

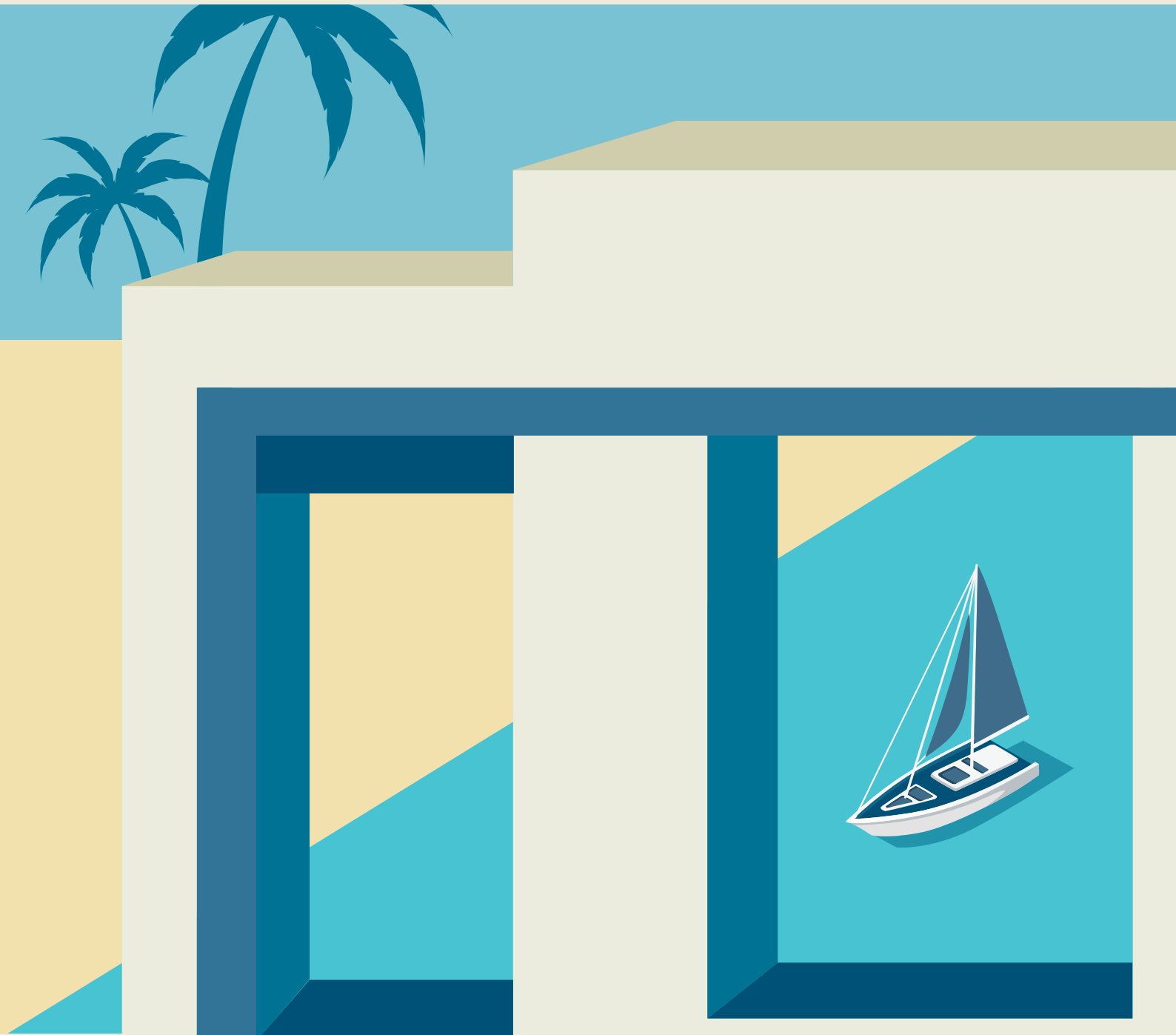
Caribbean Residential Market Insight



2025 edition

Knight Frank's assessment of current market conditions in Barbados, Bahamas, and Mustique

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A new era of island luxury

Buyers flocked to the Caribbean during the pandemic, lured by abundant natural beauty and light touch tax regimes. The influx has prompted developers and homeowners to build properties that are setting new standards in luxury for the islands.



Take a stroll on the white Bahamian sands of Cable Beach, and you'll spot one of a new breed of luxury developments sprouting up on the island. The Rosewood Residences at Baha Mar, a few hundred meters from the water, offer condo owners all of the amenities of the neighbouring five-star hotel, without ever having to check out.

A few miles away, you'll see another. The Ocean Club from the Four Seasons offers potential buyers a mixture of apartments, penthouses and villas, surrounded by 'Versailles-inspired gardens' on an eight-kilometre stretch of Paradise Island's picturesque beach.

The developments are the clearest signs of the pandemic's impact on Caribbean property markets. Like many markets with fantastic weather, abundant natural beauty and light-touch tax regimes, buyers untethered from five-day-a-week office jobs in global cities have flocked to purchase properties. They are generally younger buyers, too, with different tastes to typical purchasers who tend to be approaching retirement.

"People are moving into condominiums, particularly in that \$1 million to \$5 million range, and that's a real shift because historically there weren't really many condo options," says Susie Vazquez, General Manager at The Isles Group. "Some want that lock-and-leave lifestyle right on the beach; others don't want to deal with staffing, landscaping and patching things down when a hurricane approaches. We're seeing people with \$10 million to spend, and they're still opting for condos."

LIGHT-TOUCH

Some of the forces that distorted property markets during the pandemic have faded. Bosses generally want executives back in the office rather than negotiating from beach houses, for example. Other drivers remain intact, and in the case of taxes, have grown stronger. The Bahamas charges no income tax on individuals or corporations, and no capital gains tax, inheritance tax or wealth taxes. Barbados doesn't charge capital gains tax either, though it does charge income tax, but at a far lower rate than most Western economies.

These tax regimes have grown more attractive as governments attempt to stem deficits by raising taxes on the wealthy. In October, the UK government overhauled its treatment of people with non-domiciled tax status. The Canadian government introduced a top federal tax bracket of 33% for the wealthy, implemented a new tax on private jets, yachts, and luxury vehicles, and has proposed raising the Capital Gains Inclusion Rate to 66.7% on annual gains above \$250,000.

Barbados and the Bahamas offered generous visa conditions to remote workers during the pandemic, many of whom stayed. As many as half of the wealthy expats in the Bahamas are permanent residents, up from about 20% before the pandemic, Vazquez says.

"We saw a lot of families with children move here, particularly from Canada," she adds. "People were buying houses over Zoom for \$6 million and saying 'ok, I'm stuck indoors in my home country, I'm just

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going to move to the Bahamas with my kids and figure out the schooling when we get there'. These people got access to international schooling and they've generally stayed."

PRICED OUT

Property values have surged, which is another explanation for the rising popularity of condominiums in the Bahamas. Standalone homes have, on average, doubled in value since 2020, Vazquez estimates. Typical homes in the most desirable gated communities might have cost \$3 million in 2019 but have routinely sold for \$6 million or more. Prospective buyers are now baulking at the prices, and transaction volumes have slowed.

"People are trying to continue with that trajectory, trying to sell that \$3 million house from 2020 for eight, and they're not selling," Vazquez says. "We're starting to see properties sit on the market for longer."

Similar patterns have emerged across the Caribbean. Terra Luxury, Knight Frank's associate in Barbados,

has posted three consecutive record years, says Betty Cathrow, one of the firm's sales and rental agents. Luxury properties are generally found on the West Coast of the island, where it doesn't take much of an uptick in activity to create a dearth of inventory – the area consists of about eight "flagship" properties, which Terra Luxury categorises at about \$20 million or more. That's created competition for the little land that is available, both from developers and individuals seeking to design and build a dream home.

"Large parcels of land on the West Coast are harder and harder to come by," Cathrow says. "There's still one or two that could possibly be picked up, but even smaller parcels of land are very limited."

'JUST OFF BEACH'

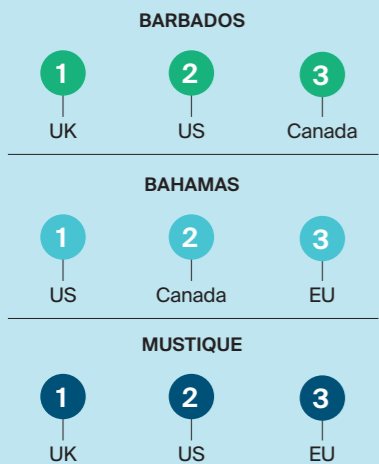
Like the Bahamas, Barbados needs more real estate to satisfy growing demands from the UHNIs that want a base on the island. But unlike the large branded residences projects that are becoming more popular in the Bahamas, wealthy Barbados residents are taking matters into their own hands. Several have opted to knock down existing properties or purchase adjacent buildings to create bespoke, super-prime homes.

"They are pretty much going to the rubble and starting again," says Tarik Browne, global knowledge manager at Terra Caribbean. "These are often perfectly fine properties, but buyers are taking it to the next level. It's another sign that they are making Barbados their home, their escape, and they want their homes to fit that dynamic."

Developers are primarily focused on "just off beach" sites a few hundred meters from the water, which better cater to buyers priced out of the waterfront, Cathrow adds. Callidora, a new development just a stone's throw from Gibbs Beach, includes villas priced up to \$3.25m. Other developers are beginning condominium projects on sites that would once have been used for homes to satisfy buyers of second homes seeking out lower price points, Browne says.

GLOBAL DEMAND

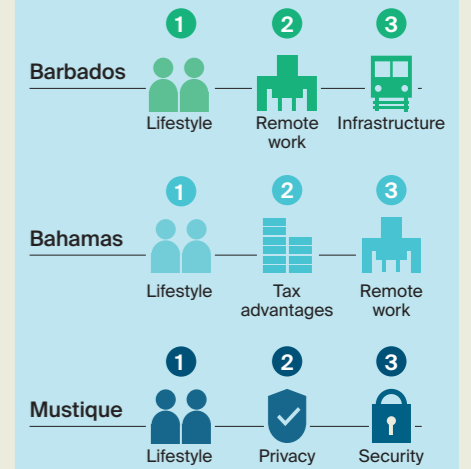
Top three international buyers for prime residential property during 2024



Source: Knight Frank Research

WHY BUY?

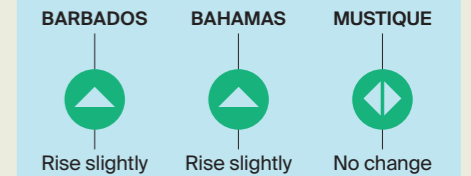
Top reasons for prime residential purchases during 2024



Source: Knight Frank Research

ACTIVITY OUTLOOK

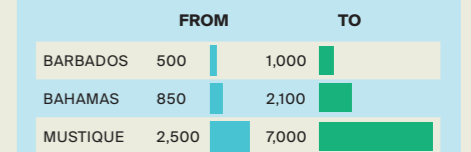
Compared to 2024, sales in 2025 will...



Source: Knight Frank Research

WHAT ARE YOU PAYING?

Typical prime residential prices Q4 2024, US\$ per sq ft



Source: Knight Frank Research

"Like the Bahamas, Barbados needs more real estate to satisfy growing demands from the UHNIs that want a base on the island."

“They are quite attractive to people looking to enter the holiday rental market or just want something more affordable as their second home,” he adds. “These properties still have the cache of the West Coast brand.”

MUSTIQUE

Buyers happy to sacrifice a nearby golf course for a little more seclusion generally favour Mustique, a private island owned and operated by The Mustique Company. Buying opportunities are rare: there are only 100 properties on the island, and between 3 – 5% are sold in a typical year. Two to three-bedroom villas on half an acre of land are considered entry-level and sell for \$6 million. Most are between \$15 million and \$30 million.

Security is among Mustique’s key selling points, says Roger Pritchard, managing director of The Mustique Company.

“It’s a small private island that we have total control of: the airport is run by us, the seaports are run by us, everybody on the island works indirectly for us, or for homeowners, so there’s no crime” he says. “There are no locks on the doors, there are no keys, you can leave your phone on a bar, that’s totally unique and we can maintain that.”

Like other Caribbean markets, distortions that began during the pandemic are still being felt. Many older homeowners opted to sell up during government-imposed lockdowns in their home countries, and younger families moved in. Almost a fifth of the homes on the islands changed hands during the height of the outbreak, prompting values to surge as much as 25%.

That value surge has now trailed off, mainly because so few properties are changing hands, Pritchard says.

“Most turnover is in the \$5 million to \$15 million range and these are the properties favoured by the kind of

younger buyers that came and snapped up properties during Covid,” he adds. “That’s why we have so little to sell, because these younger buyers just aren’t sellers.”



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The Wealth Report 2024



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