



Subsectors being developed today in the *Mediterranean*

Urban & Environment_ *Social housing*



Targeted business: real estate promoter, architect, building companies, etc...

Context and market

The subsector today

⊕ Med real estate markets have been booming in recent years. Local and foreign promoters multiplied the high-end commercial and residential projects targeting the upper classes and foreign investors (petrodollars, second homes for Europeans, foreign companies settling down, etc.). The economic crisis in Europe and the ongoing real estate shock in Gulf markets now threatens many of these often pharaonic projects, enticing real estate promoters to turn towards the long-neglected housing needs of the middle and lower classes (see Business Monthly [Egyptian case study](#) in the resource box overleaf).

Current Med positioning

- ⊕ Faced with the obsolescence and quantitative insufficiencies of their existing social housing stock, Med governments launched ambitious construction and renovation programmes.
- ⊕ A few scattered experiments excepted (Morocco, Turkey, see box overleaf), the bulk of those programmes is state-financed, while the contracted building companies are often far from best-practice international standards in terms of sustainability (defects, energy efficiency).
- ⊕ Threats & opportunities: mortgage finance, speculation on land & building materials, PPP vulgarisation, urban & demographic growth, state of public finances & incentives packages.

Potential markets: new cities, low cost promotion, urban regeneration (medinas, slum upgrading programs, overhaul of existing stocks)



The Mediterranean: why, how ?

A multi-million units market

⊕ In the 1970s, informal settlements, slums and squats mushroomed. According to the Plan Bleu, 30 to 70% of total Med population is forced to turn to informal housing solutions.

⊕ Clearing the slums and adjusting the supply of decent affordable housing to an ever-rising demand (demographic/urban growth) can not rely exclusively on public initiatives (Algerian social rented housing is 100% state-financed).

⊕ Toufik Jhira, Moroccan minister for Housing, says one million social housing units are needed in his country, to be compared to the 130 000 units programmed by public initiatives. In Jordan, the *Decent Housing for All programme* requires investment totalling JOD 7 bn, for an annual state-budget deficit of JOD 1 billion.

Private initiative is necessary and encouraged

⊕ Social housing development might seem less profitable and riskier. By providing large volumes and adequate guarantees, Med governments can however lure private promoters into participating to social housing programmes: in Egypt for instance, the government offers private promoters lands under market prices, with favourable terms of payment (interest-free instalments). The State also guarantees mortgages granted to the poorest by commercial banks.

Top Med construction programmes	
Algeria 2010-14:	DZD 300 bn in renovating & building 1 million unit (1/4 for rentals)
Morocco 2008-12:	130 000 planned units, incl. 35% by private promoters
Egypt National Housing Project 2005-11:	500 000 units, incl. 20% by private promoters
Jordan 2008-13:	100 000 units



They did it: pioneer stories

Public-private partnership for affordable and quality social housing in Morocco

65% of the Moroccan social housing construction programme over the 2008-2012 period is to be implemented directly by state-owned Holding d'Aménagement Al Omrane, while the remaining 35% will be entrusted to private promoters under a specific tax-free scheme, in partnership with the regional branches of Al Omrane.

Al Omrane launched with the Housing, Urbanism and Land planning Ministry a call for proposals aimed at identifying innovative construction solutions compliant with Morocco's new stringent schedule of requirements for social housing in terms of architecture, sustainability and costs.

Foreign direct investments in Med social housing

Kuwait sovereign wealth fund (KIA) inked in 2008 a MoU with the Turkish Housing Agency (TOKI) providing for the construction of 66.000 apartments in Kayabasi, Istanbul. This promising partnership could be replicated with the help of more Gulf sovereign and private real estate investors lured away from their usual luxury projects.

Switzerland-based [Orascom Development \(OD\)](#) also signed in Mars 2009 with TOKI for middle and low income projects totalling 7.5 million sqm in Ankara, and 5.5 million in Istanbul. [Samih Sawiris](#), the Egyptian owner of OD, told Reuters in May 2008 that "*budget housing would account for 10 % of the company's revenue by 2011, up from almost nothing in 2008*". The Turkish projects alone might bring revenues in the vicinity of USD 800-900 million.

[Mixta Africa](#), affiliated to Spanish promoter Renta, is building 4.300 budget apartments in Morocco and Egypt over 2009, for investments totalling EUR 164 million. Mixta Africa has become the ideal investment vehicle into North African social housing projects for the IFC (9%), Morgan Stanley (16%), and Saudi prince Al-waleed Bin Talal Bin Abdulaziz Alsaud (21%).

Measures to support the rehabilitation of existing stocks: the Algerian case

In Algeria, the Caisse Nationale du Logement ([CNL](#)) is statutorily in charge of "*State contributions in favour of housing, especially concerning rented housing, informal housing upgrading, rehabilitation and maintenance of existing stocks and promotion of social housing*". The severe obsolescence of Algeria's existing social housing stock, calling for ambitious rehabilitation programmes, is an opportunity for many businesses (insulation, masonry works, heating, lifts, etc.). Disbursements by the Caisse Nationale du Logement over the 1999-2008 period reached 880 billion dinars, of which slightly less than half went to rental housing.

In Tunisia, the Agence de Réhabilitation et de Rénovation urbaine ([ARRU](#)) is responsible for implementing the State's policy in urban rehabilitation and renovation. ARRU brought as co-financing about TND 110 million over 2002-06, as the State contribution to the local public authorities responsible for the projects.

Going further into details... (resources, contacts, links)

- ✦ Egypt: National Housing Project, Ministry of Housing: www.housing-unity.gov.eg / Call for tenders for the construction of social projects: www.am-bam.org.eg / "[Rehabilitators eye low income market](#)", Erin Cunningham, Business Monthly Egypt 23-04-2009
- ✦ Morocco: official website for the 140 000 social housing units initiatives (www.logement140000.ma), "[Construction Co-operatives](#)", Oxford Business Group Latest Briefings, 25-04-2009
- ✦ Jordan: [Project Decent Home for Decent Living](#)
- ✦ "[Affordable Housing: Markets & Governments](#)", Turkish Real Estate Summit, Istanbul, April 2007 [Affordable Housing Institute](#), David A. Smith.
- ✦ Turkey: Ministry of Housing (TOKI) www.toki.gov.tr



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