

## Foreigners buying more SA real estate

Foreign buyers purchased almost R6,5bn worth of property in SA last year – and not all of it in Cape Town or Johannesburg.

“The depreciation in the value of the rand over the past two years has definitely made SA property more attractive to those buyers with pounds, euros or dollars to spend,” says Lew Geffen, chairman of Sotheby’s International Realty in SA, “and our own figures show that foreign interest has continue to increase over the past six months, despite the mining strikes that have so badly affected the economy.”

Another factor that is increasingly playing a role in foreign buying, he says, is the steady growth in the number of high net worth individuals (HNWIs) around the world as the global economy recovers. “These individuals generally hold about 25 to 30% of their wealth in real estate and although most of this is in First World countries, an increasing number of them are looking to buy investment properties in developing parts of the world like SA that they view as likely to remain peaceful and offer good growth prospects.

“And in this regard, the fact that our General Elections in May went off without a major hitch and that we have had a consistent economic policy for the past few years definitely count in our favour at the moment.”

According to the World Wealth Report 2014 recently released by Capgemini and RBC Wealth Management, the number of HNWIs around the world rose 15% last year to 13,7m. “What is more, Africa is expected to show the most rapid growth in the creation of millionaires over the next 10 years,” Geffen says, “and these individuals are currently growing their real estate portfolios quite aggressively, which accounts for the growing number of buyers in SA from other African countries.”

First National Bank, he notes, recently reported that the percentage of foreign home buyers from countries such as Cameroon, Nigeria, Zimbabwe, Angola and Mozambique had risen from 16% in the third quarter of 2013 to 19.5% in the first quarter of this year.

Meanwhile, the latest available statistics from property data company, Lightstone show that although foreign purchases of multi-million rand second homes in Cape Town tend to grab headlines, most of the sales made to foreigners last year took place in Johannesburg. There were 1497 sales (worth R2,3bn) to foreigners in Cape Town, and 2565 sale (worth R2,8bn) to foreign buyers in Johannesburg.

However, Geffen says, what is even more encouraging is that foreign buyers are now clearly looking at areas beyond these two cities. “For example, foreign buyers purchased about 670 properties worth about R800m in KwaZulu-Natal last year, and about 260 properties worth about R230m in the Eastern Cape.

“In addition, we are seeing a growing trend among foreign buyers to purchase properties in SA as investments rather than for their own use, and that is a healthy vote of confidence in our real estate market - even though foreign buying still only accounts for around 3,6% of the total value of residential sales.”

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