxury prices fall by c.30% since 2007 but the rate of decline has slowed significantly in the last 12 months (figure 1).

2013 marked a watershed for several property markets in the Caribbean, with Barbados and the British Virgin Islands in particular, seeing sales volumes increase. Purchasers have started to see buying opportunities in the market as some vendors have adjusted their asking prices in line with achievable values, acknowledging the effect of the global financial crisis on market sentiment.

Critical to this turnaround has been the renewed confidence amongst buyers from Europe and the US.

The Eurozone debt crisis no longer represents the destabilising force that it once did for the global economy.

Meanwhile in the US, the on/off discussions regarding the tapering of quantitative easing (QE) had an immediate effect on confidence amongst US buyers in the second half of 2013. When the Federal Reserve clarified its position in September 2013, postponing any tapering until US unemployment reached 6.5%, demand for Caribbean homes picked up.

There is evidence of higher disposable incomes in the mid-market with interest in the \$2.5m-\$4.5m price bracket strengthening, particularly amongst US buyers.

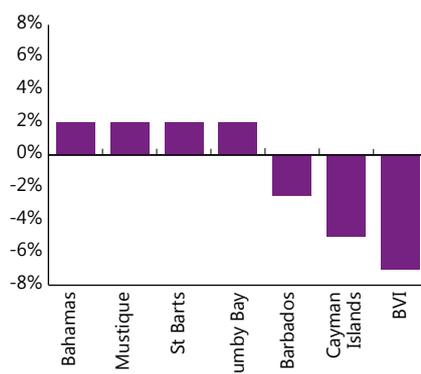
The weak dollar has fuelled interest from Euro-denominated buyers. An increase in enquiries from Swedish, French and Eastern Europeans was particularly noticeable in 2013. A look at currency fluctuations helps to explain why.

In 2010 a French buyer looking at purchasing a \$2m property in Barbados would have paid €1.53m. In 2013, due to currency rates and price movements, the same property would cost the buyer closer to €1.26m.

New developments are also back on the radar of international buyers with projects such as Oil Nut Bay in the BVI and Albany in the Bahamas selling well.

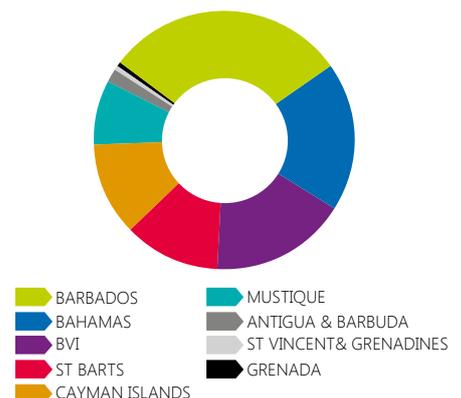
Despite the revived optimism there remains a large inventory of properties on the market across the Caribbean. Those vendors that want to sell need to price their home realistically as buyers are highly price sensitive.

FIGURE 1
How the Caribbean's prime markets have performed
Annual % change in prime prices, to Q4 2013



Source: Knight Frank Residential Research

FIGURE 2
Which island generates the most property searches*? (%)



Source: Knight Frank Residential Research
* via Knight Frank's Global Property Search website

PRIME MARKET SNAPSHOT

BVI

Since the global recession the BVI's luxury market has followed a cyclical trend.

Activity and prices have strengthened, albeit marginally, in the winter months with any gains then wiped out by slower summer months.

2013, however, saw activity strengthen with sales volumes increasing year-on-year.

The median sales price increased by c.10% in the first six months of 2013, rising from \$1.23m to \$1.35m. "Non-Belongers", or foreign buyers, accounted for eight of the eleven \$500,000+ sales that took place in the first half of 2013.

This contrasts sharply with the period between 2009 and 2011 when "Non-Belongers" were largely absent from the market.

The North Sound area of Virgin Gorda is the focus of the island's new development with Oil Nut Bay selling well. Plans for new opportunities on nearby Mosquito Island and Blunder Bay will add to the levels of new supply in the region.

St Barts

St Barts saw a significant rise in sales volumes in 2013. Market activity remains strongest below €10m but 2013 also saw an increase in the number of transactions above €10m. Price movement has been relatively static since 2009 but edged upwards in 2013.

The number of homes coming to the market has remained flat but demand and consequently sales have increased.

Unlike Mustique there are some unique opportunities for those looking to buy a plot and build their own home on St Barts. This section of the market is particularly healthy.

St Barts remains popular with North American, South American, Western European and British buyers.

Market sentiment is healthy and the recent purchase of Hotel Saint-Barth Isle de France by LVMH will only serve to encourage investment and reinforce confidence on the island.

Holiday rental activity is high with restaurant, hotel and villa owners noticing an increase in demand and occupancy.

Jumby Bay

A 300-acre private island, accessible only by boat, Jumby Island lies two miles off the north east coast of Antigua.

Unlike most other Caribbean islands Jumby Bay is a privately-owned island which means purchasers become shareholders when they purchase a home.

The island is home to 56 properties, 38 of which are detached villas with prices ranging from \$5m-\$30m. Owners are currently evenly split between US and UK nationals although enquiries from Canadian buyers have risen in the last 12 months.

Property 'trends' are difficult to identify due to the island's small property market, but interest in 2013 has been strongest at the lower end of the market, between \$5m-\$10m.

The island's only hotel, the 40-room Jumby Bay Hotel, is managed by Rosewood on behalf of Jumby Bay Island Company. The Hotel also manages all rentals on the island with around 50% of properties rented as holiday lets.

Cayman Islands

Prime prices softened in 2013 but activity is rising, an indication of renewed confidence and limited new supply. Sales in 2013 were focussed on Seven Mile Beach, South Sound and the Eastern Districts.

We estimate prime prices have slipped by c.5% on Grand Cayman in 2013 but we expect price growth to remain static in 2014.

Sales have been particularly strong in the \$1m to \$5m price bracket with interest from US, Canadian and British buyers notable.

Passenger numbers to the island have increased by 50% since 2008 and further investment is taking place. The terminal and runway is being expanded which will increase the number of long haul flights from Europe and South America. New cruise berths are also being established at the Cayman Island Yacht Club to cater for the growing number of super yachts that visit the island each year.

Mustique

The number of sales on the exclusive island of Mustique rose steadily in 2013 as some vendors lowered their asking prices marginally. The availability of homes, particularly at the lower end of the market, is limited.

Buyers are still predominately British, Western European and North American. The majority of interest is in the \$6m-\$10m price bracket.

The level of wealth on the island means most are discretionary vendors, who are under no financial pressure to accept less than they feel their property is worth. As a result, values remain largely stable.

There is minimal development on the island. The building plots that were available have been sold and there is little prospect of any new plots entering the market. As a result, there is a willingness amongst buyers to undertake extensive renovations and refurbishments on some older properties.

The island is experiencing record levels of rental interest, enabling owners to generate a good return on their property.

Barbados

2013 saw a marked turnaround in Barbados's prime market as confidence levels amongst buyers picked up. Supply continues to outpace demand but the market is rebalancing.

Sales volumes increased c.15% in 2013 year-on-year, this strengthening activity has seen prices start to stabilise following several years of declining values.

The government's new Entry and Reside permit is contributing to stronger enquiry levels. It allows persons who invest a minimum of BDS \$2m in Bajan property to gain an indefinite special entry permit. To qualify the funds must originate from outside of Barbados.

Foreign interest remains focussed on the key locations of St Peter, St James and Christ Church. The new development market is starting to pick up with a few boutique developments along the beachfront emerging.

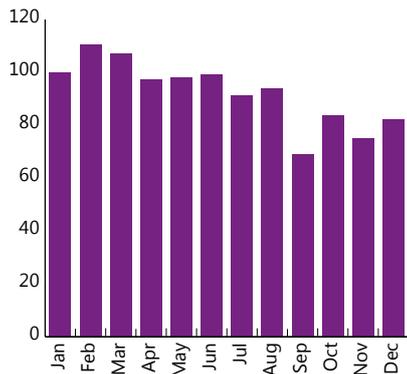
TABLE 1 Top foreign nationalities buying in the Caribbean's prime markets

| BVI | ST BARTS | JUMBY BAY | CAYMAN ISLANDS | MUSTIQUE | BARBADOS |
|---|---|--|--|--|--|
|  |  |  |  |  |  |
| Who buys? <ol style="list-style-type: none"> 1. US 2. UK 3. Italy | Who buys? <ol style="list-style-type: none"> 1. US 2. W. Europe 3. UK | Who buys? <ol style="list-style-type: none"> 1. US 2. UK 3. Canada | Who buys? <ol style="list-style-type: none"> 1. US 2. Canada 3. UK | Who buys? <ol style="list-style-type: none"> 1. UK 2. US 3. France/Italy | Who buys? <ol style="list-style-type: none"> 1. UK 2. Canada 3. US |

PRIME MARKET TRENDS

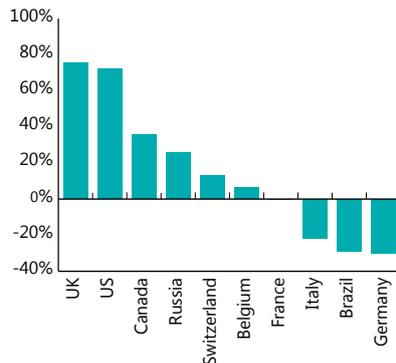
Knight Frank's [Global Property Search](http://www.knightfrank.com/search) website is a unique barometer of the demand for prime international property. The following charts highlight the key trends taking place in the Caribbean's prime residential markets.

FIGURE 3
Caribbean property searches: when is it best to market your property?
 Indexed, 100 = Jan



Analysis of Caribbean property searches between 2009 and 2013 shows that February is the month when online property searches peak. The summer months generate a relatively constant level of activity before dipping at the end of the year. Since 2011 property searches in the final quarter of the year have strengthened.

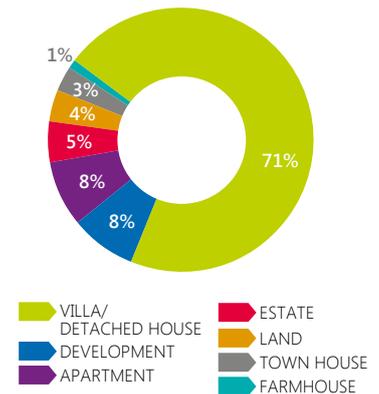
FIGURE 4
Which nationalities are increasingly searching for a Caribbean property?
 2012 v 2013* (% change)



*Jan-Nov 2012 v Jan-Nov 2013

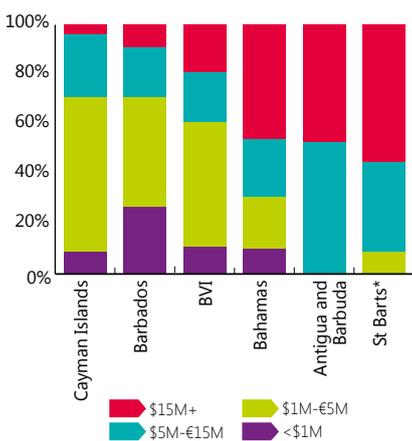
Searches conducted by British and US nationals increased the most between Jan and Nov 2013 compared to the same period a year earlier. This confirms anecdotal evidence that the improving economic outlook in Europe and the US is boosting buyer confidence amongst buyers from these countries.

FIGURE 5
Caribbean searches by property type (%) 2000-2013



Detached homes or villas account for over 70% of online property searches in the Caribbean. New homes are responsible for around 8% of Caribbean searches but this figure increases to 10%-15% on the islands of Barbados and the Cayman Islands.

FIGURE 6
Property searches by price bracket 2013



*No data available for Mustique

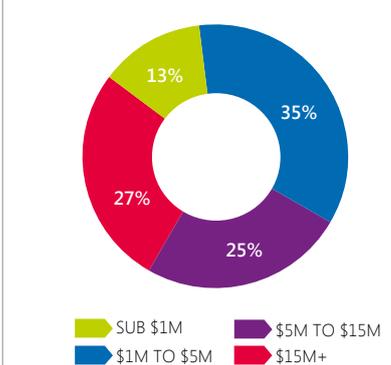
The split by price bracket reflects the composition of each local market. Only the Bahamas, Antigua and St Barts generate a significant proportion of searches above \$15m. Over two-thirds of searches in Barbados and The Cayman Islands, by comparison, are below \$5m. In the BVI searches are more evenly-split across the four price brackets.

FIGURE 7
Caribbean property searches: buyers from which world region search for the highest-priced properties?
 2013



In 2013 web users based in Africa, Australia and the Middle East searched for the most expensive properties, on average around \$3.67m. The average price searched by British and North Americans nationals was broadly similar – c.\$3.37m. Europeans and South Americans were focussed on lower priced properties.

FIGURE 8
Which price bracket has attracted the most property searches since 2010? 2010-2013



Properties priced below \$1m account for only 13% of online Caribbean searches. The \$1m-\$5m bracket is the largest, generating around 35% of online searches. The remaining two price bands \$5-15m and \$15+ together account for the remaining 51%.

CARIBBEAN PROPERTY HIGHLIGHTS

Knight Frank's Caribbean network covers eight countries extending from the Cayman Islands in the west to Barbados in the east and from the Bahamas in the north to Mustique in the south.

Below is a selection of prime properties currently available.

BAHAMAS

Prices from: \$1,800,000



BVI

Price: Plots from \$1,950,000



ST BARTS

Price: €14,500,000



JUMBY BAY

Price: \$14,000,000



CAYMAN ISLANDS

Price: \$1,095,000



MUSTIQUE

Price: POA



BARBADOS

Price: \$4,750,000



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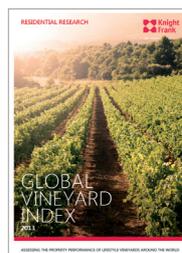
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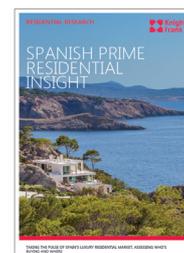
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