

2010 has made foreign investment in South Africa property a viable long-term investment that will benefit the country

According to Alastair Collins, chief executive of Davis Langdon & Seah International's Global Board and managing partner of the International Group that operates throughout Europe, the Middle East, Africa, Asia, Australia and the US, nothing is more topical or pertinent to South Africa than the sustainability of international investment in its property.

"South African property is at centre stage," he says, "and the Star Trek tractor beam of 2010 is a big draw."

Collins explains that in 1992 Johannesburg was not considered a safe place in which to invest money as a result of its exchange control regulations, which meant investors couldn't get their money out, amongst other things.

"Madrid was then the answer," he says. "These decisions were made in closeted boardrooms as a result of perception."

But how does the world see South Africa now?

Collins is of the opinion that even though South Africa is most certainly seen as a holiday destination, there are doubts around it as a business partner. "It must be noted though that the dominant sentiment is positive rather than negative," he says.

He stresses that foreign investors want to see property as a long-term investment market and that 2010 has done that for property. "It has created the draw to thinking a couple of years ahead," he says.

To further foreign investment viability, Collins suggests that South Africa accepts its place in the world, that it thinks and plans longer term, that it thinks the thinkable, confronts the brutal truth, and accepts and agrees upon what boosts and knocks confidence.

"South Africa is now in a position of thinking and planning longer term than was possible 10 years ago," he says.

Collins points out that the consortium that bought the Victoria & Alfred (V&A) Waterfront has shown a more dynamic approach than is the norm in South Africa. "This consortium is not approaching the waterfront conservatively, and South Africa can learn a lot from that approach," he says. "South Africa needs to think revolution. Revolution is the constant turning of the wheel of progress."

According to Collins, South Africa needs to be especially aware of headlines and their power to influence perception. "A headline like 'China introduces curbs on foreign investment' results in investor confidence going down in China. Investors then turn to India because as one door closes another opens its arms - 'India welcomes foreign investors,'" he says.

"Take another headline like 'Foreign ownership of property in South Africa under review', which creates a negative perception in international markets, as does 'FIFA said to have concerns over South Africa's ability to deliver on time'. 2010 must happen well. If it doesn't, South Africa loses the power of the draw and creates a perception that in no way serves it."

Collins points out that South Africa needs to be aware that its place in the world assures international competition for its skills and resources. "There is in effect a global alignment of demand for construction resources. So capacities in South Africa are being stretched and things are being designed for 2010 that cannot be manufactured or obtained in South Africa," he says.

"South Africa will therefore have to procure from abroad, which will result in development cost and increased risk.

"But okay, provided the equation balances, big stuff is coming into South Africa. This means a long timeline from concept to completion though, which increases financial risk."

Collins is of the opinion that with 2010 in view, South Africa will be spending a lot on infrastructure, the skylines of its cities will be redeveloped, the price of residential property will continue to climb, salaries will increase significantly, hotel rack rates will settle, and it will not be a cheap place any more.

He underscores again the power of headlines and their ability to influence perception by pointing out the following headlines:

- "The foreign consortium that acquired the V&A Waterfront for >R7 billion. Plans to bring at least 10 more hotels and top fashion brands into the Cape Town Property"

- "The sale of the landmark V&A Waterfront to a foreign consortium is likely to act as a catalyst to further foreign investment in South Africa" - "Overseas visitors are eyeing Durban"

- "In the second quarter of 2006, 6% of South African residential sales went to foreign buyers"

- "Following a dip after government announced that it may introduce restrictions on foreign property ownership, there has been renewed interest from overseas"

- "Serious investors should prepare to make the most of lucrative opportunities in the South African property market in the next 6 to 12 months".

"All these headlines create perception. Political uncertainty equals a negative perception, which makes the risk curve four times steeper," he says.

"Perception holds South Africa below the water line."

Collins explains that two articles like "No democracy. No bread and butter" pertaining to Zimbabwe and "The comeback kid in South Africa" pertaining to Zuma appearing side by side in "The Economist" constitute negative advertising. "And I can tell you now that if the country is led by someone like Zuma, international confidence will go vertically down," he says.

In order to compete with China, India, Vietnam, Japan and Brazil in the global race, South Africa will need a sustainable message, says Collins, and no threat of being hobbled by perception.

"So I suggest that corporate and social responsibility and constructive criticism abound in South Africa. No one likes to be criticised, but in a business environment one cannot afford to avoid constructive criticism. The facts have to be agreed upon and a brutal relationship has to be developed," he says.

"This responsibility should manifest in property being publicised as a strategic resource/performing asset, in tangible advertisements, in an enhanced and sustainable environment and in a positive and strong message being sent out to property people abroad.

"I also suggest thinking big but starting small. This means thinking globally but starting locally, having a corporate property strategy on property performance management, bringing in influences from the US, UK, and Australia and ensuring an active platform programme.

"I also suggest going environmental. Think about introducing carbon footprinting/indexing, benchmarking the performance of buildings globally and locally, developing specific milestone targets for reduced carbon dioxide emissions and reduced water consumption, increasing the recycling of waste and driving environmental improvement across the market.

"The Investment Property Databank (IPD) could decide on actions around corporate and social responsibility, property performance benchmarking, environmental issues, global agendas, constructive criticism and communication."

In conclusion, South Africa, according to Collins, must be vigilant of the factors that affect investment confidence; development cost/risk; and certainty of returns in the context of South Africa and 2010. "Emotional spirit, which South Africa has in abundance, as well as tempered confidence, hard targets and an improved risk profile will do much for the country."