

THE BAHAMAS: GREAT PLACE TO CALL HOME

Since 1994, international investors from all parts of the world have converged on The Bahamas to bask in its beauty and to marvel in its wonders, but most importantly, to buy their own piece of paradise. The Bahamas government not only has provided an investor-friendly environment, they have clearly invited investors to make The Bahamas their second home (if not their first and only!).

RESIDENTIAL PROPERTIES

The thought of purchasing a second home in The Bahamas has become a reality for hundreds of international investors, rather than remaining merely a dream.

The most noticeable aspect during this real estate boom is the extensive residential development throughout The Bahamas. Construction of homes of every shape, size and price tag are “emerging” from the land. As construction costs have escalated almost 75% during the past two years, most modest homes will cost at least \$150 per sq. ft. to build while the luxurious and spectacular homes in areas like Lyford Cay will cost at least \$250 per sq. ft.

The demand for sales in some housing and condominium developments is so high that most units are sold before the construction is completed. Just over two years ago, all 72 apartments at Caves Point were sold for prices ranging from \$450,000 to \$1.5 million. This past year, 90% of all of the vacant residential lots at Ocean Club Estates on Paradise Island sold within 48 hours at prices ranging from approximately \$500,000 to \$3.2 million. Likewise, the developers of Treasure Cove are experiencing many professional Bahamian first-time homebuyers purchasing new homes at prices around \$200,000.

Even in Lyford Cay, the second home market has recorded sales prices ranging from \$1.5 million up to as much as \$23 million.

During this boom, vacant property values have quadrupled in gated communities like Lyford Cay and Port New Providence, and along the oceanfront areas of New Providence.

This trend has also extended throughout the islands of The Bahamas from places like Grand Bahama, Harbour Island, the Abacos, Long Island and even the small cays throughout the Exumas. Private islands have sold at prices of \$750,000 to \$8 million. Once there is reasonable accessibility to a private island, it has sold.

COMMERCIAL INVESTMENT PROPERTIES

In the area of office rentals, The Bahamas has experienced a tremendous influx of new private banks, trust companies and other financial service related businesses. Additionally, many longstanding international financial service businesses have undertaken extensive expansion. Based on the Bahamas Real Estate Association’s annual rental survey of approximately 880,000 sq. ft. of both Class A & B buildings, vacancy rates have dropped considerably from 16.37% to approximately 5% during the past three years.

In addition, during the past two and one-half years, eight new Class A office buildings have been constructed on New Providence totaling some 400,000 sq. ft. of net leasable space. A recent survey of this space indicates that there is less than 12% vacancy.

As a result of the market conditions, The Bahamas has experienced an absorption rate of approximately 150,000 sq. ft. per annum during the past two years in comparison to an average rate of 55,000 sq. ft. per annum in previous years.

Most office leases in The Bahamas are triple-net leases. The average net rental rate for Class A office space is \$34 per sq. ft., while Class B office space is \$25 per sq. ft.

Construction costs for a new Class A office building is approximately \$250 per sq. ft. for the base building only. Construction of a new building will typically take 15 to 18 months from initial design to completion. Tenant leasehold improvements average approximately \$100 per sq. ft.

Currently there are several office buildings available for purchase, ranging in asking prices from \$6 million to \$25 million. Typically, the asking price of such properties is established by capping the previous year's net operating income at 8%.

HOTEL & RESORT INVESTMENTS

Since 1992, more than \$1.5 billion in foreign capital has been invested into the resort and hotel industry throughout The Bahamas. Leading the way is Sun International's acquisition and renovation of the former Resorts International property and their construction of the 1,200-room Royal Towers on Paradise Island and the new \$450 million Our Lucaya Resort in Freeport by

the Hutchison Port Properties. Some of the other international hotel and resort investors include Breezes and Sandals in the Cable Beach area of New Providence, and Disney's Castaway Cay.

INDUSTRIAL PROPERTIES

International investment into commercial and industrial properties has been tremendous.

The Hutchison Whampoa Group has invested more than \$40 million into a transshipment container terminal at Freeport. This same investor has also partnered with the Grand Bahama Port Authority to acquire and develop the Freeport International Airport to complement its container terminal facility.

INTERNATIONAL PERSONS LANDHOLDING ACT

Approximately eight years ago, the Government repealed the Immovable Properties Act and replaced it with the International Persons Landholding Act. The Government's objective is to encourage non-Bahamians to acquire property in The Bahamas as a result of removing the onerous restrictions on international investment and replacing them with an investor-friendly outlook.



Now a non-Bahamian is allowed to purchase a residential property, interest in a condominium or vacant property for use as a single-family dwelling, provided that such property is no more than five contiguous acres without restriction. Upon completion of the purchase, the buyer must make application to the Secretary of the Investment Board to register the purchase and provide evidence of ownership and payment of stamp tax on the transaction. Upon receipt of such an application, the purchaser is then issued a Residence Permit.

However, a Permit is first required to be issued by the Investment Board and the Central Bank of The Bahamas to a non-Bahamian or permanent resident of The Bahamas prior to purchasing freehold or leasehold property that is undeveloped land of five or more contiguous acres, or property that is not single-family or to be used as single-family (i.e. commercial, industrial, resort, hotel, or investment properties).

The issuing of the certificate itself also serves as the Government's assurance that should the investor wish to sell the property, the proceeds of the sale can be repatriated.

The Government has also adopted an accommodating position on the granting of residency permits to non-Bahamian investors and homeowners. Major international investors and owners of residences valued in excess of \$500,000 are offered accelerated consideration for annual or permanent residency permits. A Homeowners Residence Card is available to all non-Bahamian owners of residences, to facilitate the immigration formalities at all Bahamian ports of entry. This card entitles the homeowner, and the homeowner's spouse and minor children to enter and remain in The Bahamas for the duration of the validity of the card and is renewable annually. It does not, however, confer residency status. The other, more desirable, option is to apply for permanent residency status.

BREA REALTORS

The Real Estate (Brokers and Salesmen) Act requires every person in the real estate profession in The Bahamas to be licensed by the Bahamas Real Estate Association (BREA) in accordance with Bahamian law.

Realtors in The Bahamas are as highly qualified as most realtors in the US. Through BREA's bilateral agreement with the National Association of Realtors (NAR), it offers NAR affiliate courses and has recently adopted an amended version of NAR's Code of Ethics and Standards of Practice. BREA has been very successful in raising the level of real estate professionalism in The Bahamas to equal that of the U.S. realtors and other leading countries. Based on BREA's efforts to date, many Bahamian realtors have already achieved or are still working to achieve some of the following internationally recognised real estate designations: CCIM, CIPS, CRB, CRS and GRI.

In an effort to become more globally oriented, many of the leading real estate offices are affiliated with international real estate operations and franchises.

**FOR MORE INFORMATION ON BFSB AND THE FINANCIAL
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