

MARCH 2008



G.A. Farrell & Associates Limited
CHARTERED VALUATION SURVEYORS
FINANCIAL & PROPERTY CONSULTANTS



The information herein is believed to be correct as of the date of writing.
Before you make any decisions however, you are advised to consult a suitable professional.

Tobago

Tobago – regarded by many as a small, idyllic Caribbean island and a perfect holiday destination. Indeed, there were 86,467 visitors to Tobago in 2005, (78,729 in 2004). Many of these visitors came from USA (19.9%), UK (43.6%), Canada (6.6%) and Germany (7.9%). Tourism is to Tobago what Energy is to Trinidad and accounts for about 46% of its GDP and 57% of its work force.

Consequently, Tobago is taking steps to ensure the continued growth of this sector. Plans are underway to expand the airport terminal building as there has been an increase in the number of airlines with flights to Crown Point International Airport. The airlines include British Airways, Delta Airlines, Excel, Virgin Atlantic, LIAT and Caribbean Airlines. Tobago now has a room stock of approximately 5,000 rooms and this has been increasing at the rate of about 300-400 rooms per annum over the last 4-5 years.

However, Mr. Orville London, the Chief Secretary of the Tobago House of Assembly, has warned that Tourism is a fickle mistress. Therefore, while Trinidad hopes to diversify its economy into non-energy sectors such as Tourism, Tobago on the other hand wants to diversify out of Tourism.

Accordingly, Tobago has commenced development of its first industrial park – the 56.7ha Cove Industrial and Business Park just off the Claude Noel Highway in the Lowlands area of Tobago, south of Mt. Pleasant and east of Canaan-Bon Accord. The park will provide 73 lots for eco-friendly industries. Strict monitoring of the operations of the tenants will be instituted to ensure that they adhere to the agreed terms and conditions of their leases.

A 30-mile, 10-inch pipeline will supply the park with gas and a gas-fuelled power station will supply the park and

Tobago with electricity. It was also recently announced that Petro-Canada had discovered “a substantial natural gas deposit” in Block 22, about 19km off Tobago’s north coast. According to the company, it was among the “more significant” of its international exploration and could contain between 0.6 - 1.3 trillion cubic feet of gas. The fact that it is the first well in a four well programme could be a good sign for the future of Tobago’s energy industry.

With all of the above happening, it is therefore no wonder then that many see Tobago as having a bright future. RBTT recently held a breakfast seminar for its commercial clients in Tobago and G.A. Farrell & Associates Limited expects to be opening a branch office in Tobago in the early part of 2008.

Given below is some additional information on Tobago – most of it obtained from www.visittobago.gov.tt.

Tobago lies south of the hurricane belt, at Latitude 11°N and Longitude 60°W, just off the coast of South America. It is 21 miles (33km) northeast of Trinidad – the most southerly island of the Caribbean. The island is surrounded by the tranquil Caribbean Sea on its North Coast with the less calm Atlantic Ocean on its southern and western sides.

Tobago is an undulating mass of coral and volcanic rock. The Main Ridge Forest Reserve, Tobago’s backbone, is a hilly range of forest, which covers over 60% of the island, with its summit Pigeon Peak at 1,860 feet (549m) above sea level.

Tobago has an area of approximately 116 sq. miles (300 sq. km) and is divided into seven Parishes. It is 16 miles long and 7 miles wide. According to the 2000 Population & Housing Census, Tobago had a population of 53,226 in 2000 (4.28% of the total population of Trinidad and Tobago) which represented an 11.28% increase over 1990. This was significantly faster than the national average of 4.01%.

Advertisements

Some of the advertisements appearing in the Trinidad Guardian in January 2008 were as follows:

4 bedroom, 4 bathroom home, Charleville
10,000+ sq. ft. – Asking \$4.5M

**4 bedrooms, 3.5 Baths, on over 2 Acres
in Black Rock, Tobago** – Asking \$7.5M

Chase Village 34,000 sq. ft. land
– Asking \$4.5M

Canoe Bay, Tobago 1 acre
– Asking \$1.5M o.n.o.

4 bedrooms, FF, A/C, Central Park
– Asking US\$2,300.00 per month.

**3 bedrooms, 2.5 Baths, FF/AC,
Bacolet Gardens, Tobago** – Asking US \$1,500

2-Storey Building, Chaguanas
– Asking \$7.2M

Penitence Street, San Fernando, Ground Floor
– Asking \$10,000.00 per month

Refinance for Profit

Refinancing your mortgage means obtaining a new mortgage loan on your property and repaying the old one. There are many reasons why a property owner should consider refinancing and this newsletter will show a few of these reasons.

The most obvious reason is when a property owner (lets call him Mr. O. Ner) has an existing mortgage loan at say 12% p.a. and discovers that banks and insurance companies are now offering mortgage loans at 9% p.a. Mr. O. Ner should first approach his current lender and request that the interest rate be reduced. If his request is refused, Mr. O. Ner should then approach another mortgage institution to refinance his loan. If he has a mortgage loan of \$600,000 over 25 years @ 12% p.a. and decides to refinance it at the new rate, his monthly mortgage payment would drop from \$6,319.34 to \$5,035.18. He would therefore **save over \$15,400 per annum!**

Another reason why Mr. O. Ner may be considering refinancing is to consolidate his existing loans. He may have the following loans:

1. \$100,000 – monthly payment of \$3,300 – taken for his child’s university education.
2. \$60,000 – monthly payment of \$2,000 – taken for personal reasons such as to purchase a second car, furniture, etc.
3. \$525,000 – monthly payment of \$6,310 – mortgage taken 10 years ago to purchase his home.

When Mr. O. Ner now obtains a new mortgage loan of \$725,000 (assuming that he has enough equity), he will be able to repay all of the above loans plus have \$40,000 to help towards the closing costs for the new loan. If the new mortgage loan is at 9% p.a. over a 15 year period (the same time remaining on his prior mortgage loan), his new monthly payment will be \$7,354 vs the total monthly loan payments before of \$11,620. This represents a **monthly saving of \$4,266!**

A third reason to consider is that Mr. O. Ner may wish to raise some capital in order to make some investments. This can be done by refinancing his existing mortgage loan assuming that he has enough equity. Once the expected rate of return on his proposed investments is greater than the interest rate on his new mortgage loan, (sometimes referred to as “leverage”), it is in Mr. O. Ner’s best interest to refinance his mortgage loan.

Current Mortgage Terms Available:

Property Type	Loan to Value Ratio	Term (years)	Interest Rate	Payment Factor
Residential	75-93%	30	8.50-8.75%	0.0077 – 0.0079
Commercial	65-70%	15	10-11.5%	0.0107 – 0.0117
Land	80-90%	15	8.50-8.75%	0.0098 – 0.0100

TYPES OF VALUE

Market Value - The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Insurance Value – Used conventionally to designate the amount of insurance which may be or should be carried on destructible portions of a property to indemnify the owner in the event of loss.

Investment Value – Value to a particular investor based upon individual investment requirements, as distinguished from the concept of market value, which is impersonal and detached.

“Going Concern Value” – The value existing in a proven property operation, considered as an entity with business established, as distinct from the value of real estate only, ready to operate but without a going business.

Liquidation Value – The most probable price that a specified interest in real property is likely to bring without reasonable market exposure and with the seller under extreme compulsion to sell.

Assessed Value – A value set on real estate and personal property by a government as a basis for levying taxes.

Sentimental Value – An emotional relationship between a person (usually the owner) and a property. Not related to market value.

Before rushing out to refinance his property, there are many other factors that Mr. O. Ner has to consider. One of the most important ones is the closing costs involved in repaying an existing mortgage loan and obtaining a new one. While this will vary from case to case, Mr. O. Ner should cater between 4% to 5% (of the new mortgage loan amount) as closing costs. In instances where Mr. O. Ner is refinancing due to lower mortgage interest rates, while his monthly savings is immediate, it will take about two years before his savings offset his closing costs on the new mortgage loan.

(For more details on the closing costs involved in a mortgage loan, readers should refer to our newsletter entitled “Buying a Home”. If you do not have a copy of it or any of our other newsletters, please call us for a free copy). Mr. O. Ner should also check to see if there are any prepayment penalties on his old loan as that could have an effect on his decision.

In the second refinancing scenario above, it must be remembered that while Mr. O. Ner will enjoy an immediate monthly saving, he is extending the time period for repaying his personal loans (loans 1 & 2).

It is strongly recommended that professional advice be obtained before making any type of major financial decision. Do not refinance in haste and regret in leisure, the time to get professional advice is **now**.

MONTHLY MORTGAGE INSTALLMENTS:

The amounts below reflect the amount required to repay \$1. To calculate your mortgage installment, find the correct rate and time, and multiply the figure shown by the amount of your mortgage. (e.g. \$50,000 @ 9% for 25 years = 50000 x .0084 = \$420.)

Years	15	20	25	30
Rate%				
8.0	.0096	.0084	.0077	.0073
8.5	.0098	.0087	.0081	.0077
9.0	.0101	.0090	.0084	.0080
10	.0107	.0097	.0091	.0088
11	.0114	.0103	.0098	.0095
12	.0120	.0110	.0105	.0103
13	.0127	.0117	.0113	.0111

Important Dates:

15th of every month

-PAYE, NIS & Health Surcharge remittances due

25th of every other month

-VAT remittance due

31st March

-Quarterly Tax, Business Levy & Green Fund Levy Installments due

30th April

-Income Tax Filing deadline

30th June

-Quarterly Tax, Business Levy & Green Fund Levy Installments due

30th September

-Quarterly Tax, Business Levy & Green Fund Levy Installments due

31st October

-Tax deadline to avoid penalty

31st December

-Quarterly Tax, Business Levy & Green Fund Levy Installments due

USEFUL INFORMATION

Metric Conversions:

The bold figures in the central columns can be read as either the Metric or the British Measure.

e.g **1 inch = 25.400 millimetres or
1 millimetre = 0.03937 inches**

Length:

0.03937 (inch) **1** 25.400 (millimetres)
3.2808 (feet) **1** 0.3048 (metre)
1.0936 (yards) **1** 0.9144 (metre)
0.6214 (mile) **1** 1.6093 (kilometers)

Area:

10.764 (sq. ft.) **1** 0.0929 (sq. metre)
1.1960 (sq. yd.) **1** 0.8361 (sq. metre)
2.471 (acres) **1** 0.4047 (Hectare)

Volume:

35.315 (cu. Ft) **1** 0.02832 (cu. metre)
1.75976 (pints) **1** 0.56826 (litre)
0.21997 (gallon) **1** 4.54609 (litres)

Mass:

0.35274 (oz) **1** 28.350 (grams)
2.2046 (lbs) **1** 0.45359 (kilogram)
0.9842 (ton) **1** 1.0160 (tonnes)

Useful Websites:

<http://joshmadison.com/software/convert/>
Easy to use conversion software

<http://www.donquijote.org/members/#free>
Learn Spanish for Free On-line.

<http://www.sciencedaily.com/>
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