

# Cape Town continues to attract international investment

According to Stuart Chait, executive chairman for Land Equity Group, with the ever-growing popularity of Cape Town, and in particular the Atlantic Seaboard, the destination continues to attract foreign investment.



The Iron Works in Woodstock

While ever-increasing property prices are a hot topic of discussion among locals, the international market has not flinched as foreign currency investors snap up properties.

"The listed property sector and booming tourism market are core drivers for increased international investment sentiment," says Chait. "Investment is driven by investor mandates and sentiment, risk adjusted to factor in political instability, and currency risk. Essentially, investors have targeted sub-Saharan Africa as a key investment node for the next 20-30 years, and although South Africa's growth is behind some of the other sub-Saharan countries, nodes like Cape Town's CBD and the Atlantic Seaboard have seen exceptional growth."

Land Equity Group has experienced firsthand the increased focus from international markets for these properties in the past six months, selling out several developments including the Ironworks, a R250m 140-apartment block and The Docklands, a R350m, 134-apartment block which sold out to co-developers before even being taken to market. More than 90% of the Zero-2-One Tower, a R1.5bn mixed use development in Cape Town's CBD, set to be the tallest building the city, has already been sold primarily to international investors, with takers for the balance already queuing up.

"More than one third of our recent sales have been to foreign investors from the United Kingdom, Switzerland, Germany, Netherlands, France and Italy who are now focusing heavily on the Cape."

## Mixed-use developments

"Investors both local and international are drawn to mixed-use developments as they stay 'alive' 24 hours a day, and people are drawn to this energy, compared with for example an office block which is only active 10 hours a day. These developments are also well suited to modern life in that they provide the ability to live, work, exercise and entertain all within a secure environment."

Cape Town has been listed as one of the top cities worldwide on the Global Cities of the Future winners 2016/17 for foreign direct investment (FDI) strategy, something Chait believes will continue. "The Cape Town International Convention Centre extension is in its final stage of completion and this will bring more conventions and more delegates from all industries to Cape Town."

"In the listed property sector, investors are chasing yield and growth. Even with the currency hedge, the yield in South Africa's listed property sector is still very attractive. Leases here have escalations ranging from 7.5-9%, unlike most other developed countries where they are fixed and have rent reviews every five years."

Chait believe Cape Town still offers excellent value in comparison to other international cities such as New York or Singapore and he foresees investor sentiment improving and continuing to grow.

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