

Sales Market Update

by: Susan Thompson



In July 2016 we reported that, for the third consecutive year, the real estate industry had seen an increase in the number of Bermuda property transactions. We anticipated that the total sales for 2016 would exceed 2015 levels by 10-15%. However in calculating the total closings for the year, current figures stand at 218, and with an approximate six month delay in government records we believe that the annual total will reach 300, on par with last year.

The licensing regulations for Non Bermudians and PRCs were unchanged in 2016 and remain at 8% (houses) and 6% (condos) for Non Bermudians and 4% for PRCs, hence, we are seeing marginally more license applications for purchase. Previously, license approvals were taking on average 6-9 months; we have now been informed by the Minister of Home Affairs office that this process should take only 6 weeks if the application is complete when submitted. While encouraged by the robust start to 2016, demonstrations and political unrest throughout the 2016 calendar year have caused some potential purchasers (both Bermudian and Non Bermudians) to reconsider their desire to make such a huge financial investment in Bermuda.

2016 has seen some interesting shifts in the market. Although prices have not risen significantly overall, we have noted that inventory, priced correctly, is selling more quickly and in some cases, getting multiple offers. In fact, 24% of the property transactions that Coldwell Banker Bermuda Realty was involved in for the calendar year of 2016 sold at or above the asking price. This is

significant considering that the majority of sellers put their property on the market with price negotiations in mind. Well-presented properties, in a desirable neighbourhood and priced correctly, often have an accepted offer within a week or so. This means that it is imperative for buyers to have a pre-approval letter in hand when starting the property search. As with 2015, in 2016 we have seen about one third of purchasers in a strong cash position. Average prices of sold property are as follows: single family dwelling @ \$1,207,000; condos @ \$681,000; vacant land @ \$366,000. Single family homes accounted for 28% of our sales, whereas 22% of our sales resulted from the condominium market, the remainder of sales included land, commercial, and multi-family dwellings.

Overall, current inventory is limited and we are having some difficulty meeting the demands of potential purchasers. In particular we have buyers looking in the \$1 - \$3.5M bracket. Buyers are very discerning and are looking for move-in ready homes; hence, staging a property to show and photograph well is critical.

There is still a layer of over-priced property on the market that has not seen significant interest. Additionally, there is limited demand for multi-unit dwellings and "fixer-uppers", but sales of vacant land have seen a resurgence in the past two years.

The benefit of the America's Cup has been tangible in Bermuda, particularly tied to an increased disposable income and exposure of Bermuda for longer term growth. The impact of the 2017 event on real

estate has been positive in that residential rental product in the West End has been more buoyant. The expectation for the remainder of 2016/17 is for short term rental opportunity.

Average prices for residential rentals are up by approximately 10% over 2015 figures - 1 bedroom @ \$2,400; 2 bedroom @ \$3,300 and 3 bedroom @ \$5,500. If we extract figures for City Living apartments, the one bedroom average is more in line with market expectations @ \$1,800 per month. Days on market for rental property have remained consistent this year with property listed with Coldwell Banker Bermuda Realty for rent on average of 59 days.

Our commercial representatives report that there is continuing demand from some biotech and ILS startups; some growth in the Trust sector and general movement to quality office space. The majority of demand is in the western part of Hamilton/Pembroke for (in) better quality buildings/spaces that have good natural light/views, are already fit out, ADA compliant, have wet sprinkler systems, LED lighting, up-dated/energy efficient air-conditioning, gyms, showers, etc. Most of the demand is in the 500 - 4,000 sq. ft. range with occasional requirements up to 20,000 sq. ft. Tenants are shying away from multi-floor operations wherever they can. Many Landlords are continuing to offer various forms of creative incentives to entice potential occupants to their buildings. Some owners who have not invested to up-grade the infrastructure in their properties have found it difficult to fill vacant space.

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