

TERRA CARIBBEAN LAND PRICE INDEX

Real estate price indices have long been recognized as serving a valuable role as a macro-economic indicator of economic activity, and as part of the real estate valuers' suite of tools. Constructing an index in smaller markets however is often challenging as noted in the Red Book 2015 when we launched the Beachfront Condo Price Index (BCPI). The sporadic nature of transactions and relatively small volume can rule out some methods, however while we are limited in choice, the time series methodology used in the BCPI and in this index represents a more viable option, given the challenges of achieving the volume of data required in other methodologies.

Long noted as a method for constructing indices in so-called thin markets, in a paper on the subject the G. Schwann of the University of Auckland noted:

"Time-series price index fares much better in thin markets than a benchmark hedonic index. It remains close to the true index when there are few transactions and it does not have the volatility of the benchmark index."

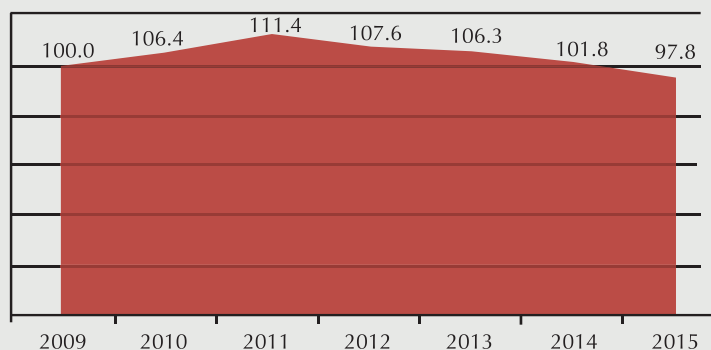
With this and other research supporting our findings and the success of the BCPI as a valuable tool for that segment we believe there is a firm foundation for developing our next index, the Terra Caribbean Land Price Index (TCLPI).

Using sales information from our own RED database and selected external sources we have amassed a data set comprising of over 3,000 sales records for the period 2009-2015 which form the basis for developing this index. Like the BCPI we have used median price per sq ft as the basis for our calculations.

As you can see in Figure 1, from the base year of 2009 the index rose in 2010 and 2011 to a peak of 11.4 points up on the index but has subsequently seen a decline in each successive year with 2015 data showing 2.2 points below the 2009 reference year.

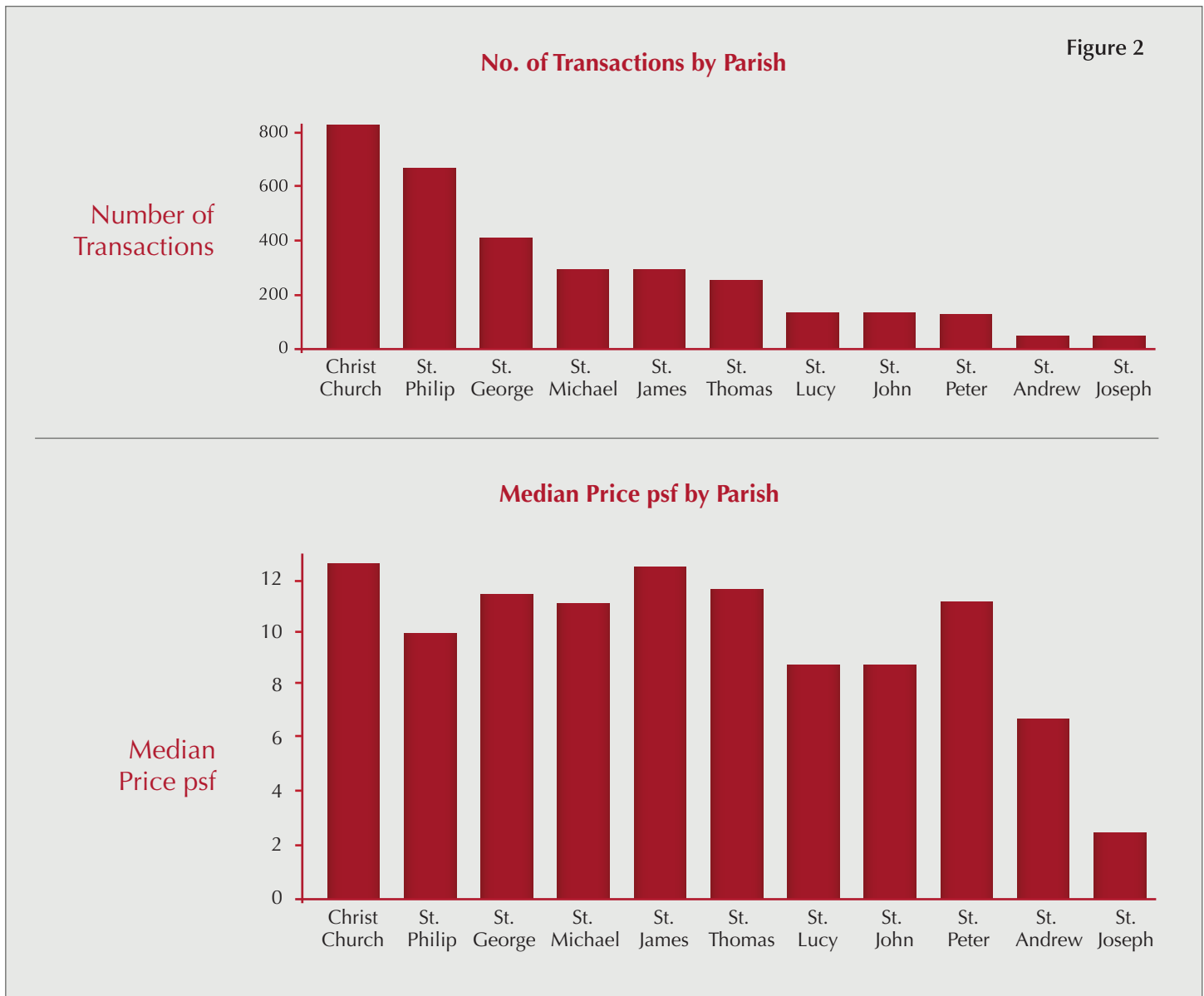
Terra Caribbean Land Price Index

Figure 1



The downward trend in the market can be seen by taking a closer look at a single development on the south, which has seen the psf price drop from US\$16 in 2010 to US\$10 in 2015. Indeed developers around the country have adapted to conditions and are now pricing these types of offerings more in keeping with current median price levels.

Taking a more detailed look at the data by parish in Figure 2 we see that, as you might expect, Christ Church shows the most volume and the highest median price. The emergence of St Phillip as a popular option is visible with that parish showing the second highest volume while the median price per sq ft is the lowest of the higher volume parishes. It should be noted that whereas volume of sales for St. James and St. Thomas are about average across the parishes, the median psf price is in the higher percentile.



Source: Terra Caribbean and Barbados Government Agencies

As with the BCPI we will continue to provide updates on this index leveraging Terra’s database RED and external sources, however it is worth noting that this process of data gathering would be aided tremendously if we had in place the facility for better access to public data. With the formation of the Barbados Revenue Authority (BRA) we look forward to seeing improvements which offer better access to this data.