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## INVESTMENTS IN THE CARIBBEAN IV

# Tourism the catalyst for major developments

By CLIVE RAPHAEL, Chairman, Atlantic Trust Co. Ltd.

The growth of tourism in the Caribbean has been the catalyst for major developments in many islands whose main economy was formerly sugar and bananas. Nowhere is this more apparent than in the British Virgin Islands. For years the traditional existence in these pro-British but strongly U.S. oriented islands was for the menfolk to seek work in the nearby U.S. Virgin Islands. The much needed dollars they earned and sent home supported the British Virgin Islands' economy. This pattern is changing with the advent of tourism. Helped by tax incentives for tourist and pioneer developments, nominal personal and corporate tax, a double taxation agreement with the U.K. and the U.S. and the advantages of having the U.S. dollar as the sole currency, two Free Trade Agreements and commercial boosts to the BVI economy were evolved—the Wickhams Cay and Anegada developments.

### Wickhams Cay

Wickhams Cay on Tortola, the more important of the two, is a land reclamation of approximately 70 acres in the heart of Roadtown—capital of the BVI. The political controversy surrounding this development is causing unease. In 1968, Wickhams Cay Ltd., headed by businessman Kenneth Bates was granted reclamation rights and a large slice of tax concessions. In the early days when Wickhams Cay was a heady dream and a set of plans, local BVI Islanders remained sceptical, suspicious and aloof.

When acre by acre the dream became reality, the islanders became worried that the new area would adversely affect their businesses and shops. Under mounting pressure the Government and the Administrator finally gave way and appointed a Royal Commission, headed by Sir Derek Jakeway, to investigate the islanders' objections. Wickhams Cay Ltd., whose local public relations had been worse than non-existent, found itself the subject of investigation into its Wickhams Cay and its associated Anegada development. The Commission found that, although the developers had largely performed their contractual obligations, the administration had been too generous in the terms it had originally granted.

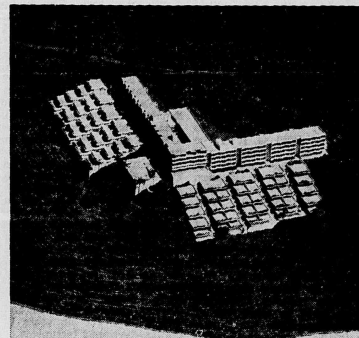
Other Caribbean Governments have been quick to learn the lessons from this situation. The Government of St. Kitts decided early on that it would directly own and control its development at Frigate Bay. Covell Matthews and Partners, a London firm of town planners was brought in to prepare a comprehensive development plan for the area. The result is a proposal for hotels, holiday homes, a hotel and a deep-water port to be constructed by developers and private individuals to a basic plan, on land leased or purchased from the Government. It is too early to analyse the success or failure of the project, but if consumer interest is any yardstick, the scheme seems destined for success. Perhaps the most enlightened approach to development is being taken by the Government

of the Turks and Caicos Islands, a crown colony south of the Bahamas. A Royal Commission, again headed by Jakeway, reported and drafted a scheme hopefully securing the future of the islanders, whose fierce loyalty to the crown is unique in an area where independence is more often the cry.

### Disused salinas

Plans for reclaiming the disused salinas of Grand Turk are currently being discussed by Government with Intercean Properties Ltd., a locally based British financed development company. Under that company's sponsorship, consulting engineers Sir Alexander Gibb and Partners have already carried out feasibility studies of the project. The spirit of co-operation between Government and the developer promises to ensure orderly development.

The Turks and Caicos Government has made progress in opening up the out-lands to developers. Provident Limited, an American group, headed by Kip Dupont, is developing in Providenciales. The islanders have seen the start of construction of roads, airstrips, a hotel and a deep-water port. South Caicos, under development largely by the Caicos Company, is undergoing similar treatment. Commercial success in the Caribbean depends not only on land suitability, adequate finance and good planning, but more and more on the skills and support of the islanders themselves. One of the more potentially profitable but politi-



A proposed hotel in the Frigate Bay development on St. Kitts.

cally controversial schemes is Jamaica's Montego Freeport.

A group of Montego Bay businessmen, headed by Florida based financier Ellis Chingos, persuaded the Jamaican Government to permit the area unique Freeport concessions in the lush oasis of north coast development.

Carib style politics generally are about as reassuring as a

cold bath. Jamaica, bravely tackling massive unemployment, periodically suffers political trauma. The investor becomes wary. Long-term finance is a near impossibility, thus the majority of development is carried out with short term money at high interest rates. Stability is an elusive factor. The real anchor in these waters is the presence of the large American hotel operator. The value of a Sheraton, Hilton or Holiday Inn is frequently the difference between financial success and failure. This is readily realised by private developers and by governments alike. The large hotel chain is bringing to risky short-term funding a measure of unprecedented stability.

Thus, if Montego Freeport attracts a substantial hotel operator, financial success could emerge quickly. Montego Freeport has floated shares on the volatile Kingston Stock Exchange and has gained limited access to longer-term finance. It is understood that Sir Cyril Black's Beaumont Property Company Ltd. has already contracted to carry out the first phase of the shopping development.

### Similar scheme

The Jamaican Government itself has not been dilatory. It compulsorily acquired a tract of Kingston waterfront property and appointed Town and Commercial Developments to carry out a comprehensive redevelopment. Town and Commercial are rumoured to be investigating the possibility of carrying out a similar scheme in Port of Spain with the Trinidad Government.

So far the Trinidadians have not been successful in developing their other project—Chaguaramas—the majority of investors having been cautioned by recent Black Power riots. With the country settling down once again, it should not be long before progress is made with this scheme.

In today's climate, the sophisticated investor looks primarily for political stability, good inter-relationships, improving communications. The tourist is faithless, fickle and restless. For how often can the much-vaunted sun, sea and sand turn into sunburn, sea sickness and sand flies?

# Land prices increase in larger islands

By JOHN BRADLEY, Jamaica Correspondent

Rising land prices are a characteristic of the Commonwealth Caribbean countries. The smaller islands, with little industrial and agricultural development, have been particularly susceptible to tourism. Hotel and residential developments have pushed property prices to almost astronomical heights.

In the more economically developed islands of Trinidad and Tobago, Barbados and Jamaica, tourism is only one aspect of the property picture. Industrial and agricultural development have created the demand for more land. With the formation of the Caribbean Free Trade Association over two years ago, and the increase of intra-regional trade, the demand for land has received an additional impulse. The exception is the Cayman Islands. These three small islands have the highest per capita income in the Caribbean but tourism has been generated by tourism and tax-haven activities.

Of course, one cannot overlook the population problem. The birth rate in the Commonwealth Caribbean is very high, and every year there are more people to populate the scarce land area. Few people realise just how small these islands are. Jamaica, the largest, has 4,411 square miles; Trinidad and Tobago about 2,000; Barbados 168; and the Cayman Islands 100. The total population is around 3.3m, which gives a very high density. Population is therefore an important contributor to rising land prices.

### Best example

As the country with the highest degree of industrial and agricultural development, Jamaica probably provides the best example of what has happened to prices of land not destined specifically for tourist developments. Agricultural land, which, a few years ago, was selling for £25-£50 an acre is now going for as much as £1,000 an acre, with the average around £300-£500. Residential lots in Trinidad are selling for 48-88 per square foot. In Barbados, residential lots are sold for less than 10 per square foot some years ago are now going at £1 a square foot. Good residential lots around Kingston go as high as £9,000 a half-acre.

Residential lots in sub-divisions in Grand Cayman range from £850 to £5,000.

Tourism has perhaps played the most important role in the property picture in these islands. More tourists in the region mean more chances of

foreign investment. Businessmen who visit the islands as tourists sometimes return as investors. The high demand for development is on the increase, and prime beach property is almost worth its weight in gold.

In Grand Cayman is priced at around £350-£400 a foot. Property in the tourist areas in all the islands is in great demand. And this demand is almost in direct proportion to the accessibility of tourists. Closest to the United States is Grand Cayman, where prices are the highest. Furthest away is Trinidad and Tobago, and observers feel that tourism has not reached the point where the prices of property will begin to rocket. In between are Jamaica and Barbados. In Trinidad and Tobago beach property (mainly in Tobago where the beaches are better) can be purchased for \$8 or less per square foot. On the other hand, beach property in Barbados is selling for £2 to £3 10s per square foot. It is difficult to put a price on prime beach property in Jamaica since most land owners will only sell the beach if the buyer purchases a large acreage of surrounding property. The package may cost £100,000 or £200,000.

Just how far prices will continue to rise is difficult to say. There is evidence that the price spiral in the Cayman Islands and Barbados has levelled off because prices have become too high for speculation. In Trinidad and Tobago, prices have levelled off during the past two or three years. The expected building boom did not materialise, although it is expected next year. In addition, unemployment is high and, consequently, there is less money in the economy. There is no indication of a levelling-off in Jamaica.

Tight Government control on speculation and foreign ownership of land has somewhat sustained the land price spiral in Trinidad and Tobago. The Alien's Land Holding Act, passed about two years ago, makes it very difficult for foreigners to obtain land. Permission for foreigners to invest in property must come from Government and even the Prime Minister himself. The authorities will only permit leaseholds for up to 99 years and only then if they are satisfied the buyers are not speculators and have the resources to develop the land. In Barbados, a serious concern over foreign ownership of land. While stringent measures have not been taken, the property transfer tax was increased from 21 per cent for everybody to 71 per cent for foreigners. The Jamaican Government is seri-

ously considering a development tax on property owned by foreigners. In addition, special attention is being paid to housing development, since many people have been cheated by developers.

Because the Cayman Islands are almost totally dependent on income generated by tourism and tax haven activities, foreign land ownership would be difficult to curb. However, the Government is very concerned over planning and the orderly development of the building sector.

### Rising concern

Throughout these countries there is rising concern over land speculation and foreign ownership. One leader expressed the fears of many when he said that one morning West Indians would wake up and find all their land in the hands of foreigners. So far, Trinidad and Tobago is the only country that has taken what might be called radical discriminatory measures. Existing or proposed land taxes in other countries merely make it more difficult for foreigners to buy and own property but, if they are willing

to pay the tax, the property is theirs if they have the money to pay the price. By means of foreign exchange restrictions Jamaica does have the power to restrict land purchases by foreigners, but the power is only used when there is clear indication that the purchase is for speculative purposes.

One gets the feeling that, little by little, Governments are becoming aware of the political and economic implications of widespread foreign ownership of their countries' natural resources. Drastic steps have been taken in Trinidad and Tobago, where the Government has already purchased most of the sugar properties. In his last budget speech, Mr. Edward Seaga, Jamaica's Minister of Finance and Planning, said that a Jamaican Equity Fund for local investors would be set up so that Jamaicans could participate in wider ownership. It is probable that ownership of certain lands by foreigners will be restricted.

Land is scarce in the Commonwealth Caribbean, and it is almost certain that West Indians are beginning to feel they might wake up one day and find their land is owned by foreigners.

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