

Morocco

Jean David Anet



Overview

The Kingdom of Morocco is a North African country with a diversified and prosperous economy, ranking 53rd among the most attractive countries in which to do business.¹ The Moroccan Dirham is its currency. Gross national income per capita increased from US\$1 390 in 2000 to US\$3 090 in 2018. Despite this increase, Morocco is considered a lower middle income country.²

The growth rate in 2019 was 2.3 percent compared to 3.1 percent in 2018 due to an unfavourable external environment and poor agricultural production, despite low inflation of 0.2 percent compared to 1.6 per cent in 2018.³ Since January 2018, Morocco has opted for a more flexible exchange rate regime. The central bank continues to set the price of the dirham on the basis of the euro at 60 percent and the dollar at 40 percent, with an increased margin of flexibility. In 2019, the average exchange rate was MAD9.65 to the dollar.⁴ The average annual increase in gross domestic product (GDP) over the decade per inhabitant was 2.3 percent, compared to 3.4 percent in the previous decade.⁵

The population of Morocco is 36 016 257,⁶ with a poverty rate of 15.5 percent.⁷ The housing deficit for 2018 was estimated at around 400 000, a vast improvement compared to 800 000 units in 2012.⁸ This high rate of poverty implies various problems. Affordable housing is the main source of concern for households and as such an important issue for the government. The lack of access to affordable housing is caused by a shortage in the supply of social housing by government and the exorbitant cost of housing produced by property developers, resulting in a housing gap between what is being provided and what households can afford.

The COVID-19 pandemic has exacerbated the problems in this sector. In response, the government has created a special COVID-19 emergency fund to help families in the informal sector by providing between MAD800 and MAD1 200 (US\$82 and US\$124) as well as a freeze on water and electricity bills⁹ for these households.

The central bank has adopted a number of measures to support access to credit, such as reducing its key interest rate by 25 basis points to two percent and introducing a mechanism that will triple banks' refinancing capacity with the central bank. It also called on credit institutions to suspend, until further

KEY FIGURES

Main urban centres	Casablanca, Fes, Sale, Rabat
Exchange rate (1 July 2020): 1 USD = [a] 1 PPP\$ = [b]	9.71 Moroccan Dirham (MAD) 4.20 Moroccan Dirham (MAD)
Total population [b] Urban population [b]	36 471 769 22 975 026
Population growth rate [b] Urbanisation rate [b]	1.22% 2.08%
GDP per capita (Current US\$) [b]	US\$3 204
Percentage of population below national poverty line (2017) [b]	31.0%
Unemployment rate (% of total labour force, national estimate) (2019) [b]	15.1%
Proportion of adult population that borrowed formally (2017) [b]	2.6%
Gini coefficient (2013) [b]	39.5
HDI country ranking (2018) [c] HDI country score (2018) [c]	121 0.68
GDP (Current US\$) [b]	US\$118 725 million
GDP growth rate [b]	2.30%
Inflation rate [b]	0.20%
Yield on 10-year government bonds	n/a
Lending interest rate (2017) [d]	6.84%
Number of mortgages outstanding [d]	67 332
Value of residential mortgages (Current US\$) (2019) [d]	US\$2 711 million
Typical mortgage rate Term Deposit (2019) [d]	4.45% 20 years 30%
Ratio of mortgages to GDP	2.28%
Number of mortgage providers [d]	24
Number of microfinance loans outstanding	n/a
Value of microfinance loans in local currency units [d]	7 500 000 000 MAD
Number of microfinance providers [d]	12
Total number of formal residential dwellings in the country	n/a
Total number of residential properties with a title deed (2019) [e]	210 125
Number of formal housing units built in this year (2016) [f]	315 085
Price of the cheapest, newly built house by a formal developer or contractor in an urban area in local currency units [g]	640 000 MAD
Size of cheapest, newly built house by a formal developer or contractor in an urban area [g]	84m ²
Typical monthly rental for the cheapest, newly built house [g]	4 000 MAD
Cost of standard 50kg bag of cement in local currency units [h]	74 MAD (US\$7.62)
Type of deeds registry: digital, scanned or paper [i]	Computer-Scanner
World Bank Ease of Doing Business index rank [i]	53
Number of procedures to register property [i]	6
Time to register property [i]	20 days
Cost to register property as share of property price [i]	6.4%
World Bank DBI Quality of Land Administration index score (0-30) [i]	17.0
Percentage of women who own a house alone: Total Urban	n/a n/a
Percentage of households with basic sanitation services: Total Urban (2003) [j]	75.4% 89.5%
Percentage of households with no electricity: Total Urban (2003) [j]	21.8% 5.3%
Percentage of households with 3+ persons per sleeping room: Total Urban [j]	n/a n/a
Percentage of urban population living in slums (2018) [k]	9.2%

NB: Figures are for 2020 unless stated otherwise.

[a] Xe.com	[f] Department of Housing and City Policy
[b] World Bank World Development Indicators	[g] Mubawab.ma
[c] Human Development Reports, United Nations Development Programme	[h] Medias24.com
[d] Central Bank of Morocco	[i] World Bank Ease of Doing Business Indicators
[e] Ministry of National Planning, Urban Planning, Housing and Urban Policy	[j] Demographic and Health Surveys, USAID
	[k] United Nations Human Settlements Programme (UN-HABITAT)

notice, all dividend distributions for the 2019 financial year in order to cope with the effects of the crisis and preserve their capacity to provide funding in these exceptional circumstances.

Access to finance

The Moroccan banking system comprises 90 credit institutions and similar organisations, including 12 microcredit associations (compared to 13 in 2018) and 19 payment institutions. In Morocco, the 24 banks that are fully dedicated to granting bank credit have a network of 6 539 branches with 7 613 automated teller machines (ATMs). Abroad, there are more than 48 subsidiaries and 15 branches with around 1 523 points of sale.¹⁰

The structure of the banks' total assets has not changed significantly compared to previous years. Loans and advances to customers continue to account for a large share, namely 59.4 percent compared with 59.5 percent a year earlier. Loans to credit institutions fell by 0.5 basis points to 13.1 percent. Conversely, the share of the securities portfolio increased by 0.8 basis points to 21.8 percent and the share of foreign currency banking assets increased by 0.6 basis points to 8.5 percent, of which almost four percent is held by non-residents.¹¹

Despite a 6.8 percent delinquency rate,¹² and after a three percent decline in 2018, outstanding housing finance contracted by 3.5 percent to nearly MAD26.3 billion (US\$2 708 781 229). Household bank debt increased by 5.1 percent to MAD358 600 million (US\$36 934 180 562), up from 5.7 percent in 2018.

Of this total, Mourabaha real estate financing amounts to MAD5 700 000 000 (US\$587 074 259).¹³ This is financing whereby a client who has chosen a property contacts a participatory bank to apply for a loan. The bank buys this property and resells to the client for a pre-determined margin. The client will then pay monthly instalments over 25 years with the notary fees financed by the bank. A deposit of between five and 10 percent of the total value of the property is required. However, this advance is returned at the end of the transaction.

Compared to many countries on the continent, the Moroccan housing finance market is advanced. Between 2018 and 2019, the number of loan beneficiaries decreased from 68 495 to 67 332 clients, which is explained by a 35 percent decrease in state-sponsored loans. An 11 percent increase in free loans was also granted by banks. The average amount of credit in 2019 was MAD391 000 (US\$40 271), down MAD7 000 (US\$721) from 2018. The average interest rate for housing loans was 4.45 percent. The share of loans with an interest rate below six percent increased by two basis points at the expense of those with higher rates.¹⁴

Partnerships between banks and government provide greater access to housing finance for middle and low income families. For the financing of social housing, the Guarantee Fund for Irregular and Modest Income covered loans granted by credit institutions to 180 449 households for an amount of MAD28 390 000 000 (US\$2 924 041 791), while the Guarantee Fund for Housing Loans for Public Sector Employees covered 50 869 households for an amount of MAD14 510 000 000 (US\$1 494 464 473).¹⁵

The sector is also financed through the Casablanca Stock Exchange, which in 2019 achieved a net income of about MAD36 000 000 (US\$3 707 837), an increase of 166 percent.¹⁶

In response to the COVID-19 health crisis, the government has taken measures to stimulate the economy through the Amending Finance Bill (PLFR) that provides for a 50 percent reduction in registration fees for the acquisition of residential property and the dematerialisation of building permits.

Affordability

There are wage inequalities in Morocco between the public and private sectors and between rural and urban areas. The average wage is around MAD5 188 (US\$534) in the private sector and MAD7 549 (US\$778) in the public sector for urban areas, while in rural areas the average wage for farmers is MAD3 028 (US\$311).¹⁷ These wages increased on average between 2018 and 2019 by 1.5 percent for the private sector and 4.3 percent for the public sector.¹⁸

In Casablanca, implementation of the new common reference framework for property prices has made it possible to bring prices more in line with reality. For example, the new benchmark applies a 20 percent discount on new flats and 30 percent on old ones. With these discounts, the lowest prices for a square metre in the area are MAD12 800 (US\$1 318) and MAD11 200 (US\$1 154). Considering these figures, it seems impossible for households to become homeowners.¹⁹ Many households therefore opt for renting. With MAD1 800 (US\$185) a household can live in a flat of about 80m².

COVID-19 response

A four-month lockdown was instituted in Morocco. The central bank reduced the policy rate by 25 basis points to two percent to support economic activity. No moratorium on housing evictions was instituted, however, a moratorium on evictions for lack of administrative papers has been put in place. The government has granted aid of between MAD800 (US\$82) and MAD1 200 (US\$124) to about 4.3 million families in the informal sector, as well as a freeze on the payments of water and electricity bills.

The government has put in place several social programmes to ensure that all households have affordable housing. The first is a housing programme of MAD140 000 (US\$14 419) for a living area of between 50m² and 60m². This programme targets artisans, agents working in the communes, and households with incomes below two minimum wages. Between June 2008 and June 2020, 28 053 dwellings received the certificate of conformity.²⁰

The second programme of MAD250 000 (US\$25 749) targets households that do not own a dwelling or households using the dwelling as their principal dwelling for a period of four years. Between June 2010 and June 2020, 488 443 dwellings received the certificate of conformity.²¹

Housing supply

Morocco has several types of housing. These dwellings are divided between urban and rural areas. More than 50 percent of households in urban areas and almost 85 percent of households in rural areas own their home, while less than six percent in rural areas and 30 percent in urban areas are tenants.²² The Moroccan-style of housing that was used in the past tends to be declining in favour of modern buildings and construction.

In 2019, 44 286 building permits were granted throughout the country for a total of 115 945 dwellings.²³ However, these figures remain insufficient in view of the high demand.

To promote access to the maximum number of households, the government has initiated several social and middle class housing programmes. These include housing for MAD140 000 (US\$14 419) and MAD250 000 (US\$25 748). The construction of this housing is carried out in partnership with the private sector through the signing of agreements. Between 2008 and June 2020, a total of 75 agreements had been signed for 38 099 housing units at MAD140 000 (US\$15 147) and 1 324 agreements for the production of 1 895 330 housing units at MAD250 000 (US\$27 048). These latter figures cover the period from 2010 to June 2020.²⁴

The government has also launched other major projects, such as an Eco-city in Casablanca, which will have 58 000 housing units and accommodate 300 000 inhabitants. This programme is in its marketing phase.

Property markets

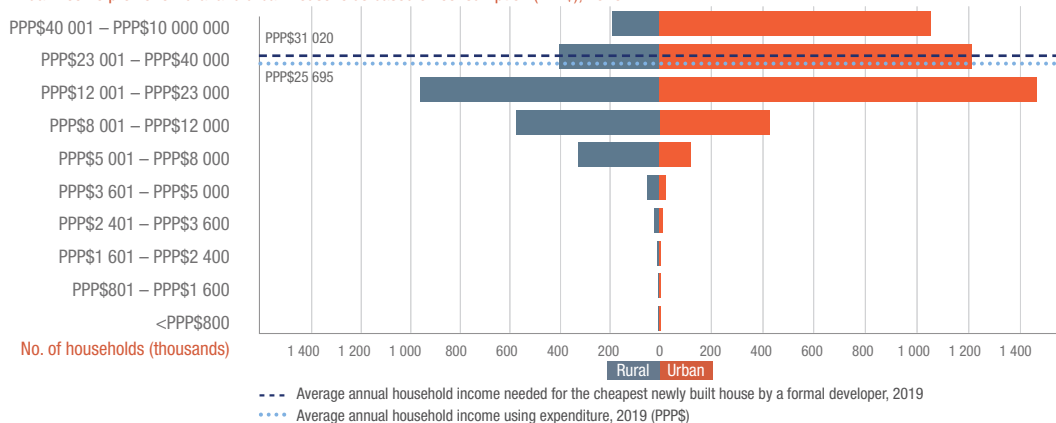
Morocco has set up the National Agency for Land Conservation, Land Registration and Cartography. Its role is, among other things, to register land ownership and draw up cadastral maps within the framework of registration. Requesting a certificate of ownership or ensuring the authenticity of the documents delivered are some of the services provided by this online agency. Several forms, such as the request for a duplicate land title, can also be done online.

According to the Doing Business 2020 report, managing a building permit in Morocco takes about 58 days, and costs 3.3 percent of the value of the property to be built after completing a total of 12 procedures.²⁵

In 2018, the agency carried out 847 500 registrations, including 361 400 real estate transactions, 167 500 mortgages and 318 600 other registrations. On average, it issues 350 000 land titles, 1 480 000 certificates and takes on three million clients annually. In 2019, it processed 1 690 039 real estate transactions.²⁶

MOROCCO

Annual income profile for rural and urban households based on consumption (PPP\$, 2019)



Population:	36 471 769
Urbanisation rate:	2.08%
Cost of cheapest newly built house:	640 000 MAD
House price PPP\$:	PPP\$152 349
Urban households that could afford this house with finance:	52.38%
1 PPP\$:	4.20 Moroccan dirham

Source: <https://www.cgidd.com/> (2020)

The real estate sector includes both formal and informal real estate agents. The average salary was MAD2 368 (US\$244) in August 2019,²⁷ suggesting that the majority of Moroccans can buy social housing for MAD140 000 (US\$14 425). For households not able to buy a property, renting differs according to the housing area and the type of property. For example, renting a flat in Casablanca, the country's main city, costs at least MAD1 800 (US\$185).

The crisis has affected several sectors of the economy but the property market seems to remain unaffected. A large proportion of households are already homeowners, so there is no pressure to sell. Moreover, real estate remains a safe haven for many households, so the price trend is not really downward.

Policy and regulation

Access to affordable housing is a priority for the Moroccan government. It intervenes directly on the market through the Société Nationale Immobilière du Maroc (Moroccan National Real Estate Agency) but also indirectly through the signing of agreements and partnerships with private sector companies, whether banks or property developers in framing of several programmes.

For banks, it acts through the central bank. The change in its key interest rate directly affects the change in the lending rate, thus the possibility for a household to become a homeowner.

For property developers, tax benefits and other reduced registration fees are intended to provide better access to housing. However, the vast majority of developers argue that these measures remain insufficient.

From a legislative point of view, the House of Representatives ratified a new law in 2017 on lease and rental in Morocco. This law makes it compulsory to establish a lease contract between owner and tenant.

In response to the COVID-19 crisis, the government introduced the PLFR amending finance bill for the housing sector. This Bill provides for several measures to boost the sector. The aim is to restore buyers' confidence and encourage investors to maintain their programmes by giving them greater visibility. The tax measures include extending the deadline for construction programme agreements by six months, reducing registration fees for residential property acquisitions by 50 percent, and postponing certain deadlines or dematerialising authorisations issued by urban agencies.²⁸ Unfortunately, some people believe that these measures will not have a significant impact on stimulating real estate, as they tend to affect production and have little effect on costs.

The Ministry of Urban Planning and Housing has also taken measures, such as speeding up the process of launching calls for tenders via private operators, to save time and be able to resume work quickly. It also invited the urban agencies to re-examine the authorisation applications that had not received the green light from the relevant commission.²⁹

Opportunities

The Moroccan real estate sector is full of opportunities. The Moroccan population is young, with 47 percent of the population between 15 and 44 years of age.³⁰

The state must continue its efforts to develop an enabling environment for low-cost housing. This can be achieved, for example, through land reform and reducing the tax burden. It has also begun to respond to certain demands through the Directorate General of Taxes, which has suspended the reference framework for property prices throughout the country. This request had been made for many years by stakeholders and will enable the market to set prices solely on the basis of supply and demand.

The state has also initiated a new approach to stability in the real estate sector based on greater fiscal visibility for the period 2010-2020. In particular, it has listed a number of avenues and elements for reflection on the sector up to 2020. This involves better segmentation of demand and development of the residential real estate strategy for 2020.

The government launched a study in October 2019 to produce a joint proposal for a new housing programme adapted to the Moroccan context. This programme also aims to define new types of support to enable the continuation of housing programmes agreed with the state after their expiry in 2020. The purpose of this study is to draw up an inventory of public aid, assess its scope, propose measures to improve its effectiveness, particularly with the end of the tax incentive scheme by 2020, and finally to enable the implementation of the new measures to be proposed for 2021.

Availability of data on housing finance

Obtaining data on housing finance in Morocco is relatively easy. Most of the available data is up-to-date.

The central bank (AL-Maghrib) collects data on both the banking sector and the economy in general. The bank's data is annual, available online and publicly available www.bkam.ma.

The Office of the High Commissioner for Planning is the body responsible for the production, analysis and publication of official statistics in Morocco. It collects data at regular intervals and this varies according to the type of data. These are publicly available on its website.

The Ministry of National Land Use Planning, Urban Planning, Housing and Urban Policy is responsible for implementing policy defined by the government for housing and the city. Data collection is not as frequent as that of the central bank, but it is accessible free of charge www.mhgv.gov.ma.

Websites

The Central Bank of Morocco (Banque Al-Maghrib) www.bkam.ma
 High Commission for Planning www.hcp.ma
 The Ministry of National Land Use Planning, Urban Planning, Housing and Urban Policy www.mhvp.gov.ma
 National Agency for Land Conservation, Land Registration and Cartography www.ancfcc.gov.ma

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- ¹² Ibid. Pg. 79.
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