Unlocking Morocco's real estate potential through collective investment vehicles

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Morocco ranks in the top 10 of the most developed countries in Africa yet continues to struggle with issues of savings mobilization and general GDP growth. This article analyzes Morocco's 2016 implementation of *organismes de placement collectif immobilier* (real estate collective investment organizations) and their role in the country's economic growth. After discussing these organizations across a variety of dimensions, strategies are proposed to mitigate risks facing such instruments in the Moroccan landscape.

Introduction

In 2016, the government of Morocco implemented new investment vehicles, known as *organismes de placement collectif immobilier* (*OPCIs*) (real estate collective investment organizations) (*REITs to drive*…, 2016). The OPCIs are a tax structure similar to real estate investment trusts (REITs) in the United States. These structures own, and in many cases operate, various forms of real estate that generate income through rent charged to tenants and property sales (M. Price, personal communication, November 17, 2023). The creation of OPCIs came about, in part, as means of attracting foreign investment for commercial real estate and economic development and of offering a new asset class to both domestic and foreign investors. The real estate sector in Morocco, as of 2016, comprised 38.6% of total foreign direct investments (*REITs to drive*…, 2016). Additionally, many commercial real estate assets sit on the balance sheets of companies in the country and are worth around 15% of GDP. Therefore, the main motivations behind Morocco passing legislation to implement OPCIs were to generate income on these otherwise static balance sheet assets and to give institutional investors, such as pension funds and insurance companies, an income-generating investment secured by real estate (*Morocco's real estate*..., 2018). As a result, individuals could benefit indirectly from the institutions trading on their behalf. This article outlines the government's initiatives for OPCIs, assesses challenges faced by these investment vehicles, and offers paths for the government and official bodies to address the issues with these investment vehicles.

History of the Moroccan financial system

The role of OPCIs in Morocco's modern financial system can be contextualized in terms of Morocco's economic evolution over the past few decades, the economic issues that the country has faced as a whole, and the ways the government approaches solving issues have shifted as a result. It is helpful to consider the conditions that existed in the years following Morocco's independence from France in 1956. At the time, policies pushed for import substitution industrialization, which caused mining and manufacturing industries to suffer from plant inefficiencies and overstaffing. Moreover, a focus on agricultural self-reliance led Morocco to increase its production of agricultural goods for export. Unfortunately, the 1970s brought about global economic shocks, which reduced the demand for Moroccan exports, while weather-related shocks severely impacted agricultural production, a sector that contributed to over 20% of the country's GDP. As a result, navigating economic changes in the 1970s proved an arduous endeavor for Morocco. During this time, the governmental budget deficit increased from 3% at the start of the 1970s to a staggering 14% at the start of the 1980s. Accompanying this growth in deficits was a large increase in the external debt (money owed to other countries) as a percentage of GDP, ballooning from 19.6% of GDP in 1970 to 51.6% in 1980. One factor that permeated the issues arising during this time appeared to be a rigid financial system (narrow bond and equity markets), which also contributed to limited capital use and savings by individuals (Eken et al., 1995). Issues of limited savings and economic rigidity are essential to a discussion of the relevance

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of OPCIs in the Moroccan context. As a modernization to the financial system, the instrument's intention is to alleviate some of these issues the country has faced since the 1970s.

In the 1980s, government officials pushed to remediate many of the issues with state-owned enterprises and trade deficits through adjustments to fiscal and monetary policies as well as a shift to focus resources on exports and savings mobilization. In the first half of the 1980s, this objective was meant to be achieved through a reduction in capital expenditure by the government aimed at achieving stabilized growth for the country moving forward. Unfortunately, social and environmental issues arising in 1981 stunted progress on this front and limited the government to merely conducting studies in preparation for the planned changes. The second half of the 1980s saw more tangible reforms, all aimed at improving the governmental budget. Ultimately, these reforms would produce mixed results for the 1980s, as can be observed in external debt peaking at 128.4% of GDP in 1985 and then falling to 90.5% by 1990 once reforms began taking place (Eken et al., 1995). Although external debt did increase since the 1970s, the actions in the latter half of the 1980s seemed to have had a positive impact overall.

Continuing the reforms of the 1980s, the government also sought change in financial markets. A major component of the hardships faced by Morocco in the 1970s was constrained resources, largely due to limited bond and stock markets (Eken et al., 1995). In response, the 1990s saw a wave of innovation in the way capital markets were regulated in Morocco. Some of the notable changes in debt markets focused on removals of lending rate ceilings and a subsequent increase in the competitiveness of financing options through debt. As part of a greater effort to liberalize capital markets, the 1990s also saw the development of financial instruments known via the European Union as undertakings for collective investment in transferable securities. These financial instruments, similar to US mutual funds that embody different characteristics such as bond, stock, or money market portfolios, were a major step in the direction of bolstering financial inclusivity for individuals. Prior to the reforms, there was a strong preference by Moroccan households for keeping cash in savings or directly purchasing real estate (El M'Kaddem, 2013). As such, the goal of the undertakings for collective investment in transferable securities funds was an attempt by governmental officials of the time to increase capital sources and build a diverse financial ecosystem for individual investors. These components of change would serve as precursors to the development of OPCIs in 2016.

As Morocco and its new capital markets entered the twenty-first century, the country would continue innovating and diversifying its financial system. In addition to the introduction of OPCIs in 2016, the entire capital market governing structure would see a major revamp. The prior regulating body, known as the *Conseil Déontologique des Valeurs Mobilières* (Moroccan Securities Commission), transformed into the *Autorité Marocaine du Marche des Capitaux* (*AMMC*) (Moroccan Capital Market Authority). Along with a reinforced governing body came the need to provide more regulated collective investment instruments to investors desirous of more secure forms of mobilizing savings. From this drastic shift came the development of OPCIs. By pooling features from the undertakings for collective investment in transferable securities of the 1990s with the observed preferences toward real estate, markets could appeal to institutional investors and have a subsequent impact on individuals in the country (Moroccan Capital Market Authority, 2016).

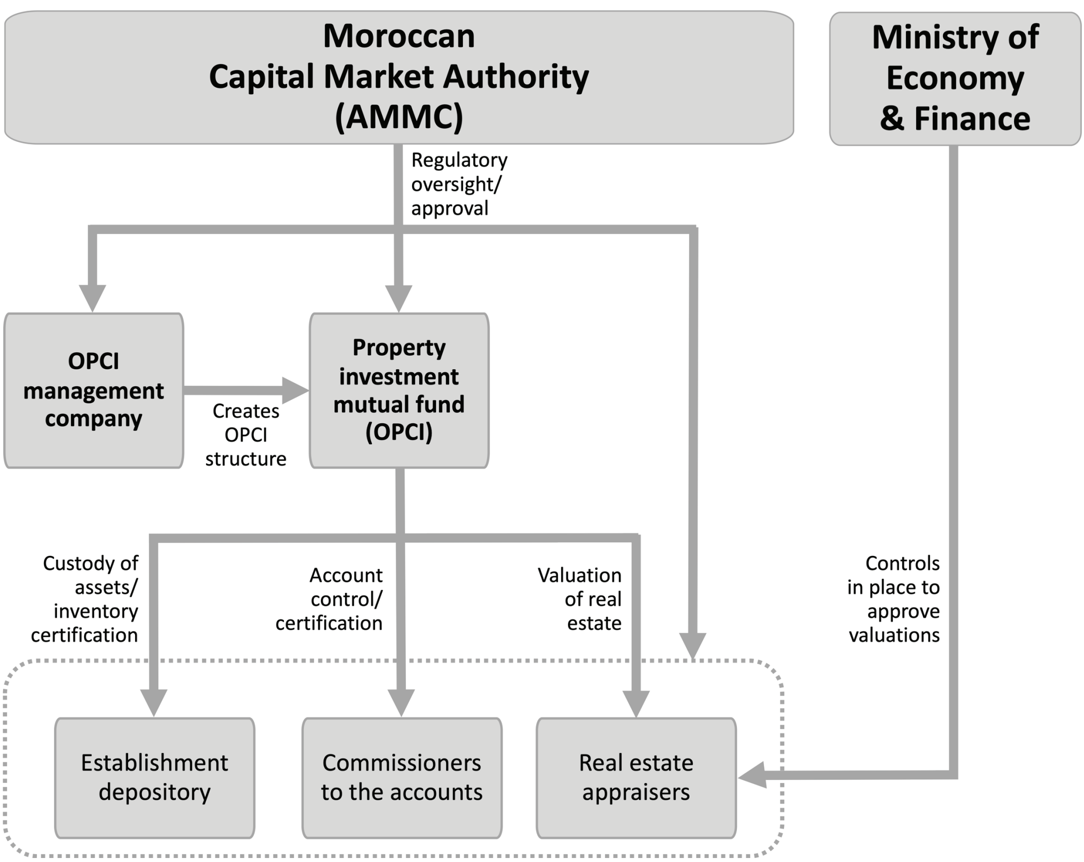
OPCIs offer investors the chance to partake in securitized real estate investments that are targeted at generating commercial rents. Their introduction had motivations rooted in a desire to bring about positive impacts for economic development. Authorities governing the development of OPCIs hoped that one of the main advantages of the new investment would include mobilizing savings of individuals such that preferences would shift toward the holding of OPCI funds. In doing so, a new source of financing could be opened to the real estate sector as pooled funding can generate greater amounts of capital for the development of land (Sabri et al., 2020). Another hope was that the current landscape of informal land developers and traders would be altered, giving rise to a more legitimate means of tracking revenues and collecting taxes on income earned from such sources of business (World Bank, 2022). The plan was that OPCIs would be another cornerstone in legitimizing Morocco's financial system on the world stage, making the country competitive in the global arena (Sabri et al., 2020). The main goals of OPCIs can be grouped into three categories. The first involves opening individual access to real estate and financial markets, mobilizing savings for individuals in the country, and aiding institutional investors acting on behalf of individuals. The second focuses on governmental goals aimed at legitimizing Morocco's financial markets, thereby attracting foreign investment. The third is the impact on developing and growing commercial real estate in the country. The longevity of such financial instruments and their future role in the country can be evaluated through the progress made in each category.

OPCI framework

To comprehend how OPCIs factor into the financial ecosystem, it is crucial to understand how they function. According to the AMMC, an OPCI is defined as "a regulated investment vehicle whose main purpose is the acquisition or construction of buildings exclusively for their rental" (Moroccan Capital Market Authority, 2022, p. 8). OPCIs are further segmented into two categories based on their legal structure. The first is called a *société de placement en immobilier* (real estate investment company). Its main legal characteristic is that it is structured as a corporation. The second, known as *fonds de placement en immobilier* (real estate investment funds), is structured as a co-ownership, where the resulting fund does not possess its own legal identity (Himmich & Hajoui, 2017).

Along with the legal classifications of various OPCIs, the underpinnings of such an investment must be considered. OPCIs are open to a variety of investors, including qualified individuals, legal entities, and investors with the "skills and means necessary to understand the risks inherent in securities transactions" (Dahir Providing, 1993, p. 11). One potentially beneficial, albeit cumbersome, feature of OPCIs is the stringent registration requirements imposed by the AMMC. OPCIs that are limited to qualified investors have more relaxed portfolio allocation and registration requirements. OPCIs as a tax and legal structure interact with various external stakeholders, such as appraisers and government authorities (Figure 1). In their creation, OPCIs must have an overarching management company that must request both an approval of its draft management regulations and an endorsement of the OPCI information document. Both requests flow through the AMMC, which can challenge the documents and request more information from the management company, in an effort that likely creates a more transparent investment vehicle (Moroccan Capital Market Authority, 2022).

Figure 1
Process of OPCI creation



Source: Moroccan Capital Market Authority, 2022.

Another feature regarding OPCIs is their portfolio composition. By law, OPCIs are required to abide by certain portfolio weightings for their various assets. The types of holdings these OPCIs may use are presented in Table 1. The main rule governing these categories is that a minimum of 60% of the OPCI's overall assets consist of categories 1 through 5. Further subdividing this 60%, 50% (so an overall 30%) must be from categories 1 and 2. From there, the regulations specify that of category 1 holdings, only up to 20% can be undeveloped land. This delineation is made to align the OPCI with its intended purpose to hold commercial rental properties. Finally, a minimum of 10% of the OPCI must be held in liquid assets, such as cash (category 6) (Moroccan Capital Market Authority, 2022). Also, real estate assets contributing to the structure must be held for at least 10 years to benefit from certain tax exemptions pertaining to taxation of gains for the OPCI (Sabri et al., 2020).

Another factor in understanding OPCIs is the financing of their operations, which relates to some of the risk that may accompany such financial instruments. Per the AMMC, OPCIs are allowed to obtain medium- and long-term loans up to 40% of the value of real estate assets. These borrowings take the form of bonds or bank loans with a maturity date of more than one year. Furthermore, these OPCIs can gain cash by borrowing up to 10% of the value of financial assets. These cash borrowings take the form of commercial paper issues or bank loans with a maturity date of less than one year (Moroccan Capital Market Authority, 2022).

The AMMC has outlined many facets of these OPCIs and their functioning as a financial instrument. Analysis of how the instrument operates clarifies how challenges may arise in their implementation within Morocco's financial ecosystem.

Challenges to OPCIs

Although there is great promise for the development of OPCIs as a means for resolving issues within the country, there are inherent risks associated with these investment vehicles that could pose a threat to their success moving forward. Included among them are liquidity risk, leverage risk, interest rate environments, challenges with institutional investor senti-

Table 1
OPCI asset categories

Category	Description
1	Registered real estate acquired or constructed for rental and buildings under construction intended for rental as well as any real right* relating to said property
2	Any real right conferred by a title or by a lease due to the occupation of a dependence of the public domain of the state
3	Any real right provided for by foreign legislation and similar to the assets in categories 1 or 2
4	Capital securities, sukuk certificates,† and debt/debt securities, which allow capital sharing for companies predominantly in real estate (excluding partnerships and civil companies)
5	Securities of other OPCIs
6	Cash and more liquid financial instruments
7	Debt securities not allowing capital sharing
8	Investments in form of account advances

*Real property may be registered with the land property and mortgage registrar; real rights requiring registration include mortgages, transfers, easement, and temporary seizure (Baker McKenzie, n.d.).
†*Sukuk* certificates are financial instruments, similar to bonds, that adhere to the Islamic religious laws, known as *sharia* (Ganti, 2022).
Source: Moroccan Capital Market Authority, 2022.

ment, market impediments, regulatory complexities, and informality in Morocco's real estate sector.

One large inherent risk to the performance of OPCIs is liquidity. While the OPCI itself is a means of creating liquidity from more illiquid real estate, the underlying assets are still just that: illiquid. The concern with liquidity stems from the fact that if conditions with underlying real estate holdings deteriorate, then the offloading of such assets is increasingly difficult with the time it takes to close property deals. According to Bank Al-Maghrib's real estate price index, the transaction volume for professional use land dipped heavily from Q1 to Q2 of 2023. These transactions, which covered data relating to both commercial premises, such as shopping centers or stores and offices, dropped 16.9%. At the same time, the overall transaction volume for professional use land fell 3.2% from Q2 of 2022 to Q2 of 2023 (Bank Al-Maghrib, 2023). Declines in transaction volume are not inherently bad for the REITs themselves, because such companies are expected to retain investment properties for extended periods of time to receive specific tax benefits. What this could signal, however, is a potential slowdown in market expansion, ultimately stifling the lifeblood of the OPCI. That said, underlying assets in an OPCI are protected in that deteriorations in real estate values tend to be slow moving, allowing such vehicles to prepare and adjust accordingly.

The factor of leverage (amount of debt) within an OPCI is also of potential concern as it pertains to financial performance. According to Article 15 of the legal underpinnings behind OPCIs, the holding company can take on debt equal to 40% of the value of real estate assets within the structure (Moroccan Capital Market Authority, 2022). This leverage may serve to boost return on investment during high-performing years but also may hamper the funds as an added interest expense on the income statement during periods of weak performance. This is due to the leverage effect, wherein debt serves to increase the return on equity of an investment greatly when earnings are high, but interest expenses tend to burden a firm when earnings are low. The leverage, then, serves to exacerbate losses, with servicing and interest fees becoming a major obligation for the OPCI itself. This inherent risk with debt could affect the attractiveness of investing in OPCIs.

The interest rate environment is key when investing in property. Agreements for an OPCI to purchase property often take time to negotiate and settle. During this period, interest rates are subject to fluctuation based on market conditions—these contracts are subject to a great deal of variation, which can severely impact a project's profitability. In 2023, core inflation in Morocco was pushed to 8.5% (World Bank, 2023). The average inflation in 2023 came in at around 6.1%, down from the prior year's 6.6%. As inflation rates were indeed lowering, Bank Al-Maghrib maintained its benchmark rate of 3% (Eljechtimi, 2023). While seeing a dip to around 1.5% in 2020 due to COVID-19, this rate has been largely kept the same over the past two decades (Trading Economics, 2023). Maintained stability in rate environments is a strong point for real estate, as lending rates can be better forecasted into investment decisions for OPCIs. The more recent hike to 3%, however, could cause some short-run issues for OPCIs in terms of lending agreements and the profitability of projects moving forward. Lending rate surveys conducted by the central bank depict rates for real estate reflecting this pattern, with a decline over the period 2010 to 2017 but an incline in mortgage rates from 2020 to 2023 (Bank Al-Maghrib, 2024). A lower and more stable rate environment is preferred for OPCIs, as it can improve project profitability.

In addition to macroeconomic rate environments, a major cornerstone by which individual impact can be measured is the investment decisions by pension funds and insurance companies in these alternative investments. These large institutional investors represent major agents working on behalf of Moroccan individuals, thus factoring heavily into the conversation regarding alternative investments such as OPCIs.

Amid lackluster performance by traditional investments within the country, the focus of these institutions has shifted to the realm of alternative investments in an effort to boost returns. Research regarding alternative investments and institutions' sentiment toward them has shown that proper valuation and management, along with the relative lack of experience with these instruments, are the two main barriers deterring this large source of capital from entering the market. This may be the case for traditional alternative investments, but OPCIs are far more liquid in nature than typical real estate investments, and they are also highly diversified (Chiboub & Benjelloun, 2020). Hence, these investment vehicles are showing promise for increased individual impact, although only time will tell if these investments become a bigger player in the pension fund and insurance company investment strategy.

OPCIs also face immense market challenges as a product of Morocco's country-wide economic performance. The main concern for a developing country like Morocco is stagnation in developing infrastructure (roads, transportation, and electricity) that funnels into the demand and ability to market commercial real estate for these OPCIs. According to recent commentary by the World Bank (2023), the country is in fact facing some issues in terms of general market conditions. As of May 2023, GDP growth from 2021 to 2022 fell from 7.9% to around 1.2%. A subsequent fear is the impact on pricing commercial properties and difficulties tenants face to cover their rents. According to a Bank Al-Maghrib report on real estate (2023), the transaction volume for commercial properties had dipped heavily. From Q2 to Q3 of 2023, transaction volumes in business premises and offices had dipped 9.2% and 15.9%, respectively. Compared to Q3 of 2022, the transaction volumes of business premises showed a decline of 16.5%, whereas offices actually had an increase of 4%. As discussed previously, falling transaction volumes could indicate that real estate markets in Morocco are suffering, hinting at potential slowdowns and market impediments as risks inherent in forming and investing in OPCIs. More positively, Bank Al-Maghrib's real estate price index showed that since Q3 of 2022, the pricing of professional properties in general (both business premises and offices) had increased by around 1.7%. This growth is a hopeful sign for OPCIs, which may benefit from not only the tenant cash flows but also the appreciation of the underlying properties.

The complex array of governmental agencies involved in forming and overseeing OPCIs (shown in Figure 1) and the range of asset categories (outlined in Table 1) offer their own challenges. Shifting tax incentives and strict requirements in the creation of an OPCI pose potential challenges for the continued adoption of such an instrument. Law 70.14, enacted in 2017, outlined various stipulations surrounding the OPCI structure. The initial framework outlined a 50% tax reduction on gains from property contributions to the structure which, if it had not been amended, would have ended in 2022. Also, an initial policy was in place that would reduce the amount of reportable income to corporations receiving OPCI distributions by 60% (Moroccan Capital Market Authority, 2022). In 2023, Morocco's new Finance Law changed the leniency on OPCI taxation. The 50% reduction for contributions was cancelled and replaced with a deferral of tax payment until assets were sold. Furthermore, the 60% deduction was reduced to 40%, assuming the OPCI allows at least 40% of its existing shares are sold to the public. Dwindling tax benefits of the structure may, in turn, be perceived negatively by those contemplating adoption and, from an investor perspective, the lower reduction to reportable income may also discourage investment. Finally, the framework for OPCIs stipulates how corporate tax exemptions would only be granted if the requirements listed in Table 2 are met. Specifically, the extensive asset holding period and high distribution requirements are of note for OPCI managers. By mandating a 10-year asset holding period before realizing tax benefits, OPCI managers may feel limited in their ability to sell old properties and acquire new ones. Furthermore, a high distribution of earnings may limit the ability of an OPCI structure to reinvest retained earnings back into new property acquisitions and land developments. Regulators must weigh such

Table 2
Conditions to benefit from total corporate tax exemption

Condition	Description
1	Evaluation of assets by a governmental contribution commissioner
2	Must hold and conserve the assets contributed to the OPCI structure for a period of at least 10 years from the date of contribution
3	Distribution of a minimum of 85% of the earnings from the financial year pertaining to rental of buildings constructed for professional and residential use
4	Distribution of 100% of dividends and shares received
5	Distribution of 100% of fixed income investment products received
6	Distribution of a minimum of 60% of the capital gain realized on the transfer of securities

Source: Moroccan Capital Market Authority, 2022.

stipulations if they intend to encourage acceptance of the instrument.

Informality in the Moroccan real estate sector is another consideration for both OPCIs and government regulators attempting to encourage public acceptance of the investment vehicle. The informality raises concerns from two main angles: dynamics in acquiring the land itself and taxation of real estate revenues within Moroccan tax code. Currently, negative attitudes surrounding property and urban development are focused on the complexities of laws governing these lands as well as the informalities permeating the system, such as unregistered properties or out-of-date land maps. From the perspective of land acquisition, poor land governance is an issue that has caused problems ranging from heavy price speculation to underdevelopment of certain sector-specific lands. For example, in the industrial sector, where demand is high from an economic attraction standpoint, informality is causing high price volatility for the land, while the actual infrastructure development in such areas is stagnating (Chauffour, 2017). This price volatility stemming from informality poses a great threat to both the governmental goals for OPCIs and the OPCI firms themselves. With such high price speculation over the land itself, firms may find it difficult to make the initial investment, thereby hampering the government's plans to use OPCI structures for generating significant developments in the country's commercial real estate market.

Morocco's tax system encompasses both direct (income and corporate) and indirect (value-added, consumption, and customs) taxes. From the perspective of direct taxation, the informality under personal income tax regimes is of concern, as it may limit the appeal of formally organizing under the OPCI structure. Under the personal income tax structure, property developers may opt out of paying corporate income tax and instead pay under various personal income tax regimes, which may be more attractive, depending on the level of income generated (World Bank, 2022). The issue arises that, despite offering some tax exemptions to OPCIs, they may not be sufficient to overcome the benefit of tax avoidance under PIT due to lower rates and potential underreporting of income from properties.

Recommendations

Although challenges such as liquidity, leverage, and market impediments are inherent to operating within any financial market, some of the aforementioned challenges are specific to Morocco as it attempts to modernize itself in the global financial ecosystem. The informality in the real estate sector and the nature of interest rates are of note for decisions by OPCIs to acquire real estate and can be addressed through governmental intervention and mitigation approaches based on policy and regulation. Easing regulations and enhancing government–bank cooperation should incentivize more frequent use of the OPCI instruments in Morocco's financial markets, thereby helping the country make substantial strides in its goals to modernize.

Easing regulations to encourage OPCI instruments

The objective of OPCIs is not to shift entirely away from individual- or company-owned properties and land assets; at the same time, OPCIs are intended to offer new methods of raising capital for land developments, moving assets off company balance sheets, and adding formality to the financial system pertaining to commercial real estate and the universe of investable assets for Moroccan and foreign investors. With market challenges arising from decreased transaction volumes and other inherent risks associated with real estate markets in Morocco, it is the formation requirements of OPCIs that should be targeted to increase their adoption. To encourage use of the investment vehicle by existing firms (or potentially new ones), the stipulations surrounding taxation and distribution should be relaxed to encourage a larger offering of OPCI investment vehicles and, subsequently, a greater pool of assets in which investors can share.

The initiatives pursued in the 2023 Finance Law underscore the government's willingness to encourage OPCIs and its simultaneous objective of savings mobilization. To further encourage OPCIs, the government should amend stipulations pertaining to corporate tax exemptions. As seen in Table 2, the framework for OPCIs allows total corporate tax exemption, assuming the real estate contributed is held for at least 10 years. Easing this requirement to a minimum holding period of three to five years will allow managers of these firms to exercise more control over investments and adjust more efficiently to changing market conditions. Furthermore, the distribution requirement of 85% of financial operations should be lessened to 50% yet maintaining a corporate tax exemption under the stipulation that the 35% increase in retained funds are allocated to project development and adoption. By increasing the capital for fund managers, the overall OPCI cash flows can grow from new projects, and Morocco's real estate markets can be developed to a greater extent. This would serve to accomplish both individual capital mobilization (greater returns for individuals) and increased development of the country's real estate.

Although easing certain regulatory stipulations may be helpful in incentivizing initial transition or creation of these structured instruments, the goals of growing Morocco and mobilizing individual savings should be preserved. A reduced holding period without stipulations surrounding the completion of development projects could lead to OPCIs merely keeping land for appreciation, with little gain to the country's overall growth. Furthermore, minimum distributions to investors and stipulations for the deployment of capital within the OPCI must be maintained to avoid funds amassing large amounts of wealth, with little benefit for Moroccans seeking to mobilize their savings.

The role of banks in bolstering OPCI financing

Macro interest rate environments and the rates at which banks loan money to individuals for the purpose of acquiring land or real estate have a significant effect on OPCI formation. One strategy that would encompass both interest rate risk and incentivization for enacting more formal, regulated means of conducting property dealings through OPCIs (as opposed to traditional Moroccan informality, which often circumvents proper tax reporting) is the incorporation of regulations surrounding lending requirements and opportunities for OPCI structures.

Because the OPCI is built on a foundation of immense regulation and auditing by the AMMC, there is room for OPCIs to gain popularity in the terms of financing they can secure from banks. The AMMC should approach interest rate challenges in two ways. First, their approach should center around promoting the benefits of the rigorous auditing requirements OPCIs undergo. Second, the Moroccan government can work with banks to offer preferential interest rates on loans used to finance OPCI acquisitions. Through a promotion of the strict regulatory framework applying to OPCIs, banks, if not already aware of the benefits, would become informed about the lesser risk of issuing debt to OPCI firms as opposed to informal property developers. Another benefit would include greater assurance over the cash flows from properties and a lesser chance of default on loans issued.

Together with direct promotion of the benefits of bank financing of OPCIs, the government should offer to back OPCI firm loans, including offering preferential rates. The government could back these types of financing by either directly purchasing loans that banks originate or by securing bank loans issued to OPCIs up to a certain threshold. In terms of the rates, they could range from 50 to 100 basis points lower than those currently issued on mortgage loans, which as of Q4 of 2023 was around 4.91% (Bank Al-Maghrib, 2024). These adjustments would stimulate not only the adoption of such vehicles but also the growth of commercial real estate development within the country. By offering preferential rates, profitability forecasts presumably will show greater incentive to undertake real estate development projects under OPCI structures.

That said, the actions of the government must take into account the objectives of the financial instrument. There is no intent of substituting privately owned land or individual property developers for collective investment vehicles such as the OPCI. As such, there is a fine line between the promotion of OPCIs and any unfair biases given to them. The government also must acknowledge the leverage risk associated with OPCIs and the debt covenants in place for the structures. Although offering financing with lower rates is helpful, these limitations would still be a major consideration for the firms attempting to add leverage to their balance sheets.

Conclusion

The OPCI structure offers great promise for modernizing the Moroccan financial system, bringing formality to a sector in need of it. As the country continues to move into the global sphere, this structure will serve as a cornerstone for future developments in the REIT ecosystem, holding great potential for institutions and individuals alike as a means of increasing access to the capital markets both domestically and abroad. Benefits associated with the structure create value for the country, but the growth of the OPCI landscape will also highly depend on the navigation of country-specific factors relating to real estate markets. Such growth provides an impetus for continued research surrounding these instruments and their various policy implications. The government should consider opportunities to circumvent the associated challenges while maintaining a fair ecosystem for real estate sales in Morocco.

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