

A Complete Guide to Property Financing in Egypt

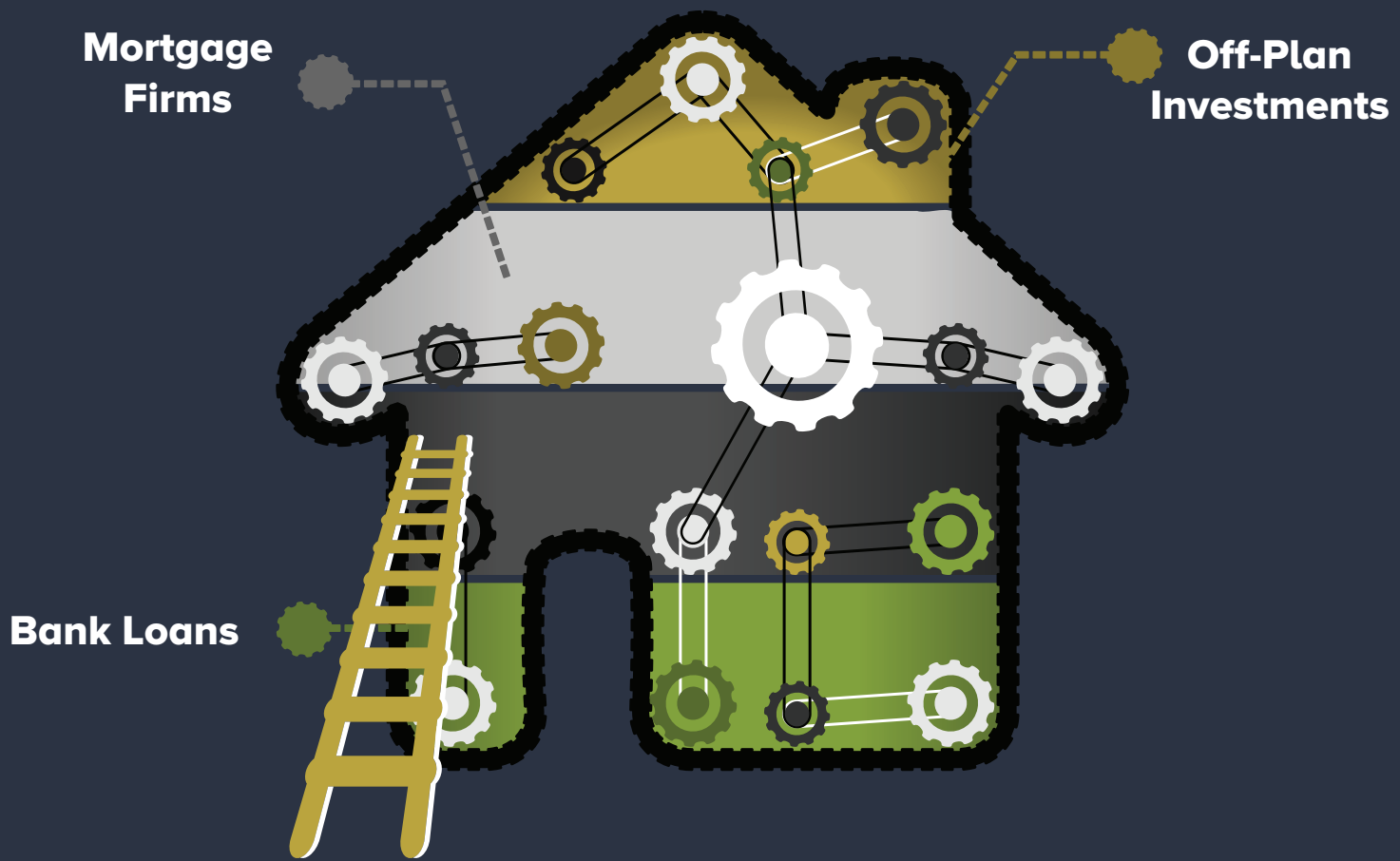


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Egypt's booming population has spurred the development of new towns and satellite cities, with ongoing efforts to meet the demand for housing. With new developments on the rise, so are endeavors to provide feasible and accessible home financing schemes.

Egypt's young and thriving population gives way to approximately 909,000 new marriages every year, thus continuously fueling the demand for real estate. Yet, despite the outsized demand for homes, for the average Egyptian—with a low to moderate income and limited financial means—purchasing a home is a financial challenge to many.

An estimated 52% of households can afford homes within EGP230,000 to EGP310,000, based on their income levels, and yet the most private developments that are considered affordable are generally in the price bracket of EGP 520,000 580,000. High-end units and luxury villas, on the other hand, in areas such as Uptown Cairo are only affordable to 0.2% of total households, based on income levels of the population.

There have been some ongoing efforts to change the status quo. Currently, there is a variety of entities that seek to ease the financial pain of purchasing homes, namely bank loans, mortgage loans, home financing firms, and real estate developers.

Banks in the market offer loans specifically for home financing, the mortgage sector in Egypt is slowly taking off with the participation of the private sector, particularly in the form of mortgage firms.

With a lack of accessible home financing, developers have turned to providing different financing schemes such as long-term financing, installment sales contracts, and off-plan investments – becoming financiers as well as developers.

This report provides a comprehensive overview of the various methods of home financing, highlighting several examples, as well as offering a comparative match to different income brackets.

Bank Loans

Various banks in Egypt offer loans, with some specifically geared for property purchase, while other loans are more generic. Loan amount, repayment periods, terms and conditions, and interest rates are all aspects of bank loans that one should take into consideration when shopping for a loan.

In order to be eligible for a loan, salaried customers should be between the ages of 21 to 60, whereas self-employed professionals' eligibility for a loan var-

ies across different banks and depends on the profession.

Most loans require a variety of documentation such as permits, ownership contracts, and property registration. Certain requirements need to be met before the bank can finance a home loan, including registration with the government and approval for water and electricity counters. Below are some examples of banks that provide private loans.

HSBC

HSBC provides loans ranging from EGP 250,000 up to EGP 750,000 with a repayment period ranging from six to 84 months. The loan amount is based on the various factors such as the monthly income –whether fixed monthly income or varied income in the case of self-employed professionals– applicants' age, among other criteria.

Barclays

Barclays' bank loans are up to EGP 750,000 with a repayment period ranging from six to 84 months at a decreasing interest rate. For salaried customers, they should be between 21 and 60 years old at the end of the finance repayment period. For self-employed professionals, they need to be between 30 and 66 years old at the end of the repayment period. Only certain professions are eligible for loans.

Arab Investment Bank

The Arab Investment Bank provides loans for financing, purchase, and construction of housing units. They finance 80% of the value of the unit, for up to EGP 1 million, with a repayment period of up to 10 years, with a flat rate of 5% and a declining rate of 9%. Monthly installments should not exceed 40% of the salary.

National Bank of Abu Dhabi

The National Bank of Abu Dhabi offers mortgage loans up to EGP 3 million to both Egyptians and expatriates. The repayment period is maximum of eight years, with a flat interest rate of 4.44% and a declining interest rate of 8%, with the first repayment after four months.

Credit Agricole Bank

A housing loan worth up to 80% of the value of residential units is provided by Credit Agricole Bank, with a repayment period of up to 15 years. The loans are offered at a flat rate of 5.17% and a declining rate of 9.3%.

Bank Audi

Bank Audi provides housing loans starting from EGP 50,000 up to EGP 5 million, with up to 20 years to



repay the loan, using the purchased house as collateral. Repayment is made with a flat interest rate of 5.56% and a declining rate of 10%.

Bank of Alexandria

Alexandria Bank provides loans to finance the purchase of residential, commercial and administrative properties to Egyptians residing in Egypt. Loans are offered worth up to 70% of the property value, up to EGP 5 million. The repayment period is over 15 years with a flat interest rate of 5.67% or a declining interest rate of 10.20%

Cairo International Bank

Cairo International Bank offers home loans worth up to 80% of the property's value, ranging from EGP 120,000 up to EGP 5 million. The repayment period is up to 20 years. The debtor's age is set to range from 21-60 years old for employees, and 65 years for professionals and self-employed.

Mortgage Firms

While an existing sector since 2001, mortgages only represent 1% of Egypt's GDP. In an effort to revive the mortgage sector, the Central Bank of Egypt (CBE) launched an initiative in 2014 worth EGP 10 billion, encouraging mortgage financing for middle and low-income households. CBE's initial mortgage initiative, is based on offering low lending rate for 20 years, where the needed finances would be lent out by the bank at a declining rates of 7% - 8%.

In February 2016, new amendments were introduced to CBE's initiative. Under the new agreements, low-income individuals earning less than EGP 1,400 will be qualified for a loan at an interest rate of 5% instead of 7%. Down payments have been reduced to EGP 12,000 instead of EGP 15,000, with governments providing an incentive to banks to finance income brackets that may have difficulty obtaining proof of income through insurance policies.

For those in the middle-income bracket, they will now be able to obtain a loan worth up to EGP 950,000 under the new agreement, with an annual decreasing rate of 10.5%. The debtor's income should be less than EGP 15,000 per individual and EGP 20,000 per household.

There are numerous firms in Egypt specializing in finance mortgage loans, including the Egyptian Housing Finance Company (EHFC), Tamweel Mortgage Finance, Sakan Finance, Al Ahly Mortgage Finance, Taamir Mortgage Company, Arab African International

al Mortgage Finance, Egyptian Mortgage Refinance Company, Al Naeem Mortgage Finance Company, Amlak for Real Estate, among many others. The requirements and terms of the loans are similar to those dictated by the banks.

Off-Plan Investments

Real estate developers in Egypt have turned to providing financing schemes to facilitate the purchase of properties, often called off-plan investments. An off-plan investment involves making a down payment to a project that is still in the construction phase. Various factors play into the payment scheme, including project type, location, developers, construction status and much more.

Payment plans offered by developers usually involve a down payment ranging between 5% to 30% of the overall value, and paying monthly installments up to seven years.

The below-offered installment plans serve as examples of what developers are doing to facilitate the buying process and are bound to be different across projects.

Talaat Mostafa Group

For the Madinaty compound, the company requires a 10% down payment of the unit price, another 10% to legally finalize the contract, with installments paid over four to 10 years, on a monthly, quarterly, or annual basis, according to the customer's needs.

Arkan Developer

Arkan Developer's financing scheme depends on whether the unit is ready or still under construction. If the unit is still under construction, there are installment plans to ease the payment process.

Using the Korba Heights project as an example, a 10% down payment is needed to reserve the unit, with installments over 72-100 months (six to eight years).

Abraj Misr

Abraj Misr's new development project, The Gate, in Heliopolis has the following financing options: a 20% down payment with five-year installments, or 25% down payment with six-year installments, or 30% down payment with seven-year monthly or quarterly payments.

Emaar Misr

Emaar Misr has a generic financing scheme across its entire project – Uptown Cairo, Marassi, or Mevida. Five percent is required to reserve the unit, another



10% to legally finalize the contract, with quarterly installments for six years.

Mountain View

Mountain View's financing option for the New Cairo Projects, iCity or HydePark, constitutes of a 10% down payment, in addition to monthly or quarterly installments over six years.

Memar El Morshedy

Their payment plans vary from one project to another, depending on its construction status. A unit in construction with a delivery date three years away has longer installment plans and a lower down payment compared to ready-to-deliver units.

Taking the One Kattameya Project as an example, it requires a 10% down payment, and another 5% in four months, with the remaining money owed to be paid over five years (the first three years are interest-free). For a residential building in Zahraa Al Maadi, a 5% down payment is required, with installments over five years. For the ready-built apartments, it's a 30% down payment and installments are spread over five years.

Wadi Degla

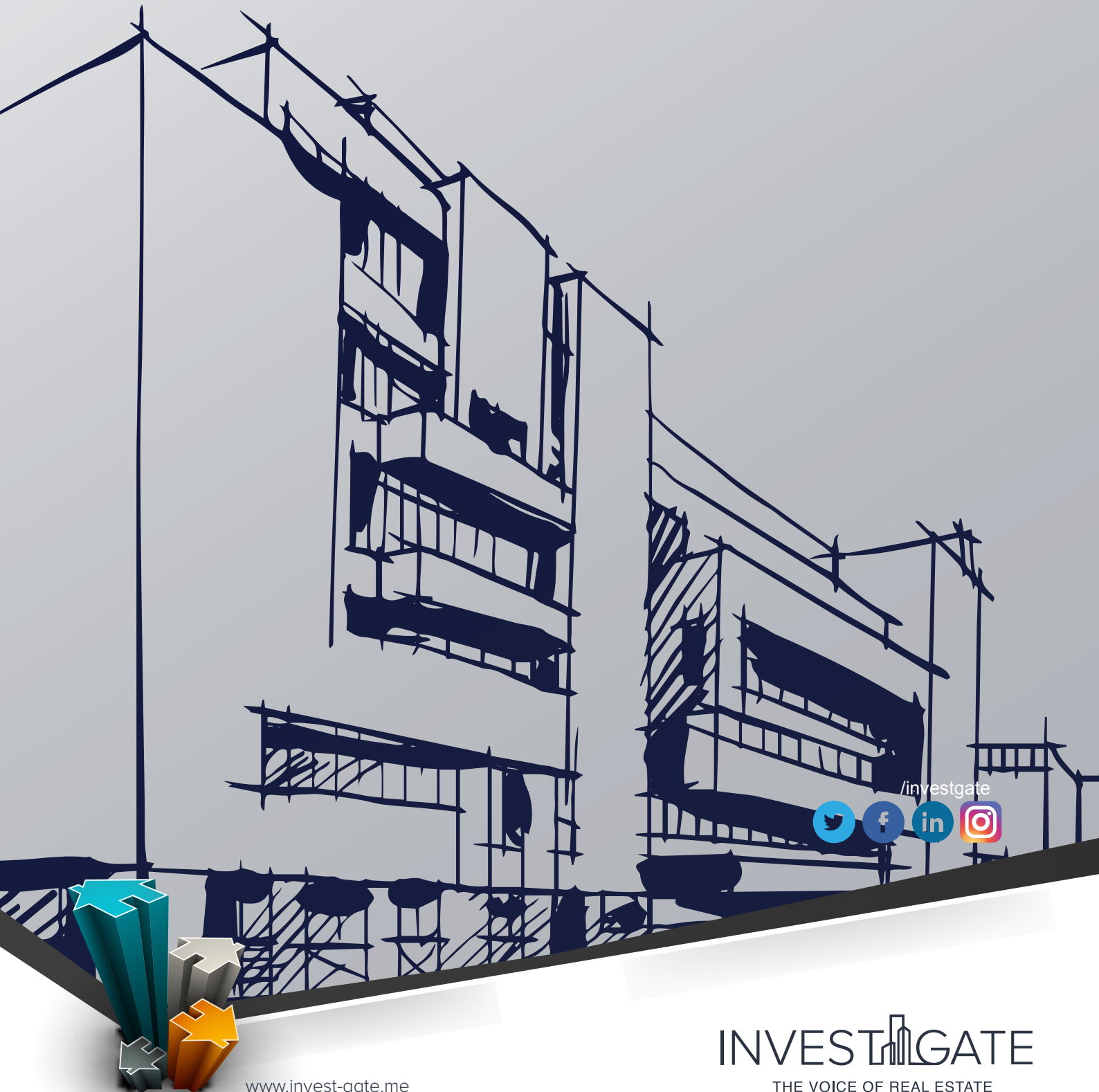
Wadi Degla developers have a financing scheme that is consistent across all projects, with a 5% down payment to reserve the unit, 10% to finalize the legal work, and the remaining cost to be paid in 24 installments.

Summary

Home financing schemes are now more readily available and are becoming more accessible to different earning segments. There is now various paths to home ownership, whether through banks, mortgage firms, or developer's payment plans.

The tumultuous events of the 2011 uprising and the following political instability stymied the mortgage industry's growth. In the first half 2014, mortgage finance witnessed a 17.1% slump compared to 2013 levels. Two years down the road, mortgage financing is slowly taking off. In the first 10 months of 2015, the mortgage sector saw EGP 732 million in loans, a 54% jump from the previous year. There was a 30% increase in 2016, reaching EGP 303 million compared to EGP 234 million in 2015.





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