

‘Many of those buyers are from other African countries who are here on business’ – Lew Geffen

**OPENING PAGE** The Clifton, by Molori Private Retreats, is one of South Africa's most exclusive serviced apartments **ABOVE** A penthouse at One&Only Cape Town sold for R110m in 2009 – the buyer was a South African, a fact that gives the lie to the idea that foreign buyers are the only ones buying up SA's luxury properties and pushing up prices **OPPOSITE, CLOCKWISE FROM TOP LEFT** Exclusive South African developments and individual properties – Legacy's DaVinci Hotel & Suites on Nelson Mandela Square, Sandton; the Pearls of uMhlanga; Pebbles Beach House, Kommetjie; these Bishopscourt homes were sold by Seeff, the first for R24m and the second for R25m

Clifton, Bantry Bay and the V&A Waterfront. Houghton, Hyde Park and Bryanston. These are some of South Africa's most sought-after suburbs, and it is not only locals who are trying to get in.

Over the past 15 years, these areas have also become renowned as desirable locations for foreigners looking to buy property in the Cape and Johannesburg. Figures for the Cape Town area between 2012 and 2014 show that approximately 28 per cent of homes that sold for more than R20 million were bought by citizens of countries other than South Africa.

However, it would be wrong to think that foreign buyers are only found at the top end of the market. An analysis of properties sold in and around Cape Town in the last four months of 2014 shows that foreigners bought a number of properties below R2 million in suburbs such as Gardens, Mowbray, Table View and Lakeside.

International buying of local property is, therefore, probably a lot more diverse than most people realise. It is not just about the rich – and occasionally famous – picking up expansive villas on the Atlantic Seaboard. 'Many people come here and buy something for the price of a garage in London and have themselves a holiday home,' says Lanice Steward, MD of Knight Frank Residential South Africa.

It's telling that most foreign buying of local real estate takes place in Johannesburg. According to property data company Lightstone, 1 497 properties worth a total of R2,4 billion were sold to foreigners in Cape Town during 2013, while 2 565 sales worth R2,8 billion were made to foreigners in Johannesburg. There was activity

in other parts of the country too – 670 properties sold for a total of R800 million in KwaZulu-Natal, and 260 properties worth R230 million sold in the Eastern Cape.

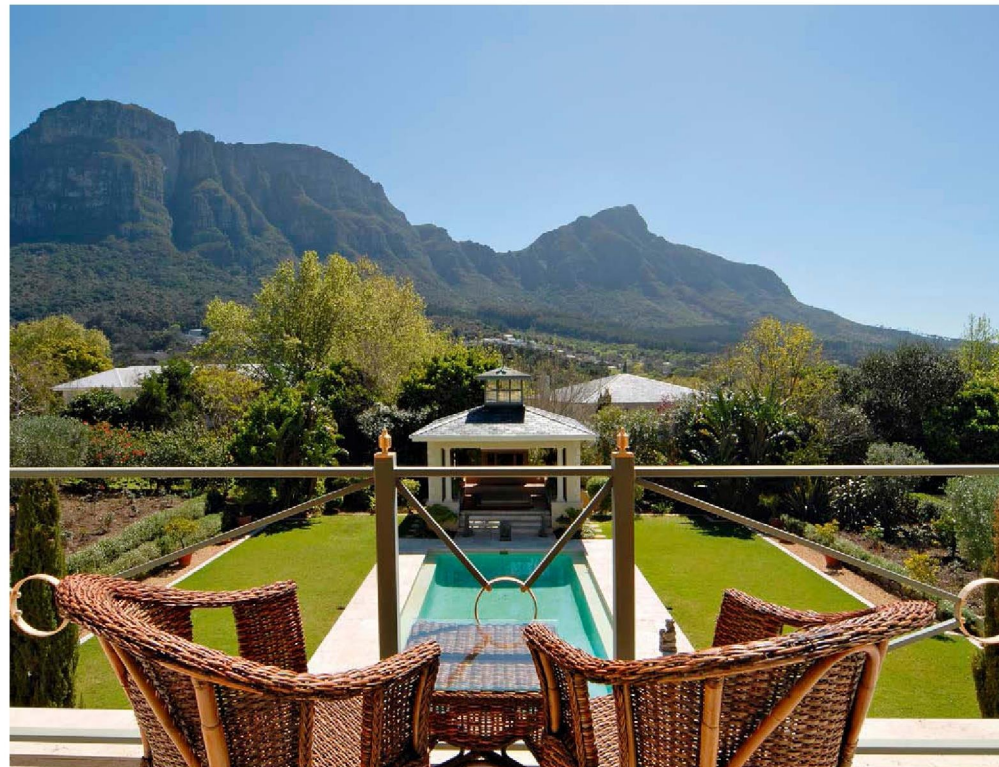
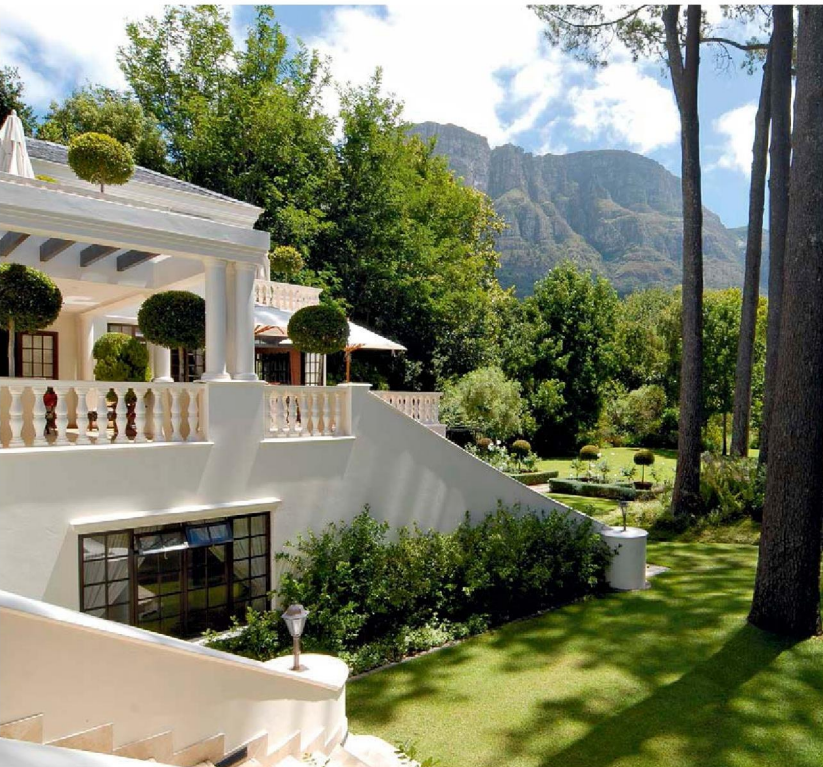
'Cape Town remains a very popular node, particularly in the upmarket areas, but in Johannesburg we are seeing a different kind of foreign buyer,' says Lew Geffen, chairman of Sotheby's International Realty South Africa. 'Many of those buyers are from other African countries who are here on business. And then there is the general leisure market, where a foreign purchaser could buy a holiday home anywhere along the coast from KwaZulu-Natal to Paternoster.'

The rise in the number of buyers from the rest of Africa is one of the most important developments in property sales in recent years. Figures from New World Wealth show that just seven per cent of real estate investment by foreigners in South Africa originated from Africa in 2007. This grew to 19 per cent by 2013 and is estimated to reach 30 per cent by 2017.

'Africans are particularly interested in picking up properties in Johannesburg, mainly because it is a business hub for the whole of sub-Saharan Africa,' says Andrew Amoils, the head of research at New World Wealth. 'A number of people from nearby countries, such as Mozambique, Botswana, Namibia and Zambia, are likely to have a base in Johannesburg for business reasons, although it won't necessarily be a big space. Our research suggests that the really big homes are owned by people from places such as Nigeria and Ghana.'

African buyers have also been showing interest in properties around top international schools, such as the Ecole Française du Cap in Sea Point, heightening demand.









All of this foreign interest in local property proves South Africa's attractiveness as a destination for leisure and investment.

There is, however, a cloud hanging over this positivity. In the past two years, the department of rural development and land reform has been discussing proposals to limit foreign ownership of South African land. The reiteration of the government's intention by President Zuma at his 2015 state of the nation address was followed by a caveat that the restriction would apply only to arable land, but the exact parameters are yet to be established. Instead, foreigners will be able to lease land on a 30-year basis. This won't, however, affect existing landowners.

But what is puzzling the real estate industry is that the department has not articulated why this move is necessary at all.

'Leasehold is not a conventional South African methodology and would require significant understanding and implementation of dramatic changes to current property practice, not to mention the question of whether or not this is a constitutional issue as well,' comments Pam Golding Property Group CEO, Dr Andrew Golding.

South Africa would certainly not be alone in limiting foreign ownership: as a number of countries impose restrictions on where noncitizens can purchase real estate, if any. But the benefits of doing so have to be very clearly understood when considered against the potential

negative consequences. Discouraging foreigners from buying property in South Africa would almost certainly have an impact on foreign investment and tourism and might even send the wrong message to noncitizens who call South Africa home – if only for part of the year.

'Foreign property ownership and activity extends not only to foreign visitors, but also predominantly to foreigners who reside here permanently,' says Samuel Seeff, chairman of Seeff. 'There are also many foreign buyers from the UK and northern European, the "swallows" who travel south to escape the harsh European winters.' These swallows tend to stay for between three and six months and will often be visited by friends and family. Together, they spend a large amount of money in the country.

One possible reason for restricting foreign ownership is the fear that international buyers who arrive with stronger currencies push up prices and make local property unaffordable to South Africans, but there is little evidence that this actually happens.

There are no official figures on how much South African property is in foreign hands, although the industry puts it at about three per cent of the total. The actual figure may be higher (it is difficult to determine exactly who bought a property if it was purchased through a holding company) but it is unlikely to be much higher than that. This means that the influence of foreign

buying is not widespread. Nor do industry players believe that international buyers are more likely to pay more than locals do.

'What drives any market is supply and demand,' says Steward. 'Right now you have very little stock at all levels, and we have seen as many as 17 offers being made on a single property. That is what drives a property over the asking price – not foreigners paying too much.'

As Seeff points out, it is also a myth that foreigners purchase the most expensive and exclusive real estate in the country. 'The highest prices – and especially record prices in the country – were paid by South African buyers. The two highest prices ever achieved for residential property, a Clifton apartment that sold in 2013 for R190 million and a penthouse at the One&Only that sold for R113 million in late 2009 were both bought by South Africans. Of the 51 most expensive properties sold in the country in 2014, only eight were sold to foreign buyers, and the four highest prices in 2014 were all paid by South Africans.'

So far, the government's proposed restrictions don't seem to have dampened the appetite for South African property. The industry is reporting that interest is still strong. This is an encouraging vote of confidence in the country, although hopefully it doesn't mean that international buyers will be blind-sided by changes to the law, if and when they happen.

'That is what drives a property over the asking price – not foreigners paying too much' – Lanice Steward

**TOP Central Square, a luxury mixed-use development in Sandton, Johannesburg, which includes 168 apartments priced from R2,5m**