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## EDITOR'S LETTER

Some might be skeptical about 2019 in real estate but apparently it has been off to a good start. With 2019 kickoff and in just 30 days, new developmental projects took place assumingly with remarkable sales in addition to a number of exhibitions and real estate events took place.

In our February issue, we present the top achievers among the private real estate sector with the highest sales as per their official financial statements. We also give a general insight on the performance of the Egyptian economy.

Check out our sector's event coverages; our highlighted events include the IPS, Cityscape Breakfast, and the newest project launch in west Cairo, Capstone Cliff Residence by Paragon Developments.

Featured this month, Invest-Gate sits with Assistant Minister for Community Affairs of the New Urban Communities Authority (NUCA) Eng. Waleed Abbas for an update on NUCA projects and his market anticipation for the year.

For this issue, we focus on the young professionals of the market and the young generation of homebuyers. We tour the latest industrial cities that the government aims to make them booming. We talk to the people to know about their hopes and dreams in moving into those cities and also the challenges they face.

Among the featured market trends to keep the real estate market active, we witnessed the "Flexible Offices" product being launched and praised by many. For that, we investigate one of the special features catering to the young businesses and start-ups in east Cairo. We look into this latest phenomenon worldwide and how it is applicable to the Egyptian market. We talk to the masterminds behind "The Walk." As we are keen on saving our planet, we give to you a short read on Eco-homes for the young generations to come.

For now, stay tuned for the coverage of Invest-Gate's upcoming roundtable on "Branded Residences"; we'll highlight the key players' recommendations and insights in this regard.



EDITOR-IN-CHIEF

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## TMG HOLDING'S SALES HIKE 62% IN 2018



Egypt's real estate developer Talaat Moustafa Group (TMG) Holding reported on January 2 that its overall sales jumped 62% YoY to EGP 21.3 bn at the end of December 2018 from EGP 13.1 bn in 2017, propelled by a significant rise in its sales of residential units, Invest-Gate reports.

TMG Holding said its residential unit sales have rocketed 93% YoY, reaching EGP 18.3 bn by the end of last year, compared to EGP 9.5 bn at the end of 2017, the company revealed in a recent bourse filing.

The surge in 2018 sales was mainly driven by an estimated revenue of EGP 12 bn from TMG Holding's proj-

ect in the New Administrative Capital (NAC), Celia – which was launched last June.

In addition, sales of commercial and administrative units stood at nearly EGP 2.9 bn in 2018, the company noted, highlighting the rising demand on such units, particularly since 2017.

Meanwhile, TMG Holding underlined that it has achieved “unprecedented sales” in Egypt and the Middle East since it started operating in the real estate market, having sold more than 90,000 properties since it began developing and selling units over 40 years ago.

## CONSTRUCTION WORKS START AT NAC'S CENTRAL PARK



Minister of Housing, Utilities and Urban Communities Mostafa Madbouly has witnessed the launch of construction works at the Central Park (Green River) in the New Administrative Capital (NAC), Invest Gate reports.

The park is set to establish itself as one of the largest and most distinctive urban parks in the world, marking a symbol of Egypt's culture and civilization and linking between a number of smart urban districts in NAC, Madbouly said in an official statement on January 14.

Expected to host 2 mn visitors annually, the project spans over 1,000 acres and extends across more than 10 kilometers, the prime minister added, noting that the park will be established according to the latest environmental standards and will contain world-class recreational amenities.

The government aims to finalize the park's construction works, being implemented by seven contractors with around 5,000 equipment and hundreds of workers, within 18 months, he clarified.

Madbouly also pointed out that the government is working closely with the private sector to increase the quality of the development process and create several investment opportunities, explaining that the park's corridor is divided into three main zones, each of which has its own unique identity.

## CAIRO'S JW MARRIOTT INSTALLS ROOF-TOP SOLAR POWER STATION

JW Marriott Hotel Cairo, a luxury hotel and resort brand of Marriott International, launched on January 19 the first solar-powered photovoltaic (PV) roof-top station for electricity generation, attempting to prompt the Egyptian hospitality industry to establish similar stations across the country, Invest-Gate reports.

With a capacity of 150 kilowatts, the solar energy station marks the first project in Egypt to use a grant made available by the United Nations Development Program (UNDP)-GEF Grid Connected Small Scale Photovoltaic System Project, which is being implemented by the Industrial Modernization Center, according to a recent statement by the United Nations Information Center (UNIC) in Cairo.

The project aims at supporting the “expansion of using rooftop solar energy systems in residential, commercial public buildings, hotels, and industrial facilities, develop the small scale renewable energy technologies markets in Egypt, facilitate its installation, increase national contribution in the assem-



bly of solar systems, and build national technical capacities to create new jobs,” the statement read.

The development's launch was marked by a ceremony attended by Minister of Electricity and Renewable Energy Mohamed Shaker, Minister of Tourism Rania Al-Mashat, Minister of Environment Yasmin Fouad, Executive Director of the Industrial Modernization Center Ahmed Taha, and UNDP Resident Representative Randa Aboul-Hosn.

According to the statement, Aboul-Hosn said the project supports the implementation of Egypt's Strategy for Sustainable Development, or Vision 2030, and capitalizes on the country's abundant solar energy while reducing greenhouse gas emissions as per Paris Agreement, which is aimed at preventing the worst-case scenarios of global warming.



## MOUNTAIN VIEW EYES TO RECORD EGP 5 BN SALES IN 2019: CHAIRMAN



Amr Soliman, chairman of Mountain View, said the company targets achieving EGP 5 bn contractual sales from its projects during 2019, while planning to sign construction contracts worth EGP 2.5 bn during the same year, Invest-Gate reports.

The Egyptian-based property developer has units ready for delivery in eight different projects with a sales value of EGP 1.5 bn, Soliman exclusively revealed to Invest-Gate.

Soliman also unveiled that the company aims to deliver 600 units in the first phase of Mountain View's iCity New Cairo project during the first quarter of 2020.

He pointed out that last year saw a 35% increase in the company's sales volume, underlining that the Egyptian property sector does not have a real estate bubble,

but there is rather a strong competition among real estate companies on the back of the large supply of housing units offered in the market.

According to Soliman, the company's land bank comprises 13 projects, as well as a total of 1,500 acres are under development, divided equally on New Cairo, 6<sup>th</sup> of October City, and North Coast.

In addition, he stressed that 5.7% of Egypt's citizens are foreigners, which creates an extraordinary opportunity for developers to export their properties abroad.

He also called for the need for a classification of real estate developers during the coming period to support the market and maintain its continuation.

## TRADE MINISTRY ACTIVATES COUNCIL FOR REAL ESTATE INVESTMENT

Egyptian Minister of Trade and Industry Amr Nassar has decided to activate the Export Council of Real Estate, as part of a move to restructure the export councils, Invest-Gate reports.

The ministry's decision aims to reduce the export councils' number to 12 from 16 councils, according to a ministerial statement on January 2.

The real estate council will be chaired by Rooya Group's CEO Hisham Shoukri, while the board members will include Fathallah Fawzy, founder of Mena Group, Ahmed Shalaby, managing director of Tatweer Misr, in addition to CEO of City Edge Developments Amr El Kady and CEO of Iwan Developments Waleed Mokhtar, the statement added.

The decision comes in line with the ministry's plan to promote the Egyptian exports and to make a leap in their rates across different sectors, Nassar stated.

Nassar further noted that the ministry has set specific standards for the members of the export councils, aiming to reinforce the role of each one.



## ODE SELLS STAKES IN MAKADI TO REDUCE DEBT BALANCE

Orascom Development Egypt (ODE) has finalized the sale of its stakes in two hotels and a land plot in its Makadi destination on the Red Sea coast, attempting to reduce its debt balance, Invest-Gate reports.

ODE has concluded the sale of Royal Azur and Club Azur Hotels, as well as a land plot in the Red Sea resort, at a higher enterprise value of EGP 856 mn rather than the EGP 823 mn earlier announced, the company said in a recent bourse filing on December 27.

The proceeds of selling the two hotels and the land plot in Makadi as well as of Tamweel Group, together with some of the excess cash flow from operations, will all be utilized in dwindling the company's debt balance, ODE underscored.



"This will result in total cash proceeds of EGP 408 mn (USD 22.8 mn) from EGP 387.1 mn (USD 21.6 mn) that [were] previously announced," the firm added.

According to the filing, the sale will also result in the deconsolidation of EGP 260.1 mn of debt held on Royal for Touristic and Development Company, the former owner of the hotels.

"We are also in the course of finalizing the documents for the completion of the sale of the Makadi Gardens Hotel, which was sold for EGP 114.7 mn (USD 6.4 mn)," the developer confirmed.

Commenting on the transaction, Khaled Bichara, CEO of the company, said, "The conclusion of the sale is a solid testament to our continuous delivery of our strategy. Since the beginning of the year, the company has made significant strides to streamline and reshape its investments through monetizing its non-core assets."

"We will continue to wisely invest our capital to drive growth and prioritize our time and resources to build a stronger and sustainable organization," Bichara was quoted as saying.

## COMPASS' BONYAN UNCOVERS WOC IN WEST CAIRO

Egypt's Compass Capital, a private equity firm, announced on January 20 that its portfolio company, Bonyan for Development and Trade, has launched the Walk of Cairo (WOC) in west Cairo, Invest-Gate reports.

WOC is set to encompass over 100 local and international retailers, including food and beverage, diverse shopping outlets, a wellness center, family entertainment options, as well as many other attractions for visitors to experience and indulge in – all in one gated outdoor space, according to the company's press release.

Spreading over 116,000 square meters, with 900 meters of prime frontage, the project is located in the heart of Sheikh Zayed. It is designed by renowned Chicago-based architect Skidmore,



Owings, & Merrill (SOM) – one of the largest and most influential architecture firms.

On his part, Managing Partner at Compass Capital Tarek Abdel-Rahman stated that “in the last decade, changing demographics and the increased migration to west Cairo has created a

greater need for outdoor spaces where people can socialize and congregate.”

“The WOC will transform Cairo's entertainment landscape and offer a unique experience to all its visitors. The mall brings an exciting and unique offer to the city,” Founder and Chairperson of Compass Capital Shamel About Fadel revealed.

The project will redefine the leisure experience in Egypt with an array of exceptional dining, retail, entertainment, and recreational activities, along with multiple office spaces.

Leasing for the project's phase one, which is already receiving significant interest from leading local and international retail enthusiasts, will commence in the first quarter of 2019.

## PACT MAKES EGP 2 BN SALES OF NORTH COAST'S WHITE BAY



PACT for Investment and Real Estate Development, an Egyptian real estate developer, has announced achieving EGP 2 bn in sales of its North Coast project, White Bay, during 2018, Invest-Gate reports.

PACT's President Mohamed Gamal exclusively revealed to Invest-Gate that his company has sold 400 units out of the project's overall 700 units, confirming that PACT plans to complete marketing the remaining units during the current year.

Additionally, Gamal noted that the company has managed marketing two phases of White Bay, which covers a total of 145,000 square meters, pointing out that PACT targets pumping investments worth approximately EGP 700 mn into the project throughout the coming period.

The company plans to deliver 200 units in White Bay's first phase during 2019, Gamal stated, adding that construction works at the project's phase one have been finalized and

about 85% of the second phase's construction has been done.

Meanwhile, the official unveiled that PACT intends to launch a new project soon, refusing to reveal any additional details regarding the venture before completing its feasibility studies.

Encompassing 660 residential units varying between villas, twin houses, and chalets surrounded by green areas, White Bay is being built over four phases at a total cost of EGP 1.7 bn. It spans across a total of 80 acres, of which only 13% is the project's built-up area.

White Bay, which is characterized by its white sand beach, is located in Sidi Heneish, 30 minutes away from Matrouh and adjacent to the new Cairo-Dabaa road.

Residents will have the opportunity to choose between three types of units with different spaces and interiors, which are all built in compliance with the standards of smart homes to save energy and increase efficiency.

## PYRAMIDS DEVELOPMENTS BEGINS WORK ON NAC'S GRAND SQUARE MALL

Egypt-based Pyramids Developments has commenced drilling works at its new project, Grand Square Mall, the first commercial and administrative mall in the New Administrative Capital's (NAC) business district, Invest-Gate reports.



Chairperson of Pyramids Developments Hesham Elkhoully said the mall, with an estimated investment value of EGP 750 mn, will be fully completed and delivered by the end of 2020, he revealed during a media tour at the mall site on January 13.

“[Grand Square Mall] is considered the third project for Pyramids Developments in NAC, as we have a belief in the feasibility of investment in this giant national project, as NAC is the first integrated smart city on the land of Egypt,” Elkhoully noted.

Inspired by modern French art and design, the mall comprises seven floors for mixed-use purposes; the first and second floors are allocated for shops, the third for medical clinics, the fourth and fifth for administrative offices, while the sixth and seventh are for the development of a hotel, the chairman elaborated.

The mall is distinguished by its unique location in NAC's business district, located directly in front of the presidential palace, cabinet, governmental district, and next to the parliament. Moreover, it will be surrounded by several universities and entertainment venues, which the company expects to double the investment value of the mall, according to Elkhoully.

He added that Pyramids Development provides facilities and various payment systems, with installment plans reaching up to seven years and a 10% down payment of the unit's total value.

Meanwhile, Elkhoully has also revealed that the property developer targets EGP 2.5 bn sales during 2019 from its distinct projects across Egypt.

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## INVEST-GATE NAMED OFFICIALLY CITYSCAPE EGYPT'S MEDIA PARTNER

Invest-Gate proudly announces its media partnership with Cityscape Egypt to take place from March 27 to 30 at Egypt International Exhibition Centre (EIEC), Cairo.

Under the theme of "Energizing the Market and Re-Instating Confidence," the 2019 edition of Cityscape Egypt will be the region's largest real estate investment event, gathering over 250 top-level industry professionals under one roof to exchange knowledge, information, trends, and business opportunities.

The event will bring together 190 delegates, who are counted among the top leaders of the real estate industry in the region and represent a driving force of the Egyptian economy, while presenting key business leaders, innovators, government officials, and strategists, aiming to provide a full range of knowledge.

In addition, at Cityscape Egypt, exhibitors are to showcase their products to interested buyers and present their different deals through a portfolio of diversified projects across Egypt.

The four-day event will also feature 60% senior-level job titles who are guaranteed to inspire and share their wealth of knowledge and insights through powerful debates, discussions, and peer-to-peer networking.

In partnership with the International Real Estate Federation (FIABCI-Egypt), the event's advisory board comprises an array of key players and experts, including Managing Director of Tatweer Misr Ahmed Shalaby, CEO of Hyde Park Amin Serag, CCO of Emaar Misr Nabil Amasha, among others, with Gates Developments and OLX as platinum sponsors.

The 2018 edition of Cityscape Egypt was successfully concluded with a record-breaking number of visitors in the largest event in the show's history, with 8% increase in visitor numbers compared to the year-ago show, witnessing more than 70 exhibitors who displayed many projects from their latest with attractive discounts and payment offers on both residential and vocational projects.

## HASSAN ALLAM HOLDING AWARDED WATER PROJECT IN NEW MANSOURA

Hassan Allam Holding (HAH) has announced a new award for the establishment of a desalination plant in New Mansoura city, Invest-Gate reports.

The plant will produce 80,000 cubic meters of water per day once completed, "using state-of-art reverse osmosis technology," according to a company's statement on January 6.

"[HAH] and its relevant subsidiaries have an [engineering, procurement, and construction (EPC)] role on this project, in partnership with Fluence Corporation. The project will render the New Mansoura city and its neighboring towns, serving over 2 mn inhabitants in phase I," the statement read.

In its statement, HAH highlighted that, along with its subsidiaries, it has invested heavily in developing its EPC capabilities to serve the water industry, while setting off as a regional partner of choice for large-scale infrastructure projects, serving Africa, the GCC, Russia, China, and the Commonwealth of Independent States (CIS) countries.



## MNHD CALLS OFF PLANNED SHARE-SWAP WITH SODIC



Egypt's Madinet Nasr for Housing and Development (MNHD) has called off a planned merger via a share-swap with the Sixth of October Development and Investment Company (SODIC) due to failure to reach an agreement with the latter company over the former swap coefficient pact, Invest-Gate reports.

In October 2018, SODIC planned to acquire at least 51% stake in MNHD through a mandatory purchase offer that entailed the exchange of one of SODIC's shares for every two of MNHD's, however, the latter rejected this mandatory purchase offer, SODIC said in a bourse filing on January 22.

Both property developers did not disclose the reasons behind calling off the planned deal. Meanwhile, trading on SODIC's shares was suspended pending a response to

the EGX, according to the Egyptian stock exchange website.

If the deal had consummated, both firms' total vacant land area would surpass 15 mn square meters, providing 15 years of development visibility in premium and geographically diverse locations that will eventually create one of the largest entities in Egypt's real estate market, according to an earlier bourse filing.

MNHD previously stated that the proposed combination would bring together MNHD's large land bank of over 9 mn square meters – located mainly in east Cairo – and its strong sales track record, in addition to SODIC's premium brand name and track record with a complementary land bank across west and east Cairo as well as the North Coast.



# IPS KICKS OFF

The International Property Show (IPS), the Middle East's biggest property sales platform for local and international real estate market, was held for the first time in Egypt from January 10 to 13, under the auspices of Prime Minister and Minister of Housing, Utilities, and Urban Development Mostafa Madbouly.

With the participation of Dubai Land Department (DLD) and Saudi Wafi Program as strategic partners, the four-day exhibition has assembled key real estate exhibitors from diverse sectors, with the participation of nearly ten property developers from Arab and European countries such as Orientals for Urban Development (OUD), Mountain View, and SAK Developments.

The exhibition achieved a sales volume of EGP 430 mn during the four-day event, according to an official statement.

IPS Egypt was deemed an optimum opportunity for sales and purchases for both local and international properties by providing an ideal platform for investors and homebuyers, while offering visitors exclusive packages





# IPS IN EGYPT FOR 1<sup>ST</sup> TIME

and prices for several commercial and residential projects founded in new cities such as the New Administrative Capital (NAC), New Cairo, New Alamein, among others.

Hosted at New Cairo's Egypt International Exhibition Center (EIEC), IPS Egypt was organized by UAE's Strategic Company for Organizing Exhibitions and MREC Integrated Real Estate Services, witnessing a considerable turnout of local and foreign investors.

On the sidelines of the event, Egypt's Real Estate Development Chamber at Federation of Egyptian Industries (FEI) has signed a cooperation protocol with DLD to promote mutual real estate investments among developers in both countries.

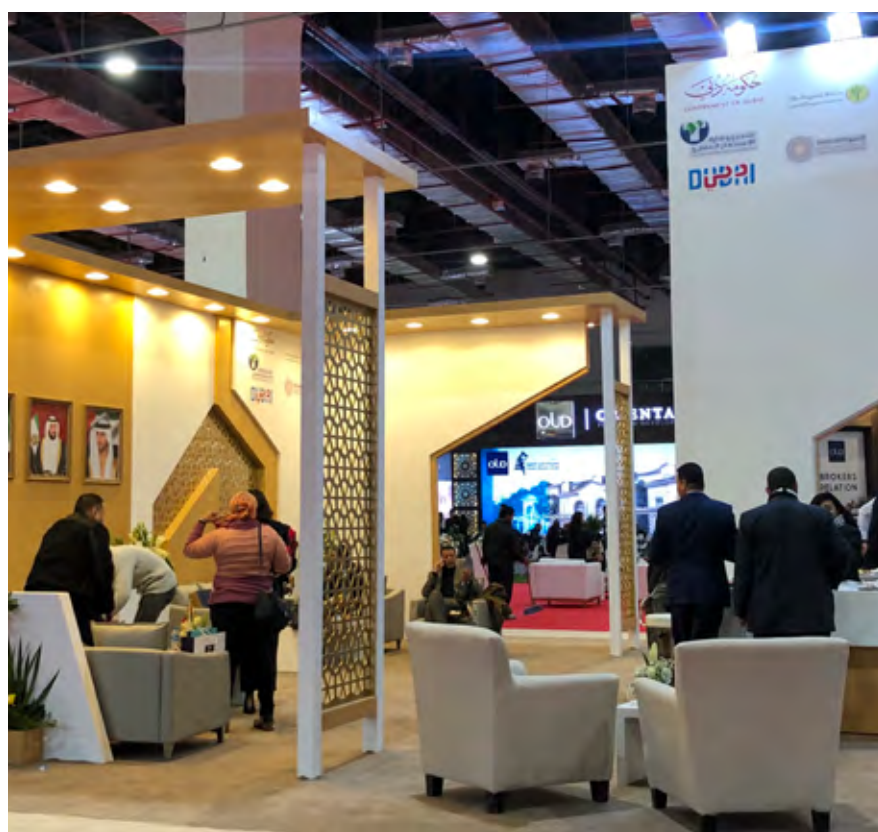
The deal was inked by Head of FEI Tarek Shoukri and Majida Ali Rashid, assistant director general and head of the Real Estate Investment Management and Promotion Center, the investment arm of DLD, stipulating the cooperation in the legal aspect to study the various legislations regulating the

real estate sector in Egypt and the UAE, while sharing their experiences in this regard.

The signing of the agreement was witnessed by Deputy Minister of Housing for National Projects Khaled Abbas, who also attended the property show and hailed the state's and developers' efforts in providing a wide range of development projects across the North African nation.

"There is a large supply of units and projects offered by property developers, aimed at fulfilling the demand for real estate in Egypt, which has increased 30% during 2018 only," Abbas told reporters during the show.

Following Egypt's event, IPS will kick off in Jeddah on February 25, with the participation of major Egyptian companies for the first time after years of absence in Saudi Arabia, which is considered a vital move to Egyptian real estate industry as it will shed light on the distinct investment opportunities available in the market.





# PARAGON DEVELOPMENTS UNVEILS CAPSTONE CLIFF RESIDENCE IN SHEIKH ZAYED

Egypt-based Paragon Developments has launched on January 11 its first project, Capstone Cliff Residence, with investments worth EGP 1.75 bn, in a lavish event held in Marriott Mena House, west Cairo.

Located in the heart of Sheikh Zayed and situated 220 meters above sea level, the residential project features “breathtaking views from the peak of Cairo and an unmatched breeze,” according to the developer’s Facebook page.

Mohamed Wageh, chairman of Paragon, said, “This project represents the first of the company’s projects and is being designed by a number of well-known consulting offices inside and outside Egypt.”

Egypt-based Sabbour Consulting and UDAAR for Engineering, Consultancy, and Technology Solutions will be responsible for the architecture and design of the project.

The compound is located a few minutes away from main spots such as Hyper One, Cairo University, Americana Plaza, Arkan Plaza, Nile University, Zayed Center Park, and Zayed Hospital.

The project is being built over 22 acres and is set to comprise varying models of housing units, including residential, superior residential, and Quadro

apartments, as well as standalone villas and twin villas. It also encompasses green areas and a number of facilities and amenities such as a clubhouse, commercial strip, and school.

Mohamed Abdel Mordy, head of commercial sector at Paragon, said that the project comprises 600 units varying between residential units and villas, pointing out that the company is providing payment plans that suit all customers’ purchasing power.

Clients attending the event, which saw unprecedented attendance, were offered exclusive packages and prices. Hence, the launch phase had been fully sold out, with the upcoming phase expected to be launched in the near future.

According to Abdel Mordy, the project’s built up area is 30% and the remaining area is allocated for landscape, adding that the project is planned to be delivered by mid-2021.

Paragon Developments is a subsidiary of RCH, a holding company with a construction track record since 1988 as well as a solid reputation in quality and delivery.



# CITYSCAPE EGYPT BUSINESS BREAKFAST BRINGS TOGETHER TOP GOV'T OFFICIALS, EXPERTS

Cityscape Egypt Business Breakfast was held on January 14 at the Nile Ritz-Carlton in Cairo, Egypt, with government authorities and leading experts shedding light on the country's property sector and their expectations for 2019.

The event, held under the theme "Moving Forward; the Future of Investing in Egypt," tackled the core issues facing Egypt's real estate sector, while discussing the progress made in the country's new cities and luring investments in 2019.

Walid Abbas, assistant minister of commercial affairs of the New Urban Communities Authority (NUCA), delivered a keynote address titled "Ushering in a New Era: New Cities Offering an Update on the Country's New Cities."

Abbas revealed that the government is preparing to develop 112 plots in the new industrial areas and 120,000 acres of land area in new cities to attract real estate investment.

"We aim to increase the rate of projects in Upper Egypt governorates such as Minya and Sohag," he added.

Egypt's Planning Minister Hala El-Saeed, Minister said, "In 2016...We were able to achieve economic reform in all sectors and structural reform in the productive sectors, achieving an economic growth rate of 5.3% in Egypt, which is considered the highest rate in the last ten years."

Meanwhile, Chairman at this year's Cityscape Egypt Business Breakfast and Founder of Mena Group, Fathallah Fawzy, noted that 2019 is expected to usher local and foreign real estate investments into the country, thanks to economic reforms and growth in the property sector.

"The government's plans and the unprecedented development in the real estate sector over the past four years should encourage more companies to get involved in achieving the country's plan for urban development," Fawzy noted, adding, "Meanwhile, together with the private sector, the government has introduced new lands, which has already witnessed an increase in sale figures, compared to last year."



The event concluded with a panel discussion titled "Moving into the International Arena," which saw experts addressing topics such as foreign investment, creating an attractive return on investment (ROI) for investors and satisfying the supply gap.

The Business Breakfast will be followed by the seventh annual Cityscape Egypt Conference, which will return to the Four Seasons Nile Plaza on March 24 and 25, then the Cityscape Egypt exhibition, which will take place from March 27 to 30 at Egypt International Exhibition Center (EIEC) in New Cairo.

The Business Breakfast was sponsored by Arton Capital, this year's global citizenship partner, together with platinum sponsors Gates Developments and OLX.



## CITYSCAPE EGYPT 2019 RETURNS



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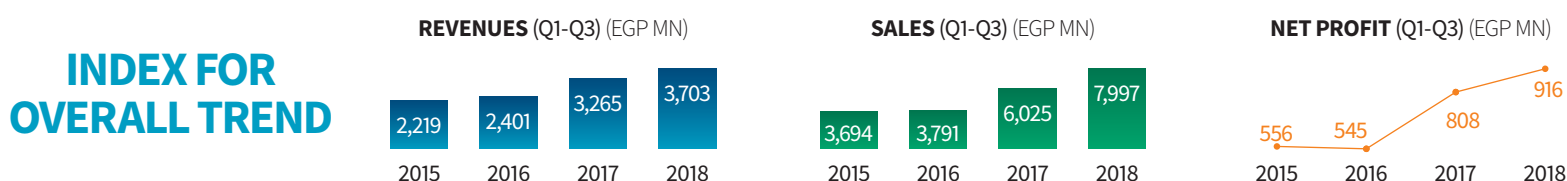
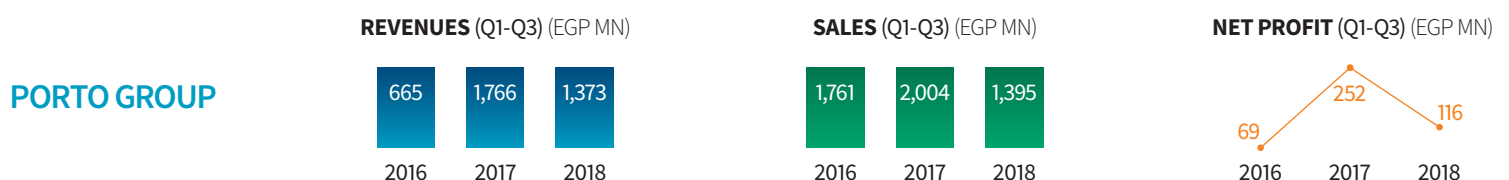
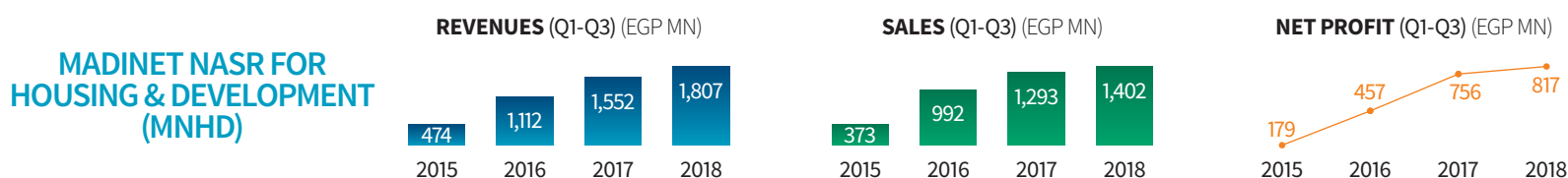
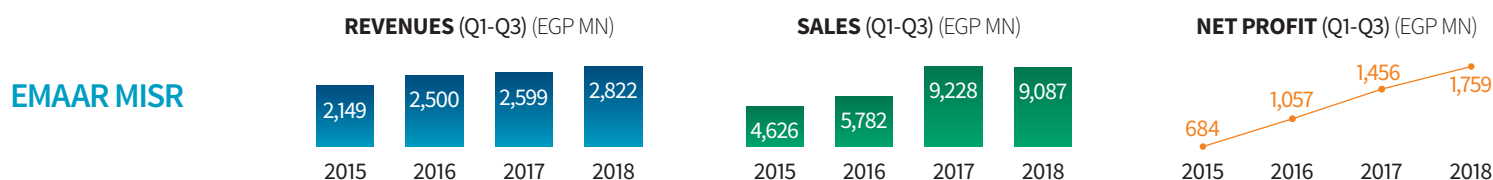
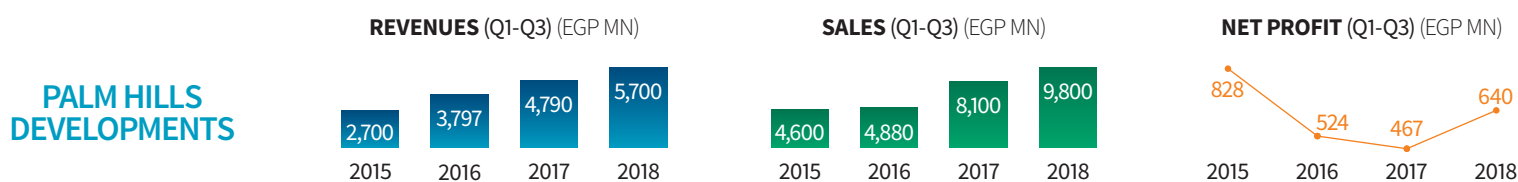
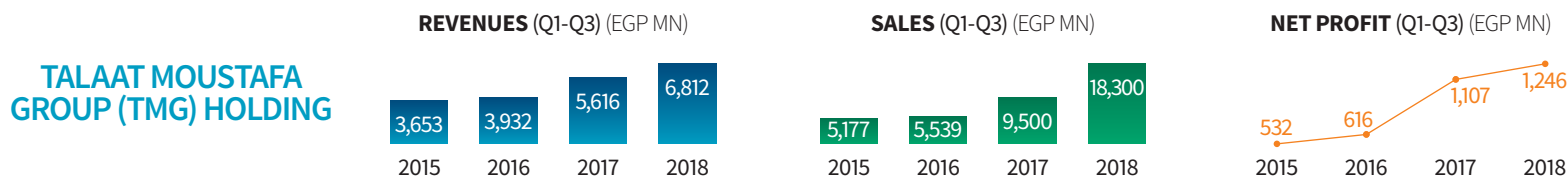
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# TOP FIVE ACHIEVERS

SALES PERFORMANCE OF LISTED REAL ESTATE DEVELOPERS (2015-2018)

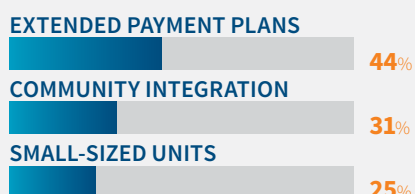
RESEARCH BY **HAGER MAGDY**



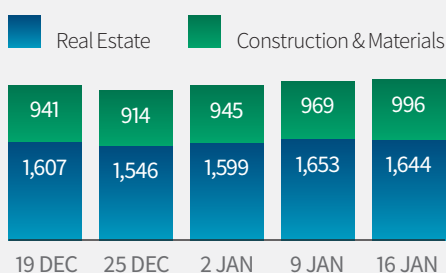
Developers are arranged based on the revenues they posted in the first three quarters of 2018.

## ONLINE MONTHLY SURVEY

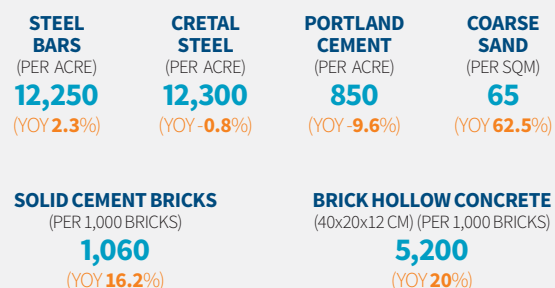
WHAT IS THE MOST SUCCESSFUL TECHNIQUE DEVELOPERS ADOPT TO ATTRACT YOUNG BUYERS?



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



## PRICES OF CONSTRUCTION MATERIALS (DECEMBER 2018) (EGP)

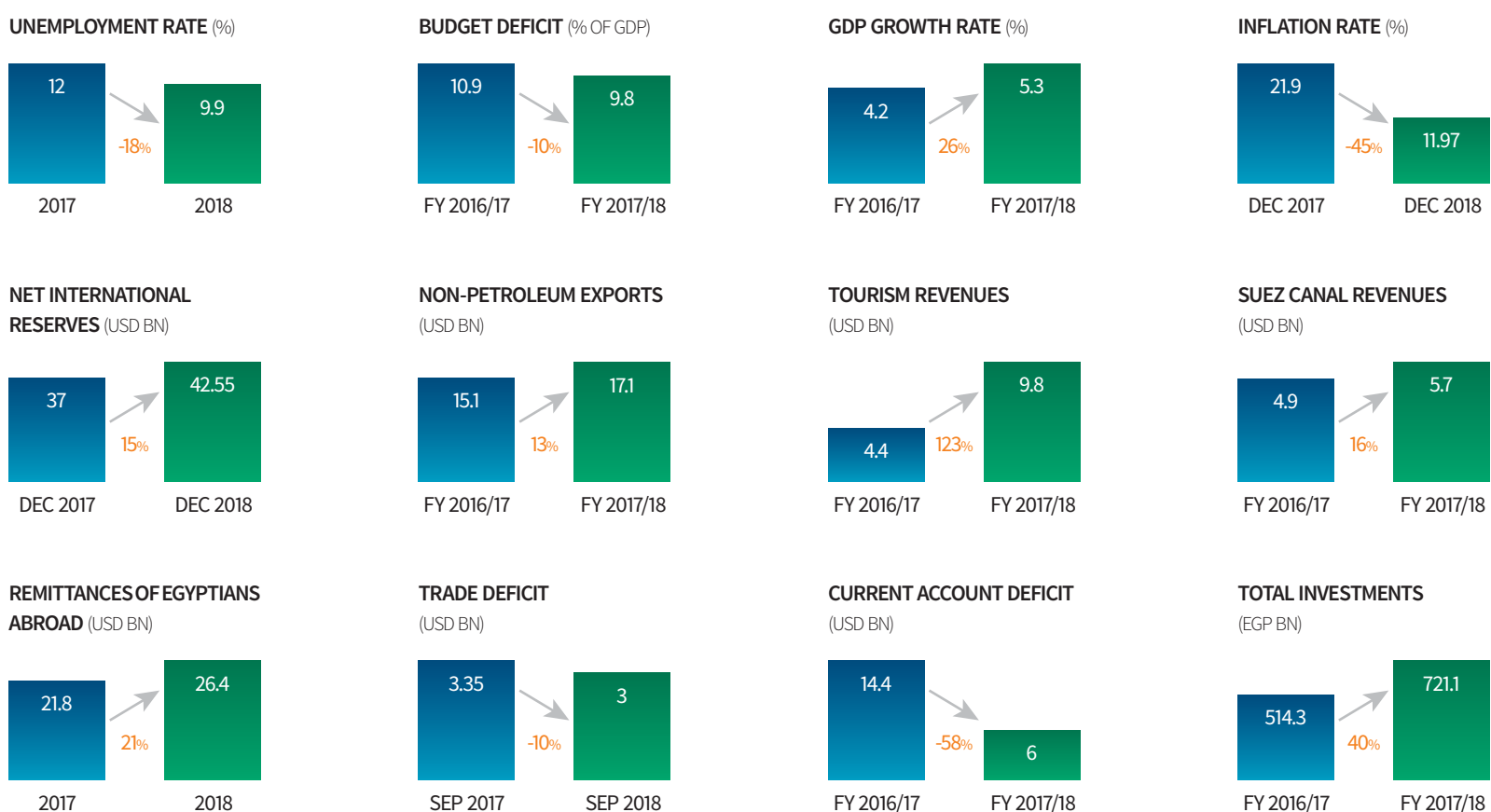


Sources of Raw Data: Egyptian Exchange, Ministry of Housing, and Invest-Gate R&A.

# ECONOMIC SNAPSHOT

RESEARCH BY **HAGER MAGDY**

## REMARKABLE IMPROVEMENT IN 2018 EGYPTIAN ECONOMIC INDICATORS (YOY)



## TOP 10 AFRICAN COUNTRIES TO INVEST IN 2019



RMB ANNOUNCES ITS 2019 INVESTMENT ATTRACTIVENESS RANKINGS FOR AFRICA, WITH EGYPT STAYING IN THE LEAD

## TOP 10 COUNTRIES BY NOMINAL GDP USING PPP EXCHANGE RATES BY 2030 (IN TRILLIONS OF INTERNATIONAL DOLLARS)



EGYPT EXPECTED TO BE AMONG THE WORLD'S TOP 10 ECONOMIES IN 2030



# NUCA TO DELIVER 1<sup>ST</sup> PHASE OF 20 NEW CITIES BY YEAR-END

WALEED ABBAS

BY SHAIMAA GHANEM



In light of the mega development projects planned for Egypt, with much more in the pipeline, Invest-Gate interviews Waleed Abbas, assistant minister for community affairs of the New Urban Communities Authority (NUCA), to discuss the authority's development strategy regarding these new cities as well as partnership projects with private developers, in addition to its plans for the new fiscal year.

## WHAT ARE THE MAIN AXES OF NUCA'S INVESTMENT PLAN FOR FY 2019/20?

The NUCA adopts three main axes; the first axis comprises completing the development of the first phase of New Alamein and New Mansoura cities, in addition to the development of the first phase of four other cities in Upper Egypt - West Nasser, West Assiut, El Fashn, and Mallawi. It also includes the completion of construction works at R3 and R5 residential districts in the New Administrative Capital (NAC), while work is still in progress on NAC's Green River - which covers an area of 1,000 acres and is scheduled for completion in June 2020, with a total investment value of EGP 9 bn.

The second axis includes the implementation of social housing projects in different cities, as we plan to build 120,000 new

units, in addition to 120,000 units that are underway development in a number of new cities.

The third axis embraces the development of the country's transportation system, as well as, maintenance services for roads and water and sewage networks in the already existing cities.

## THE GOVERNMENT HAS RECENTLY UNVEILED 20 NEW FOURTH-GENERATION CITIES. WHEN WILL NUCA FINISH THE FIRST PHASE OF THESE CITIES?

NUCA plans to deliver the first phase of the 20 new fourth-generation cities by the end of 2019. Their implementation is still underway and they notably include: the NAC, New El Fashn, New Mallawi, West Nasser, West Assiut, New Sphinx, New Obour, New Alamein, and New Mansoura.

### **SINCE NUCA IS DONE WITH FIRST PHASE OF PARTNERSHIP PROJECTS WITH PRIVATE REAL ESTATE DEVELOPMENT COMPANIES, WHAT ARE SOME DETAILS ON THE SECOND PHASE?**

The second phase of the partnership projects includes several developments in varying areas. There is an integrated urban development on 410 acres in north Sheikh Zayed City, west Cairo, with an expected investment cost of EGP 17 bn. Others include a mixed-use project in Zayed Spark on an area of 205 acres, at an anticipated investment value of EGP 59 bn, as well as an urban development project stretching over 1,000 acres along Al Dabaa Corridor, Sheikh Zayed City, with investments worth nearly EGP 60 bn, in addition to another urban development project located in the same area across 500 acres - at an investment cost of roughly EGP 29 bn. Moreover, there is an integrated urban development project in the eastern expansion area of 6<sup>th</sup> of October City, west Cairo, on an area of 144 acres, with investments set at EGP 5.5 bn, as well as another project with an integrated urban tourism activity on an area of about 104 acres in New Cairo, east Cairo, with investments worth almost EGP 8.5 bn.

### **WHEN WILL NUCA COMPLETE THE SECOND PHASE OF PARTNERSHIP PROJECTS? ALSO, WHEN WILL THE THIRD PHASE BE LAUNCHED?**

The second phase includes 12 partnership projects. Previously, NUCA has completed six projects and is planning to deal on the other six - which span across 2,370 acres - with four major real estate developers during the first quarter of 2019. The total value of the six partnership projects' contracts amounts to EGP 179 bn.

We plan to launch the third phase of partnership projects during the second half of 2019 and it may include 20 land plots on 10,000 acres in new cities such as New Alamein and New Mansoura cities, for the first time with expectations to witness a high demand on land offerings.

### **HOW MANY LANDS WILL BE OFFERED WITH INFRASTRUCTURE IN THE CURRENT FY?**

We target providing 30,000 acres with infrastructure during the current FY, which will be located in the existing cities or the newly launched cities.

### **HOW MANY ADDITIONAL ACRES WERE APPENDED TO NEW CITIES?**

The master plan for adding new extensions to new cities was approved with a total area of 457,000 acres. Besides, urban extensions will be added to New Aswan City and New Sohag City with a total area of 22,000 acres and 9,900 acres, respectively. West Qena City and New Beni Suef City will be expanded to reach 8,900 acres and 15,000 acres, respectively. Furthermore, we will add another 1,495 acres to New Akhmim City in Sohag Governorate. It is worth mentioning that all of these extensions have already obtained presidential decrees for their implementation.

Over and above, it is planned to add 50,000 acres to New Nubaria City to be an extension of Gharbia governorate, which is being considered to be dubbed New Gharbia city and the presidential decree for this city is underway.

### **WHAT ARE LATEST DEVELOPMENT UPDATES ON NEW MANSOURA AND NEW ALAMEIN? WHAT ABOUT NEW SPHINX AND NEW WARRAQ?**

We have completed about 70% of construction works at the first phase of New Mansoura and New Alamein. As for New Sphinx and New Warraq cities, we are still working on their master plans. Additionally, we are taking steps to legalize contracts of property owners in both cities to guarantee their rights.

### **WHAT IS THE VALUE OF INVESTMENTS ALLOCATED BY NUCA TO UPPER EGYPT IN FY 2019/20?**

The investment budget allocated for Upper Egypt reaches EGP 5.6 bn in FY 2019/20 and I expect that it will rise to EGP 10 bn during the same period.



### **HOW MANY INVESTORS HAVE ALREADY OBTAINED LANDS IN UPPER EGYPT?**

Around 70 investors have acquired lands in Upper Egypt for developing a handful of integrated urban, tourism, and mixed-use projects, namely ARDIC for Real Estate Development and Investments and Porto Group.

### **SOME DEVELOPERS CRITICIZE NUCA FOR COMPETING WITH THEM IN SPECIFIC SEGMENTS OF RESIDENTIAL UNITS. WHAT IS YOUR OPINION REGARDING THAT?**

The residential units NUCA offers are not considered competitive with the private sector; they are only considered as a way of controlling prices among the real estate market. In the end, the client has the final call to choose between NUCA and other private developers.

NUCA offers units with prices lower than those of private developers, so when developers provide units with higher prices, they should present additional benefits for their customers.

The prices set by the authority include land's value and implementation costs, as well as profit margins, and yet, they are still lower prices than the prices of developers.

# FLEXIBLE OFFICES: THE YOUNGEST COMMERCIAL REAL ESTATE TREND

BY JULIAN NABIL

As office environments get more innovative, the concept of flexible offices appears to be increasingly popular among businesses that are becoming more agile and looking for flexible workspace options. Invest-Gate looks into this business model, attempting to reach an in-depth study of its benefits, challenges, and potentiality.



## **FLEXIBLE OFFICES AT A GLANCE**

The concept of “flexible office space” is also known as serviced office, managed office, business center, shared space, co-working space, executive suite, or executive space. By definition, it is an office or office building that is fully equipped with all facilities needed for a business to move in and be immediately operational.

Facilities differ from one provider to another, but usually include phone lines, desks, computers, furniture, IT cabling, a managed reception desk, security, shared kitchens, and flexible meeting rooms access.

Generally speaking, flexible office space does not usually require a long-term commitment in terms of lease duration or contract terms. The length of leases varies and can be extended to suit the needs and requirements of the occupier.

The concept of coworking spaces is already common in the Middle East and worldwide; “It

was originally aimed at entrepreneurs, consultants, and small- and medium-sized enterprises (SMEs) targeting lower startup costs, collaborative working spaces, and the flexibility of being able to be booked on a monthly basis,” according to Mansoor Ahmed, director of Healthcare, Education, and Development Solutions at Colliers International MENA.

Today, Ahmed adds that flexible offices are attracting tenants across all industries due to their all-inclusive rental options and their ability to expand or contract their workspaces. They are also used as temporary headquarters when companies expand into new cities.

## **WHY CHOOSE FLEXIBLE OFFICES?**

Flexible office business model is seen as a win-win for both owners and occupiers due to its various benefits for both parties. Purchasers usually enjoy an array of benefits, including “low running costs and profitability driven by high demand,” accord-

ing to Head of Commercial Agency at Colliers International MENA Hamish Troon.

Another key benefit of this model, in the view of Bahgat Sabry, chairman of Constructa for Design, Construction, and Project Management, is its business sustainability. “You can simultaneously fulfill the potential client’s need while maintaining the high standards of your business complex,” he explains.

Constructa launched, on December 17, a new service called “Triple S - Shared Space System” at The Walk shopping mall, east Cairo, allowing doctors to rent their clinics for EGP 24 per hour or a total of EGP 150,000 for 20 years, with packages starting from six hours per week in addition, to the availability of packages with more hours.

Being in a mall, Sabry say, “His business brings really high traffic to the mall, which is a profitable business experience to the rest of the commercial outlets within the same place.”





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As for occupiers, Colliers' Troon sees they benefit from "flexible spaces through common facilities such as meeting rooms at affordable rates, competitive rental rates, zero capital expenditures (capex), as well as opportunities to mingle with other start-up founders."

Some providers offer more luxurious facilities. For example, Sabry says, "Triple S offers a set of general and special facilities, in addition to the option of renting the place for the client while not in use."

General facilities include a garage, central air conditioning, elevators, multiple entrances, operations and maintenance company, closed-circuit television (CCTV), 24/7 security, pharmacy, X-ray center, and a lab. Triple S offers other special benefits such as fully finished and furnished units, reception, and waiting area, lockers to keep one's stuff while not using the clinic, digital display screens, parking slots for visitors, in addition to housekeeping services.

### **HINDERING BARRIERS**

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Although flexible offices have lots of benefits for both user and developer, there are some challenges to this business model in Egypt in terms of reach and knowledge.

The shared/flexible office business model has a huge potential for startups and SMEs, yet Troon notes that it will not be sustainable for large corporate occupiers, who usually require high-security measurements and restricted areas policy.

According to JLL's "Disruption or Distraction" report released in November 2018, "Widely cited concerns include security, confidentiality, and privacy in more open environments. Other companies are apprehensive about the potential impact on their branding and culture, particularly brand dilution."

"Lack of deep geographic coverage, concerns around the appropriateness of locations, excessive density, and the quality of fit-out can also act as barriers to large-scale use for some," the report adds.

However, JLL's report argues that there are multiple risks of not adopting flexible spaces, explaining that "many firms are concerned about staff retention or attraction, and of being behind the curve... [or] perceived as stale."

In addition, Troon also says, "larger organizations are looking at the concept for either expansion space or at its operator as a form of facility management on their existing space."

Other challenges include educating the market about the concept of flexible office space. Troon notes that "given the Egyptian market's culture, marketing could be an obstacle."

"Hence, investors should be as creative as possible and aim to target the younger generations, specifically start-ups," he advises.

On his part, Sabry highlights, "It's the developers' task to educate the market about it." There are a lot of inquiries by the target audience that need to be answered to gain trust in this model, he concludes.

### **OPPORTUNITY FOR INVESTORS TO MAKE BUSINESS**

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While flexible offices still account for only a small proportion of overall office stock, JLL's numbers show that it is growing rapidly worldwide.

According to JLL's "Flexible Office Space" report released in May 2018, shared workspaces have grown at an incredible rate of 200% over the last five years; it is estimated that there will be 26,000 flexible office sites all over the world by 2022, reflecting the strength of demand expected for coworking spaces.



Nearly half of the corporations already use some type of flexible office solution, and by 2020, 65%

Over the last five years  
**SHARED WORK-  
SPACES**

grew by  
**200%**

By 2022, roughly  
**26,000**  
**FLEXIBLE OFFICE  
SITES**

will be available

of companies expect to incorporate coworking into their office portfolio, the report adds.

For Egypt, experts see that there is a potential for this business model to boom. "Flexible offices are a growing sub-sector of the market in Cairo, in line with global trends," JLL highlighted in the "Cairo Real Estate Market" report for Q3 2018.

Troon also notes, "There is a big opportunity for investors, who are willing to invest in such projects due to the lack of supply towards this particular market," while taking into consideration that SMEs in Egypt account for 80% of the country's enterprises, as Business Day Media reported on January 2.

As an investor, Sabry also sees that "a flexible office has great potential, especially among the younger generation of doctors, who can't really afford a full-time clinic due to their limited budget. In addition, the cost is directly proportional to the time invested."

"We started applying the concept with clinics as it is most suited for this type of business models. However, we are considering expansion into the rest of the administrative functions, especially

among professionals such as engineers, lawyers, and accountants," Constructa's chairman notes.

Speaking of the factors that guarantee the success of this model, Troon notes that "like any other business, there are no assurances."

**COLLIERS' TROON LISTS SOME TIPS  
FOR THE SUCCESS OF FLEXIBLE  
OFFICE BUSINESS MODEL:**

- Proper planning, including market study, supply and demand analysis, and financial projections.
- Looking out for competition.
- Choosing the right location.
- Outstanding marketing strategies to ensure attracting the right segment.

In conclusion, as technology advances, workforces become more agile, while companies rethink their ways of space management and usage of flexible offices, which are expected to increase accordingly, along with major implications for investors and corporations.



# NEW GENERATION OF INDUSTRIAL CITIES DEPENDENT ON REAL ESTATE

BY TAMER AMR

The state is moving towards upgrading specialized industrial zones into fully-fledged cities, coming in line with President Abdel-Fattah El-Sisi's directives. "Those cities would be built around labor-intensive industries such as textiles, automotive, carpets, and automobile," the Presidential Spokesman Bassam Rady said during a press event last June, confirming that "the president highlighted Robeky City and Damietta Furniture City as two prime examples of industrial cities and directed the government to build more of them."

CEO of Saudi Egyptian Construction Company (SECON) Darwish Hassanien highlighted that there are other industrial cities under construction such as New Assiut, which would be dedicated to micro- and small-industrial enterprises.

Meanwhile, CEO of the General Authority for Investment and Free Zones (GAFI) Mohsen Adel further added New Minya as a city anchored by construction materials investments, given its proximity to the mineral-rich Eastern Desert mines.

The main advantage of having specialized industrial cities spreading across the country is that they aid the sector's players achieve economies of scale and create a more effective supply chain to meet local and foreign market needs. Accordingly, businesses will find it easier to upgrade their manufacturing technologies and ensure having suitable infrastructure.

During the June 2018 meeting, Egyptian Minister of Trade and Industry Amr Nassar affirmed that such cities will make it easier for existing and new businesses to invest in adding more value to their products; this would reflect on higher export value, he noted.

Within the same context, the Industry Development Authority (IDA) met with state-owned developer China Fortune Land Development (CFLD) in November 2018 to discuss means of helping the government build new industrial cities, as well as, upgrade existing industrial zones into stand-alone cities.

"Our ultimate goal is to create industrial communities, not just zones or parks," says Chairman of IDA Ahmed Abdel Razik, who points out that multiple locations have already been selected to be industrial cities of the future, though he did not disclose their locations nor the industry anchoring each metropolis.

### **NEW INDUSTRIAL CITIES COME WITH REAL ESTATE DEVELOPMENT**

The government continues to build specialized industrial and investment hubs nationwide. However, the challenge of making them successful will be to ensure that real estate and industrial complexes are built simultaneously.

Private developers see that linking industry and investment with real estate development is increasingly beneficial for them in terms of number of investments and residents, who are in need for residential and commercial properties to serve workers in these locations.

"Real estate in Egypt is going through a proverbial fork in the road," says Abdel Nasser Taha, president of the International Real Estate (FIABCI-Egypt). "For local developers to continue to grow, they need to align their construction progress with industrial development, especially among sectors considered a priority by the state," he adds.

Historically, having such a link helped modify some general industrial hubs into livable cities. "It is no coincidence that Sadat City is an industrial city and is one of the most populated compared to similar cities in Egypt," SECON's Hassanien tells Invest-Gate. "People look for jobs over there so they can relocate there once they find a suitable home," he explains.

Right now, Hussein Sabbour, chairman of Sabbour Group, believes that Egypt's industrial zones are lagging behind in terms of real estate development. "Government policies are encouraging domestic industry. But to achieve sustainable development, real estate needs to meet housing needs arising from these projects," he says.

This, according to Sabbour, requires developers to focus on commercial buildings and facilities, including schools, universities, and hospitals, as well as residential properties when investing around an industrial zone. "This is a big opportunity for local developers to find sustainable growth," he confirms.

Accordingly, the government will have a major role in linking industry and real estate developers, according to GAFI's Adel.

For Adel Lotfy, head of the Egyptian Real Estate Developers Council, technology will likely be the key to establishing this link, connecting developers, citizens, and foreign investors with industrial cities and the relevant real estate investment opportunities. "A published digital map of all this information, coupled with favorable investment laws specific to industrial city investments, will be the building blocks leading to the success of any industrial city," says Lotfy.

## **BUILDING INDUSTRIAL COMMUNITIES**

### **ROBEKY CITY**

Egypt's first specialized industrial city Robeky City, which is four kilometers away from Badr City along the Suez-Cairo highway, was announced in 2012 with tanneries moving in as soon as workshops were completed. Yet, it was not the only hub entirely built for a specific industry or sector. It is well ahead of similar cities, including Damietta Furniture City and Benban Village, in terms of attracting sector players, development, and infrastructure.

"Robeky City's maximum capacity is 50,000 employees," says Hamdy Harby, a former head of the Leather Industries Chamber at the Federation of Egyptian Industries and owner of three workshops in Robeky. "It is supposed to start a socioeconomic revolution in the area, similar to what Magra El Oyouun did in its heyday," he adds.

As of 2018, there are over 1,000 residential units built just 750 meters from the industrial area. "This is not enough given how active Robeky is right now," Harby notes. This housing development is designed to have facilities such as a hospital, school, police station, and banks. "However, no one (neither individuals nor businesses) moved there despite its launch back in March 2018," he says. Additionally, the government had allocated a 400-meter plot away from the workshops. "Construction on that plot is moving extremely slow," says Harby.

What is presently close to Robeky's workshops is a small supermarket, a cafe, and mobile food car. "These facilities are just enough for workers to hangout, eat, drink, and smoke on their breaks," says Mohamed Zaki, a 37-year-old third-generation leather tanning workshop owner living in Magra El Oyouun.

A major problem facing Robeky is lack of infrastructure, given that there is a single 10-meter-wide road connecting the workshops with nearby Badr City, Zaki talks about his challenges,

adding that there is no government transportation services along this route. Instead it is handled by unregistered privately-owned micro busses and tuk-tuks (auto rickshaws).

Meanwhile, Badr City only has busses connecting it to the capital, Cairo, and Suez. The rest of Robeky's infrastructure is all industrial grade and designed to be enough for the workshops, according to Harby. "Residential and commercial infrastructure is almost non-existent," he says.

Another problem facing relocation to Robeky is that it only offers facilities for burning workshops, waste, rather than burying or chemically treating it, which is environmentally safer. "This makes living there really difficult with all that pollution, which will rapidly increase as more workshops move into the city," says Zaki.

### **BENBAN VILLAGE**

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Benban Village, 61 kilometers from Aswan, was commissioned in 2014 to become one of the world's largest solar parks with local and foreign investments already pouring in.

Pollution is a matter that Benban Solar Park, at Benban Village, does not have to worry about. It is currently an investment hotspot for clean energy and solar power stations thanks to the legislation passed in 2016 that allows private power stations to feed the national grid.

However, to date, all investments had been directed to building the stations. "We are aiming to turn Benban into a stand-alone city," Aswan Governor Magdy Hegazy told reporters last December after a meeting with delegates from the World Bank. "I have to admit that residential development around the solar park, until now, had taken a backset to station investment," he added.

To rectify this, Hegazy has been in negotiations with private investors to build residential and commercial units for up to 5,000 employees, who will be working in the power stations when the solar park reaches full capacity. "This will help with faster and more stable employment in the park," said the governor, adding, "It will directly reflect on more direct and indirect employment opportunities mainly for those living in Benban Village."

Developers will also have the opportunity to build training and education facilities that would train workers on how to build and manage solar power stations. According to Hegazy, the entire project is currently serviced by only four classes. "We are building a dedicated school that teaches workers about clean energy technologies and skill sets," he said, arguing that "Benban still needs much more."

### **DAMIETTA FURNITURE CITY**

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Meanwhile, the planned Damietta Furniture City is still in the planning phase, aiming to attract all of Damietta furniture workshops and looking to give furniture-making in Egypt a technological uplift and to create a significantly more efficient supply chain.

Talking at a press conference last October, Damietta Governor Manal Awad noted that the new city primarily aims to relocate the governorate's workshops as well as attract new investors with a maximum capacity of 30,000 permanent jobs.

So far, over 1,340 workshops have been built, all are pending allocation to local furniture makers.



Damietta Furniture City is planned to include commercial spaces, a conference center, hotel, and other facilities, Awad told reporters without disclosing further residential developments.

According to Founder and Chairman of El Gabry Group for Real Estate Development Mohamed El Gabry, there are no dedicated plots for residential developments around the furniture city.

The launching of New Damietta City has opened up a lucrative opportunity for El Gabry to be the first to provide homes and services to the workers in Damietta Furniture City, by constructing a gated complex a few kilometers away. "I made that decision when I was affirmed last year that the furniture city is a go and that it will be similar to Robeky," says El Gabry.

Other local developers will likely want to capitalize on the same opportunity. "I have been talking to some other developers and they too seem interested in capitalizing on Damietta Furniture City," says El Gabry. "It is guaranteed that this

will still be a few years away until the new city has enough foot traffic to increase the need to relocate closer to the workplace," he highlights.

#### **A QUESTION OF SUSTAINABILITY**

According to Abdel Raham El Gabbas, a member of the Leather Industries Chambers, residential developments linked to industrial areas must be expedited. "We are hearing more complaints from owners and workers about the commute and lack of services in Robeky, for example," says El Gabbas.

This will either lead to workshops closing as workers and owners look to work in something else in Cairo, or a gradual rise of informal settlements to cater to rising housing demands. "I considered relocating to near Badr City, but prices are really high," says Zaki, who estimates that renting would eat up a quarter of his monthly income and he has no savings to buy a 90-square-meter apartment at a starting price of EGP 162,000, even if it is paid over 48 months.

For Hegazy, while the government is building social housing units in major existing cities near up-and-coming industrial cities, private developers need to start constructing projects within these specialized industrial hubs to turn them into cities - something which is yet to happen in Benban.

"The lack of such developments greatly threatens the prospects of Benban reaching full capacity, given that the original village was never designed to have such large scale investments and that huge influx of people," says Hegazy.

Meanwhile, private developers must adapt to critical differences when investing in an industrial city, including the need to work more closely with the government and local society to build homes that would meet their demands and capabilities, as well as, match the nature of the industry that the city is built around. "The reason Magra El Oyoum worked out was that our homes were priced and built to suit low-income people," says Zaki.



# INVESTING IN MILLENNIALS AN AGENT FOR REAL ESTATE DEVELOPMENT

BY SARA MOHAMED

Over the past decade, human capital has remained at the top of the annual priority list of the real estate key players, as their insatiable need for retaining and attracting the ultimate and brightest talents - ones who are capable of driving innovation, growth, and success in a country's economy - have determined the course for some of these firms' strategic decisions. For the real estate industry, such matters are critical to developing the type of assets capable of attracting optimum investors and clients, as well as generating the highest return on investment (ROI).

Invest-Gate presents an overview of some yielding employee-centered strategies that can positively affect the real estate development, while shedding light on how corporates can add more value to their employees by integrating a number of elements to transform their workspace into a source of competitive advantage, aiming to help decision-makers and investors navigate challenges and potential pitfalls.

## WHY HUMAN CAPITAL MATTERS?

The discourse concerning business, productivity, and performance is shifting toward human-centered approaches, which are now considered one of the major topics in the matter of workplace conditions. Today, business leaders are focusing on nurturing their employees to maintain a fulfilled, productive, and healthy team, which indirectly affect their profits.

Chairman of Sabbour Consulting Hussein Sabbour argues that investing in human capital is an optimum technique to maximize the companies' ROI, particularly in the real estate market.

He alluded to his company's vast experience in such field via following multiple approaches that other firms can also carry out to increase the efficiency and productivity of their employees, while benefiting from the foreign experiences and qualifications in such a field through observation and assessment of non-Egyptian workers during their working hours, stressing on Dubai and London as superb references.

As for other exemplary means of investing in human capital, Sabbour referred to providing the company's personnel with opportunities for educational advancement and training in field-specific skills, which in return increase productivity and performance, and thus, ROI.

To give an example, Sabbour Consulting had earlier sent a delegation of its staff members to study a finance course in Singapore, Malaysia, attempting to upgrade their skills in the financial sector and prepare them for the desired job roles, the chairman elaborated.

Additionally, during Sabbour Consulting's first annual Sabbour Convention in January 2018, Sabbour Academy for Young Engineers has been launched, as part of the company's corporate social responsibility (CSR) activities - a way that firms integrate social, environmental, and economic concerns into their values and decision making in an accountable manner - to foster and prepare youth and graduates for the labor market, the firm announced.

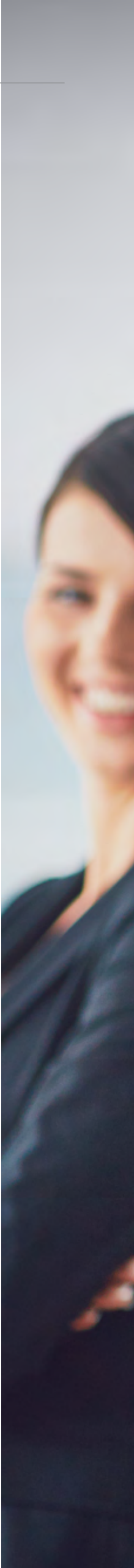
Based on the latest Nielsen Global Survey on Corporate Social Responsibility, companies adopting an active CSR policy contribute to enhancing employees' engagement and assisting companies to attract and keep skillful talents.

Likewise, it looks like there is a snowballing interest among developers in the development of local youth while underpinning their CSR strategies. Back in late 2018, one of Egypt's leading construction and engineering companies, Hassan Allam Holding (HAH), joined forces with Washington-based Neford University to invest in the development of young Egyptian talents.

Through the partnership, the property developer sponsors MBA (Master of Business Administration) programs for 40 of its employees, along with ten other hand-picked Egyptians, HAH said in a previous statement in December 2018, underlining that the "dynamic partnership" is part of the company's expanding CSR strategy to bolster home-grown talent, including its employees.

"By providing Egyptians with greater access to high-quality university education that prepares them for the global workplace, [HAH] aims to stir economic mobility and unlock economic productivity not just in Egypt but throughout the region," the statement read.

On his part, Leader of Human Capital and Communications Consulting at Deloitte Advisory Michał Olbrychowski highlights that "millennials - people born between the 1980s and 2000s - have a wide range of expectations regarding working







conditions. Their requirements and aspirations also tend to change from year to year.”

“Our research shows that flexibility is key for this group. This obviously applies to work time, but also to career paths, training, and evaluation systems, as well as dress code and the workplace,” Olbrychowski stated in a Colliers International report dubbed “Is Your Workplace Millennial-Ready?” in 2018.

**FORGET MAN ON THE MOON; WHAT ABOUT MAN IN THE OFFICE?**

When talking about millennials at the office, a discussion often emerges regarding the coexistence of generations in workplace environments and their special characteristics and requirements.

Colliers’ “Is Your Workplace Millennial-Ready?” report found that although attitudes towards office design and facilities, technological enhancements, and green credentials are changing, the majority of employees still devote

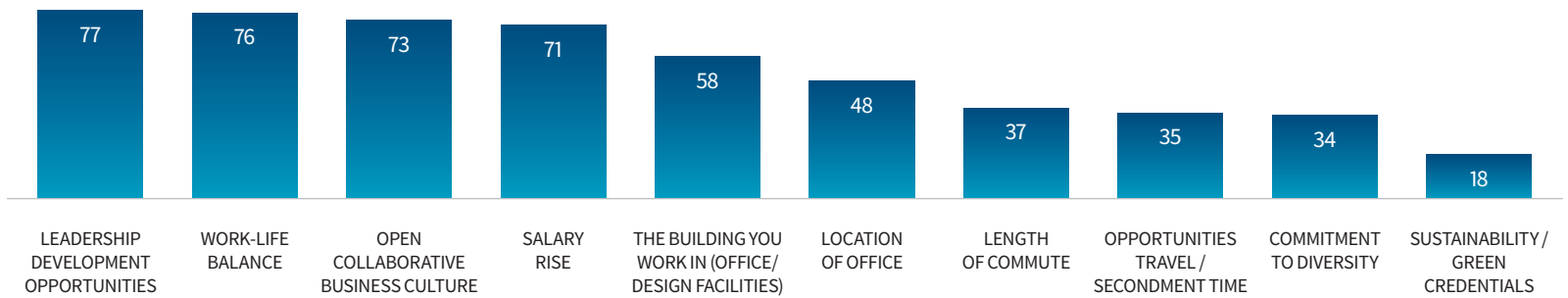
primary importance to factors such as work-life balance, professional development, office location, and the length of commute.

Delving deeper into the main factors in the makeup of the workplace milieu, Colliers’ research, for example, also indicated that “28% strongly agreed that working in a coworking/flexible space was appealing.”

Coworking or flexible office space is an alternative to traditional office solutions, affording companies the possibility of implementing versatile space solutions with reduced overheads. Unlike the more traditional serviced-office model, these shared office spaces offer a suite of office-like amenities such as internet connection, workstations, phone lines, hot-desks, private meeting rooms, amongst others.

On a wider scope, deciding what features an office needs begins with understanding what is the most important and functional to the people working within them. Workplace conditions from basics like ventilation, lighting, thermic, and acoustic conditions to more meticulous such as nutrition and special wellness factors are believed to relate to optimizing productivity.

**PROPORTION OF RESPONDENTS RATING EMPLOYER ENVIRONMENT / CHARACTERISTICS AS VERY IMPORTANT\***



Source: Colliers International, CMS

\* alternative ratings were slightly important and not important

**In its “Global Workplace Trends: Five Shifts Companies Must Make in the Next Five Years” in 2018, Colliers International pinpoints five major shifts that would contribute to the development of the workplace of the future:**

The shift to employee-centered approaches in matters of productivity and performance is indicated in abundant surveys and research articles. As a case in point, a recent Harvard study titled “Economic, Environmental, and Health Implications of Enhanced Ventilation in Office Buildings” found that office workers’ performance improved by 8% on cognitive function tests in buildings with enhanced ventilation rates, equivalent to roughly USD 6,500 per employee per year in increased productivity.

To sum up, decision-makers would be well advised to include discussions of human capital and workspaces – and their configuration – seriously within their strategic decisions and operations, only if their ultimate goal is to create an effective, high-functioning organization.

- 

**Make employee experience a core part of business strategy**  
Drive engagement and productivity by creating true ownership of the employee experience and bringing the service-oriented hospitality mindset into the workplace.
- 

**Build the “Internet of Workplace”**  
Shift your strategy on digital integration in the workplace from nice-to-have amenities to core functionalities that make the workplace reactive and proactive, and that get ahead of the automation impact.
- 

**Create a workplace that makes people healthier**  
Ensure that employees are healthier when they leave the workplace than when they arrive by “leading” employees to wellness, making technology a wellness-enabler and taking designing for wellness to the next level.
- 

**Ingrain coworking mentality in real estate strategy**  
Change the way you think about space needs to focus more on the categories of “core” and “flexible.” Doing so can help you realize the true impact of flexibility on your bottom line and business strategy.
- 

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There is an ongoing debate between Egyptian Real Estate developers and Economists about the real estate market and if it will ever become stagnant. Our role in this issue to assess the situation from a strategic consultant point of view, forecast how the market will deal with the price increase and identify several solutions.



*“Real Estate sector is growing normally and responding to real demand”* **Developers Said**



*“Real Estate sector is going through a bubble that will end in disaster”* **Economists Said**

## Main Key Points Affecting the Real Estate Market



Egypt is the most populous country in MENA, and consequently offers a level of housing demand that is sustainable over the medium to long term

Real estate properties represent around quarter to third of Egyptian families’ wealth at middle and high-income classes and even more than that for lower-income classes.



Developers pay more attention to offer luxury and upper middle residential units with high prices, which results in a severe shortage in offering, middle class, lower middle and social housing units.

86% of units purchases are either for investment as hedging against inflation or for the next generations since prices are in constant increase.



Developers are offering extended payment terms exceeding the 10 years in some cases with 0% down payment to minimize the negative effect of the slowdown in the primary sales, while buyers interested to sell their already purchased units are facing a slowdown in the secondary market.

Real Estate bubble is not new to Egypt. The market has witnessed a few ones before, though it never crashed, with the worst being a multi-year slowdown in primary sales and a freeze in secondary sales without decline in nominal prices of units.



There is significant increase in lands offered by the government with the aim of collecting as much funds as possible as a hedge for budget deficit, consequently developers are offering numerous projects at a quick pace in the market, to collect cash to pay land installments in a short period.





# The Egyptian Real Estate Market

Experts Debate – Developers VS. Economists

## Analysis & Conclusions



For Developers



For Clients



For Government

- Small developers are expected to suffer severely due to their undercapitalization and lack of market recognition, and some will likely crash. On the other hand, large-scale developers will need to dig deep into their pockets to keep afloat and continue on market assessment to define client exact needs prior to development.
- There is a need to study projects deeply and ensure their cash flows are reasonable, and to ensure that they are properly capitalized with long-term funding that can allow them to absorb the stress of the bubble burst.
- Developers are advised to take ‘affordability’ levels as a main factor pre building projects, this does not necessary mean targeting an attractive ticket price only, but also attractive payment plans within well positioned communities.
- Given the tight schedules and high land & construction costs, developers should exert more effort in the pre-design phase of their projects in terms of market studies to cover demand, competitive advantage (uniqueness), and high marketing & sales techniques.
- There is a need to decrease the portion of wealth allocated to real estate, as it is expected to witness real negative returns in the coming years.
- Focusing on mature projects by solid developers is the best practice, even if this will mean paying a premium.
- Monitor projects pre-launching to ensure that developers have enough capital to execute their projects and that such capital would be tied to the project through an escrow account dedicated to the project, handling all cash inflows and outflows.
- Support will be needed for current developers through targeted bank financing packages to avoid crash.

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# PROPERTY MARKET IN YOUNG HOME BUYERS' EYES

BY MAHMOUD EL ZAHWEY

While the government announces plans to develop 20 new fourth generation cities, local homebuyers start to look for residences at these promising spots. As a result, developers compete to adjust their real estate products to cater to their clients' needs across all phases, from their projects' designs to the payment plans they offer.

Since youngsters have a significant impact on the property market's dynamics, even though the purchasing power is highly centralized on the older segment, developers pay special attention to young buyers and seek to satisfy their rapidly changing demands.

"Although the percentage of young homebuyers ranges from only 20% to 25% of the market, this segment indirectly affects the final purchasing decisions of the older age groups," according to Nader Badr, vice president at Edge Holding for Urban Development.

In this regard, Invest-Gate interviews some young home buyers and professionals, trying to create a clear image of the powerful impact of this age group on changing the market's dynamics and trends.

## EASED PAYMENT PLANS LURING YET TRICKY

Young buyers' purchase decision is affected by many factors and their preferences vary, yet they are mainly attracted to developers with the most eased payment plans.

A poll conducted by Invest-Gate about the most successful techniques that developers adopt to attract young buyers showed that extended payment plans mark the most effective technique, gaining 48% of the overall votes, while other techniques like small-sized units and community integration were less favorable at 27% and 25%, respectively.

Maged Mahmoud Salama, a military officer, and his wife Nerwine Abou Bakr, administrative personnel, tell Invest-Gate at the International Property Show (IPS), held in Cairo in January 2019, that an eased payment plan would be an important advantage and would add an extra value to the unit.

On his part, Amr Mostafa, a digital marketing executive, explains, "I am not ready to pay the unit's entire sum all at once," adding that unit sizes do not represent the main concern for him.

However, Sales Manager at Orientals for Urban Development (OUD) Ahmed Zaalouk sees the provision of facilitated payment plans is a complex strategy that new developers consider to lure buyers, indicating that such a strategy may negatively affect the company's cash flow, and thus, trigger a delay in delivery times, while land plots may get withdrawn as a result.

All major developers are normally offering a down payment varying between 5% and 10%, in addition to installment plans over a maximum of seven to eight years, OUD's sales manager tells Invest-Gate.

On his part, Edge Holding's Badr notes that the current competition among developers enables clients to have a 360° view of the market and that's why they consider all factors together and look for the best offers in terms of locations, payment, and facilities.

For that reason, Zaalouk says that developers should not only focus on offering flexible payment plans, but they should also provide adequate facilities as well as successfully design integrated communities for they are effective techniques to attract home buyers.

## OTHER FACTORS CLIENTS LOOK AT

In some cases, several clients consider factors other than payment plans, starting from services and facilities to the units' sizing and proximity to main roads.

Nada Seliman, a public relations executive, points out that the number one priority is the surrounding facilities, agreeing with Salama that this ranges between basic services such as schools, hospitals, and shopping malls, to high-end and luxurious services such as sports clubs, accessible commercial areas, and even on-demand craftsmen for emergency cases.

"We look for a unit with adequate facilities such as medical and educational services, as well as commercial and recreational areas, while having easily accessible entrances, and being close to main roads," the couple explain.

They further note that they are also looking for a unit that offers a good investment opportunity and a potential for price growth in the future, while providing a better life for them and their kids.

As for youngsters' preferred locations, buyers see that the new cities will be the future of Egypt. "I would surely like to live in a new city," Mostafa notes. As for the couple, they see that "current givens show that the future will be in the New Administrative Capital (NAC)."

When asked about their keenness on learning about the developers' backgrounds before buying any unit, young buyers had different standpoints. Salama, for example, says he would like to know more about the company's background before making his final purchase decision, while Mostafa clarifies that he does not really care about the history of the developer as long as the offer matches his needs.

In the same context, Edge Holding's Badr confirms that "clients are now paying more attention to the available surrounding facilities, including the nearest commercial spot and the accessibility to transportation lines."

He adds that his company is keen on measuring the market's needs in every possible way through sales statistics, direct discussions with clients, and even comments on social media - this all to offer a product that caters to their customers' needs.

Zaalouk sees that "clients are currently aware of everything going in the market and build their reasonable choices after acquiring a wide knowledge of every detail about the unit."

## SIGNIFICANT SHIFT IN UNITS' SIZES

Experts see that the buyers' demands shift constantly, responding to the radical economic changes and rapid market moves. Young buyers now tend to buy smaller and lower-cost units mainly due to the highly growing prices of real estate.

"Demand turns from A to B categories, with people looking for villas shifting their interest to townhouses, and people searching for townhouses are getting more interested in large apartments and so on," Zaalouk explains.

OUD's sales manager attributes this shift to the fact that housing prices are on the rise, while the young buyers' income is not growing at the same pace.

In this regard, Badr points out that buyers now ask for less expensive units with smaller sizes, clarifying that demand in the high-end category of all types of units decreasing in a significant way.

"Stand-alone villas that exceed EGP 6 mn are no longer needed, while villas that range between EGP 3 mn and EGP 4 mn achieve the highest sales rates, and the EGP 2 mn apartments are needed the most like never before," Badr explains.

As a result, "smart developers are currently developing their projects in line with the consumers' needs by focusing on smaller-sized units," Zaalouk elucidates.

OUD, for example, provides small-sized units at J'noub project - located in NAC's R7 residential district and spanning across 200,000 square meters - and this was based on an in-depth analysis of the developer's quarterly sales figures that show a rising demand on smaller villas and apartments, he adds.

Generally speaking, it is seen that swinging young buyers' preferences play a fundamental role in driving the major market trends, and since local demand accounts for a high percentage of the overall real estate market in Egypt, developers try to cater their projects accordingly, aiming to generate more revenues and take the lead in the Egyptian real estate sector.

# ECO-HOMES ARE THEY FEASIBLE FOR INNOVATIVE FUTURE?

BY **SARA MOHAMED & MAHMOUD EL ZAHWEY**

If you are considering going green, you are seemingly pondering to curtail your impact on Earth; this might be a really noble and necessary matter to look at when you learn how much our planet has already endured. However, if you thought about investing in an eco-house for this ground, you will not only help preserve the environment, but you will be able to minimize both your environmental impact and financial outlay while bolstering your quality of life quite significantly.





With a handful of factors to consider, some property experts see eco-building a complicated endeavor, whilst others deem it a very promising investment opportunity, particularly in the near future. Invest-Gate thoroughly examines these interrogations to assure that the full diversity of eco-housing is well comprehended through its numerous interdependencies, materialities, and multi-scalar practices.

## WHAT IS ECO-HOUSING?

Eco-housing is more than just energy saving or environmental conservation efforts; the concept takes sustainability practices to a whole new level, starting from the usage of recyclable and sustainable building materials to the construction process, and ending with a healthy and eco-friendly lifestyle that targets reducing wastes and maximizing positive impact on the environment.

An eco-house is typically built using natural construction materials, including mineral wool, cork, or clay, with the fusion of smart strategies such as underfloor heating system or proper thermal insulation, going green, and depending on renewable energy resources, which will consequently help in reducing the house's overall energy consumption and wastes, in addition to cutting its harmful carbon emissions.

Several other factors count; a study by Dovetail Partners - titled "What's New in Eco-Affordable Housing?" - found that smaller-sized houses are more environment-friendly compared to larger ones, while other reports showed that trivial details like designing a higher ceiling or deciding on the placement of certain types of windows could contribute markedly towards the creation of an eco-friendly house.

Today, it looks like developers worldwide are starting to show interest in adopting several eco-housing strategies and techniques, catching up with the global efforts to shift towards a better and more sustainable world.

British daily newspaper The Guardian published an article in 2003 that lists some developers and architects, who built multiple eco-homes across the globe, highlighting the German developer WeberHaus' exceptional eco-friendly house - which greatly minimizes heat loss via the use of highly insulating walls and triple-glazed windows, while also referring to techniques applied by US-based architect Craig Steely to a few buildings in San Francisco's Bay Area such as photovoltaics, a solar domestic hot water system, as well as a zoned radiant heating system.

## THE EGYPTIAN MODEL

For the time being, it seems like the Egyptian property industry is bearing some inching steps toward the adoption of the eco-homes concept. Back in November 2018, Mariout Hills Developments, a subsidiary of Mariout Hills Group, has unveiled adopting a new innovative technology

called "Eco-Housing" to be implemented within its array of projects across Egypt, primarily at its residential project Swiss Ranch in New Alamein city, the first integrated eco-housing venture in the region.

The property developer is attempting to allow homeowners "to create a new way of life that fits the country's requirements and demands while reducing overheads," Chairman of Mariout Hills Developments Ahmed Hassan tells Invest-Gate, adding that the company's strategy is aimed at providing clean and low-cost water and electricity to grant residents long-term durability, a healthier living environment, and reduced energy costs.

He stresses that this shall be achieved through the utilization of renewable energy solutions, including the installation of solar power systems, which minimize heating and cooling costs through the use of passive solar gain, in addition to the implementation of self-contained home sewage treatment systems as well as household wastewater recycling systems.

"For saving, solar energy can give all the necessary input of electricity to all households at low costs, even though a part of this sum will be utilized by the developer to pay for the solar plants' maintenance and repair," Hassan points out.

"In addition to a water production machine, which is one of the most advanced technologies in the world; it produces drinking water at the rate of EGP 0.01 per liter of highly purified water. Meanwhile, machines that produce 30 liters of water a day can cost EGP 25,000 and this value can later make up for the upfront costs and reduce overheads," the chairman notes.

Accordingly, this reduces a household's average monthly electric bill by at least 35% and up to 80%, Hassan reveals to Invest-Gate.

As part of its stipulation to offer a sustainable life within gated communities, all of Mariout Hills' compounds adopting the Eco-Housing strategy also provide land areas dedicated to growing organic food, in addition to organic cattle farming.

Concerning units' prices, Hassan says that the company is offering "the least prices and the highest standards of housing that operate to reduce costs while providing all kind of luxury ever seen in Egypt and the Middle East," noting that interested buyers are required to pay an average price per unit starting from USD 50,000 and up to a maximum of USD 150,000.

Speaking on the strategy's targeted clientele, he confirms that eco-homes are primarily developed for driving foreign investments, and in this regard, the developer is mainly targeting foreigners from north European countries. "We target clients from countries like Denmark, Switzerland, Sweden, and Norway - who have already purchased a lot of units at our compounds," Hassan tells Invest-Gate.

The chairman underlines that Mariout Hills is endeavoring to lure foreign investors to purchase units in its eco-city through the provision of seven newly introduced services to Egypt, including a retirement hotel, groundbreaking kids village, in addition to "the first-of-its-kind sports camping city that will host people from northern Europe during winter."

Nevertheless, Hassan unveils that there was an unprecedented turnout for foreign investors towards New Alamein's Swiss Ranch, attributing the soaring demand to the terrible weather as well as high cost of living in their homelands, which is offset by Egypt's pleasant weather and cheaper living conditions.

## CRITICALLY INTERROGATING ECO-HOMES IN EGYPT

When asked if the Eco-Housing technology can be implemented elsewhere, Mariout Hills' chairman said the eco-friendly strategy can be applied anywhere, revealing that the company has received many requests from the Egyptian public and private sectors' firms for its application within their New Administrative Capital's (NAC's) projects.

On the other hand, other Egyptian developers were mostly unable to follow such complicated eco-housing strategies. Hussien Sabbour, chairman of Sabbour Consulting, reckons that the application of the eco-house strategy is facing numerous challenges in Egypt's real estate industry as the extra expenses directed to the project's implementation, in most cases, trigger price escalation of units.

Despite the major hurdles holding back the North African nation from progressing in this field, some property developers started customizing their projects to match the world's environmental standards. They have taken some slight, yet considerable, steps forward in this regard such as establishing vast green areas in their residential projects and using renewable energy sources, specifically solar power, to lower the compounds' carbon footprint and reduce their energy needs.

Egypt-based Misr Italia Properties, for example, has created a world of lush luxurious greeneries of vertical forests and quiet meadows in its NAC residential project, IL BOSCO, labeling it an ecological haven at the heart of the new capital, while Castle Development and El Makassa have managed to design modern, spacious homes that temper rays of sunlight and use solar energy as the main source of lighting in their NAC's Castle landmark compound.

Meanwhile, Sabbour praises the progress the developers have made for utilizing renewable energy as well as creating vast green areas within their projects, noting that such techniques need to be enhanced all over Egypt as clients would like to have access to lush landscapes and to live in a less polluted environment, especially if it will not cost them much.

# YOUR GUIDE FOR REAL ESTATE INVESTMENT IN 2019

Many people are wondering if it's too late to invest in real estate. Well, let me tell you this, 2019 could be an AMAZING year to start investing in real estate BUT a bit tricky too.

You can still spot some really good investment opportunities but you will have to consider some major factors when choosing your investment property. Here are some tips for the young investors or young couples, who are looking to buy their first property.

## 1. DEVELOPER!

The real estate market is changing, and at this point you will have to be very careful when selecting the right developer you will buy from. This may seem overwhelming to most people as we keep hearing about new developers entering the market every two seconds, but the big major developers are well known in the market. They have been in the market for many years, and they have already delivered some projects so they seem very stable. Consider Madinet Nasr for Housing & Development (MNHD), Talaat Moustafa Group (TMG) Holding, and Sixth of October Development & Investment (SODIC) to name a few. So narrow it down to two or three developers then take it from there.

## 2. LOCATION! LOCATION! LOCATION!

I don't need to explain much here but selecting the right location is key when you consider reselling the unit again after a few years. Consider locations with close access to highways, schools, malls ...etc. All of these factors make the location in such a high demand, and the higher

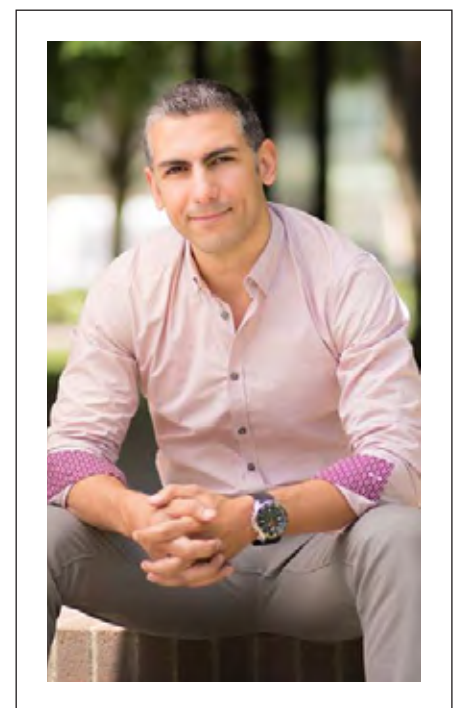
the demand, the better the investment opportunity.

## 3. DELIVERY!

The rule of thumb is, "The closer the delivery date, the higher the return". Delivery after two years is better than three, and three is better than four, and so on. But Why?! Simply because the value of the unit will dramatically increase once it's delivered so you will be able to make the highest return possible within the shortest period of time. Also keep in mind that 90% of the time, developers don't deliver on time. It doesn't mean they are not trustworthy, but the point is to factor the delay time in your calculations which could be anywhere from three to 12 months on average.

## 4. SPECIAL OFFERS/DEALS!

Who doesn't like OFFERS?! We look for them all the time while shopping around in the supermarkets, the malls, the auto shows...etc. Well, real estate is no exception. If you are willing to spend some time and effort to look for offers that would save you a couple of pounds on a bag of rice, so you better look for special offers from developers that could save you a few thousand pounds or sometimes even hundreds of thousands. Offers like extended payment plans and cash discounts are great ways to save you money. It is all about maximizing your return.

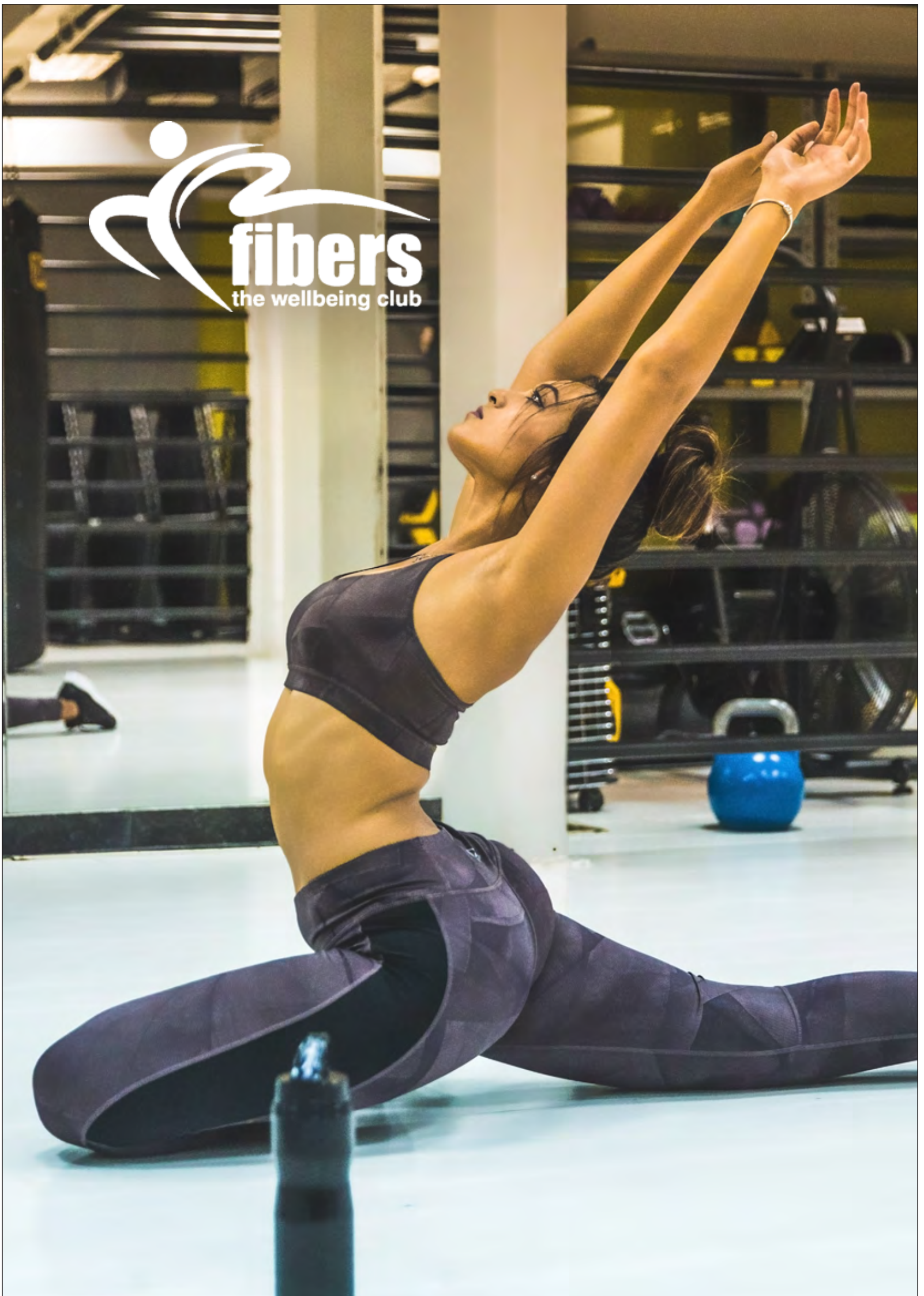


BY **MOHAMED NASSAR**

*Senior Property Consultant*

## BIO:

*Nassar has been working in real estate since 2012 in three different countries. He is a licensed real estate agent in Toronto, Canada, and Senior Property Consultant in Abu Dhabi from 2015 to 2016 and a Senior Property Consultant at MNHD to date. He has sold, leased, and marketed over 150 new projects both locally and internationally in three different countries over the past seven years and he also has over three years of experience working in the resale market as well.*



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