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Market Watch Report

Government Policies and Investment in Egypt's Real Estate Sector

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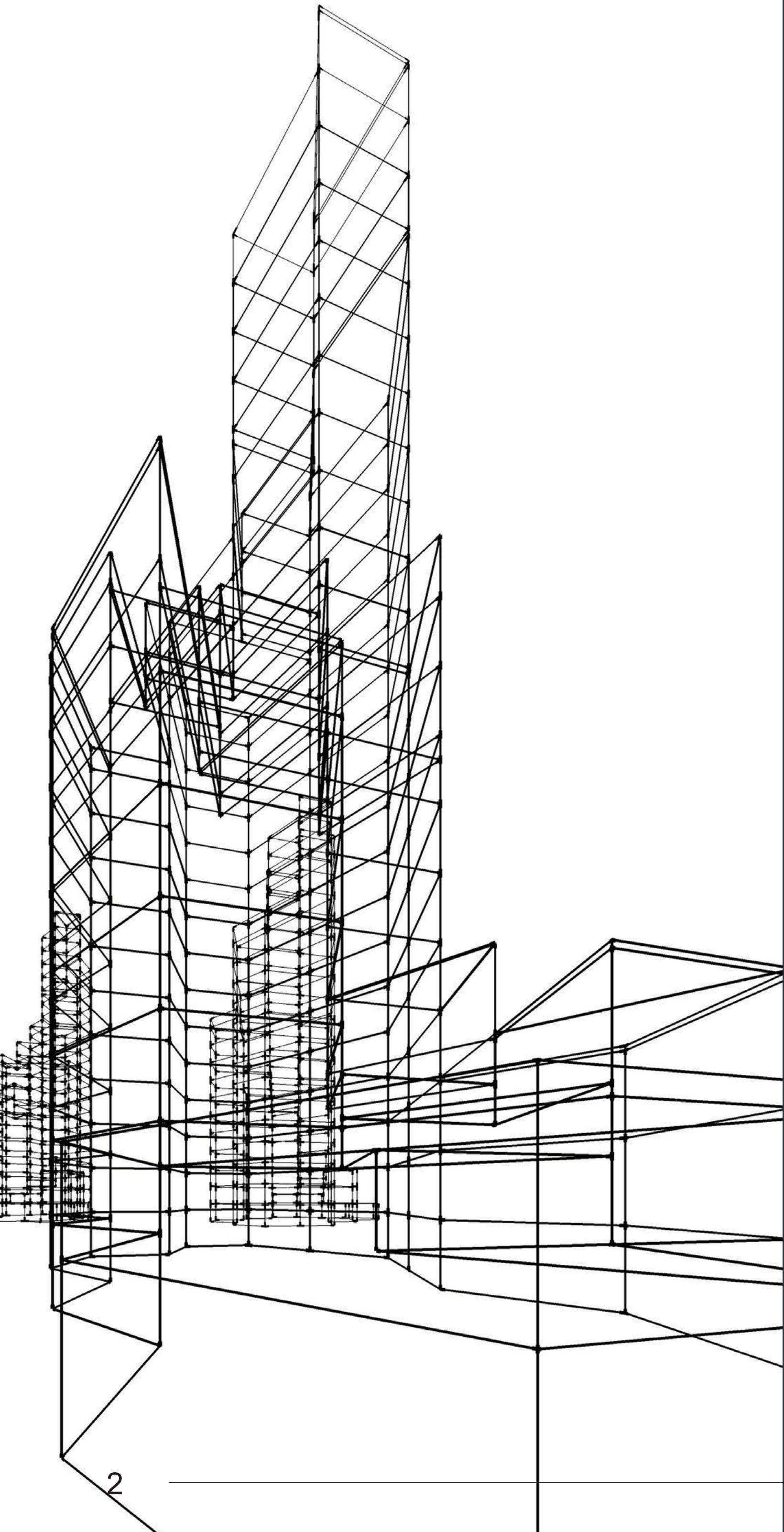


Madbouly: Housing Ministry Allocates EGP 37 B Budget to NUCA

The Ministry of Housing, Utilities, and Urban Communities has allocated a budget of EGP 37 billion to the New Urban Communities Authority (NUCA) this year in a plan to attract new investments and implement projects, Minister of Housing Mostafa Madbouly said in an interview with Daily News Egypt. The ministry has moreover set policies that were considered controversial due to increasing the prices of lands in the Greater Cairo area. Additionally the ministry committed to providing more than 100,000 units in three phases to middle-income citizens through the Dar Misr Project while offering lands to Egyptians living abroad through Beit Al Watan project to solve the dollar shortage crisis.

Chinese Company Co-Finances New Administrative Capital

A Chinese construction company, China Fortune Land Development (CFLD), will invest $20 billion in Egypt's New Administrative Capital, reported Amwal Elghad. The company obtained the right to develop and market the new capital within the second phase of the mega-project, according to Al Mal News. The contract was signed by Egyptian Minister of Housing, Utilities, and Urban Communities Mostafa Madbouly, Minister of Investment Dalia Khorshid, and the Chairman of CFLD, Tahrir News reported. The new $20 billion investment adds to a previous $15 billion agreement with China State Construction Engineering Corporation (CSCEC) for a previous phase of the Administrative Capital, according to USA Today.

Egypt Partners with France to Develop Sustainable Cities

The Egyptian Ministry of Housing, Utilities, and Urban Communities will partner with France's Sustainable Cities Task-Force to build a joint technical office designated for sustainable cities, reported Amwal Elghad. A protocol was signed by Egyptian Minister of Housing Mostafa Madbouly and President of the Sustainable Cities Task-Force Gerard Wolf, in Cairo. A total of 160 French firms will participate in developing sustainable cities. The office, operated by the New Urban Communities Authorities (NUCA) and the French task force, is to assess and implement projects related to sustainable cities in Egypt and France, according to the ministry.

Madbouly Discusses Possible Partnership with UK Trade Envoy

Minister of Housing, Utilities, and Urban Communities Mostafa Madbouly met with British trade envoy Jeffrey Donaldson to discuss the possibility of partnership in a number of fields, reported Al Mal News. Among the proposed projects for cooperation were building low-cost developments and potential residential units in the New Administrative Capital and other new cities. Madbouly also discussed the New El Alaimen City, as well as future developments, noting that a large budget has been allocated to New Urban Communities Authority (NUCA) to build the basic foundations and public services in the new cities as soon as possible, according to Al Shorouk News.

5,706 Units Offered for Rent for Low-income Citizens

Residential units were offered for low-income citizens starting October in several governorates and cities, according to Minister of Housing, Utilities, and Urban Communities Mostafa Madbouly, reported Invest-Gate. Citizens will be able to rent the units within 10 governorate if their income is below EGP 1,500. Residents will pay between EGP 300 and 410 with an expected rent increase of 7% annually and a rental period of seven years, said Salah Hassan, Deputy Executive Director of the Social Housing Fund. In case of a large demand among applicants, priorities are given to those living under more precarious circumstances.

Ministry of Housing Studies Establishing Middle-Income Compounds

The Ministry of Housing, Utilities, and Urban Communities has started studying a plan to establish compounds geared towards middle-income earners, an official source told Invest-Gate. The plan is currently being studied, and follows from the great demand that met the Dar Misr middle-income housing project established by the New Urban Communities Authority, the source added. The Dar Misr project revealed the great demand for such projects, prompting the government to take steps to build a comprehensive middle-income housing project, rather than separate residential units in different locations. The ministry is studying the possibility of establishing an area within the compound to be dedicated to Egyptian expatriates working abroad.

NUCA to Finalize Electricity Station in New Aswan in 2017

The New Urban Communities Authority (NUCA) has launched a new main power electricity station in New Aswan with two generators that will be completed next year, reported Al Borsa. The total cost of the project has amounted to EGP 60 million, according to Alaa Naseem, Executive Manager of Electricity and Telecommunications in the NUCA. The new enhancement will boost power from 10 MV to 50 MV, Naseem added, noting that the total value of completed electricity projects in New Aswan recorded EGP 138.7 million, stretching over 635 kilometers within the city, while other networks are under construction to stretch over 333 kilometers.

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.

HCCD Subsidiaries Sign EGP 3 B Worth of Contracts

Subsidiaries of the Holding Company for Construction and Developments (HCCD) have signed contracts worth EGP 3 billion for projects to be completed in a year and a half, according to Mohamed Hegazy, CEO of HCCD, reported Amwal Elghad. The company has received orders from the government to work on national projects, including the New Administrative Capital. The company expects revenues of EGP 600 million at the end of the current fiscal year as a result of the increasing business conducted by the company. Works is expected to commence on the New El Alamein City and Toshka projects. Construction works recorded a total of EGP 11 billion last year.

Government Postpones Land Offering for Residential Development in Fayoum

The Fayoum Housing Directorate has postponed the offering of 158,000 square meters earmarked for residential and service projects to 2017, when all facilities on site have been constructed, reported Al Borsa. Currently, only 60% of the facilities have been built on site, according to Ali Zain Al-Abdin, Representative of the Housing Ministry in Fayoum. The governorate is also considering revoking the construction contract from Al Sadeek Contractors and offering it to other contractors, as the company violated its contract with the governorate, since facilities were scheduled to be completed last month. Al Sadeek Contractors preciously received EGP 41.5 million to commence work on building the project's facilities.

NUCA Installs Monitor Control Devices in New Cities

The New Urban Communities Authority (NUCA) will supply and install 315 electronic remote street lighting, monitoring, and control devices within new cities, reported Daily News Egypt. A school is also expected to be constructed in New Nubaria City with 33 classrooms, as well as a kindergarten building and a new market. New Minya will also launch a tender to construct a road that will link the army road with the residential area and expand the Minya-Assiut road between the army road and Al-Safa checkpoint. Additionally, more facilities will be implemented, such as sewage and electricity.

50 Acres Allocated for Social Housing in New Fayoum

The New Fayoum Administration has announced the availability of 50 acres dedicated to social housings in a statement sent to New Urban Communities Authority (NUCA), reported Al Borsa. The land plots were prepared before the announcement was sent to NUCA, which will in turn offer them for sale in new cities, stated Ashraf Abdelrahman, Head of the New Fayoum Administration. The revenues that will come from the land offerings will contribute to implementing projects dedicated for public services in the next phases in the city, which has an area of 13,500 acres.

NUCA Partners with GAFI to Offer 345 Lands

The New Urban Communities Authorities (NUCA) has agreed with the General Authority for Investments and Free Zones (GAFI) to offer 345 land plots, reported Al Brosa. Both parties are expected to agree on the conditions of the offerings, according to Tarek El Sebaey, Supervisor of NUCA's Commercial and Residential Sector. The lands will be targeted for multiple purposes in new cities with some being offered for residential projects to citizens with low-income. The total cost is EGP 4.7 billion, EGP 3.5 billion of which will be dedicated for lands that will include public services, while EGP 1.2 billion will be allocated for land plots that will include social housing projects.

Madbouly: Construction of 216 Units Completed in New Qena

A total of 216 residential units have been completed out of the total 4,892 units within a housing project located in New Qena, according to Minister of Housing, Utitlities, and Urban Development Mostafa Madbouly, reported Invest-Gate. Facilities are also being constructed in the project, including a hospital with 175 beds that will be built on land measuring six acres in area of Al Nawadi, located north of the first district, as well as several other buildings, according to Ahmed Arafa, the Head of the New Qena Development Authority.

5 Contractors Appointed for Asmarat Project

Five contractors will start construction on the third district of the housing project in Al Asmarat that will replace informal settlements, according to Ahmed Taymour, Deputy Governor of Cairo, Amwal Elghad reported. The project is funded by the Tahya Misr Fund and is set to be constructed on an area of 80 acres, where the third district costs EGP 500 million and will be finalized in 2017. The third district will include 7,440 housing units, as well as several amenities. Around three schools were also built in Al Asmarat district that aim to service the new residents who will move in to the area, according to state-owned Al-Ahram.

NUCA Drafts Conditions for Purchase of Dar Misr Units

The New Urban Communities Authority (NUCA) has completed the drafting of the conditions for the purchase of over 10,000 units offered next month in the second phase Dar Misr project, targeting middle-income citizens, reported Al Borsa. The NUCA is also expected to finalize the procedures to offer 11 land plots in the first phase of the Dar Misr project , as officials in the NUCA have stated that the conditions will be sent to the Housing and Development Bank in the next few days. The draft includes details about measures for acquiring the units, remaining available houses in each city, reservation deposits and several other conditions for applicants.

World Bank Commends Egyptian Social Housing Projects

Officials at the World Bank has praised the efforts made by the Egyptian Ministry of Housing, Utilities, and Urban Communities in the implementation of social housing schemes, reported Amwal Elghad. Minister of Housing Mostafa Madbouly has explained the project to a World Bank delegation in a meeting that was held to review the progress of the project and future plans. The Ministry is currently building over 500,000 units across the country, as part of the social housing scheme, stated Madbouly. The plan will also include 6,000 units that will be offered for rent to low-income earners, according to Al Mal News.

Real Estate Prices Increase by 25% in Obour City

Obour City recently experienced a rising demand on residential and commercial properties, according to real estate experts who projected an increase of property prices by over 25% compared to last year's prices, reported Almal News. The average price per square meter in Obour City has recorded EGP 2,500. The satellite city has a total area of approximately 16,000 acres, with the aim of accommodating 640,000 citizens by the time construction is completed. Obour City recently fell under the management of the New Urban Communities Authority (NUCA), while some investment companies have commenced works in several real estate projects across the city due to its proximity to Cairo.

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.

Colliers: Housing Demand Expected to Grow

Demand on residential units is expected to increase to approximately 115,000 units per year, according to Ian Albert, the Regional Director at Colliers International Middle East and North Africa, reported Daily News Egypt. This compares to Colliers' previous estimate, setting annual demand at 90,000 to 100,000 units annually. A recession in the real estate market is unlikely to happen due to the low supply in residential units compared to the high demand, Albert said, noting that Greater Cairo is expected to witness a deficit of 400,000 units for middle-income citizens by 2020. He also noted that the retail sector is witnessing increased investment, along with significant opportunities in urban regeneration.

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.

CAPMAS: 1.2 M Residential Units Completed in 5 Years

The Central Agency for Public Mobilization and statistics (CAPMAS) issued a report on Egyptian real estate revealing that 1.2 million residential units have been completed in total in five years in both public and private housing projects, reported Ahram Online. The total investments for the 1.2 million units recorded approximately EGP 109.6 billion, according to the report. It further highlights that public expenditure in the housing sector constituted 41.7% of all expenditure with 497,000 units, while the private sector made up the remaining 58.3% with 694,000 units. CAPMAS also reported that FY 2014/2015 recorded the highest number of completed units at 352,000.

New Administrative Capital to Offer Lands, Finalize Agreements with Developers

The company handling the New Administrative Capital project is set to decide on offering the first phase of investment land plots, with total areas ranging between 3,000 to 3,500 acres, reported Al Borsa. The Administrative City company estimated that revenues from the first phase of the project, which will measure 14 million square meters, will amount to EGP 30 billion. The previous phase of the project included 12,000 acres, with EGP 60 billion worth of investments. The company is also discussing the possibility of selling the units located in the residential district within the previous phase in the project.

Government to Develop Slums in Red Sea Cities

Slums located in Red Sea cities are expected to be developed by the Egyptian government at a cost of EGP 330 million, according to Minister of Housing, Utilities, and Urban Communities Mostafa Madbouly, reported Amwal Elghad. New residential units are expected to be built instead of the informal ones located in Red Sea areas. Approximately 75% of the projects are completed, while Madbouly confirmed that the remaining construction should be completed over the next three months, according to Al Watan. Some of the new homes will be delivered to residents of informal settlements in the Radwa District next January according to Madbouly.

Ministry of Housing Completes Construction of Facilities for 8,734 Units

The Ministry of Housing, Utilities, and Urban Communities has announced the completion of construction of units and facilities in 12 governorates across the country, reported Invest-Gate. These include 960 units in a social housing project located in the Amlak area in Salam City in Cairo. The completed construction work was undertaken in the govern orates of Cairo, Suez, Red Sea, South and North Sinai, Damietta, Gharebya, Sohag, Sharqia, Kafr El Sheikh, Beheira, and Menoufiya. According to Mohamed Nasser, Head of the Central Authority for Construction affiliated with the ministry, hundreds of units were constructed in each of the aforementioned governorates.

Housing Ministry to Offer Rent Option in Social Housing Projects

Residential units will be offered for low income citizens starting October 9 in several governorates and cities, according to Minister of Housing, Utilities, and Urban Communities Mostafa Madbouly, reported Invest-Gate. Citizens will be able to rent the units within 10 governorate if their income is below EGP 1,500. Residents will pay between EGP 300 and 410 with an expected rent increase of 7% annually and a rental period of seven years, said Salah Hassan, Deputy Executive Director of the Social Housing Fund. In case of a large demand among applicants, priorities are given to those living under more precarious circumstances.

Housing Ministry to Launch 4,632 Units in 10th of Ramadan

Dar Misr social housing project is planned to include 4,632 new residential units located in 10th of Ramadan City, reported Al Borsa. The first phase of the project will include 2,832 units, while the second phase will include 1,800 units. The project will also include facilities such as water and electricity, gas, and telecommunications as part of the services that will be offered as part of Dar Misr project, as well as two schools, a nursery, and two commercial building according to Adel Al Nagar, Head of the Development Committee of 10th of Ramadan City, stated-Shorouk News.

Al Wadi Al Gedid Invests EGP 71 M in Slum Development

The Governorate of New Valley (Al Wadi Al Gedid) started implementing the first phase of its plan to develop its slum areas at costs of EGP 71 million, reported Al Borsa. The governorate seeks to develop areas of Old Nowt and Islamic Balatt during the first phase in collaboration with the general project of renovating slums, according to Mahmoud Ashmawy, New Valley Governor, Plans include the improvement of other areas including Dakhla and Kharga, Paris area, and Farfra; in addition to well as preserving areas of antiquities that are endangered to collapse.

5,400 Residential Units to be Launched Next Month in Rehab and Madinaty

The Ministry of Housing, Utilities, and Urban Communitues launched 5400 units in Madinaty and Rehab in New Cairo, reported Invest-Gate. The units include 3,912 apartments in Madinaty, and 1,488 apartments located in Rehab. Madbouly also clarified in a released statement that the units are fully ready for living and their sizes range between 58 square meters and 162 square meters. Tarek El Sebaey, Supervisor on trade and real estate affairs in the Al Omranya committee that the conditions to acquire the units are present at all branches of “The housing and construction” Bank starting of 9th of October during the bank’s working days.

20,867 Residential Units Connected to the Water Supply Grid

The National Authority for Potable Water and Sewage has connected 20,867 residential units to the water supply grid, in addition to constructing a sewage facility serving 18,112 residential units, reported Invest-Gate. Current construction work is underway to connect an additional 40,209 residential units to reach a total of 75,563 residential units. Sayed Ashry, Head of the Authority, stated that infrastructure work has taken place in 12 governorates, adding that construction of pipelines has been extended to reach more than a thousand additional units, mainly in the Luxor area.

NUCA to Launch New PPP Projects in Upper Egypt

New Urban Communities Authority (NUCA) offered new partnership projects to property developers in Upper Egypt in September, NUCA’s Vice President, Kamal Fahmy, told reported Amwal Alghad. The new projects are part of the second phase of the government’s public-private partnership (PPP) program, according to Fahmy, and will be located in New Beni Suef, New Minya, New Assiut, and New Tiba. NUCA is said to currently carry a knowledge bank of all details about the investor including the authority’s assessment, approvals to provide lands, and guarantees. The first stage of PPP projects was launched during Egypt’s Economic Development Conference held in Sharm El-Sheikh in March 2015.

Suez Governorate Announce 47,000 Square Meters for Residential, Tourism Projects

Approximately 47,000 square meters will be assigned for residential and tourism projects in Suez, which investors can reserve starting next month, stated Hassan Kamal, Head of Housing Committee in Suez, reported Al Borsa. Kamal added that the land is divided in to five areas within the governorate and has been priced in collaboration with Ministry of Investment. Six plots of land were previously showcased and sold out of a total of 17 land plots, constituting 40% of the total land. Kamal also mentioned that Suez has appointed EGP 140 million for several projects, such as sanitation, electricity, water, and residential.

The Key to Egypt's Future:

New Alamein Eco-City

By Ahnie Litecky

Egypt's official tourism website describes the Mediterranean city of Alamein as the "key to Egypt." This Mediterranean city, located halfway between Alexandria and Marsa Matrouh, is famous for witnessing several World War II battles. The Egyptian government has targeted the country's north west coast for development and New Alamein, a multi-billion pound eco-city designed to boost the country's economy, will be an important part of that long-term goal. With initial construction underway on New Alamein, a more apt name may soon be "key to Egypt's future."

Construction Underway

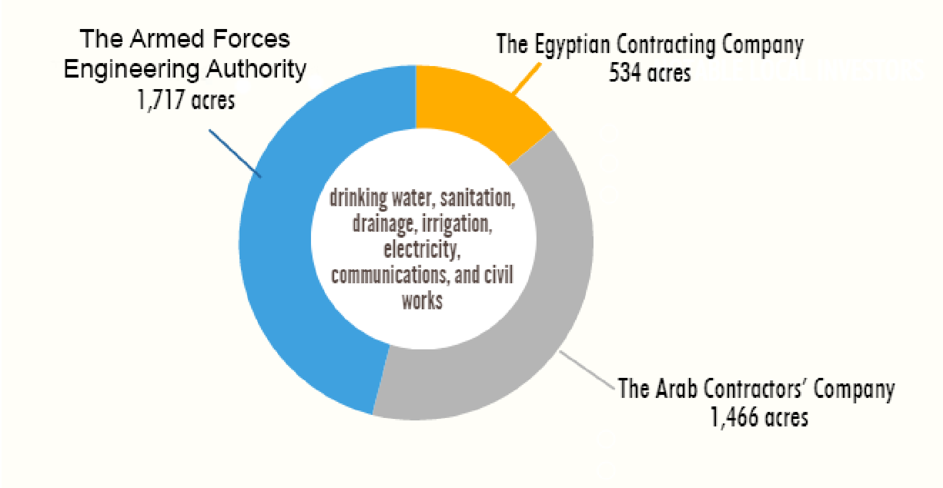
New Alamein, to be built at an estimated initial cost of EGP 2 billion, is one of multiple new urban centers that the government has planned to accommodate a booming population, curb unemployment, and help the economy.

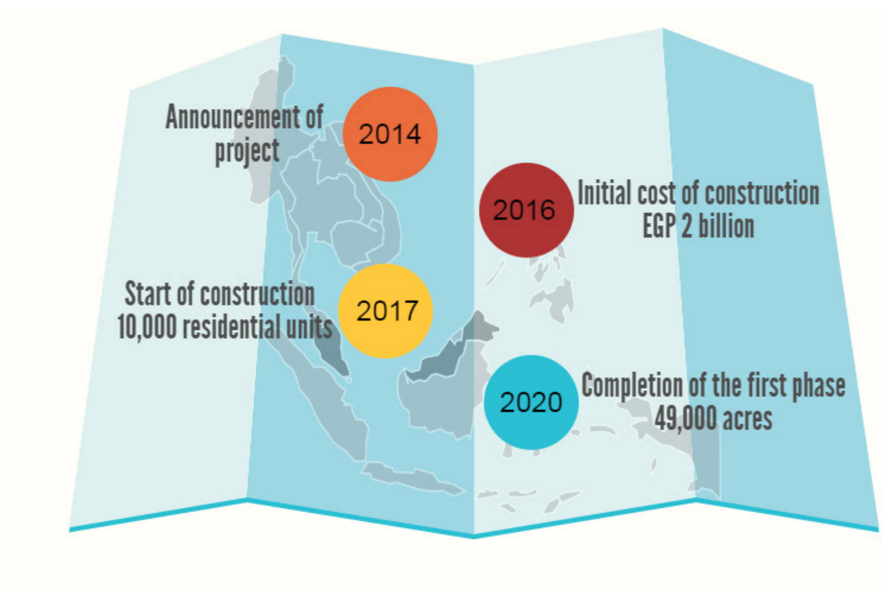
Former Prime Minister, Ibrahim Mahlab, announced the establishment of New Alamein at a press conference in August 2014. He stated, "…the new city falls under the 'fourth generation of new cities' meaning that the infrastructure will be eco-oriented, aiming at sustainable development, exploring water desalination and other renewable energy methods," according to Cairo Post.

The Ministry of Housing aims to complete the first phase of construction by 2020. This initial phase will be completed on an area of 41,000 acres. An additional 8,000 acres will be set aside for an International Tourism Zone. A further 13 kilometers along the shoreline will be designated for public beaches. The city will feature housing for all income levels.

A general plan for the new city is in the works. In October of last year, Minister of Housing, Utilities and Urban Communities, Moustafa Madbouly, announced that the project was underway with road network surveys and designs. The Arab Contractors Company was working to prep road network sites.

Kamal Fahmy, Vice President of the Authority of New Urban Communities for Development, said that the Arab Contractors' Company has been assigned to implement drinking water, sanitation, drainage, irrigation, electricity, communications, and civil works on about 1,466 acres. The Egyptian Contracting Company (Mokhtar Ibrahim) will build roads, drinking water, sanitation, drainage, irrigation, electricity and civil works on another space of about 284 acres. The company has also been contracted to implement drinking water, sanitation, drainage, irrigation, electricity, and civil works on an additional space of about 250 acres. The Armed Forces Engineering will complete all road works on an area totalling 1,717 acres.





The first phase of infrastructure and facilities construction should be completed in two years at an estimated cost of EGP 1.5 billion, according to Daily News Egypt.

Infrastructure and facilities construction is handled 3 different entities, each covering different areas.

Foreign investors are pursuing a stake in the new city project, which would also provide a boost to the Egyptian economy. A French delegation that met with Madbouly in mid-April expressed interest in investment opportunities in multiple Egyptian projects, including New Alamein. Representatives of UAE's Abu Dhabi Investment Authority have also shown interest in investment in New Alamein housing projects.

After the groundwork is laid, the Ministry of Housing plans to offer projects on areas of up to 2,000 acres to investors, according to a statement from the Ministry of Housing. Next year the Ministry of Housing will begin construction on 10,000 residential units in New Alamein. These government-subsidized units will hopefully encourage workers to move to the new city.

Other planned projects for the new city include an industrial zone, business zone, educational zone, medical center, universities, renewable energy stations, and a global tourism center.

A New Kind of Egyptian City

New Alamein is one of several "eco-cities" the Egyptian government is working towards building. An eco-city aims to implement "a wide range of environmental, social, and institutional policies that are directed to managing urban spaces to achieve sustainability," according to Hosam K. El Ghorab and Heidi A. Shalaby, who wrote about eco-cities in a February

2016 article in the Alexandria Engineering Journal. An eco-city also provides an adequate living standard without depleting the surrounding ecosystem.

The Egyptian government expects New Alamein to rely on renewable resources. Plans for the city include a desalinization plant, solar energy, and other renewable sources. A shift towards an eco-friendly model of city building could help mitigate Egypt's long-term issues with water shortages and the ongoing energy crisis.

Northwest Coast Development Project

The construction of New Alamein is part of the Northwest Coast Development Project, a large-scale government plan to generate economic growth, improve social and living conditions for local communities, increase infrastructure, and provide housing and job opportunities for millions of Egyptians. The Egyptian government inaugurated this project in 2014. The Northwest Coast Development Project could provide roughly 11 million job opportunities by the project's expected completion in 2052.

To achieve these lofty goals, the Egyptian government aims to establish internationally renowned tourism centers, industry, agriculture, and urban communities in the northwest coast region, which extends 500 kilometers from El Alamein to Salloum. With acres of available land, including grazing land; resources such as dolomite, limestone, natural gas, and crude oil; and multiple tourist attractions, such as beaches, monuments, and monasteries, the northwest coast is a prime spot for economic development.

Infrastructure and Energy

Improving infrastructure in the region will also play an important role in building up the northwest coast. Roads are needed to improve access to the region and through the National Roads project, the Egyptian government has begun renovating roads in the north coast region. The 135 kilometer Wadi Al Natrun-Alamein road that connects Wadi Al Natrun area in Beheira governorate to Alamein was recently renovated at a cost of EGP 1.9 billion, and included upgrades, toll gates, and the addition of a third lane. The renovations were partly undertaken to encourage tourism between Cairo and the northern coast, said Transportation Ministry spokesperson Ayman al-Sheraie in 2015, according to Nile Net.

Egypt has big plans for developing clean energy options on the northwest coast. In late May 2016 the Egyptian government received an EGP 222 billion ($25 billion) loan to finance construction of a nuclear power station in Dabaa, located west of Alexandria. The loan will cover 85% of construction, while the Egyptian government will provide the rest of the funding. The government has almost finalized plans with the Russian nuclear firm Rosatom to construct the power plant. Construction should be completed by 2022.

The 135 kilometer Wadi Al Natrun-Alamein road

Connects Wadi Al Natrun area in Beheira governorate to Alamein.

A cost of EGP 1.9 billion.

Challenge to Development: Land mines and Water

The site for New Alamein was chosen specifically to attract surplus population from the Nile valley and because it provides opportunities for economic and social development. The New Alamein site is in close proximity to Alexandria. However, the region does face ongoing issues that will need to be addressed for the New Alamein project to come to fruition.

Landmines are a major issue facing the development of New Alamein and the northwest coast in general. There were an estimated 17.5 million land mines left behind by World War II troops in many areas of the Western Desert. While the Egyptian military has been working to remove landmines since 1983, there are still millions buried and unexploded ordinances spread throughout the Alamein region.

In anticipation of construction projects the Egyptian military has cleared by the end of 2015 26,190 acres of landmines on the New Alamein site. The Egyptian government, United Nations Development Program, the United States Agency for International Development, and the European Union, have all supported and worked together to fund costly demining activities in the north west coast. The Egyptian government estimated in 2009 that the Alamein fields alone would require more than an EGP 177 billion ($20 billion) investment to be demined, with cost ranging between EGP 2,600 – EGP 8,800 ($300- $1000) per mine.

Water scarcity is another issue that challenges development of New Alamein and the northwest coast in general. There are limited quantities of surface water available in the region and it mostly comes from rainfall during the winter season. With improved infrastructure, this water could be captured and used for irrigation. Groundwater resources are more extensive but much of the water is brackish and water quality varies greatly from place to place and seasonally. Treated water is pumped from Alexandria through the Marsa Matrouh Governorate, but there is often insufficient water. The Egyptian government recognizes the water scarcity issue and has plans to build a desalination plant in Alamein. The public-private partnership unit of the Ministry of Finance plans to offer the Alamein desalination project to investors before the end of the fiscal year. However, until funding is secured, the problem of watering New Alamein remains a serious challenge.

A City for the Future

If New Alamein lives up to its many promises, then the city will have a significant impact on Egypt's future. The timely and successful completion of New Alamein could provide a model for how Egypt should address many serious issues: what to do with the growing urban population around the Nile River, water shortages, the energy crisis, economic instability, high unemployment. If New Alamein is a success, then it could also be the first of many eco-city projects in Egypt that address broader global issues of climate change and sustainability. New Alamein represents a new perspective on city planning and construction and can help lead Egypt into a sustainable future.

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What Happened in New Obour City?

By Fatma Khaled

In efforts to expand the reach of urban landscape, moving away from the congested banks of the Nile, the government has launched numerous new cities, including New Obour City.

The land on which the city was planned was originally designated for agriculture purposes, with 16,672 acres falling under the jurisdiction of the Public Authority for Reconstruction Projects and Agriculture Development, in addition to 16,649 acres of agricultural land that were set under the jurisdiction of New Urban Communities Authority (NUCA).

However, a presidential decree issued earlier this year redefines the borders of the city in efforts to transform it from agriculture activity to an urban community, due to what Housing Minister Mostafa Madbouly described as "the scarcity of water in such areas that makes it unreliable for agriculture."

The move has stirred quite some drama, between proof of ownership, required documentation, and removal of illegal encroachments.

New Obour City

The total area of the New Obour City is 58,914.4 acres, as the new borders of the city will include borders of a gate that is located at east of 10th of Ramadan City. The city's entrances are set to be from the Ismailia Desert Road and west of Nahda Road, and south of the Ismailia/ Cairo Desert Road.

The decision was followed by the Housing Ministry assigning the Obour City Authority to take over the lands, confirming state ownership over them based on the issued presidential decree for 2016, which also stipulates that the Egyptian Armed Forces owns six plots within the city, measuring a total of 13,770 acres, while the NUCA owns the remaining 45,145 acres.

As a result of the decision, original land owners were uncertain on how to act upon the lands following the declaration that is was state-owned land. Madbouly released statements later assuring land owners that the government would not seize any lands from owners, however noting that owners had to validate their ownership through procedures that were set by the ministry, whereas the application deadline ends at the end of September.

Ownership Validation

"We will not seize any land from any of the current owners, but we will not allow any informal settlements. We are currently in the process of regulating land activity in the region, to transform it from agriculture activity into urban activity," said Minister of Housing, Utilities, and Urban Communities, Mostafa Madbouly, in a meeting with representatives of the entities and associations with properties in the new city. The meeting was held in response to mounting uncertainty among land owners, in fear of losing ownership to their properties.

Owners were requested to prove ownership of land within the areas that fall inside the borders of the city by submitting documentation proving ownership. 62,000 applicants –to date- have submitted their ownership documents for validation, according to Amin Ghonim Head of Obour City Authority, and the person responsible for arranging matters related to the new city.

The procedures for land validation also included owners preparing and submitting only documents detailing any activity that was previously undertaken on the land plots by owners and prove that they are the original owners, added Ghonim.

NUCA previously held several meetings with the Ministry of Housing and other housing associations to decide on the conditions for reconciling land ownership amid the announcement of the presidential decree that outlined borders. The authority will also be deciding on the fees that will be paid in order to proceed with land's activity after the deadline for applications.

One of the strategic plans for the new city is that it will have a separate administrative body from the current Obour City, where all privately owned lands within the new borders will abide by the new authority, according to Ragaa Fouad, Vice President of NUCA.

Building Violations

The Ministry of Housing has announced that any building violations will be fined and removed, encouraging land owners to validate their lands. Meanwhile, Ghoneim, has confirmed that there are campaigns for the closure and removals of building violations, including some shops located on the main road of the first district, which is considered one of the first neighborhoods in the city. Additionally, NUCA has ordered the removal of residential buildings that turned their ground floors into unauthorized commercial shops and administrative units and has deviated from serving residential purposes.

Around 123 removal orders have been implemented against violators, according to Ghoneim, who also confirmed that the removal orders came as a result of building without a license in the fourth district, increasing the heights of some buildings, and store owners who built walls, which is considered a construction violation.

The Housing Ministry has taken over the vacant lands in efforts to develop projects in various sectors. Around 12,240 residential units are currently being constructed and 15,000 residential units are being implemented by the Armed Forces, according to Kamal Fahmy, Vice Chairman of the NUCA.

Future plans in New Obour City have not been announced to date, nor has the head of the newly established authority for the city bee appointed.

The city's proximity to Cairo is believed to increase land value sharply in the coming years, especially as further commercial and residential expansions take place.

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Everything You Need to Know About Property Mortgage in Egypt

By Noha Abdel Bary

Despite the housing boom in Egypt, and the myriad payment options that have recently become available to buyers, mortgages have nonetheless maintained a limited popularity, despite being widespread in other parallel markets internationally. Aiming to tackle this issue, and to moreover bridge the housing gap, the Central Bank of Egypt (CBE) launched its mortgage financing initiative in 2014, aiming to provide EGP 10 billion to banks to provide mortgage loans to homebuyers.

The initiative was forestalled for a period of time, but picked up again last April when banks withdrew EGP 1 billion of the allocated EGP 10 billion to begin loaning to low- and middle-income homebuyers. The EGP 10 billion will be loaned out to local banks by the CBE at low interest rates, with a 20-year repayment period. In turn, mortgage loans will be provided to low- and middle-income buyers with a 7% and 8% interest rate respectively. Mortgage loans are defined as loans in which the purchased house is put up as collateral for the loan, wherein a buyer who defaults on a loan is subject to having his/her house repossessed.

"Egypt is an equities market where mortgage is a developing field, however it still is considered to be inadequate and with the initiative launched by the CBE, financing mortgages provides home seekers with a chance to build their homes," the Chairman of the Egyptian Financial Supervisory Authority (EFSA), Sherif S. Samy, told Daily News Egypt in an interview.

The Mortgage Finance Fund, a subsidiary of the CBE, regulates the entire mortgage scheme in Egypt.

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.

Mortgage Firms

Other than banks, there are numerous firms in Egypt specializing in finance mortgage loans. A few examples of mortgage firms include the Egyptian Housing Finance Company (EHFC), Tamweel Mortgage Finance, Sakan Finance, Al Ahly Mortgage Finance, Taamir Mortgage Company, Arab African International Mortgage Finance, Egyptian Mortgage Refinance Company, Al Naeem Mortgage Finance Company, Amlak for Real Estate, among others.

Islamic Mortgage

The Egyptian Financial Supervisory Authority has provided the Islamic banks with regulations under mortgage financing. As a result Faisal Islamic Bank assigned EGP 200 million for individuals who comply with low and middle-incomes.

Islamic mortgage is believed to develop and sustain applicable Islamic laws, regulations and principles to financial transactions. Unlike a traditional mortgage system where the money borrower is given a certain amount, which is then repaid with interest, Islamic mortgage is based upon the Islamic funding principles of a co-ownership and leasing, according to Al Rayan Bank.

The Investment Benefits of Mortgages

Property Mortgage in Egypt has opened new segments of investment, a new scheme of property financing is to reflect on the rapidly expanding Egyptian markets, such as the real estate market. There are always two sides to every story and Egyptians are considering properties to be a way of guaranteed and sound investment. The value of the Egyptian pound is declining and where to invest the money and which construction projects and units to focus on is a fundamental part of the process of property mortgage in Egypt. The value of the currency is diminishing against a plethora of real estate property and striking the balance is challenging. The benefit of using the mortgage system to finance a property lies in investing in current investments against an inevitable increase in prices of real estate properties by a minimum of 15% increase annually; Ayman Sami, Country Head of Jones Lang Lasalle (JLL), stated that annually a 5% to 15% is added to residential units and properties. While currency depreciation is not a novice concept, the best method of investing the money available needs studying.

Following the launch of the property mortgage initiative, real estate projects have taken leads and have topped lists of news agencies and news announcements. Other benefits for using property mortgage lie in building and sustaining consumers' confidence, which would be attained through CBE's system regulations.

Real estate is an embodiment of profit making and a safe haven; the prices keep rising and the value of the Egyptian currency keeps decreasing, and so investing now is the best solution to an economic rise. The majority of investors in Egypt favor real estate investments compared to investments in other liquid assets such as shares, gold, or bank certificates, said Ahmed Al Masoudi, the CEO of AqarMap, in an interview with Daily News Egypt.

"The investment culture in the domestic market classifies real estate and land investments as the safest investment sectors nowadays" as Tarek Shoukry, Chairman of Arabia Group puts it. Shoukry posited a rather important claim that the real estate industry is on the rise and is guaranteed to not decline and so using the money to invest in houses instead of safe boxes at banks is the safest type of investment in Egypt today. Compared to the US, hardly any hard transactions take place, cards are being used for any payments and mortgages are being invested in on every given chance, while in Egypt no one uses mortgages, and the CBE's initiative would be utilized to pump money for investment purposes and cash would only be used in the form of buildings and houses and not for transaction purposes.

There is always room to invest, however, finding the right opportunity in the right moment is an integral opportunity to grasp and the abovementioned lists of firms to invest in and types of mortgages listed would ease the process of committing to a life-long asset. The CBE's specific regulations of how much money an individual can borrow depending on their income level ensures a smooth repayment system of how much money individuals can eventually pay back which guarantees an efficient overall system. From an economical point of view, pertaining to certain property mortgage percentages would reduce the burden on banks, and therefore, boost the credibility of customers and this would achieve a win-win system.

FDI in the Residential Market: A Closer Look

By Tim Nanns

The multitude of building projects across Egypt's various construction sites is nearly endless, from huge, narrow apartment buildings for lower-income households, to the luxurious shopping malls springing up all over the main population hubs.

Built with a similar view to luxury as these malls are the housing schemes in residential projects geared towards mid- to high-income earners. With the exception of government-funded social housing projects, the flags flying over these residential projects are often those of foreign construction or investment companies.

Though foreign investors are also involved in low- to middle-income residential projects, like the Kuwaiti firm Al Juwisry which is running a social housing project in 6th of October City, high-income buyers are the main focus of foreign companies.

What most residential projects have in common are of course their high-income buyers, but also the region of origin of their investors – they are almost exclusively from Gulf countries like Saudi-Arabia, Qatar, and the UAE. Some of the companies running these residential development projects are joint ventures, some exclusively owned by their foreign investors.

Current Market Activity

Probably the largest investors in the housing sector is the UAE's Emaar Misr, the Egypt-based subsidiary of Emaar Properties. Its CEO, Mohamed El-Dahan, labelled his company as one of the largest foreign direct investors in Egypt, in a March interview with Daily News Egypt. Indeed, Emaar Misr has a number of projects under development, most prominently Mivida and Uptown Cairo in the Greater Cairo area and Marassi at the North Coast. It also achieved a 21.2% growth in sales from 2014 to 2015, from EGP 7.1 billion to 8.6 billion, taking it to the top tiers of real estate companies listed at the Egyptian stock market.

Another major player in the residential market is Qatari Diar. Despite strained relationships between Egypt and its home country, the company is developing several large-scale projects in the Greater Cairo area: with New Giza and City Gate – over 1,500 and around 2,100 acres in size respectively – it features two major upscale developments. Additionally, it is also building the St. Regis Nile Corniche complex, which involves an upscale hotel and serviced apartments. The New Giza and City Gate projects are both designed as integrated communities, with parks, hotels, clubs and golf courses.

Among the prominent developers is the joint venture Saudi-Egyptian Construction Company (SECON), established through an international agreement between the two countries in 1975. In 2015, the company announced its plans to build two residential towers overlooking the Nile in the Maadi district in Cairo, including a five-star Hilton Hotel with a total investment of approximately EGP 1.6 billion.

What is notable about SECON's projects is their sheer number, though they mostly lack the scale of Marseilia's, Emaar's or Qatari Diar's community projects.

Moreover, across Egypt's North and East coasts, Egyptian-Gulf company Marseilia is building a range of residential units with investments worth EGP 1.7 billion in 2016 and 2017, the company's chairman Yasser Ragab told Al Borsa in August. The main focus of its flagship projects are beach communities on the North Coast and near Alexandria. Further, according to Ragab, in an interview with Daily News Egypt, the company aims to achieve sales of EGP 1bn this year, despite planning to deliver only 824 housing units this year, down from 1,470 last year. Ragab also stated that social housing accounts for 70% of Marseilia's 8,000 clients, and it would thus compete for land offered by the Ministry of Housing, aiming to implement social projects in the Nile Delta, Upper Egypt and Cairo.

Last but not least is Capital Group Properties (CGP), owned by Abu Dhabi Capital Group and Al Ain Properties. It started its first project on the Egyptian market – labelled Al Burouj – this year. According to CGP, the project aims to establish an integrated urban community between the Suez and Ismailia Desert Roads on 1,212 acres, at an investment volume of EGP 40 billion. CGP claims its new project will create housing for all segments of society.

FDI in the Residential Market: The Figures

To delve deeper into the matter, foreign direct investments (FDI) are by definition direct investments or investments by companies in which foreign shareholders have at least 10% stake, though some definitions put the percentage at 25.

While figures on FDI in residential projects are scarce, numbers from 2014/15 by Santander show that construction and real estate together only amounted to roughly 3.6% of the total FDI flowing into Egypt. According to the UNCTAD's World Investment Report the total FDI in Egypt has risen by 14.1% and 49.3% in 2014 and 2015 respectively. In particular, the real estate sector has made improvements in terms of easing investment procedures with the General Authority for Investment and Free Zones (GAFI), stating that there are now about six times as many companies on the market as in 2015, while the capital invested rose more than tenfold – signifying a peak in the incentive climate for FDI in the booming real estate industry.

Surprisingly, the UK accounted for 41.5% of foreign investment into Egypt, according to Santander's 2014/15 figures, while the UAE, Saudi Arabia, and Kuwait together comprised only 17.5% of the investments. However, since there has been an enormous rise of companies working in the real estate sector, and in lights the major trend towards foreign investors coming from the Gulf, it is estimated that the UAE and Saudi Arabia together account for the largest share of FDI in the residential market.

Opportunities and Challenges Faced by Foreign Investors

The residential sector in Egypt is naturally driven by an extremely fast-growing population, and the attendant surge in demand. This compounds an existing housing crisis due to the inability of the government to meet current demand.

Colliers International estimated the residential market to require 500,000 units in 2020, which entails an annual demand of 90,000-100,000 units, with annual supply meeting only half the demand. Of the total demand, 77% is generated by middle-income Egyptians.

This, however, does not account for the great numbers of high-end and luxurious housing currently under construction in Egypt. Incentives for foreign capital involve a weak Egyptian pound, currently in a severe crisis after a recent 13% depreciation of its value, changing hands at EGP 8.88 per dollar in Egyptian banks, and at far higher rates in the unofficial market, with analysts expecting further devaluation.

Additionally, the government has recently made an effort to attract foreign investors with flagship conferences, like the Egypt Economic Development Conference (EEDC) in 2015, but also with an improved legal framework for FDI, like offering a range of incentives to foreign investors and reducing the bureaucracy surrounding foreign business activities.

The investment law, which was amended days prior to the EEDC, introduces incentives for foreign investors, including, but not limited to, reduced customs, reduced sales tax rates, and ensuring equality between local and foreign investors when acquiring lands, entailing provisions for voluntary liquidation within a 120-day deadline.

Main issues foreign investors are still facing however include the transfer of foreign exchange out of Egypt since larger transfers need to be approved by the CBE. According to a 2015 report by the US State Department, legitimate transfers can sometimes be delayed for several months. In light of the recent currency crisis, currency-related issues like this are not likely to vanish anytime soon.

Additionally, there are legal restrictions on the number of foreign workers in foreign companies working in Egypt. The OECD further stated in a 2014 report that, de facto, foreign personnel are not permitted in certain sectors, calling for codification of these limits or their abolishment. Another issue is law no. 89 governing tenders, which allows the government to prioritize bids from domestic contractors over foreign ones when awarding contracts, which could dissuade some foreign companies from even competing over government contracts.

Nonetheless, despite these problems foreign investors might face when investing into Egypt, the recent improvements of the legal framework – specifically targeting foreign investment – were largely praised for improving the investment climate, as highlighted by the US State Department report.

What makes Egypt's residential market of Egypt so attractive for investors in general, not just foreign ones, is the aforementioned steadily high population growth, which guarantees a high demand for housing units. However, the traditional role of real estate as a safe haven for investments plays a part in this: with the Egyptian pound in a perilous situation and inflation as a very real risk, many people consider real estate as a safe investment opportunity.

Furthermore, as Egypt's mid- to high-income residents – particularly those in large urban cities – seek to move further away from urban centers and the congestion and other issues associated with them, demand for a new kind of housing has been established. In turn, foreign investors have sought to take advantage of this urban sprawl, effectively changing the landscape of Egypt's property market.

The Influence of FDI Investment on Egypt's Commercial Real Estate

By Julian Nabil

Viewed as one of Egypt's stronger industries, real estate ventures have been on the rise despite economic conditions. With state efforts in attracting investment to numerous sectors, many investors, especially foreigners, have begun directing capital towards one of the underserved segments of the industry, commercial property.

Including office buildings and retail developments, commercial real estate is considered by many as a promising sector as statistics have shown a significant demand supply gap. According to a report by Jones Lang LaSalle (JLL), demand for Gross Leasable Areas (GLA) in Egypt is expected to climb to 3.28 million square meters, while currently supply stands at only 1.3 million square meters, rendering the market a profitable venture, at least by figures.

In recent years, Egypt's commercial real estate market became on more solid footing than it has been before, serving as a hedge against the stock market volatility. It is also largely seen as a safe haven against inflation and the devaluation of the Egyptian pound due to its high returns on investment (ROI).

The country has moved up to fourth place within the MENA region in the 2016 Global Real Estate Transparency Index (GRETI), reaching the Semi-Transparent category, which is a sound indicator of the positive trend the local market is currently experiencing. Among the contributing factors to the boost, is the flow of Foreign Direct Investment (FDI), namely from Gulf countries such as Saudi Arabia and the United Arab Emirates (UAE).

In terms of figures, public and private capital poured into the real estate market as a whole stood at a total of EGP 47.5 billion ($5.3billion) in the previous fiscal year of 2014/2015, according the Ministry of Housing. Similarly, the Central Bank of Egypt (CBE) reported that investments pumped in the real estate market by foreign investors, in the same fiscal year, account for 6% of total FDI in the Egyptian market.

Market Overview – FDI in Retail

The retail market, in terms of real estate, has continued to maintain a robust growth since 2015, with vacancy rates falling 14% year-on-year in the second quarter (Q2) of 2016, despite the rise of rental rates by 13% year-on-year during the same quarter, reflecting the persistently growing demand.

Being positioned in a very dynamic tier, Cairo saw the completion of around 93,000 square meters of additional retail space in 2015, increasing total mall-based retail space to around 1.3 million square meters, according to a report by JLL.

The market saw the launch of a number of large mixed-use commercial projects and the development of existing projects in the recent years.

One of the most known Saudi's commercial projects is Citystars Heliopolis which was launched in 2004 with total investments over EGP 800 million. The mixed-use development, which includes Citystars, office buildings and other facilities, is managed by Golden Pyramids Plaza.

Launched late November 2013, Cairo Festival City (CFC) is another major project that contributed to the standing of the local commercial market. Developed by Al-Futtaim Group Real Estate, part of Dubai-based Al-Futtaim Group (MAF), the project was constructed with investments reaching EGP 7 billion.

Additionally, MAF is currently developing a mega retail project, Mall of Egypt, in 6th of October City with total investments of EGP 4.9 billion. The project is expected to be finalized in Q4 2016.

The UAE developer has also launched other landmark shopping destinations in Egypt; City Centre Maadi and City Centre Alexandria, with a total investment of around EGP 2.5 billion. The company is also in the preparation phase of a EGP 2 billion expansion of City Center Maadi, according to Mouien Al Madhoun, MAF Chief Human Capital Officer, interview with Daily News Egypt.

In early January 2016, the company unveiled plans to start a third City Centre project, the new City Centre Almaza, with an investment of over EGP 4 billion. The new project is expected to open its doors in 2019.

A similarly prominent commercial project is Mall of Arabia, with its phases one and two hitting EGP 5 billion in investments. The mall's owner, Saudi-based Fawaz Abdulaziz Al Hokair, earlier announced plans for a third phase which is still under study.

Furthermore, Dubai's Emaar Properties launched Emaar Square in the Mokattam area within its Uptown Cairo project, which is expected to be finalized in 2017. The venture is worth EGP 12.8 billion in investments, EGP 3 billion of which will be directed towards construction of Egypt's largest open mall.

The market has also started to see the entry of Arab investors outside the gulf region, such as Libyan HNS Group, owner of Sun City Mall; a project worth EGP 3 billion in investment.

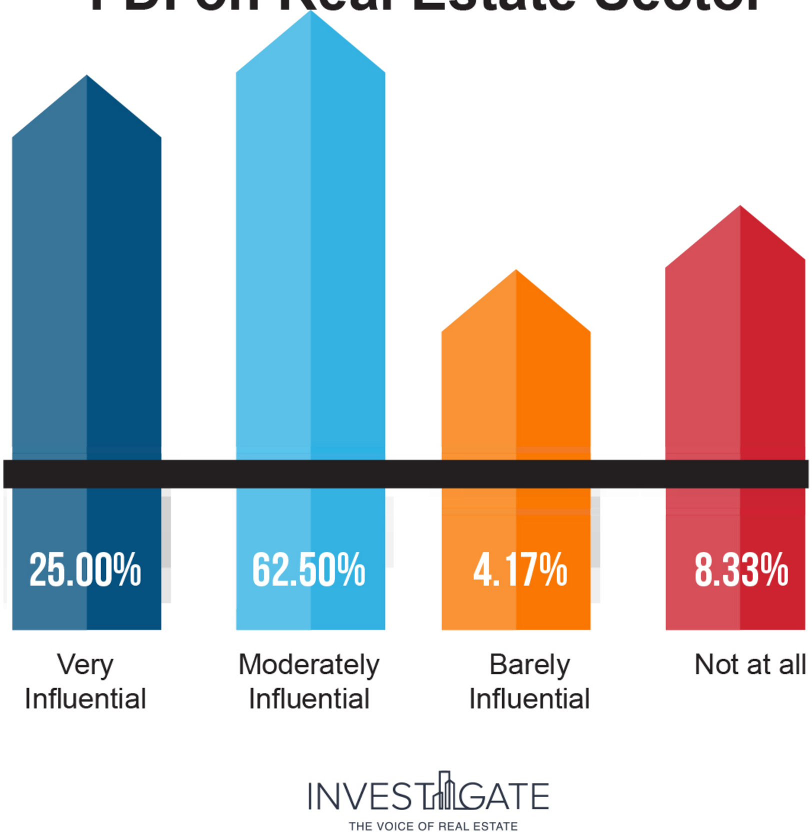
Market Overview – FDI in Office Space

The office buildings market is also picking up, especially grade A offices in east and west Cairo, which have witnessed increasing demand during the past period. It is believed that tenants, when able to, tend to relocate to quality office space with better geographical locations.

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.

While the need for business space is increasing, supply is also growing as developers have ramped up their office projects. As part of CFC project worth EGP 19 billion in investments, the Business District was launched to address the growing need for business space. The project is divided to the Northern District and Southern District, offering a combined total of 250,000 square meters of premium office space.

Perception of Influence of FDI on Real Estate Sector



Overlooking the main CFC Boulevard, the Southern Business District has been divided into several phases. The first of which was launched in 2012 and includes two buildings with an area of 40,000 square meters; while the second phase includes five buildings with around 50,000 square meters.

Challenges and Market Resilience

Although the Egyptian government is focused on fostering a better investment environment, foreign investment flow is still facing roadblocks.

Unlike the residential market where revenue stream begins with the announcement of the project, and ROI is relatively covered in a short period, commercial property requires longer periods to cover its initial capital investment. Part of this investment is land, and higher land prices offered by the state are straining profitability prospects. The price increase is mainly attributed to the state's continued monopoly over the sale of land, Egyptian Businessmen's Association's (EBA) Chairman, Hussein Sabour said, adding that the state role should focus on monitoring and supervising land-offering procedures.

There are also some concerns that rising investment inflows into the commercial property market may lead to oversupply or a potential asset bubble. However, the market is backed by strong demand that will help to protect it from any steep fall, according to Oxford Business Group.

In order to better understand the perception of the impact of FDI on the sector, Invest-Gate asked its readers about the expected influence of the currently flow of foreign investment on the sector, a whopping 62.5% believed that FDI is of moderate influence on the real estate sector's performance.

Despite all the economic challenges facing Egypt, the commercial real estate sector has succeeded to maintain a buoyant performance with the capital it has continued to attract from investors both local and foreign. Being considered as a safe investment for many, such fast-expanding industry will contribute to the recovery of the overall economy by bringing in more inflows of hard currency, as well as securing more employment opportunities to balance out the recent rise in unemployment.

Why Invest in Income Property?

By Fatma Khaled

Despite the instability of the Egyptian market over the past few years, it has become common knowledge that one market has withstood the repeated economic shocks and has managed to flourish against the overarching downwards current.

Real estate is perhaps the only industry that continues to see tremendous growth amid the complications of the economy, with many—both investors and individuals alike—relying on it as the safe haven for investing their cash.

Seeking to set themselves apart in a highly competitive sector, a number of companies have segued into a new branch of the real estate market, offering rental and management of properties as a service offered alongside their regular property market, promising that in conjunction with the regular appreciation of the property value, the buyer will also benefit from a regular flow of income generated from the property. Among the pioneers of income property in the Egyptian market are Porto Group, Brouj Egypt, and Italian Square.

Income property is defined as earning income through renting, leasing, or price appreciation of a property that can be residential or commercial, where residential properties are referred to as "non-owner occupied" that carry a mortgage of a higher interest rate than that of an "owner-occupied" mortgage.

The Egyptian market is currently filled with real estate developers and companies that offer the service of managing those income properties, a process often referred to as property management. This involves the management of personal property, tooling, systems, physical capital assets, and manpower required to maintain acquisition, control, accountability, maintenance, utilization and disposition.

Successful Examples

A vibrant example is Porto Group, a subsidiary of Amer Group, one of the most prominent developers in the Middle East and North Africa. Porto Group managed to develop projects in several destinations that combine residential, retail, office spaces and international restaurants.

Porto Group operates mainly on four vital interlinked lines of business that include not only real estate, but also malls, hotels, facilities' management and sales, and vacation club services.

The company states that it provides facilities management and maintenance for all of its developments, offering many retail spaces in its recently established entities, and some found in Porto developments, which have sold approximately 19,571 units since 2005.

Porto Group is not the only real estate company that provides such services;

many competitors have emerged recently to the scene, such as Italian Square, which mainly focuses on running and managing properties for its owners.

Italian Square is a commercial brand that was developed and managed by Misr Italia, which focuses on running the unit and renting it with what they describe on their website as a guaranteed income that increases annually.

The company the focused on renting and managing an investor's business offering approximately 119 retail, administrative, and service units for coffee shops, offices, clinics, nurseries, beauty centers, etc.

The company has stated on its website that their main goal is to develop a higher return on investment (ROI) than from other sectors, such as banking, the stock market, and real estate investments.

According to Misr Italia, it is internationally recognized that the return real estate commercial investment reaches 18%; a number that is uncontested in any investment project.

The company recently began selling its commercial units in the final phase of its projects in New Cairo and 6thof October City, which boast a modern design and superb location, with shops, cafes, restaurants, banks, and nurseries, a salesperson told Invest-Gate.

She also added that customers make a down-payment of as little as 10% of the total price of the unit as prepayment, and can choose to pay the rest over six years from the date of purchase, describing this as the "competitive edge that makes Italian Square different from other companies."

"The price of one meter costs EGP 84,000, and will be rising by 5% next month. The increase is primarily based on supply and demand," another Italian Square employee told Invest-Gate.

Brouj for Real Estate is another competitor with a business model based on income property management. It is known for marketing projects in accommodation, administration, and luxury resorts, and is dedicated to property management and real estate investment.

The company's real estate marketing analyst stated that there has been a noted increase in the supply of commercial units since 2009. In addition, with the expansion of commercial and residential units for rental usage, businesses have an opportunity to operate in new buildings rather than old ones, which is considered a form of an income property investment.

There are two primary factions behind the expected increase in demand, according to the company's analysis; multinational businesses seeking a presence in Egypt and Middle Eastern companies that have recently started to relocate in Egypt to escape avoid the challenging environments and cost of operating in Dubai and Lebanon.

"Our current projects include properties in North Coast resorts, where customers buy a residential chalet at a starting price of EGP 650,000 and sign a contract with the resort's hotel that will be further responsible for attaining the monthly rental rate and providing maintenance before offering it for rent," said Ayman Kamel, a sales administration employee at Brouj.

Considerations before Investing in Income Properties

Considering the challenging investment climate in Egypt and the volatility of the Egyptian pound against the US dollar, some Egyptian real estate companies advise investors to answer certain questions before investing in an income property in order to cut potential losses.

Investors must decide on several factors, including whether they will invest in a unit for accommodation or investment, the size of the space needed and its internal division, the facilities that can be provided by the residential or commercial unit, and the price compatibility with similar projects in the same area.

The concept of income properties has existed in the Egyptian market for some time, and similar investments have also been applied in other developing countries with economies similar to that of Egypt, such as India.

Investment in income and commercial properties in India have witnessed both advantages and a number of challenges due to the same disadvantage Egypt is facing currently, one of which is the Indian rupee's continuous depreciation against the dollar. Therefore, the quest for high returns poses a challenging task.

Similarly to Egyptian investment laws, Indian investment laws stipulate that non-residential Indians can own unlimited residential and commercial properties. However, they are not allowed to purchase agriculture lands, farm houses or plantation properties. The law also states that a maximum of 80% of the property's value can be funded by a financial institution.

The Indian investment market has witnessed advantages behind income properties, including confirmation by Indian private bankers and clients of wealth management firms that they have strategically started investing in income commercial properties because of the gained assets that can protect their portfolios from inflation and stock market instability.

Another potential advantage, which can also be found in the Egyptian market of income properties, is the availability of chances for small investors who can invest in newly-built retail units and offices of smaller spaces.

Investors, however, also face a number of challenging potential disadvantages in the market when running an income property, which include the unstable increase of net rental income; according to the Global Property Guide, it is taxed at progressive rates ranging between 20% and 30%.

One example is the rental control in Delhi, which is based on the maximum annual rent, i.e. 10% of the construction cost and the land's price, which are assessed based on historical value rather than the property's current value in the market.

Similar to Egyptian investors, Indian investors may face trouble as landlords in protecting their property from unwanted or overstaying renters, and although the case may be taken to court, the enforcement process may take years.

The very low Indian gross rental revenue is another disadvantage. In other words, the percentage of return on purchase of property is low, even though residential property prices are high.

Bottom Line

Income property, while a new and emerging trend, currently can be seen as one of the most lucrative investments in Egypt. Combining both the safe haven of turning a devaluating currency into appreciating brick and mortar, and securing regular income.

Delegating companies to run and manage your property, ensuring maximum output is an ideal process for those seeking a detached source of capital, and one which will pave the way to income regardless of economic status.

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Trend Analysis:

Devaluating Currency vs. Real Estate Boom

By Heba Eid

Egypt's real estate market, described by many as rock solid, may not necessarily need a boost, yet the Egyptian pound's (EGP) recent devaluation did exactly that. Since the 2011 revolution, the economic decline has caused foreign reserves to dwindle to an all-time low, which has disturbed the economic, political, and social climate. Adding insult to injury, tourism suffered a major hit last year, dramatically affecting one of the country's key sources of foreign currency. As a major importer of commodities, the dollar shortage fuelled inflation, led imported goods to pile up at the ports, and disrupted businesses that rely on imported raw materials for production. These developments have allowed the black market to flourish, with the dollar reportedly crossing EGP 12.

In a move designed to reinvigorate a slowing economy and the depleted foreign reserves, and to subdue the growth of the black market, the Central Bank of Egypt (CBE) downgraded the EGP value by 14% against the US dollar – the largest devaluation since 2003. The monumental devaluation has been applauded by many economists and bankers, who view it as a step in the right direction. Many Egyptians, however, are apprehensive of how the devaluation will affect the prices of everyday goods and most importantly, their savings.

A Surge in Property Sales

A weaker local currency has curtailed sales and market growth, which means that the average consumer can afford less, and thus becomes more selective in purchasing habits. The real estate sector, contrary to the norm, has seen a real rise in sales.

The real estate market was remarkably resilient while other industries stumbled in the wake of the 2011 and 2013 revolutions. The stability of the property market is due in part to the trend amongst Egyptians to convert their cash to assets of the rock and mortar kind.

Around 45% of investors in Egypt favor investments in real estate compared to investments in shares, gold, or bank certificates, said Ahmed Al Masoudi, the CEO of AqarMap, in an interview with Daily News Egypt. In times where the economic landscape is unstable, Egyptians tend to hedge against inflation and a weakened currency by investing in real estate.

"The investment culture in the domestic market classifies real estate and land investments as the safest investment sectors nowadays; most Egyptians consider investing in real estate, better than the stock market or buying gold under the globally and locally volatile prices," Tarek Shoukry, Chairman of Arabia Group said, commenting on the trend.

Shoukry added that the recent decline in the price of the Egyptian pound against the dollar has encouraged Egyptians to change the foreign currency in their possession, and use the price difference to invest in housing units, since they are assured that the real estate market prices will not decline compared to other sectors, and that prices will actually continue to increase.

Ayman Sami, Country Head of Jones Lang Lasalle (JLL), explained to The National that prices of residential units have been increasing annually by 5% to 15%.

With the demand for residential units outstripping supply, potential buyers from Cairo's young and growing population, and the projected growth of the market as a whole, investment in real estate is a sound decision compared to other forms of investment.

Following the CBE's announcement of the change in exchange rate, the EGX 30 Real Estate Index has risen by 22.6% according to Bloomberg. Within 48 hours of the release of Palm Valley project in west Cairo, all of the 108 units offered by Palm Hills Development were sold, raising EGP 491 million. In late May, an iconic image circulated social media of hundreds of people crowding in front of Mountain View's offices for a chance to reserve a unit in their latest project iCity. The reason for the significant interest in the project is believed to be due to its relatively lower price compared to neighboring areas in New Cairo, where prices for range between 10,000 to 20,000 per square meter, while iCity is priced at EGP 8,000 per square meter, according to the Chairperson of Themar for Real Estate, Maged Abdel Fadeel, who addressed the topic in an interview with Daily News Egypt.

Prior to the EGP's devaluation, last year speculation of a weak currency caused a surge in property sales. Examples include Palm Hills Development's rise in property sales by 69% and Talaat Moustafa Group's revenue increasing by 17%. Similarly, Emaar Misr for Development's 2015 revenue reached EGP 8.6 billion, an increase of 21.2% compared to that of 2014, according to Amwal El-Ghad.

EGP Depreciation and Foreign Investment

The decision to devaluate the local currency is viewed as part of the government's larger scheme to attract foreign investors. Structural reforms, state incentives, and government proposed infrastructure spending are part of a grand plan to boost a rather stagnant economy.

Currency devaluation is nothing new to the global market – the Chinese Yuan, the Euro, and the Japanese Yenall saw a weakening of currency in an attempt to stimulate their economies and boost exports.

The rise in the price of the U.S. dollar against the local currency may be one of the positive upsides that are expected to attract foreign investors to the real estate market, said Mohamed Saif Al Nasr, Head of the Central Department of Buildings in the Urban Communities Authority. He added that foreign investment in Egypt will appeal to investors, cost-wise, provided the cost of construction is not overly impacted by the EGP's devaluation.

Government support and noticeable reforms alongside currency devaluation have been reliable indicators to investors of the government's commitment to ease any obstacles for investment.

It is not surprising that Egypt has seen an influx of projects and investments launched following the CBE's announcement.

The United Arab Emirates (UAE) real estate developer, Capital Group Properties, has launched a major residential property in Egypt: Alburouj project. The project's investment is estimated at EGP 40 billion, and it will create 30,000 housing units between Suez and the Ismailia Desert Road.

Another project was recently launched by the Saudi Egyptian Construction Company (SECON). Riyadh-SECON will be built in New Cairo, with investment worth 3 billion, covering an area of 68 acres.

Saudi Arabia and Egypt signed about EGP 222 Billion ($25 billion) worth of agreements during Saudi King Salman bin Abdul Aziz Al Saud's visit to Cairo in April, according to Al Ahram. This move demonstrates the confidence regained by investors.

In May, the Kuwait Fund for Arab Economic Development (KFAED), agreed on a KWD 100 million loan to Egypt to finance the construction of five seawater desalination plants in South Sinai, according to Daily News Egypt.

In Egypt, the shockwaves of the weaker currency and inflation are felt by businesses as well as the average Egyptian. The silver lining, though, is reflected in the performance of the real estate market, with locals safeguarding their money by investing in property. Developers are noticing this trend and encouraging it by competing through incentives, more relaxed installment plans, and huge promotional campaigns. The instigation of multiple large-scale real estate plans also indicates that the devaluation has positively impacted foreign interest in Egyptian projects.