



**INNOVATION WAS CEMENTED  
INTO EVERY LAYER.**

At the heart of **UBP's** growth lies its commitment to innovation. The introduction by Drymix of ready-to-use adhesive cement for tiles and plastering, simplified the construction process. This bold move, and leap in efficiency and quality, set new benchmarks, cementing **UBP's** place as an industry leader in modern construction solutions.

# FOCUS ON REUNION ISLAND

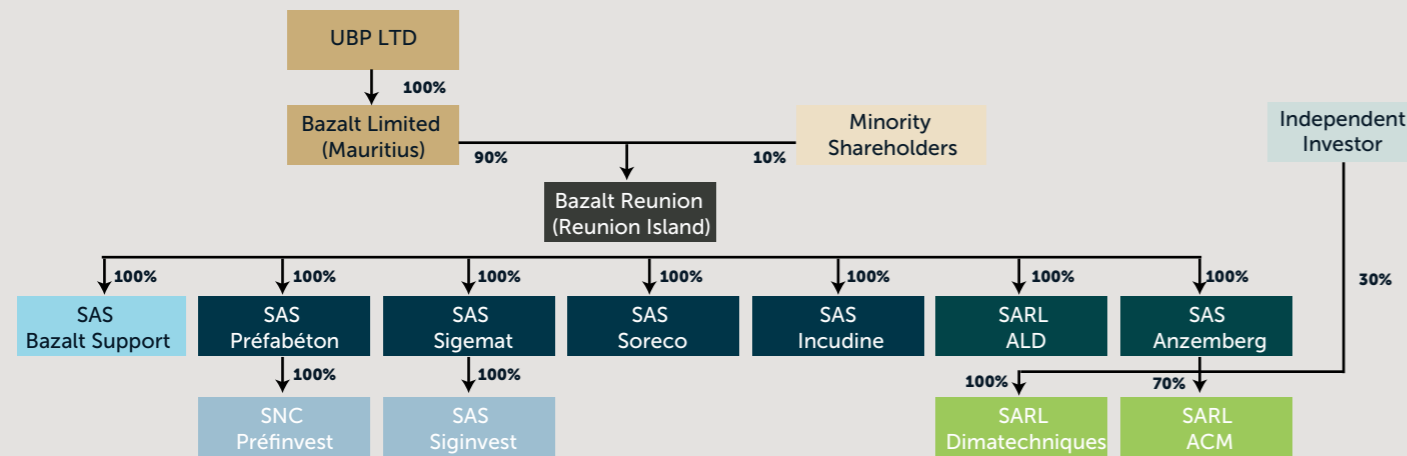
## STRATEGIC EXPANSION IN REUNION ISLAND: ACQUIRING GROUPE LEANDRI'S CONSTRUCTION SEGMENT

The Bazalt Project, launched by UBP in 2021, aimed to acquire six construction materials companies and their subsidiaries in Reunion Island, previously owned by Capriona SA, the majority shareholder. A Share Purchase Agreement (SPA) was signed on July 7, 2022, with Capriona SA and the minority shareholders, who are the managers employed by the target companies. The initial closing was anticipated for June 2023.

The acquisition was executed through a newly incorporated French holding company, Bazalt Réunion. To structure the transaction effectively, UBP established Bazalt Limited in Mauritius as a wholly owned holding company, which acquired a 90% stake in Bazalt Réunion. The total transaction value was approximately EUR 82 million for the full ownership of the target companies, with the remaining 10% acquired by nine managers from the target companies, serving as minority shareholders.

The transaction faced delays due to a pending condition precedent—the official authorisation to operate the next quarry site for Soreco (the "Quarry CP")—, which was satisfied in April 2024, allowing the transaction to proceed.

With the Quarry CP approval in place, UBP convened a Special Meeting of Shareholders (SMS) to finalise the acquisition by Bazalt Limited. After receiving shareholder approval in June 2024, the transaction was successfully closed on July 01, 2024.



## GOOD CORPORATE GOVERNANCE: ENSURING A SEAMLESS INTEGRATION

The acquisition of Groupe Leandri's construction segment in Reunion Island was conducted in accordance with the highest standards of governance, emphasising transparency and accountability at every stage. The Board of Directors provided active oversight, ensuring that the process was in line with the Group's strategic objectives and risk management protocols.

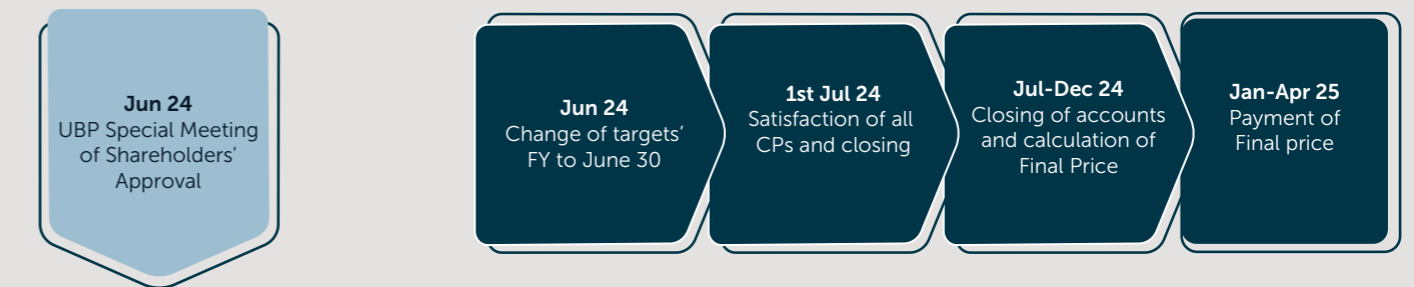
The acquisition was financially supported by six local banks led by the Mauritius Commercial Bank Ltd (MCB) for equity investment, whilst a long term loan was contracted by Bazalt Réunion with a bank consortium in Reunion Island, led by CRCAM (Caisse Régionale de Crédit Agricole Mutuel de La Réunion et de Mayotte). It followed a well-structured timeline, marked by significant milestones, including the appointment of an Integration Manager in October 2023 and the approval from the French Competition Commission in January 2024. The final settlement is anticipated to occur between January and April 2025.

### KEY DATES OF THE TRANSACTION PROCESS

#### Key Milestones achieved



#### Next Steps



# FOCUS ON REUNION ISLAND

## BAZALT RÉUNION

The UBP Group's acquisitions in Reunion Island comprise ten companies, collectively establishing Bazalt Réunion as a key player in the construction sector. Alongside its subsidiary, Bazalt Support, the Group provides various support services, including finance, HR, legal matters, logistics, general management, and business development.

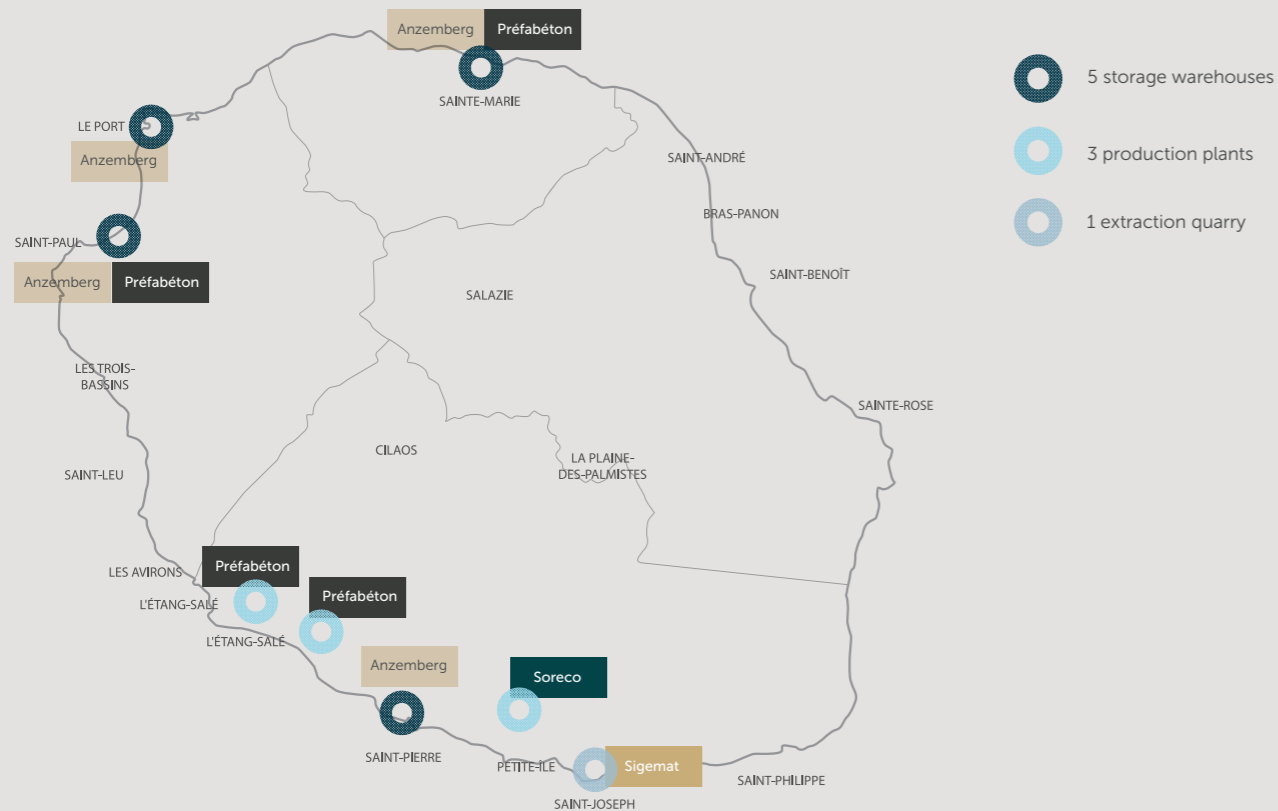
### Company Structure

The companies operate in two business lines:

- >> **Concrete and construction aggregates:**
  - > **Préfabéton:** manufacturer of precast concrete elements
  - > **Sigmat:** producer of ready-mixed and precast concrete
  - > **Soreco:** extractor of alluvial materials and crushing to produce construction aggregates
  - > **Incudine:** importer of cement
- >> **Trade - Import and distribution of construction equipment, supplies, and industrial tools for the construction sector**
  - > **Anzemberg:** distributor of building materials for public works and road networks
  - > **Dimatechniques:** distributor of industrial supplies (valves, steam, pneumatics, etc.)



LOCATIONS IN REUNION ISLAND



## CONCRETE AND CONSTRUCTION AGGREGATES

**Préfabéton:** Manufacturer of precast concrete elements.

- >> **Main markets:**
  - > Public works (road, sanitation, and network products)
  - > Construction (blocks and beams for building and urban planning).
- >> **Facilities:** 2 manufacturing units and 2 warehouses.
- >> **2023 Turnover:** EUR 18.0 million.
- >> **Full-time Employees:** 45.
- >> **Key Strengths:**
  - > Unique know-how in specialised products, including custom-made and bi-layer coloured items, draining slab, etc.
  - > In-house engineering and design capabilities for tailored products.
  - > First in Reunion Island to achieve NF certification and holder of CE certification.
  - > Strong, long-lasting relationships with major builders.

# FOCUS ON REUNION ISLAND



**Sigmat:** Manufacturer of ready-mixed and precast concrete.

- » **Segments:** Designs, manufactures and distributes products in two principal segments
  - » Ready-mixed concrete for exterior works and precast concrete elements
  - » Precast concrete elements (40%): beams, precast slabs, precast walls, etc
- » **Facilities:** 2 manufacturing units.
- » **2023 Turnover:** EUR 12.1 million.
- » **Full-time Employees:** 42.
- » **Key Strengths:**
  - » Local leader in ready-mixed concrete known for high-quality products and exceptional customer service.
  - » Strong capacity for innovation and product launches.
  - » The only facility on the island capable of manufacturing precast walls.
  - » In-house engineering and design capabilities for precast products.



**Soreco:** Specialist in the extraction and crushing of alluvial materials for aggregate production.

- » **Facilities:** 3 crushers.
- » **2023 Turnover:** EUR 12.9 million.
- » **Full-time Employees:** 26.
- » **Key Strengths:**
  - » Strong CSR policies, including internalised recycling initiatives and soundproof production equipment.
  - » Comprehensive control of the drilling value chain, from landowner prospectations and negotiations, to administrative follow-up with local authorities
  - » Secured drilling capacity for the next 30 years.
  - » #1 player in extraction capacity in the Southern region with a 650k tonne capacity and ~30% market share.

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**Incudine:** Independent importer and distributor of cement (dormant at date), including importation and storage on behalf of Préfabéton and Sigemat, as and when needed.

- » 2023 Turnover: EUR 0.4 million.
- » Full-time Employees: 1.
- » Key Strengths:
  - » Access to various cement suppliers.
  - » While not profitable independently, it effectively reduces costs for Préfabéton and Sigemat by pressuring local importers, thus keeping cement prices as low as possible.

## TRADE - IMPORT AND DISTRIBUTION OF CONSTRUCTION EQUIPMENT:

**Anzemberg:** Distributor of building materials for the public works and road networks sector.

- » Portfolio: 200 brands and over 3,500 products covering water supply (cast iron pipes, tubes, equipment), sanitation and water treatment (melting, tubes, fittings, etc.), retention and drainage (manholes, grids, retention basins, telecom and electricity networks, as well as consumables and tools (plumbing materials, sealing, glues)
- » Facilities: 4 stores and 3 warehouses, plus two consolidated companies:
  - » **SARL Dimatechniques (Dimatech):** A trading company specialising in industrial supplies.
  - » **SARL Austral Conseil Maintenance (ACM):** Offers installation services for sewerage and pumping systems, including micro water treatment plants.
- » 2023 Turnover: EUR 22.0 million.
- » Full-time Employees: 14.
- » Key Strengths:
  - » Leading company in building materials, providing a diverse range of products for public works, sanitation, and road networks.
  - » Vertically integrated with a secure logistics partner through its sister company, ALD (Anzemberg Logistique Distribution).

**ALD (Anzemberg Logistique Distribution):** Provides storage and logistics services exclusively for the Group's companies, including Anzemberg, Sigemat, and Préfabéton.

- » 2023 Turnover: EUR 0.65 million.
- » Full-time Employees: 10.

# FOCUS ON REUNION ISLAND

## INTERVIEW WITH DIMITRI LOSFELT (GM OF SORECO, SIGEMAT, AND INCUDINE) AND REGIS FREYERMUT (GM OF ANZEMBERG AND DIMATECH)

### What are the characteristics of the construction market in Reunion Island today?

The construction industry in Reunion Island aligns with European standards, requiring us to maintain exceptionally high-quality products. In certain instances, compliance with Eurocodes for seismic and cyclonic standards is mandatory. Environmental regulations are also stringent and are applied both to construction sites and more so to production industries. Regular audits by certifying bodies such as the DEAL (Direction de l'Environnement et de l'Aménagement et du Logement) are common. In our specific line of business, crushing, environmental impact assessments are crucial. These assessments must evaluate long-term effects and are a sine qua non prerequisite for obtaining operating permits.

The Reunion market is highly competitive, experiencing a slight contraction over the past two years, although this is cyclical. There is still significant demand for housing on the island; however, this need is struggling to convert into concrete demand. A key challenge we face is limited land availability, which necessitates innovative solutions, such as building upwards. Furthermore, production capacities in our sector have historically exceeded demand, largely due to the complex topography of Reunion Island and transportation challenges, which require a decentralised production approach. This challenge applies to both precast concrete, which has a two-hour lifespan, and aggregates, where transportation costs significantly impact selling prices. However, our strength lies in our network of production sites, distributed across various areas of the island.

### What are your main challenges moving forward?

Our primary challenges revolve around resource scarcity and environmental concerns. Rock, as a raw material, is limited in Reunion Island, so we must remain vigilant regarding the availability of aggregates and enhance our recycling capabilities in this area. Another significant challenge is ensuring we have a qualified workforce to execute construction projects, especially as the tertiary sector becomes more appealing. The question is, how do we make our profession more appealing?

Additionally, there is ongoing discussion in Reunion Island about tropicalised housing. Some private sector developments have successfully implemented innovative projects, prompting us to remain attentive to alternative materials to avoid being solely reliant on concrete. In mainland France, the new RE 2020 regulation mandates that developers provide the carbon footprint of their construction projects as a condition for permit approval.

### How is the UBP Group's acquisition of Bazalt Réunion perceived locally?

The acquisition has met a positive response, thanks to early and ongoing communication throughout the process. This was not an unforeseen event for us. Furthermore, UBP's commitment to preserving and supporting local teams is particularly encouraging, instilling confidence rather than fear. Naturally, there will be new management and reporting structures, but such changes are to be expected. Ultimately, this presents an excellent opportunity for us to review our internal practices and reflect on how we can shape our future.

### What benefits do you expect from being part of the UBP Group?

We believe there is much to gain from the synergies of experience between the teams in Mauritius and Reunion Island. The Group will also enable us to make more substantial progress on CSR issues, particularly concerning carbon and traceability in our trading division. We also see potential synergies in sourcing that could bring us significant advantages. Beyond these aspects, there are more similarities than differences between our operations. For instance, we largely use the same types of equipment in both Mauritius and Reunion Island.

## STRATEGIC INSIGHTS: UNLOCKING POTENTIAL IN REUNION ISLAND'S CONSTRUCTION SECTOR

### From Dependency to Development: The Transformation of Reunion Island

Until 1946, Reunion Island was in a state of severe poverty, typical of many extractive colonies detached from Europe. The economic model was built exclusively on a primary specialisation dictated by France, its sole trading partner, which stifled the development of any industrial sector. Following its designation as a French Department, Reunion gained access to substantial financial transfers, including civil servant salaries, social benefits, business subsidies, and tax advantages for households and companies. These resources facilitated social progress and helped establish a structured administrative framework.

The island's modernisation accelerated significantly in the 1960s, driven by large-scale public investments in health, education, public infrastructure, and extensive housing programs. The 1982 decentralisation reforms transformed Reunion into a region, further propelling its development and transformation. This period saw a rapid expansion of commercial services, trade, and tourism. Reunion's inclusion in the European Union as an Ultra-Peripheral Region (UPR) granted it access to EU development funds, enabling it to address challenges related to geographic isolation and poverty. The UPR status acknowledges the island's structural disadvantages, such as its insularity and climatic conditions, justifying the adoption of specific support measures, including attractive fiscal incentives like reduced VAT rates (8.5% and 2.1%).

The adoption of the 2015 NOTRe Law by the French Parliament marked the culmination of the decentralisation process, granting the Regions exclusive authority over their economic development plans. Consequently, the Regional Council of Reunion now oversees the allocation of public funds dedicated to economic development, amplifying the leverage effect on local growth and aligning efforts more closely with the private sector's needs.

### Demographic Dynamics

#### Population in 2023: 873,100

Reunion Island has witnessed a gradual slowdown in population growth, although it maintains one of the highest fertility rates in France at 2.41 children per woman. Despite a natural population increase of 1%, the net migration balance is negative, leading to a demographic growth rate of 0.4%, which is slightly above the national average of 0.3%. Projections indicate that the population could reach 1 million by 2037 and approximately 1.07 million by 2050.

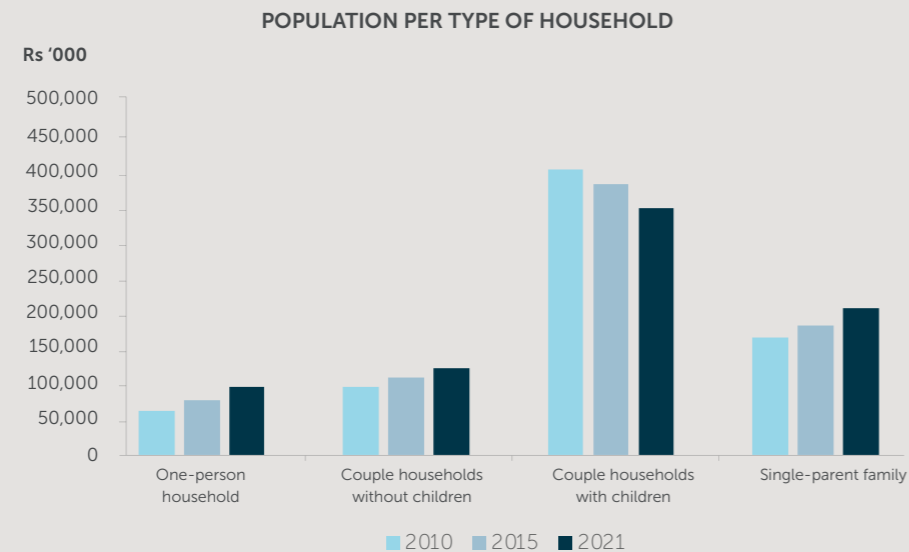
### An Ageing Population

While Reunion Island's population is relatively young, with 60% under the age of 45 compared to 69% in 2008, a noticeable ageing trend is emerging. The average age is currently 35, notably younger than the 42-year average in metropolitan France. However, the percentage of residents aged 60 and above has increased from 11.6% in 2008 to 18.7% in 2021. By 2048, seniors are expected to comprise 25% of the population, equivalent to the share of those under 20. Furthermore, the population aged 75 and older is anticipated to triple from 2019 levels, reaching approximately 138,000 by 2050.

### A Reduction in Household Size

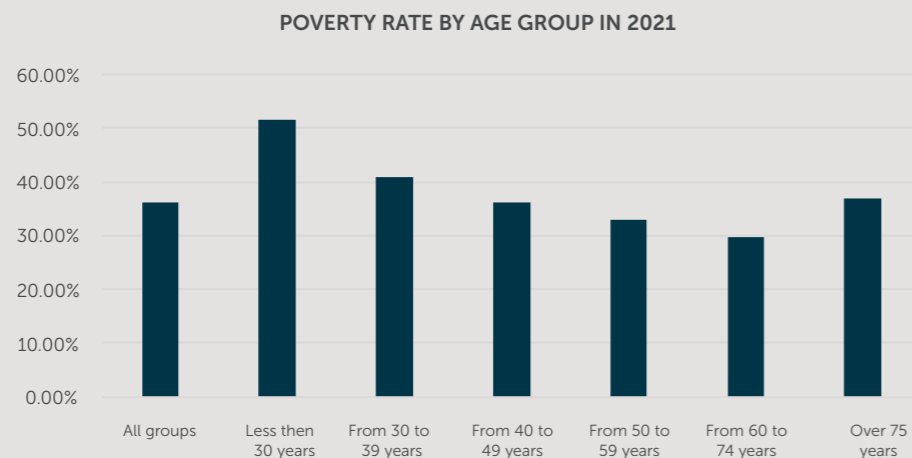
Over the past 40 years, the average household size in Reunion Island has decreased from 4.2 to 2.5 people, driven largely by an increase in single-person and single-parent households. Notably, 27% of individuals over 65 and 30% of those over 80 now live alone. As household sizes shrink, demand for housing is on the rise; projections estimate there will be 419,100 households by 2035, an increase of 112,800 from 2013, representing an annual growth rate of 1.4%. This rate, however, is slower than the 2.9% annual increase recorded from 1990 to 2013, indicating a stabilisation of lifestyle changes. By 2035, single-person households are expected to make up 34% of all households (up from 25% in 2013), mirroring 2013 levels in mainland France. Concurrently, the share of couples with or without children is projected to decline from 51% in 2013 to 43% by 2035, with population ageing contributing to 31% of this growth, adding an estimated 35,000 new households.

# FOCUS ON REUNION ISLAND



## Persistent Inequalities

The economic landscape of Reunion Island starkly contrasts with that of mainland France. The island's workforce grapples with significant educational deficits, as only 21% of the population holds higher education degrees compared to 41% in metropolitan France. A dropout rate at age 16 contributes to these educational challenges, and literacy issues affect 25% of residents across all age groups. Despite a notable decrease from 28% in 2013, the unemployment rate remains high at 18%. Those who are employed often face inadequate wages, resulting in a high rate of working poverty. The median income in Reunion Island is 30% lower than the national average, with half of the island's residents earning less than EUR 1,400 per month. It is important to note that this figure is heavily influenced by the considerable share of the inactive population, which stands at 16% for those aged 15-64, compared to just 9% nationally. Furthermore, 36% of residents live in poverty compared to the 15% rate in mainland France. The economic pressure has fostered increased intra- and inter-family solidarity, alongside a rise in informal economic activities, such as home gardening and undeclared work.



Source: INSEE, Ile de la Réunion, Dossier Complet (2024)

## Economic Development Initiatives

Regional authorities have focused their efforts on two key areas to bolster economic development:

- 1. Transport Infrastructure:** Substantial investments have been made—and continue to be directed—toward enhancing the road network to facilitate the movement of people and goods. Notable projects include La Route des Tamarins and La Nouvelle Route du Littoral. Additionally, strategic infrastructures such as two international airports and the Grand Port Maritime have been developed to improve social and economic connectivity with other territories. Currently, a comprehensive rail transport project is under consideration, which would further enhance the island's transportation capabilities.
- 2. Health, Education, and Research Facilities:** The Centre Hospitalier Universitaire (CHU) serves as a critical healthcare hub for the Indian Ocean region. Employing over 8,000 professionals and 150 specialised roles across two sites, the CHU not only provides advanced healthcare services but also functions as a medical training and research centre. This facility includes the CYROI (Cyclotron Réunion Océan Indien), a high-level research centre featuring a P3 biosecurity laboratory that strengthens the island's capacity for scientific research and health innovation.

## A Leading Hub for Research and Innovation in the Indian Ocean

The Université de La Réunion, the only university in the Indian Ocean region located at the crossroads of Africa and Asia, is a key player in French innovation within the region. Housing 22 research laboratories, the university accounts for nearly 60% of active researchers and represents approximately 42% of teaching and research staff across the French overseas territories, underscoring its crucial role in advancing research capacity in the region.

Reunion Island's research initiatives are supported by a dynamic network of organisations dedicated to fostering innovation and technology transfer. The stated objectives include promoting innovation and collaboration in the professional sphere through training, networking, and support for emerging projects. This ecosystem comprises various stakeholders with complementary roles. For instance, the Regional Incubator for Public Research, managed by the Technopole, has supported around 120 innovative projects since its inception in 2003. Additionally, technical centres like CRITT and CRIBAT act as interfaces for technology transfer to private companies while conducting applied research activities. The network is further strengthened by a state-recognised competitiveness cluster designed to enhance the competitiveness of companies in the tropical bioeconomy sector through innovative R&D projects.

## Towards New Growth Drivers

Over the past 60 years, with the strengthening of its regional administration, the island has transformed from an economy primarily reliant on sugarcane to a modern, wage-based, and service-oriented economy. This economic growth has been dynamic, consistently ranking among the highest in France. From 1970 to 1990, the average annual growth rate was 6%, followed by 5% from 1993 to 2008, and between 2% and 3% from 2012 to 2017. Such growth has largely been driven by public procurement and redistributive transfers, which have fostered the emergence of a middle class and increased purchasing power. Notably, in 2015, public sector employees earned an average of 34% more than their private sector counterparts. In 2022, the total amount of redistributive transfers was estimated at EUR 5.5 billion, reflecting their ongoing importance.

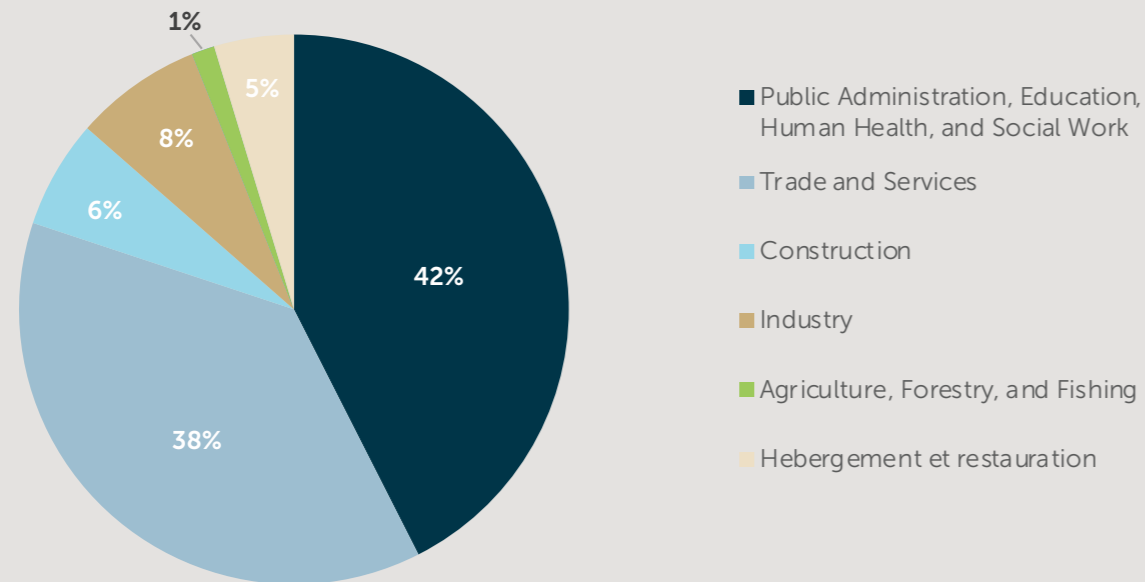
The successful implementation of an import substitution strategy has led to the development of new sectors and the strengthening of local production capacities, particularly in agribusiness, construction, and tourism. These pillars have provided the foundation for the growth of commerce and services, which now dominate the island's economy.

Since 2014, Reunion Island has maintained an average annual growth rate of between 2.5% and 2.7% in constant Euros. Consequently, from 1996 to 2021, the island's GDP increased from EUR 7.6 billion to EUR 20.4 billion, illustrating significant economic catch-up relative to other European regions. In 2022, Reunion's GDP per capita was EUR 24,900, reaching only 65% of the national French average, indicating further potential for growth. While 28% of jobs remained in the public sector in 2018, private sector employment has experienced steady growth over the past decade. This expansion has contributed to a decrease in chronic unemployment, which fell from 25.8% in 2014 to 18.7% in 2022, down from a peak of 38% in 1998.

Despite these advancements, Reunion Island's trade balance remains heavily in deficit. In 2023, imports reached EUR 7 billion, while exports amounted to only EUR 391 million, resulting in a deficit of EUR 6.6 billion. This imbalance is maintained by high levels of investment and public financial transfers, which have historically been crucial to the island's economic growth and stabilisation.

# FOCUS ON REUNION ISLAND

EMPLOYMENT DISTRIBUTION IN 2023



## On the Productive Sectors

**The agriculture and fishing sectors** in Reunion Island play relatively modest roles in the local economy. Agriculture contributes about 2% to the island's GDP and employs approximately 3,800 people (including the sugarcane sector, but excluding energy and finished goods). This sector is characterised by small farms, with 3,282 agricultural holdings—a decrease of nearly 18% since 2010—covering a utilised agricultural area of 37,942 hectares (10% less than in 2010). Sugarcane cultivation remains predominant, accounting for 53% of the utilised agricultural area (or 20,140 hectares), making sugar the primary export product, followed by fruits and fresh vegetables. In the fishing sector, specialised subantarctic fishing activities employ around 550 individuals, generating EUR 111 million in fish and seafood exports in 2023.

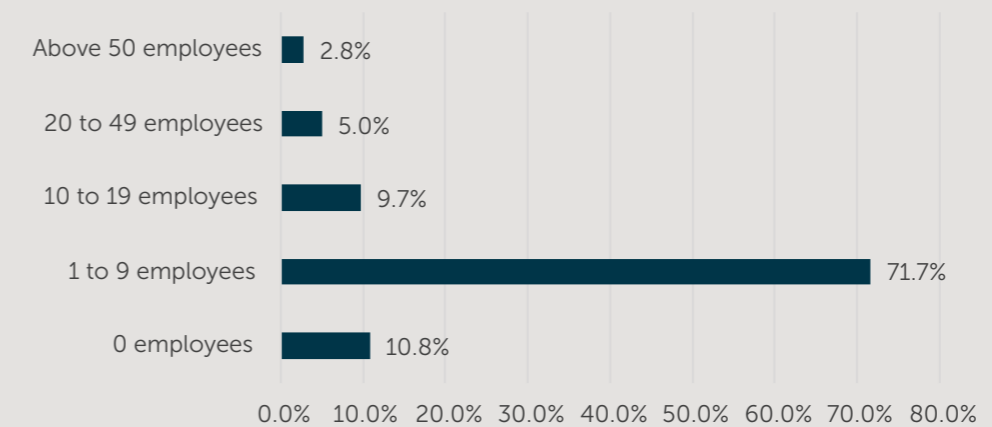
**The industrial sector** in Reunion Island also remains relatively small, contributing only 4.6% to the island's total value added, significantly lower than the national average of 13%. This sector consists mainly of small businesses, with 90% of companies employing fewer than 10 people and collectively providing around 21,000 jobs, or 7.5% of the total workforce. Key activities include the manufacturing of intermediate goods and equipment, largely reliant on the construction industry, along with the agrifood sector. The agrifood industry emerged through a combination of high agricultural potential—especially in the cane-sugar-rum value chain—and import-substitution strategies focusing on local food processing. Remarkably, the agrifood sector in Reunion Island meets 68% of local demand for fresh products, with animal products showing the most growth at 9.1%, driven mainly by poultry and livestock. Despite its modest size and the rising input costs affecting profit margins, this sector has demonstrated resilience, fueled by local demand and niche markets.

**The tertiary sector** dominates Reunion Island's economy, accounting for 86% of the island's GDP. The tourism industry is a key growth driver, attracting 556,000 visitors in 2023, a notable increase from 427,000 in 2015. However, the island continues to struggle with diversifying its tourist base, as 80% of visitors come from mainland France, up from 75% in 2015. Hotel stays have declined slightly over the past two years, being outpaced by seasonal rentals. The digital sector is another vibrant component of the economy, benefiting from the most efficient 4G and fiber optic networks in the French Overseas Territories and mainland France. With about 1,700 digital companies employing around 4,000 people, primarily in telecommunications, this sector shows potential. However, its growth in private employment has not kept pace with national trends, indicating that further development and diversification are necessary to maintain momentum.

## The Entrepreneurial Dynamic

In 2023, Reunion Island saw a vibrant entrepreneurial environment, with approximately 66,000 active businesses. 76% of these were micro-enterprises and sole proprietors with no employees, reflecting both a strong entrepreneurial spirit and a fragmented business landscape. The number of new business registrations has been steadily rising, driven by local innovation and supportive fiscal mechanisms. In 2023, the island recorded 12,290 new business creations, marking a 2% increase over 2022 and continuing an upward trend over the past eight years. While this growth rate is lower than the five-year annual average of 10.3%, it highlights the resilience of Reunion Island's business environment, especially amid elevated inflation in 2023 (+3.1% annually, compared to +3.7% in 2022 and +1.4% in 2021).

BUSINESS SIZE DISTRIBUTION BY EMPLOYEE COUNT IN 2022



Figures based solely on active and employing companies, excluding the defense sector and private household employers.  
**Source:** INSEE, Ile de la Réunion, Dossier Complet (2024)





# FOCUS ON REUNION ISLAND

Micro-enterprises have been pivotal to this growth, accounting for 59% of all new businesses in 2023—slightly below the national average of 62%. This trend can be partly attributed to a 2018 reform that doubled the thresholds for micro-enterprise status, making it a more appealing option for new entrepreneurs compared to traditional business structures. Additionally, self-employment, encompassing artisans, freelance professionals, non-salaried executives, and unpaid family workers, has expanded three times faster than in mainland France since the early 2000s.

The business landscape has experienced significant changes since the pandemic, with business creation surging by 49.1% from 2019 (prior to the COVID outbreak) to 2023. In 2023 alone, 12,290 new businesses were launched, a 2% increase from the previous year. Despite this steady growth over the decade, the pace has notably slowed. The increase is largely driven by micro-entrepreneurs, who now account for 59% of new businesses.

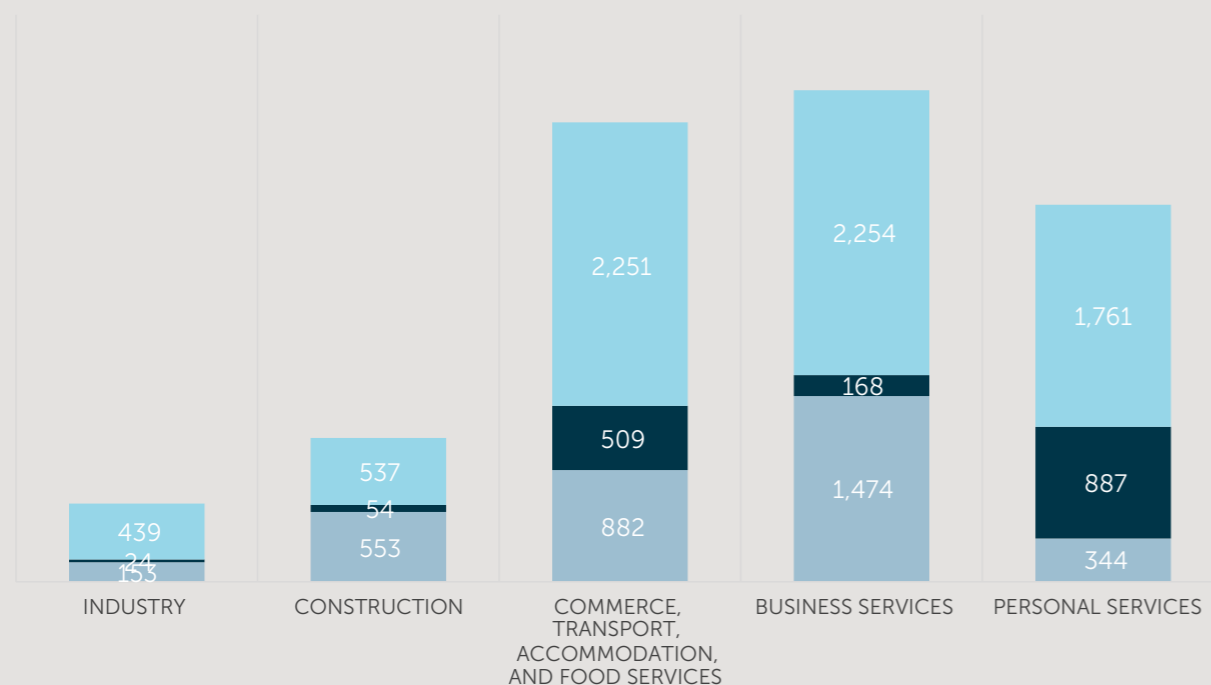
Growth has been uneven across sectors. The construction sector continued to thrive, adding 1,150 new businesses, while services to individuals saw a slight decline of 2%. In contrast, business services experienced robust growth of 18%, now representing 3 out of every 10 new businesses. However, the “commerce, transport, accommodation, and food services” sector experienced a significant decline of 7%, driven by weaker consumption due to inflationary pressures on household purchasing power.

Despite these positive trends, the island faced a sharp increase in business failures, with closures rising by 58% in one year. In 2023, 874 businesses shut down compared to 552 in 2022, against a 10-year average of 594 closures per year.

Overall, the total value added by Reunion Island’s companies reached EUR 8.7 billion in 2021 (according to final accounts published by INSEE in 2023), with a turnover of EUR 28.9 billion. Business investments amounted to EUR 2.3 billion, with 45% allocated to real estate. The concentration of value added is moderate, with 5% of businesses generating 67% of the total, compared to 80% concentration in mainland France. However, high operational costs and limited access to financing remain significant barriers, particularly affecting the construction and agrifood sectors, which are highly sensitive to fluctuating material and import costs.

CREATION OF NEW BUSINESSES IN 2023

■ Companies ■ Individual Businesses (excluding micro-entrepreneurs) ■ Micro-entrepreneurs



Source: INSEE, Ile de la Réunion, Dossier Complet (2024)

## The Construction Sector in Reunion Island: Promising Growth Under Constrained Conditions

Reunion Island is projected to require 168,900 new housing units by 2035, averaging 7,700 units annually, to meet demographic and socio-economic demands. According to a recent INSEE report, half of this demand is driven by population growth, while the other half results from smaller household sizes due to changing household patterns. Although this demand underscores a clear demographic necessity, supply has fallen short over the past three years due to a challenging socio-economic context and restrictive territorial and environmental frameworks that limit land availability and drive up project costs.

### Land Use Regulations Shaping Territorial Development

Three major regulatory frameworks shape urban development on the island:

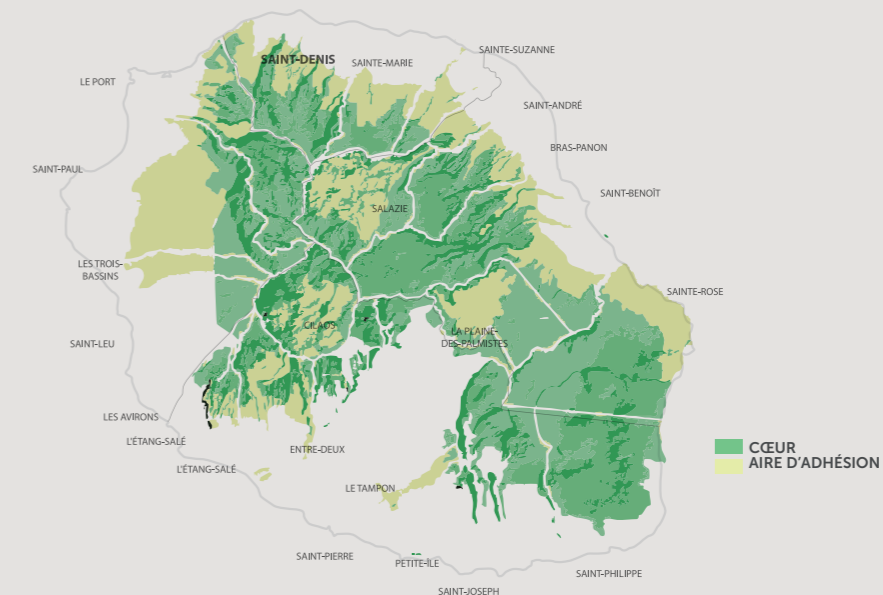
- Grand Parc de La Réunion:** This protected heritage area spans 42% of the island and prohibits new construction.
- Schéma d’Aménagement Régional (SAR):** This framework tightly regulates zoning and land use to ensure urban expansion does not encroach on protected areas or promote unsustainable land practices.
- Zero Net Artificialization (ZAN) Policy:** Mandating “no net land take” by 2050, this policy requires that any new artificialisation of land be offset by the renaturation or restoration of an equivalent area.

These policies aim to balance development with environmental preservation, but restrict new developments mainly to predefined urban zones. Consequently, land prices have surged by over 20% in the last decade, particularly in high-demand areas like Saint-Denis and coastal regions.

The increased costs have raised the average price per square metre for residential construction to EUR 1,600 in 2023, compared to EUR 1,200 on the French mainland. This escalation has rendered affordable housing projects increasingly unviable, constraining the market for both private developers and prospective homeowners.

Moreover, environmental impact assessments required by these regulations can extend project timelines by 6 to 12 months. This delay not only affects public projects but also discourages private sector investment, contributing to a further slowdown in construction activity.

While the implementation framework for the Zero Net Artificialization (ZAN) policy has been eased, it remains part of France’s broader biodiversity strategy, limiting the expansion of built-up areas across all French territories. As a result, urban densification has emerged as the primary alternative, significantly reducing greenfield projects and shifting the focus toward high-density housing solutions, which are often more expensive and complex to develop.



PÉRIMÈTRE EFFECTIF DU PARC NATIONAL DE LA RÉUNION – ARRÊTÉ PRÉFECTORAL N° DU 15-386/SG/DRCTCV4 DU 9 MARS 2025

# FOCUS ON REUNION ISLAND

## The revenues of the Construction Sector under Pressure

The construction sector, comprising both building and public works, plays a vital role in Reunion Island's economy, with over 6,600 active companies employing more than 18,000 workers in 2023. However, the sector has been under significant strain over the past two years. Turnover fell to EUR 902 million in 2023, marking a 6.9% decline from 2022, which followed an even steeper 10.7% drop the previous year. The sector's performance is closely tied to public procurement, which accounted for 77% of its revenues in 2023. While public investments have provided some stability, private sector participation remains weak, particularly in residential construction, where rising financing costs and volatile material prices have constrained activity.

## Residential Market: Demand Outpacing Supply

The residential market has been especially impacted. The number of housing starts declined by 12.3% in 2023, after an even sharper 19.3% drop in 2022. Building permits also fell by 9.4%, reflecting the challenges developers face in launching new projects. This downturn has exacerbated the gap between supply and demand, pushing property prices higher. In 2023, median residential property prices in urban areas rose by 7%, making it increasingly difficult for middle-income families to afford homeownership.

## Public Investment: A Mixed Picture

On the public investment side, spending rose by 6.3% in 2023, reaching EUR 392 million. Notable projects included the expansion of the Grand Port Maritime and the acquisition of a EUR 47 million floating dock aimed at establishing a local ship repair industry. Additionally, investments by the Regional Council surged by 24.2%, although these funds were largely directed toward transport and utility infrastructure rather than housing. While beneficial for long-term development, these investments do little to address the immediate housing shortage.

## The Opportunities and Challenges of the Construction Materials Industry

The construction materials industry in Reunion Island exhibits strong potential for innovation and growth. Between 2010 and 2020, sand and aggregate production increased by 4.9% annually, while concrete production saw a 4% rise each year since 2018, reaching 500,000 m<sup>3</sup> in 2021. This growth has largely been driven by public infrastructure projects, including significant road and port expansions. Additionally, there is a growing demand for eco-friendly concrete mixes and new technologies that align with green building standards, as the industry shifts toward environmentally responsible and more sustainable solutions.

Moreover, the industry's fragmented structure presents opportunities for strategic consolidation. Mergers and acquisitions could enhance economies of scale within the supply chain, reduce overhead costs, and reinforce market positioning. This consolidation would facilitate operational deconcentration across Reunion Island, optimising resource allocation and improving resilience. This makes the industry an attractive target for investors seeking sustainable, long-term growth.

The construction materials industry in Reunion Island also faces some unique challenges that create significant barriers to entry. The island's rugged geography and dispersed urban centres necessitate a decentralised production model to control transport costs and avoid delays. Additionally, access to quarrying resources is limited, while strict licensing requirements and environmental compliance add layers of complexity that further restrict new entrants. Companies like Bazalt Réunion have strengthened their market position by securing long-term extraction rights through their subsidiary, SORECO.

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