

TERRA CARIBBEAN NEWS

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Barbados Edition

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Is Bigger Really Better?

As real estate valuers, it is inevitable that at some point a client will be disappointed in our opinion of value of their property, particularly during the current recessionary period. At the peak of the market, owners disposing of their property were likely to achieve a premium above their original investment but may not be so fortunate under current market conditions. Notwithstanding the prevailing market forces, there are a number of actions taken by property owners, which fall within their full control but which impact their property's value negatively. One such example is excessive and elaborate construction.

Consider this scenario. Mr. Progressive Businessman (Mr. B) has just finished building his dream home. He spared no cost and after hundreds of thousands of dollars, his massive two-storey, 3,000-sq. ft. home with pool is by far the largest in the area even though he shares a similar land area as his neighbours. The house stands out from all others and is finished to the highest quality. Feeling very proud of his investment, Mr. B. now wishes to have his property appraised. He has received his report but to his astonishment, the appraiser's opinion of market value, which is the estimated sale price based on recent sales in the area, is lower than his total expenditure. How could this be?

Unbeknown to Mr. B., the majority of neighbourhoods have a general value range into which most properties fall. Excessive building and elaboration within a specific neighbourhood, referred to as overbuilding and overimproving respectively, adds little value to a property, if any. The law of diminishing returns holds that increments in the agents of production (the combination of land and improvements) produce net income up to a certain point where maximum value is reached. Any additional expenditure will not produce a return commensurate with the additional expenditure, not to mention there will be additional maintenance costs. This is what occurred with Mr. B. in the scenario above. For instance, the Town and Country Development Planning Office stipulates that the overall footprint of a residence should not exceed 40 percent of the net land area. Although this sets the upper limit, plot density should be guided by the characteristics of the market area, which is the area in which the subject property competes for the attention of market participants (buyers, renters, etc). Each market area generally attracts a particular profile of buyer. The neighbourhood in which Mr. B. built his home attracts first-time homeowners with young families, who require a spacious backyard area for their children to play. Thus, surrounding properties have trended towards a plot density of 30 percent. *Continued over...*

FEATURED PROPERTY

Turtle View No. 1, St. James (B19811)

Turtle View No. 1 is a 3-bedroom/2.5-bathroom townhouse with an open plan layout. With 1,965 sq. ft. of floor space, this fully furnished unit is within a small gated community and features a full appliance package, granite countertops, and a plunge pool. Situated in Porters, St. James it is just a short walk to the beach and close to the many amenities of the west coast.



Turtle View Unit 1

\$1,375,000

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



The Palisades Development

Enterprise Coast Road, Christ Church (B15515)

The Palisades is a new private community in Atlantic Shores with close proximity to the beach, golf, restaurants and night life. The 16 elegant townhouses each comprise three ensuite bedrooms with a plunge pool, Italian kitchen with General Electric appliance package, porcelain and marble tiles with a modern lighting and audio system. The Taino Beach Club is located on the cliff opposite and offers facilities for the residents & their guests.

\$1,700,000



The Parks at South View

Kent, Christ Church (B18173)

South View, a new master-planned residential community, is set on 54 acres of gently sloping land. The multi-phased development will offer a mixture of land lots and residences. The community is designed for families and individuals seeking suburban living with easy access to modern conveniences. Centrally located adjacent to the Fort George Heights and South Ridge neighborhoods, South View is just minutes from all the amenities of the south coast.

The Parks Land Lots From \$213,000 - Average Lot Size 8,500 sq. ft.

Is Bigger Really Better? (Cont'd)

Continued...

Therefore, even though his property complies with building guidelines, at 40 percent density it may represent an overbuild for the area. Further, most homes in the area comprise an average floor area of 1,500 sq. ft. compared to Mr. B.'s 3,000 sq. ft. Prospective purchasers will not be willing to pay extra (particularly not the equivalent of the cost to build) for the excess bricks and mortar. In fact, at 40 percent density and 100 percent excess floor area, they may only be willing to pay up to the highest of the area's value range.

Overimprovement, often used interchangeably with overbuilding, is typically characterized by super adequacies – an excess in the quality of a structure as determined by market standards. For example, Mr. B.'s home is finished to the highest quality and features a pool. But it is superior to all other properties in the area. Unfortunately for Mr. B., the profile of the purchaser of this location sees no value to having a pool and the superior finishes offer no greater utility or satisfaction. Hence there is no willingness on the part of the buyer to pay the equivalent of the cost of the finishes. Another reality is that the buyer, who is willing and capable of paying for these amenities, wishes to be in a location with similar properties, and possibly with a lower plot density.

There is nothing wrong with completing your home to suit your personal tastes. The problem arises when it is time to sell the property. Overbuilding and overimprovements stand out but the money invested may not be recovered. Surrounding properties affect your property's value - homes of lower value negatively affect surrounding property values and vice versa. Therefore, when designing one's home, consideration should be given to the size and quality of neighbouring properties, despite one's individual preference.

If more pleasure is going to be derived from the overimprovements than the loss in value, then the disadvantages mentioned above become irrelevant. Notwithstanding that, property owners should always be aware of the various factors that impact property value (whether negatively or positively) so that they can make an informed decision.

Ms. Symon Clarke - Manager, Advisory Services

RENTAL PROPERTIES



Atlantic Shores, Ch. Ch. (B19815)

- 2-bed/1-bath apartment
- Furnished
- Spacious with open plan layout
- Distant sea views
- Walking distance to beach

\$1,800

Surfview Row 133 - Apt. D



Belair, St. Philip (B18761)

- 2-bed/1-bath apartment
- Furnished
- Large patio
- Quiet neighbourhood
- Walking distance to beach

\$1,950

Belair Pines 1- Upper



Newton, Ch. Ch. (B19200)

- 2-bed/2-bath apartment
- Furnished
- Air-conditioned bedroom
- Distant south coast views
- Close to highway & amenities

\$2,200

Ralco Apartment No 7



Mount Brevitor, St. Peter (B19306)

- 3-bed/2-bath house
- Appliances only
- Quiet, desirable community
- Tennis court, pool, clubhouse
- Lovely seaviews

\$2,750

Vuemont No 118



Atlantic Shores, Ch. Ch. (B19198)

- 3-bed/ 2-bath house
- Unfurnished
- Air-conditioned bedrooms
- Garden maintenance included
- Near many south coast amenities

\$3,200

Bowbells Ave No 138



The Ridge, Ch. Ch. (B19580)

- 3-bed/2-bath townhouse
- Appliances only
- Community pool & tennis
- Quiet residential development
- Easy access to many amenities

\$3,500

Ridge View Est 46



St. Silas, St. James (B18780)

- New 3-bed/2-bath house
- Unfurnished
- Open plan layout
- Covered parking & storage
- Garden maintenance included

\$3,600

St Silas Heights No 414



HOLDERS, St. James (B19017)

- 3-bed/2.5-bath house
- Appliances only
- Air-conditioned bedrooms
- Shared pool
- Close to the west coast

\$6,000

Kurri Kurri

PROPERTIES FOR SALE



Gemswick, St. Philip (B19596)

- Elevated residential lot
- Land area - 8,060 sq. ft.
- Beautiful sea views
- Short drive from the airport

\$165,000

Atlantic View Lot 8



Rockley, Ch. Ch. (B19541)

- 2-bed/ 1-bath apartment
- Floor area - 1,290 sq. ft.
- Suitable for office use
- High traffic commercial area
- Close to many amenities

\$435,000

Carleigh House



Eastmont, St. John (B19579)

- 5-bed/ 3-bath house
- Floor area -
- Land area - 12,732 sq. ft.
- Potential for apartment conversion
- Great country views

\$850,000

Eastmont No 4



Rowans, St. George (B19834)

- 4-bed/ 3-bath house
- Floor area - 3,375 sq. ft.
- Land area - 2.4 acres
- Separate 1-bed guest suite
- Covered patio & plunge pool

\$1,300,000

Rowans Lot 20



Mount Pleasant, St. Philip (B19520)

- 5-bed/ 4.5-bath house
- Floor area - 4,250 sq. ft.
- Land area - 20,988 sq. ft.
- **Adjoining land lot also available**
- Exceptional views

\$1,350,000

Champaign No 84



Colleton Gdns., St. Peter (B19780)

- 4-bed/ 3.5-bath house
- Floor area - 3,021 sq. ft.
- Land area - 12,120 sq. ft.
- Guest cottage with own entrance
- Short walk to beach

\$1,350,000

Colleton Gardens Lot 20



Pine Gardens, St. Michael (B19706)

- 5-bed/ 4-bath house
- Floor area - 4,568 sq. ft.
- Land area - 18,000 sq. ft.
- Private pool
- Five mins. away from Bridgetown

\$2,400,000

Woodyear



Pine Gardens, St. Michael (B19539)

- 6-bed/ 6-bath traditional house
- Also offered for rent
- Floor area - 6,800 sq. ft.
- Land area - 20,363 sq. ft.
- Includes a self contained cottage

\$2,800,000

Tanley Court