

real life

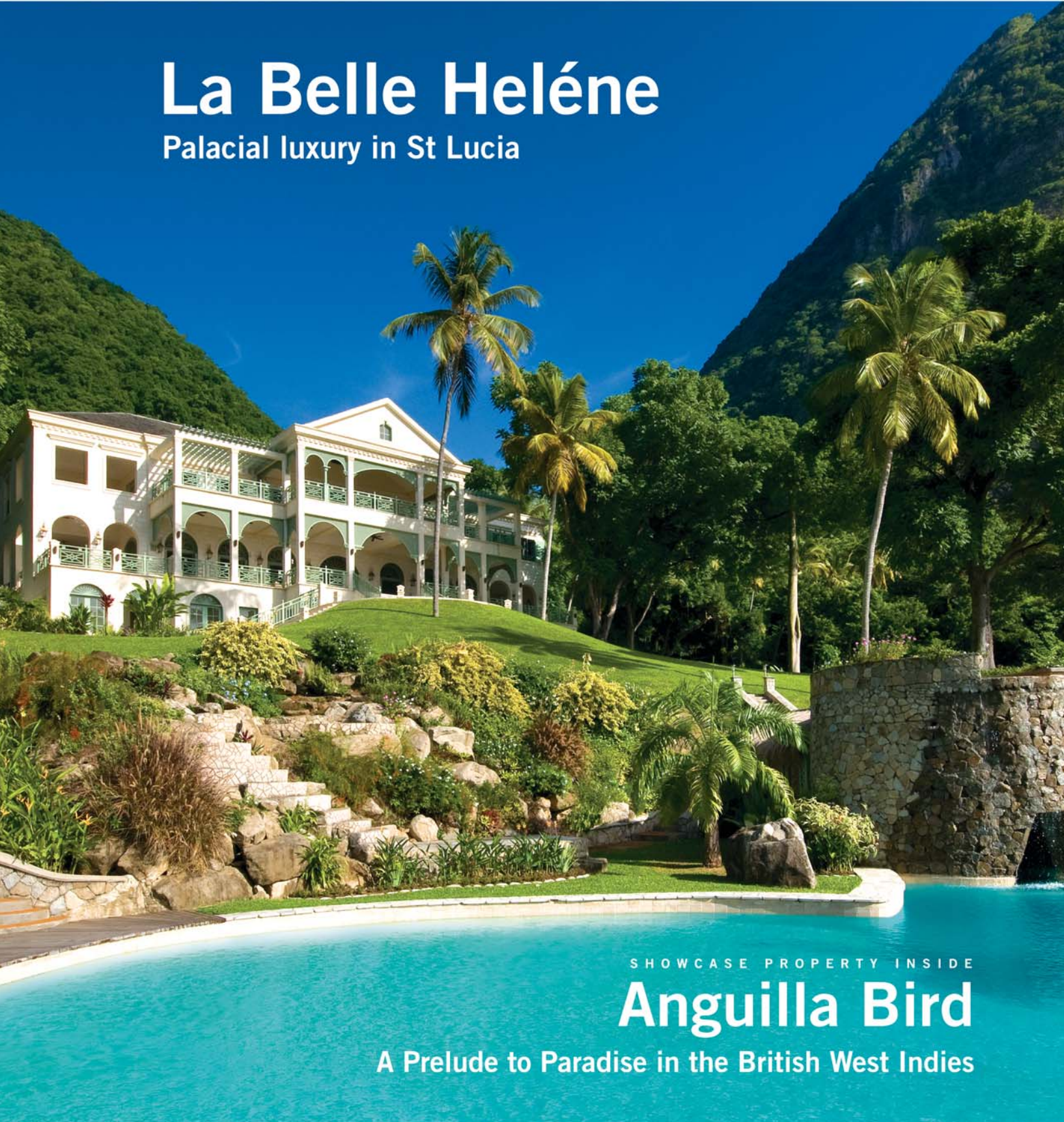
CARIBBEAN LUXURY LIFESTYLE, PROPERTY AND DESIGN MAGAZINE

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A Prelude to Paradise in the British West Indies

Buying Property in the Caribbean as AN INVESTMENT

There are many reasons to buy property in the Caribbean – great weather, pristine beaches, exotic cultures– but when purchasing property as an investment the factors become altogether different. Edward Childs, of Smiths Gore Realty, identifies some of the factors investors should consider before taking the plunge.

THE REASONS FOR BUYING

One of the first questions a purchaser needs to ask is what they wish to achieve when buying a property overseas. A purchaser looking for a second home, where holiday rentals may be required to subsidise the annual running costs, will likely purchase a very different house from a purchaser seeking to move abroad permanently. Likewise, some houses may suit the rental market but may not be practical as a permanent home. Set out some practical criteria for the type of house you are seeking to save both yourself and the agent considerable time.

THE CARIBBEAN

The Caribbean is big. It extends in a broad arc of more than 4,000 km and contains many cultural influences, mostly historic, that have effected development on each island. European countries have played a major role in shaping the region, but nowadays, tourism and real estate attract visitors and investors to a world where sitting under a palm tree with rum in hand is considered the norm. Their legacy is a diversity, which changes from island to island. Some of the considerations investors should investigate are discussed below:

Access: This is perhaps the most important factor determining where investors end up. Most of the larger islands are easily accessed by direct flights from North America and Europe while most smaller islands, such as the British Virgin Islands, Anguilla, St Barts, Nevis, Bequia and the Grenadines, require an additional island hop on smaller regional airplanes. The relative remoteness of these smaller islands has protected them from mass tourism and is



Weather: Yes, the Caribbean weather is all its cracked up to be. For tourists, the year is divided into two seasons, high (mid-December through mid-April) and low (mid-April through mid-December) with the weather generally pleasant throughout. The summer months can be humid and the hurricane season, which runs from June to November, can produce hot, sultry weather interspersed with more vigorous weather patterns. Hurricane preparedness of homes, including the installation of

hurricane shutters and a stand by generator, can be an essential part of Caribbean living.

FACTORS INFLUENCING INVESTMENT

While there will be many factors influencing an individual's purchasing preferences, the following are some of the major factors that will determine investment choices in the Caribbean.

Political and Social: Political stability is one of the most important aspects influencing the investor's decision-making process. Fortunately, the Caribbean in general is considered stable with most islands adopting parliamentary democracies. Most islands embrace external investment and investors will quickly determine which islands have favourable policies towards investment.

Another determining factor is the standard of living found in each island. Local standards of living will determine costs including construction and labour expenses, which will make building in some islands considerably more expensive than others.

considered a favourable feature by purchasers seeking a quieter life.

Health: In many of the smaller islands in the Caribbean, health services are under-funded and facilities may not meet international standards.

However, the more developed islands, such as Barbados, The Bahamas, The Cayman Islands and Puerto Rico, generally have perfectly adequate facilities. In smaller islands a good health insurance policy, including air ambulance coverage, will probably be sufficient protection for most. **Language and Culture:** Each island in the Caribbean has a distinctive culture which will set it apart from all others. However, investors will probably distinguish between the various mother tongues that divide the islands in the region. English, Spanish, Dutch and French islands all offer something different and will appeal in different ways to investors.

The mix of influences has created a fascinating fusion where no one island has a dominant culture and the choice from one island to another can only be based upon personal preference.

Economic: Most property transactions are conducted in US Dollars, however individual islands with their own currencies may require investors to conform to exchange controls. The regional currencies, such as the EC Dollar (East Caribbean), Cayman Islands Dollar and Barbados Dollar, have fixed exchange rates with the US Dollar. The French and Dutch islands operate as part of the Euro Zone, while the Turks and Caicos Islands (TCI) and British Virgin Islands have both adopted the US Dollar as their currency.

Many of the Caribbean islands have considerable tax advantages for investors with no estate taxes, capital gains taxes and, in certain circumstances, no personal or corporate taxation. Offshore companies can be used to acquire property, which can provide further benefits to the beneficial owner. Prior to embarking on the acquisition of property in the Caribbean, investors should first seek professional advice on tax matters, particularly when moving permanently abroad.

Acquiring Property: Investors should carefully research the regulations regarding the acquisition of property in each target island. Some islands, such as the TCI, Cayman and Barbados, have relatively open markets, while many other islands require investors to apply for a landholding licence. Generally, the licence application is a straightforward document, requiring police records, personal and financial references, although the processing time will vary from island to island. Some islands have introduced Economic Citizenship programmes, which allow investors meeting certain (normally monetary) criteria, to be exempt from some taxes when purchasing property. Closing costs also vary between islands and the extent of closing costs should be fully understood prior to purchase. On some islands the vendor or purchaser is responsible for closing taxes while others levy taxes on both parties.

Investors acquiring land may be required to enter into a development commitment with the Government, which requires the investor to invest a minimum amount within an agreed timeframe. These commitments are not draconian but ensure that

investors purchasing land do follow through with development.

All investors should thoroughly research title prior to acquisition. Normally, a local attorney will be able to carry out a title search and companies like Stewart Title are established in the Caribbean and can offer title insurance.

Renting Property: There is a healthy rental market in the Caribbean, which has grown significantly since 2000. Depending on the type of property investment, owners will either be responsible for renting their property themselves, normally through an independent agent, or through a rental programme established by the developer. When renting independently, the owner should be aware of the fee and commissions involved which can quickly erode rental income if relying on third parties to manage villa preparation and guest bookings. Establishing a good rental track record and direct repeat bookings will go a long way to turning this into a more profitable exercise.

RESEARCHING THE MARKET

As with any acquisition, groundwork will pay dividends.

Resources: Most islands have a wealth of information available normally from the local tourist board, Chamber of Commerce or Government investment agency.

Real Estate Agents: Locating a competent and responsive real estate agent can be a frustrating experience. If uncertain about who to choose, a local bank will usually only recommend the more reliable agents.

Lawyers: A good lawyer will be necessary to advise on local laws relating to the acquisition of property, the preparation of a sale contract and transfer of clear title.

Engineers: A competent structural engineer will advise on the structural condition of a property prior to purchase. In a location that is prone to hurricanes or earthquakes, this survey could well be essential.

PURCHASING FOR INVESTMENT

Like the major North American and European economies, the Caribbean enjoyed unprecedented growth in real estate values from 2002 to 2007. This

period heralded the growth of many resort residential developments, some of which have been extremely successful, while others have ground to a halt, a problem not exclusive to the Caribbean. For the most part, prices have remained relatively stable throughout the region. This is generally due to the fact that many homeowners in the Caribbean region can hold their properties in times of economic downturn, which restricts the number of properties in foreclosure. That said, there is no doubt that it is currently a buyers' market with investors able to make offers against asking prices that previously would not have been considered.


The traditional property investment in the Caribbean was of a house on a covenanted residential estate or a parcel of land for custom development. This type of investment, where the homeowner is essentially responsible for the management and rental of their property, has been the foundation of property development regionally. Our general advice is that an investor acquiring this type of property should consider this a long-term capital play with any rental proceeds, at best, covering the running costs of the property. It is unlikely that there will be sufficient income from renting a villa to cover a mortgage.

Investment into resort residential developments needs to be carefully researched. The developer's track record, amount of project financing and number of committed sales are all pointers to whether a development could be successful. However, the investor must be prepared to accept a different (higher) level of risk when acquiring either a lot for development or completed residence within such a property.

A resort development will generally offer a structured management and rental programme. Due to American SEC (Securities and Exchange Commission) rules, a developer selling to Americans cannot give detailed information on projected returns an investor can expect, with information generally limited to rack rates on rentals and historic occupancy rates. Purchasers are now offered a rental programme whereby they receive →

income only generated by their unit. Rental pools are no longer permitted, although some developers may still operate them. Investors into established resort developments can generally take comfort in a visible track record. Investors buying off-plan can be attracted to founder's programmes offering reductions off the list price, however investors should be aware of the increased risks associated with front-end investment. Some developers have encouraged investment with guaranteed rental returns. While attractive in the boom times, this type of guarantee can seldom be met when the market turns.

Visiting the islands is an essential part of the decision-making process, as weighing the bustle of some islands against the solitude found on others can only be done once experienced first-hand.

Whether buying a villa or developing your dream home, the Caribbean can offer a wonderful living experience enhanced by a region that is politically stable. The well-established real estate agents and lawyers on each island will be able to provide professional advice which will guide you through the purchasing process, but the decision of which island to invest in will remain a personal choice. While returns on investment and increases in value can be important considerations, in the Caribbean being happy with your new island home is paramount. 

[Further resources can be found at:
www.reallifecaribbean.com]

**THE RITZ-CARLTON, GRAND CAYMAN
 LUXURY RENTAL PROGRAMME**



The Ritz-Carlton in Grand Cayman provides a monthly Rental Program to owners whereby guests can experience life as an owner, albeit one with access to all the elite amenities on offer at one of the world's most exclusive and luxurious resorts. Opportunities to rent are available at:

The Deckhouses at Dragon Bay

- 7000 square foot waterside villas consisting of five-bedrooms, four and a half baths, private manmade beach, boathouse, infinity-edge swimming pool and detached guest cottage

The Residences at The Ritz-Carlton

- Distinctive one, two and three-bedroom luxury condominiums situated within private oceanfront towers which occupy the widest stretch of world renowned Seven Mile Beach

Those availing themselves of the rental program enjoy full access to the unmatched amenities and services on offer such as Greg Norman's Blue Tip Golf Course, Nick Bollettieri's Tennis Club, as well as a private residences entrance, including: private elevator, concierge, bellman and 24-hour security team. A dedicated pre-arrival concierge assists with transportation, dining and activity arrangements in advance of one's arrival.

For more information contact Tracey Kline, Director of Resale and Rental Operations (345) 326 1278 or visit www.residencesrentals-cayman.com

**CAYMAN VILLAS, CAYMAN ISLANDS
 PRIVATE CONDO AND VILLA VACATION RENTALS**



Established in 1970, Cayman Villas has been in the vacation rental business for 40 years, making them the most experienced, knowledgeable and professional vacation rental agency available in The Cayman Islands. Representing over 100 privately owned, one to seven bedroom beachfront condos and villas island-wide their portfolio ranges from modest to deluxe, traditional to modern, comfortable to lavish. Each property is fully equipped and managed independently to ensure that the maximum rental potential is achieved for the owners and that guests experience the perfect vacation.

Owner benefits:

- Cayman Villas assists with preparing the property for government inspections, advising and liaising with property management, advertising the rental, managing all reservations, assisting guests before and during their vacation and managing payments and monthly statements for owners – meaning owners can simply enjoy the rental income they receive.

Guest benefits:

- Receiving personal attention before and during their vacation, guests are greeted upon arrival and assisted with the arrangement of services such as: private chef, maid services, baby equipment rental and services, island activities and excursions, grocery shopping, car/boat rentals, wedding/event services and any other special requirements – allowing guests to feel at home while enjoying the ease and luxury of additional personal services.

For more information contact Penny, Sherry or Juliet at (800) 235 5888, (345) 945 4144 or email reservations@caymanvillas.com or www.caymanvillas.com

**OIL NUT BAY, BRITISH VIRGIN ISLANDS
 EXCLUSIVE RENTAL PROGRAMME**



An elite, luxury residential resort community on the island of Virgin Gorda, Oil Nut Bay is leading the way in eco-progressive living and lavish rentals. Accessible only by helicopter or boat, homeowners can choose to participate in the Rental Program, while visitors have the opportunity to rent either beachfront villas or secluded private estates.

Villa & Estates:

Bringing together distinctive architecture that is in harmony with the unparalleled natural beauty of the lush surroundings, Oil Nut Bay is only available to 88 families in order to maintain the pristine 300-acres it occupies on the eastern tip of the private island.

Each unique, custom-designed home offers tastefully designed interiors, a private pool, seclusion and majestic views of the ocean and neighbouring islands.

Amenities:

The spectacular amenities available to guests and owners include: a marine nature centre, kids club, full-service spa and wellness centre, beach club and marina, amongst other services such as a 24-hour concierge, housekeeping and docking privileges.

For more information call (284) 495 5400 or 800 761 0377, email info@oilnutbay.com or visit www.oilnutbay.com