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FOREIGN PROPERTY OWNERSHIP

A controversial proposal to ban the sale of South African property to foreigners has now been scrapped. However, a limited moratorium on the sale of state-owned and other sensitive land for a period of two years may be brought in instead.

The reasoning behind the changes is that the government is trying to determine the proportion of foreign-owned South African property, thought to be between one and three per cent. New guidelines are being introduced to increase the transparency of actual ownership – which may involve the disclosure of nationality, race and gender of the owner.

Andy Collett, managing director of the Pam Golding Property Group in South Africa, says: 'The overriding sentiment here is that the local economy is in very good shape and the fiscal policies that were implemented some years ago are paying off now. The emergence of the black middle class has had a significant affect on the property market, particularly in Gauteng, where these "black diamonds" are now responsible for between 30 and 50 per cent of all property purchases.'

Buyers can expect to receive eight to 12 per cent capital gain over the short term, but worldwide credit concerns would affect this. Most residential units in prime areas generate at least five per cent return on investments.

'As the capital values slow in the residential market, the rental market is showing good growth,' explains Collett. 'The city centre of Cape Town is performing well, as are areas in Gauteng which are situated close to the major business centres. The hospitality sector is also experiencing a significant uplift ahead of the 2010 World Cup. Traditional areas like the Atlantic seaboard are still performing well.'

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CASE STUDY: THE MYSTERY PARTNERSHIP

The company's business is measuring the quality of customer service by providing mystery guest programmes to the hotel and hospitality industry.

'We decided to open in South Africa because we had clients opening up new properties there,' says director Graham Hardiman. 'We came up with a three-year plan. We've found South Africa easy to do business in. People are very professional and aware of the international nature of their business. They're all positive about future prospects. But there does seem to be a shortage of people for skilled and technical jobs, and high staff turnover.'

'But we haven't found BEE an issue. Employment regulations were highlighted as a drawback but to date we've not encountered any problems – probably because we're dealing with smaller organisations. I'd advise others to research thoroughly what they're going to do. Don't underestimate the country or how important a role it plays within the region. The market is very large and GDP growing rapidly.'

'The major problem I see is security – although most of the crime and violence is not where luxury hotels are situated. But it must be a consideration.'

Total time from first contact to generating revenue

'A high profile launch took six months to plan.

First revenue was about three months after that. But our business is based on long-term relationships so we're quite content with that.'

Total investment in setting up

'All-in-all we're risking £35,000. But we feel it's about company development – each new country we work in, we gain more international experience. We're now considering setting up a centre in South Africa as a hub for the whole of Africa, as we've received inquiries from Namibia, Angola and Mozambique. This will cost £125,000 and would require us to appoint a full time partner in South Africa. We're considering this against the possibility of licensing the business to a South African operator.'

Time before full return on investment

'The plan is two years. Dependent on contracts signed this may be ambitious or achieved very easily. We've signed up most five-star hotels in Cape Town already.'

Biggest opportunity in next five years?

'The possibility of setting up a centre in South Africa rather than the existing satellite office – or licensing.'

Would you recommend South Africa as a place to do business?

'Yes, in my option the most exciting destination for future growth. English speaking, great climate, luxury living and easy long haul flying.'