

## OVERSEAS PROPERTY INVESTMENT

### KEY FEATURES

This property investment opportunity is attractive to both traditional buy-to-let investors, and those with investment aspirations, because of the following key features:

- Luxury five-star property up to **50% BELOW CURRENT MARKET VALUE** of comparable built stock.
- Realistic expected **CAPITAL GROWTH** in excess of 100%, based on comparable built stock.
- **100% FINANCE** available\* - no costs to client during development period (\*subject to status).
- Developer provides **MORTGAGE\*** on completion (\*subject to status, further details available upon request).
- **GUARANTEED RENTAL** Income.

### SUMMARY OF PROPOSITION

The following points outline the basic details relating to the investment proposition:

- Luxury investment properties on low-density five-star resorts, typical purchase prices on offer at 40%-70% below current market value of comparable built stock.
- Off-plan purchase prices range from £50,000 to £1,195,000.
- Low reservation fee of only £1,000 - nothing else to pay until completion.
- 100% Finance available\* - the developer makes payments to the client to service the monthly costs of funding raised for the 30% deposit. (\*subject to status)
- Mortgage of up to 70% future market value (50% if purchased using a SIPP).
- Developer has an unrivalled track-record of capital growth, in excess of 100%. In the last 2 years the minimum has been 100% but growth up to 400% has been achieved.
- Developer has carefully selected partners including a leading tour operator, experienced in luxury travel & resort management.
- Appointed management company has a track record of high occupancy rates, up to 96%, maximising rental returns.
- Two-year 10% rental guarantee, followed by 50% rental share of net room rate. Alternatively, investors can opt for a 10% rental guarantee for 10 years (longer option at discretion of developer).
- 30 days free use per year (unless purchasing using a SIPP).
- Suitable for inclusion within a SIPP (Self Invested Personal Pension), meeting both HMRC and FSA requirements.

These developments are structured in such a way that the earlier a client reserves a property, the lower the purchase price.

## WHY INVEST...?

### WHY OVERSEAS PROPERTY?

- Foreign property has been one of the fastest growing markets over the last 10 years, emerging markets with stable economies often providing the best opportunities.
- Strong Capital Growth over the short and long term offers the potential for a high return on investment.
- Ongoing Rental Income offers the potential for a continuous return on investment.
- Lower Purchase Prices than UK.
- Diversification of portfolios.
- Traditional UK investment options are limited or less attractive than in the past owing to low confidence and volatility in the financial sector, tighter criteria from banks, under performance of domestic property market, decreased pension fund values and increased likelihood of pension shortfalls.
- Potential use of property for holidays.

### WHY THE CARIBBEAN?

- Identified as an emerging market hotspot. Emerging markets are more likely to sustain high levels of growth.
- Property price growth offers the potential of high resale prices.
- High rental demand results in high occupancy rates and, therefore, higher rental returns. Average occupancy is 85% = 310 nights per year.
- A growing tourist industry suggests this demand will continue.
- Expansion of tourism is a key objective of the governments, who are investing heavily in tourism.
- Luxury destinations continue to be desirable and affordable to wealthy visitors.
- Beachfront properties are always in high demand, offering high rental returns and resale values.
- Favourable taxation incentives (investors should seek professional tax advice).

### WHY BARBADOS?

- One of the most popular holiday destinations in the world.
- All year round demand for hotel accommodation.
- Tourist industry expected to grow by 4.6% per annum.
- Growth of property prices driven by limited stock of properties and limited land available to build on.
- Capital Growth expected to be consistent at 15% per annum for the next 4 years.

## WHY THE DOMINICAN REPUBLIC?

- Major tourist destination.
- Huge demand for hotel accommodation as it is increasing in popularity.
- There are currently very few 5 star resorts in the Dominican Republic.
- Competitively priced compared to many islands.
- Opportunity for profit as it is far from fully developed.
- Favourable taxation incentives (investors should seek professional tax advice).

## WHY ST. LUCIA?

- Established and increasingly popular tourist destination.
- Accessible destination - there are global routes to the island by sea and air.
- The island is unspoilt and plans are in place to ensure it does not become overdeveloped.
- General crime rate one of the lowest in the Caribbean.
- Stable economic and political environment.
- The government sees expansion of tourism as a key objective - excellent potential for rental properties.
- Prices currently 60% lower than Barbados.
- Property prices have increased by around 40% per annum for the last 2 years, with high probability of price appreciation over the next 10 years.
- Favourable tax concessions for property buyers from overseas.
- The World Bank has recently placed St. Lucia in the top 30 countries in the world to invest.

## WHY ST. VINCENT & THE GRENADINES?

- New tourist destination - all year round sunny weather.
- Beautifully unspoilt & underdeveloped - huge potential for growth, supported by government.
- Excellent rental potential as currently only 400 rooms available and no hotel above 3 star.
- Current prices are a quarter of those in Barbados so prices will rise as the island becomes more popular.
- Proposed international airport, due for completion in 2011, will increase visitors to the island.
- Developer has negotiated a 20 year tax holiday for investors.

## THE PARTNERS

### THE DEVELOPER - HARLEQUIN HOTELS & RESORTS



Harlequin Hotels & Resorts is a developer that specialises in creating luxury five-star spa resorts in the best Caribbean locations for property investment. The family owned company is the 4th largest overseas property company in UK with international offices.

Clients feel confident investing with this developer because Harlequin Hotel & Resorts:

- are a market leader, currently working on 6 projects across the Caribbean and Brazil that will deliver 6,500 properties over the next four years.
- conduct an in-depth research project including a feasibility study to assess potential investment returns.
- resorts are only situated at desirable beachfront locations.
- properties are built to the very high five-star standards and specifications.
- have no debts on any land worldwide.
- launch the units only after land has been purchased and outline planning confirmed.
- have a strong relationship with the Caribbean governments.
- are committed to supporting the local environment and community.
- have secured partnerships with leading brands to operate on the resorts including:
  - › well-known top quality restaurants, such as Trader Vics & Senior Picos.
  - › famous sports personalities to promote the on-resort sports academies, such as Pat Cash and Gary Player.
  - › a leading hotel and tour operator to fully manage the resorts.

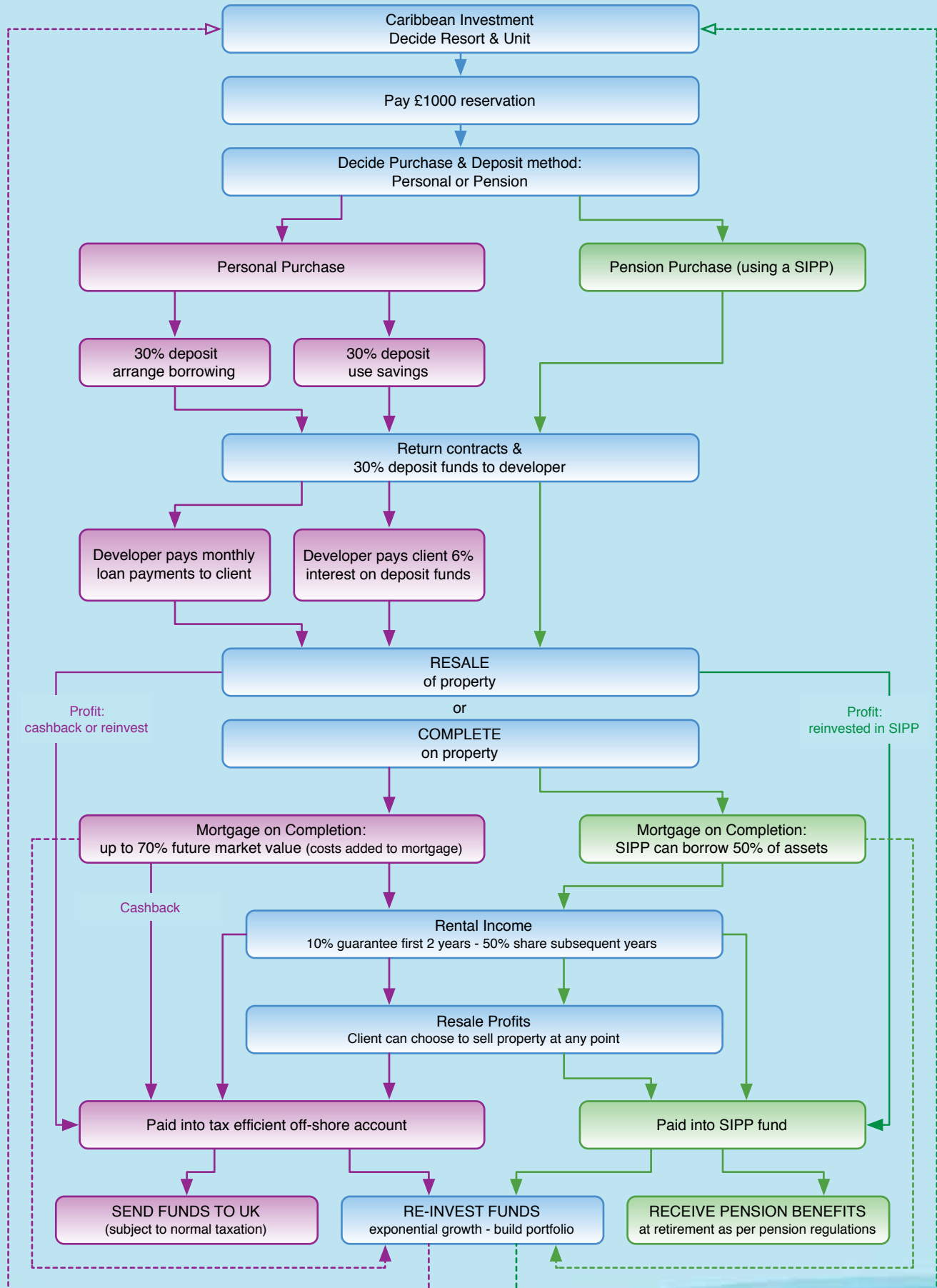
### THE TOUR OPERATOR - OASIS HOTELS & RESORTS



- Leading hotel brand, currently operating 42 hotels.
- Experienced in luxury sector with several 5 star hotels in the Caribbean currently under their management.
- Oasis Hotels & Resorts achieve up to 96% occupancy rate.
- Oasis are a subsidiary of leading Spanish travel and leisure giant, Globalia Corporation.
- Globalia owns several travel companies providing a network of over 1400 outlets in Europe and 100 outlets across the USA.
- Globalia own their own airline and recently purchased 18 new Boeings to increase the size of their fleet. Air Europa maintains global alliances with other airlines to expand its global reach.

With its airline, hotels, travel agents and tour operators, the Globalia Corporation provides the advantages of a global network to ensure that its resorts will have maximum occupancy and accessibility via its airline and affiliations.

## ROUTES TO OWNERSHIP



## FINANCE

### 100% FINANCE EXAMPLES

	1-bedroom hotel suite	2-bedroom apartment
Purchase price - at 50% below market value	<b>£100,000</b>	<b>£200,000</b>
Reservation fee - toward 30% deposit	£1,000	£1,000
30% deposit - assistance provided to client to raise finance, if required	£30,000	£60,000
Monthly loan repayments serviced by developer	£150	£300
Total Interest on deposit funds * - calculated at 6% p.a. interest-only for 48 months	£7,200	£14,400
Interest on stage payments * - estimated at 6% of purchase price	£6,000	£12,000
Balance owed at completion	£83,200	£166,400
Mortgage required - including sufficient funds to settle credit raised for 30% deposit	<b>£113,200</b>	<b>£226,400</b>

\* Paid by developer - added to mortgage on completion

### GROWTH PROJECTION EXAMPLES

#### 50% property value increase = 200% investment growth



	1-bedroom hotel suite	2-bedroom apartment
Property value on Completion	<b>£300,000</b>	<b>£600,000</b>
Minimum mortgage required	£113,200	£226,400
Equity	£186,800	£373,600
Maximum mortgage available 70% LTV	£210,000	£420,000
Tax Free Cashback if desired	£96,800	£193,600
Remaining Equity	£90,000	£180,000

#### 25% property value increase = 150% investment growth



	1-bedroom hotel suite	2-bedroom apartment
Property value on completion	<b>£250,000</b>	<b>£500,000</b>
Minimum mortgage required	£113,200	£226,400
Equity	£136,800	£273,600
Maximum mortgage available 70% LTV	£175,000	£350,000
Tax Free Cashback if desired	£61,800	£123,600
Remaining Equity	£75,000	£150,000

#### 0% property value increase = 100% investment growth



	1-bedroom hotel suite	2-bedroom apartment
Property value on completion	<b>£200,000</b>	<b>£400,000</b>
Minimum mortgage required	£113,200	£226,400
Equity	£86,800	£173,600
Maximum mortgage available 70% LTV	£140,000	£280,000
Tax Free Cashback if desired	£26,800	£53,600
Remaining Equity	£60,000	£120,000

Since 2004 the marketed prices over a 2 year term have always achieved  
**INVESTMENT GROWTH NO LESS THAN 100%**

## RENTAL INCOME PROJECTIONS

For the first 2 years after completion, the developer provides a 10% rental guarantee. In subsequent years, the net room rate is split, 50% to the investor and 50% to the developer resort.

### ROOM RATES

Average 5-star room rate in Caribbean (based on 2 persons sharing)*	£225 per night
Deductions of about 10% for laundry, chambermaid etc.**	-£25 per night
Net room rate	£200 per night
Split 50/50 between client & hotel/developer	<b>£100 per night</b>

\* Actual room prices charged could exceed these rates due to the location and quality of the resorts.

### COSTS

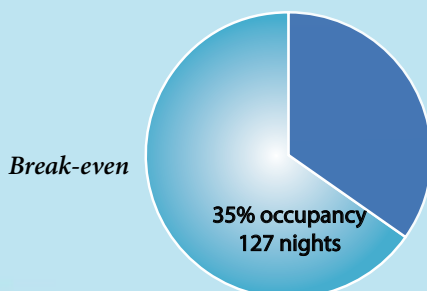
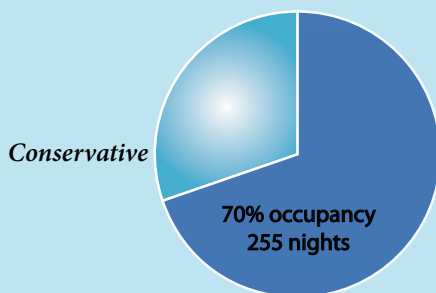
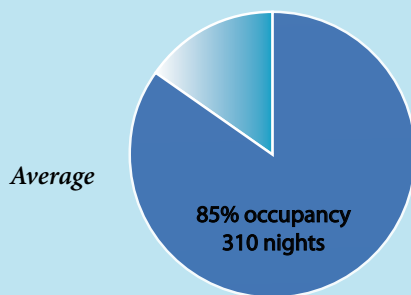
	1-bedroom hotel suite	2-bedroom apartment
Mortgage amount	£113,200	£226,400
Annual mortgage payments - based on a rate of 7% p.a. for 25 years interest only	£7,924 *	£15,848 **
Maintenance fees - estimated at 1.5% p.a. of purchase price per year ***	£1,500	£3,000
<b>Total Annual costs (including mortgage payments)</b>	<b>£9,424</b>	<b>£18,848</b>
Total costs over 5 years	£47,120	£94,240

\* Capital repayments total £9,600 annually. Total annual costs £11,100. Over 5 years total costs would be £55,500.

\*\* Capital repayments total £19,200 annually. Total annual costs £22,200. Over 5 years total costs would be £111,000.

\*\*\* Costs confirmed at completion.

### OCCUPANCY & RENTAL INCOME



		1-bedroom hotel suite	2-bedroom apartment
Year 1	10% rental guarantee	£10,000	£20,000
Year 2		£10,000	£20,000
Year 3	50% share net room rate	£31,000	£62,000
Year 4		£31,000	£62,000
Years 5+		£31,000	£62,000
<b>Total 5 year rental income</b>		<b>£113,000</b>	<b>£226,000</b>
Total 5 year profit		£65,880	£131,760

		1-bedroom hotel suite	2-bedroom apartment
Year 1	10% rental guarantee	£10,000	£20,000
Year 2		£10,000	£20,000
Year 3	50% share net room rate	£25,500	£51,000
Year 4		£25,500	£51,000
Years 5+		£25,500	£51,000
<b>Total 5 year rental income</b>		<b>£96,500</b>	<b>£193,000</b>
Total 5 year profit		£49,380	£98,760

		1-bedroom hotel suite	2-bedroom apartment
Year 1	10% rental guarantee	£10,000	£20,000
Year 2		£10,000	£20,000
Year 3	50% share net room rate	£12,700	£25,400
Year 4		£12,700	£25,400
Years 5+		£12,700	£25,400
<b>Total 5 year rental income</b>		<b>£58,100</b>	<b>£116,200</b>
Total 5 year profit		£10,980	£21,960

## Q&A FACT SHEET

### PRICING & RENTAL

Why would the developer offer such heavily discounted purchase prices?

- A typical developer in the UK makes a profit by selling property at a margin higher than the cost to build it. However, this Developer has a different approach. Their profit is generated through a share of the ongoing rental income from holiday-makers over a number of years following completion.

Who owns the unit? How is the unit rented out?

- All units are freehold so an investor owns the property and the land, or a share of the land in the case of multi-storey units. As part of the contract, an investor agrees to rent the unit to holidaymakers by using the hotel management company as their letting agent. This way the hotel chain & developer realise their margin through their share of the ongoing rental income.

### UNIT SELECTION & RESALE

Does the location of the unit within the resort influence the rental returns? What happens if a particular unit is below the resorts' average occupancy?

- The resort facilities will be distributed throughout the whole site, not isolated in a single area. Therefore on each resort, all facilities will be easily accessible. The importance of specific unit location, then, is of less relevance than it might be in a typical resort.
- All units of the same type are pooled in order to assess rental income and occupancy levels. This is independently audited so that the combined rental income type is split equally for all units of the same type. As a result the specific location of a particular unit on the site does not impact the investor's rental returns.

How does an investor select a unit?

- On each resort the units are priced according to their type and number of bedrooms. An investor selects the type of unit required at reservation stage (e.g. 1 bed studio, 3 bed apartment etc).
- For reservations on resorts where the developer already has detailed site plans available, investors can select their specific plot. In the case of pre-launch reservations, allocation of specific units is agreed between the investor and the developer once the detailed site plans have been finalised. The date of reservation determines the order of priority for unit selection.

Can an investor sell their unit prior to completion? What is the process to do that?

- Yes, the units can be resold at any time. The developer has a resale facility available to all investors. For maximum return on investment, it is recommended that an investor does not re-sell before 2 years post completion. Re-sales 2 years after reservation can also be profitable but are not as lucrative. Many investors are likely to retain the properties to continue to benefit from the rental income generated.

## INVESTOR PROTECTION & SECURITY

What security/protection is in place for an investor ?

- The developer conducts an in-depth research project including a feasibility study (at costs between £250,000 - £500,000) before the land is even purchased to assess potential returns for both themselves and investors.
- The developer acquires both the land and outline planning permission before the sales launch of the units, typically 2 years before.
- The value of the site is always higher than the monies paid to purchase it, providing additional security.
- An investor's money is always used towards the development of the sites, funds being broadly allocated proportionally to each resort.
- The investor's transaction is processed through the developer's UK sales and marketing office.
- A robust contract is provided by the developer for each investor, a copy of which is available prior to any commitment requirement.

What insurance arrangements are in place to protect the developer & investor? (e.g. in the event of natural disaster)

- The developer has insurance throughout the build stage of the development. In the event of a force majeure, a condition of the contract is that this should result in no more than a 6-month delay.
- The hotel operator will have buildings insurance to cover the units post-build (included in the monthly maintenance fees).
- The hotel operator will have loss of earnings insurance to replace lost income so an investor's 50% share of rental income is protected.

What happens if an investor cannot secure a mortgage at completion or if the value of the property decreases?

- The developer will arrange financing for an investor for up to 70% loan to value.
- Property values in the Caribbean have not decreased in over 60 years, since records began.
- As the investment properties are commercial units, not just bricks and mortar, they are valued based on the income they generate. A unit will, therefore, likely retain a higher value than an equivalent normal residential unit.
- The value of the units is underpinned by the value of the resort as a whole, which includes the added value of all the extra facilities.
- According to Thomas Cook recent demand for 4 and 5 star holidays in the Caribbean has increased by 10% and 14% respectively; if demand is high then prices will likely remain high.

What are the terms of the mortgage?

- Details are to be confirmed. Based on current negotiations and previously agreed development financing, expectations are about 7% over a 20 to 25 year-term.

How is an investor protected if the completion of the development is delayed?

- The developer has a contract with the tour operator for an agreed completion date. This date is for the resort to be fully completed to 5 star standards. The tour operator will be booking guests for the resort 12 months prior to completion date. As both the developer and the tour operator have a vested interest in receiving rental returns from the resort as early as possible, there is a strong incentive for completion to be achieved on schedule.
- The contract states that if the completion is delayed by more than 12 months, then an investor will be refunded the deposit (less any legitimate expenses and finance payments).

## PROFESSIONAL SERVICES

Can the credentials of Harlequin Hotels & Resorts be independently verified?

- Harlequin Hotels & Resorts is likely to appoint Price Waterhouse Coopers as auditors for the resorts.
- DLA Piper acts as solicitors on behalf of Harlequin Property.
- Wilkins Kennedy ([www.wilkinskennedy.com](http://www.wilkinskennedy.com)) acts as Accountants for Harlequin Property. Martin McDonald can be contacted for verification of relevant credentials.

How is the investment structured so as to be free of Capital Gains Tax, Inheritance Tax and Income Tax?

- Harlequin Hotels & Resorts negotiates preferential taxation arrangements for investors with the Caribbean governments.
- Further taxation incentives can be arranged by Wilkins Kennedy accountants, who can set up a cell company for investors in the Cayman Islands, if required..
- It is recommended that investors seek advice from a tax specialist.

Does an investor need to organise a solicitor?

- The developer will provide each investor with a contract. Harlequin exchange the off-plan contract in-house, so an investor is not obliged to use a solicitor.
- If desired, an investor can engage the services of a solicitor. Birchall Blackburn Solicitors can act on behalf of an investor. They are specialists in Caribbean Property Law ([www.birchallblackburn.co.uk](http://www.birchallblackburn.co.uk)). Costs would be in the region of £1500.

## COMPLETION DATES

What are the completion dates for each development?

- Buccament Bay – St. Vincent & The Grenadines - summer 2010
- Two Rivers – Dominican Republic – summer 2011
- Las Canas - Dominican Republic – summer 2012
- The Merricks – Barbados – summer 2012
- The Marquis Estate – St. Lucia – end 2013

## INVESTMENT GROWTH EXAMPLES

Buccament Bay Beach Resort – 2 years 6 months  
Unit £65,000. Now £150,000 - 130% investment growth  
Unit £105,000. Now £295,000 – 180% investment growth

The Merricks Beach Resort – 2 years 3 months ago  
Unit £99,000. Now £235,000 – 137% investment growth

Two Rivers Beach Resort – 8 months  
Unit £75,000. Now £125,000 – 66% investment growth

Each example shows the increase in marketed property values over the given time-frame.