

Seychelles

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Overview

The Republic of Seychelles (Seychelles) is a small country, comprising 115 islands scattered over 1 million square kilometres of sea in the Indian Ocean, northeast of Madagascar. The population was 97 625 at 30 June 2019, 0.9 percent more than 2018.¹ Seychelles has met most of the Millennium Development Goals and reached a high income status in 2015. The income per capita in Seychelles stood at US\$15 684 in 2017, which was 4 percent higher than in 2016.²

Seychelles has one of the highest Human Development scores in Africa, ranking 62nd globally for the year 2018 (up from 63rd in 2016 and 74th in 2015).³ The Seychellois economy is heavily dependent on the global economy. Tourism dominates the economy and is the main employer while fisheries are the country's most important export sector, accounting for a substantial percentage of export revenue; this also makes the economy vulnerable to external shocks.⁴

In the second quarter of 2019 the Seychelles year-on-year real GDP increased by 6.4 percent compared to the second quarter of 2018. This change was mainly driven by activities in accommodation and food services, transportation and storage, and real estate. An analysis of GDP by expenditure shows that final consumption expenditure of households and government contributed to 56.2 percent and 19.3 percent of GDP, respectively.⁵ Real GDP growth was an estimated 3.6 percent in 2018, down from 5.3 percent in 2017, due to rising international oil prices, a moratorium on construction, and uncertainty over the Eurozone, on which the country relies for its thriving tourist sector. The service sector led the growth, expanding by an estimated 5.4 percent in 2018, up from 5.3 percent in 2017.⁶ Inflation increased to 4.4 percent in 2018 from 2.9 percent in 2017 due to higher global energy prices and 2017 fiscal measures, which included a higher minimum wage, increased social spending (mainly state pensions), and higher civil service wages.⁷

Access to finance

Seychelles has a well-developed financial system overseen by the Central Bank of Seychelles and the Financial Services Authority. For 2018, the financial services sector is estimated to have grown by 5 percent. No new banking licence was issued by the Central Bank and as at the end of December 2018, there were nine banks in operation, with the State Bank of Mauritius (SBM) (Seychelles) Ltd, licensed in December 2016, yet to start operations. The total number of branches countrywide as at the end of December 2018 was 38. One key development was the closure of Habib Bank Limited (HBL). HBL formally ceased all its

KEY FIGURES

Main urban centres	Victoria
Exchange rate: 1 US\$ = [a] 1 July 2019	13.63 Seychellois Rupee (SCR)
1 PPP\$ = [b]	7.49 Seychellois Rupee (SCR)
Inflation 2018 [c] Inflation 2019 [c]	3.70 n/a
Population [b]	96 762
Population growth rate [b] Urbanisation rate [b]	1.0% 1.7%
Percentage of the total population below National Poverty Line (2017) [d]	39.3%
Unemployment rate (% of total labour force, national estimate) (2017) [d]	3.9%
Proportion of the adult population that borrowed formally	n/a
GDP (Current US\$) (2018) [b]	US\$1 590 million
GDP growth rate annual [b]	3.6%
GDP per capita (Current US\$) (2018) [b]	US\$16 434
Gini co-efficient (2017) [b]	45.9
HDI global ranking (2017) [d] HD country index score (2017) [d]	62 0.797
Lending interest rate (2017) [b]	12.3%
Yield on 2-year government bonds	n/a
Number of mortgages outstanding	n/a
Value of residential mortgages outstanding (US\$) [e]	US\$69.27 million
Number of mortgage providers [e] Prevailing mortgage rate [e]	10 11%
Average mortgage term in years [f] Downpayment	20 n/a
Ratio of mortgages to GDP	4.3%
What form is the deeds registry? [d]	Paper
Total number of residential properties with a title deed	n/a
Number of houses completed	n/a
Number of formal private developers/contractors	12
Number of formal estate agents	7
Cost of a standard 50kg bag of cement	100 SCR (US\$7.34)
Price of the cheapest, newly built house by a formal developer or contractor in an urban area (local currency units) [g]	1 000 000 SCR
Size of cheapest, newly built house by a formal developer or contractor in an urban area in square meters	150m ²
Average rental price for this unit in an urban area (local currency units)	15 500 SCR
Number of microfinance loans outstanding	n/a
Number of microfinance providers [e]	1
Number of housing construction loans outstanding	n/a
Number of providers of construction finance [e]	10
World Bank Ease of Doing Business Rank [e]	96
Number of procedures to register property [d]	4
Time (in days) from application to completion for residential units in the main urban city [d]	33

NB: Figures are for 2019 unless stated otherwise.

[a] Coinmill	[e] World Bank Doing Business 2018
[b] World Bank World Development Indicators	[f] Ministry of Habitat, Infrastructure and Land Transport
[c] IMF World Economic Outlook Database	[g] Seychelles Revenue Commission
[d] UNDP: Human Development Reports	

operations and transactions with the public on December 28 and its licence was expected to be fully revoked by the end of March 2019. The country also has one credit union and two non-bank credit institutions. Out of the nine banking institutions, seven are privately owned and the government of Seychelles has majority ownership in the other two. All of the seven privately-owned institutions were foreign-controlled (with two having a minority of shareholders in Seychelles).⁸ The Financial Services Authority licensed six domestic and eight non-domestic insurance companies as well as several insurance intermediaries in 2018. Seychelles also has a securities exchange and a number of intermediaries.⁹

For 2018, overall credit granted by commercial banks rose by 0.1 percent to reach Rs10 750 million (US\$789 million). Credit granted to the private sector in 2018 amounted to Rs6 728 million (US\$494 million), representing an increase of 12 percent over the previous year. An analysis of the sectoral distribution of credit indicated that "private households & non-profit organisation" grew by 14 percent

in 2018, accounting for 23 percent of aggregated credit to the sector. Credit allocated to the “mortgages,” “wholesale & retail trade” and “building & construction,” representing 14 percent, 11 percent and 8.3 percent of total loans to the private sector, rose by 32 percent, 25 percent and 36 percent, respectively.¹⁰

The banking sector overall had a robust 2018 performance. Gross loans increased by 8 percent from Rs7 102 million (US\$521 million) in 2017 to Rs7 672 million (US\$563 million) in 2018. The highest growth in demand for credit in 2018 was for private households (a 28 percent increase) and mortgages (a 27 percent increase). A key highlights of the banking sector’s performance was that non-performing loans decreased by 41 percent from Rs450 million (US\$33.0 million) in 2017 to Rs265 million (US\$19.5 million).¹¹

A Financial Literacy Baseline Survey conducted by FinMarkTrust in 2016 revealed Seychelles to be the most financially included country in the Southern African Development Community, as 94 percent of Seychellois are banked.¹² The study also found that 75 percent of Seychellois earn regular and consistent income from formal channels such as government jobs, employment at private companies, receiving salaries from another individual, or self-employment. The World Bank ranked Seychelles at 134 out of 190 countries for ease of getting credit in the 2019 Doing Business report compared to 133 in 2018 and 118 in 2017.¹³ Microfinance is small but growing slowly as international microfinance institutions begin to expend in the local financial services market. A credit bureau needs to be set up and collateral and bankruptcy laws reinforced to protect the rights of borrowers and lenders to bolster lending.

Housing finance has received government support through two state-sponsored institutions – the Housing Finance Company Limited (HFC) and the Property Management Corporation (PMC). The HFC was established in 2004 through the merger of the Seychelles Housing Development Corporation and a former PMC. In January 2013, the HFC underwent a transformation that saw the PMC split off again so that the two entities now operate independently though in co-operation with one another. The HFC is the financier, offering construction and end-user finance for housing development, home purchase and home improvements, whereas the PMC is the developer, focusing on the construction, management and maintenance of government’s social housing stock. In the past decade, HFC has approved over 8 200 loans for a sum of Rs733 million (US\$53.8 million). HFC borrows at a low cost from banks and passes the lower interest rates to its clients. It serves low- and moderate-income households and aims to continue offering affordable loans to low income earners while operating profitably.

HFC offers a range of end-user products promoting housing affordability. First, a Home Savings Scheme enables Seychellois to save a minimum deposit of 10 percent to qualify for government-constructed housing (the current purchase price of government-subsidised housing is approximately Rs450 000, or (US\$33 040). If the affordability of the 10 percent deposit is a problem, prospective beneficiaries must demonstrate that they can at least save 10 percent of their monthly income.

Three types of home loans are available to Seychellois: Housing Loan Scheme, 2nd Housing Loan Scheme, and House Extension Loan.

The Housing Loan Scheme is for clients who want to build on a plot of land they own, or for those who want to buy a home. The maximum loan amount granted under this scheme is Rs850 000 (US\$6 2408). The eligibility for this loan is a maximum income of Rs30 000, or (US\$2 203) a month. There is no minimum qualifying income, though in practice loans are not affordable to those who earn less than Rs6 000 (US\$441) a month. The HFC registers mortgage bonds on the properties and beneficiaries must obtain mortgage insurance and provide “assignment of salary”. Loan amount is calculated based on clients’ net income, with the repayment amount being calculated at 30 to 40 percent of the net income/combined net income. The maximum loan repayment term is 23 years, and the loan must be repaid before the client reaches 63 years of age.

The 2nd Housing Loan Scheme is for clients who are building on their parents’ property or other property on which they have permission to build. The maximum loan amount is Rs400 000 (US\$29 369) granted to clients earning a maximum income of Rs30 000 (US\$2 203) a month.

Availability of data on housing finance

Data on housing finance is readily available in Seychelles. Financial sector information is regularly published by the Central Bank of Seychelles, the Ministry of Finance and the Financial Services Authority. The Ministry of Habitat Infrastructure and Land Transport and the National Bureau of Statistics provide data on housing and national surveys when they are conducted and available. They also provide useful statistical information on the economy of the country.

House Extension Loans are intended to help clients renovate their houses. For general renovations the maximum loan amount is Rs50 000 (US\$3 671) and for re-roofing the house the maximum amount is Rs100 000 (US\$7 342). The maximum loan period is five years (which can be extended to seven years under special circumstances). Applicants must earn less than Rs15 000 (US\$1 101) a month per household. The repayment period is five years. As of January 2016, HFC has also been assisting pensioners with home improvement loans under the pensioner’s scheme. Under this scheme, the maximum amounts granted are also Rs50 000 (US\$3 671) for general renovations and Rs100 000 (US\$7 342) for re-roofing.

Despite the existence of commercial banks, approximately 97 percent of housing projects have been financed through the HFC housing loans alone.

Affordability

Seychelles has a generous social welfare system that supplements incomes considerably. Education is free, and subsidies are provided to support post-secondary education. The government is the principle health-care provider and spends significant budgetary resources in the sector. Housing is the primary capital and services expenditure item for the private sector. Unemployment, which was 3.9 percent at the end of 2017, fell to 2.1 percent in the last quarter of 2018. As the country with the highest GDP per capita in Sub-Saharan Africa at Rs375 938 (US\$27 602) in 2018, Seychelles is ranked 87 in terms of economic freedom out of 180 economies.¹⁴

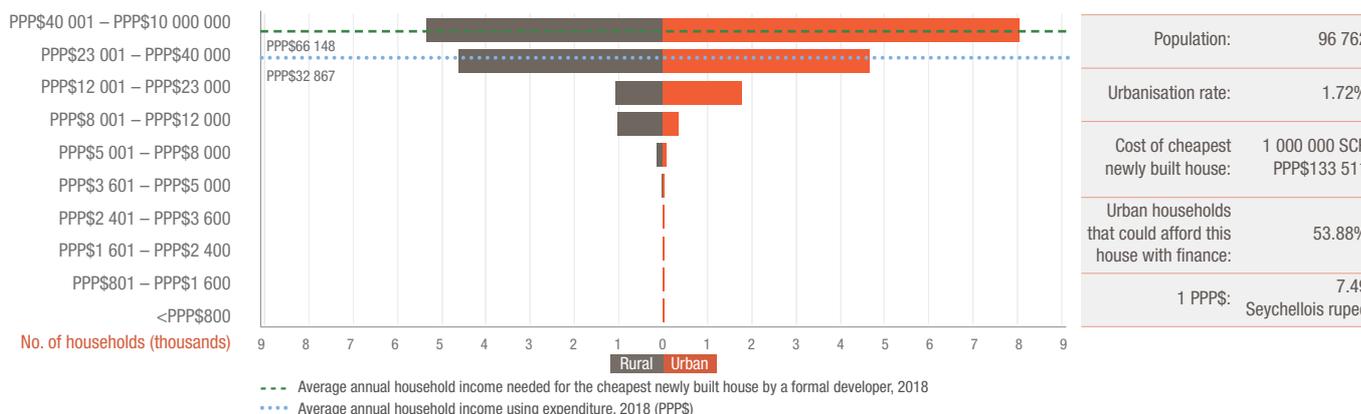
The Seychelles government has steered its housing policies away from being the major supplier, as families are being orientated to be more financially independent. The government of Seychelles has two schemes in place: the social housing and the condominium schemes. The condominium scheme targets semi-professionals and professionals and is based on loan sustainability. Social housing is provided to members of the public who a decent house. Allocation is based on needs and is established by priority rating and recommendations from the local district authority.¹⁵ The government has a policy to help Seychellois obtain loans from financial institutions. There are six categories of house and loan schemes: a full housing loan (to construct a new house), a home improvement loan (for minor maintenance/renovation works), a 2nd housing loan scheme (for construction of a second house – new construction); house extensions schemes (for the construction of one extra bedroom and bathroom only); a land loan (to buy land from the government or private sector); and a land and house loan (to buy existing property).¹⁶

Government-subsidised housing is being delivered for Rs500 000 (US\$36 711), and estate agents advise that for Rs200 000 (US\$14 684) to Rs300 000 (US\$22 026), a buyer can get the most basic unit. An average 3-bedroom home of approximately 150m² ranges from Rs750 000 (US\$55 066) to Rs1 million (US\$73 422). Construction companies say that finished homes sell for between Rs1 500/m² (US\$844) and Rs62 000/m² (US\$4 552). The minimum house size is not regulated, but 100/m² is the accepted norm. A 100/m² house built by a private developer costs around Rs2 179 195 (US\$160 000).

The Financial Literacy Baseline Survey, conducted by FinMark Trust in 2016, revealed that the second most important motive for borrowing by Seychellois was to buy or build a dwelling or simply to improve or renovate a dwelling.¹⁷ However, the percentage of Seychellois saving towards buying, building or renovating a dwelling is low. Unfortunately, the study also revealed that the main reason for borrowing is to pay off debt, with surveys showing around 26 percent of Seychellois are over-indebted.

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

Source <https://www.cgidd.com/C-GIDD, 2019>

Housing supply

According to the latest National Bureau of Statistics figures, Seychelles has 25 929 houses. Of these, 87 percent are made of stone/block and 13 percent of wood/iron. Building materials are changing with a change in living conditions and new patterns in lifestyle, from wood and palm/lattice to stone/block for modern structures with modern telecommunications technology, household amenities and ownership of assets.

The housing market in Seychelles is still rudimentary. Most people prefer to build and move into new accommodation; existing accommodation is bought primarily for rental purposes. According to the 2013 Housing and Population Census, most of the population (82 percent) say they own the dwelling in which they live.¹⁸ Some 11 percent rent their houses privately. Three-bedroom apartment rentals range from Rs16 000 (US\$1 175) to Rs19 000 (US\$1 395). Fewer than seven percent say they live rent-free in a dwelling they do not own. Most households (93 percent) have access to treated, piped water; and 82.4 percent have flush toilets connected to a septic tank. In terms of energy use, 98 percent use electricity for lighting and 92 percent use gas for cooking.

The construction sector showed signs of improvement by the third quarter of 2018 by being one of the main contributors to the increase of 3.6 percent in GDP, contributing 0.5 percentage points.¹⁹ From the period between 2008 and 2011, the sector saw significant growth linked to large-scale foreign direct investment projects, as well as government housing projects. However, significant declines have been experienced thereafter.

The Seychelles government's housing programme of 24 houses in 24 districts is on track despite challenges faced with contractors and human resources. The Housing, Infrastructure and Land Transport Ministry received a grant from the Chinese government for the project. In April 2018 Housing, Infrastructure and Land Transport Minister Charles Bastienne paid visits to the Corgat Estate, Perseverance II and the St Louis ex-Oliver housing projects. At the Corgat Estate housing redevelopment project the Minister said the demolition work would be completed by December 2019. Sixteen units at the Corgat Estate were delivered in June 2018. At Perseverance II, 36 of the total 64 units planned for the relocation process are expected to be delivered this year. The ex-Oliver housing project at St Louis is expected to be completed by the end of this year. The President of Seychelles, Danny Faure, during an update in 2018 said that 353 units were under construction in 15 districts, and work would start in the remaining districts as soon as the necessary relocation of citizens and land acquisition negotiations were complete.²⁰

The Seychelles government recently inaugurated part of the real estate project that will provide 700 transit houses with solar energy for people affected by disasters. The 700-unit solar-powered housing project is funded by the Seychelles state, with the support of the Indian government. New Delhi provided a grant of Rs47 669 896 (US\$3.5 million). The housing units are in Grand Anse, one of the

islands of the archipelago. The houses were built by the Public Utilities Corporation. Due to the scattered nature of the islands, the authorities are relying on small solar power plants and home-based solar kits for energy supply.

Property markets

The Seychellois property market is strong, driven primarily by the tourist industry. Real estate websites advertise properties in US dollars or euros, and investors buy new and existing properties, as well as land. Land in the country is in great demand, and the tourism and agricultural industries compete with the housing industry for sites. Conflicts over land and housing are set to deepen as the urbanisation rate continues to grow. No legislation governs the minimum size of a plot of land. Properties can range from as small as 20m² to sizeable holdings. Most land is privately held, with prices ranging from Rs731/m² (US\$54) to Rs375/m² (US\$28) for unserviced land. Serviced land averages Rs1 000/m² (US\$73). However, for prime beachfront properties, the average price stands at Rs21 921/m² (US\$1 609).

Seychelles ranked 62nd out of 190 countries in the World Bank's 2019 Doing Business report for the "ease of registering property" indicator, the same position it held in 2018. The four procedures to register a property take 33 days and cost 7 percent of the property value.

In Seychelles, foreigners can own property. A non-Seychellois may buy privately owned immovable property, or rights therein, in Seychelles subject to obtaining permission from the government. Seychellois can buy property at any time without permission and the transfer tax is set at 5 percent of the purchase price.

Policy and regulation

The Ministry of Land Use and Housing is intent, through a variety of measures, on ensuring access to adequate housing for all Seychellois. Though the government continues to develop innovative programmes to try to meet the considerable demand for affordable housing, capacity needs to be increased to do so.

The government of Seychelles announced in its national budget that for the year 2019 as in the year 2018, Rs18 million (US\$1 321 589) will be allocated to the housing finance subsidy schemes.²¹ Moreover, first-home acquirers are charged a maximum processing fee of Rs2 500 (US\$184) on housing loans below Rs1.5 million (US\$110 132) and for the remaining loan amount above this amount, the first-home acquirers will be charged a maximum of a 0.5 percent processing fee on the balance.²²

The Seychelles Planning Authority is in charge of statutory physical planning functions for the country. The Authority regulates physical development on land. The planning system is based on and governed by the following legislation: the Town and Country Planning Act 1972; Land Reclamation Act Cap 106; National Monuments Act Cap 140; and Seychelles Civil Code 1976.²³

Opportunities

Seychelles has been ranked at 96 out of 190 countries overall in the World Bank's 2019 Doing Business report. With the country being a tourist destination, there is a focus on housing for higher income earners. Property prices in Seychelles' high-end market have risen continuously over the past several years. In a bid to open the country to more foreign investment, the law of property ownership has recently been changed to offer freehold title and residency rights to foreign owners and their immediate families.

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