

MARKET WATCH

BY **DINA EL BEHIRY**

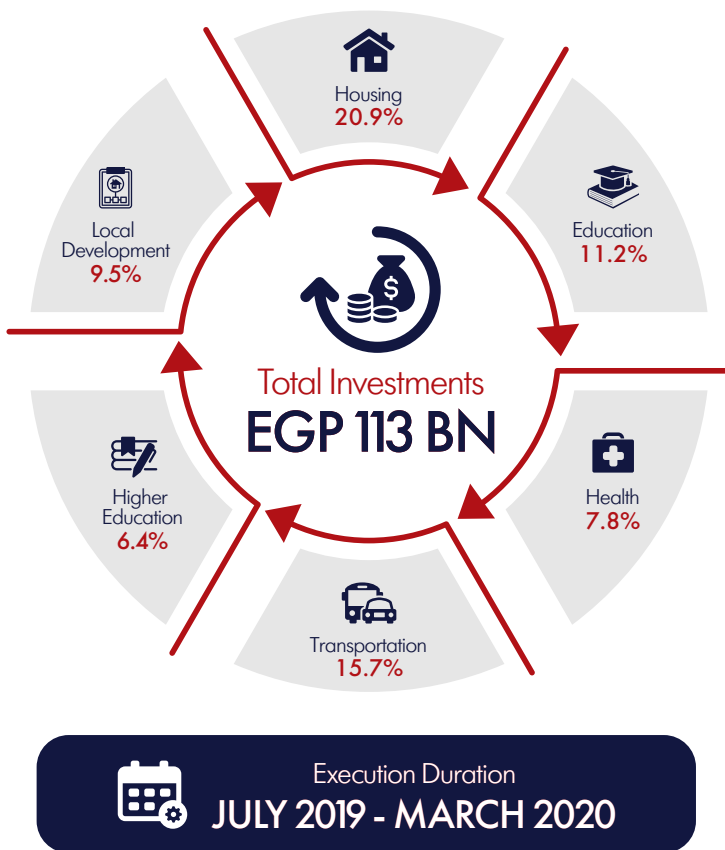
POWERED BY

INVESTIGATE
— RESEARCH & ANALYSIS —

GOV'T MAKES HEADWAY DESPITE CRISIS



OVERALL SPENDING



INVESTMENTS IN UPPER EGYPT



Amount Allocated

EGP 47 bn
(25% of Total Investments)



Execution Duration

FY 2020/21



NEW DEVELOPMENT PROJECTS UNDERWAY



Location

**Upper Egypt's
Sohag & Qena**



No. of Complete
Projects

1,796



No. of Ongoing Projects

779



Total Investments

EGP 5.8 bn



Reason

**Upper Egypt
Local Development
Program (Phase I)**



GOV'T BANS CONSTRUCTION PERMITS

	Location	Several Urban Areas, Namely Greater Cairo & Alexandria
	Exempted Projects	Industrial, Tourism, Gov't & National Projects
	Ban Period	6M, as of May 24
	Target	Ensuring Compliance with Building Codes & Requirements

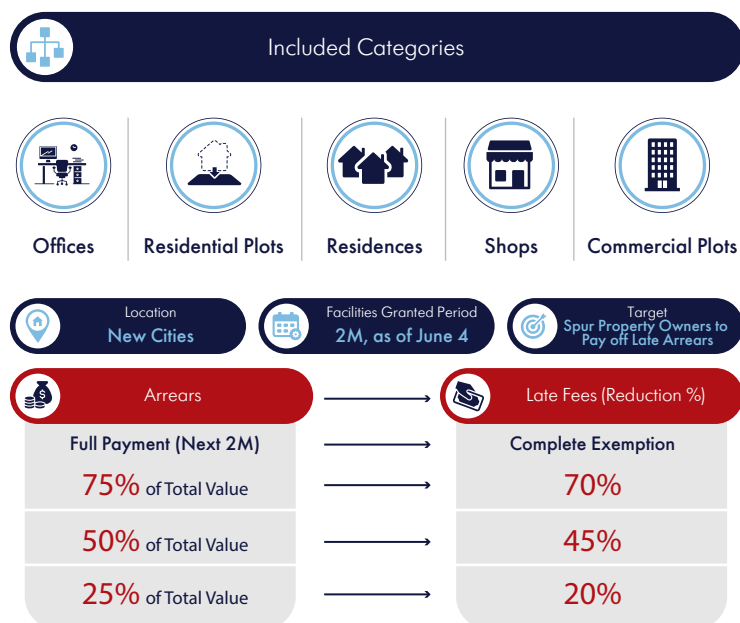


ESTABLISHMENT OF NEW INDUSTRIAL ZONES

	Location	Sohag & Qena Provinces
	No. of New Zones	4
	Total Investments	EGP 6 bn
	Execution Duration	Early FY 2020/21

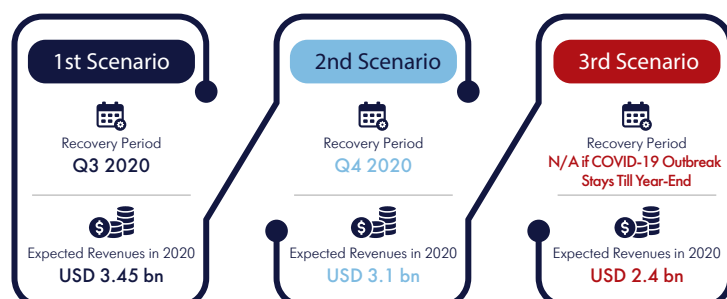


NUCA CUTS LATE FEES ON SOME PROPERTIES



EGYPT'S TOURISM SECTOR STATUS

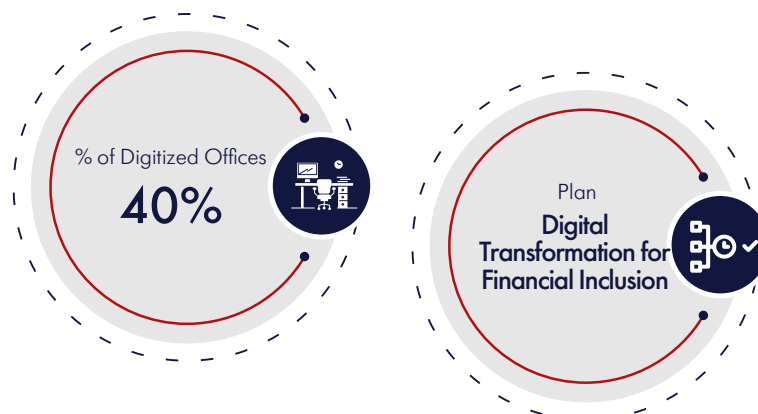
Tourism Revenues Set to Drop by **73%**
Due to COVID-19 Woes



OUTLOOK ON EGYPT'S CONSTRUCTION MARKET



DIGITIZATION OF PROPERTY REGISTRATION OFFICES



PRICES OF CONSTRUCTION MATERIALS (MAY 2020) (EGP)

STEEL BARS (per ton) 9,600 (YOY -19%)	CRETAL STEEL (per ton) 9,800 (YOY -21.6%)	PORTLAND CEMENT (per ton) 780 (YOY -8.2%)	COARSE SAND (per sqm) 70 (YOY 7.7%)
SOLID CEMENT BRICKS (per 1,000 bricks) 1,100 (YOY 3.8%)		BRICK HOLLOW CONCRETE (40x20x12 cm) (per 1,000 bricks) 5,200 (YOY 4%)	



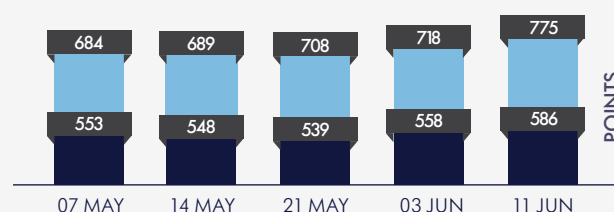
REAL ESTATE & CONSTRUCTION STOCK MARKETS INDEXES PERFORMANCE IN EGYPT (2020)



Real Estate

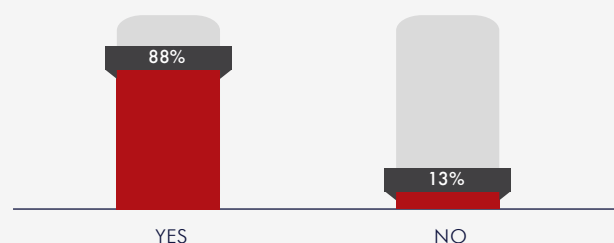


Construction & Materials

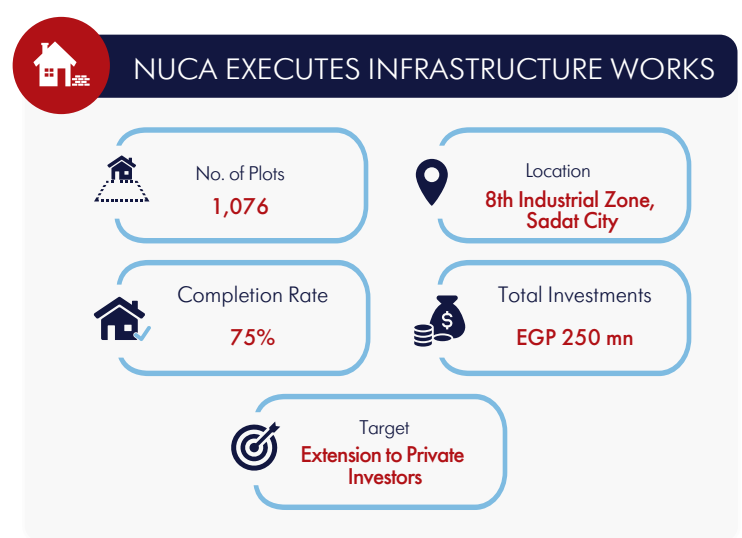
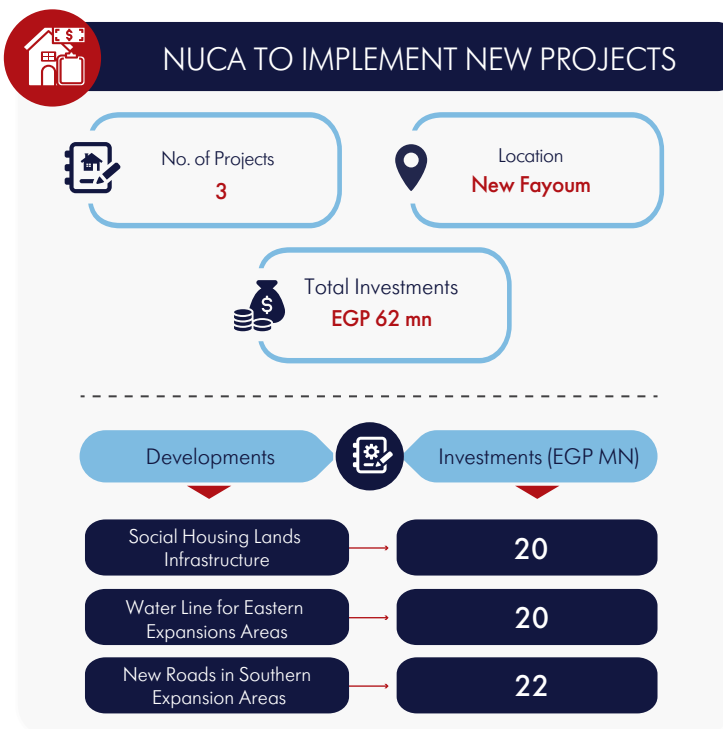
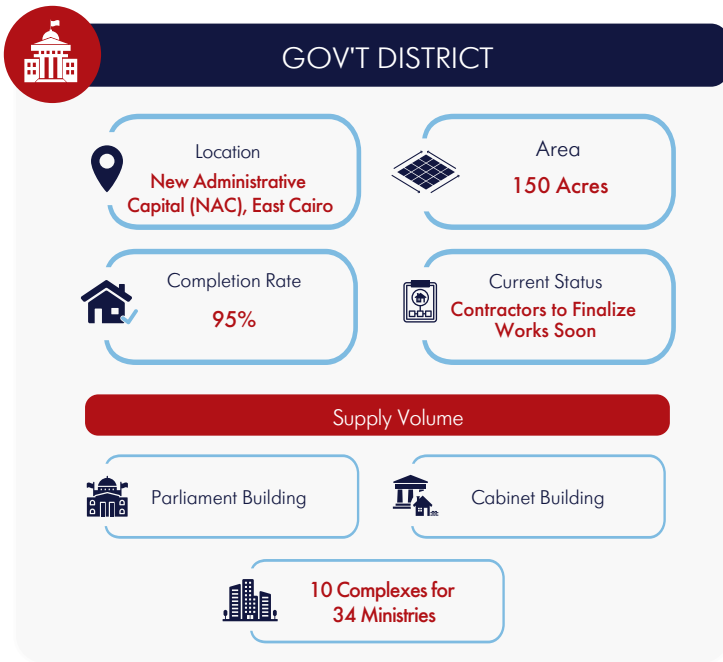


ONLINE MONTHLY SURVEY (%)

WILL THE DEMAND FOR OFFICES & OTHER ADMINISTRATIVE SPACES DROP IN THE NEAR FUTURE DUE TO WORKING FROM HOME?



NEW CITIES UPDATES



Source: Administrative Capital for Urban Development Company (ACUD), New Fayoum City Authority, Ministry of Finance & New Urban Community Authority (NUCA).



UPDATES ON SOCIAL HOUSING PROGRAM (PHASE IV)



Location
**Fardous District,
Sadat City**



No. of Residential Units
1,740



Completion Rate
**20 Apartment Buildings Done
Others Are 85% Finished**



Location
**Capital Gardens District,
Badr City**



No. of Residential Units
27,000



Completion Rate
12%



UPDATES ON SAKAN MISR PROJECT (PHASE I)



Location
New Mansoura



Type
Middle-Income



Completion Rate
90%



No. of Residential Units
4,704



Location
New Damietta



Type
Middle-Income



No. of Residential Units
4,824



Completion Rate

3,384 Units Done

1,440 Others Underway



UNIT ALLOCATION FOR NAC'S EMPLOYEES



Location
Badr City



Delivery Date
August



No. of Residential Units
9,024



Target
**1st Batch of Employees to Move to NAC Once
Ministerial District Opens**



Status

Utilities

Done

Asphalt Milling

75% Done

Electricity Works

40% Done



NUCA CLOSES ONLINE RESERVATION OF JANNA



Location
**6th of October, Sheikh Zayed, Shorouk, New Cairo,
New Mansoura & New Damietta**



Developer
NUCA



Type
Luxury Housing



Booking End Date
June 6



Reservation Method
Online, as of April



Upfront Value
EGP 50,000



Payment Method
Installments



No. of Residential Units
1,359



NEW SOCIAL HOUSING UNITS (BATCH NO. 13)



Location
Upper Egypt



Reservation Method
Online, as of June 7

PRIVATE REAL ESTATE PROJECTS UPDATE



CONSTRUCTION AWARDS



The City Valley



Developer

**EG Master Group & Hogar
Construction & Development**



Location

R7 District, NAC



Area

63 Acres



Contracting Purpose

Execution of Construction Works



Award Value

N/A



Down Town New Alamein



Developer

**Al Fanar Contracting Company,
Consolidated Contractors Group
& HA Construction Company**



Location

New Alamein



Area

49,000 Acres



Contracting Purpose

Execution of Some Finishing Works



Award Value

EGP 5.5 mn



New Alamein
Total Investments

EGP 2 bn



New Alamein
Supply Volume

Residential Districts
14

Industrial Zones

Logistic Areas

Commercial Outlets

Service Spots

Hotels



PROJECTS UNDERWAY



MV Park The Lake



Developer

Mountain View



Location

6th of October City, West Cairo



Area

70 Acres



No. of Residential Units

1,800



Total Investments

EGP 4 bn



News

Project Generates Sales of Almost
EGP 1 bn



Cairo Business Park



Developer

Misr Italia Properties (MIP)



Location

New Cairo



Area

78,000 m²



No. of Keys in Hilton Garden In Hotel

144



No. of Administrative & Commercial Buildings

42 — 15 to be Delivered by Year-End



News

Middle-Term Loan with Bank Consortium, Led by NBE

Loan Value
EGP 650 mn

NBE
EGP 300 mn

EGBank
EGP 260 mn

aiBank
EGP 90 mn

Loan Target
Financing Part of Project's Investment Cost

Loan Tranches
2

1st
EGP 530 mn

2nd
EGP 120 mn

Administrative & Commercial Construction

Hotel Construction

New Administrative Building, Dubbed "Allure Executive Offices"



Delivery Date
Next December



Unit Area
58-300 m²

Source: Developers' official statements



PROJECTS UNDERWAY

Ivory Business Park



Developer
Ivory Investments



Location
Sheikh Zayed, West Cairo



Area
17,000 m²



No. of Residential Units
100



Total Investments
EGP 450-500 mn



News

Project Delivery in H1 2021

1-NINETY



Developer
Landmark Sabbour



Location
New Cairo



Area
300,000 m²



Total Investments
EGP 33.75 bn



News

AAIB to Establish New Office Building

Cost
EGP 2 bn

Area
52,000 m² at Office Park Facility

The Groove



Developer
DM Development



Location
El Galala, Ain Sokhna



Area
350,000 m²



Total Investments
EGP 1 bn



Target Sales
EGP 1 bn



News

Project Logs Sales
of EGP 150 mn in Q1

EGP 600 mn Planned Investments
for The Groove in 2020

Plans for New Mixed
Use & Tourism Developments



NEW RESIDENTIAL PROJECTS

Al Maqсад Residence



Developer
City Edge Developments



Location
R3 District, NAC



Area
214 Acres



Supply Volume

Total No. of Residential Units
950

Unit Areas
111-187 m²

Unit Type
Fully-Finished Apartments

Greeniers

Commercial &
Administrative Areas

Mixed-Use Strip

Palm Hills Sokhna



Developer
Palm Hills Developments



Location
Ain Sokhna



Area
116 Acres



Delivery Date
3 Yrs After Official Launch



Total Investments
EGP 3.5 bn



Targeted Sales
EGP 5.1 bn



Supply Volume

No. of Residential Units
1,201

Unit Areas
90-250 m²

Unit Type
Senior & Junior Chalets

Serviced Apartments

Townhouses

Standalone Villas

Restaurants & Cafés

Retail & Commercial Areas

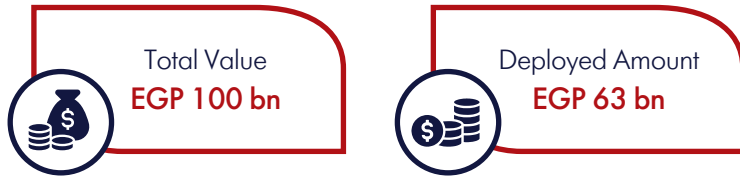
Marina

Hospitality & Recreational Facilities

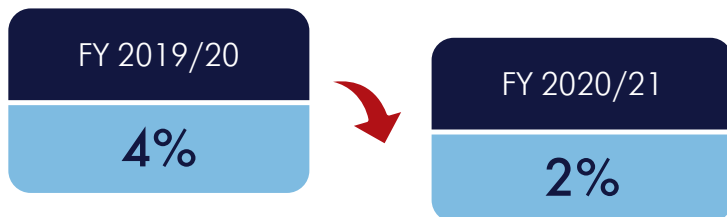
ECONOMIC SNAPSHOT



COVID-19 STIMULUS PROGRAM



EXPECTED GDP GROWTH RATE



Economic Loss*

EGP 130 bn



Tax & Non-Tax Revenues*

Slashed by EGP 124 bn

*Due to COVID-19 Outbreak



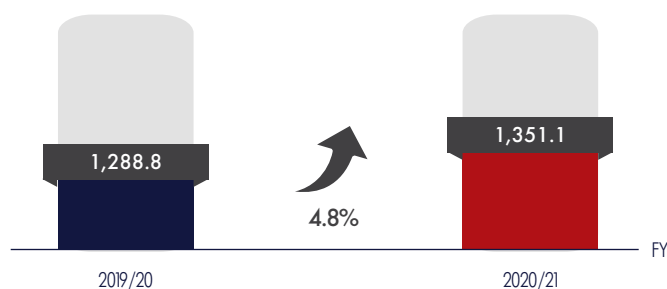
GDP GROWTH RATE IN Q3 FY 2019/20



*Due to COVID-19 Outbreak



EXPECTED REVENUES IN FY 2020/21 (EGP BN)



ANNUAL HEADLINE INFLATION

APRIL 2020

5.9%



MAY 2020

4.7%



NET INTERNATIONAL RESERVES (USD BN)

APRIL 2020

37.04



MAY 2020

36



PURCHASING MANAGERS' INDEX (PMI)

APRIL 2020

29.7

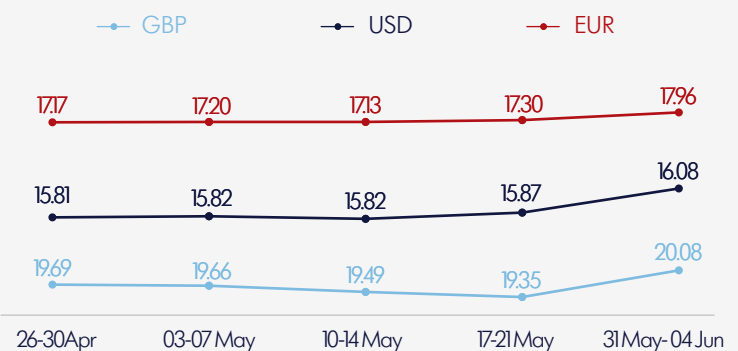


MAY 2020

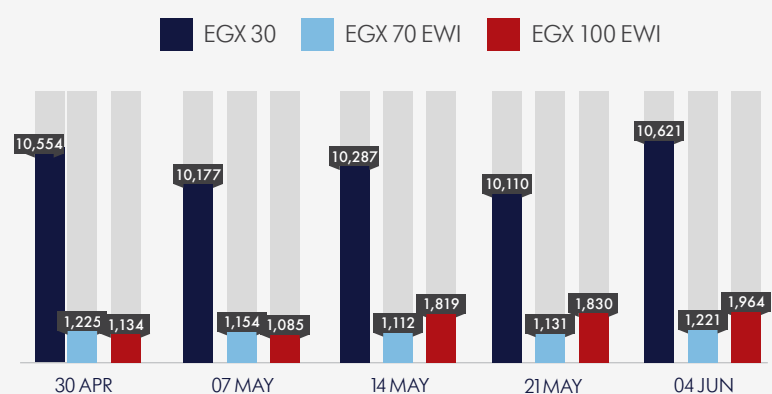
40.7



Exchange Rates



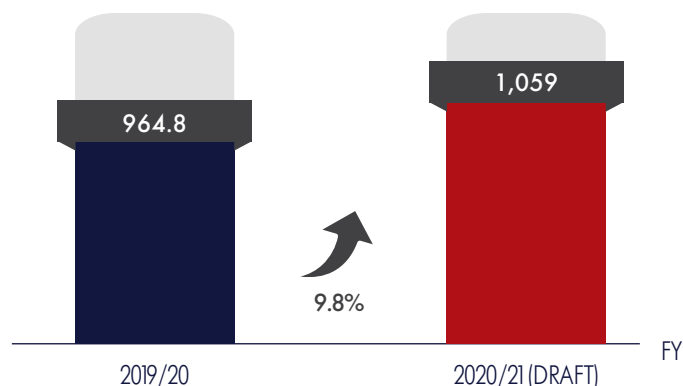
CAPITAL MARKET INDICATORS



Sources: Central Bank of Egypt (CBE), Central Agency for Public Mobilization & Statistics (CAPMAS), IHS Markit, EGX, Ministry of Finance & MPED.



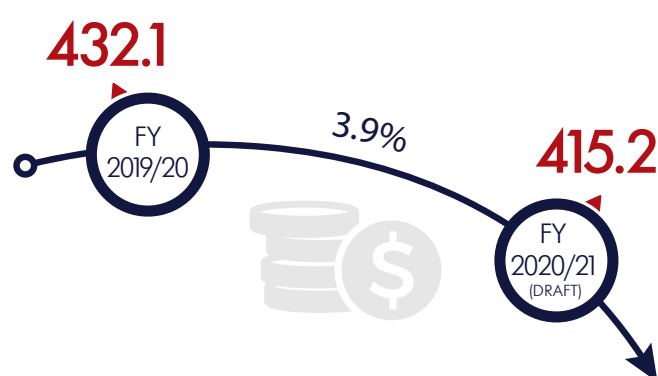
TAXES (USD BN)



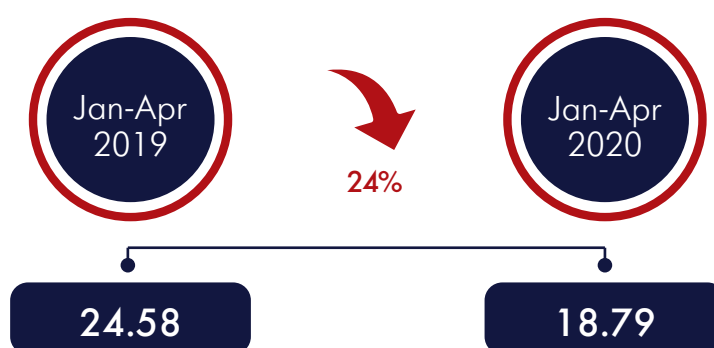
EXPECTED CUSTOM REVENUES (EGP BN)



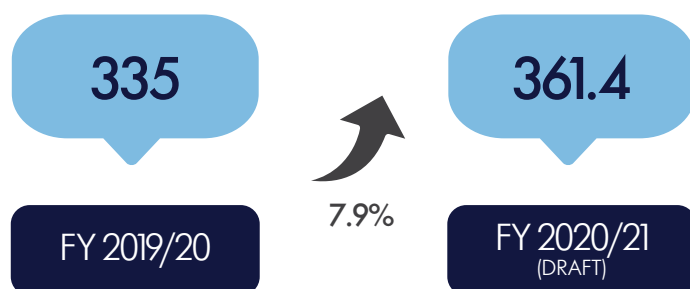
AGGREGATE BUDGET DEFICIT (EGP BN)



NON-OIL IMPORTS (USD BN)

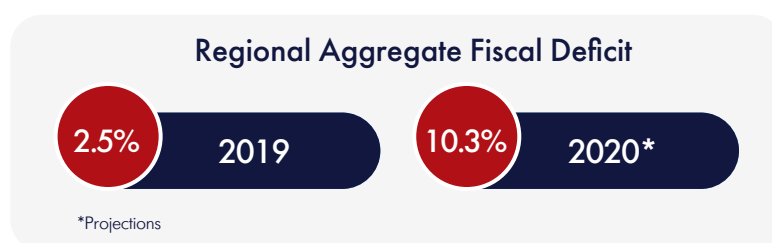


WAGES & WORKERS' COMPENSATION (EGP BN)



ECONOMIC GROWTH IN GCC COUNTRIES

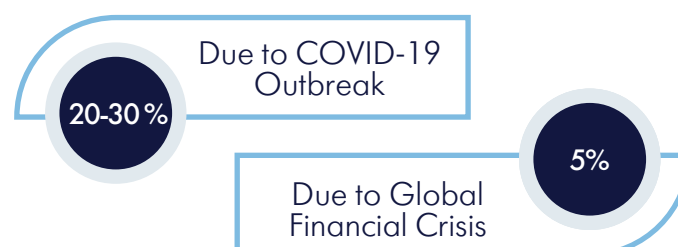
Regional Economic Growth Foreseen to Slump by **4.4%**



SOCIAL SUBSIDIES (EGP BN)



EXPECTED DECLINE IN GLOBAL REMITTANCES



FULL ANALYSIS FACTS & FIGURES

GOV'T ABSORBS CORONAVIRUS SHOCK & BUILDS STRATEGIC AGILITY

BY **DINA EL BEHIRY**

Before the Coronavirus hit triggers severe upheaval in financial markets and exposes the existing cracks in the global economy, the Egyptian government managed to execute a series of national projects, worth almost EGP 113 bn, from July 2019 to last March (20.9% of which are real estate developments). Better yet, in the wake of the virus shock, the state has been striving to keep its medium- and long-term strategies on course.

Accordingly, Egypt plans to pump EGP 47 bn into the development of Upper Egypt governorates in FY 2020/21, which constitutes 25% of total public investments and is even 50% higher than the amount allocated in the year-ago period, according to the Ministry of Planning and Economic Development (MPED).

Not only that, but the government is still pursuing the Local Development Program, acclaimed by the World Bank to curtail poverty in the Upper Egypt provinces. As part of phase I, around 1,796 projects have been executed in Sohag and Qena, while 779 others are underway, with costs estimated at EGP 5.8 bn. In the same vein, the establishment of four industrial zones will commence in both governorates in early FY 2020/21, with investments worth EGP 6 bn, Local Development Ministry earlier announced.

Nevertheless, a manifold of initiatives is being taken to stem the virus tumult and reinforce the property market to bounce back. The Ministry of Justice, for example, has proclaimed digitizing 40% of real estate registration offices nationwide, with more to come as part of the state's efforts toward digital transformation and financial inclusion.

Additionally, as of June 4, the New Urban Community Authority (NUCA) cut late fees owed on residential and commercial property in new cities for the next two months to spur owners to pay off their arrears. Those who make full payments will see past dues slashed entirely; but in case of paying 75% of the amount, late fees will be 70% lowered – or even brought down by 45% and 20% when settling 50% and 25% of the required value, respectively, according to a previous ministerial statement.

More moves to revive the property market are being undertaken in new cities, in which the ministry continues offering more lands and establishing additional housing units to ensure that plans are proceeding on track. Among these initiatives, NUCA has offered five new plots in New Fayoum to Safwa Urban Development for urban activities.

On top of that, the authority earmarked another 11 lands in New Fayoum for industrial works, besides offering nine others for educational and

commercial projects. Above all, construction is in full swing to finalize the New Administrative Capital's (NAC) government district, with a completion rate of 95%, Chairman of the Administrative Capital for Urban Development (ACUD) Ahmed Zaki Abdeen earlier announced.

Perhaps most importantly, in this turbulent period, where the virus shockwaves are rippling through almost all businesses, a couple of well-positioned markets are posting some pretty impressive gains. With an eye on the construction industry, Fitch Solutions forecast that despite the COVID-19 headwinds, Egypt will outperform other markets in the Middle East and North Africa, in the long run, to top the region by 2029, the Cabinet's Information and Decision Support Center (IDSC) uncovered in early June.

By year-end, Egypt's building market is seen to expand by 7.5%, down from Fitch's past estimates of 9.7% before the outbreak. Between 2020 and 2024, however, the sector is forecast to grow by an annual average of 9%, IDSC further stated.

Yet, there is a bumpy road ahead for the local property market, halting the progression of sector-related activities at a lucid pace. Among the recently released policies is a six-month ban on construction work and permits across various urban cities, including Greater Cairo and Alexandria, the Cabinet previously unveiled.

On May 24, this decision was enacted by the Local Development Ministry to verify compliance with building codes and requirements, while imposing strict measures against violators, whereas industrial, tourism, government, and national projects are excluded from this ministerial decree.

In spite of everything, there is no doubt that Coronavirus is also battering the local tourism industry. According to the MPED's Institute of National Planning, tourism revenues are set to slip by 73% due to the virus. For sector recovery, there are three scenarios, as highlighted in the institute's May issue, the best of which sees the tourism market reboot in Q3 2020, when curfew hours shrink, international borders reopen, and airspace re-operates. Correspondingly, the industry would record revenues estimated at USD 3.45 bn.

Private Sector Pushes Ahead with Plans

Interestingly, developers are breaking ground on several new projects in Egypt, despite the pandemic and consequent downturns. In early June, City Edge Developments (CED) rolled out its 214-acre Al Maqsad Residence in NAC, in cooperation with NUCA. Simultaneously, Misr Italia Properties (MIP) kicked off the "Allure Executive Offices" in Cairo Business Park, east Cairo, aiming for delivery in December.

Likewise, Palm Hills Developments (PHD) and Al Shorouk for Touristic Developments have inked a co-development agreement to establish a new project in Ain Sokhna. Under the revenue-sharing deal, the former company will undertake the construction, development, infrastructure, marketing, and sales activities of the 116-acre compound.

Although reduced investments and contracting demand would become serious challenges to deal with during the crisis, Egyptian real estate companies are still in the safe zone, closing a reasonable number of home deals. Mountain View, for example, has generated sales of almost EGP 1 bn from its latest residential project in west Cairo, called "MV Park-The Lake."

Similarly, DM Development managed to post 60% of its target sales volume for Q1 2020, estimated at EGP 150 mn from its Ain Sokhna project, or "The

Groove." Adding to that, the company plans to seal around EGP 1 bn worth of deals by year-end, amid market stagnation.

Besides, MIP inked a middle-term loan worth EGP 650 mn, coming as part of a bank consortium led by the National Bank of Egypt (NBE). Under this two-tranche loan, MIP will complete all remaining works in Cairo Business Park. Arab African International Bank (AAIB) has pumped EGP 2 bn investments into Landmark Sabbour's project "1-NINETY" to establish a new office building at the Office Park Facility.

Economic Snapshot

Being brutally honest, the novel Coronavirus is still taking a toll on the economic sphere, including Egypt. For the third consecutive month, net international reserves slipped in May, yet at a slower pace, logging USD 36 bn, which is USD 1 bn less than April.

Indeed, the pandemic has cost the economy around EGP 130 bn in lost income, in addition to slashing tax and non-tax revenues by EGP 124 bn since the beginning of the outbreak. On this ground, the government expects overall real gross domestic product (GDP) to hit 4% in FY 2019/20, and even as much as 2% in the subsequent fiscal year if the crisis does not recede by year-end. The growth rate stood at 5% in Q3 2019/20, down from the targeted 5.8% due to the Coronavirus woes, MPED formerly confirmed. Above and beyond, the annual headline inflation recorded 4.7% in May, hitting its lowest level in six months, versus 5.9% in April.

On the other hand, on the back of the supra results, the Purchasing Managers Index (PMI) by IHS Markit went up by 11 points to hit 40.7 points in May, compared to 29.7 points a month earlier. This indicates an improvement in the non-oil private sector, which was notable when several industries began to pick up activities, even if at limited capacity, according to the report.

In response to the severe economic turmoil caused by the COVID-19 disruption, in late March, President Abdel-Fattah El-Sisi had allocated an EGP 100 bn stimulus and bailout package to insulate the economy from the virus aftermath, EGP 63 bn were spent by the government to the tackle this fallout, the finance ministry revealed on June 8.

From a global perspective, the GCC countries are reeling from the worst economic tumult in history, amidst the double shock of plunging oil prices and Coronavirus. Consequently, the national authorities and the Institute of International Finance (IIF) predict that the region's economic growth will plummet by 4.4% by year-end, despite interest rate cuts and support granted to local banking sectors. Additionally, IIF foresees the Gulf's budget deficit to reach 10.3% in 2020, up from 2.5% a year ago.

Regardless of the havoc wrought by the Coronavirus epoch, Egypt is making headway in fighting COVID-19 and preventing the local economy from slipping. Despite the odds, the International Monetary Fund (IMF) expects Egypt to be the only country to achieve positive economic growth in the MENA region in 2020.

From the foregoing, Egypt eyes the re-opening of many sectors to help resume life as we know it, yet under strict precautions to combat the outbreak. As a step to attract more tourist receipts and revive the tourism industry, which marks 12-15% of GDP, foreign vacationers will be allowed to fly and visit Egypt's coastal cities with the least infected cases as of early July. Adding to that, the government announced exempting tourists coming to seaside resorts from visa fees until the end of October, as confirmed in an earlier official statement.



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