



## South Africans snap up paradise

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Johannesburg - For years a one-week sojourn in paradise, Mauritius is now offering intrepid South African property investors a chance to enjoy the rare combination of economic growth and a stable housing market.

Some 60 South Africans have bought luxurious leisure properties on the Indian Ocean island at an average R12m apiece since 2005. That was when the first Integrated Resort Scheme (IRS) was developed, figures released this week by the Mauritian Board of Investment (BOI) show. The BOI is a government agency which promotes foreign investment in Mauritius.

Mauritian property ownership was opened to foreign investors for the first time when IRS legislation was passed in 2002. The legislation allowed non-residents to buy freehold property in dedicated resorts for a minimum of \$500 000 (R4m). A key component of IRS legislation is that buyers and their dependents automatically qualify for permanent residency. Nineteen IRS developments have been approved by the BOI to date, of which four are either completed or under construction.

In the last three months alone, another 25 luxury waterfront villas have been reserved by South African investors in the fifth IRS scheme to break ground on the island since 2005. La Balise Marina at Black River on the west coast, where villas look out over the water's edge and have direct sea access, are selling off-plan for between \$690 000 (R5.52m) and \$2.8m (R22.4m).

### **Rand strength a driver**

Rob Hudson, MD of Hayes, Matkovich and Associates, the local promoter of two IRS developments (La Balise Marina and Villas Valriche), said there was no doubt that recent rand strength was prompting more South African investors to get into dollar-based assets. Mauritian real estate offered an ideal currency diversification vehicle for South African investors because it was underpinned by a strong and growing economy. Gross domestic product in Mauritius was 3% in 2009.

In addition, South African investors were not subject to the usual R4m foreign investment allowance, as Mauritius forms part of the Southern African Development Community (SADC).

Moreover, the Mauritius property market had defied the global trend of falling property values. Hudson said not one of the 400-odd foreigners who have bought into an IRS scheme since 2005 have resold at a loss. In fact, BOI figures show that IRS property values have increased an average 35% a year over the past two years.

Raju Jadoo, MD of BOI, said initially there was scepticism about the future profitability of IRS developments when the first scheme, the luxury golf estate Tamarina on the west coast of Mauritius, was launched in 2005. However, four years on IRS has proved itself as a viable investment vehicle with property sales now representing more than 30% of all fixed direct investment into Mauritius. Total IRS sales have generated 15bn rupees (close to R4bn) in foreign investment over the past four years, replacing sugar and textiles as key pillars of the Mauritian economy.

### **Tax incentives beckon**

Jadoo said South African buyers represented 15% of the 400 IRS properties sold to foreigners since 2005. The majority of sales have gone to French (33%) and British (23%) investors. Despite the global recession and ongoing liquidity problems in many parts of the world, property sales in Mauritius have slowed less than 5% from 161 units in 2008 to 120 so far for 2009, said Jadoo.

Limited supply of IRS products appeared to be an important factor that would support ongoing price growth. Jadoo said the Mauritian government would not allow the market to be flooded with IRS resorts, with no more than a total of 4 000 IRS units likely to be approved over the next 10 years.

Craig MacKenzie, the South-African born CEO of Investec Mauritius, cited rapid growth in the skilled expat community as an important driver of future property demand and thus values. The investment bank has taken a 40% stake in the La Balise Marina development, its first direct exposure to a property development in Mauritius. MacKenzie said the fact that Mauritius has a simple tax structure with a flat individual and company tax rate of 15% is an important incentive for foreigners to use the island as a business base.

There was also no foreign exchange control or capital and inheritance gains tax, which further enhances its attraction as an offshore investment destination. Mauritius has a South African expat community estimated at about 10 000.

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