

## Foreign Focus On South Africa Commercial Property

A largely untold aspect of the commercial and industrial property boom of the moment is growing foreign interest and investment in South Africa. The number of purchases of South African commercial and industrial property by foreign buyers is believed to have exceeded that of residential property.

Andrew Bradford of property consultancy Bradford McCormack explains: "Much has been made of the growing foreign demand for residential real estate in SA, but estimates are that these sources actually account for less than 1% of all such transactions.

"On the other hand, while no official figures are available, anecdotal evidence and our own experience points to the fact that the number of acquisitions by foreign owners of both commercial and industrial property exceeds that percentile."

He says there are a number of driving factors in this scenario – the major one being the continued inflow of foreign investment into SA, mainly into portfolio assets in the various financial markets.

However, he also points out that foreign corporates acquiring bases in SA and a growing proportion of purely investment driven acquisitions are also apparent in the wake of SA's growing bilateral trade, particularly with Europe, the US and the Far East.

With the local property sector showing excellent all round returns, Bradford says that SA is clearly seen as a region for inclusion in the property portfolios of overseas investors awash in cash and seeking new markets. This is in keeping with the worldwide boom in commercial real estate markets, reflected in investment inflows, a universal tightening of vacancy rates and rising rentals, according to the National Association of Realtors (NAR) in the US.

Says Bradford: "James Marrelli, NAR vice president of commercial real estate, was quoted recently as saying that new records were set in this respect last year and that institutional investors, pension funds and foreign investors have focused on commercial grade properties to diversify portfolio assets, with expectations of solid long-term gains.

"SA has now clearly become part of this global re-rating of commercial and industrial property and our local market mirrors what is happening internationally – where vacancy rates are projected to continue to drop for commercial, industrial and warehousing space."

Bradford also notes that another major driver is no doubt the fact that there has been a softening of the rand, which has fallen against the dollar by some 25% to 30% in the past nine months, making the acquisition of South African assets of this nature even more attractive to foreign buyers.