

## ***Key Elements for Consideration when Investigating an IRS Property Investment***

As with any relatively new, yet rapidly expanding asset investment class, some product options will yield better performance and return rates than others. An investment into a IRS property is a substantial one, often the highest individual, residential property transaction for many buyers, particularly the SA demand market (the IRS villa often costing more than the buyer's primary residence in SA). This level of investment therefore justifies and warrants thorough and in-depth research and assessment of the different options available before commitment to any one. Espral International and Hayes, Matkovich & Associates (incorporating [www.mauritiuspropertyagent.com](http://www.mauritiuspropertyagent.com)) has thoroughly vetted and is instrumentally involved in the Developments it promotes, yet recommends any investment decision be validated through a personalised feasibility and assessment process.

What us certain is that as the number of property investments on offer to the international investor market out of Mauritius increases, the intensity of 'marketing talk and motivation' is increasing substantially. It is critical, particularly when acting as a referral agent, that the investment choices promoted are the most sound and attractive, from both a financial and lifestyle perspective. The investment choice for the end-user buyer must be rationally driven and not founded on the basis of marketing talk or promises.

Given Espral International's on island participation in the IRS sector from it's onset and the associated experience gained, the following would be 'key pointers' for contemplation when considering a specific IRS Development for investment would be (in no specific order);

- 1) Does development project in question have its full Mauritian BOI (Board of Investment) and relative authority approval? The sales agents of the Development in question should be able to supply such authentication in writing from the appointed Mauritian notary to the project. Please note that a "BOI Letter of Approval" which may be supplied does not constitute the final project approval. A good way to test whether the project has all its approvals and is in a genuine sales phase is to ascertain whether any properties on the

Development have transferred to the buyers i.e. is the Developer in question able to effect transfer to the owner 'as of immediate' pending (BOI approval)?

If the Development in question does not have its final approvals, it may well be detrimental to 'tie-up' your investment into an initiative where there may be uncertainty as to timing and roll out (and associated lead time to both lifestyle and investment return).

- 2) Does the Developer or Developer team in question have the experience, and more importantly, the financial muscle to fulfil on promises with regard to the project schedule and deliverable of services, value adds such as golf course, club house etc? One thing is for certain, unlike in SA where entry levels to property development have been minimal (in international terms) in the 90's and early 2000's, to perform in the Mauritian and associated international property development and sale sector requires serious financial muscle. As a result, dependence of the Developer on levels of 'pre-sales' before certain facets of the development are fulfilled could impact on service and value added facility delivery, which must be ascertained by the potential investor. It is always good to understand what levels of guarantee are contractually offered by the Developer in terms of performance is this in all likelihood will impact on the investment return.
- 3) With regard to rental returns, and as when making any informed decision, please be wary of the occasional over-representation in terms of forecasted income. Espral International has heard of occasion where buyers are advised that rental returns will cover certain levels of bond repayment, even as high as 70% i.e. pay 30% cash and the rental return will cover the 70% bond (plus estate levies, insurance, water, electricity....??). Not to say that this is not "possible" but is it "plausible"? The advise of Espral International is that the feasibility of the investment decision should not be based on forecasted, potential rental income. Or at least not until the IRS Villa rental market in Mauritius has a proven track record hence discounting prevailing 'guestimates'. Such potential rental income will certainly support the financial justification in the investment, but not to lose sight that one is buying a 'holiday home' (an asset class that is seldom associated with strong income returns). However, that said, in relative terms the demand for self-catering accommodation in golf estate and leisure resort type products is on the increase relative to demand for the traditional hotel or fully catered accommodation offerings. Given this 'gap' in the Mauritian market in terms of supply of this accommodation type, the future for the rental pool schemes operated in association with IRS projects does look very positive and the management thereof generating interest among some of the island's leading hotel groups. In terms of rental returns on investment (ROI) Espral International are of the opinion that ROI's between 2-8% are realistically obtainable, but anticipate returns will be low during the start-up phase of any rental pool scheme. This particularly the case for the 'first' villas to be completed in a scheme, where possibly the extent of construction and establishment of value add facilities is still some time (potentially years) away. Hence, a medium to long term outlook with regard to rental returns is suggested.