

DIGITAL TECHNOLOGIES

# RESTRUCTURING EGYPT'S REAL ESTATE MARKET

BY **DINA EL BEHIRY & AYA RADY**

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# DIGITAL TECHNOLOGIES RESTRUCTURING EGYPT'S REAL ESTATE MARKET

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**O**ur world has witnessed major progress in many fields, and new technologies have always been the password behind each success, in addition to becoming the new trend. The adoption of new digital technologies has changed every facet in our lives and our way of doing business, and the real estate sector is no exception.

Recently, many property developers have touched the effectiveness gauge, processes efficiency, and the value-added of digitizing the property market. It is worth highlighting that this technological boom shall go hand in hand with traditional business way, yet making things easier.

In the aftermath of the world's current calamity of the novel Coronavirus pandemic, it is obvious that the pandemic has put the first-of-its-kind pressure on the real estate industry worldwide. According to Cityscape's article published in June 2020, dubbed "Is Technology the Key to Real Estate Recovery," UK's home prices shrank for the third consecutive month in May; besides, property consultant Knight Frank believes that Mumbai's residences will drop by 5% this year and 3% in 2021. Conversely, the US has some signs of recovery as home prices began to surge again. Similarly, the UAE's property market has relieved again after easing the imposed restrictions to combat the virus spread.

According to global law firm Goodwin Procter LLP, digital technologies will be the x-factor of the industry's road to recovery despite the health crisis. The technological wave has reinforced the property market to be resilient while combating the pandemic. Technological tools have made it possible to search for homes and commercial/administrative spaces at a staggering pace, without the need to search for them in person, in addition to the e-commerce boom witnessed currently as people are more

inclined to stay in the house and fulfill their necessities, primarily food, medicine, and other supplies - and getting these delivered much more often.

Furthermore, the article mentioned a recent report by JLL examining the short-to-mid and long-term strategies that will reshape the property market post- COVID-19 epoch. Based on that report, deploying digital technologies will be the gist to support investors and landlords in understanding their assets better to assure sustainability. Moreover, the pandemic has pushed business leaders to depend more on these new tools to run their businesses and ensure continuity, as many of them, for instance, have implemented the work-from-home policy. Consequently, beyond COVID-19 era, life will get back to its normal pace, with technology being an integral part of it.

Case in point: Egypt has digitized around 40% of the local real estate registration offices, with more in the pipeline, in a bid to digitally transform the state and achieve financial inclusion, according to a Cabinet Statement in June. As a general note, the Egyptian government plans to provide citizens with 155 online services via the government's digital portal by the end of 2020, according to a ministerial statement in June. Adding to that the state has allocated EGP 15 bn in the FY 2020/21 budget to accelerate the implementation of digital projects.

Amidst all global circumstances we now live and the positive blips of recovery we see, digital technologies are now seen as the future and the key to recovery.

## General Outlook on Latest Technologies

Several property developers around the world have experienced various technological trends to run their businesses, boost efficiency, and ensure continuity and stability, especially under the market's harsh circumstances because of the Coronavirus pandemic. These technologies include Artificial Intelligence, Machine Learning, Blockchain, Virtual Sales, Digital Marketing, Big Data, Internet of Things (IoT), Cybersecurity, Customer Relationship Management (CRM), Mobile Technologies, and many more. Here is a closer look into some of them:

### Artificial Intelligence (AI) & Machine Learning

AI and machine learning have revolutionized the real estate industry by making the collected data more actionable. According to Forbes, several real estate websites

depend on some preferences to suggest property options, including location and size. However, using AI will enable these sites to recommend according to personal preferences, traits, and values. Additionally, these websites usually include chatbots. These chatbots help answer consumers' questions quickly, accurately, and easily. Hence, AI enables developers to understand how they need to invest in their buildings and what returns they can expect, the experts agreed during the second day of Invest-Gate's DigitalWeek.

Kerten Hospitality's CEO Marloes Knippenberg stressed that the real estate sector was preparing for the AI use way long before the Coronavirus outbreak; however, things were accelerated because of the pandemic. Knippenberg noted that AI-enabled consumer apps, machine-learning interfaces and chatbots are essential for the collection of customer data, while bolstering lead generation and content marketing.

## Blockchain Technology

Blockchain is a technological system that records information in a way that cannot be changed, hacked, or cheated. It has gripped tons of attention because of its ability to support cryptocurrency, which is a new form of digital asset based on a network that is distributed across a large number of computers. Blockchain can be used in the real estate industry as well. Developers can use it to sell parts of their properties, thanks to tokenization. Additionally, contracts can be done with full encryption and built-in legitimacy checks.

During the third day of the DigitalWeek, Tribal Credit Co-Founder and Chief Strategy Officer Mohamed ElKasstawi noted that well beyond delivering a single source of truth for property deals, blockchain grants the ability to transform the full lifecycle of the investment process, streamline payments and real estate transfers, tokenize property assets, and digitize deeds and titles.

Referring to the effectiveness of blockchain, ElKasstawi mentioned an Emirati company that sold out nearly 1,300 residential units, valued at USD 323 mn within a few minutes through blockchain.

Accordingly, ElKasstawi pointed out that adopting blockchain technology will help Egypt be among the so-called multiple listing service (MLS) in 10 years, which is an international-wide listing platform that provides detailed data on all homes offered for sale worldwide, through which brokers can establish contractual offers of compensation, while also accumulating and disseminating information to enable appraisals.

Thus, Chief Information Officer (Commercial Bank) and Fintech Expert Ahmed Mansour recommended the implementation of an isolated "Sandbox," currently used

in the Egyptian banking sector, for enabling property developers to put forward their proposals and requests for legal reforms, which will also serve to ease the forthcoming blockchain application.

## Digital Marketing

Digital Marketing is a significant technology in the property market. According to Forbes, despite customers prefer to make their final decision after seeing the property in person, investors like to conduct full research before viewing properties, in a bid to have a strong online presence.

Thus, many realtors currently, especially under the pandemic wave, prefer marketing their properties digitally. They take their potential customers in a digital tour to the properties sold online. Digital Marketing helped brokers as well by making the purchasing process easier. It is worth noting that digital marketing has changed the property market because many consumers prefer to shift from conventional methods to digital tools, in a bid to simplify their lives.

## Virtual Sales

Virtual sales is one of the most followed digital-led marketing "strategies" in our world today. Thanks to it, realtors can create virtual reality tours for their potential buyers. According to Forbes, this technological method is important for those who cannot physically visit these properties or help abide by the governments' restrictions of social distancing to combat the virus outbreak. Additionally, through virtual sales, realtors can create realistic architectural images, even before construction begins, to help buyers understand the property.

## Canada's Digitalization Journey

The Canadian property market was hit hard by the Coronavirus woes. Based on the statistics released by the Canadian Real Estate Association (CREA), Canadian national home sales shrank by 14.3% on a month-on-month (m-o-m) basis in March 2020.

Consequently, the buying and selling experience has to change to adapt to the situation by relying more on new technologies and digital tools, according to Daily Hive's article, dubbed "How Canada's Real Estate Market Has Been Forced to Move Online," citing the Real Estate Council of Ontario (RECO). These digital technologies include video conferencing calls, virtual tours for viewing homes, using digital documents, and electronic signatures to finalize deals. RECO stated that despite consumers prefer checking properties in person before buying, these technologies could be the main trend even after the pandemic epoch.

Hence, buyers depend heavily on new technologies to shop and narrow down their options before asking for viewings. Additionally, sellers prefer to limit visits to only those serious buyers, according to the article, citing Matisse Yiu, a digital marketing specialist for the Vancouver rental platform liv.rent.

With an eye on Vancouver, according to the article, one of the Canadian realtors named Shawn Brown of The West Haven Group noted that after being hit hard by the pandemic in March, the business was nearly back to its normal level in April, just like before the crisis, thanks to new technologies leading the business. However, Brown remarked that this was not the case for some other realtors who need to revise their marketing plans and prices to ensure that they are compelling and consistent with the current situation, in a bid to encourage consumers to take the risk and purchase new properties.

When it comes to Toronto, according to Jesse Farb, a broker with The Real Estate Office, the pandemic has changed their way of doing business as they depended on 3D virtual walkthrough tours, taking into consideration that their legal professionals are operating in a safe manner using digital signings for closings. Farb stressed that many buyers believe that they can get better deals when they enter the market amid the current circumstances; however, many sellers kept their price levels on hold, just like the pre-COVID-19 outbreak.

## Real Imprints of Digital Transformation on Egypt's Property Market

Digital technologies have become the main roadmap to run the real estate sector worldwide, and Egypt is no exception. Thus, Invest-Gate's R&A team digs deeper into the Egyptian property market, surveying 28 local property developers, to highlight

the influence gauge of the outbreak on the market and how digital tools will help revive it one more time.

## Business Transformation

During the pre-Coronavirus outbreak era, the real estate sector was following the traditional way of doing business, giving technologies the minimum role as people always preferred to deal in person. Therefore, the least of the property developers have adopted new technologies in their businesses.

According to our survey, 96% of surveyed companies did not include digital technologies in running their businesses because of adopting the traditional way.

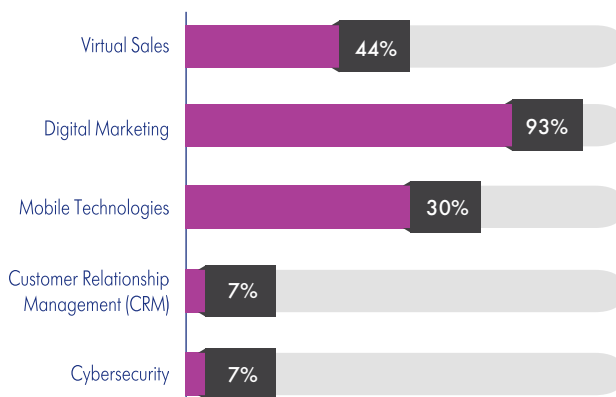
### ADOPTION OF DIGITAL TOOLS IN PRE-COVID PROPERTY MARKET



On the other hand, the pandemic has accelerated the digitization pace among the real estate developers, in a bid to engage technologies more in their strategies and to revive the sector's demand. Hence, several technological tools have been adopted. 93% of our respondents have adopted digital marketing technologies in their strategies; meanwhile, the other 44% have deployed virtual sales tools.

Case in point: Etisalat Misr took the initiative to support Egypt's smart city vision by introducing the City Operation Center (COC) in the New Administrative Capital (NAC), which will implement data management systems and efficiently support administrative function and smart city services for citizens, Etisalat Misr Intelligent Automation and RPA Manager Ahmed Salah stated during the second day of the DigitalWeek.

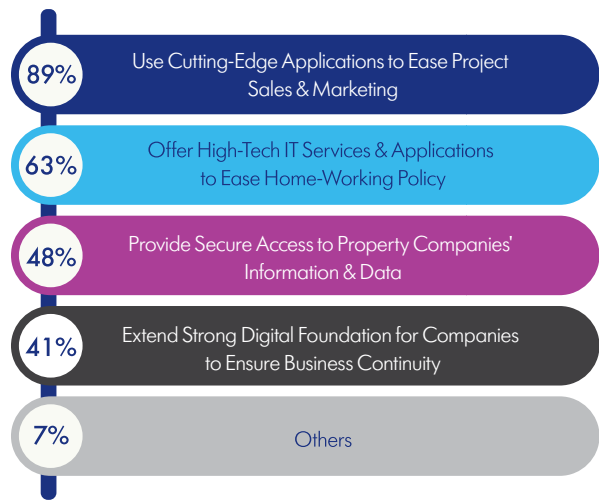
### TOOLS ADOPTED TO ACCELERATE DIGITAL EFFORTS DURING PANDEMIC



## Companies' Motives & Obstacles to Digitization

In the wake of the Coronavirus outbreak, property developers have been motivated to adopt new technological tools, in a bid to revive demand and combat the virus outbreak. 89% of our surveyed companies have adopted cutting-edge technologies that enable employing the high-level IT developments, as a way to ease the projects' sales and marketing. Adding to that, 63% believe that adopting new technologies will help ease the employees' work-from-home policy; meanwhile, 48% aimed to adopt the technologies that help provide its staff and employees with secure access to the company's data and information. On the other hand, 41% believe that they have to extend a strong digital foundation for their companies to ensure continuity and stability.

### DEVELOPERS' PRIORITIES FOR DIGITAL-LED RECOVERY FROM COVID-19

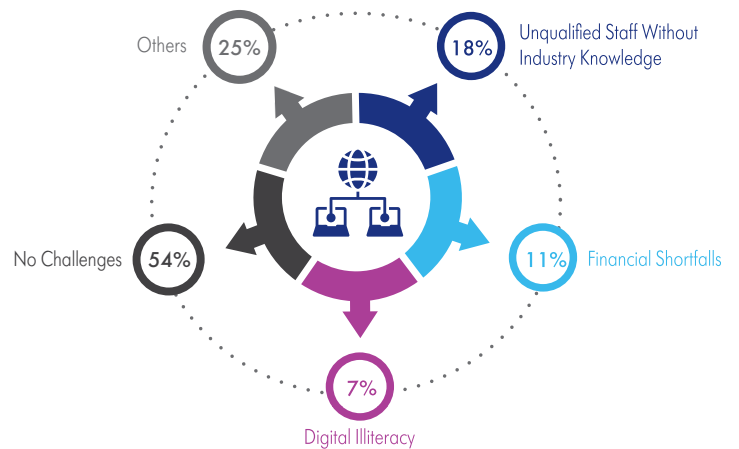


On the other end of the spectrum, property developers have faced various hindrances while adopting these technological tools, which in return have changed their way of doing business.

According to 18% of our respondents, having unqualified staff to deal with advanced technologies doing their jobs is one of the obstacles; meanwhile, 7% saw digital illiteracy, which means being unable to find and evaluate information through various digital platforms, as another hindrance. Adding to that, 11% of surveyed developers were back off deploying new technological tools because of financial problems and shortfalls.

On the other hand, 54% of our responding companies stated that they have not faced any difficulties while adopting digital technologies, which enabled them to face the current crisis with stand up roots.

### CHALLENGES OF DIGITAL TRANSFORMATION



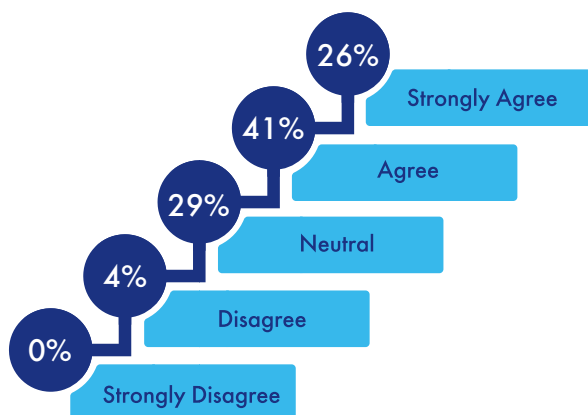
## Impact of Adopting Digital Technologies

The adoption of new technological tools has helped the property developers to maintain their current status and minimize losses as much as they could despite the current epoch. Not only that but also 41% of our respondents agreed on the effectiveness of digital technologies on enhancing their performance and moving forward.

Case in point: since digital technologies play a pivotal role in boosting companies' performance, Mountain View followed the lead through Heartwork business park. Sherif Saleh, Head of Marketing at Mountain View mentioned during the first day of the DigitalWeek that to launch the Heartwork, they had to study the target segments, competitors, and market conditions. Moreover, they took into consideration that for business parks, 36% of users are from Generation Z, probably hitting 75% by 2025. Saleh stressed that 82% of these people are not satisfied by their work environment; therefore, this was an significant aspect to study when digitally marketing this particular project.



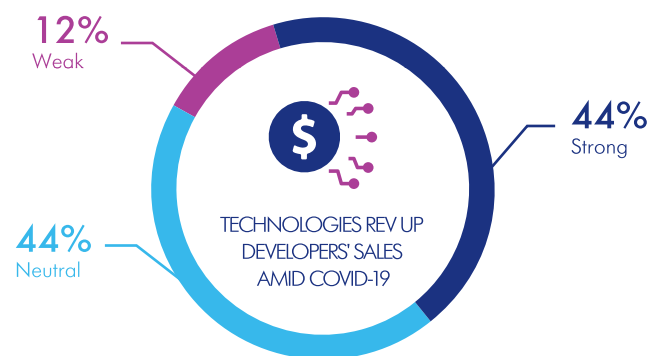
### TECHNOLOGIES BOOST COMPANIES' PERFORMANCE



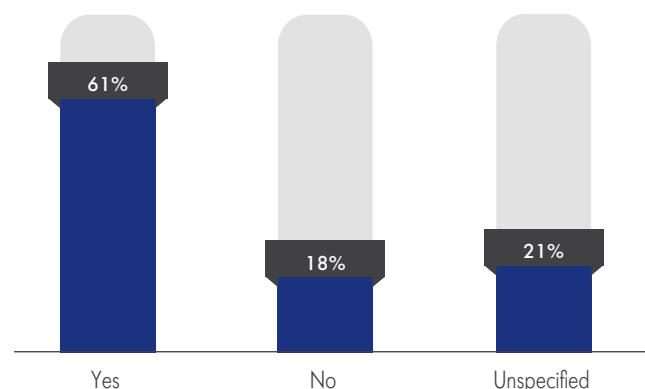
Despite 44% of our developers believe that their sales volumes were not affected greatly by adopting these tools. Adopting technological tools have helped other 44% of our surveyed developers to rev up their sales volume despite current catastrophe. Accordingly, 61% of our responding property developers plan to increase spending on digital technologies in near future.

Case in point: During Invest-Gate's Digital Week, Head of Marketing at Mountain View Sherif Saleh remarked that property developers managed to have sales up to 10-15% coming from virtual sales. This volume can increase through the application of proper digital technologies.

Generally, IGI Real Estate Chief Sales Officer Ali Abdel Ghaffar highlighted during the second day of the DigitalWeek that to boost properties online sales, real estate developers need to focus on generating strong websites/platforms and creating virtual tours that are as vigorous and influential as mockup showrooms. Accordingly, sales can be flawlessly carried out.



### INCREASE SPENDING ON DIGITAL TECHNOLOGIES IN NEAR FUTURE



## Recommendations for Digitalized Future

It has become obvious that technologies will lead the real estate sector towards recovery. During the wrap up of Invest-Gate's 1<sup>st</sup> virtual roundtable, dubbed "Smart Real Estate Market Amid COVID-19," real estate developers mentioned that they have to invest more in adopting strong networks and smart solutions for successful digital transformation, in addition to the deployment of technological tools to ease the work-from-home policy to enhance employees' productivity. Moreover, smart technologies have to be the default system for all property developers, as information technology (IT) has become our today's need. Besides, digital platforms need to be handled by a third party to ensure the continuity and efficiency of these platforms.

Since the Coronavirus epoch has changed every aspect of the property market, altering the real estate products to suit the current needs. According to Invest-Gate's 2<sup>nd</sup> virtual roundtable, titled "New Real Estate Product," the nature of Egypt's property market will adjust drastically to cope with the new changes in the market. These modifications have expedited the industry's digital transformation.

Brutally honest the fact that the adoption of technological tools will affect the real estate products. Residential units need to have a new design to include spaces

for those working from home, in addition to a strong technological infrastructure to facilitate and enhance work performance. Not only that but the administrative assets will be affected as well by the technological wave, as developers will tend to provide smaller workspaces because they rely on online meetings and remote work policies. For commercial assets, e-commerce is forging ahead, so developers need to pay a great deal of attention to warehouses that absorb bigger inventories to meet consumers demand.

Depending on the foregoing backdrop and our survey's findings, real estate developers need to adopt effective technological tools to revive the property market as a whole, in a bid to capitalize on the future property development, consumer aspirations, along with the ever-changing market conditions. Besides, successful digital transformation depends greatly on strong awareness, lead generation, and reach. In conclusion, the Coronavirus outbreak has accelerated the adoption of new technologies which will digitally transform the property market. Thus, an immediate implementation is highly needed to keep pace with market changes and prepare for a brighter future beyond the pandemic.





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