

Tourism Property Acquisition in South Africa: A Marketing Perspective

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Abstract: *In the current context of a highly competitive tourism environment, it is increasingly significant to attract alternative and supplementary target segments contributing to diversify and reinforce tourism activity of a destination. This is probably more attractive task for South Africa, a globally emerging destination. The aim of this paper is to explore the crucial factors influencing behaviour of individuals purchasing tourism property in South Africa. From a destination perspective, this analysis is very important in successfully attracting and sustaining property owners. A survey using the method of quantitative research by means of a questionnaire has been conducted to real estate agencies in South Africa. The statistical data were analysed by SPSS and a factor analysis has been performed. Research findings indicated five factors to be crucial from a marketing perspective, namely: country's perception and infrastructure, government policy, economy, competitiveness and natural resources / environment.*

The present study allows for gaining understanding on the behaviour and decision making of foreigners willing to acquire tourism properties in a destination. Marketing implications are also discussed. Study's findings suggest that destination marketers have to focus on specific issues, consider this segment as a challenge and promising, and incorporate this component in marketing planning.

Keywords: *Tourism property, behaviour and decision making, determining factors, destination marketing, South Africa.*

1. INTRODUCTION

An increasingly number of people, around the world, who visit places as tourists seem to be willing to buy property in their favourite destinations as second homes or to move or to retire in the future (Horner & Swarbrooke, 2004). Tourism property acquisition may be considered as a Foreign Direct Investment (FDI) done by an individual. According to Dwyer et al. (2010) and Varvaressos (2008) a tourism FDI can be defined as when an investor based in one country acquires an asset in another country with the intent to manage the asset. For the South African tourism industry to remain global, as well as sustain growth in tourism number, FDI remains paramount. The South African tourism industry is valued at R76.3 billion (about €7.63 billion) in 2010 (SA Tourism 2010) and is expected to rise sharply as government and the private sector invest in a marketing and promotion drive. It is estimated that South Africa (SA) is an ideal tourism destination for tourism property acquisition because it offers value for money, good infrastructure and a political and economic stability (SA Department of Trade and Industry, 2012). The aim of this paper is to report on a study investigated the crucial factors influencing behaviour of individuals purchasing tourism property in SA. From a destination perspective, this analysis is very important in successfully attracting and sustaining property owners / investors, as well as in attaining a sustainable competitive advantage. The paper commences with a literature review, thereafter an overview of the context will be presented; the two sections focus on (i) the phenomenon of buying tourism property in foreign countries, and (ii) the tourism property investment by foreigners in SA. In the next section the research methodology is outlined; this is followed by the presentation of findings and the related discussion. The paper is completed by formulating marketing implications and recommendations for destination marketers.

2. LITERATURE REVIEW

There not a lot of empirical studies performed in the field of tourism property acquisition. It seems that this knowledge area has not attracted scholars and little research has been carried out. The related literature is more interested in business investment in the tourism industry. According to Snyman & Saayman (2007) there is a growing interest in purchasing property, especially in existing tourism products, including game farms, guesthouses, holiday homes and wine farms. Added to this is the fact that these products are used for private as well as business purposes. Related literature, mainly books, focused on the fundamental determinants of international investment decisions and the underlying micro and macroeconomic expectations. Many scholars (e.g. Biswas, 2002; Dwyer et al. 2010; Saayman and Snyman, 2005; Varvaressos, 2008) suggested that influencing factors might be microeconomic (e.g. government policies) and macroeconomic (e.g. exchange rates and infrastructure). Additionally to above economic factors influencing investments in

the South African context there are two social factors: HIV/AIDS (Naudé & Krugell, 2007) and crime and security (Hendricks, 2003; Holloway et al., 2006). Ramabodu et al. (2007) demonstrated the diversity of property investment opportunities but also emphasized the challenges that are faced in SA. Their paper addressed how diversity and such factors as the country's history, government, different cultures, housing needs, vast rural areas, fast developing cities, black empowerment and international interests, influence property potential. These aspects and factors were used to develop a questionnaire in order to explore the determinants of tourism property acquisition. The literature review confirmed that little related research has been conducted in SA, yet the country has many organisations focusing on attracting foreign investments. Literature review indicates that there is a lack of research and empirical studies in the field of investment by foreigners in tourism property acquisition, a phenomenon occurred mainly during the last three decades.

3. TOURISM PROPERTY ACQUISITION IN FOREIGN COUNTRIES

The rapid growth in international tourism in recent decades has led to an interesting phenomenon; an increasing number of tourists are buying property (ownership or timeshare) in countries they first visited as tourists. This property is seen as a source of enjoyment and investment. The reasons for purchasing include (Horner & Swarbrooke, 2004; McWatters, 2008; Timothy & Teye, 2009): holiday home, permanent home after retirement, permanent residence when they immigrate to a new country. This phenomenon of tourists buying properties in their favourite destinations, for whatever purpose, has been seen particularly in Europe (Horner & Swarbrooke, 2004; Mazn, 2006). An important priority in the purchase of a vacation home for the international/ foreign and out of state buyers, is that the property offers all of the special ingredients such as quality of life, excellent healthcare, good communications, and easy access. Additional services are an important factor in the purchase decision (Timothy & Teye, 2009). Typically the most important factors in the decision to buy a holiday home are the climate, nature (scenery) and the lifestyle. Other factors include attractions and sporting activities. The hospitality of the people, the cost of living, health services above all for the early retirees with possible health problems and the younger buyers who tend to have families. Spain is by far the number one destination for residential tourists from Europe, with the coastal areas between the Costa del Sol and the Costa Blanca in particular because of the excellent year-round climate, good infrastructure and France due to its proximity (Perles Ribes et al., 2011). Florida still remains the favourite in the USA with millions of baby boomers readying themselves for retirement and an ever increasing number of wealthy families making investments for their future (McWatters, 2008). It is worth stressing that the growth of property buying by foreigners has impacts on the host community / destination, both positive and negative. Literature indicated that the key issues to be taken into account by countries / destination interesting in developing plans and initiatives, and private projects in this field include: so-called 'residential tourism' in which tourists become residents looks set to increase, encouraged by the easing of restrictions on foreign property ownership in many parts of the world. The purchase of property by foreigners is often organised and managed by enterprises based in the purchaser's own country. In some countries foreigners tend to purchase old rural property and renovate it while in other countries the norm is to buy newly-built property. Purchasing property in a foreign country is financially a risky business as changes in economic conditions can make it difficult for buyers to pay back the loans they use for the purchase and can also make resale difficult. The purchase of second homes by foreigners means they are likely to visit the destination quite often which is beneficial to businesses within the local community. However, it can be a loss for the accommodation sector as most of these people would previously have stayed in commercial accommodation before they bought their own second home.

Within the above outlined framework of very challenging and competitive environment and market conditions, it seems that SA, as a hosting country of tourism property investment, has some competitive advantages.

4. SOUTH AFRICA: TOURISM PROPERTY INVESTMENT BY FOREIGNERS

SA is a vast country and has a wealth of features for tourists as well as those who are looking for more permanent homes in SA. The warm temperate climate and stunning scenery in SA is attracting homebuyers from all over Europe. Rich cultural diversity adds piquancy to the country and offers property buyers ideal holiday and rental options on their properties. Outstanding shopping, good banking facilities and a strong infrastructure combine to make SA an extremely popular destination for second homebuyers. With political and economic stability, many European citizens now consider SA to be not only a country for holidays, but also the place of choice for retirement or permanent homes. Homebuyers enjoy a lower cost of living and good quality of life, supported by an excellent infrastructure for the ideal lifestyle in the sun. The areas around Cape Town and the Western Cape remain firm favourites with property buyers. Other developing hotspots in SA are to be found in the areas around Durban, particularly KwaZulu Natal. The main factors for which SA tourism property is considered for being a good investment include (SA Tourism, 2010): economic stability and solid economy; politically stable country with a government dedicated to encouraging outside investment; warm temperate climate with the advantage of the reverse seasons of the southern hemisphere; stunning scenery, beautiful beaches and a relaxed outdoor lifestyle; superb opportunities for viewing wildlife; good infrastructure with excellent facilities for travelling around the country; transparent and well regulated property purchase process; clear title deeds confirming ownership of property; increase in tourism partly stimulated by the 2010 World Cup; high rental demands due to the rapidly expanding middle-class and growth in tourism. Other significant factors include: favourable rate of exchange between the Rand and other major currencies; and relatively low cost of living.

5. RESEARCH METHODOLOGY

The research method implemented was a field survey using quantitative research by means of a structured questionnaire. This questionnaire has been conducted to real estate agencies in SA. These professional agents are active in the field of foreign property acquisition, mainly by individuals for leisure purposes (not organizations or corporations). Estate agencies were contacted to identify those specialise in the field investigated (tourism property) and the response indicated a total of 400 estate agencies. These agencies formed the sample population for our research. All 400 were then contacted to establish their willingness to participate in the research. From the response of the 400 agencies, 115 of them were willing to participate in this survey and had sufficient information on tourism property investments. They were visited and 115 questionnaires were returned since they were completed in the presence of the interviewers. The questionnaire consisted of aspects and factors identified in the literature review and a pilot study of five questionnaires was conducted to ensure that agencies would understand the questions. Data capturing took place from October 2006 to April 2007. The data gathered were captured in Microsoft Excel and the descriptive statistical analyses were performed by using SPSS 15.0. These analyses included descriptive analyses and a factor analysis. A principal axis exploratory factor analysis with Promax rotation was performed on 42 statements where five factors were retained, explaining 54 per cent of the variance.

6. FINDINGS: STATISTICAL ANALYSIS AND DISCUSSION

As it has been already said, statistical data were analysed using SPSS 15.0 and a factor analysis has been performed. Hereafter the main findings are outlined.

6.1 Profile of main markets

According to the results presented in Table 1, the primary foreigner tourism property buyers come from the UK (38 per cent), Germany (23 per cent), The Netherlands (12 per cent), USA (7 per cent) and France (5 per cent). It is interesting that these investors come from the five main tourism demand markets and therefore the results correlate well with SA Tourism's annual report (2010). Findings confirm a very strong relationship between tourism origin countries and tourists becoming owners of tourism property. This element confirms the findings of research performed by Mueller (2003) who stated that foreign investors target markets that they have already visited. Most of the property investments take place among the coastal and bushveld areas of SA (Table 1). Findings also indicate that different markets prefer different products even though one notices a common theme. Study's findings also confirm that most of these buyers invest as individuals and a smaller percentage as part of a consortium. An individual investor implies that the investor is the main shareholder (100 per cent) whilst a consortium refers to a group of individuals or companies where each has a percentage share in the investment. All markets, with exception of the Dutch, consider climate as the primary motive / reason for property investment. Research performed by Saayman & Saayman (2007) also indicated that climate, scenery and location positively influences foreigners to visit SA, thereby confirming the relationship between tourists visiting a destination and the individuals investing in property acquisition.

Table 1: Profile of main markets of tourism property investors

United Kingdom		Germany		USA		The Netherlands		France	
<i>Motives</i>	%	<i>Motives</i>	%	<i>Motives</i>	%	<i>Motives</i>	%	<i>Motives</i>	%
Climate	18.1	Climate	17.2	Climate	14.3	Investment	25.9	Climate	9.7
Investment	10.9	Investment	12.9	Scenery	10.7	Lifestyle	18.5	Holiday	9.7
Price	9.4	Lifestyle	9.7	Lifestyle	7.1	Value	18.5	Lifestyle	6.5
Value	8.0	Value	8.6	Value	7.1	Holiday	14.8	Scenery	6.5
Lifestyle	7.2	Price	7.5	Price	7.1	Currency	14.8	Price	6.5
<i>Popular products</i>		<i>Popular products</i>		<i>Popular products</i>		<i>Popular products</i>		<i>Popular products</i>	
Game reserve	11.1	Houses	10.7	Game reserve	12.6	Golf estate	11.6	Game reserve	13.4
Golf estate	10.7	Game reserve	10.4	Holiday apartment	12.6	Game reserve	10.0	Wine farm	11.9
Houses	9.4	Golf estate	10.1	Golf estate	10.7	Holiday apartment	9.5	Golf estate	10.5
Holiday apartment	8.8	Bed & breakfast	9.4	Houses	10.7	Resorts	8.4	Holiday apartment	10.5
Bed & breakfast	8.8	Guesthouses	9.4	Lodges	8.7	Houses	8.4		
Wine farm	8.8								
<i>Bought as</i>		<i>Bought as</i>		<i>Bought as</i>		<i>Bought as</i>		<i>Bought as</i>	
Individual	96.0	Individual	95.0	Individual	87.2	Individual	94.0	Individual	99.0
Consortium	4.0	Consortium	5.0	Consortium	12.8	Consortium	6.0	Consortium	1.0

Source: Snyman, 2007

6.2 Factor analysis

This analysis grouped the forty two individual statements into five key factors influencing tourism property acquisition. To determine the appropriateness of principal components analysis (data reduction procedure) for the collected data, a correlation matrix for the motivational data, Kaiser-Meyer-Olkin measure of sampling adequacy aims to examine whether the strength of the relationship between variables is large enough to proceed to a factor analysis. The Barlett test was found to be significant ($p < 0.00001$). Therefore the data reduction by principal components would be legitimate. A factor analysis with Promax rotation was performed. An eigenvalue of 1.0 was used for factor extraction criterion and loadings of 0.30 were used for item inclusion. Cronbach's coefficients were also examined for each factor to check the reliability of the data and to serve as a measure of internal consistency among the items – all Cronbach's coefficients above 0.7 indicating reliability (Table 2).

Table 2: Factor analysis

Factors	Mean Value	Cronbach's Alpha
1 Perception & infrastructure	1.96	0.924
2 Government & policy	2.61	0.823
3 Economy	1.94	0.813
4 Competitiveness	2.40	0.704
5 Natural resources / Environment	2.88	0.869

Source: Snyman, 2007

The reason for undertaking a factor analysis is to correlate statements in the questionnaire and grouped them together as one factor. A principal axis exploratory factor analysis with Promax rotation was performed for determinants of tourism property investments by foreigners in SA. Five factors were retained.

The communalities varied between 0.28 for negotiations and 0.70 for unrest. The factors were labelled according to similar elements. The factors of climate, scenery, and location had significant loadings on more than one factor and were removed from the factor analysis. The five factors (see Table 2) were labelled as follows: Perception and infrastructure (Factor 1), Government and policy (Factor 2), Economy (Factor 3), Competitiveness (Factor 4), and Natural resources and environment (Factor 5). Factor 1 'Perception and Infrastructure', which deals with aspects such as political stability, crime, foreign exchange, communication infrastructure, availability of roads, location of airports and availability of fresh water. Infrastructure as a determinant was also found to be very important a main motive by other studies (e.g. Van Zyl & Mahoney, 2002). Factor 2 'Government and policy' supports the notion that this determinant plays an important role in attracting foreign buyers. Study undertaken by Kruger-Cloete (1995) also supports this finding. Factor 3 deals with the Economy (inflation, economic outlook, expected return on investment and market size and growth). Naudé and Krugell (2007) highlighted the fact that a stable economy is a prerequisite for investments. Factor 4 'Competitiveness' is the factor with very high mean value. This aspect deals with public, private partnerships, incentive schemes, market size, etc. The crucial importance of this factor has been indicated by a previous study (Perles Ribes et al., 2011). Factor 5 'Natural resources / Environment' captured the country's main tourism thrust – wildlife and the Big 7. It seems to be the main motive and influencing factor. It proves the importance of SA's natural resources and the impact of these on tourism property acquisition. The correlations between the factors are given in Table 3. This indicates correlations that have practical significant between factor 1 (Perception and infrastructure) and factors 2, 3 and 4 (Government and policy, Economy and Competitiveness). There is also a practically important correlation between Government and policy and Economy, and between Economy and Competitiveness. Economic literature indicates that political stability and governance are important factors for foreign investments (Dwyer et al., 2010; Naudé and Krugell, 2007; Varvaressos, 2008).

Table 3: Factor correlation matrix between key factors for the motivational factor

<i>Factor</i>	<i>(1)</i>	<i>(2)</i>	<i>(3)</i>	<i>(4)</i>	<i>(5)</i>
Perception and infrastructure (1)	1.000	0.512**	0.600**	0.419**	0.164*
Government and policy (2)	0.512**	1.000	0.455**	0.313*	0.302*
Economy (3)	0.600**	0.455**	1.000	0.455**	0.292*
Competitiveness (4)	0.419**	0.313*	0.455**	1.000	0.311*
Nature (5)	0.164*	0.302*	0.292*	0.311*	1.000

Notes: * Statistically significant on a 5 per cent level; ** statistically significant on a 10 per cent level.

Source: Snyman, 2007

Therefore, research findings indicated that five factors are crucial from a marketing perspective, namely (in importance order): natural resources / environment government policy, competitiveness, country's perception and infrastructure, and economy.

7. CONCLUSIONS: MARKETING IMPLICATIONS AND RECOMMENDATIONS

According to estimations there seems little reason to doubt that this phenomenon of buying property in foreign countries following visits to these countries as tourists will grow worldwide, in the future. Every destination being involved or willing to develop tourism property acquisition must consider all related issues and aspects, mainly from a marketing perspective. The research purpose was to determine the key factors influencing tourism property acquisition in SA in order to successfully attract and sustain this type of investment. Study's findings allowed determining the profile of main demand markets (motives, products, etc.) and identifying key factors specifically for SA to attract foreign buyers. The following implications can be drawn. First, there is a relationship between travel behaviour (visiting of destinations) and property acquisition. It seems that once tourists have visited a destination there is a greater chance of buying a property than in the case where someone has not been to a destination. Therefore tourism marketers are directly also involved in this field. Empowerment of tourism marketers on issues and aspects of tourism property should have apposite impact on increasing investment on the one hand. On the other hand, tourism information dissemination, e.g. brochures and websites, should have information available of interest to potential investors. This has far-reaching implications, since the functions of tourism property and tourism promotion in SA are currently performed in separate organisations and as separate functions. A better coordination and management is an imperative in this field. Additionally, this study showed that nature / environment is a main motivator for investors in tourism property in SA and the same applies to foreign tourists visiting SA. Second, this study shows that, even though there are similarities in the products of interest to the five major markets (buying a tourism property in SA) such as game reserves and golf estates. However, one has to differentiate when these markets are considered, but it should be based on proper and in-depth market research that still has to be performed. This aspect also has marketing implications in terms of addressing different demand markets investing in SA. Third, even though five crucial factors have been identified for use by tourism marketers, it is important to highlight that the most important factor is SA's natural resources / environment including wildlife and the Big 7 and this should be used to differentiate SA from its competitors; followed by the government support and the need for clear policies, and third, the tourism industry to remain

competitive. These factors have policy and marketing implications in terms of focus on land development projects and tourism property within a destination marketing and communications. Obviously the present study provides insights on buyers' decision making and a better understanding of determining factors in choosing a host country for tourism property acquisition. Therefore, it is evident that tourism marketers should use this knowledge in their marketing plans and activities. Study's findings suggest that destination marketers have to focus on specific issues, consider this segment as a challenge and promising, and incorporate this element / component in destination marketing planning. In other words, this segment may be considered as being a niche market with particular interests and special needs/ requirements, offering considerable tourism business opportunities, mainly creating a stable tourism flows regardless the economic conditions / circumstances. In other words, it contributes to increased inbound tourism creating income and jobs. For these reasons tourism property acquisition should be a constituent and integral part of SA tourism policy and management, as well as a strategic aim of its tourism destination marketing.

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