

Frequently Asked Questions



THE CARIBBEAN



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Caribbean FAQs:

- **The deal seems too good to be true – how do I know this is genuine?**

This Caribbean investment deal is admittedly one of the most comprehensive and investor friendly packages on the international property scene today. As a result, some investors feel that the deal is “too good to be true” and therefore it probably is. This perception is often due to a lack of understanding of the overall deal and each of the elements presented to the investor. It is also because this investor package is ground breaking and not currently offered in its entirety by any other developer.

So let's break it down and look at each part of the deal:

1) 100% Deposit Finance:

Using finance rather than putting your own money down on a deposit on off-plan property is not a new concept, so nothing groundbreaking about that. The investor has to be able to raise the funds in the UK themselves based on their personal financial strength. Where this facility differs from others out on the international property market is that, once you have successfully raised the finance for the deposit, the developer is then offering to make each monthly repayment on that finance for you during the off-plan period until your property has completed.

Of course the developer is not offering to ultimately pay this for you, they are running a business with very tight profit margins and no developer gives away anything for free! They are simply paving the way to encourage inward investment into their projects by removing both a) the need to tie up thousands of pounds of your own money into a long term off-plan project and b) the burden of and increase in your monthly cash flow over a long term off-plan. The monthly repayments that they make for you in the interim period will simply be rolled together and added on to the cost of the property on completion.

2) Off-plan Capital Growth:

With so much Foreign Direct Investment (FDI) and Government backed investment and schemes to enhance economic growth on the Caribbean islands, coupled with finite space to develop, capital appreciation over the coming years is anticipated to be anywhere from c10% annually up to c20%.

In line with this, and to reflect this growth, the developer incrementally increases the property prices throughout the off-plan period approximately three or four times a year. This is standard practice on all off-plan developments and the transparency of the prices in this instance can be confirmed by comparing the prices with other similar projects in terms of the price per square metre.

Incremental price increases on large developments such as these are determined by assessing factors such as the increase in the land price, progress on projects external to the development such as infrastructure development, and progress on site including the amount of properties locked down by investors, all of which create price inflation.

So again, nothing unusual here.

3) Guaranteed Mortgages:

The developer is offering an alternative route for investors should they not wish to take or not qualify for a Caribbean mortgage on completion. Why? All too often on large long term off-plan developments when it is time to complete and mortgage the properties, there are always a proportion of investors whose circumstances may have changed throughout the off-plan period and who are unable to secure a mortgage. Most developers simply build the resorts and, on completion, move on to the next one and whether or not investors can secure mortgages is 'not their concern.'

However, this is not the case with our Caribbean investments as the developer will be running the resort with the assistance of an international hotel group indefinitely on completion. Therefore for the developer, it is imperative that all investors are able to complete so that the resort is open for business on day one. To ensure a successful launch, the developer feels that it is pertinent to offer a second route to mortgage through their guaranteed non-status mortgages up to 70% LTV.

When you look at it this way, it makes perfect sense.

4) 10% Guaranteed Rental Income:

Guaranteed rental schemes are common place and I'm sure you will have come across many variations with different developers, so again, this developer is not providing anything out of the norm.

The % that you receive annually differs from project to project and country to country dependent upon what is realistically achievable in that location. 10% annually in the Caribbean islands is perfectly acceptable based upon factual information about the location of the development, occupancy rates, nightly rates for a 5 star resort, who the anticipated clientele will be and where they will come from, and how that resort will be marketed to that target audience (in this instance by a well established hotel group who already operate successful resorts in the Caribbean and Mexico). The guaranteed rental facility simply offers property owners realistic funds towards their mortgage and costs.

5) 50% Room Rate Share:

Again, a share of the rental pool on a development is not a new way of doing things. The developer is able to offer an ongoing 5 yearly renewable rental scheme like this because they will be the resort owners and hoteliers marketing, renting and managing your property for many years to come. Don't forget, they will be making far greater profits from running a resort like this than actually building it in the first instance! Therefore, it is in their interest to maximise the occupancy on the resort thereby increasing their own annual profits (as well as yours of course!)

So, when you break down and analyse each element of this apparently 'too good to be true' investment deal, it is actually not that different from many other deals on the international property market. This one does have the edge admittedly as the developer is also the resort owner and hoteliers and is in this project with you for many years. As long as everything can be fully explained, fully understood and makes sense as to why they are offering particular incentives along the way, then it takes the 'scam' worry away from the offering and allows it to stand on its own merit.

- **The deal is so good, what are the actual risks?**

No investment, no matter how investor friendly the package is, is totally risk free. That's the nature of investing. So, what are the risks to you when the investment package is so comprehensive?

In simple terms, your risk lies with the deposit invested at the outset as with all off-plan investments. You invest money into an off-plan project to support the developer to start the project, and the developer offers incentives such as the very low pre-build prices to investors to commit to their plans and help the project move forward. If the project were not to complete then you stand to lose your deposit money (or will have an outstanding loan if you have used the 100% finance deal). It must be pointed out that non-delivery of your property by the developer carries its own consequences in your favour as outlined in the pre-purchase contract. Also, if this were to happen, then the usual procedure would be to sell the land and planning permission on to another developer who can see the value of continuing the project themselves. So, ultimately your property would be delivered, but your funds would clearly be tied up for a much longer period.

That wouldn't be so bad if you think about it because your investment will always be gaining in value as time goes by.

- **100% Finance Deal - How Does it Work?**

All properties require a 30% deposit from the investor.

If you don't want to tie your cash into these off-plan projects, then the 30% deposit required can be raised in full on finance in the UK so that you only have to invest £1,000 reservation fee into the investment and nothing else until completion.

You source the appropriate funds via equity release / UK loan (*we can offer assistance with this*) and the developer then meets **all** of the monthly repayments on that loan on your behalf during the off-plan period so that you do not have to find additional cash every month. This is a contractually binding agreement between you and the developer to ensure consistent, timely payments. The developer simply sets up a standing order to pay the monthly amount into your chosen account.

The developer will then simply roll these monthly repayments that they have made for you together and add them on to the original cost of the property on completion.

The 30% deposit can range anywhere from £25,500 up to £435,000 depending upon the type and cost of each unit. As UK loans are offered on the basis of your borrowing ability, how much you can raise will determine the size and type of investment you can embark upon.

N.B. All UK loans are subject to status

- **How do I know that the development will start on time and finish on time?**

Firstly, to highlight the excellent performance of this developer, they are currently constructing a resort on St. Vincent in the Grenadines. When the developer embarks upon a long term construction project they factor in up to 8 months slippage time for any anomalies encountered during the construction phase. The development on St. Vincent is due to complete in the summer of 2010 and, to date they are on time and have not had to use any of that slippage.

Secondly, the preliminary purchase contract refers to the timely completion of each development which you are welcome to have ratified by a qualified solicitor. (Section IV.9)

Thirdly, and most effectively, when the developer signs contracts with an international hotel group to represent the developments, the contract agreements will not be signed without mutual consent of the resort completion date. The hotel group requires a specific date as they spend thousands on PR and marketing to launch a new resort launch and therefore, the developer is fully committed to comply with the agreed completion date.

This is where this particular developer differs from many other developers. They don't simply complete a construction project and move on, but they themselves are the resort owners and hoteliers and, with the assistance of the hotel group, they themselves will successfully run all of these resorts long term.

They have already signed a deal with the Oasis Group, an internationally renowned travel company, to run the resorts. Oasis Group have gained a strong presence within the competitive travel industry and already run resorts in the Caribbean and Mexico. To sign contracts at this early stage, Oasis Group will have conducted their own very in depth due diligence process on the developer themselves before putting their own reputation on the line.

- **Will I be affected by hurricanes?**

The Caribbean does experience hurricanes of various levels each year with August through to October being the peak months. However, the developer has very carefully selected low risk spots for all of their developments again, because they will be running each development long term as hoteliers and they don't want to expose their resorts to damage as it would cost them \$thousands to repair.

Most hurricanes in the Caribbean move along a very similar path from east to west and the locations that the developer has carefully chosen rarely experience hurricane activity – St Vincent and the Grenadines – this is where the yachting fraternity moor their vessels during hurricane season so that they don't get damaged, Barbados – has not seen a hurricane in 20 years, North Coast Dominican Republic – Caribbean hurricane's paths do touch the south coast of Dominican but the high mountain ranges through the centre of the island protect the north coast from the effects, "The end comes quickly if a hurricane moves over land, because it no longer receives heat energy and moisture from warm tropical water" www.NASA.gov, and St. Lucia has only had one H5 hurricane since 1855.

So, although no-one can predict the weather, the potential threat of a hurricane hitting the resort was thought out well in advance of sourcing the land to construct.

For additional peace of mind, the properties will all be constructed to withstand hurricanes and each resort will have complete maintenance and insurance cover for that outside chance of hurricane damage.

- **How do I know I will get high occupancy rates?**

Oasis Hotels and Resorts

The developer will be running each of their resorts in conjunction with Oasis Hotels & Resorts and have very carefully selected this company to work with to ensure the highest occupancy rates for everyone concerned. Oasis already own and run a number of hotels in the Caribbean and, as they also own their own airline that flies into the Caribbean directly from Europe, they currently achieve 97.6% occupancy rates in their Caribbean hotels.

Occupancy Rates Dominican Republic

The current average occupancy rate on Dominican Republic is **89.57%** *AIPP (Association of International Property Professionals)*. We always estimate potential rental income on the basis of only 70% occupancy rate year on year. None of the current comparative hotels listed in the area experience as little as 70% annually, so this highlights the fact that we **always** underestimate investments for our clients to give you the worse case scenario. Many of the existing hotels are not of the standard that we are promoting and do not have the facilities to attract tourists that our resorts will have, so we anticipate visitors to the sites to be easily within the 90 percentile.

Tourism on the island is going to receive a further boost from a number of major inward investment schemes.

One major investment deal comes from a Balearic Island Development Group worth €3.7 billion will include a railway linking Santiago and Santo Domingo and other significant tourism improvements, the government has announced.

Some \$30 million for the reconstruction of highways has been granted by the OPEC Fund for International Development, a number of new Aerocaribbean flights and the construction of a ferry terminal costing \$10 million at the Sans Souci tourist port, will also significantly add to the island's attractiveness to investors

Tourism on Dominican Republic already accounts for 24% of GDP and is fuelling economic growth. The contribution of tourism to employment is now expected to rise from 555,000 jobs in 2008 to 743,000 jobs by 2018. By 2012, it is forecasted that the Dominican Republic will receive five million annual visitors, a one million increase over expected 2008 visitor totals.

And according to a recent report by the Dominican Republic Ministry of Tourism, tourist arrivals for the first quarter of 2008 have already increased by 8% compared to the first quarter of 2007.

Occupancy Rates St. Lucia

The official average Hotel Occupancy Rates on St. Lucia between 2003 and 2005 are as follows:

2003	58.8
2004	64.8
2005	67.8

(Figures from the St. Lucian Statistics Department including accommodation in the following categories – All-Inclusive, Semi-Inclusive Hotels, Conventional Hotels and Small Properties.)

In 2006, the island received 260,745 cruise ship passenger arrivals

There is increasing interest in the island internationally and naturally, tourism figures continue to grow. "The island nation has been able to attract foreign business and investment, especially in its offshore banking and tourism industries, with a surge in foreign direct investment in 2006, attributed to the construction of several tourism projects. Tourism is the main source of foreign exchange, with almost 900,000 arrivals in 2007" (www.cia.gov), that's a whopping increase since 2001 when the island welcomed 250,656 arrivals.

St. Lucia, in only the first six months of 2008 has experienced a 9.1% increase

Demand for top quality accommodation is very much in demand here!

Occupancy Rates St. Vincent

This lesser known island has been a well kept secret for many years but is emerging as a potential island to be reckoned with in the tourism stakes. It has experienced good steady growth in arrivals, yet the entire island has only 1,788 rooms currently available to visitors, and none of them exceed 3 star status. (OneCaribbean.org)

2002	77,631
2003	78,535
2004	86,727
2005	95,504
2006	97,432

The Ministry of Tourism's statistical department reports an overall increase in visitor arrivals to the destination of St. Vincent & the Grenadines for the period January-November 2007. During this period the total visitor arrivals recorded an increase of 16.5% over the corresponding period for 2006, with an actual increase of 41,860 visitors.

The Marine Sector also continues to do very well.

In 2007 yacht visitors increased significantly over the previous year. Special mention must be made of the period April to November 2007 which reflected a steady increase in yacht visitors. During this time the second quarter figures (April-June) increased by 11,816 / 70.8% while the third quarter (July-Sept) had an increase of 7,168/125.3%.

Similarly, the cruise sector continues to improve favorably with cruise passenger figures amounting to 124,147 in 2007 in comparison to 82,217 in 2006. This represents a significant increase of 51%.

The Caribbean Tourism Organization (CTO) statistics release has highlighted the fact that St. Vincent & the Grenadines ranked 2nd among 29 destinations in the region for increase in Jan-Nov 2007 cruise passengers. St. Vincent & the Grenadines had a remarkable 50.9% increase second only to ST. Lucia.

Our developer is building the very first 5 star luxury resort on St. Vincent, the creation of which has been long awaited by the island to encourage even more visitors and raise the island's profile. We have no doubt it will be **the** accommodation of choice for future visitors to St. Vincent.

To further boost occupancy rates on St. Vincent, the island has recently started work on their \$200million multi-nation-coalition-funded international airport at Argyle, the biggest and most significant capital project in the history of the island. The airport is projected to be completed and open for business in 2011, and the developer's international hotel chain business partner who has agreed to run the resort and has their own airline, will be able to fly thousands of holiday makers directly into the new airport and transfer them directly to the new resort. This really does secure high occupancy rates on the St. Vincent luxury resort.

Occupancy Rates Barbados.

Barbados is the single most popular island in the Caribbean, particularly with the British. Occupancy rates are always high and there is a distinct lack of top quality accommodation on the island. Tourist arrivals in 2006 were made up of 562,558 by air and 539,092 by cruise liner. Tourism has consistently increased year on year with staggering figures as follows:

2002	497,899
2003	531,211
2004	551,502
2005	547,534
2006	562,558

To highlight the increasing attention on this island, the official 2008 figures for arrivals in only the first four months of 2008 stand at 205,756 and there are only 65 hotels in operation on the island. The Barbados Ministry of Tourism are committed to the sustainable development of tourism and have formulated policies designed to make Barbados the destination of choice by 2010.

In 2007, when Barbados hosted the Cricket World Cup, cruise liners had to be drafted in and anchored off-shore to provide additional accommodation as the hotels were all pre-booked and overflowing well in advance of the event. This further highlights the need for more top quality accommodation on the island.

Substantial increases in Revenue per Available Room (RevPAR) and annual hotel occupancy rates of over 70% have made Barbados very attractive to many major hotel brands that are actively looking to raise their flag on the island. (*Barbados Tourism Investment Inc.*)

- **Due to the distance from the UK, how will I deal with problems if anything goes wrong?**

The resort will be fully managed jointly by the developer and selected Hotel Group. This includes full maintenance and damage repair and full management of all investor's properties. At **no time** will you be required to go out to the Caribbean to 'deal with problems' if anything were to go wrong, that is what the Hotel Group are there for. You would only have to do this if you were intending to purchase a property overseas independently as a landlord without any management assistance. In the rare event of hurricane damage, it is in the interest of the developer and Hotel Group to get the resort up and running as quickly as possible as they themselves will be losing \$thousands each day the resort is closed.

And remember, this is a UK developer whose offices are based in Essex, so if you really did feel the necessity to liaise with them face to face, then it's only a couple of hours journey in the car and their door is always open!

- **What capital growth can I expect in the Caribbean?**

This varies from island to island but, as a general guide, real estate growth in the Caribbean is averaging between 10% and 20% p.a. depending upon location.

N.B. The Caribbean Islands do not publish official house price statistics. General economics statistics from the Central Bank offer the best form of projections.

- **Are the developer's price increases realistic?**

Very realistic, yes. All of the developments are launched early with pre-launch discounts of up to 40% so you already have instant equity in your investment. Therefore, the developer has built in further periodic price increases at every stage to encourage and reward early bird investors. As mentioned earlier the price increases are determined by assessing factors such as the increase in the land price, progress on projects external to the development such infrastructure development, and progress on site including the amount of properties locked down by investors, all of which create price inflation. Therefore they are a true reflection of the growth in the area.

The valuations on each of the resorts are conducted independently by Colliers CRE. They have recently produced a report valuing the St. Vincent development at c\$200 million. On completion of that resort in 2010, they anticipate the value to be in the region of \$500 million.

Individual properties on this resort were originally launched to early bird investors at the following prices:

Studio Suites - £67,000.	They are now available from £170,000.
Type A Cabanas (villa) - £105,000	They are now available from £295,000.

Combining below market value with natural price inflation means it certainly pays to invest early into these projects.

- **How can the developer afford to make the repayments on the finance deals?**

The repayments on the 100% finance facility represent a very small percentage of the overall purchase price (less than 10%) during the off-plan period, and the developer has earmarked the appropriate funds from the outset within their business model to account for the uptake of this facility by investors. The developer owns all of their development land completely unencumbered and they have no additional outstanding debt at all, which puts them in a very unique and cash positive position, and they can pass these benefits on to you the investor.

- **What is the resale market like?**

The Caribbean is already blessed with a buoyant resale market. The islands have been a popular retreat since the 1950's and, 60 years later, still have the pulling power for aspiring retirees, second homers and holiday homers. The developer offers full resale assistance to every investor who has partnered with them in these business ventures via a number of avenues they are establishing.

Retirees: The Caribbean has long been attractive to retirees for some of the following reasons;

- The cost of living
- Quality of climate and year round sunshine
- Beauty of the landscape
- Access to a variety of recreational activities and cultural events
- Taxes incentives for retirees

The appeal of resort living for many retirees is that everything is to hand. These developments have numerous facilities on site which means you can do something different every day of the week, or simply choose to do nothing in beautiful surroundings. There is also the comfort of security, particularly when you vacate the property you have peace of mind that a professional management team is keeping an eye on it for you. And, of course, a resort offers an instant community.

Second Homers: For many years the Caribbean islands have enticed people from all over the world to buy their very own piece of paradise and the interest in owning a second home on the islands grows year on year. For American and Canadian holiday makers in particular, the Caribbean is only a 3 to 6 hour flight and so very accessible for escaping to the

sun for some R&R. It is also attractive because of the favourable property prices on many of the islands, and the cost of living makes it a very affordable option.

As it is becoming increasingly popular for people to own their very own holiday home abroad, the market for resale not only exists already but continues to grow at a very steady pace.

Investors: A third and very viable option for resale will be to another investor. Yes, the value of the property may have increased significantly by the time you come to sell on which would normally close the door to another investor being interested. However, those investors whose portfolios demand that the next acquisition gives them an instant annual rental income are very likely to be interested in these properties that are fully marketed, managed and rented with such high occupancy rates.

- **When will I be allowed to sell the property?**

The developer is offering fully assignable contracts on all of their off-plan developments. This entitles the investor to sell their investment at any time and you are not legally obliged to complete on the property if you can find another buyer to sell to. The success of selling during the off-plan period is purely dependent upon finding a buyer and, although you will be offered assistance with resale, we recommend that you enter an investment with a view to a mid to longer term investment cycle.

- **Do I actually own the property?**

Yes you do. Purchasing off plan means that you will sign two separate contracts, a pre-purchase contract when you invest your deposit money, and a private purchase contract when your property completes and you get the keys. The pre-purchase contract gives you the sole right to purchase the said property on completion i.e. you have the right to buy the property you have invested in. The private purchase contract gives you full ownership of the completed property and, on the Caribbean developments, **all tenures are freehold**.

- **Won't all country's property prices deflate in the same way as we are experiencing here in the UK?**

The UK is officially under a 'credit crunch.' This is not currently a global phenomenon, but is specific to the UK, the USA, Ireland and Spain on this occasion. 'Credit Crunch' means the sudden reduction in the general availability of loans brought on by lax and inappropriate lending. Other countries may well feel the affects of our credit crunch, but are not directly affected by it.

Whilst the UK is experiencing a down turn, certain other property markets are still buoyant and attracting investors and the financial experts are upholding property still to be the safest investment vehicle. The Caribbean is one of those buoyant markets. Again, Knight Frank reported that "Despite a struggling US market, Caribbean property saw healthy capital price growth with prices on some islands rising by upwards of 20% in a year." (*'07 Annual Wealth Report. Prime Residential Property, Knight Frank*).

- **What local taxes will be payable?**

Due to the areas which these developments are being built, there will be no local taxes to pay. Therefore, rental income will be paid free of any income tax, there will be no local Capital Gains Tax when the properties are sold and also there will be no local inheritance tax if you were to die. This is based on our understanding of current island tax legislations.