

Market Watch Report

**SOCIAL HOUSING
IN EGYPT**



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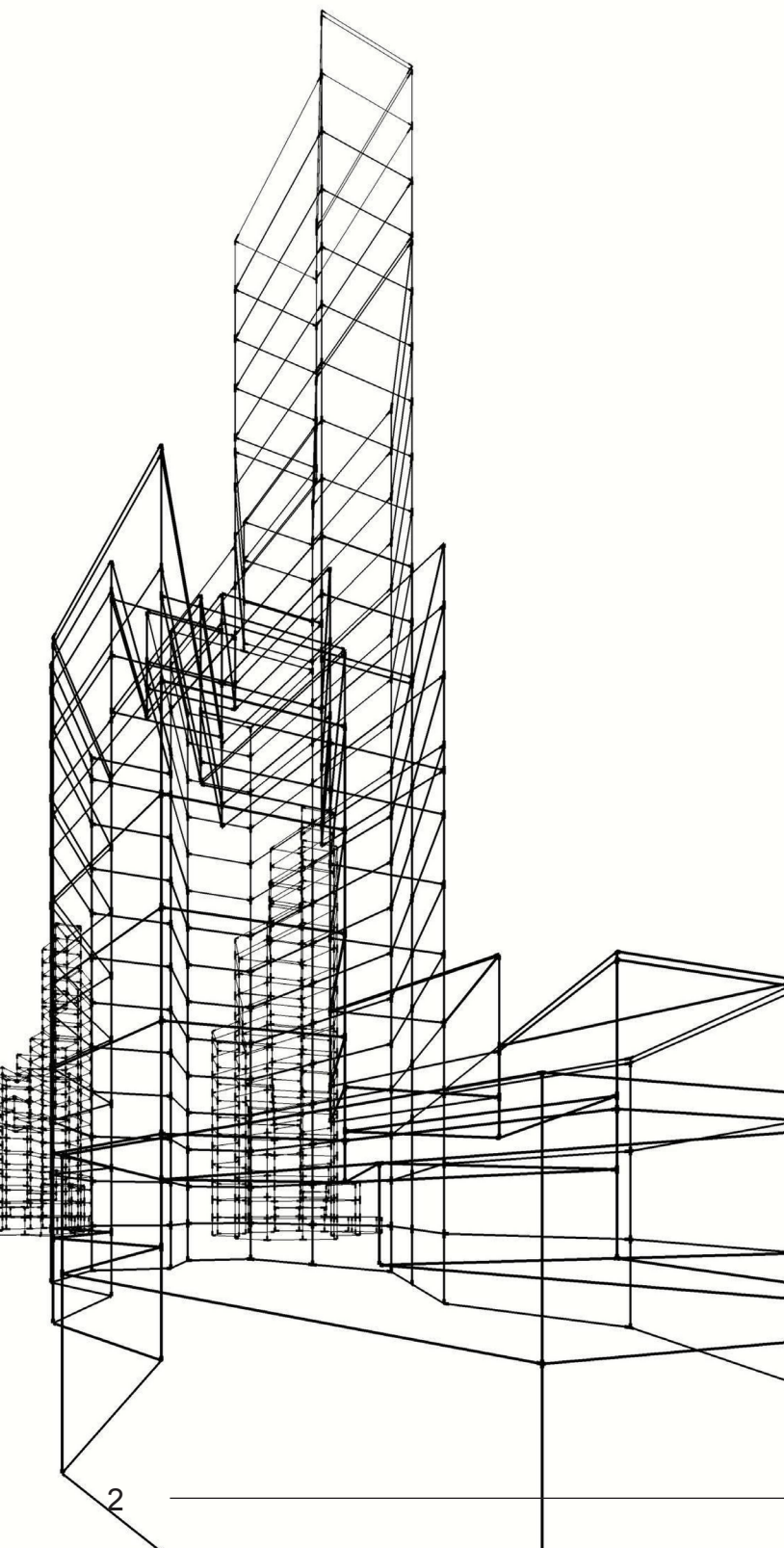


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Madbouly Approves New Social Housing Law

The Board of Directors of the Social Housing Fund, headed by Minister of Housing, Utilities, and Urban Communities Mostafa Madbouly, approved a new law governing social housing and real estate funds, in preparation for presenting it to the Cabinet. The new law ensures that prevention of any violations against the social housing system, also ensuring that some of the allocated resources will be dedicated to developing informal settlements, Madbouly confirmed.

Housing Ministry Offers Unsubsidized Social Housing Units

The Ministry of Housing, Utilities and Urban Communities is offering new unsubsidized social housing units targeting citizens with monthly incomes ranging from EGP 4,000 to EGP 5,000, according to Minister of Housing, Utilities, and Urban Communities Mostafa Madbouly. The units offered have floor plans of 90 square meters and qualified citizens may apply from December 14 until January 14. The houses are available through 19 governorates across the country.

Half a Million Social Housing Units Being Implemented Across Egypt

Approximately half a million social housing units are currently being implemented in different phases, Minister of Housing, Utilities, and Urban Communities Mostafa Madbouly at the second international conference for cooperative housing. Madbouly urged the cooperative, private, and public sectors to combine all efforts and work on various schemes in order to promote social housing developments.

Social Housing Projects Progress in Several Governorates

The Ministry of Housing, Utilities, and Urban Communities has reopened the window for applications for applicants who previously applied for social housing units but were unable to obtain them in 6th of October and New Cairo, in efforts to sell the remaining 125,000 units in the social housing program. Applicants are divided into three categories: reapplying applicants of the same districts and units, those who were rejected due to credit score, and those of lower than the standard minimum EGP 1,000 monthly income.

Housing Projects for Youth to be Developed in New Valley

A total of 421,700 square meters of housing projects across three villages in New Valley governorate have been dedicated for youth at affordable prices, announced to Governor of New Valley Mahmoud Ashmawy. Another 31 acres of lands have been allocated to a charitable institution for agricultural purposes and will be developed in partnership with the Social Development Fund.

Social Housing Land Plots to be Allocated December 19

Egypt's social housing project continues with more land plots to be offered through a public lottery held from December 19 until December 27, according to a statement from Minister of Housing, Utilities, and Urban Communities Mostafa Madbouly. The upcoming lottery includes land plots across Sadat City, New Assiut City, New Sohag City, New Tiba City, Badr City, and New Qena City. Applicants are requested to present evidence of a down payment document to enter this lottery.

Social Housing Projects Commence in Sales and Development

Around 270,000 low-income citizens have paid total installments of EGP 1.08 bn for 400,000 social housing units located in the new cities, reported Daily News Egypt. As of November, 270,000 buyers have reserved 400,000 units located in the new cities by depositing EGP 4,000 for each unit through Fawry, a recent public payment service.

20,000 Social Housing Units Completed in New Cities

Approximately 20,000 social housing units are being delivered in New Aswan City and 320 social housing units are to be completed in 2017, according to Mostafa Saeed, head of the City's Authority. The city will also witness the construction of two public services projects at a cost of EGP 33 mn, including a mall and two schools, which will be finished this year.

New Fayoum Completes 307 Social Housing Units

New Fayoum City has completed approximately 307 social housing units at a cost of EGP 40 mn, according to Ashraf Abdel Rahman head of the City's Authority. The new city is also currently undergoing the construction of some other developments, including a road linking the city with Fayoum governorate at a cost of EGP 8 mn, rural sanitation projects at a cost of EGP 23 mn.

Approximately 200,000 Social Housing Units Completed Across Egypt

Minister of Housing, Utilities, and Urban Communities Mostafa Madbouly confirmed the completion of approximately 200,000 social housing units with plans to reach 500,000 homes by the end of 2017, during the 33rd Council of Arab Ministers of Housing and Construction held in Riyadh earlier this week.

Social Housing Fund to Receive Rent Payments Electronically

The Social Housing Fund is to collaborate with the Housing & Development Bank to receive rent payments of residential units owned by the fund electronically, reported Invest-Gate. Tenants are to deposit all due rent payments in the Social Housing Fund account in the Housing & Development Bank on a regular basis.

Deadline for Social Housing Reservations on December 30

The Ministry of Housing Utilities, and Urban Communities stated that December 30 the deadline for reserving social housing units in Dahshour, 6th of October City. According to the minister

himself, Mostafa Madbouly, this deadline is for eliminated applicants from the 8th announcement opening, who have not met the qualification or who have submitted insufficient documents.

15th of May City Social Housing Project Adds 336 Units

As part of the city's social housing project, 15th of May City is set to add around 336 units across 14 residential buildings. Head of 15th of May City Authority Tamam Gergius stated that a plant nursery will also be established over an area of 90 acres of land. The city is to assign development contracts to member companies of the Egyptian Federation for Construction & Building Contractors.





A History of Social Housing Strategies in Egypt

By Tim Nanns

Social housing has been a political issue for every Egyptian president ever since the formation of the Arab Republic. Gamal Abdel Nasser's industrialization policies led to a surge in rural migration at the time, and led to the phenomenon of increased illegal urbanisation with many informal settlements, while state housing programs proved unable to deal with this rush in the long run.

The issue continued through the presidencies of Anwar Al-Sadat and Hosni Mubarak, accelerating after 2011 due to the power vacuum created by the revolution. This phenomenon has been increasingly driven by population growth rather than internal migration, but nonetheless remains a core issue of government policy.

With all this in mind, we turn an eye on past and current government policies in dealing with the great need for housing and its social housing programs and try to examine the various social housing policies and their efficiency.

An Overview

It all began with Nasser and rural-to-urban migration. The government reaction to this issue was to set up public housing programs and rent control laws. The programs however were largely abandoned after the 1967 war, while the problem itself accelerated with migration from Sinai and an ever-growing population.

During Sadat's reign, the programs were still allocated insufficient funds, while efforts were directed at transferring the housing problem to the private sector, which in turn failed to meet the demands of low-income citizens due to greater profit opportunities in mid- and upscale housing. As an obvious result, the issue of informal housing accelerated even further.

Under Mubarak, the issues of the Sadat era largely continued and exacerbated. As a notable exception, he promised to set up a social housing program – often dubbed Mubarak housing

– during the 2005 election. Originally aiming to deliver 500,000 units, the program only completed three quarters of its original target after the extension of the deadline by one year and an investment of EGP 34 bn.

While the right to housing was enshrined in the Egyptian constitution for the first time in 2012 and again in 2014, the motives and results of the governments succeeding Mubarak are less clear. Under Morsi, any actual implementation of welfare programs was overshadowed by the political polarisation during his years in office, while the same polarisation largely prevented any form of efficient governance.

President Al-Sisi, on the other hand, seems to have solidified the political importance of social housing by establishing several such projects and often speaking at such inaugurations himself. The motives behind this however remain undisclosed, but in any case the army plays a larger role in these projects now than ever before.

Goals

Social housing, as well as social welfare in general, have in the past served several different purposes. Despite the obvious effect of providing adequate housing to citizens, it can also be part of economic endeavours, part of general policies and ideology or simply an element of election campaigns.

While Nasser's socialist approach towards state and policies is likely to be part of his promotion of social housing, it was probably also an easy way for him to gain popularity and to further his industrialization program, which required some degree of urbanization.

Sadat, on the other hand, largely neglected social housing due to other pressing issues at hand. While one might argue that social programs could have helped with problems such as a high dissatisfaction and radicalisation, the Sadat administration largely neglected the issue and prioritized other issues.

Mubarak then revived the project of social housing during his 2005 election campaign. In a bid to secure additional votes, Mubarak promised a large-scale housing program.

While Morsi's time in office however did not see any notable projects, in contrast, Al-Sisi has often been present at inaugurations of social housing projects, once famously driving up to it on a kilometers-long red carpet, therefore showing commitment to the projects while simultaneously earning praise.

The Programs and Their Approaches

Nasser adopted a quasi-socialist approach in his governance; after a rapid migration process from the countryside to the big cities like Alexandria and Cairo, the housing crisis worsened in 1965, materializing in the shape of a rampant growth of informal housing in areas previously dedicated to agriculture in the cities. As a reaction, Nasser appointed Ezzat Salama as Minister of Housing, due to his previous success in preventing Cairo from being flooded by the overextended sewage system, as Milad Hanna writes in "Real Estate Rights in Urban Egypt". Upon being appointed, he was tasked with implementing Nasser's Rapid Housing Scheme.

The new program was in fact remarkably successful and the situation improved within a year due to the fact that the public

sector was mobilized to construct the necessary units and a three-room flat could be delivered at a price of EGP 500.

However, upon Sadat's arrival in office, things began to rapidly deteriorate. The Infitah era, characterized by economic liberalization policies, led to a 10-15 times increase in land prices, the development of a luxury market segment, and the construction of high-rise apartment towers. Without diving deeper into the economic turbulences of this time of market liberalisation, it can be said that the inflation in the costs for renting or buying homes increased at a faster pace than the average wages of the low- to middle-income citizens, leading to a precarious imbalance between the two.

Popular housing units often became a last resort for middle-class families too, despite having actually been constructed for low-income citizens. With an apartment often being a precondition for marriage, the issue was no longer simply an issue of housing, but became a much more pressing social issue. As a result, informal housing peaked to new heights, with the phenomenon arising of people beginning to inhabit the City of the Dead—a district in Cairo dedicated entirely for burials—as they were unable to afford regular housing.

Moreover, Sadat's successor, Hosni Mubarak, only discovered the issue of social housing relatively late; in 1996 the "Mubarak Youth Housing Project" was conceived, aiming to deliver 70,000 affordable units to young couples. Although the project was indeed completed four years later, the 70,000 units offered over four years proved insufficient in meeting the ever-growing demand. However, the mode of financing was notable: the government paid 40% of the total cost of EGP 2.75 bn through cross-financing from sales of high-income residential areas, and was able to offer relatively inexpensive units, along with subsidized loans, according to the Ministry of Housing.

Further programs followed, such as the "Future Housing Project" from 1998 and most notably the National Housing Programme from 2005. None of these projects however was large enough or changed the housing landscape enough to solve the core issues or even keep up with the ever-growing population. Mubarak cooperated with the private sector here with 40% of the units constructed under private ownership but on state-owned land with the state also providing the infrastructure.

Post-Revolutionary Approaches

After Mubarak's ouster, the right for housing was enshrined in the Egyptian constitution for the first time. The first post-revolutionary president however was toppled himself before any potential program could go into effect. However, the same right was cemented in the 2014 constitution and Al-Sisi has taken steps to revive social housing, with a total of 180,000 units completed as of July 2016. All in all the program aims at constructing 600,000 units, 256,000 until the end of the year and a further 275,000 by mid-2017.

The situation Al-Sisi is confronted with meanwhile largely mirrors Nasser's situation in the 1960s. While the issue of urbanization is not as pressing anymore, he still is confronted with a momentous birth rate and a society that considers homeownership as a prerequisite for marriage, putting enormous pressure on young people to obtain their own homes. Also the Sisi-government is increasingly fighting informal housing,

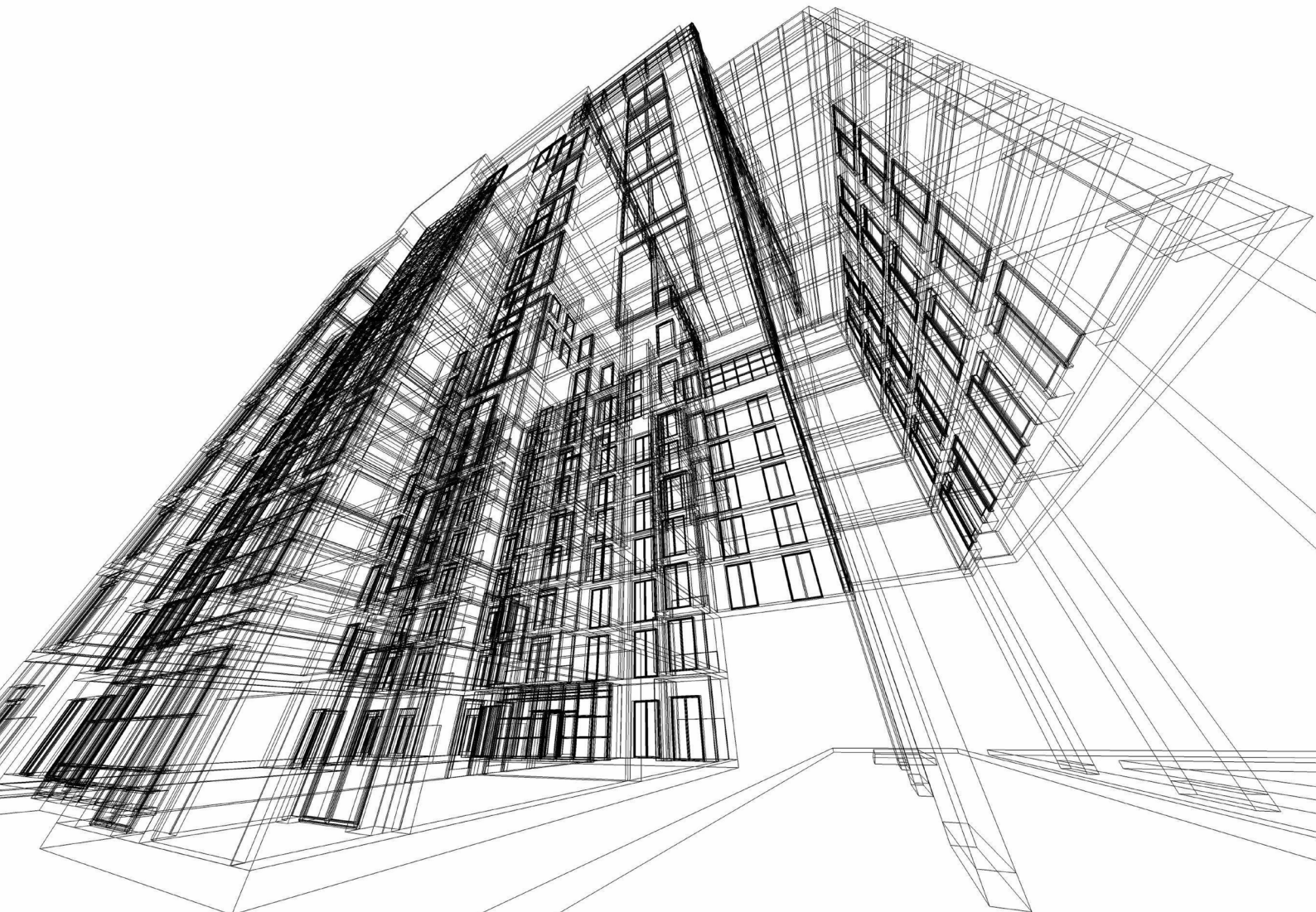
prompting a need to provide alternatives.

The structure of the program consists of several parts: Firstly the financing of the project—somewhere around EGP 120 bn—comes from the state as well as Al-Sisi's Tahya Masr fund. Secondly, it clearly targets, much like Mubarak, the youth.

Another problem, however, is that the program is not able to target the lowest segments of society, since they do not even meet the basic necessary requirements. Above all these problems still hangs the core issue of all social housing programs that ever existed in Egypt: The programs – however ambitious they might be – are barely able to keep up with the need for new housing and are nowhere close to being able to close the

large housing gap.

In conclusion, it can be stated that most programs follow very similar approaches. While some utilize the private sector and others rely on the state, they always provide subsidized social housing in specific projects and secluded areas. Nonetheless, these project have thus far rarely been able to ease the pressure on society and the low-income market and never succeeded in making informal housing obsolete or reach a long-term solution for Egypt's housing issue. It remains to be seen whether future housing will begin to bridge the qualitative and quantitative gap between supply and demand.





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