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REAL ESTATE

PROPERTY BOOM SPREADS BEYOND THE CAPITAL



Loic Bernier

A property boom has been a key factor in Vanuatu's strong economic performance over the past six years. In 2006 the construction sector grew by 15% and real estate and business services by 12%. Investors from overseas have played a key role: 'ninety per cent of our buyers are from Australia and New Zealand,' says Glen Craig of the First National real estate agency in Vanuatu.

A short plane trip away, those investors have found a safe, stable environment offering waterfront property at much more affordable prices than at home. Some have also been drawn to Vanuatu's tax-free environment and high rental returns. Property owners, whether commercial or residential, are not required to reside in or be employed in Vanuatu in order to purchase property or derive an income from it.

MARKET MATURING

However, there have been some concerns raised over land speculation and the Government has moved to clamp down on it. Entering 2008, the market seems to be entering a more mature phase.

Loic Bernier (pictured), CEO of leading real estate agency Caillard & Kaddour, has been in Vanuatu for 15 years. He sums it up as follows:

'Two years ago we were seeing a lot of land sales, with new waterfront subdivisions coming up, especially close to Port Vila (Devils Point, Pango). Now most of these have blocks have been sold and there is a resulting boom in construction activity.'

The benefits of the Strata Title Act, passed in 2004, are really starting to kick in (see box).

One example involves one of Port Vila's top hotels, the boutique Chantilly's on the Bay, which is located on the waterfront close to the main commercial area. It is in the process of being subdivided into 20 residential and three commercial strata lots that will be managed on behalf of the owner by the current hotel management company. Prices start at AUD\$310,000 for a studio apartment. Investors will be entitled to 14 days accommodation at the hotel each year and can expect a yield of 7.5%. The second stage of the development will see the building of a sister property next door, comprising an additional 12 to 18 apartments and six boutique retail outlets.

Another project of interest in Port Vila is the new headquarters of the Melanesian Spearhead Group, which is being funded and built by the Chinese Government.

PRICES SETTLING, SOLID ACTIVITY

However, prices have also risen sharply in Vanuatu over the past four years and with Australia's property market softening, some are now wondering if the boom can continue. Loic Bernier says he 'expect[s] steady growth in commercial and residential development in Port Vila. Though I expect some slowdown in price, activity should remain strong.'

But it is development away from the capital that he is most excited about: 'The Millennium Challenge projects (see page 17) are already leading to new development in [the] north of Efate [the ring road around Efate is due to completed in 2009], near the old manganese mine about 60km from Port Vila. There have already been two subdivisions and one hotel built but I expect more.'

Both he and First National's Glen Craig are very enthusiastic about the outlook for Vanuatu's largest island, Espiritu Santo, known as 'Santo' (see article on page 9).

TRY BEFORE YOU BUY

Another factor likely to help the property market remain buoyant is the rapid growth in Vanuatu's tourism industry (see page 7). With visitor numbers still well below 100,000 annually (the country could cope with 300,000 without too much upheaval) and new airline seats becoming available in 2008, the boom looks set to continue for some time. Not only do the visitors need somewhere to stay, but some of them also decide to invest.

'Many of our buyers are people who have visited as tourists [and] then want to buy a rental or investment property,' notes Craig. ■

LAND TENURE IS DIFFERENT, BUT EFFECTIVE

Land tenure in Vanuatu is based on a land lease system that is not always well understood. In fact, the system works perfectly well while respecting customary land rights. For new leases the process is as follows:

Urban areas

In urban areas (Port Vila & Luganville), land belongs to the Government. Leases are granted in general for a period of 50 or 75 years, commencing on 30 July 1980 (the date of Independence). Recently, with the development of subdivisions, some leases have been re-negotiated. A new law now allows the extension or renewal of leases 'for a period of 75 years.'

Each year, the holder of a lease in the urban area has to pay rent. The amount varies according to the surface area and the location of the land (generally 1% of the unimproved value of the land).

Rural areas

Custom owners lease out the land and negotiations take place directly with them. In most cases, the lease begins on the date when the custom owner agrees to grant a lease. All these leases are made official by the signature of the Minister of Lands. The same system of annual rent applies.

STRATA TITLE A GOOD FIT FOR VANUATU

According to the Managing Partner of BDO Barrett & Partners, Lindsay Barrett: 'strata title works well in Vanuatu because consent from the custom owner is not required for transfer or mortgage. Investors from overseas are comfortable with the strata process and know that where common property is involved procedures are in place to ensure it is properly maintained.'

Strataworld Pacific, a division of BDO Barrett & Partners, is Vanuatu's leading consultancy with regards to both the establishment and management of strata titles and body corporate management.

It was instrumental in the registration of the first strata title to be lodged in Vanuatu in February 2005, Breakas Beach Estate, followed by Iririki Island in April 2005 (featured in the 2006 edition of this publication).

Since then strata title has certainly taken off in Vanuatu, with major projects already registered, including Erakor Island Resort and Lapita Plantation Resort (Aore Island, Santo). The trend looks set to continue as high-end development spreads beyond the Port Vila area.

Chantilly's

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Situated on the edge of Port Vila's CBD, on the waterfront of magnificent Fatumaru Bay, just a two minute walk to town and an eight minute drive from the airport, is Port Vila's favorite boutique hotel- Chantilly's on the Bay.

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