

South Africa Set to Follow International Worst Practice

A report presented recently to Cabinet on the development of policy on foreign land ownership is sure to draw much public debate, once it is updated with international comparatives and thrown open for comment.

Following the recent, long-awaited presentation to Cabinet of a report on the development of policy on foreign land ownership, Cabinet has now called for a comparative analysis of policy in other countries to be included in the report before it is submitted for wider public debate.

Ranging from recommendations dealing with a total moratorium on the sale of all land to foreigners, to the more tempered suggestions that special ministerial approval be sought in cases where certain categories of land are considered for disposal, the report – when it goes public for debate – will include "examples of international best practice" according to government spokesperson Themba Maseko.

Notes Erwin Rode of the impending debate: "South Africans should bear in mind that many countries abroad have a policy of some nature in place regarding foreign land ownership."

For example, says Rode, foreign nationals who intend to purchase real estate in Australia must apply for prior approval from the Australian government's Foreign Investment Review Board. The Board in turn is mandated to favour first and foremost those investments that will actively increase the supply of new housing stock in the form of residential developments, which in turn will bring benefits to the local building industry and suppliers.

In Mexico, foreigners are officially not allowed to buy real estate within 100km of an international border or within 50km of the coast, while in Bulgaria foreigners may purchase a building, but not a vacant plot – unless they set up a company in Bulgaria through which to purchase the land.

While Spain, France and Italy have no restrictions on foreign property ownership and none planned for the immediate future, countries such as China, with its booming economy, are now beginning to lobby for stricter regulation that will limit the buying of residential property by foreigners to one property – and only for personal use. Thailand restricts the buying of property by foreigners to sectional title and development projects, limiting total foreign ownership in a project to no more than 49%. In Sri Lanka, foreigners are permitted to own land, but are subject to a 100% transfer tax, thus effectively doubling the price of a property.

"There are clearly many international examples to draw on," says Rode, noting further that: "It will therefore be of great interest to see from where the local panel of experts decides to draw their international examples."

He points out that house prices are driven mainly by economic growth. Thus, if Government wants to reduce house prices in South Africa, it should reduce the size of the economy à la Zimbabwe. By targeting foreigners through property ownership, economic growth will be retarded, but not sufficiently to reduce prices.

"The fact that some countries have foreigner-hostile policies in place, does not mean that we should follow this international worst practice", says Rode. "Such a policy implies that we do not need the skills, capital and new ideas of foreigners."