

CARIBBEAN INSIGHT

2019

EDWARD DE MALLET MORGAN, HEAD OF KNIGHT FRANK'S CARIBBEAN DESK, SHARES HIS KNOWLEDGE AND INSIGHT ON THE CARIBBEAN'S PRIME RESIDENTIAL MARKET.



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HOW DID THE CARIBBEAN'S KEY MARKETS PERFORM IN 2018?

2018 was a year of consolidation and recovery across several islands as many took stock following Hurricane Irma in 2017.

Some islands were able to reopen hotels, bars, restaurants and marinas - their economic lifeblood - in a matter of months, for others, such as the British Virgin Islands and St Martin, the re-build will be a slower process.

That said, a significant number of the Caribbean islands (70%) were unaffected by Hurricane Irma including Barbados, Mustique, Grenada and St Lucia.

Mustique, home to the Cotton House Hotel and around 120 villas, saw record sales volumes in 2018 with a number of properties currently under offer.

Sales in the Bahamas slowed slightly in 2018, although UK, US and Scandinavian buyers remain active. Sales in St Barts are strengthening with significant investment earmarked to renovate some of the island's landmark hotels including Eden Rock.

WHY DO YOU CONSIDER BARBADOS TO BE GOOD VALUE?

Prices have corrected across Barbados in recent years and are now back to their 2008 levels, representing a buying opportunity for many. The decline in prices has been evident across all price bands, but most notably above US\$15m.

The election of a new government in May 2018 and a radical debt-restructuring plan is being received positively by investors and second home buyers alike.

The robust US dollar, which the Barbadian dollar is pegged to, has lessened the impact of softening prices for those British homeowners that already have a foothold on the island. In some cases, this has aided

the negotiation process with some vendors being more flexible on price.

WHAT IS BEHIND MUSTIQUE'S STRONG SALES RATES IN 2018?

It is a case of supply and demand. The island, accessed by a short flight from St Lucia, has no further plots available for development. Against this backdrop of limited supply, enquiries strengthened as The Mustique Company, the island's management firm, celebrated its 50th anniversary in 2018, putting the 5.6 km² island firmly in the spotlight.

The majority of sales are between US\$5m-US\$15m and most owners opt to rent out their villas. Mustique remains popular with buyers from Europe and the US, and all are cash purchasers.

WHAT SETS THE BAHAMAS MARKET APART?

The island's proximity to the United States - a flight time of just one hour separates the capital Nassau from Miami - its tourist industry and leisure provision sets the Bahamas apart. The islands also attract a broader mix of nationalities including Canadian and Asian buyers, drawn to a number of large hotel resorts, many with casinos.

Of the Bahamas' 700 islands and cays, the northernmost islands, New Providence and Paradise Island, are the focus for the tourist industries. Beyond tourism, the financial services sector generates around 20% of GDP with the shipping registry - the third largest in the world - and 80 insurance companies making a significant contribution.

Together with St Barts, the Bahamas generate some of the largest sales volumes in the Caribbean with areas such as Ocean Club, Old Fort Bay, Lyford Quay and Albany facing strong demand.

FIGURE 1
 THE CARIBBEAN MARKET IN FIGURES

44.3M

CARIBBEAN POPULATION (2017)

46.1M

TOTAL INTERNATIONAL VISITOR ARRIVALS ACROSS THE CARIBBEAN (2016)

US\$622
 PER SQ FT

BARBADOS: MEDIAN PRICE OF A WEST COAST BEACHFRONT CONDOMINIUM (2017)

28%

BARBADOS: DECLINE IN WEST COAST BEACHFRONT CONDO PRICE INDEX, 2010-2017

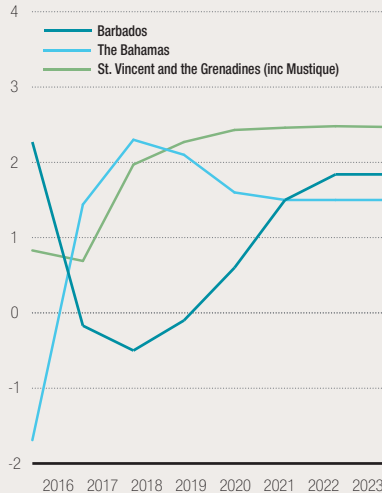
\$1,525

BARBADOS: AVERAGE WEEKLY RENTAL FOR A 4-BEDROOM HOME ON BARBADOS DURING WINTER MONTHS

MARKET INTELLIGENCE

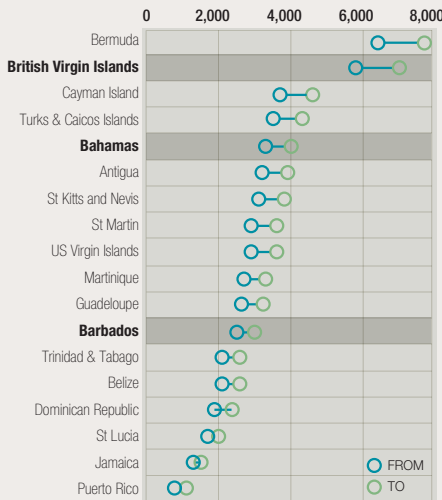
Knight Frank's Research team take the pulse of the Caribbean's prime residential market by handpicking the latest data, indicators and trends to help buyers and vendors gauge current market conditions.

FIGURE 2
BARBADOS ECONOMIC RECOVERY IN SIGHT GDP GROWTH (%)



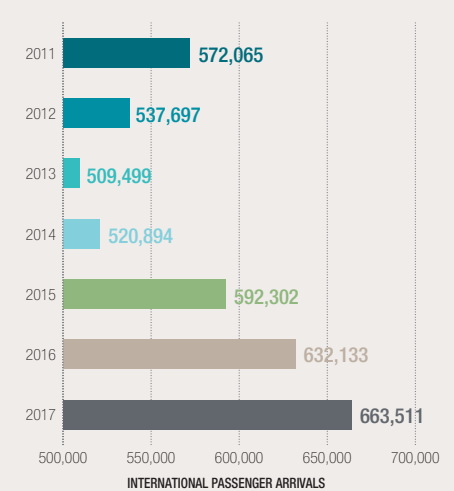
Source: IMF

FIGURE 3
CARIBBEAN PRICES COMPARED US\$ PER SQ M



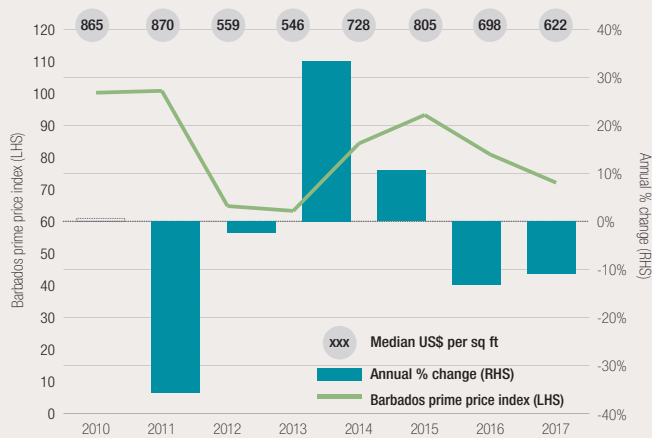
Source: Global Property Guide

FIGURE 4
BARBADOS TOURISM ON THE UP INTERNATIONAL PASSENGER ARRIVALS



Source: Caribbean Tourism Organisation

FIGURE 5
BARBADOS: PRICE DECLINES PRESENT BUYING OPPORTUNITY INDEXED, 100=2009 VS ANNUAL % CHANGE



Source: Terra Caribbean

FIGURE 6
BARBADOS RENTS BY SEASON US\$ PER WEEK

NO. OF BEDS	SUMMER	Vs	WINTER
1	\$330		\$483
2	\$300		\$413
3	\$490		\$700
4	\$1,000		\$1,525
5	\$1,500		\$2,100
6	\$1,800		\$2,500
7	\$2,750		\$4,250
8	\$2,800		\$4,000
9	\$6,450		\$9,100
10	\$11,975		\$18,825

Source: Terra Caribbean

FIGURE 7 **THREE THINGS TO CONSIDER**

- 1.** A number of the Caribbean Islands, including the Bahamas and the British Virgin Islands, have no personal income tax, capital gains or inheritance tax.
- 2.** Citizenship through investment initiatives are currently in operation in St Kitts & St Nevis, St Lucia, Antigua and Barbuda, Dominica and Grenada.
- 3.** In Barbados, Special Entry and Reside Permits (SERP), valid for five years, are available for prospective homeowners that reside outside of the island.



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