

# Mauritius

Sireena Ramparsad and Manitha Nadasan



## Overview

The Republic of Mauritius is situated on the south eastern coast of the African continent and consists of three islands: Mauritius, Rodrigues, and Agalega. Port Louis is the capital and is situated on the main island of Mauritius. It is 2 040km<sup>2</sup> in extent and had an estimated population of 1 266 030 in 2020, with a 0.002% population growth, and a negative urbanisation rate of -0.01%.<sup>1</sup> The low income, middle income and working population in Mauritius face challenges in accessing affordable housing units to either purchase or rent, with limited stock being produced to meet the existing demand for housing. The National Housing Development Corporation Ltd. (NHDC) and the National Empowerment Fund (NEF) has 18 000 applicants on its waiting list for social housing.<sup>2</sup>

The Gross Value Added (GVA) of Mauritius contracted by 8.4% in the first quarter of 2021, which is largely because of the impact of COVID-19 on the accommodation and food services sectors and transportation and storage sectors.<sup>3</sup> In July 2020, Mauritius was classified as a high-income country, making it one of a few African countries eligible for International Bank for Reconstruction and Development (IBRD) assistance. Mauritius' Gross National Income (GNI) per capita for 2020 was Rs344 622 (US\$8 071), indicating a 14.5% decrease from 2019. Inflation at the end of 2020 was 2.5%, increasing three-fold since 2019. Inflation was fuelled by increased imports and the depreciation of the rupee.<sup>4</sup> An investment programme referred to as the COVID-19 Projects Development Fund was set up in April 2020 to address the impact of the global pandemic on the Mauritian economy.

The 2021/22 Budget Speech notes the construction of 12 000 social housing units, delivered over the next three years. Social housing makes up 38% of the budget at Rs12 billion followed by the National Flood Management Programme (37%) and Economic Recovery Programme (10%)<sup>5</sup>. Social housing delivery is administered by the Housing Division of the Ministry of Housing and Land Use Planning. The Housing Division is responsible for the formulation of strategies and policies for the social housing sector and for the implementation of social housing programmes through the NHDC.<sup>6</sup> Progress has been noted with the governments Roof Slab Grant Scheme which was initiated to financially assist self-construction to either subsidize start up building costs or the casting of roof slabs to complete construction Rs32million (US\$749 476) was distributed to 420 families in July 2021. In addition, 1 050 housing units have been provided through the Scheme since 2019.

## KEY FIGURES

Main urban centres	Port Louis
Exchange rate (1 July 2021): 1 USD = [a] 1 PPP\$ = (2020) [b]	42.68 Mauritian Rupee (MUR) 16.52 Mauritian Rupee (MUR)
Total population [b]   Urban population [b] Population growth rate [b]   Urbanisation rate [b] GDP per capita (Current US\$) [b] Percentage of population below national poverty line (2017) [b] Unemployment rate (% of total labour force, national estimate) (2017) [b] Proportion of adult population that borrowed formally (2017) [b] Gini coefficient (2017) [b] HDI country ranking (2019) [c]   HDI country score (2019) [c]	1 265 740   515 916 0.002%   -0.01% US\$8 623 10.0% 7.2% 10.0% 40.0 66   0.80
GDP (Current US\$) [b] GDP growth rate [b] Inflation rate [b] Lending interest rate [b]	US\$10 914 million -14.87% 2.58% 7.23%
Number of residential mortgages outstanding Value of residential mortgages outstanding (USD) (2020) [d] Prevailing residential mortgage rate [d]   Term [e] Maximum LTV on a residential mortgage [f] Ratio of mortgages to GDP (2020) Number of residential mortgage providers [d] Number of microfinance loans outstanding [g] Value of microfinance loans (USD) [g] Number of microfinance providers (2020) [d]	n/a US\$1 123 million 2-18%   35 years 90% 7.92% 9 1 893 US\$6.72 million 9
Total number of residential properties with a title deed Number of formal dwellings completed annually [h] Price of the cheapest, newly built house by a formal developer or contractor in an urban area in local currency units [i] Size of cheapest, newly built house by a formal developer or contractor in an urban area [i] Typical monthly rental for the cheapest, newly built house [j] Cost of standard 50kg bag of cement in local currency units [k] Type of deeds registry: digital, scanned or paper (2020) [l] World Bank Ease of Doing Business index rank (2020) [l] Number of procedures to register property (2020) [l] Time to register property (2020) [l] Cost to register property as share of property price (2020) [l] World Bank DBI Quality of Land Administration index score (0-30) (2020) [l]	n/a 5 853 1 800 000 MUR 50m <sup>2</sup> 17 000 MUR 235 MUR (US\$5.51) Computer - Fully digital 13 5 17 days 0.6% 22.5
Percentage of women who own a house alone and/or jointly Percentage of female-headed households Percentage of urban population living in slums Percentage of households with basic sanitation services Percentage of households with electricity	n/a n/a n/a n/a n/a
Cumulative number of COVID deaths per 100 000 as of 1 Oct [m] Percent of population fully vaccinated against COVID-19 as of 1 Oct [n]	6.6 63.2%

NB: Figures are for 2021 unless stated otherwise.

[a] Xe.com	[h] Statistics Mauritius
[b] World Bank World Development Indicators	[i] Republic of Mauritius
[c] Human Development Reports, United Nations Development Programme	[j] Property Cloud
[d] Bank of Mauritius	[k] Construction Industry Development Board
[e] Bank One	[l] World Bank Ease of Doing Business Indicators
[f] Mauritius Housing Company	[m] World Health Organization (WHO)
[g] MCB Microfinance	[n] Johns Hopkins University Coronavirus Resource Center

## Access to finance

The country's central bank is the Bank of Mauritius and it derives its mandate from the Bank of Mauritius Act, 2004. The financial sector in Mauritius remains well-developed with 37 licences, consisting of 19 banks, six foreign exchange dealers, six money changers and six non-bank deposit taking institutions.<sup>7</sup>

Commercial banks in Mauritius offer a wide range of services, from traditional banking to more specialised facilities. The Financial Services Commission provides regulatory guidance to the non-bank financial services sector and global business mandated under the Financial Services Act 2007. There is a credit bureau called the Mauritius Credit Information Bureau with participants including banks, leasing and insurance companies, microfinance companies

and utility bodies. Overall, the banking system employed 8 266 persons and had a spread of 171 branches in the country, nine counters, 447 ATMs and one mobile van as at June 2020. Fourteen banks offered card-based payment services such as credit cards and debit cards and 16 banks offered internet banking facilities. Seven banks provided mobile banking services, including payment facilities to their customers.<sup>8</sup>

Household indebtedness in Mauritius stood at 36.6% as at June 2020, increasing by 2.9% from June 2019. Housing loans accounted for almost two-third of loans to households as at June 2020, increasing by 7% or Rs4.8 billion (US\$12.5 million) over the year ended June 2020, compared to 5.8% in the previous financial period.<sup>9</sup> COVID-19 has increased risks to the banking sector as the amount of non-performing loans to total loans was 5.9% in June 2020, increasing from 4.5% in March 2020. However, non-performing loans showed an overall decrease from 6% in June 2019 indicating that risks have been mitigated in the short term.

There are nine mortgage providers, one of them being the Mauritius Housing Company which offers a number of loans for housing purposes. These include home loans, renovation loans, construction loans and refinancing loans. The general terms include a loan-to-value of 95% or 100% of construction cost over 25 years for salaried clients and for self-employed the loan term is 20 years with an LTV of up to 75%. Interest rates vary from 2.9%.

As at June 2020 MCB Microfinance Limited, the only licensed micro financier in Mauritius, disbursed 3 440 loans (Rs667.6 million, US\$15.6 million) to 2 229 clients. As at June 2020 there were 1 893 loans (Rs 286.9 million, US\$6.7 million) outstanding and 1 689 active clients. Twenty loans were written off to the value of Rs5million (US\$117 137) and arrears greater than 90 days makes up 12.8% of the portfolio. Business sectors that loans were provided to include; trading, manufacturing, services, transport and agriculture.<sup>10</sup>

The Monetary Policy Committee of the Bank of Mauritius reduced the key repo rate by 100 basis points to 1.85% per annum in April 2020. The Bank of Mauritius also introduced a Support Programme to further assist Mauritian businesses across all economic sectors that felt the impact of COVID-19 in April 2020, with five key measures being introduced in the Support Programme. I I A special relief amount of Rs five billion (US\$124 million) was introduced through commercial banks to meet cash flow and working capital requirements of economic operators in all economic sectors directly impacted by COVID-19, including Small to Medium Enterprises. A reduction of the cash reserve ratio applicable to commercial banks was introduced with immediate effect and until further notice (the cash reserve ratio applicable to commercial banks was reduced from 9% to 8%). A moratorium on capital repayment for loans of six months for existing loans for economic operators being affected by COVID-19 was issued. Banking guidelines were eased, including the Guidelines on Credit Impairment Measurement and Income Recognition, which have been effective since January 2020, but have been put on hold. Lastly a two-year bank of Mauritius 2020 savings bond was issued as from 23 March 2020. The Bank of Mauritius will issue a bond for an amount of Rs5 billion (US\$124 million). This bond will be issued at par in multiples of Rs25 000 (US\$ 620) to individuals who are residents of Mauritius and up to a maximum cumulative investment amount of Rs1 million (US\$24 797) per investor, whether singly or jointly. It will also be issued to locally registered non-governmental organisations running on a non-profit making basis for the same maximum investment amount of Rs1 million (US\$24 797).

### Affordability

When it comes to accessing home loans in Mauritius, banks use their own discretion to profile applicants but some of the general criteria<sup>12</sup> used to assess applications for home loans include the interest rate pricing; the term or period over which the loan will be repaid; security for the loan which may include mortgage of the property; insurance cover; debt-service reserve; the Loan to Value Ratio (LTV) to determine the equity contribution required from the applicant; and the repayment type and frequency i.e. amortised, moratorium period, monthly repayments, quarterly or yearly repayments.

Mortgage interest rates can range from as little as 1.8% up to 18.25%.<sup>13</sup> Interest rates can vary, based on the age and income of the borrower, as well as the mortgage repayment period which can extend up to maximum 35-year

### Urban informality

While no specific data point exists for the number of informal settlements in the country, reports in the media suggest that there were 161 as of May 2020. Another article indicates 300 squatters in Pointe-aux-Sables in May 2020.<sup>32</sup> The Government of Mauritius has committed to providing 12 000 social housing units through the COVID-19 Projects Development Fund. According to the World Bank, 41% of Mauritius' population is urban with a -0.02% growth of the urban population in 2020<sup>33</sup> indicating that the population is moving out of the urban areas to outlying areas. Population growth rate is minimal at 0.002% and the urbanisation rate is almost zero. According to Statistics Mauritius, in 2011 99.5% of households had access to piped water and according to Census 2011, in 2011 96.4% of households have access to a flush toilet indicating high levels of access to sanitation.

repayment period.<sup>14</sup> Other criteria can include evidence of income (salaried individuals with payslips for salaried individuals) or bank statements for last 12 months. Recent amendments to the debt-to-income (DTI) ratio for residential property loans in 2021 indicates that financial institutions must ensure that the DTI ratio for single or joint borrowers applying for the grant of credit facilities for the purchase/construction of residential property must not exceed 50%.<sup>15</sup>

### Housing supply

Mauritius experienced a 59.5% growth in the number of residential housing units between 1990 and 2011. The 2011 Housing and Population Report indicated that 84.8% of all buildings in Mauritius were for residential use and made up of 358 930 units of which 58% (209 025) was rural based and 45% (149 905) urban based. These housing units have good in-home access to both water (94%) and electricity (99%). The majority of the housing units were constructed with concrete walls and roofs with only four percent of units with iron or tin walls or roof. Approximately six percent of housing units were substandard due to the lack of electricity, lack of piped water, or lack of a toilet facilities. It is further reported that more housing units were under private ownership increasing from 76% in 1990 to 89% in 2011. Eight percent of residential housing units were rented, down from 15% in 1990. Only 12% of these houses were mortgaged with the remaining 78% being non-mortgaged houses. The average household size dropped from 4.4 in 1990 to 3.7 in 2011.<sup>16</sup>

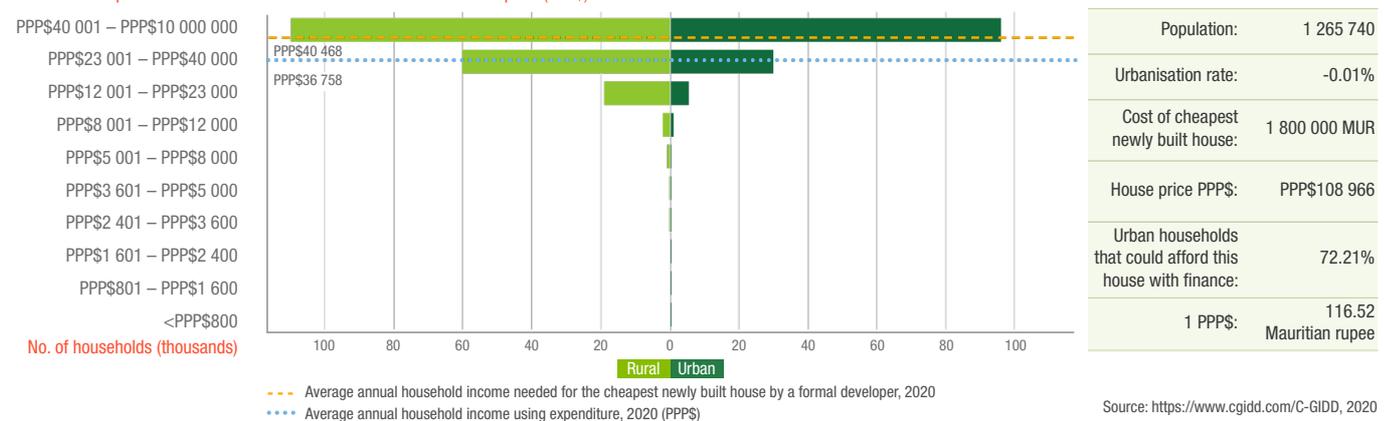
The demand for affordable, decent housing in Mauritius has increased substantially sitting at 18 000 units in 2020, spurring the response from Government to construct subsidised units. While Government is committed, the pace at which housing is built is not yet at the pace it should be to respond to the inherent need for housing by the middle income population. For example, only 2 221 units were constructed by NHDC between 2015-2020. In addition, houses are constructed at substandard quality which require top up subsidies to correct this.

Between 2015 and 2020, 2 357 units social housing units were built, of which 94% (2 357 units) was by the NHDC and 6% (136 units) by the NEF. As part of on-going projects, an additional 278 houses were to be delivered in Calebasses, Montagne Longue, Camp Fouquereaux and Baie du Tombeaux. Before the end of 2020, 678 homes were anticipated to be handed over to beneficiaries, 1 717 in 2021 and 1 427 in 2022.<sup>17</sup> Although efforts are being made by the government to accelerate social housing delivery, there are still many applicants (18 000 in total) waiting for social housing at the NHDC and the NEF,<sup>18</sup> indicating that demand for housing is not being adequately met.

The 2021/22 Budget speech indicated that government has earmarked Rs 65 billion (US\$1.5 billion) in priority projects over the next three years. For the short to medium term growth, Rs12 billion (US\$281 million) will be focused on the development of 12 000 social housing units over the next 3 years. Under the NHDC, there are currently 1 285 social housing units that are being completed at Mare D'Albert, Gros Cailloux, Dagotiere and Mare Tabac; and new construction of 2 025 social housing units at Wooton, Cascavelle, Baie du Tombeau, La Valette, Plein Bois, Argy, Mon Gout, Bassin, Petit Bel Air and Agalega for the 2021/2022 financial year. Also, construction of homes for the elderly has been earmarked for

## MAURITIUS

Annual income profile for rural and urban households based on consumption (PPP\$)



Flic-en-Flac and Palmar.<sup>19</sup> Rs2 billion (US\$46 million) has been assigned to support the purchase of residential land and property by individuals and an additional 2 000 lots will be put on sale by the State Investment Corporation (SIC) and Rose-Belle Sugar Estate.<sup>20</sup> There is therefore limited private sector involvement in housing supply.

### Property markets

Property markets in Mauritius have been negatively impacted during the pandemic resulting in a slowdown of activity generally from locals with changing priorities. Prices are negotiable and on a decline, indicating a buyers' market. The outlook looks positive with the introduction of vaccine programmes and demand from foreigners looking to invest in property in Mauritius. In 2020, 5 853 residential building permits were issued as compared to 384 non-residential permits. This number declined from 6 278 residential permits and 457 non-residential permits in 2019. Growth in the Value Added of the construction sector at current basic prices declined by 25% in 2020 from 2019, however, a 0.6% increase in Q1 2021 was recorded. Gross Fixed Capital Formation which is the net addition of physical assets in a given year decreased by 24% in 2020 compared to 2019, however, the growth in 2021 Q1 is positive at +6.4% indicating a slight recovery in Q1 2021.<sup>21</sup>

Statistics Mauritius publishes a Residential Property Price Index which provides key economic indicators for the country. The Mauritian government encourages and supports investment in the property market through its Property Development Scheme incentive which allows the development of a mix of residences for sale to non-citizens, citizens and members of the Mauritian Diaspora. According to Pam Golding Real Estate, the Mauritian real estate market has proven attractive to foreign investment for purposes of retirement, relocating and investing, specifically for the French and South Africans. During 2020/21, resales have ranged between Rs12.8 million (US\$300 000) to Rs 234 million (US\$5.5million).<sup>22</sup>

A number of local property websites exist such as Orpi Real Estate, Barnes International Realty, Park Lane Real Estate, Mauritius Property and Real Estate. Real estate agents in Mauritius are now governed by the Real Estate Agent Authority Act 2020, which is yet to be implemented. The Act intends to establish the Real Estate Agent Authority (REAA) which will act as a mechanism to protect the interests and regulate real estate transactions in Mauritius. All agents, land promoters and property developers will be required to register under REAA.

While there is a land registry in place which is overseen by the Registrar General's Department, there is no publicly available data on this. The percentage of households owning homes is significant at 88.9% in 2011 with only 8% renting their households. Of this, 77.7% of households indicated that they are mortgage free in 2011.<sup>23</sup>

The time it takes to register a property in Mauritius is 17 days (2019), significantly lower than the Sub-Saharan Africa average of 56 days. The cost is 0.6% of the property value, significantly lower than the Sub-Saharan Africa average of 7.3% of the property value. There are only five procedures to register property, lower than the Sub-Saharan Africa average of six procedures.<sup>24</sup>

Property tax exemptions exist in Mauritius.<sup>25</sup> The exemption from registration duty on acquisition of newly-built dwellings for Mauritians was extended by two years and for a threshold value of Rs seven million (US\$173 576); the exemption from land transfer tax to a promoter undertaking construction of projects under the house estate scheme was extended to exempt residential units of up to Rs7 million (US\$173 576); and the first-time buyer registration duty exemption was extended to cover inherited land area of less than 20 perches.

According to the Numbeo website,<sup>26</sup> to rent a one-bedroom apartment in the city centre of Port Louis is approximately Rs17 285.71 (US\$404.96) and Rs8 932.29 (US\$209.26) outside of the city centre. In addition, the price per square metre to buy an apartment in the city centre is Rs33 576.44 (US\$786.61) and Rs47 287.12 (US\$1 107.82) outside the city centre.

### Policy and legislation

The Government is the lead driver for social housing delivery and is headed by the Housing Division under the Ministry of Housing and Land Use Planning (MHLUP). This division is responsible mainly for the formulation of strategies and policies in the social housing sector and the implementation of its social housing programmes through the NHDC.<sup>27</sup>

The Government has prepared legislation that guides and controls the physical planning and development for more effective management and use of state land which directly influences the housing sector. Key legislation that guides the development of the housing sector includes the Cadastral Survey Act which makes better provision for the maintenance and updating of a digital cadastral database; the conduct of land surveying and related matters; the Land Acquisition Act provides for the compulsory acquisition of land and the compensation of losses resulting from such acquisition; the Land (Duties and Taxes) Act imposes levies and duties in respect of immovable property and provides for matters relating to taxation of land such as valuation and registration; the Landlord and Tenant Act provides rules relative to the relationship and contractual agreement between landlord and tenant and makes provision for other matters relating to such relationship including resolution of disputes, the control of rent and prescribes offences.<sup>28</sup>

Efforts are also being made to transform and regularise the robust Mauritian real estate sector. In 2020, the Real Estate Agent Authority Act was approved (but is still to come into effect). The Act seeks to provide for the establishment of a Real Estate Agent Authority (REAA) which would assist in offering enhanced protection to all parties involved in real estate transactions in Mauritius, and at the same time maintain the good reputation of Mauritius's real estate industry.<sup>29</sup>

The Government also encourages private sector participation in housing delivery through Public Private Partnership projects. The Finance Act of 2009 makes it mandatory for companies to devote two percent of their book profits to corporate social responsibility activities, funds of which can be used for approved programmes which can include social or subsidised housing.<sup>30</sup>

