

RESIDENTIAL RESEARCH



CARIBBEAN INSIGHT 2016

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

PRICING

BUYER NATIONALITIES

CURRENCY IMPACT

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 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.

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**



Currency Advantage

Change in exchange rate in three years to 1 Oct 2016

	Barbados, Bahamas, BVI and Mustique ¹	St Barts ²
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
¹ USD-denominated, ² EUR-denominated
 Assumes owners selling and buyers purchasing on 1 Oct 2016 having owned/searched for property over the previous 3 years

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.



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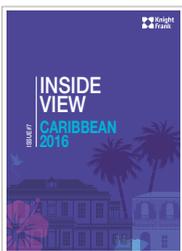
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MARKETING PUBLICATIONS



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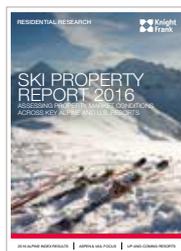
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The Research data provided in this report was originally published within **France: Inside View**

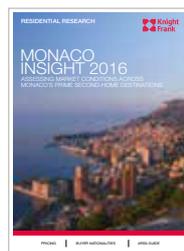
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