



## Foreign Buying in SA

Despite South African property prices having increased dramatically in the last few years, the country remains a sought-after investment destination by foreign buyers.

And nowhere is this more apparent than in the Western Cape, where European buyers in particular, choose to spend part, if not all, of their winters. "Predominantly from the UK, Germany and Holland, they are purchasing more than bricks and mortar", says iLoan consultant Bettina Heiberg. "They're also buying into the South African lifestyle which is characterized by a thriving economy, sunny skies, swathes of beaches and the friendliness and warmth of the locals."

### Location, location, location

More than anything, location is driving this particular market sector, she says, with buyers often willing to pay top dollar for sea-fronting properties. After position, their focus shifts to security, spaciousness and finish, hence their purchases of large units in quality residential developments - the ultimate lock-up-and-go lifestyle.

In her area, which encompasses the Atlantic Sea Board, the City Bowl and Constantia foreign buyers tend to spend anywhere from R3 million to R7 million, which is still cheap by comparison with the traditional tourist havens such as Spain and the UK. Many pay cash for their African homes, with the remainder aware of - and happy with - South Africa's 50 percent rule which only allows local banks to lend foreign buyers a maximum of 50 percent of the purchase price of a property. "There's also a growing interest in buying into developments that offer managed rental pools so that they can derive an income in their absence", says Bettina. "And without a doubt, the 2010 World Soccer Cup is influencing market activity in this sector, particularly in the Sea Point area, where some of the matches will be taking place. "The market is humming with buyers, both local and international, looking for investment properties that will ensure good, long-term profit."

### Growing interest from ex-pats

"Overseas earnings are also finding their way into South Africa via a growing number of our own citizens who are currently working abroad." Says Bettina. "We're doing more and more deals with South Africans employed in the UK but who intend returning home some day and want to provide for their future in South Africa. Because of the extraordinary price growth of the last few years, they're concerned that unless they buy now, they might not be able to afford a home later on."

"Buyers in this sector tend to range in age from 24 to 35 years old," she says. Invariably they let their properties out, using the rental income to service their bonds. "Ex-pats' budgets are more limited than overseas buyers, so they tend to have a ceiling of R1.2 million which puts them in the townhouse / apartment bracket." According to Bettina, South Africans who have been out of the country for less than five years can qualify for a bond of up to 100 percent, although the norm is 90 percent bond with a 10 percent deposit. South Africans who have worked abroad for more than five years will be treated as non-residents, and will then only qualify for a loan of up to 50 percent.

A reversal of the ex-pat buyer scenario is to be found among the growing number of UK residents who are

working in South Africa, she says further. “ They are extending their work permits and buying property here, comfortably spending up to R2 million.”

### Requirements for finance

Financial institutions in South Africa will lend to South African citizens residing abroad, non-citizens residing in South Africa and non-citizens residing outside of South Africa. iLoan can assist you in finding the finance you require and the service is free of charge.

Below are the minimum requirements for the aforementioned who would like to apply for home finance with a South African bank.

South African citizens residing abroad -

- A breakdown of assets and liabilities in the country in which you reside.
- Proof of income in the country in which you reside.
- Signed sale agreement.
- Clear credit record.
- Copy of Identity Document and passport.

Citizens of a foreign country residing in South Africa -

- A breakdown of assets and liabilities.
- Proof of income.
- Signed sale agreement.
- Clear credit record.
- Copy of Identity Document/passport and the permanent residency number found inside your passport.

Citizens of a foreign country residing outside of South Africa -

- Maximum loan is 50% of value of property (You would have to have a 50% deposit) subject to exchange control regulations approval.
- A breakdown of assets and liabilities.
- Proof of income.
- Signed sale agreement.
- Clear credit record.
- Copy of Identity Document / passport.

### Brits looking to buy abroad

According to the website of Foreign Currency Exchange ([www.foreign-currency-uk.com](http://www.foreign-currency-uk.com)), a specialist currency provider based in the UK, more than two million Brits are currently looking to buy abroad. Some are after properties in traditional tourist favourites such as Portugal, Spain and Florida, while others are focusing on emerging markets such as South Africa and Croatia, they say. “South Africa is at an exciting stage of development, with confidence in the country running high both among citizens and in the international community - and SA property is seen as an excellent investment,” says the company, adding that South Africa has been receiving a large amount of good press in the UK media since the beginning of 2005.

According to Carol, foreign buyers invest primarily as a result of lifestyle, climate, type and size of property and cost of living. But equally important is the interest rate environment, stability of exchange rates and consistent growth in property values. These are draw cards to foreign investors, and should also be seen as such by South Africans.