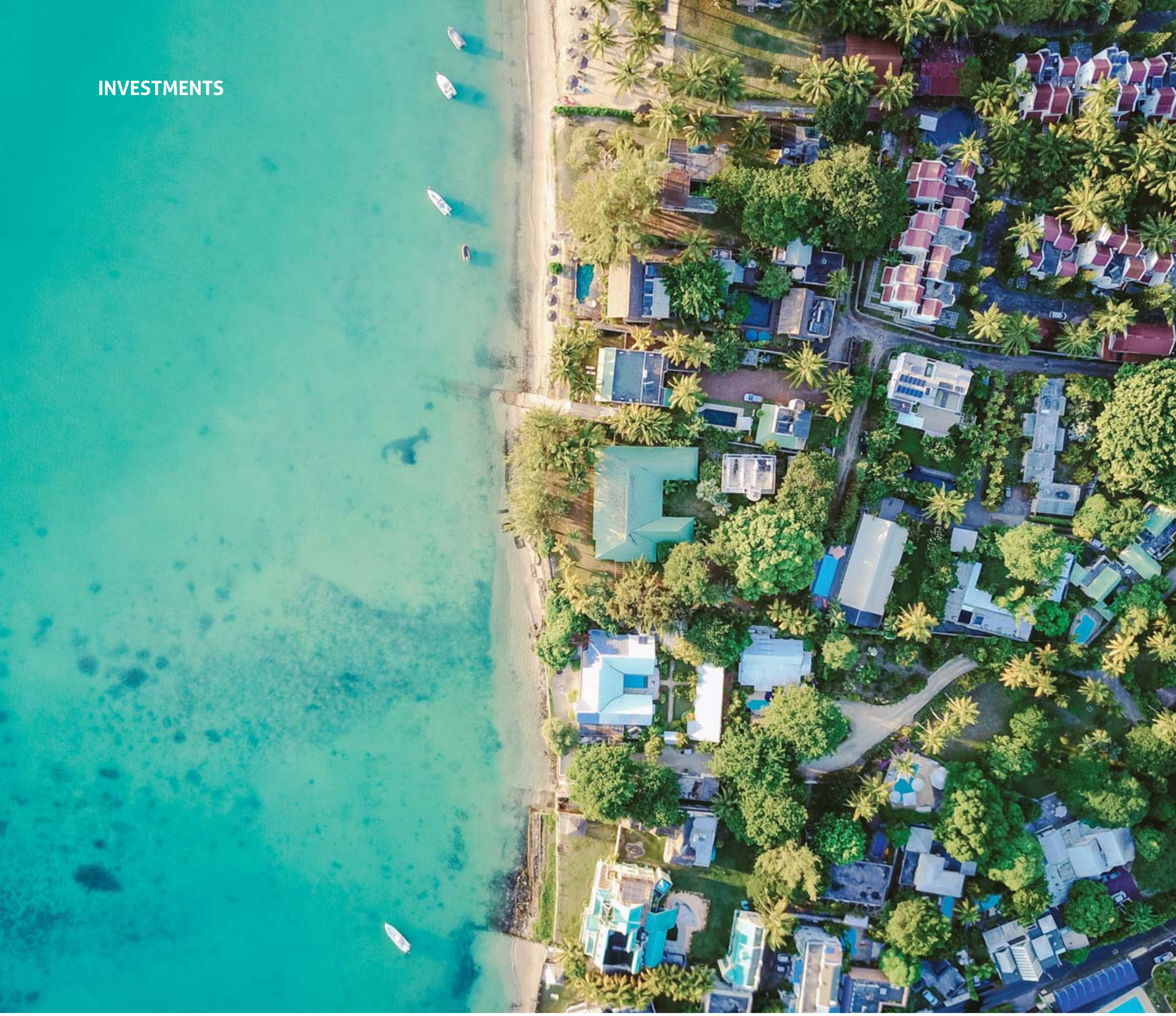


Global elite home in on luxury property as investment of choice

As High Net-Worth Individuals across the world seek lifestyle destinations for their second homes, it is clear that Mauritius ticks all the boxes to be positioned as the real estate investment hotspot in Africa

Real estate has become a very popular investment choice among the affluent segment since the past financial crisis, and interest in this asset class continues to grow around the world. Indeed, the elite category, be it High Net-Worth Individuals (HNWIs) or Ultra High Net-Worth Individuals (UHNWIs), is increasingly on the lookout for prime, super-prime and ultra-prime developments and highly sought-after lifestyle destinations for their second homes.

With the choice of the optimum location for a second home being very often underpinned by several other key factors such as political stability, ease of doing business, world-class education and secure ownership rights, it is clear that Mauritius offers all the benefits to be positioned as the real estate investment hotspot in Africa.

> Global UHNWIs will grow by 27% over the next 5 years

Having said that, COVID-19 has had a massive impact on financial markets and economies around the world. As we enter the 'new normal', real estate owners and occupiers are faced with varying after-effects of the pandemic. However, looking ahead, an expected rebound in real estate in the second quarter of 2020 makes it a safe investment and creates myriad opportunities for investors.

Where are the super-rich investing?

Knight Frank's Wealth Report 2020 reveals that, globally, more than 31,000 additional UHNWIs were created in 2019, bringing the total to more than 513,200, and the world's UHNWI population is forecast to rise by 27% over the next five years. Location and proximity to nature remain key factors, particularly for young millionaires who prioritise health and well-being as the main benefits they seek in their investment.

According to the 2019 research undertaken by the international real estate advisor Savills, the year 2018 was the most active one ever in the global real estate market, with US$1.8 trillion invested worldwide. The research firm explains that "the search for income producing assets is a fundamental driver of the market and investors are typically buying to hold, which is limiting stock levels". The researchers add that top-tier world cities, such as London, New York, Hong Kong, Singapore, Los Angeles, Sydney and San Francisco, have long been the first choice for prime buyers, with Germany and Dubai becoming increasingly attractive hotspots.

With the current market disruption caused by the pandemic, the buyer sentiment from Savills World Research also points out that: "An increase in homeworking after Covid-19 is likely to have a direct impact on the residential market as buyers shift priorities." Price reductions remain an area of discussion as buyers expect to get a lower price than before the lockdown. It is also expected that demand for green spaces for urban buyers will rise.

In a rapidly evolving world, investors and/or HNWIs are on the lookout for sustainable and smart cities, where businesses can thrive while fostering innovation to ultimately drive personal wealth as part of their portfolio diversification – factors that remain high in the decision-making process of real estate investors.

The growing trends in real estate investments

Knight Frank's Wealth Report explains that the US dominates the rankings with 240,575 UHNWIs, more than Europe and Asia combined, accounting for almost half the global total, while Asia is expected to be the world's second largest wealth hub and is on the path to quickly closing the gap with Europe by 2024.

Turning to 'The Hopeful Continent', where the HNWI population is expected to grow by 29%, South Africa has recorded the highest number of HNWIs at 215,983, with Johannesburg, Cairo, Cape Town, Lagos and Nairobi ranked as the top five cities in Africa. The report highlights that alternative real estate sectors continue to dominate potential investment opportunities with student housing and retirement homes leading the way, while real estate dominated the overall asset allocation with 30% of HNWIs wanting to invest in African property.

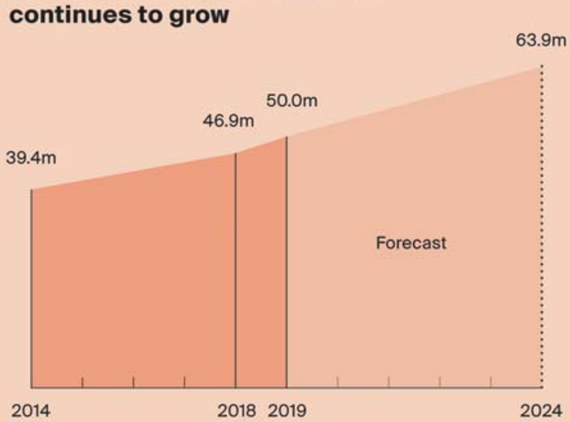
By Sangeetha Ramkelawon, Deputy Chief Executive Officer, BCP Bank (Mauritius)

UHNWI asset allocations

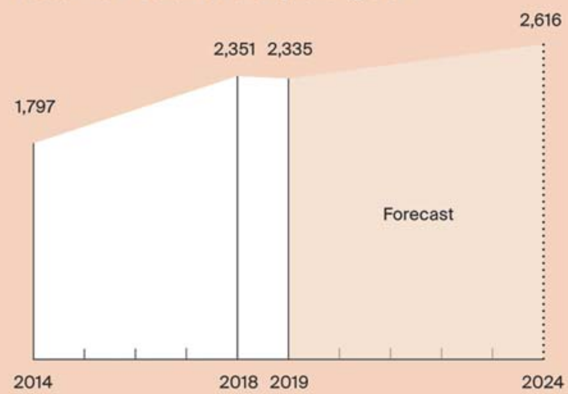
Proportion of the average UHNWI investment portfolio invested in each asset class

Source: *The Wealth Report Attitudes Survey*

The global millionaire population continues to grow



The global billionaire population is set to rise after a dip last year



Source: Knight Frank Research

The appetite for investment in real estate continues to be diverse, based on the many markets available and the demographic interest in question. Senior living continues to be a growth area where the rise of an ageing population translates into a search spanning far beyond a high-end residential environment to purpose-built accommodation that regroups a spectrum of amenities, including proximity to green spaces and cultural pursuits.

Moreover, socially responsible forms of investment are becoming more of a priority in the light of the increasing challenges linked to climate change. Thus, a focus on sustainability leads the way to important business opportunities and new criteria in line with the Environmental, Social and Governance (ESG) framework that will determine high-end real estate for the affluent segment or investors.

Mauritius: Africa's real estate investment hotspot

Recognised as the top African country for "Ease of Doing Business" by the World Bank, Mauritius is one of the world's prime property investment destinations. The combined category of 'Construction and real estate' now represents the second-fastest growing sector on the island, paving the way for more incentives from the government to encourage property investments from investors and HNWIs.

Student housing and retirement homes are growing in popularity

The real estate sector is widely attractive due to the various incentives on offer. The Property Development Scheme (PDS) is an innovative measure that takes the acquisition of luxury residences to a new level, providing a unique opportunity to foreign investors to acquire freehold residential property at a minimum price of USD 500,000 and entitling the buyer to a residence permit, if all conditions are fulfilled.

With an ambitious development programme promoting a lifestyle that strikes the perfect balance between professional and personal life, the purpose of 'Smart Cities' is to encourage global investment and build dynamic, sustainable cities of tomorrow. This also opens up opportunities for the affluent segment to purchase high-end apartments as second homes or to cater for tourist accommodation. Despite this option not leading to acquiring a residence permit in Mauritius, it ultimately places Mauritius on the radar as a desirable 'buy-to-let' investment hotspot and allows foreign buyers to own a property on the island.

The various factors that make Mauritius a real estate investment hotspot can be summarised as follows:

- A strategic location with a convenient time zone
- Security and political stability
- A secure work, live and play environment
- A thriving business and entrepreneurial location
- World-class educational facilities
- Robust infrastructure, transport and medical facilities
- Sustainable, green spaces to escape urbanisation

Mauritius brings together attractive business opportunities in a strategic location at the crossroads of Africa and Asia, combining as it does economic resilience, political stability and a highly sought-after lifestyle. There are numerous compelling reasons to purchase a second home in Mauritius. The banking sector, being a sophisticated one with a deep understanding of the commercial and residential property markets, is well positioned to assist foreign buyers with expert advice and tailor-made financing solutions.

Unlocking future investment opportunities

Over the next five years, as global UHNWI numbers grow by 27%, it is further predicted that among the top 20 fastest growing countries, six will be located in Asia (led by India with 73% growth), five in Europe (led by Sweden with 47% growth) and three in Africa (led by Egypt with 66% growth).

In particular, the African Continental Free Trade Agreement, which removes 90% of tariffs on goods moving between 49 countries, can contribute to an optimistic economic recovery after the disruption caused by the pandemic. According to Oxford Economics, more than 46% of African households will have an annual income of over US$5,000 by 2023, up from 41% in 2018. This will in turn drive more demand for consumer goods and services, ultimately leading to higher demand for hotels, retail, office and logistics properties.

Mauritius' real estate sector offers various incentives that give it wide appeal

However, with the heightened geopolitical unrest in some countries, the after-effects of Covid-19, and climate change, among others, 2020 remains a year of uncertainty for HNWIs and investors. It is clear that the global affluent will have to survive the 'V' of VUCA (standing for Volatility, Uncertainty, Complexity and Ambiguity) if they wish to thrive and continue to diversify their real estate investment portfolio.