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Real Estate Tourism Investment in Egypt



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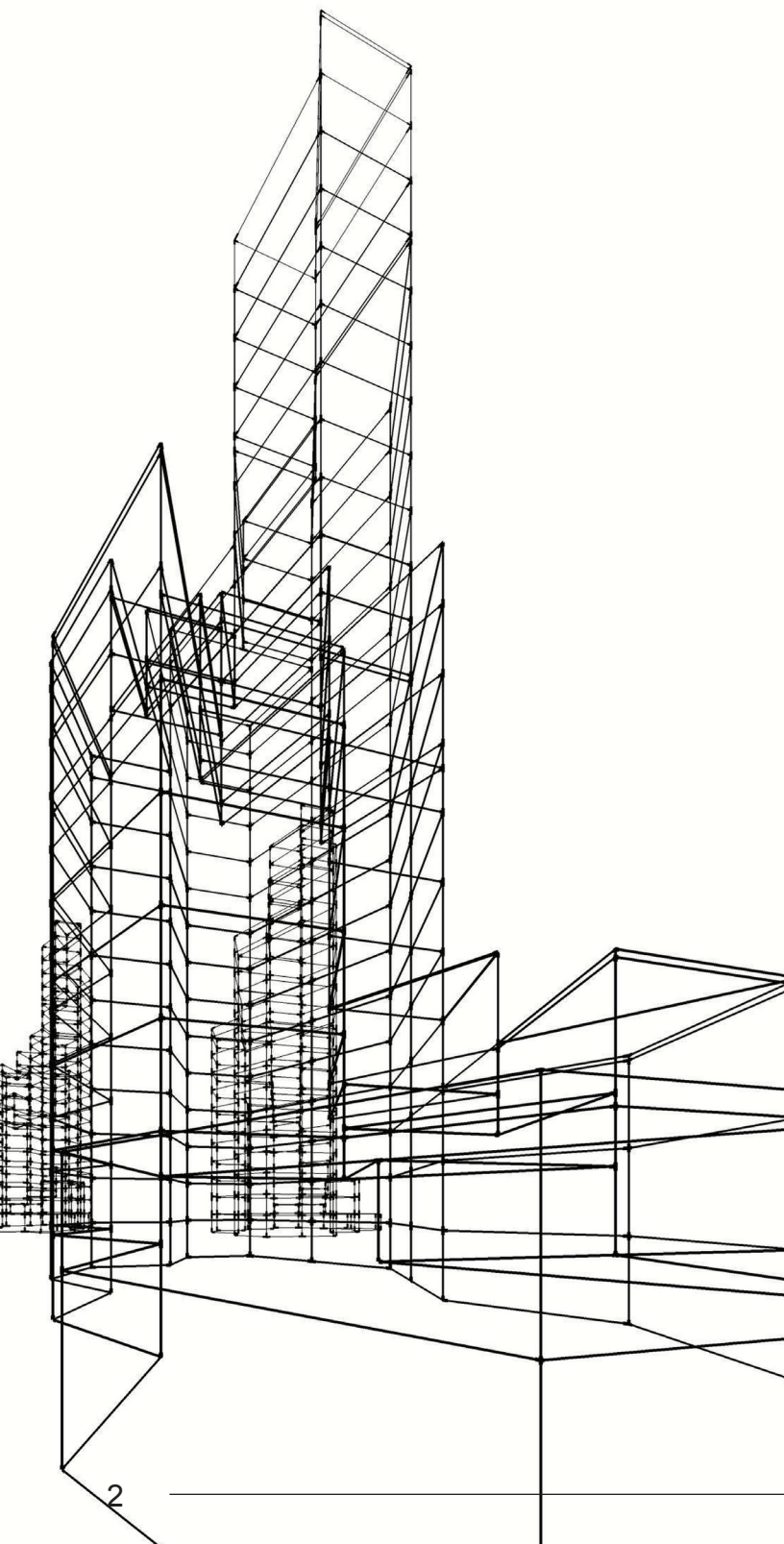


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Government Sets Plans to Attract Foreigners to North Coast

The Tourism Promotion Authority is expected to begin promoting tourism in the North Coast for people living abroad, President of the Authority, Samy Mahmoud told Invest-Gate. The campaigns aim to attract tourists to visit the North Coast during winter, aiming to make use of the 95% vacancy rate of over 100,000 during non-peak times, Mahmoud said. The Authority will focus on introducing several projects in North Coast to foreigners, he noted. He moreover pointed out that there is very little exposure on the North Coast among foreign markets, despite having some of the best beaches in Egypt, thereby making it a prime potential touristic hub.

Madaar Promotes Units in Azha Ain Sokhna

Madaar, an Egyptian property developer, has marketed more than 400 high-end units in its Azha Ain Sokhna development, following the launch of the project at the beginning of this year, reported Amwal Elghad. The company launched the first phase of the resort, expected to be delivered by 2018, consisting of 400 residential units, according to CEO Gasser Bahgat. Bahgat also expects that prices of real estate will be rising 10% to 15% due to the dollar exchange crisis and the high prices of lands offered to developers, according to El Mogaz. The resort is worth EGP 7 billion in investments, funded by the company itself.

Amer Group Partner with Accor Hotels over Managing Hotels

Amer Group and Accor Hotels have entered into a long-term strategic partnership, reported Al Mal. In the first phase, Accor Hotels will manage three existing hotels currently operated by Porto Group: Porto El Jabal, Porto Ain Sokhna, and Cancun Ain Sokhna, which will be branded as a Mercure property, after deciding on an investment program; while the first two hotels will remain under Proto's brand. The partnership will ensure excellence and quality in the hospitality market as international experience will be provided to the local resorts through offering higher quality services to accommodate customers, stated Omar Amer, Vice Chairman of Amer Group, stated Enterprise Press.

70% of Virgin Island in Hurghada Completed

Real estate and Tourism investments company For Free has finalized 70% of its Virgin Island project in Hurghada, with a total investment of EGP 80 million, reported Daily News Egypt. Around 55% of the total units have been marketed in the project as the company set goals to further market the whole project by next year. The company is looking for partnerships with local investors or investors from the Gulf as to cover the additional costs of the project's development, according to Selim; therefore it is looking for EGP 60 million worth of investments to be pumped in the project.

Construction Begins on First Phase of 'Water Valley' Project in North Coast

Amlak for Real Estate has begun construction on the first phase of the Water Valley Resort located in the North Coast, reported Al Borsa. The project is built on a total area of 65,000 square meters that will include touristic units and hotel services, alongside with special entertainment facilities, according to the company's Sales Manager Dina Anwar. There has been an increase in demand on the North Coast during summer periods as a high interest was recorded in projects that have recently begun implementation, Anwar stated.

Al Dau Development to Launch 2 Real Estate Projects

Al Dau Development, a subsidiary of Sami Saad Holding, is developing Al Dau Heights and Al Dau Strand, two real estate projects in Hurghada, reported Daily News Egypt. The projects will also include a new mall, Al Dau Village, which is expected to be completed by the end of 2017. The company's investments in real estate projects are said to have exceeded EGP 2 billion, according to Bahaa Hefzallah, Marketing Manager of Al Dau Development. The company has invested in tourism projects including Steigenberger Al Dau Beach Hotel and Steigenberger Aqua Magic. Hotel services will also be introduced within the two real estate projects under development.

Il Monte Galala Awarded Best Project at Cityscape Global 2016

Tatweer Misr's Il Monte Galala was granted the Residential-Low Rise Project Award at Cityscape Awards for Emerging Markets event of 2016, reported Amwal Elghad. The project is a mixed-used development that is built on 2.2 million square meters at the Galala Mountain in Ain Sokhna, and it is expected to be categorized as an international and local destination through providing a unique urban lifestyle. The Cityscape Awards Ceremony that was held in Dubai aims to recognize real estate and architecture development; as the honored projects are divided through sectors of commercial, leisure & hospitality, community, culture & Tourism, residential, retail and sustainability.

1,286 Units to be Delivered in Amwaj North Coast

Al Ahly, an Egyptian real estate developer, has completed the marketing of 1,286 units in its North Coast project, Amwaj, Hussein Sabbour, Al Ahly Chairman told Amwal Elghad. Sabbour also added that the company is expected to deliver the units through the third and fourth phases in Amwaj project by early 2017. The project is worth of more than EGP 2 billion and is located in the midst of Sidi Abdel Rahman bay, located 136 km away from Alexandria.

Suez Governorate Announce 47,000 Square Meters for Tourism, Residential Projects

Approximately 47,000 square meters will be assigned for residential and tourism projects in Suez, which investors can reserve starting next month, stated Hassan Kamal, Head of Housing Committee in Suez, reported Al Borsa. Kamal added that the land is divided in to five areas within the governorate and has been priced in collaboration with Ministry of Investment. Six plots of land were previously showcased and sold out of a total of 17 land plots, constituting 40% of the total land.

Development Kicks Off on Azha Ain Sokhna Project

Madaar Development, an Egypt-based real estate developer, started developing the first phase of its Azha project in Ain Sokhna, announced Gasser Bahgat, company's CEO, reported Amwal Al Ghad. The Azha project, a high-end resort development, will cover an area of 1.6 million square meters, with investments of EGP 7.7 billion financed by Egypt and the Arabian Gulf states, according to Daily News Egypt. The first phase of the project, planned to be delivered in 2018, is set to include 400 residential units, over an area of 300,000 square meters, said Bahgat.

Azha, being developed in two primary stages, will have a total of 2,000 units once completed.

EGP 125M Dahab-Nuweiba Road Maintenance Project Inaugurated

Minister of Transportation, Galal Said, and his Jordanian counterpart laid the foundation stone for a maintenance project designed to raise the efficiency of the 65 kilometer Dahab-Nuweiba road, Al Ahram reported. The maintenance project will cost EGP 125 million, to be implemented by the Arab Contractors Co., and the General Nile Company, according to Al Watan News. Said stated the road was a major hub for transportation in South Sinai, linking several towns and ports. He added that the project will be implemented over the course of 12 months.

Abraj Misr Launches New Phase of North Coast's The Shore Project

Abraj Misr, an Egypt-based real estate developer, launched a new phase of The Shore project, View 46, in Ras El Hekma in the North Coast, Daily News Egypt reported. The project occupies a total area of 180 acres and its investments amount to EGP 2 billion, reported Al Mal News. The new phase covers an area of 60,000 square meters and includes 500 housing units, said Tarek Bahaa, commercial director at Abraj Misr. The Shore enjoys a beach of 1,100 meters in length, in addition to other commercial and recreational services that meet customers' needs. The resort is located on the 186th kilometer of the Alexandria-Marsa Matrouh Desert road.

PACT Signs Contract with Cisco for its White Bay Project

PACT Real Estate Group, an Egypt-based real estate firm, signed a contract with Cisco, an international IT company, to provide technological equipment and infrastructure for the White Bay project in the North Coast, reported Amwal Al Ghad. The technological infrastructure will be implemented in cooperation with Crystal Lagoons, SITES, and Multiples. The White Bay project is in Sidi Hanish area on the North Coast, and is worth EGP 1.7 billion in investments, according to Al Mal News. White Bay will cover an area of 70 acres, to be implemented over four phases, with first phase unit delivery expected in the summer of 2018.

Red Sea Governorate to Offer 100 Acres in Public Land Tender

The Red Sea governorate is preparing to offer 100 acres in a public land tender through the one-stop window for tourism activities in September, reported Al Borsa News. The land offered will be divided into four plots in Hurghada and Al Qusair cities, as part of the strategic plan for the governorate, said Abdeen Abdullah, Head of the Housing Directorate in the Red Sea Governorate. The total value of projects currently implemented in the governorate by the construction companies amounts to EGP 650 million and includes housing projects, sanitation and drinking water projects, roads, and land reclamation across various cities.

34,000 Acres in Wadi Al Natroun to be Tendered on August 21

The Government Services Authority is scheduled to offer 34,000 acres in a public land auction in Wadi Al Natroun, on behalf of the Land Recovery Committee, a government official told Al Borsa. The land will be sold over two phases, with the auction for the first phase scheduled to take place on August 21. Three plots of land will be offered as part of the first phase, with sizes varying between 25,000 acres, 5,000 acres, and 4,000 acres, a government official told Al Borsa. The committee commissioned the Government Services Authority to take steps to sell the recovered land after it was returned to the government.

PACT to Promote Second Phase of White Bay Project

PACT Real Estate Group, an Egypt-based property developer, plans to promote 125 new units by the end of 2016, said Moaaz Wessam, PACT Managing Director, Amwal Al Ghad reported. Work is currently underway to complete the development of the first phase of the White Bay project, reported Daily News Egypt. The White Bay project will provide a total of 600 projects upon its completion, to be developed over four phases, Wessam said. Construction for the second phase of the project, comprising 125 units, is expected to start in the fourth quarter of 2016.



Hospitality Market in Egypt: The Complete Picture

By: Heba Eid

With its strategic central location surrounded by the Mediterranean and Red Seas, warm weather, and its historic background and monuments, Egypt always had an influx of visitors and tourists.

Thus, the hospitality sector has always flourished – up until the 2011 revolt and the ensuing political instability led to the deterioration of a once blossoming tourism sector. Some cities have fared better than others, while others had many hotels closures.

Greater Cairo Overview

As of 2016, Greater Cairo boasted a total of 28,000 keys distributed over six districts, namely 6th of October, Pyramids/Giza, Downtown Cairo, Heliopolis, Maadi, and New Cairo according to a Colliers International Report entitled Cairo's Hospitality Market. In the past few years, hotel demand has seen a significant shift towards hotels located in the east (New Cairo) of the capital and the west (Giza and 6th of October), mainly due to the development of new urban resorts, offering more leisure and meeting facilities.

Each district in Cairo, with its unique char-

acteristics and surroundings, drives an influx of guests targeting different segments and facilities.

New Cairo has a large MICE (meetings, incentives, conferences and events) market and is regarded as a weekend getaway for locals. Moreover, global financial institutions and oil corporations bring an inflow of guests to the district.

6th of October hotels witness a high demand from GCC citizens, where 61% of the hotels have five-star ratings. The Pyramids and Giza district is driven by leisure demand and has a low average daily rate (ADR) given the area's saturation with unbranded hospitality ventures.

Downtown Cairo is home to a large number of embassies and thus international visitors, whether corporate or government officials, the majority of whom flock to downtown hotels. In addition, the hotels' proximity to the Nile and their central location is strong driver of leisure tourists primarily from the GCC region, followed by EU visitors. In 2015, hotels in downtown saw a massive 44% increase in occupancy level, largely due to the Suez Canal expansion.

Heliopolis has witnessed a steady increase in corporate demand, with visitors from the GCC and Africa, especially Libya, dominating the guest inflow. Medical tourism is quite popular in the Heliopolis district, attracting guests, as well as domestic and regional medical and pharmaceutical conventions.

The Maadi district is a residential district first and foremost, and is largely popular among expatriates living in Egypt. Thus visiting friends and relatives (VFR) are quite common, while the hospitality market in the area is mainly unbranded.

Greater Cairo Source Markets

In the past, Cairo's source markets for the hospitality sector were mainly Europeans and Americans visiting for leisure purposes, according to the Colliers report. However, following the exodus of Western tourists in the aftermath of the 2011 uprising and the ensuing socio-political turbulence, Gulf visitors were primarily responsible for the bulk of the demand on hotels in Greater Cairo. They now account for approximately 55% of all guests in Cairo, mainly visiting for leisure and business purposes. Meanwhile, approximately 10% of hotel guests are from the EU/

USA, whereas local guests account for 20% of hotel demand.

Two hotels are expected to be built by the end of 2016, namely the St. Regis and Steigenberger Tahrir Square, both located in the downtown area. In addition, luxury hotel developments, such as Emaar's The Address Hotel, are also in the pipeline. Approximately 50% of the 1,300 rooms in the pipeline are expected to be delivered this year, with the rest postponed to 2017, according to Cairo Real Estate Market Overview Report by JLL.

By the end of the second quarter, the hospitality sector saw a 5% increase in occupancy rates, compared to the same period in 2015. This growth was preceded by a 60% increase in occupancy rates compared to the previous year, signaling a continuous positive growth trend. The average daily rate (ADR) saw a 5% increase up to May 2016, against the same period of 2015, according to another Colliers International Report, the Egypt Quarterly Review and Forecast report.

Mediterranean and Red Sea Hospitality Sector

While the hospitality sector in Greater Cairo is slowly recovering and experiencing a period of growth, the hotel market outside of Cairo is not as fortunate. In the past, the Mediterranean and Red Sea Hotels were filled to capacity with international tourists, primarily from Europe and the United States. Following the downing of the Russian Metrojet plane in October 2015 and the Egypt Air crash earlier this year, international tourism in Egypt almost came to a complete halt, with Egypt recording a 54% decline in the number of tourists compared to 2015. In the first half of 2016, Egypt registered 2.3 million tourists versus 4.8 million tourists in the first half of 2015.

With the steep decline in tourists, many hotels were forced to shut down nationally, especially after the downing of the Russian Metrojet flight in October 2015. About 220 hotels have closed down in Sharm El Sheikh, Hurghada, Marsa Alam, Safaga, Luxor, and Aswan, according to Ahmed Balbaa, chairperson of the tourism committee in the Egyptian Businessmen's Association (EBA), as reported by Daily News Egypt.

Half of Marsa Alam's hotels, 35 hotels, closed down due to the decline in tourists, especially from Russia, the UK, and Italy, said Tarek Shalaby, Vice President of the Tourism Investment Association in Marsa Alam.

In an effort to weather the dire economic conditions following the decline in international tourists, the hotel market has turned its attention towards local tourism to simulate demand. Some cities, like Alexandria, have experienced a 100% growth rate,

while other cities, like Sharm El Sheikh and Hurghada, are witnessing plummeting occupancy rates. Once the imposed travel bans are removed, occupancy levels are expected to turn around.

Similarly, for the Red Sea the number of approved hotel rooms—executed, under construction, or planned—in the Red Sea governorate are 105,977 rooms. The Red Sea governorate alone has a total of 77,720 constructed hotel rooms, according to Tourism Sector Overview report by Invest Gate.

Hurghada is expecting 1,000 additional keys by 2017, with the Fairmont and Hilton hotels in the development pipeline, according to Colliers International. Meanwhile, occupancy rates have plummeted by a staggering 48%, compared to the same period in 2015, forcing 34 hotel closures in 2016. Despite the low number of international tourists, the ADR is expected to increase by 7% due to the rise in domestic guests. MICE events are now targeted by hotels to increase occupancy levels, especially events from the pharmaceutical industry.

Ain Sokhna, on the other hand, has a total of 25,286 approved rooms, whether executed, under construction, or planned, of which 10,194 rooms already built.

Shifting to the Northwest Coast has to date the approval of 1,644 hotel rooms with 1,626 existing hotel rooms. The Northwest Coast demand is most seasonal, operating mainly in the summer months, with domestic tourism as the primary source of income.

Occupancy levels forecast in Alexandria are estimated to record 70% by the end of 2016, a 1% decrease compared the same period last year. The ADR jumped up by 20% by the end of Q2, compared to the same quarter of 2015. Fuelled by domestic price-sensitive travelers, occupancy levels for high-end hotels remained low, with guests opting for cheaper, unbranded establishments. A new hotel is in the pipeline, Citymax Alexandria, scheduled to enter the market in 2018. The demand for the market in Alexandria is fuelled primarily by the domestic market and GCC tourists, where they account for 72% of total demand.

The South Sinai governorate follows closely with 82,614 rooms. South Sinai includes 50,464 constructed hotel rooms.

Sharm Sheikh's hospitality sector is struggling amid the decline in tourists to the region, where 54 local and unbranded hotels have been forced to shut down in 2016 alone, given the bleak market conditions. The occupancy level took a 52% dip in the second quarter of 2016, compared to the same period in 2015. The ADR declined by 6% in the second quarter as well.

Despite the austere market condition, a new

development project is in the pipeline, the City Stars complex. The complex is expected to include a Raffles, Fairmont and Swisotel, and is scheduled to be completed by 2019.

Impact of Upcoming Real Estate Projects On Hospitality Sector

There are several development projects on the horizon, including Cairo Gate, Qatari Diar's Nile Corniche Project, Uptown Cairo, Citadel Plaza, and Mall of Egypt. All of these projects are expected to improve the domestic, regional, and international demand on tourism in Egypt.

Challenges

The socio-political instability, incidents such as plane crashes, and Egypt's overall critical location in the region have caused the tourism sector to plummet. Egypt heavily relies on tourism to generate revenue as a main source of foreign reserves, with the hospitality market as one of its main beneficiaries. Tourism income in Egypt saw a massive drop in 2016, losing 80% of revenues compared to the same period in 2015, according to Daily News Egypt. The imposed travel bans on Egypt have been a major factor in driving tourists away, which led to hotel closures as seen in Sharm El Sheikh, Marsa Alam, Hurghada, Safaga, Luxor, and Aswan. The volatility of the region also contributes to the problem at hand.

Discussions are currently underway in the parliament regarding the value-added tax (VAT), which, if implemented, would heavily burden the struggling sector. The VAT law is still being studied, but if imposed would range anywhere between 10-14%; the exact rate is yet to be decided. The tourism sector would suffer an added financial burden, given the low occupancy rates. Head of the Tourism Investors Association in Sahl Hasheesh, Maged Fawzy, is demanding that tourism sector have zero taxes imposed on them, according to Daily News Egypt. The tourism sector should be treated as the export sector, added Fawzy.

Future Outlook

While the current picture might seem grim, there is still room for optimism for Egypt's hospitality sector. Recently, there has been a shift towards four-star and mid-range hotels from high-end luxury hotels, which is key to attracting price-sensitive travelers from emerging economies. According to MENA Hotel Forecasts report by Colliers International, Cairo and Alexandria are expecting a 21% and 11% increase in demand, respectively.

A \$500 million loan from the Saudi Fund for Development will be channeled towards transportation, housing, and agriculture projects in Sinai—all of which are expected to

pave the way for a more secure area, more developments, and consequently more tourists.

The International Monetary Fund has agreed to a \$12 billion three-year loan to Egypt, conditioned upon the introduction of a number of reform initiatives, including easing red tape for foreign investors. The approval of the IMF loans is expected to bolster foreign investments and revive the stagnant economy, and consequently revitalize the hospitality sector.

Once the review of airport security procedures is completed, travel bans will be lifted and Russian tourism will begin to flow again, said Hisham Ali, Chairperson of the Inves-

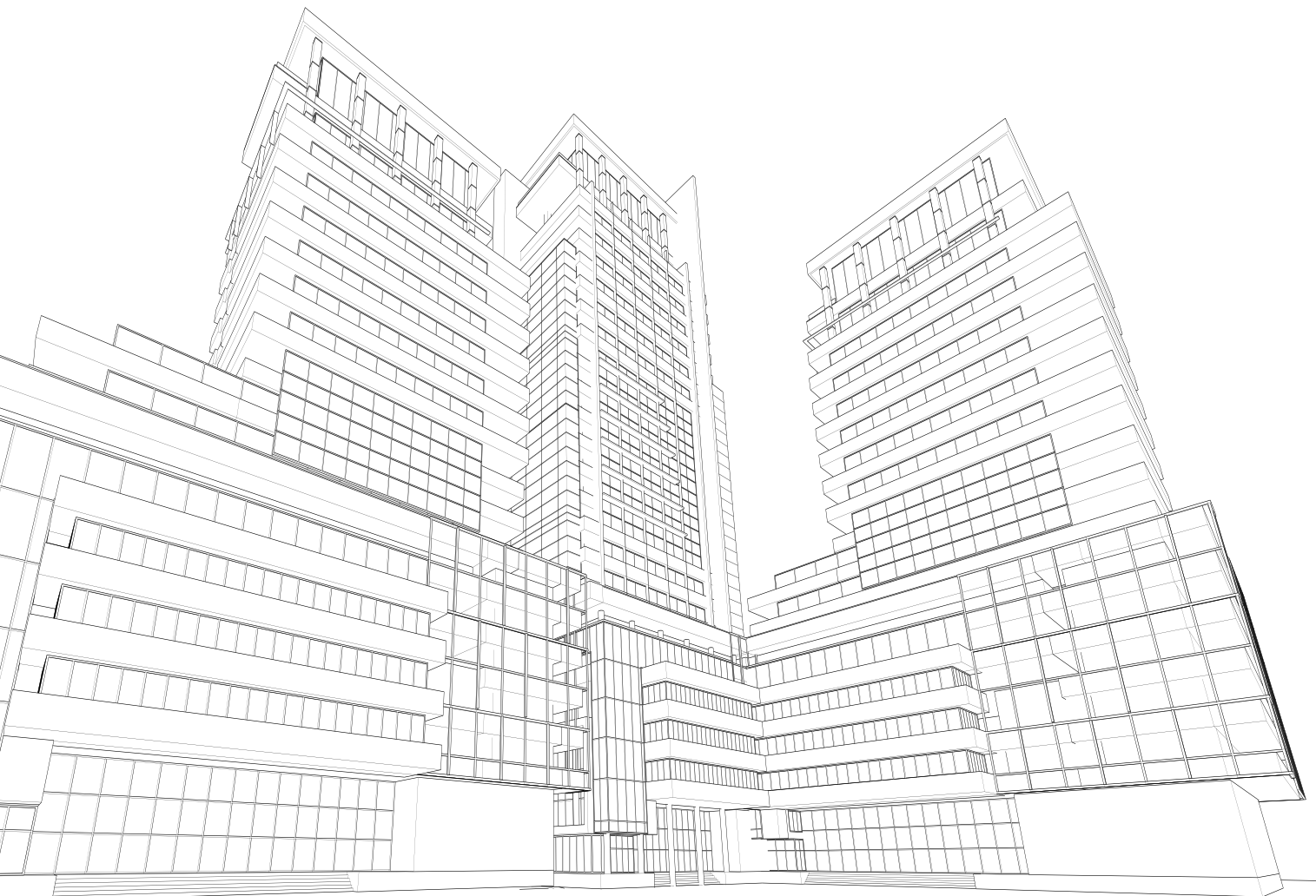
tors Association in Sharm El-Shiekh, to Daily News Egypt.

A flailing tourism industry in Egypt is severely testing the resilience of the hospitality sector in Egypt. Over the course of 12 months, the hotel market has flourished in some areas, and plummeted elsewhere, with hotel closures a testament to the tourism calamity.

Greater Cairo saw a steady increase in the occupancy rate, with GCC and corporate visitors driving the demand. Domestic tourism has been a lifesaver to many hotels in Sharm El-Sheikh, causing an increase in occupancy in many cases.

Despite the uncertainty facing the hospitality

market, and the current market conditions, one thing remains true; the hospitality sector may have lost the current battle, but the long-term outcome is yet to be seen. The Cairo market is expecting two new hotels to enter the market by the end of 2016, Alexandria anticipates the completion of Citymax Alexandria by 2018, and Sharm El Sheikh will have three new hotels in the City Stars Complex by 2019 – all of which indicate investor optimism for the sector bouncing back.





Could Gulf Investment Herald a Boom in Egypt's Tourism Sector?

By Joana Saba

Following the power switchover in 2013, Gulf countries emerged as Egypt's largest benefactors, with Saudi Arabia, the UAE, and Kuwait shelling out a total of \$12 billion (EGP 106 billion at current value) during the Egypt Economic Development Conference in March 2015.

Moreover, in addition to the billions in aid, Gulf countries have for long continued to be among the top sources of foreign direct investment (FDI) in Egypt, commanding some of the top spots in terms of numbers of investors and projects. According to UK-based bank Santander, 10.7% of the FDI in Egypt in 2014-2015 came from the UAE alone, while Saudi

Arabia accounted for 5% and Kuwaiti investments constituted 1.8%.

However, according to the same figures from Santander, tourism commanded a measly 0.1% of the total FDI to Egypt, signifying either a lag due to structural issues, or a huge potential for bankable investment in an otherwise untapped and largely unregulated market.

Precisely how much of that 0.1% comes from the Gulf is uncertain, but one trend is obvious; as GCC countries stake out an enormous fraction of their investments into the real estate sector, inevitably, a sizeable portion of that has been invested into touristic projects, with some of the

most popular luxury projects bearing a UAE, Saudi or Kuwaiti stamp.

Real Estate Flourishes

As other sectors lag due to lack of foreign currency and political, as well as security, instability, real estate continues to be the safe haven for both local and foreign investors, and nobody has capitalized on this market better than Gulf investors.

Compounding the existing interest in the real estate market has been the launch of numerous large-scale housing, construction and real-estate projects by the Egyptian government, many of them in partnership with Gulf investors. These in-

clude the 1 million middle-income housing project with the UAE's Arabtec, as well as the New Administrative Capital project, which was initially earmarked for development by UAE construction kingpin Mohamed Alabbar, before the deal fell through due to disagreements.

Nonetheless, the announcement of these projects, as well as the introduction of new laws facilitating land ownership by foreigners, signaled a green light for foreign investors to pump capital into the market. Among these laws was Law 17/2015, introduced by President Abdel Fattah Al Sisi himself, which removed the last of the remaining restrictions on foreigners' land ownership, in addition to allowing the state to directly assign land for free to private investors, through a variety of investment schemes.

Room for Investment in Tourism

However, despite this peak in interest in real estate, tourism has continued to command a far lower percentage of Gulf capital, due to fewer incentives and a largely beleaguered market. Nonetheless, this was not always the case, as was evident in the years directly preceding the revolution, when a number of large-scale Gulf acquisitions characterized a large part of the activity in the hospitality market.

The trend most prominently peaked in the 2000s with the buying out of a number of Cairo's top luxury brand hotels by Gulf investors; most prominently the Hyatt by the Saudi Egyptian Touristic Development Company (2008), and the Fairmont Heliopolis by Gulf-Egypt for Hotels and Tourism, among others. Both acquisitions raised questions as to how Gulf capital would be reshaping tourism trends in Egypt over the short- and medium-term, but such questions were somewhat curtailed by the events of 2011.

This is in addition to projects that are still in the pipeline, such as Qatari Diar's upcoming over EGP 6 billion St. Regis Nile Corniche near the World Trade Center, with a total area of 9,360 square meters and 515 keys, set to be delivered soon after its original 2014 due date was postponed.

This project, in addition to the Saudi Nile Towers, which includes a Hilton hotel on the Maadi corniche, evidences the face that appetite is still strong for Cairo's hotel at present, with room for growth. The project is launched by the Saudi-Egyptian Construction Company, which is also

set to launch a project for a four-star hotel in New Damietta—a largely untapped territory for tourism investment.

Residential Tourism: the Marassi Model

Yet, the trend does not end there. While Egypt's tourism industry has invariably struggled, being among the hardest hit sectors by the political turmoil that resulted from the numerous power changes since 2011, one type of touristic venture has nonetheless gained pace alongside the exploding real estate sector—residential tourism.

As local tourism attempts to pick up slack from the floundering numbers of international tourists, more Egyptians—as well as Gulf citizens—have invested in properties along Egypt's many beaches, particularly the North Coast.

Hedged from the turmoil of other formerly popular beach areas, such as Sinai and the Red Sea, and with the advantage of proximity to the capital, the North Coast has been teeming with more and more developments over the past decade or two, with no signs of slowing down.

One of the largest and most coveted examples of such properties is Marassi, developed by Emaar Misr, the subsidiary of UAE real estate giant Emaar Properties, behind the current highest tower on earth (Burj Khalifa). Nowadays, Marassi has come to resemble a benchmark in luxury residential tourism for both the Egyptian market and the wider Arab one.

With a whopping EGP 10 billion investment approximately, the first villas were completed around May 2012, and despite the tumultuous circumstances at the time, a certain segment of Egyptians was quick on the uptake. Marassi spurned the development of countless more projects like it, moreover convincing Gulf investors to turn their sights to a new type of touristic development.

Emaar has moreover set its eyes on its latest hospitality venture, The Address Hotel, with plans to launch in Marassi in the near future. The developer's hotel brand has already met with great success on its own soil, and is also set to venture into Bahrain and Turkey.

Broaching New Territory

Meanwhile, several hundreds of kilometers away, on previously untouched pristine beaches south of Hurghada in Marsa Alam, Kuwait's Kharafi Group essentially created a new beacon for luxury tourism

in Egypt with the establishment of Port Ghalib.

Proving that the appetite for five-star R&R was still strong, the company not only overhauled the area's prospects, it even built an airport, which was inaugurated in 2003. The resort town has since become a prime tourist destination, particularly for Italian tourists looking for a specific brand of luxury.

Moreover, UAE-based HMG similarly entered the luxury resort market in Egypt with the launch of its Sharm Vista Resort in Sharm El Sheikh in 2015, placing its bets on the recovery of South Sinai tourism, despite the recent drop in numbers.

The increasing flow of Gulf investment, both in the real estate sector, and more specifically in tourism projects, is likely to restore confidence among other foreign investors, thereby attracting further investments into both sectors. This, along with the Egyptian government's concerted efforts to boost construction and infrastructure projects, heralds a potential boom, provided that it is able to overcome current crises and issues.

Meanwhile, though FDI in Egypt has begun to inch upwards, registering approximately EGP 60 billion in the first nine months of FY 2015/2016, according to the Central Bank of Egypt, tourism continues to face many hurdles, with repeated incidents stymying the industry's recovery.

Investors Face Hurdles

Moreover, investors have complained of a number of obstacles, including the lack of reforms or the sluggish steps taken towards them. Yousry Abdel Wahab, Deputy Chairman of the Saudi-based Al-Tayyar Travel Group Holdings, moreover pointed to the law preventing foreign investors from purchasing land in Sinai, contending that such a law prevents the adequate development of the area.

He further pointed out that Arab investors are eager to develop the area on a macro-level, noting that the capital is available to do so, but existing laws have put the brakes on such hopes, or completely driven them to a halt.

"We have a lot of strategic places in Egypt like Tahrir Square, the Nile and Ain el-Sokhna and this law depriving non-Egyptians from owning lands is not applied [there]," he told Invest-Gate. "We can change this law, put some legislations and adjust it so foreign investors can buy lands in Sinai for development

projects related to tourism and industry sector.”

He moreover affirmed that the consequences of preventing such investments are multifaceted. “Since Egyptians investments are low, we must take advantage of our relationships with Arab [investors]. We can start giving Arabs incentives to start investing here.

“Using the Arabs’ capital and investments will lower unemployment rates, create new job opportunities, eliminate Egypt’s debts and encourage Arabs to support Egypt to maintain their investments. This will also encourage foreigners to invest in Egypt, and Egyptians in turn will start investing in complementary industries,” he stated.

Most investors accede to the idea that bureaucracy and time-consuming procedures are the main deterrent for investing

in Egypt. “We have to hire people to finish these procedures and all the paperwork for investors without them getting involved,” said Yehia Madkour, President of the Association of Businessmen in the Tourism Sector.

Indeed, most investments are inevitably caught up in a tangle of red tape before taking off. Meanwhile the numerous attempts to address the goliath of bureaucracy in Egyptian investment procedures through a one-window investment system having failed to materialize thus far. Land ownership in particular is a highly contentious issue, with a number of Egyptian authorities—most prominently the army—having de facto rights over large swathes of land nationwide.

Future Potential

However, as evinced by the recent developments in the North Coast, Cairo

and other places, Gulf investors have the opportunity to become trend-setters, expanding and recreating the touristic norms in Egypt by developing a largely untapped industry.

The somewhat haphazard and undirected development of Egypt’s tourism industry leaves much room for foreign investors, and particularly Arabs due to proximity, to leave their brand on the market, with enormous potential to diversify into different types of tourism. Though obstacles exist, and a degree of reform is necessary, investors can take advantage of current lulls to innovate into new markets.

Additional reporting by Aya Nader and Leena El Deeb.



Sahel vs. Sokhna: Where to Buy?

By Heba Eid



Owning a vacation property is a huge draw for some, allowing a person to acquire their very own small slice of paradise and enjoy it at your leisure without the hassle of renting. It also means enjoying serene, picturesque settings, clean air, away from the congestion of the city. Two avowed examples of Egypt's vacation spots are Ain Sokhna and the North Coast.

With its pristine shores along the Red Sea and remarkable proximity to Cairo, Ain Sokhna has become a favorite weekend getaway for Cairenes looking for a short and relaxing time on the beach. For international tourists, it is a brief one-day retreat to those who view blue tourism of less importance as sightseeing and monuments sightseeing in Egypt.

Stretching over the ebony coastline of the Mediterranean Sea, the North Coast (Sahel) boasts beautiful and upscale resorts, where vacationers spend their summer months. The North Coast has become a haven where city dwellers flock to gain respite from the noisiness and stickiness of the city. Although the area is favored by many, the demand is only during the fleeting summer months, as the winter proves too cold for Egyptians to weather.

Both Ain Sokhna and North Coast are popular travel destinations for many Egyptians looking to escape the heat and congestion of the city and to enjoy frolicking on the shores of Mediterranean and the Red Sea. There is a myriad of well-established tourist hotspots that cater to a variety of modern tourist requirements with stunning natural scenery.

As the overwhelming majority of Egyptians can only afford to buy one vacation property; the question then becomes where to buy: Ain Sokhna or the North Coast? The decision is not necessarily a purely financial one, although it is a pivotal part of the equation. There are more intangible factors that come into play. For example, how much time can one spare from work? Investment-like questions come into play as well such as can it be rented, its resale value, the appeal of the surrounding community, and most importantly the suitability of the vacation property with the desired lifestyle.

Seasonal or Year-round Getaway

Ain Sokhna's proximity and ease of access to Cairenes are the primary advantages of the city. It lies around 120 kilometers East of Cairo, approximately an hour of driving, a perfect quick escape

Price Range



Ain Sokhna

EGP 5,500 - 30,000



North Coast

EGP 4,500 - 18,000

from the city. Moreover, the weather in Sokhna is sunny year-round, allowing vacationers ample opportunity to visit at any time of year.

The North Coast, on the other hand, is widely known as a summer vacation spot as it is deemed too cold and rainy in the winter months. For Egyptians who are used to warmer climates, the North Coast chalets and hotels are mostly vacant. Additionally, retailers yield little to no revenue in the winter months and tend to close shop offseason, rendering the North Coast less habitable during that time of year.

The seasonality of the vacation home varies from one person's circumstances to the other. A young couple with kids might benefit more from a three month vacation summer vacation in the North Coast, where the schools are out. Sokhna, on the other hand, might be too cumbersome for a family with young kids for a weekend vacation, with the short stay not worth the hassle. The opposite holds true as well. A single, working millennial might enjoy the frequent close-by getaways, rather than a lengthy summer vacation.

Affordability

North Coast has for more than a decade been a popular destination for Egyptian vacationers in the long summer months. Depending on Developer and location, prices in North Coast can range between 5,500 up to EGP 29,200 per square meter based on a recent market study by Al Borsa.

For Ain Sokhna listings on Aqarmap show prices per square meter range from EGP

4,500 up to EGP 17,650. A 110 square meter apartment in Sokhna can be sold for EGP 500,000 for example and a high end 170 square meter apartment can be sold for an average of EGP 3 million.

Several aspects determine the unit price including the apartment's design, surrounding services and amenities, entertainment centers, and location. All of these elements contribute to the increase or decrease of current market value.

Real estate prices, in general, have spiked due to inflation and the devaluation of the pound against the dollar. The pound's depreciation has proven to be a catalyst for real estate sales, with more people turning their cash into assets, further driving the demand, and hence property prices.

Accessibility & Infrastructure

Dubbed the Cairo Beach, Ain Sokhna is 120 kilometers away from Cairo and will be 40 kilometers from the Administrative Capital. It is accessible via the Ain Sokhna road built by the Armed Forces which extends all the way to Galala Mountain.

The government has launched the New Administrative Capital project's announcement various infrastructure initiatives to connect Cairo to the New Capital, which will consequently ease future transportation to Ain Sokhna.

With the New Alamein City development currently ongoing, part of the mega North West Coast project, the state, as well as developers, are investing in infrastructure and roads for the new city. Work is currently underway from the 93 kilometer

point on the Alexandria-Matrouh Road up to the intersection with Wadi Natrun-El Alamein Road. The new road, named Al Fouka road, connects Cairo to Alamein City. The new road will shorten the distance from Juhayna Square in 6th of October City to Al Fouka district in Alamein City, totaling in length 467 kilometers.

Besides distance, both the North Coast and Ain Sokhna are relatively easily accessible, with the promise of enhancing infrastructure and accessibility even further as nearby cities continue to flourish.

Commercial Venues and Hangout Spots

Ain Sokhna has a wide variety of restaurants, cafes, and even shopping malls to explore. There is the Meeting Point Porto Sokhna and Sky Mall. While there are a variety of restaurants to enjoy, the selection is limited if compared to Cairo or even North Coast but that is likely to change as time moves forward and more investors set up shop in Sokhna. For golfers, there is a golf course at Sokhna Golf Club.

North Coast is a lot more established than Ain Sokhna in terms of restaurants, clubs, and shopping malls. The coast is famous for its legendary nightlife during the weekend. During the summer months, prominent clubs, restaurants, retail brands move north to benefit from the influx of vacationers but then again, only during the summer months.

Rentals

Many choose to purchase a vacation home and rent it while not being in used. Both owners are successful in renting their chalets in Ain Sokhna and North Coast. In North Coast, chalets can be rented out per day at a much higher value than Ain Sokhna. Property Finder rental listings for North Coast start at

EGP 1,000 per night and climbs to EGP 8,000 for a high-end villa.

Ain Sokhna rental prices, on the other hand, are lower in comparison, starting at around EGP 1,200 per day in a high season and EGP 500 to EGP 600 in the daily rates. Current Property Finder listings boast rentals of chalets at EGP 450 up to EGP 2,000 for fully furnished high-end villas.

It is however important to highlight that rentals in the North Coast area are only seasonal and limited to the summer months only, whereas Ain Sokhna can, in theory, be rented out year-round yet the practice is not all that common.

In general, rentals in North Coast are much more accessible and financially rewarding than that of Sokhna, despite the short duration.

If the intent is to rent out the vacation property, then the North Coast yields better returns. Ain Sokhna rentals are perceived as an unpopular option, and the daily rate is significantly lower than the North Coast.

Resale Value

Property prices in Egypt in general are climbing yearly, with no signs of slowing down. Partly due to inflation, but mostly due to growing demand fostered by both devaluation of the currency and population growth. All these factors have rendered real estate investment a sound venture, ensuring that the resale value of any property purchase will turn a profit for the owner.

Other than the organically increasing price levels, growth of nearby areas further boost price levels. For both Ain Sokhna and the North Coast mega projects are on the horizon ensuring a significant price boost of properties.

On the North West Coast, close to Marsa Matrouh, a new city is being planned, the New Alamein City which is part of the Northwest Coast Development Project, a mega project planned by the government. The project's completion date is 2052 and could potentially provide 11 million job opportunities.

The New Administrative Capital, an EGP 400 billion city, located 45 kilometers from Cairo, will host ministries, hotels, and residential buildings and is expected to house EGP 5 million people. The New Capital will be 40 kilometers away from Ain Sokhna.

Additionally, an Egyptian-Chinese Industrial Zone will be built in Ain Sokhna, with an EGP 45 billion investment, and is expected to host five key industries, namely, silos, equipment, petroleum products, non-woven textiles and complementary industries. The zone is expected to provide 20,000 to 30,000 jobs opportunities.

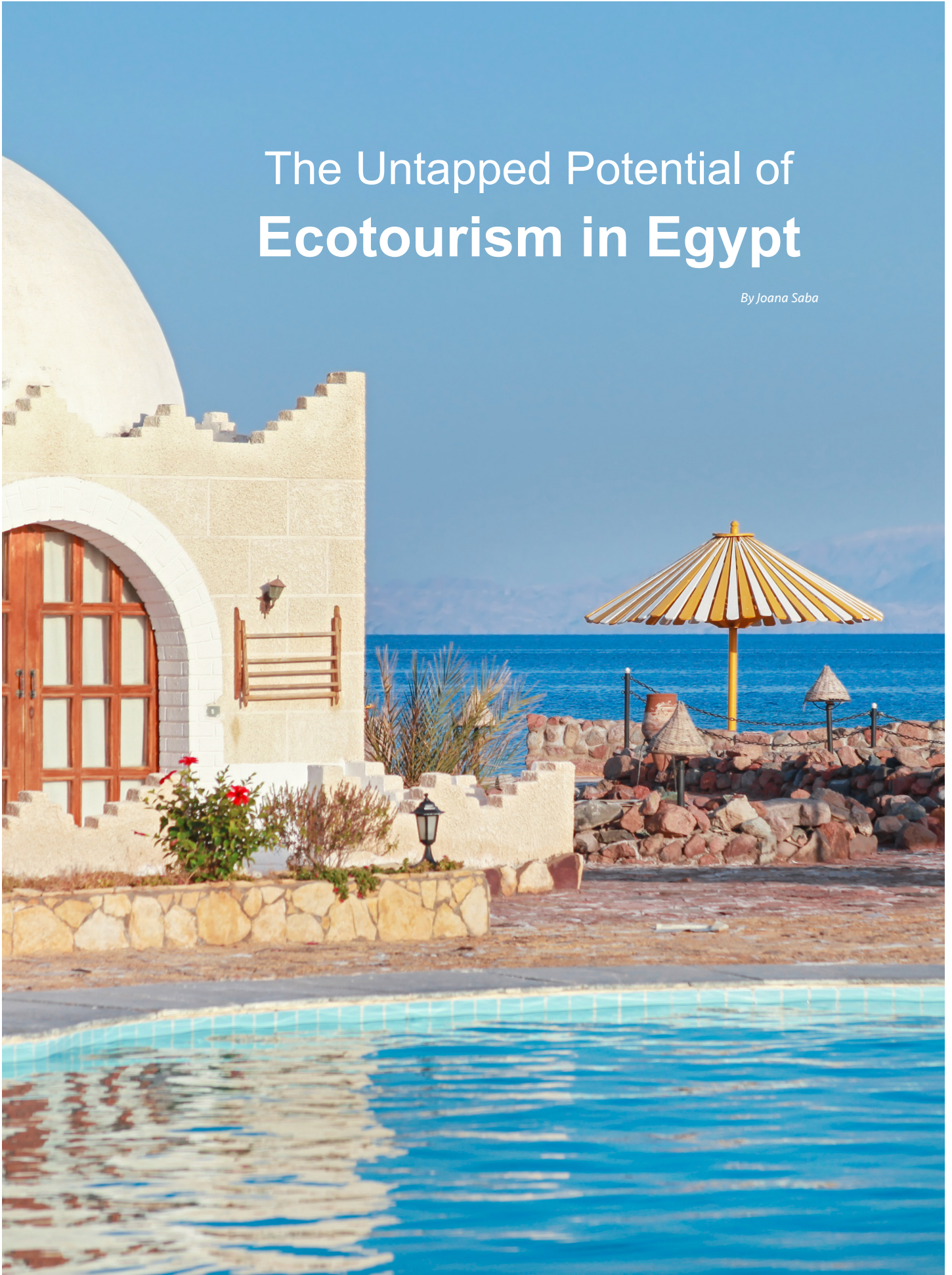
Once the new industrial zone in Sokhna and the New Administrative Capital in the works, the resale value of Sokhna property will most likely surge. Both these projects are expected to be operational sooner than the Northwest Coast Development, and hence the resale value for Sokhna properties are likely to climb much faster than that of the North Coast. If the vacation purchase is for short term investment purposes, Ain Sokhna is the way to go.

Finally, for Egyptians, a holiday on the beach with family is a cultural ritual enjoyed by all, and it is unlikely that demand for Ain Sokhna or North Coast to wane anytime soon. Whether it is for leisure or for an income boost, the decision to purchase a property alongside one of the country's mesmerizing beaches is similar to acquiring one's own piece of heaven.



The Untapped Potential of Ecotourism in Egypt

By Joana Saba



Despite its maximal potential in terms of bankable natural resources, the concept of ecotourism in Egypt seems all but alien, with only a handful of areas making use of a more sustainable approach to attract a different type of tourism to Egypt's shores and valleys.

Though many countries of similar economic standing—such as India, Indonesia, South Africa, and a number of countries in South America—have invested in diversifying their tourism revenues through the introduction of eco-lodges, protectorates, and other eco-conscious attractions, Egypt has yet to tap into its full potential in this regard.

Nuweiba and Siwa stand out as the immediate, obvious choices of ecotourism hotspots, and while they have drawn a specific clientele over the last three decades, the growth of such tourism there has been somewhat arbitrary.

Moreover, ecotourism in Egypt is still susceptible to the same types of market shocks as the remainder of the industry, with Nuweiba having been particularly affected by the continuous threats and incidents in the Sinai peninsula. However, setting aside the recent setbacks that have struck the tourism industry as a whole, the few examples of ecotourism that did take off in Egypt managed to flourish over the past years, contrary to expectations.

The Nuweiba Example

Perhaps one of the most significant, if not the oldest, examples of an ecotourism venture in Egypt is Basata Village just north of the Port of Nuweiba in South Sinai. When it launched in 1986, the idea of an eco-lodge or village was all but unheard of in Egypt, and the Nuweiba coastline was, similarly, all but empty.

Seeking to create a new form of environmentally conscious tourism, Sherif El Ghamrawy, originally an engineer from Cairo, sought a back-to-basics approach to tourism, wherein self-service and waste reduction are the mottos that dictate the ethos behind the camp.

When the village was launched 30 years ago, nobody imagined that it would herald the dawn of a boom in Nuweiba, whereby a tourism industry was born out of this simplified, back-to-basics approach.

Oftentimes, it was either Cairenes or other city-dwellers escaping to launch yet a new camp, or it was the indigenous bedouin population seeking to capitalize on this new trend. Despite the presump-

tive tensions that have existed between the two different lifestyles that sought to cohabitate in the same land, a new model was able to emerge and harmonize with the surrounding landscape.

Nowadays, the coast of Nuweiba is dotted with countless camps, and despite a major drop in numbers due to the tensions in the north, camps like Basata continue to draw tourists, both local and international.

Further, taking it one step further in his approach is Maged El Said, owner of Habiba Camp and its environmental mainstay, an organic farm and learning center that seeks to revolutionize the lives of many, both locals and visitors alike.

Built on the motto of “Synergizing Differences”, Habiba seeks to draw from a large variety of different approaches and philosophies in order to make a lasting difference and revolutionise the way members of the local community goes about their day-to-day lives.

“I was inspired by the bedouin lifestyle when I visited Sinai, and by the desire to counter the negative effect tourism had in terms of diminishing their way of life,” El Said told Invest Gate.

“Bedouins were attracted by the easy money opportunities provided by the tourism industry, but this was diminishing the thing that attracted me to the area in the first place.”

Furthermore, when the larger hotels came, there was no attempt to build an inclusive business model whereby the local population could also profit from the industry, which had a negative long-term effect on the community, according to El Said.

Habiba builds on the concept of sustainable development by providing the local population with the tools through which they can not only sustain a living, but also ensure profitability by introducing non-traditional agricultural methods that allow for growing food in the desert climate, without relying on the seasonal rains as bedouins normally do.

By engaging the local community and providing agri-tourism as an alternative type of tourism, El Said believes he can hedge against the regular shocks in the

market, while maintaining profitability, both on a personal level and on the level of the community.

His model aims to address food scarcity in the community, and in the meantime he has attracted volunteers—both experts and amateurs—from all over the world, some of whom remain at Habiba for months or years at a time.

Investment Potential

“Ecotourism is actually more profitable than traditional tourism, even if considered in purely economic terms,” contended Samy Solaiman, Head of the Investors Association of Taba and Nuweiba.

By targeting a different touristic segment that is seeking out this form of tourism, a successful model can become profitable, as ecotourism “relies on materials that are far less costly, and guests seeking out this kind of tourism are not seeking technology [in their lodgings]. Therefore, we are conserving both costs and energy, in addition to conserving the environment, which has long-term benefits,” Solaiman said.

The head of the association also believes that similar models to the one in Nuweiba can be replicated elsewhere, while avoiding some of the same problems encountered in the South Sinai area.

“Egypt is full of great natural attractions, such as those in Siwa, Farafra, Fayoum, to name a few. The idea is to diversify the types of tourism in the country, which in turn will consolidate the industry and ensure growth,” Solaiman said.

Indeed, the Farafra Oasis, as well as other places such as Marsa Matrouh, could become prime spots for drawing a type of tourists who are more likely to seek out a frills-free experience, in exchange for the opportunity to witness and contribute to the naturally-occurring attractions.

Moreover, in the Siwa Oasis, a number of lodges, such as Adrere Amellal, have proven that a sustainable approach and a luxury experience are not necessarily antithetical, wherein five-star accommodation is offered with all the luxuries and comforts, but electricity is one luxury that guests discover they can afford to live without, provided instead with all-natural lighting and encouraged to leave their

“Ecotourism is actually more profitable than traditional tourism, even if considered in purely economic terms,”

phones and electronics at the door.

Another example is Hawyet Siwa, an initiative built on environmental and social sustainability, run by Fares Hassnein, who works on documenting and researching the cultural heritage of the region.

Solaiman further continued that other areas he mentioned present an opportunity to build on the ecotourism prospects, without “repeating the same mistake that was made in Nuweiba, [which is] building five-star hotels next to camps and eco-lodges. Those are completely different types of tourism, and those who are seeking ecotourism lodges and camps are not going to be attracted by a five-star air-conditioned hotel.”

Environmental Concerns

This comes as questions are raised over the long-term environmental cost of traditional tourism, and the long-term sustainability of certain touristic practices. One of the most environmentally threatened areas, due in part to irresponsible diving practices, is the coral reef in the Red Sea. Corals are an endangered species, and Egypt's Red Sea area boasts some of the the largest and most attractive coral reefs globally.

While practices have improved and efforts to protect the reefs have been introduced, there has nonetheless been irreversible damage done, not only to the reefs, but to the overall marine biodiversity of Egypt's waters. Recent sightings of whales, as well as shark attacks, point to the potential that there are unforeseen effects on the ecosystem due to interference in the naturally occurring biodiversity.

Solaiman cites overfishing as the main cause for shark attacks, noting that this problem was overcome in Nuweiba and Taba through fish farming, preventing the overfishing and displacement of naturally occurring species of fish in the surrounding areas, which in other places has caused shark attacks.

“Egypt is full of great natural attractions, such as those in Siwa, Farafra, Fayoum, to name a few. The idea is to diversify the types of tourism in the country, which in turn will consolidate the industry and ensure growth,”

He further notes that traditional approaches to tourism and ecological sustainability are not mutually exclusive, pointing to the going green initiatives and developments that have begun to take corrective steps against previously employed destructive practices.

The Success Factor

Indeed, ecotourism as a branch of diversification of a country's touristic resources has often proven to be a very successful model. One need only look at the examples of the nature reserves in India's Rajasthan province to understand how a conservationist approach can also be translated into an opportunity to target a different tourism market.

The countless nature and wildlife reserves provide ample opportunity for ecotourism lodges, and the model that has been built through offering a wide range of different lodging styles to suit the environs offered by each nature reserve.

These lodges have become widely popular, and draw a different crowd than that which would be drawn to India's cultural or historical tourism. The opportunity to visit captivating sites in a country that is otherwise known for urban overcrowding often proves to be an irresistible draw.

Moreover, Solaiman stressed the notion that Egypt's tourism industry has not been “struck”, so to speak, rather it is a question of shifting the culture that dictates the way the industry deals with different crises.

“Rather than taking every incident as an opportunity to defer blame or ask for more aid, the more logical thing to do would be to deal with each issue that arises with a

sense of humanity, and in turn that would evoke sympathy and encourage tourism, rather than stir fears. There is no ailing tourism industry, rather an incorrect way of dealing with it,” he said.

Similarly, this calls for an understanding of the distinctions between different kinds of tourism, and the advantages provided by diversifying the kinds of tourism on offer, as this can only serve to hedge against any risks or shocks that could otherwise affect the market.

Thus, from both a cost-cutting standpoint and in terms of sustainability—in relation to the market as much as the environment—ecotourism could potentially be the next trend to place bets on, if it is cultivated correctly and for the right reasons.

Though numbers are scarce in Egypt, other countries with similar economic conditions, such as India, have seen major returns from the ecotourism industry. In a research paper specifically focused on Parambikulam Tiger Reserve in Kerala, the growth of India's ecotourism industry alone is estimated at 20-34%, a massive number compared to more traditional tourism. The paper further shows that an approach that is more community-based is more likely to inspire innovation and enterprise in the local community, thereby strengthening the local tourism industry and improving service by building the correct tools for competition.

Egypt's geographical landscape offers more than urban dwellings and resort towns, and it is time to think outside of the age-old misconception that profitability and sustainability stand on opposed poles.





Real Estate the Answer to Tourism Development

Interview with the Head of Tourism Development Authority

By Nadine Abou el Atta

Tourism and real estate, two powerhouse industries in Egypt that are currently performing at opposite ends of the spectrum. It is perhaps common knowledge that international tourism in Egypt is facing mounting challenges that are effectively contributing to the slowdown of the local economy. Yet, in pure numbers, the local tourism industry is generating billions in investments and ROI. The key here is the real estate tourism sector, which –like the

regions as well as provide overall support for the development of tourism projects in areas under its control.

“Some have raised the point of working on developing tourism in cities like Cairo or Ismailia. This is not the purpose of the authority. The purpose we were established for is to move the focus from the narrow lines along the river Nile sides, such as Luxor and Aswan,

TDA did not have any infrastructure nor was it easy to access. Part of the role of the authority is to help overcome such obstacle in terms of attracting both investors and tourists,”

rest of the real estate industry– is defying the current economic status and is booming in every way.

A significant part of the real estate sector is focused on developing coastal areas. Mostly concerned with local tourism, this part of the tourism industry is capitalizing well off of the devaluation of the local currency and the sharp growth of resale values.

“Due to its vastness, development in the Egyptian desert has to be horizontal not vertical,

To better understand the equation uniting both industries, Invest-Gate sat down with the Head of the Tourism Development Authority (TDA), Serag Al Din Saad, for an exclusive interview to explore the current, the future, and the challenges.

The Ignite

Saad began by highlighting that many do not fully understand the specific role of the TDA. The authority was established for the purpose of developing the tourism industry in new and remote areas, outside the cordon of core cities.

Founded by law 7/1991, the TDA is a government entity operating under the umbrella of the Ministry of Tourism. Part of the authority’s mandate is to manage lands for the establishment of touristic

to completely new areas through new investments,” explained Saad.

“Deciding on the correct path to achieve our goals took some time and the involvement of experts as well as consultants. We needed to determine our approach in dealing with investors, as well as the type of investors we would like to attract, in terms of economic capabilities, management approach, and organization-

al structure. Additionally, we needed to define the specific deliverables required from the investors, as well as specify development categories, he added.

Infrastructure

By default, remote land lacks all aspects allowing for sustainable living; one of which posed a significant obstacle to the authority at its early stages. “Land assigned to the TDA did not have any infrastructure nor was it easy to access. Part of the role of the authority is to help overcome such obstacle in terms of attracting both investors and tourists,” commented Saad. A solution to this roadblock was the establishment of a model where the authority offers land at competitive prices, while developers equip the area with the needed infrastructure, thus allowing

“There is a difference between selling price and value estimation. According to the Egyptian constitution we cannot sell using other currencies; however, to ensure that the determined value of land does not fluctuate, the US dollar is used to convey the value determined for land.

Touristic Centers in Egypt



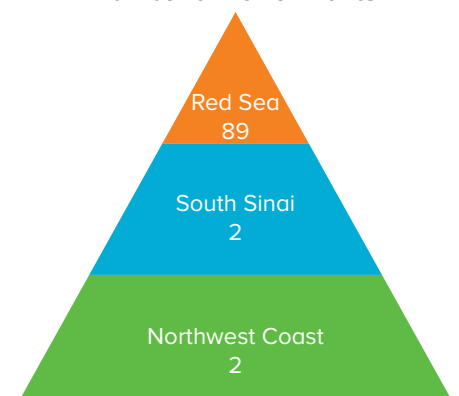
these areas to flourish.

“The model has proved effective. The total number of operating hotel rooms in Egypt are around 225,000 hotel rooms, areas under the control of the TDA include 91,000 hotel rooms. One of the governorates where we have the strongest presence is the Red Sea, total touristic capacity in the governorate is 77,720 hotel rooms, 50,464 of which are under the authority of the TDA. Numbers speak for themselves,” Saad affirmed.

“The role of the authority has also branched out during the past 25 years to include some environmental aspects, supervision of implementation, provide technical support of touristic governorates; however, this is not our main role, our main purpose is to shift tourism activity to the new, uninhibited areas,” stated Saad.

To facilitate coordination with developers on matters related to infrastructure, the TDA has initiated the concept of touristic centers, which are entities that represent all real estate developers in a given area. These centers act as a liaison between the government and the developers in terms of infrastructure matters. The Red Sea governorate has the most touristic

Number of Power Plants



centers totaling 27, and is followed closely by South Sinai which has a total of 21 centers. Ain Sokhna and Upper Egypt both have six touristic centers each, while the newly launched Northwest Coast and North Sinai are represented by four and two touristic centers respectively.

In terms of road networks, the Red Sea and South Sinai governorates enjoy a combined total of 478 kilometers of roads.

Additionally, the Red Sea governorate has a total of 81 desalination plants, while South Sinai follows with 37 plants, Ain Sokhna has 9 plants and the Northwest coast has 4. All four areas produce a total of 169,705 cubic meters of water per day. Sanitation treatment plants, on the other hand, totals to 169 between the same four areas, with the Red Sea representing almost half at 44.3%.

Power generation is well established

“The Ministry of Environment has a major role in the preparation of the studies, due to the proximity of the suggested location of the bridge to Jackson’s reef, one of the largest reefs in the world,”

amongst areas under the control of the TDA. There are 93 power plants, 95% of which are present in the Red Sea Governorate.

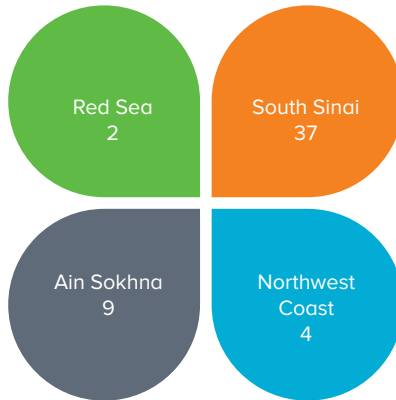
The Red Sea has 266 power generators and 234 adapters, while South Sinai enjoys 133 and 283 respectively. Ain Sokhna, due to its relatively smaller size

“There is a significant difference between North and South Sinai. South Sinai is open to all kinds of investment with almost no restriction.

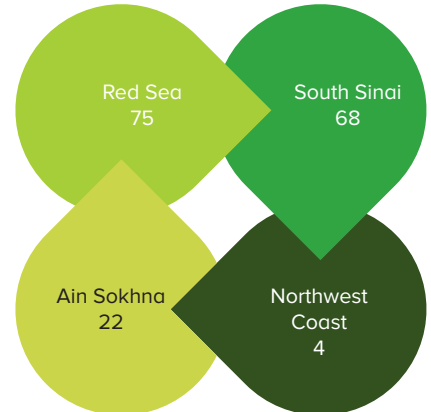
has only 10 power generators and 14 power adapters. On the other hand, the Northwest Coast, with 6 of each, has a long way to reach up to other areas in terms of power generation. However, it is important to note that the area is still under development and is part of a current mega project launched by the government.

“We need foreigners to buy real estate in Egypt, this helps both the developer and the country.

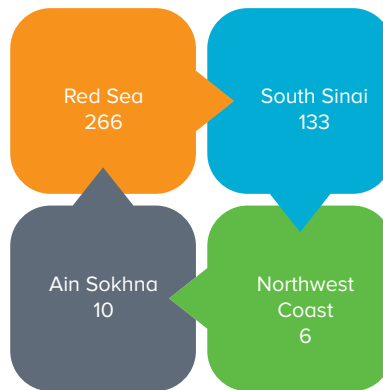
Number of Desalination Plants



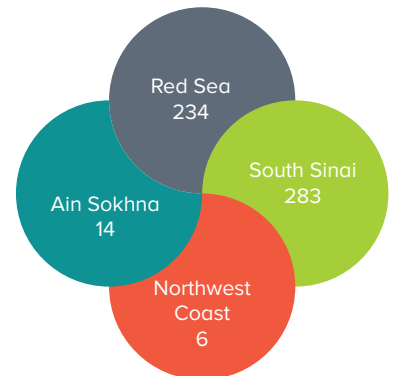
Number of Sanitation Treatment Plants



Number of Power Generators



Number of Power Adapters



The Equation of Land

Shifting to matters of land –the main product the authority is working with– the authority has established several parameters to generate better results. One avowed example is land use.

“The main resource of the TDA is not the touristic building itself, but rather the land the projects are conducted upon. To the authority land use is very important, that

divides and earmarked for specific projects, prior to offering it through tenders to local, regional, and international investors. The authority additionally clarifies the required number of touristic units, hotel rooms, as well as the administrative, commercial and service venues needed.

An important aspect the authority is focused on is horizontal expansion. “Due to its vastness, development in the Egyptian desert has to be horizontal not vertical, which means that instead of building tall buildings over limited areas, we should aim to build shorter constructions covering expanded areas. That is one of the main reason we supply vast areas of lands for each project,” Saad explained adding “To ensure horizontal expansion one of the parameters we have set is a maximum number of 20 keys per acre, and a minimum of four. Keys here refer to touristic residential units, hotel rooms, or any other type of units.”

Talking about the extent of room investors are allowed to make changes to set plans, especially in terms of expansions, Saad highlighted that set plans are the minimum requirement; once they are met the developer is free to add any addition-

al elements to the project, whether it is a mall, an entire hotel or a service shop.

Setting Prices and Other Authorities

In discussion of land control, Invest-Gate asked Saad about the bases of assigning lands to different authorities, namely the TDA. "Back in the 1980s all land categorized as touristic land automatically became under the control of the TDA after its launch in 1991. However, in 2001 the state launched the National Center for Planning State Land Use (NCPSLU), for the sole purpose of categorizing land in Egypt. The center divides land according to the best usage for its type of soil and location. Land can be earmarked for agriculture usage, residential, industrial or tourism projects, among others," he explained.

There have been talks about challenges facing different authorities in terms of price coordination on different lands in close proximity. A well heard of example was Marsa Matrouh, where prices

moved the authority to set prices from most governmental entities that control land. Currently only four entities have the authority to set land prices. The purpose of this decision is to separate between land control and price levels, with NUCA being an exception to this rule.

"The TDA assists in price determination for different lands by supplying the parameters set for expected land usage. For example, land mostly for commercial purposes should be priced differently from land earmarked for a resort that is expected to have only 20 units per acre," Saad explained adding that the expected return on investment is another important differentiating parameter, as an example he highlighted the difference between ROI for hotels and for compounds. "Hotels require long periods of time before they are able to cover their initial capital, while a resort or compound covers its costs and generates planned profits simply by selling units," Saad stated. Other factors that go into price calculation are average price levels, infrastructure ex-

"There is a difference between selling price and value estimation. According to the Egyptian constitution we cannot sell using other currencies; however, to ensure that the determined value of land does not fluctuate, the USD is used to convey the value determined for land. "

set by the TDA were vastly different than those set by the New Urban Communities Authority (NUCA). Explaining these challenges, Saad commented "There cannot be touristic development without cooperation with the local authority in a given governorate. We have to admit that there were negative practices previously, due to some overlapping of authority over land, Marsa Matrouh is one of the more prominent examples of this issue; however, since the launch of the NCPSLU parameters of land use and authority became much clearer."

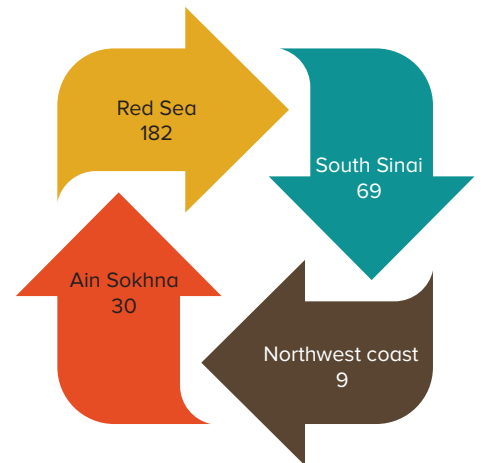
Different authorities offer land to investors through different methods, each authority sets its own set of conditions, parameters, and requires certain commitments; consequently prices set by different authority for lands in a given governorate did not always match up. To help resolve the situation, Law 17 for year 2015 re-

tended to the area, among many others.

When asked about the rationale behind basing land prices on the US dollar value, Saad replied "This brings us to the point of whether it was right or wrong to set land prices based on a dollar value. The point is not the currency itself, the point is that the value set remains both competitive and stable enough to encourage development, in return investors will be required to construct all needed infrastructure to awarded land, prior to construction of planned projects. This is the successful equation we built."

"There is a difference between selling price and value estimation. According to the Egyptian constitution we cannot sell using other currencies; however, to ensure that the determined value of land does not fluctuate, the US dollar is used to convey the value determined for land. For example the price set for West Ras El

Land Assigned to Projects (million m2)



Hekma in Marsa Matrouh is \$47 x EGP 8.85*, and will keep evolving with changes in conversion value," Saad explained.

The main drawback to basing the value of land on the US dollar falls on investors who are unable to meet payment due dates. Postponing payments exposes them to the danger of increase in due amount due to currency fluctuations, in addition to imposed penalties.

"We cannot really say that we give land at developmental prices, true we provide land at competitive prices, however, all required infrastructure is financed and built by the investor," he elaborated adding "When price of land as a component of the project represents between 10 to 20 percent of total investment value, that is fine, not very competitive for the project, but yet a fair value." Saad additionally made a point of highlighting the significant benefit of installing due payments on ten years, a perk that only the TDA offers to investors.

"All infrastructure construction was entirely financed by investors, without re-



"The point is not the currency itself, the point is that the value set remains both competitive and stable enough to encourage development."

sorting to any financial support from the state. The authority has dealings with 896 developers, which is a significant figure in comparison to other entities in Egypt, and it is an indicator of the success of our model.” Saad proudly stated, a clear sign of the success of the methodology the authority is operation through.

Investment

Like any industry attracting investment is often mixed with challenges, a mina challenge Saad highlighted is the concern of some Egyptian investors, who approach investment decisions very cautiously. “I do not see a reason to be worried, turbulences from the revolution affecting the industry effectively ended by 2013, and proof of that can be seen in the 70 new projects we launched in 2013 alone, generating unprecedented revenues. All this means that the industry is stable and lucrative for investors,” Saad Confirmed.

Commenting on the effect of the strong presence of foreign investment in the real estate sector verses the flow of Egyptian investment, Saad said “We are aiming to attract investors, we don’t necessarily mean by that foreign investment, we are currently dealing with 896 developers, there are more investors than that in Egypt, and new investors emerge every day.”

The Sinai Factor

When asked about the role of political policies in shaping the direction of investment especially in sensitive governments like Sinai, Saad replied “There is a significant difference between North and South Sinai. South Sinai is open to all kinds of investment with almost no restriction. The only difference is the additional required documents entailed by law 14/2012, which organizes development of Sinai. However, the law was amended in 2015 to allow ownership of land in Sinai for Egyptians, and allows for extended periods of usufruct rights to non Egyptians.”

A key topic of discussion now is the proposed Sinai-Saudi bridge, commenting on the hot topic Saad highlighted the promising nature of the project. “The bridge will not only tie two nations, it will connect two continents, and should have a positive effect on international trade routes.

Answering a question regarding the widely circulating concerns on the bridge, Saad assured “It is too early to determine anything in regards to the bridge. Economic and technical studies are yet to be



completed, all aspects of the project are planned to be examined very well, especially in terms of drawbacks. All what is ready at this point are some suggested technical routs, as well as an idea of the methodology of tendering the project. Estimated cost, funding, and many other important factors are yet to be determined by the several governmental entities involved in the preparation of feasibility and technical studies.”

“The Ministry of Environment has a major role in the preparation of the studies, due to the proximity of the suggested location of the bridge to Jackson’s reef, one of the largest reefs in the world,” Saad commented addressing environmental concerns regarding the bridge, adding that the Transportation Ministry and Ministry of Interior Defense also have a major role in preparation of technical studies for the bridge. “In short we still have a long way to go, in terms of economic and technical aspects,” he affirmed.

While on the topic of the environment, Invest-Gate asked Saad about the role of the authority in terms of environmental permits. “The role of the TDA here is a coordinator between the developer and the Ministry of Environment. The ministry has set certain conditions and regulations, especially in assessing the impact of a project on the surrounding environment. Developers need to understand the importance of entrusting these aspects to specialists to avoid delays. Some environmental approvals take four months, while approvals for other projects have been in process for two years,” he answered adding, “I believe there should be more flexibility allowed in terms of project scopes; however, the ministry does not want to allow any flexibilities, out of fear from accuracy of execution.”

The Future

When asked about the core changes that need to take place to help further boost this part of the real estate industry, Saad shared two main ideas. The first of which was the notion to encourage non-Egyptians living in Egypt or tourists that visit the country often to acquire touristic units. “We need foreigners to buy real estate in Egypt, this helps both the developer and the country. We still have a long way to go to strengthen this area,” he said.

“Secondly, we also need to encourage the potential of income property, where developers manage and rent out unused property on behalf of owners,” Saad commented adding “Local tourism in Egypt is of significant potential, and can get Egypt out of the current situation the tourism industry is facing.”

“Regional tourism is also of significant potential in resolving any hardship the tourism industry in Egypt is facing. They should be encouraged to purchase well serviced touristic units,” Said commented in hopes that developers would adopt such lucrative concept. “Ras Sudr airport will ensure that this happens. In fact an airport in this area will remove all the pressure imposed on the only access point, Al Shahid Tunnel. The airport will also significantly shorten the time required to reach Sinai from other cities in Egypt, especially the capital,” he added.

In the grander scheme of things, both the tourism and real estate industries have a long way to go in terms of potential as well as stability, with the numerous highlighted points shared through this interview the state’s efforts to ensure that the one currently profitable industry maintains its upwards trajectory is quite visible.



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