

TUNISIA NEWS REPORT



Tunisia: Continued Construction

Tunisia's construction sector has been lifted by the recent announcement in late July by Sharjah-based developer Bukhatir Group that it is going ahead with its planned Sports City development in the capital Tunis.

The \$5bn Tunis Sports City is based upon the successful Dubai Sports City model, which is currently nearing completion in the UAE. The mixed-use development will be situated in a 257-ha plot in the reclaimed north Lac region of the Tunisian capital, and is expected to include an 18-hole PGA golf course alongside a 20,000-seat football stadium and a swimming centre with an Olympic-sized pool.

Initial selling for the project began on July 10, with high-end apartments being offered for the planned Burj Almasa tower. According to Paul Crosetta, the CEO of Bukhatir's subsidiary Sports Cities International, the group responsible for developing the project, over 90% of properties in the tower were sold within the first week.

The entire development is expected to take 15 years to complete, with total residential capacity expected to be close to 30,000. The majority of the project will be financed through a collection of five banks, via Sports Cities International, although in light of current economic circumstances he described acquiring the funds as a "difficult process" to press.

Crosetta added that Tunisia's economic position made it a good bet for real estate developers looking to ride out the current economic climate. "Tunisia has been relatively cocooned from the financial crisis and has a stable economy," he said. "This is the first development of its kind in Tunisia and we're seeing demand from Tunisians wanting to book apartments."

Bukhatir's faith in the Tunisian real estate market comes at a time when other Gulf developers are notably scaling back their commitments abroad, in light of difficulties at home and increased constraints in securing funding. Within Tunis itself, the future of Sama Dubai's planned mega-projects in the city's Lac du Sud area - Century City and Mediterranean Gate - is somewhat hazy. These developments, which cover a combined area of 800-900 ha, were mooted to involve investment of \$14bn, with completion due over a decade later. With the recent reorganisation of Dubai Holdings' real estate portfolio however, it remains to be seen whether they will continue, or be placed on indefinite hold.

However, the decision by Bukhatir to press ahead with Tunis Sports City serves as a vindication of the Tunisian capital's real estate market, and its potential for continued growth in spite of troubling international conditions. Given that the company has also been evaluating opportunities in Africa and Asia, the choice of Tunis ahead of these competitors demonstrates a strong show of faith from the UAE developer.

Alongside the government's own ambitious 11th economic development plan (2007-11) - which foresees the construction of over 300,000 homes -

the growing presence of master-planned developments will likely lead to consolidation within Tunisia's construction sector, which is currently dominated by small private companies. The three-stage redevelopment of the capital's lake region in recent years has itself been a spur toward such consolidation; however, the scale of project envisioned by Gulf developers such as Bukhatir represents a step up in terms of size and sophistication even from previous developments there. Other firms, such as Abu Dhabi's Al Maabar and its planned \$10bn Bled Al Ward mixed-use development, are adding to the trend, and coming to represent a significant proportion of foreign investment in the Tunisian economy.

Given Tunisia's increasingly close integration with the EU (it was the first in the south Mediterranean to complete free trade area negotiations), combined with its strong performance in international surveys on competitiveness, future prospects for real estate remain strong. In particular, multinational companies looking to enter Tunisia require grade-A office space, while an increasingly prosperous middle class is searching for the sort of amenities not yet available amongst the existing housing stock. With Tunisia set to buck the global trend and maintain firm growth in 2009, Bukhatir may well reap the reward for its faith.

***Source.: Oxford Business Group
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