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Taking the offshore route

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**Joan Muller**

UNCERTAINTY concerning where rand exchange and interest rates are heading, coupled to South Africa's fast deflating housing boom, could prompt more property investors to take a fresh look at opportunities overseas.

Some analysts say it may be time to take profits on SA property investments and use the proceeds to spread risk geographically. And while mature housing markets - particularly Britain - are still being punted as the safest bets, SA buyers are turning increasingly to emerging property destinations such as Dubai, China, Mauritius and the Seychelles.

Both countries opened their property markets to offshore investors about two years ago.

At the time, the Mauritian government passed new property legislation - the Integrated Resort Scheme (IRS) - to allow foreigners to buy freehold property in dedicated, luxury residential developments. The IRS scheme also entitles foreign buyers and their dependants to permanent residence status.

To date, only a handful of resorts aimed at offshore buyers have been approved in both Mauritius and the Seychelles. The first two (launched in 2005) were Eden Island, close to Mahè in the Seychelles, and Tamarina Golf Estate and Beach Club, on the west coast of Mauritius. Both are now sold out.

Two more opportunities have since opened in Mauritius: Anahita, on the east coast, and Villas Valriche, on the island's relatively underdeveloped south coast at Bel Ombre.

Anahita will comprise around 300 villas, an 18-hole golf course designed by Ernie Els and Africa's first Four Seasons Resort Hotel (currently under construction). Villas are selling at between \$1,5m (R10,8m) and \$4m (R28,8m).

The Villas Valriche development will be built on an old sugar farm belonging to the Bel Ombre Sugar Estate, with the Black River Gorge National Reserve as its backdrop. The resort forms part of the Domiane de Bel Ombre, which includes two existing five-star hotels - Heritage Golf and Spa Resort and Le Telfair - as well as a completed 18-hole Peter Matkovich-designed golf course.

Its 288 villas are priced from around \$800 000 (R5,76m) to \$2m (R14,4m). The developer is SA-based Secondlifestyle Group, while Hayes, Matkovich & Associates, also an SA-based company, is responsible for marketing and sales.

Two important questions arise: How safe is it to buy property off plan in Mauritius and what capital appreciation can you expect? Secondlifestyle Group director Alec Bates says Mauritian law dictates that developers who sell property off plan have to provide a bank guarantee that the unit will be completed as specified in the buying contract. So if the developer goes bust or doesn't deliver what was promised (within an agreed margin of error) buyers have the right to claim their money back.

But the second question is perhaps more pertinent, as Mauritius has no formal track record of house price growth that can be used as a measure for future performance.

Timo Geldenhuys, sales director of Hayes, Matkovich & Associates, concedes that the Mauritian property market still needs to prove itself as a sustainable destination for foreign property investors. However, given the high level of interest in the resorts that have already been launched, Geldenhuys is confident that Villas Valriche buyers should see 20% to 30% capital growth over the next two years.

For example, units at Tamarina are already reselling at 30% more two years on.

Most IRS schemes also offer investors the potential to earn a US dollar-based income return by setting up a rental pool on behalf of interested owners.

A key factor that will support property values is the expectation that the Mauritian government won't flood the market with too many IRS schemes. Bates says although no restriction has

been placed on the number of developments that could be built, he believes it shouldn't exceed more than 10 to 12 projects, bringing the number of freehold units to around 3 000.

Besides, says Bates, obtaining rezoning and development rights in Mauritius can be an onerous and lengthy process, which doesn't make it easy for developers to get IRS schemes off the ground. It took 30 months to obtain final approval for Villas Valriche.

But tourism growth will ultimately be the biggest driver of Mauritian property values over the next few years. Its government has set a rather ambitious target of luring 2m tourists/year by 2015 - more than double the 788 000 tourist arrivals seen last year. It remains to be seen how achievable that target is.

\* Muller was a guest of Villas Valriche in Mauritius.



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