

# SilverPoint The Way to Go

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*Most conventional second home purchases focus on lifestyle and while many of the buyers opt for a property that features essential items on their 'must have' list, amazingly the most important element of Return on Investment can often be relegated behind swimming pool, sea view or number of rooms!*



But in truth doesn't everyone buy a second home as an investment, and only the rich and famous really enjoy the luxury of buying a Caribbean home because they can afford it? Quite simply it all comes down to why you are buying in the first place, a simple question that seems to confuse many buyers. Are you buying a second home for personal use? Are you buying a second home as an investment, or is it a combination of both, perhaps the most difficult scenario of all to accommodate?

When it all comes down to dollars, there are some very simple facts and figures that have to be fully evaluated before any consideration is made on such mundane issues as swimming pools and sea views. After all, the shrewd investor isn't too interested in how big or beautiful his property, but can it be rented

and will it appreciate over time, the basic elements of real estate investment analysis? And yes, it would be nice to spend some time in your property, but not at the peak times, and certainly not at the expense of a rental. If maximizing your rental return is paramount, then you should forget about personal property preferences, perceived value for money, or cost per square foot, because all these considerations come at a price, and at a cost that reduces your ROI.

The totally focused property investor will be motivated by one thing.....revenue!

One of the best examples of property investment success has been the growth of the Buy-to-Let concept in UK real estate, a phenomenon that grew out of nowhere in the nineties and saw

middle income wage earners take full advantage of a buoyant rental market, high liquidity levels, cheap money and available borrowing tools. Banks, Building Societies and Insurance Companies may have been reluctant to offer mortgage products in the early stages, but once a few lenders jumped on the bandwagon, practically every lender worth their salt followed suit, and in no time the market was saturated with visionary and creative mortgage products to accommodate virtually every Buy-to-Let concept. In barely a decade, some very modest investors amassed property fortunes as values increased, and the skillful management of their tenants ensured their mortgage payments were met on time. And the bonus of earning a monthly surplus often opened the door for another Buy-to-Let investment. Ultimately when all these loans run their course and each property is paid off, many proud property investors will have made fortunes in capital appreciation, and placed their own personal pension portfolios in place to augment the modest provision made by most employers in the modern world, and the even more modest provision anticipated from the UK government down the line.



But in recent times there have been signs of a leveling off in the UK rental market, and with the bonus of an attractive currency advantage, many UK investors have been looking at the Caribbean for an alternative source of investment, and they have been pleasantly surprised. After all, the tourism market in the region is booming, and with so many more affluent people in society these days, the demand for Caribbean holidays will surely increase, plus the added bonus of the Cricket World Cup in 2007!

Unfortunately not everything in the Caribbean real estate garden is rosy, as the cost to purchase can be high, the real estate product is not cheap, and there are some serious challenges managing a property portfolio from thousand of miles away! Investing in Caribbean real estate can be very attractive, but all the costs have to be carefully evaluated, and for the shrewd investor looking to maximize on his or her return, all the expenses have to be included in the analysis before you can really assess the ROI. That means making allowances for property management fees, property

rental fees, local taxes, property maintenance and periods when the property is not rented, as fixed costs don't stand still in the property rental business. And don't forget the long distance telephone bills, and the occasional visits.

But every cloud has its silver lining, and while it is not to everyone's taste, condo purchase with a leaseback arrangement to a rental or hotel operation does offer a much more attractive investment return with no stress, management challenges or serious maintenance worries. In this type of real estate investment the developer and the owner have combined their objectives and come up with a well-conceived real estate investment model that stands the test of any scrutiny against conventional real estate purchase.

Discovery at Marigot Bay in St. Lucia will be completed in June 2006 and some 56 property investors looking for limited personal usage but maximum return on investment have purchased all the units. As part of the arrangement all the owners are obliged to go into the rental pool, which it will be professionally managed, and the profits shared. In a similar vein Silver Point on the South Coast of Barbados offers another attractive real estate investment product for the savvy investor. Located on the beautiful Silver Sands beach, the developers are renovating and upgrading the former Silver Rock Hotel to a four-star boutique villa hotel operation with a quality restaurant, spa and fitness suite, shops and coffee bar. With a starting price point at US\$180,000, investors have the luxury of owning a freehold unit on a Barbados beachfront location, six weeks personal occupancy, or more by special arrangement, no hidden or extra costs, professional

management of the hotel operation, high profile marketing of the resort, equitable sharing of the profits, equitable sharing of all the maintenance, insurance and land tax costs, and mortgage facilities to assist with purchase.

It really does make decision-making a lot easier for the investor.

This type of property investment will suit the most discerning investor because it maximizes on the potential of a Caribbean property investment, and it removes the personal risk of putting all your eggs in the one property basket, and having to manage and market it totally from one expense budget. Yes the units are smaller than conventional condo units, and yes there are occupancy restrictions, but owners won't be living in the property twelve months a year, and how many overseas owners will spend more than six weeks a year in Barbados?

But remember there is the added bonus of World Cup 2007, one of the best beaches in the Caribbean for water sports, and the bonus of a high quality beautifully finished luxury unit.

It sounds too good to be true, but looking at the illustrative Return on Investment analysis that the developers have produced and evaluating it in pure investment terms against the alternatives is very illuminating. At least one developer is prepared to set out comparables to see if they meet the objectives of a property investor. Silver Point the way to go for the savvy investor appears no idle boast.