

Tourism Encourages Interest in South African Market

Foreigners are definitely showing a stronger interest in SA's property market, particularly the hotel and leisure property sectors, says Pace Property Group MD David Green.

Green says the interest in the hotel and leisure market is due to the fact that the country is becoming a popular tourist destination and investors consider SA to be "undersupplied" with quality hotel accommodation.

"Generally there is a trend throughout the world to seek investments in emerging economies such as eastern European countries, Asia and southern Africa."

But the South African property market still has a way to go in terms of the size of the property transactions available.

Green says a recent single European transaction was equivalent to, if not greater in size than, any of SA's largest JSE-listed property funds.

Global real estate consultant Cushman & Wakefield recently advised a major institutional investor and its French partner on the largest single-asset deal in Europe, the purchase of the Coeur Defense office complex in Paris. Coeur Defense was sold by French real estate investment trust Unibail and Goldman Sachs' Whitehall Funds for \$1,8bn.

"A single building in the international economy is selling for the kind of money that our largest listed funds have yet to reach. However, this is not surprising as an emerging economy and does not render SA as a less desirable location," says Green.

He says a smaller exposure to a variety of different properties rather than a single exposure to a large investment is generally preferred internationally and domestically.

Green says SA is enjoying much attention from international investors seeking the larger property investments, which include large-scale retail, industrial and office developments.

“As an emerging economy, SA is ranked with many eastern European and eastern countries such as India, which are all joining the global property boom as investors look further afield for new opportunity.” He said Investment Property Databank rated SA the best-performing property market after Ireland, with returns nearing 30%.