

## **What are your offshore options?**

Many South African property investors are now looking overseas to diversify their property portfolios while others are looking for emigration options.

Mariana Tolken, managing director of offshore property investment specialists, Gas Properties, provides an overview of five international property investment destinations.

Busy and bustling, wealth is largely on display in the vibrant city of New York. Not in the form of big expensive cars (only 20% of New Yorkers have such), top villas or over-the-top jewelled older ladies.

The wealth here is wealth of generations of investment tradition and the wealth of financial planning and preservation. For such people, the difficult financial situation in America of the moment is holding up and they are actually benefiting from this chaotic credit time.

Different destinations offer very different opportunities for property investment. And it is really important to know what it is you want from an offshore property investment.

The choices below outline some of the possibilities – from retirement destinations, to immigration possibilities, and big city investments offering sound investment diversification opportunities.

Hopefully you will reach my conclusion on the topic. Should one invest in a holiday destination when the world is wondering where the next mortgage repayment is coming from and the air-travel industry is shaking under unknown oil prices? Or should one invest in large cities, where jobs are providing the working class with enough money to rent, but perhaps not enough money to buy?

London

London will always come tops as a destination, especially if one looks at the map from the bottom of the African continent. We share the same time zone and a linked cultural background and history. London is a top South African immigration destination with a strong currency. It is also the centre of Europe's financial business and the world's financial capital.

London is the first place of reference when looking at property investment around the world. It is a benchmark which will be with us in our lifetime and beyond. 30% of Central London's properties will never (in our lifetime) come for sale as they are locked in non-distribution family trusts. Another benefit is that the tenant base is one of the highest worldwide with 42% of all Londoners unlikely to become house-owners in their city of residence.

In addition, a constant shortage of accommodation in traditional suburbs keeps prices high and capital values growing. This remains valid even in today's credit climate.

A one bedroom apartment in a reputable London location will cost you a minimum of £250k, although you need to spend around £300k to be in a good neighbourhood. The most expensive penthouse apartment was recently launched in Hyde Park and sold for £100m.

## New York

New York - New York! The city that never sleeps is a buyer's market with the dollar at a record low against all other currencies. Being one of the largest cities in the world, New York is the global centre of TV, advertising, fashion, music and publishing. With 44 Fortune 500 companies operating out of New York, the city is well placed as a world business hub, rivalling London and Tokyo.

With the world's largest economy and a base interest rate of only 2% this is certainly a good time to invest. Looking for a tenant couldn't be easier with 8,2m residents per 790sq km and the population looking to increase to 9,5m by 2030.

Manhattan in particular plays home to a population of 1,6m with an extra 1,3m commuting in daily to work. Holding two thirds of all in jobs in New York, Manhattan has the highest per capita income in the US.

The average price of a Manhattan apartment would be in the region of \$600k, compared to a USA average of around \$300k.

## Australia

The primary reason for considering buying property in Australia is the country's appeal among South Africans as a chosen immigration destination. The similar lifestyle, excellent climate, political and economic stability, growing population and a GDP on par with most European countries paint an appealing picture. This, coupled with a favourable Sterling Exchange rate means you are likely to get more for your money in Australia.

However, a stringent immigration and visa application process applies. Anyone wanting to buy a property in Australia must hold a permanent resident visa or a special category visa/permission.

The Australian government's foreign investment policy is geared towards increasing the supply of new houses, and not allowing property investment for speculative purposes. As a result, property purchases by foreigners need to be approved by the Foreign Investment Review Board, and foreigners are only allowed to buy new properties – usually via a developer or IRS scheme.

Australian property is not the greatest buy-to-let investment, as the rental income is not high enough to cover all costs and interest rates are higher compared to the UK. However, it is a perfect choice for many South Africans due to its affordability, language, sunny weather and low-crime rate.

The average cost per apartment in Melbourne is around AUS\$340k.

## Mauritius

A superb retirement option for South Africans not wishing to invest too far abroad, Mauritius has an irresistible island appeal. The ease which comes with all investments taking place in South African Rands and the added benefit of residency for you and your dependants, means you can almost feel the sand between your toes.

Adding to the appeal is the lack of exchange controls and inheritance tax as well as the 15% flat tax for individuals as well as companies. Buying in an Integrated Resort Scheme (IRS) is the only way that foreigners are allowed to own property on the island. Property values are expected to hold.

A good investment in terms of political diversity, Mauritius offers a perfect place for retirement or immigration with daily flights to and from South Africa.

However, on the flip side, Mauritius is not the place to invest in a buy-to-let property. Not only is income very seasonal, but around 50% of rental income is the norm for letting marketing and management services. There are also sizeable entry and exit costs, including stamp duties of around \$50k to \$70k on both purchase and sale, furniture pack cost in IRS schemes of around \$100k, and the like.

The starting price for an IRS unit in Mauritius would be around \$800k and could reach \$3,5m.

## Crete

Crete has been included primarily for its appeal as a 'holiday home' investment. This island, the biggest of the Greek islands, offers those in this market the opportunity to diversify their assets and get a foot in the European property market, at a more affordable rate than in bigger cities such as London.

If this is your investment objective then Crete offers a relatively undiscovered and unexploited haven with a very relaxed vibe. Yet the property market is well-established, prices have risen steadily over the past decade, and the Euro has an appreciating track record.

A mortgage can be obtained from a Greek bank for up to 80% of the property purchase price, at an interest rate of around 5,5%. Letting opportunities are also seasonal, but letting management fees are not as steep as in Mauritius. Capital gains tax does apply but no inheritance tax.

An investment in Greece of \$200k to \$300k – which is what a villa on the island may cost - would assist, if not virtually guarantee, a residency visa application for the country, should one wishes to settle there permanently.