

International property investment

AWASH WITH CASH, HUNGRY FOR MORE

Close on 20 000 property investors and their hangers-on gathered in Cannes last week to attend the 17th annual MIPIM festival, the largest property jamboree in the world. Their hunger for deals made it clear that the worldwide property boom shows no sign of losing momentum.

Representatives from 70 countries, swapping notes at cocktail parties, on yachts and over champagne in swish beachfront hotels, discovered that property prices have converged everywhere in the world – except Africa.

The capitalisation rates – the forward income returns as percentages of purchase prices – of offices, industrial buildings and shopping centres have come closer than ever before in Europe, North and South America, the Middle East and Asia.

"Everybody at MIPIM agrees that this market will continue to run for some years still, driven by economic fundamentals that look very good," said Pace MD David Green from Cannes. "This includes economic growth, particularly employment growth, and low interest rates."

Green says the global economy is awash with cash. International investors can get nonrecourse finance – they don't have to secure it with personal guarantees – for 90% of their property purchase prices. "Further pressure on property comes from large fund managers who

remain sceptical about the world's stock exchanges," adds Green. "They feel stocks are fully priced and there is an underlying feeling that any major terrorist event will have a far more dramatic effect on the world's bourses than on property."

He says SA is lumped in with the rest of Africa in most investors' minds. "They have concerns about Africa and are also aware that there is a shortage of suitable investment stock."

Green adds that the greatest interest is in South America and India, subcontinents with large populations, big development projects and fast-growing economies. "There is some interest in



Marc Wainer Overseas investors poised



David Green Fundamentals still good

SA," he says. "We have requests for projects that can take R100m upwards – and we will follow these up."

Despite current attitudes to Africa, Madison director Marc Wainer is convinced international investors are poised to enter SA, their sights set, particularly, on its few large trophy properties. "I foresee a global giant such as Australian fund West Field, the biggest shopping centre owner in the world, buying the V&A Waterfront, for instance," says Wainer. "I guess West Field's capitalisation rate is around 3,5%, so even buying the Waterfront at 4,5% would be yield-enhancing."

Wainer adds that rising market capitalisations of funds such as Growthpoint, Grayprop and Hyprop will also make them attractive to the international funds, "as soon as they get to understand our legal and other structures, that is".

Ian Fife