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THE PROPERTY REPORT

Some Nations Make It Easier for Nonresidents to Buy Property

Governments Loosen Restrictions to Stimulate Local Economies; International Resort Developer Gets a Boost

BY CHRISTINA S.N. LEWIS

Like many developers of resort Caribbean real estate, David Johnson is facing the daunting challenge these days of selling ultraluxury Caribbean property at a time when the economy is tanking and buyers are in retreat.

But he is getting some help from a powerful ally: the government of the British Virgin Islands, which has agreed to ease some restrictions on foreign real-estate buyers.

Qualified buyers willing to pay \$2 million to \$25 million for a lot in Mr. Johnson's Oil Nut Bay, an 88-home, low-density development under construction in Virgin Gorda, will benefit from a new 90-day automatic approval for a landholder license. The government also is expanding the local airport and is providing better cellular service and high-speed wireless access for smart-phone use.

"The government realized, given the current economic climate and given that we live by tourism, that we want to have these investors come in," says Clyde Lettsome, permanent secretary for the Ministry of Natural Resources and Labor.

As property markets fall world-wide, one of the few consolations for real-estate investors is that some governments have be-

come more open to nonresident property owners. A growing number of them are considering loosening or temporarily suspending foreign property-ownership restrictions in a bid to stimulate their real-estate markets. In January, for example, Beijing issued a one-year suspension of a one-year residency requirement for foreign nationals buying a house.

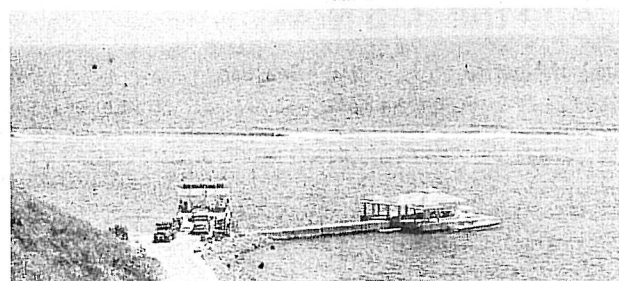
The Cayman Islands and Australia have also recently loosened their rules. Meanwhile, the issue is being discussed in numerous other countries, including the Philippines.

Loosening foreign-investment restrictions isn't new. Governments have been attempting to stimulate foreign investment for years in response to swelling interest from international investors. In 2005, India began letting foreigners invest directly in Indian residential and commercial real-estate development. And in late 2006, the government lifted a required 10-year lock-in period on repatriating property sale proceeds, although it's limited to \$1 million a year.

Slumping property sales has given the issue renewed urgency, as countries strive to find ways to stimulate local economies. Last month, the historically foreign-investment-friendly government of the Cayman Islands temporarily low-

ered rates on their real-estate transfer "stamp duty" taxes, including a reduction to 5% from 7.5% on waterfront property. At the same time, the country's real-estate brokers group, Cayman Islands Real Estate Brokers Association, announced a 20% rebate on commissions. The discounts last through Sept. 30.

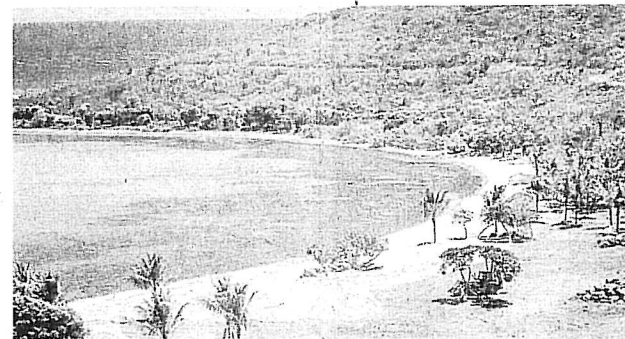
Restrictions on foreign ownership exist mainly in emerging property markets. Most Western European countries, including the U.K., France and Italy, don't



The Oil Nut Bay development will benefit from eased restrictions. Above, Oil Nut Bay and Beach; an arrival center and dock, left.

restrict foreign nationals from owning real estate. (Notable exceptions are Switzerland and Austria, which have established some foreign-buyer quotas to keep prices down in some ski towns.) The U.S. doesn't restrict foreigners from buying property.

Ways to restrict foreign investment aside from outright bans include high transfer taxes



Oil Nut Bay (2)

and limits on when and how much money investors can repatriate. Rules can differ depending whether the purchase is a residence or an investment.

To be sure, not all countries are choosing to loosen regulations. Some may crack down on foreign investment, blaming it for driving prices to unsustainable levels, says Danny Bance, manag-

loosen curbs on foreign investment partly through his willingness to hire local residents for senior management positions.

Oil Nut Bay is Mr. Johnson's biggest solo project and his first in the Caribbean. He bought the undeveloped 300-acre peninsula in 2006 for an undisclosed price and has spent millions on infrastructure, roads, electricity, the arrival dock, the beach club and other structures.

Yet sales are slow. After about four months of marketing, he says he has sold about eight lots of the roughly 45 for sale at "founders" prices, ranging from \$1.9 million for a "ridge villa" one-acre lot to \$25 million for 10 acres with 360-degree views. Nevertheless, he says he isn't strapped for funds.

Oil Nut Bay's beach club is slated for completion in December and construction costs are expected to total \$500 million for the full project, including what buyers will pay to build their houses and the cost of shipping in 5,000 metric tons of sand to create a sandy beach.

There is still a market for unique, luxury development, Mr. Johnson says, despite the recession. He admits, however, that there are fewer buyers than there used to be. He notes: "If we had 1,000 units [to sell], I would be scared to death."

ing partner of U.K.-based International Property Investment Network, a research and investment services provider for investors.

But many governments believe that foreign investment spurs infrastructure development, which spurs economic opportunity, says Mr. Johnson, 59 years old, of Detroit, who got his start developing luxury property in Michigan, including a large, Lake Michigan resort. He says he helped convince the British Virgin Islands government to