Achieve Ambitions

The Casablanca Real Estate Market

Introduction

Casablanca is the major economic hub of Morocco, located on the Atlantic Ocean, 80 km south of the capital Rabat. It is also the most populated city in the Kingdom, with approximately 3 million inhabitants, a large majority of which are young and active.

Recently, the local authorities initiated the provision of incentives (tax as well as administrative) to attract investors and occupiers in the services, industrial and tourism sectors.

As part of this framework, several projects are expected to be developed in Casablanca through both the private and public sectors, which will reinvigorate the office, retail, residential and infrastructure offer of the city.

After several years of work and contemplation, the Moroccan Central Bank (Bank Al-Maghrib) introduced the gradual floating of its currency (the dirham) in January 2018.

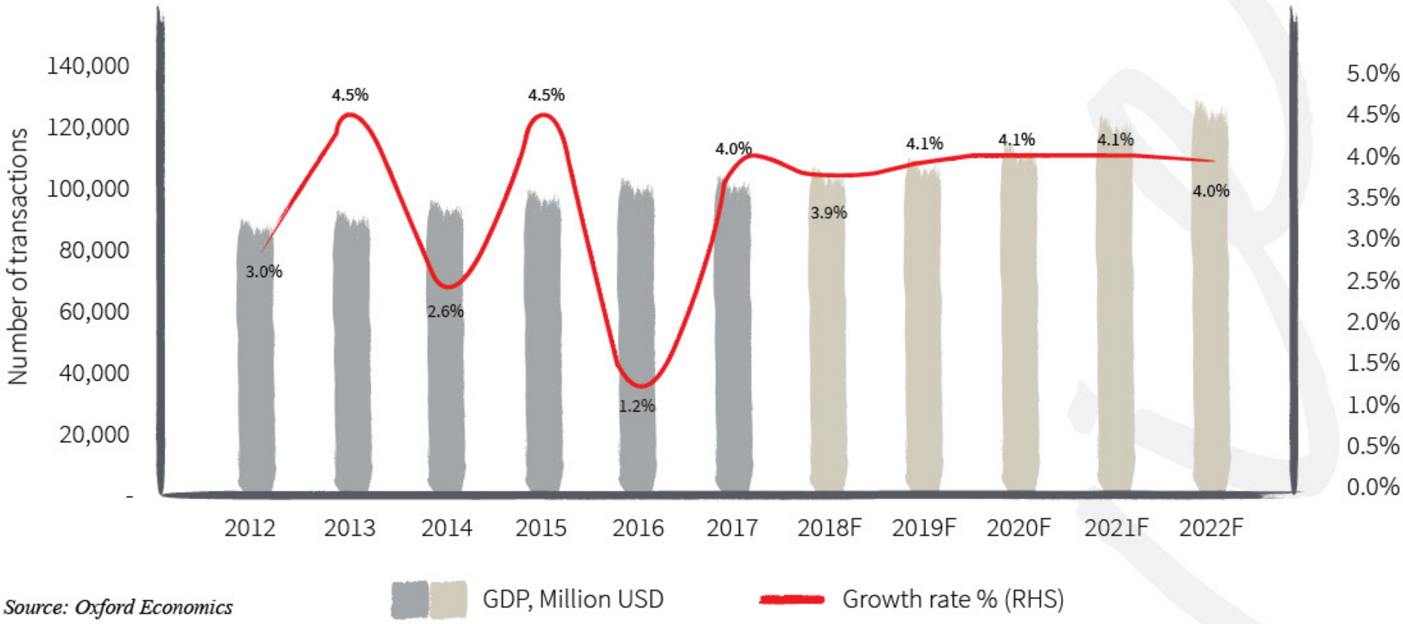
The band in which the dirham fluctuates against hard currencies will be increased to 2.5% (an increase from 0.3%) above or below the official rate.

This is intended to boost competitiveness across the North African economies. It will also aid in establishing the country as a regional economic and business hub, and potentially positioning it as the gateway to Africa.

Morocco Macroeconomic Overview

According to Oxford Economics, GDP in Morocco grew by 4% in 2017, primarily driven by increased domestic consumption and public investments. The development of the Tanger-Med port, as well as the expansion into new industries (such as automotive and aeronautics) have also contributed to the economic growth.

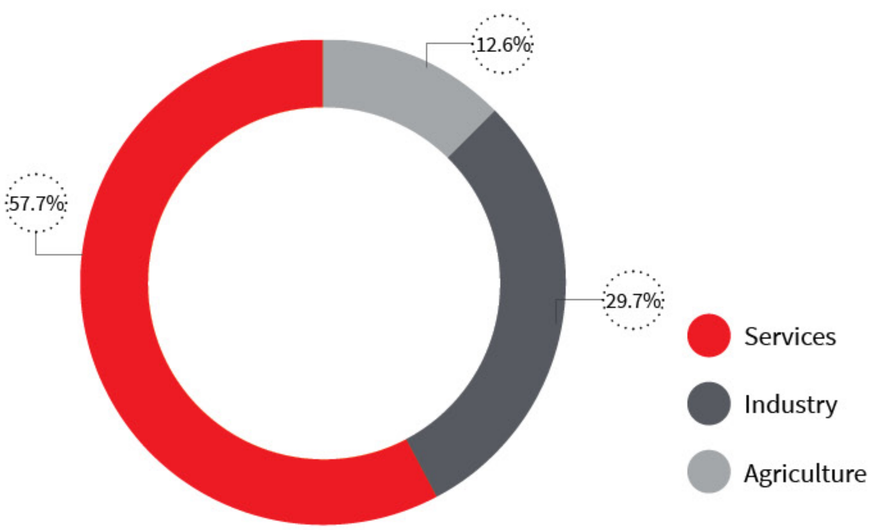
Figure 1: GDP



Source: Oxford Economics

The Moroccan economy is heavily dependent on services (57.7% in 2017) followed by the industrial and agricultural sectors, contributing 29.7% and 12.6% respectively.

Figure 2: Contribution to GDP (2017)

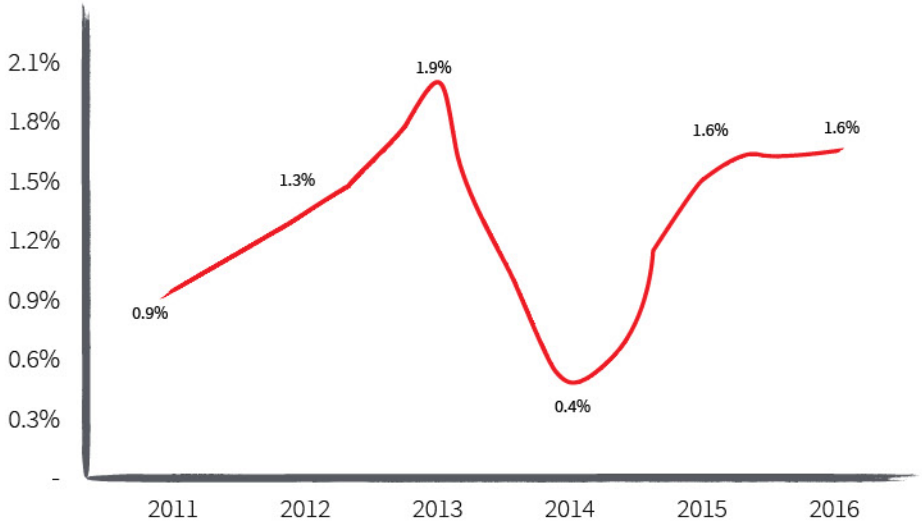


Source: High Commission for Planning (HCP)

Inflation

Inflation in Morocco has remained at low levels (below 2%) in recent years. The bulk of the increase in 2015 and 2016 is the result of the 2.7% expansion in the food price index. Conversely, the index for non-food products recorded a mere growth of 0.7%. Accordingly, when food products are removed from the index, inflation in 2016 was a modest 1.3%.

Figure 3: Inflation rate in Morocco

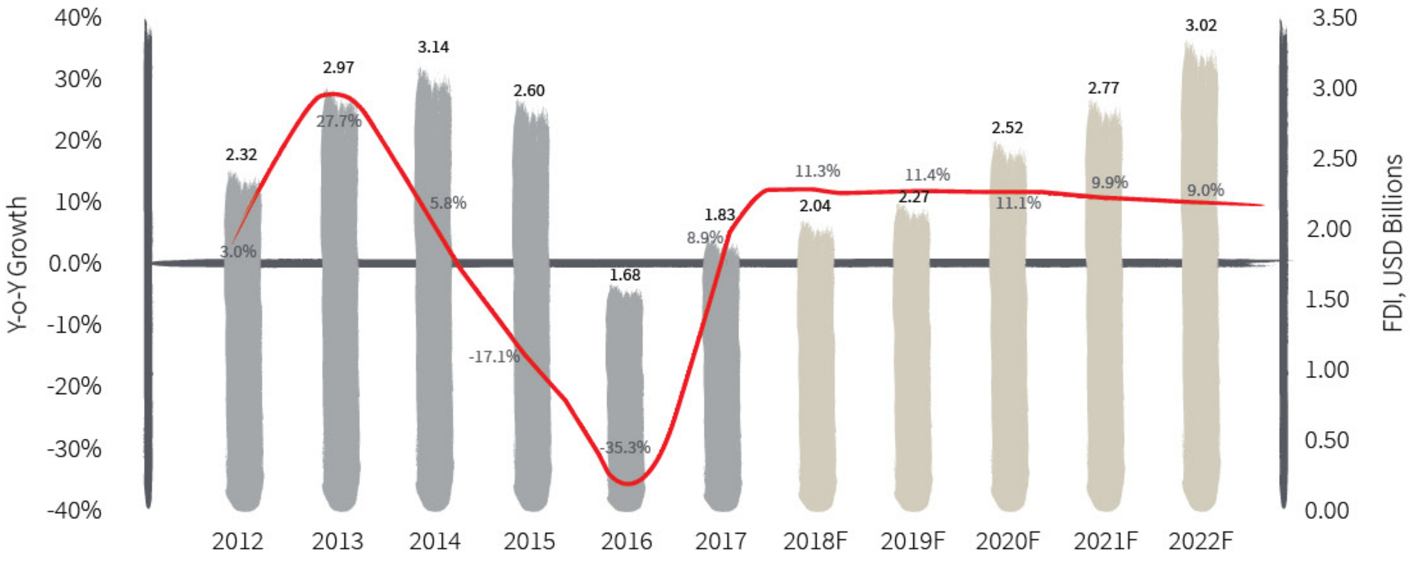


Source: The World Bank

Foreign Direct Investment

As one of the most politically stable countries in North Africa over recent years, along with its strong economic growth, Morocco has attracted a significant level of interest from international investors. As a result, Foreign Direct Investment (FDI) between 2012 and 2014 was well above normal levels. Although investment continued in the manufacturing and aeronautic sectors in 2016-2017, total investment declined from the high levels experienced in 2013 to 2015 given the completion of a number of major projects. The drop in 2016 can be seen as things returning to 'normal' levels, rather than a sign of a general decline in the country's attractiveness to foreign investors. Increased levels of overseas investment are expected in coming years (reaching approximately USD 3 billion by 2022), a 65% increase from the levels recorded in 2017. The Kingdom is seen by many investors and corporates as the gateway into French speaking sub-Saharan Africa.

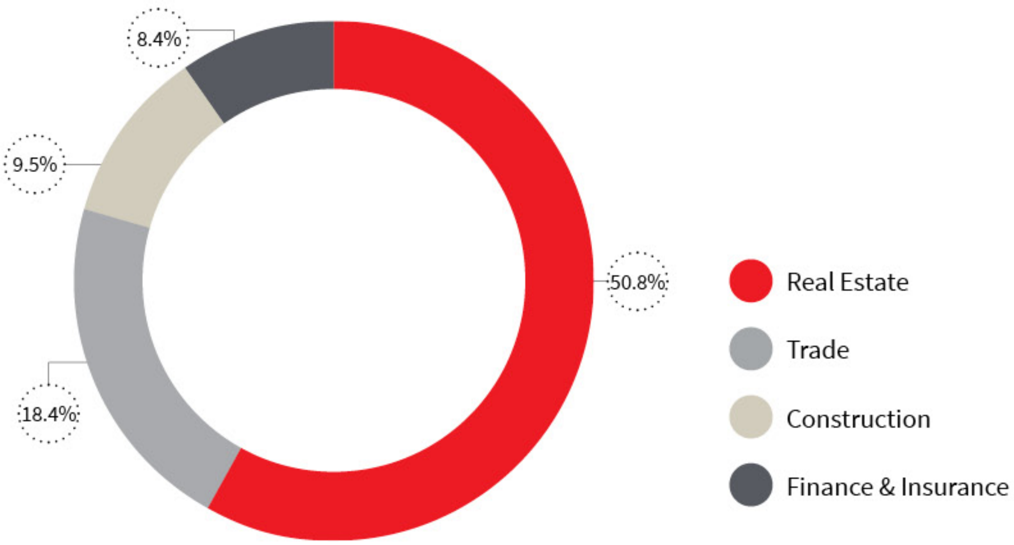
Figure 4: Foreign Direct Investment



Source: Oxford Economics

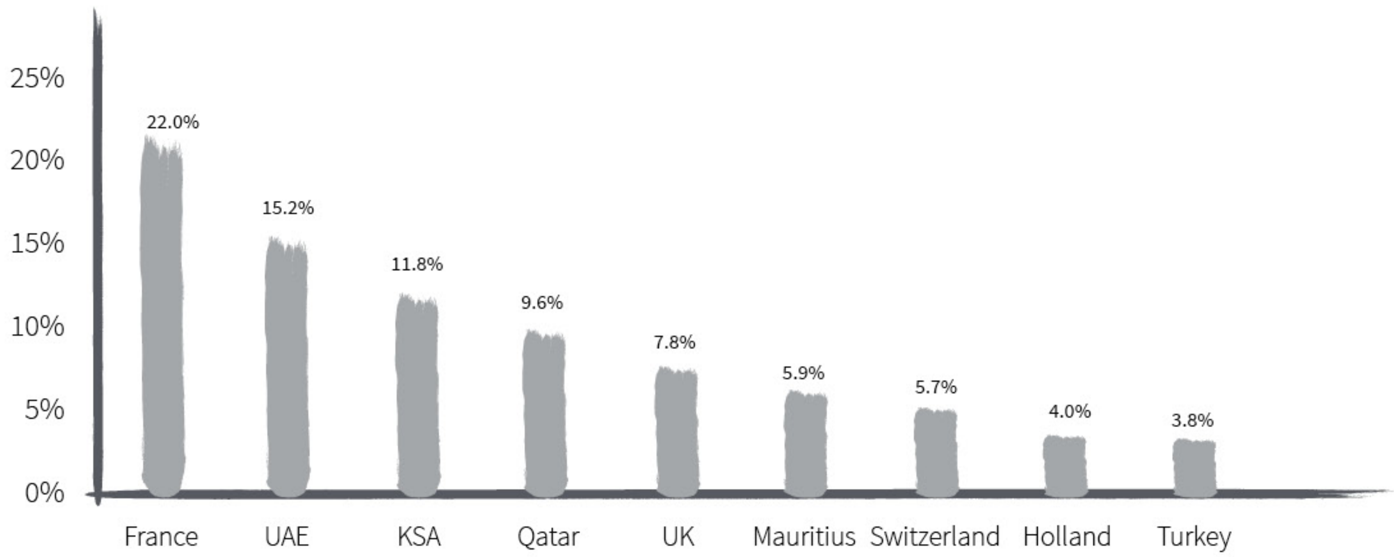
The Moroccan economy has attracted increased levels of FDI every year since 2005 (with the exception of 2015 and 2016) with real estate attracting around half of the total FDI. France remains the largest investor (22%), specialising in the insurance, telecommunications, transportation and banking sectors. Almost 40% of foreign investment was from the GCC (especially Saudi, UAE and Qatar), with a significant proportion of this investment in the real estate sector.

Figure 5: FDI by sector (2016)



Source: United Nations Conference on Trade and Development (UNCTAD)

Figure 6: FDI by country of origin (2016)



Source: United Nations Conference on Trade and Development (UNCTAD)

Real Estate Investment Trusts (REITs)

Although there are no listed REITs (also referred to as Organisme de Placement Collectif Immobilier) on the Moroccan stock exchange as of yet, they are expected to facilitate the future growth of the commercial real estate segment in Morocco.

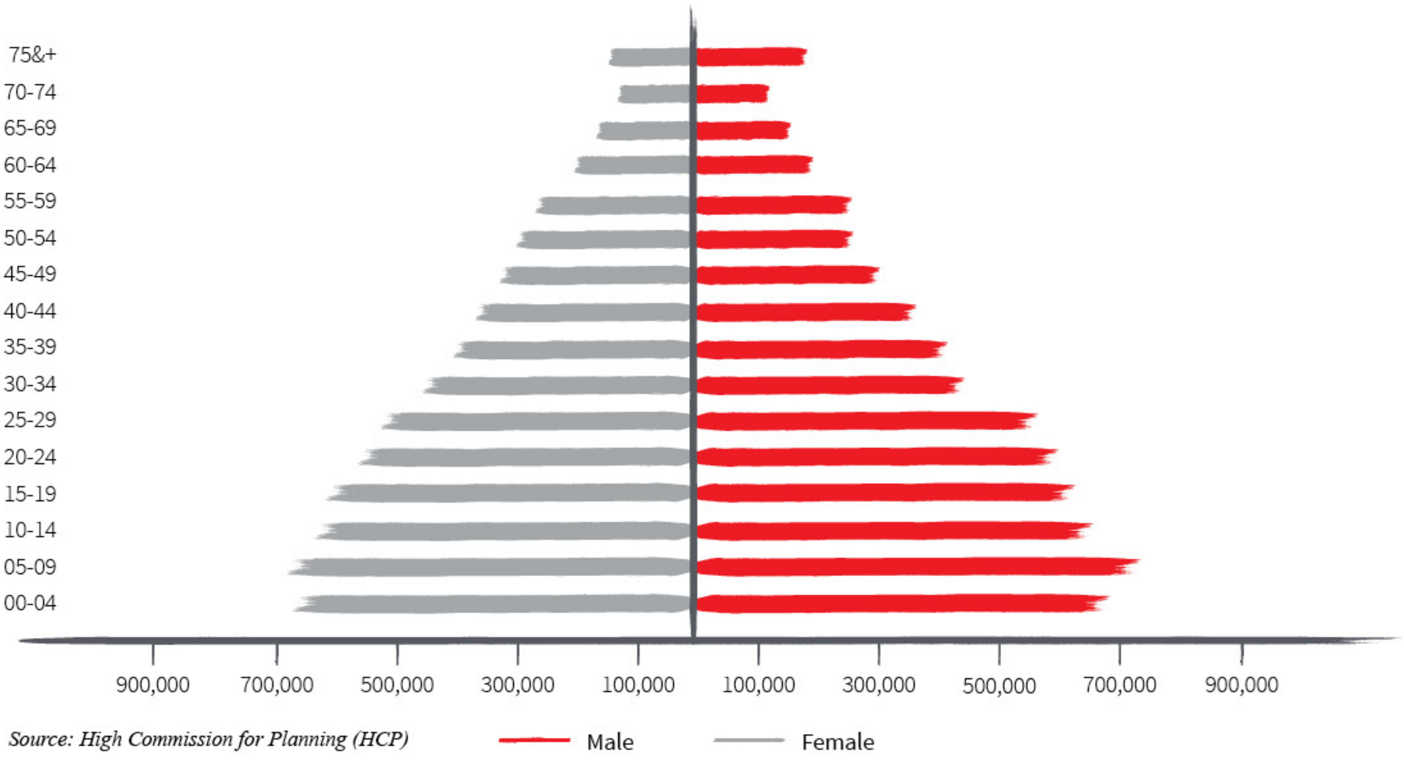
In 2015, the European Bank for Reconstruction and Development acquired a USD 48.6 million equity stake in Vecteur LV (VLV) to support the expansion of the retail sector and promote REITs. In 2017, the merger of VLV and Petra resulted in the creation of a new commercial real estate platform comprising of 27 assets across 15 cities in Morocco, spanning an area of 215,000 sq m GLA.

Grit real estate income group (previously known as Mara Delta) has also announced its intention to list its Moroccan assets separately as a REIT (with Anfa Place being the prime asset in its portfolio).

Population

The majority of the Kingdom's 35 million people live close to the northern plains and in cities along the Atlantic coast such as Casablanca and Rabat. The desert climate experienced across the country's southern regions sustains fewer urban centres and a lower population density. As with other countries across the region, Morocco has witnessed an important population shift over the past decade, with an increasing number of people migrating from rural areas to rapidly growing cities along the coast. It is a demographically young country, with 45% of its population under the age of 24.

Figure 7: Population by age group (2017)

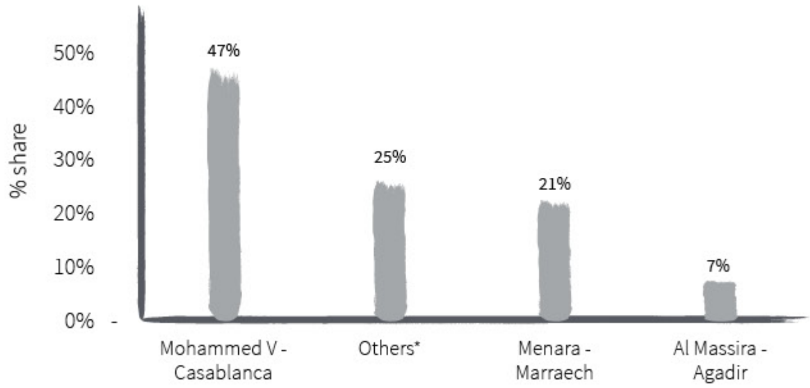


Source: High Commission for Planning (HCP)

Transport

Morocco has four main airports; Mohamed V in Casablanca, Menara Airport in Marrakech, Salé Airport in Rabat, and Al Massira Airport in Agadir. Casablanca's Mohamed V airport is by far the largest in the country (accounting for nearly half of all passenger traffic in Morocco) and serves as the hub for the national airline Royal Air Maroc.

Figure 8: Share of total air traffic (2016)



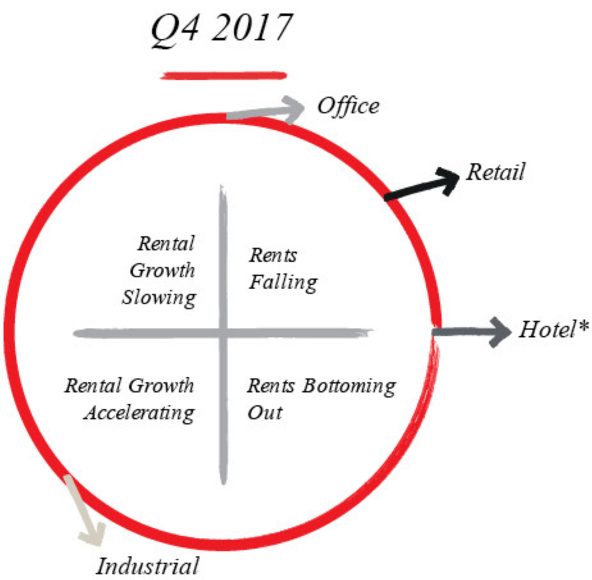
**Includes Salé Airport in Rabat*

Source: Moroccan Airports Authority (ONDA)

Beyond air traffic, Morocco's railway network spans over 2,100 km. The 360 km Casablanca-Tanger high-speed railway is currently under construction and scheduled for completion in 2018. Upcoming plans include the renovation of the Casablanca-Marrakech 225 km high-speed line scheduled for completion after 2020. Additionally, Morocco has 10 commercial ports that handle round to 84 million tons in merchandise traffic annually. The government plans to develop six new ports around Morocco in Kenitra, Casablanca, Doukkala, Abda, Souss, and Tensift.

JLL Property Clock

Figure 9: Casablanca Prime Rental Clock



Source: JLL

** Hotel clock reflects the movement of RevPAR*

Note: The property clock is a graphical tool developed by JLL to illustrate where a market sits within its individual rental cycle. These positions are not necessarily representative of investment or development market prospects. It is important to recognise that markets move at different speeds depending on their maturity, size and economic conditions. Markets will not always move in a clockwise direction, they might move backwards or remain at the same point in their cycle for extended periods.

Office Market

Overview

Casablanca is Morocco's main commercial centre, housing many national and international companies. This results in a growing need for modern office space in Casablanca.

The office market in Casablanca is currently focussed within six main areas.

1. The Historic City Centre, also known as Centre Ville Historique (CVH) is a mixed use area with most buildings aged 20 years or more and typically smaller in scale than in more modern areas of the city. The CVH houses a number of banking and financial institutions as well as other professional companies within the insurance and legal domains. Infrastructure within the city centre is well developed, with good proximity to public transportation.

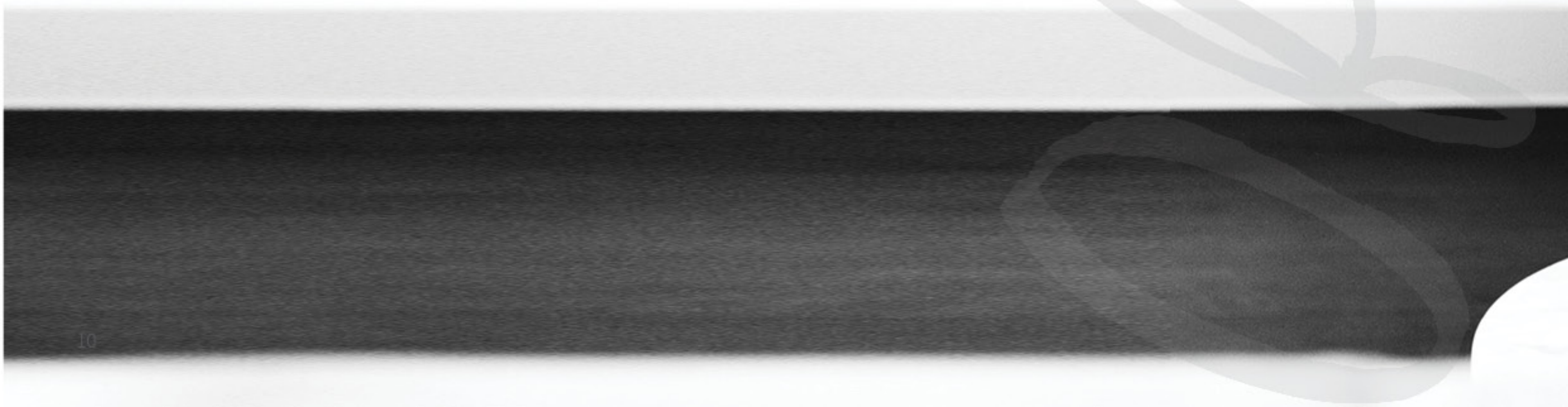
2. The Quartier Central D'affaires (QCA), is the Central Business District of the city and home to the headquarters of a number of professional organizations in the banking and insurance sectors.

3. City Entrance - Sidi Maarouf has attracted many companies in the services sector due to its higher proportion of Grade A and B office spaces in comparison to other areas across the city.

4. Casanearshore is a gated community serving offshore companies. Most of the office space in this area is Grade A, in line with international standards of building quality and services.

5. Casa Anfa is the first financial hub in Africa, incorporating Casablanca Financial City (CFC). This is expected to increase the level of demand for office space from the financial, as well as other professional services' sectors.

6. Ain Diab – La Corniche is home to the majority of multinational corporations. Key examples include Sopra Banking, Roche, Deloitte, and P&G. La Marina is currently the biggest project under construction in the area.



Supply

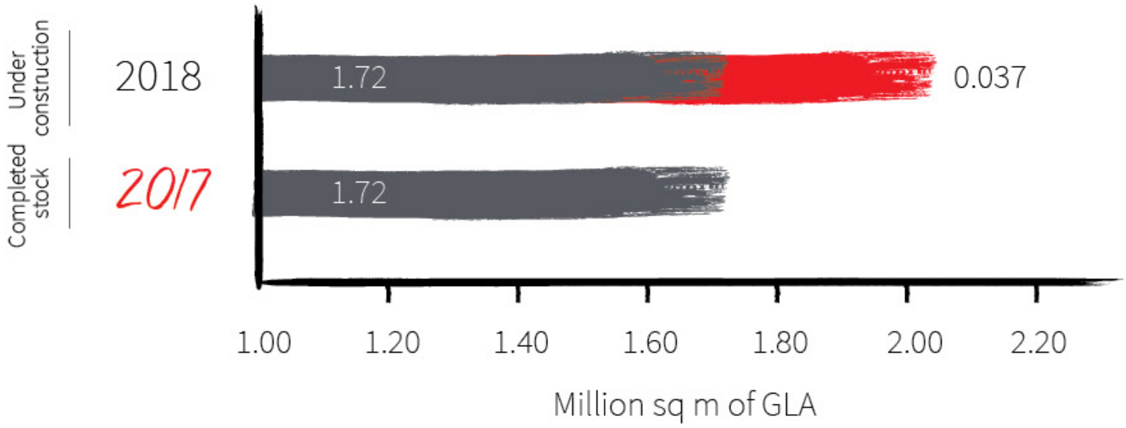
The office stock in Casablanca currently stands at 1.7 million sq m, with approximately 50,000 sq m vacant and available for rent.

The largest concentration of office space can be found in the QCA (approximately 700,000 sq m), with most offices in the range of 500 sq m In the CVH, there is a total of 315,000 sq m, with 250 sq m being the average size. City Entrance and Casanearchore had a total office stock of 350,000 sq m and 250,000 sq m respectively, with units being significantly larger in size when compared to the CVH and QCA, averaging 1,300 sq m

There is less office stock in Casa Anfa (30,000 sq m) and Ain Diab (75,000 sq m) compared to the other four zones within the city. Casa Anfa is expected to increase its office stock following the opening of the CFC.

Recent completions in 2017 included Palmier Place in the CBD (9,000 sq m), accommodating 90 office spaces, with sizes ranging between 70 – 120 sq m. A further 37,000 sq m of office space is expected to enter the market in 2018, which will bring supply in Casablanca to 1.76 million sq m. Notable completions expected to enter the market include Sidi Maarouf (30,000 sq m), and Nearshore (7,000 sq m).

Figure 10: Office supply



Source: JLL

Performance

There has been a continued shift towards prime office spaces over recent years, with the specifications of office buildings becoming increasingly important to tenants.

Prime office rents remained relatively stable in 2017, ranging between MAD 170 and MAD 200 per sq m per month.

Map 1: Casablanca's main office areas

Source:Copyright © Jones Lang LaSalle IP, INC 2018 / Map data © OpenStreetMap contributors

Retail Market

Overview

Street retailing is very popular in Casablanca and has a major impact on the overall retail market. As supply and performance data is not available on street retailing, the supply and performance numbers quoted in this report relate only to organised retail malls across the city.

The retail market in Casablanca is concentrated in seven major zones:

1. The **Corniche** area has always been regarded as the prime destination for leisure and entertainment activities within the city, given the presence of two flagship malls (Morocco Mall and Anfa Place). Geographically, The Corniche has a direct view of the Atlantic Ocean.

2. **Racine** is the prime retail location outside of the Corniche and a renowned shopping destination. The majority of retail activity in the Racine area is concentrated around the northern part of the prestigious Al Massira Al Khadra Boulevard.

3. **Maarif** is located close to Racine with most retailers in this area being independently run and privately owned businesses.

4. **Racine Extension** has less retail space than the adjacent areas of Racine and Maarif and targets a number of niche markets. Specialty household and furniture stores are located along Abdellatif Benkadour Boulevard and Phare Avenue, with luxury jewellery shops on Ain Harrouda.

5,6,7. Given the high concentration of office spaces within **Sidi Maarouf, Bourgogne and Ghandi,** the retail market in these three locations is largely focussed on F&B, with most restaurants targeting trade from office workers.

Supply

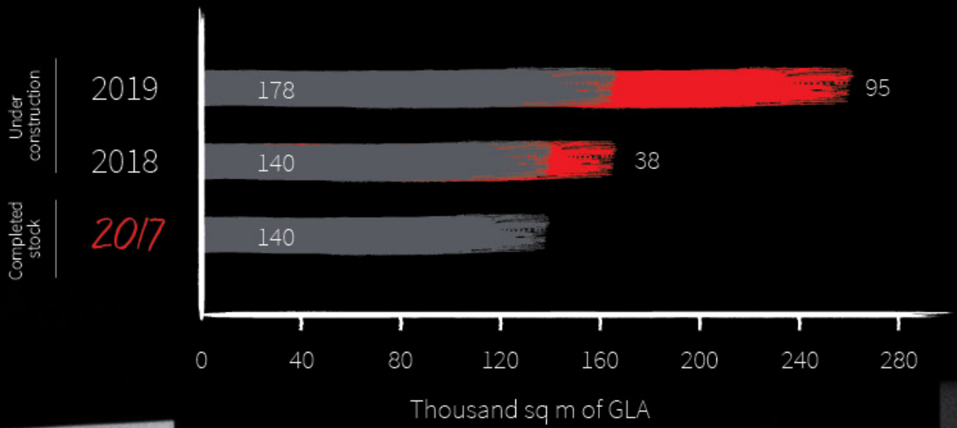
There are three main shopping malls in the city; Morocco Mall (70,000 sq m of GLA), Anfa Place Shopping Centre (25,000 sq m of GLA), and Tachfine Centre (25,000 sq m of GLA). As of Q4 2017, the total retail supply within shopping malls in Casablanca reached 140,000 sq m of GLA.

Major retailers in Morocco include the Marjane supermarket chain, with 37 stores (four in Casablanca), and Carrefour's local franchisee Label'Vie, which operates 60 stores throughout Morocco. A number of international retail brands have entered the Casablanca market, mostly opening stores in the two major malls through local franchise partners.

Future supply is expected to grow by 27% in 2018, with the opening of Marjane Sidi Maarouf's extension, increasing the size of this mall by 37,500 sq m of retail GLA. Additionally, the completion of La Marina and Petra Mall in City Entrance in 2019 is expected to add approximately 40,000 sq m and 55,000 sq m of retail GLA to the market, taking the total retail stock to 273,000 sq m by the end of 2019.

Although not reflected in our total supply figures, it is worth noting that street-front retailing remains largely popular in prime city centre areas such as Boulevard D'Anfa and Boulevard Al Massira Al Khadra.

Figure 11: Retail supply



Source: JLL

Performance

Occupancies in existing malls are generally high (ranging between 90%- 95%) as malls are becoming increasingly preferred to strip retail.

This is reflected in the high footfall levels achieved by the major centres such as Morocco Mall and Anfa Place Shopping Centre.

There has been little or no change in retail rents in the prime malls in 2017, with rents for unit shops in Morocco Mall and Anfa Place standing at MAD 250 and MAD 260 per sq m per month respectively. Indeed, these rents have remained relatively stable since their openings. In the case of Morocco Mall, these base rents exclude the additional 'key money' which tenants are obliged to pay. Rents for malls across Casablanca are charged a fixed monthly rent, with no turnover component.

Vacancy levels across street retail stores tend to be significantly higher, and thus rents in the latter retail segment are under pressure and recording declines.

Map 2: Casablanca's main retail areas

Source:Copyright © Jones Lang LaSalle IP, INC 2018 / Map data © OpenStreetMap contributors

1 Anfa Place
2 Casablanca Marina
3 Espace Porte d'anfa
4 Ghandi Mall
5 Marjane (extension)
6 Morocco Mall
7 Twin Center


Hotel Market

Overview

Casablanca's hospitality market is largely dependent on business travellers. Domestic tourism is the primary source of leisure demand (accounting for around 25% of hotel guests). France is the largest international market representing roughly 14% of hotel night demand.

The hospitality market is divided into four main areas within Casablanca.

1. The **Corniche** area which comprises mostly independent hotels, with the exception of the Four Seasons and Pestana Residences, both located within the Anfa Place's mixed-use development. Due to its sea front location, this area attracts most of the leisure tourists to Casablanca.

2. The **CBD** area is host to many office buildings and as such, hotels in this location attract a large share of business visitors. Hotels in this area tend to be managed by established operators (both domestic and international) and offer a higher quality product compared to the many unbranded hotels throughout the rest of the city.

3. The **Downtown** area is home to most of the 5 star hotels with most international brands such as Sheraton, Sofitel, Hyatt Regency and Novotel located in this precinct. The train station which opened recently is located in this area opposite the harbour.

4. Newer areas such as **Sidi Maarouf** and **Bouskoura** are also developing and have started attracting interest from international operators such as Accor and Hilton.

Supply

According to l'Observatoire National du Tourisme, Casablanca's hospitality market comprises approximately 7,400 hotel rooms. In addition to the hotel supply, there are approximately 400 serviced apartment units.

Table 1: Hotel rooms by star rating

Star rating	Number of rooms
1*	759
2*	792
3*	1,573
4*	2,488
5*	1,827

Source: l'Observatoire National du Tourisme

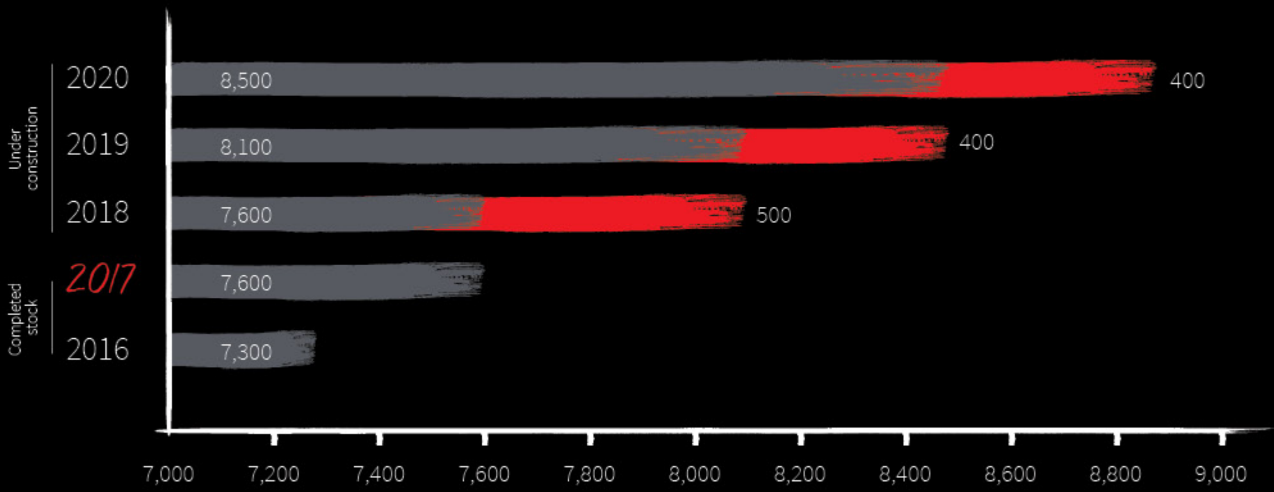
As opposed to other destinations in Morocco, the luxury segment in Casablanca is relatively limited with only the Four Seasons maintaining high international standards. The five star segment is however significant with many international brands (Sofitel, Hyatt Regency, Sheraton for instance) and domestic players (Kenzi, Atlas, etc.).

The 4 star category is prevalent but many of the hotels in this sector are operated by independent operators that have not always maintained international standards in some of the older properties. Prominent 4 star hotels in the city include Novotel City Centre, Atlas Almohades City Centre, and Mogador Marina.

The hotel supply in Casablanca has not increased significantly over the last few years, with the only major recent openings being the Four Seasons at the end of 2015 with 185 guest keys and the Ibis Casa Voyageurs with 130 keys in October 2017.

With more than 1,000 additional hotel rooms announced, the total supply of hotel rooms could exceed 8,500 by the end of 2020. Upcoming supply comprises a mix of properties in varied locations across all segments from midscale to luxury, either unbranded or branded. Notable anticipated completions include Les California Golf Resort (120 rooms), Mogador by Golden Tulip (350 rooms), and the Royal Mansour that is currently being re-built.

Figure 12: Hotel supply



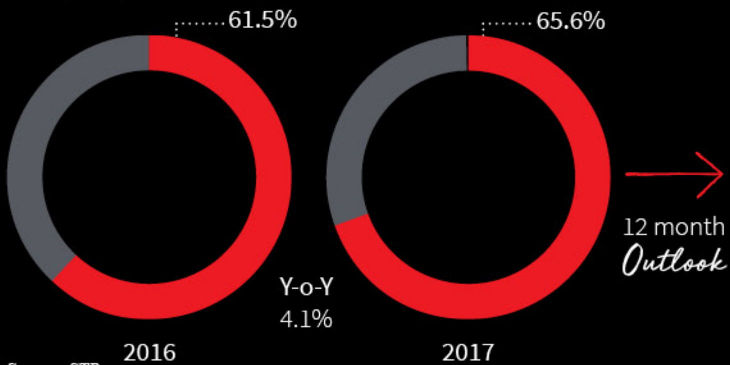
Source: JLL

Performance

Occupancy rates in Casablanca are typical of business oriented markets in Muslim countries in the region such as Algeria and Tunisia. Seasonality is limited and occupancy rates typically range between 50% and 60% throughout the year. 4 and 5 star hotels typically perform higher than the market average especially when branded and operated by international operators.

Over the last few years, occupancy rates in Casablanca have shown a slight decrease from 64% in 2015 to 62% in 2016. The recovery to 66% in 2017 is mostly due to the strong performance of the 4 star segment as a result of renewed business activity, which led to an increase in the number of exhibitions and conferences across the city. Average daily rates in Casablanca show little seasonality throughout the year due to the business oriented nature of the market which relies on a large share of contracted business with fixed rates. ADR's increased by 9% to USD 112 in 2016, with a slower rate of growth being achieved in the YT December 2017 (up 2% to USD 114).

Occupancy



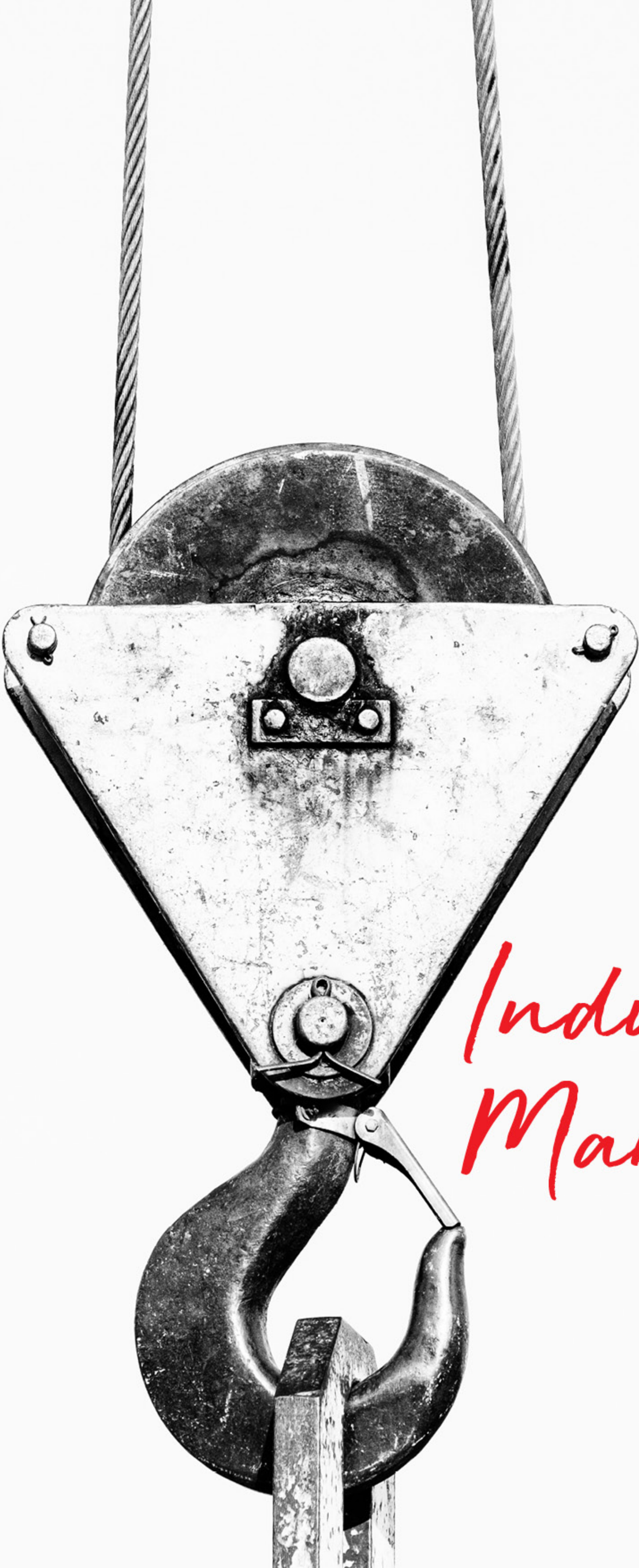
Source: STR

ADR

Map 3: Casablanca's main hotel areas

Source: Copyright © Jones Lang LaSalle IP, INC 2018 / Map data © OpenStreetMap contributors

1 Four Seasons
2 Hyatt Regency Casablanca
3 Novotel Casablanca City Center
4 Pestana Casablanca
5 Sofitel Casablanca Tour Blance
6 Ibis Casa Voyageurs



Industrial Market

Overview

Since 2000, the Moroccan authorities have created a number of new industrial zones which are in line with international standards, and have signed several free trade agreements with countries such as the USA, the EU and Turkey.

Morocco is increasingly recognised as an important gateway location between Europe and Africa, and has attracted a number of major international manufacturers, with Renault Nissan establishing a plant in Tangier, and Bombadier Aerospace building a facility near Casablanca. The government also launched an industrial acceleration program in 2014 which was intended to create 500,000 jobs, and increase the sector's contribution towards Morocco's GDP.

At present, there are nine established industrial zones in Casablanca, although much of the stock in some of these areas is now outdated.

1. The main industrial area of Casablanca is **Aïn Sebaâ,** located in the north of the city.

2. **Sidi Bernousi – Zenata** is one of the most established industrial areas in the city and is situated 8 km from the city centre. It benefits from its proximity to residential areas, where the majority of the workforce reside.

This area accounts for 23% of total industrial manufacturing, and 21% of the nation's exports. Additionally, it contains 12% of the city's industrial units and receives 29% of industrial investments.

3. **Aïn Harouda - Moulay Rachid – Sidi Moumen** is located 10 km to the north east of Casablanca city centre. It is bordered to the north by the Rabat-Casablanca motorway and is well served by public transport.

The Moulay Rachid industrial estate houses national companies, operating in the textiles sector (examples include: Filmod, Modaline, Vetworld, L'Océane, and Confex).

The biggest occupier in the area is Sews Cabind, which constructed its own factory in the Ain Harrouda area.

4. **Tit Mellil – Mediouna** is located 11 km to the south east of the downtown area of Casablanca. It is bordered to the north by the Sidi Moumen district and is well served by public transport.

The area is accessed via the N9 main road, but the internal roads in the industrial area are in poor state.

Mediouna houses many prestigious industrial operators such as Fenie Brossette, Tube et Profil or Dellatre Levivier.

5. **Lissasfa** is located south east of the Casablanca region next to the El Jadida motorway. The area is well served by public transport, however at peak times, traffic issues escalate on the El Jadida motorway.

The Lissasfa area incorporates a wide range of businesses which can vary significantly in size.

6. **Sidi Mâarouf** is located 5 km to the east of the city centre of Casablanca, and 2 km from the Casablanca - Marrakech motorway junction. The site is well served by both private and public transportation, whether through the Casablanca – El Jadida national highway or the L'Oasis train station.

However, the internal road network is in poor state, primarily due to the narrow infrastructure, which leads to traffic jams, particularly during rush hour.

The Sidi Mâarouf estate is mainly comprised of 3 to 5-storey industrial units with a high concentration of traditional style industries.

7. **Bouskoura** is located 20 km to the east of the city centre of Casablanca and 2 Km from the Casablanca - Marrakech motorway. The site is well served by public transport, however it is complicated to access (you must cross over the railway lines in order to access the industrial estate). Bouskoura is an amalgamation of the Ouled Saleh industrial area and the French chamber of commerce industrial estates.

8. **Nouaceur** is located 18 km to the north east of Casablanca, close to the Mohammed V International Airport. This area includes two industrial zones: Aeropole and Sapino, with a total area of 500 Ha. The industrial estates are easily accessible from the Casablanca-Marrakech Motorway, and benefit from a decent local road network.

a. The Aeropole project has a total area of 300 Ha, divided into 156 plots. The first phase is expected to include more than 40 firms, operating in the aeronautics industry.

b. Sapino is located close to the Mohammed V International airport, and aims to provide international standard industrial units. The total area of approximately 262 hectares is divided into around 1,400 individual sites. The latter will be equipped with a wastewater treatment plant.

9. **Had Soualem** is located further from the centre of Casablanca, but remains a good location for industrial activity and logistics due to its connection to El Jadida highway.

The development of the site was boosted by the construction of the Soualem industrial estate (by the Oulad Hriz collective), which includes approximately 150 plots.

Performance

Table 2: Performance of industrial cities

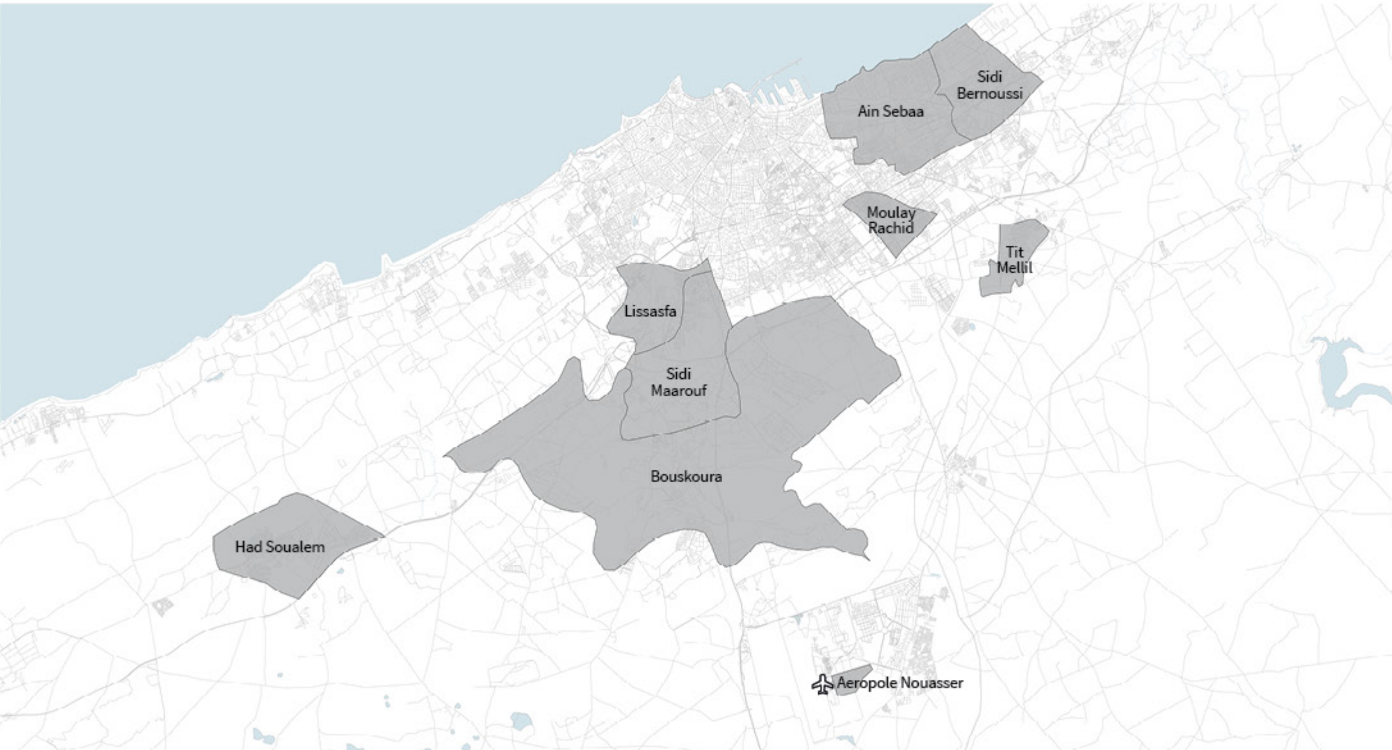
Name of industrial area	Sales prices (MAD per sq m)*	Monthly rental rates (MAD per sq m)**
Sidi Bernousi – Zenata	w wBare land: 600 – 2,000 Developed land: Up to 3,000	40 – 60
Ain Sebaâ	Bare land: 2,000 – 4,000	40 - 60
Aïn Harouda - Moulay Rachid –– Sidi Moumen	Developed land: 2,200 – 5,500	25 - 35
Tit Mellil – Mediouna	Bare land: 800 – 1,800	24 - 55
Lissasfa	Bare land: 1,200 – 4,000	45 - 65
Sidi Mâarouf	Bare land: 800 – 2,000	Approx. 40
Bouskoura	NA	35 - 50

Source: JLL

*Sale prices vary depending on the location of the industrial area and the property's state of repair

**Rental rates presented in the table exclude taxes and charges

Map 4: Casablanca's main industrial areas



Source: Copyright © Jones Lang LaSalle IP, INC 2018 / Map data © OpenStreetMap contributors

Definitions

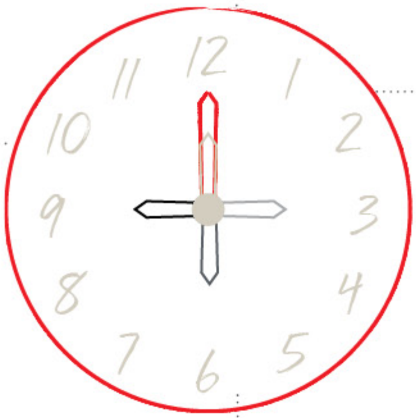
Clock Definitions

12 O'clock

Indicates a turning point towards a market consolidation / slowdown. At this position, the market has no further rental growth potential left in the current cycle, with the next move likely to be downwards.

9 O'clock

Indicates the market has reached the rental growth peak, while rents may continue to increase over coming quarters the market is heading towards a period of rental stabilisation.



3 O'clock

Indicates the market has reached its point of fastest decline. While rents may continue to decline for some time, the rate of decrease is expected to slow as the market moves towards a period of rental stabilisation.

6 O'clock

Indicates a turning point towards rental growth. At this position, we believe the market has reached its lowest point and the next movement in rents is likely to be upwards.

Definitions

Office

Figures are based on physical surveys undertaken by JLL. The supply data covers major modern office premises, but not all of this space would be considered Grade A by international standards. We monitor supply in 6 major areas across the city, namely Historic City Centre (CVH), Central Business District (QCA), City Entrance (Sidi Maarouf), Casanearshore, Casa Anfa and Ain Diab (La Corniche). These include purpose built offices and an allowance for office space in mixed use buildings. Our estimate of future supply only includes purpose built offices that are currently under construction.

Rents: The basket of office buildings in Casablanca reflects the prime office buildings.

Retail

JLL data only includes space in retail malls and therefore does not cover the majority of the current stock of retail space in Casablanca, which comprises street front retail units, often standalone or as part of mixed use (residential and commercial) towers.

Hotel

Hotel room supply is based on existing supply figures provided by l'Observatoire National du Tourisme. JLL Hotels tracks future hotel development data. Room supply includes all graded hotel rooms but excludes serviced apartments.
Hotel performance data is based on a monthly survey conducted by STR Global on a sample of international standard midscale and upscale hotels.

Industrial

The industrial zones referred to in the report are in accordance with the Moroccan authorities, which are in line with international standards.
The areas of the nine main industrial areas are estimated by JLL.

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