



BERMUDA REALTY

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## SALES MARKET UPDATE JANUARY 2018

### “What’s the market like?” is the most commonly asked question in our industry.

Although on the surface this question appears to be relatively straightforward, this is not the case and a robust and meaningful response will involve drilling down into specific market segments all of which have varying degrees of complexity. **Our experienced realtors will provide clarity for buyers** and can identify and discuss in detail particular real estate market segments.

Our residential agents report that activity within their listing portfolios during the latter part of **2017 was relatively buoyant**. Our market intelligence indicates that condominiums comprised 26% of closed sales during 2017 and the percentage of cash buyers remained high at approximately 40%. This is interesting to note, as this number was well under 10% prior to 2008. First time buyers who are recipients of the Government’s stamp duty exemption policy are still actively in the market representing approximately 30% of the buyers last year.

Even with a high percentage of first time buyers, Bermuda’s entry-level condominium market is anything but robust. Supply continues to increase and **sellers will be confronted with longer than average days on market if the property is not correctly priced**. Our market analysis suggests that the average price of condominiums sold in 2017 continued to decrease to around \$650,000. Price, perceived value and downsizing, continue to be the major contributing factors from a demand perspective.

During the latter part of 2017, our agents noted that residential demand for standalone homes, up to \$2.5 million, in sought after neighborhoods remains healthy. **Recently, a correctly priced executive home received multiple offers and went into contract in less than 90 days after coming on the market**. Demand emanated from both Bermudians and Permanent Resident Certificate holders with the primary motivation being to purchase a home for their growing families.

Focusing on the overseas residential market, the inventory of **standalone homes available to overseas buyers has increased significantly** during the last decade to an all-time high of around 40 homes, up from 15 in the mid 2000’s. Although we have noted an uptick in demand from overseas buyers since mid-2017 onwards, our market would benefit from the presence of more buyers as supply currently exceeds demand. From a condominium

perspective, overseas buyers continue to show interest in the new luxury resort and residential communities that are now operational or under construction. The availability of luxury branded resort and residential inventory significantly assists Bermuda in raising the bar of the quality of product and service levels expected by discerning global travelers.

The significant challenge continues to be felt in our commercial real estate market. The office rental market continues to exhibit signs of distress as the supply of vacant or under rented office accommodation remains in excess of 500,000 square feet, most of which is categorized as second tier space. Property owners will be forced to explore alternative uses in this competitive market or respond to vacancy challenges by offering rent-free fit out periods or competitive market pricing. There are a number of large office buildings on the market at prices reflecting great values, especially for potential owner-occupiers. As the City of Hamilton provides the infrastructure for our economic engine it would be advisable for policy makers and economic growth stakeholders to continue to **aggressively explore the global market to identify real opportunities for potential job creators to relocate to Bermuda**. Maintaining the status quo is not an option if we wish to see more investment in the city, additional taxpayers and new consumers.

We predict that 2018 will mirror last year in terms of performance within the various market segments; although, we expect a potential uptick in the sale of standalone luxury homes up to \$2,500,000 providing this inventory type is appropriately priced. Our aging population will continue to explore downsizing options as they plan for their long-term accommodation requirements. **As new luxury resort and residential properties are completed and introduced to the market, we anticipate an increase in sales toward the latter part of 2018.**

**For more information on selling or buying property in Bermuda, call your Coldwell Banker Bermuda Realty agent at 292-1793.**

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