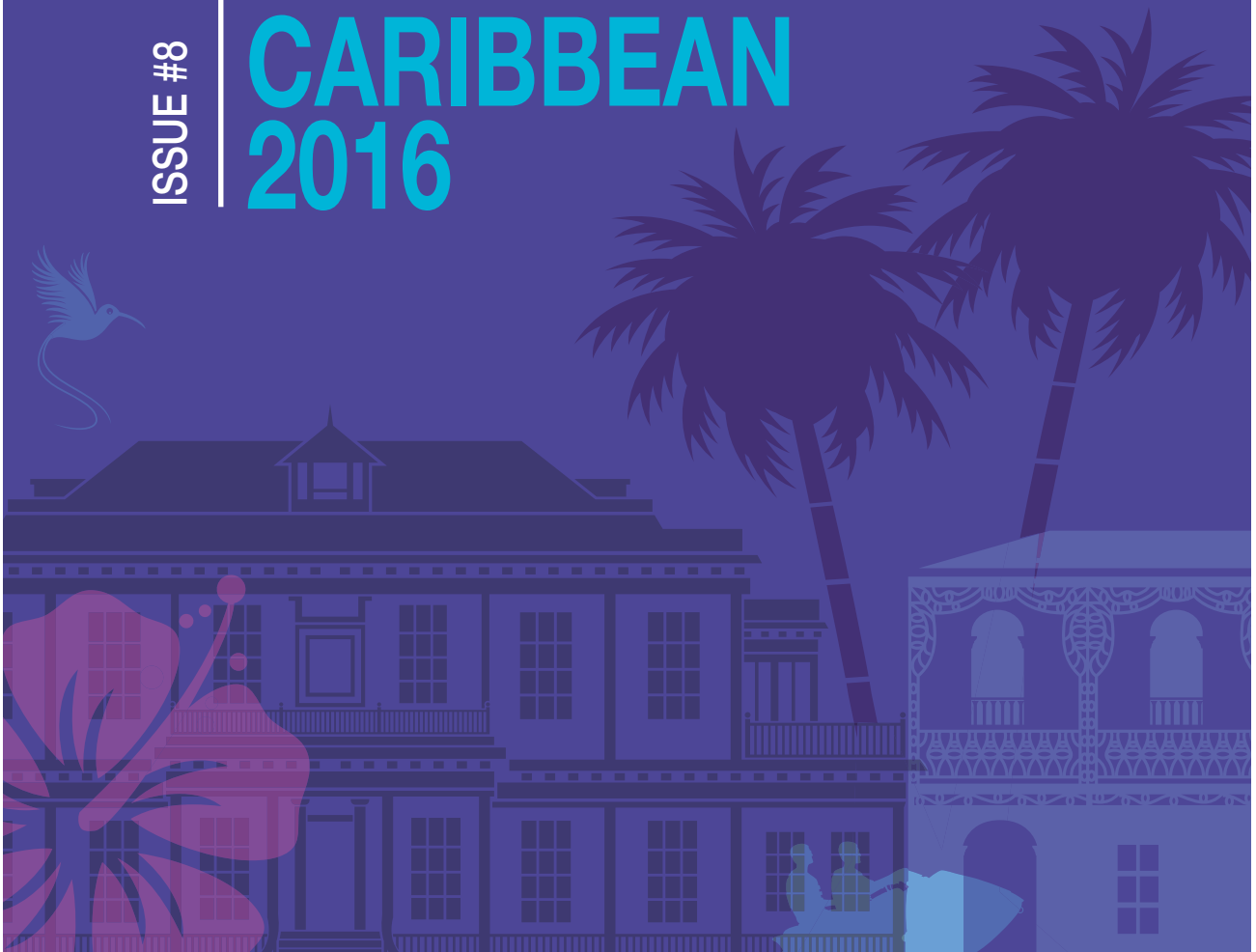


ISSUE #8

# INSIDE VIEW

## CARIBBEAN 2016





For Sale - St James, Barbados

# Caribbean Market Overview

**Every Caribbean island is distinct in its look, lifestyle and allure – and each island’s property market performs in its own way, driven by different forces. Some markets, notably Barbados, are starting to move again after a period of stagnation; others, such as Mustique, St Barts and the Bahamas, are recording the strongest sales figures in years.**

But there is something that unites the Caribbean as a whole in the minds of overseas buyers and that is aspiration. Its palms and white sands epitomise the romance of beachfront or island living, and to have a home among them inspires a sense of success and achievement.

Some islands appeal for their breadth of entertainment and activities. In Barbados, you can enjoy fine dining and boutique shopping, watch world-class cricket, horse-racing and play some of the best golf resorts in the world. The sailing havens of the Grenadines or BVIs, on the other hand, or private island resorts such as Mustique, hold a different allure; they offer the sense of remoteness and low-key (if high-luxury) escape.

That remoteness needs to be convenient, though. Buyers want to be able to visit their home easily and work from there if they choose. Increasing airlift to the islands and technological advances such as fibre optics make both of these things possible. You may be on a desert island, but you need not be disconnected from the rest of the world.

The fundamental appeal of the Caribbean remains as enticing as ever. Year-round warmth, particularly in the South and Central Caribbean,

keeps the region high on the wish lists of Northern Europeans and Americans seeking to escape winters at home. The region also feels distanced from many of the current global problems and offers the luxury and in some cases, the security of gated resort life that buyers today want, particularly on the larger islands.

Barbados recently saw one of its biggest beachfront sales ever, when Four Winds, with a guide price of US\$40m, sold to a UK-based buyer. With the exchange rate currently in their favour, British vendors on dollar-denominated Barbados look now to be in a position to accept offers and potentially therefore a lower sales price knowing they will recoup the difference in the currency conversion. In Mustique, more properties have been sold in the last season than in the previous few and where people are selling much larger houses, they are often scaling down and retaining a property on island, indeed it is because of this confidence that other owners of larger properties are considering it a good time to sell and this should filter down through the market.

Euro-denominated St Barts is also showing renewed strength as a result of American buyers seeking to capitalise on the currency exchange. The US market has a long-held affection for St Barts, which combines the glamour of St Tropez with an American-style service culture. The arrival of global brands such as LVMH, who now run the Cheval Blanc St-Barth Isle de France hotel, is giving the island a new burst of international cachet, and overseas buyers are investing in properties to renovate and resell, another sign of confidence in the market.

On some islands, a few trophy estates have been brought to the market – the likes of Gardenia in Barbados (pictured) – marks a generational shift. These large beachfront and plantation houses have often been in the hands of the same owners for decades – in Mustique’s case, some of these properties are owned by the first wave of buyers to ever visit the island. Today, the distance to travel and annual maintenance can be a bit much for senior generations, but there are increasingly a younger cohort of buyers, seeking a safe sanctuary to spend time with their children and growing families.

The Bahamas is home to standout developments like Albany in Nassau and Ocean Club on Paradise Island, which have both seen strong sales. With lifestyle luxuries from super yacht marinas and beautiful golf courses to recording studios, the Bahamas, attracts high spenders, with the benefits of being an advantageous tax jurisdiction.

Within an hour’s flight from Miami, it’s an easy weekend retreat for East coast Americans, but the fiscal sweetener spreads the net of buyers far wider than that. The infamous Lyford Cay has seen some of the highest offer levels for properties in the Caribbean as we approach the new season.

Looking ahead, there are opportunities in many of the Caribbean markets for a savvy buyer, but the key is finding the correct established market in which to invest.



**Edward De Mallet Morgan**

Head of the Caribbean Department

# Architect of choice

**Larry Warren speaks to Zoe Dare Hall about his life and work on Barbados.**

It is impossible to view the most luxurious homes in Barbados without hearing mention of Larry Warren. The architect of choice among the island's wealthiest owners is too modest – and busy – to have itemised the number of properties he has designed, from small family homes for local buyers in the early days to sprawling foreign-owned beachfront estates such as Four Winds.

Many owners prefer their properties not to be photographed, too, “so I tend to forget about some of them,” he says. But Warren reckons that in the 30 years of running his small architectural practice – just himself and two associates – he has built around 40 houses on his native Caribbean island.

These days almost every client of his is British and their taste is for

ever bigger, more modern and high tech homes that display the kind of contemporary architecture that has become a universal standard among HNWIs. While Warren can certainly deliver palatial properties of this type, including one beachfront mansion that spans 75,000 sq ft and includes infinity-edge swimming pools on each floor, his heart lies in respecting the authentic and indigenous architecture that, in some cases, is unique to Barbados and in danger of dying out.

“When I began in 1986, there were just a handful of Barbadian architects on the island,” says Warren, who made his name as the resident architect for the Sandy Lane Hotel, and its villas, until the hotel changed hands in the mid-90s.

“Now there are about 80 Barbadian architects, which is an incredible number for a small island, and most study abroad. One of the main challenges we face, as a professional body, is how best to integrate the wealth of new ideas with our cultural heritage. I endeavour to use indigenous materials like coral stone, an expensive material,

but worth it for the quality and provenance,” says Warren. His signature-style, influenced by the aristocratic artist and theatre designer Oliver Messel, is classical Palladian, as epitomised by Four Winds on the prime West coast. “It is my favourite house,” says Warren. “I had the opportunity to work with the interior designer Chester Jones, which was a wonderful experience. The house is a perfect example of how you can blend West Indian architecture, such as coral stone columns and turned timber posts, with the client’s wishes, and the entirely coral plaster floor still looks wonderful 20 years after we built it.”

Warren sees many wealthy clients who live in luxury apartments in London, “with five-star hotel services and all the bells and whistles”, he says, and they try to recreate that lifestyle in Barbados. “It removes them from the paradise they have come to enjoy,” he says. “Some clients love the island’s classical architecture and its symmetry. Others want ultra-modern, which is something new for me. I took on the challenge of designing my first house like that four years ago, but I tried to show the clients that it could still be

modern with West Indian roots. It does not have to be a white box.”

One of Barbados's greatest assets, says Warren – apart from its people, “who are friendly and well-educated,” he says – is its magnificent beaches. “Clients want clean, uncluttered homes and wide views across the sea, which happens from the inside. It is the architect’s responsibility to make sure that from the outside, the house looks like it belongs,” says Warren. He cites the villas at Beachlands in Holetown, another of his recent projects, as an example of “taking West Indian-style and making it crisper and cleaner”.

Warren sees himself as something of a “gatekeeper” of the island’s architectural heritage, and he took this responsibility to an extreme when he bought St Nicholas Abbey, one of only three genuine Jacobean manor houses in the Western Hemisphere, in 2006. He had heard it was up for sale and feared that if he did not buy it, someone else would step in and destroy this piece of Barbadian history.

“Soon after I signed the sales agreement, I got a call from a chap in New York offering to buy

**“When I began in 1986, there were very few Barbadian architects on the island who were a fixture on the West coast cocktail scene. That was the way to get clients.”**

it from me. He wanted to build condos and a golf course. I told him he was exactly the reason I bought St Nicholas Abbey. It has had a major impact on my family’s financial future, but I thought I would live the rest of my life regretting it if I had sold it to him,” says Warren.

A recent architectural dig beneath this historical plantation house, where Warren also runs a successful rum distillery, has revealed evidence of one of the first dwellings in the New World, from the 1600s. If Larry Warren set out to preserve Barbados’s architectural heritage, he is now doing it in ways he could never possibly have imagined.



St Nicholas Abbey



Four Winds

# A turning tide

Blown off course by the 2008-09 financial crisis, the Caribbean still faces some short-term headwinds but confidence and investment is on the rise.

The Caribbean's economic ties remain firmly linked to the United States but China's influence in the region is accelerating, the decade prior to 2012 saw a 500% rise in Chinese foreign direct investment in the region.

With economic indicators in the US improving, consumer confidence has reached a nine-year high, resulting in a 7% rise in the Caribbean's tourist numbers in 2015.



















The relationship between tourism and real estate activity in the Caribbean is a close one as investors find reassurance in shorter void periods, which feeds through to higher purchaser demand.

The average value of luxury homes across our key second home hotspots in the Caribbean slipped by 1% in 2015 suggesting prices are at, or close to, their floor.

Whilst for some, the repercussions from the Brexit decision, Trump's electoral victory, currency shifts, and in some cases, lingering oversupply may add an element

Currency Advantage

Change in exchange rate in three years to 1 Oct 2016

	Barbados, Bahamas, BVI and Mustique <sup>1</sup>	St Barts <sup>2</sup>
 US BUYERS	 No change	 Gain of 20.5 %
 US OWNERS	 No change	 Loss of 20.5%
 EUROZONE BUYERS	 Loss of 17%	 No change
 EUROZONE OWNERS	 Gain of 17%	 No change
 UK BUYERS	 Loss of 19.8%	 Loss of 3.3%
 UK OWNERS	 Gain of 19.8%	 Gain of 3.3%

Knight Frank Research  
<sup>1</sup> USD-denominated, <sup>2</sup> EUR-denominated  
Assumes owners selling and buyers purchasing on 1 Oct 2016 having owned/searched for property over the previous 3 years

of uncertainty, for others they represent a buying opportunity.

Below we take the pulse of some of the Caribbean's top second home hotspots.

Bahamas

One of the Caribbean's more mature property markets, the Bahamas is an archipelago of 700 islands and cays, around 30 of which are inhabited.

New Providence, home to the capital Nassau, and Grand Bahama are amongst its most developed islands and remain strongly influenced by US buyers. Areas such as Old Fort Bay, Lyford Cay and Albany rank highly with luxury buyers.

Mirroring much of the Caribbean, property prices fell 30% to 40% in peak-to-trough terms post-2008 but the annual rate of decline slowed to less than 5% in 2015.

St Barts

St Barts has recorded steady sales in recent years, due in part to the

weakness of its currency; the euro. US dollar buyers purchasing a home in October 2016 are seeing an effective discount of 21% compared with three years ago, due solely to the strong dollar/weak euro (see table).





Sensible pricing has fuelled demand from a broad mix of Europeans and US nationals, this has supported prices in the last two to three years. Widely considered the St Tropez of the Caribbean, St Bart's architecture is more modern and less colonial than that of neighbouring islands, with areas close to Gustavia and the Baie de St Jean high on buyers' wish lists.

Rising tourist demand has seen a number of high profile hotels change hands in the last two years, underlining the upturn in confidence.

British Virgin Islands

The 58-square-mile BVIs consist of Tortola, Virgin Gorda and





Bahamas

Key buyer nationalities	  
Direction of sales volumes in 2017*	
Most active price bracket	US\$3-US\$5m
USP	Strong US influence






British Virgin Islands

Key buyer nationalities	  
Direction of sales volumes in 2017*	
Most active price bracket	US\$1-US\$4m
USP	A sailor's paradise




St Barts

Key buyer nationalities	  
Direction of sales volumes in 2017*	
Most active price bracket	US\$3-US\$5m
USP	Strong French influence

Mustique

Key buyer nationalities	   
Direction of sales volumes in 2017*	
Most active price bracket	US\$5m-US\$15m
USP	Privacy and discretion

Barbados

Key buyer nationalities	 
Direction of sales volumes in 2017*	
Most active price bracket	US\$2-US\$6m
USP	Strong UK influence

Anegada, along with over 50 other smaller islands.

North Sound on Virgin Gorda, which encompasses Oil Nut Bay and Mosquito Island, stands out as a pocket of recent growth. The super yacht development at the YCCS yacht club and the ongoing renovation of Little Dix Bay Hotel are testament to the renewed optimism in the market.

Mustique

Part of Saint Vincent and the Grenadines, the island of Mustique is home to around 100 villas with the infamous Cotton House Hotel at its heart.

Against a backdrop of limited stock and strengthening global demand, prices have proved resilient since 2008 with marginal price growth recorded since 2014.

Buyers here are seeking privacy, security and exclusivity. Mustique

remains one of the few global destinations that can still deliver on all counts.

Sales volumes have been strong over the last 18 months with a number of new properties brought to the market in 2016.

Barbados

Although British buyers have been hit by a 17% plunge in currency against the dollar since June 2016, the good news is that vendors are readjusting their prices (on average by 15%) conscious that 70% of the island's prime buyers originate from the UK.

Although the island's trophy segment (US\$15m+) is active vendors are still having to be flexible on price.

Below US\$3m the market is more sluggish, and vendors are having to reduce asking prices where there are high inventory levels, this includes beachside condos on the west coast.



\*Estimate

# The purchase of real estate in the Caribbean

Buying property in the Caribbean should be relatively straightforward, but we would always recommend that you engage the services of a reputable agent, lawyer and notary.

Please find below an approximate outline of the buying and selling costs for a few of the islands.

## BUYING COSTS

TRANSACTIONS	BARBADOS	MUSTIQUE	ST BARTS	BVI	BAHAMAS
Attorney fees	1-2.5% plus 17.5% VAT	Alien Land Holders Licence processing US\$1,250 plus varying conveyancing fees	Optional and % can vary	2% of the first US\$50,000 and 1% of the remaining consideration, but not less than US\$150	1-2.5% plus 7.5% VAT
Non-Belongers / Alien Land holders licence for individuals	NA	US\$68,000 plus 4% of the value over US\$1,120,000	NA	Licence filling fee of US\$200 and fee for the grant of the Licence is US\$600 for each person named	
Non-Belongers / Alien Land holders licence for companies	NA	US\$68,000 plus 4% of the value over US\$1,120,000	NA	Licence filling fee of US\$500 and fee for the grant of the Licence is US\$1,000 plus US\$600 for each director and shareholder	
Land tax	Proportionate amount of Land Tax		NA	Land Tax: US\$150 for the first half an acres to one acre and US\$50 for any additional acreage thereafter. House tax: 1.5% of the assessed annual rental value	1% (maximum per year US\$50,000)
Stamp duty	NA	10% (5% payable by the seller, 5% payable by the buyer)	Approximately 5%	12% of the sale price or appraised value	10% (7.5% VAT and 2.5% stamp tax)
Mortgage/ Finance	US\$ mortgages minimum loan value US\$250,000; LTV Ratio 40-50%; Interest pegged against International LIBOR Rates; maximum 20 years to repay; Bank's attorney Fees 1-2% plus 17.5% VAT, Bank's fees 1%	Possible, but unusual	Although it is possible, it is very difficult to get financing	Interest rates generally pegged to New York Prime rate, between 5-7%	Stamp Duty on mortgages is payable at a rate of 1% on the amount borrowed. The down payment required is normally in USD and 40-50% of market value
Deposit	10%	10%	10%	10%	10%
Conveyance Tax / Fee	NA	0.25% of property value for deed registration	Notaire and registration fees are approximately 1% of the sale price	NA	0.5%
Balance of the purchase price	90%	90%	90%	90%	90%



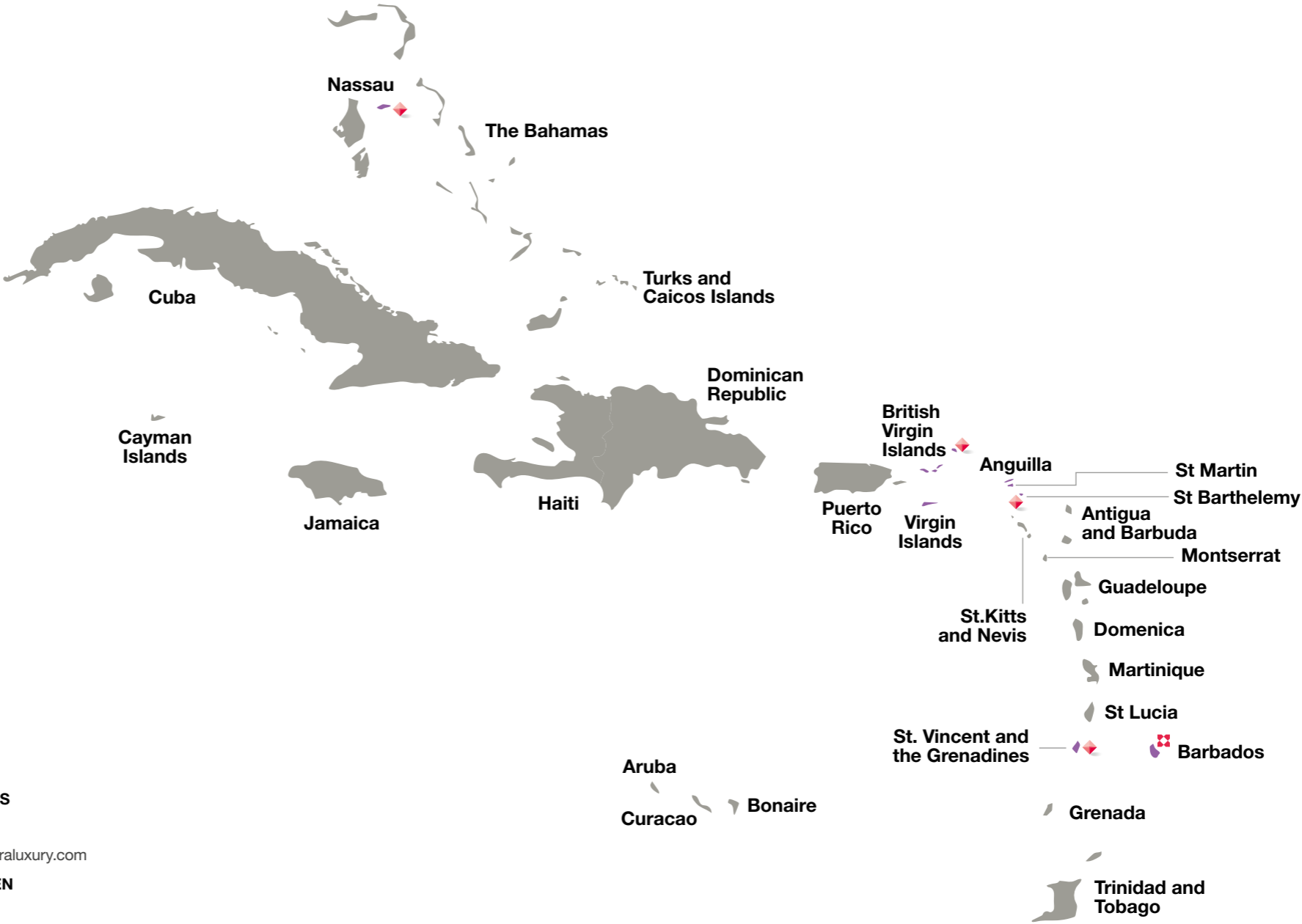
## SELLING COSTS

TRANSACTIONS	BARBADOS	MUSTIQUE	ST BARTS	BVI	BAHAMAS
Attorney fees	1-2.5% plus 17.5% VAT	Varying	Optional and % can vary	2% of the first US\$50,000 and 1% of the remaining consideration, but not less than US\$150	1-2.5%
Real Estate agent's fees	4-5% plus 17.5% VAT	5%	6%	4-7%	6%
Stamp duty	1%	NA	NA	NA	NA
Conveyance Tax / Fee	NA	5%	NA	NA	NA
Property transfer tax	2.5% (first US\$75,000 is exempt on an improved property)		NA	NA	2.5%
Other	NA		The local capital gains tax is 20% which reduces with the length of ownership	NA	

# The Caribbean Network

The London team works closely with several local experts throughout the Caribbean, who have been carefully selected for their integrity, experience and professionalism.

- ❖ Terra Luxury | Knight Frank office
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Other locations covered: Mustique, St Barts, British Virgin Islands and the Bahamas.

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