

# Land Rush by Foreign Investors Divides South Africa

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New York Times

Published: January 6, 2005

**H**IBISCUS COAST, South Africa - David Bailey is about to buy his 11th piece of property here on this country's southeast coast, fully expecting to sell it in a year for a nice profit. And why not? He has done it three times in three years, he said, clearing a tidy \$200,000 along the way.

With this nation's housing prices headed toward the ionosphere, one could almost say that Mr. Bailey has captured for himself a piece of the South African dream. Except that he isn't South African. Mr. Bailey, 43, is a construction subcontractor from outside Belfast.

"Friends of ours had bought here. Property was so cheap compared to home. We decided to invest because we could see the land was getting scarce and prices were starting to move," he said as he enjoyed an early brunch at a cafe overlooking the Indian Ocean. "It has been excellent. The prices just keep going up."

Let others sniff out the coastline of Spain, France or Ireland, itself the site of a property boom. Mr. Bailey sees much better prospects along the breathtaking coastline of South Africa's Eastern Cape. Hidden from the world for decades under apartheid, it has now become the object of a minor land rush by foreign investors.

That has touched off an emotional debate in South Africa over whether to welcome the world's Baileys or to fend them off with new restrictions on foreign land ownership. Six months ago, the South African minister of land affairs, Angela Thoko Didiza, said foreigners should be prohibited from buying land outright and allowed to acquire only 99-year leases. A government panel was subsequently formed to investigate the issue and is to deliver an interim report this month.

What drives the government's concerns is clear. Housing prices here have leapt by double digits for four years straight. In December, The Economist reported that they surged by 35 percent in the year that ended last March - the steepest increase of 20 nations that the magazine surveyed.

To many economists, the notion of turning away rich foreigners in a land starved for outside investment is ridiculous on its face. "One must welcome foreigners who are injecting capital into a country, whether they buy a factory or a house," said Erwin Rode, of Rode and Associates, a specialist in the economics of property. "That real estate investors are buying is a good sign."

If stretches of the nation's coastline turn into playgrounds for rich Europeans, real estate agents say that is a tangible sign to the first world that South Africa deserves notice as a stable location for foreign investment. "The more foreigners who buy property here, the more foreign interest there will be in South Africa from an economic point of view," said Ronald Ennik, the chief operating officer of the Pam Golding Property Group, the nation's biggest real estate firm, "We see it as an uplifting."

But this is South Africa, the quintessential land of haves and have-nots, and much is measured in terms of its impact on the millions of blacks who were dispossessed, rendered landless and impoverished by apartheid. Five million blacks live in shacks outside cities like Johannesburg, striving to move up to a rich family's servants' quarters - or, if they are really lucky, a one-room concrete, government-financed home of their own.

They have no land to sell and even less hope of buying any as prices soar. As many of them see it, a hotter property market mainly benefits South African whites, because only whites could amass property under apartheid.

Letepe Maisela, a resident of Johannesburg, summed up the resentment in July in a letter to the South African newspaper *Business Day*. "There is something wrong when our country is being auctioned off to the highest bidder," he wrote, "while its native inhabitants, whose financial growth was stunted by colonialism and apartheid, do not yet have the means to compete."

Real estate agents and some economists counter that foreigners own less than 1 percent of the land in the country and almost uniformly seek high-priced property that is already out of reach of most South Africans. "The game to be honest is primarily being played out at the very top of the market, the top 5 percent," said Francois Viruly, a property economist in Johannesburg.

In the thick of the debate is Shadrack Gutto, the leader of the Center for African Renaissance at the University of South Africa in Pretoria and chairman of the government's panel on foreign land ownership. In a telephone interview, he said there is little hard evidence to either prove or refute claims that foreign speculators are driving up prices for average South Africans. Nor, he said, is there any reliable data on how much land foreigners own in South Africa.

Economists predict that South Africa's president, Thabo Mbeki, will be reluctant to limit foreign buyers without further study. But his only pronouncements to date - in late June, before Parliament - suggest he is quite open to a change in policy.

"Many countries have such restrictions," he said then, mentioning Switzerland. "We know of no reports that this has served as a red flag to foreigners who have invested in these countries."

Mr. Bailey, the Belfast subcontractor and beachfront property mogul, said he could understand the sense of protectiveness. "It is no different than at home," he said. "A lot of foreigners bought up developments and drove prices way up."

Nonetheless, he said, South Africans have gone out of their way to make him feel welcome. As for his investments, he said, "I have no fears at all."