

CLOSE-UP ON EGYPT'S
**SECOND-HOME
MARKET AMIDST
PANDEMIC**

PART II



PART II: CLOSE-UP ON EGYPT'S SECOND-HOME MARKET AMIDST PANDEMIC

BY **DINA EL BEHIRY & AYA RADY**

The novel Coronavirus has been unfolding at a staggering rate, causing unprecedented and radical changes to all livelihoods, especially with the social distancing measures still in place. Nowadays, people are not meeting, eating, shopping, working, or even socializing like before. This has led us, as consumers, to follow a new normal lifestyle, coming with completely new set of priorities and preferences.

Usually, during the always-busy summer season, the majority used to head to their vacation houses, refilling their appetite to continue their normal working life. However, summer 2020 is unmatched, as the pandemic has suppressed the consumers' desire to purchase new summer houses or even travel to their existing ones.

That is why Invest-Gate's R&A team takes the lead to delve deeper into the buyers' ability to acquire new vacation properties, and thus, exploring the hurdles they face while doing so. Not only that but we also keep an eye on the redundancy rate of the owners to revisit their summer homes amid the COVID-19 crisis.

Whatever Happened to Second-Home Buyers?

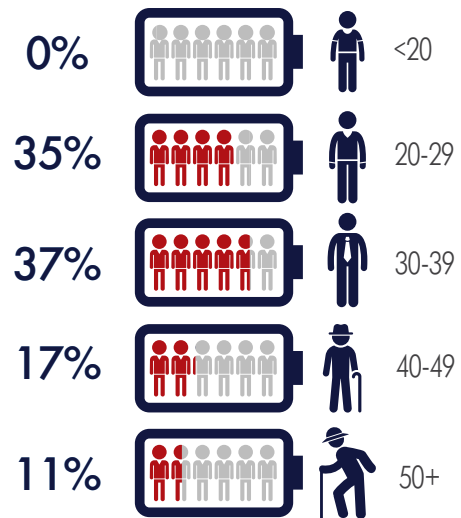
There is no doubt that Egypt's property sector was struck by the Coronavirus havoc, and the second-home market is no exception. According to Invest-Gate's previous analysis (in September Issue), which was based on 15 local property developers, about 33% see the local vacation market hit hard by the recent market tumult. Moreover, 20% of respondents predict less demand for second homes, as more consumers put away their wallets and plan to spend less this year.

Consumer Demographics

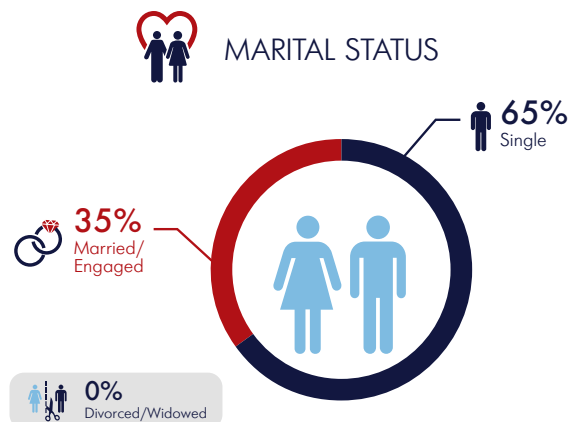
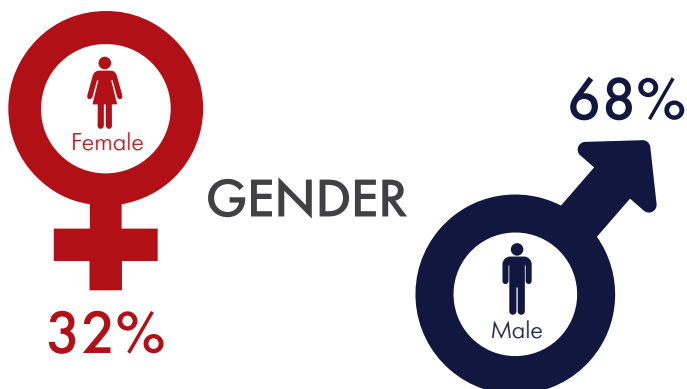
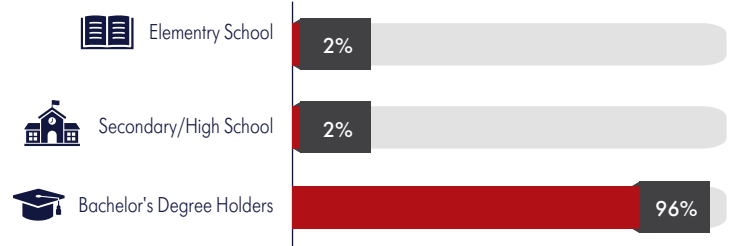
Against this background, we look into the second-home market to identify the present consumer purchasing power, in an attempt to figure out changes caused by the COVID-19 outbreak. Invest-Gate's R&A team has surveyed roughly 101 customers to put together a summarized wrap up on this niche market.

With 68% of respondents being males and 32% females, merely 35% are within the age category of 20-29 years old, whereas 37% are between 30-39 years old. While 65% of those surveyed are single, and the remainder is either married or engaged, almost 96% are bachelor's degree holders.

AGE GROUPS (YRS)



EDUCATIONAL ATTAINMENT



In a bid to open a wider window onto the impact of the germ episode on second-home clients, Invest-Gate's R&A team divides the consumer base into two categories: homeowners and potential buyers.

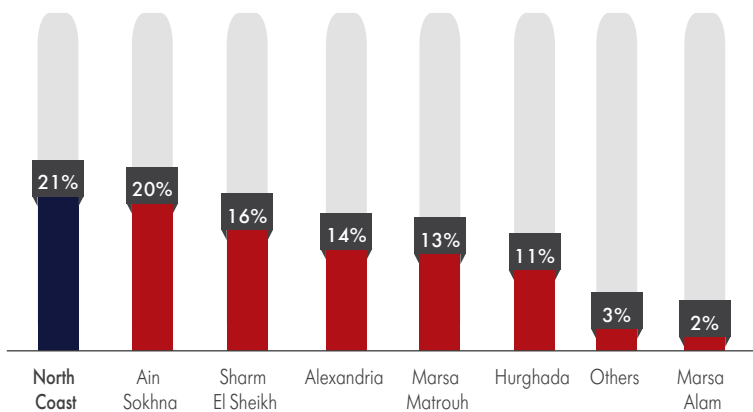
COVID-19 Impact on Second-Home Owners:

According to Invest-Gate's sample (56 consumers), merely 55% are homeowners. The majority (or 21%) own summer houses on the North Coast, whereas about 20% have bought residences in Red Sea's Ain Sokhna. Speaking of average prices of second homes, we figured out that unit prices of 55% of our sample are less than EGP 2 mn. Yet, average prices of another 21% range between EGP 2-4 mn, in addition to 4% owning properties with an average price tag of more than EGP 4 mn.

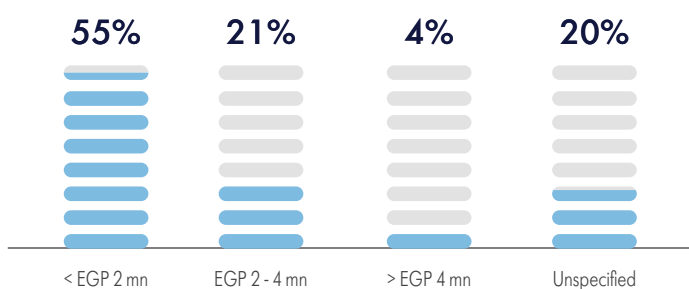
HOW MANY OWN SECOND HOMES?



LOCATION OF SECOND HOMES

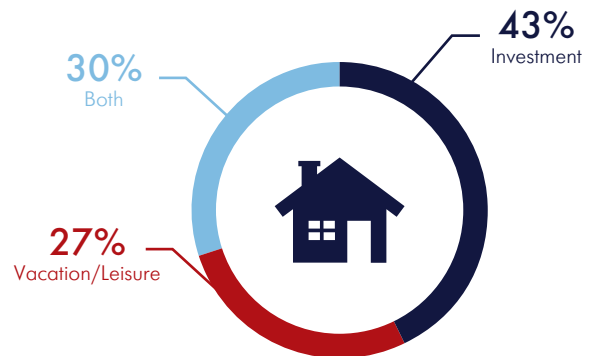


AVERAGE PRICES OF SECOND HOMES



It is worth highlighting that reasons for second homeownership vary among homeowners. Specifically, about 43% of our respondents bought summer houses for the sole purpose of investment. Another 37%, however, use their vacation properties for leisure and entertainment, fueling their appetite to resume their normal working

PURPOSE OF SECOND HOMEOWNERSHIP



life. Adding to that, 30% of our sample get the benefit of both investment and leisure.

When it comes to the calamity of COVID-19, many precautionary measures were imposed to combat the virus spread. Among these measures were lockdowns, which imposed restrictions on individuals' movements from one place to another. That is why 71% of those surveyed said their ability to visit their second homes amidst the

TIMES OF VISITING SECOND HOMES AMID COVID-19 OUTBREAK

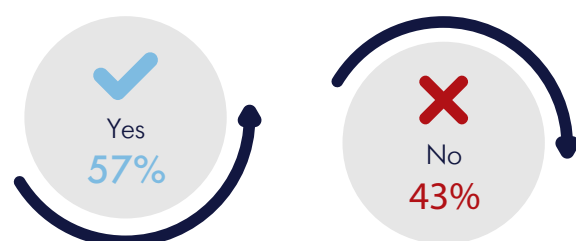


pandemic has dropped.

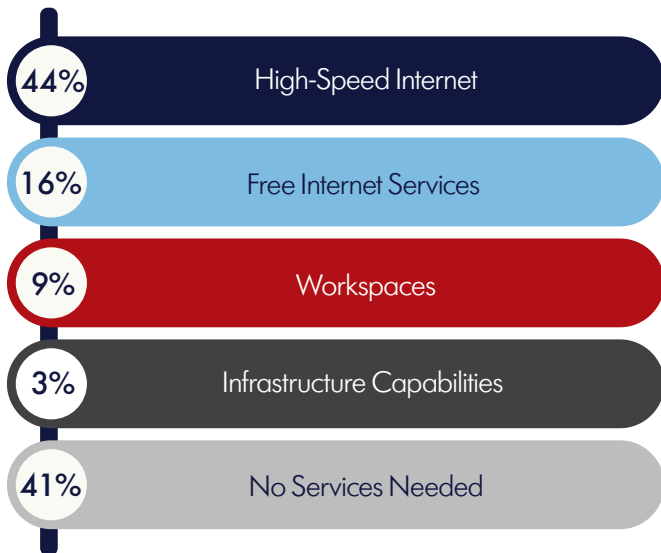
When looking at career progression, it is safe to say that the Coronavirus havoc has disrupted doing business in a way or another, driving several companies to adopt some remote working policies to continue running and avoiding losses. Consequently, as the health crisis recedes, almost 57% of surveyed second-home owners see it much possible now to spend more time - whenever they can - at their summer residences and work remotely from there.

In the same vein, Invest-Gate asked its respondents to share the top services they need to ease working from their second properties. We found that 44% need high-speed internet, besides another 16% prefer the provision of free internet services, plus another 9% looking for the incorporation of home offices or outdoor areas. On the other hand, 41% of our respondents believe their current summer houses are faultless, with no missing infrastructure or services.

CAN YOU WORK REMOTELY FROM SECOND HOMES AMID COVID-19?



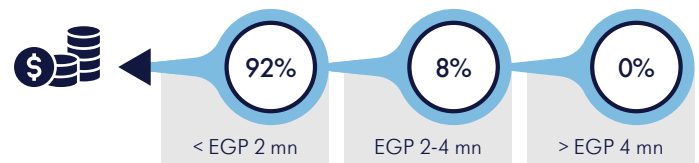
HIGH-DEMAND SERVICES TO SECOND HOMEOWNERS



HIGH-DEMAND SECOND UNIT TYPES



DESIRABLE SECOND UNIT PRICES



COVID-19 Impact on Second-Home Shoppers:

Coronavirus undoubtedly left a negative imprint on consumer preferences, driving more buyers to think twice before making any property investment, and focusing on spending on their essentials instead.

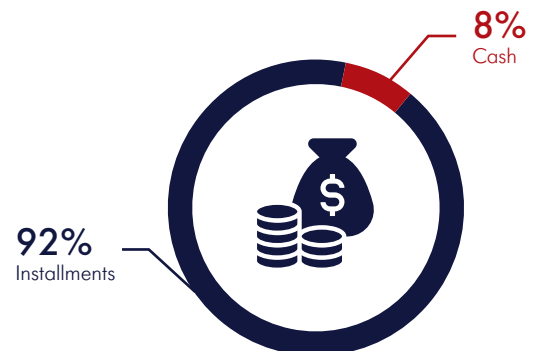
However, out of our 101 surveyed consumers, 58% (or 45 respondents) plans to own second homes in near future, and are presently looking for the ideal grabs. Better yet, we found that our surveyed respondents have some favorite spots, including 31% preferring the North Coast, whereas 23% seek for Alexandria, and many others favoring the Red Sea's Sharm El Sheikh, Hurghada, and Ain Sokhna, at 19%, 15%, and 12%, respectively.

Concerning payment plans, 92% of potential owners opt for installment plans, with just 8% paying in cash. Further, 42% of respondents go for paying over six to eight years; however, another 29% want to pay between three and five years, and the remaining look for longer periods between nine and 15 years.

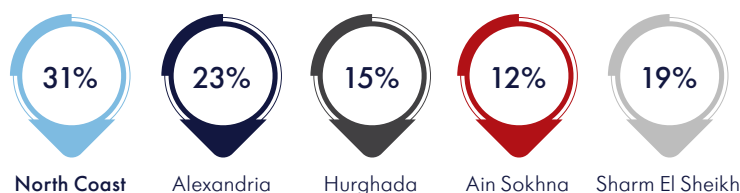
FUTURE PLANS TO OWN SECOND HOMES



BEST PAYMENT METHODS FOR SECOND HOMEOWNERSHIP



FAVORITE SPOTS FOR POSSIBLE SECOND-HOME BUYERS



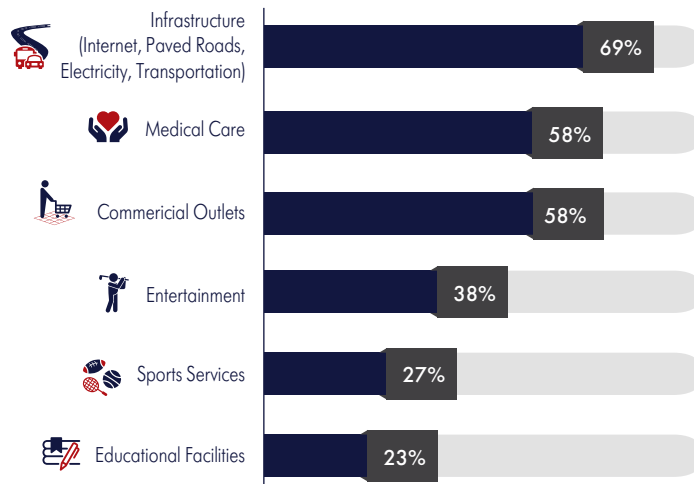
OPTIMUM PAYMENT PLAN FOR SECOND HOMEBUYING



Notwithstanding, according to Invest-Gate's most recent survey, potential buyers are searching for specific unit types. In fact, merely 77% of respondents want to own a chalet or an apartment. Another 19% and 4% would go for villas and townhouses, separately. Shoppers are also keeping an eye on unit prices when choosing their second houses. We noticed that 92% of consumers look for units of less than EGP 2 mn, whereas the remaining can bear costs ranging between EGP 2-4 mn.

In the same vein, potential consumers have specific priorities and high-demand services that they want to have around their second homes. According to our survey, 69% pay a great deal of attention to infrastructure (i.e. paved roads, transportation, electricity, and internet services). Additionally, 58% consider the availability of medical care as necessary, whereas another 58% highly favor the provision of commercial outlets. The remaining respondents are seeking for entertainment areas, sports services, and educational facilities, at 38%, 27%, and 23%, respectively.

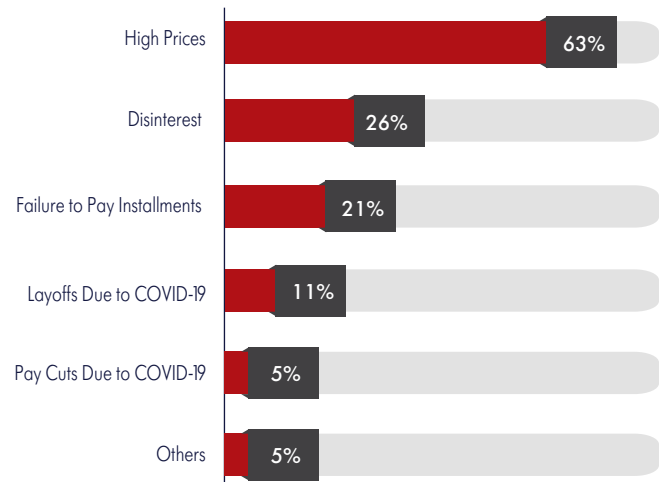
HIGH-DEMAND SERVICES FOR POTENTIAL BUYERS



Based on the study's findings, Egypt's income levels shrank as the state put the wide range of precautionary measures in effect, which caused a massive drop in demand, closure of several institutions, halting of all educational systems, and ending with the inability to work and have a job. Accordingly, consumer behavior has been reformed to accommodate this new normal.

Therefore, according to 63% of surveyed consumers see the current high prices of second houses as the main obstacle for homeownership. This comes in addition to a myriad of other obstacles coming along the way, including salary cuts, failure to pay installments, layoffs, and many more.

HINDRANCES TO BUY SECOND HOMES



Obstacles for Second Homeownership

On the other end of the spectrum, 42% of our respondents face several hurdles to second homeownership. This is mainly due to the negative impacts of COVID-19 on their livelihoods, which hinders them from investing in other aspects.

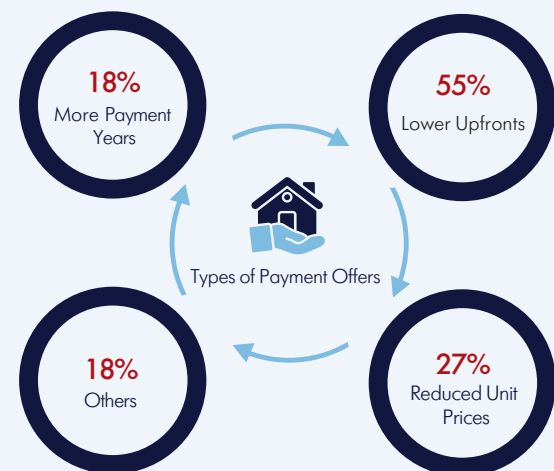
In the language of maths, the working life of 61.9% of the entire population was affected by the Coronavirus havoc, 26% of which became unemployed as a result. When it comes to those still with a job, about 73.5% saw their incomes dropping due to the health crisis, according to a recent report by the Central Agency for Public Mobilization and Statistics (CAPMAS) on the COVID-19 impact on Egyptian families.

Recommendations

Looking closely at the current performance of Egypt's second-home market, the novel Coronavirus outbreak has indeed had a deep-rooted impact on the demand and supply pillars. It is therefore necessary for both developers and consumers to join forces to alleviate the pressure resulting for this crisis.

Based on Invest-Gate's September report, it has been concluded that several industry-related companies are sparing no efforts to absorb the headwinds posed by the outbreak, in an attempt to bounce back from losses to rivals. This is because 73% of surveyed developers (15 local property developers) inclined to flexible payment plans to lure more customers.

Accordingly, Invest-Gate's analysis showed that 55% of responding developers have required homebuyers to pay reduced upfronts, whilst another 27% turned to lower unit prices. Meanwhile, 18% of those interviewed have extended installment periods.



FLEXIBLE PAYMENT OPTIONS BY DEVELOPERS TO BOOST DEMAND



Based on Invest-Gate's latest survey on second homes, the pandemic has essentially altered consumer behavior in Egypt, pushing more clients to principally shop for basic necessities (i.e. food, medical supplies, etc.), hence less demand for vacation properties.

However, despite all odds, there is still a segment that is currently opting to select the best holiday house in town, yet with an optimum payment plan, which should be catered to by all industry-related players to address their needs of becoming second-home owners; tailoring well-crafted offers and plans to attract as many buyers as possible should be a solid strategy.

This will, as a result, lend a helping hand to real estate developers to revive this niche chunk of the market, and thus, make a strong come back in the near future.



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