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NO NEED TO PANIC

There have been certain articles recently which have stated that South Africa intends to only allow foreigners to purchase property on a 99 year lease. These reports are not all together accurate. All that has happened is that the relevant minister has stated in parliament that one should investigate why the prices of properties in South Africa have increased dramatically and in particular look into the question of the influence of foreign ownership of properties in South Africa on such prices. Mention was made that a possible solution could be that foreigners would only be allowed to obtain property by way of a 99 year lease. It is however unlikely that the same will happen for the following reasons:-

1. The Government has in fact not made any firm commitment to proposing a restriction on foreign ownership. It was reported in the Rapport that the cabinet agreed on the 24th of July 2004 to investigate foreign property ownership as well as the effect thereof on land reform. Mr. Joel Netshitenzhe (The government representative) said that the Department of Agriculture and Land Affairs will do an audit whereafter a panel of experts from within and outside the government will debate the possibility of enforcing restrictions to foreign property ownership. Public discussions will also be held.
2. Since 1995 South Africa has had a tradition of starting debates and entering into compromises regarding matters of national interest. This resulted in the peaceful transition from the old regime to the present government. This tradition of debating and compromise has continued in regard to almost every important Law passed in South Africa since 1995. Usually a government minister raises the question and proposes a rather draconian solution. After discussions have taken place the parties compromise and the resultant legislation is one which satisfies all the parties. One may recall the initial scare when the government spoke about the mining charter for South Africa. After negotiations the final outcome was much different.
3. The South African Government has done a wonderful job on the macro economic side of the country. It has reduced inflation to its lowest levels for many years, introduced policies which strengthened the rand, reduced the budget deficit dramatically and generally strengthened the economy. It is unlikely that the South African Government will sacrifice much of its hard earned gains by making foolish decisions regarding foreign investment.
4. Foreign ownership of property constitutes less than 1% of properties purchased in South Africa and it is unlikely that the panel of experts referred to above will find that foreign property ownership has actually affected the property market of South Africa that dramatically. It is likely to find that it has only really affected the top end of the market as foreigners are inclined to purchase the expensive properties. Very few properties which are priced for less than one million rand are owned by foreigners and this is in fact the market in which the majority of South Africans invest.

At the end of the day property investment in South Africa is such an attractive exercise that one should never be frightened by the fact that certain restrictions may be placed on the ownership. Even if such restrictions were imposed, the properties in South Africa form a wonderful investment opportunity as well as providing superior accommodation in a beautiful part of the world with a temperate climate. On a value for money basis it is difficult to imagine a better place to invest in immovable property (even if the same is subject to a 99 year lease ownership – which one assumes is unlikely).

COMPANIES WITHIN THE DYKES VAN HEERDEN GROUP

DYKES VAN HEERDEN INC

Tel : (011) 279-5000
 Fax : (011) 955-4799
 E-mail info@dvh.net.za
 19 Ontdekkers Road
 Roodepoort 1724, South Africa

Docex 24, Roodepoort
 Web-site: <http://www.dvh.law.za>

DYKES VAN HEERDEN (CAPE) INC

Tel : 0861 110 210
 Fax : (021) 910-4911
 E-mail admin@dvh.law.za
 Unit E4/2, Edward IV
 120 – 122 Edward Street
 Bellville 7530, South Africa
 Docex 42, Tygerberg
 Web-site: <http://www.dvh.law.za>

DYKES VAN HEERDEN (KZN) INC

Tel : (031) 903- 1851
 Fax : (031) 903-1101
 E-mail thomas@kzndvh.za.net
 Nr. 18 Ridge Road
 Amanzimtoti
 Durban 4120, South Africa
 Docex 7, Amanzimtoti
 Web-site: <http://www.dvh.law.za>

**DYKES VAN HEERDEN SLABBERT
 HOPKINS INC**

Tel : 0861 110 210
 Fax : (021) 910-4911
 E-mail capetown@dvhs.law.za
 Unit E4/2, Edward IV
 120 – 122 Edward Street
 Bellville 7530, South Africa
 Docex 42, Tygerberg
 Web-site: <http://www.dvh.law.za>

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