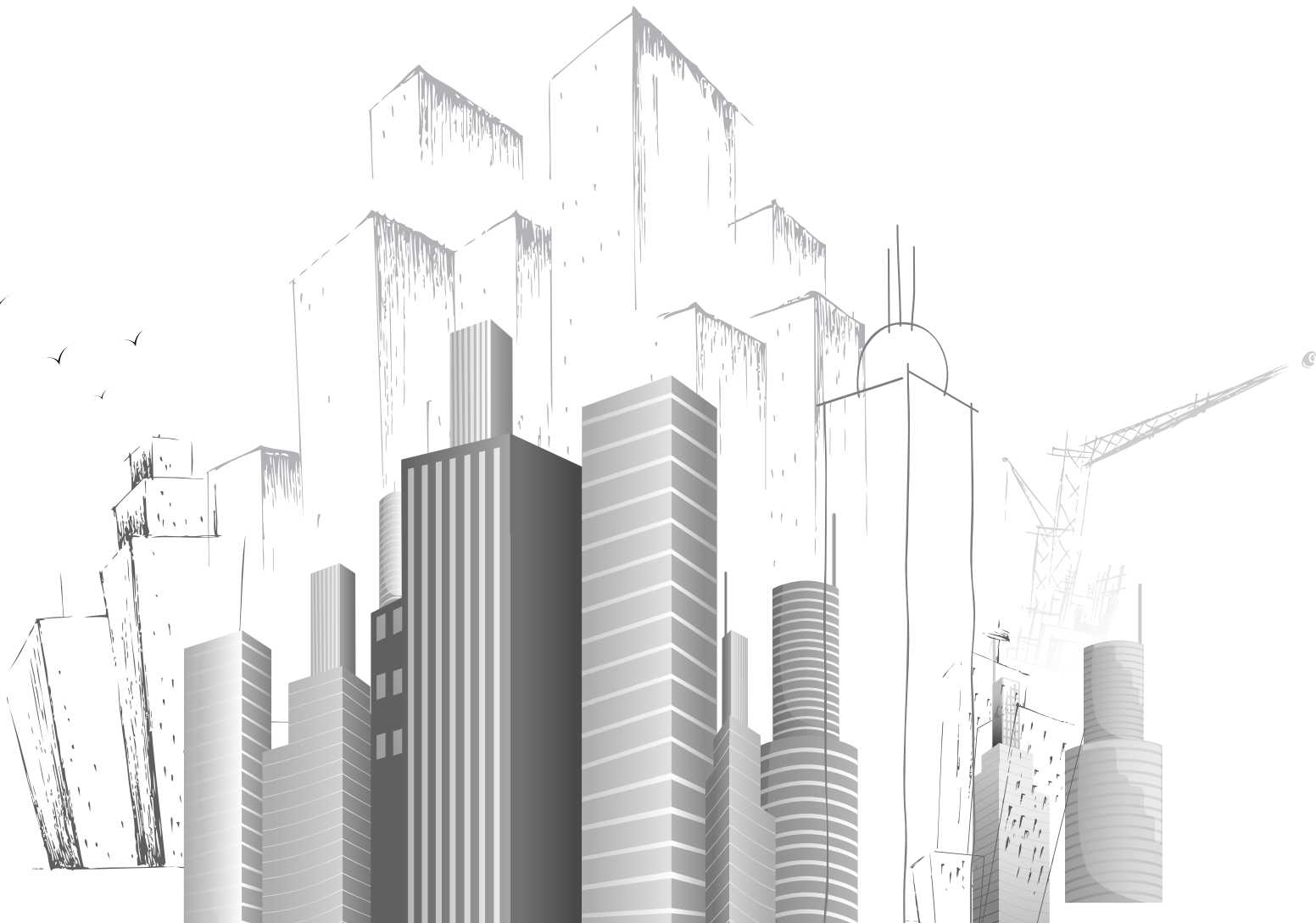


# INVESTIGATE

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## Market Watch Report

# Real Estate Developers & Construction **in Egypt**



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**October 2016**

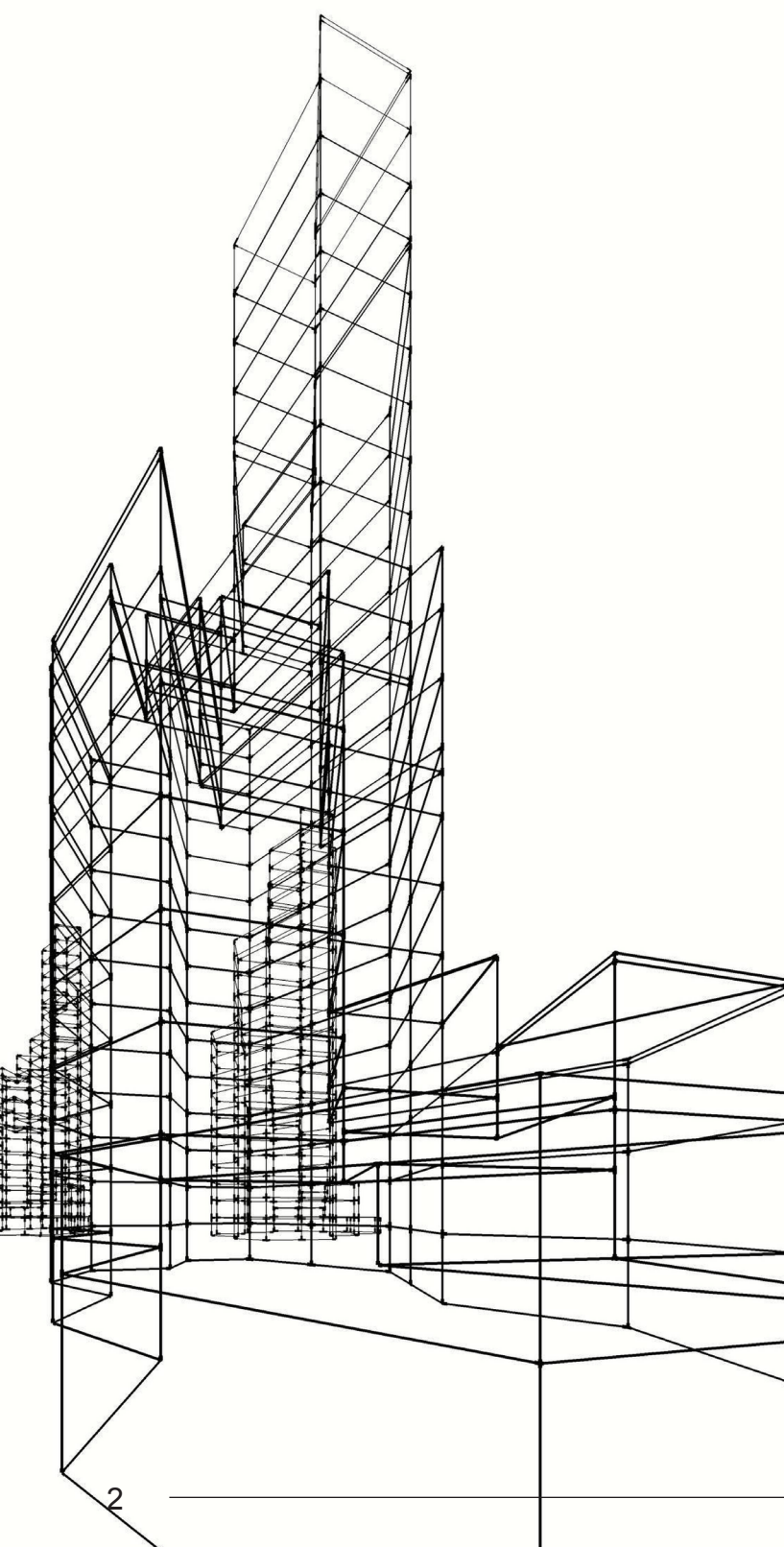


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Information in this report is based on official announcements by both developers and the Egyptian government. All figures and facts obtained through news mediums have been confirmed from at least two different sources. This text is intended solely for general market evaluation purposes. Any decisions based on conclusions from this document is the sole responsibility of the reader. Reproduction of any part of this document is prohibited without written consent.



## **Orascom Completes Al Masah Hotel in New Administrative Capital**

Orascom Construction has finalized construction on Al Masah Hotel in the New Administrative Capital, in collaboration with the Armed Forces Engineering Authority, reported Al Borsa. Further developments are being constructed around the hotel, which is owned by the Armed Forces. The hotel will be built on 10 acres, and several contracting companies are constructing water and power facilities for the building. The total cost of the hotel ranges between EGP 700 million to EGP 900 million due to a recent surge in prices of building material. Orascom is responsible for developing the area surrounding the hotel, while the New Urban Communities Authority (NUCA) will be constructing on site facilities.

## **Asala Sells 80% of New Cairo Residential Compound**

Asala Holding for Investment and Residential Development has sold 80% of its residential compound in New Cairo, according to Hamdy Raslan, a Sales Executive at Asala Holding, reported Al Mal News. The average price per square meter in the compound is EGP 8,500; however, the company has not yet decided on the price per commercial meter. The entire project is being completed in one phase and is scheduled to be delivered at the end of this year with an investment volume of EGP 250 million. The project stretches over an area of 8,500 acres containing six buildings and 26 villas and townhouses.

## **New Residential Phases to be Launched in Hyde Park**

Hyde Park for Development is set to build new residential phases in its Hyde Park project located in New Cairo, reported Al Mal News. The new plan includes building new homes in the Park Corner area of the project at a cost of EGP 5 billion and is expected to be delivered within three years. Park Corner measures 533,000 square meters and includes 205 villas, townhouses, and twin houses, as well as 1,400 apartments and 300 duplexes, all located near 90 Street. The company also finalized the development plan to include public and entertainment facilities, more schools, and green areas within the project so that all units can overlook greenery.

## **Arabia Group CEO Appointed as First Head of Real Estate Development Chamber**

Chairman of Arabia Group, Tarek Shoukry, was elected to preside over Egypt's recently-formed Real Estate Development Chamber, part of the Federation of Egyptian Industries (FEI), Amwal Elghad reported. The decision came during a meeting held by the chamber's board of directors, which will remain in office until 2019. The chamber aims at regulating the Egyptian real estate market, discussing legislations that require approval, and forming a thorough database that includes available real estate investment opportunities. The chamber will communicate with all sectors working in real estate development, including several ministries, and the House of Representatives, in efforts to promote further growth specifically in the real estate sector, according to Youm7.

## **Abraj Misr's Total Investments Record EGP 7 B**

Abraj Misr has announced that total investments in Egypt are currently worth EGP 7 billion (\$788.2 million), with plans to take over the development of government-owned projects, reported Amwal Elghad. Abraj's benchmark projects, Florenta, acquires 15% of the total investment capital, according to Aly Rabie, Chairman of Abraj. The company will also participate in government-owned projects in areas located east of Cairo, west of the North Coast, and in Ras El Hekma, seeking to take part in private-public partnership (PPP) projects. Abraj Misr has developments in several locations, employing a strategy dubbed as 'Principles of Value', which is characterized by green architecture and specialized technology.

## **Promotion Campaigns Set to Attract Foreigners to North Coast**

The Tourism Promotion Authority is expected to begin promoting tourism in the North Coast for people living abroad within the next weeks, President of the Authority Samy Mahmoud told Invest-Gate. The campaigns aim to attract tourists to visit the North Coast during winter, aiming to make use of the 95% vacancy rate of over 100,000 during non-peak times, Mahmoud said. The Authority will focus on introducing several projects in North Coast to foreigners, he noted. He moreover pointed out that there is very little exposure on the North Coast among foreign markets, despite having some of the best beaches in Egypt, thereby making it a prime potential touristic hub.

## **Madaar Promotes Units in Azha Ain Sokhna**

Madaar, an Egyptian property developer, has marketed more than 400 high-end units in its Azha Ain Sokhna development, following the launch of the project at the beginning of this year, reported Amwal Elghad. The company launched the first phase of the resort, expected to be delivered by 2018, consisting of 400 residential units, according to CEO Gasser Bahgat. Bahgat also expects that prices of real estate will be rising 10% to 15% due to the dollar exchange crisis and the high prices of lands offered to developers, according to El Mogaz. The resort is worth EGP 7 billion in investments, funded by the company itself.

## **Company Fined EGP 5 M for Delayed Construction in New Assiut**

The New Urban Communities Authority (NUCA) decided to settle the dispute over the land allocated for the Hotel School Project owned by the Educational Arabic Institution Company in New Assiut, reported Al Borsa. The company was fined EGP 5 million for not committing to the schedule for the project. The company is obliged to pay EGP 500 for every square meter in the plot, the total area of which is 10,000 square meters, said Ahmed Omran, head of the New Assiut Authority. The company received three prior warnings before being fined for the delay on construction of the project, according to Omran.

## Real Estate Developers to Construct Social Housing Projects

The Cabinet approved the draft of terms and conditions regarding collaboration with real estate developers in building units in the Social Housing Project aimed at low-income citizens, reported Al Borsa. The draft included determining the land plots where the project will be constructed and the areas in which developers will be employed, provided that these developers have worked on previous projects with the government. The conditions, applying to all new cities except for New Cairo and Sheikh Zayed, determined that payments for units should be made in cash up-front, or with a minimum 15% down-payment of the total unit price, according to Al Shorouk News.

## Construction Begins on First Phase of 'Water Valley' Project in North Coast

Amlak for Real Estate has begun construction on the first phase of the Water Valley Resort located in the North Coast, reported Al Borsa. The project is built on a total area of 65,000 square meters that will include touristic units and hotel services, alongside with special entertainment facilities, according to the company's Sales Manager Dina Anwar. There has been an increase in demand on the North Coast during summer periods as a high interest was recorded in projects that have recently begun implementation, Anwar stated.

## Al Dau Development to Launch 2 Real Estate Projects

Al Dau Development, a subsidiary of Sami Saad Holding, is developing Al Dau Heights and Al Dau Strand, two real estate projects in Hurghada, reported Daily News Egypt. The projects will also include a new mall, Al Dau Village, which is expected to be completed by the end of 2017. The company's investments in real estate projects are said to have exceeded EGP 2 billion, according to Bahaa Hefzallah, Marketing Manager of Al Dau Development. The company has invested in tourism projects including Steigenberger Al Dau Beach Hotel and Steigenberger Aqua Magic. Hotel services will also be introduced within the two real estate projects under development.

## HCCD to Generate EGP 1B in 2016

Egypt's state-owned Holding Company for Construction and Development (HCCD) is expecting to gain major profits worth of EGP 1 billion from several large national projects, reported Amwal Al Ghad. The projects are mainly focused on roads and social housing as well as the new administrative capital city that has all contributed to boost HCCD's total turnovers, according to Chairman Mahmoud Hegazy. The company has recorded revenues of EGP 5.8 billion in the first half of 2016 compared to last year's EGP 2.7 billion pounds. The increase in revenue said to have come from the new Administrative Capital.

## Mostakbal City Seeking Development of 1000 Acres

Mostakbal City for Development has received several partnership offers from real estate developers to develop projects in two land plots ranging in size between 700 – 1000 acres, reported Al Borsa. The projects are to focus on several different sectors; the interested developers include a local company and another company with foreign investors and in case of interest a draft of negotiation is to be signed for a period ranging from three to six months. The work that is expected to commence in the Mostakbal City lands' project include maintenance, cleanliness, and security, stated Al Wast. Mostakbal City company for Development holds a total of 11,000 acres across east Cairo.

## 1,286 Units to be Delivered in Amwaj North Coast

Al Ahly, an Egyptian real estate developer, has completed the marketing of 1,286 units in its North Coast project, Amwaj, Hussein Sabbour, Al Ahly Chairman told Amwal Alghad. Sabbour also added that the company is expected to deliver the units through the third and fourth phases in Amwaj project by early 2017. The project is worth of more than EGP 2 billion and is located in the midst of Sidi Abdel Rahman bay, located 136 km away from Alexandria.

## Amer Group Partner with Accor Hotels over Managing Hotels

Amer Group and Accor Hotels have entered into a long-term strategic partnership, reported Al Mal. In the first phase, Accor Hotels will manage three existing hotels currently operated by Porto Group: Porto El Jabal, Porto Ain Sokhna, and Cancun Ain Sokhna, which will be branded as a Mercure property, after deciding on an investment program; while the first two hotels will remain under Proto's brand. The partnership will ensure excellence and quality in the hospitality market as international experience will be provided to the local resorts through offering higher quality services to accommodate customers, stated Omar Amer, Vice Chairman of Amer Group, stated Enterprise Press.

## Phase One of Caesar Project Launched

Redcon Construction delivered the first phase of Caesar North Coast in September, reported Amwal Elghad. SODIC property developer owns the project; as the first phase covers 6000 acres worth of EGP 30 million. Redcon is considered the general contractor of Caesar project as it was assigned by SODIC to commence construction works, stated the company's chairman Tarek El Gammal. The project is located on the North Coast at 82 km on the road to Matrouh Governorate, stated Zawya. The first phase of the project includes nine residential buildings; knowing that the completion rate in the project currently exceeds 85%.





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## Developers vs. Agents: Who to Turn to for Property Resale?

As real estate consolidates its place as one of the prime sources of investment revenue in the country, property resale value has increasingly become one of the major determinants in any investment decision – from a small-scale individual homebuyer to a leading conglomerate looking for the ideal commercial space.

While a large number of average Egyptian home sellers tend to sell individually, in hopes of cutting out any extra fees that may be incurred through a third party, this often entails long waiting periods, potential legal hurdles, and limited access to potential buyers. For the average home-seller, there are a number of options when it comes to property resale, most prominently selling through a real estate developer's resale department, a real estate agent, an online listing platform, or to sell the property independently through their own individual effort.

For the average home seller, property resale has a number of variables that can either substantially maximize or entirely diminish the resale value of their property. Moreover, the process of selling a property can be quite thorny on its own,

whereby finding the right buyer with the appropriate financial options is not always a walk in the park.

Additionally, completing the paperwork and legal matters in order to sell your property is often a long-winded affair, requiring ample time and know-how. Real estate developers and agents, on the other hand, each offer their own specific advantage, some of which overlap, but many of which are tailored towards a specific clientele.

### Real Estate Agents Widen Reach

Property resale through an agency comes with a set of advantages, whereby real estate agencies oftentimes have a wider scope in terms of potential buyers, as well as extensive experience in the property resale field. This is likely to shorten the time it takes to sell a property, thereby potentially maximizing resale value.

"If we are talking about selling a property, real estate agents have much higher exposure and more platforms for clients, such as digital presence, multiple listing service, listing through their websites,

and a wide database of buyers/requests, and so a property that you sell independently in three months can be sold through an agency in a week or two, and in terms of property resale, time is money," said Karim Ghoneim, Head of BYC, a real estate agency and consultancy.

"As real estate agents, we already have someone who is looking for the specific type of unit that somebody else potentially wants to sell," he added.

In addition, a real estate agency will take care of all legal issues and paperwork related to the sales operation, ensuring that both sides are within their rights and meets the dictates of real estate laws, thereby essentially cutting out much of the time-consuming procedures associated with the sale operation.

Ghoneim believes that agents have a major edge over developers, as this is their field of expertise, and making a sale directly benefits them.

In terms of selling a commercial property, real estate firms can provide consultancy services in order to determine the value, clientele, grade, and type of property, as

well as other factors that determine the selling process. Further, Ghoneim pointed out that, in many cases, it is more profitable to rent out office space than to sell, due to income potential.

"The best reason to invest in commercial over residential rentals is the earning potential. Commercial properties generally have an annual return from the purchase price ranging between 6% and 12%, depending on the area, which is a much higher range than typically exists for single family home properties, which is 2% to 4% at best," he continued.

Additionally, commercial properties have the advantage of more objective price evaluations. "It's often easier to evaluate the property prices of commercial property because you can request the current owner's income statement and determine what the price should be based on that. If the seller is using a knowledgeable agent, the asking price should be set at a price whereby an investor can earn the area's prevailing cap rate for the commercial property type they are looking at," Ghoneim noted.

"Renting office space is more profitable because of both the value of the rent and, and the value appreciation per annum of the property," he noted.

## Developers Introduce Resale Schemes

In recent years, most major developers have begun introducing departments specifically dedicated to property resale, with services tailored specifically for homeowners in search for potential buyers. Among these are SODIC, Emaar, Palm Hills, Mountain View, and the Talaat Mostafa Group, among others, which offer resale services within their own developments, alongside many other new developers.

For those who own homes in compounds built and operated by large-scale developers, this has clear advantages, whereby the homeowner needs to look no further than the compound itself to seek out buyers; not to mention that most buyers looking to purchase property at a given compound are bound to go through the developer anyways, thereby ensuring that supply meets demand.

A buyer looking to purchase a home in a compound or from a certain developer is looking at a relatively small market, thereby increasing potential exposure for the seller's property, and in turn decreasing the time it takes to actually sell the property once it is advertised on the market.

Further, a property is unlikely to lose val-

ue if sold through the developer, as property prices at the majority of compound necessarily appreciate over time, often at a higher rate than in other areas of Egypt, thereby ensuring a profit for the seller, even in the cases where a fee is incurred.

## Drawbacks

Property resale through developers and real estate agents comes with some disadvantages in both cases, and anyone wishing to sell property must take a number of factors into account, including the location, type, and size of the property being sold, among others.

Selling through a real estate agent could potentially cut out part of the property's profitability due to the commission; however, property ownership is tied with liquidity risk, and waiting too long to sell a property could also translate to potential losses. Thus, a seller must balance out between selling with a potentially high commission with the possible losses that may result from selling independently.

Meanwhile, one of the most obvious disadvantages of selling property through a developer is that the property must have been purchased from a developer in the first place, and a developer with resale services in the second. In many cases, those who own more centrally-located properties did not contract through a developer, and therefore must seek to sell a property through different means.

Furthermore, Ghoneim contends that "most developers did not have resale departments until a few years ago, when the real estate industry began to boom. It is not to their [developers'] advantage to have a resale department, because they already have an inventory to sell, and when one phase of a project is sold out, they begin selling the inventory for the next phase at a higher rate, so they don't want to be selling things from previous phases."

## Other Influencing Factors

Prior to resale, a number of other considerations should be made, whether through a real estate agent or a developer. Both the buyer and the seller must ensure that the contract is sound and fool-proof, protecting both their rights in the process. This involves ensuring that the buyer has enough liquidity to make the purchase, and included clauses in the contract that safeguard the seller's rights if payments are not made or are delayed.

Similarly, both parties must ensure that legal registration of the property is taken care of, and that there are no prior legal issues or contestations over ownership.

Seasonality Chart

Month	Cairo	Sahel	Sokhna
Jan			
Feb			
Mar			
Apr			
May			
Jun			
Jul			
Aug			
Sep			
Oct			
Nov			
Dec			

However, unless the seller is undertaking these transactions independently, both real estate agents and, in most cases, developers ensure that legal details are straightened out.

Another important factor to keep in mind is seasonality (see chart). "Sellers shouldn't sell during Ramadan. Peak season begins in mid-September and ends around Christmas, and that's when people should be looking to sell," said Ghoneim.

"However, sellers should also consider the type of property, as seasonality changes between one type and another. For example, if you are selling a second home in Ain Sokhna, you are looking at different peak seasons," he elaborated.

In conclusion, there are numerous factors and determinants influencing property resale, and these are largely governed by a fluctuating real estate environment that responds to the flux of supply and demand. While some factors fall outside of the realm of individual control, it becomes a question of how to use those factors to one's benefit, given the aforementioned determinants, such as location, type of property, legal status, and more. Yet, given the overwhelming trends of the Egyptian market to sell independently, those who have begun to break the mold are promising to reshape the property resale market for future generations.





# Interior Construction: The Finishing Touches on a Commercial Venture

*By Nadine Abou el Atta*

It is often believed that a core product is half the commodity, and the visual presentation is the other half. The same concept proves true for many matters in life, as it is a core human nature to shape perception on visual stimulation; a fact that any sound business is well aware of.

The quality of interior finishing and construction has become in recent years a core element in shaping the visual perception of the level of quality in commercial venues now a days, especially those that rely on attracting a constant flow of customers, such as a restaurant or a retail shot.

To better explore the effect of interior finishing on the potential of commercial businesses in the industry, Invest-Gate sat with Nabil Badr, Managing Director of Grid Fine Finishes.

When asked about the company's added value to the commercial market in Egypt, Badr answered, "We simply bring design

dreams to reality." According to Badr, due to the increasing competition, most clients now are seeking highly artistic designs for their businesses, thus making it more challenging to translate these designs to reality.

"This is where Grid Fine Finishes comes in; our value is highly visible in sophisticated interior designs. We study such projects extensively; in some cases, we propose finishing materials and several methods of implementation. As seen in all our finished projects, we are very precise and meticulous when it comes to finishes," he added.

"The company is the brainchild of five experienced engineers. Having worked with multinationals for over 15 years, these five engineers have extensive experience in various areas, including architecture, interior design, management, consultancy, contracting, real estate development, and projects management," Badr added.

## Enhancing Perception

Numerous studies have been performed on consumer behavior, proving the staggering effect simple differences in surroundings could have on the buying behavior of customers. Invest-Gate asked Badr about his opinion on the role of internal construction and finishing in enhancing the experience of customers. "While this question is better answered by an interior designer or an artist, I still believe that it is the construction company that makes any design looks great, durable and interesting to re-visit. For example, a restaurant could look very artistic in 3D, and you get the feeling that you want to eat in it when it is built. Yet when the project is completed, the place may not be as comfortable as you may have expected, the restaurant may also be worn out in just few months," he answered, noting that the same issue can be seen in retail shops and office spaces, as well.

"We started to see very attractive de-

signs and we have even completed one of those projects that turned out to be a remarkable office space in Zamalek. Now the feedback we got from our client is that their executive team and their visitors from either Egypt or abroad are quite impressed by the office and the quality of finishes. They even mentioned that, once you walk into the office, you simply feel that you have traveled to an office in Europe. This could only be achieved by a great and impressive design, detailed set of drawings, a contractor that knows how to do the job, and finally a client who decided to trust in the designer's vision and the contractor ability to deliver," Badr

explained.

In talks about trusting a contractor's ability to deliver, Badr highlighted that in the commercial market even a delay of few days could translate to significant financial implications, adding "that is why we at Grid are very conscious of delivery dates. We set them right from the beginning and we deliver on time."

### **Measuring Quality and Choice of Space**

For owners of commercial properties, evaluating the quality of a contractor's work before hand is easier said than done. As for Badr's advice to commercial

investors on the matter, he said that the easiest method to understand the quality of finishes and differentiate between the different levels of quality is to visit the projects completed by the company an investor is about to contract with. "See their work in real life; don't just view their Facebook page or website. Read their profile, meet the team, and request a contract bound by a delivery time frame," he advises.

In terms of cost, Badr commented that "while the general perception of contracting a reputable company to construct your project is that such a company will be expensive, it is quite the opposite. A reputable contractor will save you time, which costs a lot of money in commercial businesses. They should get it right from the beginning, and will finish the job on time and with high precision and quality, therefore, extending the lifetime of the used materials and the overall commercial business property lifetime."

A crucial aspect, not only for the interior appeal of a commercial property, but for its functionality as a whole, is space usage. Commenting on the topic, Badr advises commercial property owners to "make sure that the property purchased satisfies all space needs, and includes all, or is at least equipped for all, utilities, such as an AC system connection provided by the landlord, and that electricity loads are enough for your type of business, ventilation and exhaust openings in the case of restaurants, water supply and gas connection. I also recommend ensuring that the location can accommodate sufficient parking space for the targeted number of clients."

### **Evolution of Market, Challenges, and the Future**

When asked about the challenges they face, Badr commented that, like any company, they face a few challenges, most notably the difficulties faced in importing the needed finishing materials. "They are now becoming difficult to find, yet we have turned this challenge into an opportunity for us, as we have succeeded on several occasions to convince local manufactures to replicate an imported material by presenting a market need case. We have also manufactured a replica of some imported accessories that have gone out of stock," he said, adding that "in several projects, Grid has manufactured an exact replica of an accessory that was made in Europe at a lower cost."

"China's economy took off by replicating commodities, and while they still do, they have become the top exporter worldwide





of everything we deal with on daily basis. I am optimistic that we will reach somewhere good by working hard and leveraging good ideas,” he continued.

“Another challenge is with skilled labor, who are hard to find and maintain. Commitment of labor is the major challenge in our line of business, and this is where the human aspect and social intelligence plays a major role. There must be a balance between being tough and requesting the job to be done on time with the highest precision, and between being humble and understanding of their ability to complete the job in an acceptable timeline and manner. This skill can’t be taught, you gain it by experience,” said Badr.

Moving on to how the market has evolved, especially in the past decade, where a steep shift has become more visible. “We have seen major changes over the past years, either in mega malls or on the side of office buildings. With the expansion of mega malls and all franchises being brought into the Egyptian market came the hunt of business investors for a construction company that could accelerate their expansion plans in the market and abide by delivery dates and contracts. The same applies for all the newly introduced office buildings and spaces in 6th of October and New Cairo. In all cases, from restaurants, retail shops or office buildings, all investors are now seeking attractive interior designs that represent

their businesses and a contractor who can build these designs. We are optimistic regarding the growth of such establishments, which will bring more business for contracting companies, hence providing more unique designed and built properties,” commented Badr.

When asked about the increase of competition that resulted from the changes in the commercial market, and its move towards a more international orientation, Badr explained that market competition has enhanced the level and complexity of design, mandating certain finishing needs, especially in terms of materials and accessories, most of which need to be imported.

“The evolution of market needs resulted in increasing the level of competition either between designers or between contractors, and each are providing at the best of their capability. Such competition resulted in mutual agreements between designers and contractors, who are bringing their forces together to deliver great projects,” he added.

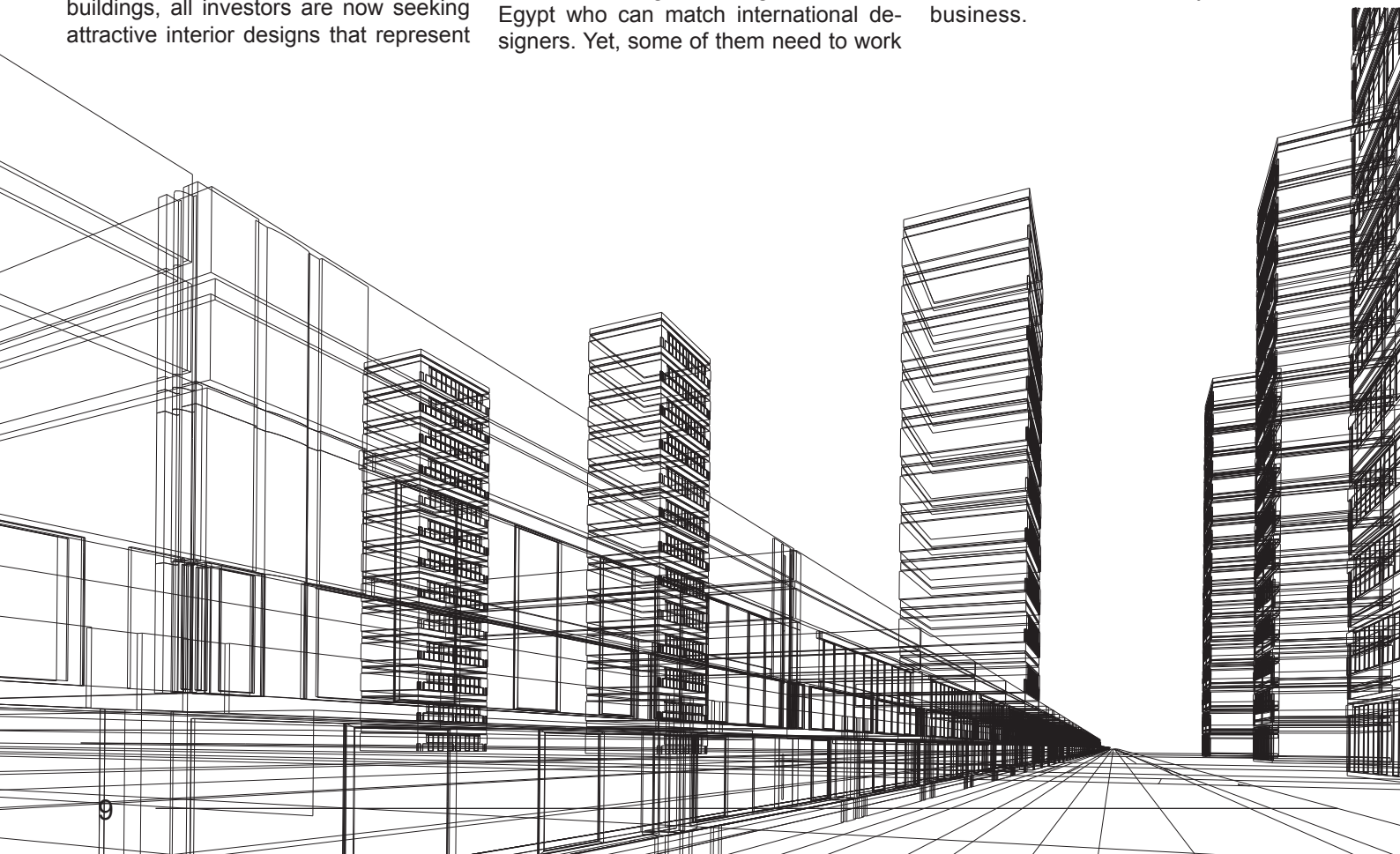
In closing, Invest-Gate asked Badr about how the Egyptian market compares to the neighboring markets, namely the United Arab Emirates (UAE). “In designs, and with respect to small and medium projects, I personally see no gap when compared with the UAE. Believe it or not, we have great designers here in Egypt who can match international designers. Yet, some of them need to work

on the quality of their drawing packages,” he answered, noting a difference in the execution of large projects, where in most neighboring countries a consortium or a group of companies work together on delivering these types of projects.

“However, in construction or contracting, yes, we have a gap that must be filled. This gap is due to the limitation of skilled labor in some areas, as well as the limitation of materials and accessories required in finishes, and finally the limitation of tools and advanced machinery,” continued Badr.

“If, as a country, we continue to build more establishments, and as individuals, to enhance our skills and challenge our limits, then I believe it is only a matter of time until we reach the best version of Egypt without comparing ourselves to other countries that have different experiences and circumstances,” he concluded.

Perception is everything when it comes to a commercial venture that deals with everyday customers, and perception of a company offering services as its core product is often dictated by the internal presentation of its venue. In a restaurant for example, the lighting, the surrounding sound, the feel of the furniture all affect the perception of the taste and perceived quality of the brand. A matter that is crucial to the success of any commercial business.





## Making Your Investment Count: Commercial vs. Residential Property

*By Conor Sheils*

The Egyptian economy is currently facing turbulent times, as the country remains locked in a currency crisis, while poor economic growth forecasts have sent investment tumbling in recent years. However, one sector which still remains buoyant during the country's difficult times is Real Estate. The main reason behind its

stability is the belief of many Egyptians that property investment one of the safest investments, as well as a hedge against inflation in the country.

As such, many investors are choosing to invest in residential and commercial projects, which are currently stable thanks to a stream of foreign and local projects

spearheaded by big names.

Such is the popularity of real estate investment in Egypt that an Oxford Business Group report revealed that public and private investments in the property market totaled EGP 47.5 billion (\$5.3 billion) in fiscal year 2014/15, which ended in June 2015, contributing approximate-

ly 5% of the total GDP. A decade earlier, investments stood at EGP 6.58 billion (\$741 million) for the fiscal year ending in June 2005, according to figures from the Ministry of Housing, Utilities, and Urban Communities.

For some, however, the question remains over whether to invest in residential property, which includes many of the large-scale schemes, or instead to focus on commercial projects.

Both options offer numerous benefits to strategizing investors, provided one looks at various factors surrounding the choice.

## Budget

In Egypt, whether purchasing commercial or residential property, there are a number of funding options available to potential buyers, including loans, mortgages, and off-plan payments offered by developers. However, any potential buyer who is considering such a move should be mindful of the fact that these loans, offered by financial institutions, are often time limited, and a buyer should examine the terms and conditions of any loan before acquiring it.

Commercial property prices tend to be higher than residential rates, and as such buyers should ensure that they will be able to make all repayments on a large commercial property loan using post-purchase income. However it should be noted that assuming the budget is large enough, the price of a commercial property can be re-earned through revenues earned from the property.

Residential developments are often less expensive, as they are generally smaller in size than commercial developments and are based in various locations, whereas commercial property is mainly concentrated around the Greater Cairo area and priced accordingly.

## Market Status

Any experienced investor knows that a property's true value can only really be measured based on its future earning potential. In this regard, both commercial and residential property potentially provide positive options for investors.

Residential property may be seen as a good choice, given the country's housing shortage, coupled with a growing population.

Egypt's fast-growing population of around 90 million – which increases by approximately 2.2% each year, according to the World Bank – also means that investing in residential property is often a financial-

ly sound move owing to increased demand for housing in the country.

Meanwhile, the country's yearly weddings – nearly 900,000 – are also a major driver of demand, as newly married couples look to move into their own homes and invest in property for the future.

According to the September 2015 Greater Cairo Market Overview from Colliers International, a real estate services company, an extra 90,000 to 100,000 residential units will be needed per year through to 2020 to meet demand, which is well above the annual average of 45,000 units that have come on-line in recent years.

In the commercial market, a JLL report found that office rents remained stable during Q2 of 2016 as the market adjusts to current business conditions. On a year-on-year basis, central and west Cairo recorded an increase in rents, as a result of favorable base effects at the end of last year. Meanwhile, the market witnessed increased demand for Grade-A office space during the same period, as a result of tenant relocations to better quality office space and to more convenient geographical locations. Limited new supply of Grade-A office space in the short term has led vacancy rates to decline from 33% to 25% over the past year, according to the report.

The rise of entrepreneurial start-ups, especially ones focused on technology and mobile applications, reflect a growing need for small office space. In 2015 alone, 31,000 square meters were added to the market, bringing the current total to 92,000 square meters, based on JLL estimates.

## Demographics

Just over half of Cairenes are able to afford units in the EGP 230,000 to EGP 270,000 range, but there is little to no supply offered by the private sector at this price point, according to a 2016 report on Cairo's real estate market by Colliers International.

The most affordable private developments, such as a 130-square meter unit in 6th of October City, tend to sell in the EGP 530,000 to EGP 580,000 range.

The government is looking to address the shortfall in affordable housing partly through partnerships with the private sector.

One such partnership is the Dar Misr project for low-income housing. Moreover, the first phase of the social housing project is about to be finalized in eight new cities, according to media reports in Al

Borsa. A total of 31,000 units have been finalized in the cities of 10th of Ramadan, Obour, Shorouk, Badr, 6th of October, New Cairo, Sadat, and New Damietta.

The New Urban Communities Authority (NUCA) is offering 15 land plots, part of a larger package of 44 land plots that have been offered through the General Authority for Investments and Free Zones (GAFI).

Outside of such schemes, many of the country's residential schemes are aimed at the upper end of the economic market.

This trend is mirrored in the commercial market, where developments are mainly aimed at high-end clients, rather than clients from lower socioeconomic backgrounds. This may affect the potential post-purchase earning power of the property.

When purchasing either commercial or residential property, it is important to remember that taxes constitute 10% of the annual rental value. According to the property tax law No. 196 of 2008, taxes apply on all types of properties, whether they are vacant or not.

The buyer should also ensure that all taxes are paid up to the date of purchase by the previous owner, according to a report published by the UK government entitled 'Guidance of buying property in Egypt'. The buyer must also ensure that all financial obligations, such as utilities and other payments to authorities, are fully paid up to the date of purchase, according to the same report.

## Bottom Line

Given the instability of the Egyptian economy at the moment, commercial and residential properties can offer a safe investment during turbulent times. Both residential and commercial property sectors can offer attractive options for investors.

The current housing shortage, coupled with the high marriage rate, allows for positive prospects for the residential property market. Meanwhile, stability and a demand for commercial property means that an investment in the commercial market could be a positive choice for many investors. Both sectors have the possibility of being a lucrative choice for discerning investors.





## Off-Plan Property vs. Existing Property: **Which to Buy?**

*By Julian Nabil*

With the continuous rise of real estate prices due to the persistently high demand, developers have begun to expand on their off-plan investment offerings, amid different facilitations to ease the purchase cost for buyers and help them secure better financing terms from their lenders.

Off-plan properties are usually sold before they are constructed or completed, with a small deposit initially required in advance, while the remaining value is paid on installments, according to a schedule agreed upon with the developer. Developers sometimes also offer incentives for early adopters.

With the growing supply, it has become common for homebuyers who search for their dream home to be caught in the dilemma of buying off-plan homes with comfortable installments or existing properties, with the price to be fully paid up front.

While each option presents its own se-



ries of advantages and disadvantages, the right choice is largely based on the needs of each buyer, weighing financial factors against time and risk crucial to the purchase decision.

## Purchase Price

A main aspect to consider in any investment is the purchase price. For resale properties there is often room for negotiation, while for off-plan investment the price is set. It is also believed that the price of upcoming off-plan homes will rise due to the application of the new value-added tax (VAT), which will affect the price of construction and finishing materials.

New homes are more expensive, but are usually priced at lower than their actual market value for a number of reasons, particularly that builders generally want to initially secure a limited number of sales at the beginning to get the next phases of the project going. Another benefit to purchasing off-plan properties is that the buyer will pay the property's value at today's prices, rather than future estimates, whereby the property's value is likely to appreciate over time.

There are also custom-tailored payment facilitations, like mortgage loans provided by banks for home seekers under certain terms, with interest rates, monthly installments and down payments that are relatively lower than normal loans and with longer repayment period.

## Move-in Timeline

Timing is another main factor to consider. Resold homes are more convenient for buyers who does not have time on their side, a house ready for moving in is a

crucial bonus. However, for buyers mainly concerned with investment and resale value, a five year wait is only part of the investment plan.

Delayed delivery of yet to be built houses, is a risk to be considered, as many uncontrollable factors could affect the delivery timing.

## Resale value

Off-plan homes will often have a better resale value, as their prices are likely to rise significantly by the completion date and be worth more than the buyer has paid. Early buyers can capitalize on growing prices and cash out before the project is finished by selling the contract.

The resale value of existing homes is generally lower than new ones; however, this still depends on the growing market value of the neighborhood.

## Neighborhood

Other aspects go into the investment value of a property, one influential example is location. preference could differ from one person to the other, but it is generally one of the main advantages that could trump everything else and help homebuyers on the fence make the right decision.

Community when it comes to resale value is crucial, as an investor or a homebuyer is not buying the actual brick and mortar but a presence in a neighborhood. In addition to the boosting effect of the reputation of the real estate market for the location chosen.

In a poll conducted by Invest-Gate on the most important factor a buyer takes into account when purchasing a home, other than price, 54% of the respondents chose location and 43% picked surrounding community.

There is a main advantage to older neighborhoods. Usually located in or close to the city center, older well established neighborhoods are surrounded by sound infrastructure serving the area, public transportation, a variety of schools, supermarkets, clubs, and shopping centers. However, buying in a newly constructed area gives you the advantage of being the first owner and guaranteeing that the building and facilities are new and unused; in addition to better utilities and infrastructure.

## Maintenance and Renovation

Homebuyers should know that resold homes may need some upgrades to integral components, such as fixing drainage issues and updating the electrical system. Although with desired changes come higher costs, all renovations will add to the home's future value.

As for newly constructed properties, they are usually require minimal renovation from the side of plumbing, electricity, and core finishing.

Another bonus to off-plan houses is that builders sometimes allow for some flexibility for buyers to customize their homes' designs during the construction phase. This may require an extra budget, but a buyer may deem that adding one's personal touches is worth it.

Whether the decision is to purchase an en existing property or an off-plan property, investing in real estate in the current market is believed to be one of the best investments anyone can make. The main equation in the decision, however, boils down to time verses money, an aspect that is shaped largely by the purpose of purchase.



# **The Future of Sustainable and Green Construction in Egypt**

*By: Heba Eid*





The 'going green' bandwagon has been slowly making the rounds with new ideas of impactful ways to save our planet emerging every day. Environmental responsibility and long-term sustainable solutions have become a necessity, with the world trying to combat global warming with its consequences, and ensure resource availability for all. Now the worldwide trend towards going green has shifted to real estate, where a green building signifies a property that is built with an environmentally friendly process, energy and resource efficient. While the environmental aspects are key champions of green buildings, the economic benefits of a sustainable green shift are weighing heavily in its favor.

In September 2015, the world's nations agreed to adopt a set of 17 sustainable development goals (SDGs). Egypt affirmed its commitment to meet the targets set by SDGs by 2030 and outlined a 15-year development strategy, according to Daily News Egypt. The SDGs, spearheaded by the United Nations, include resilient, stable, and sustainable infrastructure as one of its goals, thus, the green building landscape is expected to soar in the upcoming years.

In fact, the green building market has experienced tremendous growth globally in the past decade. The global real estate buildings double approximately every three years, according to World Green Building Trends 2016 SmartMarket Report by Dodge Data & Analytics.

## Environmental Reasons for Building Green

Building green properties has a broad range of environmental advantages, with reducing energy consumption at the top of the list. Protecting natural resources, reducing water consumption, lowering greenhouse gas emission to lessen the impact of global warming, and improving indoor air quality are all global reasons for governments and developers choosing to prioritize building green.

According to the United Nations, Egypt is facing a series of environmental challenges that need to be addressed. With the steady population growth, there's less water per capita each year and, on top of that, lack of quality sanitation systems. Climate change risks the available water resources, coastal zones, and our agriculture sector.

As the most populous Arab state, with a continuously growing population and a finite resources pool, Egypt is particularly

vulnerable to the effects of global warming and climate change. The economic, social, and environmental cornerstones of the nation will be undermined by the unsustainable use of energy resources, according to a World Resource Institute report. Many governorates are already feeling the pain of scarce water supply, and the UN predicts that by 2025 Egypt will face an absolute water crisis, according to Mada Masr—all the more reason for Egypt to start building property with long-term sustainability in mind.

## The Economics of Green Buildings

An environmentally friendly and green building does not only lessen the overall environmental impact, but it has been proven to boost profits for developers, landlords, and tenants, according to Wealth Management. A green building often results in reduced operational expenses compared to conventional buildings, boosting profits for developers and landlords. Residents of such buildings will experience health improvements, making them an ideal choice for businesses, as they will command higher productivity and employee retention.

According to the SmartMarket Report, 14% savings in operational costs are expected over a five-year period for new green buildings, and an estimated 13% in savings for retrofitting and renovating buildings. The real estate value of a green building outweighs its conventional counterpart by 7%, making it economically appealing all around.

## Egypt and the Green Real Estate

KarmBuild, a subsidiary of KarmSolar, is an architectural design and building firm with a focus on energy-efficient and environmentally sustainable building designs. Since its establishment in 2011, KarmBuild remains the only company in Egypt to incorporate solar energy technology into building design.

There are many rewards to designing sustainable and energy-efficient buildings, according to KarmBuild's website. A green building is an economically sound investment, with potential long-term savings compared to conventionally designed buildings. Living or working in an environmentally friendly property allows owners to engage with the area's local culture, history, and identity. Moreover,





it will allow an owner to meet fair trade health, safety, and housing standards, and fulfil the requirements of international certification, such as Global GAP Certification and LEED.

## Current Green Buildings in Egypt

Noting that there are several levels of green buildings, beginning with energy efficient lighting to a 100% eco-friendly construction, the notion of green buildings in Egypt is a rare occurrence, with the concept being relatively new to the market. There are several projects on the ground that currently employ sustainable and green solutions to some extent.

KarmBuild has implemented numerous projects with sustainable and eco-friendly solutions—namely KarmSolar Campus in Bahreya Oasis, Workers Village, and a high-end coastal eco-lodge project, according to their website. Solar energy powers all of the projects above, and employ cost-effective and healthy housing solutions.

The American University in Cairo (AUC) has successfully built its Faculty Housing whilst employing green concepts in design and structure, according to the AUC website. Solar water heaters, environmentally friendly, non-CFC cooling refrigerant for air conditioners, rooftop farming on the green roof, and electricity efficient LED light bulbs are foundational elements of AUC's green faculty housing building.

Moreover, the coast of Nuweiba in South Sinai boasts of many eco-lodges in the area, such as Basata Camp, Habiba Camp and Organic Farm, and many others, according to Invest-Gate. Likewise, the Siwa Oasis is home to several sustainable and eco-friendly lodges, such as Adrere Amellal and Hawyet Siwa.

## Upcoming Sustainable Projects

Several projects on the horizon intend to embed green concepts in design and structure in the real estate sector in Egypt.

Egypt's mega project, the New Administrative Capital, promises to deliver the biggest Smart City in the Middle East to the expected five million people, according to its website. The Administrative Capital will make use of state-of-the-art sustainable technologies that are compliant with international standards and criteria. Moreover, the infrastructure of the city will be built to reuse and conserve water, further classifying it as a green building.



Crystal Lagoons, a patented technology developer of giant crystalline lagoons, has joined forces with numerous real estate developers in Egypt to bring forth man-made lagoons, according to Arab Finance. The company teamed up with Maxim Real Estate to develop a \$1.8 billion project, Bo Islands development on the North Coast. Another project in North Coast is the Swanlake North Coast project developed with Porto Group, a \$345 million investment. Sharm El Sheikh will witness the launch of the \$500 million CityStars development, while a \$250 million development, Sokhna Mountains, is set to launch in Ain Sokhna.

The aforementioned projects are to be built using Crystal Lagoons' sustainable and green technology. Crystal Lagoons boasts an energy-efficient ultrasonic filtration system, which uses only 2% of the energy required by conventional filtration systems. Therefore, it ensures the lowest levels of energy and water consumption compared to any other amenity.

The Saudi Egyptian Construction Company (SECON) is currently developing a residential project in New Cairo over an area of 68 acres. Approximately 25% of the buildings will run on solar-powered electricity, according to Darwish Ahmed Hassanin, CEO of SECON, reported

Worldfolio.

Mountain View, an Egypt-based real estate developer, along with the Saudi Arabian developer Sisban Holding and the Ministry of Housing, are developing Mountain View iCity. iCity is set to be built in accordance with to world-class environmental standards, with smart solutions to separate human traffic from automotive traffic, with the inclusion of no-car zones, according to Arabian Business. Furthermore, the project will also feature pioneering sustainability technology for the new villa concepts, iVillas.

As a young and continuously growing nation, with an abundance of solar energy, projected scarcity of water and resources, and a booming real estate sector, building green has been deemed necessary for the long-term prosperity of the nation. Egypt has a natural advantage due to its location with year-round sunshine and high intensity of sunlight, makes it an ideal candidate for solar-powered buildings—a largely untapped market as yet. With the real estate market constituting a pivotal aspect of the country's economy, and a driving force for Egypt's growth, property developers can pave the path for true sustainability for generations to come.





## Zamalek vs. Shorouk: Where to Buy?

By Nada Adel Sobhi

Where should I buy? A question that baffles every soon-to-be couple, every father looking to buy a property for his child, and every investor looking to make a profit.

The decision to purchase a property involves a number of aspects that determine the pros and cons of said property; location, access, facilities, surrounding commercial venues, and future resale value are just a few that come to mind.

In the current Cairo property market, older areas closer to the city center and newly developed districts represent opposite ends of the spectrum. The difference is not limited to the old historic designs and the age of properties close to the city center against newer more modern constructions of newly built areas, nor is it limited to the level of access,

but it goes beyond that, including the size and condition of roads, landscape, urban planning, size of properties, buying and selling mechanisms, communities, traffic, proximity to schools, hospitals, office buildings, and malls.

Nevertheless, when comparing, for example, a district like Zamalek to the suburban district of Shorouk, certain similarities come to mind. Both Zamalek and Shorouk are located far from industrial areas; both boast a variety of public and international schools, as well as areas for leisure and entertainment, albeit differently.

### Price Levels and Affordability

A core aspect when comparing different neighborhoods is prices, which are often shaped by many other aspects other than

the pure cost of the brick and mortar.

Zamalek for example, is seen as an up-scale neighborhood with a central location, it is also commonly perceived as a relatively safer area due to the heavy presence of embassies and residents of diplomats. Accordingly, the price per square meter is higher than neighboring districts. AqarMap puts the average price per square meter in Zamalek at EGP 13,700.

According to PropertyFinder, apartments in Zamalek have a starting price of EGP 1.25 million for around 150 square meters to EGP 30 million (\$3.38 million) for 1,050 square meters. Villas, on the other hand, have a price range of EGP 42 million up to a staggering EGP 175 million.

On the other hand, the decade-old district of Shorouk has an average price per square meter of around EGP 2,900, based on AqarMap estimations.

Villas and townhouses in Shorouk have a starting price of EGP 1.7 million for around 243 square meters to EGP 9 million for 830 square meters. Apartment prices are at roughly EGP 500,000 for 220 square meters to EGP 5.85 million for 1,020 square meters, according to PropertyFinder.

## Location and Transportation

Among the differences between the two neighborhoods is the spaciousness of the streets and public areas. Zamalek is old and enjoys a cozy feel, whereas Shorouk in comparison is seen as a relatively new suburb with wider streets.

Shorouk is located near the Cairo-Ismailia desert road and the Suez road. It is around 20 minutes from Nasr City, Madinet and other built-in communities such as Rehab.

Zamalek, on the other hand, is located near the city centre. It is an old neighborhood that is mostly known for the abundant presence of embassies.

There is no metro line direct to either Shorouk or Zamalek; although the latter is close to two stops on Cairo's old metro line, namely: Sadat and Opera. Both neighborhoods may have limited direct public transportation; however, since the development of Shorouk, things have changed and more means of transportation have been added.

The suburban district covers a large surface area and accordingly enjoys plenty of parking spaces, as opposed to Zamalek where parking is a daily dilemma.

## Schools and Universities

When it comes to buying a property, every buyer and parent, considers to the level of education in the area, whether in terms of schooling, public or private, or university education.

Zamalek boasts a large number of schools, including Pakistan International School, Amoun Private School, City International Schools, as private schools. It also has several public ones. When it comes to university, the neighborhood houses the Faculty of Fine Arts, Helwan University and is fairly close to Cairo University. It does not have any private universities of its own, but it is considered not far from universities located in 6th of October City.

Shorouk, on the other hand, has several private schools such as the Canadian School and Mena Language School among others, alongside a number of private universities as well, including the British University in Egypt (BUE), the French University (FUE) and is in close proximity to Misr International University (MIU) on the Suez road.

## Preference and Level of Living

In terms of level of living, Zamalek, which is known for being home to many foreign embassies and consulates, is considered a posh and high-end, albeit old neighborhood.

Zamalek is seen to be the preference for many foreigners living in Egypt, owing to the large number of surround hotels and bars, as well as its closeness to consulates, NGOs, and schools, where many foreigners work. Shorouk is often seen as a good place for investment, owing to the large spaces it provides for families and its property price ranges.

On the other hand for a young couple, an area like Shorouk presence an affordable, spacious accommodation in a less congested area that is also close to all needed services and facilities.

## Entertainment and Leisure

Another aspect for consideration, although not as important as schools and infrastructure, is entertainment. People want a place to hang out over the weekend, or late in the evening, without having to commute for hours. In addition, commercial venues significantly affect the future resale price of any property.

Shorouk enjoys several malls, cafes, and restaurants. The same can be said for Zamalek, which has all the popular and international names and brands; however, does not enjoy the presence of any malls.

Zamalek is characterized more by its boutiques, smaller shops and food outlets, all lined up on its narrow streets, giving it a city-centre and cozy feel.

## Traffic and Parking

Traffic is a common problem in Egypt, regardless of neighborhood; however, due to the location of Shorouk in the outskirts of congested Cairo, it is fair to say that traffic is not as bad there. It is still important to note that at rush hour the area witnesses significant congestion as well.

In terms of parking the spacious streets of Shorouk have made it easier for resi-

dents to comfortably park in most areas, regardless of the time of day.

Zamalek, on the other hand, is congested throughout the day with very limited parking possibilities, as the area is filled with banks, embassies, offices, restaurants, and commercial shops in every street, which attract significant commuters from outside the neighborhood.

## Resale Value

Real estate by definition is a long-term investment, even if the intent of purchase is to live in the property. It is perhaps the main reason the real estate market has flourished in the current weak economy, properties gain value as time passes.

Nevertheless, many other aspects affect the percentage of increase in value, and more importantly the ease of resale.

Other than normal market inflation, devaluation of currency, and natural growth in monetary value of a property, a key aspect that affects the resale value is surrounding areas. With the visible expansion in development of new districts on the outskirts of Cairo, a neighborhood like Shorouk is bound to witness a steady increase in value, especially as New Obour City begins attracting a sound flow of residents and commercial activity.

Limitless of expansion is another driver of value, in an area like Zamalek the possibility of constructing new buildings will only come at the expense of older constructions, rendering the offering of new units to the neighborhood a limited possibility, and thus by default ensuring the constant increase in the value of properties in the area.

In terms of investment, both neighborhoods have a lot to offer, despite offering very different lifestyles. The choice of investment depends greatly on the intent of purchase; it maybe more suitable for a new family to move to the outskirts of Cairo for price, spaciousness, and quiet residential atmosphere. While for a single career driven individual, remaining in the city center, closer to all needed commercial venues, and most other areas in Cairo is the way to go.

For short-term investment, resale in an area like Zamalek is the safer way to go; however, for an investment more than ten years, Shorouk and other similar newer areas should redeem a higher resale value.





# Sahel vs. Sokhna: Where to Buy?

*By Heba Eid*



Owning a vacation property is a huge draw for some, allowing a person to acquire their very own small slice of paradise and enjoy it at your leisure without the hassle of renting. It also means enjoying serene, picturesque settings, clean air, away from the congestion of the city. Two avowed examples of Egypt's vacation spots are Ain Sokhna and the North Coast.

With its pristine shores along the Red Sea and remarkable proximity to Cairo, Ain Sokhna has become a favorite weekend getaway for Cairenes looking for a short and relaxing time on the beach. For international tourists, it is a brief one-day retreat to those who view blue tourism of less importance as sightseeing and monuments sightseeing in Egypt.

Stretching over the ebony coastline of the Mediterranean Sea, the North Coast (Sahel) boasts beautiful and upscale resorts, where vacationers spend their summer months. The North Coast has become a haven where city dwellers flock to gain respite from the noisiness and stickiness of the city. Although the area is favored by many, the demand is only during the fleeting summer months, as the winter proves too cold for Egyptians to weather.

Both Ain Sokhna and North Coast are popular travel destinations for many Egyptians looking to escape the heat and congestion of the city and to enjoy frolicking on the shores of Mediterranean and the Red Sea. There is a myriad of well-established tourist hotspots that cater to a variety of modern tourist requirements with stunning natural scenery.

As the overwhelming majority of Egyptians can only afford to buy one vacation property; the question then becomes where to buy: Ain Sokhna or the North Coast? The decision is not necessarily a purely financial one, although it is a piv-

otal part of the equation. There are more intangible factors that come into play. For example, how much time can one spare from work? Investment-like questions come into play as well such as can it be rented, its resale value, the appeal of the surrounding community, and most importantly the suitability of the vacation property with the desired lifestyle.

## Seasonal or Year-round Getaway

Ain Sokhna's proximity and ease of access to Cairenes are the primary advantages of the city. It lies around 120 kilometers East of Cairo, approximately an hour of driving, a perfect quick escape from the city. Moreover, the weather in Sokhna is sunny year-round, allowing vacationers ample opportunity to visit at any time of year.

The North Coast, on the other hand, is widely known as a summer vacation spot as it is deemed too cold and rainy in the winter months. For Egyptians who are used to warmer climates, the North Coast chalets and hotels are mostly vacant. Additionally, retailers yield little to no revenue in the winter months and tend to close shop offseason, rendering the North Coast less habitable during that time of year.

The seasonality of the vacation home varies from one person's circumstances to the other. A young couple with kids might benefit more from a three month vacation summer vacation in the North Coast, where the schools are out. Sokhna, on the other hand, might be too cumbersome for a family with young kids for a weekend vacation, with the short stay not worth the hassle. The opposite holds true as well. A single, working millennial might enjoy the frequent close-by getaways, rather than a lengthy summer vacation.

## Affordability

North Coast has for more than a decade been a popular destination for Egyptian vacationers in the long summer months. Depending on Developer and location, prices in North Coast can range between 5,500 up to EGP 29,200 per square meter based on a recent market study by Al Borsa.

For Ain Sokhna listings on Aqarmap show prices per square meter range from EGP 4,500 up to EGP 17,650. A 110 square meter apartment in Sokhna can be sold for EGP 500,000 for example and a high end 170 square meter apartment can be sold for an average of EGP 3 million.

Several aspects determine the unit price including the apartment's design, surrounding services and amenities, entertainment centers, and location. All of these elements contribute to the increase or decrease of current market value.

Real estate prices, in general, have spiked due to inflation and the devaluation of the pound against the dollar. The pound's depreciation has proven to be a catalyst for real estate sales, with more people turning their cash into assets, further driving the demand, and hence property prices.

## Accessibility & Infrastructure

Dubbed the Cairo Beach, Ain Sokhna is 120 kilometers away from Cairo and will be 40 kilometers from the Administrative Capital. It is accessible via the Ain Sokhna road built by the Armed Forces which extends all the way to Galala Mountain.

The government has launched the New Administrative Capital project's announcement various infrastructure initiatives to connect Cairo to the New Capital, which will consequently ease future transportation to Ain Sokhna.





With the New Alamein City development currently ongoing, part of the mega North West Coast project, the state, as well as developers, are investing in infrastructure and roads for the new city. Work is currently underway from the 93 kilometer point on the Alexandria-Matrouh Road up to the intersection with Wadi Natrun-El Alamein Road. The new road, named Al Fouka road, connects Cairo to Alamein City. The new road will shorten the distance from Juhayna Square in 6th of October City to Al Fouka district in Alamein City, totaling in length 467 kilometers.

Besides distance, both the North Coast and Ain Sokhna are relatively easily accessible, with the promise of enhancing infrastructure and accessibility even further as nearby cities continue to flourish.

### Commercial Venues and Hangout Spots

Ain Sokhna has a wide variety of restaurants, cafes, and even shopping malls to explore. There is the Meeting Point Porto Sokhna and Sky Mall. While there are a variety of restaurants to enjoy, the selection is limited if compared to Cairo or even North Coast but that is likely to change as time moves forward and more investors set up shop in Sokhna. For golfers, there is a golf course at Sokhna Golf Club.

North Coast is a lot more established than Ain Sokhna in terms of restaurants, clubs, and shopping malls. The coast is famous for its legendary nightlife during the weekend. During the summer months, prominent clubs, restaurants, retail brands move north to benefit from the influx of vacationers but then again, only during the summer months.

### Rentals

Many choose to purchase a vacation home and rent it while not being in used. Both owners are successful in renting their chalets in Ain Sokhna and North Coast. In North Coast, chalets can be rented out per day at a much higher value than Ain Sokhna. Property Finder rental listings for North Coast start at EGP 1,000 per night and climbs to EGP 8,000 for a high-end villa.

Ain Sokhna rental prices, on the other hand, are lower in comparison, starting at around EGP 1,200 per day in a high season and EGP 500 to EGP 600 in the daily rates. Current Property Finder listings boast rentals of chalets at EGP 450 up to EGP 2,000 for fully furnished high-end villas.

## Price Range



### Ain Sokhna

**EGP 5,500 - 30,000**



### North Coast

**EGP 4,500 - 18,000**

It is however important to highlight that rentals in the North Coast area are only seasonal and limited to the summer months only, whereas Ain Sokhna can, in theory, be rented out year-round yet the practice is not all that common.

In general, rentals in North Coast are much more accessible and financially rewarding than that of Sokhna, despite the short duration.

If the intent is to rent out the vacation property, then the North Coast yields better returns. Ain Sokhna rentals are perceived as an unpopular option, and the daily rate is significantly lower than the North Coast.

### Resale Value

Property prices in Egypt in general are climbing yearly, with no signs of slowing down. Partly due to inflation, but mostly due to growing demand fostered by both devaluation of the currency and population growth. All these factors have rendered real estate investment a sound venture, ensuring that the resale value of any property purchase will turn a profit for the owner.

Other than the organically increasing price levels, growth of nearby areas further boost price levels. For both Ain Sokhna and the North Coast mega projects are on the horizon ensuring a significant price boost of properties.

On the North West Coast, close to Marsa Matrouh, a new city is being planned, the New Alamein City which is part of the Northwest Coast Development Project, a mega project planned by the govern-

ment. The project's completion date is 2052 and could potentially provide 11 million job opportunities.

The New Administrative Capital, an EGP 400 billion city, located 45 kilometers from Cairo, will host ministries, hotels, and residential buildings and is expected to house EGP 5 million people. The New Capital will be 40 kilometers away from Ain Sokhna.

Additionally, an Egyptian-Chinese Industrial Zone will be built in Ain Sokhna, with an EGP 45 billion investment, and is expected to host five key industries, namely, silos, equipment, petroleum products, non-woven textiles and complementary industries. The zone is expected to provide 20,000 to 30,000 jobs opportunities.

Once the new industrial zone in Sokhna and the New Administrative Capital in the works, the resale value of Sokhna property will most likely surge. Both these projects are expected to be operational sooner than the Northwest Coast Development, and hence the resale value for Sokhna properties are likely to climb much faster than that of the North Coast. If the vacation purchase is for short term investment purposes, Ain Sokhna is the way to go.

Finally, for Egyptians, a holiday on the beach with family is a cultural ritual enjoyed by all, and it is unlikely that demand for Ain Sokhna or North Coast to wane anytime soon. Whether it is for leisure or for an income boost, the decision to purchase a property alongside one of the country's mesmerizing beaches is similar to acquiring one's own piece of heaven.



# To Buy or to Rent Office Space?

*By Fatma Khaled*



For business investors, several factors both command and restrict the decisions they make, and oftentimes, selecting the right working space can be a make-or-break decision. Various elements figure into the question, and the decision as to whether to buy or rent office space is a major one, in terms of financials, investment prospects, and flexibility.

Prior investors' experience, accommodation quality, taxes and other determinants also factor into the equation. Meanwhile, in Egypt, the variety of new developments and the ever-growing market has expanded the realm of choices available; whether they be old properties for sale in central areas, or newly-developed satellite compounds geared towards specific industries or professions.

In the frame of the current economic instability in Egypt, business owners now prefer renting an office space rather than buying one, claiming that it is cost efficient, suitable for starting small businesses, and more practical to deal with.

Both options, renting and buying, vary in advantages and disadvantages; whereby the benefits of buying an office for business include attaining equity that can be used as collateral for future expansion, Zeyneb Ilgaz, Co-Founder and President of Confirm Biosciences and Test Country, contended in an article in "The Entrepreneur" magazine.

Buying an office space is a long-term commitment that requires down-payments ranging from 20% to 25%, while renting is a short term commitment where an investor inputs a refundable deposit, as cash flow becomes working capital. However, funds funneled as monthly rent are of no future benefit to the business.

## Buying: Pros and Cons

One of the main benefits of investing in purchasing office space is tax deductions on capital injected into the business, which can amount to substantial figures, as Egyptian tax laws stipulate that taxes on corporate profits for both foreign and local investors can reach a maximum marginal rate of 25%, according to a report by the US State Department on Egypt's investment climate. Additionally, owners of office space will no longer be liable for rental increases.

One of the main benefits to investing in purchasing a property is the appreciating of the value of properties in Egypt; on its own, the decision to buy an office space is a profitable long-term investment.

On the other hand, while buying may be a better option for many long-term investors, the initial financial commitment is quite substantial, not to mention the additional incurred costs that will inevitably rise, such as monthly maintenance, insurance, property taxes, and building renovations, to name a few.

## Renting: Pros and Cons

Renting a business space remains pragmatic to several investors as it offers advantages such as the option to relocate easily and little to no initial investment.

Some Egyptian investors prefer renting rather than buying office space, to avoid the high costs in the Egyptian market, such as Ahmad Abu Samra, Executive Manager and Owner of Integrity advertising agency.

Speaking to Invest-Gate about his business decision to rent a commercial property he said "I believe that buying office spaces requires a higher return on investment (ROI), because small to medium businesses like Integrity cannot invest a huge amount of money in buying office space, but we would rather invest in people and equipment, as our business type offers more intangible services."

Renting office space has its disadvantages as well, whereby investors are susceptible to the annual rise of rental rates –if present in the lease; in addition to the loss of opportunity for equity build up. Moreover, investors may be forced to relocate at the end of the lease contract period.

Yet, irrespective of renting disadvantages, many investors in Egypt still prefer to rent an office space rather than buying one, including Mostafa Elaghil, Director and Owner of Kick Start Interactive (KSI), a company specialized in technology consultancy, web and systems, and mobile development, as well as online marketing. He told Invest-Gate that the type of business is a factor when searching

for office space options, especially considering the limited budget he had back in 2012 when he started his business.

Locally there are two different types of lease contracts, ones that fall under the new rental law, applied on all properties erected in the last 30 years, and other properties that fall under the old rental law, which controls rent value at very low rates for extended periods of time, and is typically found in older areas in the city center.

## The Decision

There are several things an investor should take into consideration when deciding to buy or rent an office space, including the needed initial cash outlay, calculating the expected ROI, taking into account the current stage the company is at.

"In the last two to three years, the concept of co-working spaces has evolved in Egypt and the MENA region, thus investors and business starters can easily get a business started by just renting a desk in a shared environment. Therefore, as soon as you test your model in the first six months and decide to grow your team that is when you would want to start renting office," added Elaghil.

Abu Samra, on the other hand, advises start-up investors to choose office investment options based on the nature of their products and services. "Investors have to decide if they need to spend more on solid assets like the office space, or spend more on people or equipment, and to know the nature of the services they need by searching the following key words: people processing, possession processing, mental stimulus, information processing. These are the four types of services they may offer," added Abu Samra.

The prices of Egyptian properties also act as a factor to such decision. "As a business owner, rental prices are not increas-

## Preference to Buy vs. to Rent Office Space





ing parallel to selling prices,” highlighted Abu Samra, adding that rental price is highly affected by the area’s class, decorations and finishing conditions.

## Foreign Investors

Some foreign investors chose to expand their businesses in Egypt, regardless of its economic status. Especially for companies escaping the high prices of operating in Dubai.

“Egypt is a rich country for its resources, qualifications, and well-educated human resources, and therefore it is suitable for any start-up business in the MENA region,” said Elaghil, commenting on why foreign investors expand their offices in Egypt.

The instability of Egypt’s economic status not only affects local investors’ considerations of leading or buying, but affects foreign investors as well, as the US Department of State also highlighted the reforms promised following President

Abdel Fattah Al-Sisi’s election, including introducing a value-added tax (VAT), as well as the new amendments to bankruptcy regulations, a new law for establishing companies, amendments to the capital markets law, a new insurance law, and a plan to manage lands.

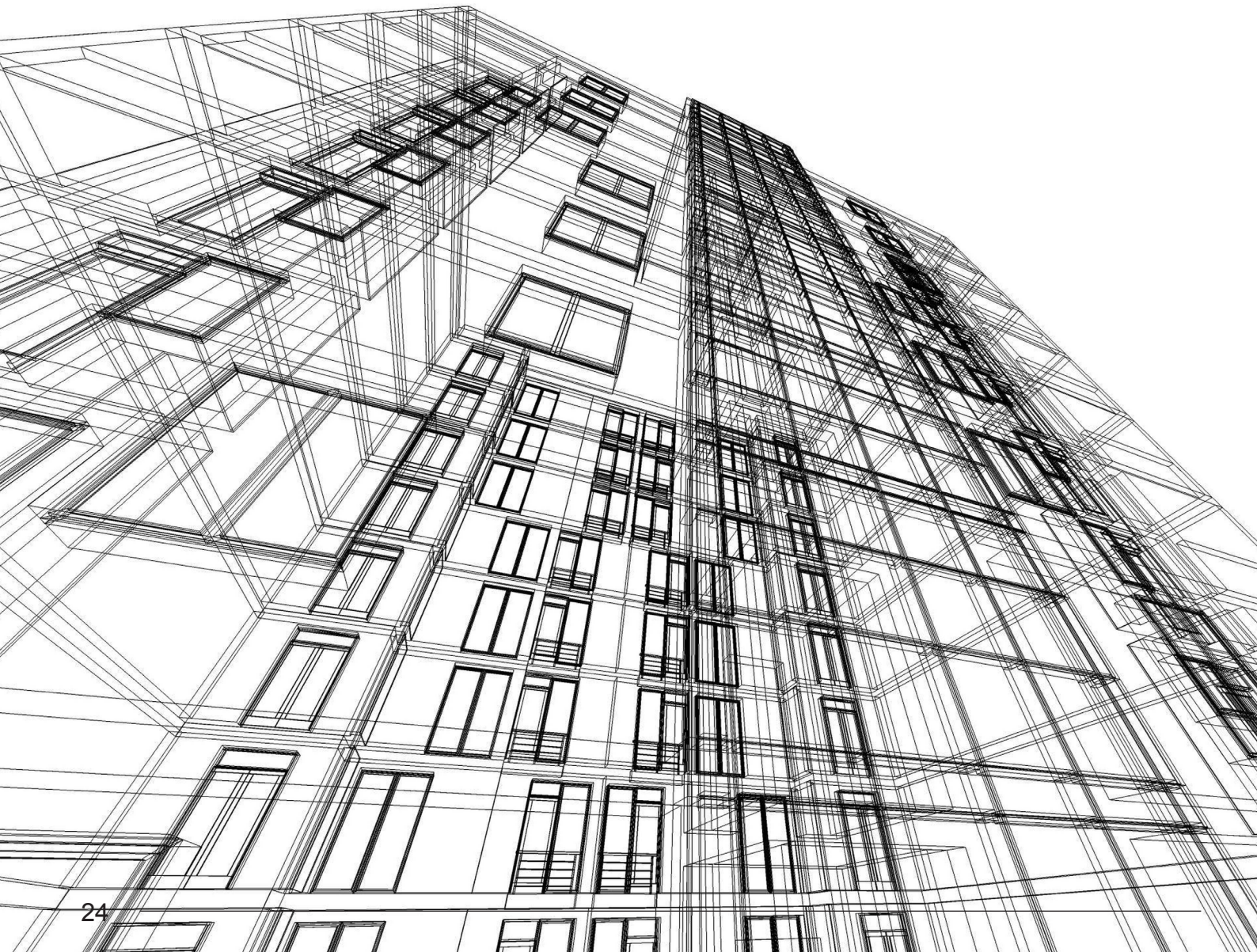
“I believe that Egypt has a huge market suitable for all industries, but starting a new business in Egypt includes many monetary regulations in an unstable and unsafe climate for investors in Egypt,” stated Abu Samra.

Although pursuing a business in Egypt, whether through buying or renting office spaces, may seem challenging on the foreign and local level, Commercial Real Estate Services (CBRE) Group’s Middle East Managing Director, Nick Maclean, thinks that the office market is the most encouraging sector in the Egyptian real estate market. He further elaborated that there are about 960,000 high quality units available for office spaces in East

and West Cairo.

Invest-Gate reached out to its readers asking them about their preference, 58% stated buying as their preference, while only 42% prefer to rent office space.

Office space often represents one of the larger pieces of the capital pie, rendering the decision to buy a property or simply rent a very influential factor on the level of investment required for a business. Such a make-or-break decision should be shaped through a closer examination of the business purpose, location, the image a company wants to present, flexibility, property market performance, fluctuation of rental levels, and long-term plans.







## 6<sup>th</sup> of October vs. New Cairo: Where to Buy?

By Doaa Farid

Since the 1970s, as a normal outcome to Cairo's congested state, the inclination to expand by building new cities has grown, producing two comprehensive cities that have only been in the lead when it comes to residential and commercial real estate arena.

The two cities of 6th of October and New Cairo are similar in many ways, and were built to serve certain purposes and attract all sorts of social classes and businesses.

However, each has its own clientele of investors, and more importantly, each

also has certain buyers and residents who prefer one city to the other based on a number of amenities and desirable facets, including accessibility, proximity to certain schools, or just comfort.

### **Affordability:**

6th of October City is inhabited by different social classes as it offers a variety of prices and different-sized residential units. It consists of 13 residential districts, in addition to other projects such as Al Zohoor and Al Shabab districts.

The city is considered affordable to many

social classes as the minimum price per meter starts from EGP 1,350 for apartments and EGP 2,200 for villas, according to Aqarmap. The maximum price per meter is EGP 13,250 for apartments and EGP 24,900 for villas.

The government is building residential units for low-income citizens in 6th of October under the framework of the Social Housing Program. It plans to hand 7,000 units over to buyers this year, out of a total 100,000 planned for the city.

New Cairo is deemed as one of the biggest new communities in Greater Cairo

as it lies across 70,000 acres and is relatively new compared to 6th of October. The city is well known for its gated communities. Residential compounds in New Cairo are of higher quality and implied social class, than those of 6th of October, given that land prices are of a higher value. The area is much calmer than 6th of October and is known to house businessmen and government officials. Based on Aqarmap's estimates, the minimum price per meter in New Cairo is EGP 2,300 for apartments and EGP 4,200 for villas, while the maximum price per meter is EGP 18,550 for apartments and EGP 20,250 for villas.

6th of October City tends to meet all social classes' requirements, while satisfying the working class in an efficient way. New Cairo, on the other hand, adds a lot of value, especially community wise, for a relatively higher price.

#### Accessibility:

6th of October is accessible through the Central Axis road, which extends from the 26th of July Corridor in Mohandessin district, therefore, public transportation and private buses can be found in most Giza districts, going to the city.

To make it more accessible, the National Authority for Tunnels (NAT) has planned to construct a fourth metro line, which will connect 6th of October to downtown and intersect with the second metro line, through which lies Giza metro station.

For New Cairo, the main road leading to the area is the Ring Road, which connects the area to both Maadi and Nasr City. Al Musheer corridor has also linked 6th of October bridge to roads leading to the city. As a relatively new area, people could previously reach New Cairo only through private cars or taxis. Now the city is directly connected to Nasr City and Ramsis through public buses.

Private buses going to New Cairo can also be found in Maadi and Haram. There is no metro line with a New Cairo destination, but Al Rehab-affiliated buses can take commuters from Saray Al Qobba metro station location to Al Rehab city in 30 minutes.

The two cities appear to be on equal footing when it comes to transportation and accessibility to the main parts the city; however, 6th of October has the additional benefit of a fourth metro line that will further boost its appeal as an integral part of Giza.



#### Infrastructure:

The infrastructure of 6th of October City is known to be effective and well established. It is equipped by two water plants and a sanitation plant. The city also has a gas-fired power plant with the capacity of 600 MW, while telecommunication lines operate well in the city.

The water supply in 6th of October depends mainly on a raw water transmission line that produces 1.7 million cubic meters/day to supply the water treatment plant in the city, which has twelve pumps of 1.5 MW capacity each. The 120 km pipeline project, which was constructed by Allam Sons in 2014, spans between El Badrashein and Dahshour areas in Giza.

New Cairo, on the other hand, receives water through Obour water plant, which operates with a capacity of 260,000 cubic meters/day and maximum capacity of 550,000 cubic meters/day.

To improve sanitation services, a new wastewater plant was constructed in New Cairo, by a consortium of Orascom Construction and Spain-based Aqualia, and with the help of the International Finance Corporation (IFC). The plant started operating in 2013 and it works with a capacity of 250,000 cubic meters/day.

The area is equipped with an electricity

sub-station that operates with the capacity of 250,000 KV; additionally, the power service in New Cairo is expecting a boom as the German electricity giant, Siemens, in cooperation with Orascom Construction and El Sewedy Electric, is building a 4.8 GW power plant in the New Cairo Administrative Capital, which will be located in proximity to New Cairo.

By default, investing in infrastructure is perceived to be the best approach to speed the development of a nascent city, attracting more investors and boosting the confidence of residents in the area. Both areas have well established infrastructure. However, water supply for 6th of October City is on stronger ground, while the expected infrastructure development for New Cairo is projected to give the area an upper hand in that regard.

#### Industrial Zones:

6th of October city had long been known for its many factories, which explains why there is an area called 'the Industrial Zone' in the district.; However, in the 1990's the area started to host residential projects following the inauguration of the first compound there called Dreamland. 6th of October's industrial zone is constantly booming with low or no interference to the residential areas. The closest residential area to the zone is at least a



few kilometers away, according to residents of the city.

New Cairo, on the other hand, includes headquarters of several multinational companies such as Schnieder Electric and Italy's oil and gas producer Edison.

The new Cairo Administrative Capital is also expected to draw additional investments to New Cairo as real estate developers are eager to participate in the new project. The EGP 400 billion (\$45 billion) new capital was announced in 2015 during Egypt's Economic Development Conference (EEDC) and is considered to be Egypt's first sky-reaching project.

Industrial zones are a double-edge sword. While they aid in development of an area by directing more investment towards it, industrial zones also tend to affect the value of nearby residential units. With 6th of October harboring more factories, and New Cairo leaning more towards power plants and commercial projects, 6th of October City may be perceived as of lesser value. However, due to distance, residential units in both cities are not affected negatively by industrial projects.

### Schools and Universities:

Apart from being close to all amenities, 6th of October is known for different levels of public and international schools such as the British International School in Cairo (BISC), the International Schools of Choueifat, Thebes, and Dream International Schools. Several private universities were also built in 6th of October, such as Misr University for Science and Technology (MUST), Modern Sciences and Arts University (MSA), 6th of October University, Ahram Canadian University, and Nile University.

New Cairo is also a home for prestigious private universities such as the American University in Cairo (AUC), the German University in Cairo (GUC), the Canadian International College (CIC) and Future University in Egypt (FUE).

A number of high ranking international schools also stand in New Cairo such as the Modern English School (MES), New Cairo British International School, and Green Heights International School.

The two cities have schools that are equally prestigious. New Cairo, however, is the go-to city for establishing efficiency and a lucrative forecast, especially with the new administrative capital being built in the near future.



### Commercial Venues and Hangout Spots:

6th of October is famous for its hotels that even Cairenes head to for weekends, such as the Hilton Dreamland Hotel, Sheraton Hotel, Novotel and Swiss Inn Pyramids Golf Resort.

The city is also privileged to host Egypt's largest and most popular amusement park: Dream Park. It also has mega commercial projects such as the Mall of Arabia, Arkan, Galleria 40 and Dandy Mega Mall, Cityscape, Degla Gardens, Al Gezira Plaza, Americana Plaza and Porto Cairo Mall.

Additionally, UAE-based Majid Al Futtaim's construction of the Mall of Egypt is expected to further boost the market in 6th of October.

Mall of Egypt will be built over 440,000 square meters. The two-floored mall will encompass a ski slope, and 4D cinema screens. Majid Al Futtaim has plans to build roads and bridges to facilitate easy access to the mall.

Al Futtaim Group established Cairo Festival City in New Cairo, a mall that span over an area of 700 acres, and is known for offering spots for international clothing brands and famous dining venues. Additionally, New Cairo residents enjoy beautiful venues and massive malls such as Downtown Katameya Mall, Porto Cairo, the Seven Stars Malls, and Meeting Point.

Both cities are studded with commercial projects that attract nearby residents as well as residents from opposite ends of greater Cairo. Mall of Egypt is projected to further boost the value of neighboring residential units. However, New Cairo is on similar grounds with its fast developing commercial projects.

### Resale Value

The average unit in most major areas in Egypt is expected to increase from 5% to 15% per year, according to Ayman Sami, Country Head of Jones Lang LaSalle (JLL). While any investment in either area, 6th of October or New Cairo, will be subject to said percentage of increase, several factors can influence the resale value of residential units. Location, community, perceived social class of the area, access to public transportation, and quality of schools and universities all matter. In addition, most people look for the delicate balance of a quiet residential area that is still close to shopping areas and access to public transportation. The specifications of the unit itself, such as the floor space, number of bedrooms, garage, and access to greenery, come into the equation next.

Major projects in the area can significantly affect the resale value as well. For 6th of October, major new commercial projects such as Mall of Egypt are expected to enhance the resale value for the entire area in the coming years.

Similarly, in New Cairo the resale value is expected to skyrocket in the coming years thanks to the planned Administrative Capital that will extend from New Cairo to the borders of Ain Sokhna.

### Where to Buy?

Both areas prove to be a sound investment opportunity for developers and homeowners alike. Ultimately, the decision of where to buy is based on individual needs. A young family may opt for a cheaper area with good schools and sound accessibility such as that of 6th of October, while a family interested in a future resale value may prefer investing in New Cairo, as it is expected to boom in the near future.



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