

# INVESTIGATE

THE VOICE OF REAL ESTATE

## EGYPT'S REAL ESTATE FORECAST IN 2019



**KHALED ABBAS**

“THE LONG-AWAITED  
**RESIDENCY  
DECREE**  
SEES LIGHT,”



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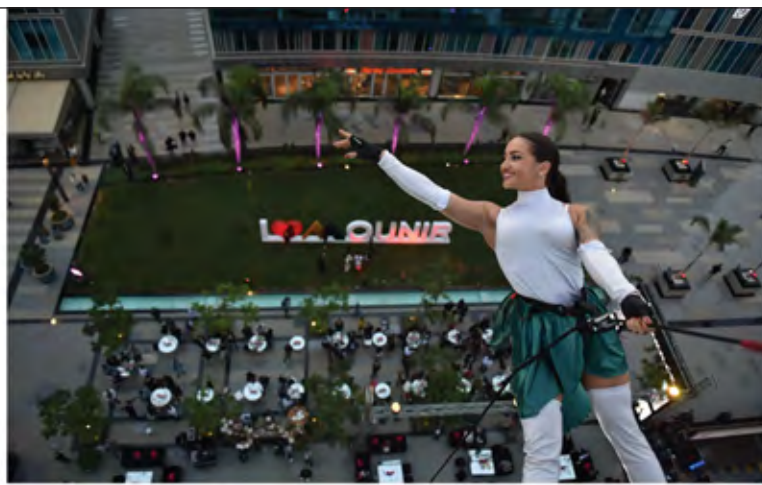


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## EDITOR'S LETTER

Since Egypt's economic reform plan back in November 2016, the real estate market flourished, despite the odds with the upper social classes finding it a secure haven for future investment. The market's activity within those past few years saw a miraculous boom. In this regard, developers built on that notion and catered to these social classes with the maximum flexibility possible in payment terms. They even targeted Egyptian expats and managed to capitalize on that market as well. Yes, the demand is still more than the supply in our property market, yet, does this gap still exist among the upper classes today?

We hit 2019 with many questions in mind, as we see some slow down in the upper class demand. Will developers divert their business to other cities in Upper Egypt, for example? Will they start accommodating to the middle classes? Will they focus only in 2019 on second homes, real estate export, or commercial projects? And lastly, is resale or second-hand homes market doomed now? There are so many unanswered questions and abundant predictions and only time will tell.

We commence our January 2019 issue with an in-depth interview with Deputy Minister of Housing, Utilities, and Urban Communities for National Projects Khaled Abbas for some insights on the latest from the government's side, his remarks on the market activity and where it is heading, as well as his outlook on this sector in the forthcoming year.

We delve into the forecast as seen by experts throughout this issue. We also got some insights on the latest legalities and regulations issued in the past few years and are still under way approval, as the government aims at assisting developers and regulate the market. Among the important topics we have shed light on is the effect of Egypt's economic growth on the real estate's market activity.

This issue might be dense, but it is good that we make a stop at the beginning of the year for a quick analysis to strengthen the market's position or correct our paths.

I hope we have conveyed the complete picture in this issue in our new look of the year. Stay tuned for Invest-Gate's events for the year to boost this diverse market.



*Farah Montasser*

EDITOR-IN-CHIEF

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## ORASCOM TO PROVIDE TOURIST FACILITIES AT GIZA PYRAMIDS

The Supreme Council of Antiquities (SCA) has signed a contract with Orascom Investment Holding (OIH) on December 13 to provide and operate high-quality services and facilities at the area surrounding the Pyramids of Giza, retaining the council's authority over the area, Invest-Gate reports.

The authority is entitled to a fixed amount of 10% per annum up to the end of the project term, as a guaranteed annual minimum; or an amount equivalent to 50% of ODE's forthcoming net profit, the company said in a bourse filing.

OIH's services are set to include holding promotional campaigns for the archaeological landmark, managing operations in the parking area located around the entrance of Fayoum Road, and providing an internal transportation network for visitors.

The giant company will also manage operations of the site's visitor center, which will encompass shops,



cafeterias, and a cinema, while offering various types of services such as a free Wi-Fi, signage, visitor maps, amongst others.

In addition, a total of 20 golf carts and 20 mobile toilets will be offered, General Secretary of SCA Mustafa Waziri to state-owned Ahram Online.

The contract was signed following the cabinet's approval, after almost a year of negotiations, and

it aims to enhance the services available to the pyramids' visitors, according to the filing.

Waziri told Ahram Online that the contract retains the council's full control over the area, noting that the council is the only body that receives revenues from the tickets and bus services inside the plateau, which will be part of the ticket price in the future.

"The Tourism and Antiquities Police, and the [SCA] guards are the only ones to secure the general site, the visitors, and the archaeological site," he stated, pointing out that the security to be provided by OIH will only be present to safeguard the places where services are provided.

This deal marks the first time for such services to be provided to visitors through a specialized Egyptian-based company, according to Waziri.

## THE WALK LAUNCHES NEW SERVICE FOR DOCTORS

Constructa for Design, Construction, and Project Management launched on December 17 a new service called "Triple S" at The Walk shopping mall, allowing doctors to rent their clinics for EGP 24 per hour and only pay for the hours they use, Invest-Gate reports.

"Triple S" refers to "Shared Space System" – a new service offering the facility to smartly operate by owning a clinic on an hourly basis or paying a total of EGP 150,000 over 20 years, with packages

starting at six hours per week, according to The Walk's LinkedIn official account.

"Why pay for 24 hours when you can only pay for your working hours?," the company stated, noting that this service is provided for the very first time in Egypt.

The Walk is the first commercial and administrative business complex in the New Administrative Capital (NAC) and it is located ten



minutes away from New Cairo and Suez road, as well as, in close proximity to NAC's Business District, Smart Village, and the Green River area.

## SODIC SIGNS SETTLEMENT FOR 1,400-ACRE SHEIKH ZAYED LAND

Sixth of October Development and Investment Company (SODIC) said Egypt's Court of Cassation issued a judgment on December 21, 2016, confirming a previous judgment issued against its former chairman, Invest-Gate reports.

The court noted that the judgment and penalties only concerned the aforementioned personnel in their personal capacity and did not involve SODIC, in accordance with the provisions of law.

On September 21, 2015, a judgment was passed against SODIC Former Chairman Magdy Rasekh in absentia and in the presence of other defendants non-related parties to SODIC, with respect to the company's Sheikh Zayed land of approximately 1,400 acres.

Based on the above judgments and during the course of the recent investigations carried out by the Illicit Gains Authority (IGA), SODIC was requested to respond to certain queries with respect to the land owned in Sheikh Zayed.

The real estate company attended such discussions to ascertain its solid legal position and that it had not committed any violations and was not part of any of the criminal proceedings mentioned above, noting that these issues are related to contracts signed over 20 years ago.

Nonetheless, the IGA insisted on the application of an article of the Illicit Gaining Law, claiming that SODIC had gained from the violation and that such gains must be returned with the possibility of settlement in accordance with articles of the law.

To avoid lengthy legal disputes that may result in negative implications on its operations and stakeholders, SODIC has signed a final settlement agreement on December 6 with the IGA.

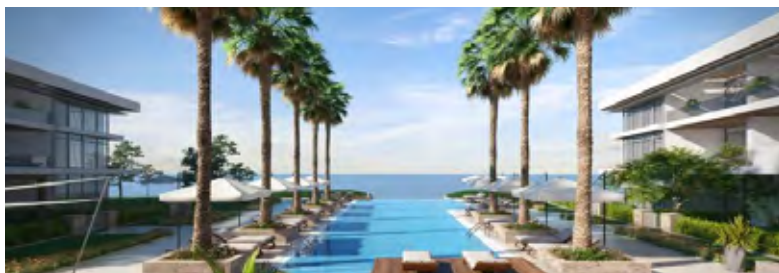
In this regard, the company accepted to pay a total settlement amount of EGP 800 mn as a final and comprehensive settlement of all allegations raised against it, to be paid over two years.



The amount will be paid from existing funding sources, including the future cash flows generated from SODIC West – the development on the concerned plot of land, which is expected to reach in excess of EGP 9 bn. In return, SODIC shall not be requested to pay any additional amounts regarding its Sheikh Zayed plot of land and to be discharged from any claims with respect to this matter.



## DM DEVELOPMENTS DEBUTS 2<sup>ND</sup> PHASE OF THE GROOVE



DM Developments has announced launching the second phase of The Groove in Ain Sokhna, dubbed “The Waterfront,” encompassing 320 housing units, Invest-Gate reports.

“The company has successfully sold all the first phase’s units – launched about ten months ago – at a sales value of EGP 600 mn,” said Managing Director of DM Developments Ahmed Abdel Hamid in an official statement.

Consequently, this prompted the company to kick off The Groove’s second phase, Abdel Hamid explained, pointing out that DM Developments anticipated recruiting about 1,000 workers, directly and indirectly, during

the said phase. “The Groove, which is spanning over 350,000 square meters, is to encompass five-star hotel and a total of 1,700 housing units that will be completely delivered at the end of 2020,” Abdel Hamid said, adding that the total marketing costs of the project’s two phases stand at EGP 1.5 bn.

The Groove is located on Galala Mountain, 50 minutes away from New Cairo and 35 minutes away from the New Administrative Capital (NAC). Abdel Hamid noted that DM Developments contributed to laying the foundation stone of Galala Mountain’s infrastructure and main facilities.

## FIRST GROUP TO FULLY DELIVER KENZ COMPOUND BY 2020



First Group for Real Estate Investment has announced plans to deliver the units of KENZ compound in 6<sup>th</sup> of October City by 2020, at an investment value of EGP 800 mn, Invest-Gate reports.

The company targets achieving sales of EGP 1.5 bn of residential activities at KENZ compound, First Group’s Chairman Bashir Mostafa told reporters on December 17. Mostafa also told journalists during a media tour in the compound that the company has managed attaining 75% of the project’s sales so far, adding that KENZ spans over 30 acres and comprises commercial and residential activities.

First Group has already delivered two phases of KENZ compound and is almost done with the third phase, he explained, pointing out that the implementation of the fourth and last phase of the project is underway. On a different note, Mostafa said that the company has invested around EGP 300 mn in Kazan Plaza and has achieved sales of EGP 200 mn, representing 50% of the mall’s units, revealing that the remaining 50% will be offered next year.

## LIVING YARDS KICKS OFF THE LOFT PHASE II IN NAC

Living Yards Developments announced on December 4 the launch of the second phase of its residential project, The Loft, in the New Administrative Capital (NAC), following the success the project’s first phase achieved, Invest-Gate reports.

“The Loft presents a new concept for practicality as clients can divide the inner spaces of their units according to their needs,” Hashem El Kady, head of the company’s Commercial Sector said.

The project achieved contractual sales of around EGP 600 mn in three months only, thanks to the successful marketing campaigns of the project’s first phase, according to the company’s statement. “We are proud to be contributing to NAC, one of



the largest developmental projects in Egypt which became a reality,” El Kady noted, adding that the project’s new concept enables clients to design the interiors of their units according to their dreams and ambitions.

“The project’s second phase would have an access to the largest greenery and parks in the project,

built according to the advanced standards and with an infrastructure that depends on the highest levels of efficiency,” the developer stated.

The Loft covers a surface area of 23 acres, comprising apartments, duplexes, and penthouses that range from 78 to 350 square meters. The project is characterized by its distinctive location near “Hay El Safarat” and the Expo, and 15 minutes away from the new capital’s airport and presidential palace.

Living Yards Developments is owned by two investment groups, AM Group and the Egyptian Swiss Group, with their the volume of their annual work exceeding EGP 4 bn.

## NAC’S 1<sup>ST</sup> PHASE IS 70% SOLD OUT: SPOKESMAN

Official Spokesman for the New Administrative Capital (NAC) Khaled Elhusseiny said on December 11 that 70% of the land area in the new capital’s first phase – a total of 17,000 acres – has been sold out, state-owned Ahram Online reports.

The government offices and residential districts at the NAC are expected to be finalized by 2020,

Elhusseiny told Ahram Online during a press conference on December 4, asserting that the main developers in the new city are mostly Egyptians.

Chairman of the Administrative Capital for Urban Development (ACUD) Ahmed Zaki Abdeen earlier told Invest-Gate that “the development of the NAC did not cost the state budget a penny and does

not represent a burden on it.” The mega project’s first phase, which kicked off in 2016, is part of the government’s plan to expand urban areas to maintain the country’s rapidly growing population and improve the nation’s infrastructure. NAC’s first phase spans across 40,000 acres and costs around EGP 200 bn, according to previously reported data by New Urban Communities Authority (NUCA).



# AL AHRAM IKTISADI 3<sup>RD</sup> ANNUAL CONFERENCE SHEDS LIGHT ON EGYPT'S RECOVERING ECONOMY

Al Ahram Iktisadi's third annual conference kicked off on December 8, under the auspices of Prime Minister Mostafa Madbouly, with the participation of Planning Minister Hala El-Saeed, and Tourism Minister Rania Al Mashat, Invest-Gate reports.

The conference brought together a number of real estate and contracting companies, such as Beta Egypt Urban Development Company and Saudi Egyptian Construction Company (SECON). It also hosted some banking officials from Banque du Caire and Banque Misr.

During the conference, developers and officials hailed the real estate sector's significant contribution to the country's economic growth, especially after the housing ministry launched a handful of new cities such as the New Administrative Capital (NAC).

Chairman of Beta Egypt Alaa Fekri explained that the Egyptian housing market is going through a period of rearrangement and correction in its situation, in addition to the re-filtration of companies operating in the market.

He added that the middle class represents the most requested segment at the real estate market, the class that bore the bill

to liberalize exchange rates, while the high-end clients still purchase properties, but only for investment purposes.

Additionally, Fekri pointed out that the middle class' impact on the repercussions of the liberalization of exchange rates is reflected heavily on the real estate market, highlighting that the lower class is currently not capable of financially affording to buy properties.

Meanwhile, Tarek Shoukri, head of the Real Estate Development Chamber affiliated to the Federation of Egyptian Industries (FEI), said the government endeavors to double the number of urban areas to accommodate the continuous population increase.

Shoukri underscored that the real estate sector directly contributes to 18% of the total GDP, reflecting the size of such a huge market. He also anticipated some price hikes of between 10%-15% in the market over the next year, as a result of expectations of a rise in the prices of iron as well as further surges in subsidy cuts on energy and electricity.

The Egyptian economy has witnessed many developments during the past period due to the economic reform program adopted by the state. In addition, the real estate sector has witnessed significant growth over the last four years and is expected to still grow by up to 20% from the current 16%.







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# INERTIA EGYPT REVEALS **LATEST UPDATES ON JOULZ**







Egypt's real estate developer Inertia Egypt revealed on December 3 the latest updates on one of its flagship residential developments, Joulz – a neighborhood in the heart of West Cairo with a mixed-use area, Invest-Gate reports.

Strategically located in the heart of West Cairo, Joulz is just two kilometers away from the Ring Road, seven kilometers away from the 26<sup>th</sup> of July Corridor, and 20-30 minutes away from downtown Cairo.

Joulz consists of 1,150 residential units, comprising an array of apartments, townhouses, twin houses, and stand-alone villas.

Residential units are built on 25% of the project's total land area, allowing for a vast lush, green vegetation throughout the neighborhood that creates unique views and healthy, green environments.

The name Joulz is appropriated from Joules, the unit used to measure photons, the fundamental particle of light-without which life would not be sustainable. On that premise, Joulz's architecture harnesses this light to transport its community from the smog of the city to radiance, doing so by integrating natural elements inside each home to create a cleaner and healthier lifestyle.

Inertia's architects designed each unit with big windows, spacious patios, and bright

sun wells, guaranteeing plenty of sunlight. Homes have sun study rooms, corridors are lit up by sunshine, and villas have internal courtyards to ensure natural light penetrates each house.

"When we developed Joulz, we thought deeply about what makes the perfect neighborhood and developed the project accordingly. This entailed having the majority of the land used for open green spaces, facilities that encourage healthy lifestyles and outdoor activities, restaurants and cafes, medical clinics, hypermarkets, banks, 24-hour security surveillance, and easy accessibility to wider Cairo," Inertia Projects Director Yasser Darwish said.

"All this can be found within the Joulz neighborhood which promises a friendly, warm, and intimate experience real value for money for its tenants," he added.

The Joulz neighborhood has eight themed parks that make up 45,000 square meters of the development. Every park and green area will be themed differently to suit and entertain its residents.

Joulz has curving jogging trails and bicycle lanes located throughout the neighborhood that aim to maximize the resident's experience and to practice healthier daily habits that are hard to sustain in the city. For families with children, each area inside the compound has a nearby kids playground to ensure the little ones are close to home.



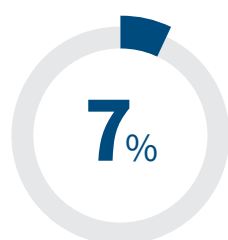


# REAL ESTATE & CONSTRUCTION UPDATES

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RESEARCH & ANALYSIS

RESEARCH BY **HAGER MAGDY**

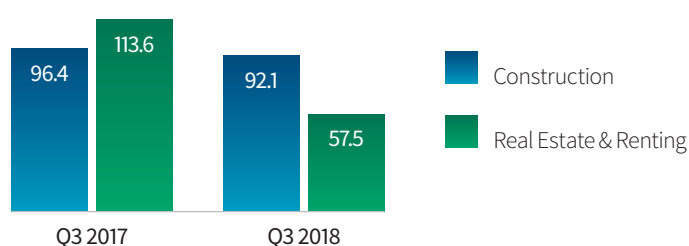
REAL ESTATE'S  
CONTRIBUTION TO GDP  
GROWTH IN Q1 2018/19



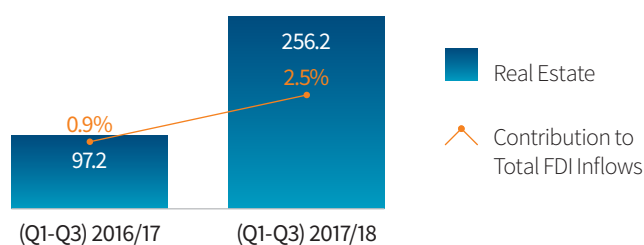
CONSTRUCTION  
& BUILDING  
GROWTH RATE IN Q1  
2018/19



AVERAGE DAILY SALARIES IN REAL ESTATE & CONSTRUCTION SECTORS (EGP)



FDI INFLOWS INTO EGYPTIAN REAL ESTATE SECTOR (USD MN)



JANNA LUXURY HOUSING PROJECT UPDATES  
(WITH AREAS VARYING BETWEEN 100 AND 150 SQM)

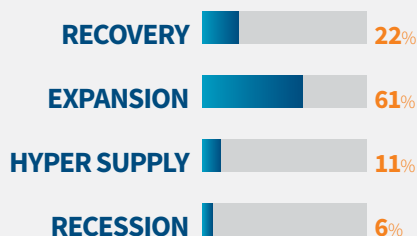
OBOUR CITY		6 <sup>TH</sup> OF OCTOBER CITY	
RESIDENTIAL UNITS	COMPLETION RATE	RESIDENTIAL UNITS	COMPLETION RATE
816	84%	6,672	58%
SHEIKH ZAYED		NEW DAMIETTA	
RESIDENTIAL UNITS	COMPLETION RATE	RESIDENTIAL UNITS	COMPLETION RATE
912	80%	3,144	47%
EL SHOROUK CITY		NEW MINYA	
RESIDENTIAL UNITS	COMPLETION RATE	RESIDENTIAL UNITS	COMPLETION RATE
1,104	77%	528	61%
NEW CAIRO		NEW MANSOURA	
RESIDENTIAL UNITS	COMPLETION RATE	RESIDENTIAL UNITS	COMPLETION RATE
8,760	46%	11,232	31%
TOTAL UNITS			
RESIDENTIAL UNITS	COMPLETION RATE	OFFERED UNITS	
33,168	65%	7,176	

AN EXPECTED PRICE HIKE BETWEEN  
**10% AND 15%**  
WILL BE WITNESSED  
IN REAL ESTATE MARKET  
OVER 2019

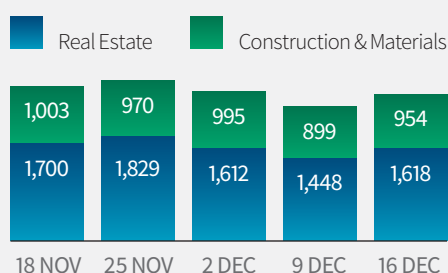
THE EGYPTIAN GOVERNMENT  
ALLOCATED INVESTMENTS  
ESTIMATED AT  
EGP **2.48 MN**  
TO NEW VALLEY GOVERNORATE  
IN FY 2018/19

## ONLINE MONTHLY SURVEY

WHERE DO YOU THINK THE REAL ESTATE MARKET WILL STAND IN 2019?



REAL ESTATE & CONSTRUCTION STOCK MARKETS INDEXES PERFORMANCE IN EGYPT (2018)



PRICES OF CONSTRUCTION MATERIALS (NOVEMBER 2018) (EGP)

STEEL BARS (PER ACRE)	CRETAL STEEL (PER ACRE)	PORTLAND CEMENT (PER ACRE)	COARSE SAND (PER SQM)
12,250 (YOY 2.3%)	12,300 (YOY -0.8%)	950 (YOY 18.8%)	65 (YOY 51.2%)
SOLID CEMENT BRICKS (PER 1,000 BRICKS)	BRICK HOLLOW CONCRETE (40x20x12 CM) (PER 1,000 BRICKS)		
1,060 (YOY 16.2%)	5,200 (YOY 20%)		



# ECONOMIC SNAPSHOT

RESEARCH BY **HAGER MAGDY**

## EGYPT'S GENERAL BUDGET INDICATORS IN Q1 2018/19



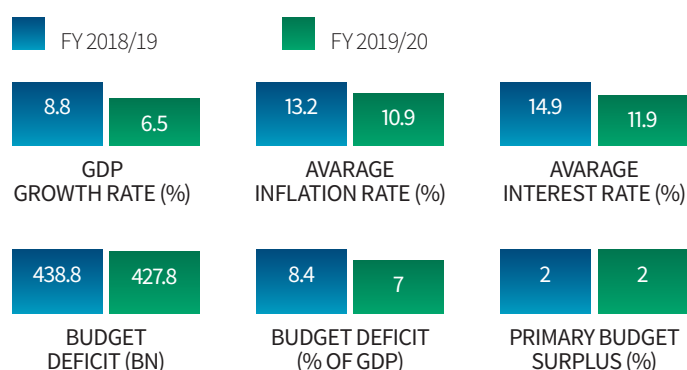
## ANNUAL HEADLINE INFLATION

OCTOBER 2018 **17.5%**

NOVEMBER 2018 **15.6%**

Annual headline inflation rate logged in November the steepest fall in three and a half years

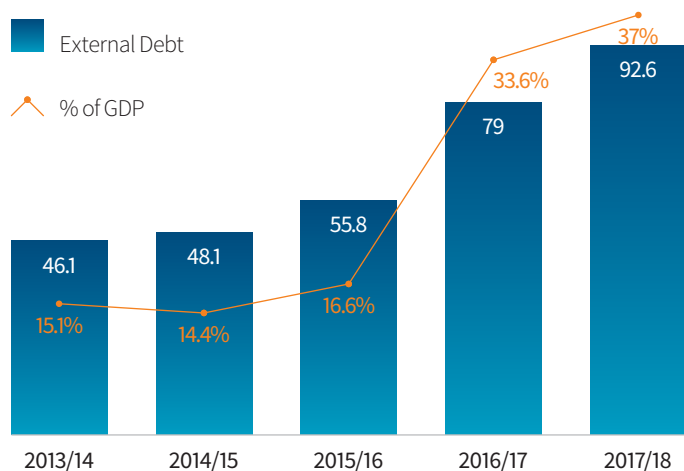
## EGYPTIAN ECONOMIC FORECAST



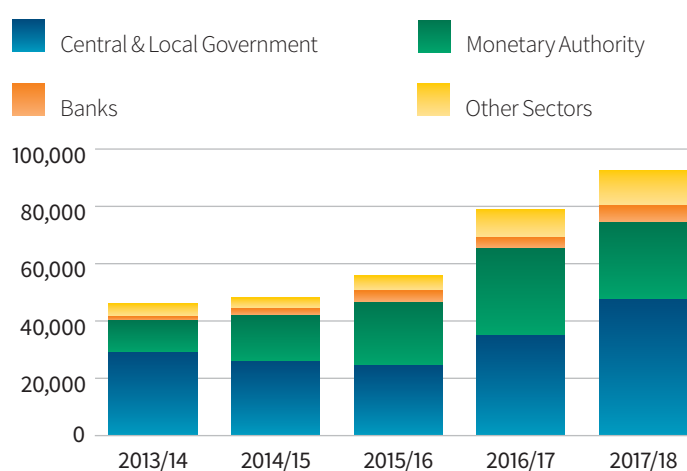
## EGYPT'S TRADE DEFICIT (USD BN)

AUGUST 2017 **3.7**      AUGUST 2018 **3.9**      YOY INCREASE **3.9%**

## EGYPT'S EXTERNAL DEBT (USD BN)



## EXTERNAL DEBT BY DEBTOR (USD MN)



## GLOBAL COMPETITIVENESS INDEX

**2017/18 (OUT OF 137)** **2018/19 (OUT OF 140)**

**GLOBAL COMPETITIVENESS INDEX**

**100** **94**

**LABOR MARKET EFFICIENCY**

**134** **130**

**MARKET SIZE**

**25** **24**

**QUALITY OF OVERALL INFRASTRUCTURE**

**71** **56**

**INNOVATION**

**109** **64**

# 30

### AGREEMENTS

worth USD **3.5 bn** were signed during **Africa 2018 Forum** in many fields including entrepreneurship, public services & infrastructure



KHALED ABBAS:  
**THE LONG-AWAITED  
RESIDENCY DECREE SEES LIGHT**

BY FARAH MONTASSER





**A**s we kick start with 2019, Invest-Gate sits with Deputy Minister of Housing, Utilities, and Urban Communities for National Projects Eng. Khaled Abbas to chitchat about Egypt's real estate market status and where it is going. Generously, Abbas openly discusses all doubtful issues on the table, presenting the complete picture with the latest updates on the market, as well as the government's development plans.

#### **WHEN WILL THE RESIDENCY-FOR-PROPERTY MINISTERIAL DECREE BE EFFECTIVE?**

Now. Passports, Emigration & Nationality Administration and the Interior Ministry have approved it. By the time this interview is out, the decree will be in effect. Consider it exclusive breaking news for Invest-Gate as we start the New Year.

#### **WHAT IS YOUR FORECAST FOR 2019?**

I am very hopeful for this country's real estate market, which is huge. Some of its segments might slow down, but in general it will continue to be a stable market. I have no fear over this market at all. It survived the unstable years with the uprisings in 2011 and 2013, so now it will continue to grow as the country is moving forward -maybe not drastically as within the past few years, which is normal.

We have seen -due to the price increase in everything- that the trend or demand has shifted to smaller sized units. Even if there is still demand on villas, the offered sizes are not as big as before. Developers no longer offer big land areas with large units. This trend will continue to be dominating in 2019.

The market is very competitive. Some areas are oversupplied with units while others are left neglected. The focus maybe is on the newly developed areas more than the rest and that's maybe why some people are skeptic about the market activity in some areas but we have demand that needs to be met in total market activity.

The market's slowdown is also a positive condition for correction; I mean for those who weren't working properly or haven't been studying the market well and its norms. We won't have recession but a slowdown, which will showcase the integrity of the developing companies. And that's why we see the big names are the main players of the market and their results reflect a steady growth.

The resale market on the other hand is not moving that much and this performance will continue for some time because of the flexible buying terms of the first-hand units. Now all offer long-term payment plans, which are convenient to the homebuyer, from eight to over ten years. The resale market has to be for a specific real demand, as it requires immediate cash payment, which is not handy today.

#### **WHAT IS THE EXPECTED PRICE INCREASE FOR 2019?**

Prices will not increase much. It will be just the normal annual increase of around 10% unless we saw any new factors that affect the local currency or the oil and gas sector. This might change the rules of the game but so far I don't expect any drastic changes in terms of prices.

#### **IS THERE A MECHANISM TO CONTROL THE GAP IN PRICES AMONG DEVELOPERS? WE SEE ONE RAISING PRICES BY 15% WHILE THE OTHER BY 30%**

The government can't interfere in the differences of the real estate market prices or put a ceiling to the price hikes by private developers. However, it only can put regulations. Previous governments have tried that before and such approaches were doomed to a big failure. Each developer has his own calculations based on costs and size of the project, and accordingly each one sets different prices for his units.

The varying prices rely too on the introduction of new comers. In recent years, Egypt's real estate market has been seen very profitable, so we see many entering the field and making attractive offers to gain ground and be able to compete with the big names, who are already established and have their reputation and the clientele base.

At the end, it is the buyer who makes the decision of who to go to, where to invest, and in what according to his or her budget and bares the risk.

#### **WHAT IS THE HOUSING MINISTRY'S PLAN TO BOOST REAL ESTATE EXPORT?**

Real estate export should never be the government's strategy but we took the lead to motivate the market. The government made some major decisions, which I find beneficial for this market to grow, such as the modified residency law, which saw a fruitful collaboration from all governmental entities to make it happen and effective. We also created an Egyptian pavilion at all the big real estate exhibitions worldwide and have invited in the developers, who are keen on the international marketing. And this is the maximum that the government can do in this area. We want to move as a nation to showcase what Egypt has to offer.



Exporting real estate will never see light unless the country as a whole is well displayed outside and marketed abroad. When the Ministry of Housing partakes in international exhibition, we are keen on demonstrating the fundamentals of Egypt to attract the foreign investor. The participating developer must do this marketing strategy as well rather than promoting a certain project in the country, which the outside world know nothing about and what it has to offer. This is what all have to do.

We are always addressing one another, thinking that the world outside knows who we are but this is not the case. Some might know of Egypt but you rarely find those who actually want to invest in or find a product to buy here. If some developers have made some sales abroad... Well, they won't shape the market and we can't determine that Egypt is exporting real estate based on them. These are only individual cases.

You need to present Egypt first with its culture, nature, security, and economy, basically everything before you present your product. It is only then that the homebuyer will look into the offered products and determine what, where, and how to buy. And that should be the role of developers and the government alike.

At this stage, I see the most profound way to embark on such journey, whether the public or private sector is "The Presence" at international exhibitions and conferences to promote the country in general then the products through presentation of Egypt and its developments.

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**HOW ARE YOU CATERING TO THE MIDDLE-CLASS HOUSING GIVEN ITS CURRENT HIGH PRICES AND GIVEN THAT IT IS ALSO EXPECTED TO FURTHER INCREASE?**

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This is the core of our work. We presented "Dar Misr" project, which is now known as "JANNA" that caters to this segment of society and we made its price 20-30% less than what is offered in the private market. This is the biggest segment of the Egyptian society and this is the real demand.

Developers only focus on Greater Cairo while this segment is distributed all over the nation and we are fulfilling their demand in most governorates as we see a real demand outside Cairo. If you look into El Minya, for example, you will see a new market with a real interest. We have offered in El Minya specifically over 500 units and all were sold in no time. Therefore, developers should look into such new markets and not just Cairo in the coming period for the proper growth of real estate sector.

You can say that this is where the government steps in to monitor or have control over prices. We invite all developers in to have a market share in these areas. They might come in with new developmental ideas or plans that are maybe better than us, and the room is open for them to meet the high demand.

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**SO YOU ADVISE THEM TO CATER TO THE MIDDLE CLASS NOW?**

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Yes, as I find it the biggest segment with the highest demand. In Egypt, today, the volume of middle class individuals can't be determined. We can't even categorize them by income. What is the minimum and maximum income to determine this segment? The range in this class is very wide and it is the dominating segment of society today. Having said that, the class can be cut into a lot of classes to cater to them all. And given that the trend today is downsizing units then why not branch out of the capital to meet the real demand of this huge segment of society? I believe that the market will shift outside the capital soon.

We now offer lands for developers so they can come in to build residential buildings for example.

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**SO FAR MORTGAGE AND FUNDING CONTINUE TO HAVE HIGH INTEREST RATES... WHAT IS THE GOVERNMENT'S PLAN TO MAKE THEM MORE APPEALING AND AFFORDABLE TO THE AVERAGE HOMEBUYER?**

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We give mortgage finance to those in need; it can't be opened to everyone. It caters to the lower and middle classes, who can't afford to buy homes. We started off by providing financing with varying lending rates of 10.5% for units worth EGP 950,000 for example. And even if the ceiling is raised to more than that, mortgage finance will still go to those who are actually in need.

At this stage, financing low- and middle-class housing –which is limited– costs the government EGP 4 bn to every 1% of the state's mortgage finance fund so I wonder how can it be open for everyone with a higher ceiling?



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**WILL THERE BE OPERATIONAL NEW CITIES IN 2019? AND WHAT ARE THE UPDATES ON THEM?**

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We have strict orders from the president that all newly developed 14 cities are to be operational by June 30, 2020. The first phase in every city has to be delivered regardless of the cost. So we have no city in priority list. The spotlight goes on one over the other by the developers or media for marketing purposes, but we are to develop all 14 cities together and have the first phase of each delivered in the same timeframe mentioned.

Equally to those in spotlight, New Alamein and New Mansoura, we are working with the same pace in West Qena, New Nasser, to name a few.

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**WHAT IS THE GOVERNMENT'S STRATEGIC PLAN FOR 2019?**

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By the first quarter of 2019, you will see the new capital taking shape. The Central Business District will be built with its skyscraper that is the highest in Africa. We are to see new developments in the construction field; many new techniques that are new to us are adopted.

Also to be announced soon is our partnership with the biggest name in hospitality, Raffles, which will manage the skyscraper at the new capital. Raffles provides the elitist services and have only around 12 locations worldwide. This will be their second project in the Middle East after Dubai.

We are keen to have downtown Cairo a piazza like that of the old European cities as we relocate the administrative entities of this country outside at the new capital. We want to revamp Cairo and bring it back to its glory.

Having said that, the new capital, as per our constitution, will not replace Cairo and become the official capital of Egypt. Therefore, Cairo will forever be the capital of Egypt.



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# REAL ESTATE ROUNDUP

# 2019 FORECASTS

# AND MARKET

# ESTIMATES

BY JULIAN NABIL

While approaching a New Year, many are looking forward to know what's next in the Egyptian real estate market. Tapping into various topics, including the existence of a real estate bubble, how developers will cater to the stifled demand, as well as the average price hikes in the real estate sector, Invest-Gate presents forecasts for 2019, aiming to give you the anticipated market picture as we embark on a new real estate year.

## IS THERE A BUBBLE TO BURST?

Amid some experts' expectations of a bubble in the Egyptian real estate market in 2019, some believe that there will not be a "bubble," but rather a weakening purchasing power.

The bubble usually commences with a rise in prices, fueled by high and unreal demand, not out of need as was the case with the US housing bubble in the 2000s. Meanwhile, "the case in Egypt is that the rise in unit prices is rather driven by and going in line with the increase of projects' development costs," according to Mahmoud Gad, a senior equity analyst at Arab African International Securities (AAIS).

The bubble bursts when a steep decline in prices is witnessed in the whole market. For this to happen, Gad adds that there should be a huge gap between supply and demand; or in other words, an increasing supply and a stagnating demand. He explains that this is not expected to happen in the Egyptian market and there are not even indicators for this to occur.

Nemaat Choucri, co-head research of HC Brokerage, argues that the worst-case scenario will be a slowdown in demand. However, Gad has a different point of view.

"The demand is expected to be lower than levels seen in the past years, yet not accompanied by a high selling power to widely get rid of secondary or investment homes or that would usually lead prices to decrease," Gad elaborates.

He expects the weakened demand - not a recession - to continue until 2022, as the economic support/reform program drawn up with the International Monetary Fund (IMF) in 2016 will not end now.

On the other hand, Gad and Choucri attribute the slowdown to an inflationary rise in prices that was not matched by a salary increase of the same percentage.

There is a widening gap year-over-year between the rise of income of citizens, in addition, the percentage increase in real estate prices was 30% per year from 2014-2017, Choucri notes.

Another argument by supporters of the bubble theory, according to an AAIS report published in July, is that the decline of prices in the resale market by 30-50%, compared to similar units offered in the primary market, is an evidence that units in the latter market are overpriced and a crash in prices is expected soon.

Gad argues that the gap between both markets will not cause a bubble. The resale market depends on immediate cash, while units in the primary market are paid over long-term installments and this leads, according to the analyst, to such a "justifiable" gap in prices between both markets. He adds, "The rise in unit price in the primary market is due to high-interest rates, which also further raise the final price with long-term plans."



Another reason for the bubble to unlikely happen is that it usually happens in countries with real estate sectors financed by banks, unlike Egypt.

“Real estate companies in Egypt usually depend on off-plan sales to finance the development of their projects,” Choucri says, adding that “Egyptian buyers aren’t also leverage - take a loan to buy the unit - yet they use their savings to pay the down payment or first installment, with the remaining value of the unit usually paid from their monthly salary.”

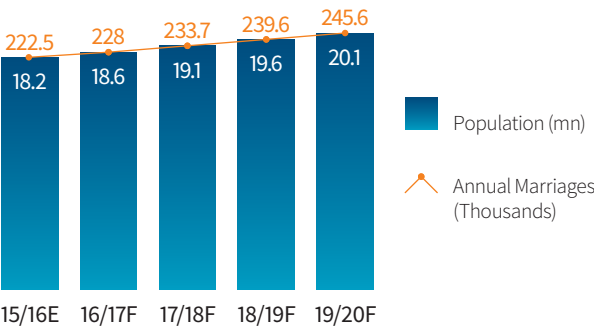
DEVELOPERS REACT TO STIFLED DEMAND

Some experts widely believe that A-class demand is becoming saturated for most developers are focusing on catering to this segment, while shying away from providing units for other lower segments due to lower profitability.

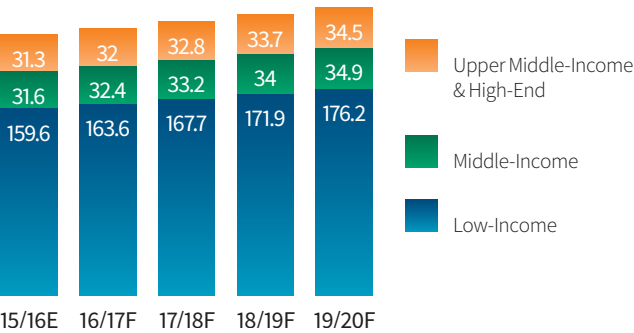
However, Choucri negates that argument, explaining that the demand-supply gap in this segment is just getting narrowed, compared to that in the middle and low-income classes.

In figures, the AAIS report showed that there is a current demand of more than 900,000 units annually in Egypt – calculated based on annual marriages, with 239,600 units still needed in Greater Cairo only in FY 2018/19. Since the upper-middle-income and high-end people constitute around 15% of the population, they will need around 33,700 units in the same fiscal year.

ANNUAL MARRIAGES IN CAIRO & GIZA  
(FY 2015/16 - FY 2019/20)



NO. OF UNITS NEEDED IN CAIRO & GIZA  
(FY 2015/16 - FY 2019/20) - (K UNITS)



Source: CAPMAS data, AAIS research estimates

The market has 150 developers, who deliver 25,000 units annually for upper-middle-income and luxury housing, 80% of which are located in Greater Cairo - especially its east and west sides, according to Mena Group Founder Fathallah Fawzy.

Therefore, there is still an ongoing, yet “stifled,” demand by the upper middle class that needs to be catered to, “and this explains why many real estate developers are still making very good off-plan sales,” Choucri notes.

Meanwhile, developers are expected to continue adopting new techniques and to offer further facilities catering to the weakened demand, as well as, maintain their clients and make profits.

Choucri and Gad note that the technique most developers use -proved to be successful- is flexible payment terms. Payment plans are now up to six-ten years, compared with three-five years prior to the EGP devaluation, with 0-15% down-payments versus the previous 20-30%, AAIS mentioned in its report.

Although the total value of unit rises, such flexible plans helped customers maintain their installments plans from their monthly income; “this trend is more or less the same,” Choucri says.

Another mechanism developers opt for is the revenue sharing agreements with the government. Gad underlines developers such as Palm Hills Developments, Sixth of October for Development and Investment Company (SODIC), and recently Orascom Development Egypt (ODE) use such mechanism so as to decrease the financial pressure of the land prices on them.

Consequently, this also helps developers to offer better prices and target wider base of clients.

Offering smaller-sized units is also one of the very first initiatives developers followed, aiming to maintain their clients base. “Developers try to efficiently use their land banks by offering units with the same average price, yet with smaller sizes,” Gad says,

Some developers also try to speed up projects’ construction process to incur lower operational costs and offer units at more reasonable prices. AAIS analyst notes that some developers began taking loans or started to increase their capital such as Palm Hills Developments, yet this option is not appropriate for all developers.

DEVELOPERS’ PERFORMANCE SEEN STABLE

Stability is expected to be witnessed in the performance of major developers, backed by new launches, which will consequently support their sales. Examples include Palm Hills Developments, Talaat Moustafa Group (TMG) Holding, SODIC, Emaar Misr, and Madinet Nasr for Housing and Development (MNHD), Gad notes.

For her part, Choucri adds that top performers will be leading developers, such as ODE, TMG Holding, Emaar Misr, and SODIC,



along with recurring income streams and exposure to Egypt's recovering tourism sector.

As for top developers in terms of market share, they are expected to be TMG Holding, Palm Hills Developments, ODE, SODIC, and MNHD, Gad underlines.

He adds, "Developers are expected to achieve 30-40% net growth in profit margins in 2019, with MNHD, Emaar Misr, and TMG Holding likely coming on top of the list."

On another note, Choucri anticipates that the number of square meters to be sold will drop in 2019.

However, Gad adds that most developers are expected to sell the same number of units of 2018 in 2019, due to the weakened demand. There is a projected growth in their sales by 15% on average, driven by an inflationary rise in units' prices by the same percentage, he highlights.

#### **POTENTIAL AREAS FOR INVESTMENTS: EAST OR WEST CAIRO?**

There is an expected positive dynamic towards west Cairo, more than the east, in the coming period, driven by a number of factors.

Back in late 2017, NUCA offered 13 lands through public-private partnerships (PPPs). "The developers, who submitted bids

for east Cairo, were 12, while west Cairo saw 16 developers, reflecting a growing interest in the latter," Gad notes.

The senior analyst attributes the reason behind that to the fact that there is less competition in west Cairo and land prices are lower by almost 50% when compared to the east.

Another reason, according to Choucri, is the excess supply in east Cairo, as well as, the magnitude of the rise in prices. It is not as high as before. While prices are catching up in the west due to lack of sufficient supply, price premium between both areas is being bridged.

West Cairo also sees foreign investments, such as Mall of Egypt by Majid Al Futtaim and Mall of Arabia by Marakez for Real Estate Investment. Such facilities encourage developers to launch further projects, Gad notes, adding that the new road networks, Sphinx International Airport, and Grand Egyptian Museum will be investment triggers.

Choucri believes that developers with projects in west Cairo have a better position in the coming period than those of the east, unless there is a developer in the east that has a very strong base and big name such as TMG Holding.

In terms of buyers, both analysts believe that both areas are in demand, whereby homebuyers' choices depend on their workplaces and closeness to family.





# 2019 REALTY CHECK

BY **TAMER AMR**

Driving along the main roads across Cairo and its suburbs, one cannot miss how dominant real estate billboards are scattered everywhere you turn. While each project is from a different developer, yet all promise a luxurious and stress-free life away from Cairo's dismal traffic gridlocks in some well-heeled outskirts neighborhoods.





Meanwhile, the government is planning to build new cities in the coming 40 years to accommodate the rapid rise in population, given how crowded older cities have become.

According to Prime Minister's Press Advisor Hany Younis, the government has 20 cities planned out to house 30 mn residents, he said during a TV interview in September. Sixteen are under construction, led by the New Administrative Capital (NAC), New Alamein, and New Mansoura cities, he added.

However, rising prices of properties continue to deem them unaffordable for some investors. Experts are divided on whether this market would still be profitable for speculators in 2019 or not. Hence, Invest-Gate delves into the Egyptian

real estate sector, aiming to determine if it is a worthwhile investment or not.

### PRICES IN FLUX

Real estate prices have been hiking since the government floated its local currency in 2016, coupled with annual reductions in fuel subsidies. "Since 2016, the prices have increased by 250% on average," Chairman of First Group for Real Estate Investment Beshir Mostafa tells Invest-Gate.

Throughout 2019, prices are expected to soar once again amid further subsidy reductions and a possible second devaluation of the EGP, given the dollar's recent appreciation against all other emerging market currencies, which is yet to be reflected on the local currency.

Mohamed El Bostany, a member of the Real Estate Investment Division in the Federation Egyptian Industries, expects prices to surge by 10% in 2019. Also, Tarek Shoukri, chairman of Arabia Group for Real Estate Investment, estimates that unit prices are set for a 10%-15% hike.

Moreover, Chairman of Imex Real Estate Yehia Abdel Aziz is seeing property prices going up by 25% in the same period.

Noha Sobhy, a real estate broker in Sheikh Zayed that only sells units in gated complexes, is highly doubting the feasibility of such large-scale developments in the foreseeable future.

"For me, 2018 was a dismal year for sales and I predict that 2019 will be the same," she reveals, noting that sellers have been constantly demanding increasingly high prices. "Buyers were shocked at how little they will get for their money, and thus, deciding not to buy ... I sold in 2018 a fraction of what I did before the floatation of the Egyptian pound, back when prices made more sense," Sobhy adds.

In addition, Abdel Aziz believes that salaries, which have been growing at a slower pace than properties' prices for the past two years, are the heart of the problem. "It doesn't matter how high prices are, just as long as they are affordable. And, under the current circumstances, they are not," he explains.

### CASTING A DARK SHADOW

Some experts on edge anticipate that the sector may well go into "stagflation," whereby prices will continue to swell despite declining sales.

"We have been seeing signs of stagflation throughout 2018," says Wael El Nahas, a political economist at Cairo University. "The signs we are

witnessing right now, with prices continuing to soar in existing and new developments, indicate that this phenomenon will likely become more apparent in 2019," he elucidates, noting that the fact that there are so many construction works happening right now is not a sign that there is a real demand.

"Those who buy such units are mostly speculators and traders betting that this market will never lose money, as is historically proven," El Nahas notes, adding "this is not sustainable."

He explains that even though speculators are currently purchasing properties, they will find it really difficult to sell these units a year or two from now with the targeted profits. "They will have to either settle for lower prices or accept that their wealth is increasing on paper only."

For that matter, Ayman Sami, JLL's country head of Egypt, is predicting that the drop in sales will be limited to second-hand units, as sellers want all their cash in one bulk and prices are too high to make this feasible for potential individual buyers, be it traders, speculators, or potential homeowners.

"I don't think that many can fork well over EGP 1 mn for a 100-square-meter apartment in one go," says Sami. "Alternatively, it is highly unlikely that those, who decide to sell their units, would accept installments since they are just individuals not corporations that can manage payments over years."

### TOO MANY OPTIONS

For others, their worry is the huge number of new developments advertised in well-trodden areas such as the North Coast as well as new cities like the NAC.

"This makes buyers fragmented, especially traders and speculators who want to invest in the place that will appreciate the fastest," says Tarek Maghazy, CEO of Beta Egypt for Urban Development. "They are looking for the developments that will be 'the talk of the town'. Therefore, they would likely postpone their decisions in hope of a more promising development."

In addition, the skyrocketing prices will unlikely make many speculators not have enough money to buy all the properties they desire to balance their portfolios, with so they try to be careful when making their choices. "As an individual speculator, I don't have EGP 20 mn to put into property in several locations," says Walid Abdel Salam, an individual trader, who is looking to buy a property in the NAC or Mostakbal City. "I have taken a loan





of EGP 2 mn and with what I have I can either buy two 100-square-meter studio apartments or one medium-sized apartment,” he tells Invest-Gate.

“I am still trying to assess which is a better option and where would be the best location,” he elaborates.

### BETTING ON POTENTIAL, NEVERTHELESS

Despite the seemingly gloomy outlook, some are betting that the Egyptian culture will perhaps keep speculators happy.

“A huge chunk of demand for property has always been fueled by local culture and perception that real estate is a safe investment that grows by triple-digit rates annually,” says Maged Faisal, a contractor who has two residential buildings in 6<sup>th</sup> of October City. “They either want to make money by selling these units in a few years or for their children.”

Additionally, those speculators see that despite the huge hikes in real estate, prices have not yet matched the rates by which prices of other goods have increased since the EGP flotation.

“Mathematically, annual price hikes in 2018 and those expected in 2019 are lower than inflation as well as the pound’s devaluation in the past two years,” says Ahmed Abdel Fattah, head of business development for Aqarmap, an Egypt- and Saudi Arabia-centric online real estate marketplace.

“In many ways, real estate is still undervalued,” Abdel Fattah underlines.

Another factor that supports raising real estate profit-making for speculators is that potential buyers are constantly in a state of mind that they should buy today, because tomorrow’s prices will likely be higher. This resulted in government and private sector developers raising unit prices by noticeable margins with each new development.

“This is a common strategy that private developers and traders use. It works because the Egyptian market is highly affected by rumors. If buyers expect higher prices, they will buy sooner rather than later,” Ahmed Imbavy, chairman of Meamar Mecca for Real Estate Investment, tells Invest-Gate.

“This increases prices on the ground. It’s a self-fulfilling prophecy,” he adds.

A second factor fueling speculators’ optimism is that demand in figures is much lower than supply. “While new projects are increasing at a rapid pace, they still can’t match demand in terms of numbers,” says JLL’s Sami, referring to direct sales from developers.

Marriages in Egypt topped over 912,000 people in 2017, according to a report published by the Central Agency for Public Mobilization and Statistics (CAPMAS) in mid-2018.

Concerning this, Sobhy, the real estate broker, says, “This means that almost all of them will be looking for residential units to live in.”

Meanwhile, an Oxford Business Group report published in late May, estimated that the actual demand for residential units was around 500,000 units in 2017, with almost 80,000 units already delivered.

### WINDS OF CHANGE

Despite the conflicting outlooks for 2019, there are fears that if prices continue to leap amid slight hikes in incomes, the real estate market will eventually slow down significantly on the long run.

“We are already seeing that the local market is filling up with speculators buying property in new cities. They are hoping that in a few years their values would increase as the government focuses on attracting people and companies to these new settlements,” says Faisal, the independent contractor. “The biggest opportunity right now is the new capital.”

Besides, within these new cities, Faisal sees that the best opportunities would likely be in apartments below 120 square meters, which suit white-collar upper-middle as well as middle-income families.

“These are the people, who will likely have big enough budgets to stretch to buy better homes in a few years,” Faisal elaborates.

Meanwhile, speculators and traders who cannot afford to purchase properties in such new developments, their focus will likely shift to buying up more affordable units in well-trodden middle-income and even low-income neighborhoods outside gated complexes.

For one, homes in compounds have become too expensive and those outside are markedly cheaper.

Sobhy believes that demand for property built by small, relatively unknown, developers will go down drastically in 2019, as bigger companies take up better locations and have more exposure and better reputation in the public eye.

“Egyptians always ask about the company behind the development. But because they are putting in it all their wealth into these homes, they are becoming increasingly pedantic about who the developer is, even if the complex has been around for years,” Sobhy tells Invest-Gate.

For Imbavy, what is really worrying is that more people are now buying properties they couldn’t have even afforded pre-float, thanks to long-term installment payment plans orchestrated by developers.

However, this is enticing developers to further raise prices safe in the knowledge that since no one will buy units outright, some massive surges in the final prices would equate to reasonable hikes in the monthly installment payment.



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# DOES THE ALTER E

BY SARA MOHAMED

In order to sense if the housing market in any given year is ameliorating, you have to compare the country's activity year over year, while taking into consideration some economic factors. Real estate markets move in cycles; sometimes it goes up and at times it dips. The US subprime mortgage meltdown in 2008 may have taught us big time that dwelling prices do not regularly soar; such crisis shattered dreams and hurled the housing market worldwide into a panic. Egypt, for example, was one of the significantly affected countries, as the EGX 30 benchmark index dropped by 20% at the beginning of August 2008 - since foreigners rushed to liquidate their assets in order to bail out their enterprises in their home countries in the wake of the US mortgage crisis.

In other words, a country's economy may significantly alter its real estate market and vice versa. In this regard, and since 2019 is nearly coming into focus, Invest-Gate provides an in-depth analysis of the distinct economic trends you must thoroughly scrutinize to know if any housing market is improving or not, particularly in Egypt.

## THE INFLATION WHEEL

The real estate sector is one of the dominant sectors in the Egyptian market and it plays a major role in the development of Egypt's economy. This is reflective in the country's residential segment's resilience in the face of challenging broader economic conditions in recent years.

Inflation has taken its toll on Egypt's economy in the past years as it hit a record high of 33% in July 2017, after the country floated its local currency in November 2016 under its economic reform plan, which helped it secure a USD 12 bn loan facility from the International Monetary Fund (IMF).

However, Egypt's annual headline inflation rate declined in November 2018, logging the steepest fall in three and a half years that has reversed the upward trend and recorded 15.7%, the first decline since August when it soared steadily on the back of subsidy cuts as well as the biggest since June 2015.

# ECONOMY DIRECTLY HOUSING MARKET?

The announced annual headline inflation rate came within the Central Bank of Egypt's (CBE) inflation projection for the fourth quarter of 2018 – a 13% with a possible 3% change in either direction, the official statistics agency CAPMAS' November 2018 results indicated.

The ascending inflation rates, increasing prices of gas and raw materials, and the rise in the overall cost of living directly affect any product's cost in general, and thus, impact the public's purchasing power (i.e. affordability), says Mena Group Founder Fathallah Fawzy.

In a reaction to the market changes, property developers have figured the optimum way to resolve such matter, in order to keep the steady demand rates in the residential market: "not only to provide villas and spacious apartments to affluent clients, but also to deliver smaller units on more flexible pricing strategies in favor of extending properties that are affordable to all classes, Fawzy tells Invest-Gate.

## DEMOGRAPHICS SUPPORT REAL ESTATE

As in many of the world's megacities, demographics will remain a fundamental driver of housing demand. Egypt has a total population of nearly 104.3 mn - with more than 9.5 mn, or 10.1%, people living in Cairo only - and an annual growth rate of 30% from years 2006-2017, pursuant to the Central Agency for Public Mobilization and Statistics (CAPMAS) census for 2017.

The Egyptian population stood at 97.6 mn and 95.7 mn in the years 2016 and 2015, respectively, according to the latest World Bank collection of development indicators.

"Despite the country's economic and political instability due to the currency flotation, there is still a vibrant and strong demand currently prevailing across several sectors in the Egyptian real estate market due to the country's steadily surging population, however, the high costs of lands and buildings in Egypt consequently affect

the market's affordability," Mena Group founder highlights.

According to a report by international real estate services firm Jones Lang LaSalle Incorporated (JLL), although 10,000 units were added to the Egyptian residential market in 2017, in addition to several deliveries of previously announced projects that could provide an additional 70,000 units within gated residential communities in Greater Cairo over the forthcoming three years, the total housing units offered fall well short of the estimated annual demand of 500,000 new homes in the area.

For that matter, Fawzy tells Invest-Gate, "While the aftermaths of the EGP devaluation in late 2016 increased construction costs for developers and had a downward pressure on disposable incomes in 2017, demand for real estate in Egypt swelled significantly, taking into consideration the

increasing number of people as well as swelling marriage contracts."

He highlights that although the Egyptian government has been exerting efforts to expand into the country's suburbs in order to develop new cities that can accommodate the accelerating population growth to meet the rising demand for new residences, including New Mansoura and the New Administrative Capital (NAC) - which were mainly built in response to the soaring congestion in and around Greater Cairo, where the population is expected to jump to 40 mn citizens by 2050 - Egypt still encloses abundant tracts of unused land that must be exploited for the country's welfare.

## 2017 Vs 2016 Comparison



**THE DEMAND FOR APARTMENTS  
FOR RENT IN EGYPT HAS INCREASED  
BY 78.59%**



**THE SUPPLY HAS DECREASED  
BY 19.57%**



**THE DEMAND FOR APARTMENTS  
AVAILABLE FOR SALE HAS INCREASED  
BY 84.07%**



**THE SUPPLY HAS DECREASED BY  
38.30%**



**THE DEMAND FOR THE VILLAS  
AVAILABLE FOR RENT HAS INCREASED  
BY 124.78%**



**THE SUPPLY HAS DECREASED  
BY 52.43%**

Property Finder report in 2017.



## REAL ESTATE & GDP

In essence, housing matters to economic development; it can enhance a country's economic performance and place competitiveness, but it can also result in segregation and spatial concentrations of poverty.

By the same token, a US-based report in 2008 dubbed "The Housing of Nations: Analysis and Policy in a Comparative Framework" hypothesized that the ratio of housing investment to GDP is connected to the stage of economic development in an inverted U-shape manner: "the ratio first rises with the increase of GDP per capita when the economy is taking off, but reaches a peak when the economy enters the middle-income period and then tends to decline when the economy becomes mature."

Additionally, another study by Catherine Glossop in 2008 - Housing and Economic Development: Moving Forward Together - highlighted three ways a flagging housing supply would impact economic growth:

- Labour markets: the lack of availability, inflexibility, and unaffordability of housing prevents labor mobility.
- Infrastructure: high demand for housing leads to a strain on infrastructure, while areas of low demand often have a poor infrastructure, such as transportation networks, and again affecting labor mobility.

- Business: areas of high demand and spiraling prices make wages and rent higher for business. In addition, poor housing options make it difficult to lure people with the right skills.

Glossop argues that housing development should be considered - alongside employment, transport, and business development - as a key component of economic planning.

As for Egypt, the real estate sector seems to be the backbone of the Egyptian economy, despite all political and economic setbacks, as the country's real estate industry has consistently grown and contributed to 15% of the GDP in the first half of 2017 alone, according to B2B for Investment and Real Estate Marketing's research and development department.

"The real estate industry constantly absorbs upwards of 15% of employment and continues to grow, expected to reach 20% by 2019 ... The construction and development sectors currently make up 20% of the national GDP," B2B's research department adds.

## INTEREST RATES UNFAILINGLY ROLL OUT THE GAME

Interest rates have a profound effect on the value of income-producing real estate, as on any investment vehicle, because their impact on a person's ability to purchase residential properties - by increasing or decreasing the cost of mortgage capital - is so radical.

"Many people incorrectly assume that the only deciding factor in real estate valuation is the current mortgage rate. However, mortgage rates are only one interest-related factor influencing property values," Fawzy underscores.

According to the Mena Group founder, this is because interest rates also influence capital flows, supply and demand for capital, and investors' required rates of return on investment. "In other words, interest rates can significantly affect the cost of financing and mortgage rates, which in turn affect property-level costs, and thus, influence values."

He underlines that as interbank lending interest rates decline, the cost of funds is reduced and more funds flow into the system; conversely, when rates increase, the availability of funds drops. As for real estate, the changes in interbank lending rates either add or reduce the amount of capital available for investment.

The lending interest rate of Egypt stood at 17.8% as of October and logged 19.6% and 13.9% in the same month of 2017 and 2016, respectively, according to CBE's official recorded data.





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# REAL ESTATE GETS LEGISLATIVE OVERHAUL

BY TAMER AMR

Few could argue against Egypt's real estate sector being inherently strong, with a lot of potential to sustainably grow at a rapid pace. "Local and international real estate developers see a lot of opportunity to build large developments that attract buyers from all walks of life," says Chairman of Oriental Resorts for Touristic Development Omar Sabbour.

However, developers and experts believe that this market can be much stronger and attractive if it was not for an ineffective legislative framework that is hurting buyers and developers alike.

"What the sector really needs is legislative tweaking to capitalize on its strengths," says Amr El Kady, CEO of City Edge for Real Estate Development. This includes pricing of units and their registration, as well as how plots are allocated, according to Sabbour.

In addition, Managing Director of ARDIC Development and Real Estate Investment Ashraf Dowidar notes, "Delays in regulating the market is costing the state and sector billions of pounds annually."

Realizing the importance of reforming the sector's legislative environment, the government has been issuing new laws since the start of 2018, with more to come in 2019. "There have never been exclusive laws that pertain to real estate investments and development until now," said Nafisa Hashem, first deputy to the Minister of Housing, at a meeting with private developers in September.

In this context, Invest-Gate reviews different laws related to the sector, starting from the existing laws pending amendments to some long-awaited laws for buyers and developers.

## LAWS PENDING UPDATES

The Egyptian government has introduced several new laws in the past period, as it aims to lure foreign investors as well as to reshape the country's legislative schemes. However, some of them are still pending the state's approval.

For instance, despite being introduced as recently as July 2018, the law allowing non-Egyptians to get

a temporary residency visa if they own a property in the country, is still awaiting approval.

As it stands, a September 2018 modification to the law decreed that non-Egyptians, who own units valued by the state at below USD 100,000, would get a temporary residency renewed annually. Meanwhile, if the unit is priced up to USD 300,000, non-nationals would get a residency that is renewed every three years. Owning more expensive units would see foreigners get a five-year temporary visa. The only condition is that they still own their unit at the time of renewal. The law set a deadline of one week to process residency permits.

Also witnessing regular updates, despite only being implemented since mid-2018, is the real estate tax law. In December, the parliament approved a change that would see the Ministry of Housing identify all residential, commercial, and industry construction works by 2021 - rather than 2020.

Additionally, still pending in parliament is the executive regulations to determine how industrial and touristic facilities would be taxed. Owners of such facilities argue that their establishments contribute to the economy and therefore should get an exemption or reduced tax, according to Deputy of the Planning and Budgeting Committee in the House of Representatives Mostafa Salem.

Meanwhile, there is a petition from homeowners to raise the tax exemption limit beyond EGP 2 mn, which was set in 2016 before the EGP flotation. "The real estate tax must be valued on criteria other than just the size of the unit," says Salem, "things such as facilities in the neighborhood must be quantified and categorized so that valuations are fair and consistent."

## NEW LAWS UNDERWAY PREPARATION

Among the priority laws on parliament's agenda for the year ahead is the new property registration law, which aims to encourage more owners to register their units in one of the government's official registrar offices.

According to estimates from government and experts, between 80-90% of units in new cities are not registered, with owners relying on power-of-attorney documents and preliminary contracts to buy and sell properties.

The new law aims to create a "more transparent system with a much less likelihood of forgery or manipulation of the sizes of sold units," says Khaled Atef, founder of Dar Amlak for Real Estate Appraisal. "It will also make real estate tax based on accurate figures," he notes.

Among the major changes proposed by the draft law are tight deadlines for the registration process along with less paperwork. Also, the New Urban Communities Authority (NUCA) would cooperate, for the first time, with the registrar office to provide details on plot sizes and construction works on them.

Furthermore, registrar offices could only be allowed to register units in the neighborhoods they oversee, as they have much complete records of properties in their jurisdictions. The draft law also states that amending names on utility bills is not allowed, unless the unit is registered by the new owner.

Adding to the above, the government has also been drafting an overarching law that is still being discussed with developers. For one, it redefines the legal relationship between the developer and clients, including details they must



entail in all contracts as the company would be penalized if any article is left out. It also regulates the developers' relations with the government from an administrative aspect as well as in joint contracts.

Ministerial decision no. 838/2018 created a committee tasked with drafting this law. "We have talked a lot with the committee about this law to provide our own points of view and feedback on proposed articles," says Fathallah Fawzy, head of the construction committee in the Egyptian Businessmen Association.

According to Member of the Parliament's Housing Committee Khaled Abdel Aziz Fahmy, the committee received a draft copy of this law. Among its highlights is not adhering to the delivery date set in the contract would put the developer in a legally vulnerable position. Currently, exact dates, let alone a penalty for not meeting it, are not stated in contracts.

The agreement would also contain more details about the delivered unit's status, as well as, legal and quantitative definitions of industry jargon terms, such as super lux finishing. The other article in the draft law prevents developers from requiring additional registration fees when an owner is selling his/her unit in the secondary market and when the buyer wants to register his/her name with the company as the new owner.

It also obliges the developer to be responsible to maintain the project for two years.

## RESOLVING VIOLATIONS

Another law that will prove increasingly important pertains to enabling the government to resolve its conflicts with building owners, who violated vertical or horizontal limits set by their licenses without tearing down the building and check if they meet some conditions.

According to Aly Waly, head of the parliament's housing committee, such conditions include that the building's horizontal expansion does not infringe on sites deemed heritage locations by the antiquities ministry. It must also not breach agriculture lands or the Nile banks that are restricted to be used for construction works.

Meanwhile, any additional heights must not interfere with civil and military air routes nor violate general laws regulating the neighborhood, in which the building is located, such as the height limitations placed on all residential and commercial properties in 6<sup>th</sup> Of October City, while taking into consideration that the building's foundations should still be sound, despite any increase in height.

The housing ministry is expecting this law to remain in effect between six and 12 months after its executive regulations are published, given that it only aims to settle existing violations. Accordingly, requests to settle violations must be presented within three months of announcing the law's regulatory framework document. Otherwise, violations will be subject to penalties set by the

Unified Construction Law, which is still being finalized and expected to be approved by the parliament in 2019.

This law replaces the current code, which was enacted in 2008. Few details have been made public, such as giving more authority to the homeowners' union over residents who do not abide by the property's guidelines and regulations. It also sets a two-week limit to approve plots for construction works, while building licenses would remain valid for three years instead of one. Meanwhile, investigating delays of government responses would not take more than a month, as per the draft.

The law also allows third-party licensing offices to grant developers construction licenses, while reducing municipality power in that respect. "This is a major point in the new law," says Yasser Ahmed, a real estate law professor at Ain Shams University that was consulted on the draft. "In the past, any building violations referred to the municipality law, which was never written to deal with these situations."

One example is that if a developer reports to the police that he bribed an official, he would not be punished. "This, on the ground, leads developers to give bribes. And after they do what they want, they report the corrupt official. Under the current law, the violation would be considered legal," says Ahmed.



Another example is the centralization of the inspection authority under the Ministry of Housing while giving it confiscation powers. “Their size and resources are no longer suited to Egypt’s massive scale of developments and corruption is possible given that the authority is both opponent and judge against the building owner,” says Ahmed. “Lastly, because all legal notifications is issued by the ministry - excluding the municipality from the process - it is very easy for it not to reach the owner of a remote building. This complicates procedures massively.”

### **LAWS IMPROVE BUSINESS**

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Creating an updated effective legislative environment for Egypt’s real estate sector will prove instrumental in protecting it against corruption, fraudulent contracts, and informal transactions, as well as ensuring accurate and comprehensive statistics that would help government and private sector when setting their investment plans.

One major benefit from implementing these new regulations will likely be that banks will find it easier to fund and offer mortgage services for more homeowners. This is because, under the current laws, the government’s books say that both plot and building are under the name of the developers.

However, when the property is sold, the developer declares that this plot officially no longer belongs to them. Without the owner registering that unit, there would be no official record of who owns it.

“This is why banks find it risky to use units as collateral for mortgages or loans,” says Seif Farag, a finance professor at Ain Shams University. “The other problem under the current laws is that some locations are under the Tourism Development Authority, such as Ain Sokhna. And without the owner registering the unit, the bank will have to go through more bureaucracy than normal to ensure the loan-applicant is the real owner of the unit.”

Meanwhile, developers hope that these legislative reforms will result in the establishment of a database of Egypt’s real estate wealth. “This will help us, alongside the government, formulate plans and a vision to meet local demand,” says Fawzy, of the Egyptian Businessmen Association. Such a database should draw a clearer picture of how much property in Egypt was bought for speculation, given that such units will be closed and their owners, who purchased similar properties nationwide, have bought such properties out of need.

This database will also help increase the government’s revenue. “Almost immediately, it will greatly help increase real estate tax income,” Fawzy adds, anticipating that the hike in government proceeds could be between EGP 30 bn to EGP 40 bn a year.

Meanwhile, these new laws should help create another database that includes developers, government agencies, clients, and fund-raising agencies. “This database would classify each developer based on their previous success track record and resources,” says El Kady, CEO of City Edge for Real Estate Development.

Accordingly, it would help the government and partner-seekers to better choose the right developers for their real estate projects to ensure that selected companies have enough resources and expertise to meet all the terms and conditions of the project, according to El Kady.

“All this will ultimately help build a more up-to-date, and investment-friendly, real estate sector not just for local investment, but those coming from the region,” he elaborates.

### **RESPONDING TO NEEDS**

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Better laws will aid developers in their attempts to sell their units to foreigners, while attending international exhibitions and conferences. “It will help build Egypt’s real estate reputation abroad

as a safe and fair place to invest in property in the region,” says Head of the Real Estate Investment Division at the Federation of the Egyptian Chambers of Commerce (FEDCOC) Mamdouh Badr El-Din.

Fawzy also agrees with El-Din’s statement, highlighting that foreigners need a reliable business environment with clear investment regulations.

“We should not expect them to have the same expectations as Egyptian buyers, who are, more-or-less, forced to buy locally,” he says, “foreigners have options in other countries.”

Having such an updated legal framework should also help the government with its attempts to build smart cities, including the New Administrative Capital.

“We need to have new types of investors to build such cities and to attract them as well. Laws must be right because they are not tested on the ground like existing local developers,” says El Kady.

Such laws should also give more confidence to individual buyers, who can sometimes be skeptic and hesitant when buying properties, fearing that their signed contracts heavily favor developers.

“We did surveys that showed that the biggest complaint among buyers is that there are no laws that protect them too ensure they signed a balanced contract with the developer,” said Hashem, the housing ministry official.

This is important, given that developers could exploit the current boom to scam potential buyers or considerably delayed delivery times, which were first entailed in the contracts, he concludes.







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## CLIENT SEGMENTATION

### Factors Affecting Category Classification

Customer segmentation is the practice of dividing a customer base into groups of individuals that are similar in specific ways relevant to marketing, such as age, gender, interests and spending habits. Customer segmentation, also called consumer segmentation or client segmentation, procedures include:

<b>Financial Level</b> <small>The individual is classified according to the following levels and gives the number of degrees relative to each level</small>	Rating Level	Classification Description	Number of Grades
	<b>Level 1</b>	Less than Average: Annual income and expenditures less than EGP 100,000	<b>3</b>
	<b>Level 2</b>	Average: Annual income and expenditures from EGP 100,000 to EGP 500,000	<b>6</b>
	<b>Level 3</b>	Above Average: Annual income and expenditures from EGP 500,000 to EGP 1,000,000	<b>9</b>
	<b>Level 4</b>	Rich: Annual income and expenditures from EGP 1,000,000 to EGP 5,000,000	<b>12</b>
	<b>Level 5</b>	Luxuriant: Annual income and expenditures more than EGP 5,000,000	<b>15</b>
<b>Educational &amp; Cultural Level</b> <small>The individual is classified according to the following levels and gives the number of degrees relative to each level</small>	Rating Level	Classification Description	Number of Grades
	<b>Level 1</b>	Undergraduate level	<b>3</b>
	<b>Level 2</b>	Bachelor degree from an Egyptian university	<b>6</b>
	<b>Level 3</b>	Bachelor degree from a foreign university in Egypt, or Master's or equivalent degree from an Egyptian university	<b>9</b>
	<b>Level 4</b>	Bachelor degree from a foreign university outside Egypt, or Master's or equivalent degree from a foreign university in Egypt	<b>12</b>
	<b>Level 5</b>	Doctoral or equivalent level	<b>15</b>
<b>Social Level</b> <small>The individual is assigned to each element of the classification separately and is given a score of 0 to 3 degrees</small>	Classification Description		Number of Grades
	Area of residence		<b>3</b>
	Business field / size of the organization in which the individual works		<b>3</b>
	Personal relationships within the family		<b>3</b>
	Personal relationships outside the family		<b>3</b>
	Public figures known		<b>3</b>





## CLIENT SEGMENTATION

### Factors Affecting Category Classification

.....and based on the above factors, the following is the grading scheme that based on it each individual can know his categorized society segment

Society Segments	Grade		Notes
	From	To	
<b>A+</b>	<b>45</b>	<b>42</b>	The total number of grades missing in one of the categories (financial, educational, social) may not exceed 3 degrees
<b>A</b>	<b>41</b>	<b>39</b>	
<b>A-</b>	<b>38</b>	<b>36</b>	
<b>B+</b>	<b>35</b>	<b>31</b>	The total number of grades missing in one of the categories (financial, educational, social) may not exceed 6 degrees
<b>B</b>	<b>30</b>	<b>26</b>	The total number of grades missing in one of the categories (financial, educational, social) may not exceed 9 degrees
<b>B-</b>	<b>25</b>	<b>21</b>	
<b>C+</b>	<b>20</b>	<b>16</b>	
<b>C</b>	<b>15</b>	<b>11</b>	The total number of grades missing in one of the categories (financial, educational, social) may not exceed 12 degrees
<b>C-</b>	<b>10</b>	<b>6</b>	

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| <b>Capital Services</b>                       | <b>Distressed Assets</b>             | <b>Start-up and Small Businesses</b> |
| <b>Investment Analysis</b>                    | <b>Landlord Representation</b>       | <b>Property Management</b>           |
| <b>Real Estate Development</b>                | <b>Market Research and Valuation</b> |                                      |

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# 2019 MAKES WAY FOR A DIGITAL HOUSING BOOM

BY MAHMOUD EL ZAHWEY

As the forecast of the real estate market in the coming years remains unclear, digital housing, along with some innovative real estate smart solutions, have become promising products for future investors. When utilized well, they can revamp the Egyptian real estate market activity, presenting a new trend: lure investors and push back up the purchasing power.





Just like everything else, the Egyptian real estate market is now turning more digital than before and companies have resorted to online solutions to catch up with the rapid rise in the digital user base and satisfy the highly growing demand. Invest-Gate highlights the new digital solutions in Egypt's online property market and showcases some examples of the growing businesses in this sector.

## GENERAL OVERVIEW

The online real estate market is currently witnessing a significant growth, in line with other services offered as well, with the majority of Egypt's population - or more than one-third of it - are younger age groups and the number of digital services' users rising firmly during the few past years, as shown by official data from Central Agency for Public Mobilization and Statistics (CAPMAS) and Ministry of Communications and Information Technology.

Digital platforms save lots of effort and time and most of the companies now tend to promote or provide their services online to compete and increase their reach, Brickzey Property Management CEO Ahmed Selim tells Invest-Gate, confirming that his company is on track to launch

a huge online platform in the near future, but he does not reveal any details.

"Brickzey is a national privately owned company, providing a full-service commercial real estate company that works hard to meet the needs of tenants, property owners, buyers, and sellers of retail, office, industrial, apartment, and investment properties," according to the company's official website.

Ahmed Abdel Fattah, business development manager at Aqarmap, a leading online marketplace that connects real estate sellers and buyers, says that the platform is now receiving around 1 mn visitors per month.

Aqarmap has recently kicked off a new service called "Aqarmap Launch Service," allowing developers to hold online soft launches through its platform, Abdel Fattah adds, mentioning that "the service has achieved a huge success during 2018."

The online launch of Better Home Group's Midtown Condo New Capital Compound through the service, for example, was very successful and all the units of the first phase were sold out in only three hours."

However, Brickzey's Selim argues that even with the new smart technologies, most of the online deals and transactions in the real estate market cannot be done without a final view on the real ground, as people do not prefer to take their purchasing decisions based on virtual images.

## NEW DIGITAL SOLUTIONS

Whether you sell, buy, rent, or even evaluate your property, you may resort to the help of the available numerous online platforms, which make a booming business today. Hence, here are some of the new innovative ideas that emerged recently in the Egyptian market.

A newly-founded start-up called "Barek" tries to bridge the gap between the offline and online markets, through reaching out to property owners and assisting them in offering their units on the company's website or mobile application.

"Barek provides access to users, who have never had the chance to trade online, through addressing them offline and giving them the experience to facilitate their property online existence," Barek's General Manager Thoraya Fedaa Eldin elaborates.



"We offer a 360° VR tour to the provided property, verify all the data entered to our platform, and try to focus on all areas of Egypt - not just Cairo - to bring all the opportunities available in one place," Fedaa Eldin says.

Speaking of the challenges facing the platform, Barek's general manager notes that "some people would rather not list their properties online, either because they do not want a broker to mediate or they do not know how to use online platforms in the first place," pointing out that the company offers other solutions such as a broker free community and a strong ambassador base that exists all over Egypt.

Furthermore, a subsidiary of Go Green Real Estate Company named "The Rentz" also uses the VR-360° mechanism to provide a perfect view of the units provided at their rental services platforms across several areas in Egypt, including a handful of coastal cities.

"We are uniquely qualified to offer you the perfect rental experience, with a combination of a unique online platform together with experienced sales and operations team ready to provide you with comprehensive support anytime needed," according to The Rentz's official website.

Lemon Spaces is another innovative idea; it offers unique rental services for foreigners, aiming to show the authentic hospitality of Egypt's neighbourhoods by handpicking and renovating units at the most captivating locations.

The company signs official rental contracts with the landlords all over Cairo, renovate their apartments, and provide all services needed before offering these units for rent on the giant

hospitality service provider, Airbnb, Chatsy Mohamed, head of quality department, tells Invest-Gate.

"We provide basic services that include a broadband internet connection and a Netflix streaming, as well as housekeeping and maintenance services, while equipping the units with modern appliances and luxurious furniture," she adds.

Talking of the company's objective, she adds, "We want our guests to experience the home-like living by providing them all basic amenities and services, including maintenance and housekeeping, making the apartments more comfortable. From luxurious furniture to fully equipped kitchen and a wide variety of amenities, we target utmost satisfaction of our guests by taking care of all the small details."

Lemon Spaces CEO Mohamed Ezz and COO Ali Gadallah revealed that the company will be offering its services all around Cairo and will expand in some of the coastal cities during the near future, pointing out that the company managed so far to host high number of clients from more than 18 countries worldwide.

### EXTRA SERVICES ON-BOARD

Aside from property sales and rental services, many other solutions came to light. A perfect example of such services is Social Buildingz, the first online platform in Egypt for interior designers, home decor ideas, and building construction companies.

Social Buildingz is a new startup that connects providers of interior design services and

contractors with all types of clients all around Egypt and it will soon launch a marketplace for construction materials, furniture, appliances, and several other products, the platform's Founder and CEO Rami Atef Salem explains.

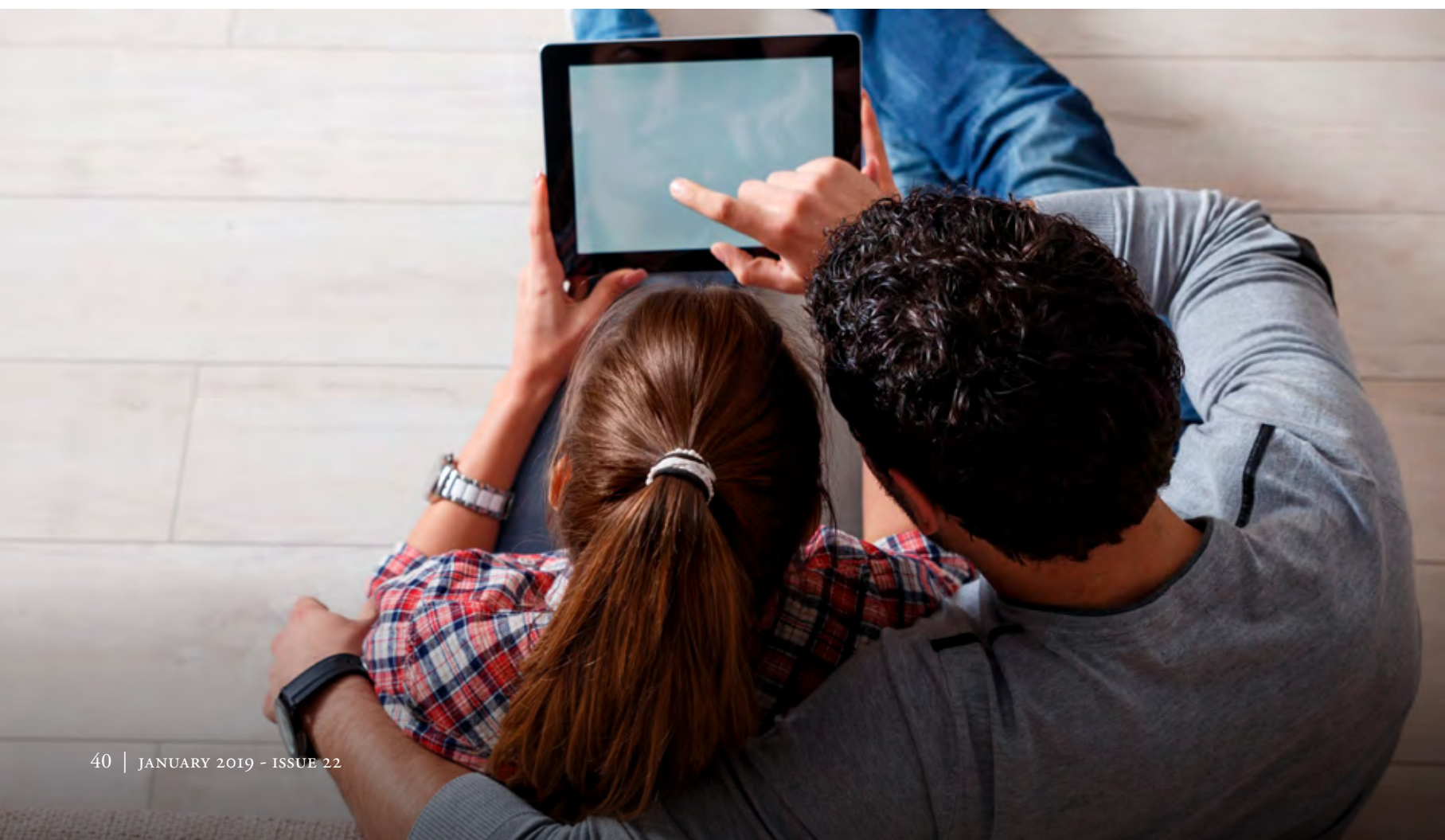
"The platform was founded in 2017 and it now serves around 22,000 users and collaborate with 1,500 service providers," Salem adds, noting that these numbers are growing rapidly with 50-100 new projects being added every single day.

Social Buildingz's CEO further reveals that his start-up is working closely with a giant bank to create a strong security system, aiming to guarantee safe transactions and ensure the projects' quality.

The turning from the offline to the online market saw some resistance in the beginning, but the new and easy services offered managed to attract a large number of clients, he highlights, underlining that Social Buildingz provides its users with an estimated price for finishing their homes to allow them to compare distinct offers with different prices, along with discounts and installments options.

The platform collaborates with several contractors of all ranges, provides previous works of each contractor, and also suggests a list of contractors based on the customer's needs.

Based on the above, considering sales and rental transactions online might be one of the upcoming real estate market trends to increase public's reach, generate revenues, and wake up the second-hand or resale market in Egypt, after it has been doomed during the past few years.





# SIX EASY STEPS TO MARKET EGYPTIAN REAL ESTATE ABROAD



BY **MOHAMED ELSHEIKH**

*director of Egypt Real Estate Hub,  
a UK based agency for new property  
developments in Egypt*

Despite recent challenges following the currency devaluation in 2016 and the subsequent increase in construction costs and decrease in purchase power, Egypt's real estate market remains one of the most important sectors of the economy contributing up to 10% of GDP. Being a major tourist hub and one of the world's fastest growing economies, Egypt has the potential to take on a decent share of the global real estate market; however, several key issues remain to be addressed. With my following proposed six steps, I believe Egypt can compete on the world real estate export map and attract foreign homebuyers.

## 1. REGULATION OF DEVELOPERS OFFERING OFF-PLAN PROPERTY

The market has recently witnessed several new developers acquiring lands and launching new developments. It can often be a challenge for a foreigner trying to carry out due diligence before embarking on a purchase. The presence of a government regulator to oversee the whole process would provide much reassurance for foreign investors. Similar to what is in place elsewhere, developers that intend to sell off-plan units must be registered with a regulatory authority and are obliged to open a separate escrow bank account for every development. The escrow account receives all amounts paid by purchasers as well as loans obtained by the developers to fund construction works. Such accounts are closely monitored by the regulatory authority to ensure that any withdrawn funds are used only for the purposes of completing the development.

## 2. PAYMENTS LINKED TO CONSTRUCTION PROGRESS

Most property developers offer extended payment plans of up to 10 years at no added interest with a promise to handover a new home in three to four years. Problems may arise if developers are behind schedule and are unable to deliver on time, yet they still withdraw payments. Clients, who refuse to pay installments due to delays in handover, may risk losing their units, according to the purchase contract. If payments were linked to the completion of certain stages of the development, this would alleviate many of the worries, which foreign investors may have when purchasing off-plan property in Egypt. Knowing that payments will only be required when pre-agreed construction stages are completed increases the confidence of foreign investors in the developer they choose to buy from.

## 3. BANK CHEQUES FOR COMPLETION OF OFF-PLAN PROPERTY PURCHASES

Some of Egypt's biggest developers require clients to provide cheques from an Egyptian bank as a

means for collecting installments. Without this, an off-plan property purchase cannot be made. The only alternative offered to foreigners, who have no bank account in Egypt is to pay for the property in full by handover... meaning they would only have a three to four-year payment plan. This is off-putting to many foreign investors as they are unable to take advantage of the longer extended payment plans. The developers consider bank cheques an important mechanism to ensure the collection of funds in a timely manner; whilst the foreign investor may not want to go through the hassle of opening a bank account in Egypt. This requirement makes the process a lot less smooth for the foreign purchaser. This is another reason why the presence of a regulatory authority to supervise the entire process of off-plan property development is essential. The authority can set out the procedures for a developer to terminate an off-plan sales contract when a purchaser defaults on payment obligations.

## 4. MORTGAGES FOR FOREIGN HOME BUYERS

Egypt's property market is largely cash based with mortgages forming a small proportion of transactions. Financially strong developers are able to offer extended payment plans, which range from five to ten years on off-plan property. Foreigners would usually prefer to finance the purchase of a property through mortgages, which enables payment over a longer number of years (up to 20 years) with an added interest. In case of buying an existing key-ready property, a larger deposit or the full property price would usually need to be paid up front, and this is when mortgage schemes become necessary to enable foreigners to complete their purchase. The provision of mortgages in Egypt by banks is likely to boost sales made to foreign homebuyers.

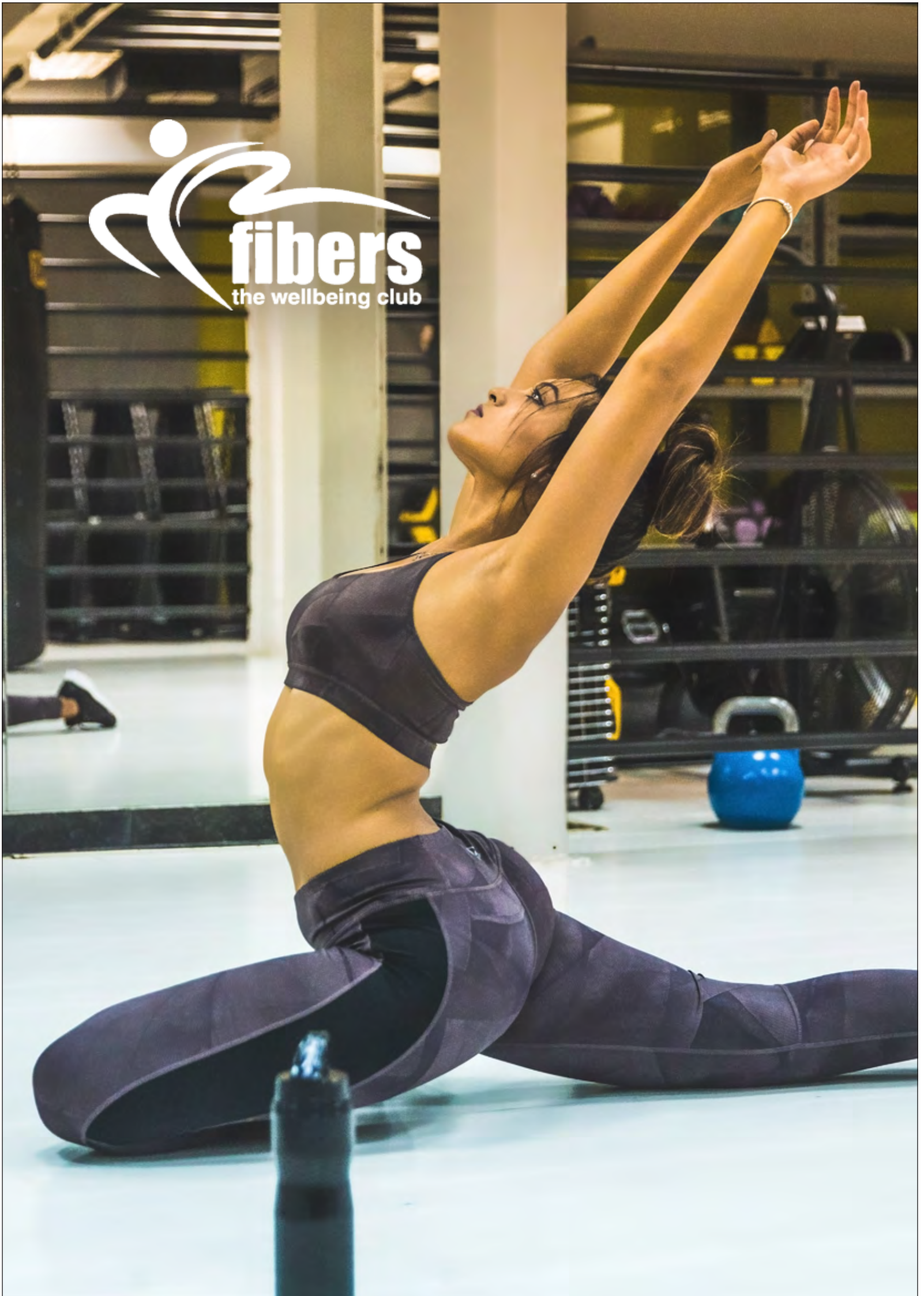
## 5. SEMI-FINISHED VS FULLY FINISHED AND FURNISHED HOMES

The majority of developers in Egypt deliver semi-finished units. Homebuyers in Egypt may prefer to buy a new home, which is delivered semi-finished


so that they can complete the final finishes of their property to their own taste. When it comes to foreigners, who are buying a holiday or retirement home, the cost of finishing as well as furnishing the property becomes an added amount that needs to be considered. Therefore, developers-aiming for international sales- must be able to offer fully finished units as well as furniture packages so that a foreigner can be clear on the exact amount they would need to come up with before they can make full use of their new home. In addition, developers must be able to provide foreign homebuyers with reliable and accurate information regarding the cost of registering a property, associated legal fees, and taxation as well as average charges for utilities such as water and electricity. Although this information might not seem so critical, it is quite important for example in the case of retirement homebuyers to enable careful financial planning and making an informed decision on their property purchase.

## 6. PROPERTY MANAGEMENT & GUARANTEED RENTAL INCOME

It is well known that one of the advantages of buying off-plan property is capital appreciation by completion. Equally important for investors is the potential for rental income. Offering foreign purchasers guaranteed rental income schemes could be very effective in attracting investors. Many foreigners prefer to purchase from a developer that can manage their property after handover, including maintenance of the property as well as renting it out when it is not being used by its owner. Property management includes helping the owner find tenants, prepare contracts, property inspections, and handling paperwork. Other similar management services that would make developments more attractive include pool servicing, garden management, air conditioning service, pest control, weekly inspections, cleaning services, utility bill payments, and property insurance.






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