

RESIDENTIAL RESEARCH



CARIBBEAN INSIGHT 2018

ASSESSING MARKET CONDITIONS ACROSS THE
CARIBBEAN'S PRIME SECOND-HOME DESTINATIONS



KEY TRENDS

ECONOMIC OUTLOOK

THE REGION POST-IRMA

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.

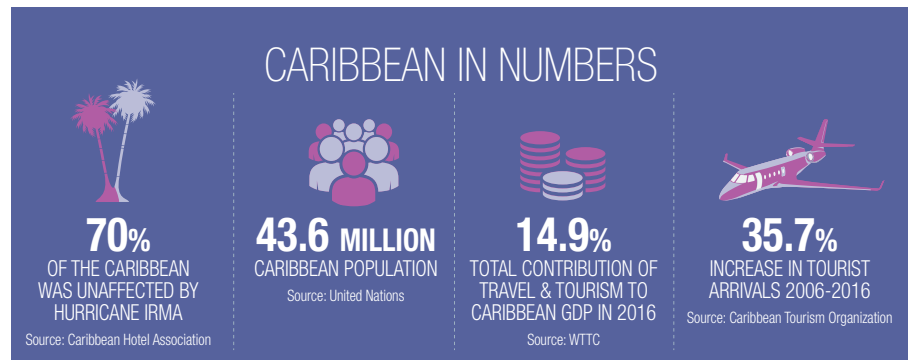
By Kate Everett-Allen

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



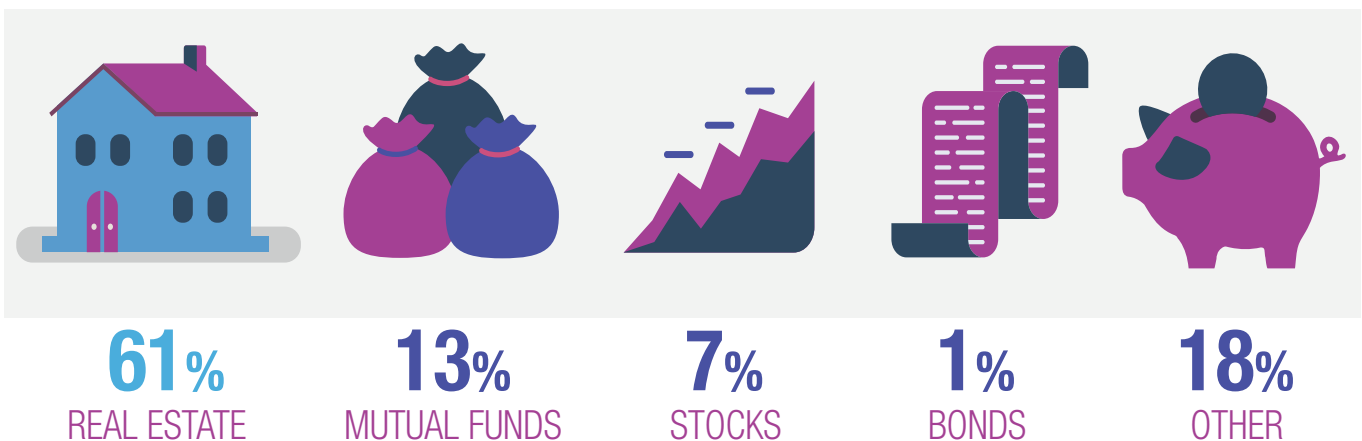
unaffected by Hurricane Irma which battered the central belt but left the southern islands such as Barbados and Mustique largely untouched.

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.

Real estate remains preferred investment choice amongst Barbados investors



Source: Terra Caribbean Investor Attitudes Survey 2017

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

1.

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.

2.

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.

3.

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.

4.

Bahamas on the radar of Chinese investors

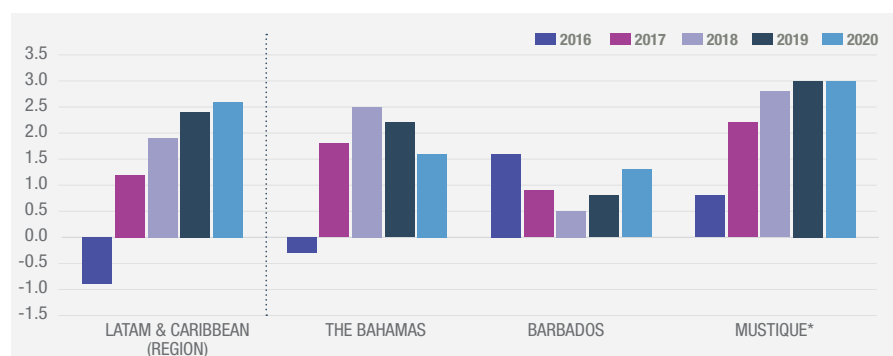
Stronger opportunities for investment and trade co-operation have been formed between Chinese companies and the Bahamas which in turn is leading to rising interest from Chinese HNWIs.

5.

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.

GDP Forecast % change year-on-year



Source: IMF *St. Vincent and the Grenadines



**KNIGHT FRANK
INTELLIGENCE**
For the latest news, views and analysis
on the world of prime property, visit
KnightFrank.com/blog

RESIDENTIAL SALES

Edward de Mallet Morgan

Head of the Caribbean Department

+44 20 7861 1553

edward.dmm@knightfrank.com

RESIDENTIAL RESEARCH

Liam Bailey

Global Head of Research

+44 20 7861 5133

liam.bailey@knightfrank.com

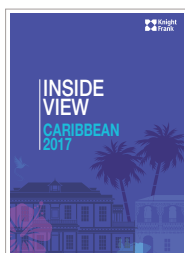
Kate Everett-Allen

International Research

+44 20 7167 2497

kate.everett-allen@knightfrank.com

MARKETING PUBLICATIONS



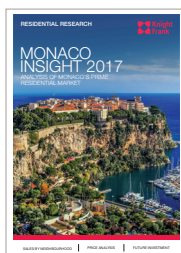
[Caribbean Inside View
2017](#)

The Research data provided in this report was originally published within **Caribbean: Inside View**

RESEARCH PUBLICATIONS



[Wealth Report
- 2017](#)



[Monaco Insight -
2017](#)



[France Insight - 2017](#)



[Switzerland Insight -
2017](#)

Knight Frank Research Reports are available at KnightFrank.com/Research

Knight Frank Research provides strategic advice, consultancy services and forecasting to a wide range of clients worldwide including developers, investors, funding organisations, corporate institutions and the public sector. All our clients recognise the need for expert independent advice customised to their specific needs.



Important Notice

© **Knight Frank LLP 2018** – This report is published for general information only and not to be relied upon in any way. Although high standards have been used in the preparation of the information, analysis, views and projections presented in this report, no responsibility or liability whatsoever can be accepted by Knight Frank LLP for any loss or damage resultant from any use of, reliance on or reference to the contents of this document. As a general report, this material does not necessarily represent the view of Knight Frank LLP in relation to particular properties or projects. Reproduction of this report in whole or in part is not allowed without prior written approval of Knight Frank LLP to the form and content within which it appears. Knight Frank LLP is a limited liability partnership registered in England with registered number OC305934. Our registered office is 55 Baker Street, London, W1U 8AN, where you may look at a list of members' names.