

# MARKET WATCH

BY **DINA EL BEHIRY**

INVESTIGATE  
— RESEARCH & ANALYSIS —

## TRANSPORT SECTOR ACHIEVEMENTS SINCE 2014



Time Period  
2014-2020



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



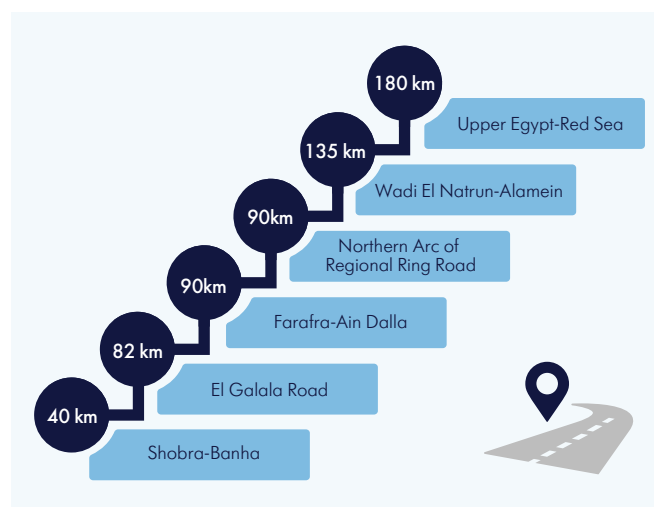
1,200 km (After Phase III)  
Planned Roads



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 Gena /  
El Mahla-Kafir El Sheikh / Tanta-Kafir El Sheikh /  
Taba-Nuweiba / Damietta-Kafir El Battikh &  
Kafoury-Borg El Arab



### BRIDGES & TUNNELS



EGP 85 bn  
Total Investment Cost



600  
No. of Executed Bridges & Tunnels

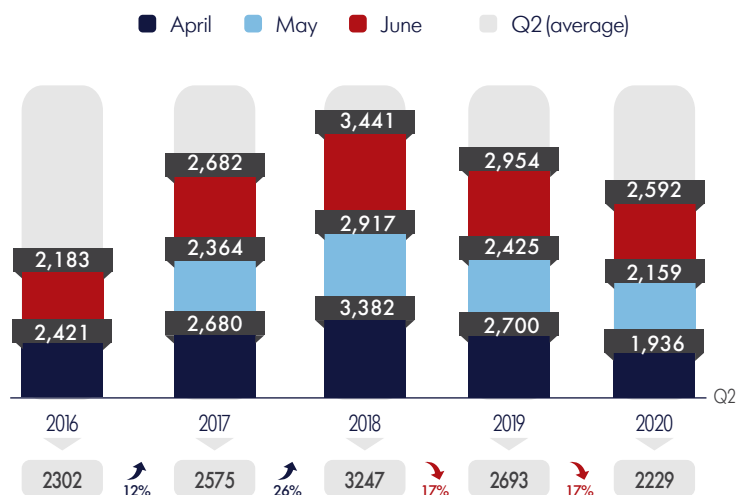


Main Rail Slipways & Road Junctions  
Location

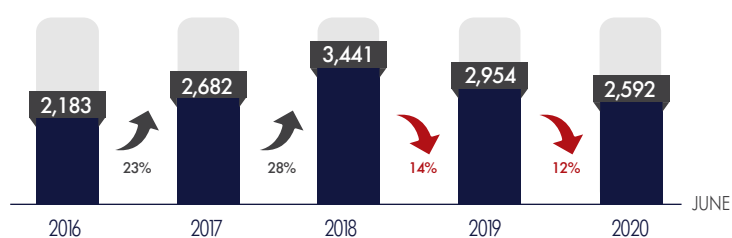
# REAL ESTATE SECTOR INSIGHTS



## REAL ESTATE DEMAND INDEX (POINTS)



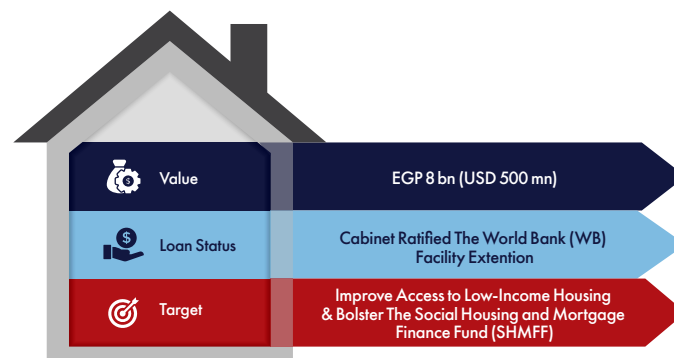
## M-O-M REAL ESTATE DEMAND INDEX (POINTS)



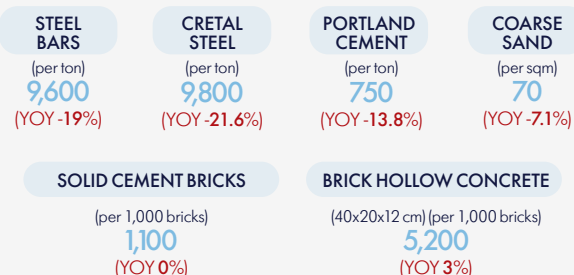
## COMMERCIAL/ADMINISTRATIVE RENTS PER SQUARE METER IN CAIRO (EGP)



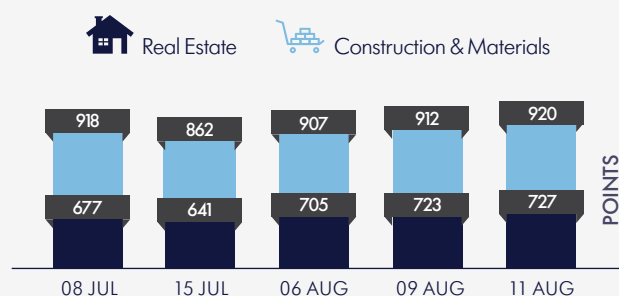
## WB SUPPORTS SOCIAL HOUSING PROGRAM



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

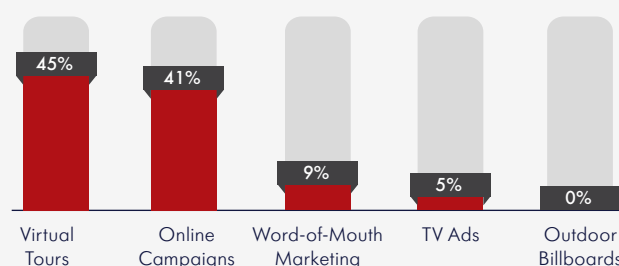


## REAL ESTATE & CONSTRUCTION STOCK MARKETS INDEXES PERFORMANCE IN EGYPT (2020)

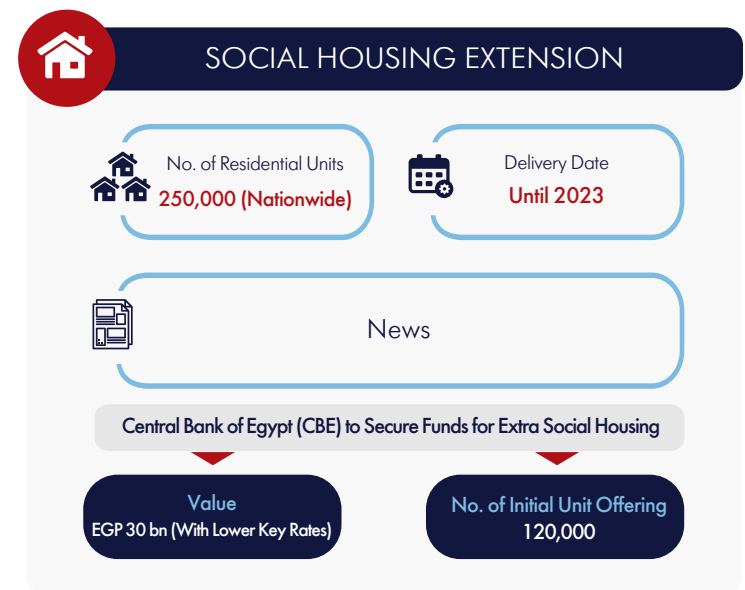
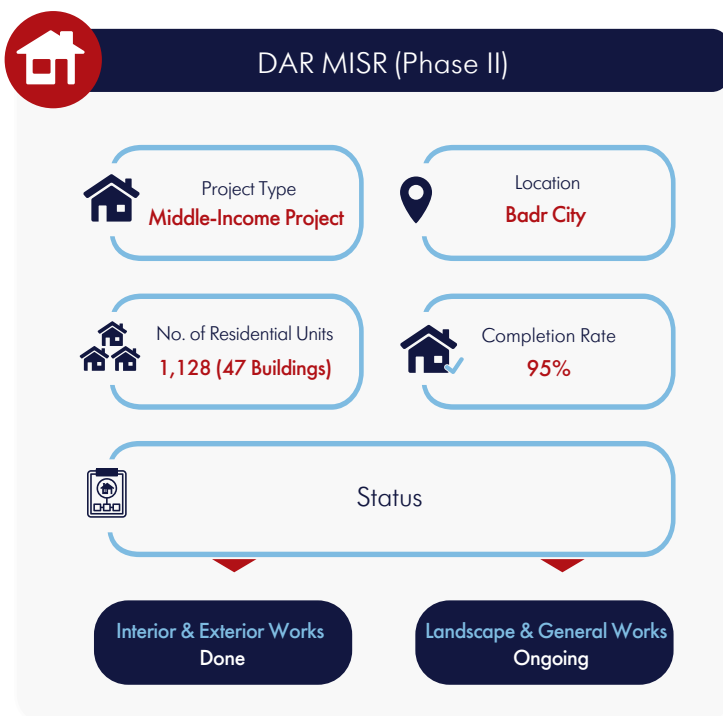
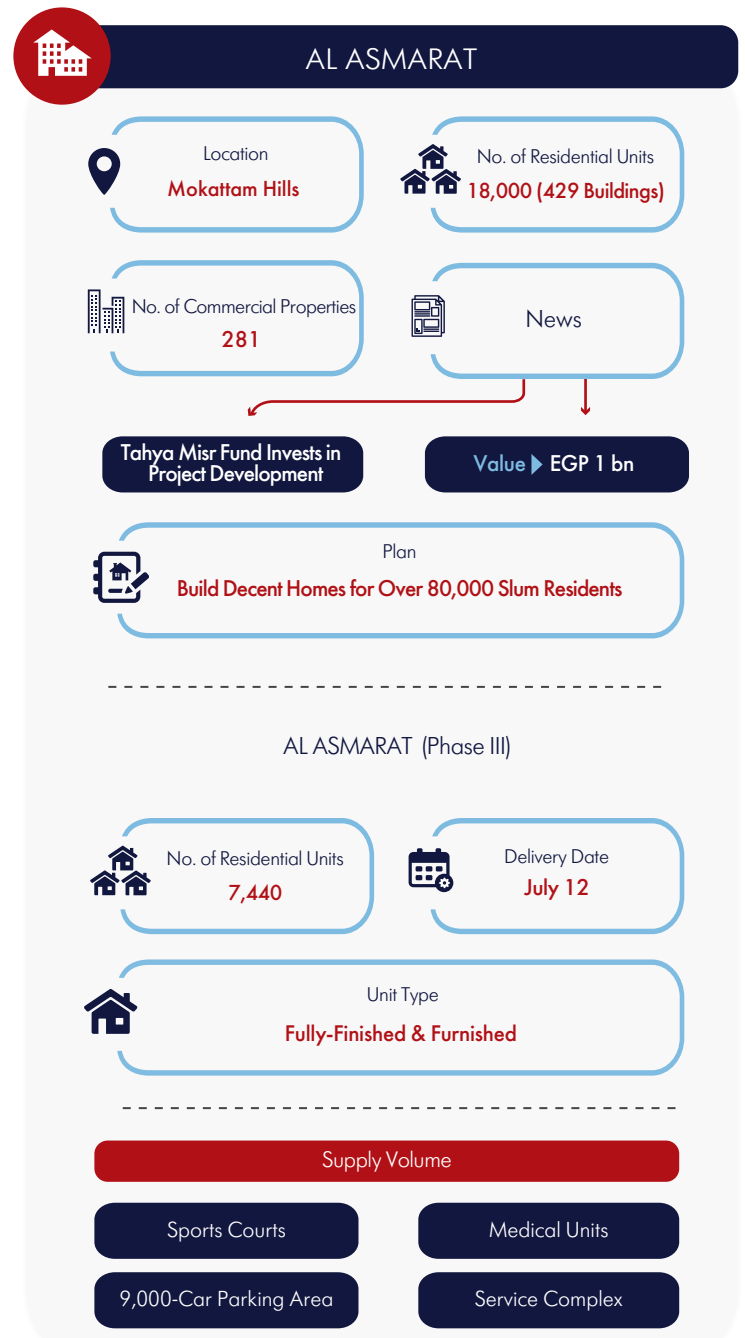
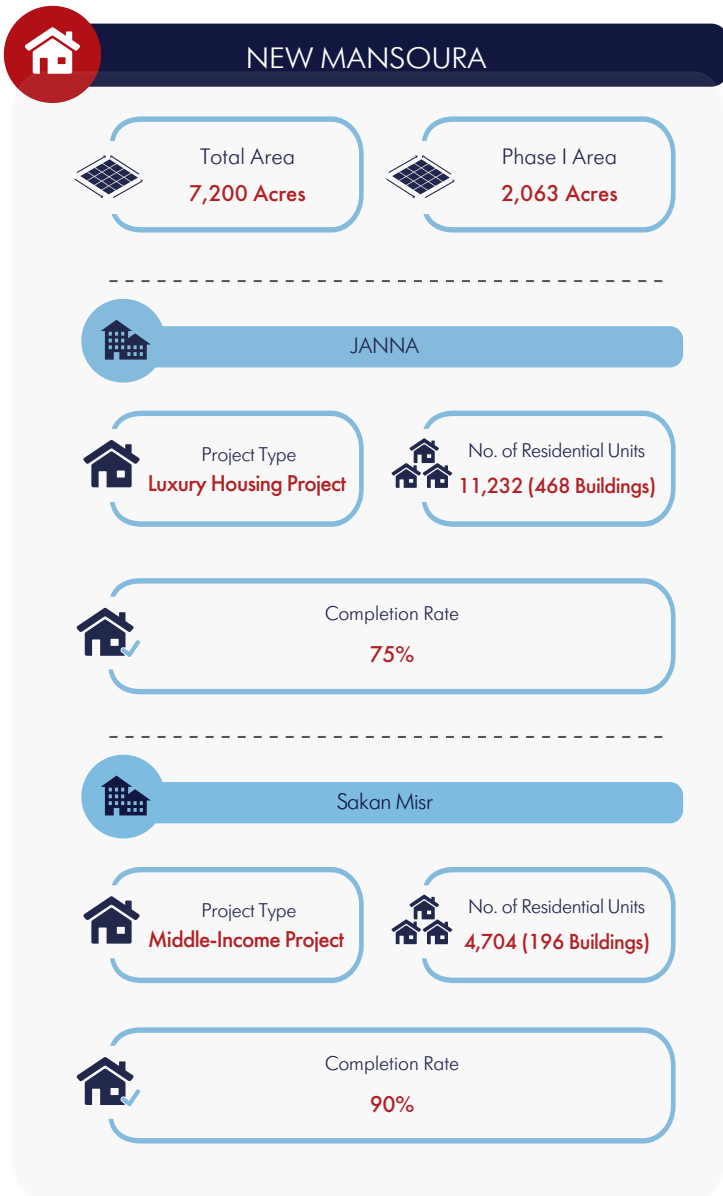


## ONLINE MONTHLY SURVEY (%)

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



# NEW CITIES UPDATE



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

# PRIVATE REAL ESTATE PROJECTS UPDATE



## CONSTRUCTION AWARDS

### SODIC EAST

**Developer**  
Sixth of October Development & Investment (SODIC)

**Location**  
East Cairo

**Area**  
655 Acres

**Award Value**  
Over EGP 1.2 bn

**Delivery Date**  
Early 2021

**Duration**  
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**  
IGI Real Estate

**Location**  
6th of October City

**Area**  
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 m<sup>2</sup>

School

Commercial/Administrative Units

Medical Center

Sports & Social Club

### Crete Islands

**Developer**  
Mountain View (MV)

**Location**  
MV Ras El Hikma, North Coast

**No. of Residential Units**  
1,116

**News**

MV Logs EGP 2 bn Sales After 4 Days of Launching

**Supply Volume**

45 m<sup>2</sup> Crystal Lagoon

2.3-km Beachfront

Clinic

Dining Outlets

Emarat Misr Gas Station

Commercial Area



## PROJECTS UNDERWAY



## Amwaj



Developer

Al Ahly Sabbour Development



Location

North Coast



Area

342 Acres



No. of Residential Units

3,589



Total Investment Cost

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

Marseilia Group



Location

Sidi Abdel Rahman Bay, North Coast



Area

140 Acres



No. of Residential Units

2,000



News

50% of Project Sold Out

Phase I Delivered &amp; 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

Palm Hills Developments (PHD)



Location

Sidi Abdel Rahman Bay, North Coast



Area

2.4 mn m<sup>2</sup>

News

PHD Inks Middle-Term Loan with AAIB &amp; Banque Misr

Loan Value  
EGP 365 mnTarget  
Finance Part of Construction Cost, Plus Infrastructure & Administrative Expenses

## Badya



Developer

PHD



Location

6th of October City



Area

3,000 Acres



News

PHD &amp; CI Capital's Taaleem Management Services Company to Build Higher Education Campus

Area → 100,000 m<sup>2</sup>

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 &amp; Corporate Approvals



## PROJECTS UNDERWAY



## O West



Developer

Orascom Development Egypt (ODE)



Location

6th of October City



Area

4.2 mn m<sup>2</sup>

News

ODE &amp; Dr. Nermien Ismail Schools (NIS) to Construct 2 New Schools (American &amp; 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 m<sup>2</sup>

## Ivory Business Park (IBP)



Developer

Ivory Investments



Location

SODIC's Allegria, West Cairo



Launching Date

Mid 2021



Area

17,000 m<sup>2</sup>Office Space  
10,000 m<sup>2</sup>Leasable Retail  
7,000 m<sup>2</sup>

News

Ivory Investments Partners with Savills to Manage, Lease &amp; 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

Limited Solar-Powered Homes

Twin Houses

Townhouses

Cycling Lanes

Prices of Townhouses  
Starting from EGP 4.5 mn

Gardens

Co-Working Spaces

## 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)

9.8

JUL-MAR 2018/19



7.3

JUL-MAR 2019/20



## NON-OIL TRADE DEFICIT (USD BN)

29.5

JUL-MAR  
2018/19

27.3

JUL-MAR  
2019/20

## PETROLEUM TRADE DEFICIT (USD MN)

Jul-Mar 2018/19

294.3

Jul-Mar 2019/20

773.3



## CURRENT TRANSFERS (USD BN)

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

## ANNUAL HEADLINE INFLATION

JUNE 2020

5.6%

JULY 2020  
4.2%

## NET INTERNATIONAL RESERVES (USD BN)

JUNE 2020

38.2

JULY 2020  
38.31

## PURCHASING MANAGERS' INDEX (PMI)

JUNE 2020

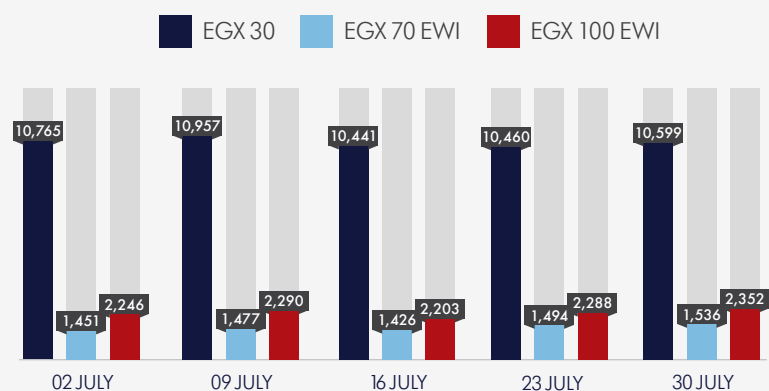
44.6

JULY 2020  
49.6

## Exchange Rates



## CAPITAL MARKET INDICATORS







## SERVICE BALANCE SURPLUS (USD BN)



## INVESTMENT INCOME DEFICIT (USD BN)



Jul-Mar 2018/19

8

Jul-Mar 2019/20

9.2



## 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

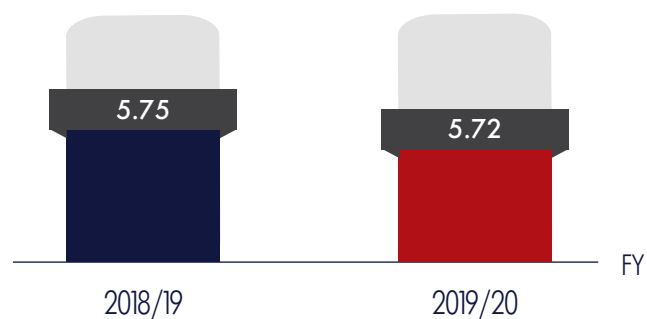
	2014	2020
Fitch Solutions	B	B+
S&P Global Ratings	B-	B
Moody's	Coo2	B2



## SMES INITIATIVE



## 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&amp;P SEES GCC GOVT DEBT ACCUMULATION

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

# FULL ANALYSIS FACTS & FIGURES

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

BY **DINA EL BEHIRY**

**F**rom 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 6<sup>th</sup> 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% ( $\pm 3$ ) 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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