

*Market Watch Report*

# LAND INVESTMENT IN EGYPT



**NOVEMBER 2016**

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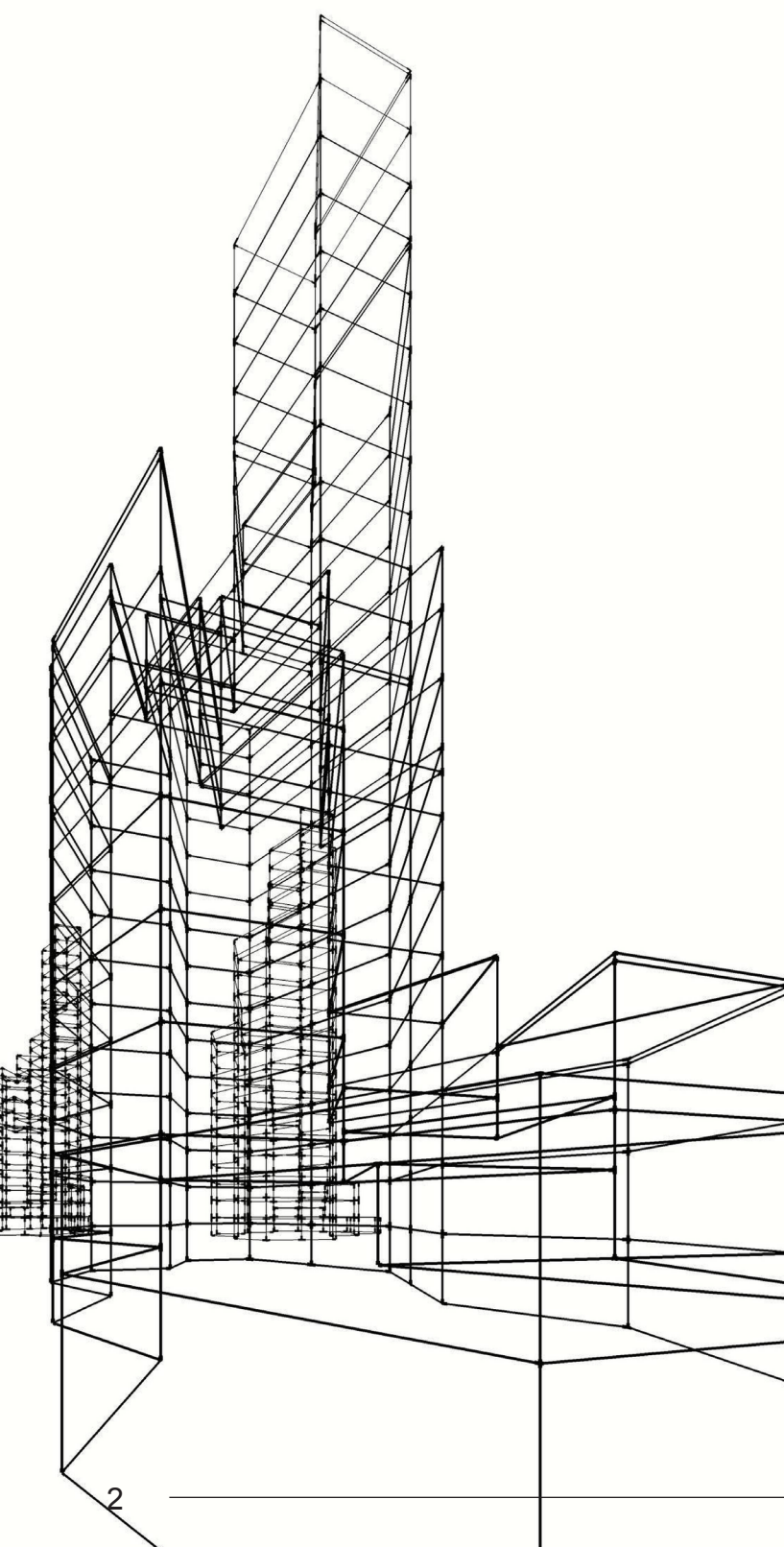


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## China Finances New Administrative Capital

Chinese construction firm China Fortune Land Development (CFLD), will invest \$20 bn in Egypt's New Administrative Capital, reported Amwal Al Ghad. The company obtained the right to develop and market the new capital for the second phase of the project, according to Al Mal. The new \$20 bn investment adds to a previous \$15 bn agreement with China State Construction Engineering Corporation for a previous phase of the Administrative Capital, according to USA Today.

## Housing Ministry Closes Reservation of Social Housing Lands

The Ministry of Housing, Utilities, and Urban Communities will close reservations of 34,800 land plots dedicated for social housing projects on Wednesday, reported Al Borsa. The lands are distributed as followed: 9,415 plots in Sadat City, 17,698 in 10th of Ramadan City, 1,999 plots in Badr City, 382 in New Salhaya City, 469 plots in New Assiut City, 3,013 plots in New Sohag, 325 plots in New Tiba City, and 1,540 plots in New Qena.

## Giza to Offer Land for Investment in New Industrial Areas

New lands will be offered to investors in the industrial areas of Al Ayat, Al Saf, and other areas on the desert road in Giza, Al Mal reported. The plans include developing an underground metro line that will extend to the Haram area, which is expected to be finalized by next year. Moreover, the plans to develop streets and roads within several neighborhoods were set to be completed by the end of October 2016.

## Madinaty, NUCA Reach Settlement Over 8,000 Acres

The New Urban Communities Authority (NUCA) and Talaat Moustafa Group have settled a dispute over 8,000 acres in the Madinaty compound, following the Cabinet's approval, Al Mal reported. NUCA has rights on a total area of around 3,195,894 square meters of finished buildings, as well as approximately EGP 1.1 bn as a premium for changing the zoning of 858 acres of land from residential use to services, according to Al Borsa.

## Lands to be Offered in New Administrative Capital

The government has approved offering lands for various activities to investors in the New Administrative Capital, Al Mal reported. The report notes progress in the construction of basic facilities, infrastructure, and road networks, affirming that the area will not only be exclusively dedicated to investment, but also aims to provide middle-income housing. Although no contractor or real estate company has applied for ownership over land within the city, the first land plot is expected to be sold soon.

## NUCA to Open Applications on Land Plots in 6th of October City

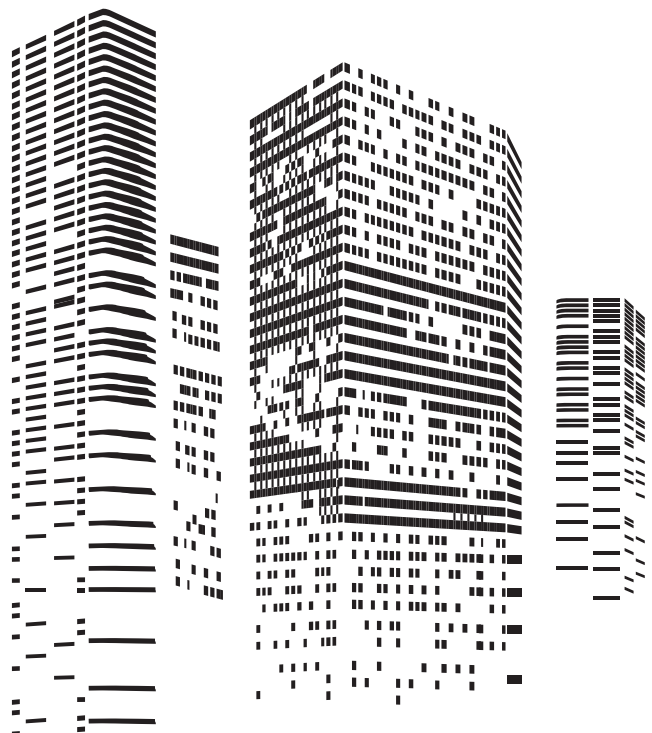
The New Urban Communities Authority (NUCA) has opened applications to reserve reclaimed land plots in what is referred to as "The Green Belt" in 6th of October City, Al Borsa reported. Interested buyers should submit documents to 6th of October City development authority; and NUCA will review all requests and decide on approvals depending on the nature of the cases of the applicants.

## 2,278 Land Plots to be Distributed in Sadat City

The New Urban Communities Authority (NUCA) has offered a public lottery to distribute 2278 land plots as part of the social housing program in Sadat City, with units ranging from 209 to 276 square meters and prices starting at EGP 680 per square meter, Al Borsa reported. Applicants may participate in the public lottery only if they paid for prepayment.

## Qatari Diar Pursuing International Arbitration over New Cairo Project -Source

Qatari Diar is taking steps to proceed with international arbitration against Egypt over its vacant land plot that it purchased three years ago in New Cairo meant to house its long-stalled residential project, with the Investment Ministry reportedly trying to intervene before the company takes action, according to unnamed sources speaking to Al Masry Al Youm. Diar alleges the land has been taken over by "a party with means."





## Real Estate Debate Tackles Main Concerns Affecting Industry

by Fatma Khaled

Approximately 2,000 to 2,500 acres of land will be offered in the new Administrative Capital, said Mostafa Madbouly, Minister of Housing, Utilities, and Urban Communities, during a press conference dubbed 'The Real Estate Debate' held on Sunday.

The conference tackled several issues, including legislation governing real estate projects, projections on real estate prices, government tenders, challenges facing the real estate sector, the foreign currency shortage, and the supply of utilities.

Madbouly began his keynote address by announcing updates on the new capital city as well as other government plans,

and emphasized the importance of the role played by the New Urban Communities Authority (NUCA).

"A total of 10,500 acres are being finalized in the capital city and will include modern features, such as streets as wide as 120 meters and 30,000 units in each neighborhood," Madbouly said.

He added that the new lands will be offered with incentives to encourage developers to build, saying land prices will be announced soon, following experts' studies.

"Developers and private companies did not take part of the capital city from its start because the basic infrastructure was not developed yet. The government

sought to develop it as fast as possible to meet the needs of companies' projects," Madbouly said.

Madbouly also emphasized NUCA's role, saying the authority's main objective is to supervise the quality and rate of development. However, he noted the authority has taken on a greater role in developing communities and urban planning through the social housing program, from which it shared the revenues with the ministry.

He concluded his speech by saying that affordability is one of the sector's key challenges, as the middle class is currently unable to purchase new units because there is an oversupply in high-end properties — units which also present challenges in resale.

"I urge developers and private companies to consider offering 100 to 150 square meter units and to facilitate payments for the upper and middle class, [in addition to the ministry] developing social housing units dedicated for these classes. I also urge private companies to participate in the Dar Misr projects," he added.

## The Real Estate Debate

A public debate followed the minister's speech, including developers, the Housing Ministry's spokesperson, and the Chairman of Mortgage Finance Fund, to discuss future public-private partnership (PPP) plans, developers' perception of the state's role, risks of a real estate bubble, boosting economic growth, challenges in expanding luxury properties, and the deficit in foreign currency reserves.

Participants in the debate all agreed that there are several factors that determine the prices of real estate, such as the use of state assets, price of lands, prices of building materials, the interest rate for financing set by developers, and supply and demand in the market.

"Real estate selling prices and even the financing rates that are given out are not always accurate and are always subject to change, as they are based on a combination of the given financing rate set by the bank, the mortgage fund or authority, and developers," according to Sherif Samy, Chairman of Egyptian Financial Supervisory Authority.

## Challenges and Developments

Some, such as architect Hisham Shoukri, Executive Present & CEO of Rooya Group, agreed that developers could

make use of the current challenges and dynamics within the sector to their advantage. Current levels of overpopulation result in the creation of new segments that can be involved in the real state sector, he added.

"There are several ways we could make use of the current situation and encourage real estate investment, including increasing hotel units in North Coast to accommodate tourists all year, restructure pricing of land and offer land in partnership with the private sector," said Khaled Abbas, Assistant Housing Minister for Technical Affairs.

A real estate bubble could be avoided if developers, investors, and the state make good use of the current dynamics that include facilitating real estate legislation, increasing the rate of construction, and providing good financing options via mortgage, which could allow buyers to pay in installments over 20 years, according to Ahmed Shalaby Managing Director of Tatweer Misr.

In efforts to tackle affordability, the Mortgage Finance Fund usually receives part of the financing from the Central Bank of Egypt, usually earmarked for housing projects, such as its EGP 5 bn initiative to build homes for middle income citizens.

"We can tackle affordability through the funds we offer; however, the size of funding does not meet the demand for real estate properties," Mai Abdel Hamid, Chairman of the Mortgage Finance Fund, told Invest-Gate.

## Partnership between State and Private Developers

Both the state and private real estate developers are affected by the nature of the sector, including the project revenues, down-payment and allocation of resources, and prices of lands, according to Tarek Abdel Rahman, CEO of Palm Hills.

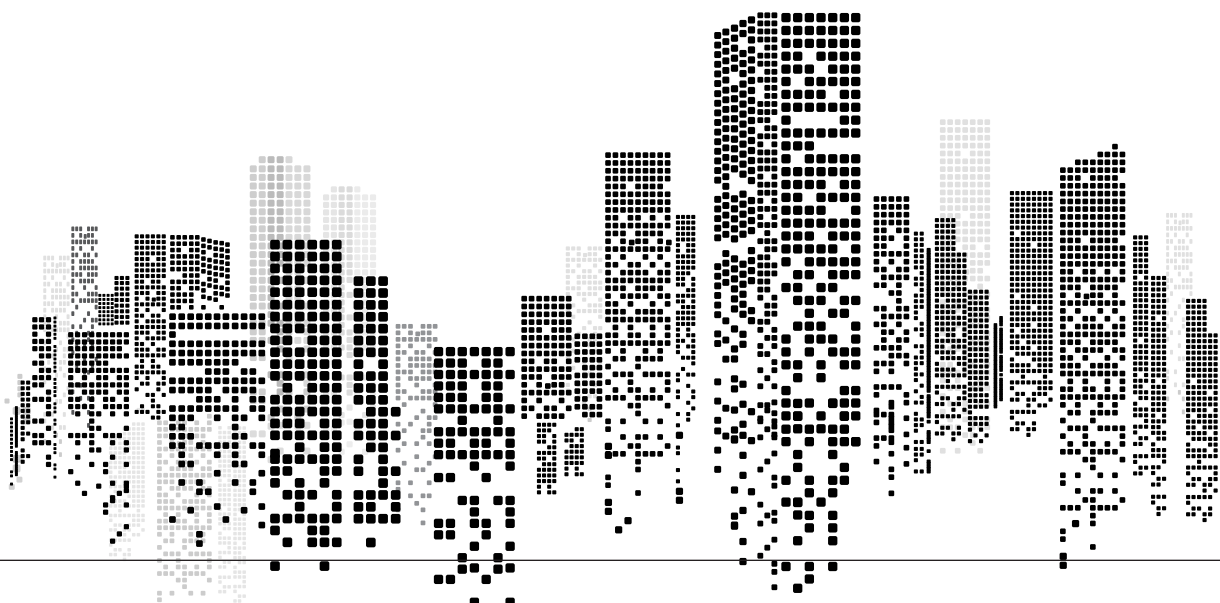
"Because these types of partnerships are considered crucial, Palm Hills has partnered with NUCA to develop 500 acres in New Cairo and 6,000 acres in 6th of October City," added Abdel Rahman.

One advantage of such a partnership is ensuring the affordability of projects in the face of increasing prices of building materials, which could only be resolved by such a partnership, according to Ayman Ismail, Chairman of the New Administrative Capital.

## Plans to Enhance Developers' Performance

Several developers at the debate asked for updates on the real estate bylaw, which is currently under review by the Cabinet, and also asked for the development of a new lease rental law where developers could make use of the rental revenue to develop more projects and use rent payments to pay for construction costs.

"The ministry is currently examining the real estate bylaw and is also drafting the Union of Developers law that should be released in the first quarter of 2017," Khaled Abbas, Assistant to the Minister of Housing for Technical Affairs, said in response to the questions.





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