
ELITE MOROCCO PROPERTIES

Investment

Experience shows that property is a sound investment. A well-constructed portfolio provides excellent returns over the long term and tax efficient income in retirement. Many of our clients buy property in Morocco solely for investment and we are able to provide specialist advice. The most important thing to remember is to remove all emotion from the purchase and think only of the facts:

1. Moroccan summary

- Morocco is a fantastic year round destination and one of the most stable economies in northern Africa. In 2008, the IMF reported that its economy would grow on average by 5.5% annually over the next 5 years, even during the global financial crisis.
- It has a warm Mediterranean climate ideal for year round tourism, 1000's miles of unspoilt beach and a rich history / culture.
- Morocco is firmly established in the minds of international tourists and attracts the more discerning type of international traveller.
- A secure real estate market using the European Notary system, mortgages available to international buyers and attractive tax laws make Morocco the ideal emerging market for property investment.
- King Mohammed VI ascended in 1999 and is a young, forward thinking and extremely popular monarch. French, Spanish & English are widely spoken.
- A government investment programme aims to increase tourism's GDP contribution to 20% by 2010. This plan is called "Vision 2010" and with "Vision 2020 and 2030" also in place, there is a long-term strategic growth map for tourism.
- This makes the country extremely attractive from an investment perspective for its long-term potential.

2. Economic growth and stability

- Despite the global economic malaise, Moroccan GDP rose by 6.5% in 2008, compared with 2.7% in 2007 and 7.8% in 2006. Average GDP from 2004 to 2008 was 5.2%
- Real GDP growth is expected to average 5.5% in the 2009-13 period due to prospects in the tourism and the non-agricultural industry despite the fact that Morocco's key export market and source of tourists, the Euro zone, is projected to be more subdued.
- Banks were very conservative during the global boom years and did not speculate in sub prime.
- Telecoms, Agriculture, Manufacturing, Mining and Services industries are growing fast.
- Real estate is also a major growth industry and investment over the last 5 years from many of the world's largest developers, including Emaar and Quatari Diar is having a positive impact.
- In March 2006, these two Dubai-based companies pledged an impressive \$17bn over the next 10 years to tourism projects. The deal was the largest ever recorded.
- Once a French protectorate, the country has a modern economic system and a pro-west outlook with established trading links to both America and Europe where it is perceived as a strategically important stepping stone into the Muslim world.

| GDP growth (IMF) | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|----------------------|--------|--------|-------|--------|-------|-------|--------|
| GDP (PPP) | 102 | 108 | 120 | 127 | 138 | 148 | 159 |
| GDP (Nominal) | 56.948 | 59.524 | 65.64 | 75.116 | 90.47 | 97.68 | 106.59 |
| GDP (PPP) per capita | 3,409 | 3,585 | 3,945 | 4,093 | 4,432 | 4,725 | 5,025 |
| GDP growth % | 4.80% | 3.00% | 7.80% | 2.70% | 6.50% | 5.7%* | 5.8%* |

* Estimated

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- In a statement released on July 2008, the IMF called Morocco “a pillar of development in the region” and congratulated King Mohammed VI and the Central Bank on Morocco's “continued strong economic progress and effective management of monetary policy”.
- The IMF noted that Morocco's financial sector is sound and resilient to shocks, and that the remarkable fiscal consolidation efforts of recent years have allowed the Moroccan economy to absorb the impact of difficult international economic conditions.

3. Tourism in Morocco

- The Moroccan government created a Ministry of Tourism in 1985.
- King Mohammed VI has led many reforms including a comprehensive plan for the tourism sector called Vision 2010 that aims to attract 10 million visitors to the country by 2010, bringing in \$9 billion of foreign exchange and creating 600,000 new jobs.
- As part of this programme, miles of coastline, urban locations and infrastructure will be transformed. This includes the “Plan Azur” – 6 super luxury coastal resorts that will attract wealthy northern European investors and visitors to the country.
- The plans are based on real and not expected demand - hotel and guesthouse occupancy rates were up by 9% in 2008, boosting the average occupancy to 49%. Marrakech recorded the best results with occupancy rates of 70%.
- In 2008 there were 8 million tourist arrivals, compared with about 7.4 million in 2007 i.e. a 7% growth. The Vision 2010 goal is well on the way to being achieved and makes the target of tourism providing over 20% of GDP by this time eminently possible.
- It is already the 2nd largest source of foreign currency and income from the sector totalled 7.55 Billion Dollars in 2007 when tourist arrivals totalled 7.4 million.
- There was an 11% rise in tourism in the first five months of 2008 compared with the same period last year. French visitors topped the list with 927,000 followed by Spaniards (587,000) and Britons (141,000).
- The tourism industry attracted Dh4.46bn (\$509m) in 2006, according to the Department of Investment (which only monitors large projects) and this represented some 22.3% of total recorded investment.
- The market is firmly established in France and growing rapidly throughout Europe, the Middle East and beyond. The Government has invested millions in advertising campaigns promoting the country as a premier cultural and lifestyle destination.

4. What about supply and demand in the property market?

- The government have responsible development plans for their country.
- Strict planning rules limit development and this control means that new property is sympathetically and responsibly developed.
- As a result, there is less competition in the rental and resale market from an investment perspective.
- In Saida, building controls restrict the supply of more property around the resort for another 15 years.

5. Real estate taxation in Morocco

- King Mohammed VI has changed the laws, allowing foreign investors to take proceeds of property sales out of the country.
- There is a double tax treaty between the UK and Morocco to ensure that this is not paid in both countries.
- Value Added Tax is 20% for new build property and often included in the price.
- Income tax is exempt for up to 5 years in Morocco but following this the rental income should be declared on 60% of the total at levels between 13% and 44%.

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- Capital Gains tax in Morocco is currently 20% but is reduced to 10% for properties held for 5 years and to 0% after 10 years. This is required on all real-estate transactions and includes the difference between the purchase price and the price at which the property is sold, reduced by the selling costs and increased by the purchase costs, investment expenses and interest payments.
- Inheritance tax is 0% for family members but expert advice should be obtained prior to implementing any inheritance tax planning strategies. Most importantly here you should make a Moroccan will.
- Municipal taxes (rates) are between 10% -30% of the yearly rental value of the property with a reduction of 75% if it is your main dwelling.

6. Communications

- An Open Skies policy is now in place between Morocco and Europe and this competition for Moroccan air space will mean new routes and carriers enter the market and will reduce fares.
- Ryanair, Europe's leading low fares airline have announced the completion of a five year agreement with the Government of Morocco to develop low cost air access and tourism to the country from Ryanair's bases throughout Europe. This reflects the Moroccan Government's policy of encouraging significant growth in its tourism industry as well as providing low cost access for its citizens for business and leisure purposes. The agreement covers most of the regional airports in Morocco including Oujda.
- Other airlines that provide comprehensive services to and within Morocco include BMI, Easyjet, Iberia, British Airways, Air France Royal Air Maroc and Air Europe on a daily basis
- A comprehensive motorway and fast train construction programme comes as no surprise within the rapidly expanding economic arena of Morocco. The result will be greatly improved communications to all areas of Morocco and a further increase in visitors who regard Morocco as an advanced country that competes well with EU standards.
- By 2010, Morocco will be well equipped with a total of 1,450km of new roads, projecting it further onwards as a leader in the worldwide property investment market place.

7. Moroccan developers

- Elite Morocco Properties have a strict vetting process for all developers that we work with. This includes an extensive checklist to ensure that everything is in place for peace of mind such as VEFA guarantees, planning permissions and building licences.

8. Can I see a rental, finance and investment appraisal for the region?

- Please see the following pages.

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ELITE MOROCCO PROPERTIES

| RENTAL APPRAISAL | | | | | | |
|---------------------|------------|-----------------|------------|-------------|------------------|-----------------|
| LARGE APARTMENT | £'s/week | Less 20% charge | Sub Total | Total Weeks | Estimated Rental | INCOME PER YEAR |
| Low Season | £350 | £70 | £280 | 26 | 8 | £2,240 |
| Mid Season | £500 | £100 | £400 | 12 | 4 | £1,600 |
| High Season | £650 | £130 | £520 | 14 | 14 | £7,280 |
| TOTAL | N/A | N/A | N/A | 52 | 26 | £11,120 |
| SMALL VILLA OR RIAD | | | | | | |
| Low Season | £750 | £150 | £600 | 26 | 4 | £2,400 |
| Mid Season | £1,100 | £220 | £880 | 12 | 4 | £3,520 |
| High Season | £1,500 | £300 | £1,200 | 14 | 14 | £16,800 |
| TOTAL | N/A | N/A | N/A | 52 | 22 | £22,720 |
| LARGE VILLA OR RIAD | | | | | | |
| Low Season | £1,500 | £300 | £1,200 | 26 | 2 | £2,400 |
| Mid Season | £2,250 | £450 | £1,800 | 12 | 4 | £7,200 |
| High Season | £3,000 | £600 | £2,400 | 14 | 14 | £33,600 |
| TOTAL | N/A | N/A | N/A | 52 | 20 | £43,200 |

PLEASE NOTE: Figures do not include income tax on rental
RENTAL RATES: Example rental rates are taken as the average from local letting agents and UK market rates

| OFF PLAN FINANCE APPRAISAL | | | | | | |
|----------------------------|---------------|-----------------------------------|----------|---------------|-------------------------------|----------------|
| | £ PRICE | ADD 5% (Tax+Fees) | £ TOTAL | £ 20% Deposit | £ 20% Stage Payment | £ 60% Mortgage |
| LARGE APART | £120,000 | £6,000 | £126,000 | £25,200 | £25,200 | £75,600 |
| SMALL VILLA | £250,000 | £12,500 | £262,500 | £52,500 | £52,500 | £157,500 |
| LARGE VILLA | £500,000 | £25,000 | £525,000 | £105,000 | £105,000 | £315,000 |
| £ MORTGAGE | Interest Rate | £ Interest Only: Monthly Payments | | £ Per Year | £ Repayment: Monthly Payments | £ PER YEAR |
| £75,600 | 4.00% | £252 | | £3,024 | £403 | £4,839 |
| | 5.00% | £315 | | £3,780 | £447 | £5,364 |
| | 6.00% | £378 | | £4,536 | £493 | £5,914 |
| | 7.00% | £441 | | £5,292 | £541 | £6,487 |
| £157,500 | 4.00% | £525 | | £6,300 | £840 | £10,082 |
| | 5.00% | £656 | | £7,875 | £931 | £11,175 |
| | 6.00% | £788 | | £9,450 | £1,027 | £12,321 |
| | 7.00% | £919 | | £11,025 | £1,126 | £13,515 |
| £315,000 | 4.00% | £1,050 | | £12,600 | £1,680 | £20,164 |
| | 5.00% | £1,313 | | £15,750 | £1,863 | £22,350 |
| | 6.00% | £1,575 | | £18,900 | £2,053 | £24,641 |
| | 7.00% | £1,838 | | £22,050 | £2,253 | £27,030 |

PLEASE NOTE: Based on 25 years
MORTGAGE CALCULATIONS: <http://www.bbc.co.uk/homes/property/mortgagecalculator.shtml>

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| INVESTMENT APPRAISAL LARGE APARTMENT | | | | | |
|---------------------------------------|----------|---------|---------|---------|----------|
| COSTS | YEAR 1 | YEAR 2 | YEAR 3 | YEAR 4 | YEAR 5 |
| PRICE inc. IVA | £136,800 | | | | |
| PURCHASE COSTS | £6,840 | | | | |
| TOTAL COST | £143,640 | | | | |
| GROSS SALES PROCEEDS | | | | | £212,587 |
| START UP COSTS | £1,200 | £1,200 | £1,200 | £1,200 | £1,200 |
| UTILITIES, LOCAL TAXES, WEAR AND TEAR | £500 | £525 | £551 | £579 | £608 |
| COMMUNITY CHARGE | £600 | £630 | £662 | £695 | £729 |
| TOTAL ONGOING COSTS | £2,300 | £2,355 | £2,413 | £2,473 | £2,537 |
| NET RENTAL INCOME | £11,120 | £11,676 | £12,260 | £12,873 | £13,516 |
| NET OPERATING PROFIT | £8,820 | £9,321 | £9,847 | £10,399 | £10,979 |
| NET OPERATING RETURN (%) | 6.1 | 6.5 | 6.9 | 7.2 | 7.6 |
| PV OF RETURN OVER 5 YEARS (%) | 6.9 | | | | |

| INVESTMENT APPRAISAL SMALL VILLA | | | | | |
|---------------------------------------|----------|---------|---------|---------|----------|
| COSTS | YEAR 1 | YEAR 2 | YEAR 3 | YEAR 4 | YEAR 5 |
| PRICE inc. IVA | £285,000 | | | | |
| PURCHASE COSTS | £9,975 | | | | |
| TOTAL COST | £294,975 | | | | |
| GROSS SALES PROCEEDS | | | | | £442,890 |
| START UP COSTS | £1,600 | £1,600 | £1,600 | £1,600 | £2,000 |
| UTILITIES, LOCAL TAXES, WEAR AND TEAR | £750 | £788 | £827 | £868 | £912 |
| COMMUNITY CHARGE | £780 | £819 | £860 | £903 | £948 |
| TOTAL ONGOING COSTS | £3,130 | £3,207 | £3,287 | £3,371 | £3,860 |
| NET RENTAL INCOME | £22,720 | £23,856 | £25,049 | £26,301 | £27,616 |
| NET OPERATING PROFIT | £19,590 | £20,650 | £21,762 | £22,930 | £23,757 |
| NET OPERATING RETURN (%) | 6.6 | 7.0 | 7.4 | 7.8 | 8.1 |
| PV OF RETURN OVER 5 YEARS (%) | 7.4 | | | | |

| INVESTMENT APPRAISAL LARGE VILLA | | | | | |
|---------------------------------------|----------|---------|---------|---------|----------|
| COSTS | YEAR 1 | YEAR 2 | YEAR 3 | YEAR 4 | YEAR 5 |
| PRICE inc. IVA | £570,000 | | | | |
| PURCHASE COSTS | £19,950 | | | | |
| TOTAL COST | £589,950 | | | | |
| GROSS SALES PROCEEDS | | | | | £885,781 |
| START UP COSTS | £2,500 | £2,500 | £2,500 | £2,500 | £2,500 |
| UTILITIES, LOCAL TAXES, WEAR AND TEAR | £1,500 | £1,575 | £1,654 | £1,736 | £1,823 |
| COMMUNITY CHARGE | £1,650 | £1,733 | £1,819 | £1,910 | £2,006 |
| TOTAL ONGOING COSTS | £5,650 | £5,808 | £5,973 | £6,147 | £6,329 |
| NET RENTAL INCOME | £43,200 | £45,360 | £47,628 | £50,009 | £52,510 |
| NET OPERATING PROFIT | £37,550 | £39,553 | £41,655 | £43,863 | £46,181 |
| NET OPERATING RETURN (%) | 6.4 | 6.7 | 7.1 | 7.4 | 7.8 |
| PV OF RETURN OVER 5 YEARS (%) | 7.1 | | | | |

PLEASE NOTE: Net operating profit and return does not include capital growth. Annual appreciation calculated at 10%. Figures do not include income tax on rental or mortgage payments. Start up costs cover furniture and air con and are not required for every property. Utilities, taxes, wear and tear, community charges and rental all increased by 5% per annum over 5 years.

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