



TRACKING EGYPT'S COMMERCIAL
& ADMINISTRATIVE MARKET
AMIDST PANDEMIC



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Heading back to the beginning of the Coronavirus pandemic, the commercial and administrative markets suffered from unprecedented disruptions in doing business. Thus, they have witnessed radical variations to cope with these changes and minimize losses.

The outbreak, according to the Invest-Gate report in July 2020, pushed many bodies to shift from offices to remote working style due to the pandemic, according to market professionals. They also affirm that many tenants were negotiating rent deferrals and reductions with landlords, while some others fail and go out of business.

It is worth highlighting that cautious travel has become the new norm as many countries still impose lockdown and for those that are open, travelers must be negatively COVID- tested to guarantee border entry.

Additionally, consumers' habits have changed as well; people are now more inclined to spend mainly on their necessities, primarily food, medicine, and home supplies – and getting these delivered much more often. They have resorted to online shopping, which will boom to doom numerous brick-and-mortar businesses. This is the takeaway of the lingering fears over a contagion that continues to haunt all nations, pairing with physical distancing becoming the new norm.

Looking at the market's status today, it is still highly affected by the pandemic. Many administrative spaces, which were closed because of the havoc did not reopen, several bodies still adopting the remote work style, tenants who were pushed away could not come back. And a high portion of consumers has adopted online shopping to fulfill their needs.

However, on the bright side, many administrative and commercial projects have been launched with motivating payment methods to encourage clients (owners- tenants) to bounce back and re-launch their spaces. This has motivated several bodies to return to the office environment, taking into consideration all precautionary measures.

The American Chamber of Commerce in Egypt stated that the outbreak of Coronavirus led to increasing the demand for smaller office spaces, so several developers have adopted this trend.

Case in point: SODIC has partnered with furniture manufacturer Mobica to launch Work-Plex – suitable office space for startups, small and medium enterprises – in December 2020.

Moreover, consumers still have the desire to go out and fulfill their needs, thus, many stores have returned to life and reopened to occupy a space for them in the market.

Impact of Pandemic's 2nd Wave

Invest-Gate R&A team surveyed several Egypt-based property developers to measure the influence gauge of the pandemic, the challenges they face, and how they plan to prompt the market again.

General Outlook

Since the market is still under havoc, several impacts hit the market. According to 60% of the surveyed developers, the commercial market was negatively affected by the new wave. It is worth highlighting that the market is now more experienced in dealing with this tumult; however, it is still having to face many problems.

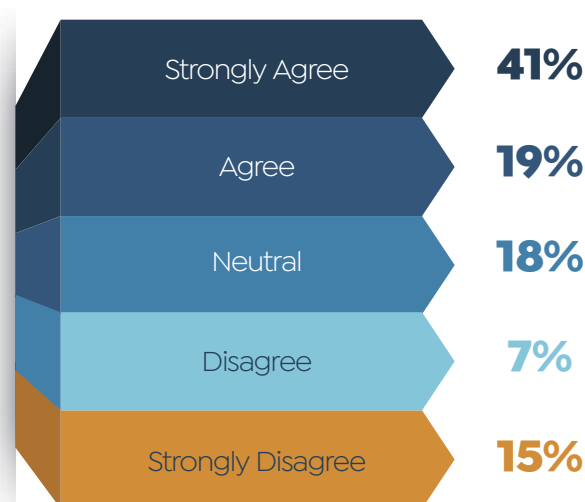
On the other hand, 18% believe that there is a neutral impact, which means no further drops or successes in the market. Furthermore, the remaining 22% see that there is no negative impact of the pandemic on the market.

Regarding the administrative market, 65% of the respondents think that the administrative market is deeply affected by the pandemic as well. This is mainly because of office closures, working remotely, or leaving the market completely.

Meanwhile, 15% see that there is no clear impact on the administrative spaces. Additionally, 20% of the remaining developers believe that the market has fought the pandemic well with minimum effects.

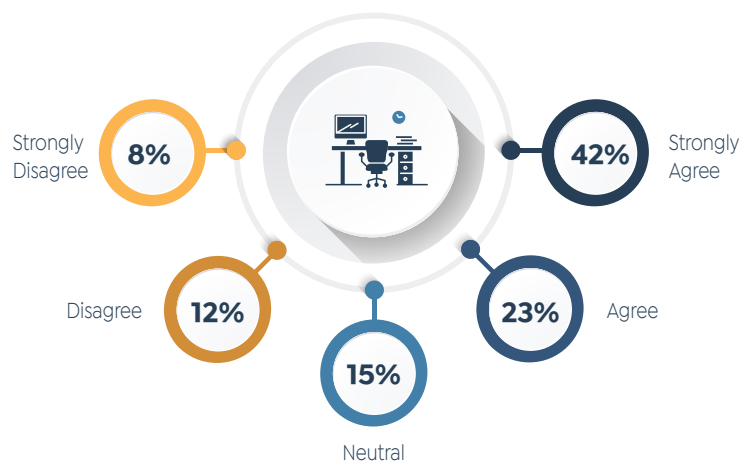


COVID-19'S 2ND WAVE NEGATIVELY AFFECTS THE COMMERCIAL SECTOR





COVID-19'S 2ND WAVE NEGATIVELY AFFECTS THE ADMINISTRATIVE SECTOR



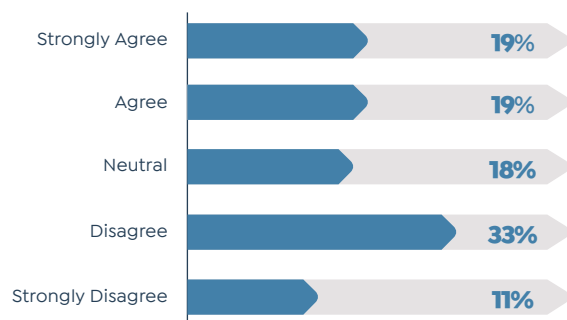
Based on the above findings, we can say that the outbreak has adversely affected the commercial and administrative market, but at the same time companies have now the experience to deal with and adapt to it to reduce the damage.

Market Tests

Owing to the pandemic wave, 38% of the surveyed companies believe that the market suffers from a shrink in the demand for office spaces and commercial units. However, 18% believe that the market is in a neutral mode, which means that there is no obvious effect. The remaining 44% of developers share a brighter look at the market status and believe that there is no shrink in the market demand for administrative and commercial units, meaning that the pandemic wave doesn't have a great impact on the demand status.



COMMERCIAL UNITS & OFFICES DEMAND SHRINK DUE TO PANDEMIC

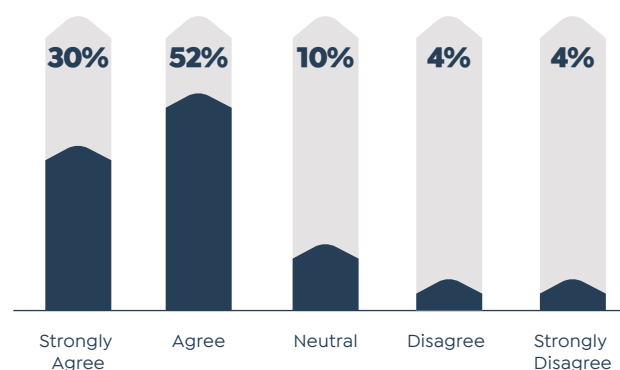


Furthermore, the majority of the companies participating in the survey (82%) indicate that many commercial and administrative units had been closed due to the coronavirus, low revenues, and other market circumstances.

On the other hand, only 8% see that there are no commercial and administrative units close due to the pandemic. The remaining 10% believe that the market is in a neutral mode.



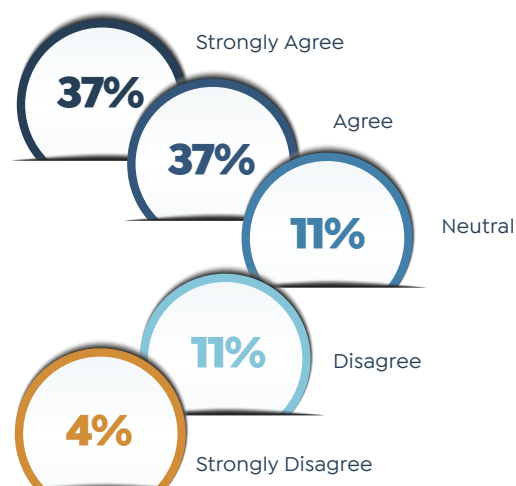
COMMERCIAL & ADMINISTRATIVE UNITS CLOSE DUE TO PANDEMIC



Looking at projects' delivery, according to 74% of responding companies the second wave led to delivery delays of many projects because of the precautionary measures that require reducing the size of employees in work sites, in addition to other legal procedures and precautionary measures. In contrast, 15% of respondents disagreed with that effect, seeing that they are sticking to the timetables with no delays.



PROJECT DELAYS DUE TO PANDEMIC

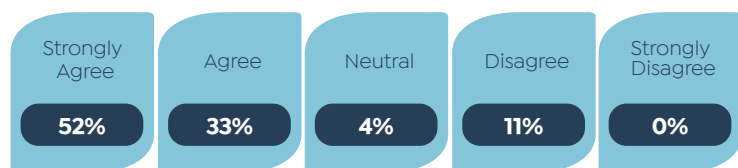


Financial Situation

As a result of the second wave of COVID-19, the cash liquidity of real estate developers has been affected due to the lack of sales volume during the pandemic. That is why 85% of responding companies believe in the negative effect of the pandemic on cash liquidity and only 11% of respondents don't have any problem related to cash liquidity.



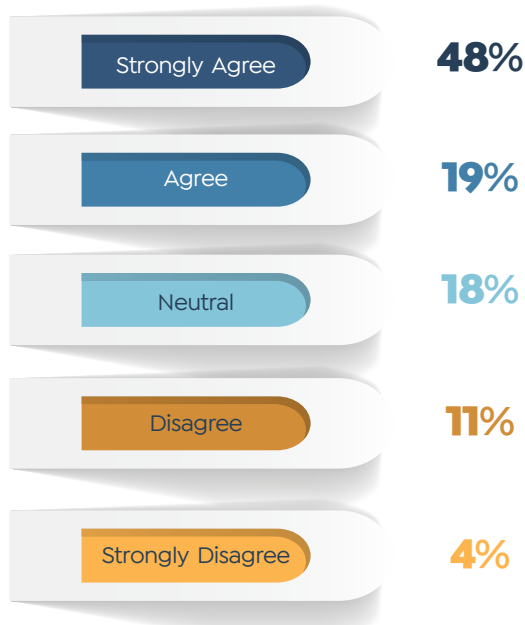
EFFECT OF PANDEMIC ON CASH LIQUIDITY SHORTAGE



According to our survey, 67% of responding companies suffered from the drawdown of revenues in 2020, compared to the previous year. However, 15% of the respondents were able to overcome the crisis and didn't achieve any losses compared to the previous year.



REVENUES DROP IN 2020 VS. 2019 DUE TO PANDEMIC



Road to recovery:

Based on all mentioned above, we notice that the commercial and administrative markets have faced a set of challenges because of the effect of Coronavirus. So, it was necessary to shed light on how the market can be recovered.

The government pays a great attention to the market recovery through the launch of several initiatives, backed by the Central Bank of Egypt (CBE). Amongst these initiatives, they began by cutting the interest rates to stimulate investments.

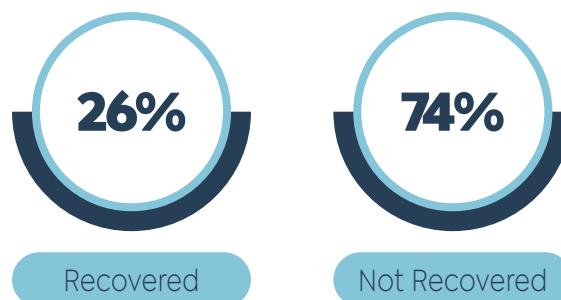
Additionally, according to the CBE, an initiative of EGP 100 bn has been allocated through banks at an 8% decreasing interest rate. The main aim of this initiative is to grant credit facilities to finance the purchase of raw materials, production supplies, equipment, and other utility expenses.

At the same time, the government established 18 commercial and logistic projects in 11 governorates at almost EGP 49 bn, which would motivate the investment in the commercial and administrative markets.

Looking at property market developers, they have a full understanding of the current picture. According to 74% of the respondents, the market still needs some time for recovery. Meanwhile, the remaining 26% see that the market has already recovered.



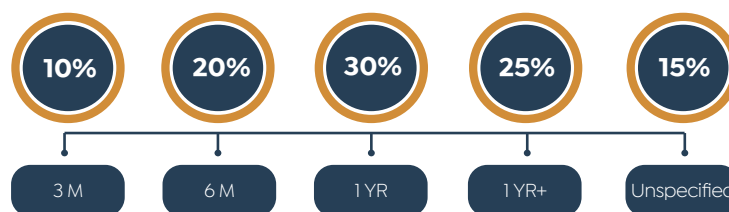
COMPANIES' OPINION ON MARKET RECOVERY



Regardless of the odds, 30% of surveyed companies forecast commercial and administrative markets to turn the corner and regain the spirit within a year. However, 25% of the respondents see that it may need more than a year to be fully recovered.



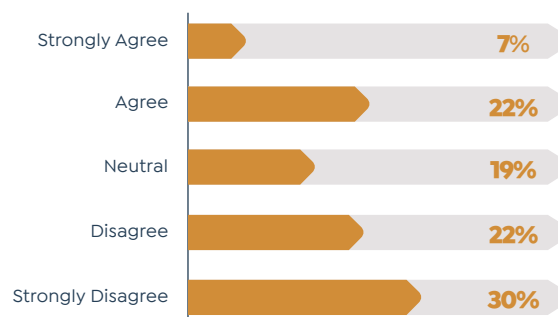
PROSPECTS FOR MARKET RECOVERY



Concerning rental prices, 52% of surveying developers believe that the rental prices will be constant or decreased in the near future. On the other hand, 19% of respondents see that the second wave has a neutral impact on rental prices; meanwhile, the remaining 29% of responding companies assume that the rental prices will increase due to the pandemic.



EFFECT OF PANDEMIC ON RENT INCREASE IN NEAR FUTURE



Having said that government support is crucial during the calamity, Invest-Gate's responding developers propose a few recommendations to jumpstart the recovery efforts.

According to 62% of responding developers believe that the flexible payment schemes provided by developers will help motivate consumers to obtain new units and bounce back to revive the market. Moreover, 46% of respondents see that provide bank finance is crucial for both consumers and developers to help launch new projects and new units. Additionally, 42% mentioned the importance of mortgage credit facilities to ease the status and settle things down.

In a nutshell, the pandemic's second wave has its impact on the market, which affects all the industry's facets. However, they spare no efforts in fighting these tough circumstances to bounce back and reach stability.

Moreover, the Egyptian government strives to push the real estate sector's development. Therefore, it is necessary to support the importance of cooperation between government and companies working in the real estate market, in a bid to overcome the challenges and speed up the market recovery process.

