

INVESTMENT REPORT 2008

Morocco



SCEPTRE INTERNATIONAL

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Morocco's tourism industry is growing at a phenomenal rate. The introduction of low cost flights from across Europe, coupled with the government's desire to invest €2.2 billion into tourist infrastructure, has led to an expected doubling of tourist numbers by 2010 and an exciting opportunity for the astute property investor.

Morocco's tourist numbers in 2006 had grown to 6.5 million visitors which represented a 12% increase on the previous year. Revenue generated from tourism also increased by 30% to a figure of 53 billion Dirhams (which is in excess of £3 billion) noted the Moroccan Ministry of Tourism.

The growth in the tourism industry is all part of the Azure Plan and Vision 2010 of King Mohammed VI. His vision is to have tourism increase to 10 million visitors by 2010, generating 20% of Moroccan GDP according to the Financial Times. Major infrastructure improvements are underway in not only services, facilities and transport, but also in newer opportunities such as golf tourism. The property market will naturally prosper in relation to these positive changes.

Marrakech, Casablanca, and Agadir are Morocco's three most popular tourist destinations and have seen tourist numbers continue to grow. Compared to 2006, the first half of 2007 saw 12%, 9% and 3% growth respectively for Marrakech, Casablanca and Agadir. In this time period, Europeans made up the majority of the numbers with 83%. Of these, the French made up the highest number of visitors to their old colonial cousin with over 870,000. Spanish visitors totalled 479,000 while British visitors totalled 175,000 in the first half of 2007. The number of British tourists visiting Morocco has grown by an outstanding 43%. This increase has been generated by the introduction and increase in the number of low-cost budget airlines flying into Marrakech, Casablanca and Fez from the British Isles. Germany, Belgium and Italy also account for a large number of tourists as well.

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From its glorious Atlantic and Mediterranean coastlines bathed in year round sunshine, its vibrant traditions and culture, to its amazing food and unique architecture, Morocco has much to keep tourists busy. Tourists are also pleased to note that unlike other North African countries, European languages are widely spoken in the cities and tourist areas.



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When Morocco introduced an 'open skies' policy in January 2006, it heralded a new era and a massive boost to the Moroccan tourist industry. With cheap flights and direct access into the country from the UK and elsewhere the effects of 'open skies' were unprecedented. Marrakech bookings for 2006 increased by 295% as compared to the previous year (source: Official Morocco website), while Lastminute.com noted a surge in summer 2006 bookings by 132%. Interest in Morocco is expected to grow further as it has so much to offer European tourists. The benefits of this growth to the property market are abundantly clear as demand will drive prices and stimulate rental revenues.

Morocco's future tourism and commercial potential looks extremely bright given the confirmation of plans for a new railway tunnel between Europe and Africa running under the Straits of Gibraltar. With this direct link into the European rail network, this can only serve to boost the popularity of the country, and subsequently the property market and potential returns for investors.

The gross domestic product for the African continent in 2006 stood at 5.5% and is expected to be similar in 2007. Moroccan GDP in 2006 outstripped this average and surged ahead at 6.7%. Morocco's stock market has also seen some exceptional growth as one of the leaders of the African market place. All of these positive economic factors lead to good growth potential in the Moroccan real estate market.

The economic and structural reforms Morocco has undertaken since the mid 1990's are now paying dividends, as Morocco's strong economic performance clearly demonstrates. The modernisation of the Moroccan stock market has increased trade with the EU and the USA. The signing of a free-trade agreement with the US in 2006 has helped increase foreign direct investment as well as the sale of government shares in the state telecoms company and in Morocco's largest state-owned bank. (source: IMF).

Morocco has made some major changes to its taxation and banking systems as further encouragement to overseas investment. Property registration is an area where Morocco was lacking ease of processing, but it has subsequently reduced 'red tape', further westernised its property market and has since jumped up from 102nd in the world to 53rd for ease of property registration. This has further opened up the country to foreign property investors.



With low cost flights, solid investment into infrastructure and future planned developments, coupled with a rapidly growing tourist industry, Morocco has much to offer all types of property investors and its future growth looks bright.

According to the Financial Times, “Morocco is experiencing a booming property market, and one particular area of growth is luxury property.” There are many of the world’s rich and famous that have bought property in Morocco including Richard Branson, members of The Rolling Stones, Malcolm Forbes, and David Beckham. These high profile, high net worth investors are helping to keep the spotlight shining on Morocco for the entire world to see.

With a much lower cost of living than Europe and real estate prices as much as half the price of European investment locations in Spain, France and Italy, it’s no wonder Morocco’s property market is booming and attracting some very significant investment. After signing a Memorandum of Understanding with King Mohammed, the leading UAE developer, Emaar, is embarking on 25.3 billion AED’s (£3.5 billion) of Moroccan property initiatives.

Rental yields have shown impressive performance averaging 8.23% registered in Marrakech for apartments, and the smaller apartments of approximately 60 square metres, generating yields of 8.86%.

“Morocco is experiencing a booming property market, offering a competitive property investment opportunity” according to the Financial Times. Resorts and developments currently in line with Plan Azur are expected to generate excellent rental yields for investors, with occupancy rates already as high as 85% in the high season and with more tourists arriving every year.

The Plan Azur resorts are a sextet of brand new high-end coastal resorts, the scale of which is colossal. The Plan will have up to 50 luxury hotels, a total of 130,000 beds, and a swathe of marinas, signature golf courses, conference facilities, commercial centres, all finished with thousands of units of residential property built by well known international developers. The provision of upmarket facilities will attract upmarket tourists therefore generating the greatest potential for growth for the smart property investor.

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