

Fewer foreigners buying in South Africa

 By [Richard Gray](#)

17 Aug 2016

Fewer foreign buyers are investing in homes in South Africa. While this has little noticeable impact domestically, it underlines the tough conditions confronting the property market.



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FNB's Estate Agent Survey, published earlier this month, estimated that 5.11% of property buyers in the 1st and 2nd quarters of 2016 were foreigners. This was within an overall range of around 5% recently.

It represented a decline off a recent high of 5.77% in mid-2014 – and an even greater decline from the 7% recorded in 2005, a more prosperous time.

For South Africans, the influence of sales to foreign nationals is relatively small, and as the report notes, the trend appears to have flattened out.

Big deals are rare

Certainly, well-heeled foreign buyers seeking homes-away-from-homes might be in a position to make attractive offers on top-of-the range neighbourhoods. We see some of this on the Atlantic seaboard for example. The effect of this should not, however, be overstated.

These big deals are in any event rare. For the most part foreigners are seeking good deals, just like South Africans. And many foreign buyers are seeking residences, having come to South Africa for work, business or settlement. The stereotype of idle-rich holidaymakers is definitely not reality.

Foreign buyers were most prominent in Cape Town (8% of total buyers), Ethekwini (6%) and Johannesburg (5%). Some 27.5% of foreign buyers were from elsewhere Africa.

Rand appreciation

The survey also argues that while the recent appreciation in the value of the rand may have reduced the attractiveness of South African property to foreigners, it is not decisive. Rather, a general slackening of the global property market – slower house price growth, and a decline in housing as an asset class – seems to be dampening foreigners' interest in local property.

At the end of the day, a fall-off in foreign buyers is not structurally significant for property prices. But it removes opportunities from the local market. This is part of the constrained environment that sellers and estate agents have to contend with today.

ABOUT RICHARD GRAY

Richard Gray is CEO of Harcourts Real Estate South Africa. He joined the group in September 2010. Gray brings extensive experience in IT, project management, corporate operations and financial services provision, having been CEO of mortgage originator Bond Choice, to the table. He believes that the key to the group's prospects are the strong brand, industry-leading value proposition, talented people, and the benefits of being part of a powerful international real estate group.

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