MARKET WATCH

BY **DINA EL BEHIRY**

INVESTIGATE
RESEARCH & ANALYSIS

TRANSPORT SECTOR ACHIEVEMENTS SINCE 2014

Time Period
2014-2020

Transportation Ministry's Achievements

Plan
Egypt's National Development Plan

NATIONAL ROADS PROJECT

EGP 175 bn
Total Investment Cost

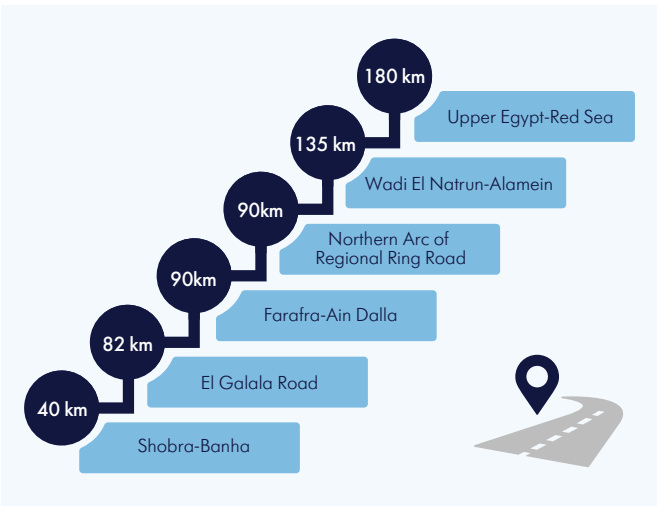
7,000 km
Total Length

1,300 km (Phase III)
Under-Construction Roads

1,200 km (After Phase III)
Planned Roads

30,500 km vs. 23,500 km in 2014
Total Length of Main Routes & Highways

4,500 km (Phases I & II)
Executed Roads (Since 2014)



DEVELOPMENT & MAINTENANCE OF CURRENT ROADS

Total Investment Cost	EGP 15 bn
Length of Developed Roads	5,000 km
Major Developed Roads	Sohag-Western Desert Qena / El Mahla-Kafr El Sheikh / Tanta-Kafr El Sheikh / Taba-Nuweiba / Damietta-Kafr El Battikh & Kafoury-Borg El Arab

BRIDGES & TUNNELS

EGP 85 bn
Total Investment Cost

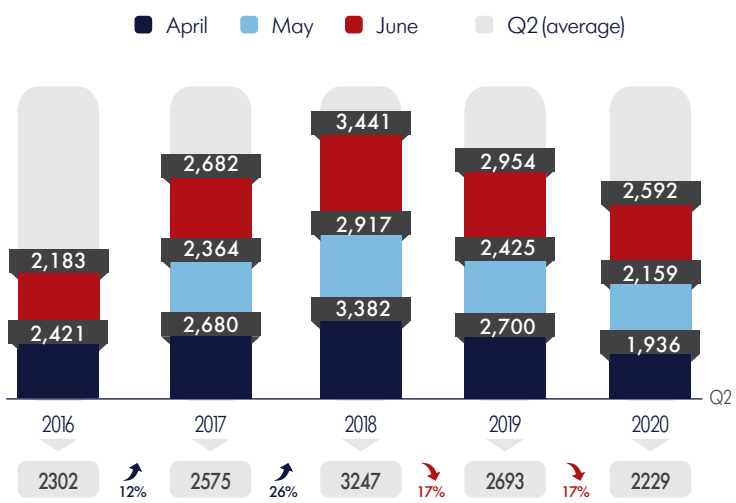
600
No. of Executed Bridges & Tunnels

Main Rail Slipways & Road Junctions
Location

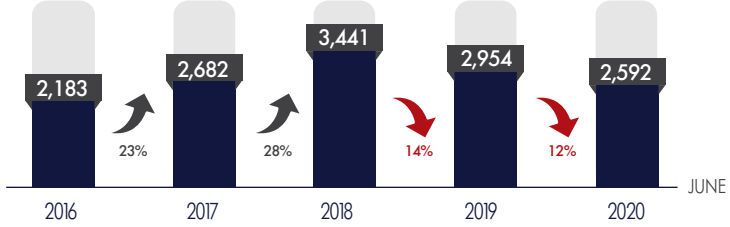
Sources: State Information Service (SIS) & Ministry of Transportation.

REAL ESTATE SECTOR INSIGHTS

REAL ESTATE DEMAND INDEX (POINTS)



M-O-M REAL ESTATE DEMAND INDEX (POINTS)

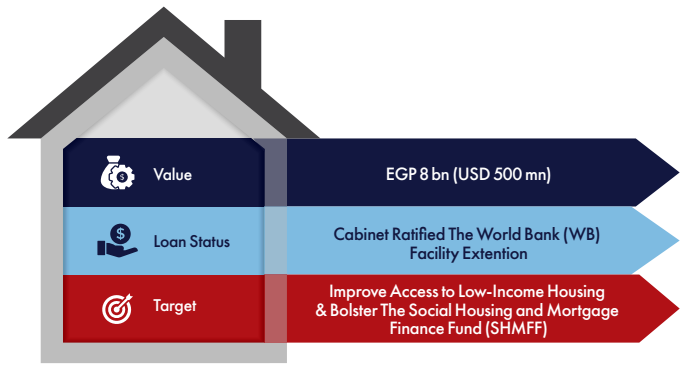


COMMERCIAL/ADMINISTRATIVE RENTS PER SQUARE METER IN CAIRO (EGP)

Min Max

	Price in 2019	Price in 2020
Offices	300 / 450	300 / 499
Retail	360 / 650	370 / 670
Industrial Sector	30 / 51	31 / 52.5

WB SUPPORTS SOCIAL HOUSING PROGRAM

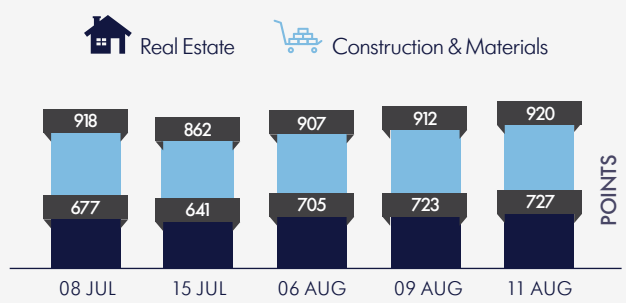


PRICES OF CONSTRUCTION MATERIALS (JULY 2020) (EGP)

STEEL BARS	CRETAL STEEL	PORTLAND CEMENT	COARSE SAND
(per ton)	(per ton)	(per ton)	(per sqm)
9,600	9,800	750	70
(YOY -19%)	(YOY -21.6%)	(YOY -13.8%)	(YOY -7.1%)

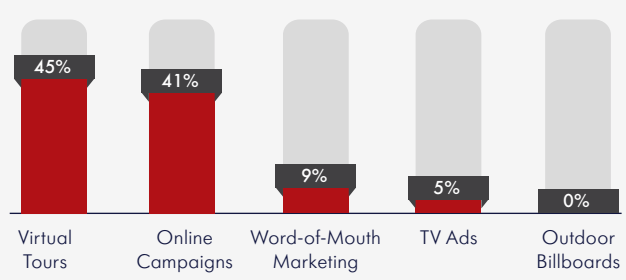
SOLID CEMENT BRICKS	BRICK HOLLOW CONCRETE
(per 1,000 bricks)	(40x20x12 cm) (per 1,000 bricks)
1,100	5,200
(YOY 0%)	(YOY 3%)

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



ONLINE MONTHLY SURVEY (%)

WHAT IS THE FINEST ADVERTISING STRATEGY FOR DEVELOPERS TO INCREASE SECOND-HOME SALES WHILE COPING WITH SOCIAL DISTANCING MEASURES?



Sources: Aqarmap, Cabinet, Fitch Solutions, Ministry of Housing, Utilities & Urban Communities, Egyptian Exchange (EGX) & Invest-Gate R&A.

NEW CITIES UPDATE

NEW MANSOURA

Total Area
7,200 Acres

Phase I Area
2,063 Acres

JANNA

Project Type
Luxury Housing Project

No. of Residential Units
11,232 (468 Buildings)

Completion Rate
75%

Sakan Misr

Project Type
Middle-Income Project

No. of Residential Units
4,704 (196 Buildings)

Completion Rate
90%

AL ASMARAT

Location
Mokattam Hills

No. of Residential Units
18,000 (429 Buildings)

No. of Commercial Properties
281

News

Tahya Misr Fund Invests in Project Development

Value ▶ EGP 1 bn

Plan
Build Decent Homes for Over 80,000 Slum Residents

AL ASMARAT (Phase III)

No. of Residential Units
7,440

Delivery Date
July 12

Unit Type
Fully-Finished & Furnished

Supply Volume

- Sports Courts
- Medical Units
- 9,000-Car Parking Area
- Service Complex

DAR MISR (Phase II)

Project Type
Middle-Income Project

Location
Badr City

No. of Residential Units
1,128 (47 Buildings)

Completion Rate
95%

Status

- Interior & Exterior Works Done
- Landscape & General Works Ongoing

SOCIAL HOUSING EXTENSION

No. of Residential Units
250,000 (Nationwide)

Delivery Date
Until 2023

News

Central Bank of Egypt (CBE) to Secure Funds for Extra Social Housing

- Value: EGP 30 bn (With Lower Key Rates)
- No. of Initial Unit Offering: 120,000

Source: Cabinet, Tahya Misr Fund, Egyptian Presidency & Badr City Development Authority.

PRIVATE REAL ESTATE PROJECTS UPDATE

CONSTRUCTION AWARDS

SODIC EAST

Developer	Location	Area
Sixth of October Development & Investment (SODIC)	East Cairo	655 Acres

Award Value	Delivery Date	Duration
Over EGP 1.2 bn	Early 2021	Last 2 Yrs

Contracting Purpose: SODIC Awards Construction Tenders

Supply Volume:
- No. of Under-Construction Homes: 776
- Completion Rate: 65%
- Commercial Assets
- Open Greeneries
- Educational Projects
- Entertainment Facilities

PROJECTS UNDERWAY

Ashgar City

Developer	Location	Area
IGI Real Estate	6th of October City	148 Acres

News:
- IGI Gets Loan Facility From National Bank of Egypt (NBE)
- Target: Finance Project Construction & Finalize Remaining Phases
- 1st Tranche Value: EGP 600 mn

Supply Volume:
- No. of Residential Units: 4,000
- Unit Areas: 77-234 m²
- School
- Commercial/Administrative Units
- Medical Center
- Sports & Social Club

Crete Islands

Developer	Location	No. of Residential Units
Mountain View (MV)	MV Ras El Hikma, North Coast	1,116

News:
- MV Logs EGP 2 bn Sales After 4 Days of Launching

Supply Volume:
- 45 m² Crystal Lagoon
- 2.3-km Beachfront
- Clinic
- Dining Outlets
- Emarat Misr Gas Station
- Commercial Area

Source: Developers' Official Statements

PROJECTS UNDERWAY

Amwaj

Developer	Location	Area
Al Ahly Sabbour Development	North Coast	342 Acres

No. of Residential Units	Total Investment Cost
3,589	EGP 4.2 bn

News

- Al Ahly Sabbour Delivers 362 Homes
- No. of Remaining Units: 577 (Part of Phase IV)
- Delivery Date: Before 2021

Marseilia Beach 4

Developer	Location	Area
Marseilia Group	Sidi Abdel Rahman Bay, North Coast	140 Acres

No. of Residential Units: 2,000

News

- 50% of Project Sold Out
- Phase I Delivered & Sold Out
- 850 Homes Delivered (Phase II)

Plan

- Target Contractual Deals of Almost EGP 1.5 bn
- Phase IV to be Delivered in 2021

Haceinda Bay

Developer	Location	Area
Palm Hills Developments (PHD)	Sidi Abdel Rahman Bay, North Coast	2.4 mn m²

News

- PHD Inks Middle-Term Loan with AAIB & Banque Misr
- Loan Value: EGP 365 mn
- Target: Finance Part of Construction Cost, Plus Infrastructure & Administrative Expenses

Badya

Developer	Location	Area
PHD	6th of October City	3,000 Acres

News

- PHD & CI Capital's Taaleem Management Services Company to Build Higher Education Campus
- Area → 100,000 m²
- Target
  - Build Private University, in Collaboration with Medical University of Vienna International (MUVI)
  - Build Foreign Branch Campuses of 1st-Class Universities
- Plan → Work to Start Upon Obtaining Regulatory & Corporate Approvals

Source: Developers' Official Statements

PROJECTS UNDERWAY

O West

Developer: Orascom Development Egypt (ODE)

Location: 6th of October City

Area: 4.2 mn m²

News:
- ODE & Dr. Nermien Ismail Schools (NIS) to Construct 2 New Schools (American & IB/IGCSE Systems)
- No. of Students → 2,400
- Investment Cost → Over EGP 500 mn
- Delivery Date → September 2022

Cairo Business Park

Developer: Misr Italia Properties (MIP)

Location: New Cairo

Area: 18 Acres

No. of Keys in Hilton Garden In Hotel: 130

No. of Administrative Buildings: 42

Investments: EGP 1.5 bn

News:
- MIP's Allure Executive Offices Sees EGP 200 mn Sales After 48 Hrs of Launching
- Unit Areas → 58-300 m²

Ivory Business Park (IBP)

Developer: Ivory Investments

Location: SODIC's Allegria, West Cairo

Launching Date: Mid 2021

Area: 17,000 m²
- Office Space 10,000 m²
- Leasable Retail 7,000 m²

News:
- Ivory Investments Partners with Savills to Manage, Lease & Market IBP

NEW RESIDENTIAL PROJECTS

SOL (VYE-Phase II)

Developer: SODIC

Location: New Zayed, West Cairo

Payment Method: Installments Over 8 Yrs

News:
- SODIC Unveils Pre-Launch of SOL

Supply Volume:
- Twin Houses
- Cycling Lanes
- Gardens
- Limited Solar-Powered Homes
- Townhouses
- Prices of Townhouses Starting from EGP 4.5 mn
- Co-Working Spaces

Source: Developers' Official Statements

ECONOMIC SNAPSHOT

INTEREST RATES

OVERNIGHT DEPOSIT RATE	9.25%
OVERNIGHT LENDING RATE	10.25%
RATE OF MAIN OPERATION	9.75%
DISCOUNT RATE	9.75%

CURRENT ACCOUNT DEFICIT (USD BN)

JUL-MAR 2018/19	JUL-MAR 2019/20
9.8	7.3

NON-OIL TRADE DEFICIT (USD BN)

JUL-MAR 2018/19	JUL-MAR 2019/20
29.5	27.3

PETROLEUM TRADE DEFICIT (USD MN)

Jul-Mar 2018/19	Jul-Mar 2019/20
294.3	773.3

CURRENT TRANSFERS (USD BN)

Jul-Mar 2018/19	Jul-Mar 2019/20
18.2	21.5

ANNUAL HEADLINE INFLATION

JUNE 2020	JULY 2020
5.6%	4.2%

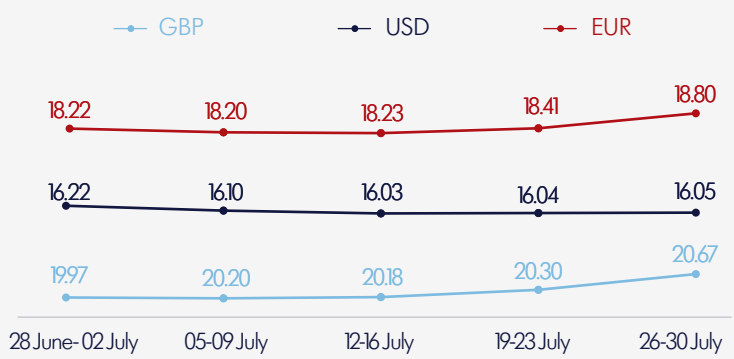
NET INTERNATIONAL RESERVES (USD BN)

JUNE 2020	JULY 2020
38.2	38.31

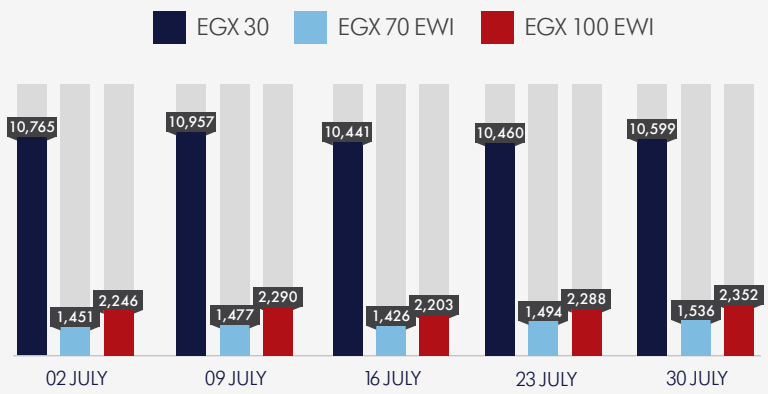
PURCHASING MANAGERS' INDEX (PMI)

JUNE 2020	JULY 2020
44.6	49.6

Exchange Rates



CAPITAL MARKET INDICATORS



Sources: CBE, Central Agency for Public Mobilization & Statistics (CAPMAS), IHS Markit & EGX.

SERVICE BALANCE SURPLUS (USD BN)

INVESTMENT INCOME DEFICIT (USD BN)

EVOLUTION OF EGYPT'S BANKING INDICATORS (SINCE 2014)

	Deposits (EGP TRN)	Loans (EGP TRN)	Irregular Loans (%)
June 2014	1.42	0.59	9.1
March 2020	4.42	2.02	4.2

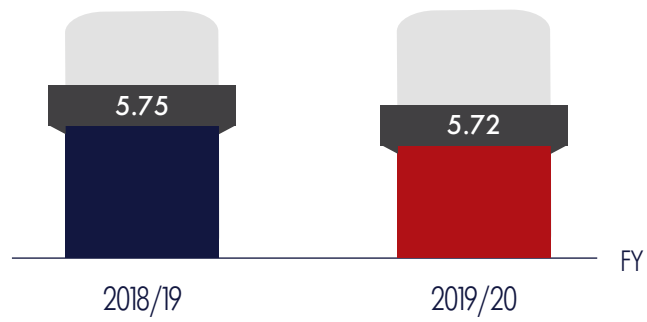
CREDIT RATINGS

	2014	2020
Fitch Solutions	B	B+
S&P Global Ratings	B-	B
Moody's	Coo2	B2

SMES INITIATIVE

Time Period	Total Initiative Value	No. of Beneficiaries
January 2016-March 2020	EGP 181 bn	1.044 mn

SUEZ CANAL REVENUES (USD BN)



GDP LOSSES DUE TO TOURISM HALT AMID CORONAVIRUS (%)

11	Jamaica	9	Thailand
8	Croatia	6	Portugal
5	Dominican Rep.	5	Kenya
5	Morocco	4	Greece
3	Mauritius	3	Senegal
3	Ireland	3	South Africa
3	Malaysia	3	Spain
3	Egypt		

S&P SEES GCC GOV'T DEBT ACCUMULATION

Expected Debt Increase	USD 100 bn
Time Period	2020
Reasons	Coronavirus Woes Oil Prices Drop

Source: Suez Canal Authority (SCA), S&P Global Ratings, United Nations Conference on Trade & Development (UNCTAD) & CBE.

FULL ANALYSIS

FACTS & FIGURES

GOV'T ACCELERATES EFFORTS IN TRANSPORT & REAL ESTATE SECTORS SINCE 2014

BY **DINA EL BEHIRY**

From 2014 onwards, the Egyptian transportation sector witnessed a noticeable boom, thanks to the never-ending efforts by the Ministry of Transportation, which principally aims to forge ahead with market advancement, in line with the state's strategic national development plans.

While the past few years of political and economic uncertainty have slowed capital spending on infrastructure, 2015 has seen that trend reversed in dramatic fashion, with the President Abdel-Fattah El-Sisi prioritizing the completion of major infrastructure projects as part of his policy agenda, planning for a 7,000-kilometer national road network, with an investment cost of EGP 175 bn.

Approximately 4,500 kilometers (phases I and II) of the aforementioned projects have been successfully carried out, whereas work is ongoing to complete about 1,300 kilometers (phase III). Another 1,200 kilometers are scheduled following the finalization of phase III, making the total length of main roads reach 30,500 kilometers to date, up from 23,500 kilometers in June 2014.

Further, the ministry has mandated the execution of 21 bridge axes on the Nile River, at costs estimated at EGP 30 bn. Nearly seven axes are done, with eight others still under construction. The government plans to establish six more axes to reach a total of 59 axes nationwide, instead of the 38 ones built in 2014. Beyond that, 600 bridges have been constructed at rail slipways and junctions of main roads, at a total value of EGP 85 bn.

In addition to the establishment of new roads, the transportation ministry took on the development and upgrading of the existing road network. Accordingly, almost 5,000 kilometers - worth roughly EGP 15 bn - have been completely developed and rehabilitated.

Looking at the improvements in the railway aspect, around EGP 40 bn have been used to execute new projects to develop the railway segment. In addition to that, other projects are still underway worth EGP 86 bn. Better yet, around EGP 55 bn have been allocated to other planned projects.

With an eye on the real estate sector, according to Aqarmap's real estate demand index, Egypt's property industry witnessed a 17% drop in Q2 2020 versus the year-ago period. On a month-on-month basis, the sector shrank by 12% last June, compared to the corresponding period last year, on the back of the COVID-19 headwinds.

Despite the chaos looming the whole world due to Coronavirus, Egypt's Cabinet has ratified a USD 500 mn (EGP 8 bn) extension to a World Bank (WB) facility, as part of a program to improve access to low-income housing and bolster the state's Social Housing and Mortgage Finance Fund (SHMFF). The loan, which the bank had signed off on earlier this year, will be extended by the WB's lending arm, or the International Bank for Reconstruction and Development (IBRD).

Despite the pandemic disruption, the Ministry of Housing, Utilities, and Urban Communities is right on cue when it comes to the development of new cities. In July, El-Sisi opened phase III of Mokattam's Al Asmarat housing project to roll out new homes for slum residents (i.e combat informal settlements). Al Asmarat III encompasses 7,440 fully-equipped and furnished houses, besides several sports courts, medical units, along with a 9,000-car parking area and a service complex to meet all residents' needs.

In the same vein, Egypt's Tahya Misr Fund has contributed EGP 1 bn for project development. The public fund has also given a boost to repairing and renovating 10,000 damaged residential units, nestled within 332 villages across 18 governorates, at a combined cost of EGP 300 mn.

On another note, the housing ministry paid a great deal of attention to projects underway, aiming for on-time deliveries. In New Mansoura, for example, about 11,232 residences in the JANNA luxury project are 75% finished, whilst 4,704 other apartments are 90% complete in the city's Sakan Misr project. As for Badr City, 1,128 homes within phase II of Dar Misr project are 95% done.

In the efforts to further reinforce the country's real estate industry, the Central Bank of Egypt (CBE) has been given the green light to extend EGP 30 bn, partly borne by the finance ministry, for subsidizing the execution of 250,000 social housing units nationwide until 2023. This came as a part of the government's strategy to secure the necessary funding for building additional social housing units.

Private Sector's Plans on Course

There is more good news as Egypt's real estate companies are launching brand-new projects, in the face of COVID-19 woes. After the successful sold-out launch of VYE phase I, Sixth of October for Development and Investment Company (SODIC), for instance, has unveiled the pre-launch of the compound's phase II, called "SOL." The new phase, located in west Cairo's New Zayed, will comprise a handful of efficiently-designed townhouses and twin homes.

Concerning under-construction projects, IGI Real Estate has agreed on a loan facility from the National Bank of Egypt (NBE) to finance the construction of its flagship project in 6th of October City, named "Ashgar City," alongside the finalization the development's remaining phases with respect to the set timeframes and high-quality execution metrics. Under the agreement, inked on July 28, the first tranche is valued at EGP 600 mn.

When it comes to handover dates, property developers are sparing no efforts to eliminate any delays. Case in point: SODIC has awarded more than EGP 1.2 bn worth of construction tenders to develop its SODIC East project over the last two years, considering that all parcels released are well underway and are scheduled for delivery starting from 2021.

Likewise, Al Ahly Sabbour Development has successfully handed over 362 residences in its North Coast flagship project, or "Amwaj," bidding to deliver 577 others before year-end, as part of phase IV. Marseilia Group has also presented a number of coastal homes at its North Coast megaproject, called "Marseilia Beach 4," which is being developed over three phases, with the final one scheduled for handover in 2021.

Economic Snapshot

Indeed, Coronavirus is more than just a health crisis; it actually managed to shock economies worldwide. However, focusing on the local case, Egypt's economy is capable of grappling with the pandemic headwinds, thanks to the reform program and other measures taken to aid the country's previously ailing economy (i.e. put on the path to growth), market experts agree.

Evidence to that is the headline inflation rate dipping to 4.2% in July, which is the lowest level since last November, after recording 5.6% in June. Equally noteworthy is the fact that this rate is less than the CBE's target range of 9% (±3) for the month, the CBE uncovered in a recent official statement, noting that the whole country's CPI inched up to 107.8 points in July, logging a slight rise of 0.2% from June. In addition to this, the state's net international reserves logged a slight increase to reach USD 38.31 bn in the previous month, up from USD 38.20 bn in June.

Speaking of the non-oil private sector in Egypt, it saw a significant improvement as the Purchasing Managers' Index (PMI) recorded 49.6 in July, going up from 44.6 in June. This noticeable increase is an eloquent testimony of economic recovery, especially after the unprecedented circumstances it had earlier witnessed.

In an attempt to further strengthen the Egyptian economy, the CBE kept the interest rates on hold during their last meeting on August 13. Against this background, the overnight deposit, overnight lending, discount, and main operation rates registered 9.25%, 10.25%, 9.75%, and 9.75%, appropriately.

Digging deeper into Egypt's economic stance, specifically in July-March of FY 2019/20 vs the same period last year, the current account deficit bettered by 25.2% to hit USD 7.3 bn. Better figures for account deficit came on the back of an USD 2.2 bn drop in the non-oil trade deficit, recording a total of USD 27.3 bn. Meanwhile, the petroleum trade deficit reached USD 773.3 mn, whilst current transfers have risen by USD 3.3 bn to post USD 21.5 bn.

Further, in FY 2019/20, surplus in service balance dwindled by 13.7%, reaching USD 8.4 bn. Adding to that, the investment income deficit increased by USD 1.2 bn to register USD 9.2 bn. During this period, Suez Canal revenues shrank by USD 32.1 mn to stand at USD 5.72 bn, up from USD 5.75 bn in the corresponding period of 2019.

On the other end of the spectrum, tourism is one of the main sectors that was hit hard by the calamity of the Coronavirus outbreak. According to the United Nations Conference on Trade and Development's (UNCTAD) report on July 1, the world's tourism sector could lose around USD 1.2 trn or 1.5% of the Gross Domestic Product (GDP), thanks to the global lockdowns which lasted for more than four months to combat virus spread. Moreover, the UNCTAD's report sees developing countries facing some severe losses. Some tourism hotspots such as Kenya, Egypt, and Malaysia could lose over 3% of GDP.

Despite all odds wrought by the havoc, Fitch Solutions believes that Egypt's growth rate is projected to remain positive to reach 2.6% in FY 2020/21. Not only that but also, it is expected to remain positive in FY 2021/22, going up to 3.6%.

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