



INSIDE TRACK

Maya Fisher-French* | 09 October 2009 13:48

Mauritian property market holding up

Mauritian property development Villa Valriche is crawling with Chinese workers and Villas are popping up like mushrooms.

On a return visit to Mauritian luxury golf estate development Villa Valriche, I had heard rumours from some disgruntled property owners that the development had run into trouble. But speaking to other owners and the developers (and seeing firsthand the development over the last two years) it would seem that the rumours are more a case of Christmas plans being shelved due to construction delays than anything more sinister.

In the current economic climate so many property developments across the globe have gone under with investors losing millions of dollars, so rumours are not to be ignored. However Alec Bates, director of Secondlifestyle Group, a 40% shareholder in Villa Valriche, says although the building was delayed by a year due to lack of construction capacity on the island, at no point was the development at any risk. The project has been cash-flow positive and they have only now, with over 100 villas under construction (80% at roof height), tapped into their \$60m overdraft facility.

To be fair, the rumours were surprising given that the major shareholder, the Rogers Group, is the largest listed company in Mauritius so its pockets are deep and reputation risk significant. Moreover the development was guaranteed by Mauritian banks, which like South Africa's banks, were largely unaffected by the crisis.

While some investors are frustrated at the delay in the building of their holiday home, for other the delay has been a welcome relief, creating a breathing space during the credit crisis as they will only have to begin paying for their villa once it is at roof height.

Nevertheless the developer is aiming to deliver the first 20 units in time for December and in February when the villas are launched to the public for holiday rental, 26 villas will be complete. The remaining 100 villas are expected to be completed by the end of 2010.

Unlike many other developments in other regions, the integrated residence schemes (IRS) in Mauritius have held their value. Properties at Villa Valriche are now being sold at 37% more than those which were sold at launch phase. Although sales have slowed, the developer has not had to discount its prices unlike many developments in other regions. For example a two-bedroomed Villa that was selling for \$800 000 cannot today be built for less than \$1.2m. There have also not been any distressed sales as it seems that Mauritius attracted a different market - the long-term investor rather than the speculator.

The first villa has been completed as a show house and the standards are impressive. The rental pool will launch in February so investors will be able to rent out their villas to cover running costs and deliver an investment return. Villa Valriche developers are estimating that investors will receive a 5% return in dollars - at rental rates one would need to rent out the villa for approximately 100 days a year which is not too demanding. But the success of the full benefits of the rental pool will only be realised in about two-years time when the development has been completed and the estate has been well established in the tourist industry.

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Maya Fisher-French was a guest of Villa Valriche

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