

Market Watch Report

REAL ESTATE TOURISM INVESTMENT



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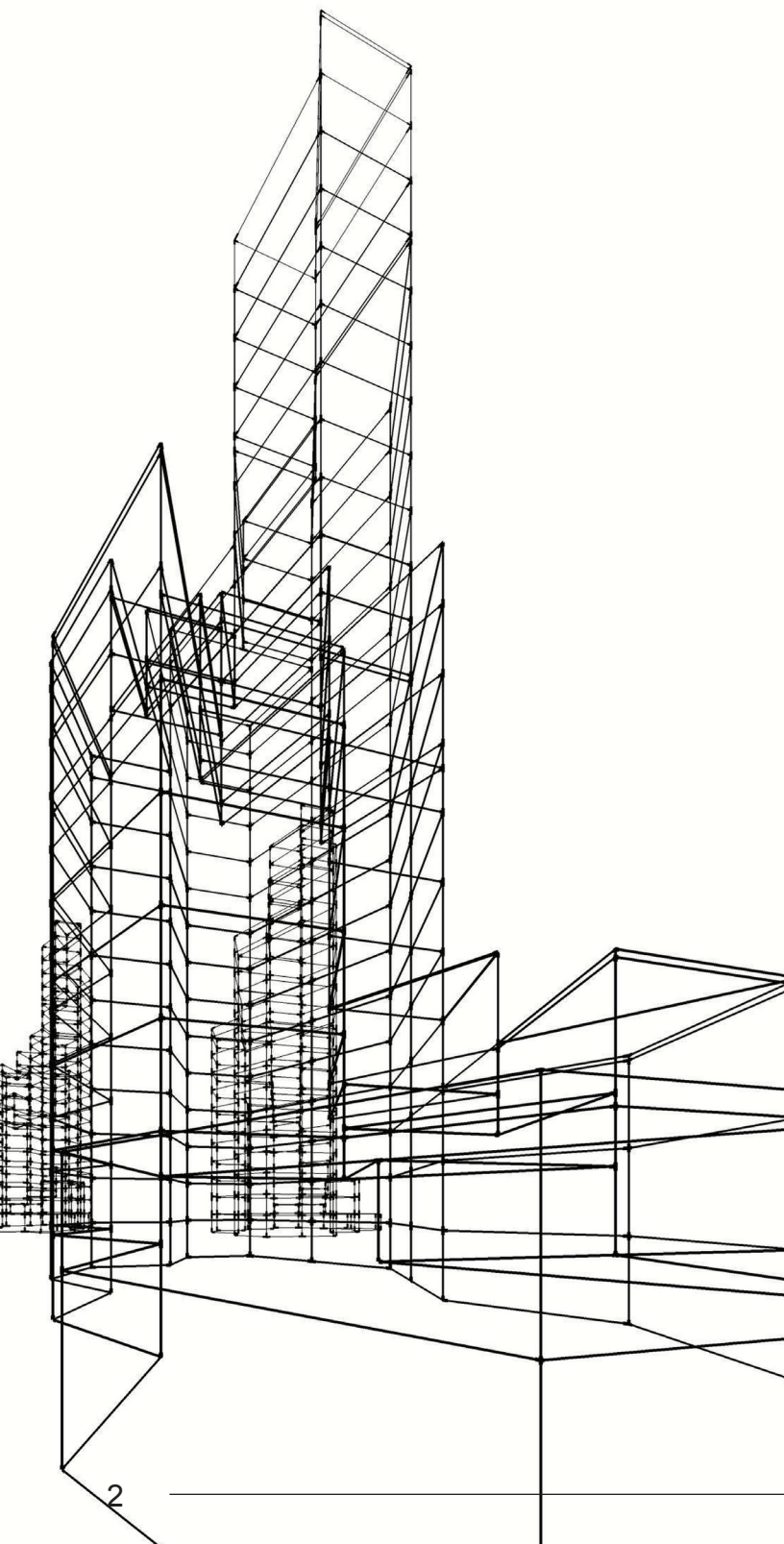


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Orascom Completes Al Masah Hotel in New Administrative Capital

Orascom Construction has finalized construction on Al Masah Hotel in the New Administrative Capital, in collaboration with the Armed Forces Engineering Authority, reported Al Borsa. Further developments are being constructed around the hotel, which is owned by the Armed Forces. The developments are expected to include a mall, conference hall, and lake area.

Alkan Group Launches \$600 mn Citadel Plaza Project

Alkan Holdings Group is set to finalize Citadel Plaza, a five-star hotel, within five years at a cost of \$600 million, reported Amwal Al Ghad. The hotel will be located in Moqattam, and consists of 320 rooms, conference halls, and exhibition center. The company recently completed the administrative building within the project, according to Chairman Khaled Nosseir, and will commence construction in the commercial area and the hotel.

Construction to Kick Off in Phase 1 of II Monte Galala in December

Construction is expected to commence on 1,200 residential units in December, as part of the first phase of Tatweer Misr's II Monte Galala project in Ain Sokhna, reported Al Mal News. The project is expected to include 1800 units, alongside a hotel that will be managed by Six Senses Hotels Resorts Spas, and will cost EGP 1 billion, according to Ahmed Shalaby, a board member at Tatweer Misr.

Egypt's Arab Contractors Partners with UAE Company for 2 Hotels in Dubai

Egypt's Arab Contractors Company will be partnering with UAE-based Al Ghuarair Properties to build two new hotel buildings in downtown Dubai, reported Amwal Elghad. The Arab Contractors will start construction in January, according to the company's Chairman, Mohsen Salah.

Azha Ain Sokhna Records EGP 11 bn Sales

Madaar Development's Azha project in Ain Sokhna has recorded sales of EGP 11 bn, according to Gasser Bahgat, CEO of Madaar in an interview with Daily News Egypt. The total investments in the project amounted to EGP 7 bn for building two phases, where each phase has 11 or 12 villages.

Global Design to Supervise Construction of 2 New Hotels

Global Design for Engineering Consultancy is partnering with several investors in the touristic sector to build two hotels at a cost of EGP 300 million, Al Borsa reported. The company has prepared plans and designs for the project, and expects that construction will begin in the first quarter of 2017, according to Mohab Ezz El Din, CEO of Global Design.

Marriott to Debut Eco-Conscious Element Hotel in Egypt

Marriott International announced plans to debut its Element Hotels eco-incubator brand in Egypt in early 2019, according to a statement from the hotel chain on Tuesday. The 344-room hotel will be located in Heliopolis as part of Abraj Misr's The Gate Project. Element Cairo will be developed by Abraj Misr and owned by Middle East Real Estate for Development.

Edmag Misr Pumps EGP 205 mn for Projects in North Coast, Matrouh

Egyptian real estate company Edmag Misr is set to provide EGP 205 mn in investments for projects in Matrouh and the North Coast next year, according to Mahmoud Zayed, the company's CEO, reported Al Borsa. The company seeks to build a strong presence in Matrouh, due to the boom in tourism investments currently pouring into the region, according to Zayed.

Amer Group Acquires License to Build 23,000 Units in North Coast

Egyptian developer Amer Group has received licenses to build an additional of 23,000 units in the North Coast, reported Al Borsa. Among the company's most prominent developments are projects in Ain Sokhna and Sharm El Sheikh, both of which contain thousands of units.

Al-Futtaim to Build 2 New Hotels in Cairo Festival City

UAE-based Al-Futtaim will be constructing two new hotels in Cairo Festival City Mall in New Cairo, reported Amwal Al Ghad. The four- and five-star hotels will cost EGP 1.2 bn in construction and buildings. Further, the Egyptian branch of the company has received the final approval from the parent company located in Dubai to start designs and tenders, according to Mohamed El Mikawi, Managing Director of Al Futtaim Group Real Estate.

ERC Records EGP 49.5 mn Revenues in Q3 of 2016

The Egyptian Resorts Company (ERC) has recorded revenues of EGP 49.5 mn in the third quarter of 2016, compared to last year's EGP 16.7 mn, according to its latest financial statement. Moreover, it registered total revenues of EGP 65.5 mn in the first nine months of 2016 recording a 79% year-on-year increase, according to a financial statement.

Palmier to Construct Resort in Matrouh

Palmier Real Estate Investment & Project Management will construct a resort in Matrouh governorate, measuring 10 acres with a total investment cost of EGP 140 mn, according to Mohamed Abdel Aziz, the company's Chairman, Daily News Egypt reported. The first phase of the project will be constructed within the next few months, following the acquisition of land permits and authorities' approval, he added.

Public Land Auction for Coastal Sites

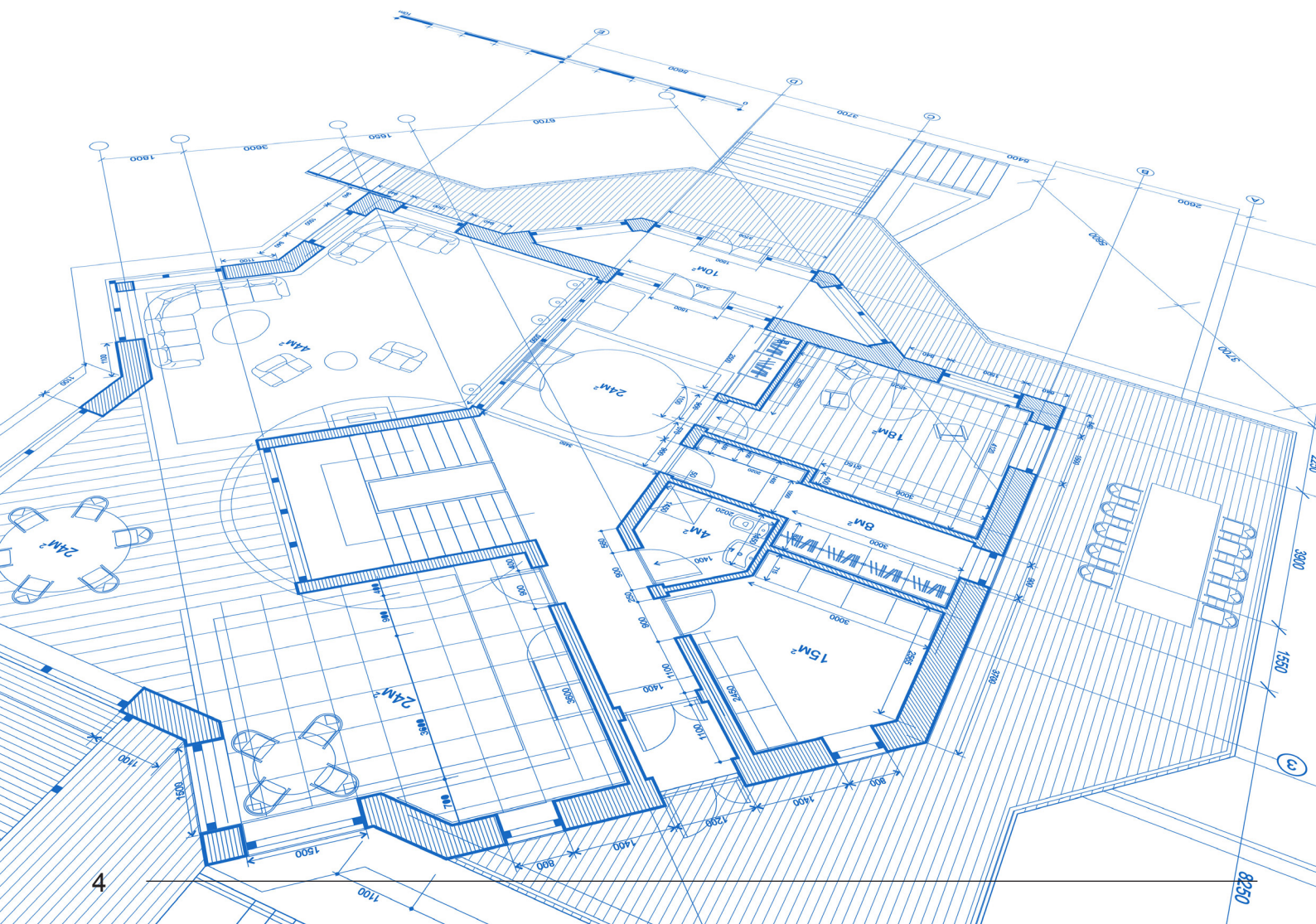
A public lottery is set to take place today to allocate 12.5 mn square meters of land in the North Coast, Ain El Sokhna, and South Magawish, according to Youm7. Approximately 52 investors are set to participate in the auction, said Serag El Din Saad, Chairman of the General Authority for Tourism Development. The authority previously offered 42 tourism sites last August to develop tourism projects, where around 59 investors competed at the time, he added.

Rowad Tourism Losses Continue in Q3 2016

Rowad Tourism Company recorded a net loss of EGP 391,000 in the third quarter of 2016, compared to a loss of EGP 1.5 mn in the same period last year, according to the company's statement to the EGX, Mubasher reported on Wednesday. The company also posted a loss of EGP 2.35 mn in the first nine months of 2016, compared to EGP 4.43 mn during the same period last year.

3 Hotel Companies to Manage City Stars Al Sahel

Al Arabia Real Estate and Development (ARCO) has signed contracts with Fairmont Hotels, Raffles Hotels & Resorts, and Swissotel to handle management for City Stars Al Sahel in the North Coast, reported Amwal Al Ghad. The contract obliges Fairmont to manage a hotel that consists of 350 rooms, 110 cabins, and 20 hotel villas, while Raffles will operate another 350-room hotel and Swissotel will own a hotel that consists of 140 hotel apartment and 350 rooms.





Tourism in Times of Crisis: Niches and Their Development

By Tim Nanns

Egypt's tourism sector has over the past years been battered by revolutionary turmoil, terrorism and uncertainty, leaving the once-blossoming industry largely shattered. Although tourism figures have recently begun to recover after the resumption of flights to Sharm El-Sheikh by key countries, the large-scale tourism that once was booming in Red Sea resorts and Upper Egypt is still nowhere near its pre-2011 level.

In light of this, niche tourism may seem like a minor concern compared to the large-scale issues the industry is facing. However, with the demise of the traditional tourism that is largely focused on beach tourism around the Red Sea and to a lesser extent, archeological tourism in Cairo, Luxor and Aswan, niche tourism and different variations of tourism have begun to make up a much larger percentage of overall tourism, due to the decline in the country and are therefore worth having an eye on in terms of personal utilization and investment purposes.

Tourism in Egypt – A Quick Overview

Having mentioned some of the large-scale issues the tourism industry in the country faces such as the general decline due to – partially perceived – security issues. This has led to a large decline in the aftermath of 2011 and several ups and downs, topped by another large shock as a bomb exploded on board a Russian passenger jet. While Russian and European visitors who value the Red Sea resorts or the ancient sites all over Egypt formerly made up the overwhelming majority of tourists, things have shifted somewhat recently: The CAPMAS figures from September show that 34.6% of tourists came from Middle Eastern countries, such as Saudi Arabia, which makes up the bulk of Arab tourists to Egypt.

Egypt's attractiveness for tourists can be summed up in the diversity of its offerings; from ancient sites, to ecotourism and desert tours to larger and smaller beach resorts at the Red Sea. However, which niche of tourism accounts for how many tourists is not easily identifiable due to a lack of statistics.

The Egyptian government, as part of its 2015 investment conference 'Egypt The Future,' set the target of boosting tourism figures back to its pre-revolutionary level of around 15 mn per year by 2017/18, doubling it again by 2020 to 30 million. Later, the goal was adjusted to reach 20 mn by 2020. This no doubt is also highly ambitious and the government has therefore laid down several ideas to boost figures, including the development of already existing and strong tourism sectors such as cultural and beach tourism, but also involving the broadening of the industry by developing sectors such as business travel and other special areas.

Tourism Sectors and Destinations

The traditional main sectors of Egypt's tourism industry are cultural tourism, mainly in the areas of Giza and around Luxor and Aswan, and beach tourism at the Red Sea and the Mediterranean. While this makes up for the bulk of tourism, there are several niches that are worth studying here. The focus here is on the specific advantages of Egypt and what it can provide compared to other holiday destinations.

When we take the classic mainstream beach tourism out of the equation there still remain quite a few niches: Firstly there is of course the kind of sightseeing tourism that probably makes up for the bulk of tourism in Egypt alongside beach vacations. This includes many regions with some being more popular in that regard than others.

The Western Desert

While many tourist sites are highly developed, like the Great Pyramids or Luxor and Aswan, there are also other locations in Egypt that promise potential, such as parts of the Western Desert, especially Siwa. With the old town of Shali at its center and the Temple of Amun, Siwa offers sites of great history as well as opportunities for eco- and agricultural tourism, with agriculture being a traditional Siwan business. The wide desert additionally grants room to all desert-related activities and the oasis itself can offer a feeling very close to your average beach vacation with its hot weather and large salt lakes.

This however also brings us to one of the downsides: Average temperatures in Siwa exceed 30 degrees on average from May to September, with an unrelenting sun shining straight from above. Another major problem – or perhaps blessing depending on the point of view – is a lack of infrastructure. While there is an airport at Marsa Matruh, Siwa is in fact only accessible by road from Alexandria or Cairo with the ride from Cairo taking up to 12 hours including nearly half a dozen checkpoints. For tourists from abroad who are only staying for a very limited time and do not seek to stay at the oasis for their whole vacation, this is definitely a severe disadvantage. Further, the security situation with Siwa being almost on the Libyan border is a major problem and has over the past scared away many tourists from the once-blossoming Siwan tourist industry.

Many of the up- and downsides of this also apply to Bahariya and neighbouring oases. While the ride to these places is not as long and the security situation is largely better, these mostly do not offer the same amount of historical sites or the same beauty as Siwa. Desert trips from here though have the potential for a blossoming industry, even though the area was shaken by events such as an attack in July 2014 at the Farafra Oasis Road that killed 22 soldiers or an incident in September 2015 that saw the death of 12 people, most of them Mexican tourists.

With improvements to the security situation though and expansions to the local infrastructure, the Western Desert still bears great potential to attract tourists from abroad in large numbers.

The Sinai Resorts

Also while having a look at the Sinai tourism resorts we are largely taking beach vacations out of the equation – even though it can still be considered a perk of each of the towns – and focus on the various other kinds of tourism.

These also comprise sightseeing including cultural and religious highlights such as Mount Sinai and Saint Catherine's Monastery as well as natural sites like the Dahab Blue Hole – which is also a major diving hotspot – and the large geographically interesting areas around Dahab and Nuweiba.

These areas in Sinai offer opportunities for hiking and other trips, a sector which is also a major venue for growth due to the geographically advantageous position of Sinai resorts such as Dahab from where ancient sites in Jordan and Israel can be reached.

Samy Solaiman, Head of the Taba and Nuweiba Investors Association, says that international tourism to Sinai was in the past partially served by the bridge between Taba and Eilat, especially religious tourism to Saint Katherine and the Moses

trail. He added that certain kinds of tourism have started kicking off recently in Sinai with parties, music festivals, yoga and detox tourism, also calling to draw more attention to the diverse nature of the tourism industry.

While infrastructure is much better for the resorts on the Sinai Peninsula – which are being served by Sharm El-Sheikh International Airport and the proximity to Israel, Jordan and Saudi Arabia – and the security situation is better than in the vast Western Desert with the long border to Libya, there nonetheless are issues. As aforementioned the downing of a Russian airliner by a bomb has led to the temporary suspension of flights from Russia while just recently German Lufthansa resumed flights to Sharm El-Sheikh after the incident. While in general the situation is not especially dangerous in Southern Sinai, the perceived problems due to recent incidents and the proximity of the area to the tumultuous Northern Sinai are much larger and so far have taken a dramatic toll on the industry.

Potential ways to improve tourism revenues in the area include attracting a more solid customer basis. The diving spots on the Red Sea offer great potential here due to their uniqueness while landscape and historical sites might also be able to attract more people when marketed properly. Solaiman though adds that "it's not necessarily a question of promotion," stating that first efforts should be made to encourage tourism internally, for example cleaning campaigns and improvements to the infrastructure.

In line with that, he also calls for a ban of transport trucks during certain hours of the day to ease traffic and for evening visitation hours at certain archeological sites to allow tourists to get more out of their trips.

Taking into account the broad variety and former size of the tourist sector in Southern Sinai, tourism in this area does not seem limited by a lack of variation or attractiveness but rather by security and infrastructure issues, even though the security situation might be perceived to be more dramatic than it actually is.

Conclusion

Egypt commands everything needed for a thriving tourism industry and several niches and special sectors of tourism are already available, including the aforementioned niches – yielding a large potential for further development. Problematic though is the security situation that puts limits on just about every kind of tourism. The real security situation however is probably not even half as problematic as the perceived issues and the ensuing bad image cannot be countered only by improvements to the real security issues but also requires extensive efforts to improve the perception of the situation in the country.

Additionally there are still problems with an underdeveloped infrastructure and general accessibility for tourism. Cleanliness and a generally healthy environment for a blossoming tourism industry are further issues that keep tourism to Egypt down. As Solaiman says, promotion might not necessarily be the problem but rather a lack of the right environment.

With improvements to these issues though Egypt might actually have a chance to find back to the tourist figures from the pre-2011 era – something which might help with quite a few issues such as unemployment and a lack of foreign currency reserves.



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