

# MARKET REPORT – MID YEAR 2010

AND

## PROPERTY LISTINGS

AN HONEST APPRAISAL OF THE CAYMAN MARKETPLACE

### Review

As you will see by the figures below we had single digit increases in both sales volume and sales prices YTD over 2009. There have been no appreciable increases apparent in 2010. The "Sunny patches" that we forecast in December were few and far between. Cloudy skies have dominated 2010 thus far.

### General Outlook

The uncertainty of US and world financial markets still holds sway in the Cayman Real Estate market place and so demand for product is not strong. The number of properties on the market has not increased appreciably over the past 12 months due primarily to the 2009 fourth quarter activity. It has however increased 4% since our last report. The value of properties over the last 12 months has dropped 8% which is indicative that the sellers are responding to market conditions, however that **decrease has slowed significantly in 2010**. The number of **pending contracts** on the CIREBA books is significantly less than it was 12 months ago, but is **up 8%** over our last report. **In fact, most of the indications are starting to show positive signs.**

### Residential

The number of sales is 5% less over the past 12 months and has decreased 9.5% since our last report. The average home sale value is up 8.5% over the last 12 months, and 6.7% this year. Marketing time for homes is up only 4% this year. Many of the most motivated of owners have now gotten their homes sold and the remainder are averaging at slightly higher levels. We don't see the prices coming down much further now, but the current inventory will take a little while to clear.

### Condos

Sales volume for condos is up 9% over the past 12 months, but is unchanged for 2010. Sales prices are also up 8.5% YTD over the last 12 months, but only 2% this year. Condo sales and values also seem to be plateauing. Again, considerable further discounting is not expected, but the current inventory will take a little while to clear here as well.

With little new inventory coming on stream in either the single family home or condo markets, it appears the buying public will have to make do with what is out there and whatever other used product comes on. This is an opportunity for Sellers who really want to sell to make a price reduction which separates them from the pack. These are the only units which will surely be sold this year. The good news is there are buyers out there, but their purchases are still largely price driven. There are still a lot of over priced listings on the market. Sellers who have decided to hold to their pricing better be prepared to wait.

### Commercial

There is good news on the Commercial front – at least for buyers. The ROI on good commercial properties for sale is now approaching 10%. With the interest rates where they are and the stock market so volatile, this type of investment makes so much sense. Our market place is too small for supply and demand fluctuation to affect these numbers too much – and the upside is enormous. Call us to hear about these Commercial opportunities.

### Raw Land

When retail property sales slow, so do development parcel sales. But with no holding costs, developers with foresight are looking again. There are several prime waterfront and commercial properties available now at reduced prices as well as some interesting new subdivisions. Call us for details on specific Development Properties.

## **Oceana**

Cayman's next contemporary luxury development has broken ground! 15 waterfront apartments featuring stunning modern interiors as well as "corner wall glazing" for even wider and more extensive ocean views. Prices for 3 bedroom, 3.5 bathroom apartments start at US\$1.6 million following the sell out success of the previous project, The Seaview Residences, by the same development team. Call us for further details.

## **Sister Islands**

**Cayman Brac** continues to offer great value for money on everything from beachfront condos and beach lots to bluff land which includes acreage, inland lots and edge lots with stunning views.

Premier Bush has promised to fast track the development of the pond behind the **Alexander Hotel** into a Yacht Basin. One of the biggest obstacles to Brac development has always been a protected anchorage. Development of this area should jumpstart the Brac economy and give purchasers more reasons than the islands elevation, tranquility, and hospitality to spend time here. More direct flights from Miami to the Brac are scheduled and will also help.

**Little Cayman** has seen an increase in sales in 2010 compared to 2009. Prices have come down and buyers are seeing this as a time to take advantage of the reductions. Condos at the **Conch Club** have been lowered as much as 20% over asking prices seen in 2009. These bargains will not last; when the condos available are gone the bar will be raised and prices will be back to normal levels. Those buying raw land have also seen some good deals. Everything from larger parcels bought to be subdivided and smaller end user parcels are being acquired at very reasonable prices. Contact Wes in Little Cayman to find out how you can take advantage of the lower prices. Remember too, that what is listed are not always the only properties available, so be sure to ask about other properties.

## **Capital Projects**

There is a lot to mention here. As a result of the Bond issue the Cayman Government has been able to initiate several large projects which have been on the back burner for years.

In April the Government, the Port Authority and the Dart Enterprises Construction Company signed a memorandum of understanding to move ahead with the planning and **construction of a Cruise Berth Dock in George Town.**

Premier McKeever Bush said the dock was slated to **cost \$150 million** and to be **completed by October 2012.** The Premier said the berthing facility was a vital component in keeping Cayman's tourism industry alive and competitive. The plans being considered called for a non-solid wall construction for the pier, using pilings or open web structure that would not restrict current or wave flows. The cruise line companies that would be invited to invest in the expansion of the pier, would be involved in the final design of the port.

"While the cruise berthing project will be developed by DECCO and paid for by fees charged to the cruise lines that use the facility, the government and Port Authority are committed to protecting the existing revenue flows to the Port Authority," Premier Bush said. "Consequently, measures are in place to ensure that the Port Authority will retain full effective ownership and control of the port's lands, piers and operations," he added.

Very big news also, is the announcement made in April, that the **Narayana Hrudayala Group** will undertake a **huge medical facility in the Eastern District** of Grand Cayman. **Dr. Devi Shetty** is the man behind the project and has held senior Cardiac Surgical positions in many hospitals, including Guys Hospital in London, BM Binha Heart research center, and Manipal Heart Foundation. His group currently performs over 30 major heart surgeries each day and is one of the world's largest heart hospitals. Government has had to give significant duty concessions on medical equipment and immigration to make the deal happen, however we must keep in mind this is revenue we would never see without the project anyway.

The project itself will be **phased over 10 years** so as not to overburden the local infrastructure but in the end we are looking at a **2,000 bed hospital, a teaching facility, a research facility and an assisted living facility. Commencement is planned for early 2011.** The Commercial and Residential spin-off will be very significant, as will the long-term possibilities for potential local employment in the industry. Other countries currently benefit from this type of Medical Tourism industry. As significant numbers of people each year already travel outside the USA & Canada for medical treatment, this would be a very favourable stop over for patients from both those locales. Timing couldn't be better. The advent of **Obamacare in the US** and it's expected problems based on the results in other countries, makes this a good bet.

Another Capital Project agreed is the dredging of a **North Sound Channel** to accommodate Mega Yachts. This has been a developer's "wish list" item for years and will open up another avenue for

potential wealthy residents and visitors. No time frame has been set as Government is looking for Private Sector participation in this project.

Sadly, the project most needed in Cayman right now – the **extension of the airport runway** – has not been specifically mentioned although one would hope it would be part of the **“airport expansion”**. Considering the relative costs and merits in comparison to the cruise ship berth, this is a real head scratcher. A Cayman which is more accessible by air has got to benefit the entire country. One has to wonder whether the idea of moving the airport out East is not behind this reluctance? We sure hope not. Capital projects are necessary; over the top spending is not! Lets do what’s necessary first!

### **Late Breaking News!**

Sweeping changes to Cayman’s Development and Planning Law and regulations will mean that developers along the Seven Mile Beach corridor on Grand Cayman can now build **structures up to 10 storeys**. The previous height restriction was seven storeys. Building height allowances were also increased slightly in beach resort/residential zones in other parts of Grand Cayman. Maximum height restrictions in general commercial zones will stay the same as they are now; seven storeys in downtown George Town and five storeys elsewhere.

Well cooler heads have indeed prevailed and the studies commissioned by a number of Private Sector Groups have won the day. The UK has relented and agreed our budget which means **a further \$155M** will be available to pursue the Capital Projects envisioned by the current Government. **More importantly though, the pressure for Direct Taxation is off.**

If we don’t face the fact that our entire economy is in one way or another based on No Direct Taxation, we are fooling ourselves. This is not a flawed system (as I was told recently by a very high ranking member of Government) – it is just a system which is overburdened by cost – much of which is unnecessary. Government employing more people hurts our economy in the long run, it does not help it. That one realization puts us on the road to recovery. Keep your finger crossed!

On June 15<sup>th</sup> the New Governor, **His Excellency Mr. Duncan Taylor CBE** produced a wide ranging **Throne Speech** which appears to go hand in hand with the **Premier’s Budget Address** which he titled “Partnership for Recovery” - based on anticipated Public/Private Sector partnerships. It is no secret that the relationship between the appointed and elected officials in Cayman has deteriorated over the recent years but this does not appear to be the case now and that is both very important and heartening. No doubt the recent election in the UK played a large part, but the new Governor himself is also a more dynamic personality than those previous. While actions indeed will speak louder than words, considerable improvements in the Immigration process for local businesses and those who want to come to Cayman for Residency and establish new businesses, plus extended work permit terms in some professions have all been promised. All very welcome ideas, long championed by local business.

### **Tourism**

The tourism figures are interesting. The most important are the air arrivals which are up 8.3% over last year YTD, but still lower than pre-recession figures of 2008 and 15% lower than 2001 figures which were the decade’s best (for Q1).

### **Gulf Oil Spill**

One of the Western World’s most serious environmental disasters has just occurred, and sadly for the Southeastern USA it’s effects will be widespread. Providentially for us, the Gulf Stream Current which is the major water influence in the Eastern Gulf and Western Caribbean will keep the oil spill moving North and Cayman should not be affected. Some projections have the spill running all the way up the East Coast of the USA to the Maritimes in Canada! One always hates to benefit from another’s misfortune but this may be the case here.

### **Self Defense, Mixed Martial Arts, and Coldwell Banker**

Well known local Martial Arts Instructor and Coldwell Banker Agent **Bob Daigle** has been holding courses and seminars called “Fast Defense”. They are very popular with the local professional community. In addition, Bob has just brought UFC top contender Kenny Florian to Cayman and hopes to promote Cayman and Mixed Martial Arts respectively. MMA is the world’s fastest growing sport.

### **New Staff**

We are pleased to announce our newest additions to our staff: **Mr. Tracy Moore and Ms. Irene Scott-Thornton**. Originally from the US Southwest, Tracy has been in Cayman since the early 80’s. He brings with him over 20 years experience as Senior Bank Lender as well as previous Property Management and Real Estate structured finance and conveyancing. Tracy is a master at simplifying complicated deals. Irene’s background is Real Estates, Interior Design, Construction Project Management and Property Management. She joined us earlier in the year and has already made her mark in Cayman Brac. Her stunning website ([www.caymansales.com](http://www.caymansales.com)) has attracted a lot of business and a number of great new listings. We welcome Irene & Tracy and are sure they will have successful careers with Coldwell Banker Cayman Islands Realty.

## **RealtyScope**

**Anthony Ebanks** of our firm has developed a unique new system called “**RealtyScope**” which collates and compares statistical sales information. It provides a solid basis for decision making by performing complex market analyses and presenting them visually – **BEFORE** buying or selling decisions are made. The key to successful Real Estate investing is to “buy right”. With Anthony’s new system we can help ensure that you do that. Look for examples in future editions of our Market Report and on Anthony’s website [www.yourperfectproperty.net](http://www.yourperfectproperty.net), or on our website [www.caymanislandsrealty.com](http://www.caymanislandsrealty.com).

## **Forecast**

The future of the Real Estate Market is somewhat dictated by others. Events like the November US mid term elections, the British Election, and our Premier’s decisions on projects and policies are key. If traditional conservative economic theory prevails in any or all of those areas, in the long run we will be fine, but it will be painful in the short term as economies contract due to the curtailing of spending. On the other hand, if “creative accounting” or socialist policies prevail, we may have a more comfortable short term, but the long-term prospects will be bleak.

The UK has already given Gordon Brown the boot, and all of Europe seems to be pushing hard for balanced budgets and decreased borrowing and spending. Strangely enough it is only Obama & the US Liberals who think they can spend their way out this mess, but there is great momentum building in the US for conservative policies. Add to that the proactive moves by our own Government in terms of these new local Capital Projects and the spin off income they will produce in our economy, and this gives us real reason to be cautiously optimistic about our prosperity and our Real Estate Market. With the prices at current levels we would not be surprised if in retrospect this summer is remembered as the **bottom of the market**. The upturn will probably take another 6 months to become noticeable and so there will not be enough steam in it to support any real price increases immediately. However if you are looking to buy – **look now while the inventory is still full**; and upgrade your property before the prices rise again. Meteorologically speaking, we see continued cloudy skies with a clearing trend towards year’s end.