

Frequently Asked Questions and Answers concerning property purchase in St Lucia.

Disclaimer – these comments are provided in good faith as initial guidance to assist those making initial enquiries about St Lucia in general and have been made in response to various individual questions have been raised and specifically do not represent recommendations, or valuation advice from Brown & Co. They should not be relied upon without verification and / or specific advice by any individual or company. Individuals seeking clarification and formal advice should approach the appropriate authorities in St Lucia, or provide formal instructions for specific professional advice to Brown & Co or another suitable professional advisor.

Q What is the current exchange rate?

A *Currently EC\$ (Eastern Caribbean dollars) are pegged at 2.7 to one USD\$ which in turn is approx. USD\$1.75 to one £ GBP Sterling; i.e. EC\$ 4.725 to £1 (November 2005).*

Q How do I go about obtaining a mortgage for property in the Caribbean?

A *Mortgages are available in St Lucia in EC\$ to nationals. Foreign nationals need to get consent from the Ministry of Finance to take out a EC\$ mortgage. Generally, we would suggest a mortgage in USD\$ which avoids that consent requirement. As a foreign owner, with appropriate credentials re income and security and a clean record for the usual International money laundering requirements, we would envisage the major lenders (e.g. Scotia Bank and First Caribbean International Bank) offering up to 65% loan to value at circa 7.5 -8% interest rates.*

Q What are the mortgage rates?

A *Rates are higher than they should be here (given it's a USD pegged currency) at circa 8%. Competition in future will improve that we would imagine, but at present it is difficult to get rates lower than 7.5%.*

Q How do I go about securing permanent residency?

A *Permanent residence requires an application for residency consent. It is generally held that there is a presumption for consent to be granted. Applicants will require a good efficient local lawyer (we can recommend some - not one of the big names as we have the impression that they aren't interested in that sort of work). The application is a formality, that is likely to take a year to work through to a conclusion; but unless one is a criminal, or has some other major detraction, there is a presumption to accept.*

Process on arrival post property purchase is (for outline purposes – legal and immigration office advice is recommended):-

- *Supply a return ticket, submit application, including verification of no criminal record from UK police.*

After maximum of 42 days given on each and every arrival, foreigners will need to apply for an extension at the Passport Office in Castries while the residency application is lodged and being heard. A 12 week extension will be granted.

Every 12 weeks, submit for stamp for re-extension for a further 3 months. (At a rate of EC\$400 for each 12 week period).

Residency, when granted, is permanent - a stamp within the passport. After 7 years one can apply for nationality.

Q How much rental income can I expect to earn if I were to purchase a property?

A *Entirely dependant on location and quality of property. Touristic short term lets (other than B&B and guest house type) are generally higher end property and need to be located close to major tourism attractions for obvious reasons. Most of the current tourism villa stock is in the North, but there are tourism development projects ongoing that are likely to attract further visitors to the South (eg at Saffire Estate and Praslin Bay) and indeed Soufriere and the Pitons, Sandy Beach, etc already attract tourist visitors and owners. Tourism lets are and are higher cost to manage and maintain (weekly turnover, etc). There are a number of established letting agents (e.g. Gateway Villas [gatewayvillas.org] and Tropical Villas) and management / marketing fees vary from 25 to 35% plus costs. Net returns vary enormously and are likely to be between 3 and 8% for well managed and marketed, quality properties.*

The long term rental market varies at the upper end to expat, or high end professional (again demanding quality, larger property) to the local professional market demanding reasonable quality and with the means to pay for it, but without the collateral or capital to purchase themselves. We would not suggest investment in property for the low end local market. Rental levels are in general from circa EC\$800/month for a 2 bed flat (\$EC1,200 furnished) and up to EC\$2,000/month for a furnished 3 bedroom simple property such as the one B&Co have for sale in Cas En Bas. For a quality 4 bedroom property, values would be circa EC\$2,500 month bottom and EC\$4,000 /month for the top as a general rule, though we are aware of rentals of up to EC\$7,500 month for higher value 4 bedroom villa type properties. Again, returns vary depending on the property and location, but are likely to be within the range of 4 to 8% net. Demand and rental values are strongest closer to Castries and the Rodney Bay areas.

Q Do you provide a management and letting service?

A *Yes - we could provide a management service and letting for long term lets and would charge 10-12%. Tourism lets (as opposed to long lets) are probably better undertaken by an established player in that market at least initially to get the property in the market and*

well utilized. We could sub manage that though to make sure rates and standards of service are appropriate.

Q Do properties incur any property taxation?

A *The residential property tax rate is currently set at 5% of a 1992 annual rental value - if you're on the Tax Roll. Most newer houses are not. There are exemptions that apply for first houses, the elderly and those with insufficient means. Eventually, Property Tax will be based on market value - but that is likely to be some years away. If we had to guess, we would suggest the rate might be circa 0.5% of capital value.*

Q Where could I stay whilst viewing properties?

A *We would suggest combine with a holiday and book a package; rent a Villa (e.g. via gatewayvillas.org) or stay in one or two of the smaller hotels in different locations to get a feel for the Country. Smaller hotels such as Auberge Seraphine, or Baygardens in the North are likely to cost circa USD\$100/night plus taxes and inc breakfast, while staying in the South at somewhere like Juliet's Lodge which is just near the airport will be less. A unique St Lucian hotel experience at Ladiera is recommended for a few nights of luxury under the Pitons!*

Q What period is the low season/rainy season?

A *Dry season is January to April, Rainy season is May to August. The high and low season effectively follows that pattern, though airfares and hotel rates also vary with UK school holidays and demand! Climate is tropical, moderated by Northeast trade winds.*

Q What costs would I incur in insuring against burglary, fire, hurricanes, etc?

A *Cost in EC\$ per 1,000 insured value for house and contents against storm, fire, theft, etc is EC\$5.50 to EC\$8.00; i.e. for a EC\$700,000 house will be circa EC\$ 4,000 per annum. Rates are higher than the UK. Lack of competition and some restrictive practices are the key drivers for higher costs in the Caribbean, though of course in much smaller economies, the scope for business turnover and hence economies of scale is much less.*

As with all insurers, need to shop around for rates and reputable cover and generally the larger the value, the lower the rate per 1000. B&Co can assist if required.

Q Are there any areas in St Lucia to avoid in respect of safety?

A *As with any country, there are areas at night where it would be better if one didn't venture alone. In St Lucia, these are generally the very poor slum / squatter housing areas of the major towns. However, in the main, the ambience of St Lucia and importantly its people and their attitudes to visitors (white or coloured) is much more friendly and welcoming than the average site or region in the UK and in much of the Caribbean which is already noted quite properly for its very friendly attitudes. Serious crime generally is either drug related or linked to domestic issues. Petty crime and theft are best avoided by sensible*

precautions such as being careful with valuables and burglar deterrents. For example, most reasonable quality houses would have burglar bars fitted to lower floor windows.

Q Can I build my own house with my own labor?

A *1) Self build using own labour would be fine (i.e. literally the owner) provided was within the period of residency application or while visiting. However, there are work permit requirements for formal employment in ST Lucia. Bringing in external, or UK labour is likely to be a problem re work permits; though post the CSME in 2006/07, then Caribbean labour will be free to move around and frankly a series of 42 day stays for "guests" whom also do construction work on a private villa probably would go un-noticed, but it's not something we would want to recommend. You can hire local labour (obviously quality varies) and costs are about EC\$70-150/day (EC\$4.7 to the pound right now) for e.g.. carpenter, block layer, plumber. Again, if in the Caribbean for the first time, we would suggest contracting a reliable builder/construction company and heavily supervising through a QS/Architect or yourself if that's your field.*

2) As in the UK, build costs vary enormously depending on what product you wish to end up with (quality, design, terrain of build - many sites are steeply sloping). From EC\$160/sq ft to about the same in US (i.e. 2.7 times) would be the typical range. For example build figures from a local developer we have worked with on actual constructions this last year for quality, but sensibly sized and priced 4 bed villas with pools had an end product construction cost of circa US\$500-US\$600,000 including plot value. Costs have escalated this last year as are a number of large projects on the go; fuelled by 2007 World Cup and Government incentives to encourage development and also a general rise in cement and steel prices worldwide.

3).Most materials are imported (eg cement from Trinidad). Block manufacture and now pre cast concrete panels are on Island plus quarries, etc as you would expect. Timber is imported. Fittings and electrical equipment, etc are all imported. Availability is OK; but will involve waiting for containers from time to time. Are established importers and import duties are high (though WTO rules and CSME is supposed to change all that!) and so items aren't always as cheap as you might expect. It's the Caribbean and waiting/frustrations are all part of the charm!! Nevertheless, people can and do build properties in 6 months; but typically, to buy land, design, build and move in would be a 12 month time frame.

4) Construction at the low end for local population self build and can be as basic as plywood or green heart timber and tin; through shuttered, poured concrete, or concrete block walls, to a concrete platform on columns is more common. Most touristic upper market villas would again be concrete platforms on load bearing columns and ring beams with 6" block walls and a pressed steel / sheet roof or clay tile.

5) Land parcels are sold some with services and some without (access road, water and electricity). Most of the development sites of scale would be sold with services, though single land parcel private sales would not. Supply costs can be high if of the beaten track, but if close by, connection costs are usually lower than in the UK. Plot values vary massively with locations and services and are rising at present.

6) *Local building capacity is stretched at present due to the 2007 Cricket building going on; but nevertheless, there is capacity; but labour costs have risen.*

7) *No certification for building trade and that's one of the building problems – no building controls from Planning either and planning enforcement is generally weak. Electrical work has to be certified prior to connection to LUCELEC the supplier.*

8) *Quality of work by local tradesman varies just as it does in the UK - you pay for what you get and need to find good trades people. In general, it's a developing country and so trade skills are not always up to the standard the UK would expect. That said, the good people are very good with very limited resources (e.g. carpentry skills for example). The building process needs to be managed, there is much more manual content to the building process than in the UK as skills and equipment are more limited, and labour is cheaper.*

9) *Planning (DCA) control is much weaker than in the UK, and the process less transparent; though much more available to the public. There is only one planning office. Planning should take circa 3 months if not controversial. Sites with subdivision consent will carry outline consent for a dwelling, services, roads and infrastructure requirements are now, quite rightly receiving much more attention in considering detailed planning applications than they have in the past.*

10) *There are some very good regional architects and St Lucia based ones too. We would strongly recommend a Caribbean architect and civil engineer as building for the climate and terrain is very different to the UK. Plans would need to be drawn up by a recognised architect. We are not aware of local certification or registration process for architects. We can recommend some if required - depending on building types / scale and budget.*

11) *Taxation - see Government website. Property tax is 5% of a 1990 based rental value - fairly benign; and 40% of property is not on the roll. Likely to move to a percentage of a re-based market value soon. Still likely to be fairly benign.*

Stamp duty is 2% on purchaser. Vendor's tax is 5% of consideration paid for locals; 10% for foreign nationals. Are some interesting methods of structuring ownership to limit impact of vendor's tax. Is good new offshore company legislation giving virtual tax free status. Is no double taxation treaty with UK at present, so that's important. Local income tax rates are lower than UK. Top rate 25%. There is no capital gains tax. There is no VAT at present; though likely to come within the next year or so. Import duties vary; but are generally high as that is the main Government tax revenue generator (as in common with many developing countries).

Useful websites for St Lucia general tourism details are:-

<http://www.stlucia.org>

<http://www.stluciatravel.com.lc>