

TERRA CARIBBEAN NEWS

MAY 2009

Barbados Edition

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A Market in Transition

The question on everyone's mind is "Where is the market going?" As valuers we have to answer the question of market value every day. While an opinion of value is not a prediction of the future, many of the trends and variables that we study can give us guidance for the market performance in the future. The following are some brief comments on trends that we are seeing. As always this is only an opinion.

The local housing market – There continues to be significant demand for middle market (Bds\$400K to \$750K) housing in central locations. The effects from the weakened economy in Barbados have not yet shown up in this market but we suspect that before the end of the year there will be some softening in demand. The business model in the completed homes market is likely to change from a pre-sale, stage payment model to a model where developers build for their own account creating stock for sale with shorter delivery times. We have seen some rationalisation of wish pricing, with prices adjusted for the market. Within the land sale market we have already seen a slowing in absorption rates which is a combination of weaker demand and a growth in supply. Low supply and high development costs have been the two largest factors contributing to increased land prices over the last 10 years. Systemic delays in the planning process (both regulatory and physical) have contributed significantly to the cost of all new developments. We believe that the current level of value for land is likely to be maintained through the current downturn and we do not anticipate a fall in value for vacant land lots.

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FEATURED PROPERTY



Commercial Land

Lears, St. Michael (B16112)

Dayrell's Phase 2 is a new commercial development in Lears, St. Michael comprising seven lots of land ranging between 46,500 sq. ft. and 57,340 sq. ft. The development provides an ideal business opportunity in a very central location with abundant parking, underground utility services and extra wide roads. The three purchase options include vacant land parcels; land parcels with purpose built warehouse/office suites; or long term leases for a purpose built building on any of the lots.

From \$1,627,894

Important Notice

Information provided is accurate at the time of publication.
All prices are quoted in BDS\$.
Prices and availability are subject to change without notice.

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DEVELOPMENTS



Sommerley

Worthing, Christ Church (B14354)

Sommerley is an exciting new development, introducing a mixed-use concept to the island's south coast. Centrally located in Worthing, with private access to one of the most beautiful beaches and within walking distance to several amenities. This 5-storey complex features 14 two and three bedroom units on levels two to four ranging between 1,500 to 1,900 sq. ft.; and a roof deck with swimming pool. The property is expertly designed with superb Italian kitchens, granite or marble countertops, full appliance package and porcelain floor tiles. Completion is scheduled for June 2009.

From \$1,100,000



Sapphire Beach

Dover, Christ Church (B13006)

Ideally situated on the fabulous Dover Beach and enjoying stunning ocean views; Sapphire Beach Condominiums features (54) beach front residences within walking distance of the many amenities and fine restaurants located in St. Lawrence Gap. Construction is well underway and (3) **show units** displaying this development's high quality finishes and design are now open for viewing.

From \$1,399,734

www.sapphirebeachbarbados.com

A Market in Transition (Cont'd ...)

The South Coast Beachfront – In total today there are 173 units available from developers in the new projects on the South Coast. The majority of the supply is in two developments in St. Lawrence Gap. Sales absorption in these multi-unit developments has generally followed the pattern of 50% pre-sales, 30% during construction and 20% at or just after completion. With a significant reduction in demand resulting from the decline in the UK market and the value of the Pound Sterling, the pre-sales have all but evaporated. Purchasers are looking for completed product or significant discounts from list prices. However, there is no substitute for the right location and the right product. Bad product may sell in a great market but in the current market only the best product, in the right location, at market price will sell. We have not seen a fall in prices below the Bds \$1,000 psf level for the best product on the coast but we have seen significant discounts from developers who have excess stock at incomplete developments. There is not enough volume of units on the South Coast to make one generalized statement about the market as a whole other than to say that demand is less today (by as much as 50%) than it was at the peak of the market. We anticipate that one or two of the developments will be carrying excess stock for up to 3 years post completion. We do not believe that this will be the general experience of the market where we still see demand in the prime locations.

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A Market in Transition (Cont'd ...)

The West Coast Beachfront - As the world economies went into recession this segment of our market felt the effects first. Interestingly it was the developers that reacted before the consumers. The reasons for that would need a separate newsletter but suffice it to say that when the capital in the world banking system evaporated so did funding for speculative developments by under capitalized developers. Supply on the beachfront is quite limited today although the addition of St. Peters Bay by the end of the year will be significant. Nowhere has the disinclination to trade been more pronounced with both sellers and buyers preferring to stay out of the market. Some developers have moved product at fire sale prices as the market seeks to find equilibrium. The statistics show that there has been little growth in retail prices (psf) on the beachfront over the last 18 months. On its own this has provided an 8 to 12% correction. Added to this, with some discounting that the buyers are demanding, it is likely that prices on the west will be 15 to 20% below their peak when the market turns positive. There are some signs of movement on the part of the buyers and sellers with reports of transactions picking up over the last 8 weeks. Whether this trend will hold through summer is yet to be seen. We believe that the market may have over corrected in terms of beachfront supply and pricing growth may return to the market as early as this winter. The troubles at the Four Seasons project will have a negative impact on our market especially with our perception as a safe haven in a storm. Hopefully a resolution will be found in the near term.

West Coast off-beach – This section of the market includes the “themed inland projects” as well as the smaller developments that are either in walking distance to the beach or have a view of the water. To find the real effects of the global down turn you need look no farther than this segment of the market. The demand has fallen to almost zero for units in these locations. Completed product that is available immediately has seen some demand with a few transactions in the last few months, but the off plan sales are non-existent. The larger projects surrounding the golf courses have fared better but still the demand here has fallen by more than 50%. Apes Hill certainly bucked the trend in the later part of 2008 and we anticipate that with the completion of the golf course and facilities, demand at Apes Hill will return, but maybe not to the 2007 levels when the project was first introduced to the market.

It should come as no surprise to anyone that the real estate market is performing at levels below what we had grown accustomed to be the norm. Supply and demand are the true drivers of price and as long as we have an over supply in product it will be difficult to see price growth. The good news is that we have not seen irrational corrections in prices and most investors in real estate will actually do better than the average returns from other investment types. Look at the fundamentals of location, design and quality and purchasers can find great investments in the current climate.

Andrew W. Mallalieu, CPA, MRICS
Managing Director

RENTAL PROPERTIES



Old Chancery Ln., Ch. Ch. (B16176)

- 2-bed/2-bath apartment
- Unfurnished
- Spacious, bright rooms
- Covered parking
- Quiet location

\$1,300

New Haven Flats No 4



Castle Grant, St. Jos. (B16102)

- 2-bed/2-bath upper apartment
- Unfurnished
- Tastefully remodeled
- Covered patio & country views
- Peaceful environment

\$1,900

Castle Grant Managers House



Dunscombe, St. Thomas (B16116)

- 2-bed/2.5-bath cottage
- Furnished by Indian Ocean Imp.
- Air-conditioned bedrooms
- Utilities and maid service included
- Private, tranquil location

\$3,500

Dunscombe Cottage



Shop Hill, St. Thomas (B15995)

- 4-bed/3-bath house
- Appliances only
- Open plan layout
- Air-conditioned bedrooms
- Garden maintenance included

\$5,500

Christie Village No 1



St. David's, Ch. Ch. (B15864)

- 3-bed/3.5-bath coral-stone home
- Furnished
- Private pool
- Lush well landscaped garden
- Great country views

\$7,000

The Hope Cottage



Weston, St. James (B14086)

- 3-bed/3-bath upper floor apt.
- Furnished
- Fully equipped modern kitchen
- Beachfront location
- Close to west coast amenities

\$8,000

Beyond The Reef Upper



Gibbs Hill, St. Peter (B15704)

- 4-bed/3-bath house
- Furnished
- Pool & gazebo
- Quiet location
- Country & coastal views

\$12,000

Altamira



The Mount, St. G. (B16020)

- 5-bed/4.5- bath executive home
- Furnished
- 2-acre property & great view
- Fully equipped kitchen
- Air-conditioned bedrooms
- stunning cliffside pool

\$14,000

Dare to Dream

PROPERTIES FOR SALE



College Sav., St. John (B15757)

- Gently sloping rural lot
- Land area - 27,855 sq. ft.
- Ocean views

\$250,000

College Savannah Lot



Rolling Hills, St. George (B16218)

- Country lot within a centrally located development
- Land area - 23,122 sq. ft.
- Elevated lot with great view
- Underground utilities

\$508,000

Rolling Hills No 1



Holders, St. James (B14962)

- Large rectangular corner lot
- Land area - 21,421 sq. ft.
- Includes approved Architect plans for six townhouses
- Adjacent to new Sandy Lane golf course

\$895,000

Holders Land



Graeme Hall, Ch. Ch. (B15909)

- 3-bed/2-bath house
- Floor area - 2,300 sq.ft.
- Land area - 11,550 sq. ft.
- Air-conditioned bedrooms
- Sizeable kitchen and separate living & dining area

\$985,000

Richsands



Long Bay, St. Philip (B15844)

- 3-bed/2-bath house
- Floor area - 2,500 sq. ft.
- Land area - 14,000 sq. ft.
- Floor plan ideal for entertaining
- Modern kitchen and lovely finishes

\$1,500,000

Almond Tree



Rendezvous, Ch. Ch. (B16051)

- NEW Two-storey apt. building
- (3) 2-bed & (5) 1-bed apartments
- Total Floor area - 5,400 sq. ft.
- Land area - 9,000 sq. ft.
- Quality finishes throughout
- Great income property

\$1,700,000

Warners Circle Apartments



Brighton Cls., St. George (B16220)

- 4-bed/6-bath executive house
- Floor area - 6,668 sq. ft.
- Land area - 39,806 sq. ft.
- Staff quarters, recreation room and an office complete this home

\$2,200,000

Brighton Close No 7



Inch Marlow, Ch. Ch. (P15443)

- 6-bed/5-bath residence
- Floor area - 5,000 sq. ft.
- Land area - 43,561 sq. ft.
- Includes 2-bedroom apartment
- Large patio, pool & sea views

\$2,600,000

Casamara