

Market Watch Report

GOVERNMENT POLICIES & INVESTMENT



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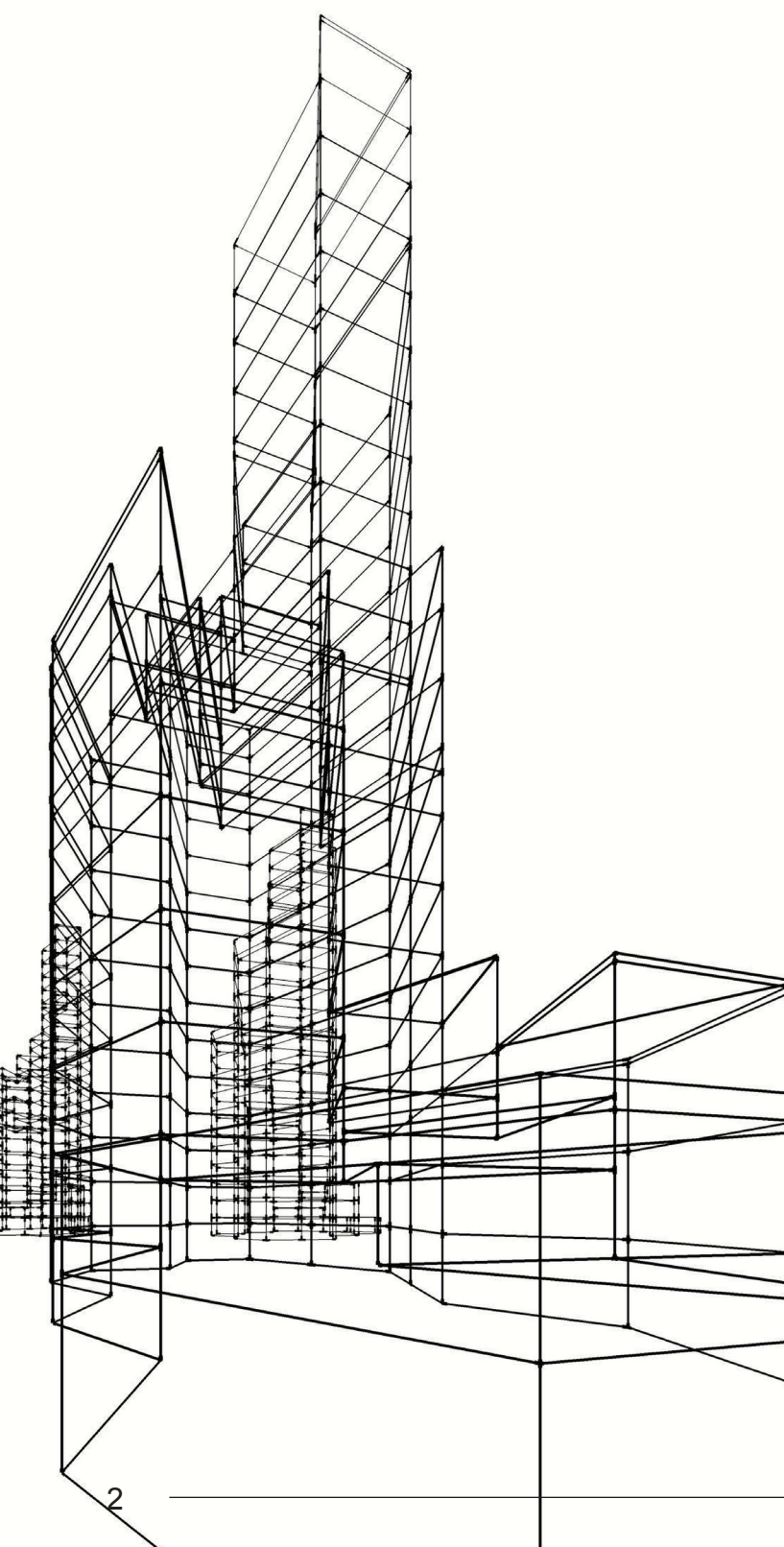


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World Bank Delegation Follows Up on Rural Sanitation Program

Minister of Housing, Utilities, and Urban Communities Mostafa Madbouly met with a World Bank delegation to discuss updates on the Rural Sanitation Program that was signed earlier this year. The first phase of the project is expected to serve 155 villages across three governorates including Dakahlia, Sharqiya, and Beheira.

Madbouly Approves New Social Housing Law

The Board of Directors of the Social Housing Fund, headed by Minister of Housing Mostafa Madbouly, approved a new law governing social housing and real estate funds, in preparation for presenting it to the Cabinet. The new law ensures that prevention of any violations against the social housing system, also ensuring that some of the allocated resources will be dedicated to developing informal settlements, Madbouly confirmed.

2,500 Acres to be Developed in New Assiut City

The New Assiut City Authority has completed the planning for 2,500 acres of land, as part of the expansion plan, which will see the development of 30,000 acres. Ahmed Omran, Head of New Assiut City Authority, said, "Designs for the project have been finalized and presented to the New Urban Communities Authority for approval. We expect to offer the designs to contractors next year."

Administrative Capital Units to Go on Sale in Q1 2017

Administrative Capital for Urban Development is currently pricing the units in preparation to market them for sale in the first quarter of 2017, sources at the Ministry of Housing, Utilities, and Urban Communities said. The Ministry of Housing has given contractors a year to finalize the construction of the residential neighborhood located in the New Administrative Capital.

Sheikh Zayed City Demands EGP 100 mn for Projects Development

The Sheikh Zayed City Authority has requested of Planning, Monitoring and Administrative Reform an additional budget worth of EGP 100 mn as part of the city's current budget that is allocated for Dar Misr project, an electricity station, and a central park. Around EGP 70 mn of the requested additional budget will be allocated to implement 1,608 residential units of Dar Misr and finalizing an electricity station.

Mortgage Companies Provide EGP 783 mn by October 2016

Total real estate funding activity amounted to EGP 783 mn in the first 10 months of 2016, compared to last year's EGP 732 mn, marking a 7% increase, according to Sherif Samy, head of the Egyptian Financial Supervisory Authority (EFSA). The total assets of mortgage companies amounted to EGP 2.8 bn in the same period, marking a 10% increase from last year, Samy continued.

Public Lottery for Dar Misr Units to Begin Thursday

The public lottery for units in the Dar Misr middle-income housing project is set to start on December 8 and continue to December 18, according to Minister of Housing, Utilities, and Urban Communities Mostafa Madbouly. This public lottery includes residential units located in New Damietta City, New Cairo, Shorouk City, Obour City, 10th of Ramadan City, Badr City, Sheikh Zayed City, and 6th of October City.

Real Estate Appraisal Association Demands Increase in Assessment Fees

The Real Estate Appraisal Association has requested that banks increase real estate assessment fees by 100% following the flotation of the Egyptian pound. The board and members of the association met to reach this decision, which was welcomed by National Bank of Egypt, Banque Misr, and the Arab Investment Bank.

Government to Raise Tariff on Water Bills Next Month

The Egyptian government is expected to raise water bills fee in houses and commercial areas as of January 2017 "in an effort to decrease subsidy on drinking water," Mohy El Seir, spokesman for the Holding Company for Water and Wastewater, said. This latest tariff increase marks the second increase in the past two years.

Cabinet Approves Deadline Extension for Real Estate Projects

Following numerous requests from contractors to postpone projects delivery dates, the Egyptian Cabinet has agreed to extend deadlines on real estate projects, according to Head of the Egyptian Federation for Construction & Building Contractors Hassan Abdel Aziz.

Housing Projects for Youth to be Developed in New Valley

A total of 421,700 square meters of housing projects across three villages in New Valley governorate have been dedicated for youth at affordable prices, announced to Governor of New Valley Mahmoud Ashmawy. Another 31 acres of land have been allocated to a charitable institution for agricultural purposes and will be developed in partnership with the Social Development Fund.

983 Units Allocated in Dar Misr Project, New Damietta

At a public lottery held on Thursday, 983 units part of Dar Misr middle-income housing project in New Damietta were distributed among winners. The lottery was open to applicants who provided a down payment. Supervisor of the Commercial and Real Estate Sectors at the New Urban Communities Authority Tarek El Sebaey said, "non-winning applicants are to receive a full refund on their payments on January 8."

ARCO Pursues Development in New Administrative Capital

With more lands up for grabs next year, ARCO for real estate development is pursuing investment in the new Administrative Capital City. "It is considered an investment haven in the upcoming period," ARCO CEO Ashraf Salman said, explaining the company's eagerness to set foot in the new capital once the Egyptian government offers land plots as promised.

Development Tenders to be Offered within Several Cities

Tenders will be offered to the Egyptian Federation for Construction & Building Contractors (FCBC) members, to develop different infrastructure projects within the social housing project at New Borg El Arab City, according to Head of the City's Authority Ahmed El Desouky. The construction works will include developing inner roads in Borg El Arab City and electricity networks in Sadat City, according to Head of Sadat City's Authority Mohamed Abdelrahman.

10 Land Plots Assigned Commercial Projects in Sadat City

A total of 10 land plots, serving commercial projects to be allocated in Sadat City next year. Starting at 200 square meters, the plots are located in a lively public service area in Sadat City. "The city authority will hold an auction for all retail spaces on offer within the upcoming months," said Head of the City's Authority Mohamed Ashour.

Egypt's New Capital Completes 30% of its Infrastructure

Approximately 30% of the first phase of Egypt's Administrative Capital infrastructure has been completed, Minister of Housing, Utilities, and Urban Communities Mostafa Madbouly informed President Abdel Fattah Al Sisi. In his recent meeting with Al Sisi, Madbouly also stated that governmental/office buildings' master-plans have been finalized for the governmental district.

Several Hypermarkets to be Implemented in New Cities

New Urban Communities Authority (NUCA) is expected to launch a number of hypermarkets branches across Sadat City and Borg El Arab City. Following Minister of Housing, Utilities, and New Urban Communities Mostafa Madbouly emphasizing the importance of launching of major commercial chains in the new cities in Upper Egypt, NUCA is expected to implement a number of hypermarket branches across Sadat City and Borg El Arab City.

NUCA Approves Several Amendments Over Land & Housing Fees

The board of the New Urban Communities Authority (NUCA) has approved the reduction of administrative fees that are applied on the purchase of land plots for an entire year, in efforts to facilitate procedures for investors in new cities. NUCA has also approved a new offering method for land plots dedicated to industrial activities in the new cities.

Commercial Units Sold for EGP 6,000 Per Square Meter in Sadat City

A total of 30 commercial units were sold in a public auction in Sadat City on Thursday, with prices ranging between EGP 2,600 and EGP 6,000 per square meter. The office units were offered with floor plans ranging from 63 square meters to 133 square meters, located near commercial and residential areas, according to Mohamed Ashour, head of the Sadat City Authority.

NUCA Facilitates Regulations for Investors

The New Urban Communities Authority (NUCA) has approved a number of facilitations for investors, including reducing administrative fees for land plots, reported Al Mal. Additionally, for investors paying in installments, they are exempted from penalties and interests if they complete the payments within three months of accreditation.

Dar Misr Homes Allocates 6,520 Units Through Lottery

A public lottery was held to allocate 6,520 houses in Dar Misr project, a social housing project for middle income citizens implemented in several cities, on December 18. The offered units are in six new cities with around 2174 applicants are competing.

Commercial Complex to be Developed in New Minya

Land plots measuring a total of 13 acres have been prepared to develop a commercial/service project in New Minya City with the meter square priced at EGP 1,315, according to Mohamed Al Kosary head of the City's Authority. The city has previously requested NUCA to offer 15 land plots to construct a mall, university, and schools.

Egypt Showcases Housing developments at Arab Council, Riyadh

Minister of Housing, Utilities, and Urban Communities Mostafa Madbouly accompanied by a delegation from ministry headed to Riyadh, Saudi Arabia, to discuss the housing development in Egypt at the 33rd Council of Arab Ministers of Housing and Construction.

Moukhtar Ibrahim Co. Hits The New Capital With Six Residential Projects

Egyptian Real Estate Developer Moukhtar Ibrahim plans to invest in the new Administrative Capital with six residential buildings at a total cost of EGP 75mn. Deputy Chairman Mohamed El Khatib confirmed that the company is to deliver the residential buildings in a year.

Real Estate Companies to be Compensated for their Losses

Through recent mechanisms adapted by the Construction Companies' Compensations Committee, the Egyptian government is to compensate real estate developers under government contracts for their losses. The parliament is to approve the law that drafts the mechanism by the end of the month, compensating companies by the beginning of 2017.

Egypt to Partner with Saudi Arabia for Housing Projects

Egypt and Saudi Arabia are joining forces to develop the Saudi housing sector. Minister of Housing, Utilities, and Urban Communities Mostafa Madbouly confirmed. The Egyptian collaboration with the Saudi Housing Ministry is set to develop housing projects in Saudi Arabia with four real estate companies.

Egypt Invests EGP 110 bn in New Cities

The New Urban Communities Authority (NUCA) has currently invested EGP 110 bn to develop 30 cities across the country, featuring public services, facilities, and housing projects and another EGP 70 bn for basic foundations. NUCA is implementing 487,000 residential units, 2,240 public services buildings currently being developed across the cities by private construction companies.

Revenues from Exporting Construction Materials Doubled in 2016

Egypt's exports of construction and building materials has reached EGP 41.93 bn in 2016 compared to last year's EGP 21.93 bn, according to Export Council for Building, Refractory and Metallurgy Industries (ECBM). President of ECBM Jamal Al Din stated that, in 2016, Egypt exported for EGP 3.69 bn iron and steel, for EGP 3.69 bn aluminum, for EGP 2 bn marble and granite, for EGP 2 bn glass, and for EGP 1.4 bn copper.

NUCA Pumps Over EGP 50 bn Investments in 2017

The New Urban Communities Authorities (NUCA) is to pump EGP 50 bn worth of investments in 2017 compared to this year's EGP 37 bn, according to an unnamed source at the Ministry of Housing, Utilities, and Urban Communities. This large investment comes in line with NUCA's offering approximately 7,000 acres of land to investors and partnering with the private sector to execute several projects.

New Nubaria City to be Expanded

As construction works commenced at New Nubaria City, the New Urban Communities Authority (NUCA) plans to expand the project and is currently studying means to include groundwater cabinets. According to Supervisor of Construction & Building sector in NUCA Abdel Motleb Mamdouh, New Nubaria City authority is currently studying the suitable usage of groundwater cabinets in cooperation with Desert Research Center.

Prices of Commercial Units in New Minya Increased

Prices of commercial units at New Minya have increased during a public auction held last week, in which six units were auctioned between EGP 10,000 to EGP 13,000 per square meter. Head of the New Minya City Authority Mohamed El Kosary said, "This auction witnessed nearly a- EGP 2,000- increase of prices since last auction.

Illegal Buildings in Alexandria Cost EGP 200 bn

Alexandria records around 65,000 unlicensed buildings have been developed and completed over the past five years at a cost of EGP 200 bn, Egyptian MP Tarek El Sayed announced on a televised interview on a program called Kalam Masry. Building violations has become of Alexandria's major problems over the past few years due to many contributing factors including property rights and disagreements among many governmental entities.

Egypt joins forces with UAE for Upcoming Investments

Egypt strengthens ties with the UAE for upcoming investments, both Egyptian Minister Housing, Utilities, and Urban Communities Mostafa Madbouly, and UAE Ambassador Gomaa Mubarak confirmed, Invest-Gate reported.

"Investors from UAE are expected to increase their investments in Egypt the upcoming period and support the country's economy," UAE Ambassador Gomaa Mubarak said.

Alexandria 2032 Project to Initiate

Minister of Housing, Utilities, and Urban Communities Mostafa Madbouly has signed a protocol with Minister of International Cooperation Sahar Nasr to formulate a strategic development plan titled Alexandria 2032 project. The project is led by cooperation between the UN program and the Housing Ministry that aims to develop the governorate of Alexandria in the upcoming 15 years.

Cityscape: Egypt to Boost Investment Climate in 2017

As Cityscape gears up to launch in March 2017, the annual regional real estate conference emphasizes Egypt's role in reforming its economy through its real estate market. In its statement, Cityscape stated that Egypt seeks to build a strong investment climate and economic reform in 2017 following the recent economic changes.

Sisi Inaugurates El Nasr Bridge, Port Said

President Abdel Fattah Al Sisi inaugurates major infrastructure developments in Port Said governorate, including Egypt's first floating bridge, El Nasr Bridge, today. Located in Raswa area and over the Suez Canal, El Nasr Bridge is to connect Port Said City to Port Fouad City.

New Residential City to be Built in Beheira

A new residential city to be built on an area of 330 acres and will include social housing units, special houses, and middle-income housing units in the governorate of Beheira at a total cost of EGP 8 bn, according to Medhat Fouad, general manager for the Investment Authority in Beheira. The city will include entertainment areas, a hospital, commercial center, social club, police station, school, and facilities network.

Development Projects Decelerated at the New Capital

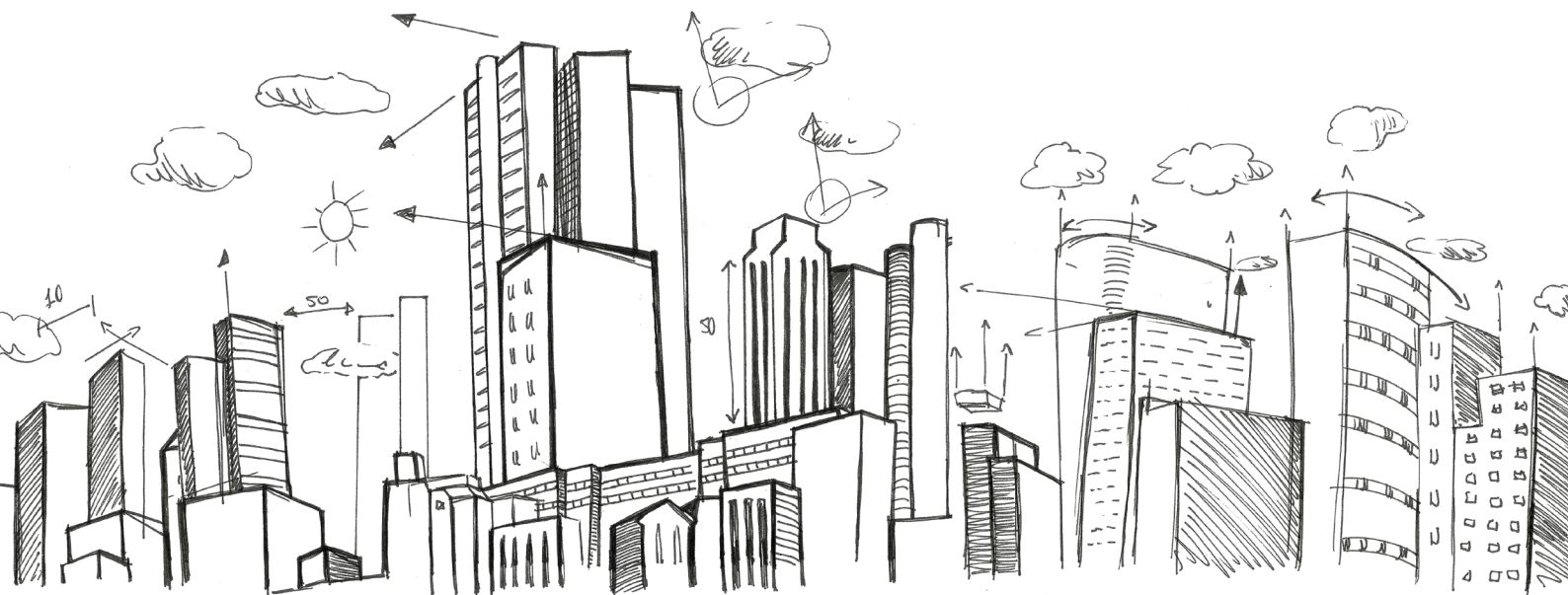
Due to Egypt's current economic condition following the floatation of the pound and price increase of materials and production cost, many contractors have decreased the development rate at the Administrative Capital. "The high prices on construction materials, indeed, have hindered the work rate at the New Capital and, therefore, the Ministry of Housing, Utilities, and Urban Communities is to finance the price differences to help constructors until the compensation law is officially issued," said Hassan Abdel Aziz, head of Egyptian Federation for Construction & Building Contractors.

New Investment Law Approved Today

The Egyptian Cabinet has approved the new Investment Law, according to Investment Minister Dalia Khorshid. The final draft of the new Investment Law includes new legislation forms and protects investors from bureaucratic procedures. Amendments on the law also included investors' right to transfer revenues to their mother companies abroad without any restrictions.

Ministry of Housing Records EGP 22.2 bn Sales in 2016

The Ministry of Housing, Utilities, and Urban Communities has sold land plots and residential units worth of EGP 22.2 bn in 2016, according to a statement by the ministry. The ministry previously offered around 64 land plots with areas ranging from 3 to 106 acres across 20 cities for developmental projects at a total cost of EGP 698 mn.





10 Tooba:

Developing an Inclusive Urban Policy

By Joana Saba

Amid the gold rush of Egypt's currently booming real estate market, it is often too easy to lose sight of the larger picture; who do Egypt's new developments serve, and what role does the real estate boom play within a larger development plan? A focus on urban policy alongside investment and development has perhaps been lacking in the past, but a number of initiatives have recently arisen to attempt to fill the gap.

10Tooba is one such initiative; an organization established by a group of urban researchers, with a particular focus on equity in housing and urban policy. Invest-Gate speaks to Yahia Shawkat, one of the founders of the organization, about their work, urban development, and the vision for Egypt moving forward.

When was 10Tooba established, and by whom?

10Tooba was established by three partners; Omneya Khalil, Ahmed Zaazaa, and myself. We established it in 2014. Each of us are architects by training, but we have all worked within frameworks that can be described as more social. Omneya

has a master's degree in anthropology and is currently completing her PhD. Ahmed Zaazaa worked on the planning and engagement process in a number of projects, most notably the Maspero Triangle project. I have been more focused on the policies and legislations related to housing.

What was the purpose of establishing the organization?

Very simply, we wanted to work on all issues related to social justice and housing. Over the past period, we analyzed the housing budget for example, to monitor which housing sectors are being spent on and the geographical distribution of poverty. We discovered that in the Nile Delta area and in Upper Egypt, each citizen's share of spending on housing is significantly lower than the national average. We discovered that there is a huge discrepancy between spending on existing cities (i.e. cities and villages) and spending on new cities, which are inhabited by less than 2% of the population in Egypt.

We also issued an index for urban deprivation, and ordered

the governorates according to the level of deprivation in each. We're also trying to change the tendency towards referring to the term "slums", which is a very loose term that nonetheless describes any building that is built informally. However, this isn't enough to define deprivation; there are people who live in formal housing settlements but who do not have water or sanitation. Others may live in buildings that are at risk of collapse but were nonetheless built in official neighbourhoods.

What are your projections for Egypt's urban development over the next 10 years?

I believe that the urban policies that exist today are the same ones that existed over the past 40 years, which have directed a very large part of public spending on establishing these new cities in the desert. These new cities are not built on realistic social or economic bases. They use up capital and are founded on the basis of the land or real estate that is sold there, which is not a sufficient basis for urban development.

When they were established in the late 1970s, it was on the basis that they would redirect the population growth from the Nile Delta, specifically on agricultural lands, to desert lands that could be built on without infringing on agricultural land. However, in reality, over the past 40 years, the rate of urbanization of the new cities was approximately 4,000 acres per year at most. Meanwhile, the rate of building on agricultural lands during the same period is approximately 16,000 acres per year. This is a huge rate, and it means that not only did building on agricultural lands continue, it increased, which indicated that this policy failed. And it failed for many reasons, which we outlined in a new study entitled "Myths and Facts of Urban Planning in Egypt".

We provide alternatives to these policies, and we work on re-laying these alternatives to the highest levels of authority to allow them to look at it.

What are the alternatives?

The alternative is that the urban policy needs to be completely changed, from being a policy aimed towards investment and the commodification of lands and housing, to a comprehensive social policy that studies the disadvantages of the current policy and reconsiders the method of offering lands. We need to offer lands at different sizes than those currently on offer, and to different segments, namely the lower-income segments, in methods that are suitable to the ways that they build and inhabit.

One solution is that there are many governorates that have desert space on both banks of the Nile, that are close to the urban areas. This space should be developed through much smaller cities that are built according to the same trends as the surrounding housing. In rural areas, people built incrementally, while the new cities do not allow for this. The lands are sold upon the precondition that they be built up within a certain timeframe. These conditions need to be changed in order to commensurate with people's needs.

There also needs to be incentives for very small developers who might build one building or a small number of buildings, rather than acquire 100 or 1,000 acres to build.

Moreover, the level of spending on new cities needs to decrease and be redirected to existing urban area. We discovered that the majority of governorates in Egypt are not as dense as we perceive. The issue is not the population or density; the issue is the management of the population density. If we look at traffic density; yes, there are cars, and they have increased perhaps threefold or fourfold over the past 15 years, but in reality, it is a question of managing the traffic that is necessary, and not that people need to move elsewhere. Or, for example, different policies should be adopted that do not favor cars over public transportation.

What are the main structural issues facing Cairo?

In our deprivation index [for Cairo], the highest indicator on the index was the lack of safety, which was measured by the rate of informal housing and the rate of the population living in informal housing. Approximately 46% of the population of Cairo live without legal tenure, so the first thing we have to look at is these informal areas in Cairo and why they were established. Why did they develop [on agricultural land], even though there is a lot of desert land in Cairo where they could have been developed?

Many people place the blame on urban migration to Cairo, which may have been true in the '80s, but now growth in Cairo is largely restricted to the growth of the population within Cairo. We also have major issues with the way Cairo is administered; Greater Cairo is made up of three main cities, which are Cairo, Giza, and Shubra al-Khaima, each of which is in a different governorate, even though they are enmeshed and share many services. There were many attempts to restructure the administration of Cairo, which I believe is essential. Now we have five new cities around Cairo; what is the vision for administering such a large urban mass?

What are your observations regarding the Cairo and Egypt 2052 urban development plans?

Both were designed in a top-down manner on the official level, without any social involvement of the people whom these plans are meant to be serving. If we look at the Cairo 2052 plan, it is primarily an investment plan rather than an economic or social one. The projects that we see today, the latest of which was the suggestion of moving the graves outside of Cairo and reusing that land for investment purposes, which indicates that the plan is already underway. This plan is looking to marginalize the low-income segments and move them outside of central areas, while commodifying the lands and neighborhoods in which they live. This moreover directly contradicts the plans to alleviate the population density inside Cairo, as this would in actuality increase the urban density of the capital.

As for the Egypt 2052 plans, they are all based on the idea that Egyptians currently live on 7% of the land in Egypt, and that this will be expanded eventually to 50%. We showed, with numbers, that we actually live on less than 5%, while all previous plans that have aimed to expand urbanization in the desert have failed to do so at its targeted rates. Moreover, the real indicator should be the standard of living and services, rather than expansion.

Do you think this might negatively affect investment over the next 10 years or so?

The real estate market has become the center of hopes that far outreach that which it can achieve, which has created an imbalanced market, and has caused the private sector's practices to be imbalanced and unsustainable. For example, some companies have bought lands years ago with the purpose of reselling it much later on for profit. Why sell so much land which will be developed over 10 or 20 years? This makes for new cities with very low population densities, which affects the efficiency of providing services there.

Meanwhile, the market is built on speculation, and we have seen the various bubbles burst over the past decades. Both the state and developers need to work on building a more balanced market, which means prices shouldn't increase in leaps as they do. In turn, rather than relying on short-term profitability, the market should decrease risks and rely on lower but sustainable profit margins.

Some investors believe that previous policies that allowed lands to be sold for less in return for building social housing were more beneficial. What is your opinion?

I believe we need a comprehensive policy change. All the incentives that investors receive must be looked at. Additionally, it's not simply a question of how much the investor bought the land for, but rather how much they go on to sell for, and the issue with our real estate market currently is that it has become a regional market, and not a national one, and as such purchasing power is defined on that scale. On the other hand, the formal private sector in Egypt is responsible for creating only

18% of the existing units, while 10% are provided by the public sector, and the rest is built by the informal sector. Within that 18% in the private sector, there is an even smaller segment catering to upscale luxury housing. And this is due to both the private sector and the government, where the latter is the largest incentivizer through land sales.

What is your opinion of the role played by the New Urban Communities Authority (NUCA)? Some have deemed that it plays the role of an investor rather than a regulator?

NUCA has always played the role of an investor, but instead of just being a land investor, it is now investing in real estate as well. In certain ways, this is not a problem, but on the other side, the problem with NUCA is not its relation to investors so much as it is its relation to the ministry. It shouldn't fall under the Ministry of Housing because the latter's role is to designate the housing policy and balance it out. It should act as a regulator for NUCA, rather than NUCA be part of it, because this is a conflict of interests. As it stands, the current status quo whereby 45% of Egyptians cannot afford to rent or buy decent housing is disastrous.

Are there any practical applications of your research?

We've been around for two years, but we've just started to work on projects that we can implement practically, but we plan to start in 2017. One such project being conducted with German aid is to develop strategic plans for low-income districts in Cairo.



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