



EYES ON ISLANDS

Whether for lifestyle or investment needs, ownership of pocket-size pieces of land in the ocean remains de rigueur among the world's rich and famous – and its savviest investors.

STORY GREG LOWE

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Martin Coles Harman's decision in 1929 to mint his own currency – the Puffin and Half-Puffin – led to a legal battle that would see him dragged in front of his peers at the House of Lords. The self-proclaimed King of Lundy, the island that he owned, told the court that he considered his 1,000-acre (405-hectare) pile of granite in the middle of the Bristol Channel to be a "little kingdom in the British Empire, but out of England ... a vest-pocket-size, self-governing dominion." This fact, in his mind, imbued him with the right to stamp his own bronze coins.

The Crown disagreed, however, and fined him £5 with an additional 15 guineas in costs.

For Charles Weston-Baker, London-based director of Savills International Residential, Harman's case paints the quintessential picture of what draws many wealthy people to the idea of buying an island. "The dream of owning an island, of having your own kingdom over which you can rule, has long

been held across Europe and the US," he says.

Shipping magnates such as Aristotle Onassis pioneered the modern private-island market when they started purchasing Greek islands in the Mediterranean Sea as holiday homes, says Weston-Baker. The region remains popular today with properties such as Nissos Makri, which covers almost a million square metres of land in the Ionian islands, recently entering the market for €13.5 million (HK\$130 million).

The trend then quickly migrated from the Mediterranean to islands in the Caribbean and Bahamas. "It's still the best market in the world as you have access to investors from Canada, the US, Northern Europe and South America," Weston-Baker says.

Most brokers say the market remains strong, despite a slight dip in the wake of the global financial crisis. As wealth continues to concentrate among the ultra-rich, islands remain an attractive investment for those with US\$500,000 to US\$50 million to spare.

INSATIABLE DEMAND
In fact, the more exclusive and expensive the property, the greater the demand, says Farhad Vladi, owner of Vladi Private Islands, which has offices in Canada and Germany and also covers New Zealand and China. This is because what he calls "quality islands" – the most accessible, secure, connected and luxurious available – account for just 5 per cent of the market. "You do not get real quality islands on the market every day, so they move fast. The intelligent upper-end purchaser is very selective. It is very difficult to satisfy demand," Vladi says.

For example, those fond of game shooting and fishing may want to buy one of the few available Scottish islands, such as Tanera Mor, which offers 324 hectares of the country's northwest coast. Others are more attracted by the coral sands, azure seas and expansive views afforded by the likes of Buck Island in the British Virgin Islands (BVI).

Location, connectivity, travel time, infrastructure, access to water and power, security and

OPPOSITE AND RIGHT
A bird's-eye view of the 1.4-hectare Tavern Island in Connecticut, an hour from Manhattan. Priced at US\$11m, it includes a 550-square-metre six-bedroom house built in 1900, a boat house, a 23-metre pool and a private beach. It is available through Landscape Christie's International Real Estate.





CLOCKWISE FROM ABOVE
The main estate on Buck Island and the view from the verandah of the Great House. The 17.4-hectare British Virgin Island estate boasts a 1,580sqm seven-bedroom main residence and is available through Vladi Private Islands.

whether the property is freehold or leasehold – these are key drivers of price across all markets. “Prices of islands cannot be quantified on a per-square-metre basis. You can have a very small, pretty island well located near an airport fetch a high price, and an undeveloped island in a remote area sell for a low price,” says Cheyenne Morrison, a former private island broker who is now sales director for Conflict Islands off northeast Australia.

The market on the east coast of the US offers a prime example of the value of connectivity and access, with prices rising significantly with

proximity to Manhattan. Tavern Island, located an hour from New York City, features a 1.4-hectare estate with a six-bedroom house that is currently on the market for just under US\$11 million.

In less-connected, more tropical areas, security can be a bigger concern than connectivity, says Weston-Baker. “Some islands in the Seychelles are at risk from Somali pirates,” he says. “It’s not much fun if you have to take a Kalashnikov to the beach.”

MAKING MONEY

Ownership rights also provide a clear dividing line between

the attractiveness of certain markets. Canada, the Caribbean, Europe, the US, South America and Central America are largely freehold markets, according to Savills World Research, while leaseholds dominate Africa, the South Pacific and Asia, with the last generally the most restrictive when it comes to foreign ownership of land.

Potential buyers can resort to certain mechanisms, such as setting up a proxy holding company to purchase an island, but this can be risky. “Even if a legal trust allows a foreigner to buy, the fear that they may not be able to resell is dominant, so we do not

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consider these countries for island ownership,” Vladi says.

Many investors are inspired by Richard Branson’s success in running Necker Island in BVI as a successful resort that attracts the likes of Hollywood star Angelina Jolie and Google co-founder Larry Page. They too want to purchase an island for their own use and run it as a business that at least covers the high running costs. It is a model that few are

finding easy to reproduce, says Bill Barnett, managing director of Phuket-based C9 Hotelworks.

“Everyone has that Branson reference, but nobody has replicated it yet. Typically, private islands are vanity projects. Some are commercial from the start, either as real estate, resorts or a mixture of both, but many owners are overachievers and they simply want a project that is fun. It goes back to Crusoe. They want to

recreate that vision of paradise. It’s predominantly a Western dream and Robinson Crusoe in 2014 wants to be connected,” Barnett says.

Vladi agrees that lifestyle is a much bigger driver for Western investors, who dominate the market. Asians, who are becoming more active, are more concerned about generating returns. “Asian buyers must be convinced they are making a profit by buying an island for a price lower than the market price or that the island has the potential to make money. That is why Asian buyers are very interested in areas with significant tourism, such as the Fijis and Vanuatu. With areas such as Canada or the Bahamas, on top of investment, they are also attracted by the possibility of immigration [gaining citizenship].”

THE ASIAN ATTRACTION

Noam Alroy’s decision three years ago to buy Frazer Island, off Palawan in the Philippines, was



driven by a simple desire to own a slice of paradise. "I had never seen such a unique and amazing island anywhere in the world," says the Israeli businessman. "I didn't think about a specific target. I simply fell in love with the island knowing it has the potential to be developed into an amazing resort."

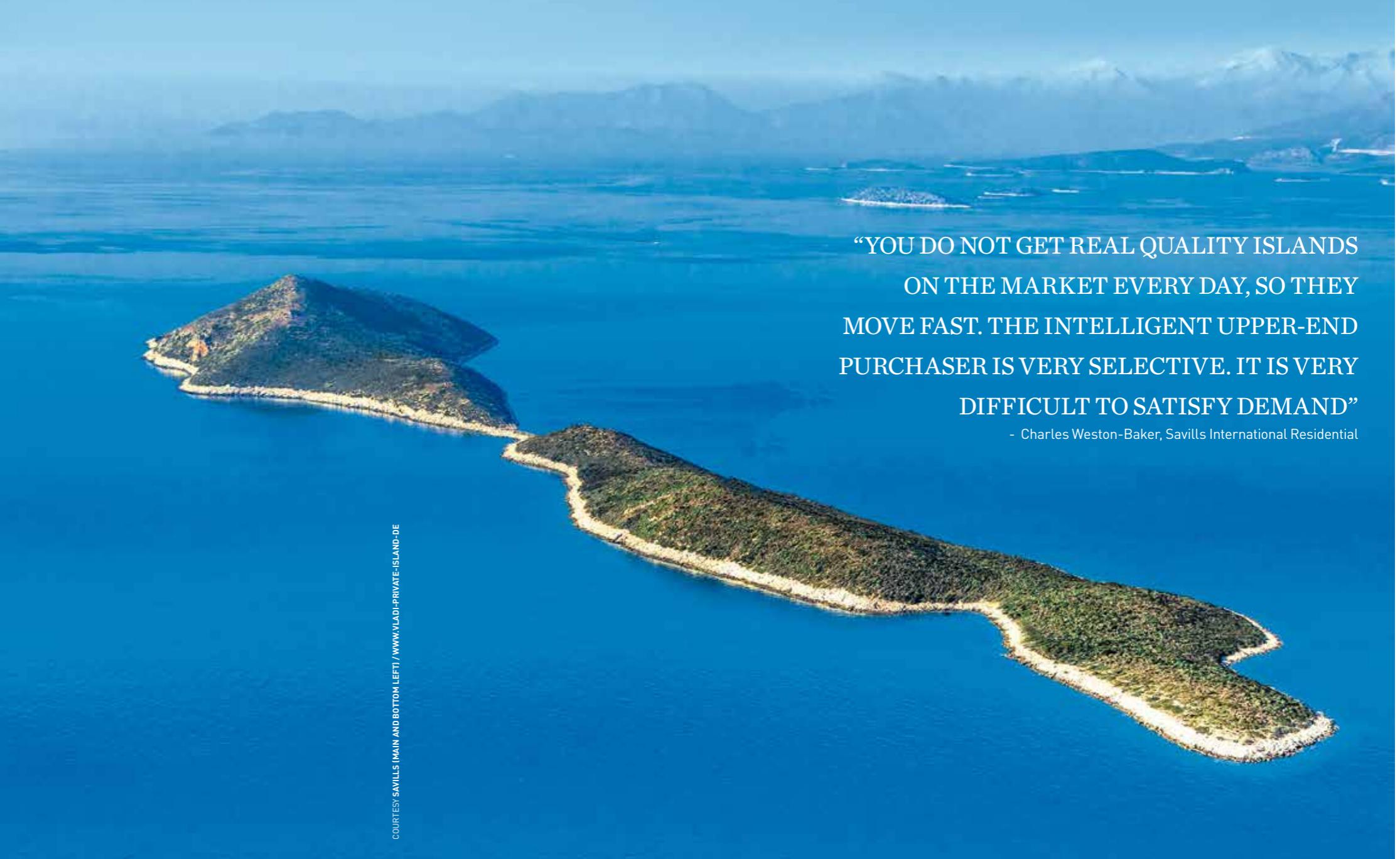
Obtaining the 40-hectare island, which Alroy says is worth US\$5 million, has not been an entirely smooth process. Unlike most islands in the Philippines, which are owned by the government, he purchased Frazer from a private individual. "Getting all the relevant documents was a real challenge," he says.

Preventing local fisherman from damaging the delicate environment has been another issue. Furthermore, it takes time to find a suitable partner for developing resorts. Nevertheless, Alroy remains convinced he made the right decision. "Frazer Island has a huge opportunity to be developed as a world-class luxury eco-tourism destination."

The Philippines sits at the top of Southeast Asia's private island market, according to Savills World Research and Wealth X. Weston-Baker says the Maldives is emerging as another key investment market in the region, especially for Asians. "It's a prime holiday area which is becoming especially popular with wealthy Chinese," he says. "High-net-worth Indians like the Maldives too, but they're showing more interest in Mauritius."

AUSTRALASIAN PULL

Ian Gowrie-Smith, an Australian entrepreneur who made his money in oil and gas exploration, was so inspired by the ecology of the Conflict Islands – an atoll with 21 islands in the Coral Sea off Papua New Guinea – that he decided to buy them. When he discovered local fishermen, who he occasionally allowed to stay on the islands, had been killing green turtles, Gowrie-Smith tore down and burned their bamboo huts with his bare hands.



COURTESY SAVILLS (MAIN AND BOTTOM LEFT) / WWW.VLADI-PRIVATE-ISLAND-DE

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CLOCKWISE FROM ABOVE
Makri Island in Greece is offered for HK\$130m via Savills. The beach and aerial view of the 5.5-hectare Bonefish Cay in the Bahamas, which boasts a hurricane-proof complex of five luxury buildings, and is available through Vladi Private Islands. Tanera Mor in Scotland is on the market for HK\$23.7m, also via Savills.

Strict environmental regulations often dissuade investors from buying an island. However, Cheyenne Morrison, the project's sales director, says Conflict Islands is presenting the opportunity to invest in conserving a unique ecosystem, which boasts some of the world's best coral reefs and dive locations, as a key marketing point. "[Gowrie-Smith] met a very high profile actor in St Tropez a few weeks ago and is attempting to get his environmental foundation involved in the project," he says. "He very much would like to develop the atoll in conjunction with an environmental group, foundation or perhaps educational organisation. We are also writing a set of environmental covenants that any

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potential buyer would have to abide by, such as preventing liquid run-off into the lagoon or using ecologically sustainable power supplies.”

Scarcity of supply and environmental concerns are likely to see properties across New Zealand and Australia become more regulated. However, the boutique and remote nature of the destinations will continue to attract discerning buyers, says Mike Bayley, owner of Bayley’s Real Estate.

“There will never be any more coastal land than what there is now. As a result, it holds its value extremely well,” he says. “All coastal property owners in New Zealand and Fiji, regardless of where they come from, are rewarded with stunning scenery, large landholdings by global standards, uncrowded beaches, excellent social infrastructure, and professional property management services.”

THE AMERICAS AND CARIBBEAN

The connectivity and tropical environment in the Caribbean and

the Bahamas enable the region to maintain its market-leading position. Quality islands can cost as little as US\$2 million, says John Christie, vice-president of HG Christie, with prices depending on size, elevation, quality of beaches and deepwater dockage.

“Regulations are limited except when you are buying in the Bahamas where buyers need to have a permit from the government,” he says. “The main challenge in owning an island is that it is an island and everything needed on the island has to be brought in by boat, seaplane or helicopter. This makes building and running an island expensive. For this reason, many people buy islands but do not do anything with them then sell them for a profit.”

Wherever an island may be located and whether it is being purchased to satisfy lifestyle or investment needs, the allure of owning pocket-size pieces of land in the ocean will continue to attract the rich and famous from around the world, Christie says. “They are trophy properties and will always be in demand,” he adds. ☈



The view from Panasesa Resort and the teeming aquatic life around Conflict Islands, between Papua New Guinea and Australia. Priced at US\$500,000 per lot or US\$2.5m for each entire island, the property is available through Landscape Christie's International Real Estate.