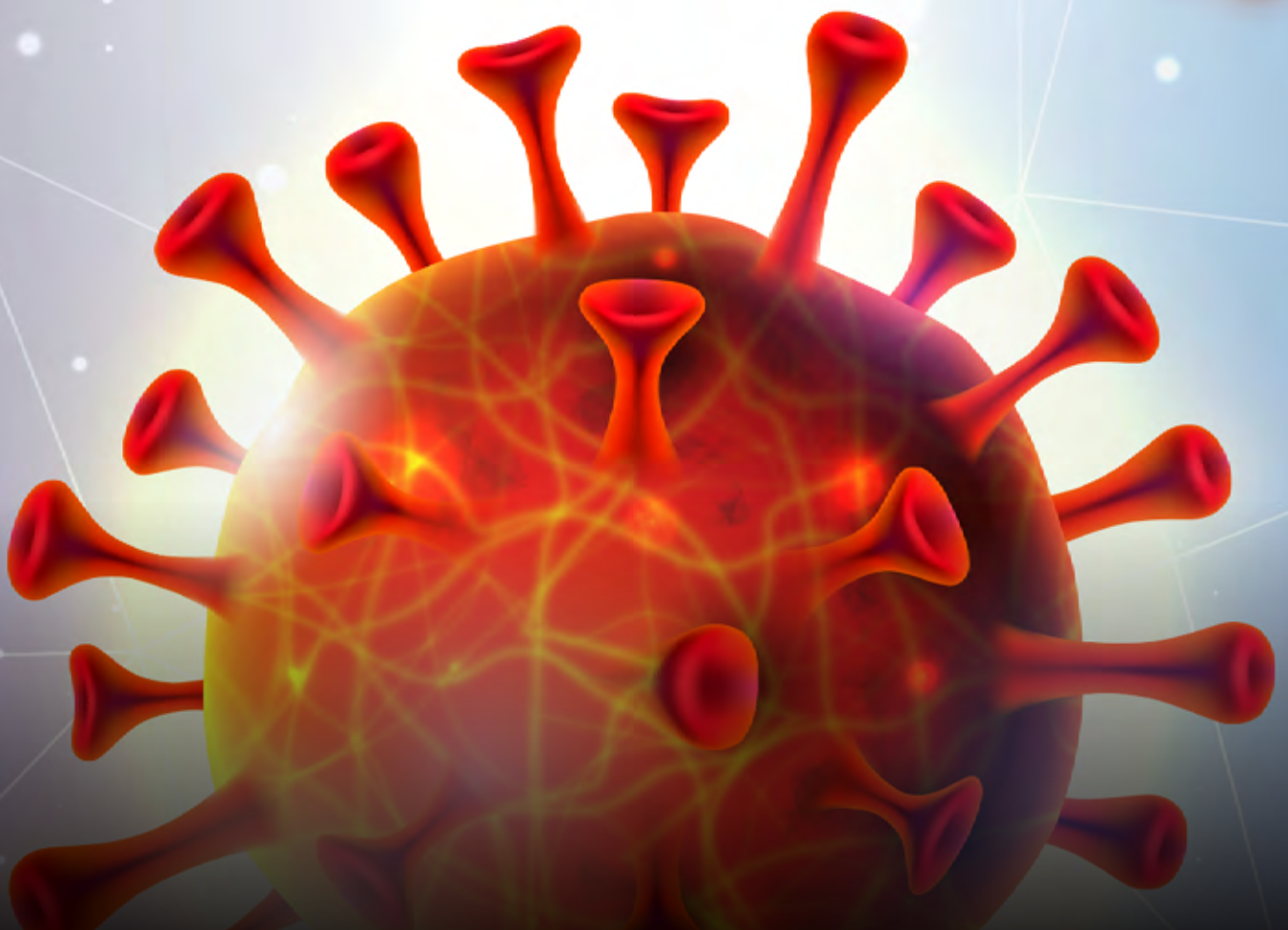


EXPLORING EGYPT'S
BROKERAGE MARKET

AMIDST PANDEMIC



EXPLORING EGYPT'S BROKERAGE MARKET AMIDST PANDEMIC

BY **DINA EL BEHIRY & AYA RADY**

In the real estate world, brokers represent a crucial link of communication between developers and consumers. At one point, the agent's role as an objective mediator and consultant for both parties spring up, thereby constituting a vital part of closing property deals.

Globally speaking, IBIS World's September data indicated the US real estate sales and brokerage industry's market size, measured by revenues, marked USD 163.7 bn during the current year. Between 2015 and 2020, the states' market size grew at an annual rate of 2.6%, with projections to descend 6.2% by year-end due to current circumstances.

According to Mobility Foresights, the global brokerage industry progresses at a compound annual growth rate (CAGR) of 4%, meaning that real estate catalyzes the free flow of capital across economics and creates a globalized marketplace.

On another note, COVID-19 has compelled nearly all industries to accelerate technology adoption, in a bid to run businesses efficiently and avoid significant losses, and the brokerage scene is no exception.

The health crisis has forced realty agents to do business through virtual meetings, online marketing, and many other digital tools, as lockdowns hinder the traditional framework of approaching possible investors.

In a recently published article, The Economics Times has revealed an increased number of clients under India's advanced electronic system, with online payments considerably booming last March. Accordingly, findings show a notable rise in trade volumes and greater demand for new e-account openings across the South Asian nation.

What About Egypt?

By surveying around 26 Egypt-based brokerage companies, Invest-Gate's R&A team takes the lead to delve into current market conditions and dynamics. We aim to identify the influence gauge of Coronavirus on this go-between part of the local realty sector, on top of pondering the effectiveness of the followed-by policies and action plans for reinforcement.

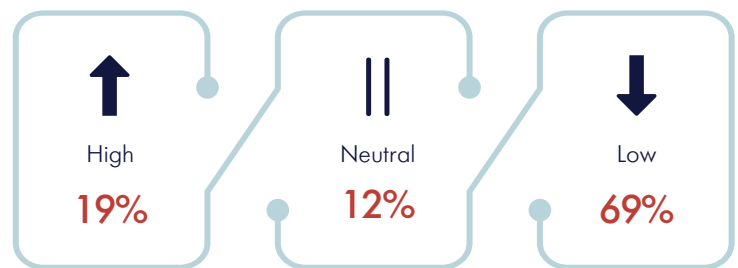
Real Imprints on Residential Segment

Indeed, the germ episode left a negative imprint on the demand and supply pillars alike. Based on the R&A team's previous research, COVID-19 has altered the developers' strategies to deal with changes in consumer behavior properly, as people spend less than ever in 2020.

Such fluctuations similarly impact the Egyptian brokerage market. About 70% of responding realtors say demand for houses generally fell in the wake of the ongoing pandemic. In contrast, the remainder feels fortunate for the higher levels.

In the same vein, 58% of those surveyed believe most shoppers prefer to own residences, whereas the remaining respondents remark substantial interest in rentals.

IMPACT OF COVID-19 ON DEMAND FOR RESIDENTIAL UNITS



POST-PANDEMIC CONSUMER TRENDS IN RESIDENTIAL SECTOR



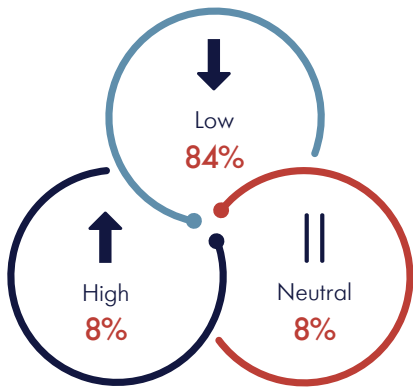
Almost 60% of respondents claim prices were on hold in response to the current strenuous market conditions. In fact, that could be an effective way to attract additional buyers, which will, as a ripple effect, help reactivate the market once again.

IMPACT OF COVID-19 ON PRICES OF RESIDENTIAL UNITS



That is why when asked to compare sales levels in H1 2020 with H1 2019, 84% of responding agents affirm a deceleration in sales movement in the Coronavirus aftermath. However, another 8% notice sales going up despite the pandemic woes, with the remainder witnessing no alteration whatsoever.

IMPACT OF COVID-19 ON SALES OF RESIDENTIAL UNITS (H1 2020 VS H1 2019)



Real Imprints on Non-Residential Segment

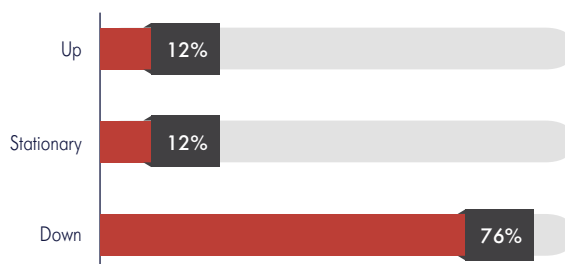
The non-residential sector opines in similar circumstances. Invest-Gate's past findings show the entire business world shifting to working from home and cautious travel while applying social distancing and other precautionary measures.

Consumer habits also changed. People are now more inclined to stay indoors and save up, spending mainly on fulfilling their necessities, primarily food, medicine, and home supplies, and getting these delivered much more often.

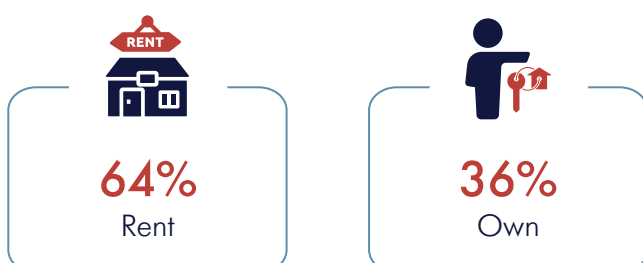
For that reason, 76% of respondents note a dramatic decline in non-residential units' demand in the wake of the virus outbreak. Nonetheless, the remaining brokers underscore demand growth, while others are relatively heeding stationary levels.

With an eye on upward trends during this gloomy period, 64% of those surveyed assume most consumers fathom non-residential rentals. Meanwhile, the remaining respondents see a renewed emphasis on ownership.

DEMAND FOR NON-RESIDENTIAL UNITS AMID COVID-19 CRISIS

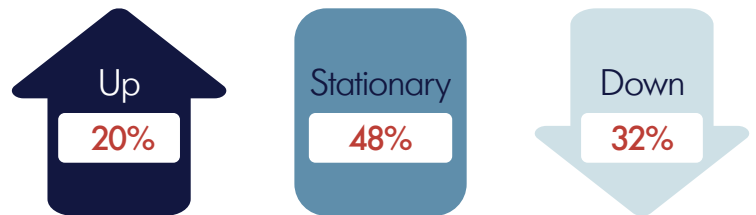


POST-PANDEMIC CONSUMER TRENDS IN NON-RESIDENTIAL SECTOR



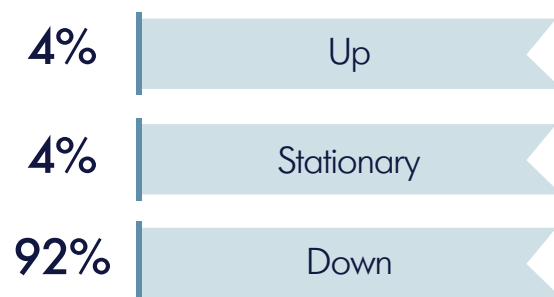
Merely 48% of responding brokerage firms reckon unchanged price levels of non-residential properties. On the other hand, an extra 32% sees price drops in response to the Coronavirus shock as a way to lure more buyers.

PRICES OF NON-RESIDENTIAL UNITS AMID COVID-19 CRISIS



When comparing transactions in H1 2020 versus H1 2019, at least 92% of surveyed agents sustained a severe drop in sales because of the post-pandemic profound conditions. Conversely, half of the brokers' sales rose while the second part saw no shifts in units' marketing, regardless of the COVID-19 disruption.

SALES OF NON-RESIDENTIAL UNITS (H1 2020 VS H1 2019)



How to Address Present Dire State?

Post-Pandemic Challenges

The imposition of many restrictions to combat the Coronavirus repercussion has undoubtedly mutated every aspect of the Egyptian real estate market. And to adapt to this kind of long-lasting plight, there will be, for sure, several hindrances.

At the request to evaluate the stumbling blocks en route, 69% of respondents confirmed flagging financial shortfalls amid the volatile market circumstances, including the government-dictated restrictions, paired with weak demand for real estate.

Not only that, but customers felt hampered by the COVID-19 hit when paying monthly installments, in specific. All these reasons, and a little more, translated into a sharp fall in sales and revenue.

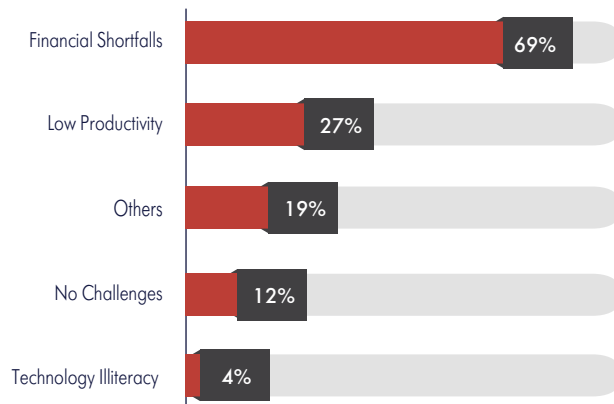
Owing to the shortcomings above, many brokerage companies had trouble making salary payments. And thus, 27% of those surveyed bore out low workforce productivity amid some downward pressure on cash compensation, mainly on the back of remote-work policies.

Additionally, 4% of responding agents consider technological illiteracy as one of the encountering hindrances. This means some employees cannot interact via cutting-edge applications such as virtual tours, artificial intelligence (AI), and other tools that became integral to today's new normal.

On the contrary, 12% of those surveyed point to experiencing difficulties running their businesses amidst the havoc wrought by the pandemic.



POST-PANDEMIC CHALLENGES



Market Reactivation Mode On!

From last March to date, many brokerage firms turned to modify marketing and operational planning strategies to reinforce Egypt's real estate sector, in tandem with surmounting obstacles and fueling business growth.



DID COMPANIES ADAPT NEW MARKETING PLANS FOR COVID-19?

38%
No



62%
Yes

As a result, 56% of responding brokers resort to advanced technology to run businesses efficiently, not to mention effortlessly sealing property transactions.

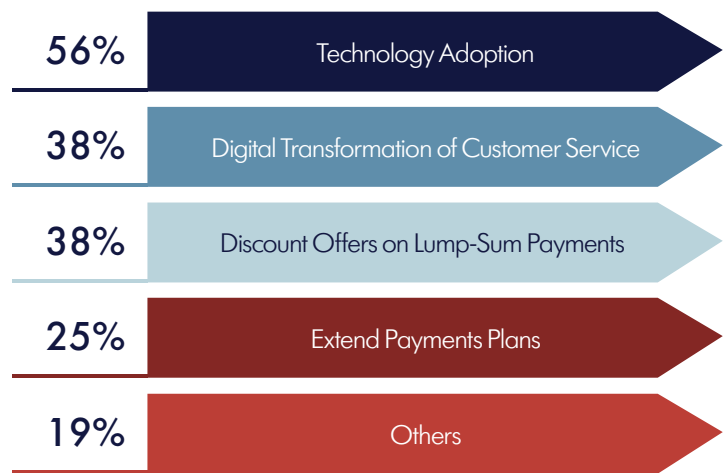
Nowadays, brokerage companies tend to sell properties via live streaming open houses, 3D virtual walkarounds, among other high-tech methods, as highlighted in an April 29 article on renowned information platform Real Trends. Consequently, more brokers (38% of respondents) are jumping on the bandwagon of embracing up-to-date digital marketing, social networking, and other techniques to tap into the target clientele in the face-mask era.

Notwithstanding, other Egypt-based businesses (38%) followed different methods to help jump-start the local brokerage market, on top of easing the financial burden

on clients, by extending huge discounts on lump-sum payments, in particular. Another 25% of surveyed brokers indicate providing prospective customers with flexible installment terms is a useful way to secure more deals.



TOP MARKETING STRATEGIES FOR COVID-19 RECOVERY



Despite such challenges, all industry-related mainstays are optimistic about a strong comeback soon. According to Invest-Gate's R&A survey, 31% of surveyed brokerage firms have their recovery hopes high, foreseeing a potential rebound after almost six months, accompanied by a technological leap.

After all, the Egyptian realty sector was not badly hit hard by Coronavirus for standing firm in the face of calamities, thanks to the well-crafted economic reform program and crisis management plans set by both government bodies and private players.



PROPERTY MARKET RECOVERY OUTLOOK

