

Market Watch Report

Social Housing in Egypt



October 2016

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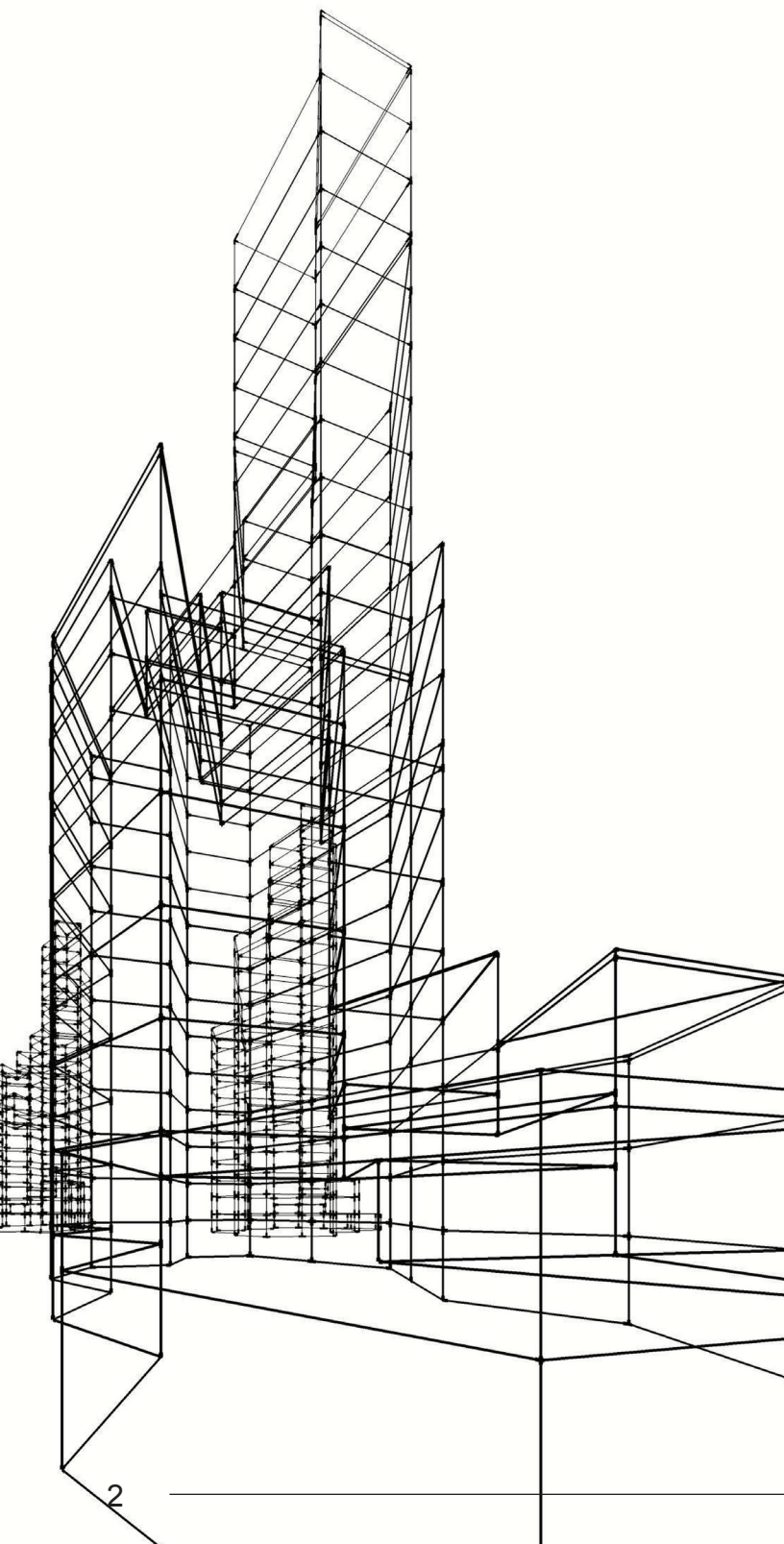


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World Bank Follows Up on Social Housing Projects

A World Bank delegation visited Egypt to follow up on the progress of the Social Housing Project, to which it has contributed with financing worth \$500 million, reported Al Mal News. Minister of International Cooperation Sahar Nasr welcomed the delegation, highlighting that the project is a top priority that seeks to close the housing gap in the country. The project has already helped 53,000 families and is expected to benefit more than 820,000 low-income families by 2020, according to the World Bank, which stated that the project should be serving 3.6 million citizens upon completion, according to Al-Ahram.

Real Estate Developers to Construct Social Housing Projects

The Cabinet approved the draft of terms and conditions regarding collaboration with real estate developers in building units in the Social Housing Project aimed at low-income citizens, reported Al Borsa. The draft included determining the land plots where the project will be constructed and the areas in which developers will be employed, provided that these developers have worked on previous projects with the government. The conditions, applying to all new cities except for New Cairo and Sheikh Zayed, determined that payments for units should be made in cash up-front, or with a minimum 15% down-payment of the total unit price, according to Al Shorouk News.

NBE Funded Purchase of 12,500 Units for Low-income Citizens

The National Bank of Egypt (NBE) has financed the purchase of 12,500 housing units for low-income citizens at a cost of over EGP 1 million, according to NBE Chairman Hisham Okasha, reported Al Mal News. The bank financed 2,730 units at a cost of EGP 247 million in July and August, marking a strong upswing in lending, stated Okasha. Total lending during that period recorded a 28% growth in number and 31% in the value of funds granted, compared to lending at the end of the fiscal year that finished in June.

Government to Offer Land in Administrative Capital to Developers

The company handling the New Administrative Capital project is set to decide on offering the first phase of investment land plots, with total areas ranging between 3,000 to 3,500 acres, reported Al Borsa. The plots are targeted for development of mix-used projects, as well as residential, commercial, and entertainment projects. The company estimated that revenues from the first phase of the project, which will measure 14 million square meters, will amount to EGP 30 billion, as one square meter costs approximately EGP 2,100 on average. More strategically located plots of land will cost between EGP 3,500 and EGP 4,500 per meter. Conditions and regulations are yet to be set.

5,706 Units Offered for Rent for Low-income Citizens

Residential units were offered for low-income citizens starting October in several governorates and cities, according to Minister of Housing, Utilities, and Urban Communities Mostafa Madbouly, reported Invest-Gate. Citizens will be able to rent the units within 10 governorate if their income is below EGP 1,500. Residents will pay between EGP 300 and 410 with an expected rent increase of 7% annually and a rental period of seven years, said Salah Hassan, Deputy Executive Director of the Social Housing Fund. In case of a large demand among applicants, priorities are given to those living under more precarious circumstances.

5000 Social Housing Units to be Launched in Sadat City

A total of 4,980 residential units have been finalized in the first phase of a social housing project in Sadat City, along with facilities, according to Minister of Housing, Utilities, and Urban Communities Mostafa Madbouly, Al Shorouk News reported. Another 5,000 units are expected to be built in the Zaytoun neighborhood in Sadat City, while Madbouly urged that public service buildings should be finalized on schedule to meet the needs of potential residents. Madbouly asked to meet with investors within the city to discuss the possibility of dedicating some of the designated units to labor workers in factories, to facilitate their transportation from and to the city, according to Youm7.

50 Acres Allocated for Social Housing in New Fayoum

The New Fayoum Administration has announced the availability of 50 acres dedicated to social housings in a statement sent to New Urban Communities Authority (NUCA), reported Al Borsa. The land plots were prepared before the announcement was sent it to NUCA, which will in turn offer them for sale in new cities, stated Ashraf Abdelrahman, Head of the New Fayoum Administration. The revenues that will come from the land offerings will contribute to implementing projects dedicated for public services in the next phases in the city, which has an area of 13,500 acres. Approximately 50,000 citizens are expected to reside in New Fayoum, added Abdelrahman.

5 Contractors Appointed for Asmarat Project

Five contractors will start construction on the third district of the housing project in Al Asmarat that will replace informal settlements, according to Ahmed Taymour, Deputy Governor of Cairo, Amwal Elghad reported. The project is funded by the Tahya Misr Fund and is set to be constructed on an area of 80 acres, where the third district costs EGP 500 million and will be finalized in 2017. The third district will include 7,440 housing units, as well as several amenities. Around three schools were also built in Al Asmarat district that aim to service the new residents who will move in to the area, according to state-owned Al-Ahram.

New Social Housing Units Delivered in New Valley

The Ministry of Housing, Utilities, and Urban Communities has delivered 500 residential units in New Valley governorate to low-income citizens as part of Egypt's social housing project, reported Amwal Elghad. Around one million housing units are expected to be built as part of the project to support low-income citizens, in addition to demolishing informal settlements and unlicensed buildings. The scheme costs approximately \$ 20 billion and is scheduled to be finalized within five years. The project is expected to include 200,000 new residential units that will be built each year, aiming to meet the high demand on housing, according to statements from Minister of Housing Mostafa Madbouly.

100 Social Housing Buildings Completed in New Aswan

The Ministry of Housing, Utilities, and Urban Communities announced the completion of 100 social housing buildings in New Aswan, while 101 others are set to be completed, reported Invest Gate. This comes amid ongoing construction of projects in different fields in New Aswan, including potable water, sanitation, agriculture, housing, electricity, roads, and services. The electricity network in New Aswan has been completed, as well as the electrical work on the social housing area of the city. Construction of the electrical power station is currently underway, as well as the electrical networking for 107 buildings in the second phase of the social housing project.

NUCA Drafts Conditions for Purchase of Dar Misr Units

The New Urban Communities Authority (NUCA) has completed the drafting of the conditions for the purchase of over 10,000 units offered next month in the second phase Dar Misr project, targeting middle-income citizens, reported Al Borsa. The NUCA is also expected to finalize the procedures to offer 11 land plots in the first phase of the Dar Misr project, as officials in the NUCA have stated that the conditions will be sent to the Housing and Development Bank in the next few days. The draft includes details about measures for acquiring the units, remaining available houses in each city, reservation deposits and several other conditions for applicants.

Dar Misr to Finalize Units in 8 Cities

The first phase of Dar Misr social housing project is about to be finalized in eight new cities, reported Al Borsa. 31,000 units have been finalized in the cities of 10th of Ramadan, Obour, Shorouk, Badr, 6th of October, New Cairo, Sadat and new Damietta. The Omrneya Communities committee is offering 15 land plots, as part of 44 land plots that have been posted through the General Committee for Investments. The land plots are to be distributed through investment and services activities that includes commercial, entertainment, social and sports club, gas stations, health center, hospital, and a school.

Housing Ministry Launches 4,632 Units in 10th of Ramadan

Dar Misr social housing project planned to include 4,632 new residential units located in 10th of Ramadan City, reported Al Borsa. The first phase of the project will include 2,832 units, while the second phase will include 1,800 units. The project will also include facilities such as water and electricity, gas, and telecommunications as part of the services that will be offered as part of Dar Misr project, as well as two schools, a nursery, and two commercial building according to Adel Al Nagar, Head of the Development Committee of 10th of Ramadan City, stated Shorouk News.

10,616 Additional Dar Misr Units to be Provided for Previous Applicants

The Ministry of Housing, Utilities, and Urban Communities will deliver 10,616 additional housing units through the Dar Misr project for applicants who did not acquire units in the previous two phases, Minister of Housing Mostafa Madbouly said, Invest Gate reported. The remaining units in each area can be acquired from the Housing and Development Bank Branches after booking the units with a down-payment. Applicants should be one of those who previously applied in the first and second phase and did not succeed in receiving a unit through public lottery, stated Tarek Sabaey, the Supervisor of the Commercial Real Estate Affairs Department at the New Urban Communities Authority (NUCA).





Social Housing: Promises, Law, and Application

By Julian Nabil

Egypt has long been subject to many housing difficulties, especially with the increase of informal and hazardous areas that have fostered due to the shortage of affordable housing. With an expanding population, which has tripled since 1960s, the country was catapulted into an urbanization crisis, creating major pressure on the housing capacities of major cities, mainly Cairo.

A significant percentage of Cairenes live in informal settlements, which have massively proliferated since the 1950s, according to estimates by Cairo urban planning expert David Sims. An official study by the United Nations Development Program (UNDP) showed that the unplanned housing areas have become home to one million of Cairo's inhabitants. Many of these settlements are often dangerous, and some have collapsed, such as the infamous 2008 rock-slide incident in Mansheyet Nasser, which killed over 100 residents.

As discontent with the housing crisis grows, providing social housing becomes a matter of concern for President Al Sisi's

government, which recently set a timeline for the implementation of its social housing program.

On 13 August, Al Sisi announced in a press conference that the completed social housing units will reach the one-million mark by 2018 and a total of 150,000 new units will be available for reallocation of the people residing in informal settlements, to resolve the informal housing problem.

Al Sisi previously noted that the resettlement of informal housing residents and the removal of the informal settlements would cost an estimated EGP 14 billion (\$1.58 billion).

A 656,000-unit social housing project will be implemented at a total cost of EGP 97 billion, Minister of Housing, Utilities, and Urban Communities Moustafa Madbouly announced. The project will be carried out through two phases, the first of which will see the establishment of 256,000 units at a total value of EGP 37 billion and is expected to be finalized by the end of 2016. The second phase will see the building of 400,000 units with a total

investment of EGP 60 billion.

On another note, Prime Minister, Sherif Ismail said that the ministry implemented a total of 180,000 units by June 30 as part of the first phase. Approximately 31,000 units are expected to be completed by September 30 this year, and 45,000 units by December 31.

Due to the overarching lack of regulation of the Egyptian housing market, among many other problems, the government has set and amended laws, in an attempt to support the application process and ensure social justice among all citizens applying for housing units.

New Laws and Amendments

The Egyptian Cabinet recently approved three new terms within the new social housing program, following the approval of the Social Housing Fund Management Council.

The first added term is to offer 6,000 two- and three-bedroom units within the social housing project, as the first phase, up for lease for citizens with monthly income of less than EGP 1,500. The maximum limit

of the rental period of any residential unit is a non-renewable seven-year period, by mutual agreement of involved parties. The same residential unit can be leased for another period only at the rental market value.

In case of a large applicant turnout to the program, priority shall be given to residents of unsafe settlements that are scheduled to be developed over the next two years, followed by single female breadwinners, people with special needs, large families, families with children, married couples, and bachelors.

The applicant will sign a written declaration committing them to the use of the unit for residential purposes, and to live in it on a regular and permanent basis during the term of the lease, as well as to pay the monthly maintenance and rent. If the tenant breaches the agreement, the unit will be withdrawn from the citizen, who will have to pay the appropriate compensation, and the unit will be returned to the Social Housing Fund. The subsidized rent for the seven-year lease term ranges from EGP 27,300 up to EGP 66,000, depending on the number of units.

As for the payment system, the citizen should pay the electricity, water and gas bills worth EGP 3,000 and the monthly consumption value, in addition to the value of three-month rent in advance, which amounts to EGP 3,900 for the two-bedroom units, and EGP 4,250 for the three-bedroom units.

The subsidized monthly rent is EGP 300, including EGP 25 for the maintenance of the two-bedroom units, and it increases by 7% per annum. The rental market value for the unit ranges between EGP 600 and 800 per month, depending on the location and the city. For the three bedroom units, the tenant shall pay EGP 410, including EGP 35 for the maintenance, where its market value ranges between EGP 800 and 1,200 per month.

The tenant has the right to apply for ownership of the unit during the lease term or a month before its expiration. If the applicant meets the terms and conditions of the mortgage fund, a lease contract can be set, under which the tenant shall be committed to using the unit for residential purposes only over five years from the date of possession.

As for the second term, the Housing Minister stipulated that the units are available for individuals with EGP 2,500-4,000 net income per month, and families with EGP 3,500-5,000 net income per month.

Applicants can benefit from the Central Bank of Egypt's initiative to get a mortgage loan with an 8% declining interest rate over 20 years, and there is no cash support from the mortgage fund for that category.

The applicants within such category should have a maximum age of 55 years, and should not have previously purchased a subsidized housing unit. The down-payment is 25% of the unit value, to be paid in four quarterly installments, determined according to the level of income, the customer's credit history, and the Mortgage Finance Fund review

The third term of the program stipulates that 20,000 housing units will be delivered for trade unions as a first phase, within one year of receiving the applications. The number of units will depend on the advance payments made, and only offered in the case of availability of remaining units from previous announcements.

The unions will make an internal announcement of unit availability with the conditions and required documents, as well as collecting the down-payments from serious applicants to be transferred along with the documents to the Housing and Development Bank. The bank will then review the data provided by the trade unions to ensure the applicant's eligibility for the units.

Application Process

Currently, one of the major social housing projects in Egypt is Dar Misr, which was launched by the Ministry of Housing in November 2014. The first phase of the project will include 30,000 residential units to be located in New Cairo, New Damietta, 6th of October City, Shorouk, Obour City, 10th of Ramadan, Badr, and Sadat cities. The total number of residential units targeted in the entire project is 150,000.

Reservations of the units are made through the branches of the Housing and Development Bank. Applicants should pay 10% of the unit value in advance when reserving, and another 10% when selected on a lottery basis. The unit's remaining value can be paid through paying quarterly installments over four years, with each installment constituting 5% of the unit value. The other payment method is through the Central Bank of Egypt (CBE) mortgage initiative, if the value of the unit is less than EGP 400,000.

Located in Southern Moqattam District,

Al Asmarat is another social housing project divided into three phases and created specifically for residents of hazardous informal settlements, notably the Doweika area of southeast Cairo, Dar El Salam, Ezbet Khairallah and Stabl Antar.

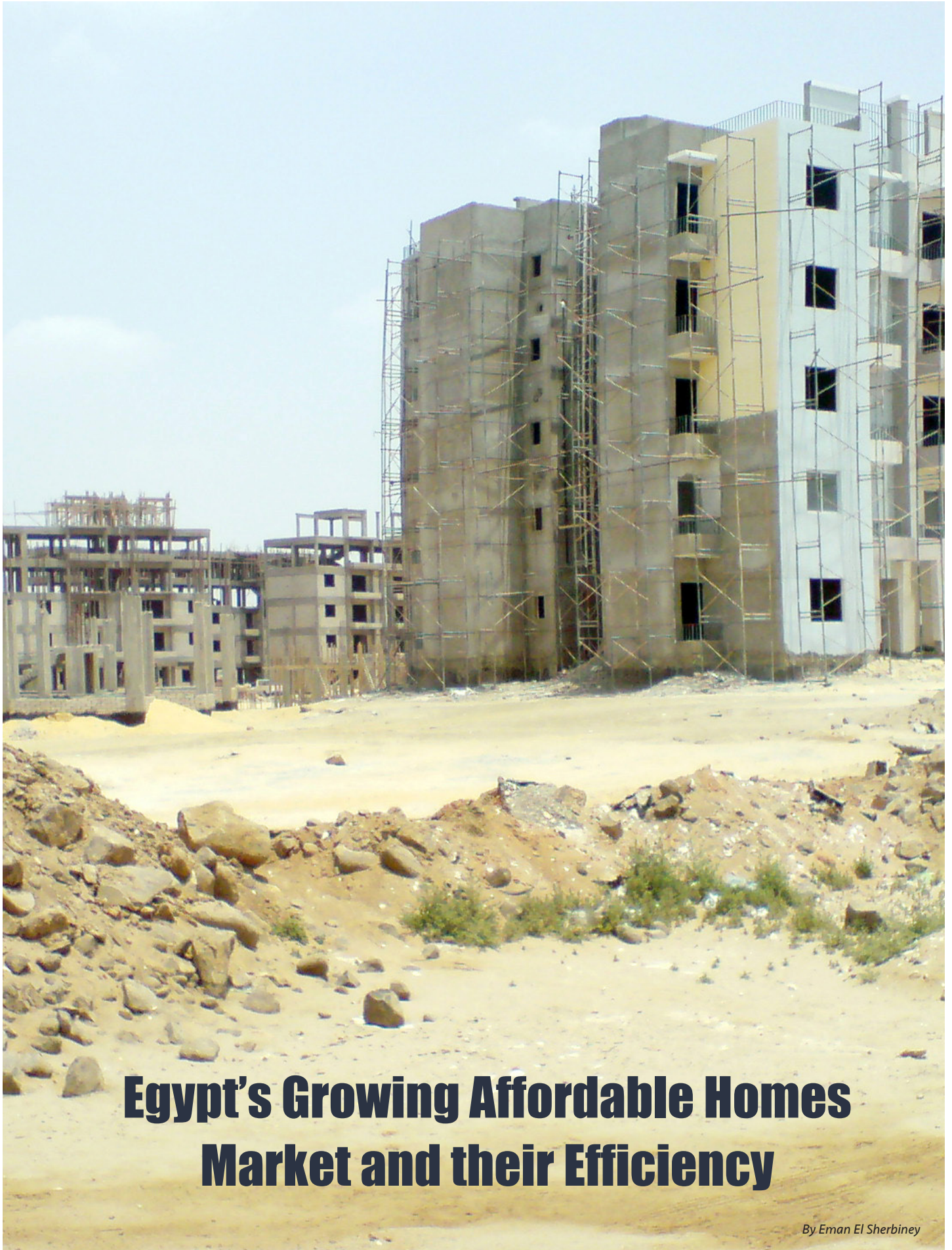
The housing project will deliver approximately 16,000 fully serviced units for citizens who live in such informal areas for free and without any administrative procedures. Applicants should only submit a national ID and a statement of marital status to prove their entitlement to the units, which are provided under the usufruct system.

The Social Housing Project was first announced in 2011 to provide residential units for low-income citizens, and received around six million applications requests by August of the same year. However, the project was halted due to data loss, and was later re-launched in July 2014, with a plan to be finalized in five years and deliver approximately 200,000 units per annum.

Serious applicant should pay EGP 9,000 in advance to the Housing and Development Bank to reserve the housing unit. The government has announced that the 90 square meter apartments will be available for citizens aged 21 years old and above, and with minimum incomes of EGP 1,000 per month, while the maximum income for families and individuals was set at EGP 3,500 and EGP 2,500 per month respectively.

Residents should pay a monthly installment starting from EGP 350 over 20 years under the CBE's mortgage finance system, with an annual declining interest of 7%. Residential unit prices were initially listed at 135,000 until May, but appreciated to EGP 154,000 due to the pound devaluation.

As a key aspect to the country's long term stability and economic welfare, the government has prioritized resolving the issue of social housing. Through these initiatives, the state sought to address issues such as ensuring the delivery of homes to those who need it most, uncontrolled housing prices, and reducing hazardous areas. As many citizens are looking for quick results for the housing issue, the government has taken significant leaps to improve the housing situation for low-income families.



Egypt's Growing Affordable Homes Market and their Efficiency

By Eman El Sherbiney

In a highly populated country like Egypt, state bodies have worked closely with real estate developers, as well as the Armed Forces Engineering Authority, to offer diversified and much-needed low and medium-cost residential units to the highly populated country.

Expansions in and around a major city like Cairo has added to the housing crisis, leading to the implementation of a number of affordable housing projects. New cities and affordable housing projects have proven very successful through the years, mainly due to the state's approaches and partnerships, and have helped to ease Egypt's housing crisis as well as develop and rebuild slum areas.

The selection process for housing projects depends on certain criteria set by the New Urban Communities Authority (NUCA) to guarantee equal opportunities, as well as reach the most families by not allowing more than one family member to own a property, and conducting the selection on a lottery basis.

Dar Misr

A Housing Ministry project that is aimed at middle-class citizens was announced in November 2014, with a targeted total number of 150,000 residential units, according to Daily News Egypt.

Minister of Housing, Utilities, and Urban Communities, Moustafa Madbouly had called on NUCA to speed up the project, and to hand in the first units by July 2016. The most expensive units of the project are located in New Cairo, and cost EGP 637,500 for 150 square meters, while the cheapest units are in Sadat City, and cost EGP 225,000 for 100 square meters.

Dar Misr will also include units in 6th of October, Shorouk, 10th of Ramadan, Obour, and Badr cities.

The Social Housing Project

Another NUCA low-income project is taking place in 22 cities, with a total of 348,492 units to be built. Each unit will be 90 square meters. So far, 49,012 units have been completed in 18 new cities, according to the government's New Cities website.

It has been reported that the total down payments to reserve spots in the project have reached EGP 1.8 billion since April 23rd, according to Al Mal.

Al Asmarat Housing Project

To tackle the longstanding issue of slums, , Cairo Governorate along with Slum Development Fund, allocated EGP 850 million for the first phase of Al Asmarat housing project in Moqattam. This



project is aimed at slum areas residents who have been stricken by deteriorating geological changes, such as Al Dweika, Mansha'et Nasser and Dar El Salam. Units will be rented out by the governorate to the residents, Al Ahram reported.

The first phase will provide 173 buildings, each six stories, with six units on each floor, which offers a total of 6,258 residential units, according to the Slum Development Fund press statement.

The total number of areas deemed unsafe in Cairo reached 72, to which the Slum Development Fund has allocated a total of EGP 2.2 billion.

The total number of units to be delivered are 16,000 over three phases. The project is rendered the biggest in the Moqattam area. Part of the project funds are allocated for services and amenities, such as schools, healthcare units, playgrounds, and emergency services. The opening of Al Asmarat will take place in June of this year, and will mark the first housing project in slum areas in Egypt.

The project which already opened will develop an additional 156 hazardous areas at a cost of EGP 8.9 billion in the Fiscal Year (FY) 2016/2017. In FY 2017/2018, the fund will develop 123 hazardous are-

as at a cost of EGP 6.8 billion.

Badr City Development Project

Within the state's inclusive plan to develop new cities and social housing program, 17,000 residential units have been built in Badr City, within the past year and a half. An additional 19,000 units have been completed since the establishment of Badr City, according to Daily News Egypt.

The city had gotten major attention within the last two years, after EGP 1.1 billion were injected into the development of the city, Minister of Housing, Utilities, and Urban Development Moustafa Madbouly said, adding that NUCA is working on implementing new projects and developing old districts in the city.

Affordable housing projects have proven effective across the country, to the extent that entire new communities have been built, such as the social housing units of 6th of October City. The number of available units as a result of these projects does not yet fill the need; however it marks the intention of moving in the right direction.



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