

# MARKET WATCH

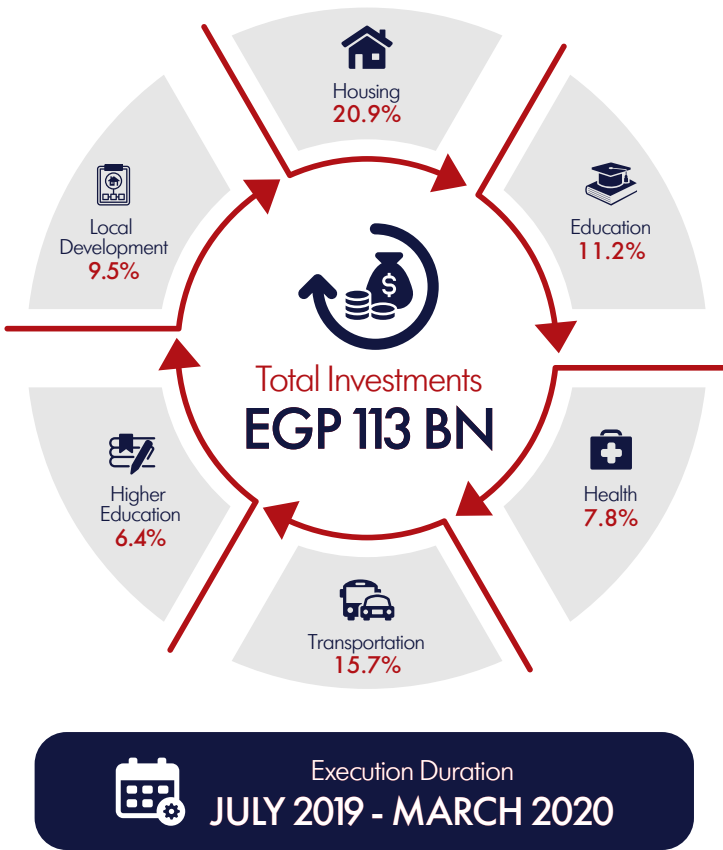
BY **DINA EL BEHIRY**

POWERED BY

INVESTIGATE  
RESEARCH & ANALYSIS

## GOV'T MAKES HEADWAY DESPITE CRISIS

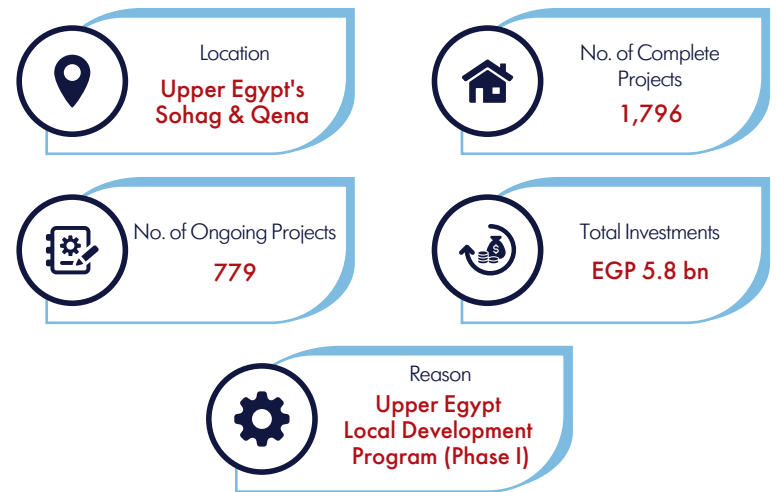
### OVERALL SPENDING



### INVESTMENTS IN UPPER EGYPT



### NEW DEVELOPMENT PROJECTS UNDERWAY



### GOV'T BANS CONSTRUCTION PERMITS

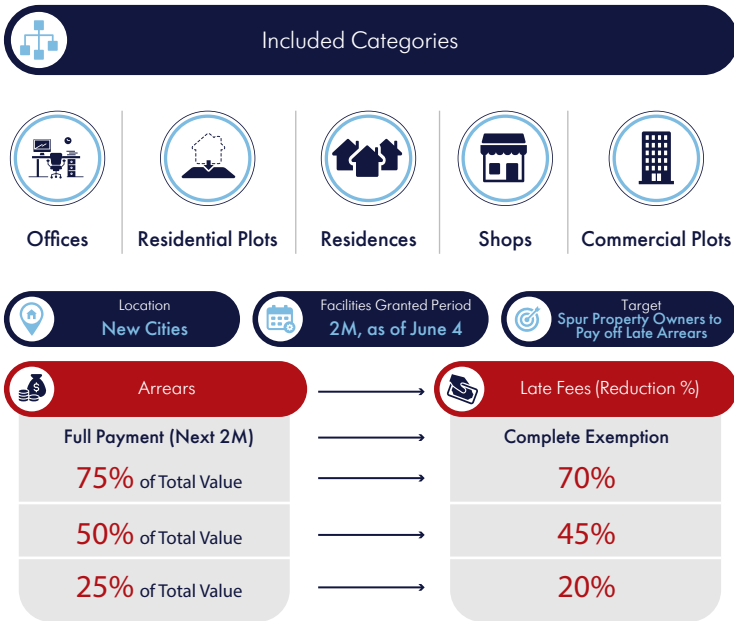


### ESTABLISHMENT OF NEW INDUSTRIAL ZONES

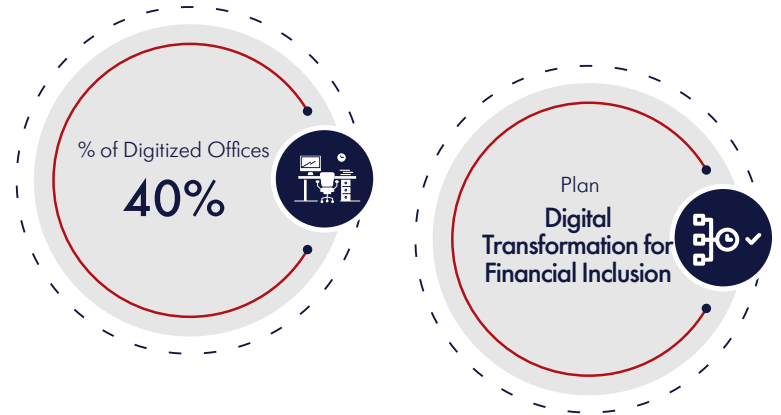




## NUCA CUTS LATE FEES ON SOME PROPERTIES



## DIGITIZATION OF PROPERTY REGISTRATION OFFICES

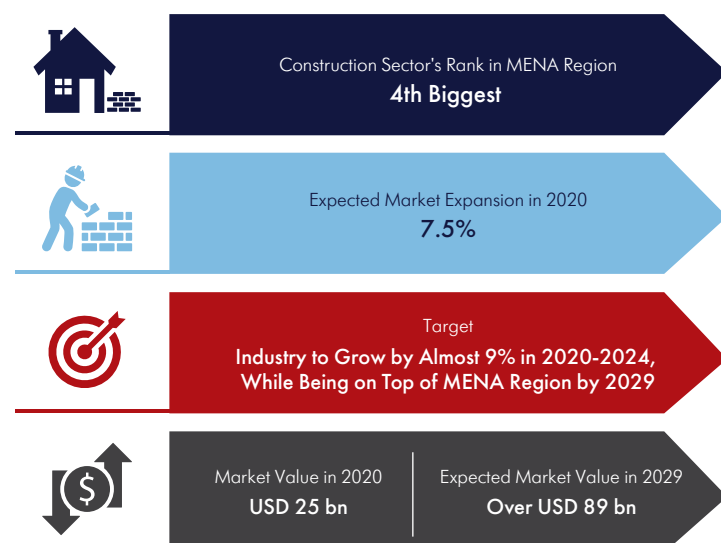


## EGYPT'S TOURISM SECTOR STATUS

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



## OUTLOOK ON EGYPT'S CONSTRUCTION MARKET

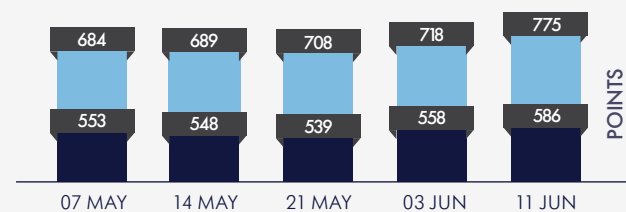


## PRICES OF CONSTRUCTION MATERIALS (MAY 2020) (EGP)

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

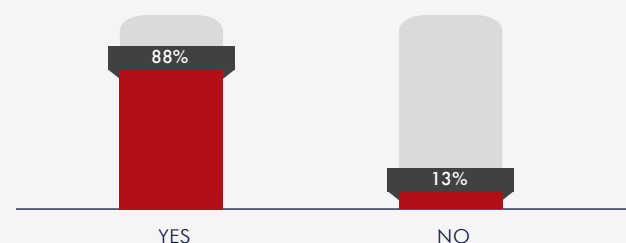


## REAL ESTATE & CONSTRUCTION STOCK MARKETS INDEXES PERFORMANCE IN EGYPT (2020)



## ONLINE MONTHLY SURVEY (%)

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



Sources: Ministry of Housing, Utilities & Urban Communities, Ministry of Justice, Institute of National Planning, MPED, Fitch Solutions, Egyptian Exchange (EGX) & Invest-Gate R&A.

# NEW CITIES UPDATES

### GOV'T DISTRICT

- Location:** New Administrative Capital (NAC), East Cairo
- Area:** 150 Acres
- Completion Rate:** 95%
- Current Status:** Contractors to Finalize Works Soon

**Supply Volume**

- Parliament Building
- Cabinet Building
- 10 Complexes for 34 Ministries

### NUCA EARMARKS NEW LANDS

- No. of Plots:** 11
- Location:** New Fayoum
- Target:** Industrial Activities
- Area:** 2,000 m<sup>2</sup> per Plot

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- No. of Plots:** 9
- Location:** New Fayoum
- Target:** Educational & Commercial Activities
- Area:**
  - 10,000 m<sup>2</sup> per Educational Plot
  - 2,000 m<sup>2</sup> per Commercial Plot

### NUCA TO IMPLEMENT NEW PROJECTS

- No. of Projects:** 3
- Location:** New Fayoum
- Total Investments:** EGP 62 mn

Developments	Investments (EGP MN)
Social Housing Lands Infrastructure	20
Water Line for Eastern Expansions Areas	20
New Roads in Southern Expansion Areas	22

### NUCA TO OFFER NEW PARCELS FOR BUYERS

- Location:** Sheikh Zayed, 6th of October, October Gardens, New Cairo, Shorouk, 10th of Ramadan, Obour & Several Upper Egypt Areas
- Initial No. of Plots:** 3,000-5,000
- Reservation Method:** Online
- Status:**
  - NUCA to Unveil Final No. of Plots in June
  - Offering to be Released in FY 2020/21

### NUCA TO ALLOCATE NEW PLOTS

- No. of Plots:** 5
- Location:** New Fayoum
- Developer:** Safwa Urban Development (SUD)
- Land Price:** EGP 900 per m<sup>2</sup>
- Target:** Urban Activities
- Status:** SUD Paid 15% of Contractual Value

### NUCA EXECUTES INFRASTRUCTURE WORKS

- No. of Plots:** 1,076
- Location:** 8th Industrial Zone, Sadat City
- Completion Rate:** 75%
- Total Investments:** EGP 250 mn
- Target:** Extension to Private Investors

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

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**Location**  
Capital Gardens District,  
Badr City

**No. of Residential Units**  
27,000

**Completion Rate**  
12%

### 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

### UPDATES ON SAKAN MISR PROJECT (PHASE I)

**Location**  
New Mansoura

**Completion Rate**  
90%

**Type**  
Middle-Income

**No. of Residential Units**  
4,704

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**Location**  
New Damietta

**No. of Residential Units**  
4,824

**Type**  
Middle-Income

**Completion Rate**

3,384 Units Done

1,440 Others Underway

### NUCA CLOSES ONLINE RESERVATION OF JANNA

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

**Type**  
Luxury Housing

**Developer**  
NUCA

**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

Source: Social Housing & Mortgage Finance Fund (SHMFF), NUCA, Badr City Development Authority & Ministry of Housing, Utilities & Urban Communities.

# PRIVATE REAL ESTATE PROJECTS UPDATE



## CONSTRUCTION AWARDS

<p>The City Valley</p>	Developer <b>EG Master Group &amp; Hogar Construction &amp; Development</b>	Location <b>R7 District, NAC</b>	Area <b>63 Acres</b>
	Contracting Purpose <b>Execution of Construction Works</b>	Award Value <b>N/A</b>	

<p>Down Town New Alamein</p>	Developer <b>Al Fanar Contracting Company, Consolidated Contractors Group &amp; HA Construction Company</b>	Location <b>New Alamein</b>	Area <b>49,000 Acres</b>
	Contracting Purpose <b>Execution of Some Finishing Works</b>	Award Value <b>EGP 5.5 mn</b>	New Alamein Total Investments <b>EGP 2 bn</b>

<p>New Alamein Supply Volume</p>	Residential Districts <b>14</b>	Industrial Zones	Logistic Areas
	Commercial Outlets	Service Spots	Hotels



## PROJECTS UNDERWAY

<p>MV Park The Lake</p>	Developer <b>Mountain View</b>	Location <b>6th of October City, West Cairo</b>	Area <b>70 Acres</b>
	No. of Residential Units <b>1,800</b>	Total Investments <b>EGP 4 bn</b>	News <b>Project Generates Sales of Almost EGP 1 bn</b>

<p>Cairo Business Park</p>	Developer <b>Misr Italia Properties (MIP)</b>	Location <b>New Cairo</b>	Area <b>78,000 m<sup>2</sup></b>
	No. of Keys in Hilton Garden In Hotel <b>144</b>	No. of Administrative & Commercial Buildings <b>42 — 15 to be Delivered by Year-End</b>	

News	Middle-Term Loan with Bank Consortium, Led by NBE		
	Loan Value EGP 650 mn	NBE EGP 300 mn	EGBank EGP 260 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 <b>Next December</b>	Unit Area <b>58-300 m<sup>2</sup></b>		

Source: Developers' official statements

**PROJECTS UNDERWAY**

<p><b>Ivory Business Park</b></p>	<p><b>Developer</b> Ivory Investments</p>	<p><b>Location</b> Sheikh Zayed, West Cairo</p>	<p><b>Area</b> 17,000 m<sup>2</sup></p>
	<p><b>No. of Residential Units</b> 100</p>	<p><b>Total Investments</b> EGP 450-500 mn</p>	<p><b>News</b> Project Delivery in H1 2021</p>
<p><b>1-NINETY</b></p>	<p><b>Developer</b> Landmark Sabbour</p>	<p><b>Location</b> New Cairo</p>	<p><b>Area</b> 300,000 m<sup>2</sup></p>
	<p><b>Total Investments</b> EGP 33.75 bn</p>	<p><b>News</b> AAIB to Establish New Office Building Cost EGP 2 bn Area 52,000 m<sup>2</sup> at Office Park Facility</p>	
<p><b>The Groove</b></p>	<p><b>Developer</b> DM Development</p>	<p><b>Location</b> El Galala, Ain Sokhna</p>	<p><b>Area</b> 350,000 m<sup>2</sup></p>
	<p><b>Total Investments</b> EGP 1 bn</p>	<p><b>Target Sales</b> EGP 1 bn</p>	
	<p><b>News</b> Project Logs Sales of EGP 150 mn in Q1 EGP 600 mn Planned Investments for The Groove in 2020 Plans for New Mixed Use &amp; Tourism Developments</p>		

**NEW RESIDENTIAL PROJECTS**

<p><b>Al Maqсад Residence</b></p>	<p><b>Developer</b> City Edge Developments</p>	<p><b>Location</b> R3 District, NAC</p>	<p><b>Area</b> 214 Acres</p>
	<p><b>Supply Volume</b></p>	<p><b>Total No. of Residential Units</b> 950 Greeniers</p>	<p><b>Unit Areas</b> 111-187 m<sup>2</sup> Commercial &amp; Administrative Areas</p>
<p><b>Palm Hills Sokhna</b></p>	<p><b>Developer</b> Palm Hills Developments</p>	<p><b>Location</b> Ain Sokhna</p>	<p><b>Area</b> 116 Acres</p>
	<p><b>Delivery Date</b> 3 Yrs After Official Launch</p>	<p><b>Total Investments</b> EGP 3.5 bn</p>	<p><b>Targeted Sales</b> EGP 5.1 bn</p>
	<p><b>Supply Volume</b></p>	<p><b>No. of Residential Units</b> 1,201 Serviced Apartments Restaurants &amp; Cafés</p>	<p><b>Unit Areas</b> 90-250 m<sup>2</sup> Townhouses Retail &amp; Commercial Areas</p>

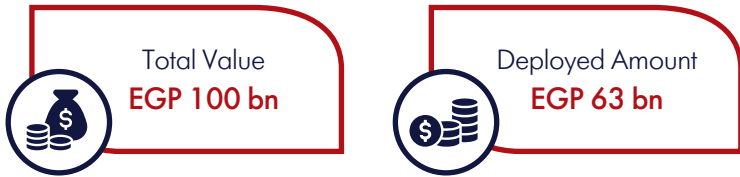
Source: Developers' official statements



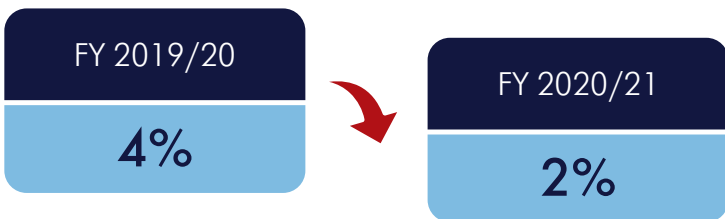
# ECONOMIC SNAPSHOT



## 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



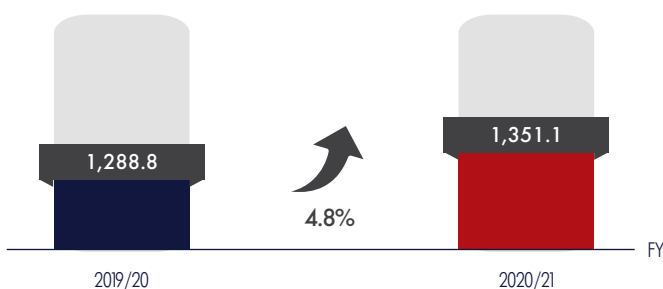
## GDP GROWTH RATE IN Q3 FY 2019/20



\*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)

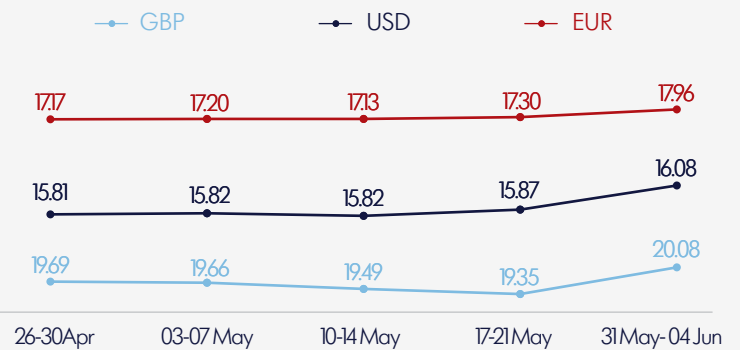
APRIL 2020  
29.7

↑

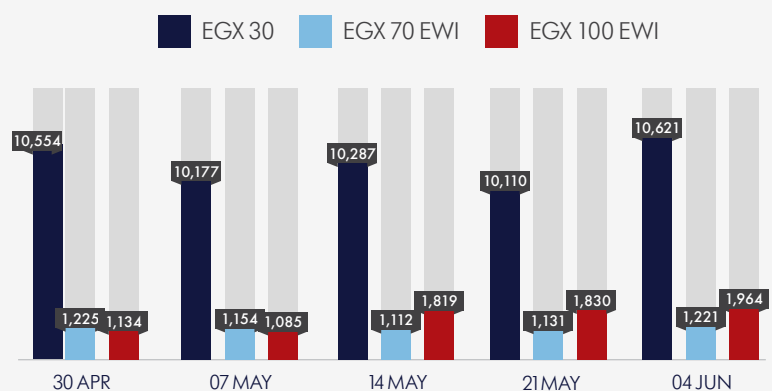
MAY 2020  
40.7



## Exchange Rates



## CAPITAL MARKET INDICATORS

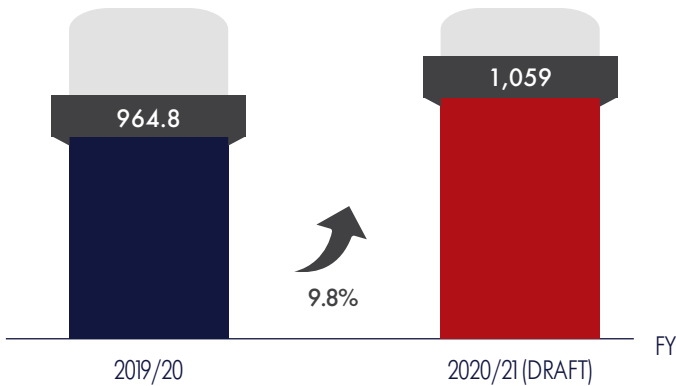


Sources: Central Bank of Egypt (CBE), Central Agency for Public Mobilization & Statistics (CAPMAS), IHS Markit, EGX, Ministry of Finance & MPED.





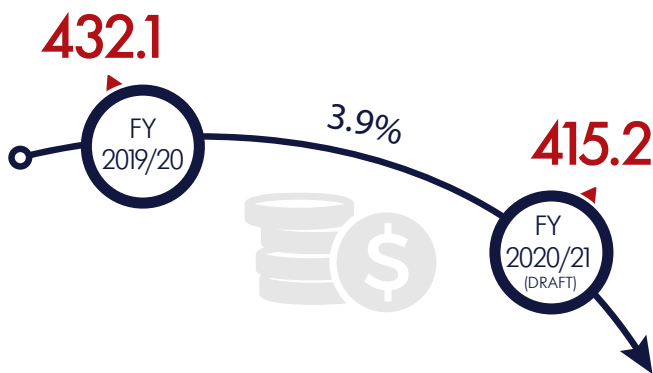
TAXES (USD BN)



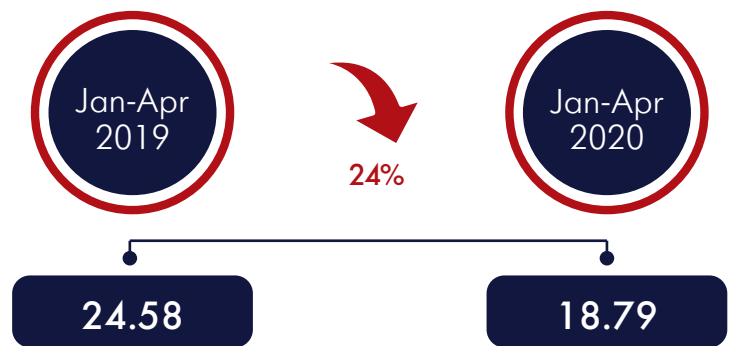
EXPECTED CUSTOM REVENUES (EGP BN)



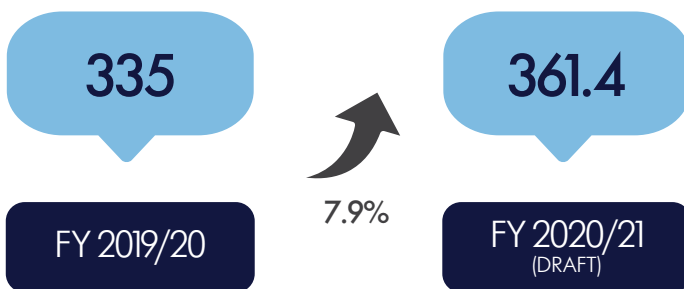
AGGREGATE BUDGET DEFICIT (EGP BN)



NON-OIL IMPORTS (USD BN)

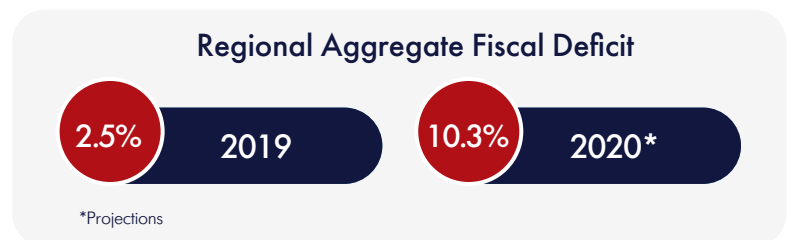


WAGES & WORKERS' COMPENSATION (EGP BN)

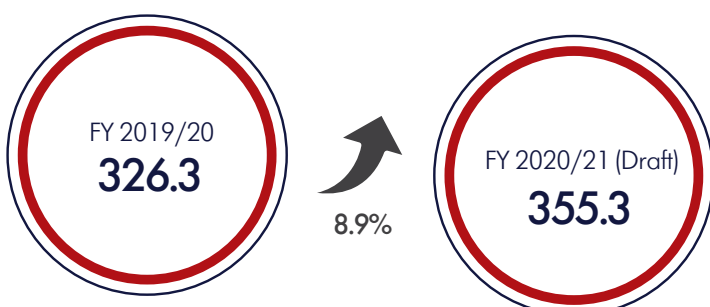


ECONOMIC GROWTH IN GCC COUNTRIES

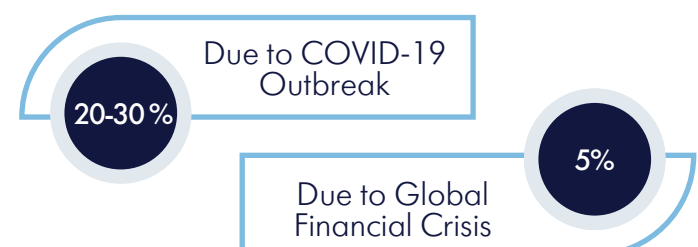
Regional Economic Growth Foreseen to Slump by **4.4%**



SOCIAL SUBSIDIES (EGP BN)



EXPECTED DECLINE IN GLOBAL REMITTANCES



Source: Ministry of Finance, Ministry of Trade & Industry, National Authorities & Institute of International Finance (IIF).

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# FULL ANALYSIS

# FACTS

# & FIGURES

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## 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.

# INVESTIGATE

RESEARCH & ANALYSIS

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