

USA and Germany attract attention from SA property investors

According to IP Global's 2015 Global Real Estate Outlook for the third quarter, Southern African property investors are increasingly looking towards Germany and the United States of America as potential markets. A large number of investors also continue to invest in traditional 'safe haven' markets such as the United Kingdom and Australia.



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Cities such as London, Manchester, Melbourne, Brisbane, Berlin, Chicago, Miami and Tokyo top the wish list for global investors. Demand from investors in Southern Africa for access to overseas property markets continues to grow, a trend which has enabled IP Global to expand their African operations over the last two years. The firm will be deepening their capability further this month with the opening of their new Africa headquarters in Cape Town.

Berlin is fast becoming a key market for property investors. Compared to other European capital's such as London and Paris, Berlin as a tier-1 city with tier-3 pricing is regarded as significantly undervalued. With about 250,000 jobs created in the last ten years, the city has had a huge population influx which generated demand for apartments.

To fulfil this demand and that of another 340,000 new residents expected by 2030, Berlin is forecast to need 19,655 new apartments every year. Last year only 9,000 were completed, leaving an imbalance which is driving price rises. The average Berlin apartment price rose by 11.7% in 2014.

Strong rental yields

Another city that IP Global recommends Southern African investors set their sights on is Chicago, the USA's second largest financial centre. Representing exceptional value, investment here offers strong rental yields. Rental rates that have in some areas recorded double-digit annual growth over the last three years, have driven average yields in Chicago as high as 7.9%. With prices remaining 20% beneath pre-recession peaks across the city, Chicago is the perfect choice for investors looking for good value in the USA.

According to IP Global, about 70% of its Southern African clients have been investing in the UK this year, 20% in Australia and a growing proportion (10%) in Germany and the USA respectively. Compared to last year when 90% invested in the UK and 10% in Australia, this indicates that while Southern African investors still gravitate towards familiar markets, they are now also considering alternative markets - diversification that IP Global recommends.

In the UK, the Global Real Estate Outlook pinpoints London and Manchester as key investment markets. In London record-low interest rates of 0.5% are pushing buyers onto the market; yet, the city still has a huge under supply of residential properties. The rising demand forces prices to escalate, with forecasts that the average London house price will hit £1m within five years.

Largest student population

Elsewhere in the UK, Manchester now represents the highest rental yields in the country at 7.98% and therefore makes sound property investment sense. Home to the UK's largest student population, the city's property market has climbed by 2.9% in the past three months and 6.1% in the last year.

In Australia where a weakening currency is good news for overseas investors, Brisbane's growing international status is attracting more and more people and businesses, driving house prices across the city up 5% per annum over the last three years. Further growth of 13% is forecast to 2018 for the city that boasts an economy worth AUD146bn.

Also in Australia, 'the world's most liveable city' Melbourne is attracting new arrivals all the time which drives considerable property market price growth. Further capital growth of up to 8% is forecast for next year.

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